

Cellular Dynamics International Merges Companies, Closes on \$18 Million Financing

MADISON, Wis., November 24, 2008 – Cellular Dynamics International (CDI) announced today the merger of sister companies Stem Cell Products Inc. and iPS Cells Inc. with CDI. The merged entity will continue to operate as Cellular Dynamics International, Inc. (CDI). The merger positions CDI as a leader in the stem cell research tools and personalized bio-banking industries by placing the intellectual property and commercial, research, and production capabilities of the predecessor companies under a unified management team.

CDI was founded in 2004 by Dr. James Thomson, a pioneer in stem cell research, and Drs. Craig January, Timothy Kamp, and Igor Slukvin. All founders are professors at the University of Wisconsin-Madison. Dr. Thomson's discovery of inducible pluripotent stem cells (iPS cells) in November 2007 opened the door for CDI to provide world-class cellular tools to the research community while avoiding past ethical and political constraints. CDI is currently commercializing pluripotent stem cell-derived cardiomyocytes (heart cells) and a variety of other cell types for use by the pharmaceutical industry as a superior means of testing drugs for toxicity prior to reaching the market.

"CDI's stem-cell based tools offer an unprecedented opportunity for pharmaceutical companies to have access to cell types that were previously impossible to obtain," said Thomson. "The true value of these cell types is in their ability to enable safer drug development."

CDI is also establishing the core infrastructure to industrialize the production of human cell types for research and to create a repository of individual stem cells. This bio-repository, or stem cell bio-bank, will utilize the core technology of stem cell reprogramming to demonstrate the utility of banking individual stem cell lines for future use. The cell types derived from the banked stem cells will provide the basis for both genetically diversified cell lines for research and, eventually, personalized cell lines for both therapeutic purposes and testing individuals for potential reactions to drugs.

In early October, the newly merged 50-employee company closed on an \$18 million Series A financing round. Tactics II Stem Cell Ventures LP led the round with participation from Tactics II Ventures LP and the Wisconsin Alumni Research Foundation (WARF).

"Closing a venture round in early October was truly remarkable," said David Snyder, Chief Financial Officer of CDI. "Even during a major financial market downturn, business leaders in Milwaukee as well as WARF continue to provide the critical financial backing for our efforts to build a world-leading stem cell company. We are also appreciative of the support we have received from the Governor and his administration. We believe that if Wisconsin can continue to attract investment in stem cell commercial infrastructure, we have the opportunity to be the major hub of the emerging stem cell industry."

"This is great news for the entire state of Wisconsin. Stem cell research represents the promise to not only save lives, but also to create economic opportunity for innovation and job growth as well," Wisconsin Governor Jim Doyle said. "Despite our national economic downturn, I am pleased that our business leaders are continuing to invest in innovative companies like Cellular Dynamics which will provide the high-end jobs of the future."

Bob Palay, Chairman and CEO of CDI, commented, "CDI is positioned to become a world leader in the personalized stem cell industry. We are building the commercial capacity and manufacturing infrastructure to make personalized stem cell technology a high growth industry."

"WARF has been a strong supporter of Dr. Thomson's groundbreaking research for over a decade," said Carl Gulbrandsen, director of WARF. "CDI is the type of company Wisconsin needs to move stem cell research from the lab to the marketplace. The team Dr. Thomson has assembled at CDI has the capacity

to commercialize his discoveries in ways that can bring great benefit to humankind and the university – goals that are central to our mission at WARF and our decision to invest in CDI.”

Chris Kendrick-Parker, Chief Commercial Officer of CDI, concluded, “We are very enthusiastic about the opportunity to continue to develop world-class tools for the pharmaceutical industry and research community. This funding allows us to build up capacity to meet the needs of our pharma partners and establishes the infrastructure for growth into multiple areas of the stem cell industry.”

Prior to the merger, Cellular Dynamics International focused on reprogramming pluripotent stem cells into cardiomyocytes for use as research tools. Stem Cell Products concentrated on stem cell differentiation into multiple hematopoietic tissue types, including red blood cells, platelets, mast cells, and more. iPS Cells was formed to industrialize the reprogramming of human skin cells into pluripotent stem cells, following on the breakthrough research published by Dr. James Thomson in November 2007.

About Cellular Dynamics International, Inc.

Cellular Dynamics International, Inc. (CDI) is a leading developer of next-generation stem cell technologies for drug development and personalized medicine applications. CDI harnesses the power of pluripotent stem cells and their ability to differentiate into any cell type for world-class drug development tools. In addition, it is establishing the infrastructure to create a bio-bank of individual stem cell lines that can act as the starting material for cellular tools and personalized medicine applications. CDI was founded in 2004 by Dr. James Thomson, a pioneer in human embryonic stem cell research at the University of Wisconsin-Madison, and Tactics II Ventures, a Wisconsin-based venture capital fund. CDI's facilities are located in Madison, Wisconsin.