
Michelson Diagnostics closes £2.5 million First Tranche of £4.0 million Series B fundraising Smith & Nephew as Cornerstone Investor

Highlights:

- Smith & Nephew makes £1.25 million strategic investment; takes Seat on Board of Directors
- Kent County Council makes £250k investment from its Regional Growth Fund
- First Tranche included existing investor Octopus Investments Limited, who partly underwrote the investment as well as several individual Angel Investors
- VivoSight continues to gain significant commercial traction in dermatology; Year to September 2014 revenues grew 100% to £1.2 million

Kent, UK, 9 February 2015 – Michelson Diagnostics, the UK based medical device company focused on multi-beam Optical Coherence Tomography ('OCT') technology, is pleased to announce that it has closed the £2.5 million First Tranche of its Series B financing. This was led by strategic investor, global medical technology business Smith & Nephew and included new investor Kent County Council as well as existing investors.

The £2.5 million investment will be used to expand the Michelson Diagnostics' commercial presence in Germany; launch the Company's next generation VivoSight OCT tissue-imaging system; complete the ongoing US multi-centre clinical biopsy avoidance study and explore further applications of the VivoSight system in areas such as wound care and dentistry. Michelson Diagnostics is in discussions with other investors regarding the Second £1.5 million Tranche of Series B round and expects to close this in the coming months.

VivoSight is a point-of-care tissue-imaging system that for the first time allows users to see below the surface of the skin; non-invasively and with continuous high definition images. Using VivoSight, medical professionals can non-invasively obtain images of the epidermis and superficial dermis of the skin and make an accurate, pain-free diagnosis in real-time. The Company's initial clinical application is for the diagnosis of non-melanoma skin cancer ('NMSC'); the most common skin cancer with approximately 3.5 million new cases diagnosed each year in the USA alone¹.

In March 2014, the Company announced positive top line results from the successfully completed multi-centre, prospective clinical trial in Germany for the diagnosis of basal cell carcinoma using the VivoSight OCT system at the American Academy of Dermatology's 72nd Annual Meeting in Denver, CO. The full results from the trial have been submitted for publication in a peer-reviewed journal. The trial demonstrated a statistically significant improvement in the specificity and Negative Predictive Value (NPV) of Basal Cell Carcinoma diagnosis over both clinical and dermoscopy diagnosis – the current gold standard.

VivoSight currently has regulatory clearance in Europe and Australia, and FDA 510(k) clearance in the US.

Andrew Boyes, SVP Strategic Initiatives Smith & Nephew, will join the Company's Board. Together, Smith & Nephew and Michelson Diagnostics will collaborate to explore new indications for VivoSight such as the investigation of burn depth assessment.

Brian Howlett, Chairman, Michelson Diagnostics, commented: "We are delighted to welcome Smith & Nephew both as a new investor and also to our Board. Andrew Boyes brings a wealth of medical device development as well as industry-specific commercialisation expertise, which will prove invaluable through the next phase of growth at Michelson. This is an exciting time for the Company, as our first application of the VivoSight OCT system is rapidly gaining traction with commercial customers and key opinion leaders in Europe and the United States. Smith & Nephew joining the Series B round and taking a Board seat not only validates our technology and the commercial impact that the VivoSight OCT system is demonstrating in NMSC imaging and diagnosis, but equally underscores the future potential of OCT imaging in other clinical modalities beyond dermatology."

Andrew Boyes, SVP Strategic Initiatives Smith & Nephew, said: "At Smith & Nephew we are keen to identify and develop innovative products which have the potential to significantly advance the way in which patients are diagnosed and treated. VivoSight fits that bill and we are very optimistic for its clinical and commercial prospects."

Simon Andrews, member of the Ventures team at Octopus added: "Michelson Diagnostics is at an important stage of the commercialisation of the VivoSight system and we remain firm supporters of the business. Following the promising data in 2014 and the growing awareness within the clinical field, we believe that Michelson is well placed to accelerate growth in dermatology as well as other clinical application areas in the coming years."

Catalysis Capital Partners Limited advised Michelson Diagnostics on the fundraising and Olswang LLP acted as legal counsel.

¹ M. A. Rogers Hw Fau - Weinstock, A. R. Weinstock Ma Fau - Harris, M. R. Harris Ar Fau - Hinckley, S. R. Hinckley Mr Fau - Feldman, A. B. Feldman Sr Fau - Fleischer, B. M. Fleischer Ab Fau - Coldiron, et al., "Incidence estimate of nonmelanoma skin cancer in the United States, 2006," 20100316 DCOM- 20100413.

For further information

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Notes to editors

About the VivoSight OCT System and Michelson Diagnostics

Michelson Diagnostics develops, manufactures and markets the VivoSight multi-beam Optical Coherence Tomography ('OCT') scanner; a point-of-care, real-time tissue imaging device. The patented technology, which has CE/TGA regulatory-clearance and FDA 510(k) approval in the United States, provides clinicians with continuous images of the epidermis and superficial dermis of the skin that can be interpreted by a medical professional. Given the unprecedented image resolution and image quality, VivoSight OCT has many potential clinical applications beyond the initial focus in dermatology.

The Company's vision is for the VivoSight OCT system to become the standard-of-care for the non-invasive diagnosis and treatment monitoring of certain diseases and conditions that affect cutaneous and epithelial linings of the body. Michelson Diagnostics currently generates revenues from the first commercial application of VivoSight, in the diagnosis of non-melanoma skin cancer (NMSC).

VivoSight has regulatory approval in Europe, the USA and Australia, for use by trained clinicians in their assessment of the patient's medical condition. In March 2014, the Company presented top line finding of its Level 1 Clinical Evidence study conducted in Germany at the 72nd Annual Meeting of the American Academy of Dermatology in Denver, Colorado, USA. The prospective, multi-centre 250 patient study showed statistically significant performance of the VivoSight system as compared to the current standard of care. VivoSight is currently sold in Germany where the scans are reimbursed for patients with private healthcare insurance. Further clinical studies are presently being conducted at leading centres in the United States.

The Company, based in Orpington, Kent, was founded in 2006 and has 18 employees, and has offices in Germany and USA. It is supported by a syndicate of Venture Capital, corporate and private investors including funds managed by Octopus Investments, T.J. Smith and Nephew Limited, Catapult Ventures and Angel Investors.

For more information about Michael Diagnostics and the VivoSight system, see www.michelsondiagnostics.com and www.vivosight.com.

About Smith & Nephew

Smith & Nephew is a global medical technology business dedicated to helping healthcare professionals improve people's lives. With leadership positions in Orthopaedic Reconstruction, Advanced Wound Management, Sports Medicine and Trauma & Extremities, Smith & Nephew has around 14,000 employees and a presence in more than 90 countries. Annual sales in 2013 were more than \$4.3 billion. Smith & Nephew is a member of the FTSE100 (LSE: SN, NYSE: SNN).

For more information about Smith & Nephew, please visit their corporate website www.smith-nephew.com, follow @SmithNephewplc on Twitter or visit SmithNephewplc on Facebook.com

About Octopus Investments

Octopus is a venture capital investor who backs talented people with the potential to build big businesses. Our focus is on identifying entrepreneurs and fast growth companies that can scale explosively to create, transform or dominate an industry. The Ventures team has a proven track record of helping build exceptional global businesses, including Zoopla Property Group, Secret Escapes, SwiftKey, graze.com and YPlan.

The Ventures team is part of Octopus Investments, one of the UK's leading investment management companies, specialising in smaller company investing with more than £4.7 billion of assets under management.

<http://www.octopusinvestments.com/>

About Kent County Council Regional Growth Fund

The county is a flagship area for the Regional Growth Fund, the government's £2.6bn national fund to support private sector job creation and new investment. Kent County Council has been awarded £55million to provide finance to Kent businesses over a four year period. We are pleased to welcome Michelson Diagnostics to Kent.

For more information contact: www.kent.gov.uk