mesoblast
the regenerative medicine company

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FINANCIAL YEAR END RESULTS
Mesoblast Delivers on Broadening Product Portfolio

Melbourne, Australia; 26 August 2009: Australia's regenerative medicine company, Mesoblast Limited (ASX:MSB), today reported its results for the year ended 30 June 2008.

Mesoblast Chairman, Mr Brian Jamieson, said: "We believe this new financial year will see continued unlocking of value from our leading adult stem cell platform technology.

"We remain confident that both Mesoblast and our United States-based associate company Angioblast Systems will deliver significant commercial outcomes as our clinical product portfolio matures," Mr Jamieson added.

With cash reserves of $16.5 million at 30 June 2009, Mesoblast has strengthened its capacity to commercialise a broadening portfolio of allogeneic or "off-the-shelf" adult stem cell products. The low-cost, high margin business model associated with these products is similar to pharmaceutical drugs, and underscores the company's significant commercial advantages over competitive technologies in very large global orthopedic markets.

Product Manufacturing Approval and Early Revenues

During 2009, Mesoblast initiated a formal process aimed at obtaining licences from the Australian Therapeutic Goods Administration (TGA) to commercially manufacture its adult stem cell products. This could result in earlier revenues by making its products available to clinicians and hospitals throughout Australia.

Fracture Repair

On the basis of Mesoblast's successful clinical trial for repair of non-union long bone fractures, the company will first seek to make its bone repair product available under TGA license to patients with poorly-healing fractures and no alternative options.

Spinal Diseases Franchise

Mesoblast has a major focus on building a suite of bone and cartilage repair products for spinal intervertebral diseases, the fastest growing market in orthopaedics. Specific accomplishments during 2009 included:

- Spinal fusion products being developed to target minimally invasive surgery of the lumbar and cervical spines, with potential for greater surgeon uptake and higher margins
- Obtained clearance from United States Food and Drug Administration (FDA) for Phase 2 clinical trial of Mesoblast's spinal fusion product NeoFuse™ in minimally invasive lumbar fusion surgery in the lower back
- Commenced a Phase 2 clinical trial of NeoFuse™ for cervical spinal fusion in the neck.

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Osteoarthritis

A further key focus is to develop products for the treatment of cartilage loss in the knee. Specific accomplishments during 2009 included:

- Cartilage repair products being developed for treatment of both isolated cartilage defects in young, active people, and for generalised osteoarthritis in older people
- Commenced a Phase 2 trial of Mesoblast's arthritis product RepliCart™ for preventing osteoarthritis of the knee after knee trauma and reconstruction of the Anterior Cruciate Ligament.

Angioblast

Mesoblast maintains a highly productive relationship with its United States associate company, Angioblast Systems Inc., as it advances the shared platform stem cell technology for cardiac, vascular, bone marrow and eye conditions. After Angioblast's $10 million equity-based capital raising in August 2009, Mesoblast will retain its 38.4% equity stake in Angioblast, until at least the next financing event undertaken by Angioblast, at which time it may seek to maintain or increase its shareholding.

Angioblast's most significant highlights for the financial year were:

- Positive interim efficacy results from the first group of patients receiving Angioblast's lead cardiac product, Revascor™, in the 60-patient Phase 2 trial for treatment of moderate to severe congestive heart failure (class II-III).
- These initial results formed the basis for commencement of a further Phase 2 clinical trial for patients with the worst decline in heart muscle function (class IV). This trial is being funded by the US National Institutes of Health (NIH).
- In a groundbreaking trial, the first five patients undergoing bone marrow transplants showed earlier engraftment after Angioblast's proprietary cells were used to expand cord blood. The trial, also funded by the NIH, is being conducted under an US FDA Orphan Drug Designation that could result in an accelerated product registration.

Financial Summary

- Cash reserves were $16.5 million compared to $14.1 million for the 2008 financial year
- Operating cash use was $9.2 million ($6.2 million)
- Net loss was $12.3 million ($10.1 million).

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About Mesoblast
Mesoblast Limited (ASX:MSB) is committed to the development of novel treatments for orthopaedic conditions, including the rapid commercialisation of a unique adult stem cell technology aimed at the regeneration and repair of bone and cartilage. Our focus is to progress through clinical trials and international regulatory processes necessary to commercialise the technology in as short a timeframe as possible. Mesoblast has the worldwide exclusive rights for a series of patents and technologies developed over more than 10 years relating to the identification, extraction and culture of adult Mesenchymal Precursor Cells (MPCs). The Company has acquired 38.4% of Angioblast Systems Inc., an American company developing the platform MPC technology for the treatment of cardiac, vascular and eye diseases including repair and regeneration of blood vessels and heart muscle. Mesoblast and Angioblast are jointly funding and progressing the core technology. Mesoblast's strategy is to maximise shareholder value through both corporate partnerships and the rapid and successful completion of clinical milestones. www.mesoblast.com

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