mesoblast
the regenerative medicine company

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HALF YEAR RESULTS – MESOBLAST POSTS STRONG CASH BALANCE

Melbourne, Australia; 27 February 2012: Global regenerative medicine company, Mesoblast Limited (ASX: MSB), today reported cash reserves of $241 million for the 2012 financial half year reporting period ended 31 December 2011.

Mesoblast Chief Executive, Professor Silviu Itescu, said the cash reserves were sufficient to maintain a firm pace of development of the company's broad-ranging Mesenchymal Precursor Cell (MPC) product pipeline, both those products partnered with Teva Pharmaceutical Industries Ltd and those in which Mesoblast retains 100 per cent financial interest.

Revenue during the reporting period includes $18.6 million of commercialisation received from Teva and interest revenue.

Expenditure during this period of $36.6 million is primarily for costs incurred from significant expansion of multiple clinical and preclinical trials in the United States, Australia, Europe and Singapore together with the rapid building of world class clinical, regulatory and manufacturing teams, as well strengthening of the operational and business development units. Significant increases in expenses related to manufacturing were incurred to support Phase 3 trial and commercial product rollout, new clinical applications, and to deliver reduced COGs.

A loss before income tax of $17.6 million was recorded for the six-month period. The after tax loss of $44.1 million included an income tax expense of $26.5 million, incurred on the upfront fee from Teva for exclusive commercial rights to specific products.

"We are very pleased with the strength of the strategic partnership with Teva and its potential to unlock considerable shareholder value derived from our cardiovascular and neurologic product pipeline," Professor Itescu said. "In addition to this alliance, we are accelerating our clinical programs for diabetes and metabolic diseases, degenerative disc disease, inflammatory conditions of the lungs and joints, and eye diseases".

Professor Itescu said that another significant corporate achievement during the reporting period was the execution of a global manufacturing alliance with leading biologics manufacturer Lonza, as this provides certainty of manufacturing capacity to meet Mesoblast's long-term projections for supply of clinical product.

He said he was particularly encouraged about the unique potential of Mesoblast's intravenously delivered MPCs to impact on the metabolic features and major organ complications of type 2 diabetes.

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"We have now seen that the significant reduction in blood glucose levels following a single injection of the three highest MPC doses tested persists for at least six months of follow-up in non-human primates. Similarly, the significant reduction in circulating C-reactive protein (CRP), the major predictor of cardiovascular events and cardiac mortality in type 2 diabetic patients, is maintained over six months of follow-up in subjects who received the three highest MPC doses.

"The same MPC doses will be tested in our recently cleared Phase 2 trial for type 2 diabetes, and if safety and efficacy are confirmed over a three month period, we will be in a position to progress with clinical programs aiming to reverse or prevent major organ complications of diabetes.

"We expect to see strong news flow during the rest of the 2012 financial year as the Phase 3 cardiovascular program in partnership with Teva moves forward, our diabetes and other intravenous programs accelerate, and results from our orthopedic trials come to hand," Professor Itescu concluded.

About Mesoblast
Mesoblast Limited (ASX:MSB) is a world leader in commercialising biologic products for the broad field of regenerative medicine. Mesoblast has the worldwide exclusive rights for a series of patents and technologies developed over more than 10 years relating to the identification, extraction, culture and uses of adult Mesenchymal Precursor Cells (MPCs). www.mesoblast.com

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