mesoblast
the regenerative medicine company

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MESOBLAST CORPORATE OVERVIEW
Chief Executive's Message to AGM

Melbourne, Australia; 29 November 2012 – Mesoblast Limited (ASX: MSB; USOTC: MBLTY) Chief Executive Professor Silviu Itescu today provided shareholders at the company's 2012 Annual General Meeting with an overview of the company's corporate strategy, key highlights for the year, and an update on recent progress.

Professor Itescu said that Mesoblast is in a strong position to deliver shareholder value, having over $190 million in cash reserves to facilitate the successful execution of its corporate strategy.

Corporate Strategy

Mesoblast's patented Mesenchymal Precursor Cells (MPCs) are purified populations of the earliest precursors of mesenchymal lineage cells. These cells have shown a high degree of potency and effectiveness across multiple disease targets. Their high expansion potential and relative non-immunogenicity facilitates a cost-effective allogeneic, or "off-the-shelf", therapy which can be commercially scaled and batched for regulatory compliance.

Mesoblast plans to leverage its proprietary technology platform by

- specifically targeting major medical conditions where the MPC technology offers unique scientific and clinical advantages
- developing multiple products in parallel to increase probability of success
- taking advantage of its strong cash position to advance multiple products simultaneously and capitalize on its patent portfolio
- forming strategic partnerships to increase probability of success
- establishing product manufacturing and sales operations capable of generating sustainable revenues.

Product Pipeline

Mesoblast's broad and diverse product pipeline spans four distinct areas:

1. products being commercialized in partnership with Teva Pharmaceutical Industries Ltd, primarily for cardiovascular and neurologic diseases;
2. products under development for intravenous delivery in type 2 diabetes, including for treatment of diabetic complications such as kidney disease;
3. products being delivered intravenously for immunologic/inflammatory conditions, such as lung and joint diseases; and
4. products being locally administered for orthopedic conditions of the spine, and vascular or inflammatory conditions of the eye.

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Mesoblast's strategic alliance with Teva provides Mesoblast with Phase 3 clinical and regulatory expertise, proven capability to bring products to market, and global distribution strength. Teva and Mesoblast are committed to jointly developing innovative products for major cardiovascular and neurologic markets. The lead product in this alliance is for congestive heart failure, the number one cause of hospitalization in the industrialized world. Mesoblast and Teva are working closely and are in detailed discussions on a Phase 3 trial design for congestive heart failure, which will involve an early interim analysis to evaluate evidence of efficacy.

Mesoblast is developing additional products to treat prevalent systemic disorders which affect the metabolic, inflammatory and immune systems. These disorders include type 2 diabetes and its complications, particularly diabetic kidney disease; inflammatory diseases of the joints such as rheumatoid arthritis; and inflammatory lung diseases, such as pulmonary fibrosis and asthma. Since these disorders affect multiple organs, Mesoblast has developed a formulation of its MPC technology which can be delivered once or in multiple administrations by intravenous administration.

Mesoblast has made considerable progress in its clinical programs. It has completed a Phase 2 trial for congestive heart failure, completed enrollment in Phase 2 trials for degenerative lumbar disc disease and spinal fusion, has ongoing Phase 2 trials in type 2 diabetes, age-related macular degeneration, and acute myocardial infarction, and an ongoing Phase 3 trial of cord blood stem cell expansion for bone marrow transplantation.

Manufacturing

Mesoblast's manufacturing strategy is based on:

(i) maintaining regulatory compliance with best practice

(ii) ensuring commercial scale-up and supply

(iii) having clear product delineation to protect partner markets, optimize reimbursement, and manage product lifecycle

(iv) maximizing profits through reductions in cost-of-goods and corporate efficiencies.

Mesoblast recently achieved a major regulatory milestone when it reached agreement with the United States Food and Drug Administration (FDA) on the manufacturing process to supply its MPCs for use in the upcoming Phase 3 trial for congestive heart failure, as well as in Phase 3 trials for other indications.

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To ensure long-term product manufacturing capacity and commercial supply, Mesoblast has established a strategic manufacturing alliance with Lonza, one of the world's leading manufacturers of biologic products, including an agreement to have Lonza build for Mesoblast a purpose-specific facility for its technology and products. Mesoblast is currently utilising Lonza's state-of-the-art cell therapy facilities in Singapore, in addition to those in the United States, and expects that in the near-term the majority of its clinical product supply will be manufactured there.

Mesoblast's innovative R&D will facilitate both new product development and significant reductions in manufacturing costs. Product delineation and lifecycle management are being achieved through changes in formulation or dosage, biologic modifications of the cells, generating products from different tissue sources (e.g. bone marrow, adipose, dental pulp), or developing combination therapies using different modes of delivery or devices.

Financial Summary

During the financial year ended 30 June 2012, Mesoblast spent nearly $20m on its clinical programs, $13m on preclinical and manufacturing research, $19.4m on its growing team of talented and committed professionals, and $12.9m on infrastructure, overheads and intellectual property maintenance.

Outlook

In this current financial year, Mesoblast expects commencement of a Phase 3 trial for congestive heart failure involving an early interim analysis to evaluate evidence of efficacy. The Company expects to be reporting a series of clinical results, including the spinal fusion and intervertebral disc repair Phase 2 trials, as well as the type 2 diabetes Phase 2 program. The acute myocardial infarction Phase 2 trial and bone marrow transplant Phase 3 trial will be ongoing. Additionally, the Company will expand its intravenous suite of products, and expects to commence Phase 2 programs in patients with early as well as advanced rheumatoid arthritis, diabetic kidney disease, and certain lung diseases. As always, Mesoblast will seek to extend its commercial activities and identify additional strategic partners to facilitate its objectives.

Mesoblast Limited
Mesoblast Limited is a world leader in the development, manufacture, and commercialization of biologic products for the broad field of regenerative medicine. Mesoblast's patented Mesenchymal Precursor Cell (MPC) technology is being developed for a broad range of major clinical diseases, including inflammatory and immunologic conditions, diabetes and its complications, orthopedic spine conditions, and cardiovascular disorders. www.mesoblast.com

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