mesoblast
the adult stem cell company

asx announcement

Mesoblast Half Year Results
Company Well Resourced To Execute Clinical And Commercial Strategic Objectives

Key points:

- Cash reserves of $16.8 million
- Financial results reflect strong clinical and commercial progress
- Well resourced to expand clinical programs of its allogeneic or "off-the-shelf" adult stem cell technology platform
- Strategically broadening the clinical applications of the Company's stem cell platform will enable accelerated execution of its commercial objectives

Melbourne, Australia; 27 February 2008: Adult stem cell company, Mesoblast Limited (ASX: MSB; USOTC: MBLTY), announced today that it was very well resourced to strategically expand its clinical programs in bone and cartilage repair, and to execute on its commercial objectives.

At 31 December 2007, Mesoblast had cash reserves of $16.8 million.

In the six months to 31 December 2007, expenditure in research and development (including regulatory and clinical affairs) was within budget and in line with the Company's expectations at $3.4m, compared to $3.5m in the previous year.

Net cash outflow from operating activities for the half-year was $3.0m, a significant reduction from $6.0 m in the same period 2006. This decrease primarily reflected a reduction in the Company's costs of developing its cell manufacturing capacity which accompanied the transition of the company from a preclinical to a clinical stage.

In the six months to 31 December 2007, Mesoblast incurred a net loss of $5.4m, compared with $4.0m net loss for the same period in 2006. This increase in net loss was principally due to greater government grant activity during 2006, a fall in interest income in 2007, and an increased share of Angioblast's losses due to Mesoblast's investment increasing from 34% to 39%.

During the reporting period, a number of critical milestones were achieved, including:

- Issue of 10.5m shares in a capital raising of $13.4 million in December 2007, to begin additional, strategic Phase 2 Clinical Trials in the US and Australia in the areas of bone and cartilage repair and regeneration using allogeneic stem cells;

asx announcement

- Mesoblast's US-based sister company, Angioblast Systems Inc., entered into a collaborative agreement with Abbott, a major global broad-based healthcare company, for the development and commercialisation of a cell therapy product for heart failure;
- Additionally, Abbott made an equity-based investment of USD$5m in Angioblast with the result that the ascribed asset value of Mesoblast's aggregate AUD$18.1m investment in Angioblast, representing a 39% equity holding, had appreciated over 3-fold;
- All 10 patients implanted with Mesoblast's proprietary stem cells in a non-union fracture repair trial at The Royal Melbourne Hospital showed new bone formation, with no cell-related adverse events in any patient after at least six months of follow-up;
- A key result in The Royal Melbourne Hospital study was the observation of a direct relationship between increasing the dose of stem cells implanted and shortening the time to heal the bony defect;
- Commencement of an FDA-cleared Phase 2 trial in the US using NeoFuse™, Mesoblast's allogeneic or 'off the shelf' adult stem cell product for the treatment of degenerative intervertebral disc disease by inducing spinal fusion;
- Angioblast has started an FDA-cleared Phase 2 clinical trial in the US of Revascor ™, its allogeneic adult stem cell product for treatment of heart attacks. The company's stem cells are injected into damaged heart muscle using the latest generation of myocardial catheters provided by Johnson & Johnson's companies, Cordis Corporation and Biosense Webster;
- Highly successful interim results were achieved in a large joint cartilage repair program in osteoarthritis, conducted at Western Australia's Murdoch University. The preclinical results showed that injection of Mesoblast's allogeneic stem cells into damaged knee joints resulted in significant protection of the knee cartilage against destruction and an improvement in osteoarthritis.

Company Founder, Professor Silviu Itescu, said both Mesoblast and Angioblast had significantly advanced their strategic goals in the clinical development and commercialisation of the adult stem cell technology platform.

"The financial results reflect the exciting progress being made in the clinical and commercial development of our stem cell platform; we are very well positioned to execute strategically in the near term," he said.

asx announcement

About Mesoblast

Mesoblast Limited (ASX:MSB; USOTC:MBLTY) is an Australian biotechnology company 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 that have been developed over more than 10 years and which relate to the identification, extraction and culture of adult Mesenchymal Precursor Cells (MPCs). The Company has also acquired 39% of Angioblast Systems Inc., an American company developing the platform MPC technology for the treatment of cardiovascular 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.

For further information, please contact:

Julie Meldrum
Corporate Communications Director
Mesoblast Limited
T: + 61 (03) 9639 6036
M: +61 (0) 419 228 128
E: julie.meldrum@mesoblast.com
W: www.mesoblast.com