

asx announcement

MESOBLAST TO ACQUIRE ANGIOBLAST SYSTEMS INC

Mesoblast Successfully Completes Capital Raise

Key Points:

- Mesoblast acquires all remaining shares of its USA associate company, Angioblast Systems Inc via a share exchange offer.
- Acquisition accompanied by capital raising of \$37 million from new and existing international and domestic investors
- Mesoblast Group will have full commercial and intellectual property rights to entire Mesenchymal Precursor Cell (MPC) technology platform
- Product pipeline set to broaden beyond orthopaedic applications, to include full ownership of products for potentially lucrative applications such as congestive heart failure, heart attack, eye disease, diabetes and bone marrow transplantation
- Mesoblast Group will present strengthened commercial partnering capability
- Professor Silviu Itescu appointed CEO and Managing Director of Mesoblast Group
- Strengthened and streamlined global leadership team
- New Mesoblast Group will have a combined capitalisation at the closing share price on May 3 2010 of approximately \$455 million, not including the current placement
- EGM to be held for Mesoblast shareholders to ratify acquisition and capital raising

Melbourne, Australia; 12 May 2010: Australia's regenerative medicine company, Mesoblast Limited (ASX:MSB;ADR:MBLTY), today announced that it will acquire its United States associate company, Angioblast Systems, Inc. (Angioblast). Additionally, Mesoblast announced it has completed a capital raising of \$37 million to fund the acquisition and advance operations of the expanded Mesoblast Group. These funds comprise \$24 million invested immediately and \$13 million committed subject to both shareholder approval and completion of the acquisition offer.

Mesoblast Chairman Brian Jamieson said: "We are delighted to bring the commercial rights to the patented adult stem cell technology platform under one umbrella. With Mesoblast moving to 100% ownership of Angioblast, Mesoblast shareholders will derive much greater potential benefit from product commercialisation, and from the broader strategic partnerships or collaborations Mesoblast will now be able to conclude."



asx announcement

The capital was raised from United Kingdom institutional and sophisticated investors, as well as from new and existing Australian investors, at a share price of \$1.70, representing a 12% discount to the Company's closing price on May 3 2010. The placement was managed by Southern Cross Equities to international investors and in conjunction with Lodge Partners to domestic investors.

The acquisition has been structured on an agreed exchange ratio of Mesoblast shares for Angioblast stock. To acquire the remaining fully-diluted Angioblast stock which is not already owned by Mesoblast (approximately 67%), the Company proposes to issue an additional 94.6 million Mesoblast shares to Angioblast security holders. Together with Mesoblast's current 140.6 million shares on issue, post-acquisition the Mesoblast Group will have a total of up to 235.2 million shares outstanding.

Angioblast stockholders will be given the election to take the acquisition consideration either as 100% Mesoblast fully paid ordinary shares or up to 15% in cash and the balance (a minimum of 85%) in Mesoblast fully paid ordinary shares. The cash component will enable Angioblast stockholders who are subject to United States federal tax to fund the payment of capital gains tax arising as a result of this transaction.

The acquisition is subject to various conditions including Mesoblast and Angioblast shareholder approvals and satisfactory due diligence. An Extraordinary General Meeting of Mesoblast shareholders to ratify the acquisition is expected to be held before the end of June 2010, with all shareholders receiving full documentation prior to this date.

At the Mesoblast share price as at the close of trading on May 3 2010, this would result in a capitalisation of Mesoblast (not including the capital raising as referred to in this announcement) of \$455 million.

Mr Jamieson also announced the appointment of Mesoblast's current Executive Director, Professor Silviu Itescu, as Chief Executive Officer and Managing Director of the Group, Mesoblast Limited. The appointment takes effect immediately.

"The appointment of Professor Itescu as the leader of the Group will ensure that Mesoblast continues to deliver on shareholder value.

"As a leader in the global stem cell space, he brings enormous international knowledge of the regenerative medicine industry, combined with experienced and formidable business acumen," Mr Jamieson said.



asx announcement

Professor Itescu said that the Angioblast acquisition would enable the Mesoblast Group to significantly broaden its product portfolio based on 100% ownership of the intellectual property underpinning the company's patented adult stem cell technology platform.

"Transforming Mesoblast from a biologics company focused on orthopaedic applications to a global leader in the broader regenerative medicine industry should prove to be a pivotal event in the Company's evolution," he said.

"By consolidating our technology platform and assets into one company we will be able to both streamline our corporate operations and strengthen the global leadership team as the Company moves to the next level of its corporate maturity. Additionally, we will now be able to rationally deploy all of our available resources according to where we deem to have the greatest commercial opportunities.

"Mesoblast is now a mature multi-product company with products in late, mid, and early stage development. The Company's product pipeline will be significantly extended beyond its orthopaedic focus, including spinal fusion and osteoarthritis, to include products for treating diverse conditions such as congestive heart failure, heart attacks, eye diseases, diabetes, and bone marrow repair.

"This breadth of products will enable the Mesoblast Group to focus on three simultaneous commercial strategies: taking lead products to market on our own and retaining 100% of the commercial upside, entering into distribution agreements to leverage sales/marketing strength, and partnering through broad-based strategic alliances," Professor Itescu added.

About Mesoblast

Mesoblast Limited (ASX:MSB; ADR:MBLTY) 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

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