New Venturetec

Annual Report 2015

Disclaimer

New Ventruetec is an investment company investing in venture portfolio companies which are in their early development stage, with no history of revenues, earnings or significant operations, and are subject to all of the risks inherent in the venture business. No investment in New Venturetec shares should be made by any person who is not in a position to bear the economic risk including the possibility of the loss of the entire amount of such investment. **The risk is 100%.**

Any forward looking statements or projections made by the Company or its portfolio companies, including those made in this report, are based on management's expectations at the time they are made, and are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Specifically, discussions of possible future growth and development in revenue and customers are forward looking in nature, and actual results could differ materially from current expectations. Each of the portfolio companies' future results may be impacted by factors such as technological changes, market acceptance of the companies' services and products, ability to grow its customer base, and competitive market pressures, among other things.

The shares of New Venturetec are listed on the SIX Swiss Exchange. The price per share is based on supply and demand on the market. Further, the trading of New Venturetec shares may be rather illiquid. New Venturetec does not make a market in its shares and the Company has no agreement with any market maker. No assurance can be given that any operational development of the Company or its portfolio is not affecting the price of the New Venturetec shares on the market.

Most of the investees are in a development stage, disclosing accumulated deficits and little or no revenues. Their ability to continue as a going concern may depend on additional funding. Companies which are in the need of cash often face unfavourable financing terms to existing shareholders – in our case New Venturetec – which basically means heavy dilution and unfavourable liquidation preferences in case of a trade sale. This is only if the company is able to attract investments in the first place for which no assurance can be given that this may occur. These investments offer the opportunity of significant capital gains, but involve a high degree of business and financial risks that can result in substantial losses, including the risk of a total un-recoverability of an investment. The financial risk management objectives and policy of New Venturetec are to minimize dilution by structuring the initial investment accordingly. Other protective measures such as liquidation preferences are also part of the Company's policy. However, the operational risk remains. Furthermore, the Company does not hedge any foreign currencies or interest rate risk exposure.

New Venturetec Shareholders should be aware of the risks which could result in a loss of 100% of the investment. This is a real possibility. Any investor should only invest in New Venturetec if he can afford the complete loss of the investment without having to change his lifestyle.

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Letter to Shareholders

Dear Shareholder

Please find herewith the Annual Report 2015 of New Venturetec.

The results for the year ended September 30, 2015 show a gain of USD 14,998,112. The gain resulted mainly from the increase of the traded share price of Osiris Therapeutics from USD 12.59 per share to USD 18.47 per share in the reporting period or +46.7%. The gain was reduced by a write down on the investment in mPortal and Reverb Networks. The stock price of New Venturetec increased by 39.8% from CHF 5.00 to CHF 6.99. The net asset value increased by 30.8% in USD and 33.3% in CHF.

The enclosed consolidated financial statements are presented according to IFRS (International Financial Reporting Standards). The net asset value per share as of September 30, 2015 is USD 12.94 compared to USD 9.93 a year ago, which is an increase of 30.3%; in CHF 12.59 respectively CHF 9.48 or an increase of 32.8%.

The Group's net gain for the year is USD 14,998,112 compared to a loss of USD 20,639,722 a year ago or a gain of USD 3.00 per share compared to a loss of USD 4.13 per share in 2014. The average exchange rate CHF/USD for 2014/15 was 0.9555 compared to 0.8995 in 2013/14.

Osiris Therapeutics had a good year. The company launched new products, increased its distribution reach and has now a coverage of approximately 121 million of lives for reimbursement. Osiris employs now 305 people. The environment remains competitive and the pressure on the product prices is high. Osiris also started enrolling the first patient in a Phase III Trial for a new drug for the treatment of chronic diabetic foot wounds. The first of its kind. However, the risks of setbacks are everywhere. For more information about Osiris and its risks, please see and read inside this annual report. I also invite you to listen to the earnings call by the company each quarter.

Myriad Genetics has also done well. The company diversified its products offering to seven tests which are available in the market now. The best news was the change of the CEO. Myriad is well positioned to grow and continue to be the leader in a very important field for consumers, who want to have potential dangerous diseases tested and analyzed.

We are still working on finding a home for Prolexys' Melanoma technology.

The unfortunate and totally disappointing investment was Reverb Networks. It seems that the market for its product Self-Optimising Networks (SON) disappeared. None of the companies in that field took off, despite the analyst's view of a great potential. Operators had been waiting for so long to purchase SON products. We had been waiting too. Finally we pulled the plug and decided to stop investing. We will never find out whether it was the right decision but think it was the best thing to do.

mPortal was sold in the reporting period. For about three years we had been looking for a buyer. We then decided to accept the only offer we received, although it was slightly under the investment costs. The problem was the high percentage of revenue for services, which is not valued high.

New Venturetec remains a risky investment with a high degree of a total loss. We continue to work hard and build value. We remain committed.

Thank you for you continued support. We greatly appreciate it.

Sincerely yours,

Peter Friedli

Company

New Venturetec is an investment company incorporated in Zurich on August 8, 1997. The Company holds participations in venture companies in the areas of biotechnology and technology predominantly domiciled in the United States.

New Venturetec's business objective is to obtain capital appreciation from well-selected companies that are at the forefront of the technology and products in their field.

Investment approach

The investment targets are carefully selected after in-depth analysis of people, technology and markets of potentially high quality companies in fields being viewed as of special interest. Major attention is given to the management, its capability and commitment. Influence on key management decisions as well as on strategic planning is executed. Milestones are being set and management is being reviewed. Monitoring and control procedures as well as providing up-to date reports on company progress and financial situation are an integral part of the investment management.

Venture Capital

Venture capital investing is the process of building a business from scratch. The venture capital investments are made through different forms of securities ranging from common stock to preferred shares and convertible debt.

Venture capital can be private or public depending on the stage of the company. The company naturally evolves from its inception through generating profits if successful. Several rounds of financing at different prices are conducted in most cases.

The proceeds of such financings are used for working capital to build the business as such companies still generate losses. A company is out of the venture stage if for six to eight consecutive quarters a substantial revenue and profit increase is achieved and the outlook for the coming years ahead is for sustainable growth. At this stage the company can be private or public.

The characteristics of a venture capital investment are typically 100% risk which may result in a complete loss of the investment, lack of a market for the securities and long-term investment horizon. Venture capital offers the possibility to participate in the formation and growth of companies.

To understand risks does not prevent anyone from making losses as the human decision making process cannot be replaced.

Information summary

Company	New Venturetec Ltd.
Domicile	Steinhausen
Type of securities	Bearer Shares
Outstanding shares	5,000,000 Shares
Initial public offering	October 17, 1997
Dividend	The Company does not intend to pay out any dividends, but rather reinvests any realized cash from disinvestments
Management fee	1.0% p.a. payable on the quarterly net asset value
Board of Directors	Peter Friedli, Chairman Hans Lerch, Vice Chairman Andreas von Sprecher, Member and Secretary
Investment Advisor	Madison Investment Advisor, Inc.
Auditors	KPMG AG, Zurich
Listing	SIX Swiss Exchange (Segment Investment Companies)
Security number	703 683
Price information (ticker)	Telekurs (NEV), Reuters (NEV.S), Bloomberg (NWV SW Equity)
Reporting	Annual report, semi-annual report, permanent information available on Internet

Risks

The risk of venture capital investments is 100%

As briefly outlined earlier, New Venturetec offers the opportunity for capital gains. However, no assurance can be given that such returns can be realized. The risk of venture capital investments is 100%. In order for the Company to be successful in investing in start-up and emerging companies, it must identify potentially profitable enterprises at an early stage in their development, a process which is very difficult even for people with considerable experience in the venture capital field. Furthermore, the Company is competing for investment opportunities with a number of other venture capital firms. The Company may also invest in businesses which are not start-up or emerging companies, but which are for various reasons seeking to raise additional capital without making a public offering of securities. These reasons can include adverse conditions in the public securities markets, or a record of earnings and/or growth, which is less than adequate for a successful public offering of securities.

Lack of liquidity of investments

Investments will usually consist of securities that are subject to restrictions on resale as they are acquired from companies in private placement transactions. Neither the Company nor any investors, to whom the Company distributes restricted securities, will be able to sell such restricted securities to the public unless the sale is registered under applicable Federal and State securities laws, or unless an exemption from such registration is available. In connection with any particular portfolio investment, the Company may negotiate for rights to require registration under the Act. No assurance can be given, however, that the Company will be successful in such negotiations or that registration will provide adequate means of liquidating such investment.

Management, technological risks

The quality of the management of venture companies included in the portfolio of the Company is crucial for the success of the investments of the Company. Although the Company will use its expertise and experience in assessing the quality of the management, the Company has to fully rely on the management of the companies contained in the Company's investment portfolio.

Furthermore, no assurance can be given that the management will be successful in handling the technological risks, which are inherent in projects of startup companies. Research might not lead to satisfactory results and technological improvements or changes by competitors might endanger the successful launch of a product or service.

Currency risks

The accounts of the Company's subsidiary are maintained in US Dollars and the Net Asset Value per share is also published in US Dollars. The Company's investments are usually made in US Dollars. Any investment in other currencies than the US Dollar might lead to positive or negative impacts on the Company's performance in its annual financial statements, including its income statement. The Company's consolidated financial statements are presented in US Dollar. The fluctuation of foreign currencies could substantially impact the Net Asset Value per share.

Since the Company's shares are listed in Swiss francs, fluctuation in exchange rates between the Swiss franc and the US Dollar could also materially impact the price of the Company's shares. Nevertheless, the Company does not hedge against these currency risks.

Political, regulatory risks

The value of the Company's assets may be affected by uncertainties such as international political developments, transfer risks, changes in government policies, taxation, restriction on foreign investment and other developments in the laws and regulations of the countries in which the Company's assets are invested. This is especially the case in the biotechnology and communications sectors, where successful launches of products are dependent on government approval (such as FDA for biotechnology and FCC for telecommunications firms).

Market risks

The markets and individual investment vehicles in which the Company will primarily invest may prove to be highly volatile from time to time as a result of market specific risk. This may be, for example, due to a sudden change in underlying economic factors as well as changes in government policies on taxation or changes in legislation relating to the level of foreign ownership in companies.

The company's share price

Considerable price fluctuations in the shares may arise due to the general position of the investment sector, the economy as a whole and the financial markets. Such price fluctuations could have a positive and negative effect on the share price regardless of the Company's financial condition and results of operations.

Patent risks and proprietary rights

The success of the investments will depend largely on the ability to obtain patents on products to protect trade secrets and to operate without infringing the proprietary rights of others.

Legal standards regarding the scope of claims and the validity of patents, e.g. in the biotechnology market, are uncertain and evolving. There can be no assurance that the underlying firms' patents will provide them with significant competitive advantages, or that challenges will not be instituted against the validity or enforceability of any patent owned by the firms. The cost of litigation to uphold the validity and prevent infringement of a patent is substantial.

Financial reporting

The accounting, auditing, financial and disclosure requirements and reporting standards of the Company, on a consolidated basis, are those defined in the International Financial Reporting Standards of the International Accounting Standards Board. The net asset value is based on estimates of the Company. Investors should recognize that the biweekly calculation is based on indicative values and may therefore contain only limited information on the real value of the net assets of the Company. The difficulties involved in calculating the net asset value are discussed further on page 26 and Note 8.5 on page 62.

Investment advisor

The Company is advised by Madison Investment Advisory, Inc., owned by Peter Friedli. The Company uses the ability of the investment advisor to evaluate investment opportunities and to further develop the Company's investments. The investment advisor advises the Board on all investment decisions for the Company as well as the net asset value computation. The Board of Directors is responsible for ensuring the Investment Policy set by the Company are strictly followed. It should be realized that Peter Friedli is the key person for both the investment advisor and the Board of Directors and that between him and the Company conflicts of interests may arise.

Liquidity risk

New Venturetec operates on tight liquidity and has to generate cash to cover its operational costs and interest. Further, the Group has liabilities outstanding in the amount of USD 24,854,534 as per September 30, 2015. New Venturetec does not have any operational income and consequently the only way to generate liquidity is through the sale of assets or funding through additional debt or equity. Beside the holdings in Osiris Therapeutics and Myriad Genetics, all investments are held privately for which there is no market. Please see Note 15.3 on page 72 for further information the liquidity risk.

Liquidity of Venturetec's investment in Osiris Therapeutics

Venturetec, Inc. directly owns 4,103,301 shares of Osiris Therapeutics, which represents 12.0% of the outstanding shares of Osiris Therapeutics. Based on this ownership, Venturetec is a reporting person in respect of Osiris Therapeutics and is subject to reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Venturetec has reported its transactions and holdings of Osiris Therapeutics with the United States Securities and Exchange Commission (SEC) through the filing of Forms 3 and 4, consistently since first becoming a reporting person following the IPO of Osiris Therapeutics.

The sale by Venturetec of shares of Osiris Therapeutics common stock requires either registration under the Securities Act of 1933, as amended (the "Securities Act"), or that the sale be exempt from registration. Rule 144 under the Securities Act provides a safe harbor from registration for sales by a person other than an issuer, underwriter or dealer. Compliance with Rule 144 requires compliance with various restrictions set forth in the rule, including limitations on the number of shares sold in a given period and the manner in which sales may be completed. For sales by an affiliate of an issuer, which Venturetec is presumed to be, Rule 144 provides that the volume of securities sold during any preceding three-month period may not exceed the greatest of the following limitations:

1. 1% of the stock outstanding, which for Osiris Therapeutics would be 344,526 shares.
2. The average weekly reported volume of trading reported on all national securities exchanges during the preceding four weeks ending September 30, 2015, which for Osiris Therapeutics is currently 934,800.
3. The average weekly volume of trading of the securities reported through the consolidated transaction reporting system, which for the week ended September 30, 2015, was 742,100 shares.

Accordingly, for sales of Osiris Therapeutics common stock, the so called "volume limitation" under Rule 144 for an affiliate is currently 934,800 shares available to be sold during the next three months.

Rule 144 also requires, in the case of affiliate sales, that a Form 144 be filed with the SEC in advance of the sale. The sale must then take place within 90 days after the filing of the Form 144. If and when a sale transaction occurs, the sale must be reported to the SEC by the filing of a Form 4, within two days.

In addition, as a greater than 10% Shareholder, Venturetec is further limited as to when it can engage in purchasing or selling shares of Osiris Therapeutics. Venturetec is subject to Osiris' Trading Window and must clear all purchase and/or sales transactions in the Company's common stock with either the President & CEO or the Chief Financial Officer. Osiris' Trading Window usually closes 15-days prior to the end of each fiscal quarter and then reopens on the third Trading Day after the financial results for the quarter are published, which typically is 35–45 days after the fiscal quarter end. The Trading Window may also close during other times at the discretion of the Company.

Risks of Osiris Therapeutics

Extracts from Osiris Therapeutics 10k Reporting 2014 regarding specific risk factors of the company shall be studied on Annex I on page 81.

Investment approach

Investment objectives

The objective of New Venturetec is to achieve longterm capital appreciation through equity and debt investments in start-up, emerging and growth companies which the Company believes offer significant growth opportunities. We identify successful and promising companies and then actively work with management over a ten year time horizon or more.

The investment decisions will be based upon (i) New Venturetec's ability to identify companies which can successfully utilize capital at an early stage in their life cycle, (ii) carefully selected or assessed management teams, (iii) strategic advice for positioning such companies in high growth markets (iv) an influence on the portfolio companies.

Investments

Investments will typically be structured in negotiated transactions directly with the portfolio company. The securities acquired will primarily consist of common and preferred stock or convertibles, a combination of equity and debt securities and warrants, secured and unsecured debentures, options and other rights to acquire such securities. Since most of the investments are in private firms or restricted securities of publicly traded enterprises, the resale or disposition of such investments will generally be restricted for a period of time. Following its initial investments, the Company anticipates that it may provide additional or "follow-on" funds to portfolio companies. Follow-on investments may be made pursuant to the rights to acquire additional securities, or in order to increase the Company's position in a successful or promising entity. The Company may also be called upon to provide follow-on investments for reasons such as the provision of additional capital to enable a portfolio company to fully implement its business plan, to develop a new line of business or to recover from unexpected business problems.

Investment process

Any investment decision will be made by the Board of Directors after careful evaluation of the situation. Using the expertise of the investment advisor, New Venturetec will diversify its investments in several ways that may, but need not include diversification among different industries of interest.

The investments will be acquired in transactions usually negotiated directly by the Company with the portfolio company or an affiliate thereof. New Venturetec will seek to structure the terms of the investment in order to provide for the capital needs and success of the portfolio company, while at the same time maximizing the Company's opportunity of long-term capital appreciation and minimizing adverse risks. An important factor in successful investing is the proper structuring of the transaction in terms of the type of security, restrictions on the use of funds, commitments or rights to provide additional financing, control and involvement in such a company's business and disinvestment strategy. A further aspect is the proper valuation of the potential portfolio companies, and thus, the pricing of the transaction.

It is the goal of New Venturetec to create value through in-depth analysis of companies and active management. We screen many companies and select those with the best combination of all business factors. This process can take up to several months. During that period we also learn about the management which is the major focus for any investment decision. Investments are understood to be foremost an investment in people. Understanding the industry and the markets coupled with personal commitment, integrity and hard work is a must.

We invest into comprehensive technology and markets. In most cases, the products are at the leading edge as well as unique and provide a clear advantage to the customer. The markets are thoroughly analyzed and need to be considered real and growing, but by no means too futuristic. There must be a defined need and obvious payback for the targeted customers. Competition is viewed as healthy and inspiring. The portfolio companies seek patent applications and protection of intellectual property to secure a leading position.

Most important for the success of a portfolio company is the quality of the management and their entrepreneurial spirit. Therefore, our main focus in considering an investment is management. We weight management with 80% of the investment factors. We invest in people and the future of such a business. To evaluate people is a time-consuming and demanding process. The qualities of a CEO depend on the specific situation but in essence consist of key factors that are applicable at all times.

Investment approach

Active involvement

We believe an investor must add value. As a result of our experience and focus, we are qualified to add value to companies. We believe no substitute exists for spending time with our portfolio companies in order to understand the key issues facing management. Our mission is to add valuable assistance so that each company succeeds. We work to assist management in implementing its agenda and view ourselves as a resource that is available to the entire senior management team.

We believe that companies often grow faster than people. Cost control is an important factor to assure that the invested capital is treated wisely in the process of creating value. We believe in efficiency and the proper use and allocation of all resources, be it financial, human or time. New Venturetec takes up the challenges on a detailed basis and creates a culture of commitment while striving for success. The process and dynamics of building value must be understood and acted upon accordingly. Not every company will make it. There is a natural fall-out in the growth process due to false market assumptions, technology changes and miscalculations. Such fallout may occur due to human mistakes and mismanagement. An idea alone does not make a viable business, and a technology is not a market. The process of investment due-diligence and close monitoring is key. We are committed to consequently apply these guidelines. Our approach is entirely entrepreneurial.

Long-term investment perspective

An important distinguishing element is our long-term investment perspective. New Venturetec only makes investments where we believe that we can help the entrepreneur build a market leader over a five to ten year investment horizon. We invest with a view towards maintaining our equity positions for a significant period of time following an initial public offering. In addition, we may remain active board members for many years after a company has gone public.

We are not structured to focus on short-term liquidity. The structure of New Venturetec as an investment company permits us to pursue long-term investment strategies in building value and realizing returns. Our investments and economic incentives are structured with a long-term view and our assistance to management is always provided with long-term corporate objectives in mind. This long-term commitment provides the foundation for success and plays a key role in our ability to build lasting relationship with management and shareholders.

Investment guidelines

Investment objective

The objective of Venturetec, Inc. is to achieve long-term capital appreciation through investments in venture companies which the Company believes offer significant growth opportunities.

Investment policy

The Company invests in venture companies only. **The risks of venture capital investments are 100% (see also risks).**

Geographic area

The Company's investments are predominately in the United States of America. Exceptional investments may be domiciled in Europe.

Industry focus

The Company invests in companies in the areas of biotechnology and technology.

Investment strategy

The Company invests in venture companies in all stages from seed to late stage. Investments are made mainly in private but also in public companies and in all classes of securities, including common and preferred equity, secured and unsecured debt, convertibles, options, warrants and combinations thereof. The investment horizon may be up to 20 years.

Investment allocation

The purpose to invest is to build companies over a long period of time. This might result in a portfolio with only a few investments, rather than many smaller positions. It therefore might enhance the risk of a portfolio which concentrates in a small number of investments.

Leverage

The Company may borrow capital to pursue the investment objectives.

Hedging

The Company does not hedge any positions, investments, currencies, interests and the like. The Company does not do short selling, use of derivative instruments for the purpose of securing its investments or security lending or borrowing.

Currency

Investments are mainly done in US Dollars. The Company is not following any defined currency ratios.

Disinvestments

Positions held by the Company are mostly illiquid or there are legal or market driven limitations for sale or transfer of the securities, such as low liquidity in the public market, large positions, board representations, insider regulations, lock-up's and contractual sales limitations. The Company acts in the best interest of the shareholders to structure and execute disinvestments together with other shareholders and the management of the portfolio companies.

Investment guidelines

Carry of responsibilities

The Board of Directors of the Company is responsible and has to decide on all investments and disinvestments of the Company. Madison Investment Advisory, is the investment advisor for the Board and advises the Board among others on investment selection and allocation, investment management and process, structuring of investments, monitoring and the disinvestments of investments. Peter Friedli, the Chairman of the Company is the owner of Madison Investment Advisory. There may be a conflict of interest due to the fact that the investment advisor is involved with other investment companies and represents other investors. The investment advisor or Peter Friedli may represent the Company and other investors on the board of directors of the portfolio companies. As a member of the board he will represent all shareholders of each company. The investment advisor may also supply investment banking services to the portfolio companies and may be compensated for such services. Such remuneration is explicitly authorized. Peter Friedli may also invest personally in Portfolio Companies.

Risk

Most of the investees are in the development stage, disclosing accumulated deficits and little or no revenues. Their ability to continue as a going concern may depend on additional funding which may result in a dilution for holdings of the Company. These investments are offer the opportunity of significant capital gains, but involve a high degree of business and financial risk, **that can result in a 100% loss of the investment.** The Company may be limited or restricted to make disinvestments or sell or transfer any positions at any specific time and thereof risks to lose momentum or favorable market conditions.

Change of Investment Guidelines

The Company's investment guidelines may be changed by the Board of Directors of the Company at any time in whole or in part subject to terms and conditions of agreements and contracts.

Disclaimer and risk factors

Under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, companies listed below caution investors that any forward looking statements or projections made by the company, including those that may be made in this report, are based on management's expectations at the time they are made, and are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Specifically, discussions of possible future growth and development in revenue and customers are forward looking in nature, and actual results could differ materially from current expectations. Each of the below listed companies' future results may be impacted by factors such as technological changes, market acceptance of the company's services, ability to grow its customer base, competitive market pressures and general economic environment, among other things. Each of the below listed companies' future results are also subject to other risk factors, including those detailed from time to time in the company's reports. Despite making these forward-looking statements, companies undertake no obligation or intention to update these statements after the date of this report.

Most of the investees are in a development stage, disclosing accumulated deficits and little or no revenues. Their ability to continue as a going concern may depend on additional funding. Companies which are in the need of cash often face unfavourable financing terms to existing shareholders – in our case New Venturetec – which basically means heavy dilution and unfavourable liquidation preferences in case of a trade sale. This is only if the company is able to attract investments in the first place for which no assurance can be given that this may occur. These investments offer the opportunity of significant capital gains, but involve a high degree of business and financial risks that can result in substantial losses, including the risk of a total un-recoverability of an investment. The financial risk management objectives and policy of New Venturetec are to minimize dilution by structuring the initial investment accordingly. Other protective measures such as liquidation preferences are also part of the Company's policy. However, the operational risk remains. Furthermore, the Company does not hedge any foreign currencies or interest rate risk exposure.

New Venturetec Shareholders should be aware of the risks which could result in a loss of 100% of the investment. This is a real possibility.

Osiris Therapeutics (NASDAQ:OSIR)

www.osiris.com

New Venturetec cost	USD 24.2 million
New Venturetec holding of Osiris Therapeutics	12.0%
Valuation as of September 30, 2015	USD 75.8 million
% of total investments as of September 30, 2015	90%

The following text is an extract form the Osiris Therapeutics annual report 2014 (Form 10k). The terms "Osiris," "we," "us," and "our" means Osiris Therapeutics, Inc.

Company Overview

Osiris Therapeutics, Inc., based in Columbia, Maryland, is the world leader in researching, developing and marketing cellular regenerative medicine products that improve health and lives of patients and lower overall healthcare costs. The company continues to advance its research and development in biotechnology by focusing on innovation in regenerative medicine – including bioengineering, stem cell research and viable tissue based products. Osiris has achieved commercial success with products in orthopedics, sports medicine and wound care, including Cartiform®, Ovation® and Grafix®. Sales of BIO⁴ ™, previously branded and sold by us as OvationOS®, are expected to commence in the first quarter of fiscal 2015, pursuant to an exclusive, worldwide partnership that we entered into in December 2014 with a subsidiary of Stryker Corporation (NYSE: SYK).

Osiris, Grafix, OvationOS and Cartiform are registered trademarks of Osiris Therapeutics, Inc. BIO⁴ is a trademark of Stryker Corporation). More information can be found on the company's website, www.Osiris.com.

We are a fully integrated company, having developed capabilities in research, development, manufacturing, marketing and distribution of regenerative medicine products. We have developed an intellectual property portfolio to protect our technology and commercial interests.

From 2010 to 2013, we operated in two business segments, Biosurgery and Therapeutics. In October 2013, we sold our Therapeutics segment for up to $100.0 million in initial and contingent consideration, and we are now focused on our Biosurgery business. Our Biosurgery business works to harness the ability of cells and novel constructs to promote the body's natural healing with the goals of improving surgical outcomes and offering better treatment options for patients and physicians. Our Therapeutics business historically focused on developing biologic stem cell drug candidates from a readily available and non-controversial source – adult bone marrow. Those activities, except insofar as focused on fulfilling our remaining obligations in connection with the sale of our Therapeutics business, have largely ceased.

The three pillars of our business strategy are to continue our history of innovation, bring about commercial transformation, and ensure differentiation of our company. To innovate, we seek to make new products available to address unmet medical needs through research and development (R&D) and commercial efforts in our areas of focus in wound care, orthopedics and sports medicine. Disease targets for products commercialized or in development include diabetic foot ulcers, venous stasis ulcers, dermal burns, and sports medicine products for motion preservation. Our commercial transformation is defined by establishing a proprietary sales infrastructure and driving long-term revenue growth. To differentiate, we seek to identify and introduce barriers to entry, through means such as superior science, clinical data and intellectual property rights. Since 2010, we have launched commercial distribution of several Biosurgery products, including Grafix, Cartiform, and Ovation, and we expect the initial commercial sale of BIO⁴ (previously sold by us under the name OvationOS) through our collaboration with a subsidiary of Stryker Corporation to occur in the first quarter of fiscal 2015. We developed and are responsible for the manufacture or processing of each of these products.

We began operations on December 23, 1992 and were a Delaware corporation until, with approval of our stockholders, we reincorporated as a Maryland corporation on May 31, 2010.

Our current product portfolio includes:

Graphix

Graphix is a cryopreserved placental membrane that preserves the native properties and inherent functionality of the tissue. The flexible, conforming three – dimensional matrix is designed for direct application to hard-to-treat acute and chronic wounds, including but not limited to diabetic foot ulcers, venous leg ulcers and burns. Grafix is produced by utilizing Osiris' BioSmart TM Intelligent Tissue Processing which retains the extracellular matrix, growth factors, and endogenous neonatal mesenchymal stem cells, fibroblasts and epithelial cells of the native tissue. Grafix is stored at –80 degrees Celsius and has a two-year shelf life.

BIO^4

BIO^4 is a bone allograft that contains both viable cells and growth factors. It is a safe alternative to autograft that minimizes the potential for harvest site co-morbidities. BIO^4 is composed of a structural extracellular matrix, osteogenic and angiogenic growth factors, endogenous mesenchymal stem cells and osteoblasts. It possesses osteoconductive, osteoinductive, osteogenic and angiogenic properties that are required for bone repair and regeneration. It is ready-to-use out of the package and has differentiated handling compared to other products currently on the market. Originally branded as OvationOS®, Osiris' viable bone matrix tissue form will now be marketed exclusively by a subsidiary of Stryker Corporation under the brand name BIO^4 TM. BIO^4 is stored at –80 degrees Celsius and has a two-year shelf life.

Cartiform

Cartiform is a viable chondral allograft containing viable chondrocytes, chondrogenic growth factors, and extracellular matrix proteins within the intact architecture of healthy hyaline cartilage. Cartiform promotes articular cartilage repair to treat focal chondral defects. Cartiform combines the safety and proven success of fresh osteochondral allografts with ease of use resulting from Osiris' proprietary cryopreservation technology. Cartiform is stored at –80 degrees Celsius with a two year shelf life and can be implanted in a single step procedure. Cartiform is exclusively marketed and distributed by Arthrex, Inc.

We believe that Grafix, BIO^4, and Cartiform are regulated for their indicated applications by the United States Food and Drug Administration ("FDA"), under 21 CFR Part 1271 Part 361 of the Public Health Service Act, Human Cells, Tissues and Cellular and Tissue-based Products, or HCT/Ps. We are registered with the FDA as a tissue establishment and are accredited by the American Association of Tissue Banks.

Beginning in early 2011, and continuing until the second half of fiscal 2014, we manufactured Ovation, a novel cellular repair matrix designed for use in surgical applications. As further discussed below, we transitioned Ovation to Ovation OS, a viable bone matrix tissue which is now the subject of an exclusive worldwide distribution and development agreement with a subsidiary of Stryker Corporation. Pursuant to our agreement, and as further discussed below, Stryker has been granted worldwide distribution rights to the product and any improvements, for all surgical applications, and will initially market under the brand name BIO^4.

Extensive donor screening, serological testing, bioburden testing and sterility testing is performed on every Biosurgery product lot to demonstrate suitability for transplantation. Our Biosurgery products are all manufactured or processed in our Columbia, Maryland facility. Each lot is tested to confirm viable cell content post thaw.

In October 2013, following the receipt of an untitled letter from the FDA, we announced an agreement with the FDA on the regulatory status of our then-marketed Biosurgery products, Grafix and Ovation, and confirmed the HCT/Ps pathway for Grafix indicated as a wound cover for the treatment of acute and chronic wounds. At that time we announced our intentions to file a Biologic License Application ("BLA") for Grafix. While a BLA is not currently required to market Grafix, obtaining a BLA would enable us expanded label claims. We also agreed with the FDA to continue to transition our Ovation product line over to OvationOS by no later than the second half of 2014, which we did. In August 2014, we stopped distributing promotional materials for Ovation and ceased manufacturing the product. In October 2014, we stopped shipping Ovation from our Columbia, MD facilities. At December 31, 2014, we owned some units of Ovation located in the field for use in procedures by the end users.

We market and distribute Grafix directly to hospitals, clinics and physician offices primarily through our direct sales organization and with limited marketing through agents and distributors. We have developed a proprietary direct sales force in the field of wound care. We marketed and distributed Cartiform and OvationOS during much of 2014 directly to hospitals and through selected specialty distributors. During the fourth fiscal quarter of 2014, we entered into the exclusive distribution agreement with a subsidiary of Stryker Corporation for the marketing and distribution of OvationOS under the brand name BIO^4, and entered into another agreement with Arthrex, Inc. for the marketing and distribution of Cartiform.

A significant market for Grafix is chronic wounds, which are primarily treated in an outpatient setting. Reimbursement by public and private providers for outpatient treatments typically requires approvals from the payors, which are granted after in depth and sometimes independent reviews. In furtherance of our efforts to obtain full reimbursement for use of Grafix in the outpatient setting, we conducted a prospective randomized clinical trial comparing Grafix to conventional wound care and reported results of this study in 2013. We refer to this study as Protocol 302.

Portfolio

Protocol 302 included a multicenter, adaptive design, randomized clinical trial to evaluate the efficacy and safety of Grafix for the treatment of chronic diabetic foot ulcers. Patients in the study were randomized, utilized a 1:1 ratio and received either Grafix or conventional standard of care for a chronic diabetic foot ulcer sized between 1 cm 2 and 15 cm^2. The primary efficacy endpoint was complete wound closure, defined as 100% re-epithelialization, by week 12. Additional secondary efficacy endpoints included, (1) time to initial wound closure, (2) proportion of patients with at least 50% reduction in wound size by Day 28 and (3) number of applications of Grafix versus control. The trial was conducted at 20 wound care clinics across the U.S. This trial was published in July 2014 in the International Wound Journal.

On August 13, 2013, we reported that Protocol 302 had met the pre-specified stopping rules for overwhelming efficacy as determined by the data monitoring committee during a planned interim analysis. The study also met all top-line secondary endpoints, demonstrating faster wound closure and a reduction in the number of treatments needed to achieve wound closure. As a result, the blinded phase of the trial was discontinued, and Grafix was made available to all control patients. Protocol 302 has been extended to gather pharmeoeconomic evidence to further support our belief that the use of Grafix for chronic and acute wounds reduces the overall cost of treatment when compared to the standard of care.

In the fourth quarter of fiscal 2013, we announced our intention to initiate a new randomized, controlled clinical trial for Grafix for the treatment of venous leg ulcers. The pilot randomized control trial on venous leg ulcers began as planned in 2014 and we anticipate completion during 2015. We also began a multicenter, open-label, single-arm study to evaluate the safety and efficacy of Grafix for the treatment of complex diabetic foot wounds with exposed tendon and/or bone during the fourth quarter of fiscal 2014, and expect this to be completed mid-way through 2015.

We anticipate submitting an IND application to FDA related to our cryo-preserved human amniotic membrane product during the first quarter of 2015 and, subject to appropriate regulatory clearances, commence a further multi-center randomized control trial on diabetic foot ulcers and a definitive randomized control trial on venous leg ulcers during fiscal 2015. This is part of our previously stated intention to obtain data sufficient for a BLA for our advanced wound care platform in due course.

Grafix was assigned transitional pass-through status under Medicare's outpatient prospective payment system in July 2012. The Centers for Medicare and Medicaid Services, commonly referred to as CMS, confirmed pass-through status through year-end 2014CMS requirements for pass-through status timeframes are specified for at least two years and no more than three years; as a result, effective January 2015, Grafix was removed from transitional pass-through assignment and assigned to the CMS Skin Substitute High-Bundle payment for outpatient reimbursement. Effective January 2013, CMS issued permanent Healthcare Common Procedure Coding System (HCPCS) Q-codes for Grafix, which assist healthcare providers in facilitating reimbursement in the commercial and Medicare patient populations.

Scientific Background

Osiris is a leader in regenerative medicine, with more than 100 published research reports and many of the world's first achievements with regards to biology of stem cells and development of cellular therapies, including the world's first approved stem cell drug, Prochymal, for treatment of graft vs. host disease.

After being founded on a discovery of mesenchymal stem cells (MSCs) in human bone marrow, and through more than 20 years of research and development, Osiris has developed a deep understanding of cell biology and key principles of regenerative medicine. This knowledge has helped us develop a cell and tissue preservation technology that maintains both structural and cellular integrity of biological matrices essential for their functionality.

Cell types originated from MSCs are present through the entire body, and it has been shown that MSCs can be isolated from virtually any organ. Tissue protection, regeneration, and regulation of inflammatory and immune responses, are key activities of MSCs in the body. With aging and disease the number and functionality of MSCs declines, which reduces the body's regenerative potential. MSC-rich biological matrices have the potential to correct this deficiency in a broad spectrum of diseases.

Osiris is focused on the development of products that address unmet medical needs of wound care, orthopedics and sports medicine. We believe that traditional pharmaceutical approaches like pills are not the most effective methods to close wounds and restore patient's motion. Therapeutic products must be able to promote tissue regeneration to be effective in wound closure and motion restoration.

Osiris is applying its technology to the development of cellular matrices to promote the body's natural healing. Our technology offers better therapeutic options for patients and physicians, improves treatment outcomes and reduces healthcare costs. Recognizing that preservation of critical tissue components in their native states are necessary to achieve the highest level of functionality of the products, Osiris has developed and employed an aseptic cryopreservation process that maintains both structural and cellular integrity of the tissue. The basis of our BioSmart technology includes preservation of the 3D matrix, growth factors, and viable cells, all of which are required for optimal tissue repair and regeneration. BioSmart serves as the manufacturing backbone for all current Osiris' products including Grafix for wounds, BIO^4 for bone repair and regeneration, and Cartiform for repair and regeneration of articular cartilage.

Strategy

We are the first company to receive marketing approval of a stem cell drug and strive to become the world's leading provider of cellular regenerative medicine and novel tissue therapies. The three pillars of our business strategy are to continue our history of innovation, bring about transformation, and to ensure differentiation of our company.

To innovate

We seek to make new products available to address unmet medical needs through R&D in our areas of focus in wound care, orthopedics and sports medicine. We intend to advance our pipeline by leveraging our research expertise in regenerative medicine. Disease targets for products commercialized or in development include diabetic foot ulcers, venous stasis ulcers, dermal burns, sports medicine products for motion preservation, and orthopedic medicine for bone regeneration. Due to our experience, we believe we have gained the clinical, regulatory, manufacturing and commercial capabilities to internally develop and commercialize biologic and novel tissue products. We intend to continue to build on the success of our first generation implantable product, Osteocel® for regenerating bone in orthopedic indications, which we sold to Nuvasive, Inc. in 2008.

To transform

We seek to drive revenue growth through commercial excellence. We will work to ensure market access for our products and deliver them to our patients through a best-in-class infrastructure composed of a highly trained specialty biologics sales force and when appropriate through tactical partnerships with leaders in the field. Our company culture is aligned to deliver the best customer experience through quality scientific and medical support.

To differentiate

We seek to introduce barriers to entry, through means such as superior clinical data and strong intellectual property. Since 2010, we have launched commercial distribution of several Biosurgery products, including Grafix, Cartiform, and BIO^4 ™, each of which we developed and manufacture internally. We retain proprietary trade secret information for each of our products.

Intellectual Property

Our ability to develop a broad intellectual property portfolio originated from our pioneering scientific efforts. Those efforts have helped establish a considerable patent position in the adult stem cell technology we developed. In connection with the sale of our culture expanded mesenchymal stem cell (ceMSC) business to Mesoblast, as described further below, we transferred but retained access to these proprietary adult stem cell technologies, for use in furtherance of our Biosurgery business. In addition, we continue our efforts to build our intellectual property position with additional patent applications related to our newer Biosurgery products. We are also committed to protecting our intellectual property position by continuously monitoring the competitive landscape.

In the past, for example, our scientific efforts helped establish a considerable patent position in adult stem cell technology, which we sold to a wholly owned subsidiary of Mesoblast Limited in October 2013, in connection with the sale of our culture expanded mesenchymal stem cell (ceMSC) business (including Prochymal and other related assets). Pursuant to the Purchase Agreement with Mesoblast, we retained a royalty free license to all transferred intellectual property, insofar as necessary to continue in our other businesses, including our Biosurgery business. We have agreed not to compete with Mesoblast in the ceMSC business for a period of eight years.

We also rely upon trade secrets to protect our proprietary information and pioneering scientific advancements. A significant amount of our technology, including aspects of the manufacturing processes for our Biosurgery products, is maintained by us as trade secrets. Through our experience with MSCs and MSC-based product development, we have developed expertise and know-how in this field. We have the capability to manufacture clinical grade products

in-house. To protect this know-how, our policies require confidentiality agreements with, inter alia, our employees, consultants and contractors, manufacturers, outside collaborators, sponsored researchers, and advisors. These agreements generally provide for protection of confidential information, restrictions on the use of materials and assignment of inventions conceived during the course of performance for us. These agreements might not effectively prevent disclosure of our confidential information.

Manufacturing

Our current Biosurgery products are derived from human tissue donated for transplant. Grafix is derived from human placental tissue, and BIO^4 and Cartiform are derived from donated human cadaveric tissue. We contract with tissue recovery agencies for the source tissue for our Biosurgery products. Once an initial qualification of the donor is performed, the tissue is sent to our processing center overnight. The agencies also compile donor medical records, collect medical and social history, and collect samples for serological testing. These agencies operate on a fee for service basis. We intend to enter into contracts with additional tissue recovery agencies in the future if required and available to fulfill expected product demand.

The processing of our Biosurgery products is in many ways more like the process of organ donation than standard tissue processing. This is because it is essential that the tissue integrity is maintained like that of the native tissue. We overcome this challenge through a proprietary cryopreservation and frozen storage process that is designed to maintain the integrity of the material. Following completion of this process, and after passing quality control testing, quality assurance and medical director review, the Biosurgery product is released for distribution.

Sales, Marketing and Distribution

We manufacture and process all our Biosurgery products at our Columbia, Maryland facility and ship the majority of our products to the end users on dry ice. We have entered into consignment inventory agreements with high-volume end users and store Osiris-owned product in freezers that are often owned by Osiris and located at our customers' facilities. This ensures our customers have product available upon demand and lowers the per unit shipping cost. We handle the sales and marketing efforts for Grafix internally and have entered into exclusive marketing and distribution agreements with industry leaders for both BIO^4 and Cartiform, as outlined below.

Graphix

We intend to continue to commercialize Grafix through the efforts of focused direct distribution and marketing staff, as well as through a network of specialty distributors for certain target markets. Our marketing of Grafix is targeted at facilities caring for chronic wound patients in the United States. As discussed above, Grafix was assigned to the CMS Skin Substitute High-Bundle reimbursement for the hospital outpatient department effective January 1, 2015. Q-codes for Grafix continue to assist in facilitating reimbursement in the physician office and hospital outpatient settings.

On August 13, 2013, we reported that our multi-center randomized controlled trial, Protocol 302, comparing Grafix to conventional wound care in the treatment of diabetic foot ulcers, had met the pre-specified stopping rules for overwhelming efficacy as determined by the data monitoring committee during a planned interim analysis of 97 patients. All top-line secondary endpoints also demonstrated clinical benefit of Grafix over control, the blinded phase of the trial was discontinued immediately, and all patients randomized to the control arm were offered treatment with Grafix.

Given the successful outcome of Protocol 302, and after more widespread publication of the clinical trial data, we anticipate that Grafix will become more widely adopted for treatment of chronic wounds, including diabetic foot ulcers, with the support of the clinical trial data.

BIO^4

In December 2014, we entered into an exclusive, worldwide partnership with Howmedica Osteonics Corp., also referred to as Stryker Orthopaedics, a subsidiary of Stryker Corporation ("Stryker"), for the commercialization and development of our viable bone matrix allograft, previously branded as OvationOS. Beginning in 2015, Stryker intends to market and promote the viable bone matrix allograft under the name BIO^4. Osiris will be responsible for supply, manufacturing, inventory management, shipments to customers, continued research and product improvement activities. Stryker will be responsible for the commercialization and marketing of BIO^4 for use in all surgical applications, including spine, trauma, extremity, cranial, and foot and ankle surgery.

To demonstrate the differentiating benefits and ensure the continued success and growth of this innovative product, both organizations will collaborate on the design and

conduct of future clinical development programs. A joint steering committee will guide all strategic decisions regarding marketing and commercialization, and scientific and clinical strategy, the costs of which will be shares equally by Osiris and Stryker.

The agreement with Stryker provides for an initial four year exclusive term, commencing on the date of Stryker's initial commercial sale. The term may be extended by Stryker for an additional exclusive period of four years or an additional non-exclusive period of two years. If Stryker extends the term on an exclusive basis, it has the option to further extend the term on an exclusive basis for two years. Osiris is entitled to receive an initial exclusivity fee of $5.0 million and additional fees upon any exercise by Stryker of its right to extend the initial term, whether on an exclusive or non-exclusive basis. These additional fees are reduced on a sliding scale if Stryker meets certain revenue thresholds during the initial term, or if revenue goals are not met as a result of Osiris not fulfilling its supply obligations. The agreement also contains other terms and conditions typical in arrangements of this type, including pricing and commission terms, shipment, return and consignment terms, first refusal rights, limited early termination rights and termination fees, allocation of regulatory responsibilities, intellectual property and other representations and warranties, and indemnification. The initial $5.0 million exclusivity fee was received in February 2015.

Cartiform

In October 2014, we entered into an exclusive commercial and development partnership for our cartilage product, Cartiform, with Arthrex,Inc. The agreement with Arthrex provides Arthrex with exclusive commercial distribution rights to Cartiform beginning in 2015. We will be responsible for manufacturing, continued research and product improvement activities. The responsibilities related to the design and conduct of future clinical development programs will be shared between both organizations. The agreement provides for an initial eight year exclusive term with automatic renewals of additional two-year periods. Pursuant to the agreement, Arthrex is entitled to a certain commission on Cartiform sales. The agreement also contains other terms and conditions typical in arrangements of this type, including pricing and commission terms, shipment, return and consignment terms, first refusal rights, limited early termination rights and termination fees, allocation of regulatory responsibilities, intellectual property and other representations and warranties, and indemnification.

We continue to advance our research and development in biotechnology by focusing on innovation in regenerative medicine, including bioengineering, stem cell research and viable tissue based products. We work strategically to bring products to market and, when it is advantageous, seek tactical partnerships with top leaders in the field.

Competition

Our industry is subject to rapid and intense technological change. We face, and will continue to face, intense competition from pharmaceutical, biopharmaceutical and biotechnology companies, as well as numerous academic and research institutions and governmental agencies engaged in drug discovery activities or funding, both in the United States and abroad. Some of these competitors are pursuing the development of drugs and other therapies that target the same diseases and conditions that we target in our commercial, clinical and preclinical programs.

Many of the companies competing against us have financial and other resources substantially greater than our own. In addition, many of our competitors have significantly greater experience in testing pharmaceutical and other therapeutic products, obtaining regulatory approvals of products, and marketing and selling those products. Accordingly, our competitors may succeed in more rapidly obtaining approval for products and achieving widespread market acceptance. Now that we have commenced significant commercial distribution of our Biosurgery products, we compete with respect to manufacturing efficiency and marketing capabilities, areas in which we have limited commercial-scale experience. We believe that our partnerships with third party collaborators like Stryker and Arthrex may allow us to compete in a more effective manner.

Our wound care products compete with other companies and organizations that are marketing products in direct competition with Grafix. At present, there are over 140 products being utilized for the treatment of chronic wounds, ranging from enzymatic debridement agents to biologics such as advanced skin substitutes. Of these 140 products, there are numerous direct skin substitute competitors to Grafix, including bioengineered products and other HCT/Ps (human cells, tissues, and cellular and tissue-based products). Additionally, there are competitors executing clinical trials with intent to file BLAs and to seek FDA approvals upon successful trial completion. BIO[4] will compete with bone tissue products such as Osteocel® and Trinity®, while Cartiform competes with cartilage allografts. In addition to these, other potential competitors are devel-

oping a variety of additional competing products, including other amniotic membrane products that compete with Grafix. Our current patent position for our Biosurgery products results in a reduced barrier for entry and makes our Biosurgery products susceptible to increased risk of competition.

We expect to compete based upon, among other things, the efficacy of our products and our intellectual property portfolio. Our ability to compete successfully will depend on our continued ability to attract and retain skilled and experienced scientific, clinical development and executive personnel, to identify and develop highly efficacious products, and to be successful with these products commercially before others are able to develop competitive products.

In addition, our tissue products and other biologic therapies may be expensive as compared to other therapies and this may make it more difficult for us to compete.

Government Regulation

Regulation by governmental authorities in the United States and other countries is a significant factor in the development, manufacture, commercialization and reimbursement of our products and services. Certain products we develop will require marketing approval, or licensure, by governmental agencies prior to commercialization in some or all jurisdictions. In particular, drugs and biologic products are subject to rigorous preclinical and clinical testing and other approval procedures of the U.S. Food and Drug Administration, or FDA, and similar regulatory authorities in other countries. Various governmental statutes and regulations also govern or influence testing, manufacturing, safety, labeling, storage and record keeping related to such products and their marketing. State, local and other authorities may also regulate pharmaceutical manufacturing facilities. The process of obtaining these approvals and the subsequent compliance with appropriate statutes and regulations require the expenditure of substantial time and money, and there can be no guarantee that any required approvals will be granted.

Human Cellular and Tissue-Based Product

Human cells or tissue intended for implantation, transplantation, infusion, or transfer into a human recipient is regulated by the FDA as human cells, tissues, and cellular and tissue-based product, or HCT/Ps. Products regulated as so-called "Part 361 HCT/Ps" (meaning that they comply with section 361 of the Public Health Service Act and the regulations in 21 CFR 1271) are regulated differently from biologics or drugs. This is due to the fact they are minimally manipulated tissues intended for homologous use in the patient's body, are not combined with a drug, device or biologic, and do not have systemic or metabolic effects on the body. Unlike drugs and biologic products, FDA regulations do not require premarket approval for HCT/Ps; however, strict adherence to federally mandated cGTP regulations is required. These regulations are analogous to the cGMP regulations described below in terms of manufacturing standards. In addition, the FDA's regulations include other requirements to prevent the introduction, transmission and spread of communicable disease. The FDA's regulations require tissue establishments to register and list their HCT/Ps with the FDA and to evaluate donors through screening and testing.

We received an "untitled letter" dated September 26, 2013 from the FDA stating, among other things, that both Grafix and Ovation did not meet these regulatory requirements because they are dependent upon the metabolic activity of living cells for their primary function and are not intended for autologous use or allogeneic use in a first or second degree relative; and that Ovation did not meet the minimal manipulation criterion. After discussions with, and providing additional information to, the FDA, we reached an agreement with the FDA confirming the regulatory status of Grafix as a 361 HCT/P and allowing the product to remain on the market as an HCT/P and without FDA pre-marketing approval, as a wound allograft for the treatment of acute and chronic wounds. We further committed to the FDA that, before marketing Grafix for certain expanded claims, we would submit a Biologics License Application (BLA) to the FDA and seek pre-marketing approval for any such additional indication. We also agreed to continue to transition our Ovation product line over to OvationOS, and agreed to complete that transition by no later than the second half of fiscal year 2014, which we did. In August 2014, we stopped distributing promotional materials for Ovation and ceased manufacturing the product. In October 2014, we stopped shipping Ovation from our Columbia, MD facilities. At December 31, 2014, we owned some units of Ovation located in the field for use in procedures by the end users. We believe that commercial distribution of BIO[4] (originally branded as OvationOS), a viable bone matrix for bone growth, and Cartiform, a viable chondral allograft, does not require pre-market approval by the FDA because we believe that these products meet the regulatory definition of HCT/Ps. We engage in

ongoing discussions and communication with FDA representatives regarding the applicable regulatory requirements and pathways for our product and product candidates. The analysis and determination of compliance with these regulatory requirements and pathways is complex and dependent upon numerous factors, and is readily subject to varying interpretations and conclusions. The FDA may not agree with our views on these matters. Should the FDA decide that Grafix, BIO[4], Cartiform or any of our other Biosurgery products do not meet the regulatory definition of HCT/Ps, we will not be able to produce and redistribute these products unless and until we submit a BLA and obtain pre-marketing approval from the FDA, which would likely require clinical trials and could take years to obtain, at significant expense. This or any other determination by the FDA that adversely affects our ability to produce or market any of our products or product candidates would have a material adverse effect on our business, financial condition and results of operations.

We maintain state licensure as a human tissue bank in Maryland, California, Florida, and New York. These are the only states in which this specific licensure is required for us. We also received and actively maintain American Association of Tissue Banks (AATB) accreditation.

Regulatory Approval Proces

If any of our Biosurgery products is determined not to qualify as a Part 361 HCT/P product, that product will require approval from the FDA before it can be marketed in the United States. All of our Biosurgery products will likely require pre-marketing approval or licensure from corresponding foreign agencies when sought to be marketed in Europe, where products that would otherwise qualify as a Part 361 HCT/P in the United States are more heavily regulated. These approvals require, among other things, that we demonstrate the safety and efficacy of the product, and are in any event costly and time consuming. The FDA regulates human therapeutic products in one of three broad categories: biologics, drugs, or medical devices.

The FDA and its foreign equivalents generally require the following steps, or similar, for pre-market approval or licensure of a new biological product or new drug product:

- preclinical laboratory and animal tests conducted in compliance with the FDA's Good Laboratory Practice, or GLP, requirements (or foreign equivalents) to assess biological activity and safety;
- submission to the FDA of an IND application or equivalent application in other territories, which must become effective before clinical testing in humans can begin;
- documentation of the product's chemistry, manufacturing controls, formulation, and stability;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of the product for its intended indication conducted in compliance with the FDA's Good Clinical Practice ("GCP") requirements (or foreign equivalents);
- submission of a BLA to the FDA, (or the foreign equivalent thereof) for marketing that includes adequate results of preclinical testing and clinical trials to determine whether the product is safe, and effective for its intended use; and
- regulatory approval of the product, including inspection and approval of the product manufacturing facility as compliant with cGMP or comparable requirements.

Typically, clinical testing involves a three-phase process, designated phase 1, phase 2 and phase 3. The largest clinical studies, phase 3 trials, are generally large-scale, multi-center, comparative trials conducted with patients afflicted with a target disease in order to provide statistically valid proof of efficacy, as well as safety and potency. In addition, often a regulatory agency will require Phase 4 or post-marketing trials to collect additional data about the drug on the market. An agency may, at its discretion, alter, suspend, or terminate the testing based upon the data which have been accumulated to that point and its assessment of the risk/benefit to the patient.

Upon review of a BLA or NDA or equivalent, the regulatory authority may grant marketing authorization, request additional clinical data or deny approval if the agency determines that the application does not satisfy its approval criteria. Review of a marketing application typically takes one to three years, but may last longer, especially if the agency asks for more information or clarification of information already provided. Further clinical trials may be required to gain approval to promote the use of the product for any additional indications. Such additional indications are obtained through the approval of supplemental applications.

The process of obtaining regulatory approval is lengthy, uncertain, and requires the expenditure of substantial resources. Each NDA or BLA in the United States must be accompanied by a user fee, established pursuant to the Prescription Drug User Fee Act ("PDUFA") and its amend-

ments. PDUFA also imposes an annual product fee for prescription drugs and biologics ($98,380), and an annual establishment fee ($526,500) on facilities used to manufacture prescription drugs and biologics. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business. Additionally, no user fees are assessed on NDAs or BLAs for products designated solely as orphan drugs. Foreign countries also impose similar or comparable fees, which are sometimes significant.

Before approving a marketing application, all facilities and manufacturing techniques used for the manufacture of products must comply with applicable FDA or similar foreign regulations governing cGMP. In the United States, a local field division of the FDA is responsible for completing this inspection and for providing a recommendation for or against approval. This effort is intended to assure appropriate facility and process design in order to avoid potentially lengthy delays in product approvals due to inspection deficiencies. Similarly, before approving a new drug or biologics application, the FDA may also conduct pre-licensing inspection of a company, its contract research organizations and/or its clinical trial sites to ensure that clinical, safety, quality control and other regulated activities are compliant with GCP. To assure such cGMP and GCP compliance, the applicants must incur significant time and cost and put forth significant effort in the areas of training, record keeping, production, and quality control. Following approval, the manufacture, holding, and distribution of a product requires the continued allocation of significant resources to maintain full compliance in these areas.

After regulatory approval has been obtained, the agency will typically require post-marketing reporting to monitor potential side effects of the drug. Further studies may be required to provide additional data on the product's risks, benefits, and optimal use, and will be required to gain approval for the use of the product as a treatment for clinical indications other than those for which the product was initially tested. Results of post-marketing programs may limit or expand the further marketing of the product. Further, if there are any modifications to the drug, including changes in indication, labeling, or a change in the manufacturing process or manufacturing facility, a supplement may be required.

Additionally, once a drug product has been authorized to enter commercial distribution, numerous additional regulatory requirements apply. These include, among others: cGMPs; labeling regulations; the FDA's general prohibition against promoting drug products for unapproved or off-label uses; and adverse event reporting regulations, which require that manufacturers report if their drug may have caused or contributed to a death or serious injury. The FDA has broad post-market and regulatory and enforcement powers. Failure to comply with the applicable U.S. drug regulatory requirements could result in, among other things, warning letters, fines, injunctions, consent decrees, civil penalties, refunds, recalls or seizures of products (which would result in the cessation or reduction of production volume), total or partial suspension of production, withdrawals or suspensions of current product applications, and criminal prosecution. Adverse drug reactions related to a drug product in any existing or future markets could cause regulatory authorities to withdraw market approval for such product.

As noted above, when sought to be marketed in many foreign countries, including those of the European Union where human cells, tissues, and cellular and tissue-based products are more heavily regulated, our Biosurgery products require pre-marketing approval similar to that required of drugs and biologics in the United States.

Privacy Law

Federal and state laws govern our ability to obtain and, in some cases, to use and disclose data we need to conduct research activities. Through the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") Congress required the Department of Health and Human Services to issue a series of regulations establishing standards for the electronic transmission of certain health information. Among these regulations were standards for the privacy of individually identifiable health information. Most health care providers were required to comply with the Privacy Rule as of April 14, 2003.

HIPAA does not preempt, or override, state privacy laws that provide even more protection for individuals' health information. These laws' requirements could further complicate our ability to obtain necessary research data from our collaborators. In addition, certain state privacy and genetic testing laws may directly regulate our research activities, affecting the manner in which we use and disclose individuals' health information, potentially increasing our cost of doing business, and exposing us to liability claims. In addition, patients and research collaborators may have contractual rights that further limit our ability to use and disclose individually identifiable health information. Any

claims that we have violated individuals' privacy rights or breached our contractual obligations, even if we are not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.

Other Regulations

In addition to privacy law requirements and regulations enforced by the FDA, we also are subject to various local, state and federal laws and regulations relating to safe working conditions, laboratory and manufacturing practices, the distribution of human tissue and tissue products, experimental use of animals and the use and disposal of hazardous or potentially hazardous substances, including chemicals, micro-organisms and various radioactive compounds used in connection with our research and development activities. These laws include, but are not limited to, the Occupational Safety and Health Act, the Toxic Test Substances Control Act and the Resource Conservation and Recovery Act. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards prescribed by state and federal regulations, we cannot assure you that accidental contamination or injury to employees and third parties from these materials will not occur. We may not have adequate insurance to cover claims arising from our use and disposal of these hazardous substances. In addition, procurement of certain human organs, and tissue for transplantation is subject to the restrictions of the National Organ Transplant Act ("NOTA"), which prohibits the transfer of certain human organs, including skin and related tissue, for valuable consideration, but permits the reasonable payment associated with the removal, transportation, implantation, processing, preservation, quality control and storage of human tissue and skin. We include in our pricing structure amounts to tissue banks to reimburse them for their expenses associated with the recovery and transportation of the tissue, and in addition to certain costs associated with processing, preservation, quality control and storage of the tissue, marketing and medical education expenses, and costs associated with the development of tissue processing technologies. NOTA payment allowances may be interpreted to limit the amount of costs and expenses that we can recover in our pricing for our products, thereby reducing our future revenue and profitability. If we were to be found to have violated NOTA's prohibition on the sale or transfer of human tissue for valuable consideration, we would potentially be subject to criminal enforcement sanctions.

Foreign Regulation

We expect to have to obtain approval for the manufacturing and marketing of each of our products from regulatory authorities in foreign countries prior to the commencement of marketing of the product in those countries. The approval procedure varies among countries, may involve additional preclinical testing and clinical trials, and the time required may differ from that required for FDA approval. Although there is now a centralized European Union approval mechanism in place, this applies only to certain specific medicinal product categories. Each European country may impose certain of its own procedures and requirements in addition to those requirements set out in the appropriate legislation, many of which could be time-consuming and expensive.

Employees

As of December 31, 2014, our headcount was 211 full-time and 6 part-time employees. Of this total, 21 were engaged in research and development and clinical trials in our Biosurgery business, 51 were engaged in Biosurgery manufacturing activities, 110 were engaged in sales and marketing activities, 13 were engaged in reimbursement and market access activities and 16 were engaged in administration, finance, and facilities.

All of our employees have entered into non-disclosure agreements with us regarding our intellectual property, trade secrets and other confidential or proprietary information. None of our employees are represented by a labor union or covered under a collective bargaining agreement, and we have not experienced any work stoppages.

Please see Appendix I on page 81 for information on the risk of Osiris Therapeutics.

Myriad Genetics (NASDAQ:MYGN)

www.myriad.com

New Venturetec cost	USD 5.9 million
New Venturetec holding of Myriad Genetics	0.2%
Valuation as of Sept. 30, 2015	USD 7.5 million
% of total investments as of September 30, 2015	9%

The following text is an extract form the Myriad Genetics, Inc. annual report 2014 (Form 10k). The terms "Myriad," "we," "us," and "our" means Myriad Genetics, Inc.

Myriad Genetics is a leading molecular diagnostic company dedicated to making a difference in patients' lives through the discovery and commercialization of novel, transformative tests across major diseases. We believe in improving healthcare for patients by providing physicians with important information to solve unmet medical needs. Through our proprietary technologies, we believe we are positioned to identify important disease genes, the proteins they produce, and the biological pathways in which they are involved to better understand the genetic basis of human disease and the role that genes and their related proteins may play in the onset and progression of disease. We believe that identifying biomarkers (DNA, RNA and proteins) will enable us to develop novel molecular diagnostic tests.

Our goal is to provide physicians with critical information to guide the healthcare management of their patients by addressing four major questions a patient may have about their healthcare:

- what is the likelihood of my getting a disease,
- do I have a disease,
- how aggressively should my disease be treated, and
- which therapy will work best to treat my disease.

We are developing new molecular diagnostic tests that are designed to assess an individual's risk for developing disease later in life (predictive medicine), accurately diagnose disease (diagnostic medicine), identify a patient's likelihood of responding to a particular therapy and assess if a patient will benefit from a particular drug (personalized medicine), and assess a patient's risk of disease progression and disease recurrence (prognostic medicine).

Our business strategy for future growth is focused on three key initiatives. First, we are working to grow and expand our existing products and markets. Second, we are developing our business internationally with an international direct sales force. Finally, we are launching and intend to continue to launch new potentially transformative products across a diverse set of disease indications, complementing our current businesses in oncology, women's health, urology, dermatology and rheumatology.

In February 2014, we completed the acquisition of privately-held Crescendo Bioscience, Inc. ("Crescendo") for $270 million in cash, which was reduced by the repayment of a loan made to Crescendo and other customary adjustments in accordance with the acquisition agreement. We believe that the acquisition of Crescendo facilitates our entry into the high growth autoimmune and inflammatory disease market, diversifies our product revenues and enhances our strength in protein-based diagnostics. The business of Crescendo, including its Vectra® DA blood test for rheumatoid arthritis disease management, is operated as a wholly owned subsidiary.

We offer 13 commercial molecular diagnostic tests, consisting of seven predictive medicine tests, three personalized medicine tests, two prognostic medicine tests and one diagnostic medicine test. We market these tests in the United States through our own sales force of approximately 470. We have also established commercial laboratory operations in Munich, Germany and international headquarters in Zurich, Switzerland. We currently market our products through our own sales force in Europe and Canada and have entered into distributor agreements with organizations in selected Latin American, Middle Eastern, Asian and African countries. We also generate revenue by providing pharmaceutical and clinical services to the pharmaceutical and biotechnology industries and medical research institutions utilizing our multiplexed immunoassay technology. Total revenue was $778.2 million for the year ended June 30, 2014, an increase of 27% over the prior fiscal year.

During the fiscal year ended June 30, 2014, we devoted our resources to supporting (i) our predictive medicine, diagnostic medicine, personalized medicine and prognostic medicine tests, (ii) our pharmaceutical and clinical services business, and (iii) our research and development efforts supporting our existing tests and our future molecular diagnostic candidate tests. For the years ended June 30, 2014, 2013 and 2012, we had research and development expense of $67.5 million, $53.7 million and $42.6 million, respectively. Additional financial information about our three reportable segments is included in Note 10 to our audited financial statements for the fiscal year ended June 30, 2014 included with this Annual Report. For the year ended June 30, 2014, we had net income of $176.2 million, an increase of 20% over the prior fiscal year.

Prolexys Pharmaceuticals, Inc.

New Venturetec cost	USD 15 million
New Venturetec holding of Prolexys	15.0%
Valuation as of September 30, 2015	USD 0.5 million
% of total investments as of September 30, 2015	0.6%

Company Profile

Prolexys Pharmaceuticals, Inc., was founded in 2001 with a focus to develop innovative small molecules for the treatment of cancer. Prolexys' primary drug candidate, PRLX 93936 is a first-in-class multi-phosphatase inhibitor, currently in development for patients with refractory multiple myeloma. PRLX 93936 is active in vitro and in vivo against a broad range of multiple myeloma cell lines, many with Ras pathway activation. In 2011, a research collaboration between Prolexys and the Dana Farber Cancer Institute demonstrated efficacy and survival improvement in a mouse study of multiple myeloma.

The next valuation inflection point for Prolexys is evidence of clinical activity in multiple myeloma. The company has initiated a clinical trial to assess safety and efficacy in this patient population.

Prolexys has ceased all operational activities and is completing the development of a corporate package that will include all relevant preclinical, CMC and clinical data. This package will provide sufficient information to evaluate the lead compound of Prolexys (PRLX 93936) and will serve as the Due Diligence Binder for external parties. Prolexys will approach oncology specialty companies and discuss potential asset acquisition options. The asset PRLX 93936 has a unique mechanism of action and has demonstrated efficacy in a mouse modal of Multiple Myeloma. In collaboration with the Dana Farber Cancer Research Institute, a Phase I Maximum Tolerated Dose clinical study was conducted with PRLX 93936. The study is completed and provided the MTD (20 mg/m^2) and initial signals of efficacy. The results of the study were presented during the December 2014 American Society of Hematology meeting.

Next Steps

Both Prolexys and the investigators are encouraged by the early clinical data and agree that further clinical research is warranted. To better understand the efficacy potential of the product, the drug needs to be tested as a combination therapy. The next steps in the clinical development program will require a Phase II program that will assess safety and efficacy of combination therapy in a larger group of patients. This will require significant additional funds and resources. Prolexys will seek a partner to acquire the asset and provide the funds to continue the clinical development program.

Risks

The study has reached the maximum tolerated dose demonstrating limited signs of efficacy. The study population in this protocol was difficult to treat and patients failed many previous lines of therapy. The drug was administered as monotherapy and only in two cases was stable disease observed. In all other patients, no proof of efficacy was detected.

Combination therapy will be needed with Prolexys 93936 to demonstrate better efficacy. In this therapeutic area, all drugs currently in clinical development are evaluated as combination therapy. Prolexys does not have the resources and funds to continue this clinical development program and will seek a partner to do so. The goal is to identify a partner who will acquire the asset. It is unknown if PRLX 93936 will generate interest from external parties.

Any negative outcome in the search of a development partner will result in the bankruptcy of Prolexys. Further, the Company may have to raise new money on the capital market to fund its operation. Capital markets are not in favor of early stage biotechnology companies. Any new capital round could result in high dilution for current shareholders or, in case there is no interest, in the bankruptcy of the Company. The risk to lose 100% of the investment in Prolexys is real and high and can happen any time.

Valuation of investments

Risk of venture capital investments

The Company makes investments in a variety of areas offering the opportunity of significant capital gains, but which involve a high degree of business and financial risk that can result in substantial losses, **which can be 100%**. Among these are the risks associated with investments in companies at an early stage of development or with little or no operating history, companies operating at a loss or with substantial variations in operating results from period to period, and companies with the need for additional capital to support expansion or to achieve or maintain a competitive position. For a more detailed discussion of the risks in connection with venture capital investments please refer to page 6.

Determination of the net asset value

The net asset value per share is a figure which is calculated on a regular, consistent basis to approximately reflect the intrinsic value of one share of the Company. The net asset value is expected to serve as an indicator for the price of the shares of the Company. The net asset value is calculated by the Company by dividing the value of the net assets of the Company (the value of its assets less its liabilities) by the total number of shares outstanding.

The auditors will review the consistency of the calculation methods used by New Venturetec to determine the net asset value as of the Company's annual and semi-annual balance sheet dates. All other net asset value computations are not reviewed by the auditors.

The Company calculates the fair value of every single investment on a regular basis (at least bi-weekly). The calculation takes into consideration all assets and liabilities on a pro rata basis, accrued expenses and accrued income (e.g. interest on cash, if any) incurred by the Company.

The fair value of New Venturetec's investments is calculated on the basis of the following principles and guidelines:

a) Valuation of public companies

For the purpose of the net asset value calculation of public companies, the closing bid price on the reporting day as reported by the exchange where the stock is quoted and traded is used.

b) Valuation of private companies

For the purpose of the fair value calculation of private companies the following principles apply (see also page 27):

Most important valuation factors

- performance-based terms & structures
- price negotiation and action
- experience and performance of management
- existing tangible and intangible assets
- technology validation
- last paid price
- financial forecasts
- market potential, position within market
- comparison to competitors

The original cost or the subsequent capital increase price is considered an approximation of the fair value at the time of the transaction.

Start-up capital: Technology assessment, negotiations with management, industry comparables and competitors' bids are the main factors that affect the valuation. Net asset value calculation at cost, less any write-off deemed necessary if subsequent performance is below business plan.

Capital increase: Re-evaluation of technology assessment, negotiations with management, industry comparables and competitors' bids, achievement of milestones and business plan guidelines. Net asset value calculation is principle based on the capital increase price less discount, if deemed necessary based on the valuation factors listed below.

Write up: A write up is recognized when a significant event occurs such as the issuing of a patent, corporate partnering, increased profitability and achievement of milestones.

Write down: A write down is recognized when a significant event occurs such as a permanent impairment of assets, performance significantly below the business plan and a change in the valuation of comparable companies.

Furthermore, it has to be taken into consideration that private companies are not subject to any external (third-party) valuation procedures, and the intrinsic value may therefore be difficult to assess. The valuation of the private investments as shown in the report is made by the Company according to above guidelines. The valuation may change

from day to day depending on the Company's development and market circumstances. However, the risk remains, that the valuations are not accurate and can change any day.

Description of valuations

Public companies

Public companies are valued at the closing bid price each day. The reported valuation is based on the closing price as of September 30, 2015. These investments are subject to general stock market conditions.

Osiris Therapeutics is listed on NASDAQ, symbol OSIR. **Myriad Genetics** is listed on NASDAQ, symbol MYGN.

Private Companies

Valuations are based on the company's status at a given date.

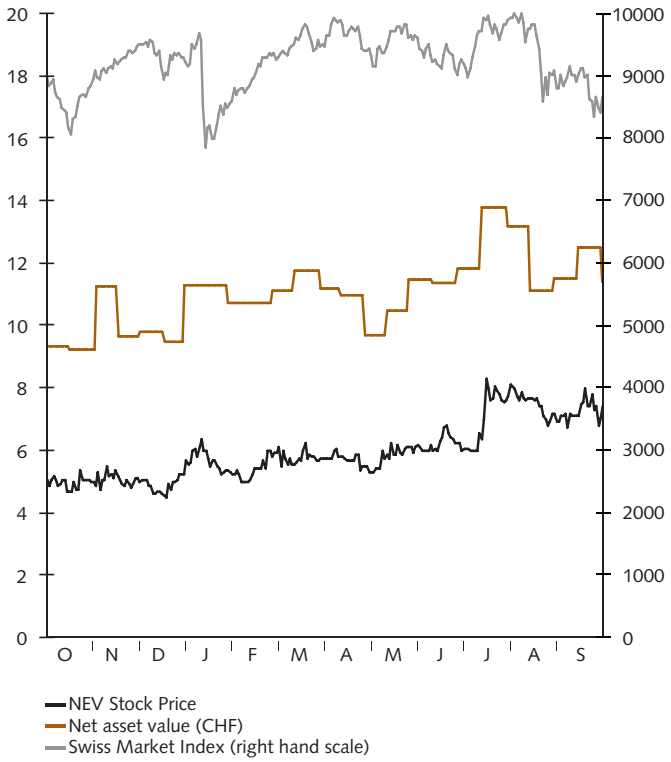
- Increases in valuations are due to achievements of milestones, capital increases or other significant positive business developments
- Companies valued at cost have generally achieved the expected milestones
- Decreases in valuations are generally due to financial market conditions, unfavorable capital increases and the company generally being behind plan

Prolexys Pharmaceuticals: Prolexys is developing pharmaceutical cancer products against multiple melanoma. The product as very high risk / return characteristics. The company finished its phase I/II trial with mixed results. The company is now in the process of analyzing the value of the product based on the results of the trial and to find a potential partner for the further development of the product if applicable. Based the uncertainty of the value of the product, the risk of a loss of the investment is high and real. The outcome of this process is crucial for the survival of the company. No significant development which would change the valuation of the investment took place in the reporting period. The WACC and the DCF calculation did therefore not change. The WACC is reflecting the high risk of the investment.

Investment valuation

	change in % **01.10.14 – 30.09.15**
Public companies	
Osiris Therapeutics	46.7%
Myriad Genetics	–2.7%
Private companies	
Prolexys Pharmaceuticals	0.0%

October 1, 2014 – September 30, 2015
in CHF

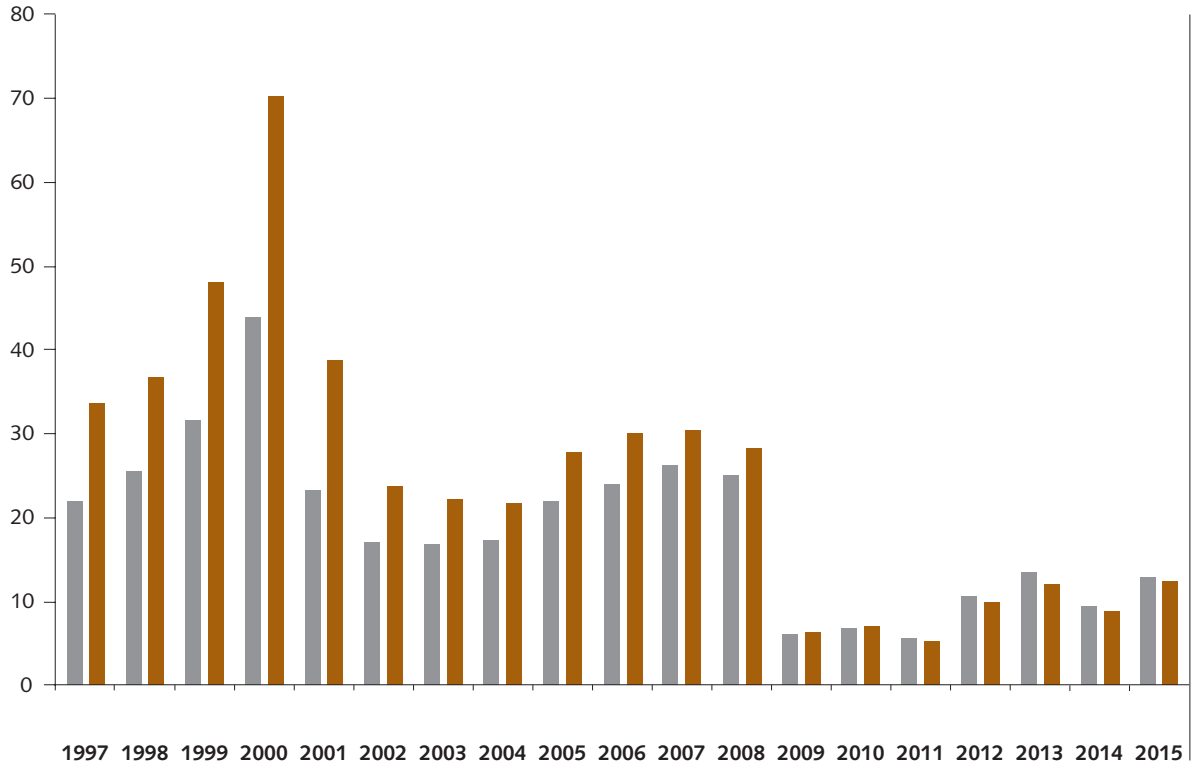


Prices and volume

	2014/2015	2013/2014	2012/2013
High/low share price in CHF (SIX)	7.75/4.63	7.01/4.93	8.01/3.03
High/low net asset value in CHF:	16.12/9.34	13.97/9.29	18.54/6.70
Closing share price (SIX) at the end of the period in CHF:	6.99	5.00	6.06
Net asset value in CHF at the end of the period:	12.59	9.48	12.67
Premium/discount	–44.48%	–47.26%	–52.50%
Average daily trading volume	6,877	12,320	23,295

Net asset value performance

January 1, 1997 – September 30, 2015
in USD and CHF



Net asset value total return net	CHF	Total return 30.09.2015	USD	Total return 30.09.2015
January 1997	28.94	–56.49%	20.00	–35.32%
Since IPO, Oct. 1997	33.00	–61.85%	22.76	–43.16%
Since capital increase February 1999	39.80	–68.36%	27.54	–53.03%
Fiscal year 2014/15	12.67	32.82%	14.01	30.28%
NAV as per September 30, 2014	9.48		9.93	

IRR net, p.a.	Based on NAV CHF	USD	Based on market price CHF
Time Weighted Return net, p.a.			
January 1997	–4.34%	–2.30%	–7.30%
Since IPO, Oct. 1997	–5.21%	–3.01%	–8.26%
Since capital increase February 1999	–6.67%	–4.43%	–9.90%

IRR net, p.a.	CHF	USD	CHF
January 1997	–5.71%	–3.41%	–8.85%
Since IPO, Oct. 1997	–5.96%	–3.62%	–9.12%
Since capital increase February 1999	–6.66%	–4.21%	–9.90%

Transactions

Investments

October 1, 2014 – September 30, 2015

Company		Amount
Myriad Genetics	USD	653,621
Reverb Networks	USD	1,350,000

Disinvestments

October 1, 2014 – September 30, 2015

Company		Amount
Etex	USD	1,435,647
mPortal	USD	7,889,390
Reverb Networks		Write off

Unrealized Profits and Losses

January 1, 1997 – September 30, 2015

Unrealized Profit	USD	53,242,445
Unrealized loss	USD	14,500,000
Net	USD	38,742,445

Realized profits and losses

January 1, 1997 – September 30, 2015

Realized profit	USD	75,176,070
Realized loss	USD	107,967,004
Net	USD	–32,790,934

Corporate governance

The following information completes the Annual Report in terms of Corporate Governance. New Venturetec is listed on the SIX Swiss Exchange, Symbol NEV, which requires certain disclosures on this subject. Additional information can be found in other parts of the report or on our website www.newventuretec.com.

Company summary

New Venturetec is an investment holding company incorporated in Zurich on August 8, 1997. The Company is the owner of Venturetec, Inc., Tortola, BVI. Venturetec, Inc. holds participations in venture companies in the areas of biotechnology and technology which are domiciled in the USA.

The Company's business objective is to obtain capital appreciation from well selected companies that are at the forefront of technology and products in their field. The management builds positions early enough in leading technology companies with a long term investment commitment. **These investments bear a high degree of risk.**

Venture capital
Venture Capital investing is the process of building a business from scratch. The investments of venture capital are made through different forms of securities ranging from common stock to preferred shares and convertible debt.

Venture capital can be private or public depending on the stage of the company. The company naturally evolves from its inception through generating profits if successful. In most cases several rounds of financing at different prices are conducted.

The proceeds of such financing are mostly used for working capital to build the business as such companies still generate losses. The characteristics of venture investments are typically of high risk, lack of a market for the securities and a long-term investment horizon. No assurance can be given that returns are realized. **The risks of venture capital investments are 100%.**

Investing in New Venturetec
New Venturetec is the owner of Venturetec, Inc., which is currently holding investments in five portfolio companies. The participations are managed to assure the best possible value creation for its shareholders. Cash from disinvestments will likely be reinvested. The investment horizon should be 10 years or more. A shareholder is recommended to follow the development with interest and base an investment or disinvestment decision on results of the development of the portfolio companies rather than on the general capital market and the investors' sentiment. **Any investor should only invest in New Venturetec if he can afford the complete loss of the investment without having to change his lifestyle. Significant risk is involved and the timelines may exceed the expectations. In addition, the market of New Venturetec shares is very illiquid. The risks of venture investments are 100%. The total loss of the investment has to be considered as a realistic possibility.**

Group structure and shareholders

The group New Venturetec comprises of New Venturetec Ltd. and its wholly owned subsidiary Venturetec, Inc.

New Venturetec
New Venturetec Ltd. is a holding company established 1997 under Swiss law, domiciled in Steinhausen (ZG). The Company is the owner of Venturetec, Inc., Tortola, BVI. New Venturetec Ltd. is listed on the SIX Swiss Exchange (NEV), ISIN # CH0007036830, Valoren # 703683. As of September 30, 2015 the Company's market capitalization was CHF 34,950,000.

Venturetec
Venturetec, Inc. is a fully owned subsidiary of New Venturetec, domiciled in Tortola, British Virgin Islands, incorporated on September 11, 1996 with a share capital of USD 20,000,000. The purpose of the Company is to hold investments mainly in US high risk venture capital companies in the industries of biotechnology and technology.

The Board of Directors of Venturetec, Inc. consists of two members:

Peter Friedli, President, Swiss
Luis A. Davis, independent director, BVI resident

Investment advisor
Madison Investment Advisor, Inc., Panama, owned by Peter Friedli, Chairman of the Board of New Venturetec, is the investment advisor of Venturetec, Inc. The investment advisor supports and advises the Board on specific duties with regards to the selection, purchase, sale, structure and disposal of the Group's investments. As per October 1, 2014, the Board and the Investment Advisor agreed to reduce the advisory fee to an all-inclusive fee of 1.0% per annum on the Group's net asset value as estimated based on the valuation guidelines of the Company on a monthly basis. The advisory fee is subject to the retrospectively yearly

approval by the annual shareholder meeting in accordance with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies ("OaEC"). See also note 11 on page 66. For more details on the investment advisory agreement see page 36.

Significant shareholders
As of September 30, 2015 the following shareholders filed a holding of 3% or more of the total outstanding shares to the Company to SIX Swiss Exchange:

Between 5% and 10%
Reinhard und Rosa Siegrist
Alexander und Chantal Biner, through 4iS Four Eyes AG, St.Gallen
Between 3% and 5%
RM Strategic Fund

Please see http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_de.html for more detailed information and in particular for the transactions during fiscal year 2014/2015.

Cross-shareholdings
The Company is not aware of any cross-shareholdings that exceed 3% of the capital shareholdings or voting rights on both sides.

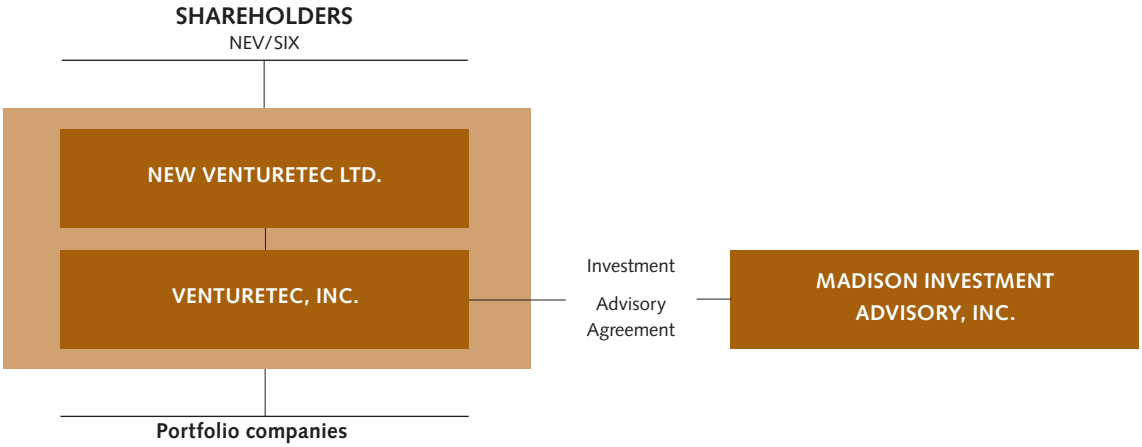
Capital structure

The paid-in capital is CHF 30,000,000 consisting of 5,000,000 bearer shares with a par value of CHF 6.00 each. In the fiscal year 2013/14, the paid-in capital of the New Venturetec was reduced from CHF 62,500,000 to CHF 30,000,000 or from CHF 12.50 per share to CHF 6.00 per share, by transferring CHF 32,500,000 to the reserves of additional paid in capital. All shares are fully paid in.

Conditional capital
On December 4, 2013, the annual meeting of shareholders resolved the creation of conditional capital in the amount of CHF 10,200,000 consisting of 1,700,000 bearer shares with par value of CHF 6.00 each. These shares stand in relation to a CHF 15,055,000 convertible bond issued by the Company on January 23, 2014 with maturity date on January 23, 2018. For further details on the terms of the conditional capital, please see on art. 3a of the articles of association of New Venutretec. http://www.newventuretec.com/company/articles_of_association.aspx#

Authorized capital
On November 25, 2014, the ordinary shareholder meeting of New Venturetec approved the creation of authorized capital with nominal value of up to CHF 15,000,000 through the issuance of up to 2,500,000 bearer shares with a nominal value of CHF 6.00 per share. In accordance with art. 3b of the articles of association the board of directors is authorized to execute a capital increase within the bounds of this authorized capital until November 25, 2016. For further details on the terms of the conditional capital, please see on art. 3b of the articles of association of New Venutretec. http://www.newventuretec.com/company/articles_of_association.aspx#

There is no other authorized or conditional capital outstanding. Except of the above stated, there was no change in the capital structure of the Company for the last



three years. No other warrants, options or convertible securities are outstanding. The outstanding loans and the convertible bond are described in a separate paragraph below.

Shares
Each share entitles the holder to one vote at the general assembly of the Company. There are no shares which carry preferential rights. Shareholders are entitled to the rights as set forth in the Swiss Code of Obligation.

Treasury stocks
The Company does not own any of its shares.

Board of Directors

The Board of Directors of New Venturetec consists of two independent members and Peter Friedli. The Board leads all material aspects of the Company including investment and disinvestment decisions, general management and administrative matters and the delegation thereof, as well as investor relation and corporate affairs. The Board periodically discusses the investment holdings of Venturetec, Inc. as well as general business issues relating to its shareholders and investment outlook. Peter Friedli abstains from voting concerning any business issue between himself, the investment advisor and New Venturetec.

Peter Friedli, Chairman, Swiss, executive
Peter Friedli has been a founder and principal of various venture investment firms since 1986. Mr. Friedli has over 29 years of entrepreneurial experience as an independent investment manager in venture capital and has specialized in investments predominantly domiciled in the United States in the areas of biotechnology and technology. He has held interests in more than 170 venture companies ranging from start-up to public companies. Peter Friedli possesses an active involvement in the management of a number of those companies and also serves on the board of them. Prior to that, he worked in the field of international management consulting for service and industrial companies in Europe and the United States.

Peter Friedli is a director of the portfolio company Osiris Therapeutics, Inc. Further, Mr. Friedli is President of Madison Investment Advisor, Inc.

Mr. Friedli is a founder of New Venturetec and has been a member of the Board of Directors since 1997. He is elected until the ordinary shareholder meeting 2015.

Hans Lerch, Vice Chairman, Swiss, non executive
Hans Lerch had a long time career with Kuoni Travel Holding Ltd. From 1972 to 1985 he had assignments in different locations in the Far East and thereafter various positions at the headquarter in Switzerland. From 1999 to 2005 Mr. Lerch was President and CEO of the Kuoni Group and from 2005 to 2008 Chairman and CEO of SR Technics Holding in Zürich. Other significant positions are vice Chairman and CEO of Hotelplan Holding AG, Zurich, Member of the Board of Directors of Kühne+Nagel International, Schindellegi and Chairman of the Board of Directors of the International School of Tourism, Zurich and Executive Director of the Abercrombie & Kent Group, London. Mr. Lerch is trained in trading and tourism. Mr. Lerch is no, and has never been, member of the management of New Venturetec, Venturetec, Inc. or Madison Investment Advisor, Inc., further Mr. Lerch or any related party of Mr. Lerch has no and never had any material business relationship to New Venturetec, Venturetc or Madison Investment Advisor other than being a member of the Board of Directors of New Venturetec.

Mr. Lerch has been a member of the Board of Directors since 2007. He is elected until the ordinary shareholder meeting 2015.

Andreas von Sprecher, member and Secretary, Swiss, non executive
Andreas von Sprecher is a founding partner at the law firm Hüppi & von Sprecher since more than 10 years. Prior to that Mr. von Sprecher worked as an attorney of law. He is involved in some entrepreneurial projects in the area of tourism and viniculture. Mr. von Sprecher graduated in Law at the University of Zurich and has been admitted to the bar of the Canton of Zurich in 1989.

Mr. von Sprecher is no, and has never been, member of the management of New Venturetec, Venturetec, Inc. or Madison Investment Advisor, Inc., further Mr. von Sprecher or any related party of Mr. von Sprecher has no and never had any material business relationship to New Venturetec, Venturetc or Madison Investment Advisor other than being a member of the Board of Directors of New Venturetec.

Mr. von Sprecher is Partner at Hüppi & von Sprecher. He is a member of the Board of Directors of the Schweizerische Mobiliar Genossenschaft and SHV Interholding AG.

Mr. von Sprecher has been a member of the Board of Directors since 2002. He is elected until the ordinary shareholder meeting 2015.

External board representations
The by-laws of the Company regulate the maximal external board representations for all members of the board of directors of the Company in accordance with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies ("OaEC"). Therefore, non of the members of the Board of directors may take service on more than 30 other boards of directors of companies not related to New Venturetec, of which not more than ten board seats may be in listed companies. For further details on the terms of external board representation, please see art. 12 of the articles of association of New Venturetec. http://www.newventuretec.com/company/articles_of_association.aspx#.

Elections
The members of the board of directors are individually elected for one year, the next election will be at the general meeting of Shareholders in 2015. Board members can be re-elected.

Board remuneration
The annual Board of Directors fee for Mr. Lerch and Mr. von Sprecher is CHF 25,000 each. Peter Friedli is not paid for serving on the Board of Directors.

The fully owned subsidiary Venturetec, Inc. entered into an investment advisory agreement with Madison Investment Advisor, Inc., which is fully owned by Peter Friedli, the Chairman of the board of directors of New Venturetec, on October 1, 2014. In accordance with the investment advisory agreement, the fee is determined to an all inclusive fee of 1% per annum on the group's net asset value as estimated based on the valuation guidelines of the Company on a monthly basis.

Of the 1% all inclusive advisory fee, the lower of USD 50,000 or 10% of the annual advisory fee will directly be paid to a third party for administrative services. The advisory fees for the fiscal year 2014/15 paid or payable to Madison Investment Advisor are USD 586,254.

Board members never received any stock options, free shares, social security contributions other than required by law, or any other compensation or benefits other than the reported Board of Director's fee.

In accordance with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies ("OaEC") and the articles of association of the company all remunerations to members of the Board of Directors and the management have to be retrospectively approved by the annual shareholders meeting. No special rulings with regard to loans or special social benefits for the members of the Board of Directors or the management are defined in the bylaws of the Company.

For further details on the remuneration of the board of directors and the management please see the "Compensation report" on page 43 and note 11 on page 66.

Shareholdings
Peter Friedli: holding per March 31, 2015: 103,381 shares. No trading during the reporting period.

Peter Friedli holds convertible bonds issued by the company and convertible into common shares of New Venturetec as described in note 9, page 64 and on page 38 below.

Hans Lerch: holding per March 31, 2015: 20,000 shares. No trading during the reporting period.

Andreas von Sprecher: holding per March 31, 2015: 3,000 shares. No trading during the reporting period.

Andreas von Sprecher holds convertible bonds issued by the company and convertible into common shares of New Venturetec as described in note 9, page 64 and on page 38 below.

Portfolio company influence
As a member of the Board Peter Friedli represents all shareholders on the portfolio companies' board. Venturetec itself does not have management or strategic influence.

Internal organization
The business of New Venturetec requires specific know how from the members of the Board of Directors which is covered as follows:

- Investment management, including venture capital know how in the area of biotechnology and technology, portfolio consulting and assessments, board participation, strategic consulting, hiring of management and corporate finance. This is covered by Peter Friedli
- Management of investment company: Peter Friedli, Hans Lerch
- Corporate governance: Peter Friedli, Hans Lerch, Andreas von Sprecher
- Legal: Andreas von Sprecher

The Board of Directors constitutes itself, subject to the election of the chairman by the general meeting. It appoints the Vice Chairman, as well as a Secretary, who currently is,

but does not have to be a member of the Board. Meetings of the Board of Directors are convened by the Chairman or, in his absence, by the Vice Chairman. Individual members of the Board of Directors may, stating their reasons, demand that the Chairman call a meeting immediately. Prior to the meetings, the members of the Board of Directors receive comprehensive documentation on the agenda items to be discussed at the meeting.

The Board of Directors passes its resolutions by a majority of votes, whereby the Chairman has the deciding vote in the event of a tie. The Board of Directors is quorate when the majority of its members are present at a Board meeting. Resolutions may also be passed in writing or by telephonic meetings without a physical meeting of the Board of Directors being held. Circular resolutions must be unanimous in order to be valid.

The Board of Directors meets for several hours at least four times a year or whenever business requires. The members of the Board have regular informal discussions and reviews between the Board meetings. Three meetings of the Board of Directors took place in the reporting period, all of them lasted several hours. The full Board of Directors was present at all meetings. Peter Friedli visits most of the portfolio companies several times a year.

The Chairman of New Venturetec is annually elected by the annual shareholders meeting in accordance with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies ("OaEC") and the articles of association of the company.

Committees

In accordance with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies ("OaEC") and the articles of association of the company, the board of directors is supported by a compensation committee. Based on the business and organizational structure of the company the Board of directors does not appoint any other committees.

Compensation committee

The compensation committee consists of two independent members of the Board of directors, which have been individually elected by the ordinary shareholders meeting for a term of one year until the ordinary shareholders meeting 2015. Members of the compensation committee until the end of the ordinary shareholders meeting on December 4, 2015 are Mr. Hans Lerch and Mr. Andreas von Sprecher.

The duties of the compensation committee is to support the Board of directors to define and survey compensation politic, the compensation rules and the performance goals for the members of the Board of directors and the management and to prepare the proposals for the compensation of the members of the Board of directors and the management to the ordinary shareholders meeting. The compensation committee has no decision power. The compensation committee meets once a year for 1–2 hours in October or November. There have been no meeting in the reporting period as the meeting for the compensation 2014/15 took place on October 27, 2015. For further details on the compensation committee please see the Compensation Report on page 42.

Responsibility and risk control

The Board of Director is the Company's highest governing body and is also charged with supervising and monitoring the activities of the management. According to the Swiss Code of Obligations and the article of association of the Company the Board of Directors is responsible for the strategy, direction, supervision and control of the Company and its management. The Board of Directors of New Venturetec is specifically responsible for the investment strategy and the investment guidelines, organizational regulations, appointing the management, financial planning and accounting policies, overall supervision and the relationship to the shareholders. The Board is further deciding on all investments and disinvestments of the Company. Specifically with regard to the supervision and monitoring the Board of Directors receives regular reports on the Company's business, examines the annual report and semi-annual report and the annual and semi-annual consolidated financial statements and examines the reports produced by the statutory auditors of the Company.

The board of directors may delegate any management item of New Venturetec or Venturetec to one or several members of the board. The execution of investments or disinvestments may be delegated to one or several members of the board of directors or to any third parties in accordance to Art. 716b of the Swiss Code of Obligations, the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies ("OaEC") and the articles of association. Venturetec, Inc. entered into an investment advisory agreement with Madison Investment Advisor, Inc. Madison Investment Advisor advises the Board on any investment related items including investments and disinvestments and the monitoring and management of the investees. Further details on the investment advisory agree-

ment are described in the management section below. Any transactions which are related to the investment advisor have to be approved by the independent members of the Board.

Madison investment advisor informs the Board on the status of the portfolio companies on a regular basis and as business requires. The members of the Board and the investment advisor have regular informal discussions and reviews on corporate and portfolio matters between the board meetings.

Information and control instruments

The Board of Directors adopted the investment guidelines of the Company, see page 11. Any transactions which are related to the investment advisor have to be approved by the independent members of the Board. Madison Investment Advisor does not own any shares of New Venturetec nor of any portfolio companies. The Company, the Board and the management strictly follows the trading and insider rules of the SIX Swiss Exchange.

In addition to the Company's comprehensive external reporting, the Board discusses and reviews the financial performance, major events at portfolio companies as the law permits, net asset value of the portfolio and liquidity planning of New Venturetec at every Board meeting. The Board regularly reviews and discusses the risks on the portfolio company level, as well as the general financial risks of New Venturetec taking all internal and external factors into account. Further, all decisions regarding the investment advisory and Peter Friedli have to be approved by the independent Board members. For further information, please also see "Liquidity risk" on page 37 and "Risk management" on page 39.

Management

The Board of Directors decides on all material matters of the Company, including investments and disinvestments, general corporate and business affairs and regulatory and administrative matters. No additional management have been appointed. The Board delegates the executions of investments, disinvestment and general corporate and administrative duties to one of the Board members, the investment advisor or to any third party.

Under a separate investment advisory agreement, Venturetec, Inc. appointed Madison Investment Advisor, Inc. as investment advisor to support and advise the Board on specific duties with regards to the selection, purchase, sale, structure and disposal of the Group's investments. Madison Investment Advisor also represents the Company on the investees, including selected representations of Venturetec on the Board of directors of the portfolio companies. The investment advisor may execute and implement resolutions taken by the Board.

The key points of the investment advisory agreement are:

- The Company appoints the advisor to advise the Board of the Company on all aspects of the portfolio investments of the Company including but not limited to investment selection, due diligence, investment structure and contract negotiations, monitoring, disinvestments and reporting
- The advisor will represent the Company in all relations with the invested portfolio companies, including the representation on the Board of Directors of the portfolio companies. Being a Director of any portfolio company, the advisor will represent all shareholders of the portfolio company, consisting with applicable laws and regulations
- The advisor shall have the full power of attorney on the voting and shareholder rights at the portfolio companies on behalf of the Company, including to sign any documents or shareholder consents on behalf of the Company
- The advisor will regularly report the status or any material developments on the invested portfolio companies to the Board of Directors in compliance with and as permitted by all applicable laws and regulations
- The advisor will advise the Board of Directors with regard to the investment strategy and the investment allocation of the Company
- The advisor will support the Board of Directors in all corporate, administrative and regulatory matters of the Company
- The Advisor will support the Board of Directors in investor relations and communications to the public
- The advisor will execute the above tasks in a manner which is consisting with the investment guidelines of the Company and all applicable laws and regulations.

The investment advisory agreement can be terminated with one year written notice.

Advisory fees
The fully owned subsidiary Venturetec, Inc. entered into an investment advisory agreement with Madison Investment Advisor, Inc., which is fully owned by Peter Friedli, the Chairman of the board of directors of New Venturetec, on October 1, 2014. In accordance with the investment advisory agreement, the fee is determined to an all inclusive fee of 1% per annum on the group's net asset value as estimated based on the valuation guidelines of the Company on a monthly basis. The advisory fee is payable to the investment advisor quarterly by the end of each quarter. The former investment advisory agreement, which was replaced by October 1, 2014, comprised a fee of 0.6% per annum plus another 0.5% that could be used for all expenses incurred by the advisor with regard to the duties of the advisor.

Of the 1% all inclusive advisory fee, the lower of USD 50,000 or 10% of the annual advisory fee will directly be paid to a third party for administrative services. The advisory fees for the fiscal year 2014/15 paid or payable to Madison Investment Advisor are USD 586,254.

The advisory fee is subject to the retrospectively yearly approval by the annual shareholder meeting in accordance with OaEC and the by-laws of the company.

Administration
Huwyler Private Equity GmbH, Steinhausen, Switzerland, provides administration services and general management support on organizational and regulatory matters to the Board of Directors. The administration fee is CHF 200,000 per annum, payable quarterly.

Conflict of interests

Peter Friedli is the Chairman of the Board of Directors of New Venturetec Ltd. and President of Venturetec, Inc. and owner of Madison Investment Advisor, Inc. Further, Peter Friedli is a Member of the Board of some of the portfolio companies. As such, Mr. Friedli represents all shareholders of each portfolio company. Any related party transaction is approved by the independent Board Members of New Venturetec or the board of the portfolio company respectively with Mr. Friedli abstaining from any vote or as directed by corporate counsel. Peter Friedli may provide investment banking services to portfolio companies if and when needed and may be compensated for such services. Peter Friedli is explicitly authorized to conduct investment banking and / or consulting services to portfolio companies at its own terms if and when needed. Peter Friedli may be paid for such services by the portfolio company including if Venturetec invests in said portfolio company. New Venturetec or Venturetec, Inc. shall not have the right or claim to such payment. Peter Friedli did also personally invest in portfolio companies at market terms. New Venturetec benefits from such investments. Through the effort and services of Peter Friedli for portfolio companies, New Venturetec benefits. New Venturetec has also benefited from the loans, which are provided by Mr. Friedli. Further conflicts may arise in the course of doing business from time to time.

Liquidity risk

New Venturetec operates on tight liquidity and has to generate cash to cover its operational costs and interest. Further, the Group has liabilities outstanding in the amount of USD 24,854,534 as per September 30, 2015. New Venturetec does not have any operational income and consequently the only way to generate liquidity is through the sale of assets or funding through additional debt or equity. Beside the holdings in Osiris Therapeutics and Myriad Genetics, all investments are held privately for which there is no market. Please see Note 15.3 on page 72 for further information the liquidity risk.

Liquidity of Venturetec's investment in Osiris Therapeutics
Venturetec, Inc. directly owns 4,103,301 shares of Osiris Therapeutics, which represents 12.0% of the outstanding shares of Osiris Therapeutics. Based on this ownership, Venturetec is a reporting person in respect of Osiris Therapeutics and is subject to reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Venturetec has reported its transactions and holdings of Osiris Therapeutics with the United States Securities and Exchange Commission (SEC) through the filing of Forms 3 and 4, consistently since first becoming a reporting person following the IPO of Osiris Therapeutics.

The sale by Venturetec of shares of Osiris Therapeutics common stock requires either registration under the Securities Act of 1933, as amended (the "Securities Act"), or that the sale be exempt from registration. Rule 144 under the Securities Act provides a safe harbor from registration for sales by a person other than an issuer, underwriter or dealer. Compliance with Rule 144 requires compliance with various restrictions set forth in the rule, including limitations on the number of shares sold in a given period and the manner in which sales may be completed. For sales by an

affiliate of an issuer, which Venturetec is presumed to be, Rule 144 provides that the volume of securities sold during any preceding three-month period may not exceed the greatest of the following limitations:

1. 1% of the stock outstanding, which for Osiris Therapeutics would be 344,526 shares.
2. The average weekly reported volume of trading reported on all national securities exchanges during the preceding four weeks ending September 30, 2015, which for Osiris Therapeutics is currently 934,800.
3. The average weekly volume of trading of the securities reported through the consolidated transaction reporting system, which for the week ended September 30, 2015, was 742,100 shares.

Accordingly, for sales of Osiris Therapeutics common stock, the so called "volume limitation" under Rule 144 for an affiliate is currently 934,800 shares available to be sold in Q2 2015.

Rule 144 also requires, in the case of affiliate sales, that a Form 144 be filed with the SEC in advance of the sale. The sale must then take place within 90 days after the filing of the Form 144. If and when a sale transaction occurs, the sale must be reported to the SEC by the filing of a Form 4, within two days.

In addition, as a greater than 10% Shareholder, Venturetec is further limited as to when it can engage in purchasing or selling shares of Osiris Therapeutics. Venturetec is subject to Osiris' Trading Window and must clear all purchase and/or sales transactions in the Company's common stock with either the President & CEO or the Chief Financial Officer. Osiris' Trading Window usually closes 15-days prior to the end of each fiscal quarter and then reopens on the third Trading Day after the financial results for the quarter are published, which typically is 35–45 days after the fiscal quarter end. The Trading Window may also close during other times at the discretion of the Company.

These restrictions are unrelated and independent of Mr. Friedli's involvement.

Related party transactions

Loans and convertible bonds

On January 23, 2014, New Venturetec issued convertible bonds with the following terms:

Aggregated principal amount	CHF 15,055,000
Interest rate	4% per annum
Life	4 years/until Jan. 23, 2018
Principal amount	CHF 5,000
Conversion	Each Bond of CHF 5,000 principal amount is voluntarily convertible into shares of the Company after June 30, 2014.
Conversion price	CHF 9.50 per share

Peter Friedli, the chairman of New Venturetec subscribed to CHF 12,000,000 of the Convertible Bonds which have not been subscribed by existing shareholders. Andreas von Sprecher, member of the Board of New Venturetec subscribed to CHF 50,000 of the Convertible Bonds which have not been subscribed by existing shareholders.

Total liabilities owed to related parties per September 30, 2015 are listed in the table below. Please see notes 9 and 14.3 on page 64 and 68 for further details.

None of the loans outstanding are based on accrued management fees.

Total interests on liabilities owed to related parties in the reporting period were USD 788'874.

Waived and accrued management fee

In 2009, Peter Friedli waived accrued and payable management fees in the amount of USD 4,970,034. On August 22, 2011, Mr. Friedli waived additional accrued and payable management fees in the amount of USD 1,297,168. On the same date, Inflabloc shares with a book value of USD 1,500,000 have been transferred to Peter Friedli against accrued and due management fees. The Inflabloc shares had

Liabilities owed to related parties as of September 30, 2015

CHF	6,589,310	Loan paid from Peter Friedli to Venturetec	4%	31.12.15
CHF	12,000,000	Participation of Peter Friedli in the convertible bonds 2018	4%	23.01.18
CHF	50,000	Participation of Andreas von Sprecher in the convertible bonds 2018	4%	23.01.18

to be written off subsequently. The total amount of waived and abandoned management is USD 7,767,202. This represents the management fee of approximately seven years.

Mr. Friedli owns 103,381 shares of New Venturetec bought at an average price of CHF 33.00. Mr. Friedli never sold any New Venturetec shares. On January 23, 2014, Mr. Friedli subscribed to CHF 12,000,000 of the Convertible Bonds which have not been subscribed by existing shareholders of which CHF 5,000,000 was invested through the conversion of existing short term debt owed by New Venturetec to Mr. Friedli and CHF 7,000,000 was invested in cash.

Shareholders' participation rights

The Company follows the Swiss Code of Obligations regarding the convening of shareholder meetings. New Venturetec does not have any voting restrictions at shareholder meetings and follows the one share – one vote principle. There are no restrictions on the participation rights of any shareholders at the meetings.

Voting
A physical share certificate or a confirmation of a depository that the shares are held and blocked until the day of the shareholder meeting allows a shareholder to vote at the shareholder meeting. Proxy for voting can be given to any person, who does not have to be a shareholder of the Company. Proxies for voting given to any depositories are prohibited in accordance with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies ("OaEC"). The Shareholder Meeting takes decisions with the majority of the present shareholders, except of special quorum for certain resolutions as set forth in the Swiss Code of Obligations. The Article of Association of the Company does not require higher quorum for any other resolutions.

Agenda and proposals
The Board of Directors defines the agenda of a shareholder meeting and publishes it in the Swiss Official Gazette of Commerce at least 20 days before the shareholder meeting. Shareholders, who hold shares with an aggregated amount of at least CHF 1,000,000, have the right to put any item on the agenda by written request to the Board of Directors. Such items have to be received by the Board of Directors in time to follow the rules of the publication of the agenda. Proposals regarding items, which are not included in the agenda, can be discussed upon the motion of the shareholders but not be voted at the shareholder meeting, except for motions as set forth in the Swiss Code of Obligations.

Change of control and defence measures

Opting-up clause
According to Art. 6 of the Articles of Association of the Company the opting-up is at 49%.

Auditors

KPMG AG, Zurich act as independent statutory and group auditors of the Company and have been in this role since inception. Mrs. Astrid Keller has been the leading auditor on their behalf since the fiscal year 2008/09, the fiscal year 2014/15 is the seventh year of service of Mrs. Astrid Keller. The leading auditor changes every seven years. The auditors are elected for a period of one year by the general assembly. The remuneration for KPMG for auditing New Venturetec's consolidated and unconsolidated financial statements for the fiscal year 2014/15 amounted to CHF 102,800. No non-audit fees were incurred during the reporting period.

Information instruments of the auditor
The auditors are meeting with the management of the Company several times and have regular telephonic contact during the normal course of the annual and semi-annual audit. In the fiscal year 2014/15 the auditors had two meetings with the board of directors. The management provides the auditors with all documents requested. The management informs the auditors regularly on the development of the portfolio companies and the business.

Risk management

Most of the investees are in a development stage, disclosing accumulated deficits and little or no revenues. Their ability to continue as a going concern may depend on additional funding. Companies which are in the need of cash often face unfavourable financing terms to existing shareholders – in our case New Venturetec – which basically means heavy dilution and unfavourable liquidation preferences in case of a trade sale. This is only if the company is able to attract investments in the first place for which no assurance can be given that this may occur. These investments offer the opportunity of significant capital gains, but involve a high degree of business and financial risks that can result in substantial losses, including the risk of a total un-recover-

ability of an investment. The financial risk management objectives and policy of New Venturetec are to minimize dilution by structuring the initial investment accordingly. Other protective measures such as liquidation preferences are also part of the Company's policy. However, the operational risk remains. Furthermore, the Company does not hedge any foreign currencies or interest rate risk exposure. The risks of venture capital investments are 100%. **The total loss of the investment is a realistic possibility.**

Liquidity risk
Liquidity risk is the risk that New Venturetec will not be able to meet its financial obligations as they fall due. New Venturetec, as a greater than 10% shareholder of Osiris Therapeutics is subject to certain trade restrictions. Further, Peter Friedli is Chairman and a member of the Board of Directors of Osiris Therapeutics and therefore also subject to certain trade restrictions. These trading restrictions are also applicable to New Venturetec and may have a negative impact on the liquidity of the Group. For further details please see "Liquidity of Venturetec's investment in Osiris Therapeutics" on page 37.

We have attached risk factors of the main holding of Venturetec, Osiris Therapeutics, for your information. Please see Appendix I, page 81. The information is also publicly available.

FATCA

New Venturetec and Venturetec fully comply with the standards of FATCA of the Internal Revenue Services of the United States of America.

Market making

New Venturetec does not make a market in its shares and does not own any of its shares and never has. The Company has no agreement with any market maker. There are no costs and no liabilities in connection with any market making activities. Several banks may act periodically as market makers on their own behalf.

Reporting and Information

Publication
The official publication organ for announcements of the Company is the Swiss Official Gazette of Commerce.

Financial reporting
New Venturetec issues audited annual and unaudited semi-annual consolidated financial statements prepared according to International Financial Reporting Standards (IFRS) and IAS 28 and IAS 34. The annual reporting per September 30 and the semi-annual reporting per March 31.

Investor meetings
The financial results and the status of portfolio companies are reported at the Ordinary Annual Shareholders' Meeting in November/December each year. New Venturetec invites selected portfolio companies to present their company and business strategy at the shareholders' meeting.

Price information
New Venturetec traded share prices can be retrieved through electronic channels such as Telekurs (NEV), Reuters (NEV.S) and Bloomberg (NWV SW Equity).

Webpage
The webpage of New Venutretec is www.newventuretec.com. The webpage contains comprehensive information on the investment approach and strategy, latest news and detailed information about the portfolio holdings, including the latest net asset value report. Additionally, investors may find information about the portfolio companies, including a description of their business activity and the links to their webpages. Press releases and news on New Venturetec can be downloaded from the news section of the webpage on http://www.newventuretec.com/news/news_2015.aspx

Email-list
Investors can subscribe to the New Venturetec mailing list on www.newventuretec.com/investors/mailing_list.aspx. New Venturetec sends all ad hoc publication directly to the mailing registrants of the mailing list.

Contact information
The contact information to New Venutretec can be found on the back of this annual report.

Net asset value and market price – premium/discount

The most common valuation guideline for investment companies is the net asset value. The net asset value is not an absolute value. It is an indicator based on guidelines. By no means does the net asset value represent a "true" value.

The market price is the price paid by the market participants. It is a market price determination by demand and

supply. There are times when supply is higher than demand and vice versa. That simply does not correlate with the actual business performance of a company on a daily basis in any significant way. Reasons why somebody may decide to buy or sell are, in many cases, unrelated or only superficially related to the business performance.

New Venturetec offers a participation in a portfolio of young companies, not a trading opportunity. New Venturetec is the wrong vehicle for traders. It is an opportunity for investors, who understand investing in the very old fashioned and traditional way. **Investing in venture capital is a long-term commitment with high risks of 100% losses.**

KPMG

Report of the Statutory Auditor to the General Meeting of

New Venturetec Ltd., Steinhausen

We have audited the remuneration report dated November 3, 2015 of New Venturetec Ltd. for the year ended September 30, 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the tables Compensation to the board of directors and the management in the fiscal year 2014/15 and Compensation to the board of directors and the management in the fiscal year 2013/2014 on pages 43 to 45 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive com-pensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with arti-cles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, in-cluding the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value compo-nents of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended September 30, 2015 of New Venturetec Ltd Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

Astrid Keller
Licensed Audit Expert
Auditor in Charge

Alexander Fähndrich
Licensed Audit Expert

Zurich, November 3, 2015

The following information sets out the information on the compensation details and the compensation paid to the member of the board of directors and the management of New Venturetec, Ltd. for the fiscal year 2014/15. The content and scope of the information provided herein are in accordance with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies ("OaEC") – that came into effect on 1 January 2014 and the standards on Corporate Governance issued by the SIX Swiss Exchange.

Introductory note regarding the specific structure of New Venturetec Ltd. as an investment company

New Venturetec is a Swiss investment company listed on the SIX Swiss Exchange. The Company is defined in accordance with art. 2 para. 3 of the Collective Investment Schemes Act (CISA). New Venturetec is subject to the supervision and regulation of the SIX Swiss Exchange. New Venturetec is excluded from the regulatory supervision by FINMA and the regulations from the Collective Investment Act and has the form and structure as an investment company to be aligned with certain provisions of the OaEC et al.

New Venturetec is an investment company with the objective to obtain capital appreciation from investments in well selected companies that are at the forefront of technology and products in their field. Beyond this, the Company does not pursue any other business or operational activities.

Following article 716b of the Swiss Code of Obligations ("CO") and article 17 of the articles of association the board of directors may entrust the management, wholly or in part, and the representation of the Company to one or several individual persons, members of the board of directors or third parties. It may entrust the asset management, wholly or in part, to a legal person.

The board of directors established a compensation committee during the fiscal year 2014/15.

Determination principles and authority of compensation

In consideration for the duties, the general administrative activities and the responsibilities in accordance to the applicable laws and regulations, the members of the board of directors and the management are entitled to receive a fix remuneration which is independent from the performance of the Company and / or a variable compensation which is related to the total net asset value of the Company (see art. 20 of the article of association on www.newventuretec.com/company/articles_of_association.aspx).

The board of directors is responsible for ensuring that the compensation process is fair and transparent, and subject to effective supervision. The chosen compensation process should serve to provide pay which is in line with the services provided, as well as appropriate incentives to the individual members of the board of directors and Management, taking due account of the longer-term interests of the shareholders and the Company's performance.

The compensation committee consists of at least two members of the board of directors. The shareholders' meeting elects the members of the compensation committee on an individual basis for a term of office of one year. The term of one year is deemed to signify the period from one ordinary shareholders' meeting to, and including, the next. Members whose term of office expires are eligible for immediate re-election.

The compensation committee elects one of its members as the chairman of the committee. In case of any vacancies, the board of directors elect one of its members to the compensation committee for a term which ends at the next annual shareholders meeting.

The Compensation Committee supports the board of directors with the determination of the compensation principles and the supervision thereof, as well as performance targets if applicable. It further supports the board of directors with the preparation of proposals to the Shareholders' Meeting concerning the compensation to be paid to the board of directors and Management in accordance with art. 20 of the article of association.

The board of directors approves, cancels or change any contract with the investment advisor, including the fees of the advisory services. Any members of the board of directors who might be related to the investment advisors, abstain from voting on any aspect which are related to the investment advisor, including the determination of the level of the fees.

All compensation to all the members of the board of directors, whether directly or indirectly through fees paid to the investment advisor are subject to retrospective approval by the annual shareholders meeting in accordance with article 20 of the article of association.

Compensation report

Compensation to the board of directors
The individual members of the board of directors receive a function and task related fix compensation which is defined upon the discretion of the board of directors. The fix compensation is paid in cash. Social security contribution will be paid in accordance to the applicable law. No additional social securities or other benefits are contributed to the members of the board of directors. The board of directors may be entitled to receive reimbursement for expenditures which are directly related to their duties if these expenditures are not yet subject the other contracts or agreements like the investment advisory agreement. The board of directors as a whole defines the compensation of its members subject to the approval by the annual shareholders meeting. Members of the board of directors are not excluded from voting for their own remuneration.

Compensation of the members of the management
New Venturetec does not have a management or any other employees. The management of the Company is performed by the board of directors and specific members of the board of directors. The board of directors is advised by the investment advisor.

Common provision for the compensation

The board of directors or the management of New Venturetec are not entitled to receive any credits or loans from the company and will not participate in any share or option based, or any other participation plan of the Company (see art. 20 of the article of association on www.newventuretec.com/company/articles_of_association.aspx).

The remuneration to the board of directors and the management can be made by the Company or any subsidiary of the Company. Nevertheless, any remuneration, compensation or fee directly or indirectly received by any member of the board of directors or the management from New Venturetec or its subsidiary or from the investment advisor is included in the total compensation to the board of directors and the management and has to retrospectively be approved by the annual shareholders meeting in accordance with article 9 and 20 of the article of association (see www.newventuretec.com/company/articles_of_association.aspx).

New Venturetec or its subsidiary can pay any compensation, remuneration or fee to members of the board of directors or the management prior to the approval by the annual shareholders meeting. Nevertheless, these payments would be subject to the retrospectively approval by the annual shareholders meeting and in case of a rejection by the annual shareholders meeting have to be paid back to the Company.

Employment contracts with the members of the management, if any, the investment advisor and possible contracts with members of the board of directors, which form the basis of the compensation of the respective members, are concluded for a fix term of a maximum of one year or for an indefinite term with a notice period of a maximum of twelve months.

Compensation to the board of directors and the management in the fiscal year 2014/2015 (audited)

(In CHF)	Period	Gross salary fix	Indirect earnings through investment advisor	Social security contribution	Total compensation
Peter Friedli Chairman BoD	1.10.14–30.9.15	0	560,165	0	560,165
Hans Lerch Vice-Chairman BoD	1.10.14–30.9.15	25,000	0	1,561	26,561
Andreas von Sprecher Member BoD	1.10.14–30.9.15	25,000	0	1,561	26,561

Compensation to the board of directors and the management in the fiscal year 2013/2014 (audited)

(In CHF)	Period	Gross salary fix	Indirect earnings from investment advisor	Social security contribution	Total compensation
Peter Friedli Chairman BoD	1.10.13–30.9.14	0	342,204	0	342,204
Hans Lerch Vice-Chairman BoD	1.10.13–30.9.14	25,000	0	1,562	26,562
Andreas von Sprecher Member BoD	1.10.13–30.9.14	25,000	0	1,562	26,562

Loans and credit to members of the board of directors and Management

As at September 30, 2015, there were no loans or credits outstanding to current or former members of the board of directors or Management, or persons related to them (September 30, 2014: none). No loans were granted during the year ended September 30, 2015 to current or former members of the board of directors or Management, or persons related to them (September 30, 2014: none).

Compensation to related parties

During the fiscal year 2014/2015, the Company did not pay any compensation to related parties other than described in this compensation report (previous year: none).

Compensation to former members of the board of directors and Management

No payments were made to former members of the board of directors or Management during the 2014/2015 reporting year (2013/2014: none).

Contractual conditions upon leaving New Venturetec

No member of the board of directors or Management has a contract with New Venutretec which grants them severance pay should they decide to leave the Company.

Advisory fees

The fully owned subsidiary Venturetec, Inc. entered into an investment advisory agreement with Madison Investment Advisor, Inc., which is fully owned by Peter Friedli, the Chairman of the board of directors of New Venturetec, on October 1, 2014. In accordance with the investment advisory agreement, the fee is determined to an all inclusive fee of 1% per annum on the group's net asset value as estimated based on the valuation guidelines of the Company on a monthly basis. The advisory fee is payable to the investment advisor quarterly by the end of each quarter. The former investment advisory agreement, which was replaced by October 1, 2014, comprised a fee of 0.6% per annum plus another 0.5% that could be used for all expenses incurred by the advisor with regard to the duties of the advisor.

Of the 1% all inclusive advisory fee, the lower of CHF 47,775 (USD 50,000) or 10% of the annual advisory fee will directly be paid to a third party for administrative services. The advisory fees for the fiscal year 2014/15 paid or payable to Madison Investment Advisor are CHF 560,165 (USD 586,254).

The investment advisory agreement can be terminated with one year written notice.

The advisory fee is subject to the retrospectively yearly approval by the annual shareholder meeting in accordance with OaEC and the by-laws of the company.

Report of the Statutory Auditor to the General Meeting of Shareholders of

New Venturetec Ltd., Steinhausen

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of New Venturetec Ltd., which comprise the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes (pages 48 to 74) for the year ended September 30, 2015.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), Article 14 of the Directive on Financial Reporting issued by the SIX Swiss Exchange and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended September 30, 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with article 14 of the Directive on Financial Reporting issued by the SIX Swiss Exchange and with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Astrid Keller
Licensed Audit Expert
Auditor in Charge

Alexander Fähndrich
Licensed Audit Expert

Zurich, November 3, 2015

Consolidated balance sheet

	Note	September 30, 2015 USD	September 30, 2014 USD
Assets			
Cash and cash equivalents	6.1	4,287,464	1,196,141
Other accounts receivable	7	1,465,838	34,513
Venture capital investments and notes receivable	8.1	0	1,000,000
Current assets		**5,753,302**	**2,230,654**
Venture capital investments and notes receivable	8.1	83,783,969	73,373,875
Non-current assets		**83,783,969**	**73,373,875**
Total assets		**89,537,271**	**75,604,529**
Liabilities and equity			
Accrued advisory fees	11	175,238	83,779
Other accrued expenses		296,507	247,821
Accrued interests on convertible bonds	9	424,510	432,600
Loans payable to related parties	14.3	6,847,961	5,337,443
Bank loans payable	6.2	1,500,740	4,124,390
Current liabilities		**9,244,956**	**10,226,033**
Convertible bonds	9	15,343,365	15,580,979
Deferred tax liabilities	12	266,213	158,866
Non-current liabilities		**15,609,578**	**15,739,845**
Total liabilities		**24,854,534**	**25,965,878**
Share capital	10	20,785,350	20,785,350
Additional paid-in capital	10	28,784,665	28,784,665
Translation reserve		2,180,861	2,134,887
Conversion options / own equity instruments	9	168,451	168,451
Retained earnings / (Accumulated deficits)		12,763,410	(2,234,702)
Equity attributable to shareholders of New Venturetec		**64,682,737**	**49,638,651**
Total liabilities and equity		**89,537,271**	**75,604,529**
Number of shares outstanding		5,000,000	5,000,000
Net asset value per share		**12.94**	**9.93**

Consolidated statement of comprehensive income

	Note	Year ended September 30, 2015 USD	Year ended September 30, 2014 USD
Income			
Gains on venture capital investments	8.3/8.4	24,220,269	1,743,148
		24,220,269	**1,743,148**
Expenses			
Losses on venture capital investments	8.3/8.4	(7,488,759)	(21,626,158)
Advisory fees	11	(636,254)	(380,439)
Interest on loans from related parties	14.3/14.4	(788,874)	(696,250)
Interest on loans from third parties		(163,305)	133,853)
General and administrative expenses		(432,296)	(856,133)
Bank charges		(172)	(1,186)
Net foreign exchange profit		394,850	1,220,841
		(9,114,810)	**(22,473,178)**
Profit / (Loss) before tax		**15,105,459**	**(20,730,030)**
Income tax (expense) / income	12	(107,347)	90,308
Profit / (Loss) for the period attributable to shareholders		**14,998,112**	**(20,639,722)**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Translation adjustment		45,974	67,957
Total items that are or may be reclassified to profit or loss		**45,974**	**67,957**
Other comprehensive income for the year		**45,974**	**67,957**
Total comprehensive income for the period attributable to shareholders		**15,044,086**	**(20,571,765)**
Weighted average number of shares outstanding during the year (basic)		5,000,000	5,000,000
Earnings per share (basic)	**16**	**3.00**	**(4.13)**
Weighted average number of shares outstanding during the year (diluted)		6,584,737	6,584,737
Earnings per share (diluted)	**16**	**2.38**	**(4.13)**

Consolidated statement of changes in equity

	Share capital (note 10) USD	Addtional paid-in capital (note 10) USD	Translation reserve USD	Conversion options/ own equity instruments (note 9) USD	Retained earnings USD	Total equity attributable to shareholders of New Venturetec USD
Balance as of 30.9.2015	**43,302,813**	**6,267,202**	**2,066,930**	**0**	**18,405,020**	**70,041,965**
Translation adjustment	0	0	67,957	0	0	67,957
Total other comprehensive income	**0**	**0**	**67,957**	**0**	**0**	**67,957**
Loss for the period	0	0	0	0	(20,639,722)	(20,639,722)
Total comprehensive income	**0**	**0**	**67,957**	**0**	**(20,639,722)**	**(20,571,765)**
Issue of convertible bonds	0	0	0	168,451	0	168,451
Reduction of nominal capital and allocation to the reserves of additional paid-in capital	(22,517,463)	22,517,463	0	0	0	0
Transactions with owners of the Company – total contributions	**(22,517,463)**	**22,517,463**	**0**	**168,451**	**0**	**168,451**
Balance as of 30.9.2014	**20,785,350**	**28,784,665**	**2,134,887**	**168,451**	**(2,234,702)**	**49,638,651**
Translation adjustment	0	0	45,974	0	0	45,974
Total other comprehensive income	**0**	**0**	**45,974**	**0**	**0**	**45,974**
Profit for the period	0	0	0	0	14,998,112	14,998,112
Total comprehensive income	**0**	**0**	**45,974**	**0**	**14,998,112**	**15,044,086**
Balance as of 30.9.2015	**20,785,350**	**28,784,665**	**2,180,861**	**168,451**	**12,763,410**	**64,682,737**

Consolidated cash flow statement [1)]

	Note	Year ended September 30, 2015	Year ended September 30, 2014
Advisory fees paid	11	(544,795)	(538,080)
Payments for general and administrative expenses		(348,635)	(980,100)
Bank charges		(172)	(1,185)
Cash used in operating activities		**(893,602)**	**(1,519,365)**
Purchase of venture capital investments / notes rec.	8.3/8.4	(2,003,621)	(6,214,880)
Proceeds on disposal of venture capital investments	8.4	7,864,256	0
Cash provided by / (used in) investing activities		**5,860,635**	**(6,214,880)**
Redemption of bank loans	6.2	(2,617,530)	0
Increase of bank loans		0	166,759
Net proceeds related to the issuance of convertible bonds		0	11,111,063
Redemption of loans payable to related parties		0	(872,365)
Increase of loans payable to related parties	14.3	1,569,859	0
Interest paid		(832,459)	(1,663,829)
Cash (used in) / provided by financing activities		**(1,880,130)**	**8,741,628**
Exchange effect on cash and cash equivalents		4,420	(49,790)
Net change in cash and cash equivalents		**3,091,323**	**957,593**
Cash and cash equivalents at beginning of year	6.1	1,196,141	238,548
Cash and cash equivalents at end of period	**6.1**	**4,287,464**	**1,196,141**

1 For significant non-cash transactions refer to Note 13.

Notes to the consolidated financial statements for the year ended September 30, 2015

Basis of the consolidated financial statements

1 Principal activities

New Venturetec Ltd., Steinhausen ("the Company", "the Parent Company") was formed on July 16, 1997 and incorporated on August 8, 1997 for the purpose of direct and indirect investments in Swiss and foreign companies, especially in high risk venture capital companies in the industries of Biotechnology and Technology. The Company is domiciled in Zug.

The consolidated financial statements as at and for the year ended September 30, 2015, include the Company and its wholly-owned subsidiary Venturetec, Inc., Tortola, British Virgin Islands ("the Subsidiary") (together referred to as the "Group"). The Subsidiary was incorporated on September 11, 1996 with a share capital of USD 20 million. As of September 30, 2015, the Company's venture capital investments are held via this subsidiary.

2 Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law and the special provisions for investment companies according to the Listing Rules and the Directive of Financial Reporting of the SIX Swiss Exchange.

3 Basis of presentation

The consolidated financial statements are presented in USD. They are prepared on a fair value basis for venture capital investments. Other financial assets and liabilities are stated at amortized cost.

3.1 New and revised standards adopted

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new, revised and amended standards and interpretations that came into effect since 1 October 2014.

- IAS 32: Financial instruments – Presentation: Offsetting Financial Assets and Financial Liabilities – Amendments (effective 1 January 2014);
- IAS 36: Impairment of Assets: Recoverable Amount – Disclosures for Non-Financial Assets – Amendments(effective 1 January 2014);
- IAS 39: Financial Instruments – Recognition and Measurement: Novation of Derivatives and Continuationof Hedge Accounting – Amendments (effective 1 January 2014);
- IFRIC 21: Levies (effective 1 January 2014).
- Various: Annual Improvements to IFRS (2010–2012 Cycle) – Omnibus Change to many Standards (effective 1 July 2014);
- Various: Annual Improvements to IFRS (2011–2013 Cycle) – Omnibus Change to many Standards (effective 1 July 2014);

3.2 New standards and interpretations issued but not yet adopted

In the financial year 2015/16 and afterwards, the Group will adopt the following new and amended standards:

- Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective 1 January 2016);
- Various: Clarification of Acceptable Methods of Depreciation and Amortization – Amendments to IAS 16 and IAS 38 (effective 1 January 2016);
- Various: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective date to be decided by IASB);
- Various: Annual Improvements to IFRS (2012–2014 Cycle) – Omnibus Change to many Standards (effective 1 January 2016);
- IFRS 9: Financial Instruments (effective 1 January 2018);
- IFRS 11: Accounting for Acquisitions of Interests in Joint Operations – Amendments (effective 1 January 2016);

3 Basis of presentation (continued)

3.2 New standards and interpretations issued but not yet adopted (continued)

– IFRS 14: Regulatory Deferral Accounts (effective 1 January 2016);
– IFRS 15: Revenue from Contracts with Customers (effective 1 January 2017);
– IAS 1: Disclosure Initiative – Amendments (effective 1 January 2016);
– IAS 27: Equity Method in Separate Financial Statements – Amendments (effective 1 January 2016).

The Group has not yet determined the potential effects of these new and amended standards on the consolidated financial statements and the performance of the Group.

3.3 Change in presentation and correction of errors

On January 23, 2014, the Company issued a convertible bond of which the chairman of New Venturetec subscribed CH 12,000,000 which had not been subscribed by existing shareholders. Thereof, CHF 5,000,000 (USD 5,558,644) were invested through the replacement of existing short term debt owed to the chairman. The Company has reconsidered the transaction and came to the conclusion that the comparative amounts of the prior year's cash flow statement and especially the cash (used in) / provided by financing activities resulting from the above mentioned transaction amounted to CHF 7,000,000 (USD 7,782,102) as the chairman paid only this amount in additional cash.

The Group determined that its calculation of diluted earnings per share presented in the interim consolidated financial statements as at March 31, 2015 had been erroneous. As a consequence, in the half year diluted earnings per share have been disclosed incorrectly in the consolidated statement of comprehensive income and in note 16 "Earnings per share". The error will be corrected in the interim consolidated financial statements as at March 31, 2015 by restating the line item of the consolidated statement of comprehensive income and the note. The diluted earnings per share as at March 31, 2015 amounted to USD 2.26 and not as previously reported USD 2.91.

Furthermore, the Group revisited its process for the allocation of financial instruments in the fair value hierarchy as disclosed in note 15 "Financial risk management". The valuation technics used for the determination of the fair values of the convertible bonds and the loans payable to related parties, which both are accounted for at amortized cost and fair value is disclosed, have been reassessed. Therefore, inputs are considered to be adjusted significantly to the characteristics and circumstances of the Group and qualify as unobservable. Convertible bonds and loans payable to related parties are allocated to level 3 of the fair value hierarchy. The disclosure in note 15 of this consolidated financial statements has been corrected by restating the comparative information of the fair value hierarchy.

4 Judgement involved in the application of accounting policies, management assumptions and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

New Venturetec has adopted "Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27" with a date of initial application of October 1, 2013.

Management concluded that New Venturetec meets the definition of an investment entity, as the following conditions are met:

– New Venturetec holds multiple investments;
– New Venturetec's business purpose is to invest in securities of any form of Swiss or foreign corporations taking advantage of particular corporate circumstances with the goal to achieve returns from capital appreciation and investment income;
– The performance of these investments is measured and evaluated on a fair value basis.

Notes to the consolidated financial statements for the year ended September 30, 2015

4 Judgement involved in the application of accounting policies, management assumptions and estimates (continued)
New Venturetec holds, through its wholly-owned subsidiary Venturetec, Inc., multiple investments and ownership interests in the form of redeemable shares. Following the requirements of IFRS 10, New Venturetec applies the investment entity exemption. Investments exceeding 20% of the share capital are not consolidated but classified as financial assets at fair value through profit or loss. For further information, refer to Note 8 in the disclosures of these consolidated financial statements.

As described in Notes 1 and 5a), New Venturetec consolidates its wholly-owned subsidiary Venturetec, Inc. New Venturetec decided not to apply the investment entity exemption to Venturetec, Inc. as Venturetec, Inc. provides services that relate to the investment activities. Therefore New Venturetec based its decision on the majority of shareholding. Due to the amendment to IFRS 10 issued in December 2014, the consolidation of Venturetec, Inc. needs to be revisited as of January 1, 2016.

Key sources of estimation uncertainty
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 5c). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also note 8.5.

5 Summary of significant accounting policies

a) Basis of consolidation
The consolidated financial statements include the Company and its subsidiary (see for further discussion note 4 above). All intercompany transactions and balances are eliminated.

The Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

b) Foreign currency translation
Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on translation are recognized in profit or loss.

The functional currency of the Parent Company is CHF. Assets and liabilities of the Parent Company are translated to the presentation currency (USD) at the foreign exchange rates at the balance sheet date. The revenues and expenses are translated to USD at average rates. Foreign exchange differences arising on this translation are recognized directly in other comprehensive income (equity) within the translation reserve.

If a loan is granted by the Parent Company to the Subsidiary and the loan in substance forms part of the investment in the Subsidiary, foreign exchange differences arising from the loan are also recognized in the translation reserve. On a disposal of the Subsidiary, exchange differences recognized in equity would be recognized in profit or loss as part of the gain or loss on disposal.

Foreign exchange differences on cash and cash equivalents are presented separately in the cash flow statement. The following exchange rates were applied:

	Spot rate at balance sheet date		**Average rate for the twelve months ended**	
	30.09.15	**30.09.14**	**30.09.15**	**30.09.14**
1 USD to CHF	0.9733	0.9551	0.9555	0.8995

5 Summary of significant accounting policies (continued)

c) Venture capital investments and notes receivable

The Group's investments relate to U.S. venture capital companies.

All venture capital investments are classified as financial assets at fair value through profit or loss. The venture capital investments are initially measured at fair value on the trade date, excluding transaction costs. Upon initial recognition attributable transaction costs are recognized in profit or loss when incurred. These investments are subsequently measured at fair value, with changes in the fair value recognized in profit or loss.

The venture capital investments are stated at fair value on an item by item basis, as determined by the Investment Manager and approved by the Board of Directors. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. Options and similar rights attached to the investments are also considered in determining fair value.

The basis for the fair valuation is the following:

Valuation of investments in public companies

The fair value of public companies equals the closing bid price on the reporting date as reported by the exchange where the shares are quoted and traded. Estimated future selling costs are not deducted. The following aspects are excluded from the determination of fair value:

- Investments may be subject to lock-up agreements during a certain period.
- The reliability of the fair value depends on whether one or more buyers would be willing to acquire the entire share held in the investee at the publicly listed price.

Valuation of investments in private companies

The fair value of private companies, for which no quoted market price is available, is estimated using valuation techniques including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow (DCF) techniques and other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

The original cost or the price of any subsequent capital increase is considered as an approximation of fair value at the time of the transaction.

The following factors determine the price paid for an investment (the fair value):

- Start-up capital: Technology assessment, negotiations with management, industry comparables, or competitors' bids.
- Capital increase: Re-evaluation of the original technology assessment, negotiations with management, industry comparables, competitors' bids, or achievement of milestones and business plan guidelines. The investment valuation may include a reduction of 10–20% from the price of the capital increase if considered necessary based on the valuation factors listed below.

Subsequent estimates of fair values take into account the following aspects:

- An increase in fair value is recognized when a significant event occurs, such as the issuing of a patent, corporate partnering / private placement, achievement of a milestone (e.g., in research and development) or an increased profitability.
- A decrease in fair value is recognized if the performance subsequent to the acquisition is significantly below the business plan, or if any other circumstances exist that indicates that the fair value of the investment has decreased.

Notes to the consolidated financial statements for the year ended September 30, 2015

5 Summary of significant accounting policies (continued)

c) Venture capital investments and notes receivable (continued)

Other factors considered include:

- nature of the business and history of the investee, and related risks
- economic and industry outlook, and related risks
- financial condition and earnings capacity of the investee, and related risks
- incremental value of goodwill and other intangible assets
- sale of shares and the volume of shares to be valued
- market price of shares of public enterprises engaged in the same or a similar business
- fair value of the investee as a whole, taking into account:
  - cost based considerations: replacement values of the underlying net assets on both a going concern and a liquidation basis, etc.
  - earnings-based considerations: discounted earnings, price earnings ratios, multiples, etc.
  - market-based considerations: market values of shares, adjusted market value, etc.

The fair value of the investments in private companies is subject to a re-assessment by the Investment Advisor whenever the Company's net asset value is published (normally on a bi-weekly basis). No independent external valuations of the investments are conducted. There are inherent difficulties in determining the fair value of such investments and, as a consequence, the net asset value of the Company.

From time to time, the Group grants promissory notes to its venture capital investments. The Group measures these notes at fair value with gains and losses recognized in profit or loss. The notes and the venture capital investments are looked at as group and both are managed and their performance is evaluated on a fair value basis, in accordance with the Group's risk management and investment strategy.

Most of the investees are in the development stage, disclosing accumulated deficits and little or no revenues. The investments involve a high degree of business and financial risk, that can result in a 100% loss of the investment.

d) Loans payable

Interest-bearing borrowings are recognized initially at fair value, less any attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortized cost using the effective interest method.

e) Cash and cash equivalents

Cash and cash equivalents include cash at banks, call money and fixed term deposits with a term of three months or less from the date of acquisition. They are stated at their amortized cost.

f) Income taxes

New Venturetec Ltd. has the status of a holding company and as such, benefits from the participation exemption at federal level and from the complete exemption at cantonal and communal level. The theoretical maximum applicable income tax rate is 8.5%. Venturetec, Inc. is not subject to any income taxes.

Current income taxes are, to the extent unpaid, provided for at the enacted tax rate based on current and past earnings of New Venturetec Ltd.

Deferred income taxes are recognized at the expected applicable tax rates on any temporary differences, both taxable and deductible, between the carrying amount and the tax base of assets and liabilities, including the taxable temporary differences of the Subsidiary since they might result in dividend income of New Venturetec Ltd. In measuring the deferred tax assets or liabilities, the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities is taken into account.

5 Summary of significant accounting policies (continued)

g) Derecognition of financial assets and liabilities

The Group derecognizes a financial asset when contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

h) Convertible bonds

Compound financial instruments issued by the Group comprise convertible bonds denominated in CHF that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

i) Segmental reporting

IFRS 8 requires entities to define operating segments and segment performance in the financial statements based on information used by the chief operating decision-maker. The Investment Advisor is considered to be the chief operating decision-maker. An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. The Group invests in venture capital investments.

The investment strategy and the Group's performance is evaluated on an overall basis and the Group only invests in companies domiciled in the United States. Thus the sole operating segment of the Group is investing in venture capital investments. See also note 8 for detailed disclosures.

j) Other accounts receivable

Receivables from the sale of investments and other receivables are stated at amortized cost, which equals nominal value for short-term receivables less any allowance for doubtful debt. Allowances are made for specific known doubtful receivables.

Notes to the consolidated financial statements for the year ended September 30, 2015

Notes to the consolidated balance sheet

6 Cash and cash equivalents and bank loans payable

6.1 Cash and cash equivalents

	30.09.2015 USD	30.09.2014 USD
Cash at banks	4,287,464	1,196,141
Cash and cash equivalents	**4,287,464**	**1,196,141**

As of September 30, 2015, cash and cash equivalents are mainly held in CHF and USD.

6.2 Bank loans payable

On June 26, 2015, Venturetec reduced its credit facility from USD 4,500,000 to USD 1,500,000. Within this new credit facility and as of September 30, 2015, the total amount of USD 1.5 million is utilized, consisting of the following draw downs:

Draw down date	Amount	Int. Rate %	Maturity	Carrying amount USD
18.09.15	USD 1,500,000	0.9872	18.12.15	1,500,740
Bank loans payable incl. accrued interests a.o. 30.09.2015				**1,500,740**

The credit facility is structured as a 3 month roll over credit and secured with the assets of the Company.

From the drawn downs held at September 30, 2014 (USD 2.6 million and CHF 1.45 million), an amount of USD 1.1 million and CHF 1.45 million was repaid in 2015.

7 Other accounts receivable

	30.09.15 USD	30.09.14 USD
VAT Receivable	5,057	34,513
Escrow mPortal	1,110,781	0
Escrow ETEX	350,000	0
Total other accounts receivable	**1,465,838**	**34,513**

The escrow amounts (ETEX and mPortal) relate to the unpaid portion of the sales price receivable resulting from the sale of the investments in ETEX and mPortal. Any potential additional payments from these sales (related to an earn out clause) are considered highly uncertain and are therefore not recognized as at September 30, 2015. An amount of USD 147,981 from the ETEX escrow account was paid in October 2015. The remaining amounts are due and expected to be paid within the next 12 months. The payout of the escrow amounts are subject to any indemnifications and warranties which are part of the merger agreements from the disinvestments of ETEX and mPortal which in certain circumstances even go beyond the unpaid amounts. As per September 30, 2015, no material claims have been demanded on the escrow amounts.

8 Venture capital investments and notes receivable

8.1 Summary

	Note	30.09.2015 USD	30.09.2014 USD
Venture capital investments (original cost)	8.4/8.3	45,041,524	57,422,151
Notes receivable	8.4/8.3	0	1,000,000
Cumulative fair value adjustments	8.4/8.3	38,742,445	15,951,724
Total venture capital investments at fair value	**8.4/8.3**	**83,783,969**	**74,373,875**
Thereof current		0	1,000,000
Thereof non-current		83,783,969	73,373,875

As of September 30, 2015 and September 30, 2014, the Group's venture capital investments in early stage companies are primarily in the form of common or preferred shares.

Notes receivable as of September 30, 2015

As of September 30, 2015, the Company did not held any notes receivable. The secured notes held in Reverb Networks were written off due to bankruptcy of the Company.

Notes receivable as of September 30, 2014

Company	Principal USD	Acquisition Date	Int. Rate %	Maturity	Fair Value USD
Reverb Networks Secured note	500,000	28.01.14	0.50	31.12.14	500,000
Reverb Networks Secured note	500,000	01.04.14	0.50	31.12.14	500,000
Total a.o. 30.09.2014					**1,000,000**

8.2 List of venture capital investments and notes receivable

		Approximate paid-in capital[1]		Approximate percentage held[1]	
		30.09.2015 USD million	30.09.2014 USD million	30.09.2015 %	30.09.2014 %
Biotechnology	**Place of buisness**				
Osiris Therapeutics	USA	290.0	282.7	12.7	12.7
Myriad Genetics	USA	745.4	731.2	0.2	0.2
Prolexys Pharmaceuticals	USA	2.8	2.8	14.6	14.6
Etex	USA	–[2]	62	–[2]	3.2
Technology					
mPortal	USA	–[3]	17.7	–[3]	38.6

[1] Paid-in capital includes common and preferred share capital and any additional paid-in capital, as of the date of the most recent financial statements. The numbers represent the structure of a typical early stage company. There may be immediate changes, events which will change the structure and dilute the percentage and voting rights held in the companies. There is no relationship between changes of such numbers and the value of the investment. No assurance can be given that any development will be in favor of the investment value. The approximate percentage held includes effects of potential dilution.

[2] Etex was sold during the year ended September 30, 2015.

[3] mPortal was sold during the year ended September 30, 2015.

Notes to the consolidated financial statements for the year ended September 30, 2015

8 Venture capital investments and notes receivable (continued)

8.3 Movements of cost and changes in fair value, prior year

	Cost 01.10.2013 USD	Additions USD	Disposals USD	Cost 30.09.2014 USD	Fair value 30.09.2014 USD
Biotechnology					
Osiris Therapeutics	24,173,023	0	0	24,173,023	51,660,559
Myriad Genetics	0	5,214,880	0	5,214,880	6,958,028
Prolexys Pharmaceuticals	15,000,000	0	0	15,000,000	500,000
Etex	2,664,248	0	0	2,664,248	1,342,788
Technology					
Reverb Networks	0	1,000,000	0	1,000,000	1,000,000
mPortal	10,370,000	0	0	10,370,000	12,912,500
Total	**52,207,271**	**6,214,880**	**0**	**58,422,151**	**74,373,875**

	Cumulative fair value adjustments 01.10.2013 USD	Gains USD	Losses USD	Increase due to disposals [1] USD	Cumulative fair value adjustments 30.09.2014 USD
Biotechnology					
Osiris Therapeutics	44,105,906	0	(16,618,370) [2]	0	27,487,536
Myriad Genetics	0	1,743,148 [3]	0		1,743,148
Prolexys Pharmaceuticals	(14,000,000)	0	(500,000) [4]	0	(14,500,000)
Etex	21,328	0	(1,342,788) [5]	0	(1,321,460)
Technology					
Reverb Networks	0	0	0	0	0
mPortal	5,707,500	0	(3,165,000) [6]	0	2,542,500
Total investments	**35,834,734**	**1,743,148**	**(21,626,158)**	**0**	**15,951,724**

[1] Generally, a positive amount reflects cumulative loss on disposal of an investment, a negative amount a cumulative realized gain on disposal of an investment.
[2] Based on quoted price of the Osiris Therapeutics shares on NASDAQ (OSIR).
[3] Based on quoted price of the Myriad Genetics shares on NASDAQ (MYGN).
[4] Refer to note 8.5.
[5] Due to change in risk/return profile.
[6] Due to change in market environment.

8 Venture capital investments and notes receivable (continued)

8.4 Movements of cost and changes in fair value, current year

	Cost 01.10.2014 USD	Additions USD	Disposals USD	Cost 30.09.2015 USD	Fair value 30.09.2015 USD
Biotechnology					
Osiris Therapeutics	24,173,023	0	0	24,173,023	75,787,969
Myriad Genetics	5,214,880	653,621	0	5,868,501	7,496,000
Prolexys Pharmaceuticals	15,000,000	0	0	15,000,000	500,000
Etex	2,664,248	0	(2,664,248) [4]	0	0
Technology					
Reverb Networks	1,000,000	1,350,000	(2,350,000) [5]	0	0
mPortal	10,370,000	0	(10,370,000) [6]	0	0
Total	**58,422,151**	**2,003,621**	**(15,384,248)**	**45,041,524**	**83,783,969**

	Cumulative fair value adjustments 01.10.2014 USD	Gains USD	Losses USD	Decrease due to disposals [1] USD	Cumulative fair value adjustments 30.09.2015 USD
Biotechnology					
Osiris Therapeutics	27,487,536	24,127,410 [2]	0	0	51,614,946
Myriad Genetics	1,743,148	0	(115,649) [3]	0	1,627,499
Prolexys Pharmaceuticals	(14,500,000)	0	0	0	(14,500,000)
Etex	(1,321,460)	92,859 [4]	0	1,228,601	0
Technology					
Reverb Networks	0	0	(2,350,000) [5]	2,350,000	0
mPortal	2,542,500	0	(5,023,110) [6]	2,480,610	0
Total investments	**15,951,724**	**24,220,269**	**(7,488,759)**	**6,059,211**	**38,742,445**

[1] Generally, a positive amount reflects cumulative loss on disposal of an investment, a negative amount a cumulative realized gain on disposal of an investment.
[2] Based on quoted price of the Osiris Therapeutics shares on NASDAQ (OSIR).
[3] Based on quoted price of the Myriad Genetics shares on NASDAQ (MYGN).
[4] The investment in Etex was sold at a price of USD 1,435,647, whereof the amount of USD 1,085,647 was received in cash. The remaining amount of USD 350,000 is expected to be received within the next twelve months.
[5] The investment in Reverb was written off due to bankruptcy of the company.
[6] The investment in mPortal was sold at a price of USD 7,889,390, whereof the amount of USD 6,778,609 was received in cash. The remaining amount of USD 1,110,781 is expected to be received within the next twelve months.

Notes to the cons olidated financial statements for the year ended September 30, 2015

8 Venture capital investments and notes receivable (continued)

8.5 Fair value information

Valuation of financial instruments

Fair values are measured using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, fair values are determined using valuation techniques.

Valuation techniques to estimate the fair values include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist if applicable, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and risk adjusted interest rates and other premia used in estimating discount rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Fair value of venture capital investments:

Venture capital investments and notes receivable for which fair values were:	**30.09.2015 USD**	**%**	**30.09.2014 USD**	**%**
– determined directly by reference to published price quotations	83,283,969	99%	58,618,587	70%
– determined using valuation techniques[1]	500,000	1%	15,755,288	19%
Total carrying amount	**83,783,969**	**100%**	**74,373,875**	**89%**

The total amount of the change in fair value estimated using a valuation technique that was recognized in the statement of comprehensive income in the current period amounted to a net loss of USD 7,280,251 (prior period: net loss of USD 5,007,788).

The following is an overview of assumptions and valuation techniques applied to investments without published price quotations on a company by company basis:

Prolexys Pharmaceuticals: Prolexys is developing pharmaceutical cancer products against multiple melanoma. The product as very high risk / return characteristics. The company finished its phase I/II trial with mixed results. The company is now in the process of analyzing the value of the product based on the results of the trial and to find a potential partner for the further development of the product if applicable. Based the uncertainty of the value of the product, the risk of a loss of the investment is high and real. The outcome of this process is crucial for the survival of the company. No significant development which would change the valuation of the investment took place in the reporting period. The WACC and the DCF calculation did therefore not change. The WACC is reflecting the high risk of the investment.

[1] This value was determined using valuation techniques that are not supported by observable market prices or rates.

8 Venture capital investments and notes receivable (continued)

8.5 Fair value information (continued)

The carrying amounts of the Group's other financial assets and liabilities at the balance sheet date approximated their fair values.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

Financial assets at fair value through profit or loss

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Equity securities	83,283,969	0	500,000	83,783,969
Total as of September 30, 2015	**83,283,969**	**0**	**500,000**	**83,783,969**
Equity securities	58,618,587	0	14,755,288	73,373,875
Debt securities	0	0	1,000,000	1,000,000
Total as of September 30, 2014	**58,618,587**	**0**	**15,755,288**	**74,373,875**

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

Unlisted equity investment Level 3

	Year ended September 30, 2015 USD	Year ended September 30, 2014 USD
Total as of October 1	**15,755,288**	**19,763,076**
Total gains and losses recognised in profit or loss included in		
– Gains on venture capital investments	92,859	0
– Losses on venture capital investments	(7,373,110)	(5,007,788)
Purchases	1,350,000	1,000,000
Redemption	0	0
Disposals	(9,325,037)	0
Transfers from Level 1 to Level 3	0	0
Total as of the end of the period	**500,000**	**15,755,288**

During the year ended September 30, 2015, there occurred no transfers between the Levels. USD 92,859 of the gains and USD 7,373,110 of the losses on venture capital investments disclosed above refer to investments sold or written off.

During the year ended September 30, 2014, there occurred no transfers between the Levels. USD 5,007,788 of the losses on venture capital investments disclosed above referred to investments still held at the balance sheet date

Notes to the consolidated financial statements for the year ended September 30, 2015

9 Convertible

	Year ended September 30, 2015 USD 30.09.2015 USD	Year ended September 30, 2014 USD 30.09.2014 USD
Carrying amount of liability carried forward a.o. October 1	**16,013,579**	**0**
Proceeds from issue of convertible bonds (3,011 bonds at CHF 5,000 each)	0	11,178,432
Replacement of existing debt	0	5,558,644
Transaction Costs	0	(67,369)
Net proceeds during period from issue of convertible bonds	**0**	**16,669,707**
Amount classified as equity (net of transaction costs of USD 680)	0	(168,451)
Interest expenses for the current period	684,985	470,295
Interests paid out	(630,246)	0
FX Adjustments	(300,443)	(957,972)
Carrying amount of liability as of the end of the period	**15,767,875**	**16,013,579**
Thereof current (accrued interest)	424,510	432,600
Thereof non-current	15,343,365	15,580,979

In January 23, 2014, New Venturetec issued convertible bonds with the following terms:

Date of issuance	January 23, 2014
Aggregated principal amount	CHF 15,055,000
Interest rate	4% per annum
Life	4 years / until January 23, 2018
Principal amount	CHF 5,000
Conversion	Each Bond of CHF 5,000 principal amount is voluntarily convertible into shares of the Company.
Conversion price	CHF 9.50 per share

Peter Friedli, the chairman of New Venturetec subscribed to CHF 12,000,000 of the Convertible Bonds which have not been subscribed by existing shareholders. Thereof, CHF 5,000,000 (USD 5,558,644) were invested through the replacement of existing short term debt owed by New Venturetec to Mr. Friedli. The transaction was treated as an extinguishment of old and issue of new debt in accordance with IAS 39, and a respective part of transaction costs was recorded through profit and loss. The transaction was presented on a gross basis in the Cash Flow Statement.

Andreas von Sprecher, member of the Board of New Venturetec subscribed to CHF 50,000 of the Convertible Bonds which have not been subscribed by existing shareholders.

In accordance with the terms and conditions of the convertible bond, Peter Friedli, Chairman of the Board of New Venturetec has the right to voluntarily convert his holdings in the convertible bond into 1,263,157 shares of the New Venturetec.

In accordance with the terms and conditions of the convertible bond, Andreas von Sprecher, member of the Board of New Venturetec has the right to voluntarily convert his holdings in the convertible bond into 5,263 shares of the New Venturetec.

10 Share capital and capital management

10.1 History of changes in share capital

On October 10, 1997, the Company increased its share capital from CHF 25,000,000 (USD 17,006,803) to CHF 31,250,000 (USD 21,303,517) by issuing 500,000 bearer shares with a par value of CHF 12.50 each at a price of CHF 33.00 per share. On October 17, 1997, the Company's shares were listed on the Swiss Exchange. The additional paid-in capital amounted to CHF 10,250,000 (USD 7,046,610). The cost of the initial public offering (IPO) in the amount of CHF 1,090,000 (USD 749,346), including bank commissions, stamp duties and other costs directly related to the IPO, was deducted from additional paid-in capital.

On February 4, 1999, the Company increased its share capital from CHF 31,250,000 (USD 21,303,517) to CHF 62,500,000 (USD 43,302,813) by issuing 2,500,000 bearer shares with a par value of CHF 12.50 at a price of CHF 39.75 per share. The additional paid-in capital amounted to CHF 68,125,000 (USD 47,958,465). The cost of the capital increase in the amount of CHF 3,885,000 (USD 2,734,952), including bank commissions, stamp duties and other costs directly related to the capital increase, was deducted from additional paid-in capital.

On November 3, 2009, the Investment Manager (Madison Partners SA) and Mr. Peter Friedli waived their rights to management fees (converted and accrued) amounting to USD 4,970,034. This decision was made in the interest of the Group and taking into account the losses of the prior period. Mr. Peter Friedli is a shareholder of the Group and closely related to the Investment Manager and the Group as detailed in note 14. This transaction does not represent income for the Group and therefore it has been recognized directly in equity as part of additional paid-in capital.

During the year ended September 30, 2010, an amount of USD 51,520,777 of additional paid-in capital was offset against accumulated deficit.

On August 22, 2011, Venturetec Inc. has divested its investments in Inflabloc, with a fair value of USD 1,500,000 and Invenda, with a fair value of USD 2,300,430, in total a fair value of USD 3,800,430, in exchange for a 4% note based on accrued management fees with a total amount of USD 5,097,598, which included accrued interest of USD 127,564 as per August 22, 2011. This note was held by Mr. Peter Friedli. The difference of USD 1,297,168 between fair value of divested investments and carrying amount of the note payable reflects a waiver of debt principal and accrued interest and does, for the same reasons as mentioned above, not represent income for the Group. Therefore, this amount has been recognized directly in equity as part of additional paid-in capital.

On December 4, 2013, the shareholders of New Venturetec approved a reduction of the nominal capital from CHF 12.50 per share to CHF 6.00 per share, whereas the reduced capital amount of CHF 32,500,000 (USD 22,517,463) is to be allocated to the reserve of additionally paid in capital. The constitutive publication of this capital reduction in the trade register was on May 15, 2014. Therefore the share capital as of September 30, 2015 consisted of 5,000,000 bearer shares with a par value of CHF 6.00 each fully paid in.

The conversion options / own equity instruments comprise the amount allocated to the equity component for the convertible bonds issued by New Venturetec in January 2014 (see note 9).

Conditional share capital: The share capital could be increased by an amount not exceeding CHF 10,200,000 through the issue of a maximum of 1,700,000 registered shares to be fully paid-in with a nominal value of CHF 6.00 each through the exercise of conversion or option rights in connection with bonds or similar instruments that are or may be issued by the Company or its subsidiary.

On November 25, 2014, the ordinary shareholder meeting of New Venturetec approved the creation of authorized capital with nominal value of up to CHF 15,000,000 through the issuance of up to 2,500,000 bearer shares with a nominal value of CHF 6.00 per share.

Notes to the consolidated financial statements for the year ended September 30, 2015

10 Share capital and capital management (continued)

10.2 Significant shareholders

As of September 30, 2015 the following shareholders filed a holding of 3% or more of the total outstanding shares to the Company to SIX Swiss Exchange:

Between 5% and 10%	Reinhard und Rosa Siegrist
	Alexander und Chantal Biner, through 4iS Four Eyes AG, St.Gallen
Between 3% and 5%	RM Strategic Fund

10.3 Capital management

The objective of the Group is to achieve long term capital appreciation through equity and debt investments in start-up, emerging and growth companies which the Group believes offer significant growth opportunities. The Group identifies successful and promising companies and then actively work with management over a five to ten year time horizon.

The investment decisions will be based upon (i) the Group's ability to identify companies which can successfully utilize capital at an early stage in their life cycle, (ii) carefully selected or assessed management teams, (iii) strategic advice for positioning such companies in high growth markets promising to generate public interest at a future date and (iv) an influence on the portfolio companies.

The Group measures its performance based on the development of its Net Asset Value (NAV). The NAV per share is a figure which is calculated on a regular, consistent basis to approximately reflect the intrinsic value of one share of the Company. The NAV is expected to serve as an indicator for the price of the shares of the Company. The NAV per share is calculated on a bi-weekly basis by dividing the value of the net assets of the Group (the value of its assets less its liabilities) by the total number of shares outstanding.

It is not the aim of the Group to leverage its equity for the purpose of making investments. Nevertheless, the Group may carry some debt in order to balance the availability of liquidity and to avoid dilution of its investments. The Group's debt financing is primarily provided by Mr. Peter Friedli through accrued management fees and accrued performance fees that were converted into loans payable (see note 14.3) and convertible bond (see note 9) as well as bank loans (see note 6.2).

It is not the Group's policy to pay out any dividends.

Notes to the consolidated statement of comprehensive income

11 Advisory fees

The fully owned subsidiary Venturetec, Inc. entered into an investment advisory agreement with Madison Investment Advisor, Inc., which is fully owned by Peter Friedli, the Chairman of the board of directors of New Venturetec, on October 1, 2014. In accordance with the investment advisory agreement, the fee is determined to an all inclusive fee of 1% per annum on the group's net asset value as estimated based on the valuation guidelines of the Company on a monthly basis. The advisory fee is payable to the investment advisor quarterly by the end of each quarter. The former investment advisory agreement, which was replaced by October 1, 2014, comprised a fee of 0.6% per annum plus another 0.5% that could be used for all expenses incurred by the advisor with regard to the duties of the advisor.

Of the 1% all inclusive advisory fee, the lower of USD 50'000 or 10% of the annual advisory fee will directly be paid to a third party for administrative services. The advisory fees for the fiscal year 2014/15 paid or payable to Madison Investment Advisor are USD 586,254 (prior period advisory fee: USD 380,439).

The investment advisory agreement can be terminated with one year written notice.

The advisory fee is subject to the retrospectively yearly approval by the annual shareholder meeting in accordance with OaEC and the by-laws of the Company.

11 Advisory fees (continued)

Accrued advisory fees are as follows:

	Year ended 30.09.2015 USD	Year ended 30.09.2014 USD
Accrued advisory fees as of October 1,	83,779	241,420
Advisory fees for the current period	636,254	380,439
Advisory fees paid out	(544,795)	(538,080)
Total advisory fees accrued as of end of period	**175,238**	**83,779**

The Investment advisor is permitted to offer to, and perform services, if and when needed and approved by the investees, to the benefit of, the Company's investees and get compensated for such services accordingly.

12 Income taxes

For the year ended September 30, 2015 and 2014, no current tax expenses or provisions were recognized due to the accumulated deficits incurred by the Parent Company. The tax effect of the tax loss carry forward amounts to USD 3.9 million and is calculated at a tax rate of 7.83% of the tax loss carry forward of USD 49.3 million. No tax asset on the tax loss carry forward was recognized due to the uncertainty related to the current economic environment and the high risk related to the venture capital business. The tax loss carry forward will expire in 2016 (USD 27.8 Mio), 2018 (USD 7.8 Mio) and 2021 (USD 13.7 Mio).

Deferred taxes arise only on the revaluation of investments and on the undistributed earnings of the Subsidiary. The related deferred tax liability and any changes thereto are debited or credited to deferred tax expense. They are calculated at 0.5%, which is the estimated tax rate on dividend income applicable to the Parent Company. A deferred tax expense of USD 107,347 was recognized in profit or loss in the current period, resulting from the change in positive cumulative fair value adjustments, as disclosed in note 8.3 and 8.4 (prior period: deferred tax income USD 90,308). No deferred taxes are calculated on translation adjustments resulting from the translation of the parent company's financial statements, as the parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the consolidatet cash flow statement

13 Additional information on the cash flow statement

Significant non-cash transactions:
Related to the year ended September 30, 2015

– none

Related to the year ended September 30, 2014

– Outstanding loans to related parties in the amount of USD 5,558,644 were effectively converted via exchange of old debt with convertible bonds.
– Share capital in the amount of USD 22,517,463 was reduced by conclusion of shareholders meeting and directly allocated to the reserve of additional paid in capital (see note 10.1)

Notes to the consolidated financial statements for the year ended September 30, 2015

Other notes

14 Related parties

14.1 Investment Advisor

Since January 1, 2013, Madison Investment Advisor, Inc., Panama is the investment advisor of Venturetec, Inc. The investment advisor supports and advises the Board on specific duties with regards to the selection, purchase, sale, structure and disposal of the Group's investments. For the previous period, the fees have been 0.6% of the net asset value per annum plus up to 0.5% of the net asset value per annum for costs. Starting October 1, 2014, the Board of Directors and the Investment Advisor agreed to change the fee to an all inclusive 1.00% of the net asset value per annum without any additional costs to be reimbursed by the Company.

Mr. Peter Friedli is the President and owner of Madison Investment Advisor, Inc., Panama and at the same time is the Chairman of the Board of Directors of New Venturetec Ltd. Furthermore, he is also a member of the Board of Directors of certain investees. As Chairman of the Board of Directors of the Investment Advisor of New Venturetec and other investment companies, he may be able to exercise significant influence or control over the Company's investees.

14.2 Board of Directors

USD 52,328 were accrued as fees to the Board Directors for the period under review and USD 52,328 were paid out related to accrued fees for prior periods (2014: USD 55,586 accrued and USD 55,586 paid out). These fees are included in the general and administrative expenses.

14.3 Loans payable to related parties

All loans payable to related parties are entered into with Mr. Peter Friedli.

Loans payable to related parties a.o. 30.09.2015	**Principal USD**	**Accrued Interests USD**	**Total USD**
4% secured promissory note [1)]	5,228,922	52,289	5,281,211
4% secured promissory note [2)]	1,541,149	25,601	1,566,750
Total	**6,770,071**	**77,890**	**6,847,961**

Loans payable to related parties a.o. 30.09.2014	**Principal USD**	**Accrued Interests USD**	**Total USD**
4% secured promissory note [1)]	5,328,562	8,881	5,337,443
Total	**5,328,562**	**8,881**	**5,337,443**

1) On May 2, 2014, outstanding promissory notes of CHF 2,816,269 and CHF 2,273,041 due to Mr. Friedli were combined and replaced by a 4% secured promissory note due to Mr. Friedli in the total amount of CHF 5,089,310, due on December 31, 2014. The term of the note will be automatically extended by six month on each consecutive maturity date and the current due date is December 31, 2015. The note can be terminated on each maturity date by either party upon a 3 month written notice.

2) On April 23, 2015, New Venturetec AG issued a 4% secured promissory note due to Mr. Friedli in the amount of CHF 1,500,000, due on December 31, 2015. The term of the note will be automatically extended by six month on each consecutive maturity date. The note can be terminated on each maturity date by either party upon a 3 month written notice.

The notes are secured by all tangible and intangible assets of New Venturetec.

14 Related parties (continued)

14.4 Interests on loans and bonds convertible payable to related parties

During the reporting period under review, interests on loans and bonds convertible payable to related parties were recorded in profit or loss as follows:

Interests on loans and bonds convertible payable to related parties	Year ended 30.09.2015 USD	Year ended 30.09.2014 USD
4% secured promissory notes to Mr. Friedli	240,613	296,560
4% convertible bonds to Mr. Friedli	545,986	398,032
4% convertible bonds to Mr. von Sprecher	2,275	1,658
Total interests on loans from related parties	**788,874**	**696,250**

14.5 Related party transactions

- Advisory fees in the amount of USD 586,254 were recognized for the investment advisor for the year ended September 30, 2015 (previous period: USD 380,439).
- Interest on loans and bonds to related parties in the amount of USD 788,874 (previous period: USD 696,250) were recognized in the reporting period.
- The Company entered into a new loan agreement with a related party at which the related party borrowed USD 1,569,859 to the Company.
- In previous period, outstanding loans to related parties in the amount of USD 872,365 were redeemed and USD 5,558,644 were effectively replaced via exchange of old debt with convertible bonds.
- Board of Directors fees accrued from the fiscal year 2013/14 in the amount of USD 52,328 (previous period: USD 55,568) were paid out.
- In previous period, Advisory expenses in the amount of USD 166,759 relating to the capital reduction, revision of the statutes and the issue of the convertible bonds was paid to the investment advisor.
- In previous period, Reimbursement of expenditures in the amount of USD 102,279 were paid to the investment advisor.

15 Financial risk management

The Group's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests:

- market risk, includes currency risk, interest rate risk and equity price risk.
- credit risk and
- liquidity risk

This note presents information about the Group's exposure to each of these risks, the Group's objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. All investment decisions for the Company as well as the Net Asset Value computation are made unilaterally by the Board with the advice of the Investment Advisor. It should be noted that Peter Friedli is Chairman of the Board of Directors and acting on behalf of the Investment Advisor and that between him and the Company conflicts of interests may arise.

In order for the Company to be successful in investing in start-up and emerging companies, it must identify potentially profitable enterprises at an early stage in their development, a process which is very difficult even for people with considerable experience in the venture capital field. Furthermore, the Company is competing for investment opportunities with a number of other venture capital firms. The Company may also invest in businesses which are not start-up or emerging companies, but which are for various reasons seeking to raise additional capital without making a public offering of securities. These reasons can include adverse conditions in the public securities markets, or a record of earnings and/or growth, which is less than adequate for a successful public offering of securities.

Notes to the consolidated financial statements for the year ended September 30, 2015

15 Financial risk management (continued)

15.1 Market risk

Market risk embodies the potential for both loss and gains and includes market price risk, currency risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The objective of Venturetec, Inc. is to achieve long-term capital appreciation through investments in venture companies which the Board believes offer significant growth opportunities. Venturetec Inc. invests in venture companies. Many of the investments relate to privately held companies. Although the risk of market fluctuation is balanced through the long term investment horizon the risk of venture capital investments is 100%. The Investment Advisor monitors the capital market and adjusts the Net Asset Value of the portfolio on a bi-weekly basis.

15.1.1 Equity price risk

Equity price risk is the risk that the fair value of an equity investment will fluctuate as a result of changes in equity prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As all of the Company's equity investments are carried at fair value with fair value changes recognized in the income statement, all changes in market conditions will directly affect profit or loss.

Most of the investees are in a development stage, disclosing accumulated deficits and little or no revenues. Their ability to continue as a going concern may depend on additional funding. These investments offer the opportunity of significant capital gains, but involve a high degree of business and financial risks that can result in substantial losses, including the risk of a total unrecoverability of an investment. The financial risk management objectives and policy of New Venturetec are to minimize dilution by structuring the initial investment accordingly. Other protective measures such as liquidation preferences are also part of the Company's policy. However, the operational risk remains. Furthermore, the Company does not hedge any foreign currencies or interest rate risk exposure. The risks of venture capital investments are 100%.

Sensitivity analysis

If for Osiris Therapeutics the price quoted as of September 30, 2015 at the NASDAQ would have increased/decreased by 10% with all other variables held constant profit or loss would have been USD 7,578,000 higher/lower (as of September 30, 2014: USD 5,166,000).

If for Myriad Genetics the price quoted as of September 30, 2015 at the NASDAQ would have increased/decreased by 10% with all other variables held constant profit or loss would have been USD 750,000 higher/lower (as of September 30, 2014: 696,000).

For not publicly listed investments a quantitative sensitivity analysis is not meaningful as the performance is linked to fundamental data (technology, management, milestones, etc.). For a detailed overview of the investment portfolio and its exposure refer to note 8.

15 Financial risk management (continued)

15.1.2 Currency risk

The Company's subsidiary is investing in its functional currency USD and the Net Asset Value per share is also published in US Dollars. Any investment in other currencies than the US Dollar might lead to positive or negative impacts on the Company's performance in its annual financial statements, including its statement of comprehensive income. The parent's company functional currency is the CHF.

As of September 30, 2015 only the following monetary financial assets and liabilities are denominated in currencies other than the functional currency of the group companies holding the assets and liabilities:

All amounts shown in USD

	USD	CHF
September 30, 2015		
Cash and cash equivalents	7,098	45,859
Intercompany loans	0	(20,877,260)
Net exposure as of September 30, 2015	**7,098**	**(20,831,401)**
September 30, 2014		
Cash and cash equivalents	7,185	1,119
Intercompany loans	0	(19,626,127)
Bank loans payable	0	(1,520,061)
Net exposure as of September 30, 2014	**7,185**	**(21,145,069)**

Sensitivity analysis

As of September 30, 2015, a 10 percent strengthening of the USD against the CHF would have increased net profit by USD 1,894,000 (as of September 30, 2014: USD 1,923,000). A decrease by 10 percent would have had the same but opposite impact on net profit. This analysis assumes that all other variables, in particular interest rates, remain constant.

15.1.3 Interest rate risk

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was as follows:

	Note	30.09.2015 USD	30.09.2014 USD
Fixed rate instruments			
Loans payable to related parties	14.3	(6,770,071)	(5,328,562)
Convertible bonds	9	(15,343,365)	(15,580,979)
Variable rate			
Cash and cash equivalents	6	4,287,464	1,196,141
Bank loans payable	6	(1,500,740)	(4,124,390)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit and loss or the equity.

Notes to the consolidated financial statements for the year ended September 30, 2015

15 Financial risk management (continued)

15.1.2 Currency risk (continued)

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have decreased profit and loss by USD 28,000 (prior year ended September 30, 2014: decreased USD 41,000). A decrease by 100 basis points would have had the same but opposite impact on profit and loss. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

15.2 Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation or commitment that it has entered into with the Company. As at September 30, 2015, only cash and cash equivalents as disclosed in note 6 and other accounts receivables as disclosed in note 7 were exposed to credit risks. The carrying amounts of these assets represent their maximum credit risk exposure. The notes receivable to Reverb had to be fully written off in 2015 (see also note 8.4).

Cash and cash equivalents are deposited in banks with a minimum credit rating of at least investment grade.

15.3 Liquidity risk

Liquidity risk is the risk that New Venturetec will not be able to meet its financial obligations as they fall due. Currently most of the liabilities are due to Mr. Peter Friedli and it is not expected that they will be called upon prior to the successful settlement of venture capital investments. Osiris and Myriad as the publicly traded companies could be liquidated if required. Nevertheless, Peter Friedli is Chairman and a member of the Board of Directors of Osiris Therapeutics and therefore subject to certain trading restrictions. These trading restrictions are also applicable to New Venturetec and may have a negative impact on the liquidity of the Group.

The following table shows an analysis of the remaining contractual maturities of financial liabilities:

30.09.2015 USD	Carrying amount	Less than 3 months	3 months to a year	1 year to 2 years	More than 2 years
Accrued advisory fees	175,238	175,238	0	0	0
Other accrued expenses	216,531 [1]	216,531	0	0	0
Loans payable to related parties	6,847,961	0	6,914,734	0	0
Bank loans payable	1,500,740	1,503,948	0	0	0
Convertible bonds	15,767,875 [2]	0	618,514	618,514	16,081,373
Total	**24,508,345**	**1,895,717**	**7,533,248**	**618,514**	**16,081,373**

30.09.2014	Carrying	Less than	3 months	1 year to 2 years	More than 2 years
Accrued advisory fees	83,779	83,779	0	0	0
Other accrued expenses	166,213 [1]	166,213	0	0	0
Loans payable to related parties	5,337,443	0	5,494,526	0	0
Bank loans payable	4,124,390	4,126,495	0	0	0
Convertible bonds	16,013,579 [3]	0	630,300	630,300	17,018,113
Total	**25,725,404**	**4,376,487**	**6,124,826**	**630,300**	**17,018,113**

[1] The difference to the amount stated in the balance sheet relates to accruals for taxes.
[2] Accrued interests amounting to USD 424,510 included.
[3] Accrued interests amounting to USD 432,600 included.

15 Financial risk management (continued)

15.4 Categories of financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value..

30.09.2015	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD	USD
Cash and cash equivalents	4,287,464				
Total loans and receivables	**4,287,464**				
Venture capital equity investments and notes receivable	83,783,969	83,283,969	0	500,000	83,783,969
Total designated at fair value through profit or loss	**83,783,969**				
Accrued advisory fees	175,238				
Other accrued expenses	216,531 [1]				
Loans payable to related parties	6,847,961	0	0	6,847,961	6,847,961
Bank loan payable	1,500,740				
Convertible bonds	15,767,875 [2]	0	0	15,889,886	15,889,886
Total financial liabilities at amortized cost	**24,508,345**				

30.09.2014	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD	USD
Cash and cash equivalents	1,196,141				
Total loans and receivables	**1,196,141**				
Venture capital equity investments and notes receivable	74,373,875	58,618,587	0	15,755,228	74,373,815
Total designated at fair value through profit or loss	**74,373,875**				
Accrued advisory fees	83,779				
Other accrued expenses	166,213 [1]				
Loans payable to related parties	5,337,443	0	0	5,332,006[4]	5,332,006
Bank loan payable	4,124,390				
Convertible bonds	16,013,579 [3]	0	0	15,975,642[4]	15,975,642
Total financial liabilities at amortized cost	**25,725,404**				

1 The difference to the amount stated in the balance sheet relates to accruals for taxes.
2 Accrued interests amounting to USD 424,510 included.
3 Accrued interests amounting to USD 432,600 included.
4 As the Group revisited its process for the allocation of financial instruments in the fair value hierarchy prior year disclosure of the fair value hierarchy has been restated. For further information refer to Note 3.3.

Notes to the consolidated financial statements for the year ended September 30, 2015

15 Financial risk management (continued)

15.4 Categories of financial instruments and fair value (continued)

Basis for determination of the fair values:

The carrying amounts of cash equivalents, bank loans payable, accounts receivable, accounts payable and accrued expenses due to the short maturity approximate fair value.

For the determination of the fair value of the venture capital investments refer to notes 5c) and 8.

The fair value of the loans payable to related party and convertible bonds is determined by discounting the future contractual cash flows. The applied discount factor of 4.0% is the USD government yield curve plus a credit spread for a BB rated investment for both periods.

16 Earnings per Share

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	Year ended 30.09.2015 USD
Profit attributable to ordinary shareholders (basic)	14,998,112
Interest expenses on convertible bonds, net of tax	684,985
Proft attributable to ordinary shareholders (diluted)	**15,683,097**
Weighted-average number of ordinary shares	
– outstanding a.o. September 30 (basic)	5,000,000
– that would be issued at conversion	1,584,737
Total weighted-average number of ordinary shares (diluted)	**6,584,737**
Earnings per share (basic)	**3.00**
Earnings per share (diluted)	**2.38**

In prior year potential ordinary shares relating to the convertible bonds were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive for the reporting period. Earnings per share (basic and diluted) a.o. September 30, 2014 amounted to a loss of USD 4.13 per share.

During the year the Group refined its calculation of earnings per share. Based on the new determination the amounts presented in the interim consolidated financial statements as at March 31, 2015 will be restated in the interim consolidated financial statements as at March 31, 2015. Please refer to note 3.3 Change in presentation and correction of errors.

17 Subsequent events

On October 15, 2015, USD 147,981 from the Etex escrow amount was received by the Company.

The consolidated financial statements were authorized for issue by the Board of Directors on November 3, 2015.

The Board of Directors is not aware of any further events between September 30, 2015 and November 3, 2015, which would require adjustment to the carrying amounts of the Group's assets and liabilities as of September 30, 2015 or would require disclosure under this heading.

Report of the Statutory Auditor to the General Meeting of Shareholders of

New Venturetec Ltd., Steinhausen

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of New Venturetec Ltd., which comprise the balance sheet, income statement and notes (pages 77 to 80) for the year ended September 30, 2015.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended September 30, 2015 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved

KPMG AG

Astrid Keller
Licensed Audit Expert
Auditor in Charge

Alexander Fähndrich
Licensed Audit Expert

Zurich, November 3, 2015

Balance sheet

	Note	September 30, 2015 CHF	September 30, 2014 CHF
Assets			
Cash and cash equivalents		124,227	726,463
Other account receivable		4,923	32,963
Account receivable from Venturetec, Inc.		17,930,769	17,334,165
Loan receivable from Venturetec, Inc.		11,589,310	10,089,310
Current assets		**29,649,229**	**28,182,901**
Investment in Venturetec, Inc.	2	55,000,000	40,000,000
Non-current assets		**55,000,000**	**40,000,000**
Total assets		**84,649,229**	**68,182,901**
Liabilities and equity			
Accrued expenses and deferred income		777,577	658,352
Loan payable to related party		6,589,310	5,089,310
Short term liabilities		**7,366,887**	**5,747,662**
Bonds convertible	3/5	15,055,000	15,055,000
Long term liabilities		**15,055,000**	**15,055,000**
Total liabilities		**22,421,887**	**20,802,662**
Share capital	4	30,000,000	30,000,000
Reserve from capital contribution		32,500,000	32,500,000
Accumulated deficit brought forward		(15,119,761)	(1,815,978)
Net profit / (loss) for the year		14,847,103	(13,303,783)
Shareholders' equity		**62,227,342**	**47,380,239**
Total liabilities and equity		**84,649,229**	**68,182,901**

Income statement

	Note	Year ended September 30, 2015 CHF	Year ended September 30, 2014 CHF
Income			
Valuation adjustment on investment in Venturetec, Inc.	2	15,000,000	0
Exchange profit		172,018	459,672
Interest income from Venturetec, Inc.		920,412	879,142
		16,092,430	**1,338,814**
Expenses			
Interest expenses to related party		(229,906)	(192,536
Interest expenses on bonds convertible – related parties		(482,000)	(330,705)
Interest expenses on bonds convertible – third parties		(120,200)	(82,471)
General and administrative expenses		(411,259)	(734,235)
Capital taxes		(1,800)	(1,800)
Bank charges		(162)	(850)
Valuation adjustment on investment in Venturetec, Inc.	2	0	(13,300,000)
		(1,245,327)	**(14,642,597)**
Profit / (loss) before tax		**14,847,103**	**(13,303,783)**
Income tax expenses		0	0
Net profit / (loss) for the year		**14,847,103**	**(13,303,783)**

Notes to the financial statements for the year ended September 30, 2015

1 Principal activities

New Venturetec Ltd., Steinhausen ("the Company") was formed on July 16, 1997 and incorporated on August 8, 1997 for the purpose of direct and indirect investments in Swiss and foreign companies, especially in high risk venture capital companies in the industries of Biotechnology and Technology. The Company was incorporated in Zurich and changed its domicile to canton of Zug in December 2008.

2 Investment in Venturetec, Inc

Venturetec, Inc., Tortola, British Virgin Islands, is a wholly-owned subsidiary of New Venturetec Ltd., incorporated on September 11, 1996, with a share capital of USD 20 million. As of September 30, 2015, the Company's venture capital investments are held via this subsidiary. A list and further details of these investments are set out in note 8 to the consolidated financial statements of New Venturetec Ltd. as of September 30, 2015.

The historical costs of the investment in Venturetec, Inc. amounting to CHF 125 million were subject to several valuation adjustments in the past and in the actual period to reflect the changes in the fair value of the underlying portfolio companies held by the subsidiary.

3 Bonds convertible

On January 23, 2014, New Venturetec issued convertible bonds with the following terms:

– Aggregated principal amount	CHF 15,055,000
– Interest rate	4% per annum
– Life	4 years / until January 23, 2018
– Principal amount	CHF 5,000
– Conversion	Each Bond of CHF 5,000 principal amount is voluntarily convertible into shares of the Company.
– Conversion price	CHF 9.50 per share

4 Share capital and additional paid-in capital

On December 4, 2013, the shareholders of New Venturetec approved a reduction of the nominal capital from CHF 12.50 per share to CHF 6.00 per share, whereas the reduced capital amount of CHF 32,500,000 is to be allocated to the reserve of additionally paid in capital. The constitutive publication of this capital reduction in the trade register was on May 15, 2014. Therefore the share capital as of September 30, 2015 consisted of 5,000,000 bearer shares with a par value of CHF 6.00 each fully paid in (previous year 5,000,000 bearer shares with a par value of CHF 6.00 each, fully paid in).

Conditional share capital: The share capital could be increased by an amount not exceeding CHF 10,200,000 through the issue of a maximum of 1,700,000 registered shares to be fully paid-in with a nominal value of CHF 6 each through the exercise of conversion or option right in connection with bonds or similar instruments that are or may be issued by the Company or its subsidiary.

On November 25, 2014, the ordinary shareholder meeting of New Venturetec approved the creation of authorized capital with nominal value of up to CHF 15,000,000 through the issuance of up to 2,500,000 shares with a nominal value of CHF 6.00 per share.

As of September 30, 2015, the following shareholders filed a holding of 3% or more of the total outstanding shares to the Company to SIX Swiss Exchange:

Between 5% and 10%	Reinhard und Rosa Siegrist
	Alexander und Chantal Biner, through 4iS Four Eyes AG, SG
Between 3% and 5%	RM Strategic Fund

5 Remuneration of, and shares held by the Board of Directors

CHF 50,000 were accrued as fees to the Board Directors for the year under review and CHF 50,000 were paid out related to accrued fees for prior periods (2014: CHF 50,000 accrued and CHF 50,000 paid). Such fees are due in equal portions to Mr. Hans Lerch and Mr. Andreas von Sprecher. Mr. Peter Friedli was not remunerated for serving on the Board.

Mr. Peter Friedli held 103,381 shares, Mr. Hans Lerch 20,000 shares and Mr. Andreas von Sprecher 3,000 shares of the Company as of September 30, 2015. No further transactions in such shares took place during the year under review.

Peter Friedli, the chairman of New Venturetec subscribed to CHF 12,000,000 of the Convertible Bonds which have not been subscribed by existing shareholders. In accordance with the terms and conditions of the convertible bond, Peter Friedli, Chairman of the Board of New Venturetec has the right to voluntarily convert his holdings in the convertible bond into 1,263,157 shares of New Venturetec.

Andreas von Sprecher, member of the Board of New Venturetec subscribed to CHF 50,000 of the Convertible Bonds which have not been subscribed by existing shareholders. In accordance with the terms and conditions of the convertible bond, Andreas von Sprecher, member of the Board of New Venturetec has the right to voluntarily convert his holdings in the convertible bond into 5,263 shares of New Venturetec.

Further information with regard to related party transactions are disclosed in notes 11 and 14 to the consolidated financial statements of New Venturetec Ltd. as of September 30, 2015.

6 Risk management

Risk management and risk analysis is done and approved by the Board of Directors on regular basis. The risk management process and the risk analysis are discussed in note 15 to the consolidated financial statements of New Venturetec Ltd. as of September 30, 2015.

Annex 1

Risk factors of Osiris Therapeutics as per the Osiris Therapeutics annual report 2014

Risk Factors.

Risks Related To Our Business

We have a history of operating losses and may not achieve or sustain profitability.

Until fiscal 2009, we incurred losses in each year since our inception, and may incur additional losses over the next several years. As of December 31, 2014, we had an accumulated deficit of $203.5 million. These losses resulted principally from costs incurred in our research and development programs and from our general and administrative expenses. These losses, among other things, have had and will continue to have an adverse effect on our stockholders' equity, total assets and working capital.

We expect to continue to incur significant operating expenses in the foreseeable future as we seek to:

- Complete our confirmatory Phase III quality random clinical trial with Grafix for complex diabetic foot wounds with exposed tendon or bone;
- continue other studies and initiate and pursue additional studies and possible clinical trials for our Biosurgery products, including Grafix for venus leg ulcers, which we have begun, and possibly other potential indications;
- manage regulatory issues and requirements related to the marketing and distribution of our products and product candidates, including issues related to FDA approval and third party payor reimbursement;
- maintain, expand and protect our intellectual property; and
- continue to add sales, operational, financial, accounting, facilities engineering and information systems personnel, consistent with expanding our operations.

The extent of our future operating losses or profits is highly uncertain, and we may not achieve or sustain profitability. If we are unable to achieve and then maintain profitability, the market value of our common stock will decline and you could lose part or all of your investment.

The current credit and financial market conditions may exacerbate certain risk affecting our business.

We rely upon third parties for certain aspects of our business, including collaboration partners, wholesale distributors, contract clinical trial providers, contract manufacturers and third-party suppliers. Because of the tightened global credit and continuing volatility in the financial markets, there may be a delay or disruption in the performance or satisfaction of commitments to us by these third parties, which could adversely affect our business.

We depend on key personnel.

Our future success depends to a significant extent on the skills, experience and efforts of our scientific, management, and sales personnel. These include Lode Debrabandere Ph.D., Alla Danilkovitch, Ph.D., Philip R. Jacoby, Jr., and Frank Czworka. We also rely upon the guidance and experience of Peter Friedli, the Chairman of our Board of Directors. The loss of any or all of these individuals could harm our business and might significantly delay or prevent the achievement of research, development or business objectives. We are party to an employment agreement with Dr. Debrabandere. The existence of an employment agreement does not, however, guarantee retention of any officer or employee, and we may not be able to retain any of these individuals, whether or not we have an employment agreement with them. Except for Dr. Debrabandere, none of our employees is employed for a specified term. Competition for personnel is intense. We may be unable to retain our current personnel or attract or integrate other qualified management and scientific personnel in the future.

The potential of our Biosurgery products and products under development to treat conditions may not be realized.

We are continually evaluating the potential of our Biosurgery products and products under development. Our products are susceptible to various risks, including undesirable and unintended side effects, unintended immune system responses, inadequate efficacy or other characteristics that may prevent or limit their commercial use, or if required, marketing approval. If the treatment potential of our products is not realized, the value of our technology, our development programs and our products could be significantly reduced. Because our Biosurgery products are comprised of human tissue, any negative developments regarding the therapeutic potential or side effects of human tissue products could have a material adverse effect on our business, financial condition and results of operations.

Our product development programs are based on novel technologies and are inherently risky.

We are subject to the risks of failure inherent in the development of products based on new technologies. The novel nature of our products and product candidates creates significant challenges in regards to product development and optimization, processing and manufacturing, government regulation, third-party reimbursement and market acceptance. For example, questions persist with regard to the necessity of FDA approval for some cell-based products, and therefore, the pathway to commercialization of our Biosurgery products may be more complex and lengthy. Additionally, cell-based products are subject to donor-to-donor variability, which can make standardization more difficult. As a result, the development and commercialization pathway for our products may be subject to increased uncertainty, as compared to the pathway for conventional products.

Our Biosurgery products represent new classes of therapy that the marketplace may not understand or accept.

The market may not understand or accept our products. We are developing products that represent novel treatments or therapies and which will compete with a number of more conventional products and therapies manufactured and marketed by others, including major pharmaceutical companies. The novel nature of our Biosurgery products creates significant challenges in regards to product development and optimization, manufacturing, government regulation, and third-party reimbursement. As a result, the development pathway for our Biosurgery products may be subject to increased scrutiny, as compared to the pathway for more conventional products.

The degree of market acceptance of any of our developed or potential products will depend on a number of factors, including:

- the clinical safety and effectiveness of our products and their perceived advantage over alternative treatment methods;
- our ability to convince health care providers that the use of our products in a particular procedure is more beneficial than the standard of care or other available methods;
- our ability to explain clearly and educate others on the use of human placental tissue, to avoid potential confusion with and differentiate ourselves from the ethical controversies associated with human fetal tissue;
- ethical controversies that may arise regarding the use of human tissue of any kind, including tissues derived from deceased donor, and distribution for profit of our deceased donor products;
- adverse reactions involving our biosurgery products or the products or product candidates of others that are human tissue based;
- our ability to supply a sufficient amount of our product to meet regular and repeated demand in order to develop a core group of medical professionals familiar with and committed to the use of our products; and
- the cost of our products and the reimbursement policies of government and third-party payors.

If the health care community does not accept our potential products for any of the foregoing reasons, or for any other reason, it could affect our sales, having a material adverse effect on our business, financial condition and results of operations.

The successful commercialization and distribution of our Biosurgery products will depend on obtaining reimbursement from third-party payors.

We distribute our Biosurgery products in the United States. We may expand our distribution to other countries in the future. In the United States and elsewhere, the market for any pharmaceutical or therapeutic product is affected by the availability of reimbursement from third-party payors, such as government health administration authorities, private health insurers, health maintenance organizations and pharmacy benefit management companies. Biosurgery products like Grafix, Cartiform and BIO[4] may have higher costs or fees associated with them compared with more traditional products, due to the higher cost and complexity associated with their research, development and production, and the complexity associated with their distribution – which requires special handling, storage and shipment procedures and protocols. This, in turn, may make it more difficult for us to obtain adequate reimbursement from third-party payors, particularly if we cannot demonstrate a favorable cost-benefit relationship. Third-party payors may also deny coverage or offer inadequate levels of reimbursement for our products if they determine that the product has not received appropriate clearances from the FDA or other government regulators or is experimental, unnecessary or inappropriate.

In the countries of Europe and in some other countries, the pricing of prescription and therapeutic products and services, and reimbursement, are subject to increased governmental control. In addition, many other countries require pre-marketing approval for human tissue based products, or otherwise more extensively regulate human tissue based products than does the United States.

Regardless of whether we are required to conduct a successful clinical trial in order to market a product in the United States or a foreign country, we may nevertheless be required to conduct one or more clinical trials, and to publish one or more peer reviewed journal articles supporting the product, before we are able to obtain third party reimbursement. We may also be required to conduct additional clinical trials that compare the cost effectiveness of our products to other available therapies before third party payors will provide reimbursement. Conducting clinical trials is expensive and will result in delays in wide scale commercialization and reimbursement. Publishing of peer reviewed journal articles may also be costly and result in delays. In addition, even if our products otherwise meet the requirements for reimbursement, pricing negotiations with third party payers may take months and result in significant delay in obtaining approval for reimbursement.

Reimbursement policies also sometimes differ depending upon the setting in which the product is to be used. The use of our Biosurgery products in a hospital setting as part of a surgical or other more extensive procedure may have a reimbursement pathway that differs from a use in an outpatient setting for a more narrowly defined procedure. Thus, for example, the reimbursement pathway for Grafix – which we expect to be used more often in an outpatient setting – may differ from that for BIO – which we expect to be used more often in an in-patient hospital setting as part of a surgical procedure.

These differences may limit or make reimbursement more difficult for some products as compared to others, and influence our product development and marketing efforts in ways that may ultimately prove to be detrimental to us or our business.

Managing and reducing health care costs has been a general concern of federal and state governments in the United States and of foreign governments. Although we do not believe that any recently enacted or presently proposed U.S. legislation should impact our business specifically and negatively as compared to other health care product businesses generally, we might nevertheless be subject to future regulations or other cost-control initiatives that materially restrict the price we receive for our products. In addition, third-party payors are increasingly challenging the price and cost-effectiveness of medical products and services, and many limit reimbursement for newly approved health care products. In particular, third-party payors may limit the indications for which they will reimburse patients who use any products that we may develop. Cost control initiatives could decrease the price for products that we may develop, which would result in lower product revenues to us.

Our dependence upon human tissue necessary to produce our Biosurgery products may impact our ability to produce these products on a large scale.

Our Biosurgery products consist of human tissue. This tissue is obtained by us from not-for-profit donor procurement agencies. Grafix is processed from human placental tissue. BIO^4 is processed from deceased donor bone. Cartiform is processed from deceased donor cartilage. While we are not aware of significant supply issues, and placental tissue and deceased donor bone and cartilage is generally available to us, the supplier agencies may not be able to provide us with sufficient amounts of tissue to meet the demand. In addition, the use of human tissue as a treatment for human disease and medical conditions has increased over recent years and continues to increase, creating greater and continually increasing competition and demand for donated human tissue. Even if we are successful in our efforts to expand our compliment of Biosurgery products, we may not be able to secure quantities of human tissue sufficient to meet the demand.

Our Biosurgery products are derived from human tissue and therefore have the potential for disease transmission.

The utilization of human tissue creates the potential for transmission of communicable disease, including but not limited to human immunodeficiency virus (HIV) viral hepatitis, syphilis, Creutzfeldt-Jakob disease, or the human form of "mad cow" disease, and other viral, fungal or bacterial pathogens. Although we are required to comply with federal and state regulations intended to prevent communicable disease transmission, and our suppliers of adult human bone, cartilage and placental tissue are also required to comply with such regulations in connection with their collection, storage and supply to us:

– we or our suppliers may fail to comply with such regulations;
– even with compliance, our products might nevertheless be viewed by the public as being associated with transmission of disease; and
– a patient that contracts an infectious disease might assert that the use of our products resulted in disease transmission, even if the patient became infected through another source.

Any actual or alleged transmission of communicable disease could result in patient claims, litigation, distraction of management's attention and potentially increased expenses. Further, any failure in screening, whether by us or other manufacturers of similar products, could adversely affect our reputation, the support we receive from the medical community and overall demand for our products. As a result, such actions or claims, whether or not directed at us, could have a material adverse effect on our reputation with our customers and our ability to distribute our products, which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to process our Biosurgery products in sufficient quantities to expand our market for the products.

We may encounter difficulties in the production of our Biosurgery products due to our limited manufacturing capabilities. This difficulty could reduce redistribution efforts of our products, increase our distribution costs or cause production delays, any of which could damage our reputation and effect our operations. Even if we have access to quantities of human tissue sufficient to allow us otherwise to expand our manufacturing capabilities, we may not be able to produce sufficient quantities of the product at an acceptable cost, or at all.

We use or may use third-party collaborators to help us develop and commercialize our products, and our ability to commercialize such products may be impaired or delayed if collaborations are unsuccessful.

We have arrangements in place with third-party collaborators as a means to help us with research and development efforts or marketing and distribution. We are subject to a number of risks associated with our dependence upon our collaborative relationships, including:

– our collaborators may not cooperate with us or perform their obligations under our agreements with them;
– we cannot control the quality, amount and timing of our collaborators' resources that will be devoted to performing their responsibilities under our agreements with them, and our collaborators may choose to pursue alternative technologies in preference to those being developed or commercialized in collaboration with us;

- refusal to or failure of our collaborators to perform their responsibilities in a timely manner, including breach;
- the right of the collaborator to terminate its collaboration agreement with us for reasons outside our control, and in some cases on limited notice;
- business combinations and changes in a collaborator's business strategy may adversely affect the party's willingness or ability to complete its obligations;
- loss of significant rights to our collaborative parties if we fail to meet our obligations;
- disagreements as to ownership of clinical trial results or regulatory approvals;
- the ability of a collaborator to successfully market and promote our products;
- withdrawal of support by a collaborator following development or acquisition by the collaborator of competing products; and
- disagreements with a collaborator regarding the collaboration agreement or ownership of intellectual property or other proprietary rights.

Due to these factors and other possible events, we could suffer delays in the research, development or commercialization of our products or we may become involved in litigation or arbitration, which would be time consuming and expensive.

Our most significant collaborative arrangement is with a subsidiary of Stryker Corporation, and our success may depend upon performance on the part of Stryker and the success of this collaboration. We are also dependent upon our exclusive partnership with Arthrex, Inc. for the commercial distribution of Cartiform, and may enter into and become dependent upon additional collaborations in the future.

We are party to an Exclusive Service Agreement with Howmedica Osteonics Corp., also referred to as Stryker Orthopaedics, a subsidiary of Stryker Corporation ("Stryker"), for the commercialization of our viable bone matrix allograft under the name BIO^4. Pursuant to the agreement, Stryker is the exclusive worldwide marketer and promoter of allograft services for BIO^4 for use in surgical applications, including spine, trauma, extremity, cranial, and foot and ankle surgery. This collaboration is subject to all of the risks and uncertainties applicable to collaborative arrangements generally, including those described above. In addition, this collaboration is subject to a number of risks and uncertainties specific to the transaction and the parties.

The agreement with Stryker provides for an initial four year exclusive term, commencing on the date of Stryker's initial commercial sale. The term may be extended by Stryker for an additional exclusive period of four years or an additional non-exclusive period of two years. If Stryker extends the term on an exclusive basis, it has the option to further extend the term on an exclusive basis for two years. Osiris is entitled to receive an initial exclusivity fee of $5,000,000 and additional fees upon any exercise by Stryker of its right to extend the initial term, whether on an exclusive or non-exclusive basis. These additional fees are reduced on a sliding scale if Stryker meets certain revenue thresholds during the initial term, or if revenue goals are not met as a result of Osiris not fulfilling its supply obligations. Stryker is entitled to a certain percentage of sales of allograft services for BIO^4 and has limited early termination rights. The success of this collaboration for us will in part be dependent upon Stryker, including its success in marketing and promoting BIO^4.

Stryker has significantly greater resources that we do, and this collaboration is not as core to its business as it is to ours. We are dependent upon Stryker's continued performance under this collaboration, and any determination by Stryker not to proceed or perform, or any material adverse event that affects Stryker's ability or desire to perform may have a material adverse effect on our business.

We are also dependent upon our exclusive commercial and development partnership with Arthrex, Inc., to which we have granted exclusive commercial distribution rights for Cartiform, and any determination by Stryker not to proceed or perform, or any material adverse event that affects Stryker's ability or desire to perform may have a material adverse effect on our business.

We may also enter into additional collaborations in the future. We are dependent upon our current collaborators, and will be dependent upon any future collaborators, in performing their responsibilities in connection with the relevant

collaboration. If we fail to maintain our existing or any future collaborative relationships for any reason, we would need to undertake on our own and at our own expense, or find other collaborators, to perform the activities we currently anticipate will be performed by our collaborators. This may substantially increase our cash requirements. We may not have the capability or financial capacity to undertake these activities on our own, or we may not be able to find other collaborators on acceptable terms, or at all. This may limit the programs we are able to pursue and result in significant delays in the development, sale and manufacture of our products, and may have a material adverse effect on our business.

We distribute products through distribution arrangements that sometimes involve the consignment of inventory to third parties, which results in additional risk and uncertainty as to the viability of consigned inventory and as to inventory accounting.

We have historically distributed our Biosurgery products either ourselves or through third party distributors who sometimes take possession of our inventory on a consignment basis, or through a combination of both methods. In some situations, we store consigned inventory on site in freezers at hospital or clinic facilities. We commercialize Grafix through the efforts of our own focused direct distribution and marketing staff, as well as through a network of specialty distributors for certain target markets. Like Ovation and OvationOS, BIO[4] will sometimes be commercialized through a consignment arrangement, and our agreement with Stryker includes consignment terms, as does our agreement with Arthrex for Cartiform. Because our consigned inventory must be stored at –80 C, it is at risk of thawing, resulting in the loss of that inventory. That risk of loss of is borne by us, although we believe that we maintain adequate insurance to cover the risk. Inventory management is complicated by a consignment arrangement, as is revenue recognition and inventory and receivables accounting. Thus, for example, no revenue is recognized upon the placement of inventory into consignment, as we retain title and maintain the inventory on our balance sheet. For these products, revenue is recognized when we receive appropriate notification that the product has been used in a surgical procedure. This may not occur in a timely manner, meaning that our financial statements may not always reflect our actual inventory and receivables balances as of the end of a fiscal period. We monitor and verify the condition and status of all consigned inventory on at least a quarterly basis, at additional expense to us. In addition, FDA, AATB and other accrediting agency rules, regulations or standards require that we monitor our consigned inventory, and require tracking of human tissue and inventory as it moves through the supply chain. Moreover, as is the case with all of our inventory, should the FDA or any other regulatory authority determine that we are unable for any reason to continue to distribute consigned inventory, either on account of the viability of that inventory or because of the withdraw of necessary approvals or other qualifications allowing for the distribution and sale of that inventory, the value of that inventory may have to be written off and our balance sheet adjusted accordingly. The complexity of our inventory management, or the application of rules, regulations and standards to our product inventory, or the occurrence of any of these negative events, could have an adverse effect on our business, financial condition and results of operations.

We are currently dependent upon third-parties for services and raw materials needed for the processing of our Biosurgery products, and for distribution.

In order to produce our Biosurgery products we require biological media, reagents and other highly specialized materials. This is in addition to the human tissue donations used to manufacture our biosurgery products. These items must be manufactured and supplied to us in sufficient quantities and in compliance with cGMP. To meet these requirements, we have entered into supply agreements with firms that manufacture these components to cGMP standards.

We expect to continue to rely on third parties to sell or redistribute our biosurgery products. Proper shipping and distribution requires compliance with specific storage and shipment procedures. Failure to comply with these procedures or the occurrence of inadvertent damage to the shipping container will necessitate return and replacement, potentially resulting in additional cost and causing us to fail to meet supply requirements. If any of these third parties fail or are unable to perform in a timely manner, our ability to manufacture and deliver could be compromised, and our business would be harmed.

Our dependence on third parties may increase the risk that we will not have adequate quantities of our biosurgery products.

Our Biosurgery product supply chain and processing infrastructure depends on the performance of a number of complex contracts between us on the one hand and our suppliers and redistributors on the other. If any of our suppliers, distributors or other business partners cannot or do not perform their contractual obligations, then our production efforts may suffer. If we cannot or do not perform our contractual obligations, then we may be subject to arbitration, mediation or litigation that could have a material adverse effect on us.

Reliance on third-parties entails risks to which we would not be subject if we manufactured such components ourselves, including:

- reliance on the third party for regulatory compliance and quality assurance;
- the possible breach of the manufacturing agreement by the third party; and
- the possible termination or nonrenewal of the agreement by the third party, based on its own business priorities, at a time that is costly or inconvenient for us.

Our suppliers, distributors and other third parties with which we contract are subject to many or all of the risks and uncertainties that we are subject to. Similar to us, they are subject to ongoing, periodic, unannounced inspection by the FDA and corresponding state and foreign agencies or their designees to ensure strict compliance with cGMP regulations and other governmental regulations and corresponding foreign standards. However, we do not control compliance with these regulations and standards by our suppliers, distributors and other third parties with which we contract. They might not be able to comply with these regulatory requirements. If they fail to comply with applicable regulations, the FDA or other regulatory authorities could impose sanctions on us, including fines, injunctions, civil penalties, denial of any required marketing approval, delays, suspension or withdrawal of approvals, license revocation, product seizures or recalls, operating restrictions and criminal prosecutions. Any of these actions could significantly and adversely affect the supply of our products and could have a material adverse effect on our business, financial condition and results of operations.

If our processing and storage facility is damaged or destroyed, our business and prospects would be negatively affected.

If our processing and storage facility or the equipment in the facility were to be significantly damaged or destroyed, we could suffer a loss of some or all of the stored product, raw and other materials, and work in process.

We lease approximately 61,203 square feet of space in Columbia, Maryland that houses essentially all of our corporate operations. Currently, we maintain insurance coverage totaling $22.8 million against damage to our property and equipment, an additional $5.0 million to cover business interruption and extra expenses, and $7.3 million to cover R&D restoration expenses. If we have underestimated our insurance needs, we will not have sufficient insurance to cover losses above and beyond the limits on our policies.

Ethical, legal and other concerns surrounding the use of human tissue may negatively affect public perception of us or our products, or may result in increased scrutiny of our products and product candidates from a regulatory approval perspective, thereby reducing demand for our products, restricting our ability to market our products, or adversely affecting the market price for our common stock.

The commercial success of our Biosurgery products depends in part on general public acceptance of the use of human tissue for the treatment of human diseases and other conditions. While not as controversial as the use of embryonic stem cells and fetal tissue, the use of placental tissue and adult tissue has been the subject of substantial debate regarding related ethical, legal and social issues. We do not use embryonic stem cells or fetal tissue, but the public may not be able to, or may fail to, differentiate our use of placental or adult tissue from the use by others of embryonic stem cells or fetal tissue. Ethical concerns have been raised by some about the use of donated human tissue in a for-profit setting. This could result in a negative perception of our company or our products.

Future adverse events in the field of cellular based therapy or changes in public policy could also result in greater governmental regulation of our products and potential regulatory uncertainty or delay relating to any required testing or approval.

Many of our competitors have greater resources or capabilities than we have, or may succeed in developing better products or in developing products more quickly than we do.

In the marketplace, we compete with other companies and organizations that are marketing or developing products competitive with Grafix and our other Biosurgery products and products under development. In many cases, the competing product or candidate is based on traditional pharmaceutical, medical device or other therapies and technologies. Competitors competing with our Biosurgery products include, but are not limited to: Organogenesis, the manufacturer of Apligraf and Dermagraft and MiMedx, the manufacturer of EpiFix which competes with Grafix. BIO[4] competes with bone tissue products such as Osteocel® and Trinity®, while Cartiform competes with cartilage allografts. In addition to those listed above, we have other existing and potential competitors developing a variety of treatments and therapies for the same conditions for which we market our products.

We also face competition in the cellular regenerative field from academic institutions and governmental agencies. Many of our current and potential competitors have greater financial and human resources than we have, including more experience in research and development and more established marketing and distribution capabilities.

We anticipate that competition in our industry will increase. In addition, the health care industry is characterized by rapid technological change, resulting in new product introductions and other technological advancements. Our competitors may develop and market products that render products now or in the future under development by us, or any products manufactured or marketed by us, non-competitive or otherwise obsolete.

The use of our Biosurgery products in human subjects may expose us to product liability claims, and we may not be able to obtain adequate insurance.

We face an inherent risk of product liability claims. None of our products have been widely used over an extended period of time, and therefore our safety data is limited. We derive the raw materials for our products from human donor sources, the production process is complex, and the handling requirements are specific, all of which increase the likelihood of quality failures and subsequent product liability claims. We may not be able to obtain or maintain product liability insurance on acceptable terms with adequate coverage or at all. If we are unable to obtain insurance, or if claims against us substantially exceed our coverage, then our business could be adversely impacted. Whether or not we are ultimately successful in any product liability litigation, such litigation could consume substantial amounts of our financial and managerial resources and could result in, among other things:

- significant awards against us;
- substantial litigation costs;
- recall of the product;
- injury to our reputation;
- withdrawal of clinical trial participants; or
- adverse regulatory action.

Any of these results could have a material adverse effect on our business, financial condition and results of operations.

In addition to costs incurred in product development and management of the regulatory approval and reimbursement processes, we will incur additional operating expenses in connection with the expansion of our Biosurgery business.

We expect to continue to incur significant operating expenses in connection with our planned expansion of our biosurgery business, as we seek to:

- continue to develop, expand and support our distribution network of third party distributors and independent sales professionals for the distribution of Grafix, BIO 4 and other Biosurgery products;

- continue to expand and support our internal sales force and marketing capabilities, through the hiring of sales and marketing professionals and building an internal sales and marketing organization;
- hire additional manufacturing, quality control, and quality assurance, and management personnel as necessary to expand our processing operations;
- expand our processing capacity for our Biosurgery products, which will require that we maintain a portion of our space as an FDA compliant and validated product manufacturing facility; and
- expand and protect our intellectual property portfolio for our Biosurgery products.

Our redistribution fees from our Biosurgery products have been limited to date. Our ability to scale up our production capabilities for larger quantities of these products remains to be proven. Our costs in marketing and distributing these products will also increase as production increases.

Risks Related to Regulatory Approval and Other Government Regulations

Should the FDA determine that any of our products do not meet regulatory requirements that permit qualifying human cells, tissues and cellular and tissue-based products to be processed, stored, labeled and distributed without pre-marketing approval, we may be required to stop processing and distributing such products, or to narrow the indications for which those products are marketed.

The FDA has developed a tiered, risk-based regulatory framework, which includes criteria for facility management, quality assurance, donor selection, and processing of human cells, tissues, and cellular and tissue based products. We believe that commercial sale of Grafix as a wound allograft for the treatment of acute and chronic wounds, including diabetic foot ulcers, does not require pre-market approval by the FDA because we believe that this product meets the regulatory definition of human cells, tissue, and cellular and tissue-based products, or so-called Part 361 HCT/Ps (meaning that they comply with section 361 of the Public Health Service At (PHSA) and 21 CFR 1271). We received an "untitled letter" dated September 26, 2013 from the FDA stating, among other things, that both Grafix and Ovation do not meet these regulatory requirements because they are dependent upon the metabolic activity of living cells for their primary function and are not intended for autologous use or allergenic use in a first or second degree relative; and that Ovation does not meet the minimal manipulation criterion. After discussions with, and providing additional information to, the FDA, we reached an agreement with the FDA confirming the regulatory status of Grafix and allowing the product to remain on the market as an HCT/P and without FDA pre-marketing approval, as a wound allograft for the treatment of acute and chronic wounds. We further committed to the FDA that, before marketing Grafix for certain expanded indications, we would submit a Biologics License Application (BLA) to the FDA and seek pre-marketing approval for any such additional indication. We also agreed to continue to transition our Ovation product line over to OvationOS (now branded as BIO^4) by no later than the second half of 2014, which we did. In August 2014, we stopped distributing promotional materials for Ovation and ceased manufacturing the product. In October 2014, we stopped shipping Ovation from our Columbia, MD facilities. At December 31, 2014, we owned some units of Ovation located in the field for use in procedures by the end users. We believe that commercial distribution of BIO^4, a viable bone matrix for bone growth, and Cartiform, a viable chondral allograft, does not require pre-market approval by the FDA because we believe that these products meet the regulatory definition of HCT/Ps.

We engage in ongoing discussion and communication with FDA representatives regarding the applicable regulatory requirements and pathways for our products and product candidates. The analysis and determination of compliance of a product with these regulatory requirements and pathways is complex and dependent upon numerous factors, and is readily subject to varying interpretations and conclusions. The FDA may not agree with our views on these matters. Should the FDA decide that Grafix, BIO^4 or any of our other Biosurgery products do not meet the regulatory definition of HCT/Ps, we will not be able to produce and redistribute these products unless and until we submit a BLA and obtain pre-marketing approval from the FDA, which would require clinical trials and could take years to obtain, at significant expense. This or any other determination by the FDA that adversely affects our ability to produce or to market any of our products or product candidates would have a material adverse effect on our business, financial condition and results of operations.

Our ability to expand the marketing claims for Grafix and BIO 4 is limited by Federal regulations, and will likely require the submission to the FDA of a biologics license application, or BLA, and the receipt of pre-marketing approval from the FDA, for the particular indication.

We cannot process, market or distribute our Biosurgery products without compliance with the United States Food Drug and Cosmetics Act, and comparable laws in foreign countries. Part 361 HCT/Ps may be processed, stored and distributed in the United States without FDA approval, provided that the product complies with the requirements of Part 361 of the PHSA and 21 CFR 1271. Absent such compliance, a BLA is required as a condition to marketing and sale of the product. In order to obtain a BLA we would be required to conduct extensive preclinical studies and clinical trials to demonstrate that the product is safe and effective and obtain required regulatory approvals. This process is costly and the product may fail to perform as we expect. Moreover, a product may ultimately fail to show the desired safety and efficacy traits despite having progressed successfully through preclinical or initial clinical testing. We would need to devote significant additional research and development, financial resources and personnel to obtain the necessary regulatory approvals, if required.

We have initiated efforts to obtain a BLA for Grafix. For the current label indications, for Grafix and BIO[4],we rely upon the exception to the BLA limits requirement afforded Part 361 HCT/Ps. However, compliance with these requirements our activities in respect of these products. For example, we will not be able to enhance tissue based products in a manner which would result in the product being more than "minimally manipulated" within the meaning of 21 CFR 1271. These and other limitations applicable to HCT/Ps limit the indications for which these products may be marketed. Moreover, the FDA continues to review and inspect marketed products, manufacturers and manufacturing facilities, and even if a BLA is not required initially, the FDA or its foreign equivalents may create additional regulatory burdens in the future or may reevaluate or modify current regulatory frameworks in a manner adverse to us. Later discovery of previously unknown problems with a product, manufacturer or facility – including those of or associated with a competitor or competing product – may result in the imposition of additional restrictions on us or our products, including a withdrawal of the product from the market. This would have a material adverse effect on our business, financial condition and results of operations.

If we are not able to conduct clinical trials properly and on schedule, or if any such clinical trials prove to be unsuccessful, we would be unable to secure sought after, or any required, regulatory approvals.

We are currently pursuing and in the future may pursue additional clinical trials for our Biosurgery products to enhance our ability to successfully market these products, or to obtain pre-marketing approval if required by the FDA for us to market certain products, or to market our products for expanded indications. Clinical trials are costly and time consuming. The completion of clinical trials may be delayed or terminated, or the costs may be increased, for many reasons, including, but not limited to, if:

- the FDA does not grant permission to proceed and places the trial on clinical hold;
- subjects do not enroll in our trials at the rate we expect;
- subjects experience an unacceptable rate or severity of adverse side effects;
- third-party clinical investigators do not perform our clinical trials on our anticipated schedule or consistent with the clinical trial protocol, Good Clinical Practice and regulatory requirements, or other third parties do not perform data collection and analysis in a timely or accurate manner;
- inspections of clinical trial sites by the FDA or Institutional Review Boards (IRBs) of research institutions participating in our clinical trials find regulatory violations that require us to undertake corrective action, suspend or terminate one or more sites, or prohibit us from using some or all of the data in support of our marketing applications; or
- one or more IRBs suspends or terminates the trial at an investigational site, precludes enrollment of additional subjects, or withdraws its approval of the trial.

If we are unable to conduct clinical trials properly and on schedule, any potential marketing benefit may be lost, the reputation of the product could be damaged, and any required marketing approval may be delayed or denied by the FDA.

Tissue based products are generally subjected to greater regulatory scrutiny in many other countries as compared to the United States. These requirements may be costly and result in delay or otherwise preclude the distribution of our Biosurgery products in some foreign countries, any of which would adversely affect our ability to generate operating revenues.

Tissue based products are regulated differently in different countries. We believe that commercial distribution of Grafix as a wound allograft for the treatment of acute and chronic wounds, including diabetic foot ulcers, and the commercial distribution of BIO[4], a viable bone matrix for bone growth, do not require pre-market approval by the FDA in the United States because we believe that these products meet the regulatory definition of human cells, tissue, and cellular and tissue-based products, and qualify as Part 361 HCT/Ps. Many foreign jurisdictions have a different and more difficult regulatory pathway for human tissue based products, which may prohibit the distribution of these products until the applicable regulatory agencies grant marketing approval, or licensure. The process of obtaining regulatory approval is lengthy, expensive and uncertain, and we may never seek such approvals, or if we do, we may never gain those approvals. Any sought after or required approvals in Europe will likely require that we conduct clinical trials, which are themselves are costly and time consuming, and subject to risk and uncertainty, and may prove to be unsuccessful. Any adverse events in our clinical trials for one of our products could negatively impact our other products.

If we seek regulatory approval in the United States or elsewhere for our Biosurgery products, whether to enhance our ability to successfully market these products, or if we are required to do so by the FDA or equivalent foreign regulatory agencies, we may not be successful.

Should we decide to seek regulatory approval in the United States or elsewhere for our Biosurgery products, or should we be required to obtain such approvals before we can market a product generally or for a specific indication, any of the following factors may cause marketing approval to be delayed, limited or denied:

- our products will require significant pre-clinical and clinical development before applications for marketing approval can be filed with the FDA;
- data obtained from preclinical and nonclinical animal testing and clinical trials can be interpreted in different ways, and the FDA or its foreign counterpart may not agree with our interpretations;
- it may take many years to complete the testing of our products, and failure can occur at any stage of the process;
- negative or inconclusive results or adverse side effects during a clinical trial could cause us to delay or terminate development efforts for product;
- approval may be delayed if the FDA or its foreign counterpart requires us to expand the size and scope of the clinical trials; or
- negative results from clinical trials or failure to obtain pre-marketing approval of a HCP/T product not otherwise requiring such approval may result in a negative public perception of the product and loss of market share and revenue.

If we seek marketing approval – whether or not then necessary to market a particular product – and that approval marketing approval is delayed, limited or denied, our ability to market products, and our ability to generate product sales, would be adversely affected.

We and our business are subject to rules and regulations regarding organ donation and transplantation.

Compliance with the issued operating standards established by The American Association of Tissue Banks ("AATB") is a requirement in order to become a licensed tissue bank. In addition, some states have their own tissue banking regulations. We are licensed to have permits as a tissue bank in Maryland, California, New York and Florida.

In addition, procurement of certain human organs and tissue for transplantation is subject to the restrictions of the National Organ Transplant Act ("NOTA"), which prohibits the transfer of certain human organs, including skin and related tissue, for valuable consideration, but permits the reasonable payment associated with the removal, transportation, implantation, processing, preservation, quality control and storage of human tissue and skin. We reimburse tissue banks for their expenses associated with the recovery, storage and transportation of donated human tissue that they provide to us for processing. We include in our pricing structure amounts paid to tissue banks to reimburse them for their expenses associated

with the recovery and transportation of the tissue, in addition to certain costs associated with processing, preservation, quality control and storage of the tissue, marketing and medical education expenses, and costs associated with the development of tissue processing technologies. NOTA payment allowances may be interpreted to limit the amount of costs and expenses that we can recover in our pricing for our products, thereby reducing our future revenue and profitability. If we were to be found to have violated NOTA's prohibition on the sale or transfer of human tissue for valuable consideration, we would potentially be subject to criminal enforcement sanctions, which could materially and adversely affect our results of operations.

In Europe, regulations, if applicable, differ from one county to the next. Because of the absence of a harmonized regulatory framework and proposed regulation for advanced therapy medicinal products in Europe, as well as for other countries, the approval process for human derived cell or tissue based medical products could be extensive, lengthy, expensive, and unpredictable. Our Biosurgery products are subject to the country's regulations that govern the donation, procurement, testing, coding, traceability, processing, preservation, storage, and distribution of human tissues and cells and cellular or tissue-based products. These regulations include requirements for registration, listing, labeling, adverse-event reporting, and inspection and enforcement. Some countries have their own tissue banking regulations.

Our business involves the use of hazardous materials that could expose us to environmental and other liability.

We have facilities in Maryland that are subject to various local, state and federal laws and regulations relating to safe working conditions, laboratory and manufacturing practices, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances, including chemicals, micro-organisms and various radioactive compounds used in connection with our research and development activities. In the United States, these laws include the Occupational Safety and Health Act, the Toxic Test Substances Control Act and the Resource Conservation and Recovery Act. We cannot assure you that accidental contamination or injury to our employees and third parties from hazardous materials will not occur. We do not have insurance to cover claims arising from our use and disposal of these hazardous substances other than limited clean-up expense coverage for environmental contamination due to an otherwise insured peril, such as fire.

Risks Related to Intellectual Property

Given our patent position in regard to our Biosurgery products, if we are unable to protect the confidentiality of our proprietary information and know-how related to these products, our competitive position would be impaired and our business, financial condition and results of operations could be adversely affected.

A significant amount of our technology, including our teaching regarding the processing of our Biosurgery products, is unpatented and is maintained by us as trade secrets or confidential know-how. In an effort to protect this proprietary information, we require our employees, consultants, collaborators and advisors to execute confidentiality agreements upon the commencement of their relationships with us. These agreements require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third parties. These agreements, however, may not provide us with adequate protection against improper use or disclosure of trade secrets or confidential information, and these agreements may be breached. For example, a portion of the processing methodology and know-how for Grafix is protected by trade secret or through confidentiality arrangements. A breach of confidentiality could affect our competitive position. In addition, in some situations, these agreements may conflict with, or be subject to, the rights of third parties with whom our employees, consultants, collaborators or advisors have previous employment or consulting relationships.

Also, others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or know-how.

Because FDA approval is generally not required for tissue based products which are not more than minimally manipulated, competitors might choose to enter this market and produce a substantially similar product, and we may not be able to prevent the marketing and distribution of any such similar products by others. Should others produce a substantially

similar product, we will be subject to increased competition and our potential revenues from redistribution of these Biosurgery products may be limited.

Moreover, if our Biosurgery products infringe or are alleged to infringe intellectual property rights of third parties, these third parties could bring claims against us that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial damages. Further, if a patent infringement suit were brought against us, we could be forced to stop or delay research, development, manufacturing or redistribution of the product that is the subject of the suit.

Adequate remedies may not exist in the event of unauthorized use or disclosure of our confidential information. The disclosure of our trade secrets or know-how would impair our competitive position and could have a material adverse effect on our business, financial condition and results of operations.

If our patent position does not adequately protect our products, others could compete against us more directly, which would harm our business and have a material adverse effect on our financial condition and results of operations.

The patent position of biotechnology companies is generally highly uncertain, involves complex legal and factual questions and has been the subject of much litigation. Neither the U.S. Patent and Trademark Office nor the courts has a consistent policy regarding the breadth of claims allowed or the degree of protection afforded under many biotechnology patents.

The claims of our existing U.S. patents and those that may issue in the future, or those licensed to us, may not confer on us significant commercial protection against competing products. Even if we hold patents or have patent rights through licenses or otherwise with respect to a particular product, third parties may challenge, narrow, invalidate, design around, or circumvent any patents now or hereafter owned, assigned or licensed to us. Patents with broader claims tend to be more vulnerable to challenge by other parties than patents with extremely narrow claims. Also, our pending patent applications may not issue, may issue with substantially narrower claims than currently pending claims, or we may not receive any additional patents. Further, the laws of foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States. Our patents might not contain claims that are sufficiently broad to prevent others from utilizing our technologies. Consequently, our competitors may independently develop competing products that do not infringe our patents or other intellectual property.

Because of the extensive time required for development, testing and regulatory review of a potential product, it is possible that, before any of our products can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby reducing any advantages of the patent. A significant amount of our technology, including our teaching regarding the production processes for our Biosurgery products, is unpatented and is maintained by us as trade secrets. The lack of patent protection for our Biosurgery products reduces the barrier for entry by others and makes these products susceptible to increased competition, which could be harmful to our business.

If we are unable to protect the confidentiality of our proprietary information, trade secrets and know-how, our competitive position would be impaired and our business, financial condition and results of operations could be adversely affected.

Significant aspects of our Biosurgery product technology, especially the teaching regarding the manufacturing processes for these products, are unpatented and maintained by us as trade secrets or proprietary know-how. In an effort to protect these trade secrets and know-how, we require our employees, consultants, collaborators and advisors to execute confidential disclosure agreements before the commencement of their relationships with us. These agreements require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third parties. These agreements, however, may not provide us with adequate protection against improper use or disclosure of confidential information, and these agreements may be breached. A breach of confidentiality could affect our competitive position. In addition, in some situations, these agreements may conflict with, or be subject to, the rights of third parties with whom our employees, consultants, collaborators or advisors have previous employment or consulting relationships. Also, others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets.

Adequate remedies may not exist in the event of unauthorized use or disclosure of our confidential information. The disclosure of our trade secrets or know-how would impair our competitive position and could have a material adverse effect on our business, financial condition and results of operations.

If we infringe or are alleged to infringe intellectual property rights of third parties, it will adversely affect our business, financial condition and results of operations.

Our research, development and commercialization activities, and the manufacture or distribution of our Biosurgery products, may infringe or be alleged to infringe patents owned by third parties and to which we do not hold licenses or other rights. There may be applications that have been filed but not published that, when issued, could be asserted against us. These third parties could bring claims against us that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial damages. Further, if a patent infringement suit were brought against us, we could be enjoined from certain activities including a stop or delay in research, development, manufacturing or sales activities related to the product or biologic drug candidate that is the subject of the suit.

As a result of patent infringement claims, or in order to avoid potential claims, we may choose or be required to seek a license from the third party. These licenses may not be available on acceptable terms, or at all. Even if we are able to obtain a license, the license would likely obligate us to pay license fees or royalties or both, and the rights granted to us might be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a product, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on acceptable terms.

There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the pharmaceutical and biotechnology industries. In addition to infringement claims against us, we may become a party to other patent litigation and other proceedings, including interference and reexamination proceedings declared by the United States Patent and Trademark Office and opposition proceedings before the patent offices for other countries (e.g. the European Patent Office) or similar adversarial proceedings, regarding intellectual property rights with respect to our products and technology. The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Patent litigation and other proceedings may also absorb significant management time. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace and, as a result, on our business, financial condition and results of operations. To the extent that our employees, consultants or contractors use intellectual property owned by others, disputes may arise as to the rights related to or resulting from the use of such intellectual property.

We may become involved in lawsuits to protect or enforce our patents or the patents of our collaborators or licensors, which could be expensive and time consuming.

Litigation may be necessary to enforce patents issued or licensed to us, to protect trade secrets or know-how, or to determine the scope and validity of proprietary rights. Litigation, opposition or interference proceedings could result in substantial additional costs and diversion of management focus. If we are ultimately unable to protect our technology, trade secrets or know-how, we may be unable to operate profitably.

Competitors may infringe our patents or the patents of our collaborators or licensors. As a result, we may be required to file infringement claims to protect our proprietary rights. This can be expensive, particularly for a company of our size, and time-consuming. In addition, in an infringement proceeding, a court may decide that a patent of ours is invalid or is unenforceable, or may refuse to enjoin the other party from using the technology at issue. An adverse determination of any litigation or defense proceedings could put one or more of our patents at risk of being invalidated or interpreted narrowly. Interference proceedings brought by the U.S. Patent and Trademark Office may be necessary to determine the priority of inventions with respect to our patent applications or those of our collaborators or licensors. Litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distraction to our management. We may

not be able, alone or with our collaborators and licensors, to prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States.

Furthermore, though we would seek protective orders where appropriate, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, during the course of this kind of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If investors perceive these results to be negative, the market price for our common stock could be significantly harmed.

The biotechnology industry, including our fields of interest, is highly competitive and subject to significant and rapid technological change. Accordingly, our success will depend, in part, on our ability to respond quickly to such change through the development and introduction of new products. Our ability to compete successfully against currently existing and future alternatives to our products, and against competitors who compete directly with us, will depend, in part, on our ability to: attract and retain skilled scientific and research personnel; develop technologically superior products; develop competitively priced products; obtain patent or required regulatory approvals for our products; and be early entrants to the market; manufacture, market and sell our products, independently or through collaborations. If a third party were to commercialize a competitive product, there is no assurance that we would have a basis for initiating patent infringement proceedings or that, if initiated, we would prevail in such proceedings.

Risk Factors Regarding the Sale of our ceMSC Business

We may not receive all of the payments available to us under the terms of the Purchase Agreement, and accordingly, we may have less cash available to us to fund our operations.

The terms of our Purchase Agreement with Mesoblast for the sale of our ceMSC business provide for payment to us of $50 million in initial consideration, and up to an additional $50 million upon the achievement by Mesoblast of certain clinical and regulatory milestones. Additionally, we will be entitled to earn single to low double digit cash royalties on future sales by Mesoblast of Prochymal and other products utilizing the acquired ceMSC technology.

We have received all of the $50 million in initial consideration, consisting of $35 million in cash and $15 million in Mesoblast ordinary shares. Payment of the initial consideration made in Mesoblast ordinary shares ($15 million) was subject to a one-year holding period that ended in December 2014. We continue to hold these shares and Mesoblast has agreed to purchase the shares for at least $15 million in cash prior to the middle of 2015. In the event that Mesoblast does not purchase these shares from us as agreed, the value of these shares will remain subject to market and foreign currency exchange risk, and we may be forced to liquidate these shares through other means and on terms materially less favorable to us. Our ability to receive the second $50 million is subject to satisfaction of a series of milestones, all of which are largely dependent upon the clinical and regulatory success of Mesoblast and other factors not in our control. These include many if not all of the risks and uncertainties that our ceMSC business was subject to prior to its sale to Mesoblast, including product development, efficacy and regulatory risks. We have received no such payments thus far, nor do we have any expectation of receiving any such payments in the foreseeable future. Our ability to earn royalty payments from Mesoblast is subject to these same risks and will require performance by Mesoblast that results in its meeting some or all of the milestones referred to above, and is thereafter also dependent upon the commercial success of Mesoblast's ceMSC business. Royalties, if any, are payable to us in cash. Any portion of the second $50 million that becomes payable to us will be payable, at the discretion of Mesoblast, in Mesoblast ordinary shares, based on a then current valuation of such shares.

Any portion of the second $50 million in consideration paid in Mesoblast ordinary shares will also be, is subject to a one year holding period, again with limited downside protection for a drop in the Mesoblast share price over the holding period. Therefore, any such payment, if made, will be are subject to investment risk, and because the Mesoblast ordinary shares are traded on the Australian Stock Exchange (ASX) and the per share price is denominated in Australian Dollars, will also be subject to foreign currency exchange risk.

Accordingly, not only do we have no assurances that any of the second $50.0 million in consideration will ever be paid to or received by us, but also we may be unable to liquidate on favorable terms any amounts paid to us in Mesoblast ordinary shares. As a result, we may have less cash available to fund our remaining operations and to support the continued development and pursuit of our Biosurgery business, and our financial condition or results of operations could be materially adversely affected.

The Purchase Agreement exposes us to contingent liabilities and other risks that could adversely affect our business or financial condition.

In the Purchase Agreement, we have made customary representations and warranties and the parties have agreed to indemnify each other for breaches of representations, warranties and covenants contained in the Purchase Agreement. Also pursuant to the Purchase Agreement, we have retained a royalty free license to all transferred intellectual property, insofar as necessary for us to continue in our other businesses, including our Biosurgery business, and we have agreed not to compete with Mesoblast in the ceMSC business for a period of eight years. The Purchase Agreement also subjects us to other risks typical in business transactions of this type, including payment and performance risks. Should disputes arise or should we incur liability for breach of any of these representations, warranties or obligations, or should any of these other risks materialize, our business, financial condition or results of operations could be materially adversely affected.

Our long term business prospects will depend on the success of our Biosurgery business.

As a result of the sale of our ceMSC business, including Prochymal, our Biosurgery business is our sole remaining business, and our overall business is less diverse. Our long term business prospects will, therefore, be dependent almost entirely on the success of our Biosurgery business. This business involves significant risks and challenges in regards to product development and optimization, manufacturing, government regulation, intellectual property, third-party reimbursement and market acceptance, among other risks previously disclosed by us.

Payment of a portion of the purchase price for our Therapeutics business through the delivery of Mesoblast ordinary shares as permitted under the Purchase Agreement subjects us to significant additional risks.

Mesoblast ordinary shares delivered to us as payment under our Purchase Agreement with Mesoblast for the sale of our ceMSC business are subject to a one year holding period. Although we are afforded downside price protection for a drop over the holding period in the market price of Mesoblast ordinary shares delivered as payment, this downside protection is limited. To the extent the market price of the shares decreases over the holding period, Mesoblast has agreed to pay us for the decrease. This payment is to be made at least one half in cash and, at the option of Mesoblast, up to one half in additional shares of Mesoblast stock. Any additional Mesoblast stock will also have to be held for one year, for which period there will be no further downside price protection, and therefore the equity price risk will persist in respect of any additional Mesoblast shares issued to us. The Mesoblast ordinary shares are traded on the Australian Securities Exchange (ASX) and the share value is denominated there in Australian Dollars. Hence, there also exists an associated foreign currency exchange rate risk. There is no corresponding mitigation of the foreign currency exchange rate risk, and any devaluation of the Australian Dollar will directly impact the value of the Mesoblast shares to us.

Of the $50 million in initial consideration, $15 million has been paid to us in Mesoblast ordinary shares. Although we were initially subject to investment risk and foreign currency exchange risk in respect of our ownership of these shares, Mesoblast has agreed to purchase the shares for no less than $15 million during the first half of 2015.

Nevertheless, any portion of the second $50 million in consideration that may become payable to us under the Purchase Agreement (if and only if certain milestones are met by Mesoblast), is also payable to us, at the discretion of Mesoblast, in Mesoblast ordinary shares, based on a then current valuation of such shares. In the event of any negative events with respect to or otherwise affecting Mesoblast or the value of its ordinary shares, the value of any such additional Mesoblast ordinary shares acquired by us would be negatively affected and we could lose, in whole or in part, the value to us of that portion of the consideration paid to us by Mesoblast. If we are unable to liquidate on favorable terms any amounts paid to us in Mesoblast ordinary shares, we will have less cash available to fund our remaining operations and to support the continued development and pursuit of our biosurgery business, and our financial condition or results of operations could be materially adversely affected.

Risks Related to Our Common Stock

Although we have recently remediated a material weakness in our internal control over financial reporting, if we are unable to maintain the effectiveness of our internal controls, then a material misstatement could result in our financial statements.

We previously identified a material weakness in our internal control over financial reporting and, as a result of such weakness, our management, with the participation of our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures and internal control over financial reporting were not effective as of December 31, 2013. The material weakness related to the maintenance of effective controls over the application and monitoring of our accounting for income taxes. With respect to our controls over the application and monitoring of our accounting for income taxes, we did not have controls designed and in place to ensure effective oversight of the work performed, and the accuracy of, financial information or professional conclusions provided by, third-party tax advisors. We have since remediated the material weakness through implementation of enhanced controls related to review and oversight of complex transactions and infrequent events. Additionally, we engaged a new third party tax advisor to oversee and prepare the Company's tax provision and other related documents. As a result, our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2014 no longer reports this material weakness or any other material weakness over financial reporting, and the audit report of our independent registered public accounting firm no longer expresses an adverse opinion on the effectiveness of our internal control over financial reporting as of December 31, 2014. Nevertheless, we may experience other material weaknesses in our internal control over financial reporting in the future, which could lead to or result in a material misstatement in our financial statements.

The trading price of the shares of our common stock is highly volatile, and purchasers of our common stock could incur substantial losses.

Our stock price is volatile. The stock market in general and the market for biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their common stock at or above the price they paid for it. The market price for our common stock may be influenced by many factors, including:

- results of clinical trials or those of our competitors;
- regulatory developments in the United States and foreign countries, both generally or specific to us and our products;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- announcements by us of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- market conditions in the pharmaceutical and biotechnology sectors and issuance of securities analysts' reports or recommendations;
- sales of substantial amounts of our stock by existing stockholders;
- sales of our stock by insiders and 5% stockholders;
- general economic, industry and market conditions;
- additions or departures of key personnel;
- intellectual property, product liability or other litigation against us;
- expiration or termination of our relationships with our collaborators; and
- the other factors described in this "Risk Factors" section.

In addition, in the past, stockholders have initiated class action lawsuits against biotechnology and pharmaceutical companies following periods of volatility in the market prices of these companies' stock. Such litigation, if instituted against us, could cause us to incur substantial costs and divert management's attention and resources, which could have a material adverse effect on our business, financial condition and results of operations.

Certain provisions of Maryland law and of our charter and bylaws contain provisions that could delay and discourage takeover attempts and any attempts to replace our current management by stockholders.

Certain provisions of Maryland General Corporation Law (MGCL) and of our Maryland charter and Maryland bylaws contain provisions that may make it more difficult for or prevent a third party from acquiring control of us or changing our Board of Directors and management. These include, but are not limited to, the following:

- classification of the board of directors with staggered terms of three years, which prevents a majority of the incumbent directors from being replaced at a single annual stockholders' meeting;
- authorization of the board of directors to issue shares of preferred stock generally without stockholder approval;
- requirements that special meetings of stockholders may only be called by the chairman of the board of directors, upon request of stockholders holding at least 20% of the capital stock issued and outstanding, or upon a resolution adopted by, or an affirmative vote of, a majority of the board of directors; and
- requirements that our stockholders comply with advance notice procedures in order to nominate candidates for election to our Board of Directors or to place stockholders' proposals on the agenda for consideration at meetings of stockholders.

Maryland law also prohibits "business combinations" between us and an interested stockholder or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in certain circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. Maryland law defines an interested stockholder as any person who beneficially owns 10% or more of the voting power of the corporation's stock, or an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the corporation's then-outstanding voting stock. A person is not an interested stockholder if the board of directors of the corporation approved in advance the transaction by which the person otherwise would have become an interested stockholder. However, such approval may be conditional.

After the five-year prohibition, any business combination between the corporation and an interested stockholder or an affiliate of an interested stockholder generally must be recommended by the board of directors and approved by the affirmative vote of at least 80% of the votes entitled to be cast by holders of the then-outstanding shares of voting stock, and two-thirds of the votes entitled to be cast by holders of the voting stock other than stock held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or stock held by an affiliate or associate of the interested stockholder. These super-majority vote requirements do not apply if the holders of the common stock receive a minimum price, as defined under Maryland law, for their stock in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its stock.

The statute permits various exemptions from its provisions, including business combinations that are approved or exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our Board of Directors has not exempted us from the business combination statute. Consequently, unless the Board of Directors adopts an exemption from this statute in the future, the statute will be applicable and may affect business combinations between us and other persons. The statute may discourage others from trying to acquire control of us or increase the difficulty of consummating any such acquisition.

Our bylaws also contain a provision exempting us from the "control share acquisition" provisions of the MGCL (Sections 3–701 through 3–709). We can provide no assurance that such provision of our bylaws will not be amended or eliminated in the future. Should this happen, the control share acquisition provisions would become effective and may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Subtitle 8 of Title 3 of the MGCL ("Subtitle 8") permits a Maryland corporation with a class of equity securities registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and with at least three independent directors to elect to be subject to any or all of five provisions:

- a classified board;
- a two-thirds vote requirement to remove a director;

- a requirement that the number of directors be fixed only by the vote of the directors;
- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred rather than until the next annual meeting of stockholders as would otherwise be the case; and
- a majority requirement for the calling of a special meeting of stockholders.

An eligible Maryland corporation like us can elect into this statute by provision in its charter or bylaws or by a resolution of its board of directors, without stockholder approval. Furthermore, we can elect to be subject to the above provisions regardless of any contrary provisions in the charter or bylaws. Pursuant to Subtitle 8, we have elected to provide that vacancies on our Board of Directors may be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred. Through provisions in our charter and bylaws unrelated to Subtitle 8, we have a classified board, and the number of our directors may be fixed only by the vote of the directors.

Concentration of ownership of our common stock among our existing executive officers, directors and principal stockholders may prevent others from influencing significant corporate decisions, and provisions in our charter allowing for a stockholder vote by consent in lieu of a meeting may make it easier for stockholders holding a majority of our common stock to take action.

Our executive officers, directors and beneficial owners of 5% or more of our common stock and their affiliates, in aggregate, beneficially own approximately 54% of our outstanding common stock as of March 1, 2015. Included among this 54%, Peter Friedli, the Chairman of the Board of Directors, and certain entities with which he is affiliated, beneficially own approximately 43% of our outstanding common stock as of March 1, 2015. These persons, acting together, will be able to significantly influence all matters requiring stockholder approval, including the election and removal of directors and any merger or other significant corporate transactions. The interests of this group of stockholders may not coincide with our interests or the interests of other stockholders.

Moreover, as permitted by the MGCL, our charter provides that the holders of common stock entitled to vote generally in the election of directors may take action or consent to any action by delivering a consent in writing or by electronic transmission of the stockholders entitled to cast not less than the minimum number of votes (which is generally either a majority of votes cast or a majority of votes entitled to be cast) that would be necessary to authorize or take the action at a stockholders meeting if the corporation gives notice of the action not later than ten (10) days after the effective date of the action to each holder of the class of common stock and to each stockholder who, if the action had been taken at a meeting, would have been entitled to notice of the meeting.

Accordingly, these persons acting together, and Mr. Friedli specifically, currently has, and will continue to have, a significant influence over the outcome of all corporate actions requiring stockholder approval, including any actions that may be taken by stockholder consent in lieu of a meeting.

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