New Venturetec
Semi-Annual Report
March 31, 2014

Contents

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.

Press Release

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New Venturetec results for the first half of the fiscal year 2013/2014 ended March 31, 2014

Results for the six months period ending March 31, 2014

Steinhausen, May 14, 2014. New Venturetec closed the first six months of the fiscal year 2013/14, ended March 31, 2014, with a loss of USD 15,528,399 compared with a loss of USD 3,164,998 in the same period 2012/13. The net asset value per share decreased from USD 14.01 to USD 10.93 which equals -22.0% during the reporting six month period. The share price in the same period decreased from CHF 6.06 to CHF 5.79, or -4.5%.

The loss is mainly a result of the reduction of the public traded share price of Osiris Therapeutics (NASDAQ:OSIR) from USD 16.64 to USD 13.13, or 21.1% in the reporting period. Myriad Genetics (NASDAQ:MYGN), in which New Venturetec invested in the reporting period, closed 20.4% higher compared to the average investment price per March 31, 2014. The valuations of the private portfolio holdings did not change materially in the reporting period. The details on the valuation of the privately held companies are described in the semi-annual report.

As of March 31, 2014, New Venturetec had six investments with three investments valued higher and two below investment costs. One investment is held at cost. The total value of investments is USD 79,294,000 which results in an unrealized gain of USD 21,747,787 against the costs of the investments. As of March 31, 2014, 79.1% of the total investments are in biotechnology and 20.9% in technology. The largest position is Osiris Therapeutics (NASDAQ:OSIR) with 68.0% of total investments.

There was no board remuneration paid for the reporting period but rather accrued. The advisory fee for the reporting period was USD 201,544 of which USD 108,794 were paid. Total operational costs for the first half of the fiscal year 2013/14 were USD 523,614 which includes all costs related to the issuance of the CHF 15,055,000 convertible bonds issued by the Company on January 23, 2014.

The semi-annual report, including financial statements for the reporting period can be downloaded from http://www.newventuretec.com/investors/reports.aspx.

New Venturetec is a publicly traded Swiss investment company (SIX:NEV) which invests directly in venture capital companies in the area of biotechnology and technology in the USA.

Investment Guidelines

Investment objective

The objective of Venturetec, Inc. (the Company) is to achieve long-term capital appreciation through investments in venture companies which Madison Partners SA (the Investment Manager) 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 Company mainly invests in securities which are illiquid and are not traded on any stock markets. 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.

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 cause 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.

Risks

The risk of venture capital investments is 100%

As briefly outlined earlier, New Venturetec offers the opportunity for significant 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 Investment Manager will use his 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 consolidated annual financial statements, including its statement of comprehensive income. The Company's consolidated financial statements are presented in US Dollars. 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 Investment Manager. 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 in the Annual Report of New Venturetec.

Reliance on the Investment Manager

The Company is relying on Madison Partners SA (represented by Peter Friedli), being mandated as the Investment Manager, and its ability to evaluate investment opportunities and to further develop the Company's investments. All investment decisions for the Company as well as the Net Asset Value computation are made unilaterally by the Investment Manager. The Board of Directors is responsible for ensuring that the Investment Manager follows the Investment Policy set by the Company. However, it should be realized that Peter Friedli is the key person for both the Investment Manager and the Board of Directors and that between him and the Company conflicts of interests may arise.

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% of the stock outstanding, which for Osiris Therapeutics would be 342,222 shares.
- The average weekly reported volume of trading reported on all national securities exchanges during the preceding four weeks ending March 31, 2014, which for Osiris Therapeutics is currently 1,765,650.
- The average weekly volume of trading of the securities reported through the consolidated transaction reporting system, which for the week ended March 31, 2014, was 946,800 shares.

Accordingly, for sales of Osiris Therapeutics common stock, the so called "volume limitation" under Rule 144 for an affiliate is currently 1,765,650 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 40 – 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.

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 six 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). As of March 31, 2014 the Company's market capitalization was CHF 28'950'000.

Venturetec

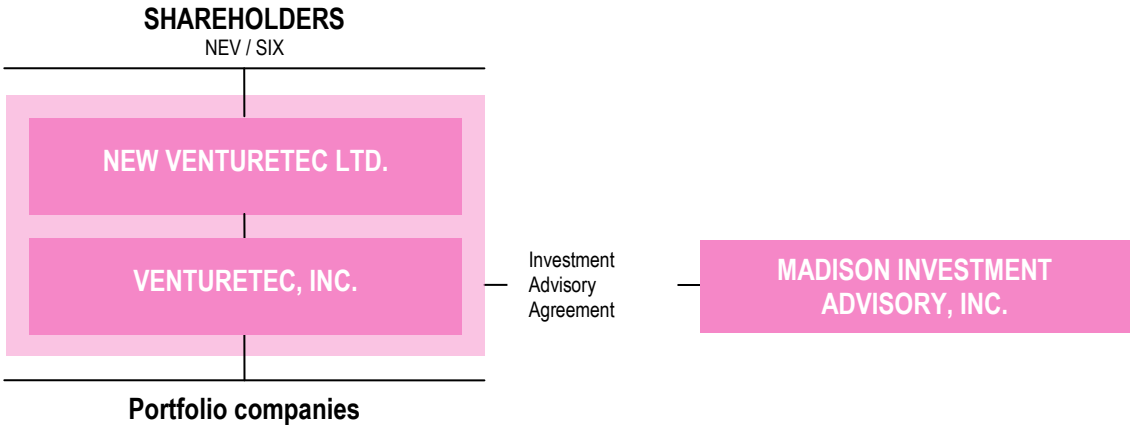
Venturetec, Inc. is a fully owned subsidiary of New Venturetec, domiciled in Tortola, British Virgin Islands, incorporated on September 11, 1996 with a share capital of USD 20,000,000. The purpose of the Company is to hold investments mainly in US high risk venture capital companies in the industries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

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

Peter Friedli,	President, Swiss
D.P. Venkatesh,	CEO of mPortal, Inc., US resident
Luis A. Davis,	independent director, BVI resident

Investment advisor

Madison Investment Advisor 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.The fee for the advisory services is 0.6% of the net asset value per annum. Peter Friedli is the owner of Madison Investment Advisor. For more details on the investment advisory agreement see page 14.



Significant shareholders

As of March 31, 2014 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

Between 3% and 5%
Sarasin MultiLabel SICAV
Alexander und Chantal Biner, through 4iS Four Eyes AG, St. Gallen

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 62,500,000 consisting of 5,000,000 bearer shares with a par value of CHF 12.50 each. On December 4, 2013, the annual meeting of shareholders resolved that the paid-in capital of the New Venturetec shall be reduced to CHF 30,000,000 or CHF 6.00 per share, by transferring CHF 32,500,000 to the reserves of additional paid in capital. The reduction of the paid-in capital is subject to the registration in the Commercial Register of the Canton of Zug which is expected to take place in the second quarter 2014. The shares are fully paid in. 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. 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

Peter Friedli has been a founder and principal of various venture investment firms since 1986. Mr. Friedli has over 28 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 companies Osiris Therapeutics, Inc. and mPortal, 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 2014.

Hans Lerch, Vice Chairman, Swiss

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.

Mr. Lerch has been a member of the Board of Directors since 2007. He is elected until the ordinary shareholder meeting 2014.

Andreas von Sprecher, member and Secretary, Swiss

Andreas von Sprecher is a founding partner at the law firm Hüppi & von Sprecher. 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.

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 joined the Board of Directors in 2002 and is elected until the ordinary shareholder meeting 2014.

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 2014. 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. The Board remuneration for the fiscal year 2012/13 was paid in the reporting period. The Board remuneration for the first half of the fiscal year 2013/14 is accrued. Mr. Friedli is not remunerated for serving on the Board. 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. Details on the advisory fee to the investment advisor are described on page 15.

Shareholdings

Peter Friedli: holding per March 31, 2014: 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 52 and on page 17 below.

Hans Lerch: holding per March 31, 2014: 20'000 shares. No trading during the reporting period.

Andreas von Sprecher: holding per March 31, 2014: 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 52 and on page 17 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. It appoints the Chairman and the Vice Chairman, as well as a Secretary, who is 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. Four 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.

Committees

Based on the business and organizational structure of the Company the Board of Directors does not appoint any committees.

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 the execution of investments or disinvestments as well as any other management items of New Venturetec or Venturetec to one member of the Board or to any third parties in accordance to Art. 716b of the Swiss Code of Obligations. 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 agreement 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 5. 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.

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 by the end of each calendar year.

Advisory fees

On January 1, 2013 Venturetec entered into an investment advisory agreement with Madison Investment Advisor, Inc. This agreement replaced the investment management agreement which was cancelled by December 31, 2012. In accordance with the investment advisory agreement, the advisory fee is 0.6% 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. Another 0.5% can be used for all expenses incurred by the advisor with regard to the duties of the advisor above, including but not limited to costs for external advisor and administration services, regulatory expenses, travel, domicile and general office expenses. See also note 11 on page 55.

The advisory fees for the first half of the fiscal year 2013/14 are USD 201,544 of which USD 108,794 has been paid out and USD 92,751 were accrued. The total fees accrued per March 31, 2013 are USD 92,751. Please see "Related Party Transactions" below and note 11 on page 55.

Administration

Huwyler Private Equity GmbH 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 27,547,270 as per March 31, 2014. 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 63 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% of the stock outstanding, which for Osiris Therapeutics would be 342,222 shares.
- The average weekly reported volume of trading reported on all national securities exchanges during the preceding four weeks ending March 31, 2014, which for Osiris Therapeutics is currently 1,765,650.
- The average weekly volume of trading of the securities reported through the consolidated transaction reporting system, which for the week ended March 31, 2014, was 946,800 shares.

Accordingly, for sales of Osiris Therapeutics common stock, the so called "volume limitation" under Rule 144 for an affiliate is currently 1,765,650 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 40 – 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

Board of Directors fees accrued from the fiscal year 2012/13 in the amount of total CHF 50,000 were paid out in the reporting period. The remuneration of the Board of Directors accrued for the reporting period was CHF 25,000, of which Mr. Lerch and Mr. von Sprecher each are entitled to CHF 12,500, Mr. Friedli is not remunerated for serving on the Board. The Board of Directors reviews and defines the remuneration of the Board Members. The advisory fee arrangement between the Company and Madison Investment Advisor, Inc. are set forth in the investment advisory agreement and described on page 14.

The advisory fees for the first half of the fiscal year 2013/14 are USD 201,544 of which USD 108,794 has been paid out and USD 92,751 were accrued.

Advisory expenses in the amount of USD 167'019 relating to the capital reduction, revision of the statutes and the issue of the bonds convertible was paid to the investment advisor.

Shareholdings

Peter Friedli: holding per March 31, 2014: 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 52 and on page 17 below.

Hans Lerch: holding per March 31, 2014: 20'000 shares. No trading during the reporting period.

Andreas von Sprecher: holding per March 31, 2014: 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 52 and on page 17 below.

No transactions occurred between the directors, the investment advisor and New Venturetec other than those described in this report.

Loans

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 after June 30, 2014, subject to the registration of the capital reduction, which is proposed to be approved by the shareholders for the shareholders meeting on December 4, 2013.
- 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 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. 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.

On January 31, 2014, one note with principal amount of USD 872,366, due to Peter Friedli by June 30, 2014 was redeemed.

Total liabilities owed to related parties per March 31, 2014 are listed in the table below. Please see notes 9 and 14.3 on page 52 and 58 for further details.

Liabilities owed to related parties as of March 31, 2014

CHF	2,816,269	Loan paid from Peter Friedli to Venturetec	4%	30.06.2014
CHF	2,273,041	Costs related to the Basilea loan investment made by Peter Friedli	4%	30.06.2014
CHF	12,000,000	Participation of Peter Friedli in the convertible bonds 2018	4%	23.01.2018
CHF	50,000	Participation of Andreas von Sprecher in the convertible bonds 2018	4%	23.01.2018

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

Interest rates on loans from Peter Friedli as described above are in line with the guidelines of the Federal Tax Authoroty of Switzerland (Eidgenössische Steuerverwaltung) for loans to related parties.

Total interests on liabilities owed to related parties in the reporting period were USD 294,122. Total interests paid in the reporting period to Peter Friedli were USD 1,477,771, of which USD 1,334,397 were accrued and payable interests from previous periods.

Highest total compensation

The highest total compensation received by a member of the Board of Directors in the reporting period is CHF 12,500. Peter Friedli is not remunerated for serving on the Board. He is the owner of Madison Investment Advisor, Inc., the investment advisor of Venturetec. For more information on advisory fees see page 15 and note 11 on page 55. For further information on the board remuneration see page 12 and note 14.2 on page 57.

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 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.

Guaranteed bank loan

The Company is holding a bank credit line up to USD 4'500'000 of which USD 4,245,338 is drawn as per March 31, 2014. This credit line is guaranteed by Peter Friedli. Venturetec entered into a security agreement with Peter Friedli to cover any potential losses Mr. Friedli might occur through this guaranty with all assets of the Company. All costs Mr. Friedli may bear directly by providing the guaranty to the Company shall be carried by the Company.

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 depositories or to any person, who does not have to be a shareholder of the Company. 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 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 first half of the fiscal year 2013/14 amounted to CHF 28,000. No consulting 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 cause of the annual and semi-annual audit. 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-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. **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 15.

We have attached risk factors of the main holding of Venturetec, Osiris Therapeutics, for your information. Please see Appendix I, page 66. The information is also publicly available.

FATCA

New Venturetec will take all action necessary to fully comply with the standards of FATCA of the Internal Revenue Services of the United States of America as soon as the requirements are defined.

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_2014.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.

Net asset value and market price – premium / discount

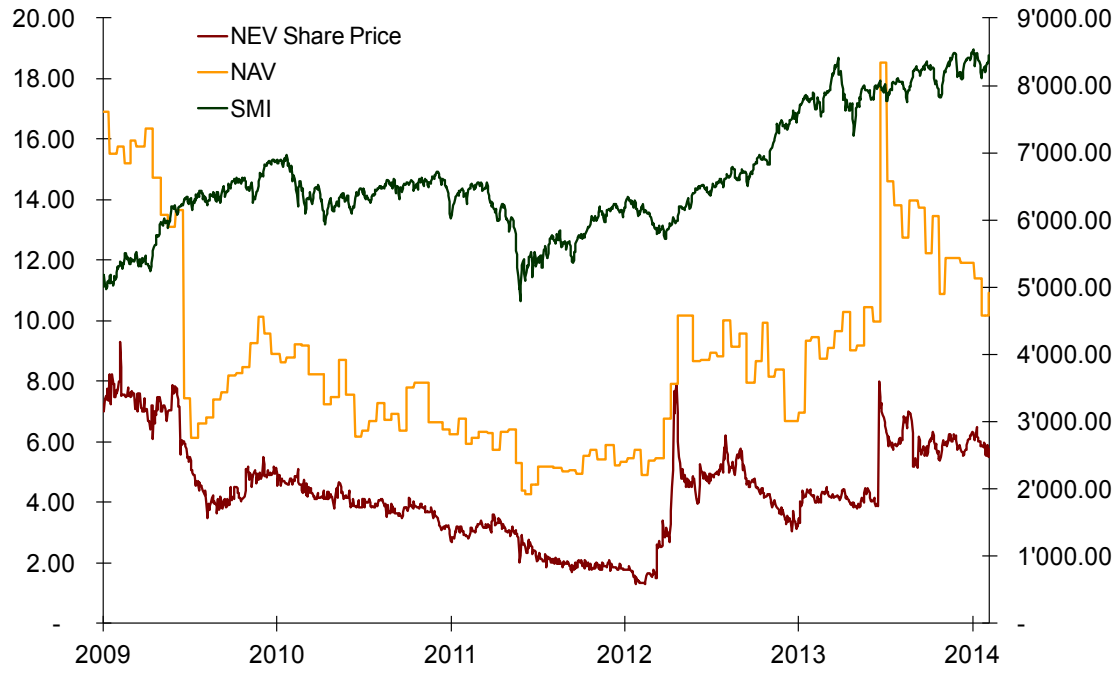
The most common valuation guideline for investment companies is the net asset value. The net asset value is not an absolute value. It is an indicator based on guidelines. By no means does the net asset value represent a “true” value.

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.**

Investment Performance

April 1, 2009 – March 31, 2014

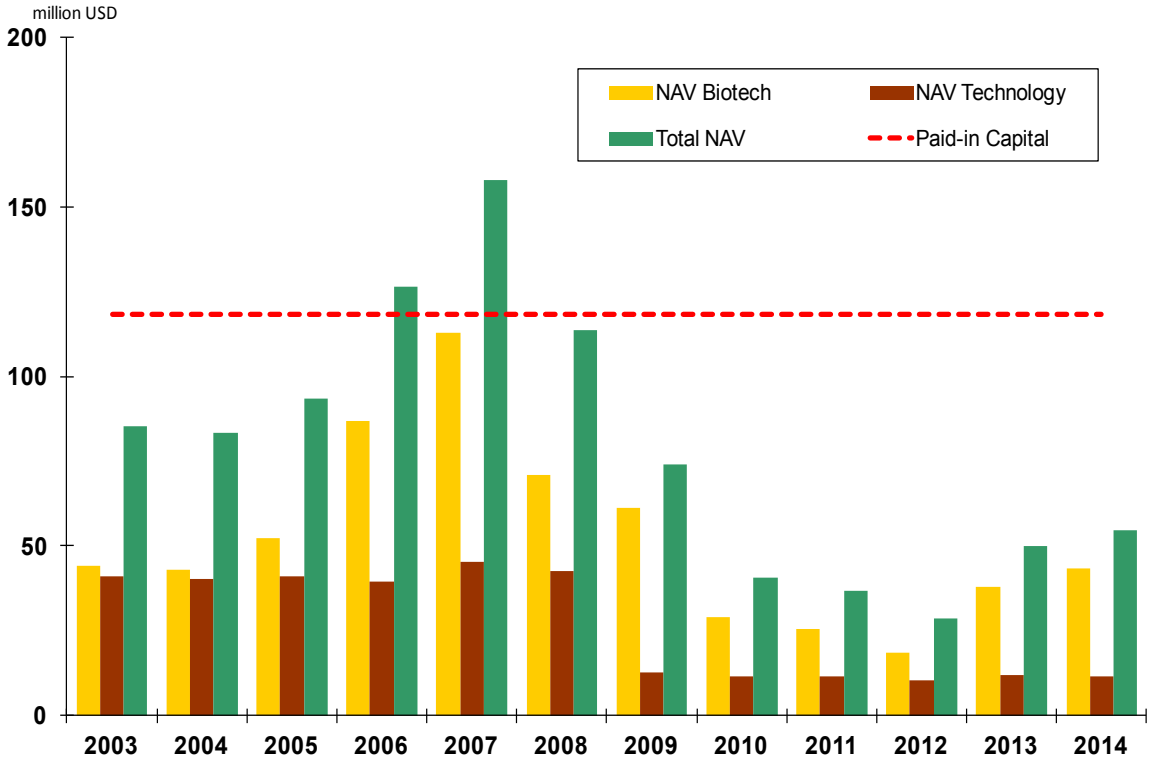


Prices and volume

	First half of 2013/2014	2012/2013	2011/2012
High / Low Share price in CHF (SWX)	7.01 / 5.14	8.01 / 3.03	7.87 / 1.31
High / Low Net Asset Value in CHF	13.97 / 10.17	18.54 / 6.70	10.18 / 4.92
Closing share price (SWX) at the end of the period in CHF	5.79	6.06	5.31
Net Asset Value in CHF at the end of the period	10.93	12.67	10.0
Premium / Discount	-56.5%	52.50	-46.9%
Average daily trading volume	18,480	23.295	15,456

Net asset value performance

March 31, 2004 – March 31, 2014



Net asset value total return net

	CHF	Total return 31.03.2014	USD	Total return 31.03.2014
January 1997	28.94	- 66.59 %	20.00	-49.97%
Since IPO, Oct. 1997	33.00	-70.70 %	22.76	-56.03 %
Since capital increase February 1999	39.80	-75.71 %	27.54	-63.66 %
Reporting period	12.67	-23.69 %	14.01	-21.98%
NAV as per March 31, 2014	9.67		10.93	

	based on NAV CHF	based on NAV USD	based on market price CHF
Time Weighted Return net, p.a.			
January 1997	-6.16 %	-3.44 %	-8.91 %
Since IPO, Oct. 1997	-7.17 %	-4.26%	-10.01 %
Since capital increase February 1999	-8.91 %	-5.91 %	-11.93 %

IRR net, p.a.	CHF	USD	CHF
January 1997	-7.78%	-4.74 %	-10.71 %
Since IPO, Oct. 1997	-8.06 %	-4.98 %	-11.01%
Since capital increase February 1999	-8.90 %	-5.67 %	-11.93 %

Portfolio Companies Status Report

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	Valuation as of March 31, 2014	USD 53.8 million
New Venturetec holding of Osiris Therapeutics	12%	% of total investments as of March 31, 2014	68.0%

Company Profile

Osiris Therapeutics, Inc. seeks 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. Since its founding, Osiris has advanced stem cell technology from the minds of visionary scientists to the treatment rooms of patients in need. Along the way, through its research and clinical applications, Osiris has gained invaluable knowledge of its cell-based solutions including mesenchymal stem cells (MSCs). MSCs have demonstrated anti-inflammatory properties, and they can prevent scar tissue formation and regenerate specific tissues, making them potentially useful in a wide range of conditions.

Osiris addresses unmet medical needs with innovative approaches in developing and marketing products in wound care, orthopedics, and sports medicine. Osiris' current product line includes Grafix and Ovation® for acute and chronic wounds, Cartiform®, a viable cartilage mesh for cartilage repair, and OvationOS™, a viable bone matrix.

Shareholder letter of Osiris from the 2013 annual report

Dear Shareholder

Last year marked the beginning of a new chapter for the company. Our goals are ambitious and we are focused on building a best-in-class commercial enterprise by bringing our intelligent therapies Grafix®, Cartiform® and OvationOS™ to more patients in need.

In 2013, we completed a major deal with Mesoblast in which they now continue the development of Prochymal®, the first stem cell drug to receive regulatory approval. The deal is worth up to $100 million plus royalties. This partnership provides us with resources but, even more importantly, sharpens our focus on corporate strategy. We also tripled our revenue to $24.3 million in the core areas of wound care, sports medicine and orthopedics with our three commercial products.

Our sights are now set on the execution of our corporate strategy as we prepare our company for long-term revenue growth. We are confident that we have the right people, culture and processes in place to achieve industry leading commercial transformation, innovation and differentiation – the three pillars of our strategy.

Commercial Transformation

Osiris is investing heavily to ensure a swift transformation to a commercial enterprise. In 2014 for the first time in the company's history, commercial investments will exceed R&D investments. Our commercial strategy has three very specific areas of focus: (1) obtain full market access and reimbursement for our products, (2) build a competitive commercial infrastructure, and (3) provide the customer with the best service and experience.

Innovation

Our R&D activities will be focused on two areas: (1) tissue repair and reconstruction in the acute and chronic wound market and (2) motion preservation in the orthopedics and sports medicine markets. These target markets have significant unmet medical needs representing multi-billion dollar business opportunities.

Differentiation

What differentiates our company and our products is our science, clinical development programs, manufacturing know-how and intellectual property – the results of a 20-year head start in stem cell R&D. Osiris has unique resources and capabilities that allow us to satisfy unmet medical needs in ways that are difficult for our competitors to copy. With this, we can offer better products and build stronger barriers to entry for our competitors.

Our science and clinical data remain unmatched. Grafix, Cartiform and OvationOS offer better solutions that will have a positive economic impact on the healthcare system. After a smooth leadership transition at the end of 2013, we look forward to an exciting new era for Osiris.

We thank you for your continued support and appreciate your confidence.

Please see Appendix I on page 66 for information on the risk of Osiris Therapeutics.

Myriad Genetics (NASDAQ:MYGN)

www.myriad.com

New Venturetec cost	USD 4.8 million	Valuation as of March 31, 2014	USD 5.8 million
New Venturetec holding of Myriad Genetics	0.2%	% of total investments as of March 31, 2014	7.4%

Company Profile

Myriad Genetics is a leading molecular diagnostic company dedicated to making a difference in patient's lives through the discovery and commercialization of transformative tests to assess a person's risk of developing disease, guide treatment decisions and assess risk of disease progression and recurrence.

The goal of Myriad is to make a difference in patient's lives and for the past twenty years, the Company's strategy has been guided by this mission. To accomplish this, Myriad is focused on revolutionizing patient care through the development and marketing of transformative tests which address pressing clinical needs across multiple medical specialties.

Over the last twenty years, Myriad has invested heavily in the education of patients and health care providers on the role genes and their related proteins play in disease. Almost one million patients have already benefited from Myriad's informative testing, which helps physicians better manage their health care.

Today, Myriad continues to build on this strong tradition. It is working to expand its reach by introducing new genetic tests and molecular diagnostic tests for a number of diseases. The Company is also focused on extending our mission internationally, in an effort to broaden our geographic footprint and provide critical information to more patients and healthcare providers.

Shareholder letter of Myriad from the 2013 annual report

Dear fellow shareholders

Myriad is a pioneer in the field of molecular diagnostics as we seek to improve the quality of patients' lives through innovative products. Patients and physicians look to our company as a trusted advisor to guide critical healthcare decisions and improve the healthcare management of patients. We will continue our tradition of innovation and focus on the patient with the launch of three new diagnostic tests in fiscal 2014.

This fall we introduced our next generation pan-cancer panel – myRisk™ Hereditary Cancer. We believe myRisk Hereditary Cancer will transform the quality of patient care by providing an unparalleled level of information concerning a patient's inherited cancer predisposition risk. myRisk enables patients to take preventive action to reduce their cancer risks or catch their cancer at an earlier stage when prognosis is more favorable.

The launch of myRisk will be followed by our first dermatology product – myPath™ Melanoma. We believe myPath Melanoma will become an invaluable tool for pathologists in assessing whether a skin biopsy is benign or malignant. This more accurate diagnosis will not only save lives, but will help reduce overall healthcare costs.

Myriad also will launch its first lung cancer prognostic product – myPlan™ Lung Cancer. myPlan Lung Cancer is designed to aid physicians in determining whether or not an early-stage lung cancer patient would benefit from chemotherapy following the initial surgery to remove the tumor. These three breakthrough tests are the result of years of product development and innovation by the Myriad team, and we look forward to embarking on the next leg of our journey.

Furthermore, Myriad continues to expand its leadership role in companion diagnostics with more than 20 major pharmaceutical collaborations underway. This year, we saw exciting progress with PARP inhibitors, novel cancer drug candidates, with many of our pharmaceutical partners announcing the initiation of Phase III trials with the FDA. These drugs have the promise of dramatically expanding the indications for our core BRACAnalysis franchise.

Diversifying our business is a key strategic initiative of the Company as we pursue new opportunities in oncology, women's health, urology, dermatology, autoimmune disorders, and neuropsychiatric disorders. Also, geographical diversification is equally important to Myriad, and we now have distribution in over 80 countries for our laboratory in Munich, Germany. International sales are growing rapidly and contributed to our past year's success. Myriad is transitioning into a Company with a true global reach and the ability to transform patients' lives across the world.

Our innovation and dedication to providing quality care for patients is reflected in the strong customer demand for our tests and the resulting financial performance of the Company. Fiscal 2013 was another year of record revenue and earnings per share for the Company. Revenue increased 24 percent to $613.2 million dollars compared to $496.0 million dollars in fiscal 2012. Our earnings per share increased 36 percent to $1.77 compared to $1.30 in fiscal 2012. Importantly, we were again able to garner financial leverage even as the Company increased investments in research and development to expand our product pipeline.

Our achievements in fiscal year 2013 were remarkable, and we are very proud of our accomplishments, however our focus remains on the future and the advancement of personalized medicine. Our patients depend on Myriad to be an innovator and pioneer in improving the quality of their healthcare through innovative diagnostics.

Sincerely

Prolexys Pharmaceuticals, Inc.

New Venturetec cost	USD 15.0 million	Valuation as of March 31, 2014	USD 1.0 million
New Venturetec holding of Prolexys	15%	% of total investments as of March 31, 2014	1.3%

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.

Development

The multiple myeloma study has completed treatment of the first four cohorts (10, 15, 20 and 25 mg/m^2). All patients tolerated the first 3 dose groups. The first two patients in the 25 mg/m^2 cohort experienced dose limiting toxicities (DLTs) with the first dose felt by the investigator to be related to PRLX 93936. Both patients developed fever, neutropenia, and nausea and vomiting that required hospitalization and were removed from the study. Per protocol guidelines, when a first DLT occurs, an additional 3 patients are required for that dose level. Following a second DLT at a single dose level, the protocol dictates that investigators revert back to the next lowest dose (in this case 20mg/m^2) level to enroll 3 additional patients. If the three additional patients tolerate the 20 mg/m^2 dose well, and no dose limiting toxicities are observed in the whole cohort of 6 patients, the MTD will be defined as 20 mg/m^2. Presently, the fourth patient at the 20 mg/m^2 expanded cohort has been treated and two more patients are currently in screening and are expected to be enrolled in the next couple of weeks.

To date, 6 patients received more than 1 cycle of therapy. There are currently two patients at the 20 mg/m^2 dose level one of whom achieved stable disease and is on Cycle 11 with a response that has been maintained to date.

Market

The most significant market event remains the launch of Carfilzomib. On July 20, 2012, the U.S. FDA granted accelerated approval of Kyprolis (Carfilzomib) for the treatment of patients with multiple myeloma who have received at least two prior therapies including bortezomib and an immunomodulatory agent, and have demonstrated disease progression on or within 60 days of completion of the last therapy. Approval was based on response rate. Clinical benefit, such as improvement in survival or symptoms, has not been verified.

Multiple myeloma is the second most common cancer of the blood, representing approximately one percent of all cancers and two percent of all cancer deaths with a reported worldwide prevalence of approximately 200,000 cases. Multiple myeloma is an indication with a significant unmet medical need. There is no curative therapy, and most patients experience disease relapse and become refractory to current therapies.

Outlook

Our hypothesis was to assess the initial safety and efficacy of the drug at increasing dosages, starting at 10 mg. Based on the pre-clinical animal models, we estimated that patients needed to be exposed to at least 25 mg in order to observe efficacy.

In the on-going study, 25 mg was not tolerated and we are completing the protocol at 20 mg. The efficacy signals observed too date - as monotherapy - are minimal and were observed in two patients.

To better understand the efficacy potential of the product, it is very likely that the drug will need to be tested as a combination therapy.

The next steps of the clinical program can only be defined when the protocol is completed and the patients have been fully evaluated. It is expected to complete enrollment of the study in the second quarter of 2014.

Risks

The study has reached the maximum tolerated dose without demonstrating clear 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.

It is expected that combination therapy will be needed with Prolexys 93936 to proof better efficacy. In this therapeutic area, all drugs currently in clinical development are evaluated as combination therapy.

Continuation of the clinical program would require additional funding.

Any negative outcome of the clinical trial in patients will result in the bankruptcy of Prolexys. Further, the Company will 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.

Etex Corporation

www.etexcorp.com

New Venturetec cost	USD 2.7 million	Valuation as of March 31, 2014	USD 2.0 million
New Venturetec holding of Etex	3%	% of total investments as of March 31, 2014	2.5%

Company Profile

ETEX develops manufactures and markets proprietary nanocrystalline calcium phosphate-based biomaterials that promote the repair and regeneration of bone. As a pioneer in bioresorbable bone substitute materials, ETEX focuses on expanding applications through combinations with cells, biologics, or therapeutic agents delivered in minimally invasive and easy to use systems.

The performance of a calcium phosphate bone substitute material (BSM) in vivo is highly dependent on its chemical composition as well as physical characteristics such as crystalline structure and size, specific surface area and porosity. The chemical structure, crystallinity and high porosity of ETEX's nanocrystalline calcium phosphate technology has been shown to have a nearly perfect physical and chemical resemblance to the mineral content of natural bone. These characteristics create osteoconductive bone substitute materials that undergo cell-mediated remodeling and are replaced with new bone over time. ETEX has been increasing the brand value in the orthobiologics market based on superiority and uniqueness over competitors.

Development

The Company showed disappointing sales in 2013 due to fierce competition, Obarmacare and GPO's formulary pricing.

The Company expected that its new product, The N-Force Fixation System which is the first fenestrated screw to be cleared by the FDA to deliver a biomaterial and which was launched in November 2012 will drive the sales in 2013. But the results fall short of the expectation.

While we continue to add new hospitals and surgeons, the acquisition rate has failed to compensate for our core business decline in existing accounts. Several of our major hospital accounts where we have solid patronage continue to be slow in replenishing inventory.

The Company submitted a 510k for a new product, Carricell BMA and is waiting for FDA approval. Additional information requested by the FDA has been submitted in April 2014.

With regard to Strategic partnerships, ETEX renewed supply agreement with Knee Creations (now acquired by Zimmer).

Market

According to a 2010 orthopedic industry report , the osteobiologics market accounted for $1.5 billion of revenue in the United States alone. This segment is forecasted to grow at a compound annual rate of 8%, resulting in a projected market size of $2.3 billion by 2015. The market is driven by aging baby boomers, the desire for active lifestyles well into retirement and the growth in the incidence of osteoporosis, osteoarthritis, obesity, diabetes and other diseases that cause injury to orthopedic tissues and/or impair the ability of the body to heal.

On the other hand, US market dramatically is changing in a negative way as a result of Obmacare and attack by many GPO (Group Purchasing Organization) and 3rd party payers. Given the turmoil in USA market, the Company continue to differentiate products by aggressively educating market and pursuing options to expand distribution into Europe.

Outlook and risk

Hospital and group purchasing organizations focus on capitated pricing will continue to gain momentum and notoriety in 2014. There is no short solution to this market phenomena, but will execute every efforts to overcome this.

The Company submitted 510K of Carricell BMA and waiting for FDA's approval. The FDA asked for additional information which delayed the filing process. ETEX plans to launch this new product in 2015.

The strategic partnership aspect of our business remains quite promising with respect to our potential Chinese partner, the resumption possibility of BMP program and potential expansion of relationship with current strategic partner.

For success, The Company must attract and retain qualified personnel, maintain current strategic partners and work to secure new strategic partners in complimentary markets. If the Company does not manage growth effectively, the quality of products, relationships with physicians, agency and hospitals, morale of employee and reputation could suffer, which would have a significant adverse effect on our business and financial condition.

ETEX is working on very tight liquidity and has continued problems to cover its working capital. The company has significant debt on its balance sheet. Any additional losses have to be covered by further financing which availability is limited. The need to raise money in the capital market or a restructuring of the debt may result in heavy dilution for existing shareholders or the bankruptcy of the Company.

Reverb Networks, Inc.

www.reverbnetworks.com

New Venturetec cost	USD 0.5 million	Valuation as of March 31, 2014	USD 0.5 million
New Venturetec holding of Reverb Network	Note investment	% of total investments as of March 31, 2014	0.6%

Company Profile

Reverb Networks is a pure-play provider of Self-Optimization Networks solutions for mobile network operators. The company has made significant investments into methods and algorithms for closed-loop, autonomous network optimization, and has emerged as a clear leader in its field.

Company's product, InteliSON, includes modules that cover major network optimization use cases, from Coverage and Capacity Optimization, Mobility Robustness Optimization, and Automatic Neighbour Relations. Reverb's Coverage and Capacity Optimization comprises Load Balancing optimization using RET antennas and parameters, Mobility Load Balancing and Interference Reduction.

The company is uniquely positioned as a technology leader, and its roadmap gives it a strategic advantage over its competitors. The roadmap envisions the integration of customer analytics and policy management into the SON platform, thus evolving it from network-centric SON to customer-centric SON. This will make Reverb the innovator and the leader, on track to offer our SON platform as the enabler of revenue-driven business optimization solution, going beyond just network optimization.

Progress

During 2013 the company has completed a number of customer trials of the initial product modules, and in the second half of 2013 has focused on completing the 3G portfolio and on securing the first two customers. Unfortunately, one of the two initial customers has applied for bankruptcy protection in October 2013, and has delayed the acquisition. The second customer has requested that Reverb completes one more pilot project to verify compatibility with their RAN vendor's latest release of OSS systems, moving the contract signing into Q1'14. These two events have made the company miss its milestone of landing two commercial customers in Q4'13.

Company has achieved its product development and release schedule milestones. Over Q3'13 and Q'14 we have completed development and launched InteliSON modules, which rounded up our 3G product portfolio. The technology development and work on product specifications planned for Q4'13 and Q1'14 has not been completed as planned or in a timely fashion due to extended support required from the technology team for product trials. Product specs for the modules planned to be developed and released in Q1 and Q2'14 has been delayed, but will be completed and software development team will largely make up for the initial delay.

We have increased our marketing activities in this period. Through personal contacts, we have reached out to leading OSS analysts to brief them about the company, and ensured that they include Reverb in their coverage of SON segment of the OSS market. We have targeted analysts who publish the leading newsletters and reports, resulting in a number of favourable mentions of the company in printed and online media.

In February 2014 company has signed a teaming agreement with Tech Mahindra, a leader in managed services in IT and mobile networks space. This will increase our sales opportunities, by giving us access to TM's large operator customers or greatly accelerating the normal sales process, which is extremely long in case of larger operators. We foresee one or two commercial contracts in 2014 as a result of this agreement.

Market

Target market for company's products is the OSS space, specifically the Service Fulfilment segment, which includes Planning and Optimization sub-segment. SON products more specifically lie at the intersection of the segments of Service Assurance (sub-segments Performance Management and Service Management), Service Fulfilment (Planning and Optimization) and Network Management Systems.

Company's sales targets are mobile operators, network equipment manufacturers (NEMs), and independent system integrators, managed services providers and IT and Network technology Solutions providers. In the first 3-4 years of SON market lifecycle, between late 2012 and late 2015, most of the demand for SON will be focused on SON for 3G; if the operators are deploying LTE in their networks, at least in the initial one or two years they will depend on distributed SON built into eNB network elements. We have been able to verify this by observing the US operators: first major Son transaction was AT&T purchase of Cisco/Intucell self-optimization solution for the operator's 3G network. In later stages of LTE networks' lifecycle the operators will need hybrid SON solutions which will complement and coordinate the distributed SON functionality of the eNBs; this will cause the market in 2016 and 2017 to shift focus from 3G son to hybrid 3G/LTE SON.

Outlook and risk

In second half of 2013, we have executed on a plan that had one major goal: grow the business by sticking to our course and building a leading portfolio of SON solutions for 3G and 4G networks.

The milestones that we have set for the company in 2014 are the completion of the 3G SON product portfolio, launching the initial 4G product modules, re-architecting and redeveloping the core elements of the platform, and developing and implementing the new vision: integration of customer analytics and policy management into SON, putting us once again into the leading position.

Risk

Reverb's team is small and is operating with limited resources. During trials, product failures or challenging demands from operators require reallocation of software development and technology development resources to

support trial activities directly, adversely impacting product release schedule, development of product specifications, and activities on creation and protection of company's IP.

Sales cycles remain very long, albeit with distinct regional variations. This translates to the risk of conversion from pipeline into sales not happening at the forecasted pace, delaying revenues and negatively impacting company's recognition in the market.

Reverb is not operating on a profitable basis and has to fund its operation through external funding. The Company still has to prove to be able to build a profitable business based on its technology. The market for venture companies like Reverb is difficult and hard to predict. Any short fall in technical or revenue deliveries could have massive negative impact on the Company and its valuation. Any new capital infusion will could lead to a dilution of the security interest of the investment of Venturetec. In case there is no funding available the Company will have to file bankruptcy immediately which would lead in a substantial or complete loss of the investment.

mPortal, Inc.

www.mportal.com

New Venturetec cost	USD 10.4million	Valuation as of March 31, 2014	USD 16.1 million
New Venturetec holding of mPortal	39%	% of total investments as of March 31, 2014	20.3%

Company Profile

mPortal Inc focuses on providing superior end user experiences for mobile content and applications across smartphones, tablets and other Internet-connected devices. Its offerings are targeted at telecom, cable and media providers who are looking for solutions that address the discovery, delivery and monetization of "over-the-top" apps and services.

The Company's flagship product, SPRINGBOARDTM is a cloud based platform that has been built over several years and has the capability to handle millions of users and end devices as well as the ability to integrate to third party billing, authentication, app store and content systems at mobile, cable and media companies.

Specifically tailored to meet service provider's needs, the Company's products are designed to extend brand and presence to connected devices, making it fun and easy for users to discover and interact with communication, collaboration, entertainment, social and business apps from any of their mobile devices.

As a total solution provider, the Company eliminates the complexities involved in launching a mobile offering. Using the Company as a strategic partner, customers can focus on their core business and rely on the Company to provide its expertise in launching revenue-generating mobile experiences.

Progress

The Company has successfully augmented its direct sales model and created an indirect sales model by partnering with Genband, a leading telco infrastructure vendor with global sales and marketing capability. The Company has entered into a multi-year partnership with Genband whereby Genband's salesforce will sell Company's SPRINGBOARD Comms platform to Service Providers globally.

The Company spent a major portion of the past 12 months finalizing the major partenrship and while signficant in its scope and potential, there is considerable work that needs to be done to ensure that this relationship bears fruit in 2014 and beyond.

As planned, due to its investment in new products, the Company incurred a small loss in 2013 but the Company expects to be back in profitability in 2014 due to its early returns on product investments as well as its services business.

The Company has been able to create a healthy cash cushion going into 2014 by means of structuring some of its deals to be upfront loaded from a cash perspective even though the revenues will be recognized in 2014 and 2015.

Market

The target market for the Company's products and services are primarily Service Providers in the TMT (telecom, media and tech) space - Mobile Operators, Cable Operators, Media and TV Companies as well as Internet players.

The market dynamics for the mobile software space have changed from a pay upfront software licensing and maintenance model to a SaaS (Software-as-a-Service) model. This is fuelled by both the economic climate globally of taking low upfront risk as well as evolution of technologies that enable a pay-as-you-go or shared revenue/risk business model.

- The OTT market is expected to grow significantly in the next 3-5 years fueled by the growth of connected devices across mobile, tablet and connected TV platforms and Service Providers will need Software and Services to compete with pure play OTT providers thus creating a significant market for the company's products and services.
- While the Company has a presence and slim lead in the mobile operator and cable operator segments, the space is attracting much larger and well capitalized competitors who are aggressively grabbing market share in order to build a much larger business in the long term. The Company and its Service Provider customers face a significant threat from these new entrants because of their inability to compete with the new entrants who are willing to attack the incumbents using a freemium model which cannot be replicated by service providers.

Given these market dynamics the Company is looking to rationalize its product offerings into smaller and more focused products that require shorter sales cycles and lower upfront investments rather than the current model where large deals are being done but with a significant lead time to revenue and long sales cycles due to the complex nature of the Company's offerings.

Outlook and risk

- Overall, the Company faces a significant market opportunity globally as the demand for creating multiple forms of media for the various connected devices continues to increase at a rapid rate.
- However, while the opportunity for such solutions is increasing steadily the business models for such offerings are morphing into a try-and-buy or freemium model where most of the software is being provided as a free servcie to the customer with the plan of upselling future features for a fee. This places a significant burden on the cash flow position of players in this market who need to be well funded to stomach the early years of product rollout where revenues are minimal to none.
- While the Company is currently focused on the TMT vertical and the North American market for all of its revenues, it is nonetheless well positioned to easily and rapidly grow its solutions into several other adjacent verticals such as hospitality, healthcare, retail and financial services which are all aggressively investing in mobile. It is important to note the true value of mobile is that while the current focus and battles are seemingly between players in the TMT vertical – device players, mobile operators and media companies, the future is about much more than just this vertical.
- The entire business landscape is at the beginning of a transformation similar to that done by the web/online where entire industries were destroyed/created by the advent of a new technology/business paradigm. Mobile represents an equally large and potentially much more transformative business opportunity for players like mPortal to leverage their assets and capitalize upon over the next decade.
- To truly value the Company, it must be evaluated on three specific components rather than just conventional multiples of Revenue/EBITDA/DCF metrics. The three main components of mPortal's value are:

  Product/Platform/ IP - By means of its core technology, mPortal has the advantage of providing customized solutions across a wide range of players. Its product technology has been used by mobile operators to create a differentiated experience on mobile devices as well as by cable operators looking to provide OTT (over-the-top) services competing with the likes of Google and Amazon and also by Enterprises looking for scalable and reliable platforms for deploying mobile applications across a variety of connected devices and operating systems/platforms.

  Stellar Blue Chip Customer Base - The Company has consistently shown an ability to attract and acquire Fortune 100 customers and provide them with leading edge solutions at an attractive price and a faster time to market than its competitors. It boasts as its customers – the largest mobile operator in the US – AT&T, the largest media company – Disney and the largest cable company – Comcast. Specifically within its area of focus (TMT vertical – Telecom, media and tech) it has gained the confidence of 5 of the Top 10 cable companies in the USA.

  People - The management team is tried and tested and has the capability to build and run larger businesses and has seen what it takes to truly build a profitable business while not ignoring the need to invest in risky leading edge technologies and markets that keep it at the forefront of the space. Additionally, over the past

11 out of 13 years of its operations it has built a truly global delivery model and a 24x7 operation that enables it to serve customers anywhere in the globe at an extremely competitive cost basis and time to market due to its India operations center and 175+ employees based in Bangalore.

mPortal is still in the venture phase. The revenues are generated from a small number of customers only and the loss of one big customer could have real negative impact on the performance of the company. Any potential losses of the Company due to a decrease in revenues and any potential need to raise further funding from the capital market could lead to dilution of the shareholders or a complete loss. The risk of mPortal is still 100%.

New Venturetec Ltd., Steinhausen

Review Report to the Board of Directors

Interim Consolidated Financial Statements
October 1, 2013 to March 31, 2014

KPMG AG
Zurich, May 9, 2014
Ref. KEL/FA

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Review Report to the Board of Directors of

New Venturetec Ltd., Steinhausen

Introduction

We have been engaged to review the interim consolidated balance sheet of New Venturetec Ltd. as at March 31, 2014 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes (the interim consolidated financial statements) on pages 36 to 65. The Board of Directors is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view of the financial position of the entity as at March 31, 2014, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 *Interim Financial Reporting* and that they do not comply with article 14 of the Directive on Financial Reporting issued by the SIX Swiss Exchange.

Emphasis of matter

In accordance with article 16 of the Directive on Financial Reporting issued by the SIX Swiss Exchange we draw attention to Notes 5c and 8 to the interim consolidated financial statements. As described, unquoted investments amounting to USD 19,591,682 (23.8% of consolidated assets) as of March 31, 2014 have been reported at fair value. Due to the inherent uncertainty related to the valuation of such investments and due to the absence of a liquid market, such fair values could differ from their realisable values, whereas the difference may be material. The board of directors is responsible for the determination of these fair values. The procedures applied in valuing such investments are disclosed in note 8. We have reviewed these procedures and inspected underlying documentation; while in the circumstances the procedures appear to be reasonable and the documentation appropriate, determination of fair values involves subjective judgment, which is not susceptible to independent verification procedures. Our conclusion is not qualified in respect of this matter.

KPMG AG

Astrid Keller
Licensed Audit Exprt
Auditor in Charge

Alexander Fähndrich
Licensed Audit Expert

Zurich, May 9, 2014

Enclosures:

- Interim consolidated financial statements (consolidated balance sheet and related consolidated statement of comprehensive income, statement of changes in equity, cash flow statement, and notes)

Interim Consolidated Balance Sheet

	Note	March 31, 2014 (unaudited) USD	September 30, 2013 (audited) USD
Assets			
Cash and cash equivalents	6.1	2,868,025	238,548
Other accounts receivable	7	35,103	7,515
Venture capital investments and notes receivable	8.1	500,000	0
Current assets		**3,403,128**	**246,063**
Venture capital investments and notes receivable	8.1	78,794,000	88,042,005
Non-current assets		**78,794,000**	**88,042,005**
Total assets		**82,197,128**	**88,288,068**
Liabilities and equity			
Accrued advisory fees	11	92,751	241,420
Other accrued expenses		300,921	355,883
Accrued interests on bonds convertible	9	128,588	0
Loans payable to related parties	14.3	5,804,485	13,356,403
Bank loans payable	6.2	4,245,338	4,043,223
Current liabilities		**10,572,083**	**17,996,929**
Bonds convertible	9	16,793,197	0
Deferred tax liabilities	12	181,990	249,174
Non-current liabilities		**16,975,187**	**249,174**
Total liabilities		**27,547,270**	**18,246,103**
Share capital	10	43,302,813	43,302,813
Additional paid-in capital	10	6,267,202	6,267,202
Translation reserve		2,034,771	2,066,930
Bonds convertible	10	168,451	0
Retained earnings		2,876,621	18,405,020
Equity attributable to shareholders of New Venturetec		**54,649,858**	**70,041,965**
Total liabilities and equity		**82,197,128**	**88,288,068**
Number of shares outstanding		5,000,000	5,000,000
Net asset value per share		**10.93**	**14.01**

Interim Consolidated Statement of Comprehensive Income

	Note	Six months ended March 31, 2014 (unaudited) USD	Six months ended March 31, 2013 (unaudited) USD
Income			
Gains on venture capital investments	8.3/8.4	987,034	0
		987,034	**0**
Expenses			
Losses on venture capital investments	8.3/8.4	(15,073,981)	(2,743,646)
Advisory fees	11	(201,544)	(153,426)
Interest on loans from related parties	14.3/14.4	(294,122)	(180,961)
Interest on loans from third parties		(44,577)	(17,110)
General and administrative expenses		(523,614)	(174,777)
Bank charges		(1,094)	(353)
Net foreign exchange (loss) / profit		(443,685)	90,650
		(16,582,617)	**(3,179,623)**
Loss before tax		**(15,595,583)**	**(3,179,623)**
Income tax income	12	67,184	14,625
Loss for the period attributable to shareholders		**(15,528,399)**	**(3,164,998)**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Translation adjustment (net of tax)		(32,159)	1,949
Total items that are or may be reclassified to profit or loss		**(32,159)**	**1,949**
Other comprehensive income for the year, net of tax		**(32,159)**	**1,949**
Total comprehensive income for the period attributable to shareholders		**(15,560,558)**	**(3,163,049)**
Weighted average number of shares outstanding during the year (basic and diluted)		5,000,000	5,000,000
Earnings per share (basic and diluted)	16	**(3.11)**	**(0.63)**

Interim Consolidated Statement of Changes in Equity for the six months ended March 31, 2014 and 2013 (unaudited)

	Share capital (note 10)	Additional paid-in capital (note 10)	Trans-lation reserve	Bonds converti-ble (note 9)	(Accumu-lated deficit) / Retained earnings	Total equity attributable to shareholders of New Venturetec
	USD	USD	USD	USD	USD	USD
Balance as of 30.9.2012	**43,302,813**	**6,267,202**	**2,080,070**	**0**	**1,547,638**	**53,197,723**
Translation adjustment	0	0	1,949	0	0	1,949
Total other comprehensive income	**0**	**0**	**1,949**	**0**	**0**	**1,949**
Loss for the period	0	0	0	0	(3,164,998)	(3,164,998)
Total comprehensive income	**0**	**0**	**1,949**	**0**	**(3,164,998)**	**(3,163,049)**
Balance as of 31.3.2013	**43,302,813**	**6,267,202**	**2,082,019**	**0**	**(1,617,360)**	**50,034,674**
Balance as of 30.9.2013	**43,302,813**	**6,267,202**	**2,066,930**	**0**	**18,405,020**	**70,041,965**
Translation adjustment	0	0	(32,159)	0	0	(32,159)
Total other comprehensive income	**0**	**0**	**(32,159)**	**0**	**0**	**(32,159)**
Loss for the period	0	0	0	0	(15,528,399)	(15,528,399)
Total comprehensive income	**0**	**0**	**(32,159)**	**0**	**(15,528,399)**	**(15,560,558)**
Issue of bonds convertible	0	0	0	168,451	0	168,451
Transactions with owners of the Company - total contributions	**0**	**0**	**0**	**168,451**	**0**	**168,451**
Balance as of 31.3.2014	**43,302,813**	**6,267,202**	**2,034,771**	**168,451**	**2,876,621**	**54,649,858**

Interim Consolidated Cash Flow Statement [1)]

	Note	Six months ended March 31, 2014 (unaudited) USD	Six months ended March 31, 2013 (unaudited) USD
Advisory fees paid	11	(350,213)	(179,015)
Payments for general and administrative expenses		(612,797)	(213,074)
Bank charges		(1,094)	(353)
Cash used in operating activities		**(964,104)**	**(392,442)**
Purchase of venture capital investments/notes rec.	8.3/8.4	(5,338,942)	0
Proceeds on disposal of venture capital investments	8.4	0	476,000
Cash (used in) / provided by investing activities		**(5,338,942)**	**476,000**
Increase of bank loans	6.2	167,019	0
Net proceeds related to the issuance of bonds convertible		16,695,693	0
Redemption of loans payable to related parties		(6,439,675)	0
Interest paid		(1,495,337)	(52,716)
Cash provided by / (used in) financing activities		**8,927,700**	**(52,716)**
Exchange effect on cash and cash equivalents		4,823	(2,629)
Net change in cash and cash equivalents		**2,629,477**	**28,213**
Cash and cash equivalents at beginning of year	6.1	238,548	160,782
Cash and cash equivalents at end of period	**6.1**	**2,868,025**	**188,995**

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

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

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 was incorporated in Zurich and changed its domicile to canton of Zug in December 2008.

The interim consolidated financial statements as at and for the six months ended March 31, 2014, 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 March 31, 2014, 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 historical or amortized cost.

3.1 New and revised standards adopted

New Venturetec has adopted IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IFRS 13 Fair Value Measurements (all effective for annual periods beginning on or after 1 January 2013) as well as several other new and revised standards and interpretations that came into effect since 1 October 2013. Furthermore, the Group has early adopted Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) as per 1 October 2013. The early adoption of the Investment Entities amendment resulted in New Venturetec having the ability to continue measuring its venture capital investments at fair value through profit or loss. The adoption of the other new and amended standards did not have an effect on the consolidated statements except for additional disclosures resulting from IFRS 12 and IFRS 13.

3.2 New standards and interpretations issued but not yet adopted

In financial year 2014/15, the Group will adopt the following new and amended standards and interpretations:

- 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 Continuation of Hedge Accounting – Amendments (effective 1 January 2014);
- IFRIC 21: Levies (effective 1 January 2014).

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

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

- 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);
- IFRS 9: Financial Instruments (effective tentative 1 January 2018).

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

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 (New Venturetec AG and its subsidiary New Venturetec Inc) holds – directly and indirectly – multiple investments and ownership interests in the form of redeemable shares which are classified as financial assets at fair value through profit or loss. New Venturetec has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- 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.

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 as mentioned 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.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

5 Summary of significant accounting policies (continued)

b) Foreign currency translation (continued)

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 six months ended	
	31.03.14	**30.09.13**	**31.03.13**	**31.03.14**	**31.03.13**
1 USD to CHF	0.8846	0.9049	0.9464	0.8981	0.9307

c) Venture capital investments

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

The Board of Directors concluded that New Venturetec meets the definition of an investment entity. Therefore, the venture capital investments of the Group continue to be measured at fair value through profit or loss in accordance with the investment entity exemption of IFRS 10.

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 interim consolidated financial statements for the six months ended March 31, 2014

5 Summary of significant accounting policies (continued)

c) Venture capital investments (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 Manager 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.

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.

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.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

5 Summary of significant accounting policies (continued)

h) Compound financial instruments

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 Manager 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.

Notes to the consolidated balance sheet

6 Cash and cash equivalents and bank loans payable

6.1 Cash and cash equivalents

	31.03.2014 USD	30.09.2013 USD
Cash at banks	2,868,025	238,548
Cash and cash equivalents	**2,868,025**	**238,548**

As of March 31, 2014, cash and cash equivalents are mainly held in CHF and USD.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

6.2 Bank loans payable

On May 28, 2008, New Venturetec signed a credit facility in the amount of USD 4.5 million. Within this credit facility and as of March 31, 2014, the total amount of USD 2.6 million and CHF 1.45 million was utilized (September 30, 2013: USD 2.6 million and CHF 1.3 million in total USD 4,043,223), consisting of the following draw downs:

Draw down date	Amount		Int. Rate %	Maturity	Carrying amount USD
14.02.14	CHF	150,000	0.666	24.04.14	169,698
24.01.14	CHF	1,300,000	0.673	24.04.14	1,471,404
24.01.14	USD	2,600,000	0.889	24.04.14	2,604,236
Bank loans payable a.o. 31.3.2014					**4,245,338**

The Company's assets have been pledged to Mr. Peter Friedli who acts as a guarantor of this loan. If the general assembly decides at any time to change the Board of directors or vote against the proposal of the Board in order to elect directors other than the current members or to terminate or change the duties or scope of the Investment Advisory Agreement with Madison Investment Advisor, Inc., the guarantee will be cancelled immediately and the bank loan would be due immediately.

7 Other accounts receivable

	31.03.2014 USD	30.09.2013 USD
VAT Receivable	35,103	7,515
Total other accounts receivable	**35,103**	**7,515**

8 Venture capital investments

8.1 Summary

	Note	31.03.2014 USD	30.09.2013 USD
Venture capital investments (original cost) [1]	8.4/8.3	57,046,213	52,207,271
Notes receivable	8.4/8.3	500,000	0
Cumulative fair value adjustments	8.4/8.3	21,747,787	35,834,734
Total venture capital investments at fair value	**8.4/8.3**	**79,294,000**	**88,042,005**
Thereof current		500,000	0
Thereof non-current		78,794,000	88,042,005

As of March 31, 2014 and September 30, 2013, the Group's venture capital investments in early stage companies are primarily in the form of common or preferred shares.

Notes receivable as of March 31, 2014 and as of September 30, 2013

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
Total a.o. 31.03.2014						**500,000**

As of September 30, 2013, the Group did not hold any investments in notes receivable.

[1] Original cost represents the fair value at initial recognition of the investment.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

8 Venture capital investments (continued)

8.2 List of venture capital investments

		Approximate paid-in capital [1]		Approximate percentage held [1]	
		31.03.2014	30.09.2013	31.03.2014	30.09.2013
		USD million	USD million	%	%
Biotechnology	**Place of buisness**				
Osiris Therapeutics	USA	282.7	279.2	12	12
Myriad Genetics	USA	698.1	n/a	0.2	n/a
Prolexys Pharmaceuticals	USA	2.8	2.8	15	15
Etex	USA	62.0	62.0	3	3
Technology					
Reverb Networks	USA	36.3	n/a	n/a [2]	n/a
mPortal	USA	17.7	17.7	39	39

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 See note 8.5.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

8 Venture capital investments (continued)

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

	Cost 01.10.2012 USD	Additions USD	Disposals USD	Cost 31.03.2013 USD	Fair value 31.03.2013 USD
Biotechnology					
Osiris Therapeutics	24,467,579	0	(294,556)	24,173,023	42,674,330
Prolexys Pharmaceuticals	15,000,000	0	0	15,000,000	5,000,000
Etex	2,664,248	0	0	2,664,248	2,954,134
Technology					
mPortal	10,370,000	0	0	10,370,000	16,077,500
Total	**52,501,827**	**0**	**(294,556)**	**52,207,271**	**66,705,964**

	Cumulative fair value adjustments 01.10.2012 USD	Gains USD	Losses USD	Decrease due to disposals [1] USD	Cumulative fair value adjustments 31.03.2013 USD
Biotechnology					
Osiris Therapeutics	21,426,397	0	(2,743,646) [2]	(181,444)	18,501,307
Prolexys Pharmaceuticals	(10,000,000)	0	0	0	(10,000,000)
Etex	289,886	0	0	0	289,886
Technology					
mPortal	5,707,500	0	0	0	5,707,500
Total	**17,423,783**	**0**	**(2,743,646)**	**(181,444)**	**14,498,693**

[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).

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

8 Venture capital investments (continued)

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

	Cost 01.10.2013 USD	Additions USD	Disposals USD	Cost 31.03.2014 USD	Fair value 31.03.2014 USD
Biotechnology					
Osiris Therapeutics	24,173,023	0	0	24,173,023	53,876,342
Myriad Genetics	0	4,838,942	0	4,838,942	5,825,976
Prolexys Pharmaceuticals	15,000,000	0	0	15,000,000	1,000,000
Etex	2,664,248	0	0	2,664,248	2,014,182
Technology					
Reverb Networks	0	500,000	0	500,000	500,000
mPortal	10,370,000	0	0	10,370,000	16,077,500
Total	**52,207,271**	**5,338,942**	**0**	**57,546,213**	**79,294,000**

	Cumulative fair value adjustments 01.10.2013 USD	Gains USD	Losses USD	Decrease due to disposals [1] USD	Cumulative fair value adjustments 31.03.2014 USD
Biotechnology					
Osiris Therapeutics	44,105,906	0	(14,402,587) [2]	0	29,703,319
Myriad Genetics	0	987,034 [3]	0		987,034
Prolexys Pharmaceuticals	(14,000,000)	0	0	0	(14,000,000)
Etex	21,328	0	(671,394) [4]	0	(650,066)
Technology					
Reverb Networks	0	0	0	0	0
mPortal	5,707,500	0	0	0	5,707,500
Total investments	**35,834,734**	**987,034**	**(15,073,981)**	**0**	**21,747,787**

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.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

8 Venture capital investments (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	**31.03.2014**		**30.09.2013**	
for which fair values were:	**USD**	**%**	**USD**	**%**
- determined directly by reference to published price quotations	59,702,318	76%	68,278,929	78%
- determined using valuation techniques [1]	19,091,682	24%	19,763,076	22%
Total carrying amount	**78,794,000**	**100%**	**88,042,005**	**100%**

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 671,394 (prior interim period: nil).

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 has very high risk / return characteristics. The company is in the phase I/II trial. In January 2014, the company faced a dose limiting event in the trial. The company is now evaluating the potential of the efficacy on the maximum tolerated dose. Based on this development of the trial, the risk of a failure is high and real. The outcome of this trial is crucial for the survival of the company. The financing of the trial is secured. The valuation of the investment has been stable at a low level. The discount rate for the DCF valuation model 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.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

8 Venture capital investments (continued)

8.5 Fair value information (continued)

Etex Corporation: Etex did not manage to close its financial 2013 on a profitable basis. The company could again not show the planned growth in revenues and is still tight in cash. Etex does not have any financial buffer and any further losses have to be covered through fund raising in the capital market. The fact, that Etex was not able to grow its revenues as planned changed the risk/return profile of the company. The valuation, based on the DCF calculation model has therefore been reduced in the reporting period.

mPortal: mPortal successfully entered the markets with a several new products and offerings. The customer reaction is positive. The company could close sizable transactions with leading players on the relevant markets. mPortal is changing its business model from an upfront payment oriented service business to a more back end loaded but more scalable product oriented business. This transition should overall increase the attractiveness of the company in the market but results in reduced revenues in the short term. These facts put into account in the DCF valuation model and therefore the valuation of the investment was stable in the reporting period.

Reverb Networks: Reverb Networks is developing and selling self optimizing networks product for the mobile networks. The company is in plan with its development and market penetration. New Venturetec invested in a secured promissory note of Reverb Networks which ranks senior to all other investors in the company. There have been no significant developments in the company since the investment. The note is valued at 100%.

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	59,702,318	0	19,091,682	78,794,000
Debt securities	0	0	500,000	500,000
Total as of March 31, 2014	**59,702,318**	**0**	**19,591,682**	**79,294,000**
Equity securities	68,278,929	0	19,763,076	88,042,005
Debt securities	0	0	0	0
Total as of September 30, 2013	**68,278,929**	**0**	**19,763,076**	**88,042,005**

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

8 Venture capital investments (continued)

8.5 Fair value information (continued)

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

	Six months ended March 31, 2014	Twelve months ended September 30, 2013
	USD	USD
Total as of October 1	**19,763,076**	**24,031,634**
Total gains and losses recognised in profit or loss included in		
- Gains on venture capital investments	0	0
- Losses on venture capital investments	(671,394)	(4,268,558)
Purchases	500,000	0
Redemption	0	0
Disposals	0	0
Transfers from Level 1 to Level 3	0	0
Total as of the end of the period	**19,591,682**	**19,763,076**

During the six months ended March 31, 2014, there occurred no transfers between the Levels. USD 671,394 of the losses on venture capital investments disclosed above refer to investments still held at the balance sheet date.

During the year ended September 30, 2013, there occurred no transfers between the Levels. USD 4,268,558 of the losses on venture capital investments disclosed above referred to investments still held at the balance sheet date.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

9 Bonds convertible

	31.03.2014 USD	30.09.2013 USD
Proceeds from issue of bonds convertible (3,011 bonds at CHF 5,000 each)	17,018,992	0
Transaction Costs	(68,504)	0
Net proceeds	**16,950,488** [1]	**0**
Amount classified as equity (net of transaction costs of USD 680)	(168,451)	0
Accrued interests	139,748	0
Carrying amount of liablitiy	**16,921,785**	**0**
Thereof current	128,588	0
Thereof non-current	16,793,197	0

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 after June 30, 2014, subject to the registration of the capital reduction, which was approved by the shareholders for the shareholders meeting on December 4, 2013.
- 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 5,567,309) were invested through the replacement of existing short term debt owned 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.

[1] The difference to the amount stated in the cash flow statement results due to different F/X-rates used.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

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 is to be allocated to the reserve of additionally paid in capital. The constitutive publication of this capital reduction in the trade register is subject to a retention period; thus the publication is to be expected in May 2014. Therefore the share capital as of March 31, 2014 consisted of 5,000,000 bearer shares with a par value of CHF 12.5 each fully paid in.

The reserves for convertible bonds 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 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.

10.2 Significant shareholders

As of March 31, 2014 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

Between 3% and 5%
Sarasin MultiLabel SICAV
Alexander und Chantal Biner, through 4iS Four Eyes AG, St. Gallen

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

10 Share capital and capital management (continued)

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 bond convertible (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 interim consolidated financial statements for the six months ended March 31, 2014

Notes to the consolidated statement of comprehensive income

11 Advisory fees

On January 1, 2013 Venturetec entered into an investment advisory agreement with Madison Investment Advisor, Inc., Panama (see note 14). This agreement replaced the previous investment management agreement which was cancelled by December 31, 2012. In accordance with the investment advisory agreement, the fee was reduced from 0.75% to 0.6% 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. Another 0.5% can be used for all expenses incurred by the advisor with regard to the duties of the advisor above, including but not limited to costs for external advisor and administration services, regulatory expenses, travel, domicile and general office expenses.

The advisory fees for the period October 1, 2013 to March 31, 2014 are USD 201,544 (prior period combined management / advisory fee: USD 153,426).

Accrued advisory as follows:

	Six months ended 31.03.2014 USD	Six months ended 31.03.2013 USD
Accrued advisory fees as of October 1,	241,420	89,655
Advisory fees for the current period	201,544	153,426
Advisory fees paid out	(350,213)	(179,015)
Total advisory fees accrued as of end of period	**92,751**	**64,066**

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 six months ended March 31, 2014 and 2013, 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 4.5 million and is calculated at a tax rate of 7.83% of the tax loss carry forward of USD 56.9 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 47.4 Mio), 2018 (USD 8.6 Mio) and 2021 (USD 0.9 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 income of USD 67,184 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 14,625). 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 interim consolidated financial statements for the six months ended March 31, 2014

Notes to the consolidated cash flow statement

13 Additional information on the cash flow statement

Composition of cash and cash equivalents:

See note 6.1

Significant non-cash transactions:

Related to six months ended March 31, 2014

- Interest on loans payable to related parties in the total amount of USD 50,481 was accrued and did not result in any cash flow during the period under review.
- Interest on bond convertible in the total amount of USD 137,646 was accrued and did not result in any cash flow during the period under review.
- Outstanding loans to related parties in the amount of USD 5,567,309 were effectively converted via exchange of old debt with bonds convertible (see note 9).

Related to six months ended March 31, 2013

- Interest on loans payable to related parties in the total amount of USD 172,237 was accrued and did not result in any cash flow during the period under review.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

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. All former investment management agreements have been cancelled by December 31, 2012. 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. The fees have been reduced from 0.75% of the net asset value per annum to 0.6%.

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 27,787 were accrued as fees to the Board Directors for the period under review and USD 55,673 were paid out related to accrued fees for prior periods (2013: USD 26,862 accrued and USD 53,723 paid out).

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

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. 31.03.2014	Principal	Accrued Interests	Total
	USD	USD	USD
4% secured promissory note [2]	3,183,664	31,838	3,215,502
4% secured promissory note for performance fees [3]	2,569,569	19,414	2,588,983
Total	**5,753,233**	**51,252**	**5,804,485**

Loans payable to related parties a.o. 30.09.2013	Principal	Accrued Interests	Total
	USD	USD	USD
4% secured promissory note [1]	872,366	26,171	898,537
3% secured promissory note [2]	3,112,243	365,170	3,477,413
3% secured promissory note for performance fees [3]	8,037,397	943,056	8,980,453
Total	**12,022,006**	**1,334,397**	**13,356,403**

1) On February 27, 2002, a loan of USD 500,000 was granted to Venturetec, Inc. by another investment company managed by the same Investment Manager, repayable on November 30, 2009 and bearing interest at 10% per annum. The original due date of June 30, 2004 was prolonged several times until June 30, 2008. This loan, including any accrued interest and management fees (in total USD 872,366), was converted with effect from December 31, 2007 into a 4% secured promissory note payable to Mr. Friedli, with original due date on December 31, 2008 and prolonged several times until December 31, 2013. Accrued interest in the total amount of USD 110,307 has been paid in former periods on regularly basis. On January 31, 2014, the principal of USD 872,366 and accrued interest of USD 37,803 was fully redeemed.

2) On April 15, 2002, a loan of CHF 2,000,000 was granted to Venturetec, Inc. by another investment company managed by the same Investment Manager, repayable on November 30, 2009 and bearing interest at 5% per annum. The original due date of June 30, 2004 was prolonged several times until June 30, 2008. This loan, including any accrued interest and management fees (in total CHF 2,816,269) was converted with effect from December 31, 2007 into a 3% secured promissory note payable to Mr. Friedli, due on December 31, 2008, and prolonged several times to December 31, 2013. As of January 31, 2014, accrued interest of USD 396'418 was paid and the promissory note was renewed with an interest rate of 4% and maturity date of June 30, 2014.

3) On July 1, 2008, the performance fee on the disposal of the debt financed investment in Basilea Pharmaceutica in the amount of CHF 7,273,041 was converted into a 3% secured promissory note payable to Mr. Friedli, due on June 30, 2009, and prolonged several times to December 31, 2013. As of January 23, 2014, the principal amount of CHF 5,000,000 was effectively replaced via exchange of old debt with bonds convertible (see also note 9) and accrued interest of USD 1,043,550 was paid. The residual amount of the principal of CHF 2,273,041 was converted into a 4% secured promissory note payable to Mr. Friedli, due on June 30, 2014.

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

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

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	Six months ended 31.03.2014 USD	Six months ended 31.03.2013 USD
4%/(3%) secured promissory notes to Mr. Friedli	183,950	180,961
4% bonds convertible to Mr. Friedli	109,715	0
4% bonds convertible to Mr. von Sprecher	457	0
Total interests on loans from related parties	**294,122**	**180,961**

14.5 Related party transactions

- The advisory fees for the six months ended March 31, 2014 amounted to USD 201,544 (prior period: USD 153,426), whereof USD 108,793 (prior period: USD 89,360) were paid. In addition, accrued advisory fees amounting to USD 241,420 (prior period: 89,655) were paid during the period under review.
- Interest on loans to related parties in the amount of USD 1,477,771 (previous period: USD 34,895) were paid in the reporting period.
- Outstanding loans to related parties in the amount of USD 872,366 were redeemed and USD 5,567,309 were effectively replaced via exchange of old debt with bonds convertible.
- Board of Directors fees accrued from the fiscal year 2012/13 in the amount of USD 55,673 (previous period: USD 53,533) were paid out.
- Advisory expenses in the amount of USD 167'019 relating to the capital reduction, revision of the statutes and the issue of the bonds convertible was 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 Investment Manager. The Board of Directors is responsible for ensuring that the Investment Manager follows the investment policy set by the Company. However, it should be noted that Peter Friedli is Chairman of the Board of Directors and acting on behalf of the Investment Manager 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 interim consolidated financial statements for the six months ended March 31, 2014

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 Investment Manager 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 Manager 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 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. The risks of venture capital investments are 100%.

Sensitivity analysis

If for Osiris Therapeutics the price quoted as of March 31, 2014 at the NASDAQ would have increased / decreased by 10% with all other variables held constant profit or loss would have been USD 5,387,000 higher/lower (as of September 30, 2013: USD 6,828,000).

If for Myriad Genetics the price quoted as of March 31, 2014 at the NASDAQ would have increased / decreased by 10% with all other variables held constant profit or loss would have been USD 583,000 higher/lower (as of September 30, 2013: n/a).

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.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

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. Any investment in other currencies than the CHF might lead to positive or negative impacts on the Company's performance in its annual financial statements, including its statement of comprehensive income.

As of March 31, 2014 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

March 31, 2014	**USD**	**CHF**
Cash and cash equivalents	7,230	535,758
Other accounts receivable	0	35,103
Other accrued expenses	0	(212,732)
Loans payable to related parties	0	(5,804,485)
Bank loans payable	0	(1,641,102)
Net exposure as of March 31, 2014	**7,230**	**(7,087,458)**

September 30, 2013	**USD**	**CHF**
Cash and cash equivalents	7,277	229,033
Other accounts receivable	0	7,515
Other accrued expenses	0	(269,671)
Loans payable to related parties	0	(12,457,866)
Bank loans payable	0	(1,438,548)
Net exposure as of September 30, 2013	**7,277**	**(13,929,537)**

Sensitivity analysis

As of March 31, 2014, a 10 percent strengthening of the USD against the CHF would have increased net profit by USD 2,117,000 (as of September 30, 2012: USD 1,274,000). 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.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

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	31.03.2014	30.09.2013
		USD	USD
Fixed rate instruments			
Loans payable to related parties	14.3	(5,804,485)	(13,356,403)
Bonds convertible	9	(16,921,785)	0
Variable rate			
Cash and cash equivalents	6	2,868,025	238,548
Bank loans payable	6	(4,245,338)	(4,043,223)

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.

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 21,000 (prior year ended September 30, 2013: decreased USD 39,000). 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 March 31, 2014 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. No impairment losses have been recognized until balance sheet date.

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

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

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 as the only publicly traded company 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:

31.03.2014 USD	**Carrying amount**	**Less than 3 months**	**3 months to a year**	**1 year to 2 years**	**3 years and more**
Accrued advisory fees	92,751	92,751	0	0	0
Other accrued expenses	212,730 [1]	212,730	0	0	0
Loans payable to related parties	5,804,485	5,804,485	0	0	0
Bank loans payable	4,245,338	4,247,519	0	0	0
Bonds convertible	16,921,785 [2]	0	680,534	680,534	18,374,407
Total	**27,277,089**	**10,357,485**	**680,534**	**680,534**	**18,374,407**

30.09.2013 USD	**Carrying amount**	**Less than 3 months**	**3 months to a year**	**1 year to 2 years**	**3 years and more**
Accrued advisory fees	241,420	241,420	0	0	0
Other accrued expenses	269,670 [1]	269,670	0	0	0
Loans payable to related parties	13,356,403	0	13,447,484	0	0
Bank loans payable	4,043,223	4,045,587	0	0	0
Total	**17,910,716**	**4,556,677**	**13,447,484**	**0**	**0**

[1] The difference to the amount stated in the balance sheet relates to accruals for taxes.
[2] Accrued interests amounting to USD 128,588 included.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

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.

31.03.2014	**Carrying amount**		**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
	USD	**USD**	**USD**	**USD**	**USD**
Cash and cash equivalents	2,868,025				
Total loans and receivables	**2,868,025**				
Venture capital equity investments	78,794,000	59,702,318	0	19,591,682	79,294,000
Total designated at fair value through profit or loss	**78,794,000**				
Accrued advisory fees	92,751				
Other accrued expenses	212,730 [1]				
Loans payable to related parties	5,804,485	0	5,803,799	0	5,803,799
Bank loan payable	4,245,338				
Bonds convertible	16,921,785 [2]	0	16,921,785	0	16,921,785
Total financial liabilities at amortized cost	**27,277,089**				

30.09.2013	**Carrying amount**		**Fair value**		
		Level 1	**Level 2**	**Level 3**	**Total**
	USD	**USD**	**USD**	**USD**	**USD**
Cash and cash equivalents	238,548				
Total loans and receivables	**238,548**				
Venture capital equity investments	88,042,005	68,278,929	0	19,763,076	88,042,005
Total designated at fair value through profit or loss	**88,042,005**				
Accrued advisory fees	241,420				
Other accrued expenses	269,670 [1]				
Loans payable to related parties	13,356,403	0	13,315,080	0	13,315,080
Bank loan payable	4,043,223				
Total financial liabilities at amortized cost	**17,910,716**				

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 is determined by discounting the future contractual cash flows. The applied discount factor is the government yield curve plus a credit spread of 4% for both periods.

The fair value of the bonds convertible will be determined by discounting the future contractual cash flows. The main variable input factor is the interest rate used. Due to the short time period between the issue of the bonds convertible and the preparation of the interim financial statements and the stable interest environment, the carrying amount approximates fair value as at March 31, 2013.

[1] The difference to the amount stated in the balance sheet relates to accruals for taxes.
[2] Accrued interests amounting to USD 128,588 included.

Notes to the interim consolidated financial statements for the six months ended March 31, 2014

16 Earnings per Share

Basic and diluted earnings per share both amounted to USD 3.11 (loss) as of March 31, 2014 (USD 0.63 loss as of March 31, 2013). 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 presented.

17 Subsequent events

The consolidated financial statements were authorized for issue by the Board of Directors on May 9, 2014.

On May 2, 2014, the maturity of all loans payable to related parties was prolonged to December 31, 2014. The loans payable to related parties are disclosed as current on the face of the balance sheet.

The Board of Directors is not aware of any further events between March 31, 2014 and May 9, 2014, which would require adjustment to the carrying amounts of the Group's assets and liabilities as of March 31, 2014 or would require disclosure under this heading.

Annex I

Risk factors of Osiris Therapeutics as per the Osiris Therapeutics annual report 2013

ITEM 1A. 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, 2013, we had an accumulated deficit of $201.8 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:

- finalize our controlled trial with Grafix for diabetic foot ulcers;
- continue other studies and initiate and pursue additional studies and possible clinical trials for our Biosurgery products, including Grafix for venus leg ulcers 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, contact 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., Michelle L. Williams, 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 and OvationOS 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 payors 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 form that for OvationOS—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 and Ovation are processed from human placental tissue. Ovation OS 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 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 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;

- 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.

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.

Use of third-party manufacturers 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 an adverse material 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 contract manufacturers are subject to all of the risks and uncertainties that we have when we manufacture on our own. 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 by our contract manufacturers with these regulations and standards. Our present or future manufacturers might not be able to comply with these regulatory requirements. If our third-party manufacturers fail to comply with applicable regulations, the FDA or other regulatory authorities could impose sanctions on us, including fines, injunctions, civil penalties, denial of marketing approval of our biologic drug candidates, 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 supplies 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 are 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 $21.8 million against damage to our property and equipment, an additional $5.0 million to cover business interruption and extra expenses, and $6.0 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 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 non-cellular therapy and technologies. Competitors competing with our Biosurgery products include: Advanced Biohealing, the manufacturer of Dermagraft which competes with Grafix; Organogenesis, the manufacturer of Apligraf which competes with Grafix. In addition to those listed above, we have other 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 cell therapy 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 are 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:

- develop our distribution network of third party distributors and independent sales professionals for the distribution of Grafix, OvationOS and other Biosurgery products;
- continue to expand 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 cover 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 362 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 allogeneic 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 cover 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, and agreed to complete that transition by no later than the second half of 2014. We believe that commercial distribution of OvationOS, a viable bone matrix for bone growth, does not require pre-market approval by the FDA because we believe that this product meets the regulatory definition of HCT/Ps.

The analysis and determination of compliance of a product with these regulatory requirements is complex and dependent upon numerous factors, and is readily subject to varying interpretations and conclusions. Should the FDA decide that Grafix, OvationOS 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 would have a material adverse effect on our business, financial condition and results of operations.

Our ability to expand the marketed indications for Grafix and OvationOS 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.

At present, we have not initiated efforts to obtain a BLA for any of our Biosurgery products; and for Grafix and OvationOS for specific indications, we rely upon the exception to the BLA requirement afforded Part 361 HCT/Ps. However, compliance with these requirements will likely limit 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 decide to pursue but 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 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 cover for the treatment of acute and chronic wounds, including diabetic foot ulcers, and the commercial distribution of OvationOS, 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. In an effort to protect these trade secrets, 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 confidential information, and these agreements may be breached. For example, a portion of the processing methodology for Grafix is protected by trade secrets. 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.

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 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. Third parties may challenge, narrow, invalidate, design around, or circumvent any patents owned, assigned or licensed to us and those that we may obtain in the future. Patents with such 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. In an effort to protect these trade secrets, 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 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 operation **s.**

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.

Of the $50 million in initial consideration, we have received an aggregate of $35 million thus far, consisting of $20 million in cash and $15 million in Mesoblast ordinary shares. The balance of the initial consideration ($15 million) is scheduled to be paid to us in cash on April 10, 2014.

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.

Payment of the initial consideration made in Mesoblast ordinary shares ($15 million), and any portion of the second $50 million in consideration paid in Mesoblast ordinary shares, is subject to a one year holding period, with limited downside protection for a drop in the Mesoblast share price over the holding period. Therefore, these payments 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, these amounts are also subject to foreign currency exchange risk.

Accordingly, we have no assurances that any of these amounts will, in fact, ever be paid to or received by us, or if paid will be available to us to fund our business operations. If we do not receive these payments, or 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.

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. Accordingly, we are subject to investment risk and foreign currency exchange risk in respect of our ownership of these shares. In addition, any portion of the second $50 million in consideration payable to us under the Purchase Agreement if and only if certain milestones are met by Mesoblast, is 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 Mesoblast ordinary shares held or acquired by us at any time 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 under the Purchase Agreement. 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

We have identified a material weakness in our internal control over financial reporting and we may be unable to develop, implement and maintain appropriate controls in future periods. If the material weakness is not remediated, then it could result in a material misstatement to our financial statements.

We have 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. This and related events contributed to the delay in the filing of our Annual Report on Form 10-K for fiscal 2013. Unless and until remediated, this material weakness could result in material misstatements to our interim or annual consolidated financial statements and disclosures that may not be prevented or detected on a timely basis. In addition, we may experience delay or be unable to meet our reporting obligations or to comply with SEC rules and regulations, which could result in delisting actions by the NASDAQ Stock Market and investigation and sanctions by regulatory authorities. Any of these results could adversely affect our business and the trading price of our common stock.

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, 2014. 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,

2014. 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.