

**New Venturetec
Semi-Annual Report
March 31, 2010**

Contents

Disclaimer	3
Press Release – May 19, 2010	4
Investment Guidelines	5
Corporate Information	7
Performance	18
Portfolio Companies Status Reports	20
Interim Consolidated Financial Statements for the Period from October 1, 2009 to March 31, 2010	26
Appendix I Osiris Therapeutics: Risk Factors	56

Disclaimer

New Venturetec 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.

The current financial and economic environment is very difficult. The capital market is almost closed for venture companies and the tech sector is suffering from declining revenues. As a consequence portfolio companies which are in need of cash face very unfavourable financing terms for existing shareholders – in our case 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. The management of each portfolio company is advised to review expenses, cut back costs if necessary and secure cash to continue its operation. Survival is the goal.

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.

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 Company contracted services to the Investment Manager which are among others investment allocation, investment management and process, structuring of investments, monitoring and the disinvestments of investments. There may be a conflict of interest due to the fact that the Investment Manager manages other investment companies and represents other investors. The Investment Manager 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 Manager may also supply investment banking services to the portfolio companies and may be compensated for such services. Such remuneration is explicitly authorized. The investment manager 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 favourable 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.

Corporate Information

Corporate governance

The following information completes the Semi-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 investmentholding 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 predominantly 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 used for working capital to build the business as such companies still generate losses. The characteristics of a venture investment are typically of high risk, lack of a market for the securities and a long-term investment horizon. Venture capital offers the possibility of significant investment returns and attractive diversification benefits. However, no assurance can be given that such returns are realized. **The risks of venture capital investments are 100%.**

Investment philosophy

The investment targets are carefully selected after indepth analysis of people, technology and markets. Major attention is given to management, its capability and its commitment. Taking influence on key management decisions and on strategic planning, monitoring as well as providing up-to-date reports on company progress are part of the investment management.

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. No capital increase is planned. The investment horizon should be up to 10 years. 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.**

Current market impact and risks

The current financial and economic environment is very difficult. The capital market is not favourable for venture companies and the tech sector is suffering from declining revenues. As a consequence portfolio companies which are in the need of cash face very 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 portfolio company is able to attract investments in the first place for which no assurance can

be given that this may occur. The management of each portfolio company is advised to review expenses, cut back costs if necessary and secure cash to continue its operation. Survival is the goal.

New Venturetec Shareholders should be aware of the risks which could result in a loss of 100% of the investment. The crisis had its impact on small companies. Unfortunately it is the second one in the life of New Venturetec after the dotcom burst in 2001.

We have attached risk factors of the main holding of Venturetec, Osiris Therapeutics, for your information. Please see Annex I, page 56. The information is publicly available.

Group structure and shareholders

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

New Venturetec

New Venturetec Ltd. is a holding company established 1997 under Swiss law, domiciled in Zug. 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, 2010 the Company's market capitalization was CHF 22,850,000

Venturetec

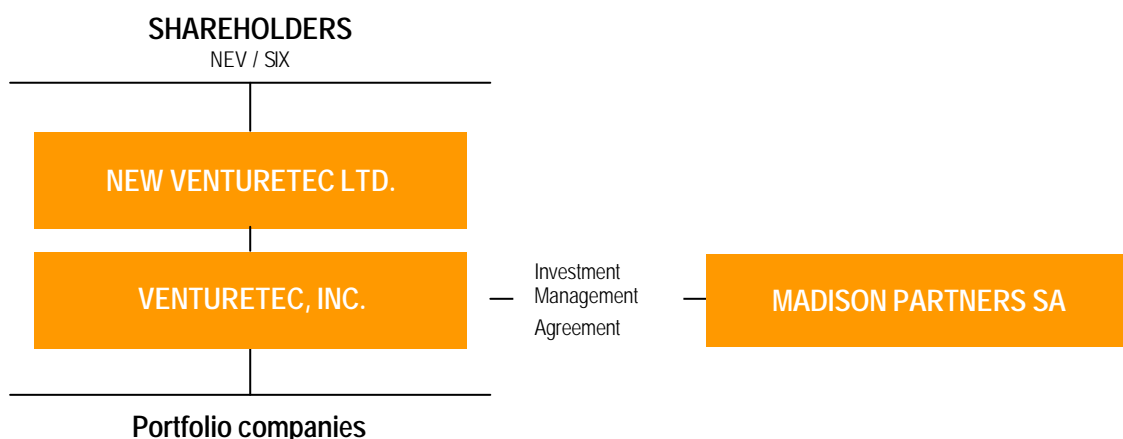
Venturetec, Inc. is a fully owned subsidiary of New Venturetec, domiciled in Tortola, British Virgin Islands, incorporated on September 11, 1996 with a share capital of USD 20,000,000. The purpose of the Company is to hold investments mainly in US high risk venture capital companies in the industries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

The Investment Manager of Venturetec is Madison Partners SA, Panama. The Investment Manager provides management services to Venturetec on a contractual basis. For more details on the Investment Management Agreement see page 11.



Significant shareholders

As of March 31, 2010 the following shareholders reported a holding of 3% or more of the total outstanding shares to the Company as reported to New Venturetec:

Bâloise-Holding, Basel	7.0%
Beamtenversicherungskasse des Kantons Zürich	6.4%
Pensionskasse der Credit Suisse, Zürich	4.4%

Cross-shareholdings

The Board of Directors 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. The shares are fully paid in. There is no authorized or conditional capital outstanding. There was no change in the capital structure for the last three years. No warrants, options or convertible securities are outstanding. The outstanding loans 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, which consists of two independent members and Peter Friedli, 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 Manager and New Venturetec.

Peter Friedli, President, Swiss

Peter Friedli has been a principal of the investment banking firm Friedli Corporate Finance since 1986. Mr. Friedli has over 24 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 following portfolio companies: Osiris Therapeutics, Inc., Inflabloc, Inc., Prolexys Pharmaceuticals, Inc., mPortal, Inc. and Invenda Corporation.

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 2012.

Hans Lerch, Vice President, 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 of Hotelplan Holding AG, Zurich, Member of the board of directors of Kühne+Nagel International, Schindellegi and member of the board of directors of the International School of Tourism, Zurich. 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 2012.

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 viticulture. 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 2012.

Elections

The members of the Board of Directors are elected for three years, the next election will be at the general meeting of Shareholders in 2012. Board members can be re-elected.

Board remuneration

Mr. Lerch and Mr. von Sprecher each received a board of directors fee in the amount of USD 48,100, which have been accrued, for the reporting period. 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 directors fee. Details on the management fee to the Investment Manager are described on page 11.

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 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. Six meetings of the board of directors took place in the reporting period, all of them last several hours. The full board of directors was present at all meetings. Peter Friedli visits all portfolio companies several times a year. The independent Board members are visiting the portfolio companies spontaneously.

Committees

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

Responsibility

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 specially responsible for the investment strategy, organizational regulations, appointing the management, financial planning and accounting policies, overall supervision and the relationship to the shareholders. 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 does not take any decisions on investments or disinvestments of the Company or its subsidiary.

The Board of Directors delegated the management of the Company to Venturetec, Inc. according to Art. 716b of the Swiss Code of Obligations. Venturetec, Inc. entered into an Investment Management Agreement with Madison Partners, SA. Further details on the Investment Management Agreement are described in the management section below. Any transactions which are related to the Investment Manager have to be approved by the independent members of the Board.

Madison Partners SA informs the Board on the status of the portfolio companies, investments or disinvestments, the business and the Company on a regular basis and as business requires. The members of the Board and the Investment Manager 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 Manager have to be approved by the independent members of the Board. All members of the Board are visiting the portfolio companies spontaneously. The Investment Manager 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, net asset value of the portfolio and liquidity planning at every Board meeting.

Management

Under a separate Investment Management Agreement, Venturetec, Inc. appointed Madison Partners SA, as Investment Manager with specific responsibilities with regards to the selection, purchase, sale, structure and disposal of the Group's investments. Madison Partners SA also provides corporate and administrative services, including accounting, reporting, regulatory services and investor relations to the Company. It executes and implements resolutions taken by the Board.

The key points of the Investment Management Agreement are:

- the Investment Manager has the power and authority to select, conduct due diligence, determine time and kind of purchase and structure of any investments or disinvestments on behalf of the Company
- the Investment Manager has the power and authority to monitor, control and manage the assets of the Company. He also exercises any rights, including voting rights on the portfolio companies on behalf of the Company
- the Investment Manager has sole power and authority for the disposal of cash or any assets whether it is for investment purposes or any other use including but not limited for corporate purposes
- the Investment Manager has power and authority to create reporting procedures in a manner consistent with the applicable law and the investment perspectives of the Company
- the Investment Management Agreement can be terminated by each party with a one year notice to the end of the following calendar year
- nothing contained in the Investment Management Agreement shall prevent the Manager or any affiliated person or entity of the Manager, including the Board of Directors from acting as Investment Manager for any other person, firm, corporation, or other entity and shall not in any way bind or restrict the Manager or any affiliated person or entity from buying, selling or trading any securities or options on such contracts for their own accounts or for the accounts of others for whom they may be acting. Nothing in the Investment Management Agreement shall limit or restrict the right of any director, officer, or employee of the Manager to engage in any other business or to devote his time and attention to the management or other aspects of any other business whether of similar or dissimilar nature, including investment banking services to portfolio companies. The Manager may be compensated for such services. Furthermore, the Company is aware and agrees to the Investment Manager's investment banking and / or consulting services provided to certain portfolio companies, if and when needed and approved by the independent directors of such companies and the remuneration thereof, if any. For further information please see Conflict of Interests on page 12.

Management and performance fees

Upon mutual agreement between the New Venturetec and the Investment Manager, the Investment Management Agreement (see note 14) has been amended and the management fees payable to the Investment Manager have been reduced from 1.5% to 0.75% per annum on the Group's net asset value as estimated by the Investment Manager, starting October 1, 2009. Another 0.5% can be used for investor relation services and other external costs directly related to the investment management activities.

In addition, the management agreement provides a performance fee equal to:

- 12% of the percentage points exceeding 15% of the compounded annual return to investors calculated on the basis of the net asset value, multiplied by the net amount of realized profit and loss; or
- 12% of the net amount of realized profit and loss, if the compounded annual return to investors is 20% or higher

The performance fee is payable annually based on the audited financial statements, if the conditions are met, in the form of shares of the Company, cash, or a combination thereof at the discretion of the Investment Manager. 94% of the performance fee is paid to the Investment Manager and 6% to the members of the Board of Directors (excluding Mr. Friedli). No performance fee has been paid out since inception of the Company.

The management fees for the first half of the fiscal year 2009/10 are USD 150,558 of which USD 97,466 have been paid out and USD 53,092 were accrued.

Since 2003 management fees in the amount of USD 9,940,068 were accrued and have not been paid to the Investment Manager. On November 3, 2010, the Investment Manager and Peter Friedli waived their rights to accrued management fees in the amount of USD 4,970,034 or 50% of the total accrued management fee at this date.

The total management fees accrued per March 31, 2010 are USD 5,023,126, which consists of a note with principal amount of USD 4,970,034 and USD 53,092 which is accrued. Please see "Related Party Transactions" below and note 10 and note 13.3, page 47 and 50.

Change of Board of Directors and Investment Management Agreement

If the general assembly decides at any time to change the Board 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 Management Agreement with Madison Partners SA, all the loans with the Investment Manager and Peter Friedli and all amounts due and accrued through the end of the period for which the contract could be terminated are due and payable in cash within five (5) days of the occurrence of a change of control. The calculation for the amount from the date of the change of control through the end of the life of the agreement is the same amount as accrued in the equal previous time period.

The guarantee of Mr. Friedli for the bank loan of Venturetec as described on page 14 will be cancelled immediately in case of a change of control and the bank loan would be due immediately.

Conflict of interests

Peter Friedli, President of New Venturetec AG, is a Member of the Board of the majority of the portfolio companies. As such, Mr. Friedli represents all shareholders of each portfolio company. Any related party transaction is approved by the board of the portfolio company with Mr. Friedli abstaining from any vote or as directed by corporate counsel. Madison Partners SA, of which Peter Friedli is President, may provide investment banking services to portfolio companies if and when needed and approved by the independent board of such companies and may be compensated for such services. The Investment Manager is explicitly authorized to conduct investment banking and / or consulting services to portfolio companies at its own terms if and when needed. The Investment Manager 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. The Investment Manager performs services in connection with any payment by the portfolio company to the Investment Manager. Peter Friedli may also personally invest in portfolio companies at market terms. New Venturetec benefits from such investments. Through the effort and services of Madison Partners SA 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. We are committed to solve them in the best interest of New Venturetec.

Related party transactions

The management fees for the first half of the fiscal year 2009/10 are USD 150,558 of which USD 97,466 have been paid out and USD 53,092 were accrued.

The remuneration of the Board of Directors for the reporting period was total USD 48,100 which was accrued. Mr. Friedli is not remunerated for serving on the Board. The Board of Directors reviews and defines the remuneration of

the Board Members. The management and performance fee arrangement between the Company and Madison Partners SA are set forth in the Investment Management Agreement and described on page 11.

Shareholdings

Peter Friedli: holding per March 31, 2010: 103,381 shares. No trading during the reporting period.

Hans Lerch: holding per March 31, 2010: 5'000 shares. No trading during the reporting period.

Andreas von Sprecher: holding per March 31, 2010: 3,000 shares. No trading during the reporting period.

Madison Partners SA does not own and never has owned any shares of the Company.

No transactions occurred between the directors, former directors, the Investment Manager and New Venturetec other than those described in this report.

Loans

In accordance with the waiving of accrued management fee by Peter Friedli and the Investment Manager, as described on page 12 and Note 9.1 on page 46 loans to Peter Friedli in the amount of USD 2,709,715 and loans to the Investment Manager in the amount of USD 1,259,532 have been waived effective November 3, 2009.

Notes payable to related parties per March 31, 2010 are listed in the table below. Please see note 13.3 on page 50 for further details.

Promissory notes payable to Peter Friedli as of March 31, 2010

USD	4,970,034	Accrued management fee	4%	31.12.2010
USD	872,366	Loan from Peter Friedli to Venturetec	4%	31.12.2010
CHF	2,816,269	Loan from Peter Friedli to Venturetec	3%	31.12.2010
CHF	7,273,041	Costs related to the Basilea loan investment made by Peter Friedli	3%	31.12.2010

If the general assembly decides at any time to change the Board 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 Management Agreement with Madison Partners SA, all the loans with the Investment Manager and Peter Friedli and all amounts due and accrued through the end of the period for which the contract could be terminated are due and payable in cash within five (5) days of the occurrence of a change of control. The calculation for the amount from the date of the change of control through the end of the life of the agreement is the same amount as accrued in the equal previous time period.

The loans can be redeemed at any time at the discretion of the Board.

Interest on loans to related parties in the amount of USD 242,442 have been paid in the reporting period. Interest in the amount of USD 565,742 are due and payable to Peter Friedli as per March 31, 2010.

The guarantee of Mr. Friedli for the bank loan of Venturetec as described below will be cancelled immediately in case of a change of control and the bank loan would be due immediately.

Highest total compensation

The highest total compensation received by a member of the Board of Directors in the reporting period is USD 24,050. Please see board remuneration on page 10 for further information.

Net contribution of Mr. Friedli to New Venturetec since inception

Proceeds from the loan of the investment in Basilea Pharmaceutica

The following net proceeds realized have been gained through the CHF 20,000,000 loan from Peter Friedli for the investment in Basilea Pharmaceutica:

Realized proceeds	CHF	92,492,116
Loan Principal	CHF	20,000'000
<u>Interest and costs</u>	CHF	<u>17,565,836</u>
Realized net proceeds to Venturetec	CHF	54,926,280

Due to the favourable terms of the loan from Mr. Friedli to New Venturetec for the Basilea investment and its realized net proceeds to New Venturetec of CHF 54,926,280, the total net remuneration from New Venturetec to Peter Friedli and the Investment Manager is negative by USD 31,504,933 because the total paid and accrued management fee is less. In other words, Mr. Friedli contributed to New Venturetec on a net basis USD 31,504,933 since inception. This does not include any equity Mr. Friedli holds. He owns 103,381 shares of New Venturetec bought at an average price of CHF 33.00. Mr. Friedli never sold any New Venturetec shares.

Guaranteed bank loan

The Company is holding a bank credit line up to USD 4'500'000. 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. In case of a change of control the guarantee is immediately withdrawn and the loan due by Venturetec.

Waived and accrued management fee

Since 2003 management fees in the amount of USD 9,940,068 were accrued and have not been paid to the Investment Manager. On November 3, 2009, the Investment Manager and Peter Friedli waived accrued management fees in the amount of USD 4,970,034 or 50% of the total accrued management fee at this date.

The total management fees accrued per March 31, 2010 are USD 5,023,126, which consists of a note with principal amount of USD 4,970,034 and USD 53,092 which is accrued. Please see "Related Party Transactions" on page 12 and note 10 and note 13.3, page 47 and 50.

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%.

Change of control

If the general assembly decides at any time to change the Board or vote against the proposal of the Board in order to elect directors other than the current members or to terminate the investment management agreement or change the duties or the scope of the Investment Management Agreement with Madison Partners SA, all the loans with the Investment Manager and Peter Friedli and the accrued and due management fees as defined thereafter will be immediately due within 5 days.

The guarantee of Mr. Friedli for the bank loan of Venturetec as described on page 14 will be cancelled immediately in case of a change of control and the bank loan would be due immediately.

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 2009/10 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 course 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. 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.**

Current market impact

The current financial and economic environment is very difficult. The capital market is not favourable for venture companies and the tech sector is suffering from declining revenues. As a consequence portfolio companies which are in the need of cash face very 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. The management of each portfolio company is advised to review expenses, cut back costs if necessary and secure cash to continue its operation. Survival is the goal.

New Venturetec Shareholders should be aware of the risks which could result in a loss of 100% of the investment. The crisis has its impact on small companies. Unfortunately it is the second one in the life of New Venturetec after the Dotcom Burst in 2001.

We have attached risk factors of the main holding of Venturetec, Osiris Therapeutics, for your information. Please see Appendix I, page 56. The information is publicly available.

Market making

New Venturetec or the Investment Manager 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 34 respectively annual per September 30 and semi-annual 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 provides price information on its webpage. Additionally, prices can be retrieved through electronic channels such as Telekurs (NEV), Reuters (NEV.S) and Bloomberg (NWV SW Equity).

Webpage

The webpage of New Venturetec 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.

Email – list

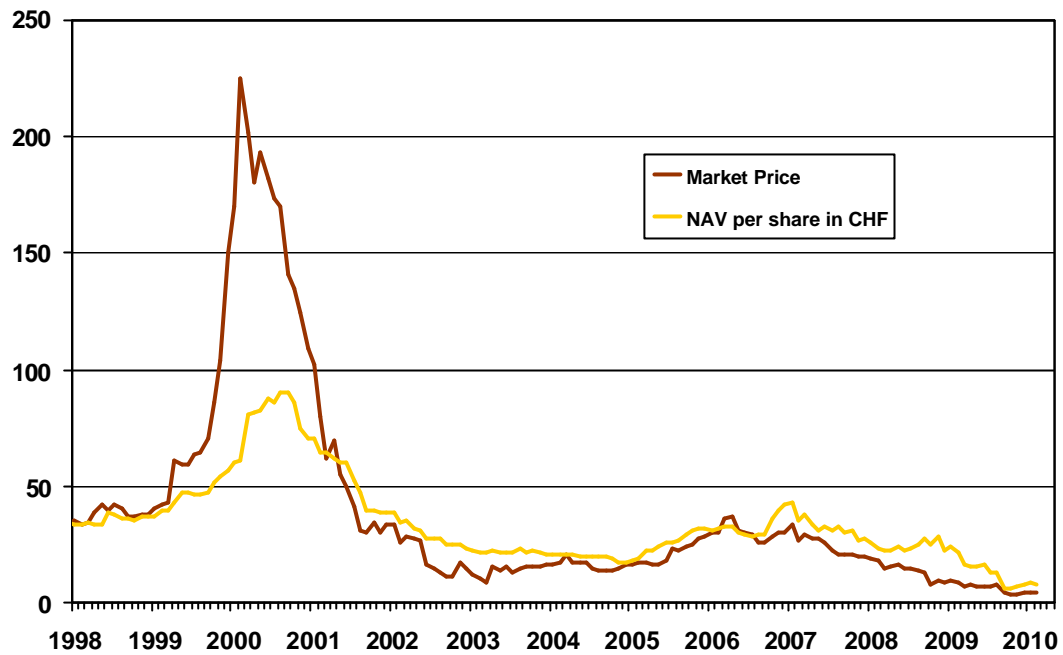
Investors can subscribe to the New Venturetec mailing list on www.newventuretec.com. New Venturetec periodically sends information, reports and updates on its portfolio companies to shareholders by email.

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. At times of redemption or dissolution there is only one value. Investing in venture capital is a long-term commitment with high risks.



Highest premium: 267% in February 2000
 Highest discount: -68% in October 2008
 Average: -5.57%

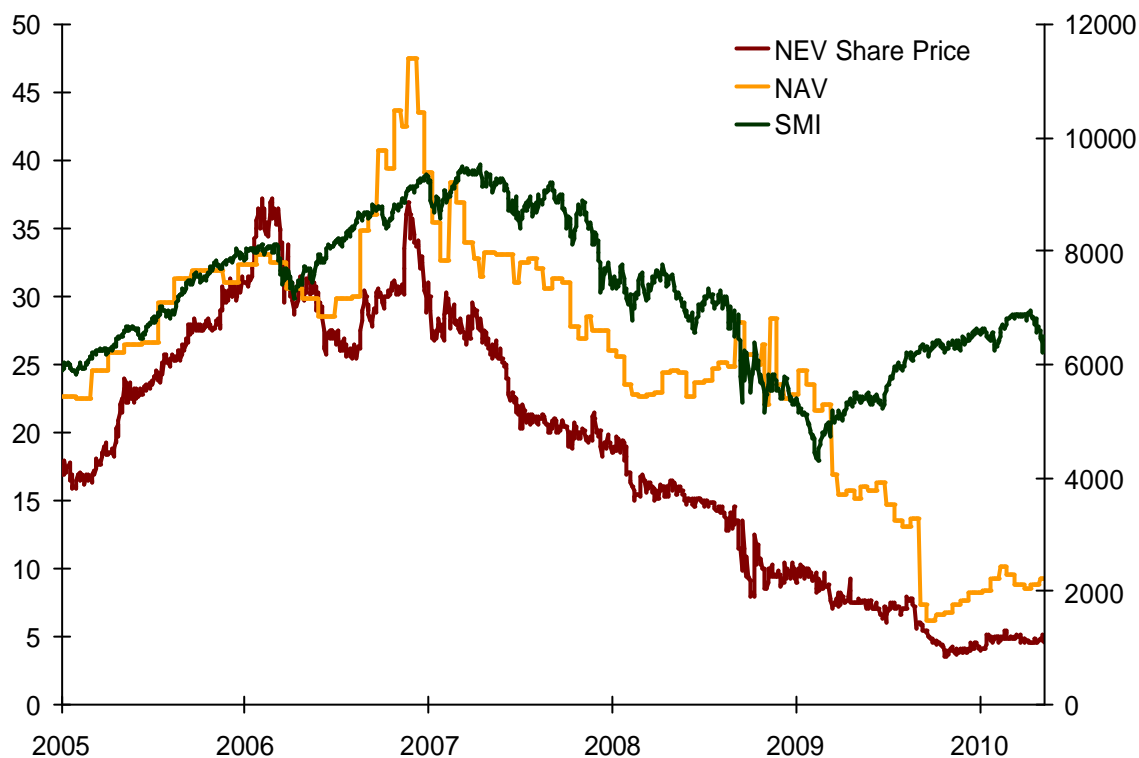
Ordinary Meeting of Shareholders 2010

December 6, 11.45 – 13.30

Credit Suisse Forum St. Peter, St. Peterstrasse 19, 8070 Zürich

Investment Performance

April 1, 2005 – March 31, 2010

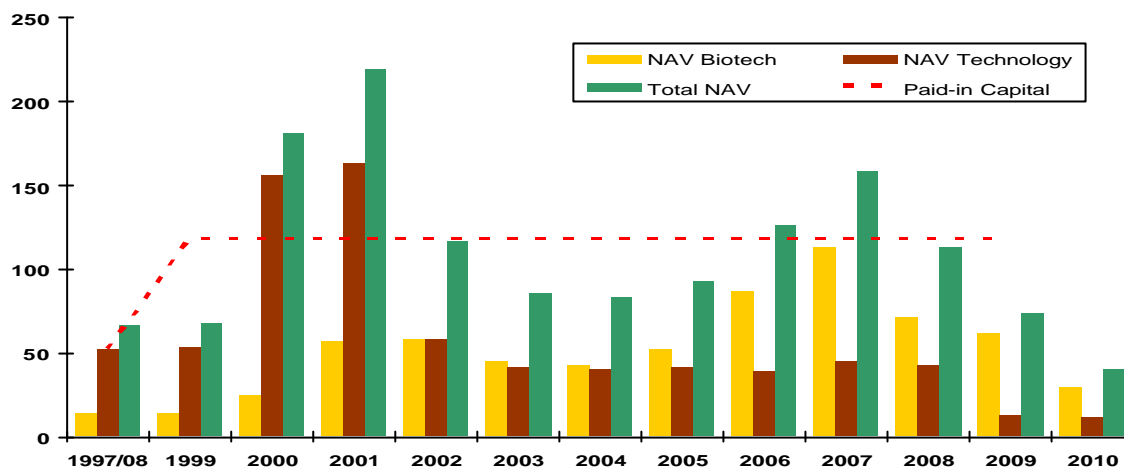


Prices and volume

	First half of		
	2009/2010	2008/2009	2007/2008
High / Low Share price in CHF (SWX)	5.26 / 3.50	13.60 / 5.00	21.50 / 12.80
High / Low Net Asset Value in CHF	10.12 / 6.14	28.36 / 6.14	31.28 / 22.65
Closing share price (SWX) at the end of the period in CHF	4.57	5.08	13.50
Net Asset Value in CHF at the end of the period	8.54	6.14	28.18
Premium / Discount	-46.49%	-17.26%	-52.09%
Average daily trading volume	9,293	4,970	2,571

Net asset value performance

January 1, 1997 – March 31, 2009



Net asset value total return net

	CHF	Total return 31.03.2010	USD	Total return 31.03.2010
January 1997	28.94	-70.51%	20.00	-59.51%
Since IPO, Oct. 1997	33.00	-74.14%	22.76	-64.42%
Since capital increase February 1999	39.80	-78.56%	27.54	-70.60%
Year to Date	27.45	-68.91%	34.98	-66.60%
NAV as per March 31, 2010	8.53		8.10	

Time Weighted Return net, p.a.

	CHF	based on NAV USD	based on market price CHF
January 1997	-8.80%	-6.60%	-13.00%
Since IPO, Oct. 1997	-10.25%	-7.82%	-14.63%
Since capital increase February 1999	-12.88%	-10.38%	-17.61%

IRR net, p.a.

	CHF	USD	CHF
January 1997	-11.20%	-8.62%	-15.77%
Since IPO, Oct. 1997	-11.61%	-8.98%	-16.20%
Since capital increase February 1999	-12.87%	-10.07%	-17.61%

Performance by company in USD

Company	Invested capital	Unrealized gain/loss	Realized gain/loss	Total est. value	% of total investments	Return p.a. %
Osiris Therapeutics	24,467,579	6,266,848		30,734,427	50.54%	3.00%
Inflabloc	11,199,254	-9,699,254		1,500,000	2.47%	-25.20%
Prolexys Pharmaceuticals	15,000,000	-5,000,000		10,000,000	16.44%	-5.86%
Healagenics	3,850,000	-2,545,837		1,304,163	2.14%	--25.31%
mPortal	10,370,000	4,608,500		14,978,500	24.63%	5.27%
Invenda	32,805,875	-30,505,445		2,300,430	3.78%	-26.26%

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.

The current financial and economic environment is very difficult. The capital market is closed for venture companies and the tech sector is suffering from declining revenues. The consequences for portfolio companies are the need of cash which will result in very unfavourable terms to existing shareholders – in our case Venturetec – basically resulting in 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 which no assurance can be given that this may occur. Management is advised in each portfolio company to review the expenses, cut back if necessary and secure cash to continue its operation. Survival is the goal. **New Venturetec Shareholders should be aware of the risks which could result in a loss of 100% of the investment.**

Osiris Therapeutics

www.osiris.com

New Venturetec cost	USD 24.5million
New Venturetec holding of Osiris Therapeutics	12.8%

Valuation as of March 31, 2010	USD 30.7million
% of total investments as of March 31, 2010	50.5%

Company Profile

Osiris Therapeutics, Inc. is the leading cell therapy company focused on developing and marketing stem cell products to treat medical conditions in the inflammatory, orthopedic and cardiovascular areas. Osiris' technology is based on the mesenchymal stem cell (MSC), obtained from healthy adult donors, expanded and stored for universal off-the-shelf use. Osiris is evaluating Prochymal, a formulation of MSCs specifically for intravenous infusion, in a number of indications including graft vs. host disease (GvHD), type 1 diabetes, pulmonary disease, acute myocardial infarction, and acute radiation syndrome (ARS). The company's new Biosurgery division continues to make progress on a next generation of new products to improve surgical outcomes and offer better treatment options for patients and physicians. Osiris' stem cell products have significant therapeutic potential because of their ability to regulate inflammation, promote tissue regeneration and prevent pathological scar formation.

Development

- Reported data showing Prochymal achieved a 63% response rate when used as a rescue agent in children with end-stage GvHD.
- Reported preliminary results from Phase III acute and steroid refractory GvHD trials. Primary endpoints were missed, however efficacy was shown in liver and gut GvHD.
- Submitted additional sections of the Biological License Application (BLA) for Prochymal to the Food and Drug Administration (FDA).
- Received \$1.5 million in milestone payments from the Juvenile Diabetes Research Foundation (JDRF) and completed enrollment of the 63 patient Phase II type 1 diabetes trial.
- Published positive data in the *Journal of the American College of Cardiology* demonstrating the safety and effectiveness of Prochymal in treating heart attack patients.
- Earned and received the full \$85.0 million proceeds on the sale of Osteocel.
- Created a new Biosurgery division focused on developing high-end biologic products for use in surgical procedures.
- Reported 6month interim data in Phase II COPD trial. Pulmonary function was not improved, however systemic inflammation was reduced over placebo.
- Treated the first patient in a large, 220 patient Phase II trial for acute myocardial infarction.
- Discontinued enrollment in the Phase III Crohn's disease study due to a possible trial design flaw resulting in significantly higher than expected placebo response rates.

Outlook and risk

Osiris is reasonably well-positioned to successfully commercialize the world's first stem cell drug, Prochymal. The company is currently discussing the most appropriate and expeditious path forward with multiple regulatory agencies. While there can be no guarantees of approval prior to review by the agency, FDA has classified Prochymal for GvHD as both an Orphan Drug and Fast Track product candidate, allowing a rolling submission of Osiris' Biological License Application.

But there are certainly risks associated with the development of drug products. Approximately 50% of investigational drugs in Phase III clinical trials do not go on to receive FDA approval. In order to minimize these risks, Osiris has been working closely with FDA and other regulatory agencies by having discussions about the clinical data collected from rigorous, high-quality clinical trials evaluating Prochymal in patients with GvHD.

Please see Appendix I on page 56 for more information on the risk of Osiris Therapeutics.

Inflabloc Pharmaceuticals, Inc.

New Venturetec cost	USD 11.2 million
New Venturetec holding of Inflabloc	18.0%

Valuation as of March 31, 2010	USD 1.5 million
% of total investments as of March 31, 2010	2.5%

Company Profile

In 2009, Inflabloc Pharmaceuticals successfully advanced the lead drug candidate (IP-2001, an anti-cancer taxol derivative) through several important pre-clinical milestones including the analysis of the safety and efficacy of IP-2001 against multiple tumor models in rodents. The results demonstrate such promise that plans to scale up production of GMP-grade IP-2001 are now underway. Additionally, Inflabloc advanced the status of all programs necessary for filing an IND on IP-2001.

Prolexys Pharmaceuticals, Inc.

www.prolexys.com

New Venturetec cost	USD 15.0 million
New Venturetec holding of Prolexys	20.0%

Valuation as of March 31, 2010	USD 10.0 million
% of total investments as of March 31, 2010	16.4%

Company Profile

Prolexys Pharmaceuticals, Inc. is a biopharmaceutical company focused on discovery of small molecule drugs that act at novel therapeutic targets in cancer. The researchers at Prolexys have exploited proprietary proteomics-based techniques to rapidly and accurately identify drug candidates with anti-cancer activity. The result of targeted drug discovery work at Prolexys is a pipeline of small molecule drug candidates with acceptable market potential and high unmet medical need. PRLX 93936, currently in Phase 1 clinical trial, is the lead drug candidate that shows selective toxicity in patients with solid tumors that no longer respond to the approved standard of care drugs. In addition, Prolexys has created novel and selective small molecule candidates to treat colon cancer by targeting the beta-catenin signaling cascade.

Development

We have made great strides in understanding the mechanism of action. PRLX 93936 is a potent phosphatase inhibitor and the drug-responsive cells show sustained accumulation of the phosphorylated form of MKK4, JNK, and c-Jun; this phosphorylation pattern is not observed in treatment resistant cancer cells. Phospho-proteins of the JNK pathway are therefore candidates for biomarkers of PRLX 93936 efficacy. PRLX 93936 seems to be well tolerated up to the dose of 15 mg/m², a dose that produces significant anti-tumor activity in animal models of the disease. Interestingly, the 15 mg/m² dose, tolerated by humans, is higher than the MTD dose (12 mg/m²). PRLX 93936 shows high level of synergy with FDA approved drugs like Sutent, Irinotecan, Rapamycin, and Gemcitabine. Prolexys plans to continue the current Phase 1 study until the MTD dose is determined.

PRLX 93936 has been in Phase 1 trials since August 2007. Phase 1 trial is taking much longer than anticipated due to the fact that the first dose in humans was very low based on the Maximum Tolerated Dose (MTD) in the most sensitive animal species. The patient accrual has been slow because of the staggered dosing regimen. We have yet to pin-down the exact molecular mechanism of action. Although the mechanism of action of PRLX 93936 is unique the partners are hesitant to embrace this novel first-in-class molecule without clinical validation.

Market

Targeted therapies are the biggest selling class of cancer therapeutics. The 'big four' tumor types—breast, prostate, lung and colon are popular R&D targets with a large market size, followed by brain cancer, melanoma, ovarian cancer, pancreatic cancer and kidney cancer. PRLX 93936 shows robust activity against biological models representative of colon, lung, ovarian, kidney, and pancreatic cancer. In the current economic environment the potential Pharma partners are risk averse and therefore reluctant to license a drug (PRLX 93936) with no clear clinical proof-of-principle. There are multiple distinct classes of tumor-targeted agents under development. Therefore combination of drug molecules targeting a different tumor-relevant mechanism have been observed to result in superior efficacy compared to each of the single agent (Dancey & Chen, Nat Rev Drug Discov. 2006; 5: 649-59). Ras-targeted agent like PRLX 93936 in combination with a cytotoxic drug (such as Irinotecan), or a targeted agent (e.g. Sutent) directed towards another pathway such as EGFR is expected to produce robust and durable efficacy in the target tumor, or in a tumor type previously resistant to the standard of care drug. We plan to

combine PRLX 93936 with an appropriate approved drug in a Phase 1b/2a setting to identify the tumor types in which the combination agent can be safely administered.

Outlook and Risk

PRLX 93936 shows significant synergy with FDA approved drugs such as Irinotecan, Gemcitabine, Sutent, Gleevec, and Rapamycin. Therefore identification of the most suitable combination of PRLX 93936 with an approved drug in a relevant cancer is the fastest and cheapest way to generate the Phase 2a dataset that demonstrates clinical proof of concept and increases the valuation of the company and enables a rich Pharma partnership. If the current Phase 1 study permits administration of higher doses of PRLX 93936, consistent with tumor regression in animal models, Prolexys will design a single agent trial against Ras-active tumors from colon, pancreas, or lung. In course of the year our key goal will be to generate data that enables us to assess the feasibility of developing PRLX 93936 as a single agent and/ or as a combination with a standard of care drug. PRLX 93936 is a novel first-in-class small molecule, there is a high risk as with all first in class agents that the drug may show unexpected toxicity, or may fail to show requisite efficacy as a single or combination agent. As Prolexys is focussing on this leading molecule any failure in the clinical trials of PRLX 93936 would decrease the value of the Company radically if it would not force the Company into bankruptcy. Further, Prolexys is still dependent on new financings from investors. Any delay or negative development within the Company or the lack of interest from the capital market in the Company could strongly dilute the investment.

Healagenics, Inc.

www.healagenics.com

New Venturetec cost	USD 3.9 million	Valuation as of March 31, 2010	USD 1.3 million
New Venturetec holding of Healagenics	35.0%	% of total investments as of March 31, 2010	2.1%

Company Profile

Healagenics, Inc. advances the treatment of wounds by developing innovative products that promote healing and help return damaged tissue to its natural state. The company's initial product, the FDA cleared Healadex™ is the first to use porcine serum in moist wound dressings for the treatment of acute and chronic wounds. Healagenics continues to develop groundbreaking products for both physician use and over-the-counter sales. Founded in 2006, Healagenics is a privately held biomedical technology company headquartered in Woburn, Massachusetts.

The first clinical evaluation of Healadex , a 27 patient, multi center trial on patients with chronic ulcers of the lower limbs was completed in December, 2008. The product was evaluated for safety and clinical efficacy as determined by healing rates at two time points (4 and 12 weeks). There were no safety issues related to the product. The results for the percent of patients who achieved complete healing at 4 and 12 weeks were 31% and 63% respectively. These results are favorably compared to healing rates for more expensive, biologic and active therapies that are currently on the market.

Development

Healagenics was successful in obtaining the CE mark for Healadex which means that Healadex can now be sold commercially within the EU.

Market

The wound care market is very fragmented. Despite the availability of numerous products, care givers still search for safe, clinically and cost effective solutions to their wound healing needs.

Healadex®Wound Dressing provides a treatment alternative for patients suffering from chronic and acute wound injuries. Healagenics's proprietary technology (patent pending) is designed to provide an optimum wound healing environment for the "stalled" or chronic wound.

Outlook and risk

The Company is depending on the ability to find a commercial partner in order to accelerate sales of Healagenics products. The ability to build awareness and accelerate sales of the product is crucial for the success of the Company. Healagenics is not operating on a profitable basis and is therefore depending on external capital to fund its operation. The unavailability of funding may result in the bankruptcy of the Company or a massive dilution for the existing shareholders.

mPortal, Inc.

www.mportal.com

New Venturetec cost	USD 10.4 million	Valuation as of March 31, 2010	USD 14.9 million
New Venturetec holding of mPortal	39.0%	% of total investments as of March 31, 2010	24.6%

Company Profile

mPortal enables superior user experiences for discovery and download of content and applications on mobile devices.

mPortal provides the software infrastructure necessary for mobile service providers to create an end-to-end solution for the way in which consumers discover, download and purchase mobile content such as news, weather and infotainment, music and video or applications such as games, productivity/utility tools on their mobile devices. By providing both the software needed on the mobile device as well as the back end infrastructure for aggregating and delivering the various content and applications, mPortal provides a total solution to its customers.

Development

The Company has posted its first full year of profitable operations in 2009 and has sufficient cash reserves to fund its ongoing operations without the need for external capital investment. The Company has managed to continue to grow in the cable operator space and has successfully signed up the top three US cable companies – Comcast, Time Warner and Cox Communications as its customers. Additionally, the Company now has in place a multi-year agreement with annual license payments from Cricket Communications that covers a majority of the devices/subscribers of Cricket being enabled by the Company's software solutions.

Despite a long-term presence in India, the Company has been unable to move to a full-fledged global delivery model for its software business with all development and delivery being based out of India. While the Company has achieved success in developing and delivering software at a significant scale out of its India subsidiary it has not been able to reduce its dependence on US management involvement to the degree expected in 2009.

Market

The Company's target market is comprised of Service Providers who offer wireless products and services to end consumers. This market has grown in 2009 from being merely Mobile Operators to include Cable Operators, Media Companies, Internet Players as well as mobile Device Manufacturers. The Company continues to focus its efforts on the US market and has just started its initial exploration into specific international markets such as Canada and India on a customer-by-Customer basis.

While the Company has been able to grow and remain profitable in 2009 it does not expect the market conditions to improve dramatically in 2010 due to the lingering effects of the financial crisis. In order to maintain its growth trajectory, the Company is focusing on continuing to increase its revenues from its existing Mobile Operator customers while generating new revenue streams from several new customer segments such as Cable Operators, Media Companies and potentially Device Manufacturers.

Outlook and risk

The Company is in the early stages of a major growth phase in the mobile content and applications market which has been spurred on by new entrants such as Google and Apple as well as significant moves by Mobile Operators, Media Companies and Consumer Electronics companies who are all looking to capture a dominant position in the emerging mobile space.

In late 2010 the Company expects to move towards a SaaS (Software-as-a-service) business model that will enable it to have an ongoing and recurring revenue stream for its products and services. While the new business model is expected to slowly evolve over time the Company expects to make significant changes to its cost structure in order to conserve capital and allow a slow and steady ramp in revenues under the new business model in 2011.

The Company is starting to invest more in its India subsidiary and is looking to augment its management team in India with additional market facing and experienced software development managers. It expects 2010 to be a transition year for its India office as the Company invests more in India in the midst of a boom market for talent in India which is expected to make attracting and retaining talent a difficult task in 2010.

Invenda Corporation

www.invenda.com

New Venturetec cost	USD 32.8 million	Valuation as of March 31, 2010	USD 2.3 million
New Venturetec holding of Invenda	16.0%	% of total investments as of March 31, 2010	3.8%

Company Profile

Invenda, through its business unit ConsumerReview, is a publisher of niche web sites focused on product reviews by consumers and professional editors in the sports, recreation, electronics and auto industries. ConsumerReview currently consists of 10 web sites that in addition to reviews also provide community applications such as discussion forums, photo galleries and classifieds. With over 3 million monthly unique visitors, all of which is organic traffic (not purchased through advertising), an average time per visit of over 6 minutes its 2 leading sites, and approximately 80 additional domains that are currently not used, Invenda's ConsumerReview business unit is a publishing and advertising platform with high potential. Invenda is headquartered outside Washington D.C. with offices in the San Francisco Bay area.

Market

It is no longer a forecast that consumer's consumption habits will shift from traditional media to online media, and with it marketers will also shift more of their marketing budgets online. This is now a reality. A current key indicator is the decline of the readership of newspapers, and as a result the shutting down of several prominent papers' printing presses such as the Christian Science Monitor and the Seattle Post Intelligencer. These papers are now available only online. According to Forrester Research, digital marketing in the US is expected to continue to grow. The Company's ConsumerReview division provides interactive media services with solutions including online advertising and e-commerce links to over 200 advertisers. The value drivers in this business line include the cost effective content generation that results in growth in site traffic, page views, number of advertiser clients, and growth in e-commerce, among others.

Development

On April 16, 2010, Invenda completed the sale of its E-centives and Collabrys business units to Catalina Marketing Corporation in an all cash deal. The Company also retained licenses to its couponing patent portfolio as part of the deal. Catalina owns and operates the world's largest, transaction-level, shopper data warehouse, which powers media networks to intelligently connect CPG, health care and retailer marketers with specific audiences. Its media distribution channels include 50,000 food, drug and mass locations worldwide, including 18,000 U.S. pharmacies.

The Company's focus is now its ConsumerReview business and several new products related to cost effective content generation, social networking capabilities and mobile extensions.

While year over year ConsumerReview revenues declined slightly in 2009 due in large part to the economy, the visits to its leading Web sites MTBR.com (mountain bike review) and RoadBikeReview.com, which comprise over 70% of the sites' traffic, increased by 15% and 22% year over year respectively. Other sites' visits, such as PhotographyReview and GolfReview, also grew by approximately by over 12% and 10% respectively.

As part of its continued cost controls, the Company also transitioned its ad serving operations from a paid service provided by Atlas (a Microsoft company) to a free service provided by Google.

Outlook

There is no doubt that Internet advertising will continue its rapid growth as the economy recovers. Not only does Internet household penetration and broadband penetration continue to gain, mobile users and Internet access over mobile continues to increase momentum. All these statistics set the stage for the growth of content and advertising networks such as ConsumerReview.

New Venturetec Ltd., Zug
Review Report to the Board of Directors
Interim Consolidated Financial Statements
October 1, 2009 to March 31, 2010

Review Report to the Board of Directors of

New Venturetec Ltd., Zug

Introduction

We have been engaged to review the accompanying consolidated balance sheet of New Venturetec Ltd., Zurich as at March 31, 2010 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the interim consolidated financial statements). 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* and article 15 of the Directive on Financial Reporting issued by the SIX Swiss Exchange. 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 International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements 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, 2010, 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 15 of the Directive on Financial Reporting issued by the SIX Swiss Exchange.

Without qualifying our conclusion and according to 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 in note 8, unquoted investments amounting to USD 30,083,094 (49.1% of consolidated assets) as of March 31, 2010 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.

KPMG AG



Astrid Keller
Licensed Audit Expert



Alexander Fähndrich
Licensed Audit Expert

Zurich, May 10, 2010

Interim Consolidated Balance Sheet

	Note	March 31, 2010 (unaudited) USD	September 30, 2009 (audited) USD
Assets			
Cash and cash equivalents	6	9,433	774,140
Accounts receivable	7	353,990	353,990
Accrued income		43,250	28,250
Venture capital investments and notes receivable	8.1	300,000	300,000
Current assets		706,673	1,456,380
Venture capital investments and notes receivable	8.1	60,517,521	55,059,427
Non-current assets		60,517,521	55,059,427
Total assets		61,224,194	56,515,807
Liabilities and equity			
Accounts payable	13.3	565,742	0
Accrued management fees	10	53,092	1,000,787
Other accrued expenses		295,641	363,780
Loans payable to related parties	13.3	15,628,935	20,298,813
Bank loans payable	6	4,101,328	4,127,640
Current liabilities		20,644,738	25,791,020
Deferred tax liabilities	11	93,386	39,009
Non-current liabilities		93,386	39,009
Total liabilities		20,738,124	25,830,029
Share capital	9	43,302,813	43,302,813
Additional paid-in capital	9	56,490,811	51,520,777
Translation reserve		2,081,215	2,078,767
Accumulated deficit		(61,388,769)	(66,216,579)
Equity attributable to shareholders of New Venturetec		40,486,070	30,685,778
Total liabilities and equity		61,224,194	56,515,807
Number of shares outstanding		5,000,000	5,000,000
Net asset value per share		8.10	6.14

**Interim Consolidated Statement of
Comprehensive Income
for the six months ended March 31,**

	Note	2010 (unaudited) USD	2009 (unaudited) USD
Income			
Gains on venture capital investments	8.3/8.4	5,328,094	0
Interest income		15,007	160,266
		5,343,101	160,266
Expenses			
Losses on venture capital investments	8.3/8.4	0	(50,541,880)
Management fees	10	(150,558)	(753,610)
Interest on loans from third and related parties	13.3	(298,672)	(357,946)
General and administrative expenses		(199,869)	(227,207)
Bank charges		(548)	(243)
Net foreign exchange loss		188,733	110,214
		(460,914)	(51,770,672)
Profit/(loss) before tax		4,882,187	(51,610,406)
Income tax expense	11	(54,377)	156,808
Profit/(loss) for the period attributable to shareholders		4,827,810	(51,453,598)
Translation adjustment		2,448	3,783
Other comprehensive income		2,448	3,783
Total comprehensive income/(loss) for the period attributable to shareholders		4,830,258	(51,449,815)
Weighted average number of shares outstanding during the year		5,000,000	5,000,000
Basic and diluted profit/(loss) per share		0.97	(10.29)

**Interim Consolidated Statement of Changes in Equity
for the six months ended March 31, 2010 and 2009 (unaudited)**

	Share capital (note 9) USD	Additional paid-in capital (note 9) USD	Translation reserve USD	Accumu- lated deficit USD	Total equity attributable to shareholders of New Venturetec USD
Balance as of 30.9.2008	43,302,813	51,520,777	2,114,052	28,388,187	125,325,829
Translation adjustment	0	0	3,783		3,783
Total other comprehensive income	0	0	3,783	0	3,783
Loss for the period	0	0		(51,453,598)	(51,453,598)
Total comprehensive loss	0	0	3,783	(51,453,598)	(51,449,815)
Balance as of 31.3.2009	43,302,813	51,520,777	2,117,835	(23,065,411)	73,876,014
Balance as of 30.9.2009	43,302,813	51,520,777	2,078,767	(66,216,579)	30,685,778
Translation adjustment	0	0	2,448		2,448
Total other comprehensive income	0	0	2,448	0	2,448
Profit for the period	0	0		4,827,810	4,827,810
Total comprehensive income	0	0	2,448	4,827,810	4,830,258
Waiver of management fees (converted and accrued)	0	4,970,034	0	0	4,970,034
Balance as of 31.3.2010	43,302,813	56,490,811	2,081,215	(61,388,769)	40,486,070

**Interim Consolidated Cash Flow Statement
for the six months ended March 31,**

		2010 (unaudited)	2009 (unaudited)
	Note	USD	USD
Management fees paid		(97,466)	0
Payments for general and administrative expenses		(260,869)	(227,502)
Bank charges		(548)	(243)
Other income received in cash		7	0
Cash used in operating activities		(358,876)	(227,745)
Purchase of venture capital investments/notes rec.	8.3/8.4	(130,000)	(1,300,000)
Interest received		0	45,844
Cash used in investing activities		(130,000)	(1,254,156)
Redemption of bank loans	6	(300,000)	0
Increase of bank loans	6	284,630	1,400,000
Interest paid		(263,403)	(38,226)
Cash (used in) / provided by financing activities		(278,773)	1,361,774
Exchange effect on cash and cash equivalents		2,942	(9,473)
Net change in cash and cash equivalents		(764,707)	(129,600)
Cash and cash equivalents at beginning of year	6	774,140	175,491
Cash and cash equivalents at end of period	6	9,433	45,891

Basis of the Consolidated Financial Statements

1 Principal activities

New Venturetec Ltd., Zug ("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 Zug in December 2008.

The consolidated financial statements as at and for the six months ended March 31, 2010, 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, 2010, the Company's venture capital investments and notes receivable are held via this subsidiary.

2 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as issued by the International Accounting Standards Board ("IASB") and comply with Swiss law and the accounting principles of the Additional Rules for the Listing of Investment Companies issued by 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 in 2010

The following new and revised Standards and Interpretations have been applied in these consolidated financial statements:

- IFRS 8 *Operating Segments* introduced the "management approach" to segment reporting. IFRS 8 requires segment information to be presented and disclosed based on the internal reports that are regularly reviewed by the Group's "chief operating decision maker" in order to access each segment's performance and to allocate resources to them (see also accounting policy 5i).
- Amendments to IFRS 7 *Financial Instruments: Disclosures* requires enhanced disclosures about fair value measurement and liquidity risk. The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorized as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments (additional disclosures in respect of fair values of financial instruments are included in note 4 and 8).
- Revised IAS 1 *Presentation of Financial Statements* introduced the terms "total comprehensive income", which represents changes in equity instruments with owners of equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income is presented in a single statement of comprehensive income.

3.2 New standards and interpretations issued but not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended March 31, 2010, and have not been applied in preparing these consolidated financial statements. None of these will have an impact on the consolidated financial statements of the Group with the exception of:

- IFRS 9 *Financial Instruments* deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value.
This standard is effective for annual periods beginning on or after January 1, 2013. The Group is currently in the process of evaluating the potential effect of this standard. The standard may potentially not have a significant impact on the Group's financial statements since the majority of the Group's financial assets are measured at fair value through profit or loss.

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

- The revisions to IAS 24 *Related Party Disclosures* clarifies that commitments to related parties should be disclosed as related party transactions. It also clarifies the status of a related party and disclosures necessary for subsidiaries of the reporting entity's associates and joint ventures as well as for governments and government-related entities. This standard is effective for annual periods beginning on or after January 1, 2011. The Group is currently assessing the impact of the revised IAS 24 on the disclosures in its consolidated financial statements.

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

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

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.

Investments in associates are accounted for as venture capital investments and carried at fair value through profit or loss (see accounting policy 5c) in accordance with revised IAS 28 *Investments in Associates* and revised IAS 39 *Financial Investments: Recognition and Measurement*.

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. Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated at the foreign exchange rate at the date the values are determined. 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 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 the income statement as part of the gain or loss on disposal.

Cash flows are translated at average rates. Foreign exchange differences on cash and cash equivalents are presented separately in the cash flow statement.

The following exchange rates were applied:

	Rate at balance sheet date			Average rate for the six months ended	
	31.03.10	30.09.09	31.03.09	31.03.10	31.03.09
1 USD to CHF	1.0540	1.0356	1.1394	1.0395	1.1523

c) Venture capital investments and notes receivable

The Group's investments (venture capital investments and notes receivable) relate to U.S. venture capital companies.

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

5 Summary of significant accounting policies (continued)

The notes receivable are classified as loans and receivables. The notes receivable are initially measured at fair value, plus transaction costs. Subsequent to initial recognition the notes are measured at amortized cost using the effective interest rate method, less any impairment losses. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal payments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Embedded derivatives are separated from the host contract and accounted for separately if:

- the economic characteristics and risks of the host contract and the embedded derivative are not closely related;
- a separate instrument with the same terms will meet the definition of a derivative; and
- the combined instrument is not measured at fair value through profit or loss.

Separable embedded derivatives are recognized initially at fair value. Changes in the fair value of separable embedded derivatives are recognized immediately 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 defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. 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 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.

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.

5 Summary of significant accounting policies (continued)

d) *Accounts receivable*

Accounts receivable relate to the sale of investments and are initially recognized at fair value, plus transaction costs, if any. Where an investment is sold and the settlement is deferred beyond normal credit terms, the proceeds recognized on the disposal are the present value of the anticipated future cash flows. A market related discount rate is used to discount the anticipated future cash flows. Subsequent to initial recognition, the accounts receivable are measured at amortized cost using the effective interest method, less any impairment losses.

e) *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.

f) *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 nominal amount.

g) *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.

h) *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.

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.

6 Cash and cash equivalents and bank loans payable

	31.03.2010	30.09.2009
	USD	USD
Cash at banks	9,433	774,140
Cash and cash equivalents	9,433	774,140

As of March 31, 2010, cash and cash equivalents are mainly held in USD. 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, 2010, the total amount of USD 3.2 million and CHF 0.95 million was utilized (September 30, 2009: USD 3.5 million and CHF 0.65 million), consisting of the following draw downs:

Draw down date	Amount	Int. Rate %	Maturity
27.01.10	CHF 950,000	0.900	27.04.10
27.01.10	USD 3,200,000	0.900	27.04.10

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 Management Agreement with Madison Partners SA the guarantee will be cancelled immediately and the bank loan would be due immediately.

7 Accounts receivable

Accounts receivables are as follows:

	31.03.2010	30.09.2009
	USD	USD
Receivables		
Due from third parties	453,990	453,990
Sales price adjustment on investment sold	(100,000)	(100,000)
Total account receivable	353,990	353,990

The amount due from third parties relates to 50% of the total sales price receivable from the purchaser for the disposal of the Wstore investment (sold on September 17, 2009). USD 453,990 is held in escrow in accordance with the share purchase agreement entered into between the purchaser of Wstore and the shareholders. This portion of the sales price to be paid by the purchaser is subject to sales price adjustments in accordance with the terms and conditions of the share purchase agreement. USD 100,000 was recognized in the previous financial year as an adjustment to the sales price which reflects the Board of Directors' best estimate of the ultimate sales price receivable.

The escrow amount has to be paid by the purchaser twelve months after closing the transaction.

8 Venture capital investments and notes receivable

8.1 Summary

	Note	31.03.2010 USD	30.09.2009 USD
Venture capital investments (original cost) ¹	8.4/8.3	100,056,956	99,926,956
Convertible notes receivable at amortized cost	8.4/8.3	300,000	300,000
Cumulative fair value adjustments ²	8.4/8.3	(39,539,435)	(44,867,529)
Total venture capital investments at fair value	8.4/8.3	60,817,521	55,359,427
Thereof current		300,000	300,000
Thereof non-current		60,517,521	55,059,427

As of March 31, 2010 and September 30, 2009, 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, 2010 and as of September 30, 2009

As of March 31, 2010, and as of September 30, 2009, the Group's venture capital investments in convertible notes receivable form part of the long term investment in the following company:

Company	Principal USD	Acquisition Date	Int. Rate %	Maturity	Amortized cost USD	Option original cost USD	Option at fair value USD
Healagenics	300,000	22.10.08	10	due ⁴	300,000 ³	0	0
Total					300,000	0	0

Healagenics is a privately held company and there is no market price for its shares. The fair value of the conversion option is considered immaterial.

Financial risk management: For the financial risk management refer to note 14.

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

² Cumulative fair value adjustments comprise of cumulative fair value adjustments of capital investments and of cumulative fair value adjustments of the option portion of convertible notes if any.

³ Presented as current assets as of 31.03.2010 and as of 30.09.2009.

⁴ New Venturetec is in the process of renegotiating the maturity of this note.

8 Venture capital investments and notes receivable (continued)

8.2 List of venture capital investments

	Approximate paid-in capital ¹		Approximate percentage held ¹	
	31.03.2010 USD million	30.09.2009 USD million	31.03.2010 %	30.09.2009 %
Biotechnology				
Osiris Therapeutics	273.0	273.0	13	13
Inflabloc Pharmaceuticals	p.m.	47.1	18	19
Prolexys Pharmaceuticals	1.9 ²	0.3	20 ²	25
Healagenics	10.1	10.1	35	35
Etex	n/a	n/a	n/a	n/a
Technology				
mPortal	17.7	17.7	39	39
Invenda	167.0 ³	142.8	16 ³	13

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 Prolexys conducted a capital increase in the reporting period.

³ Invenda conducted a capital increase in the reporting period.

8 Venture capital investments and notes receivable (continued)

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

	Cost 01.10.2008 USD	Additions USD	Disposals USD	Cost 31.03.2009 USD	Fair value 31.03.2009 USD
Biotechnology					
Osiris Therapeutics	24,445,687	21,892 ¹	0	24,467,579	57,315,554
Inflabloc Pharmaceuticals	11,199,254	0	0	11,199,254	5,388,116
Prolexys Pharmaceuticals	14,000,000	1,000,000	0	15,000,000	15,245,314
Healagenics	3,550,000	300,000	0	3,850,000	2,810,407
Etex	2,664,248	0	0	2,664,248	1
Technology					
mPortal	10,370,000	0	0	10,370,000	14,978,500
IPeria	21,620,430	0	(21,620,430) ²	0	0
Invenda	32,675,875	0	0	32,675,875	307,557
WStore	10,332,070	0	0	10,332,070	1,366,666
Total	130,857,564	1,321,892	(21,620,430)	110,559,026	97,412,115

¹ USD 21,892 related to interests on note receivable, accounted for as an addition to cost and interest income. No cash was involved in this transaction.

² Reflects write off due to insolvency of the company.

8 Venture capital investments and notes receivable (continued)

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

	Cumulative fair value adjustments 01.10.2008 USD	Gains USD	Losses USD	Decrease due to disposals ¹ USD	Cumulative fair value adjustments 31.03.2009 USD
Biotechnology					
Osiris Therapeutics	55,399,153	0	(22,551,178) ^{3,4}	0	32,847,975
Inflabloc Pharmaceuticals	(5,811,138)	0	0	0	(5,811,138) ⁵
Prolexys Pharmaceuticals	2,619,533	0	(2,374,219) ⁶	0	245,314
Healagenics	6,491,627	0	(7,531,220) ⁷	0	(1,039,593)
Etex	(2,664,247)	0	0	0	(2,664,247)
Technology					
mPortal	4,608,500	0	0	0	4,608,500 ⁸
IPeria	(9,488,836)	0	(12,131,594)	21,620,430 ²	0
Invenda	(30,514,649)	0	(1,853,669) ³	0	(32,368,318)
WStore	(4,865,404)	0	(4,100,000) ⁹	0	(8,965,404)
Total	15,774,539	0	(50,541,880)	21,620,430	(13,146,911)

¹ Generally, a positive amount reflects a cumulative loss on disposal of an investment and a negative amount a cumulative realized gain on disposal of an investment.

² Realized loss (write off) due to insolvency of company.

³ Based on quoted share price (SIX / Nasdaq)

⁴ This amount includes a loss of USD 776,809 related to the revaluation of the conversion option on the note receivable upon execution and a gain in the amount of USD 631'853 on the underlying note which was held at amortized cost.

⁵ Valuation adjusted in the fiscal year ended September 30, 2008. No further adjustments necessary.

⁶ Due to dilution.

⁷ Based on failure to achieve the business plan.

⁸ Valuation unchanged based on the achievement of business plan and profitable operation.

⁹ Based on failure to reach the budget and revenue forecast and a very unfavourable market environment.

8 Venture capital investments and notes receivable (continued)

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

	Cost 01.10.2009 USD	Additions USD	Disposals USD	Cost 31.03.2010 USD	Fair value 31.03.2010 USD
Biotechnology					
Osiris Therapeutics	24,467,579	0	0	24,467,579	30,734,427
Inflabloc Pharmaceuticals	11,199,254	0	0	11,199,254	1,500,000
Prolexys Pharmaceuticals	15,000,000	0	0	15,000,000	10,000,000
Healagenics	3,850,000	0	0	3,850,000	1,304,163
Etex	2,664,248	0	0	2,664,248	1
Technology					
mPortal	10,370,000	0	0	10,370,000	14,978,500
Invenda	32,675,875	130,000 ¹	0	32,805,875	2,300,430
Total	100,226,956	130,000	0	100,356,956	60,817,521

¹ Relates to note investment, which was subsequently converted into shares.

8 Venture capital investments and notes receivable (continued)

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

	Cumulative fair value adjustments 01.10.2009 USD	Gains USD	Losses USD	Increase due to disposals and write offs 31.03.2010 ¹ USD	Cumulative fair value adjustments 31.03.2010 USD
Biotechnology					
Osiris Therapeutics	3,193,406	3,073,442 ²	0	0	6,266,848
Inflabloc Pharmaceuticals	(10,121,631)	422,377 ³	0	0	(9,699,254)
Prolexys Pharmaceuticals	(5,000,000)	0	0	0	(5,000,000)
Healagenics	(2,545,837)	0	0	0	(2,545,837)
Etex	(2,664,247)	0	0	0	(2,664,247)
Technology					
mPortal	4,608,500	0	0	0	4,608,500
Invenda	(32,337,720)	1,832,275 ⁴	0	0	(30,505,445)
Total	(44,867,529)	5,328,094	0	0	(39,539,435)

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 achievement of milestones.

⁴ Based on external valuation due to acquisition discussions related to E-centives and Colabris business.

8 Venture capital investments and notes receivable (continued)

8.5 Fair value information

Valuation of financial instruments

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

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

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

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

Fair value of venture capital investments:

Venture capital investments for which fair values were:	31.03.2010		31.03.2009	
	USD	%	USD	%
- determined directly, in full or in part, by reference to published price quotations	30,734,427	51%	57,623,111	59%
- determined using valuation techniques ¹	30,083,094	49%	39,789,004	41%
Total carrying amount	60,817,521	100%	97,412,115	100%

The total amount of the change in fair value estimated using a valuation technique that was recognized in the income statement in the current period amounted to a net profit of USD 2,254,652 (prior year: net loss of USD 26,137,033).

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

Inflabloc: Inflabloc Pharmaceuticals successfully advanced the lead drug candidate (IP-2001, an anti-cancer taxol derivative) through several important pre-clinical milestones including the analysis of the safety and efficacy of IP-2001 against multiple tumor models in rodents. The Company licensed its program for further development out and is now holding the rights for any potential products which might successfully pass the clinical trials and hit the market. Through this transition Inflabloc is not dependent on any additional funding anymore. However, the company still bears the high risk of the failure of its program in the clinical trials, in which case the investment in Inflabloc would be lost. The current valuation is based on the DCF calculation model taking this risk into account.

Prolexys Pharmaceuticals: Prolexys makes slow progress in the Phase I clinical trial of the PRLX 93936 product for oncology applications. The clinical trials are slow but progressing from milestone to milestones. However, the development is strongly behind plan. Caused by the progress of the clinical phase I trial the valuation of the company increased due to slightly reduced discount factors in the DCF account model. It is anyway to be pointed out that the risk of a failure of the 93936 program is still significant.

Healagenics: Healagenics currently has one product on the market. The market penetration was very slow and the company strongly missed its revenue plans in 2009. The valuation based on DCF calculation has been supported by external valuations.

mPortal: The company increased its customer base and positioned itself well in the market place. The company reached the planned revenue numbers in 2009 and operates profitably. The valuation of the company which is based on DCF calculation model did not change in the reporting period. Free cash flow perspectives as well as discount rates were held stable.

Invenda: Invenda, which is held private after the delisting from the public market, progressed well in the past few month. Valuation of the company is based on external valuation based on M&A activities for its E-centives and Colabris business.

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

¹ Part of this value was determined using valuation techniques that are not supported by observable market prices or rates.

8.5 Fair value information (continued)

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 as of March 31, 2010

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Equity securities	30,734,427	0	29,783,094	60,517,521
Debt securities	0	0	300,000	300,000
Total	30,734,427	0	30,083,094	60,817,521

During the six months period ended March 31, 2010, an equity security with a carrying amount of USD 338,155 as of September 30, 2009 was transferred from Level 1 to Level 3 because this instrument was delisted and the public price quotation in an active market is no longer available.

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

	Total USD
Total as of October 1, 2009	27,360,287
Total gains and losses recognised in profit or loss included in	
- Gains on investments	2,254,652
- Losses on investments	0
Purchases	130,000
Transfers from Level 1 to Level 3	338,155
Total as of March 31, 2010	30,083,094

9 Share capital and capital management

9.1 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.

The share capital as of March 31, 2010 consisted of 5,000,000 bearer shares with a par value of CHF 12.50 each, fully paid in.

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 13. This transaction does not represent income for the Group and therefore it has been recognised directly in equity as part of additional paid-in capital.

9.2 Significant shareholders

The following is an overview of significant shareholders:

Company		
Bâloise-Holding, Basel	7.0 %	(350,000 shares)
Beamtenversicherungskasse of the Canton of Zurich	6.4 %	(320,000 shares)
Pensionskasse of Credit Suisse, Zurich	4.4 %	(219,702 shares)

9.3 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 Investment Manager 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 Investment Manager'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 is calculated by the Investment Manager 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 are converted into loans payable (see note 13.3).

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

Notes to the consolidated income statement**10 Management fees**

Upon mutual agreement between New Venturetec and the Investment Manager dated November 3, 2009, the Investment Management Agreement (see note 13) has been amended and the management fees payable to the Investment Manager have been reduced from 1.5% to 0.75% per annum on the Group's net asset value as estimated by the Investment Manager, starting October 1, 2009. Another 0.5% can be used for investor relation services and other external costs directly related to the investment management activities; such costs are presented under general and administrative expenses.

During the period under review and as of March 31, 2010, management fees in the amount of USD 150,558 (prior period: USD 753,610) were accounted for based on NAV calculations.

During the year under review, an amount of USD 97,466 related to ordinary management fees based on NAV calculations was paid in cash (prior period: nil).

Accrued management fees are as follows:

	Six months ended 31.03.2010 USD	Year ended 30.09.2009 USD
Management fees as of October 1,	1,000,787	1,259,532
Waiver of accrued management fees (see note 9)	(1,000,787)	0
Management fees for the current period	150,558	1,227,236
Management fees paid out	(97,466)	(226,449)
Converted into promissory notes	0	(1,259,532)
Total management fees accrued as of end of period	53,092	1,000,787

The accrued management fees become due within 3 business days from the date of a forced change of the Investment Manager.

The Investment Manager 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.

11 Income taxes

For the six months period ended March 31, 2010 and 2009, 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 5.9 million and is calculated at a tax rate of 7.83% of the tax loss carry forward of USD 74.8 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.

Deferred taxes arise only on the revaluation of investments and on the undistributed earnings of the Subsidiary. The related deferred tax liability and any changes thereto are debited or credited to deferred tax expense. They are calculated at 0.5%, which is the estimated tax rate on dividend income applicable to the Parent Company. A deferred tax expense of USD 54,377 was recognized in the income statement in the current period (prior period: deferred tax income USD 156,808).

Notes to the interim consolidated cash flow statement

12 Additional information on the cash flow statement

Composition of cash and cash equivalents:

See note 6.

Significant non-cash transactions:

Related to the six months period ended March 31, 2010

- In November 2009, the Investment Manager and Peter Friedli waived their rights to converted and accrued management fees in the amount of USD 4,970,034, which represents 50% of the converted and accrued management fees as due to the Investment Manager and Peter Friedli on September 30, 2009.
- Interest on loans payable to related parties in the total amount of USD 279,460 was accrued and did not result in any cash flow during the period under review.

Related to the six months period ended March 31, 2009

- As disclosed in notes 10 and 13.3 respectively, accrued management fees of USD 1,259,532 were converted into a loan payable to related party.
- Interest on loans payable to related party was accrued and did not result in any cash flow.
- Interests on notes receivable in the total amount of USD 114,422 were accrued or accounted for as an addition to costs and did not result in any cash flow.

Other notes

13 Related parties

13.1 Investment Manager

The Investment Manager of New Venturetec Ltd. is Madison Partners SA, Panama, with offices in the US. The Investment Manager provides management services to New Venturetec Ltd. under a separate Investment Management Agreement with specific responsibilities as regards to the selection, purchase, sale, structure and disposal of the Group's investments.

Mr. Peter Friedli is the Chairman of the Board of Directors and, through Friedli Corporate Finance, majority shareholder of Madison Partners SA 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 Chairmen of the Board of Directors of the Investment Manager of New Venturetec and other investment companies, he may be able to exercise significant influence or control over the Company's investees.

In addition to the management fees recognized in the income statement and disclosed in note 10, the agreement provides for a performance fee equal to:

- 12% of the percentage points exceeding 15% of the compounded annual return to investors calculated on the basis of the net asset value, multiplied by the net amount of "realized profit and loss"; or
- 12% of the net amount of "realized profit and loss", if the compounded annual return to investors is 20% or higher.

Such performance fee is payable annually based on the audited financial statements, if the conditions are met, in the form of shares of the Company, cash, or a combination thereof at the discretion of the Investment Manager. 94% of the performance fee is paid to the Investment Manager and 6% to the members of the Board of Directors (excluding Mr. Friedli).

For the six months period ended March 31, 2010 and 2009, no performance fees were accounted for or due.

13.2 Board of Directors

USD 48,100 were accrued as fees to the Board Directors for the period under review and USD 96,200 were paid out related to accrued fees for prior periods (2009: USD 45,995 accrued and USD 81,532 paid out).

13.3 Loans payable to related parties

All loans payable to related parties are entered into with Mr. Friedli, except for the 4 % secured promissory note for management fees "Madison".

Loans payable to related parties (including accrued interest)	31.03.2010	30.09.2009
	USD	USD
4% secured promissory note "Healagenics" ¹⁾	886,712	917,967
3% secured promissory note "Invenda" ²⁾	2,704,936	2,780,349
4% secured promissory note for management fees ³⁾	5,051,763	8,216,478
3% secured promissory note for performance fees ⁴⁾	6,985,524	7,074,934
4% secured promissory note for management fees "Madison" ⁵⁾	0	1,309,085
Total	15,628,935	20,298,813

- 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, for the purpose of financing the investment in Healagenics (see note 8). The original due date of June 30, 2004 was prolonged in June 2003 to June 30, 2006, in October 2004 to June 30, 2007 and in June 2006 to 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 3% secured promissory note payable to Mr. Friedli, with original due date on December 31, 2008, prolonged in February 2009 to November 30, 2009. On November 3, 2009, accrued interests (USD 48,073) were paid and the loan was converted into a 4% secured promissory note with due date on December 31, 2010.
- 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, for the purpose of financing part of the investment in Invenda (see note 8). The original due date of June 30, 2004 was prolonged in June 2003 to June 30, 2006, in October 2004 to June 30, 2007 and in June 2006 to 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, prolonged in February 2009 to November 30, 2009 and in November 2009 to December 31, 2010. Accrued interests up to November 3, 2009 in the amount of CHF 71,111 were paid.
- 3) With effect from December 31, 2007 accrued management fees in the amount of USD 7,679,749 were converted into a 4% secured promissory note payable to Mr. Friedli, due on June 30, 2009, prolonged in February 2009 to November 30, 2009. On November 3, 2009, Mr. Friedli waived his right to the loan in the amount of USD 2,709,715 (see also note 9). The remaining amount of USD 4,970,034 was converted with effect from November 3, 2009 into a 4% secured promissory note, due on December 31, 2010. Accrued interests up to November 3, 2009 in the amount of USD 565,742 remained unpaid and are presented as accounts payable.
- 4) 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, prolonged in February 2009 to November 30, 2009 and in November 2009 to December 31, 2010. Accrued interests up to November 3, 2009 in the amount of CHF 74,549 were paid out.
- 5) With effect from October 1, 2008 accrued management fees in the amount of USD 1,259,532 were converted into a 4% secured promissory note payable to Madison Partners SA, due on November 30, 2009. On November 3, 2009, Madison Partners SA waived its right to the loan in the amount of USD 1,259,532 (see also note 9). Accrued interests up to November 3, 2009 in the amount of USD 54,246 were paid.

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

If the General Assembly of the Company decides at any time to change the board of the Company or vote against the proposal of the board of the Company in order to elect directors other than the current members or to terminate the investment management agreement with Madison Partners SA, the Final Payment Amount shall be paid within five (5) days.

13.4 Related party transactions

- Regarding the waiver of management fees (converted and accrued) refer to note 9.
- The management fees for the period ended March 31, 2010 amounted to USD 150,558 of which USD 97,466 were paid out and USD 53,092 were accrued.
- Interest on loans to related parties in the amount of USD 242,442 were paid out in the reporting period.
- Board of Directors fees accrued from the fiscal year 2008/09 in the amount of USD 96,200 were paid out.

14 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.

14.1 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.

14.1.1 Equity price risk

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

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

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

Sensitivity analysis

If for Osiris Therapeutics the price quoted at the NASDAQ would have increased / decreased by 10% with all other variables held constant profit or loss would have been USD 3,070,000 higher/lower.

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.

14.1.2 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 income statement.

As of March 31, 2010 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, 2010	USD	CHF	EUR
Cash and cash equivalents	7,544	(9,570)	0
Account receivable	0	0	353,990
Other accrued expenses	0	(184,393)	0
Loans payable to related parties	0	(9,690,460)	0
Bank loans payable	0	(902,748)	0
Net exposure as of March 31, 2010	7,544	(10,787,171)	353,990

September 30, 2009

Cash and cash equivalents	7,574	84,310	0
Account receivable	0	0	353,990
Other accrued expenses	0	(236,823)	0
Loans payable to related parties	0	(9,855,283)	0
Bank loans payable	0	(628,843)	0
Net exposure as of September 30, 2009	7,574	(10,636,639)	353,990

Sensitivity analysis

A 10 percent strengthening of the USD against the CHF would have increased net profit by USD 963,000 (prior twelve months period ended September 30, 2009: USD 945,000). 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.

A 10 percent strengthening of the USD against the EUR would have decreased net profit by USD 32,000 (prior twelve months period ended September 30, 2009: USD 32,000). 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.

14.1.3 Interest rate risk

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

	Note	31.03.2010 USD	30.09.2009 USD
Fixed rate instruments			
Convertible notes receivable	8.1	300,000	300,000
Loans payable to related parties	13.3	15,628,935	20,298,813
Variable rate			
Cash and cash equivalents	6	9,433	774,140
Bank loan payable	6	4,101,328	4,127,640

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fix 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 twelve months period ended 30.9.2009: decreased USD 29,000). 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.

14.2 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, 2010 only cash and cash equivalents as disclosed in note 6, accounts receivables as disclosed in note 7 and other assets and convertible notes receivable as disclosed in note 8 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 by banks with a minimum credit rating of at least investment grade. The convertible notes are investments in companies for which New Venturetec has sufficient information for assessing the financial situation of the private equity company.

14.3 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. Part of the investment portfolio is invested in publicly traded companies and could be liquidated if required. Nevertheless, Peter Friedli is Chairman and a member of the Board of Directors of Osiris Therapeutics and therefore is 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:

31.03.2010 USD	Carrying amount	Less than 3 months	3 months to a year	1 year to 2 years	No maturity
Accounts payable	565,742	565,742	0	0	0
Accrued management fees	53,092	53,092	0	0	0
Other accrued expenses	190,853 ¹	190,853	0	0	0
Loans payable to related parties	15,628,935	0	16,014,234	0	0
Bank loans payable	4,101,328	4,101,328	0	0	0
Total	20,539,950	4,911,015	16,014,234	0	0

30.09.2009 USD	Carrying amount	Less than 3 months	3 months to a year	1 year to 2 years	No maturity
Accrued management fees	1,000,787	1,000,787	0	0	0
Other accrued expenses	245,059 ¹	245,059	0	0	0
Loans payable to related parties	20,298,813	20,408,085	0	0	0
Bank loans payable	4,127,640	4,130,961	0	0	0
Total	25,672,299	25,784,892	0	0	0

¹ The difference to the amount stated in the balance sheet relates to accruals for taxes.

14.4 Categories of financial instruments and fair value

	31.03.2010		30.09.2009	
	Carrying	Fair value	Carrying	Fair value
	amount	USD	amount	USD
	USD	USD	USD	USD
Cash and cash equivalents	9,433	9,433	774,140	774,140
Accounts receivable	353,990	353,990	353,990	353,990
Convertible notes receivable	300,000	300,000	300,000	300,000
Total loans and receivables	653,990	653,990	653,990	653,990
Venture capital equity investments	60,517,521	60,517,521	55,059,427	55,059,427
Total designated at fair value through profit or loss	60,517,521	60,517,521	55,059,427	55,059,427
Accounts payable	565,742	565,742	0	0
Accrued management fees	53,092	53,092	1,000,787	1,000,787
Other accrued expenses	190,853 ¹	190,853	245,059 ¹	245,059
Loans payable to related parties	15,628,935	15,483,785	20,298,813	19,375,177
Bank loan payable	4,101,328	4,101,328	4,127,640	4,127,640
Total financial liabilities at amortized cost	20,539,950	20,394,800	25,672,299	24,748,663

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 2010 and 2009.

15 Subsequent events

The consolidated interim financial statements were authorized for issue by the Board of Directors on May 10, 2010.

Effective April 16, 2010 Invenda sold its E-centives and Colabris business units. New Venturetec received redemption for its holding of Series B preferred shares of Invenda in the amount of USD 1.3 million on April 20, 2010.

The Board of Directors is not aware of any further events between March 31, 2010 and May 10, 2010, which would require adjustment to the carrying amounts of the Group's assets and liabilities as of March 31, 2010 or would require disclosure under this heading.

¹ The difference to the amount stated in the balance sheet relates to accruals for taxes.

Appendix I

Risk Factors Osiris Therapeutics

Source: Osiris Therapeutics 10K form December 31, 2009

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, 2009, we had an accumulated deficit of \$260.3 million. These losses resulted principally from costs incurred in our research and development programs and from our general and administrative expenses. These losses, among other things, have had and will continue to have an adverse effect on our stockholders' equity, total assets and working capital.

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

- complete our Phase III clinical trials for Prochymal for GvHD and Crohn's disease;
- complete our Phase II clinical trial for Prochymal for cardiac indications, and, if supported by the Phase II clinical trial, initiate Phase III clinical trials;
- complete our Phase II clinical trial for Prochymal for type 1 diabetes, and, if supported by the Phase II clinical trial, initiate Phase III clinical trials;
- complete our animal studies for Prochymal for acute radiation syndrome, and, if supported by the preclinical studies, initiate further studies;
- maintain, expand and protect our intellectual property portfolio; and
- add operational, financial, accounting, facilities engineering and information systems personnel, consistent with expanding our operations and our status as a public company.

In addition, during 2008 we sold our Osteocel business unit, including our only commercially available product. While we expect to achieve commercialization of at least some of our other products, there can be no assurances when, or if, we will be able to do so.

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 recent tightening of global credit and the 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.

If we are not able to recruit and retain qualified management and scientific personnel, we may fail in developing our technologies and biologic drug candidates.

Our future success depends to a significant extent on the skills, experience and efforts of the principal members of our scientific, management and sales personnel. These members include C. Randal Mills, Ph.D., Michelle L. Williams, Ph.D., Philip R. Jacoby, Jr., and Lode Debrabandere Ph.D. 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 have entered into employment agreements with Dr. Mills and Dr. Debrabandere. The existence of an employment agreement does not, however, guarantee retention of these employees, and we may not be able to retain those individuals for the duration of or beyond the end of their respective terms. Except for Dr. Mills and 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.

If the potential of our stem cell therapies to treat diseases is not realized, the value of our technology and our development programs could be significantly reduced.

The potential of our stem cell therapies to treat diseases is currently being explored by us. We have not proven in clinical trials that our stem cell therapies will be a safe and effective treatment for any disease. Our stem cell therapies are susceptible to various risks, including undesirable and unintended side effects, unintended immune system responses, inadequate therapeutic efficacy or other characteristics that may prevent or limit their marketing approval or commercial use. We have not yet completed all of the testing necessary to allow us to make a determination that serious unintended consequences will not occur. If the potential of our stem cell therapies to treat disease is not realized, the value of our technology and our development programs could be significantly reduced. Because our biologic drug candidates are based on MSCs, any negative developments regarding the therapeutic potential or side effects of MSCs 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 therapeutics creates significant challenges in regards to product development and optimization, manufacturing, government regulation, third-party reimbursement and market acceptance. For example, the FDA has relatively limited experience with stem cell therapies. None has been approved by the FDA for commercial sale, and the pathway to regulatory approval for our biologic drug candidates may accordingly be more complex and lengthy. Additionally, stem cells are subject to donor-to-donor variability, which can make standardization more difficult. As a result, the development and commercialization pathway for our therapies may be subject to increased uncertainty, as compared to the pathway for new conventional drugs.

There are no FDA approved treatments for some of the disease indications we are pursuing. This could complicate and delay FDA approval of our biologic drug candidates.

There are no drugs or therapies currently approved with stated indications for the first-line treatment of acute GvHD or the treatment of steroid refractory GvHD. As a result, the clinical efficacy endpoints, or the criteria to measure the intended results of treatment, for our biologic drug candidate Prochymal for the treatment of GvHD may be difficult to determine. In addition, patients battling GvHD and who, therefore, are candidates for treatment with Prochymal, are typically very ill as a result of an underlying genetic or oncologic condition. Due to the graveness of their underlying disease and the very serious complications and disorders that often accompany acute GvHD, many of these patients will die from causes other than GvHD prior to the completion of the study even if their GvHD responds favorably to treatment with Prochymal. The resulting reduction in the number of patients available for evaluation at the end of the study may make it more difficult for us to demonstrate efficacy, as necessary to obtain FDA approval to market Prochymal for commercial sale.

There are also no drugs or therapies currently approved with stated indications for the repair of heart muscle following heart attack. As a result, the clinical endpoints for our biologic drug candidate Prochymal for cardiac indications may be difficult to determine. In the case of Prochymal for the treatment of Crohn's disease, there are other products approved for the treatment of this disease, so it is expected that the clinical efficacy endpoints for Prochymal for this indication will be established by comparison with these already approved treatments. In order to obtain FDA approval for any indication, we will have to demonstrate, among other things, that our biologic drug candidate is safe and effective for that indication. The results of our clinical trials must be statistically significant, meaning that there must be sufficient data to indicate that it is unlikely the outcome occurred by chance. These challenges may prevent us from developing and commercializing products on a timely or profitable basis, or at all.

Our biologic drug candidates represent new classes of therapy that the marketplace may not understand or accept.

Even if we successfully develop and obtain regulatory approval for our biologic drug candidates, the market may not understand or accept them. We are developing biologic drug candidates that represent novel treatments and will compete with a number of more conventional products and therapies manufactured and marketed by others, including major pharmaceutical companies. The degree of market acceptance of any of our developed and 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 demonstrate that Prochymal can have a clinically significant effect, initially on steroid refractory GvHD and acute GvHD, and then also the other indications for which we seek approval;
- our ability to separate ourselves from the ethical controversies associated with stem cell drug candidates derived from human embryonic or fetal tissue;
- ethical controversies that may arise regarding the use of stem cells or human tissue of any kind, including adult stem cells, adult bone marrow and other adult tissues derived from donors;

- adverse events involving our biologic drug candidates or the products or product candidates of others that are stem cell 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 of our biologic drug candidates, or any of our other potential stem cell therapeutics, will depend on obtaining reimbursement from third-party payors.

If we successfully develop and obtain necessary regulatory approvals, we intend to sell our biologic drug candidates initially in the United States and Canada. In the United States, the market for any pharmaceutical 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. Stem cell therapies like Prochymal and Chondrogen may be expensive compared with standard pharmaceuticals, due to the higher cost and complexity associated with the research, development and production of stem cell therapies, the small size and large geographic diversity of the target patient population for some indications, and the complexity associated with distribution of stem cell therapies which require 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 potential 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. For example, patients battling GvHD and who, therefore, are candidates for treatment with Prochymal, are typically very ill as a result of an underlying genetic or oncologic condition. Because these patients have a low probability of survival (whether or not their GvHD is successfully treated), third-party payors may resist reimbursing the cost of treatment.

In some of the other countries in which we or other entities with which we collaborate, including Genzyme Corporation, may seek to market our products, the pricing of prescription pharmaceutical products and services and the level of government reimbursement are subject to governmental control. In these countries, pricing negotiations with governmental authorities can take six to twelve months or longer after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we or our collaborators may be required to conduct one or more clinical trials that compare the cost effectiveness of our biologic drug candidates or products to other available therapies. Conducting one or more additional clinical trials would be expensive and result in delays in commercialization of our products.

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 legislation should impact our business, we might 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 a limited supply of bone marrow donors and biologics growth media may impact our ability to produce sufficient quantities of our biologic drug candidates as necessary to complete our clinical trials, and if our trials are successful, to meet product demand.

The population of acceptable bone marrow donors is limited to volunteers between the ages of 18 and 30. In addition, potential donors are prescreened for a variety of health conditions and are only allowed to donate bone marrow a total of six times in their lifetime, further limiting the total number of potential donors. The amount of bone marrow donated may be insufficient for us to mass produce our biologic drug candidates. In addition, the expansion of MSCs through our proprietary manufacturing methods utilizes biologic growth media which may be in limited supply. Future government regulation or health concerns may also reduce the number of donors or otherwise limit the amount of bone marrow available to us. If we cannot secure quantities of bone marrow or biologic growth media sufficient to meet the manufacturing demands for our clinical trials, we might not be able to complete our clinical trials and obtain marketing approval for our biologic drug candidates. Moreover, even if our clinical trials are successful and we obtain marketing approval for our biologic drug candidates, our inability to secure enough bone marrow to meet product demand would limit our potential revenues.

Our biologic drug candidates are derived from human bone marrow sources and therefore have the potential for disease transmission.

The utilization of donated bone marrow 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 and bone marrow 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 market our products, which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to manufacture our biologic drug candidates in quantities sufficient for later stage clinical studies or for commercial sale.

If we successfully obtain marketing approval for one of our biologic drug candidates, we may not be able to produce sufficient quantities of the product at an acceptable cost. Commercial-scale production of therapies made from live human mesenchymal stem cells involves production in small batches and strict adherence to complex manufacturing and storage protocols and procedures. Our biologic drug candidates are inherently more difficult to manufacture at commercial-scale than chemical pharmaceuticals, which are manufactured using precise chemical formulations and operational methods.

We 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. For example:

- we are party to a Collaboration Agreement with Genzyme Corporation for the development and commercialization of Prochymal and Chondrogen outside the United States and Canada for certain indications, and with the potential for the development and commercialization of these product candidates for additional indications in the future;
- we have a collaboration with JCR Pharmaceuticals Co., Ltd. granting to JCR an exclusive right to Prochymal for the treatment of GvHD in Japan; and
- we have a collaboration with Genzyme Corporation to develop effective countermeasures to nuclear terrorism and other radiological emergencies. The initial focus of the collaboration is to develop Prochymal to treat the potentially lethal complications of acute radiation syndrome.

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

We 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.

Two of our most significant collaborative arrangements are with Genzyme Corporation, and our ultimate success may depend upon performance on the part of Genzyme and the success of these collaborations.

We are party to two collaborative arrangements with Genzyme, one for the development and commercialization of Prochymal and Chondrogen outside the United States and Canada for certain indications, and the other to develop effective countermeasures to nuclear terrorism and other radiological emergencies. These collaborations are subject to all of the risks and uncertainties applicable to collaborative arrangements generally, including those described above. In addition, these collaborations are subject to a number of risks and uncertainties specific to the transactions and the parties.

Under our collaborative arrangement with Genzyme for commercialization of Prochymal and Chondrogen outside the United States, Genzyme agreed to make two up front payments to us totaling \$130.0 million, which have been received. In addition, we have the opportunity to earn up to an additional \$1.25 billion in milestone payments pursuant to this collaboration. Receipt of these additional milestone payments is conditioned upon the achievement of the applicable development, regulatory and sales milestones, all of which are subject to all of the risks and uncertainties otherwise applicable to our business, including the success of Prochymal and Chondrogen. Genzyme has the right to terminate the collaboration at any time after July 1, 2009. Genzyme also has the right to "opt-out" of further participation with regard to Chondrogen development, whereupon all rights to Chondrogen will revert to us, but our opportunity to earn Chondrogen-related development, regulatory and sales milestones of up to approximately \$500.0 million will cease. The success of this collaboration for us will in part be dependent upon Genzyme, including determinations regarding the exercise of its termination and opt-out rights, and its success in obtaining timely regulatory approvals for the marketing of products outside of the United States, and ability to generate sales sufficient to trigger milestone and royalty payments to us.

Under our collaborative arrangement with Genzyme for the development of effective countermeasures to nuclear terrorism and other radiological emergencies, we were awarded in January 2008 a contract from the U.S. Department of Defense to develop and supply Prochymal for ARS. We are carrying out this contract in partnership with Genzyme, with us contributing Prochymal and our corresponding safety and advocacy database to the effort, and with Genzyme lending its mass product development and large scale commercialization expertise.

Genzyme has significantly greater resources than we do, and these collaborations are not as core to its business, as they are to ours. We are dependent upon Genzyme's continued performance under these collaborations, and any determination by Genzyme not to proceed or perform, or any material adverse event that affects Genzyme's ability or desire to perform, under either of these collaborations may have a material adverse effect on our business.

We are currently dependent upon third-parties for services and raw materials needed for the manufacture of our biologic drug candidates, and if these products are successfully commercialized, may become dependent upon third-parties for their distribution. 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.

In order to produce our biologic drug candidates for use in clinical studies, and to produce any of our biologic drug candidates that may be approved for commercial sale, we require biological media, reagents and other highly specialized materials. This is in addition to the bone marrow aspirate used in the manufacture of our biologic drug candidates. 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. Our requirements for these items are expected to increase if and when we transition to the manufacture of commercial quantities of our biologic drug candidates.

In addition, as we proceed with our clinical trial efforts, we must be able to demonstrate to the FDA that we can manufacture our biologic drug candidates with consistent characteristics. Accordingly, we are materially dependent on these suppliers for supply of cGMP-grade components of consistent quality. Our ability to complete ongoing clinical trials may be negatively affected in the event that we are forced to seek and validate a replacement source for any of these critical components. If we are not able to obtain adequate supplies of these items of consistent quality from our third-party suppliers, it will also be more difficult to manufacture commercial quantities of our biologic drug candidates that are approved for commercial sale.

In addition, if commercial sale of our biologic drug candidates is approved, we intend to rely on third parties for their distribution. 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.

Use of third-party manufacturers may increase the risk that we will not have adequate quantities of our biologic drug candidates.

We use third-party manufacturers to supply our biologic drug candidates for clinical trials. Reliance on third-party manufacturers 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, seizures or recalls of biologic drug candidates or our other products, operating restrictions and criminal prosecutions. Any of these actions could significantly and adversely affect supplies of our biologic drug candidates or other products and could have a material adverse effect on our business, financial condition and results of operations.

We have contracted with Lonza to manufacture quantities of our stem cell drug candidates for our clinical trials. If Lonza is unable to increase production sufficiently, we may also not be able to meet anticipated market demand in the future.

If our processing and storage facility or our clinical manufacturing facilities 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 units of our biologic drug candidates and it would force us to halt our clinical trial processes.

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 \$19.4 million against damage to our property and equipment, an additional \$4.0 million to cover business interruption and extra expenses, and \$5.6 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 stem cell therapy or human tissue may negatively affect public perception of us or our products or biologic drug candidates, or may negatively affect regulatory approval of our products or biologic drug candidates, thereby reducing demand for our products and adversely affecting the market price for our common stock.

The commercial success of our biologic drug candidates will depend in part on general public acceptance of the use of stem cell therapy for the prevention or treatment of human diseases. The use of embryonic stem cells and fetal tissue for research and stem cell therapy has been the subject of substantial national and international debate regarding related ethical, legal and social issues. In the U.S., for example, until March 2009, federal government funding of embryonic stem cell research was limited to specifically identified cell lines and was not otherwise available. 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 adult stem cells from the use by others of embryonic stem cells or fetal tissue. This could result in a negative perception of our company or our products or biologic drug candidates.

We may obtain stem cells from volunteer adult bone marrow donors from non-profit organizations that collect and process tissue donations. Bone marrow donors receive payment, but ethical concerns have been raised by some about the use of donated human tissue in a for-profit setting, as we are doing.

Future adverse events in the field of stem cell therapy or changes in public policy could also result in greater governmental regulation of our biologic drug candidates and potential regulatory delays relating to their testing or approval.

We may eventually compete with other companies for product sales. Many of these 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, and we may not compete successfully with them.

In the marketplace, we compete or may eventually compete with other companies and organizations that are marketing or developing therapies for our targeted disease indications, based on traditional pharmaceutical, medical device or other, non-cellular therapy and technologies. These include: Novartis, the manufacturer of Neoral® for the prevention of organ rejection in transplant patients, which would compete with Prochymal for the treatment of GvHD; and Johnson & Johnson, the manufacturer of Remicade®, and Abbott, the manufacturer of Humira®, which would compete with Prochymal for the treatment of Crohn's disease. In addition to those listed above, we have other potential competitors developing a variety of therapeutics.

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 sales, 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 stem cell therapies 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 manufacturing process is complex, and the handling requirements are specific, all of which increase the likelihood of quality failures and subsequent product liability claims. We will need to increase our insurance coverage if and when we begin commercializing our biologic drug candidates. 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.

By completing the sale of our Osteocel business, we sold the assets that produce our only currently commercialized product.

Pursuant to the asset purchase agreement with NuVasive, Inc., we sold our entire product line relating to the processing, manufacturing, marketing and selling of Osteocel and Osteocel XO. Although we generate revenues from a variety of other sources, including collaborative agreements and a government contract, the Osteocel business that we sold to NuVasive included our only commercially available product.

Our long term business prospects will depend primarily on the success of our biologic drug candidates business.

Although we expect to continue to manufacture tissue based surgical biologic products in the future, our biologic drug candidate business will be the primary focus of our business. Our long term business prospects will, therefore, be dependent almost solely on the success of our biologic drug candidate business. This business is based on novel technologies and involves significant risks and challenges in regards to product development and optimization, manufacturing, government regulation, intellectual property, third-party reimbursement and market acceptance, among the other risks disclosed by us.

Risks Related to Intellectual Property

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.

Our success depends, in large part, on our ability to obtain and maintain intellectual property protection for our biologic drug candidates. 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. Our patents on MSC technology, in particular, cover mesenchymal stem cells and the therapeutic uses thereof. 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. For instance, one of our patents related to our MSC technology will expire in 2013 if no extensions are applied for and received. To the extent our biologic drug candidates based on that technology are not commercialized ahead of this date, to the extent we have no other patent protection on such products, or to the extent that regulatory or patent extensions are not granted, those products would not have the robust protection we currently expect to enjoy. The background technologies used in the development of our biologic drug candidates are known in the scientific community, and it is possible to duplicate the methods we use to create our biologic drug candidates.

If certain license agreements are terminated, our market exclusivity could be adversely affected.

We are a party to various agreements that give us rights to use specified technologies applicable to research, development and commercialization of our product candidates. If these agreements are voided or terminated, our product development, research and commercialization efforts may be altered or delayed. Certain aspects of our technology rely on patented inventions developed using university or other third party resources. The universities or third parties may have certain rights, as defined by law or applicable agreements, in such patents, and may choose to exercise such rights. If we fail to comply with any terms or provisions of these agreements, our rights could be

terminated. Currently, we are in compliance with the terms of all agreements, and we do not have any reason to believe that our rights might be terminated.

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.

Some aspects of our technology, especially regarding manufacturing processes, 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, including any biologic drug candidates or products resulting from these activities, 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. All of the issues described above could also impact our collaborators, which would also impact the success of the collaboration and therefore us.

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. For example, a patent that was granted to us in Europe for human mesenchymal stem cells in the cardiac context was opposed in the European Patent Office by two different companies. In 2008 we prevailed in an opposition before the European Patent Office against one patent related to the cardiac indications of Prochymal. Though we were successful in that particular case, the outcome of any future patent controversies is uncertain. 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 the 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 see 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 therapeutic 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 product candidates and systems and competitors who compete directly with us in the biopharmaceutical industry 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 other 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.

Risks Related to Regulatory Approval and Other Government Regulations

If we are not able to successfully develop and commercialize our biologic drug candidates and obtain the necessary regulatory approvals, we may not generate sufficient revenues to continue our business operations.

In order to generate sales revenue from our biologic drug candidates, we must conduct extensive preclinical studies and clinical trials to demonstrate that our biologic drug candidates are safe and effective and obtain required regulatory approvals. Our early stage biologic drug candidates may fail to perform as we expect. Moreover, our biologic drug candidates in later stages of development may fail to show the desired safety and efficacy traits despite having progressed successfully through preclinical or initial clinical testing. We will need to devote significant additional research and development, financial resources and personnel to develop commercially viable products and obtain the necessary regulatory approvals.

If our biologic drug candidates do not prove to be safe and efficacious in clinical trials, we will not obtain the required regulatory approvals. If we fail to obtain such approvals, we may not generate sufficient revenues to continue our business operations.

Even if we obtain regulatory approval of a product, that approval may be subject to limitations on the indicated uses for which it may be marketed. Even after granting regulatory approval, the FDA and regulatory agencies in other countries continue to review and inspect marketed products, manufacturers and manufacturing facilities, which may create additional regulatory burdens. Later discovery of previously unknown problems with a product, manufacturer or facility, may result in restrictions on the product or manufacturer, including a withdrawal of the product from the market. Further, regulatory agencies may establish additional regulations that could prevent or delay regulatory approval of our products.

We cannot market and sell our biologic drug candidates in the United States or in other countries if we fail to obtain the necessary regulatory approvals or licensure.

We cannot sell our biologic drug candidates until regulatory agencies grant marketing approval, or licensure. The process of obtaining regulatory approval is lengthy, expensive and uncertain. It is likely to take several years to obtain the required regulatory approvals for our lead stem cell biologic drug candidate, Prochymal, or we may never gain the necessary approvals. Any difficulties that we encounter in obtaining regulatory approval may have a substantial adverse impact on our operations and cause our stock price to decline significantly. Moreover, because our biologic drug candidates are all based on a single platform technology, MSCs, any adverse events in our clinical trials for one of our biologic drug candidates could negatively impact the clinical trials and approval process for our other biologic drug candidates.

To obtain marketing approvals in the United States for MSC products, for instance, we must, among other requirements, complete carefully controlled and well-designed clinical trials sufficient to demonstrate to the FDA that the biologic drug candidate is safe and effective for each disease for which we seek approval. Several factors could prevent completion or cause significant delay of these trials, including an inability to enroll the required number of patients or failure to demonstrate adequately that MSCs are safe, effective and potent for use in humans. Negative or inconclusive results from or adverse medical events during a clinical trial could cause the clinical trial to be repeated or a program to be terminated, even if other studies or trials relating to the program are successful. The FDA can place a clinical trial on hold if, among other reasons, it finds that patients enrolled in the trial are or would be exposed to an unreasonable and significant risk of illness or injury. If safety concerns develop, we or the FDA could stop our trials before completion. Some participants in our MSC clinical trial have experienced serious adverse events, seven of which have been determined to be possibly related to MSCs and one of which has been

determined to be probably related. A serious adverse event is an event that results in significant medical consequences, such as hospitalization, disability or death, and must be reported to the FDA. We cannot assure you that safety concerns regarding MSCs will not develop.

The pathway to regulatory approval for MSCs may be more complex and lengthy than for approval of a new conventional drug. Similarly, to obtain approval to market our stem cell products outside of the United States, we, together with our collaborative partners, will need to submit clinical data concerning our products and receive regulatory approval from governmental agencies, which in certain countries includes approval of the price we intend to charge for our product. We may encounter delays or rejections if changes occur in regulatory agency policies during the period in which we develop a biologic drug candidate or during the period required for review of any application for regulatory agency approval. If we are not able to obtain regulatory approvals for use of our biologic drug candidates under development, we will not be able to commercialize such products, and therefore may not be able to generate sufficient revenues to support our business.

If we are not able to conduct our clinical trials properly and on schedule, marketing approval by FDA and other regulatory authorities may be delayed or denied.

The completion of our clinical trials may be delayed or terminated 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.

Our development costs will increase if we have material delays in our clinical trials, or if we are required to modify, suspend, terminate or repeat a clinical trial. If we are unable to conduct our clinical trials properly and on schedule, marketing approval may be delayed or denied by the FDA.

We may not be able to secure and maintain research institutions to conduct our clinical trials.

We rely on research institutions to conduct our clinical trials. Specifically, the limited number of bone marrow transplant centers further heightens our dependence on such research institutions for our Phase III trials. Our reliance upon research institutions, including hospitals and clinics, provides us with less control over the timing and cost of clinical trials and the ability to recruit subjects. If we are unable to reach agreement with suitable research institutions on acceptable terms, or if any resulting agreement is terminated, we may be unable to quickly replace the research institution with another qualified institution on acceptable terms. We may not be able to secure and maintain suitable research institutions to conduct our clinical trials.

Final marketing approval of our biologic drug candidates by the FDA or other regulatory authorities for commercial use may be delayed, limited, or denied, any of which would adversely affect our ability to generate operating revenues.

Any of the following factors may cause final marketing approval for our biologic drug candidates to be delayed, limited or denied:

- our biologic drug candidates require significant clinical testing to demonstrate safety and effectiveness 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 may not agree with our interpretations;

- it may take many years to complete the testing of our biologic drug candidates, 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 a biologic drug candidate; or,
- commercialization may be delayed if the FDA requires us to expand the size and scope of the clinical trials.

If marketing approval for our biologic drug candidates is delayed, limited or denied, our ability to market products, and our ability to generate product sales, would be adversely affected.

Producing and marketing an approved drug or other medical product is subject to significant and costly post-approval regulation.

Even if approved for commercial sale, it is likely that Prochymal will receive conditional approval by the FDA, and we will be required to conduct Phase IV clinical trials to obtain full approval. Even if we obtain full approval of a product, that approval is subject to limitations on the indicated uses for which we can market it. After granting marketing approval, the FDA and regulatory agencies in other countries continue to review and inspect marketed products, manufacturers and manufacturing facilities, creating additional regulatory burdens. Later discovery of previously unknown problems with a product, manufacturer or facility may result in restrictions on the product or manufacturer, including a withdrawal of the product from the market. Further, regulatory agencies may establish additional regulations that could prevent or delay marketing approval of our products.

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.

We may not be able to obtain or maintain Orphan Drug designation for our biologic drug candidates.

Some jurisdictions, including the European Union and the United States, may designate drugs for relatively small patient populations as orphan drugs. Although the FDA and its European counterpart, the European Medicines Agency ("EMA") have designated Prochymal for the treatment of steroid refractory GvHD as an orphan drug, none of our other biologic drug candidates have received such designation. Orphan Drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process, but does make the product eligible for orphan drug exclusivity, reduced filing fees and specific tax credits. Generally, if a company receives the first marketing approval for a product with an Orphan Drug designation in the clinical indication for which it has such designation, the product is entitled to orphan drug exclusivity. Orphan drug exclusivity means that the health authorities will not approve another application to market the same drug for the same indication, except in limited circumstances, for a period of up to seven years in the United States and ten years in Europe. This exclusivity, however, could block the approval of our biologic drug candidates if a competitor obtains marketing approval before us. Even if we obtain orphan drug exclusivity for any of our biologic drug candidates, we may not be able to maintain it. For example, if a competitive product is shown to be clinically superior to our product, any orphan drug exclusivity we have will not block the approval of such competitive product.

The Fast Track designation for development of any of our products may not lead to a faster development or regulatory review or approval process, and it does not increase the likelihood the biologic drug candidate will receive marketing approval.

If a drug is intended for the treatment of a serious or life-threatening condition and the drug demonstrates the potential to address unmet medical needs for this condition, the drug sponsor may apply for FDA Fast Track designation for a particular indication. Marketing applications filed by sponsors of products in Fast Track development may qualify for priority review under the policies and procedures offered by the FDA, but the Fast Track designation does not assure any such qualification. Although we have obtained a Fast Track designation from the FDA for Prochymal for the treatment of GvHD and treatment refractory Crohn's disease, receipt of Fast Track designation may not result in a faster development process, review or approval compared to drugs considered for approval under conventional FDA procedures. In addition, the FDA may withdraw our Fast Track designation at any time. If we lose our Fast Track designation, the approval process may be delayed. In addition, our Fast Track designation does not guarantee that we will qualify for or be able to take advantage of the expedited review procedures and does not increase the likelihood that Prochymal will receive regulatory approval for the treatments of steroid refractory GvHD or Crohn's disease.

Risks Related to Government Contracts

Federal government spending priority or our relationships with the federal government may change in a manner that harms our business or prospects.

Our ability to successfully pursue and perform under development and purchase agreements with United States and Allied governmental agencies for countermeasures to nuclear terrorism and other radiological emergencies, including the contract awarded to us by the DoD for the development and stockpiling of Prochymal for the treatment of ARS, depends upon continued federal government expenditures on defense, emergency preparedness and other programs. These expenditures will likely fluctuate over time. While spending authorizations for defense and emergency preparedness related programs by the government have increased in recent years, and in particular after the 2001 terrorist attacks, future levels of expenditures and authorizations for these programs may decrease, remain constant or shift to program areas inapplicable to us. Our business, prospects, financial condition and/or operating results could be materially harmed by budgetary constraints affecting federal government spending generally, or specific departments or agencies in particular, and by changes in fiscal policies or available funding, or by changes in federal government programs or requirements or delays in government appropriations process. In addition, our business, prospects, financial condition and/or operating results could be materially harmed if we are suspended or disbarred from contracting with the federal government or a significant governmental agency, or our reputation or relationship with governmental entities is impaired, or the government otherwise declines to do business with us, or significantly decreases the amount of business it is willing to do with us.

Federal government contracts contain provisions that may be unfavorable to us.

Federal government contracts contain provisions, and are subject to laws and regulations, that give the government rights and remedies not typically found in commercial contracts. These provisions may allow the government to terminate existing contracts for convenience, as well as for default, to reduce or modify contracts or subcontracts, to cancel multi-year contracts or related purchase orders if funds for contract performance for any subsequent year become unavailable, to decline to exercise an option to renew a multi-year contract or to decline to purchase product pursuant to an option afforded under a contract. If the government terminates a contract for convenience, we may recover only our incurred or committed costs, settlement expenses and profit on the work completed prior to the termination. If the government terminates a contract for default, we may not recover even those amounts, and instead may be liable for excess costs incurred by the government in procuring undelivered items and services from another source.

Unfavorable federal government audit results could subject us to penalties or sanctions and could impair our ability to win new contracts.

The Defense Contract Audit Agency ("DCAA") and other government agencies routinely audit and investigate government contracts and systems. These agencies review a contractor's performance on its contract, cost structure and compliance with applicable laws, regulations and standards. The DCAA also reviews the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's accounting, purchasing, property, estimating, compensation and managing information systems. Allegations of impropriety or deficient controls could harm our reputation and/or adversely influence the award of new contracts. Any costs found to be improperly allocated to a specific contract will not be reimbursed, while such costs already reimbursed must be refunded. Therefore, a DCAA audit could result in a substantial adjustment to our revenue earned from federal government contracts.

The government may terminate our federal government contracts at any time.

Federal government contracts may span one or more base years and one or more option years, and may provide the government with one or more options in respect of continued performance by us thereunder. For example, our contract with the DoD for the development and stockpiling of Prochymal for the treatment of ARS provides the DoD with successive options for the purchase of Prochymal, assuming receipt of FDA approval for its use in the treatment of ARS. Federal government agencies have no obligation to exercise these options unless determined to be in the best interest of the government. Additionally, federal government contracts typically contain provisions permitting the government to terminate the contract for its convenience. A decision not to exercise an option or a decision to terminate a contract could have a material adverse effect on our business and prospects.

If we fail to comply with complex procurement laws and regulations, we could incur various penalties or sanctions.

To the extent which we enter into contracts or other arrangements with the United States or other Allied governments, we must comply with the laws and regulations relating to the formation, administration and performance of those contracts. These laws and regulations affect how we conduct business with our government contracts. In complying with these laws and regulations, we may incur additional costs and delays, and non-compliance may also allow for the assignment of additional fines and penalties, including contractual damages. Among these laws and regulations are the Federal Acquisition Regulations, which comprehensively regulate the formation, administration and performance of United States federal government contracts, the Truth in Negotiations Act, which requires certification and disclosure of all costs and pricing data in connection with contract negotiations, and laws, regulations and executive orders restricting the use and dissemination of information classified for national security purposes, and restricting the export of certain products and technical data. We are subject to periodic review of

our performance under and compliance with the terms of any federal government contracts to which we are a party. As a result of these reviews, we may learn that we are not in compliance with all of the terms of any such contracts and we could be subject to civil or criminal penalties or administrative sanctions for failure of compliance.

Risks Related to 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 of our biologic drug candidates or those of our competitors;
- regulatory developments in the United States and foreign countries;
- 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.

Concentration of ownership of our common stock among our existing executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.

Our executive officers, directors and beneficial owners of 5% or more of our common stock and their affiliates, in aggregate, beneficially own approximately 55% of our outstanding common stock as of December 31, 2009. 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.

Peter Friedli, our Chairman of the Board of Directors, and certain entities with which he is affiliated, beneficially own approximately 44% of our outstanding common stock as of December 31, 2009. Accordingly, Mr. Friedli currently has, and will continue to have, a significant influence over the outcome of all corporate actions requiring stockholder approval.

Certain provisions of Delaware 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 our certificate of incorporation and bylaws, and applicable provisions of Delaware corporate law, 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 provisions include:

- the ability of our Board of Directors to issue preferred stock with voting or other rights or preferences;
- the inability of stockholders to act by written consent;
- a classified Board of Directors with staggered three-year terms;
- requirements that special meetings of our stockholders may only be called by the chairman of our Board of Directors, upon request of stockholders holding at least 20% of our capital stock issued and outstanding, or upon a resolution adopted by, or an affirmative vote of, a majority of our 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.

We will also be afforded the protections of Section 203 of the Delaware General Corporation Law, which will prevent us from engaging in a business combination with a person who acquires at least 15% of our common stock for a period of three years from the date such person acquired such common stock, unless advance board or stockholder approval was obtained.

Any delay or prevention of a change of control transaction or changes in our Board of Directors or management could deter potential acquirers or prevent the completion of a transaction in which our stockholders could receive a substantial premium over the then current market price for their shares.