

HealthCap

September 2009

CONFIDENTIAL

STOCKHOLM SCIENCE CITY – WHO GETS FUNDED?

OVERVIEW OF HEALTHCAP

HealthCap – Leading the Nordic Life Science VC Industry

A Decade of VC Investing

- First closing of HealthCap I in 1996
- Final closing of HealthCap V in May 2007
- 88 initial investments whereof 33 start-ups
- Approximately 5,000 individuals employed in portfolio companies
- Largest Pool of Dedicated Capital
- ~EUR 800m under management in seven funds

Unique Resource Base

- Ten partners with extensive experience in science, academics, medicine, investment banking, venture capital and the pharmaceutical industry
- 5 MD PhDs

Strong Track Record

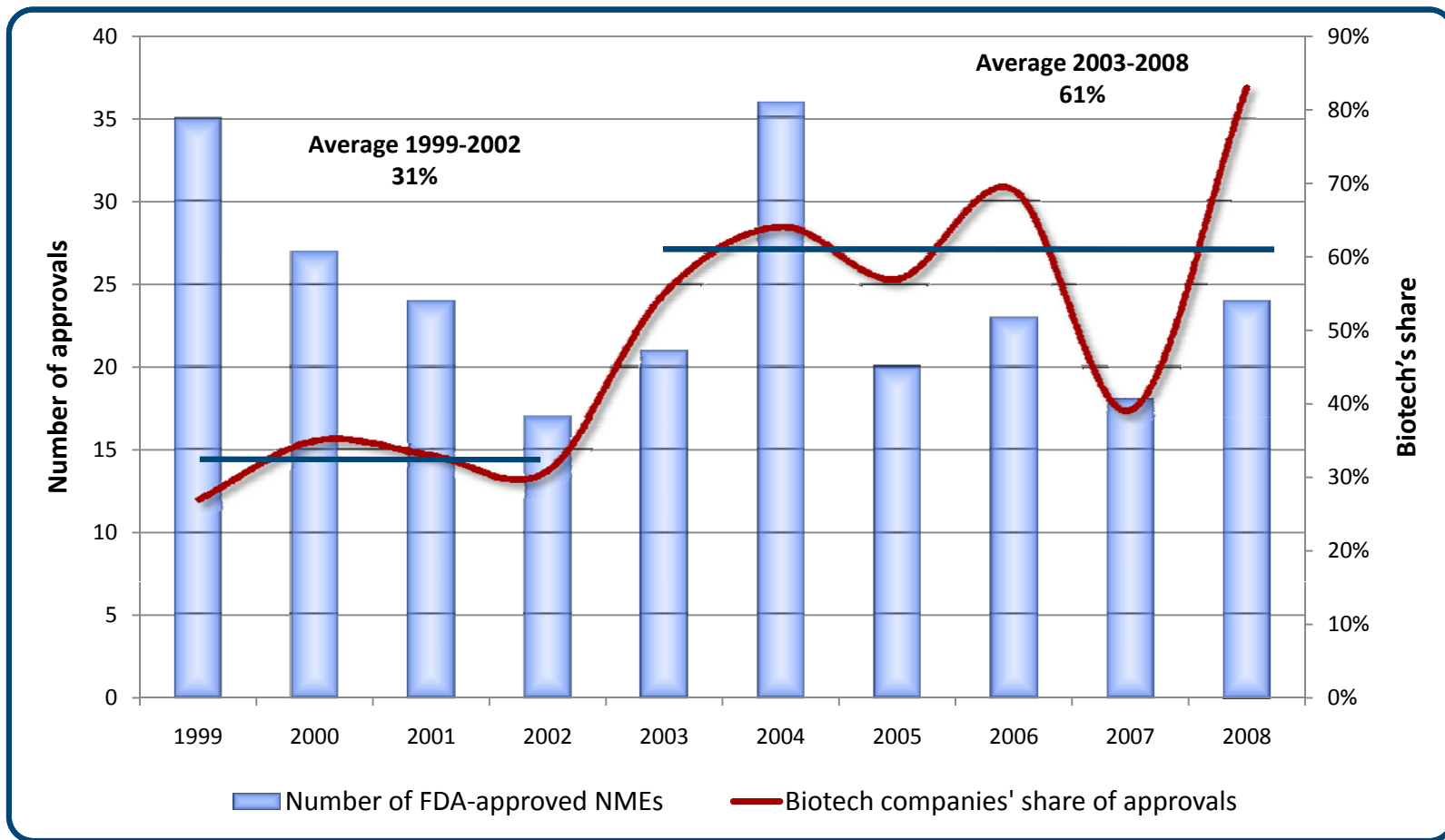
- 24 companies taken public on eight different markets
- 15 approved pharma products, approximately 40 marketed medtech products, and numerous lab supply products stemming from HealthCap companies
- More than 35 clinical trials started since January 2008 in HealthCap's portfolio companies
- Since 1996, HealthCap's portfolio companies have secured more than EUR 4.9bn in funding

INVESTING IN BIOTECH

Market overview – a changing landscape

- Aging population
- US healthcare reform
- BRIC countries to fuel growth
- Emerging patent cliff – USD 115 billion through 2012!
- Big pharma to focus on distribution?
- Increased focus on pricing&reimbursement

Biotech Companies' Share of NME* Approvals has Doubled Over the Last Decade



*) New Molecular Entity - a drug that contains no active section of a molecule that has been previously approved by FDA in any other application submitted

Source: FDA, HealthCap research

Biotech Funding – or the Survival of the Fittest



Financial Investors

Funding sources, Investors	Trend
Private placements	→
Debt and Convertible Bonds	↘
IPOs and other public offerings	↓



Pharma

Funding sources, Pharma	Trend
Licensing Deals	→
M&A	↗

- With investors being more cautious, a maturing biotech industry is facing cost-cutting, consolidation and re-evaluating business models
- Big Pharma companies' strength increasing as their financing role grows more important
- Cash-rich pharma taking advantage of cheap assets
 - Accumulated USD 400 billion by 2012

Increasing Importance of Alternative Ways to Look at Financing



Cash Conservation

- Focus resources on absolute key projects
- Outsourcing
- Increased collaborations / mergers



Alternative Financing

- Government support, grants
- Out-license or sell non-core projects
- Sell royalty streams
- CRO financing, i.e. exchanging part of research project for R&D support
- Big Pharma investments

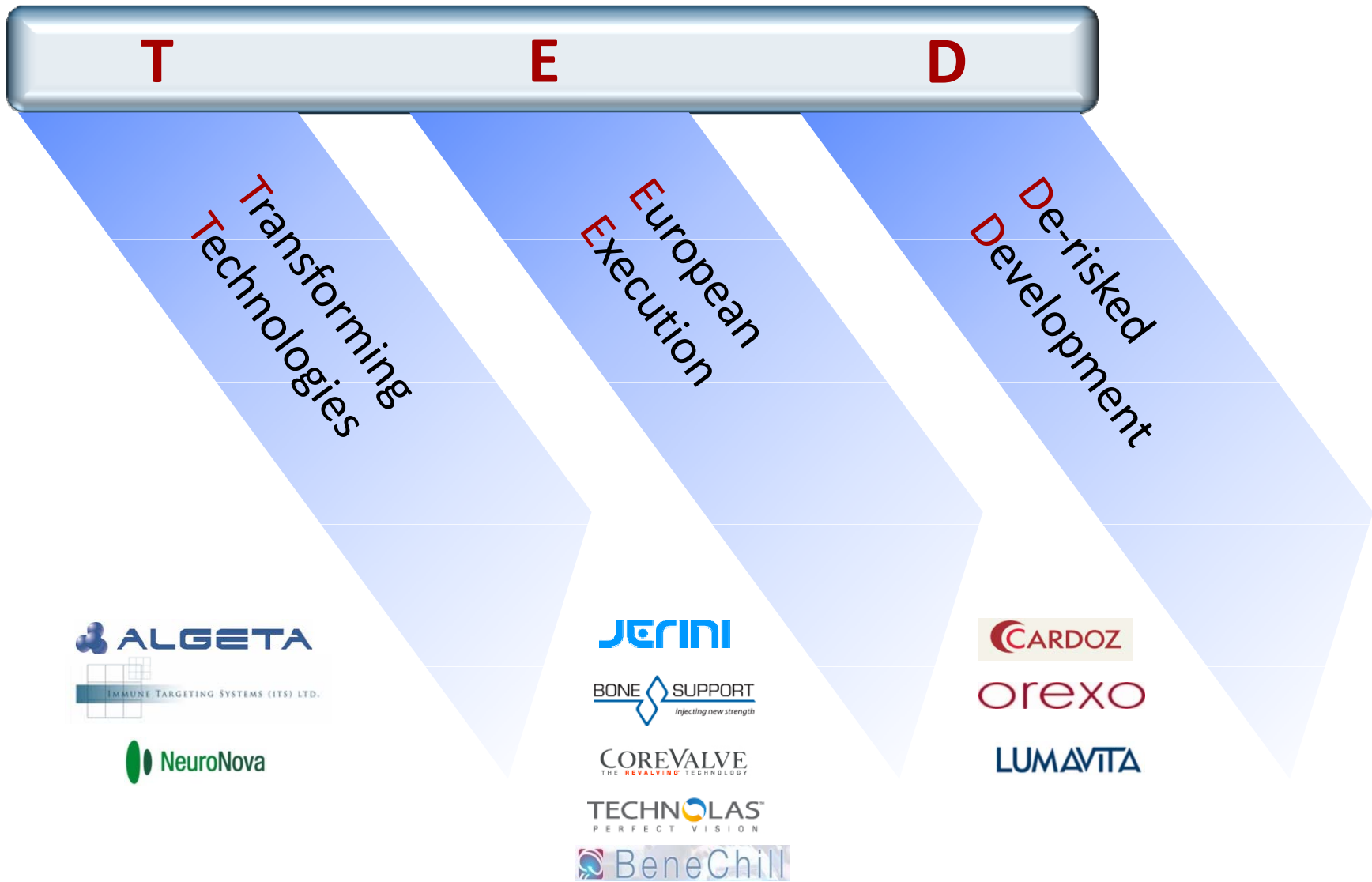


Increased Focus on Development Timeline

A business model transition...

WHAT ARE WE LOOKING FOR?

HealthCap Investment Focus – Cash-Efficient Deals

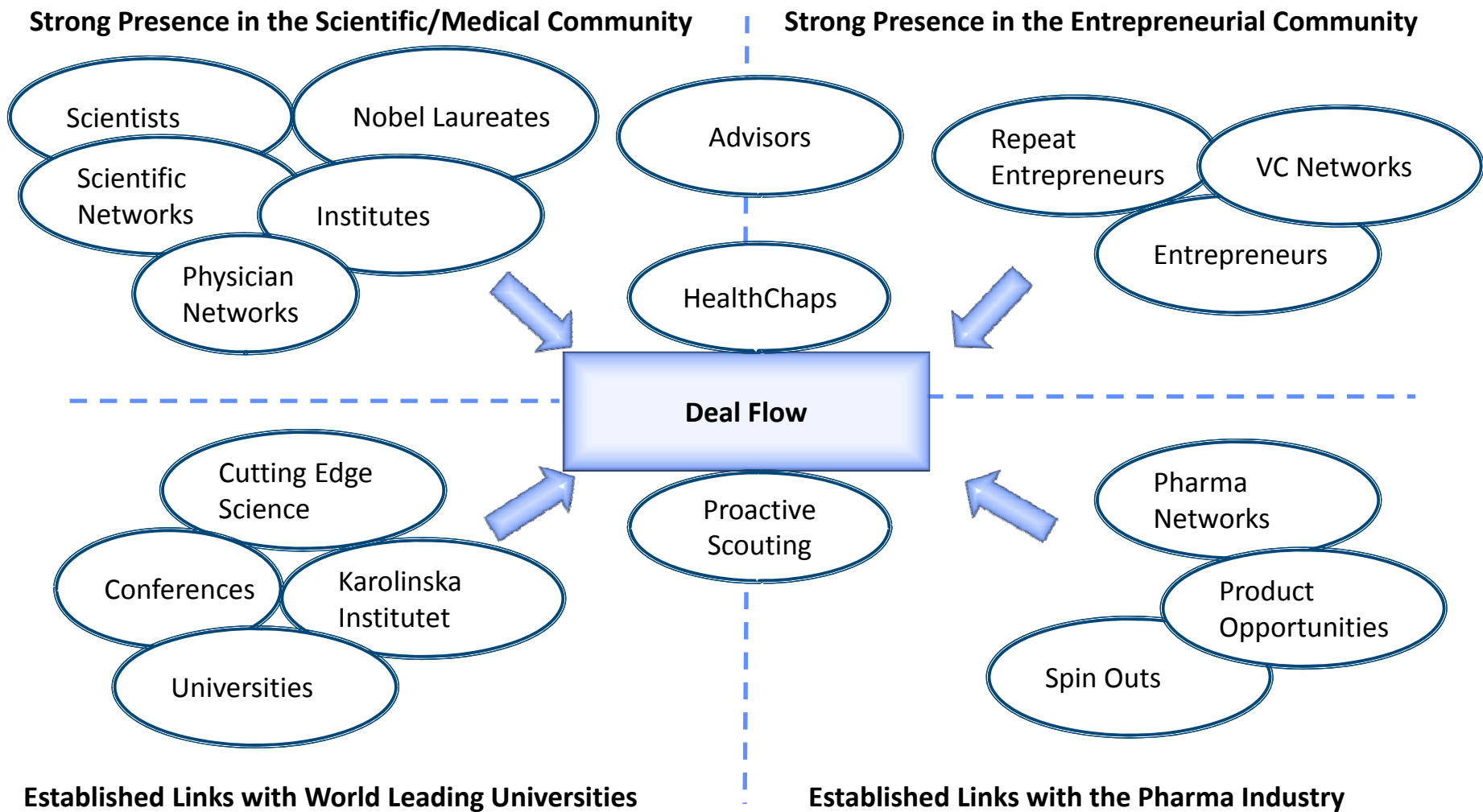


WHAT ARE WE LOOKING FOR?

Who gets funded – what are we looking for?

- Unmet medical need – secure attractive P&R
- Strong scientific data support rationale
- Funding should reach significant inflection in value
- Strong IP position
- Strong management
- Attractive exit opportunities identified
- > 5x return multiple potential

Investment Methodology



WHAT ARE WE LOOKING FOR?

CASE STUDIES

Aerocrine



Aerocrine

Background

Swedish based medtech company originating from Karolinska Institute commercializing NIOX MINO for the routine measurements of exhaled nitric oxide in order to improve the diagnosis and management of asthma and other inflammatory airways conditions

Why HealthCap invested

- Unmet medical need – improve diagnosis and management of asthma
- Strong IP position

After HealthCap invested

- Product development
- IPO
- Commercialization in Europe and US

CoreValve



Background

US based medtech company and market leader in transfemoral transcatheter aortic valve replacement

Why HealthCap invested

- Attractive market opportunity – transforming valve surgery
- Most promising transfemoral transcatheter technology
- Feasibility data in humans
- Strong IP portfolio
- Funds to deliver significant value inflection – CE mark

After HealthCap invested

- CE mark approval
- Setting up own sales force
- Operations moved to US
- Acquired by Medtronic

Cardoz



Background

HealthCap start-up based on repositioning of existing and well documented compounds for new indications.

Why HealthCap invested

- Potentially first in class for block buster indications
- Minimal development cost as well as development risk
- Could quickly reach POC in first indication

After HealthCap invested

- HealthCap venture partner as CEO
- Phase I finalized
- Pursuing non-dilutive funding