General Market Overview

PUBLIC MARKETS

The first quarter of 2015 was similar to the opening quarter of 2014 in the sense that none of the biotech market cap segments fell. While the positive returns in the latter part of 2014 was primarily driven by strong large cap performance, the performance was even between segments in Q1 2015 with increases around 7-9% for the quarter, with the exception of companies in the range USD 200 million to 499 million, which remained flat. Large caps were up 8.3%, led by **Pharmacyclics Inc** that was up 110% following positive data, strong sales and also that **AbbVie Inc** announced it would acquire the biotech for USD 21 billion.

Investors BioCentury have talked to expect Q2 to be quiet in terms of news flow, at least until oncology data is expected to be presented at conferences in June. BioCentury concludes that bankers remain positive that large caps will continue to deliver on sales and smaller companies will continue to be rewarded for clinical success. A temporary correction, however, may be on the horizon, following three consecutive years of strong returns on the public markets.

Index	*Q1 2015*	*2015 YTD*
BC 100	19%	19%
NYSE Arca Biotech	16%	16%
NASDAQ	3%	3%
FTSE 100	3%	3%
BC London	2%	2%
S&P 500	0%	0%
Dow Jones 30	0%	0%

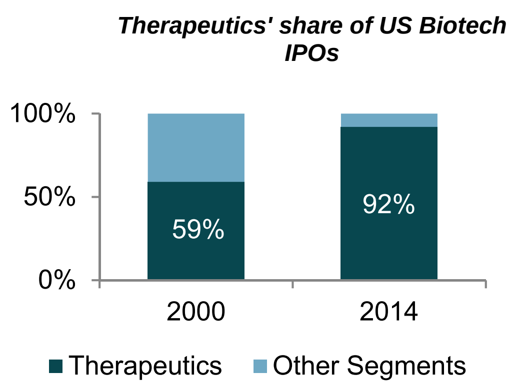
Index performance. Source: BioCentury Financial Center

After three straight years of strong returns, the BC 100 extended its bull run by posting a 19% increase in the first quarter of 2015.

PUBLIC FINANCINGS

Last year's IPO market was record-breaking in many aspects, but the post-IPO performance was poorer than that of 2013 with only half of the companies closing the year up. Some question marks were raised for 2015, but the starting quarter of 2015 has been encouraging with biotech companies raising USD 2 billion in 22 IPOs, less than the USD 2.6 billion in Q1 2014, but the market has only slowed slightly from Q4 2014, when 24 companies raised USD 2.1 billion. The class is up a median of 5% by the quarter-end.

HealthCap listed two companies in Q1, with French cardiovascular and metabolic disease company **Cerenis Therapeuctics** going public on March 30th on Euronext Paris and Norwegian oncology company Nordic Nanovector ASA, listing on OMX Oslo on March 20th, and climbing 21% from their listing price through quarter end.



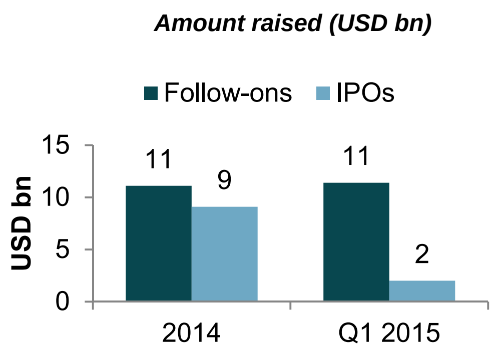
IPO segments. Source: Ernst & Young

Therapeutic companies have been seen to increasingly dominate the IPO scene

Ninety-two companies raised USD 11.3 billion in 94 follow-ons in Q1 with broad investor participation, exceeding the total for the full year 2014. Even excluding the USD 1.5 billion follow-on financing by **Valeant Pharmaceuticals Intl Inc.** to fund the acquisition of **Salix Pharmaceuticals Ltd.**, the number is significantly higher than the corresponding quarter last year. Stock price performance after the follow-on financing was positive too, with a median increase of 7%, led by a 131% gain by **Atara Biotherapeutics Inc.**

Last year, companies found it hard to get investor attention for follow-ons versus IPOs, but this year it is the other way around. About one fifth of the companies completing an IPO in 2014 have come back to raise money in a follow-on, and analysts believe the follow-on market will remain open to small caps that deliver on clinical milestones.

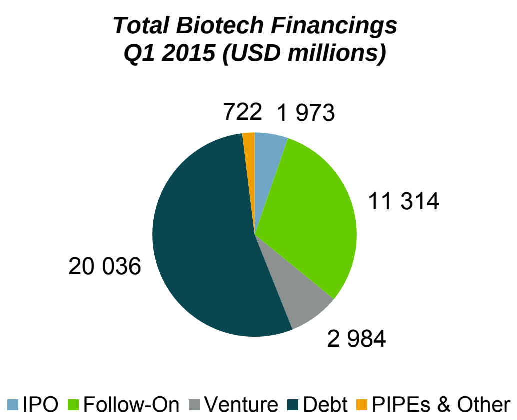
The total of USD 11 billion raised in follow-ons is substantially more than the previous record of USD 5 in Q4 of 2000, and equals the number for the full year 2014, itself a record year for follow-ons.



IPO and follow-on financings. Source: BioCentury Financial Center.

Other Financings

In Q1, the biotech industry raised USD 38 billion, not very far from the USD 55 billion in the full-year of 2014. More than half of funds raised was debt financings.



Biotech financings. Source: BioCentury Financial Center.

M&A and Deals

The M&A market remains steady and has been so for a long period of time. As described in the previous quarterly report, the aggregate disclosed deal value in 2014 reached a record USD 86 billion, providing investors with plenty of capital for financings, which may to some extent explain the strong follow-on financing climate described above.

Many buyers are still looking for life sciences assets, and according to a recent study by Ernst % Young[1], 52% of surveyed companies expect the number of unsolicited bids to increase this year, more than in any

[1] Life Sciences Global Corporate Divestment Study, Ernst & Young, 2015

other sector. Keeping in mind that last year's aggregate M&A deal values was almost doubling over 2013, the momentum in the sector is obvious.

The named Ernst & Young study also concludes that that divestments of assets is as a fundamental tool in current growth strategies as almost half of companies made their last divestment because the asset being sold was not part of the core business, and 41%, more than any other sector, reinvested the funds raised from their most recent divestment in their core business with an additional 23% being invested in new products/markets and 20% funds used to make an acquisition.