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- Currently advising and managing funds greater than EUR 200 million

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Dr Peter H Reinisch is a partner at Global Life Science Ventures (GLSV), one of the first venture capital funds to focus exclusively on the life sciences in continental Europe. The group currently advises and manages funds greater than €200 million. GLSV was established in 1996 with the backing of the Engelhorn family. Since then it has invested in 27 companies, 11 of which have been successfully exited from. The GLSV portfolio includes companies active in many areas of the life sciences ranging from biopharmaceuticals, cancer, immunology, vaccines and genomics to diagnostics, medical devices and healthcare services.

Dr Reinisch has over 22 years' experience in the life sciences industry, including senior management positions in the Corange group and, from 1995 onwards, the setting up of GLS I, the first fund under the management of GLSV. Dr Reinisch has been a board member, or attendee, with a number of portfolio companies, five of which are already public – four by initial public offering, one by merger. In addition, another company recently exited through a highly publicised trade sale.

Prior to Corange/Boehringer Mannheim, Dr Reinisch held positions of increasing responsibility with Brown Boveri, the Institute for Automation, the Denner Group and McKinsey and Co, where he concentrated on high technology industries. He also became chief executive of Pfister, one of his clients. Dr Reinisch first studied mechanical engineering, then graduated summa cum laude with a doctorate degree in Business Administration (Betriebswissenschaften) from the Technical University of Vienna.

In this interview, we explore the historical origins of Global Life Science Ventures and examine the involvement and support of the Engelhorn family, as well as providing a glimpse of healthcare needs in the coming years.

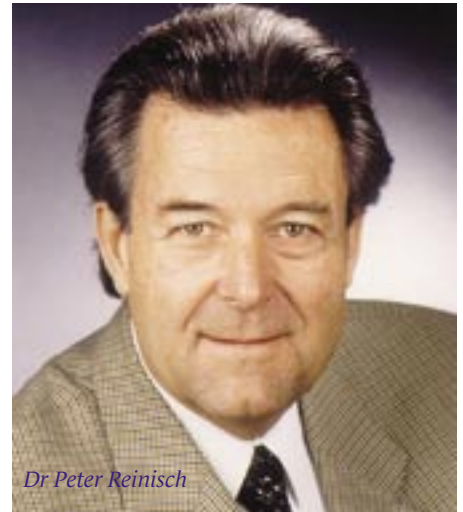
Could you tell us a little about the origins of Global Life Science Ventures?

The origins go back to 1995, when the creation of the fund was initiated by Dr Stefan Engelhorn, who became GLSV's lead sponsor through the family holding Corange. Corange was the original owner of Boehringer



Mannheim, which was sold to Roche a few years ago. At the time, there was no dedicated life science fund in Germany, and Dr Engelhorn recognised that there was great potential for such a fund in this vibrant industry. The German-speaking life sciences market was underserved by venture capital in comparison to the US or the UK. There was significant scientific knowledge but a lack of financial backup and experienced management. We therefore got into fundraising in order to create an early stage venture capital fund for life sciences managed by industry-experienced people.

GLSV was founded in October 1996 with the co-sponsorship of HypoVereinsbank and ING Barings, along with additional investors. Although one of GLSV's main focuses has been companies in the German-speaking area, we have from the beginning had an international scope. Because we were entering a global industry, we knew we had to select those companies with a good chance to become worldwide dominant players in their segments. Since then, we have been investing in companies which we recognised as having strong potential,



Dr Peter Reinisch



including several American companies.

What limited the amount of funding available to continental European life science ventures before GLSV was established?

There wasn't a real awareness of the need for such a fund. In the US after WWII, professional venture capital was started in order to commercialise research done for military purposes. Consequently, the US is very advanced in this field while in Europe we were late in realising the need for venture capital. We were also slow to see the new opportunity for investment in biotechnology, despite Europe's long history in science and many significant breakthroughs.

What do you see as being the most compelling reasons for investing private equity in the healthcare sector?

Health is a universal priority, the most fundamental of human needs, and the healthcare sector is relatively sheltered from market forces. The huge number of unmet medical needs, including treatments for some of the most devastating and widespread diseases – just consider the impact of AIDS, cancer, Alzheimer's, SARS, etc. – will ensure a market for innovative new drugs and biotechnological approaches for many years to come. Biotechnology has become the driver of the pharmaceutical industry, and a new positive trend in the number of successful exits demonstrates the rewards to be gained from smart investments in the sector.

Does the Engelhorn family play an active role in the day-to-day running of GLSV?

No, GLSV was designed to be a completely independent entity from the very beginning. The role of the family is currently one of investors only, as limited partners, with two branches of the family having invested in the second fund. However, their role in establishing GLSV and its first fund was essential, with Dr Engelhorn, a doctor who spent several years at Harvard Medical School as a researcher, playing a key role in getting it started. For GLS I the Engelhorns were a cornerstone for the whole fund by being the lead sponsor and with their reputation as entrepreneurs, their industry insights and their success with Boehringer Mannheim – the largest and most profitable biotech company in Europe at that time.

Life science businesses are investment intensive and often come with high risks attached, as seen with the current Vioxx controversy. On the other hand, the rewards for success can be great. How does GLSV select its investments to mitigate risk?

Of course there is a risk involved and some-

times risks only become apparent at a very late stage – as with Vioxx. However, with a fund you have a portfolio and balance the risks across the portfolio. Whenever you invest, you have to do so with professional insight and expand your knowledge base for each specific deal, as each one has to have the upside potential to recover risks in others. We do this by using our extensive professional network and using the right experts during due diligence who can give precise risk profiles. In addition, we normally take a seat on the board of our investments and are therefore able to help the management and understand risks as they emerge.

Life science investments can also be controversial in terms of development techniques used such as animal testing. What is GLSV's view regarding animal testing?

You can't avoid animal testing completely because before testing on humans you must have animal data. Our companies try to do in vitro cell-based testing as much as possible,

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but it remains very important to have solid animal data to reduce the risks in clinical studies. The vast majority of the public accepts the necessity of animal testing for the development of effective medical treatments.

The biotechnology and healthcare sector has suffered lately in terms of valuation. Is this really a good time to invest in early stage companies?

This is exactly the time to invest as a venture capitalist. The industry did recently experience a downturn, but we now have clear indications of a new upswing. Presently we are in a period where biotech shares are undervalued, and this is a unique opportunity for investors. Life science investments do take longer than in other industries, but if you go in at this stage and intend to stay in, the chances of an upside are very strong.

What are the current trends in life science investments? Is it true to say that it is difficult for companies to achieve a successful exit at this point in time?

There are clear signs of a recovery, and the industry is ready for a healthy rebound. Of the 27 companies in which GLSV has invested, 11 companies – seven of which have European roots – have already gone public or found a new home via a trade sale. This year alone, GLSV has achieved 3 successful exits of companies in our portfolio. The purchase of Zurich-based GlycArt by

Roche for 235 million Swiss francs in July was a highlight and a confirmation of the soundness of our investment strategy. In August, another of our portfolio companies, Coley Pharmaceutical Group, carried out the largest biotech IPO in nearly a year, while Intercell was a few months earlier the first ever biotech IPO on the Vienna Stock Exchange. We have several other candidates in our portfolio ready for an exit.

What does the future hold for your fund and what are your personal expectations for healthcare?

The number of unmet needs in the healthcare sector is huge. If one considers that there are about 30,000 identified diseases of which only a third can be treated, one quickly understands the great expectations from the biopharmaceutical industry. Biotechnology companies are a hotbed of innovation, and many have already proven their ability to deliver effective and commercially successful medications to the market as well as help fill the pipeline of the pharmaceutical industry with innovative new drugs. Our portfolio companies have a number of exciting products in clinical trials. Just a few examples include vaccines for Hepatitis C, Japanese encephalitis and several chronic diseases, and treatments for types 1 and 2 diabetes and cancer.

The main limiting factor, especially in Europe, is funding. On the strength of our track record and by carefully selecting new companies to join our portfolio, GLSV will continue to attract both new and existing investors who recognise the opportunities for successful investment. We intend to raise a third fund in the near future.

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