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FOR IMMEDIATE RELEASE

Biotech posts strong third quarter performance as capital markets go on a tear

SAN FRANCISCO – October 1, 2010 –Biotech posted its strongest monthly and quarterly performance in several years in what was hailed as the strongest September rally for equities in more than 70 years. The Burrill Biotech Select Index gained 7.8 percent in the month and 13 percent in the third quarter. The Dow Jones Industrial Average rose 777 points, or 7.7 percent, its biggest appreciation during what historically has been a bad month for the index since 1939, and was up 10.3 percent for the quarter. The Nasdaq Composite Index climbed 12 percent for the month and 12.3 percent for the quarter.

“The significant rise of share values was fueled by an easing of concerns about a double-dip recession, as well as hopes for a better economic outlook,” said G. Steven Burrill, CEO, Burrill & Company, a San Francisco based global leader in life sciences with activities in private equity, venture capital, merchant banking and media. “Biotech is now up 6 percent year-to-date and is well positioned for a strong fourth quarter.

“We did predict at the beginning of the year that the general markets would be choppy and that biotech companies would begin to perform well in the second half of the year. It appears that this scenario is beginning to play out as we enter the final quarter of the year, which is typically one of the industry’s best.

“There will be a significant number of news stories to keep investors engaged for the rest of year,” added Burrill. “Already we have seen research into stem cells enter the legal arena once again. Fortunately for the industry, federal funding for embryonic stem cell research will be allowed to continue while the federal government appeals a lower court injunction that would ban such financing. The recent ruling by the U.S. Court of Appeals in Washington overturns U.S. District Court Judge Royce Lamberth’s August ruling that all funding should be suspended while its legality is challenged in the courts.

“In M&A land the resolution of Sanofi-Aventis’ bid to acquire Genzyme will continue to unfold after its first offer, valued at \$18 billion, was rejected. The fall will also be a very busy time for U.S. drug approvals with over 20 marketing applications to be decided before year's end by the regulators at the U.S. Food and Drug Administration,” concluded Burrill.

Biotech IPO Activity

“IPO activity across all sectors also picked up in the quarter, but in order to attract investors and get deals done, companies had to be willing to trim their price expectations even in the wake of the strengthening equity markets,” noted Burrill.

Three biotech companies amended their prices to go public in the third quarter. Antibiotic developer Trius Therapeutics slashed its expected share price by 62 percent to complete its offering selling 10 million shares at \$5 per share. The San Diego biotech plans to begin a late stage trial to evaluate torezolid, its lead next-generation antibiotic, against Pfizer’s Zyvox linezolid to treat acute bacterial skin and skin structure infections. Specialty pharmaceutical company NuPathe raised \$50 million after trimming its offering price to \$10 from its original \$14 to \$16 range. NuPathe is focused on treatments for diseases of the central nervous system.

Amyris Biotechnologies, which uses genetically modified yeast to make products for the specialty chemical/fuel markets, raised \$85 million by offering 5.3 million shares at \$16, below the range of \$18-\$20. However, its post-IPO trading was positive with the company’s shares closing the month up 7.8 percent. Amyris plans to continue its growth through alliances with big-cap companies and has focused on using Brazil’s vast resources of sugar cane to help create products. The company plans to use proceeds of the IPO for capital spending, working capital and corporate purposes, including the construction of engineering service capabilities to support sugar and ethanol mill conversion to integrate its technology.

Year-to-date there have been eleven biotech IPOs, three in the third quarter, and their average market performance as of the end of September was down 24 percent.

Company	TICKER	IPO Price	Price 09/30/10	% Change
Ironwood Pharmaceuticals	IRWD	\$11.25	\$10.18	-9.51%
Anthera Pharmaceuticals	ANTH	\$7.00	\$4.19	-40.14%
AVEO Pharmaceuticals	AVEO	\$9.00	\$11.14	23.78%
Alimera Sciences	ALIM	\$11.00	\$9.57	-13.00%
Tengion	TNGN	\$5.00	\$3.12	-37.60%
CorMedix	CRMD	\$6.25	\$1.58	-74.72%
Codexis	CDXS	\$13.00	\$9.60	-26.15%
GenMark Diagnostics	GNMK	\$6.00	\$3.36	-44.00%
Trius Therapeutics	TSRX	\$5.00	\$3.96	-20.80%
NuPathe	PATH	\$10.00	\$7.21	-27.90%
Amyris Biotechnologies	AMRS	\$16.00	\$17.25	7.81%

Public company financings soft

“Analysis in our Burrill Report shows that, apart from debt financings, all other financing vehicles were down a collective 50 percent compared with the second quarter of 2010,” noted Burrill. “Follow-on financing and IPOs were down quarter-over-quarter however,

padding the data was the \$7.2 billion raised in debt financing bringing the total raised in the third quarter to \$9.5 billion.”

“Venture capital financing continued to flow to U.S. biotech companies with \$1.3 billion raised from about 90 deals announced in the third quarter and the U.S. biotech industry is on track to raise over \$20 billion by the end of the year.”

Partnering continues to be hot

Of the partnership deals that disclosed their financial terms, a whopping \$9.6 billion was collectively raised in the third quarter of 2010 by U.S. biotech companies – up 8 percent on the \$8.9 billion raised through partnership deals in Q2 '10.

“We are on pace to equal last year’s record-setting total for partnership dollars,” said Burrill, “an incredible amount given the uncertain economic environment. Big pharma’s appetite for biotech innovation continues unabated.”

BY THE NUMBERS

(Compiled by The Burrill Report*)

- The industry closed the month with a collective market cap of \$350.48 billion (up 9.8 percent for the month, up 6.8 percent for the quarter and up 0.4 percent for the year)
- Top five biotech companies by market cap are: Amgen (\$52.82B, share price up 8 percent in September, up 4.7 percent for the quarter and down 3 percent YTD), Gilead Sciences (\$29.86B, share price up 12 percent for September, up 3.8 percent for the quarter and down 18 percent YTD), Celgene (\$26.47B, up 12 percent for September, up 13.4 percent for the quarter and up 3.4 percent YTD), Genzyme (\$18.04B, up 1 percent for September, up 39.4 percent for the quarter and up 44.2 percent YTD), and Biogen (\$13.56B, up 4.3 percent for September, up 18.3 percent for the quarter and up 3.4 percent YTD).
- 55 biotech companies (18 percent) have market caps greater than \$1B (compared to 49 companies at the same time last year)
- 98 biotech companies (32 percent) have market caps less than \$100M compared to 39 percent (122 companies) at the same time last year.

(*The October edition of the monthly, subscription-based Burrill Report has a breakdown of the industry’s third quarter 2010 performance.)

Burrill Biotech Indices

INDEX	12/31/2009	6/30/2010	8/31/2010	9/30/2010	% CHANGE (MONTH)	% CHANGE (QTR)	% CHANGE (YR)
Burrill Select	312.47	293.33	307.44	331.5	7.83%	13.01%	6.09%
Burrill Large Cap	461.85	430.48	454.89	498.38	9.56%	15.77%	7.91%
Burrill Mid- Cap	166.01	149.59	156.7	173.26	10.57%	15.82%	4.37%
Burrill Small Cap	88.12	75.39	75.06	84.27	12.27%	11.78%	-4.37%
Burrill Genomics	159.87	142.05	156.46	171.68	9.73%	20.86%	7.39%
Burrill Diagnostics	147.96	130.82	122.61	133.15	8.60%	1.78%	-10.01%
Burrill Personalized Medicine	91.71	83.61	81.25	90.45	11.32%	8.18%	-1.37%
Canadian Biotech	40.35	46.3	47.79	53.72	12.41%	16.03%	33.14%
BioGreenTech Index	100.00	111.94	117.19	129.34	10.37%	15.54%	29.34%
NASDAQ	2269.15	2109.24	2114.03	2368.62	12.04%	12.30%	4.38%
DJIA	10428.05	9774.02	10014.73	10788.05	7.72%	10.37%	3.45%
Amex Biotech	941.92	1023.3	1060.86	1157.87	9.14%	13.15%	22.93%
Amex Pharmaceutical	309.21	276.29	285.13	307.69	7.91%	11.36%	-0.49%

US biotech financings (\$M) for Q3 2010

	Q1'09	Q2'09	Q3'09	Q4'09	2009 TOTAL	2010 1Q	2010 2Q	2010 3Q	2010 TOTAL
Public									
IPO	\$0	\$0	\$94	\$1,018	\$1,112	\$339	\$208	\$185	\$732
Follow-on	\$579	\$1,464	\$1,507	\$2,141	\$5,619	\$1,030	\$1,209	\$211	\$2,450
PIPEs	\$302	\$431	\$638	\$252	\$1,632	\$308	\$409	\$507	\$1,224
Debt	\$2,651	\$1,505	\$1,065	\$1,085	\$6,306	\$55	\$1,897	\$7,235	\$9,187
Private									
VC	\$1,486	\$849	\$759	\$972	\$4,066	\$1,044	\$1,336	\$1,328	\$3,708
Other	\$31	\$23	\$60	\$44	\$158	\$140	\$148	\$102	\$390
Total Financing	\$5,049	\$4,272	\$4,123	\$4,123	\$18,893	\$2,916	\$5,207	\$9,568	\$17,691
Partnering	\$4,761	\$8,018	\$9,390	\$14,754	\$36,923	\$6,139	\$8,906	\$9,610	\$24,655
Total	\$9,810	\$12,990	\$13,513	\$13,513	\$55,816	\$9,055	\$14,133	\$19,178	\$42,346

About Burrill & Company

Founded in 1994, Burrill & Company is a San Francisco-based global leader in life sciences with activities in Venture Capital, Private Equity, Merchant Banking and Media. The Burrill family of venture capital funds has \$1 billion under management and its merchant banking business is one of the industry leaders in life sciences transactions. Burrill is also the creator, sponsor and facilitator of leading industry conferences worldwide and publisher of a range of bio-intelligence reports including the monthly Burrill Report (www.burrillreport.com) and annual “State of the Industry” report, the latest of which has just been released entitled *Biotech 2010-Life Sciences: Adapting for Success*

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