

FOR IMMEDIATE RELEASE

Biotech posts strong second quarter gain

SAN FRANCISCO - July 5, 2011 – Anyone attending the 2011 BIO International Convention in Washington, DC, which concluded last week, would have noted several key themes for the industry... groundbreaking innovations rising from the confluence of technology and science driving personalized medicine and digital health; U.S. pharmaceutical companies reporting that they are increasingly looking to foreign markets to introduce their products, and mounting concerns about the U.S. Food and Drug Administration's ability to approve new medicines efficiently. At the Convention the biotechnology industry released a blueprint for a "21st century FDA" which proposes a fundamental overhaul of the FDA to help accelerate the approval of lifesaving medicines. On average, the FDA takes 37 months to approve a drug and only half of product applications are approved during the first review cycle.

Regulatory clouds looming

The release of the blueprint is timely because in recent weeks an FDA appeals panel recommended revoking approval of Genentech's Avastin as a breast cancer drug and Orexigen Therapeutics said it is putting on hold any further clinical development of its obesity programs in the United States until a clear and feasible path to regulatory approval is identified. The decision follows a meeting with the FDA to discuss the additional data that would be needed to win approval for its obesity drug, Contrave.

"It is clear that the FDA has raised the bar on safety issues and this has clearly worried industry executives," said G. Steven Burrill, CEO, Burrill & Company, a diversified global financial services firm focused on the life sciences industry. "We have a US industry that is governed by regulators. The question is whether the FDA is still the gold standard. Many companies want to find out about regulations in China, Russia and other countries where they can market new products."

The BIO event put an exclamation point on what was another good quarter for biotech on the capital markets with the Burrill Biotech Select Index posting a modest 0.65 percent increase in value for the month and an 8.9 percent overall gain for the second quarter of 2011. "Biotech is certainly a sector that is on a roll," "The Burrill Biotech Select Index is now up almost 18 percent year-to-date despite a turbulent period for the general markets with investors concerned about a slowing of the US economy and the debt crisis in Europe. Its year-over-year performance is equally impressive with a 45 percent gain."

The Dow's performance was buoyed by a final market day spurt after Greece cleared the final hurdle needed to receive its next installment of emergency loans. The Dow closed the month of June down a hair at 0.2 percent and up 0.8 percent for the quarter. The NASDAQ mirrored the performance of the Dow, dropping 0.8 percent for the month and down 0.3 percent gain for Q2 '11.

Propelling the Burrill Biotech Select Index was Biogen Idec with its stock jumping 42 percent in the quarter (15 percent for the month) on the strength of their news announcement about positive top-line results from the first of two pivotal phase 3 clinical trials designed to evaluate their investigational oral compound BG-12 (dimethyl fumarate) as a monotherapy in people with relapsing-remitting multiple sclerosis. Results showed that BG-12, administered either twice or three times a day, met the primary study endpoint. Biogen also reported that it had signed a collaboration with Amunix for next generation long-lasting blood factor products.

"There has been plenty of positive news to keep investors engaged. The closing of the Teva-Cephalon deal certainly helped to create a surge of interest and a great deal of speculation about other blue chip biotech companies that might be in Big Pharma's crosshairs," Burrill noted.

In another blockbuster deal Takeda Pharmaceutical reported that it is acquiring the Swiss pharmaceutical Nycomed from its private equity owners in a cash deal valued at \$13.7 billion, inclusive of Nycomed's debt. It is the Japanese drugmaker's biggest deal since its \$8.8 billion acquisition of the U.S. cancer drug developer Millennium three years ago.

The deal is in line with Takeda's recently announced sustainable growth strategy, designed to offset declining sales in Japan and boost revenue before the patent on its best-selling diabetes drug, Actos, expires. Actos accounted for 27 percent of the company's 2010 revenue.

Vertex Pharmaceuticals is also moving quickly to build on its recent success in obtaining FDA approval for telaprevir, its potential blockbuster drug to treat hepatitis C, now known as Incivek. The company has inked a licensing agreement with Alios BioPharma that it says could help it develop new combination medicines for hepatitis C.

For South San Francisco-based Alios, teaming up with Vertex will put financial muscle and drug development expertise behind its two investigational compounds to fight the hepatitis C virus. Under the terms of the agreement, worth potentially \$1.5 billion to the privately held biotech, Alios has granted Vertex an exclusive worldwide license to two pre-clinical nucleotide analogues it discovered. The two drug candidates, ALS-2200 and ALS-2158, have been shown to inhibit the hepatitis C virus polymerase, an enzyme essential for replication of the virus. Vertex expects ALS-2200 and ALS-2158 to enter clinical development later this year, both together and in combination with Vertex's approved and investigational hepatitis C medicines.

Alios gets \$60 million upfront and additional research funding while Vertex will assume development costs related to ALS-2200 and ALS-2158. Alios is eligible to receive research and development milestone payments up to \$715 million if both compounds are approved. Vertex expects to pay about \$35 million in development milestones in 2011. Alios is also eligible to receive up to \$750 million in sales milestones on sales of all approved medicines under the collaboration, plus tiered royalties on product sales.

Partnering still remains hot

Following on from the record amount of partnership dollars generated by U.S. biotechs in 2010, the second quarter saw a further \$4.5 billion being raised through partnership deals. Although the amount is down quarter-over-quarter, deal flow was about the same. However, many of the deals did not report financial details.

Other important partnerships this quarter included:

Glenmark/Sanofi -\$613 million potential, \$50 million upfront, for Phase 1/2 autoimmune compound

Aveo/Centecor-\$555 million, \$15 million upfront, preclinical cancer compound

Biotest/Abbott for phase 2 drug for autoimmune indications--\$85 million upfront, \$470 million total

Debt financing drops

Debt financing in the second quarter of 2011 dropped significantly. "All other financing instruments such as IPOs, follow-ons, PIPEs and venture capital were comparable to the totals raised in the first quarter," said Burrill.

Quiet quarter for IPOs

Four US biotech companies priced IPOs in the second quarter:

- Specialty pharmaceutical company, Sagent Pharmaceuticals sold 6.6 million shares including over-allotments at \$16.00 per share, which was at the high end of their projected \$14 to \$16 share price range. Since its formation in 2006 Sagent has developed an extensive portfolio of injectable pharmaceutical products.

- For its IPO, Tranzyme Pharma priced 13.5 million shares at \$4.00 per share. The North Carolina biotech had hoped to debut mid-March in the \$11 to \$13 per share range, but its underwriters couldn't get any traction for the offer until they slashed the price more than two thirds and tripled the number of shares offered. Tranzyme is a clinical-stage biopharmaceutical company focused on discovering, developing and commercializing novel, first-in-class small molecule therapeutics for the treatment of acute (hospital-based) and chronic gastrointestinal motility disorders.

Solazyme, which transforms plant-based sugars into petroleum-based chemicals and fuels, raised \$198 million by offering 10.975 million shares at \$18, above the range of

\$15 to \$17. The company had originally planned to offer 9.975 million shares, with the upside coming from additional primary shares; in total, the company raised 24% more than originally planned. Initially, Solazyme is focused on commercializing its products into three target markets: fuels and chemicals, nutrition and skin and personal care.

KiOR, a cellulosic fuels producer, closed its initial public offering of 10 million shares priced at 15.00 per share. In addition, KiOR has granted the underwriters a 30-day option to purchase up to an additional 1,500,000 shares of Class A common stock at the initial public offering price to cover over-allotments, if any.

“As we head into the summer the prospects for biotech IPOs are cooling off,” added Burrill. This is despite the fact that the post-market IPO performances of the 11 companies that have completed their offerings have been extremely positive...and collectively the average share price is up 34 percent.

Three companies added themselves to the IPO queue - two are focused on biofuels, which remains a hot sector for investors, and one focused on cancer therapeutics:

- Clovis Oncology, a biopharmaceutical company focused on commercializing anti-cancer agents, filed to raise up to \$150 million in an initial public offering. The company is currently developing three product candidates for which they hold global marketing rights: CO-101, a lipid-conjugated form of the anti-cancer drug gemcitabine, which is in a pivotal study in a specific patient population for the treatment of metastatic pancreatic cancer; CO-1686, an orally available, small molecule epidermal growth factor receptor covalent inhibitor that is currently in preclinical development for the treatment of non-small cell lung cancer, and T790M; and CO-338, an orally available, small molecule poly (ADP-ribose) polymerase, or PARP, inhibitor being developed for various solid tumors, that is currently in a Phase I clinical trial.

- Myriant Corporation an industrial biotech company focused on production of biochemicals that substitute for petroleum-based industrial chemicals

- Ceres develops and markets low-carbon, non-food grasses for advanced biofuels and biopower.

One company San Diego-based Ambit Biosciences, scrapped its plan to go public because it was unable to get attractive pricing in the current market. The company had filed to raise \$86.25 million in November 2010. Instead it raised an additional \$30 million in venture financing.

Performance of Biotech IPOs completed in 2011:

Company	TICKER	IPO Price	Amount Raised (\$M)	Price 6/30/11	%Change/QTR/YTD
AcelRx	ACRX	\$5.00	40	\$4.51	-9.80%
Fluidigm	FLDM	\$13.50	75	\$16.54	22.52%
Gevo*	GEVO	\$15.00	107	\$15.65	4.33%
BG Medicine	BGMD	\$7.00	35	\$8.55	22.14%
Epocrates	EPOC	\$16.00	86	\$17.59	9.94%
Endocyte*	ECYT	\$6.00	75	\$13.97	132.83%
Pacira Pharmaceuticals	PCRX	\$7.00	42	\$11.98	71.14%
Sagent Pharmaceuticals	SGNT	\$16.00	106	\$27.45	71.56%
Tranzyme Pharma	TZYM	\$4.00	54	\$4.01	0.25%
Solarzyme	SZYM	\$18.00	198	\$21.79	21.06%
KiOR	KIOR	\$15.00	150	\$15.06	0.40%

**Burrill & Company is an investor in the company*

Industry market cap

The industry closed the month with a collective market cap of \$405 billion (up 5.4 percent for the month and 8.6 percent for the quarter)

Burrill Biotech Indices

INDEX	12/31/09	03/31/11	05/31/11	06/30/11	% CHANGE (MONTH)	% CHANGE (QTR)	% CHANGE (YR)
Burrill Select	312.47	393.13	425.59	429.82	0.65%	8.96%	17.32%
Burrill Large Cap	461.85	550.22	593.58	586.07	-1.57%	6.18%	10.96%
Burrill Mid-Cap	166.01	237.47	280.32	282.13	1.02%	19.25%	29.84%
Burrill Small Cap	88.12	104.76	106.49	103.77	-2.25%	-0.64%	9.6%
Burrill Diagnostics	147.96	176.16	191.51	189.49	-0.69%	7.96%	20.34%
Burrill Personalized Medicine	91.71	112.44	119.6	119.22	0.69%	7.10%	13.33%
NASDAQ	2269.15	2781.07	2796.86	2740.49	-0.83%	-0.27%	4.55%
DJIA	10428.05	12319.73	12441.58	12261.42	-0.22%	0.77%	7.23%
Amex Biotech	941.92	1369.8	1462.09	1462.73	-0.10%	6.63%	12.55%
Amex Pharmaceutical	309.21	307.41	335.28	329.74	-0.88%	8.11%	8.65%

US biotech financings for 2011

	2011 1Q	2011 2Q	TOTAL
Public			
IPO	\$460	\$508	\$968
Follow-on	\$1,461	\$1,054	\$2,515
PIPEs	\$318	\$286	\$604
Debt	\$4,753	\$1,505	\$6,258
Private			
VC	\$1,092	\$994	\$2,086
Total Financing	\$8,092	\$4,347	\$12,439
Partnering	\$7,552	\$4,555	\$12,107
Total	\$15,644	\$8,902	\$24,546

About Burrill & Company

Founded in 1994, Burrill & Company is a diversified global financial services firm focused on the life sciences industry. With more than \$1 billion in assets under management, the firm's businesses include venture capital, private equity, merchant banking and media. By leveraging the scientific and business networks of its investment team, Burrill & Company has established unrivaled access and visibility in the life sciences industry. This unique combination of resources and capabilities enables the company to provide life sciences companies with capital, management expertise, insight, market intelligence and analysis through its investments, conferences, and publications. Headquartered in San Francisco, the company oversees a global network of offices throughout the United States, Latin America, Europe and Asia. For more information visit: www.burrillandco.com.

Upcoming Burrill & Company Events

The Burrill Personalized Medicine Meeting

October 03, 2011 - October 04, 2011

The San Francisco Airport Marriott

Burlingame, CA

http://www.burrillandco.com/personalized_medicine_2011/

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