

## FOR IMMEDIATE RELEASE

### Biotech gets on a roll in third quarter

SAN FRANCISCO - October 1, 2009 – Biotech continued its steady improvement during the third quarter with the Burrill Biotech Select Index posting a solid 7 percent gain (2 percent in September) in the wake of the Dow and NASDAQ, which both had stellar quarters posting 15 percent gains in value.

It wasn't just biotech's "blue-chip" companies that helped fuel investors' enthusiasm in the month of September. The Burrill Biotech Mid-Cap Index posted a 5 percent gain, and was up almost 12 percent in the third quarter. Leading the gainers was Targacept whose shares have been on a tear (up 43 percent for the month, 783 percent in the quarter) following their July announcement that its drug candidate, TC-5214, significantly improved symptoms of major depressive disorder for patients who did not respond to an older drug, Forest Laboratories Inc.'s Celexa.

Other notable gainers in September included:

- Dendreon (up 25 percent) driven by news that the company now expects to submit an updated marketing application for its prostate cancer vaccine, Provenge, to the FDA by mid-November.
- Exelixis (up 18 percent), benefiting from positive analysts reports on the strength of its product pipeline.
- Pharmasset (up 15 percent) following an analysts upgrade citing the chances for a successful outcome from their upcoming Phase II study results on the developing hepatitis C treatment R7128.

"This is the second quarter in a row that we have seen positive gains for biotech, which has certainly benefited from the surge in the general markets," said G. Steven Burrill, CEO, Burrill & Company, a San Francisco based global leader in life sciences with activities in Venture Capital, Private Equity, Merchant Banking and Media. "Although the 15 percent third quarter gain in the Dow was the biggest since Q4 1998, investors still remain cautious about the overall economy even though most analysts believe that the worst of the economic woes are now behind us.

"The ambivalence of investors is one of the reasons why biotech still lags the general markets' performance to date," noted Burrill, "but we are moving into the final quarter, which is traditionally biotech's best period. With the comparative stabilization of the capital markets, we are seeing some encouraging signs of good things to come...the total US biotechs have raised through follow-on financings is up over 100 percent on the total

raised in 2008. This type of financing is generally a harbinger of the opening of the IPO window. Already one did get out the door in August with Cumberland Pharmaceuticals raising \$94 million.”

### Biotechs test IPO waters

Following Cumberland’s lead, several biotech companies plan to test the IPO market:

- Talecris Biotherapeutics is offering an initial 44.7 million shares priced at \$18 to \$20. If successful, the IPO could generate \$850 million.
- Anthera Pharmaceuticals (Hayward, CA), filed to sell up to \$70 million in stock to fund its drug development programs. Anthera is focused on inflammatory diseases and has one drug ready for Phase III clinical trials.
- Seattle-based Omeros is offering 6.82 million shares of its common stock, priced at \$10 to \$12 per share, which could generate as much as \$81.8 million. Omeros is focused on inflammation and disorders of the central nervous system.

### September Biotech Indices

Index	12/31 2008	3/31 2009	6/30 2009	8/31 2009	9/30 2009	% change Month	% change Quarter	% change Year
Burrill Biotech Select	300.33	287.12	294.09	309.76	315.89	1.98%	7.41%	5.18%
Burrill Large Cap Biotech	379.7	375.01	424.71	450.36	474.8	5.43%	11.79%	25.05%
Burrill Mid-Cap	139.39	137.08	173.97	176.26	185.65	5.33%	6.71%	33.19%
Burrill Small Cap	78.35	73.27	82.51	100.56	103.1	2.53%	24.95%	31.59%
Burrill Genomics	59.69	45.8	65.73	122.84	127.28	3.61%	93.64%	113.24%
Burrill Personalized Medicine	79.63	80.27	90.53	88.72	91.99	3.69%	1.61%	15.52%
Burrill AgBio	127.72	147.19	135.12	150.16	150.75	0.39%	11.57%	18.03%
Burrill BioGreentech	106.12	113.44	133.21	142.17	152.07	6.96%	14.16%	43.30%
Burrill Diagnostic	138.3	124.1	131.47	139.58	142.88	2.36%	8.68%	3.31%
Burrill Nutraceutical	369.24	314.16	408.08	461.62	495.62	7.37%	21.45%	34.23%
NASDAQ	1577.03	1528.59	1835.04	2009.06	2122.42	5.64%	15.66%	34.58%
DJIA	8776.39	7608.92	8447	9496.28	9712.28	2.27%	14.98%	10.66%
Russell 2000	499.95	422.75	508.28	572.37	604.28	5.58%	18.89%	20.87%
Amex Biotech	647.15	640.85	697.17	925.56	922.88	-0.29%	32.38%	42.61%
Amex Pharma	272.84	244.08	262.11	283.53	287.13	1.27%	9.55%	5.24%

### US Biotech Financings

Financings and partnering deals collectively brought in over \$13 billion for US companies in Q3 '09 with over \$4 billion through financings and \$9 billion in partnering capital. "This 147 percent increase in funds raised compared to the Q3 '08 total clearly shows that conditions have improved considerably since the initial capital markets meltdown," commented Burrill."

By contrast, the amount of venture capital raised year-to-date did not see the commensurate increase (5.6 percent) as the financing vehicles experienced in the public biotech sector space. The average amount of capital raised per deal has also fallen - from \$20 million in 2008 to \$12 million in 2009. Notable VC deals in the quarter were:

Company	Value (\$M)	Focus
Pacific Biosciences	65	Genomics
Zogenics	51	CNS, Pain
Complete Genomics	45	Genomics
Adamas Pharmaceuticals	40	Neurology
Avila Therapeutics	30	Infectious diseases
3-V Biosciences	30	Infectious--HIV

### Partnering remains robust

As a consequence of almost 12 months of tough financial conditions and the limited flow of capital to biotechs, companies have been turning to partnering big time as an alternate method of financing. The over \$9 billion generated included two that could, if all milestones are met, generate over \$1 billion. PTC Therapeutics, Inc.'s exclusive research collaboration and licensing agreement with Roche for the development of orally bioavailable small molecules could realize approximately \$1.9 billion. Roche will utilize PTC's technology called gene expression modulation by small-molecules (GEMS). The collaboration focuses initially on four CNS disease targets to be jointly selected. San Carlos, California-based Nektar Therapeutics signed a worldwide licensing agreement with AstraZeneca for two of its therapies: NKTR-118, in late-stage development for the treatment of opioid-induced constipation, and NKTR-119 in early stage development to treat pain without constipating side effects. AstraZeneca will pay Nektar \$125 million upfront and assume responsibility for the continued development of both programs. Nektar is eligible for milestones that could total up to \$1.4 billion if the products achieve considerable levels of success.

Other notable deals in Q3 '09 included:

Company	Company	Value	Focus
PTC Therapeutics	Roche	1900	CNS
Nektar Therapeutics	Astra Zeneca	1500	Pain
Nycomed	Forest Laboratories	600	Respiratory disease
Acorda Therapeutics	Biogen Idec	510	Multiple Sclerosis
Portola Pharmaceuticals	Merck & Co	490	Cardiovascular
NeuroSearch A/S	Janssen Pharma (J&J)	346	CNS
Clinical Data	CombinatoRx	252	Cancer
Vernalis	GSK	206	Cancer
Trubion Pharmaceuticals	Facet Biotech	196	Cancer
Santhera Pharmaceuticals	Biovail	192	Parkinson's disease

### US biotech financings for 3Q 2009

	Q1'08	Q2'08	Q3'08	TOTAL	Q1'09	Q2'09	Q3'09	TOTAL
<b>Public</b>								
IPO	\$6	\$0	\$0	<b>\$6</b>	\$0	\$0	\$94	<b>\$94</b>
Follow-ons	\$701	\$312	\$693	<b>\$1,706</b>	\$579	\$1,464	\$1,507	<b>\$3,550</b>
PIPEs	\$370	\$203	\$308	<b>\$881</b>	\$302	\$431	\$638	<b>\$1,371</b>
Debt	\$1,622	\$360	\$408	<b>\$2,390</b>	\$2,651	\$1,505	\$1,065	<b>\$5,221</b>
<b>Private</b>								
VC	\$837	\$1,007	\$1085	<b>\$2,929</b>	\$1,486	\$849	\$759	<b>\$3,094</b>
Other	\$20	\$226	\$20	<b>\$262</b>	\$31	\$23	\$60	<b>\$114</b>
<b>Total Financing</b>	<b>\$3,556</b>	<b>\$2,108</b>	<b>\$2,514</b>	<b>\$8,178</b>	<b>\$5,049</b>	<b>\$4,272</b>	<b>\$4,123</b>	<b>\$13,444</b>
<b>Partnering</b>	<b>\$3,091</b>	<b>\$4,141</b>	<b>\$2,962</b>	<b>\$10,194</b>	<b>\$4,761</b>	<b>\$8,018</b>	<b>\$9,390</b>	<b>\$22,169</b>
<b>Total</b>	<b>\$6,647</b>	<b>\$6,249</b>	<b>\$5,476</b>	<b>\$18,372</b>	<b>\$9,810</b>	<b>\$12,990</b>	<b>\$13,513</b>	<b>\$35,613</b>

### Biotech Industry Statistics

The monthly, subscription-based Burrill Report ([www.burrillreport.com](http://www.burrillreport.com)) provides ongoing statistics and analysis on the 328 biotechs that are publicly traded on major US markets (down 7.8 percent year-to-date)) as well as tracking the financings and deal flow in the global biotech industry. Among the current data the publication reports that at the end of September the group of public biotech companies had an aggregate market cap of \$352 billion (up 10.4 percent for the quarter). Also:

- There are 51 companies that have market caps greater than \$1B (up 4 percent YTD)
- There are 36 companies that have market caps between \$500 and \$999M (up 38 percent YTD)
- 136 public biotech companies (41%) have a market cap below \$100 million (an improvement of 51% at the start of the year)

**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 over \$950 million 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 over a dozen leading industry conferences worldwide and publisher of a range of bio-intelligence reports including the monthly Burrill Report, which tracks the progress of the global biotechnology industry and annual “State of the Industry” report the latest of which is Biotech 2009-Life Sciences: Navigating the Sea Change, the 23<sup>rd</sup> annual report on the industry.

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