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New Drug Approvals in 2011 Already Match 2010 Total

Burrill & Company sees environment improving for life sciences, but macroeconomic threats persist.

SAN FRANCISCO – August 1, 2011 – The July approval of AstraZeneca’s blood-thinner Brilinta, a potential blockbuster that will compete against Plavix, marks a milestone for the U.S. Food and Drug Administration. It brings to 21 the total of new drugs approved by the agency this year, a number that equals the total of all new drug approvals in 2010, according Burrill & Company.

“We’re on our way to breaking the anemic pace of new drug approvals of recent years, but the problems underlying the relatively low rate of approvals since 2004 still need to be addressed,” says G. Steven Burrill, CEO of the San Francisco-based Burrill & Company, a diversified global financial services firm focused on the life sciences industry. “The industry has to reverse a long-term decline in R&D productivity. And the FDA has to find a way to ensure the safety of new drugs while not slowing the introduction of new and needed therapies or creating undue burdens for developers.”

Already this year, the agency has approved several important new drugs. This includes Vertex Pharmaceutical’s hepatitis C drug Incivek, Bristol-Myers Squibb’s melanoma drug Yervoy, the first new melanoma drug in 13 years, and the first to extend the lives of patients with late-stage disease; and Human Genome Sciences’ lupus drug Benlysta, the first new lupus drug in 50 years. More than a dozen other drug candidates are scheduled for review before year-end, including Seattle Genetics’ Adcetris, a first-in-class cancer drug that uses an antibody to target cancer cells with a cytotoxic payload. An FDA advisory panel in July voted to recommend approval for that drug, with an agency decision due before the end of the year.

Though it is unclear what has driven the burst of approvals, an analysis by Burrill & Company found that a third of the drugs approved in 2011 had failed to pass muster with the agency on their first attempt. That compares to about a fifth of the drugs approved in 2010.

“Seven months of data is not enough to suggest a significant change in approach at the FDA or that strategies to alter the drug development process to improve productivity are paying off,” says Burrill. “It is encouraging. But improving the pace at which new drugs reach the public will require much more work, both at the agency and in industry.”

The increase in drug approvals is part of a general improvement in the environment for the biopharmaceutical sector. Through the first seven months of the year the Burrill Select Index rose 13.7 percent, compared to a 4.9 percent advance for the Dow Jones Industrial Average and a 3.9 percent increase for the Nasdaq Composite Index.

At the same time, improvement in the sector is reflected in the capital being raised by life sciences companies. Through July 31, 2011, global public market financings for the sector rose to \$49.6 billion compared to \$30.9 billion for the same period a year ago.

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Major energy producers continued their push into the renewable fuels and chemicals space, as five companies raised a record \$319.3 million in venture financing during the month. Sundrop Biofuels, a Colorado-based startup with a gasification technology that can turn any kind of cellulosic material into a bio-based fuel that can be blended directly with fossil fuels, received a \$155 million equity investment from Chesapeake Energy, the second largest producer of natural gas in the United States.

**LIFE SCIENCES CAPITAL RAISED
YEAR TO DATE THROUGH JULY 31, 2011 (USD M)**

	YTD Through July 31, 2011	YTD Through July 31, 2010	Change
Total Global Venture Capital	5,707	6,066	-5.90%
U.S. VC	4,330	4,759	-9%
Total IPOs (30) - 19 in 2010	3,063	1,274	140.40%
U.S. IPOs (15) - 8 in 2010	1,111	714	55.60%
Total Global PIPEs	2,299	2,098	9.60%
U.S. PIPES	866	990	-12.50%
Total Global Follow-ons	6,714	2,406	179%
U.S. Follow-ons	3,093	1,960	57.80%
Global Debt Offerings	29,005	20,703	40.10%
U.S. Debt	15,484	15,992	-3.20%
Global Other Financings	8,489	4,489	89.10%
U.S. Other Financings	2,708	4,276	-36.70%
Total Global Public Financings	49,570	30,970	60%
Total U.S. Public financings	23,263	23,932	-0.30%
Global Partnering	22,717	37,723	-39.80%
U.S. Partnering	19,347	19,837	-2.50%
Global M&A	124,170	101,998	21.70%
U.S. M&A	103,827	48,092	115.90%

Though global venture capital investment in the life sciences sector is down 5.9 percent year-to-date, IPO activity has risen sharply. Life sciences companies raised a total of \$3.1 billion through IPOs in 30 deals, up from \$1.3 billion in 19 deals in 2010. In the United States, 15 companies have raised a total of \$1.1 billion through IPOs compared to 8 companies that raised a total of \$714 million in 2010.

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Follow-on activity has also risen sharply this year. Through the end of July, the total raised through secondary offerings climbed to \$6.7 billion, up from \$2.4 billion a year ago. Even in a difficult week for the market, the biopharmaceutical Endocyte* on July 27 priced a \$71.3 million follow-on, \$60.9 million of which was for shares sold by the company. The offering at \$12.26 per share, reflected an increase by 1 million shares over its original plans.

Demand for new issues across industries continues to heat up, but investor appetite for therapeutics companies in the United States remains limited. Many of these companies still need to cut their target prices or deal sizes to complete deals. In July, while 14 companies completed IPOs on U.S. exchanges, Horizon Pharma (Nasdaq: HZNP) was the only life sciences company in this group. Horizon is launching the recently approved pain reliever Duexis, a combination of ibuprofen and famotidine. The \$50 million offering came at \$9 per share, below the \$10 to \$12 expected range. The company originally filed to go public a year ago. While investors in IPOs from retailers Teavana and Dunkin' Donuts saw their shares rocket more than 50 percent, Horizon's shares barely moved. They rose 15 cents during their first trading day and ended the week just 4 cents above their initial price.

PERFORMANCE OF 2011 LIFE SCIENCES IPOs

Company	Ticker	Capital Raised (USD M)	Market Cap 7/31/11	IPO Price (USD)	Price 7/31/11 (USD)	Return from IPO
Pacira Pharmaceuticals	PCRX	42.0	172.7	7.0	10.0	43.1%
BG Medicine	BGMD	40.3	144.6	7.0	7.5	7.6%
Epocrates	EPOC	85.8	384.7	16.0	16.4	2.8%
Endocyte	ECYT	86.3	462.5	6.0	13.3	122.2%
Gevo	GEVO	123.0	429.2	15.0	16.5	10.2%
Fluidigm	FLDM	86.3	338.6	13.5	17.0	25.6%
AcelRx Pharmaceuticals	ACRX	40.0	79.6	5.0	4.1	-18.0%
Tranzyme Pharma	TZYM	54.0	93.6	4.0	4.0	-1.3%
Sagent Pharmaceuticals	SGNT	105.8	775.6	16.0	27.9	74.2%
Solazyme	SZYM	227.2	1319.3	18.0	22.9	26.9%
KIOR	KIOR	150.0	1459.2	15.0	14.5	-3.7%
Horizon Pharma	HZNP	50.0	176.5	9.0	9.0	0.4%

Average Performance to date

24.2%

The performance of the life sciences industry this year is shaping up to be strong, but Burrill cautioned that with the debt crisis in Europe and the lack of resolution on the issue of raising the debt ceiling in the United States, macroeconomic issues threaten to disrupt capital markets and return the industry to the difficult environment of recent years. At a minimum, the fight over the deficit has once again put drug pricing on the radar of lawmakers and could cast shadows over the sector.

“The continuing battle over healthcare reform creates uncertainty. That hurts the industry,” says Burrill. “At a time when lawmakers should consider ways to stimulate investment in the industry and foster job growth, Congress should be careful not to erect new obstacles.”

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Burrill Indices

INDEX	12/31/10	6/30/11	7/31/11	Month Change	Year Change
Burrill Select	365.12	429.82	415.20	-3.40%	13.72%
Burrill Large Cap	526.55	586.07	537.42	-8.30%	2.06%
Burrill Mid-Cap	218.10	282.13	290.87	3.10%	33.37%
Burrill Small Cap	94.97	103.77	106.04	2.19%	11.66%
Burrill Genomics	163.44	189.80	169.50	-10.70%	3.71%
Burrill BioGreenTech	152.78	160.65	155.75	-3.05%	1.94%
Burrill Diagnostics	158.05	189.49	184.05	-2.87%	16.45%
Burrill Personalized Medicine	106.26	119.22	111.82	-6.21%	5.23%
NASDAQ	2652.87	2740.49	2756.38	0.58%	3.90%
DJIA	11577.51	12261.42	12143.24	-0.96%	4.89%
Amex Biotech	1297.61	1462.73	1353.50	-7.47%	4.31%
Amex Pharmaceutical	305.88	329.74	324.48	-1.60%	6.08%

*Note: Burrill & Company is an investor in Endocyte

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.

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Upcoming Burrill & Company Events

The Burrill Personalized Medicine Meeting

October 3, 2011 - October 4, 2011

The San Francisco Airport Marriott

Burlingame, CA

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

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