



# Biotechnologies & FINANCES



N° 270 • December 26th 2005

www.biotech-finances.com

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## 11<sup>TH</sup> HOUR

# 2005: The European Giant Stirs from Slumber

**2004 was a disappointment for the biotech and medtech community. IPOs failed, new finance proved difficult and complicated to find, and attempts at consolidation were stillborn. This meant that many players and observers in the life sciences industry went into 2005 believing that mergers and acquisitions were likely to be the main salvation of biotech and medtech.**

And yet, 2005 has produced a remarkably good vintage! An IPO window opened and a number of impressive financing rounds have been achieved. The recovery also saw successful consolidation take place. Opportunism and opportunity have been the watchwords of the year.

The wounds sustained by the biotech industry after the stock market bubble burst seem to be healing. Youthful exuberance has returned. More mature projects are now being presented to investors - who themselves have evolved as well. Going public is no longer perceived only as a good exit strategy for private investors but also as a real additional financing tool.

This added up to a much more favourable climate in 2005 despite a few IPOs that were pulled (eg Zealand in December). More than 20 IPOs were successfully concluded this year in Europe, and 14 of these were on regulated markets. The number could rise to 15 if 4SC succeeds in listing in Germany in December. One key factor is that companies and investors now have more realistic valuation expectations. The failure of several IPOs in 2004, including Cyclacel, IDM, Microscience or Biovitrum, has apparently had some effect. This is illustrated by the diminishing gap between the indicative price range and the price when trading starts. This suggests that companies are aligning their valuation with the expectations of the market operators, even if the price is sometimes lower than their latest private funding rounds. One exception however stands out. Speedel, one of the flagships of Swiss biotechnology, was unable to get the valuation it wanted from institutional investors (between CHF 850 million and CHF 1 billion). But Speedel didn't give in. Relying on the law of supply and demand, the Swiss company went to venture capitalists to raise € 45 million and IPOed on the Swiss market without trying to raise more equity. On September 9, at the close of its first day of quotation, Speedel was showing a market capitalization of CHF 950 million!

A striking element of IPOs in 2005 is the wide range (continued on p. 2)

(continuation from p. 1) of countries where listings occurred. Companies usually IPO in their country of origin and the map of recent European IPOs clearly shows that there is no single market but that floatations happened all over Europe. This tends to show that this type of investment now generates general interest rather than catering only to a syndicate of specialised investors. This Europe-wide phenomenon seems to be linked to investors' becoming more mature, particularly investors focused on small cap companies whose investments have performed well and who are now ready to diversify their risks. For example, even in France where the community of institutional investors shows very little interest in this particular sector, the year has been marked with three successive IPOs by three companies in the life science field: ExonHit, Ipsen and BioAlliance.

## **Pipelines that don't run dry, projects that get more mature**

In 2005, unlisted companies went to great lengths to achieve a sufficient level of maturity to make an IPO feasible.

Some of them went knocking on the venture capitalists' door with the result that impressive financing rounds were concluded in 2005, including those of Oxagen and Speedel who both managed to raise more than €40 million. There were a large number of financing rounds above €30 million, thus giving later stage companies the chance to pursue their clinical development. These include Biolipox, Neuro3d, Trigen in Phase II and Newron, Willex, The Genetics Company in Phase III.

Companies at Series A stage have not been neglected, with three nice success stories this year. Swiss company Xytis, focused on the central nervous system, wins our congratulations by managing to



**« The venture loans model seems to be winning over more and more enthusiasts in Europe, especially among the earliest stage biotechs. »**

build a pipeline with two molecules in clinical stage in less than a year. Xytis established a first agreement in January with Rotapharm, followed in June by a deal with Fournier. Atlas and CDC Entreprises Innovation gave their financial support to the company. Sofinnova supported two young and extremely promising French start-ups: Cerenis in the field of cardiovascular diseases and Fovea Pharma for the therapeutic treatment of retinal disease. Each of them raised more than €20 million this year.

While the demand for traditional venture capital funding remains very strong, a few companies have started to look at alternative solutions more appropriate to their needs. Cyclacel for one concluded a financing agreement with Scottish Enterprise via the issue of a convertible debt. Moreover, the venture loans model as it is proposed by GE Life

Science Finance in the United States seems to be winning over more and more enthusiasts in Europe, especially among the earliest stage biotechs. These kinds of financing are well worth considering if only because they are non-dilutive.

## **Mergers and acquisitions as growth drivers**

The growing pragmatism in European biotech companies' attitude to strategic decisions is yet another sign of their new maturity. Bringing companies together is no longer perceived as meaning they are in the last chance saloon but that the merger offers significant growth leverage.

For example, the Danish society TopoTarget acquired G2M Germany just before its IPO in June. Apart from raising €15 million at the same time, the company significantly strengthened its pipeline in cancer, and this clearly made it a much more attractive proposition for the market. Similarly,

bringing together TriGen in the UK and ProCorde in Germany meant that the new company was able to raise another €30 million in a new round of financing.

Also in the UK, Vernalis has been particularly active with no less than three operations this year. In July, it acquired Ionix Pharmaceuticals in the UK, in November, it obtained the rights for Apokyn®, a product that was already on the market, from Mylan Pharmaceuticals and then acquired Canada's Cita Neuropharmaceuticals. As it stands today, the firm presents a very attractive profile, with two drugs on the market and an advanced pipeline of central nervous system disease therapies.

Lastly, the Japanese biotech company, Sosei, did a quick change act by buying the UK firm, Arakis, a clear sign of the growing interest of Asian biotech for European biotech.

If once the future seemed to lie in the US, no doubt quite a few more. it is obvious that we now need to make sure we take into account the potential of the Far East!



**« The growing pragmatism in European biotech companies' attitude to strategic decisions is a sign of their new maturity. »**

variety of development models, maintaining a subtle balance between their strategic needs and a financing environment that is structurally limited. This new dynamic has triggered the emergence of new specialised operators who have won increased trust not only from investors but also from issuers. The acquisition of the merchant bank, Code Securities, by Nomura is another clear sign demonstrating the sector's recovery.

2006 is likely to provide confirmation of this emerging pro-activity, whether it be IPOs, the search for financial or strategic partnerships, or mergers and consolidation operations. European biotech still has a few cards up its sleeve! Those who could come up trumps include IDEA, Micromet and Paion in Germany; Newron and Biozell in Italy; Cyclacel, Renovo or Trigen in Great Britain and Diatos, Faust, Innate Pharma, Neuro3d, OPI, Novagali in France and

*Bionest Partners*

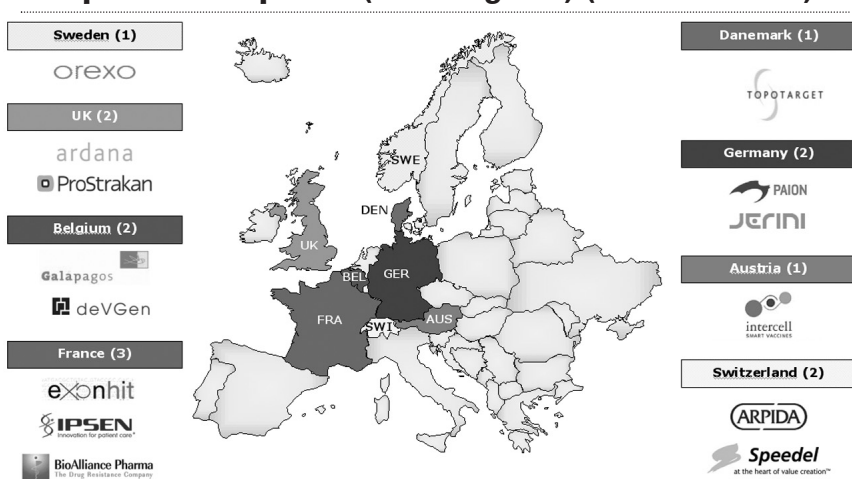
*Catherine Pichereau, Finance Practice Leader*

*Frédéric Desdouts, Managing Partner*

## 2006 : Will this mean the industry is finally mature?

The opening of the IPO window is for sure a very eloquent symbol of the sector's maturity in Europe, but the most remarkable fact this year is probably not so much this as the emerging pragmatism of the players in the market. This pragmatism has led them to follow a

### European IPO map 2005 (excluding AIM) (as of 16 Dec 05)



## THE BRITISH ISLANDS

### « Biotech in UK are ready to explore new business models »

Nessan Bermingham PhD – Principal Life Sciences – Atlas Venture, **Londres**

«*The UK biotech scene has been particularly active over the past twelve months with a number of themes emerging. On the one hand we have had some significant partnering deals announced such as Arrow Therapeutics' deal with Novartis on their lead RSV program, Piramed's deal with Genentech and Arakis' deal with Novartis and their subsequent acquisition by Sosei. On the other, we have seen consolidation in the sector driven in part by the lack of biotech financing (both public & private) as evidenced by Microscience's acquisition by Emergent following the withdrawing of Microscience's IPO, Cambridge Biotechnology's acquisition by Biovitrum & Ionix's acquisition by Vernalis, the primary focus being liquidity for current investors. While overall terms have been disappointing, versus*

*cash invested, on the whole they have reflected what is happening in the public markets to companies that have undergone recent IPOs.*

*We have, however, seen a number of companies raise significant private financings here in the UK, most notably Trigen who exit 2005 well capitalized with a risk diversified portfolio following a large private financing on the back of their merger with Procorde. Other UK private financings include Xention who raised £11M, Oxagen who raised £31.6M and Intercytex who raised £12M. A number of companies opted out of the private sector completing IPOs on AIM including Phoqus, Plethora Solutions & Ardana. While these companies did manage to go public investors responses have been mixed.*

*With this in mind a number of UK com-*

*panies have looked to the US for both financings & potential exits. We recently saw Cyclacel merge with Nasdaq listed Xcyte and Biovex relocate their headquarters to the US. I believe this will be a theme that we will see continued throughout 2006.*

*Going forward into 2006 I believe that with new VC funds raised, experienced management teams re-engaging in building companies, maturing pipelines & strong innovation we are well positioned to explore new business models. These will allow us to be capital efficient, & flexible in our transactions, exits & partnerships thereby providing the investment thesis for new UK companies that are globally competitive & have the promise of the longevity & VC returns that have so far, on the whole, eluded us in the UK. »*

### « There is a lot of interest on the Irish part in going down the IPO road on AIM »

Seamus O'hara – Partner – Seroba Bioventures, **Dublin**

«*Quality and mature companies are now managing to raise larger rounds and to attract in those rounds some international venture capitalists as coinvestors with local venture capitalists. Seroba Bioventure is quite active in seeking to build strong syndicates for our*

*investees at an early stage with international Life Science Venture Capitalists participation.*

*On the Irish part, there is quite a lot of interest in going down the IPO road on the UK AIM Market. I think that a number of companies in Ireland are looking at*

*this option. Several companies started in the last 2-3 years are getting to the stage where they need to raise relatively substantial follow on the fundings.*

*So I think that we will see some Irish Life Science companies going for a listing on AIM in 2006. »*

Acquirer name	Acquirer country code	Target name	Target country code	"Deal value mil EUR"	Deal type	Deal status	Deal financing	Deal method of payment
1 Fidelity International Ltd FMR Corporation	GB US	Proteome Sciences plc	GB	n.a.	Minority stake unknown %	Completed		
2 Goldman Sachs		Acambis plc	GB / GB	n.a.	Minority stake unknown %	Completed		
3 -		Riotech Pharmaceuticals Ltd	GB	1,11	Minority stake unknown %	Completed Venture capital	Development capital	Cash

Caption \* = estimated value



# € DEALS JULY TO DECEMBER 2005

Acquiror name	Acquiror country code	Target name	Target country code	"Deal value mil EUR"	Deal type	Deal status	Deal financing	Deal method of payment
4 -		Ark Therapeutics Group plc	GB	1.53 *	Minority stake 0.79%	Completed		Cash
5 Galapagos NV	BE	BioFocus plc	GB	29,85	Acquisition 100%	Announced	Capital increase - vendor placing	Shares
6 -		IDMoS plc	GB	3,47	Minority stake 10%	Announced	Capital increase - placing	Cash
7 -		IDMoS plc	GB	2,16	Minority stake 6.22%	Announced		Cash
8 -		ReGen Therapeutics plc	GB	1,32	Minority stake 20.653%	Completed	Capital increase - placing	Cash
9 -		ReGen Therapeutics plc	GB	0,99	Minority stake 19.478%	Pending	Capital increase - placing	Cash
10 Legal & General Group plc	GB	Oxford BioMedica plc	GB	n.a.	Minority stake unknown %	Completed		
11 -		SkyePharma plc	GB	55,54	Minority stake 16.667%	Announced	Capital increase - rights issue	Cash
12 University of Bath	GB / GB	Vectura Group plc	GB	n.a.	Minority stake unknown %	Completed		
13 -		Angel Biotechnology Holdings plc	GB	n.a.	Planned IPO on AIM	Rumour		
14 -		Biocompatibles International plc	GB	2.63 *	Minority stake 1.954%	Completed	Capital increase	
15 Fidelity International Ltd	BM	Protherics plc	GB	n.a.	Minority stake unknown %	Completed		
16 FMR Corporation	US	CSR plc	GB	n.a.	Minority stake unknown %	Completed		
Fidelity International Ltd	BM							
17 Framlington Investment Management Ltd	GB	Protherics plc	GB	n.a.	Minority stake unknown %	Completed		
18 Legal & General Group plc	GB	Dechra Pharmaceuticals plc	GB	n.a.	Minority stake unknown %	Completed		
19 Merfin Capital	BE	Trigen Holdings AG	GB	26,5	Minority stake unknown %	Completed	Development capital	Cash
3i Group plc	GB						Venture capital	
Wellington Partners Venture Capital GmbH	DE						Corporate venturing	
SR One Ltd	GB							
HealthCap	SE							
Quest for Growth SA	BE							
British Investment Trust plc, The	GB							
Private Investors								
Quintiles PharmaBio Development	US							
20 National Endowment for Science Technology and the Art	GB	Symetrica Ltd	GB	0,74	Minority stake unknown %	Completed	Venture capital	Cash
				0,74		Completed	Development capital - 2nd round	
21 Private Investor		NanoSight Ltd	GB	0,36	Minority stake unknown %		Development capital	Cash
Strathdon Investments plc	GB						Venture capital	
YFM Venture Finance Ltd	GB					Completed		
22 -		Antisoma plc	GB	0.25*	Minority stake 0.242%	Completed	Capital increase	
23 -		Protherics plc	GB	4.61*	Minority stake 2.39%	Announced	Capital increase	
24 -		Accsys Technologies plc	GB	n.a.	Planned IPO unknown stake %	Rumour	Capital increase	
25 -		Antisoma plc	GB	4.85*	Minority stake 4.212%	Announced	Capital increase	
26 -		Evolutec Group plc	GB / GB	14,59	Minority stake 26.5%	Pending - awaiting shareholder approval	Capital increase - placing	Cash
27 Genus plc	GB	Sygen International plc	GB	274.78*	Acquisition 100%	Announced	New bank facilities	Cash
28 Investor		Henderson Morley plc	GB	0,37	Minority stake 13.023%	Completed	Capital increase - placing	Cash
29 UBS AG	GB	Ardana plc	GB / GB	n.a.	Minority stake unknown %	Completed		
30 -		Genus plc	GB	80.82*	Minority stake 31.603%	Announced	Capital increase - placing	Cash
31 -		Oxford BioMedica plc	GB	44.09*	Minority stake unknown %	Rumour	Capital increase - placing	
32 -		Innovata plc	GB / GB	2,429.08*	Minority stake 1.277%	Announced		Cash
33 -		Cyprotex plc	GB	1,636.74*	Minority stake 7.687%	Announced	Capital increase	
34 Bluehone Investors LLP	GB	Vectura Group plc	GB	n.a.	Minority stake unknown %	Completed		
35 Capital Group Companies Inc., The	US	AstraZeneca plc	GB	142,109.38*	Minority stake increased from 12% to 12.3%	Completed		Cash
36 Innovata plc	GB / GB	SkyePharma plc	GB	n.a.	Merger 100%	Rumour		
37 Wellington Management Co LLP	US	AstraZeneca plc	GB	12,126.12*	Minority stake increased from 4.99% to 5.02%	Completed		Cash
38 -		AstraZeneca plc	GB	72,055.64*	Minority stake 0.119%	Completed		Cash
39 -		Vernalis plc	GB	62 791,79	Minority stake 21.752%	Pending - awaiting shareholder approval	Capital increase - placing	Cash
				62 791,79		Pending - awaiting shareholder approval	Capital increase - rights issue	
40 -		Sinclair Pharma plc	GB	3,917.28*	Minority stake 3.267%	Announced	Capital increase	
41 -		Lombard Medical plc	GB	36 570,11	Planned IPO unknown minority stake %	Rumour	Capital increase - placing	Cash
42 Cephalon Inc.	US	Zeneus Holdings Ltd	GB	307,368.00*	Acquisition 100%	Announced		Cash
43 HBM BioVentures (Cayman) Ltd	KY	SkyePharma plc	GB	n.a.	Minority stake unknown %	Completed		
44 -		Genosis plc	GB	10 354,47	Initial public offering unknown stake %	Completed	Capital increase - placing	Cash
45 -		Bespak plc	GB / GB	7,200.88*	Minority stake 3.725%	Announced	Capital increase	
46 Institutional Investors	GB	BBi Holdings plc	GB	1 420,04	Minority stake 4.762%	Announced	Capital increase - private placing	Cash
47 -		ProStrakan Group plc	GB	0.80*	Minority stake 0.272%	Completed	Capital increase	
48 3i Group plc	GB	Intercytex Ltd	GB	17,42	Minority stake unknown %	Completed	Development capital	Cash
Avlar Bioventures Ltd	GB						Venture capital	
Cambridge Gateway Fund	GB							
Scottish Equity Partners Ltd	GB							

# € DEALS JULY TO DECEMBER 2005

Acquiror name	Acquiror country code	Target name	Target country code	"Deal value mil EUR"	Deal type	Deal status	Deal financing	Deal method of payment
Merlin BioSciences Ltd	GB							
NIF Ventures	US			17,42				
49 Aberdeen Murray Johnstone Private Equity	GB	Syntopix Ltd	GB	0,78	Minority stake unknown %	Completed	Development capital	Cash
Techtran Group Ltd	GB						Venture capital	
Ridings Early Growth Investment Company Ltd, The	GB							
50 Aberdeen Murray Johnstone Private Equity	GB	CellTran Ltd	GB	3,89	Minority stake unknown %	Completed	Development capital	Cash
Partnerships UK	GB						Venture capital	
Biofusion plc	GB							
YFM Group Ltd	GB							
51 Barclays plc	GB	Alizyme plc	GB	n.a.	Minority stake unknown %	Completed		
52 Dow Chemical Company, The	US	Oxford Immunotec Ltd	GB	10,16	Minority stake unknown %	Completed	Private Equity	Cash
Top Technology Ventures Ltd	GB						Development capital - 2nd round	
Quester Capital Management Ltd	GB							
Prelude Ventures Ltd	GB							
53 Fidelity International Ltd	GB	Sygen International plc	GB	n.a.	Minority stake unknown %	Completed		
FMR Corporation	US			n.a.				
54 Goldman Sachs		Cambridge Antibody Technology Group plc	GB / GB	n.a.	Minority stake unknown %	Completed		
55 Institutional Investors	GB	SR Pharma plc	GB	12	Minority stake unknown %	Completed	Capital increase - private placing	Cash
56 Introgen Therapeutics Inc	US	SR Pharma plc	GB	2,46	Minority stake 8.3%	Completed		Cash
57 INVESCO Perpetual UK Investment Series Ltd	GB	Vernalis plc	GB	n.a.	Minority stake unknown %	Completed		
58 Investors	GB	GeneMedix plc	GB	2,17	Minority stake 6.046%	Completed	Capital increase - placing	Cash
59 IP2IPO Group plc	GB	Karus Therapeutics Ltd	GB	0,68	Minority stake 38.2%	Completed	Venture capital	Cash
							Development capital - seed	
60 Laurus Master Fund Ltd	US	Cytomx Holdings plc	GB	0,24	Minority stake 2.951%	Completed	Capital increase - converted debt	Other
61 Man Financial Ltd	GB	Oxford BioMedica plc	GB	n.a.	Minority stake unknown %	Completed		
62 Morley Fund Management Ltd	GB	Protherics plc	GB	n.a.	Minority stake unknown %	Completed		
Aviva plc	GB							
63 Morley Fund Management Ltd	GB	Ceres Power Holdings plc	GB	n.a.	Minority stake 3.2%	Completed		
64 Nikko Principal Investments Ltd	GB	deltaDOT Ltd	GB	3,39	Minority stake unknown %	Completed	Development capital	Cash
NPI Ventures Ltd	GB						Venture capital	
Fleming Family & Partners Ltd	GB							
Imperial Innovations Ltd	GB							
65 Schroder Investment Management Ltd	GB	NeuTec Pharma plc	GB	n.a.	Minority stake unknown %	Completed		
66 -		ReNeuron Group plc	GB	13,85	Initial public offering unknown stake % on London AIM	Completed	Capital increase - placing	Cash
67 -		Shire Pharmaceuticals Group plc	GB	1.10 *	Minority stake 0.025%	Announced	Capital increase	
68 -		Ark Therapeutics Group plc	GB	5.59 *	Minority stake 3.14%	Completed		Cash
69 -		Sareum Holdings plc	GB	0.33 *	Minority stake 4.321%	Completed		
70 -		Sareum Holdings plc	GB	n.a.	Minority stake 2.253%	Completed		
71 -		ProStrakan Group plc	GB	0.80 *	Minority stake 0.272%	Completed	Capital increase	
72 Existing Investors		Domantis Ltd	GB / US	24563,00	Minority stake unknown %	Completed	Corporate venturing	Cash
Novo Nordisk A/S	DK						Development capital - 2nd round	
MC Life Science Ventures	US						Venture capital	
73 UBS AG	CH	Oxford BioMedica plc	GB		Minority stake unknown %	Completed		
74		DermaSalve Sciences plc	GB	1011,29	Minority stake unknown %	Rumour	Capital increase	
1 Procter & Gamble		Alimentary Health Ltd.	IE		Partnering licensing in	Completed		

Caption \* = estimated value

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## FRANCE

### « Technology Transfer has become one major stake »

Jean-Yves Nothias – Managing director – SG Asset Management, Paris

« Year 2005 has been marked by a global slowdown of capital investment in the biotech sector. This is also relevant in France with less financing but an increase of their average size. The two most important financing of the second semester 2005 were first rounds involving international investors. On the contrary, third rounds are getting rare, which leads to think that the valuation levels that have been reached prevent from refinancing one's company in good conditions. Investors jib at taking risks. They rather finance projects with less research and more development to improve the famous "time to market". Which is a pity since real innovation often comes from platforms and not from already existing products. The perfect pattern must be a mix between innovations and development abilities, the way American companies do. For example, Anadys or Astex have signed very big contracts with Novartis in 2005. French

companies still have to demonstrate their ability to conclude this type of agreement with big pharma. A drop of magic potion would be most welcome.

The IPO window has partially closed in the United-States (a drop of 50% compared to 2004), while it opened here and there in Europe, with a year's delay. The stock exchange performance of listed companies on the European markets in 2004-2005 is positive (ProStrakan, Arpida, Intercell, Paion, Epigenomics, Jerini). In France, the end of 2005 was marked by the introduction of ExxonHit and BioAlliance, while the last introduction on the New Market goes back to 1999. It will be very interesting to see if the bright spell gets confirmed and if other companies with a seducing profil for the markets (technologic proof of concept and human clinical proof of concept), will achieve an IPO in 2006.

Even if performances don't reach the

heights they achieved a few years ago, a continuous flow of good quality investment's opportunities should maintain the investors' interest. The 2002-2005 timeframe has been marked by a strengthening of the biotechnologies sector. It was translated in an increase of the projects' quality and the growing experience of management teams. This positive elements will allow new fund raisings, compared to the few big raises of 2005. The setting of competitiveness centres has been energy stimulating by catalysing the clusters. The gouvernement has to keep up its efforts in order to improve the sector's perspectives. One way would be to organize technology transfer from big academic and research institutions with the help of all the various actors. It is indeed possible to fear that a drying up of seed funding would translate by a growing scarcity of investment opportunities. And it's not for lack of material. »

Acquiror name	Acquiror country code	Target name	Target country code	"Deal value mil EUR"	Deal type	Deal status	Deal financing	Deal method of payment
1 -		Aptanomics SA	FR	15.00*	Minority stake unknown %	Announced	Development capital - 2nd round	Cash
2 Investors		Flamel Technologies SA	FR	3.46*	Minority stake increased from 12.3% to 13%	Completed		Cash
OSS Capital Management LP	US							
3 Eurofins Scientific Inc.	US	ViRalliance SAS	FR	n.a.	Acquisition 100%	Announced		
4 GIMV NV	BE	Fovea Pharmaceuticals SA	FR	20 500,00	Minority stake unknown %	Completed	Venture capital	Cash
Abingworth Management Ltd	GB						Development capital - 1st round	
Sofinnova Partners	FR							
Wellcome Trust Ltd, The	GB							
Crédit Agricole Private Equity SA	FR							
5 Pharmexx GmbH	DE	Cider Santé SA	FR	3,832.00*	Acquisition increased from 52.09% to 100%	Rumour		
6 -		ExonHit Therapeutics SA	FR	3 320,00	Initial public offering	Completed	Capital increase - placing	Cash
					unknown stake % on Euronext			
7 -		Créapharm SAS	FR	n.a.	Acquisition 50%	Rumour		
8		BioAlliance		30,000,000	IPO	Announced		
9 Biolex Therapeutics Inc.	US	LemnaGene SA	FR	n.a.	Acquisition 100%	Completed		
10 Sofinnova Partners	FR	Cerenis Therapeutics SA	FR	25	Minority stake unknown %	Completed	Development capital - 1st round	Cash
HealthCap	SE						Venture capital	
Alta Partners Management Corporation	US							
NIF Ventures Co., Ltd	JP							
EDF Ventures	US							
11 -		Flamel Technologies SA	FR	5.38 *	Minority stake 2.58%	Completed		Cash

Caption \* = estimated value

## GERMAN SPEAKING COUNTRIES

### « Many companies have products in Phase II or Phase III »

Hanns-Peter Wiese – Partner – Global Life Sciences Ventures – VC – **Münich**  
Dr Hans A. Küpper – Partner – Global Life Sciences Ventures – VC – **Münich**

«**G**enerally speaking, the Swiss market has been quite active in the last few months. With two main deals, one concerning Speedel, which was listed in September and GlycArt which was sold to Roche in July. This last deal was widely recognised as important to the biotech industry and venture capital showing that Europe can produce attractive exits. Adding to its vitality, the Swiss market has got strong big pharmaceutical companies. And is therefore considered as a very interesting market. As for general investment in Swiss biotechs, it's the same problem as in any European country: the main hurdle for biotech companies is to find the lead investor. Once the lead investor has signed a term sheet, attracting co-investors is easier and then very good quality deals get quickly oversubscribed.

Concerning Germany, the biotech industry seems to have hit the bottom in 2004. Since then there has been a slow

but steady recovery. And the trend is definitely going on upwards. But still Germany is lagging bit behind the UK, but in general the sector is stronger still than in many other European countries, like let's say, France. As for IPO's, the activity has been limited in Germany with two biotech IPOs in the last nine month (Paion and Jerini) which drag behind a more active IPO activity across various industries in Germany which has seen some 23 IPOs in total in 2005 compared to just 5 in 2004.

And last but not least, another small country like Austria is establishing itself on the European biotech map with a first company listed on the Vienna stock exchange quite successfully (Intercell AG) and other Austrian biotech (e.g. Fibrex) being VC funded with interesting products in development.

More generally, there has been a stabilization of the market in 2005. Today there are a couple of IPO candidates, and the public midsize biotech compa-

nies seem to stabilize and the stocks prizes are going up. Of course, not to the heights before the bubble, but still. One should not forget that the biotech industry is part of the overall economy and in Germany, the stocks in general moved up 25% this year. So this general positive trend also had its positive effect on the biotech sector which is maturing. As for 2006, I wouldn't want to forecast another overall 25% increase, but definitely the trend to continue to go upward.

To finish, in German speaking countries, a lot of companies have later stage products, in phase II or in Phase III. If they do have positive results, this will definitely have, in the coming months, a good influence on the newsflow, stock prizes and general confidence in biotech. Because, since 2001 and the burst of the bubble, investors are still very hesitant and sceptic with biotech, after a lot of them got burnt. So 2006 could be a very positive year. »

### « We remain positive about the prospects for 2006 »

Dr Hubert Birner – General Partner – TVM, **Münich**

«**W**e remain positive about the prospects for the biotech industry in Germany for 2006. German venture capital funds such as TVM and others will have new money to invest.

However, new venture money will remain focused on a few companies,

implying that fewer companies will receive more money, in bigger financing rounds. We will also see far more international syndications in financing rounds, coming to complete the lack of money suffered by the fact that limited German investors are around.

The IPO window in Germany will remain very selective but will stay "open" with new momentum since the 2005 IPOs of Jerini and Paion.

Last but not least, we see signs that the valuation of privately held German biotech companies is going up. »



# € DEALS JULY TO DECEMBER 2005

Acquiror name	Acquiror country code	Target name	Target country code	"Deal value mil EUR"	Deal type	Deal status	Deal financing	Deal method of payment
<b>1 Life Science Ventures GmbH</b>	<b>DE</b>	<b>Neuraxo Biotec GmbH</b>	<b>DE</b>	<b>12,8</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Development capital - 1st round</b>	<b>Cash</b>
FNI Venture Capital	GB						Venture capital	
Mulligan BioCapital AG	DE							
BioMed Invest AG	CH							
<b>2 Celtic Pharmaceutical Holdings LP</b>	<b>BM</b>	<b>IDEA AG</b>	<b>DE</b>	<b>n.a.</b>	<b>Minority stake 21.7%</b>	<b>Completed</b>	<b>Private Equity</b>	<b>Cash</b>
<b>3 Institutional Investor</b>		<b>Mologen AG</b>	<b>DE</b>	<b>4.58 *</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Capital increase - private placing</b>	<b>Cash</b>
<b>4 -</b>		<b>Q-Cells AG</b>	<b>DE</b>	<b>272.39 *</b>	<b>Initial public offering 22% on Frankfurt</b>	<b>Completed</b>	<b>Capital increase - placing</b>	<b>Cash</b>
<b>5 Absolute Capital Management (Spain) SLES</b>		<b>Mologen AG</b>	<b>DE</b>	<b>5.02 *</b>	<b>Minority stake 9.17%</b>	<b>Completed</b>		<b>Cash</b>
<b>6 Institutional investors</b>		<b>4SC AG</b>	<b>DE</b>	<b>20.00 *</b>	<b>Minority stake unknown %</b>	<b>Announced</b>	<b>Capital increase - private placing</b>	<b>Cash</b>
<b>7 -</b>		<b>4SC AG</b>	<b>DE</b>	<b>n.a.</b>	<b>Planned IPO 35%</b>	<b>Rumour</b>		
<b>8 -</b>		<b>Jerini AG</b>	<b>DE</b>	<b>49,6</b>	<b>Initial public offering unknown stake on Frankfurt</b>	<b>Completed</b>	<b>Capital increase</b>	<b>Cash</b>
<b>9 Investors</b>		<b>co.don AG</b>	<b>DE</b>	<b>2 755,00</b>	<b>Minority stake 31.25%</b>	<b>Announced</b>	<b>Capital increase - private placing</b>	<b>Cash</b>
<b>10 MIG Corporation</b>	<b>DE</b>	<b>Antisense Pharma GmbH</b>	<b>DE</b>	<b>15 361,20</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Development capital</b>	<b>Cash</b>
						Venture capital		
<b>11 -</b>		<b>Evotec AG</b>	<b>DE</b>	<b>1,524.00 *</b>	<b>Minority stake 0.989%</b>	<b>Completed</b>		<b>Cash</b>
<b>12 -</b>		<b>Evotec OAI AG</b>	<b>DE</b>	<b>1,419.00 *</b>	<b>Minority stake 0.921%</b>	<b>Completed</b>		<b>Cash</b>
<b>13 Biovertis AG</b>	<b>AT</b>	<b>Morphochem AG</b>	<b>DE</b>	<b>n.a.</b>	<b>Acquisition unknown majority stake %</b>	<b>Completed</b>		
<b>14 bmt-Beteiligungsmanagement Thüringen GmbH</b>	<b>DE</b>	<b>SIRS-Lab GmbH</b>	<b>DE</b>	<b>n.a.</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Development capital</b>	<b>Cash</b>
<b>15 Deutsche Venture Capital GmbH</b>	<b>DE</b>	<b>Avontec GmbH</b>	<b>DE</b>	<b>14,5</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Development capital - 2nd round</b>	<b>Cash</b>
Kreditanstalt für Wiederaufbau	DE						Venture capital	
Mediport Venture GmbH	DE							
Innovations-Capital Goettingen GmbH	DE							
BioMed Invest AG	CH							
Bio-sight Capital Co Ltd	JP							
UBG Göttingen	DE							
<b>16 Meda AB</b>	<b>SE</b>	<b>Viartis GmbH &amp; Co. KG</b>	<b>DE</b>	<b>750</b>	<b>Acquisition 100%</b>	<b>Pending - awaiting regulatory approval</b>	<b>New bank facilities</b>	<b>Cash</b>
<b>17 QIAGEN NV</b>	<b>NL</b>	<b>SuNyx GmbH's bioanalytical assets</b>	<b>DE</b>	<b>1.32 *</b>	<b>Acquisition 100%</b>	<b>Announced</b>		<b>Cash</b>
<b>18 -</b>		<b>Coley Pharmaceutical Group Inc.</b>	<b>DE / US</b>	<b>90.01 *</b>	<b>Initial public offering unknown stake % on NASDAQ</b>	<b>Completed</b>	<b>Capital increase - placing</b>	<b>Cash</b>
<b>19 -</b>		<b>Altana Pharma AG</b>	<b>DE</b>	<b>n.a.</b>	<b>Planned IPO unknown stake %</b>	<b>Rumour</b>		
<b>20 -</b>		<b>Schwarz Pharma AG</b>	<b>DE</b>	<b>82.00 *</b>	<b>Minority stake 5%</b>	<b>Completed</b>		<b>Cash</b>
<b>21 ALK-Abelló A/S</b>	<b>DK</b>	<b>ALK-Scherax Arzneimittel GmbH</b>	<b>DE</b>		<b>Acquisition increased from 50% to 100%</b>	<b>Pending - awaiting regulatory approval</b>		
<b>22</b>		<b>Pelias Biomedical Development AG</b>	<b>DE</b>		<b>Minority stake unknown %</b>	<b>Rumour</b>	<b>Venture capital</b>	<b>Cash</b>
<b>1 Auriga Partners</b>	<b>FR</b>	<b>SpinX Technologies</b>	<b>CH</b>	<b>10</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Venture capital</b>	<b>Cash</b>
Bio Fund Management Oy	FI						Development capital - 2nd round	
Index Venture Management SA	CH							
DFJ ePlanet Ventures	CA							
CERN Pension Fund	CH							
<b>2 Venture Incubator AG</b>	<b>CH</b>	<b>Xigen SA</b>	<b>CH</b>	<b>16,87</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Development capital</b>	<b>Cash</b>
Banque Cantonale Bernoise	CH						Venture capital	
Tilacor Life Sciences	LU							
<b>3 -</b>		<b>Speedel Pharma AG</b>	<b>CH</b>	<b>n.a.</b>	<b>Initial public offering unknown stake on SWX</b>	<b>Completed</b>		
<b>4 Biotage AB</b>	<b>SE</b>	<b>Septartis Holding AG</b>	<b>CH</b>	<b>1,4</b>	<b>Acquisition 100%</b>	<b>Completed</b>		
<b>5 -</b>		<b>Serono SA</b>	<b>CH</b>	<b>n.a.</b>	<b>Acquisition 100%</b>	<b>Rumour</b>		
<b>6 3i Group plc</b>	<b>GB</b>	<b>Endosense SA</b>	<b>CH</b>	<b>16 796,08</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Development capital</b>	<b>Cash</b>
Neomed Management AS	NO			16 796,08		Completed	Venture capital	
<b>7 -</b>		<b>Ypsomed Holding AG</b>	<b>CH</b>	<b>36,988.46 *</b>	<b>Minority stake 3.2%</b>	<b>Completed</b>		<b>Cash</b>
<b>8 -</b>		<b>Ypsomed Holding AG</b>	<b>CH</b>	<b>n.a.</b>	<b>Minority stake 1.94%</b>	<b>Rumour</b>		
<b>9 Crucell NV</b>	<b>NL</b>	<b>Berna Biotech AG</b>	<b>CH</b>	<b>381,875.53 *</b>	<b>Acquisition 100%</b>	<b>Pending - awaiting shareholder approval</b>	<b>Capital increase - vendor placing</b>	<b>Shares</b>
<b>10 Shareholders</b>		<b>Speedel Pharma AG</b>	<b>CH</b>	<b>45</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Capital increase - convertible loan notes</b>	<b>Cash</b>
<b>1 TVM Techno Venture Management</b>		<b>Biovertis AG</b>	<b>AT</b>	<b>10 000,00</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Development capital - 2nd round</b>	<b>Cash</b>
Life Sciences Partners BV	NL						Venture capital	
Investors								
IKB Private Equity GmbH	DE							

## SCANDINAVIA

### « The focus of the companies appearing on the Danish Medicon Valley scene is much more on later stage development projects »

Thomas Dyrberg – Partner – Novo A/S, **Copenhagen**

**«T**he most significant event of the last six months happened on December 4th 2005. Three weeks before that, Zealand Pharma, one of the most mature Danish biotech company, had announced they wanted to do an IPO, with a listing on the Copenhagen Stock Exchange. However, in the end it appeared that investors were not willing to go for the valuation Zealand Pharma was asking for, so the board announced on the 4th of December they withdrew from the IPO. Speculations are that that new investors didn't see Zealand Pharma's pipeline as valuable as the company did, and further that the news flow from the company over the next 12-18 months was not sufficiently robust to create and maintain public interest. Besides that, a couple of other

noticeable events have happened. Natimmune, a Danish biotech company, signed a deal with Enzon Pharmaceuticals, a US company listed on Nasdaq, in October, on a licence agreement on Natimmune's lead product, MBL, a key protein in the innate immune defense. A relatively new biotech company, Survac, focusing on therapeutic cancer vaccines was acquired in mid-November by Merck in Germany, for 11 millions euros, clearly demonstrating that early projects can be of substantial value. Aside from that, a number of deals have been concluded, most of them at the pre-clinical stage. Generally speaking, the financing mood is still quite good. But now, we definitely have to wait and see the impact of Zealand's dropped IPO and how it will influence the market. One or two Danish

companies have announced their intention to pursue an IPO in 2006, and one of them at least in the first six months of 2006. The focus of the relatively few new biotech companies appearing on the Danish / Medicon Valley scene is much more on later stage development projects than what we saw 3-4 years ago. They don't want to go in the early stage and are looking for products that are almost all the way there. As for the next six months, there's the of the upcoming IPO's and the market's reaction after the Zealand's failure. The investors will react, since biotech sector is still perceived as high risk. But despite that, there's still an interest and an appetite for biotechs, investors are willing to go for them, as long as the prize is right regarding the products in development. »

### « In Sweden, 2005 has clearly given the signal of an increase again »

Dr Johan Christenson – Partner – HealthCap Venture Capital, **Stockholm**

**«I**n general in Scandinavia we had seen of course, as for the rest of Venture Investment and Venture Financing in Europe, less investment in 2003-2004 than in 2001-2002. This year 2005 has clearly given the signal of an increase again, which is a dramatic change compared to the previous years. In 2005, we've seen a much higher activity in terms of the number of financing as well as concerning the total amounts invested into biotechs.

This constitute a very positive overview for 2005. There has also been an increase in the field of public companies, with a follow on investment for companies already gones public and with a couple of IPOs, one in Copenhagen (TopoTarget) and one in Stockholm (Orexo). These were the first biotechs IPOs in several years. So the overall elements clearly show a shift and an increased activity in all the boxes. Globally, we see Venture Capital compa-

nies grow larger, even more than ourselves, whether it be Scandinavian VCs or European investors. The trend is definitely towards larger investments with larger syndicates. Scandinavia is definitely one of the interesting area in Europe. Sweden has a very strong tradition of medical science and medical studies. For example, the Karolinska Institute has recently been ranked as the 4th most important medical universities in the world. So this aspect

attracts investors as well. Adding to this situation, is the presence of big pharma which gives the area a good tradition of commercialising science. And their presence allows pools of pharma trained managers to be attracted by smaller biotech companies. All of these elements are

important to build a sustainable business. Today, the Stockholm area, with South Sweden, Copenhagen and the Denmark, Oxford, Cambridge and London in the UK, Brussels, München or Paris are the places that make the European Market. All investors invest throughout Europe,

because one invests where he finds the most attractive science and management. As for 2006, we will see the same trend develop in this positive climate. Investors are interested in biotechs and the activity is strong there, which announces good development. »

Acquiror name	Acquiror country code	Target name	Target country code	"Deal value mil EUR"	Deal type	Deal status	Deal financing	Deal method of payment
1 Investors	DK	Bioscan A/S	DK	2,01	Minority stake 8.92%	Completed	Capital increase - private placing	Cash
2 -		BioPorto A/S	DK	0,33	Minority stake unknown %	Completed		
3 Institutional investors	DK	Pharmexa A/S	DK	9 772,81	Minority stake unknown %	Completed	Capital increase - private placing	Cash
4 Merck KGaA	DE	Survac APS	DK	11 000,00	Acquisition 100%	Announced		
1 -		Orion Oyj (new)	FI	n.a.	Demerger 100%	Pending - awaiting shareholder approval		
2 -		Orion Oyj (new)	FI	n.a.	Planned IPO unknown stake % on Helsinki Stock Exchange	Rumour		
3 -		Orion-yhtymä Oyj	FI	0.40 *	Minority stake unknown %	Announced	Capital increase - private placing	Cash
4 Teknologian kehittämiskeskus	FI	BioTie Therapies Oyj	FI	2 500,00	Minority stake unknown %	Completed		
5 Nanogen Inc.	US	Jurilab Ltd	FI	1,25	Minority stake 20%	Completed		Cash
1 SR One Ltd	GB	Algeta ASA	NO	23,61	Minority stake unknown %		Development capital	Cash
HealthCap	SE						Private Equity	
Advent Venture Partners LLP	GB						Corporate venturing	
Selvaag Venture Capital	NO							
Marlin Verdi AS	NO							
NorgesInvestor AS	NO							
2 -		Biotec Pharmacon ASA	NO	n.a.	Planned IPO unknown stake % on Oslo stock exchange	Rumour		
3 -		Algeta ASA	NO	0,64	Minority stake unknown %	Pending		Cash
4 -		NorDiag ASA	NO	n.a.	Planned IPO unknown stake %	Rumour	Capital increase	Cash
5 -		Biotec Pharmacon ASA	NO	12,327.76 *	Initial public offering unknown stake % on Oslo stock exchange	Completed	Capital increase - placing	Cash
6 -		NorDiag ASA	NO	n.a.	Planned IPO unknown stake %	Rumour	Capital increase	Cash
7 Institutional Investors	NO	DiaGenic ASA	NO	2 234,94	Minority stake 5.04%	Completed		
Institutional Investors	SE			2 234,94		Completed		
8 Investor Corporate AS	NO	DiaGenic ASA	NO	149,05	Minority stake 0.336%	Completed		
1 D Carnegie & Co AB	SE	Biotage AB	SE	10,4	Minority stake 12%	Announced	Capital increase - private placing	Cash
2 -		Biotage AB	SE	5.18 *	Minority stake unknown %	Announced	Capital increase - rights issue	Cash
3 -		Ortivus AB	SE	n.a.	Minority stake 12.7%	Completed		
4 -		Karo Bio AB	SE	29,86	Minority stake unknown %	Announced	Capital increase - rights issue	Cash
5 -		Innate Pharmaceuticals AB	SE	n.a.	Minority stake unknown %	Announced	Capital increase - convertible bond issue	Cash
6 Accelerator i Linköping AB	SE	OptoQ AB	SE	n.a.	Acquisition stake increased to 98.5%	Completed	Capital increase - vendor placing	Shares
7 -		Biolnvent International AB	SE	17.09 *	Minority stake unknown %	Pending - awaiting shareholder approval	Capital increase - rights issue	Cash
8 -		Biolin AB	SE	5.06 *	Minority stake unknown %	Announced	Capital increase - rights issue	Cash
9 Nove Capital Fund		Active Biotech AB	SE	168.69 *	Minority stake unknown %	Completed		
10 -		Orexo AB	SE	40,705.48 *	Initial public offering 27.9%	Completed	Capital increase - placing	Cash
11 Bringwell AB	SE	Hela Pharma AB	SE	6,848.12 *	Acquisition 100%	Announced		
12 Bringwell AB	SE	Promedic AB	SE	550,86	Acquisition 100%	Announced		
13 Banco Fonder AB	SE	Ortivus AB	SE	n.a.	Minority stake increased to 10.2%	Completed		
14 Biovitrum AB	SE	Arexis AB	SE	n.a.	Acquisition 100%	Announced	Capital increase - vendor placing	Cash
			n.a.		Announced		Shares	
			n.a.		Announced		Deferred payment	
15 -		Karo Bio AB	SE	0.20 *	Minority stake unknown %	Completed		

Capiton \* = estimated value

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## THE BENELUX

### « The pipeline is strong with products close to the market and a strong shareholder base »

Pieter van der Meer – MSc Investment Director – Gilde Investment Management, **Utrecht**

«*The trend is that companies are more advanced when going out for first fundraising, generally with first products in the clinics. Average size of first rounds is increasing and we see an increasing interest from VC's abroad and an ability to build international syndicates. An example is Agendia which has attracted its second round of financing and has now built a shareholder's base including investors from The Netherlands, France and Germany.*

*The Dutch government has designed a new financial instrument to stimulate the formation of seed funds. And six new seed funds have received funding from this initiative, named Techno-*

*partner. We have some strong local capital markets for the Biotech sector. The performance of Euronext Amsterdam Biotech compared to that of other EU stock exchanges is strong. The Dutch biotech companies such as Crucell and Pharming are outperforming their European counterparts. Many investors have seen strong returns over the last six months. There is a high liquidity of EU Biotech stocks traded on Euronext Amsterdam. The segment of Dutch biotech companies has become sizeable and visible. Total market capitalization of Dutch biotech exceeds EUR 1.5 billion.*

*The pipeline of private companies is strong and contains numerous compa-*

*nies with products close to the market and in general a strong shareholder base. Gilde Healthcare plays an active role in funding new start ups both in The Netherlands and Belgium. The Fund sees clear signals of a new technology wave which is based on content. For the next months, Euronext officials claim that at least six Dutch biotech companies have plans to go for a listing on either Alternext (the platform for companies with a market cap until 70 million) or the main stock exchange, Euronext. For me, what is to be expected for the next six months is a closing of a few additional VC rounds, some more IPO's, newco's and company newsflow. »*

Acquiror name	Acquiror country code	Target name	Target country code	"Deal value mil EUR"	Deal type	Deal status	Deal financing	Deal method of payment
1 IdealX	FR	Arafox SCRL	BE	n.a.	Acquisition 100%	Completed		
2 New Perspective Fund Inc.	US	UCB SA	BE	n.a.	Minority stake unknown %	Completed		
3 Polytechnos Venture-Partners	DE	OncoMethylome Sciences	BE	15	Minority stake unknown %	Completed	Development capital - 2nd round	Cash
Life Sciences Partners BV	NL						Venture capital	
Meusinvest SA	BE							
Technowal SA	BE							
ING Belgium SA/NV	BE							
Edmond de Rothschild	FR							
Investment Partners SAS								
4 -		Galapagos NV	BE	n.a. *	Minority stake 4.96%	Completed		Cash
5 -		UCB-Bioproducts	BE	n.a.	Acquisition 100%	Rumour		
6 Creafund II CVA	BE	International Brachytherapy SA	BE	n.a.	Minority stake unknown %	Completed		
SRW SA	BE							
7 -		Omxix Biopharmaceuticals SA	BE / IL / US	n.a.	Planned IPO on Nasdaq	Rumour	Capital increase - placing	Cash
1 Life Science Ventures GmbH	DE	Agendia BV	NL	n.a.	Minority stake unknown %	Completed	Development capital - 2nd round	Cash
AXA Private Equity SA	FR						Venture capital	
Gilde Investment Management NV	NL							
Van Herk Groep BV	NL							
2 Delta Deelnemingen Fonds NV	NL	Formix Biosciences NV	NL	n.a.	Minority stake unknown %	Completed		
3 INC Research Inc.	US	NDDO Oncology BV	NL	n.a.	Acquisition 100%	Completed		
4 Global Opportunities (GO) Capital	NL	Galapagos Genomics NV	NL	n.a.	Minority stake unknown %	Completed		
Asset Management BV								
5 Akzo Nobel NV	NL	Insomnia Drug Development joint venture	NL		Joint venture 100%	Rumour		

Caption \* = estimated value



## SOUTHERN EUROPEAN COUNTRIES

### « Italy needs a strong biotech cluster to attract public funds »

Simone Zanolo – Arthur D. Little Italie, **Milan**

« In the last six months not many things have happened in the Biotech sector in Italy.

The merger between Novartis and Chiron is expected to have some effects in the medium term on the research activities Chiron has historically conducted in Siena and on the related bio-cluster which is one of the most interesting in Italy. The risk is to assist to another spin off of research facilities after Bioserach (Hoechst Marion Rus-

sell), Cell Therapeutics (Roche-Boeringher Mannheim), Newron (Pharmacia & Upjohn), Nikem Research (GSK), Bioxell (Hoffman-la Roche) and Nerviano, the former cancer R&D center of Pfizer spun out after the merger with Pharmacia and now still looking for a new business model.

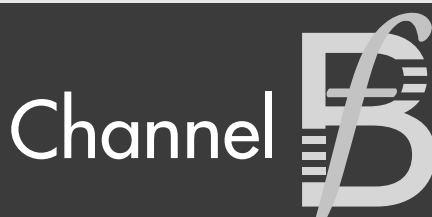
Big pharmas are concerned with progressive cuts in the public pharmaceutical spending: innovative medicines are expected to meet strong resistance by the Italian Drug

Agency if coupled with increased reimbursement levels.

Initiatives like Bioiniziativa in Milan and Discovery at the Bioindustry Park in Canavese (aimed at incubating and funding biotech start up's from academia) are going on and are ready respectively for the third and second editions but still Italy needs a strong biotech cluster to attract public funds and employ them more efficiently. »

Caption \* = estimated value

Acquiror name	Acquiror country code	Target name	Target country code	"Deal value mil EUR"	Deal type	Deal status	Deal financing	Deal method of payment
1 TVM Techno Venture Management		Newron Pharmaceuticals SpA	IT	30	Minority stake unknown %	Completed	Development capital - 2nd round	Cash
3i Group plc	GB						Venture capital	
Atlas Venture	GB							
Apax Partners	GB							
HBM Partners AG	CH							
2 Great Point Partners LLC	US	Gentium SpA	IT	9,05	Minority stake unknown %	Completed	Capital increase - private placing	Cash



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## NEW EUROPEAN MEMBERS

### « The greatest problem is the lack of capital as no specialized VC funds are available in Hungary »

Erno Duda – CEO of Solvo, President of the Hungarian Biotechnologies Association, **Budapest**

« **O**ver the last six months, the Hungarian Government set up a fund to provide seed financing primarily for early stage companies. This VC fund has been available since October 2005. As for other measures, the National Office for Research and Technology and the Ministry of Economy and Transport posted several grants to help researchers in establishing their own biotech companies. These grant resources can be used for pre-seed finan-

cing and give support for preparing business plans. There are grants for the support of start-ups and spin-offs as well.

The Hungarian Investment and Trade Development Agency has separated funds for the support of conference participation of Hungarian companies.

It can be clearly sensed that the Government's mid-term development program (1) and the Bayn-Dole-like Innovation Act (passed last December) definitely

have positive effects on the biotech sector as well as the economy of Hungary since more and more new companies occur on the biotech map of the country. However, the greatest problem is still the severe lack of capital as no specialized VC funds are available in Hungary. Consequently, IPOs can't be expected in Hungary before 2007 the earliest. But, since Hungarian biotech get more and more attention, we expect to see more VC activity in the following months. »

Acquiror name	Acquiror country code	Target name	Target country code	"Deal value mil EUR"	Deal type	Deal status	Deal financing	Deal method of payment
1 AB Sanitas	LT	Jelfa SA	PL	82,547.07*	Acquisition increased from 47.35% to 100%	Rumour		Cash
1 Zentiva NV	NL	Sicomed SA	RO	83.36	Acquisition 50.9%	Announced		Cash
2 SIF Moldova	MD	Biofarm SA	RO	0,56	Minority stake increased from 5.3% to 7%	Completed		Cash
3 SIF Oltenia	RO	Biofarm SA	RO	0	Minority stake increased from 10.7% to 14%	Completed		Cash
1 FutureLab Holding GmbH	AT	Aliatros	SK	1,000.00 *	Acquisition 55%	Pending		

Caption \* = estimated value

## ISRAEL

### Israeli companies are turning more and more towards US VC's

Dr Avi Molcho – Managing Director Life Sciences – Giza Venture Capital – **Tel Aviv**

« **T**he overall investment in Life Sciences companies in 2005 is on the same base than last year, ie, around 320M\$. This is a significant increase compared with 2002 and 2004 in which the annual investment was around 180M\$. There seems to have been a relative decrease in the proportion of Biotech

investment for the first three quarters 2005. In 2004 and 2003, biotech investments represented 44% of the global Life Sciences while this year it only represents 36% of the investment. But, going back to the question of proportional investment, the next two months could easily bring it back to the level of last year. So a few deals

in november and december should be enough to close the gap.

Another trend to notice is the fact that Israeli companies are turning more and more towards foreign investors, and mainly towards US VC's. Israeli companies show a greater interest than before in looking at these opportunities. The size and

importance of investment in first rounds are similar to those of 2004.

Concerning IPO's, we haven't had any IPO's of Israeli biotech companies this year. One major project, Predix was planning to go for an IPO in Nasdaq, and then withdrew. But this is a result of current environment for biotech companies. The IPO window has closed. Most of the latest IPO's weren't very successful and reached only a low valuation. The latest trend raised the barr for a biotech IPO in a way that has challenged biotech start-up and VC sector in a very serious way.

Today, in order to bring a biotech company to a full Phase IIa, you have to invest more than before. And low valuation IPO don't leave much place to profit.

Israeli government has gone through a budgetary cut during this year and that threatened to shrink our funds available. We feared to see a big fall of support to incubators and companies. But Israel takes biotech seriously and knows they need support. A clear sign of this support is the Chief Scientist Office's attitude towards Bioline RX, a drug development company founded by Teva pharma-

ceuticals and Giza. It has been acknowledged by the Chief Scientist as an equivalent of a biotech incubator and got a grant of up to 21M\$ over the coming 3-4 years. While cutting on other areas, the Chief Scientist has committed to support BiolineRX. This is an indication of the strong commitment the Israeli government has for Biotech.

I think that the current trend will keep on going like that. We're in the same range and the base of investment will be the same (ie, the double of those of 2002-2003). »

Acquiror name	Acquiror country code	Target name	Target country code	"Deal value mil EUR"	Deal type	Deal status	Deal financing	Deal method of payment
<b>1 Investors</b>		<b>Rosetta Genomics</b>	<b>IL</b>	<b>4,84</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Venture capital</b>	<b>Cash</b>
Kadima High Tech	IL						Development capital - 4th round	
GlenRock Israel	IL							
<b>2 Synova Pre-Natal Healthcare Inc.</b>	<b>US</b>	<b>BioPad Ltd</b>	<b>IL</b>	<b>2.18 *</b>	<b>Minority stake 25%</b>	<b>Announced</b>		
<b>3 Teva Pharmaceutical Industries Ltd</b>	<b>IL</b>	<b>BioLineRx Ltd</b>	<b>IL</b>	<b>7,47</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Venture capital</b>	<b>Cash</b>
Pitango Venture Capital	IL						Development capital	
Giza Venture Capital	IL						Corporate venturing	
<b>4 Medtronic Inc.</b>	<b>US</b>	<b>Itamar Medical Ltd</b>	<b>IL</b>	<b>10,03</b>	<b>Minority stake unknown %</b>	<b>Completed</b>	<b>Venture capital</b>	<b>Cash</b>
Investors							Development capital	
<b>5 -</b>		<b>Itamar Medical Ltd</b>	<b>IL</b>	<b>n.a.</b>	<b>Planned IPO unknown stake %</b>	<b>Rumour</b>	<b>Capital increase</b>	<b>Cash</b>
<b>6 -</b>		<b>Predix Pharmaceuticals Inc.</b>	<b>IL / US</b>	<b>n.a.</b>	<b>Planned IPO unknown stake %</b>	<b>Rumour</b>	<b>Capital increase - placing</b>	<b>Cash</b>

Caption \* = estimated value

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## Biotechnologies & Finances

is a weekly publication of  
the Editions Européennes de l'Innovation

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• **Dummy:** Alain Samet • **Proofreading:** Géraldine  
Jacquin-Ravot • **Publishing Company:** Editions  
Européennes de l'Innovation, capital 8.000 €

• **Headquarters:** 72 boulevard des Brotteaux  
69006 Lyon - France • **Phone:** +33 (0)437 246 600

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• **RCS Lyon :** 480 764 398 • **Commission paritaire :**  
1207 I 79205 • **ISSN:** 1298-9428 • **Price of an issue :**  
37 € • **Price of the annual subscription :** 1 170 €

**Website :** <http://www.biotech-finances.com>

### Business contact and subscriptions management :

+33 (0)4 78 65 90 14 • **Printing:** Dupli-Print  
2, rue Descartes - 95330 Domont, France



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