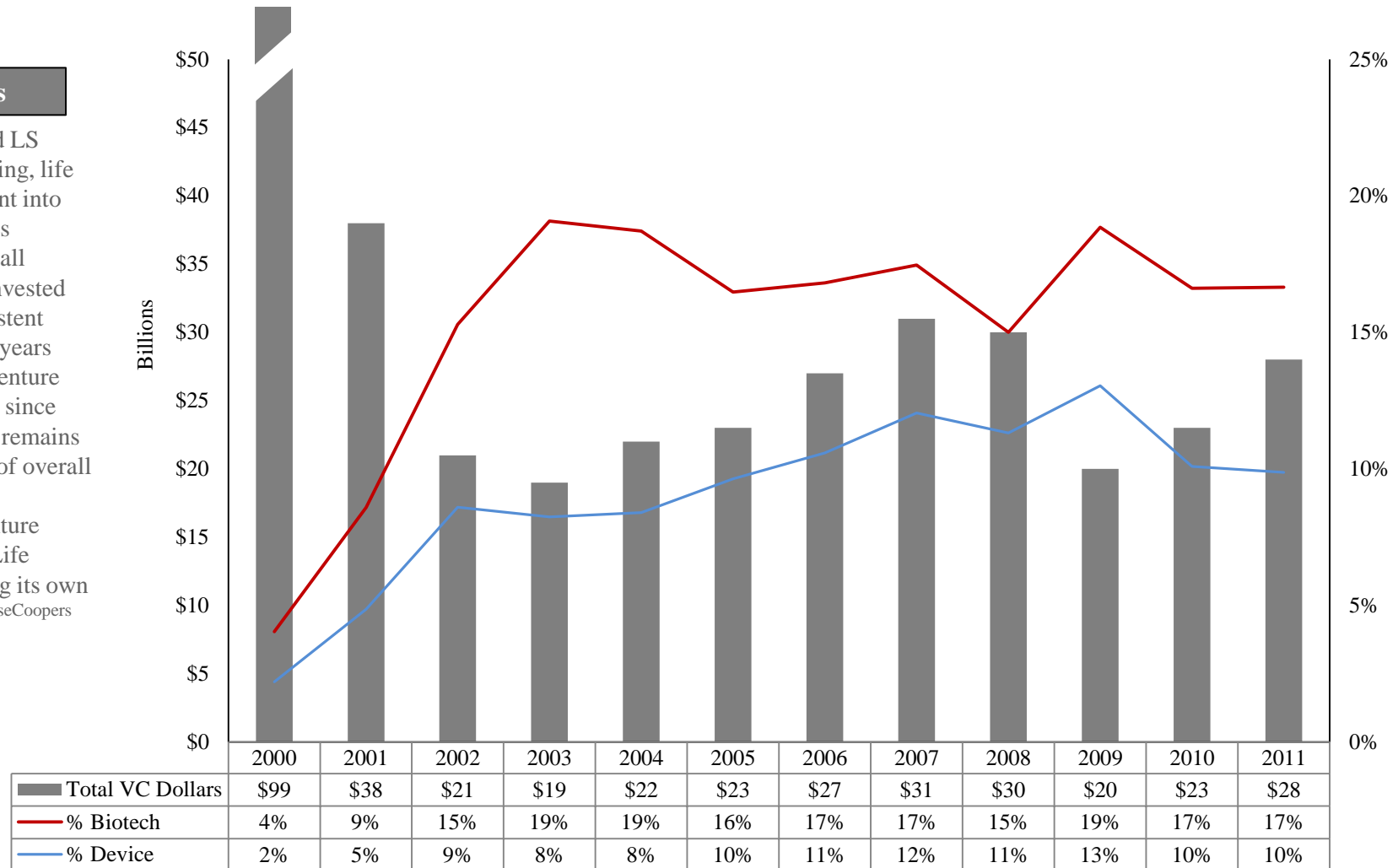


Life Science as a Percentage of Total Venture Dollars Invested

Comments

- Despite reduced LS venture fund raising, life science investment into private companies averages 27% of all venture dollars invested and is very consistent over the last few years
 - While overall venture investment down since 2007, at least LS remains a consistent part of overall investment.
 - Takeaway: Venture investment into Life Science is holding its own
- Source: PriceWaterhouseCoopers

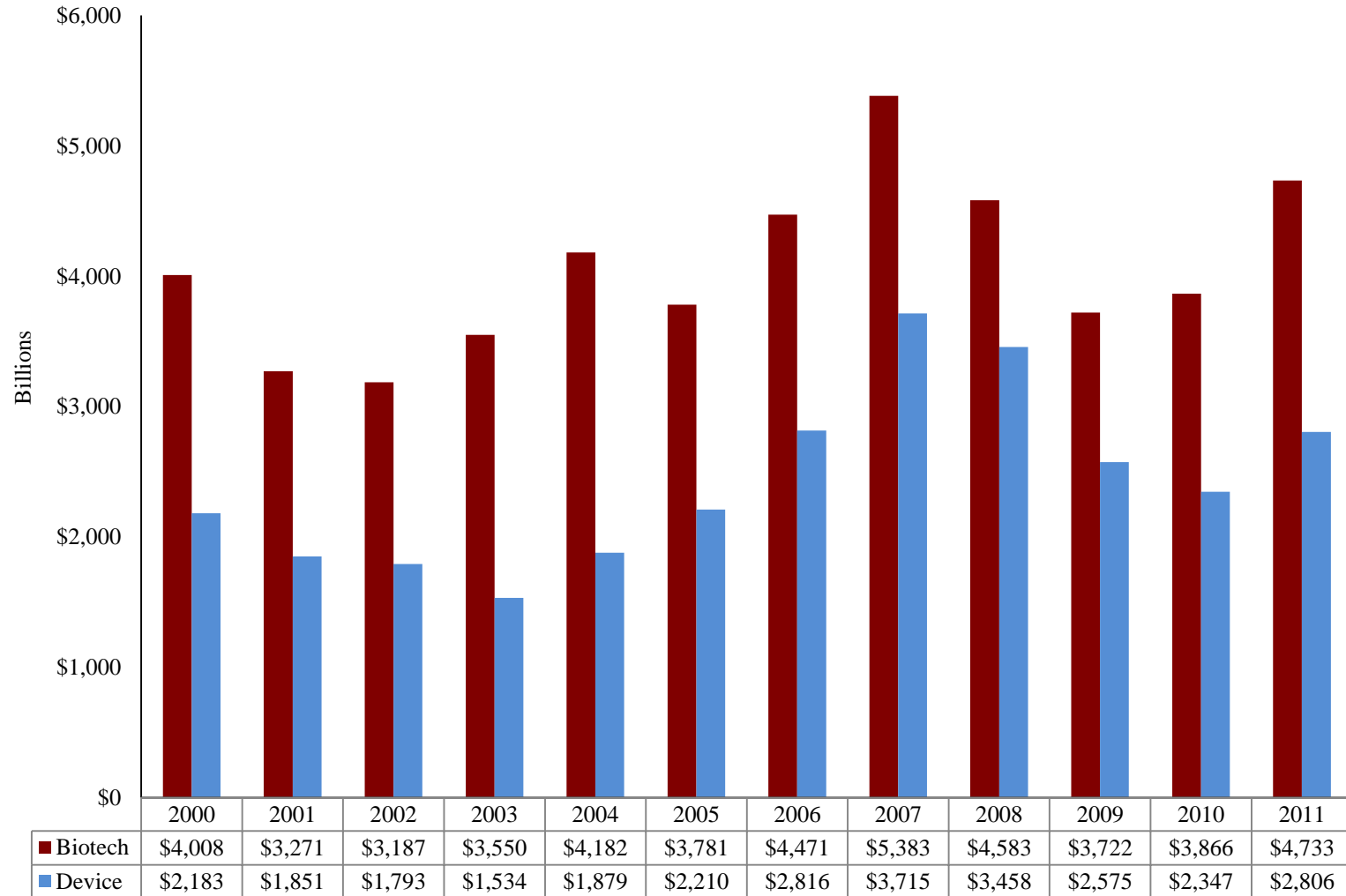


Recent Venture Investing Activity Since 2000

Comments

- Biotech consistently higher invested capital, at 60/40 versus Device
- High-water mark of \$9B in '07 has come down substantially
- I believe the new norm will be in the \$4-5B range and expect that to be the range going forward by 2014

Source: PriceWaterhouseCoopers



Funding Gap

Year*	Total LS Venture \$ Deployed (\$M)	Gap in Funding	
	LS \$ Invested	LS \$ Fundraised (\$M)	Overfunded %
2005	\$5,991	\$5,787	104%
2006	\$7,287	\$11,176	65%
2007	\$9,098	\$8,031	113%
2008	\$8,041	\$5,973	135%
2009	\$6,297	\$3,440	183%
2010	\$6,213	\$1,837	338%
2011	\$7,539	\$2,437	309%

*Year refers to Vintage Year of Fund. Source: PriceWaterhouseCoopers and ThompsonReuters

- In 2010 and 2011 there is a scary 3:1 ratio in deployed versus raised capital! A funding gap has occurred each of the last five years – representing a total gap of \$37B deployed but only \$22B raised.
- This points to a certain decline in overall LS venture investing over the next few years (fewer firms and investments).
- I believe less capital invested into LS is good for the industry as it creates better overall syndicates (top investors who know how to make money) and fewer companies. Overfunding over the last decade has created a massive bottleneck that will take some time to get through.
- I believe it will also lead to better overall returns for LPs

Does the Equation Work?

Industry Distribution to Paid In Capital

Comments

- Does not include IPOs or any public market transactions
- In 2011, both Biotech and Device DPI's are over 1x
- These numbers are not as bad as I had feared
- Decline in Device investing but consistent big exits ends up providing positive overall returns- I predict the same will happen in biotech
- The industry between 2009-2011 has a positive DPI at 1.08x
- *Represents private, venture-backed Big Exits
- DPI calculation uses new investments- ie all life science Biotech VC investment during that year into any private companies, new and existing

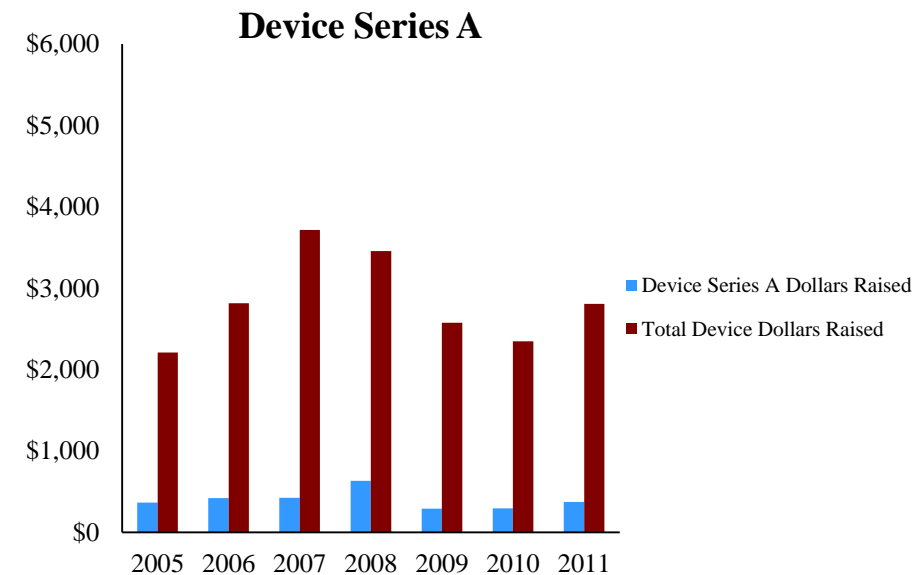
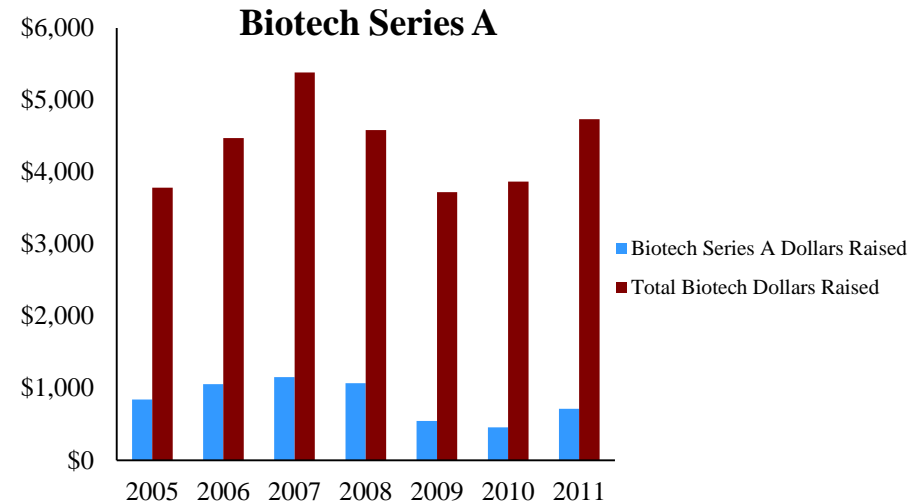
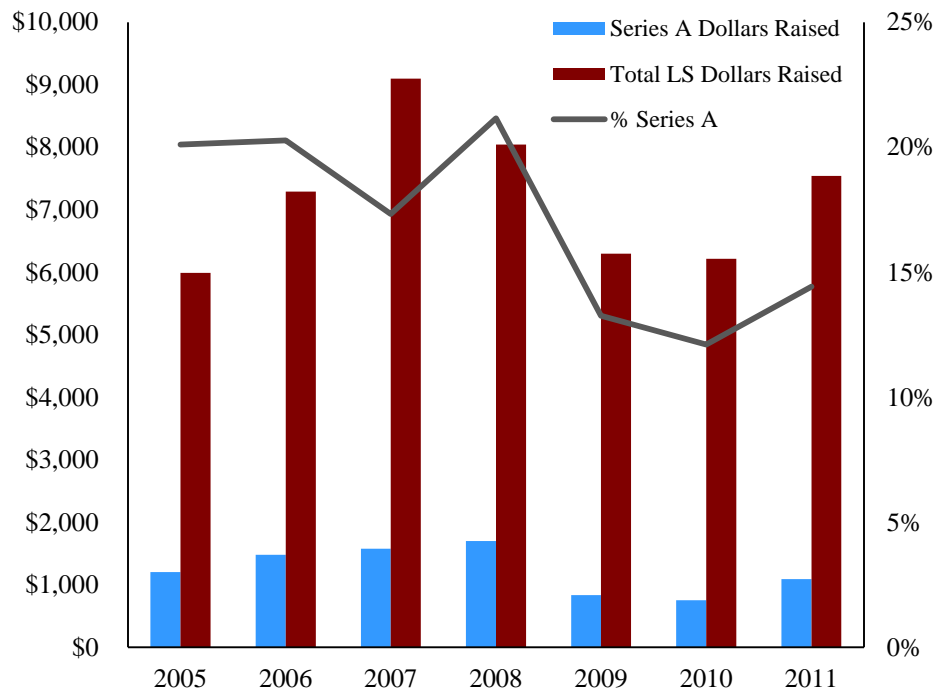
Source: PriceWaterhouseCoopers

Biotech			
Year	\$ Invested	\$ Exited All-In + Up-Front *	Yearly DPI
2009	\$3,722	\$2,891	78%
2010	\$3,866	\$2,249	58%
2011	\$4,733	\$5,447	115%

Device			
Year	\$ Invested	\$ Exited All-In + Up-Front*	Yearly DPI
2009	\$2,575	\$3,468	135%
2010	\$2,347	\$4,173	178%
2011	\$2,806	\$3,365	120%

Series A Decline

Series A dollars as a % of LS\$ invested reduced from '05-'08 highs, but trending up in 2011.



Largest Series A Life Science Investment Categories since 2005

Comments

- Includes all Life Science companies closing a Series A Round since 2005
- No surprise that Oncology leads the way
- Diagnostics taking up more venture dollars than I would have guessed.
- Ophthalmology is in the top 5
- * Series A plus additional equity rounds closed by these companies

Source: VentureSource

Indication	Industry	# of Companies	*Total Dollars Raised (\$ Millions)							Total Capital Raised (\$M)
			2005	2006	2007	2008	2009	2010	2011	
Oncology	Biotech	88	\$457	\$215	\$377	\$371	\$172	\$298	\$110	\$2,031
	Med Device	1	\$0	\$0	\$0	\$31	\$0	\$0	\$0	
Diagnostics	Biotech	44	\$188	\$198	\$148	\$78	\$36	\$28	\$0	\$1,654
	Med Device	62	\$169	\$431	\$131	\$154	\$29	\$47	\$17	
Cardiovascular	Biotech	22	\$207	\$158	\$158	\$109	\$26	\$0	\$0	\$1,420
	Med Device	44	\$300	\$23	\$139	\$205	\$56	\$37	\$2	
Ophthalmology	Biotech	16	\$207	\$175	\$38	\$32	\$4	\$29	\$0	\$1,133
	Device	17	\$179	\$232	\$90	\$133	\$10	\$4	\$0	
CNS	Biotech	44	\$523	\$147	\$41	\$161	\$42	\$34	\$21	\$1,217
	Med Device	14	\$6	\$187	\$16	\$27	\$6	\$6	\$0	
Orthopedics	Biotech	7	\$0	\$0	\$52	\$6	\$9	\$2	\$0	\$1,046
	Med Device	46	\$368	\$350	\$60	\$117	\$22	\$30	\$30	
Anti-Infectives	Biotech	36	\$106	\$424	\$304	\$67	\$42	\$4	\$6	\$960
	Med Device	2	\$0	\$0	\$0	\$6	\$0	\$1	\$0	
Tools	Biotech	34	\$88	\$209	\$87	\$123	\$100	\$11	\$6	\$909
	Med Device	28	\$76	\$43	\$68	\$35	\$52	\$7	\$4	

Top Life Science Categories by Total Dollars Raised '05 – Jun '11

Comments

- Trend line shows '09-'11 investment pace versus '05-'08 pace
- Not one device category has a positive trend line (Biotech has two - Orthopedics and Derm)

Source: VentureSource

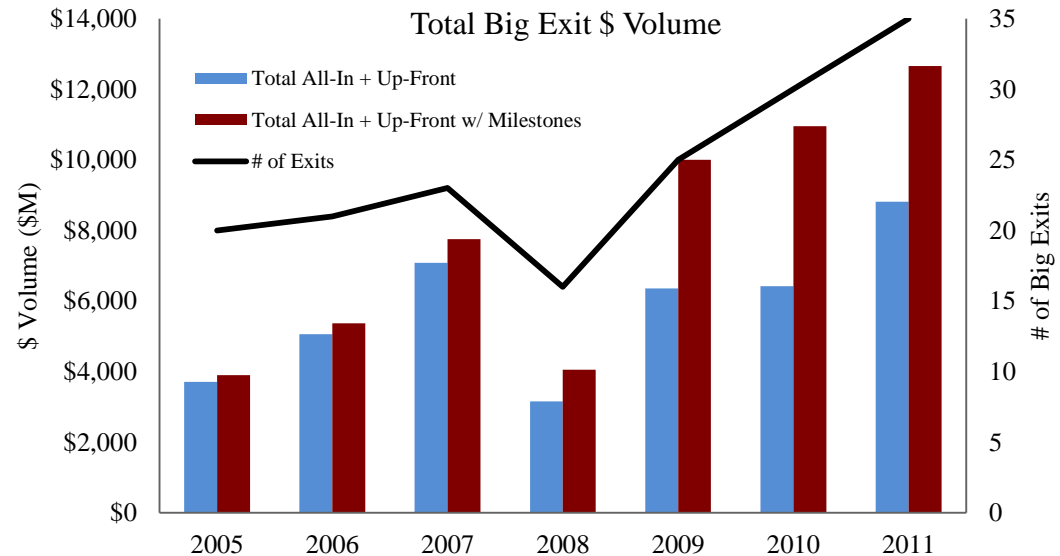
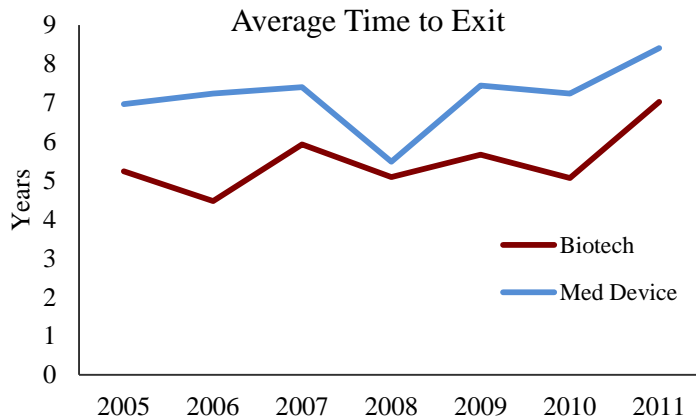
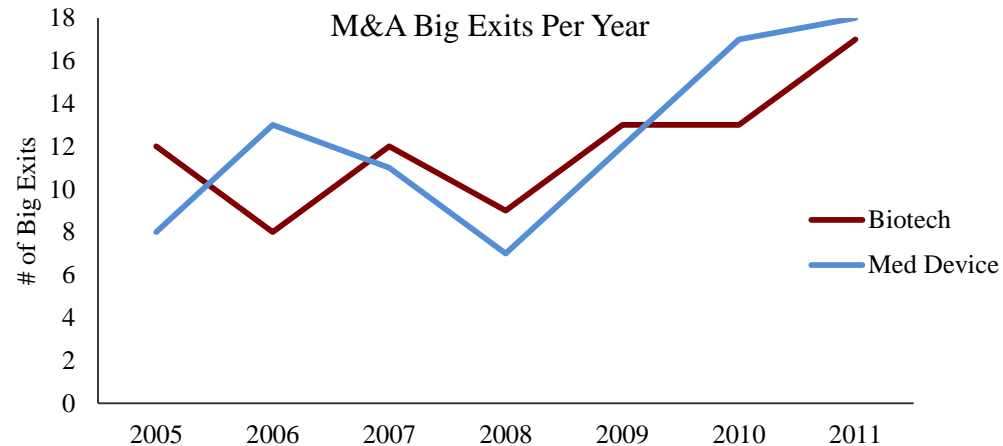
Biotech Indication	Total Dollars Raised (\$M)	# of Companies	Total Average Dollars Raised (\$M)	Average Series A	Trend Line
Oncology	\$1,999	88	\$26.65	\$13.21	↔
CNS	\$969	44	\$24.22	\$11.68	↔
Anti-Infectives	\$952	36	\$28.00	\$11.91	↔
Platform-Discovery	\$911	42	\$25.31	\$12.67	↔
Diagnostics	\$702	44	\$18.00	\$7.15	↔
Cardiovascular	\$658	22	\$32.89	\$11.52	↔
Tools	\$623	34	\$20.77	\$6.97	↔
Metabolic	\$501	28	\$20.88	\$10.80	↔
Ophthalmology	\$484	16	\$37.27	\$16.11	↔
Respiratory	\$439	18	\$27.41	\$13.35	↔
Autoimmune	\$423	19	\$23.52	\$10.55	↔
Platform-Delivery	\$341	21	\$17.99	\$8.39	↔
Uro/Gyn	\$277	9	\$39.62	\$24.13	↔

Med Device Indication	Total Dollars Raised (\$M)	# of Companies	Total Average Dollars Raised (\$M)	Average Series A	Trend Line
Diagnostics	\$978	62	\$16.85	\$5.34	↔
Orthopedics	\$977	46	\$21.23	\$7.29	↓
Cardiovascular	\$761	44	\$20.72	\$3.46	↔
Ophthalmology	\$645	17	\$43.19	\$7.88	↓
Surgical	\$481	50	\$11.73	\$5.24	↔
Vascular	\$457	39	\$12.69	\$5.04	↓
Aesthetics	\$397	14	\$30.55	\$5.29	↓
Diabetes	\$296	10	\$37.04	\$14.40	↓
Tools	\$283	28	\$11.80	\$4.94	↔
Uro/Gyn	\$278	14	\$21.39	\$4.58	↔
Imaging	\$272	31	\$10.07	\$4.48	↔
Sleep	\$202	8	\$28.85	\$8.35	↔
Obesity	\$93	9	\$13.27	\$8.15	↓

M&A Overview: Big Exits

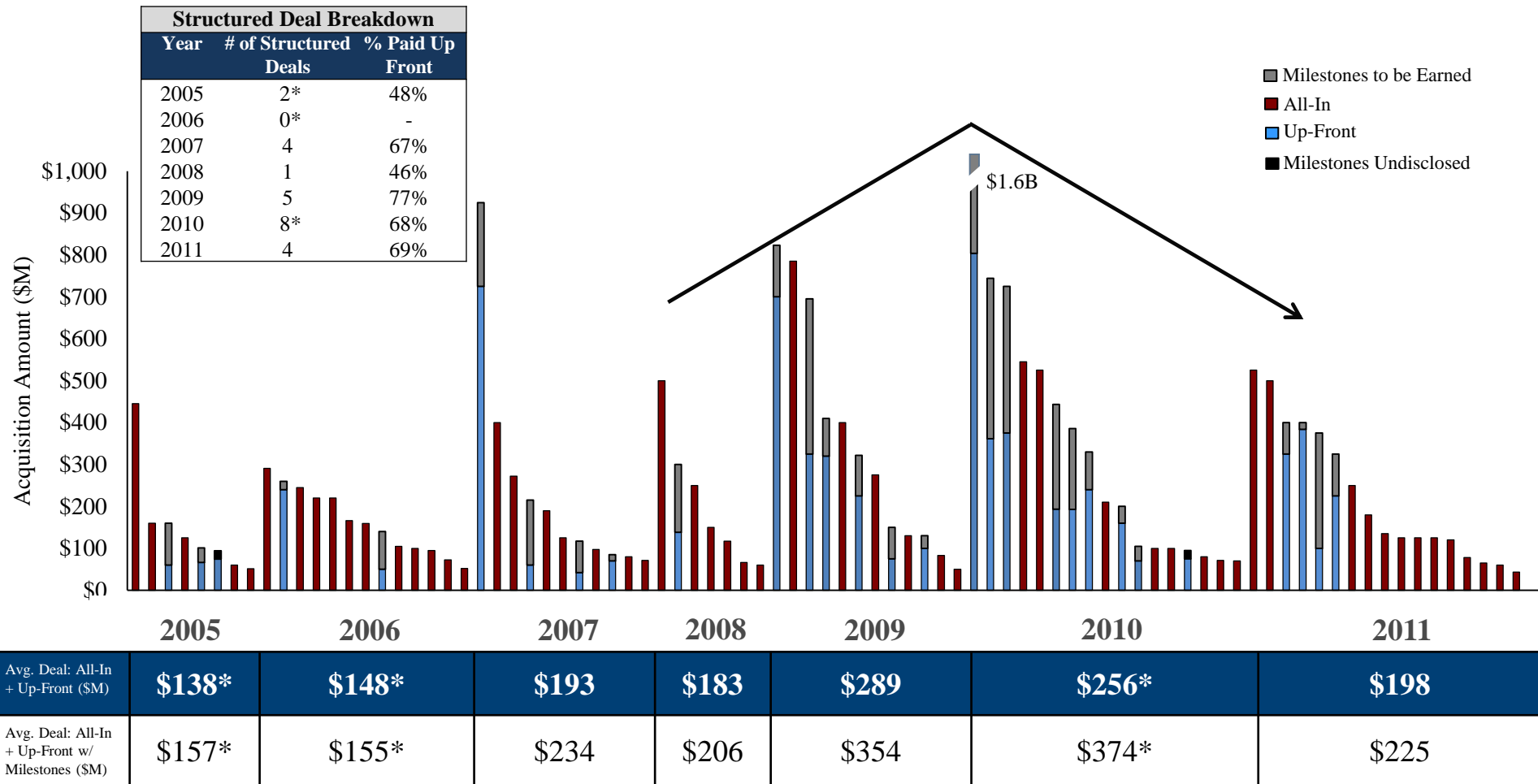
Private M&A Activity: 2005-2011

- Biotechnology M&A Activity
 - \geq \$75M Up-Front
 - 84 Biotechnology Acquisitions
- Medical Device/Services M&A Activity
 - \geq \$50M Up-Front
 - 86 Medical Device /Services Acquisitions



# of Companies	'05	'06	'07	'08	'09	'10	'11
Biotech	12	8	12	9	13	13	17
Med Device	8	13	11	7	12	17	18

Device Big Exits By Year



*Not including undisclosed deals

Device Indication by Multiple

