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RESEARCH HIGHLIGHTS

AUGUST 4, 2009

Starpharma Holdings Limited (b, i)		(SPHRY)
VivaGel Clinical Success Moves It Closer To Pivotal Studies		
Reiterate Buy	Price: \$3.80	Market Cap (M): \$93.2
FY08 Revenue Actual (M):	Previous: No Change	Current: A\$9.92
FY08 EPS Actual:	Previous: No Change	Current: (A\$0.04)
FY09 Revenue Estimate (M):	Previous: No Change	Current: A\$9.39
FY09 EPS Estimate:	Previous: No Change	Current: (A\$0.02)
<ul style="list-style-type: none">• Starpharma has announced clinical data demonstrating VivaGel's activity as an antiviral immediately and up to three hours post administration. The study was conducted on the cervico-vaginal fluid samples (CVS) taken from healthy women.• This study was the first to demonstrate potent antiviral activity of any microbicide beyond one hour of administration in humans. This trial was next logical and important step before moving into pivotal trials for VivaGel.• The design of the trial was as follows: The study was a single-center, open-label, randomized, cross-over study in 11 healthy volunteers. The primary endpoint was to assess the <i>ex vivo</i> activity in the inhibition of viral replication as measured in <i>in vitro</i> replication assays for HIV and herpes simplex virus (HSV) using cervico-vaginal fluid samples. Each subject received five single doses of 3.5mg of 3% VivaGel with at least five days of washout between doses. One CVS sample was taken immediately at screening and then at time points, zero (immediately after administration), one, three, 12 and 24 hours post dosing in a randomized sequence.• The results of the study were quite robust. The results demonstrated that immediately after administration VivaGel completely inhibited all viral replication of HIV and HSV. This high level of inhibition was seen through the one hour and three hour time points as well in all women. Even at 12 and 24 hours, up to 90% of HIV and HSV viral replication was inhibited in half of the women tested.• A baseline sample of CVS determined that there was no antiviral activity in the CVS prior to the administration of VivaGel. These data are quite robust and certainly support the next steps of moving into Phase III pivotal studies to demonstrate the prophylactic activity of VivaGel against HIV and HSV in a randomized and powered study.• Paving new paths. Many attempts have been made at creating a prophylaxis to prevent HIV transmission. Most of these attempts have also come in the form of a gel, cream or vaccine. All of these attempts have failed, but we believe Starpharma has found the right technology and right method of administration.• VivaGel applicator and as a condom coating. We believe the two smartest routes to go with regard to production are both a gel application for women to access as they need as well as a condom coating. To this end, Starpharma has maximized its exposure of VivaGel considerable by partnering with the world's largest condom manufacturer, SSL.• SSL rules the condom world. While already controlling a large percentage of condom sales, SSL recently expanded their market share by acquiring a Russian producer as well. The positive point of this is that Starpharma gets a royalty on sales of VivaGel coated condoms and so the bigger SSL's condom stake becomes, the greater upside to Starpharma.• We remain bullish on shares of Starpharma and are pleased that the Street is recognizing its progress. As we move forward we believe management will continue to aggressively move the clinical development timeline of VivaGel forward as well continue to focus on the business strategy of the company.• We reiterate our Buy rating on shares of Starpharma. Our price target range of US\$4-5 is based on a 30x multiple on FY12 EPS estimate of A\$0.26, discounted back 35%. <p>-- Edward H. Nash (646) 292-1450 enash@mcfco.com</p>		

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