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**Reason for Report:**

Company Update

Changes	Previous	Current
Rating	--	Overweight
Price Tgt	--	\$9.00
FY10E Rev (mil)	--	\$0.0
FY11E Rev (mil)	--	\$0.0
FY10E EPS	--	(\$1.72)
FY11E EPS	--	(\$1.44)

Price:	\$5.57
52 Week High:	\$8.55
52 Week Low:	\$2.82
12-Month Price Target:	\$9.00

*Proj EV of \$288M + mid'11E cash*

Shares Out (mil):	32.8
<i>Includes recent PIPE</i>	

Market Cap. (mil):	\$182.7
Avg Daily Vol (000):	100
Book Value/Share:	\$2.14
Net Cash Per Share:	\$2.23
Debt to Total Capital:	0%
Est LT EPS Growth:	NA
P/E to LT EPS Growth (FY11):	NA
Est Next Rep Date:	02/01/2011
Fiscal Year End:	Dec

Rev (mil)	2009A	2010E	2011E
Mar	\$0.0A	\$0.0A	\$0.0E
Jun	\$0.0A	\$0.0A	\$0.0E
Sep	\$0.0A	\$0.0A	\$0.0E
Dec	\$0.0A	\$0.0E	\$0.0E
FY	\$0.0A	\$0.0E	\$0.0E
CY	\$0.0A	\$0.0E	\$0.0E

FY RM	NM	NM	NM
CY RM	NM	NM	NM

EPS	2009A	2010E	2011E
Mar	(\$2.57)A	(\$0.83)A	(\$0.42)E
Jun	(\$2.22)A	(\$0.36)A	(\$0.36)E
Sep	(\$2.40)A	(\$0.36)A	(\$0.30)E
Dec	(\$0.98)A	(\$0.36)E	(\$0.36)E
FY	(\$8.06)A	(\$1.72)E	(\$1.44)E
CY	(\$8.06)A	(\$1.72)E	(\$1.44)E

FY P/E	NM	NM	NM
CY P/E	NM	NM	NM

*Quarterly EPS does not add to full year result*

## Anthera Pharmaceuticals Overweight

(ANTH - \$5.57)

### Incremental Update on PEARL-SC Vial Issues at Piper Jaffray HC Conference

**CONCLUSION:**

At the Piper Jaffray Healthcare Conference Anthera management gave an update on the halting of enrollment and dosing in the Phase IIb PEARL-SC trial due to a vial defect. The company has implemented a full QA plan and will be analyzing all study drug product. Management does not feel the problem is catastrophic and is hopeful to be able to salvage existing inventory. We look for a full update call in mid-December.

- **Update on PEARL-SC Trial Halt.** Anthera management gave an update on the halting of enrollment and dosing in the Phase IIb PEARL-SC lupus trial due to a vial defect that occurred earlier this month. The company has implemented a full QA plan and will be analyzing all study drug product to test for salvagability. At this point management has a hypothesis about the cause of the problem and does not feel it is catastrophic. Anthera is hopeful to be able to salvage existing inventory. We look for a full update call in mid-December and continue to be buyers of the stock following what we view as a likely minimal delay.

- **Larger and Longer A-623 Lupus Study.** In July, Anthera began the Phase IIb PEARL SC trial of A-623 for the treatment of lupus. PEARL will randomize up to 600 systemic lupus erythmatosus (SLE) patients to 3 doses of A-623 or placebo for 24 weeks on top of standard background therapy. The company has completed a 2nd manufacturing run to supply drug for the trial and should announce a large scale manufacturing agreement soon. The primary endpoint is the SLE responder index used by HGS in the *Benlysta* BLISS studies. PEARL is both larger and longer in our view, dramatically increasing the likelihood of success. We look forward to the company disclosing dosage information for the trial, but understand the dosage spans the range of Benylsta's 1-10mg/kg.

- **VISTA-16 Enrolling Patients.** Also in July, Anthera initiated the pivotal VISTA-16 trial of varespladib. An analysis will be performed after the first 1,000 patients likely in 1Q:11 and we expect final data by early 2012.

- **Strong Cash to Reach Value Driving Data.** Anthera ended 3Q:10 with a strong cash balance of \$73 million, which we forecast should last into 2012. By this time Anthera should have reported top-line PEARL and VISTA-16 data.

**INVESTMENT RECOMMENDATION:**

We reiterate our Overweight rating and \$9 price target. We value varespladib at \$288 million and add mid'11E net cash and assuming exercise of the warrants. Anthera holds no debt.

**RISKS TO ACHIEVEMENT OF TARGET PRICE:**

Risks include clinical, regulatory and commercial. Varespladib and/or A-623 may fail in the clinic. Anthera may require additional cash from the capital markets.

**COMPANY DESCRIPTION:**

Anthera is a biopharmaceutical company developing varespladib and A-623.

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**Anthera Pharmaceuticals**  
**Quarterly Earnings Estimates**  
(\$ in thousands except per share)

3-Nov-10

	1QA	2QA	3QA	4QA	2009A	1QA <sup>1</sup>	2QA	3QA	4QE	2010E	1QE	2QE	3QE	4QE	2011E
<b>Total Revenues</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Operating Expenses:</b>															
R&D Expense	2,915	2,286	2,526	688	8,415	\$5,242	\$6,438	6,885	10,000	28,565	12,000	10,000	8,000	10,000	40,000
SG&A Expense	846	999	885	695	3,425	1,224	1,510	1,510	2,000	6,244	2,000	2,000	2,000	2,000	8,000
<b>Total Operating Expenses</b>	<b>\$3,761</b>	<b>\$3,286</b>	<b>\$3,411</b>	<b>\$1,383</b>	<b>11,841</b>	<b>\$6,466</b>	<b>\$7,948</b>	<b>\$8,395</b>	<b>\$12,000</b>	<b>34,809</b>	<b>\$14,000</b>	<b>\$12,000</b>	<b>\$10,000</b>	<b>\$12,000</b>	<b>48,000</b>
<b>Operating Loss</b>	<b>(\$3,761)</b>	<b>(\$3,286)</b>	<b>(\$3,411)</b>	<b>(\$1,383)</b>	<b>(\$11,841)</b>	<b>(\$6,466)</b>	<b>(\$7,948)</b>	<b>(\$8,395)</b>	<b>(\$12,000)</b>	<b>(\$34,809)</b>	<b>(\$14,000)</b>	<b>(\$12,000)</b>	<b>(\$10,000)</b>	<b>(\$12,000)</b>	<b>(\$48,000)</b>
Interest and Other Income	13	9	(0)	2	24	3	\$12	62	65	142	55	45	40	35	175
Interest Expense	(37)	(59)	(193)	(96)	(385)	(4,641)	0	0	0	(4,641)	0	0	30	20	50
<b>Total Other Income (Expense)</b>	<b>(24)</b>	<b>(50)</b>	<b>(193)</b>	<b>(94)</b>	<b>(362)</b>	<b>(4,638)</b>	<b>12</b>	<b>62</b>	<b>65</b>	<b>(4,500)</b>	<b>55</b>	<b>45</b>	<b>70</b>	<b>55</b>	<b>225</b>
<b>Pre-Tax Loss</b>	<b>(\$3,785)</b>	<b>(\$3,336)</b>	<b>(\$3,604)</b>	<b>(\$1,477)</b>	<b>(\$12,203)</b>	<b>(\$11,104)</b>	<b>(\$7,936)</b>	<b>(\$8,334)</b>	<b>(\$11,935)</b>	<b>(\$39,309)</b>	<b>(\$13,945)</b>	<b>(\$11,955)</b>	<b>(\$9,930)</b>	<b>(\$11,945)</b>	<b>(\$47,775)</b>
Income Tax Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Loss</b>	<b>(\$3,785)</b>	<b>(\$3,336)</b>	<b>(\$3,604)</b>	<b>(\$1,477)</b>	<b>(\$12,203)</b>	<b>(\$11,104)</b>	<b>(\$7,936)</b>	<b>(\$8,334)</b>	<b>(\$11,935)</b>	<b>(\$39,309)</b>	<b>(\$13,945)</b>	<b>(\$11,955)</b>	<b>(\$9,930)</b>	<b>(\$11,945)</b>	<b>(\$47,775)</b>
<b>Net Loss per Share</b>	<b>(\$2.57)</b>	<b>(\$2.22)</b>	<b>(\$2.40)</b>	<b>(\$0.98)</b>	<b>(\$8.06)</b>	<b>(\$0.83)</b>	<b>(\$0.36)</b>	<b>(\$0.36)</b>	<b>(\$0.36)</b>	<b>(\$1.72)</b>	<b>(\$0.42)</b>	<b>(\$0.36)</b>	<b>(\$0.30)</b>	<b>(\$0.36)</b>	<b>(\$1.44)</b>
Shares Outstanding	1,471	1,500	1,500	1,500	1,514	13,344	22,224	22,964	33,000	22,883	33,100	33,200	33,300	33,500	33,275

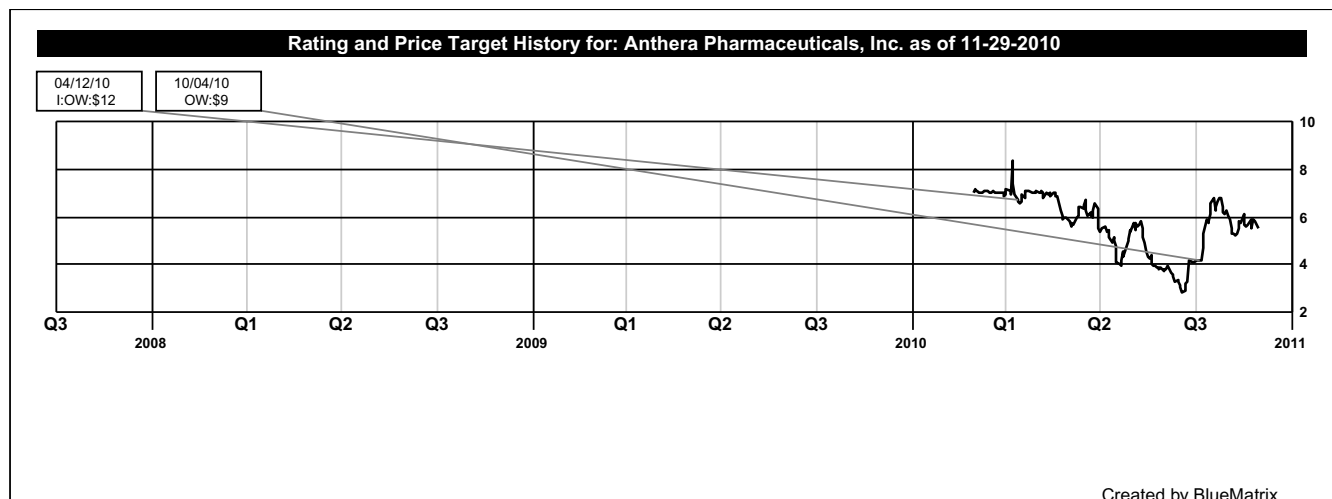
Source: Company reports and Piper Jaffray estimates.

Note: CY:09A results include adjusted primary share count excluding preferred stock. As a result, quarterly EPS does not add to full year result.

1. 1Q:10 R&D expense includes \$3.5 million non-cash milestone payment in IPO stock to Lilly and Shinogi.

Current disclosure information for this company can be found at <http://www.piperjaffray.com/researchdisclosures>.

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			Count	Percent
BUY [OW]	308	49.90	65	21.10
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