

Condensed Statement of Operations
(in thousands, except share and per share data)
(unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2006 | September 30, 2005 | September 30, 2006 | September 30, 2005 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Revenues: | | | | |
| Research and development | \$ 106 | \$ 1,155 | \$ 1,572 | \$ 4,668 |
| License revenues | - | 700 | 1,400 | 2,100 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total revenues | 106 | 1,855 | 2,972 | 6,768 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Operating Expenses: | | | | |
| Research and development | 12,535 | 9,259 | 36,199 | 29,835 |
| General and administrative | 3,572 | 3,325 | 11,131 | 9,870 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total operating expenses | 16,107 | 12,584 | 47,330 | 39,705 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Operating loss: | (16,001) | (10,729) | (44,358) | (32,937) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Interest and other income | 1,215 | 756 | 3,572 | 2,156 |
| Interest and other expense | (134) | (128) | (383) | (390) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net loss | <u>\$ (14,920)</u> | <u>\$ (10,101)</u> | <u>\$ (41,169)</u> | <u>\$ (31,171)</u> |
| Net loss per common share - basic and diluted | \$ (0.41) | \$ (0.35) | \$ (1.15) | \$ (1.09) |
| Weighted average shares used in computing net loss per common share - basic and diluted | 36,729,400 | 28,588,539 | 35,793,082 | 28,494,287 |

Condensed Balance Sheet Data
(in thousands)
(unaudited)

| | September 30, 2006 | December 31, 2005 |
|---|-----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 48,214 | \$ 13,515 |
| Short term investments | 40,478 | 62,697 |
| Other current assets | 2,721 | 2,652 |
| Total current assets | 91,413 | 78,864 |
| Property and equipment, net | 7,178 | 6,178 |
| Restricted investments | 5,204 | 5,172 |
| Other assets | 854 | 1,247 |
| Total assets | \$ 104,649 | \$ 91,461 |
| Liabilities and stockholders' equity | | |
| Current liabilities | \$ 12,405 | \$ 11,264 |
| Long-term obligations | 6,654 | 6,636 |
| Stockholder's equity | 85,590 | 73,561 |
| Total liabilities and stockholders' equity | \$ 104,649 | \$ 91,461 |