

genentech business events in 1998 and early 1999

In 1998, Genentech continued to deliver the results of its disciplined business plan and strategies to the bottom line. Seeking strong growth into the next century, in 1998 Genentech defined its goals and identified a five-point strategy for growth:

1 MAXIMIZE OUR REVENUE GROWTH

- 1998 revenues: \$1.15 billion.
- Received approval from the U.S. Food and Drug Administration (FDA) to market Herceptin for use as first line therapy in combination with paclitaxel and as a single agent in second and third line therapy for patients with metastatic breast cancer who have tumors that overexpress the HER2 (human epidermal growth factor receptor2) protein.
- Received FDA approval for a label change for Pulmozyme to include the safety and alternative administration of Pulmozyme in cystic fibrosis patients under the age of five.
- Genentech and IDEC Pharmaceuticals Corporation's international partner, Roche, received approval to market MabThera (marketed as Rituxan in the United States) from the European Commission. MabThera was approved for treating non-Hodgkin's lymphoma (NHL) patients who have had two or more relapses or are resistant to chemotherapy.
- Received FDA approval for the large-scale (12,000-liter) manufacture of Rituxan, enabling Genentech to supplement the Rituxan manufactured by partner IDEC.
- Settled patent litigation with Novo Nordisk A/S relating to human growth hormone (hGH) and insulin. Novo Nordisk and Genentech cross-licensed worldwide certain patents relating to hGH. Novo Nordisk received a worldwide license under Genentech patents relating to insulin and Genentech received certain payments.
- Received three new patents related to variant forms of tissue-plasminogen activator (t-PA). Filed patent infringement suits against Centocor, Inc., alleging that Centocor's sale, offer for sale, use and importation of Retavase® (Retepase, recombinant) rPA in the United States infringe on these three new Genentech patents. Genentech is seeking a permanent injunction and damages.
- Signed multiparty agreements with Schering-Plough Corporation, Biogen, Inc. and Roche settling a 1996 lawsuit

that Biogen filed against Roche and Genentech related to a disputed alpha interferon invention. As a result of the settlement, the U.S. Patent Office is expected to issue a patent to Genentech/Roche for the disputed alpha interferon claim. Genentech expects to receive certain future payments.

2 FURTHER OUR DISCOVERY AND DEVELOPMENT OF INNOVATIVE PRODUCTS

- Dedicated a new \$250 million, 310,000-square-foot manufacturing facility, the world's largest biotech manufacturing facility for the large-scale production of biopharmaceutical proteins in Vacaville, California.
- With partner Alkermes, Inc., began preparing a New Drug Application for FDA filing seeking approval to market Nutropin Depot for the treatment of growth hormone deficiency in children.
- Completed enrollment ahead of schedule in a U.S. Phase III trial of Neuleze in patients with diabetic peripheral neuropathy.
- With partner Boehringer Ingelheim GmbH, completed enrollment in a worldwide Phase III trial of TNK (a t-PA) in patients with acute myocardial infarction.
- Based on positive results of Phase II trials, with partners Novartis AG and Tanox Biosystems, Inc., initiated Phase III trials of the anti-IgE antibody in allergic asthma and allergic rhinitis patients.
- With partner IDEC, announced results of a Phase II pilot study combining Rituxan with standard chemotherapy in patients with previously untreated intermediate- or high-grade NHL.
- Discontinued development of Activase for treating acute ischemic stroke (AIS) in patients presenting later than three hours from symptom onset after two clinical trials showed no clinical benefit when treating in this time frame. Activase is approved for the treatment of AIS within three hours of symptom onset.

- The AIDS Clinical Trials Group completed a Phase II trial of Genentech's Neuleze for the potential treatment of HIV-associated neuropathy and presented positive preliminary results.
- Began Phase II trials of:
 - vascular endothelial growth factor (VEGF) for the potential treatment of coronary artery disease
 - an anti-VEGF antibody in patients with advanced solid tumors
 - an anti-CD18 antibody for the potential treatment of acute myocardial infarction.
- Through partner LeukoSite, Inc., began Phase Ib/IIa trials of LDP-02 in patients with ulcerative colitis (an inflammatory bowel disease) in Canada and Europe.

3 INVEST IN OUR PEOPLE

- Named to *FORTUNE* magazine's annual list of "100 Best Companies to Work for in America."
- Celebrated the 10th anniversary of Genentech's Second Generation child care center – one of the largest corporate-sponsored daycare centers in the country.
- Introduced a variety of new programs for employees, including charitable contribution matching, a retiree medical account and a grant program to support child care alternatives at Genentech's Vacaville site.
- Named Stephen G. Juelsgaard as senior vice president, general counsel and secretary and named Dennis J. Henner, Ph.D., as senior vice president – Research.
- Named J. Joseph Barta as vice president – Quality; Stephen G. Dilly, M.D., Ph.D., as vice president – Medical Affairs; David A. Ebersman as vice president – Product Development; Sean A. Johnston, Ph.D., as vice president – Intellectual Property; and Walter K. Moore as vice president – Government Affairs.
- Named Steven Shak, M.D., as staff scientist in Medical Affairs.

4 LEVERAGE OUR ASSETS

- Entered into an agreement with Roche providing Roche exclusive ex-U.S. marketing rights for Herceptin. As part of the agreement, Roche paid \$40 million to Genentech.
- Agreed with DAKO A/S for DAKO to develop a laboratory diagnostic kit to screen breast cancer patients for over-expression of HER2 and potential eligibility for Herceptin treatment. DAKO received FDA approval on September 25, 1998, for its diagnostic kit, HercepTest™.

- Entered into an agreement with Schwarz Pharma AG for the development and distribution of Nutropin and Nutropin Depot for the treatment of certain pediatric and adult growth disorders in Europe and certain other countries outside of the United States, Canada and Japan.
- Licensed to Connetics Corporation the U.S. development and marketing rights to interferon gamma, including Actimmune, for the management of chronic granulomatous disease and the potential treatment of various other diseases.
- Agreed with Abgenix, Inc. that it will provide Genentech access to Abgenix's XenoMouse™ technology for generating fully human antibodies.
- Agreed with Protein Design Labs, Inc. to cross-license rights to certain intellectual property in the field of monoclonal antibodies.
- Made \$2 million milestone payment to partner XOMA Ltd. for its successful completion of Phase II clinical trials of Genentech's anti-CD11a antibody (hu1124) for the potential treatment of psoriasis.
- Completed Phase III studies with pimagedine. The drug did not demonstrate clinical benefit based on analysis of the primary endpoints. Genentech has terminated its support of pimagedine development and is in discussions with Alteon Inc. as to the future direction of the collaboration.
- Discontinued relationship with CytoTherapeutics, Inc. for the development of encapsulated delivery of nervous system compounds.

5 IMPROVE OUR FINANCIAL RETURNS

- 1998 net income: \$181.9 million.
- 1998 diluted earning per share: \$1.40.
- 1998 net income as a percent of revenues: 16 percent.

Actimmune® (Interferon gamma-1b); Activase® (Alteplase, recombinant), a tissue-plasminogen activator (t-PA); Herceptin® (Trastuzumab) anti-HER2 antibody; Neuleze™ nerve growth factor; Nutropin® [somatotropin (rDNA origin) for injection] growth hormone; Nutropin AQ® [somatotropin (rDNA origin) injection] liquid formulation growth hormone; Nutropin Depot™ encapsulated sustained-release growth hormone; Protropin® (somatrem for injection) growth hormone; Pulmozyme® (dornase alfa, recombinant) Inhalation Solution; Rituxan® (Rituximab); Xubix™ (sibrafiban) oral IIb/IIIa antagonist.