

# the power of

# partners

## 4 LEVERAGE OUR ASSETS

*By investing in strategic partnerships and acquisitions, Genentech is putting its financial assets to work as it seeks to complement and to extract the full value of its own scientific efforts.*

As a key component of its business strategy, Genentech plans to continue to leverage its assets by developing strategic alliances and by acquisitions. The goal is to provide access to novel products and technologies that will add incremental value and growth to the company's own internal research, development and marketing portfolios. As the company's current alliances do now, new partnerships will enhance Genentech's efforts at all stages of the process of bringing new medicines to market.

To complement the beginning stages of the process, Genentech looks to enter research collaborations on promising early-stage technologies being developed by other companies. Some such existing partnerships — such as an agreement with Incyte Pharmaceuticals, Inc. to access its proprietary genomic database — are

important components of Genentech's discovery research initiative. A new relationship with Abgenix, Inc. provides access to that company's XenoMouse™ technology for generating fully human antibodies. Genentech expects that this technology may be useful to develop desired antibodies to some of the proteins identified through SPDI (see page 18).

Further in the process, Genentech looks for partners to aid in the development of internal programs that fall outside its strategic focus or that need important expertise or resources offered by other companies. These partnerships focus on Genentech products that the company believes are exciting and valuable assets worthy of development, but that could be more effectively developed by partners. An example of a strategic product-development collaboration is

Genentech's agreement with XOMA Ltd., which is developing for Genentech through Phase II studies an anti-CD11a antibody (hu1124) for the potential treatment of psoriasis.

Genentech also seeks partnerships or acquisitions that will add complementary projects to its clinical development pipeline. Genentech's collaboration with LeukoSite, Inc. to develop LeukoSite's LDP-02 for the potential treatment of inflammatory bowel diseases is one example.

Strategic alliances also benefit Genentech's efforts once a product reaches the market. Genentech and its partner IDEC Pharmaceuticals Corporation continue to collaborate to expand the market for Rituxan in the United States. In 1998, Genentech entered an agreement with DAKO A/S to

develop a laboratory diagnostic kit to detect HER2 overexpression in breast tumor specimens. This screening kit helps oncologists identify which of their patients can best benefit from treatment with Herceptin. As another example, in 1999 Genentech entered into an agreement with Schwarz Pharma AG, which, together with a previous arrangement with Sumitomo Pharmaceuticals Co., Ltd., will now make Genentech's growth hormone available worldwide.

Genentech assesses potential partnership opportunities on the basis of scientific merit, technical and regulatory feasibility, potential market size, competitive outlook, cost, means of financing, resource requirements and strategic fit with Genentech's existing portfolio. Genentech also licenses rights for

certain Genentech intellectual property to partners that can maximize value for Genentech and make important technologies available for patient benefit.

Genentech brings to its partnerships not only financial resources but also its expertise in bringing products to market, which includes extensive experience in preclinical and clinical development, regulatory support, leading-edge process science and manufacturing capabilities, and a marketing/sales organization that recognizes the importance of demonstrating product value to customers and of responding quickly to customer needs.

By combining forces with its partners, Genentech enhances its power to achieve its strategy and its ambitious goals and to bring important new medicines to patients.

