

Thursday, Mar 12, 2009

## **Roche and Genentech Reach a Friendly Agreement to Combine the Two Organizations and Create a Leader in Healthcare Innovation**

**Basel, Switzerland and South San Francisco, California -- March 12, 2009 --**

- Roche intends to acquire all outstanding shares of Genentech for US\$95.00 per share in cash
- Research and early development to operate as an independent center; South San Francisco site to become headquarters of combined U.S. commercial operations; Genentech's unique culture to be maintained
- Innovation will be enhanced through a diversity of research approaches and sharing of IP, technologies, partnerships and other key assets
- Transaction expected to be EPS accretive in the first year after closing

Roche (SWX: ROG.VX; RO.S) and Genentech (NYSE: DNA) announced today that they signed a merger agreement under which Roche will acquire the outstanding publicly held interest in Genentech for US\$95.00 per share in cash, or a total payment of approximately US\$46.8 billion to equity holders of Genentech other than Roche. The special committee of Genentech's Board of Directors has approved the agreement and recommends that Genentech shareholders tender their shares in Roche's tender offer.

Dr. Charles Sanders, Chairman of the Special Committee of Genentech's Board of Directors, said: "We believe this is a fair offer for Genentech shareholders, and the Committee is pleased to come to a successful conclusion of this process. We look forward to working with Roche to complete the transaction as expeditiously as possible."

Franz B. Humer, Chairman of the Roche Group, said: "We are very pleased that we have reached an agreement with Genentech and secured a positive recommendation from the special committee. As stated previously, an agreed transaction offers clear and important advantages for the shareholders of both companies. I am delighted that the intensive negotiations have led to a successful conclusion. Working together, we aim to close the transaction quickly, thus removing uncertainty for employees and allowing us to focus even more intently on innovation and long-

term projects. We have tremendous respect for our colleagues at Genentech and look forward to working with them to further accelerate our search for solutions to unmet medical needs."

Arthur D. Levinson, Ph.D., chairman and chief executive of Genentech, said: "We have had a highly successful partnership with Roche for more than 18 years, and we intend to pursue our shared goal of discovering medications for serious and life-threatening conditions. We look forward to working with our partners at Roche to ensure a smooth transition once the transaction is complete and to continue our mission of serving patients."

Severin Schwan, CEO of the Roche Group, said: "Roche and Genentech saw the potential of a pharma-biotechnology partnership early on and we are now in an enviable position to expand on the success of our longstanding relationship, which has been a source of immense value for patients, employees and shareholders of both companies. We are excited about working with our colleagues at Genentech and look forward to partnering with them to develop a plan for the successful combination of the two companies."

Roche will amend its existing tender offer to reflect the increased price and eliminate the financing and certain other conditions to the offer. The tender offer remains subject to the condition that a majority of the public shareholders tender their shares. If the tender offer is completed, Roche will promptly consummate a second-step merger in which all remaining public shareholders will, without the need for further action by any public shareholder, receive \$95.00 per share for their shares. Roche and Genentech have also amended their affiliation agreement to permit all shareholders to receive the same increased price in the tender offer and the merger. The expiration date for the offer is March 25, 2009. As of the close of business on March 11, 2009, approximately 2.9 million shares have been tendered pursuant to the offer.

### **Strong benefits for both Genentech and Roche**

The combined company will be the seventh largest U.S. pharmaceuticals company in terms of market share. It will generate approximately US\$17 billion in annual revenues and will employ around 17,500 employees in the U.S. pharmaceuticals business alone, including a combined sales force of approximately 3,000 people.

Research and early development will operate as an independent center within Roche from its existing campus in South San Francisco, retaining its talent and approach to discovering and progressing new molecules. Roche's Pharma commercial operations in the U.S. will be moved

from Nutley, New Jersey to Genentech's site in South San Francisco. The combined company's U.S. commercial operations in pharmaceuticals will operate under the Genentech name, leveraging the strong brand value of Genentech in the U.S. market. The existing U.S. sales organizations of both companies will be maintained, resulting in a very strong presence in several specialty areas.

The transaction will provide the opportunity to simplify the structure of the combined organization and maximize the benefits of enhanced scale. Roche has already begun to wind down operations at its Palo Alto facility and will relocate the site's Virology research and development activities to South San Francisco. Roche's Palo Alto Inflammation group is in the process of becoming part of Roche's Nutley research and development organization. Genentech's Late Stage Development and Manufacturing operations will be combined with the global operations of Roche, achieving substantial scale benefits, operational synergies and cost avoidance. Roche's manufacturing operations in Nutley will be closed and support functions, such as informatics and finance, will be consolidated with those of Genentech.

## **Financial Information**

Roche expects the combination to generate annual pre-tax cost synergies of approximately US\$750 to \$850 million. Synergies will be largely driven by reducing complexity and eliminating duplicative functions and processes in areas like late stage development, manufacturing, corporate administration and support functions. Savings resulting from this combination will enable the new company to increase and better focus its investment in innovation.

The transaction is expected to be accretive to Roche's earnings per share in the first year after closing. The combined company will generate substantial free cash flow that will enable it to rapidly reduce acquisition-related debt, invest in further product launches and retain strategic flexibility.

Additional information about the transaction, including the offering documents, is available at [www.transactioninfo.com/roche/](http://www.transactioninfo.com/roche/).

Genentech's recommendation to stockholders on Schedule 14D-9 to accept Roche's offer will be made available today on Genentech's website, [www.gene.com](http://www.gene.com), and via EDGAR on the SEC's website, [www.sec.gov](http://www.sec.gov), and will be mailed to Genentech stockholders.

Greenhill & Co. is acting as financial advisor to Roche and Davis Polk & Wardwell is acting as legal counsel. The Special Committee is represented by Goldman, Sachs & Co. and Latham & Watkins LLP. Genentech is represented by Wilson Sonsini Goodrich & Rosati.

## **About Roche**

Headquartered in Basel, Switzerland, Roche is one of the world's leading research-focused healthcare groups in the fields of pharmaceuticals and diagnostics. As the world's biggest biotech company and an innovator of products and services for the early detection, prevention, diagnosis and treatment of diseases, the Group contributes on a broad range of fronts to improving people's health and quality of life. Roche is the world leader in in-vitro diagnostics and drugs for cancer and transplantation, and is a market leader in virology. It is also active in other major therapeutic areas such as autoimmune diseases, inflammatory and metabolic disorders and diseases of the central nervous system. In 2008 sales by the Pharmaceuticals Division totaled 36.0 billion Swiss francs, and the Diagnostics Division posted sales of 9.7 billion francs. Roche has R&D agreements and strategic alliances with numerous partners, including majority ownership interests in Genentech and Chugai, and invested nearly 9 billion Swiss francs in R&D in 2008. Worldwide, the Group employs about 80,000 people. Additional information is available on the Internet at [www.roche.com](http://www.roche.com).

## **About Genentech**

Founded more than 30 years ago, Genentech is a leading biotechnology company that discovers, develops, manufactures and commercializes medicines to treat patients with significant unmet medical needs. The company has headquarters in South San Francisco, California and is listed on the New York Stock Exchange under the symbol DNA. For additional information about the company, please visit [www.gene.com](http://www.gene.com).