Exelixis Pharmaceuticals and Bayer AG Sign Genetics Research Alliance

May 22, 1998

Exelixis Pharmaceuticals and Bayer AG today announced the signing of a genetics collaboration to identify novel screening targets for the development of new crop protection agents. The collaboration brings together Exelixis' expertise in model system genetics, genomics and bioinformatics with Bayer's experience in the development and commercialization of products for the agricultural market. Under the terms of the agreement, Exelixis may receive up to $30 million in license fees, research support and milestone payments based on program success. In addition, Exelixis will receive royalties paid on Bayer's sale of any product arising from the collaboration.

Exelixis will utilize its proprietary PathFinder™ technology, FlyTag™ Drosophila expressed sequencing tag (EST) database and bioinformatics tools to identify and validate novel targets and to develop assays for high-throughput screening. The collaboration also includes Exelixis' development of a novel EST database for a pest species of strategic importance to Bayer. Bayer will utilize assays developed by Exelixis to screen against its extensive libraries of chemical compounds, will evaluate lead structures in vivo and will develop and commercialize crop protection products.

"We believe that biology-based approaches to pesticide discovery being pioneered by Exelixis will identify novel targets that will lead to new highly effective crop protection agents," said George Scangos, Ph.D., President and CEO of Exelixis. "This collaboration with Bayer, a top player in the insecticide market, is our first with a major life science company and attests to the ability of our target-based model genetic systems to identify targets of high potential utility and accelerate the discovery process. We anticipate that this alliance will be the first in a series of collaborations in the drug and agricultural arenas that we will sign in the next 12-18 months."

"Bayer shares our vision of using genetics and genomics to transform the process of discovery and development in ag-bio and other research areas," Dr. Scangos continued. "Our work using model organisms like flies, worms, zebrafish and mice for the study of human disease has identified genes and proteins which are ideal targets for novel pest control products. We believe that the combination of our genomics and bioinformatics technologies and model genetic systems offers the most effective model for transforming the processes by which new pesticides are discovered. As a world leader in agricultural pest control, Bayer is well-positioned to develop and commercialize these next generation pest control agents."

"This alliance is an exciting opportunity for Bayer and reflects our commitment to access innovative technologies across the entire life sciences spectrum," said Pol Bamelis, Member of the Executive Board, for Bayer. "We are committed to finding solutions to the global challenge to achieve high yields in agricultural production in an environmentally safe and cost-effective manner. Exelixis' unique genetic approach to identifying novel targets for crop protection stems directly from their leading expertise in elucidating the biochemical pathways of model organisms, and therefore gives us an excellent foundation to accelerate the discovery process and identify safe, specific, and highly effective crop protection compounds."

Exelixis Pharmaceuticals, Inc., is the premiere model system genetics biopharmaceutical company focused on the identification and validation of novel screening targets and proteins for the pharmaceutical, diagnostic, agriculture and animal health industries. Exelixis' PathFinder™ technology uses systematic genetics in model organisms including Drosophila, C. elegans, zebrafish and mice, to identify critical genes in disease and physiologic pathways, to determine functional relationships and to select optimal targets for intervention. The PathFinder™ technology exploits the conservation of gene sequences and function across numerous species to study biochemical pathways involved in diseases and normal physiological processes.

Bayer AG, located in Leverkusen, Germany, is a diversified, international chemical and pharmaceutical company, employing some 144,000 people worldwide. With annual sales of DM 55 billion and an operating result of more than DM 5.4 billion (1997), it is a world leader in its sector. The group has operations in nearly all countries of the globe and offers its customers a wide variety of products and services in areas ranging from health care and agriculture to plastics, specialty chemicals and imaging technologies.