



## Update on Dispute between Exelixis and Genentech, a Member of the Roche Group

January 9, 2017

*-- Genentech withdraws counterclaim --*

*-- Exelixis relieved of \$18.7 million of disputed costs --*

*-- Genentech's unilateral action does not otherwise resolve the dispute --*

SOUTH SAN FRANCISCO, Calif.--(BUSINESS WIRE)--Jan. 9, 2017-- Exelixis, Inc. (Nasdaq:EXEL) announced today that Genentech, Inc. has withdrawn its counterclaim against Exelixis in the ongoing JAMS arbitration concerning alleged breaches of the parties' collaboration agreement. Genentech had asserted a counterclaim for breach of contract, which sought monetary damages and interest related to cost allocations under the collaboration agreement. When notifying the arbitral panel, and Exelixis, of this unilateral action, Genentech further stated that it is changing the manner in which it allocates promotional expenses of the COTELLIC® (cobimetinib) plus Zelboraf® (vemurafenib) combination therapy.

As a result of Genentech's decision to change its cost allocation approach, Exelixis is relieved of \$18.7 million of disputed costs previously charged by Genentech. Exelixis has invoiced Genentech an additional \$7.1 million with interest for expenses that Exelixis paid previously.

Genentech's revised allocation applies retrospectively and prospectively and will substantially reduce Exelixis' exposure to costs associated with promotion of the COTELLIC + Zelboraf combination in the United States. Exelixis and Genentech have shared promotional costs since commercial activities were initiated in early 2013. As detailed in previous regulatory filings, Exelixis charged its Profit and Loss Statement approximately \$38 million for promotional costs through the third quarter of 2016. With the new approach that Genentech has adopted unilaterally, Exelixis' liability for promotional costs will be reduced to approximately \$15 million for the same period.

Other significant issues remain in dispute between the parties. Genentech's action does not address the claims in Exelixis' Demand for Arbitration related to Genentech's clinical development, pricing and promotional costs for COTELLIC in the United States, nor does it fully resolve claims over revenue allocation. And, Genentech has not confirmed how it intends to allocate promotional costs incurred with respect to the collaboration's promotion of other combination therapies that include cobimetinib for other indications that are in development and may be approved. Exelixis will continue to press its position before the arbitral panel to obtain a just resolution of these claims and the clarity it requires.

### **About the Dispute**

On June 3, 2016, Exelixis filed a Demand for Arbitration before JAMS in San Francisco, California asserting claims against Genentech related to its clinical development, pricing and promotion of COTELLIC, and cost and revenue allocations in connection with COTELLIC's promotion in the United States. The arbitration demand asserts that Genentech has breached the parties' contract by, amongst other breaches, failing to meet its diligence and good faith obligations. The demand seeks various forms of declaratory, monetary, and equitable relief, including without limitation that the cost and revenue allocations for COTELLIC be shared equitably consistent with the collaboration agreement's terms, along with attorneys' fees and costs of the arbitration. Genentech had asserted a counterclaim for breach of contract, which sought monetary damages and interest related to the cost allocations under the collaboration agreement.

### **About Exelixis**

Exelixis, Inc. (Nasdaq: EXEL) is a biopharmaceutical company committed to the discovery, development and promotion of new medicines with the potential to improve care and outcomes for people with cancer. Since its founding in 1994, three medicines discovered at Exelixis have progressed through clinical development to receive regulatory approval. Currently, Exelixis is focused on advancing cabozantinib, an inhibitor of multiple tyrosine kinases including MET, AXL and VEGF receptors, which has shown clinical anti-tumor activity in more than 20 forms of cancer and is the subject of a broad clinical development program. Two separate formulations of cabozantinib have received regulatory approval to treat certain forms of kidney and thyroid cancer and are marketed for those purposes as CABOMETYX™ tablets (U.S. and EU) and COMETRIQ® capsules (U.S. and EU), respectively. Another Exelixis-discovered compound, COTELLIC® (cobimetinib), a selective inhibitor of MEK, has been approved in major territories including the United States and European Union, and is being evaluated for further potential indications by Roche and Genentech (a member of the Roche Group) under a collaboration with Exelixis. For more information on Exelixis, please visit [www.exelixis.com](http://www.exelixis.com) or follow @ExelixisInc on Twitter.

### **Forward-Looking Statements**

This press release contains forward-looking statements, including, without limitation, statements related to: Exelixis' position that Genentech's revised allocation approach will substantially reduce Exelixis' exposure to costs associated with promotion of the COTELLIC + Zelboraf combination in the United States; Exelixis' plan to continue to press its position before the arbitral panel to obtain a just resolution of the issues remaining in dispute with Genentech; Exelixis' commitment to the discovery, development and promotion of new medicines with the potential to improve care and outcomes for people with cancer; Exelixis' focus on advancing cabozantinib; and the continued development of cobimetinib. Words such as "will," "may," "committed," "focused," "potential," or other similar expressions identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are based upon Exelixis' current plans, assumptions, beliefs, expectations, estimates and projections. Forward-looking statements involve risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of these risks and uncertainties, which include, without limitation: that Genentech/Roche may not account for promotional expenses in accordance with Exelixis' expectations; Exelixis' dependence on its relationship with Genentech/Roche with respect to cobimetinib and ability to maintain its rights under the collaboration; risks related

to the potential failure of cabozantinib to demonstrate safety and efficacy in clinical testing; market competition; changes in economic and business conditions; and other factors discussed under the caption "Risk Factors" in Exelixis' quarterly report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on November 3, 2016, and in Exelixis' future filings with the SEC. The forward-looking statements made in this press release speak only as of the date of this press release. Exelixis expressly disclaims any duty, obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Exelixis' expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

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