

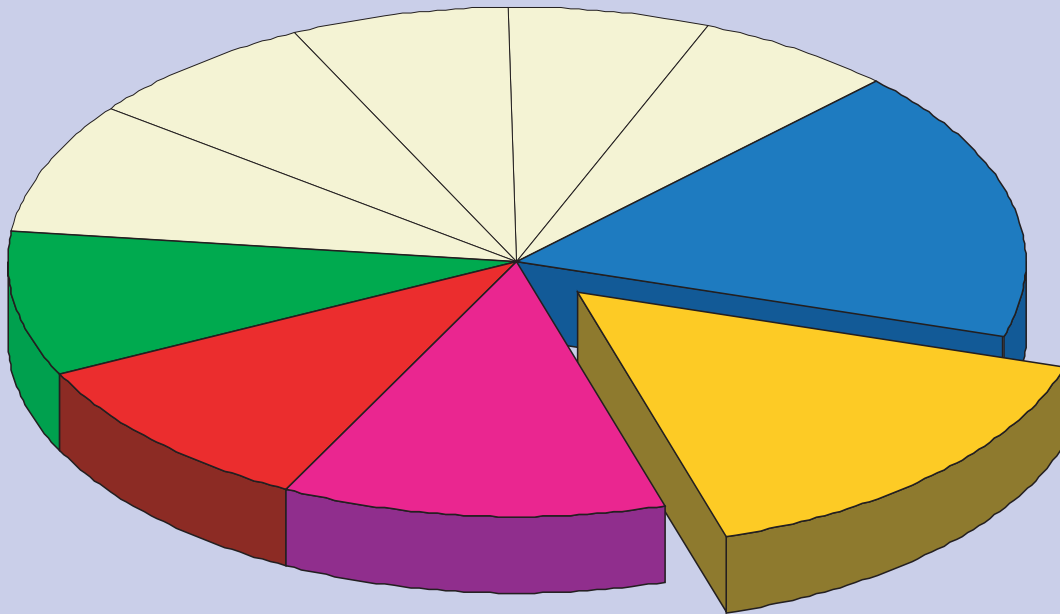
Deal Making Spotlight on Johnson & Johnson



PharmaVentures
Experts in deals and alliances

DEAL MAKING SPOTLIGHT REPORT

DEAL MAKING SPOTLIGHT ON JOHNSON & JOHNSON



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SPOTLIGHT OVERVIEW

The PharmaDeals® Deal Making Spotlight Reports catalogue every healthcare deal and alliance entered into by five of the top ten pharmaceutical companies – **Johnson & Johnson, Pfizer, Novartis, GlaxoSmithKline** and **sanofi-aventis** – between 2000 and 2005 (*Figure 1*). These deals are listed in chronological order and are also indexed according to therapy area and partnering company enabling you to identify easily deals that may relate to your company's strategy. In the case of companies which were formed as the result of major mergers between 2000 and 2005, the deals of the predecessor companies are included to illustrate the companies' pre- and post-merger deal making activity. The deals made by these companies' subsidiaries are also included within the parent company's overall deals.

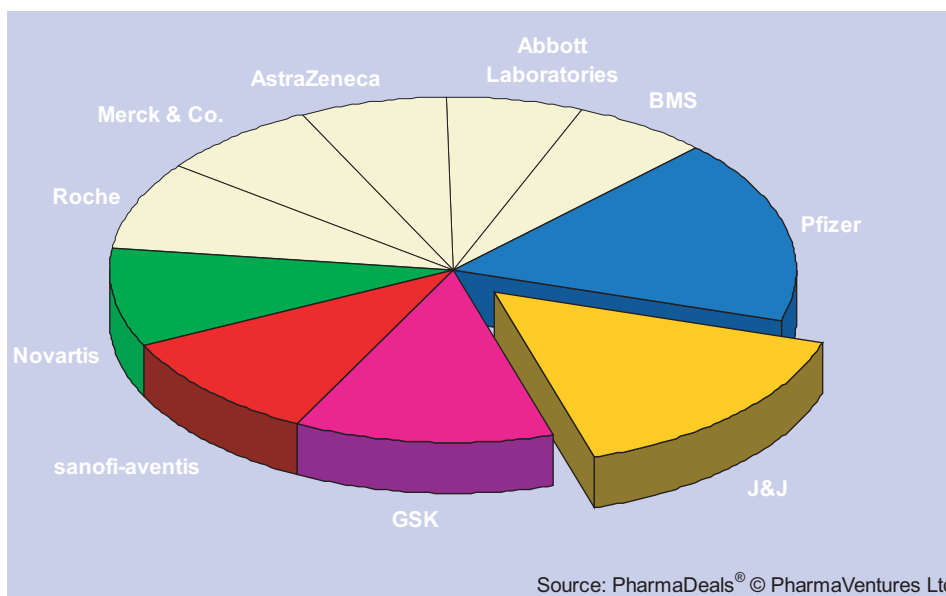


Figure 1 - The proportion of the total annual revenues of the top 10 global pharmaceutical companies in 2004 generated by each company.

Big pharma companies are often the partner of choice for a smaller pharmaceutical or biotechnology company, not least because of the financially lucrative deals that the larger companies can offer. Indeed, during 2005, seven of the top ten licensing or co-development deals (in terms of total potential value) involved one of the five companies featured in the Spotlight Reports big pharma series. With such financial power, combined with a desire to bolster their development pipeline, big pharma companies are relatively promiscuous in their deal making (*Figure 2*). These reports will be useful to companies that are looking to collaborate with one of these five companies. By examining equivalent deals in these reports, you will also be able to benchmark your deal with any potential big pharma partner.

A brief historical section puts each company's current position into perspective and describes some of the significant events that have led to its current global market presence. Each deal contained in the report lists the date the deal was agreed, the companies involved in the deal, the type of deal (licensing, manufacture/supply etc.) and the therapy or interest area relevant to the deal. A full description of the deal terms between the two companies gives you all the information required to understand a deal at a glance. Where possible, full financial details of

the deal are described, including information such as upfront payments, potential milestone payments and the royalties agreed between the parties. Furthermore, significant updates, such as the achievement of a milestone payment, the re-negotiation of deal terms or the termination of a deal, are all included within each deal listing allowing you to gauge the progression and success of these alliances.

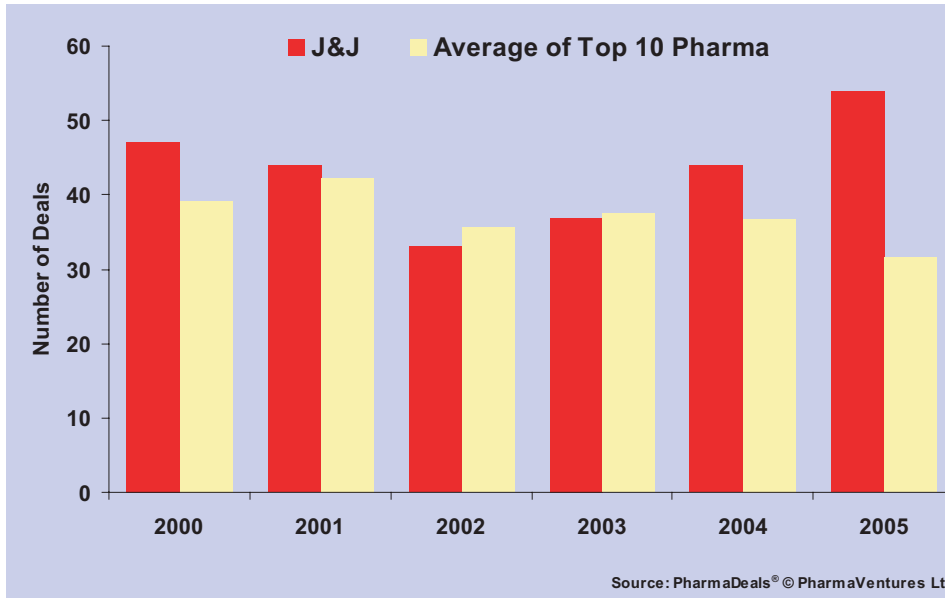


Figure 2 - The total number of deals made each year between 2000 and 2005 by J&J compared to the average number of deals made by the top 10 global pharmaceutical companies.

Analysis of the information within the Deal Making Spotlight Reports has been performed by PharmaVentures Business Analysts, providing you with 17 graphs detailing useful at-a-glance information such as number of deals per therapy area, which phase of development the company has been most involved for in- or out-licensing and what type of deals the company has entered into each year between 2000 and 2005. These graphs are also included as separate files to use in your own presentations and analysis.

The Deal Making Spotlight Reports are enhanced by limited access to PharmaDeals Agreements allowing online browsing of all the records contained within each report. This will allow you to exploit fully the PharmaDeals Agreements management tool to search for deals according to key words, partnering companies, drug names and phases of development. These deals can be exported to a spreadsheet allowing data manipulation or presentation as required. Furthermore, deals accessible online are kept fully up-to-date, allowing you to keep track of the progress of these deals at any time in the future, meaning that the information within the Deal Making Spotlight Reports will never be out of date.

Partnering company:

Ortho-McNeil Pharmaceutical, Inc.

Principal company:

Arena Pharmaceuticals, Inc.

Date:

21/12/2004

Deal No.:

18791

Financial Value (if stated):

US\$607.5 M

Deal Type:Collaborative R&D
Licensing**Interest Area:**

Alimentary & metabolism

Product Brand Name:**Arena Pharmaceuticals Announces Selection of Two Arena-Discovered Compounds for Preclinical Development by Ortho-McNeil**

Arena Pharmaceuticals has entered into a worldwide collaboration and licensing agreement with Ortho-McNeil Pharmaceutical, a Johnson & Johnson company, to develop further compounds for the potential treatment of type 2 diabetes and other disorders. Arena expects that the initial focus of the collaboration will be on two Arena-discovered molecules in preclinical development.

Under the terms of the collaboration, Arena will receive an upfront payment of US\$17.5 M and could receive up to US\$295 M for achievement of prespecified development, approval and sales milestones for each compound developed under the collaboration. Arena is also eligible to receive low double-digit royalties that will increase with increasing sales levels on worldwide sales of marketed products. In addition, Arena will receive research funding of US\$4.8 M over 2 years. Johnson & Johnson Pharmaceutical Research & Development, an affiliate of Ortho-McNeil, will be responsible for future development and expenses for products resulting from the collaboration.

The compounds covered by the agreement modulate an orphan G-protein coupled receptor (GPCR) known as the 19AJ receptor. Arena scientists have identified the potential role of the 19AJ receptor in type 2 diabetes. This novel cell surface receptor is located primarily on pancreatic islet beta cells - the same cells that are the source of insulin in the human body. Arena has also discovered lead compounds that are selective agonists of this receptor. In animals, these small molecules increase the sensitivity of islet beta cells to increased levels of glucose, leading to increased insulin secretion; however, this activity only occurs under conditions of hyperglycaemia. This is in contrast to the widely used sulphonylurea drugs, which cause insulin to be secreted even in the presence of normal or low blood sugar levels.

Update, 23/12/2004:

Arena Pharmaceuticals will receive US\$5.0 M in milestone payments under its collaboration with Ortho-McNeil Pharmaceutical. Two Arena-discovered compounds have been selected by Ortho-McNeil for further preclinical development, triggering a US\$2.5 M milestone payment per compound. Johnson & Johnson Pharmaceutical Research & Development, an affiliate of Ortho-McNeil, will be responsible for future development and expenses of these selected compounds.

Partnering company:
Johnson & Johnson, Inc.

Principal company:
Closure Medical Corporation

Date:
04/03/2005

Deal No.:
19646

Financial Value (if stated):
US\$370 M

Deal Type:
Business acquisition

Interest Area:
Medical devices
Surgical
Wound care

Product Brand Name:

Johnson & Johnson Completes Acquisition of Closure Medical

J&J and Closure Medical, a company specialising in biomaterial-based medical devices, have signed a definitive agreement whereby Closure Medical will be acquired in a cash-for-stock exchange. Closure Medical is expected to operate as a stand-alone entity reporting through ETHICON, a Johnson & Johnson company, with whom Closure Medical has worked since 1996 on the development of topical adhesives.

Under the terms of the agreement, Closure Medical shareholders will receive US\$27.00 for each outstanding Closure Medical share. The value of the transaction as of the anticipated closing date is estimated to be approximately US\$370 M based upon Closure Medical's approximately 15.6 million fully diluted shares outstanding, net of estimated cash on hand at time of closing. Upon closing, Johnson & Johnson is expected to incur an estimated one-time after-tax charge of approximately US\$68 M or US\$0.02 per share, reflecting the write-off of in-process research and development (IPR&D) charges.

The Board of Directors of Closure Medical has approved the transaction, which is subject to clearance under the Hart-Scott-Rodino Antitrust Improvements Act and other customary closing conditions. The agreement will require the approval of Closure Medical's stockholders and is expected to close during the second quarter of 2005.

Closure Medical designs, develops and manufactures a number of medical adhesives and delivery devices based on a proprietary medical-grade cyanoacrylate technology for specific applications in wound care and wound closure. This technology is found in the family of DERMABOND® topical skin adhesive (2-octyl cyanoacrylate) products, which are marketed by ETHICON under an exclusive distribution agreement (Deal no. **19651**).

Update, 02/05/2005:

The US FTC has granted early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act with respect to the acquisition of Closure Medical by Johnson & Johnson. The proposed transaction is expected to close as promptly as possible after Closure Medical's special meeting of stockholders, which is scheduled to be held on 2 June 2005, subject to the remaining closing conditions.

Update, 02/06/2005:

Closure Medical's stockholders have approved the agreement pursuant to which Johnson & Johnson will acquire Closure Medical for US\$27.00 per share. The proposed transaction, which was announced on 4 March 2005, is expected to close on 3 June 2005.

Update, 03/06/2005:

J&J has completed the acquisition of Closure Medical.