Where science meets life.

Genentech 2006 Annual Report

Genentech's novel medicines are where cutting-edge science meets everyday life, where scientists working hard in labs intersect with individuals working hard to enjoy their lives while confronting serious and life-threatening illnesses. Our scientists and patients inspire each other and the rest of us at Genentech as we strive to develop therapies that dramatically improve the treatment options for people with critical medical conditions.

On Cover: Ellen Filvaroff, Senior Scientist; Alex Alvarado, Nutropin AQ® Patient and Recipient of Free Medicine From the Genentech® Access to Care Foundation

Genentech's mission is to be the leading biotechnology company, using human genetic information to discover, develop, manufacture and commercialize biotherapeutics that address significant unmet medical needs. The company is committed to high standards of integrity in contributing to the best interests of patients, the medical profession, our employees and our communities, and to seeking significant returns to our stockholders based on the continual pursuit of scientific and operational excellence.

Arthur D. Levinson, Ph.D.
Chairman and Chief Executive Officer

"We see tremendous advances in understanding the biological basis of many debilitating diseases, and we believe these advances play to Genentech's greatest strengths as we try to translate the biology into new therapies."

Dear Stockholders,

I am happy to report that 2006 was another remarkable year for Genentech, with important developments across all areas of the business. Highlights included the approval of Lucentis® (ranibizumab injection), seven product line-extension approvals, significant pipeline expansion, several manufacturing milestones, the announcement of our first-ever proposed acquisition, and the celebration of our 30th anniversary as a company.

Our financial performance in 2006 was strong, with total operating revenues of approximately $9.3 billion, an increase of 40 percent over 2005. We also increased our non-GAAP pre-tax operating margin[1] from 32 percent in 2005 to 39 percent in 2006. We made good progress toward our Horizon 2010 financial goals: our U.S. oncology sales in 2006 passed the $5 billion mark, and we are now number one in the United States in oncology sales; our non-GAAP earnings per share[1] in 2006 were $2.23, an increase of 74 percent over 2005; and our free cash flow[2] in 2006 was nearly $1 billion.

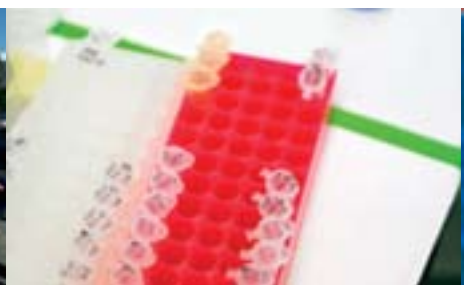
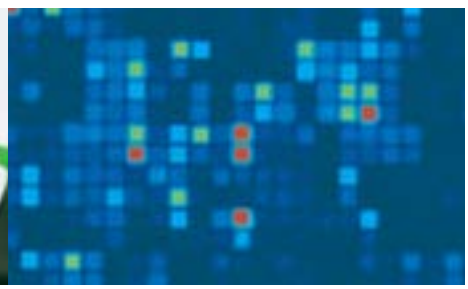
The approval of Lucentis in 2006 as a new therapy for patients with wet age-related macular degeneration (AMD) was a particularly important accomplishment. Lucentis provides new hope for patients with AMD, one of the leading causes of blindness in people over the age of 55, because it is the first therapy to reverse vision loss in up to 40 percent of patients with wet AMD. Even though ophthalmology represents an entirely new market for Genentech, the Lucentis launch was our most successful to date. Lucentis had U.S. sales of $380 million in 2006 with only six months on the market.

We achieved a record-breaking year in terms of new indications for existing products, with seven U.S. Food and Drug Administration (FDA) line-extension approvals in 2006: four for Rituxan® (Rituximab), two for Avastin® (bevacizumab), and one for Herceptin® (Trastuzumab). (Read more about the new indication for Herceptin in "Herceptin: 25 Years of Progress in Breast Cancer Treatment" on page 12 of the report.)

In addition to these approvals, we continued to make progress in building our product pipeline. With our collaborators, we announced positive results from a Phase III study of Avastin in renal cell cancer, a Phase II study of Rituxan in relapsing remitting multiple sclerosis, a Phase II study of Avastin plus Tarceva® (erlotinib) in non-small cell lung cancer, and a Phase II study of Omnitarg™ (pertuzumab) in advanced ovarian cancer (announced in early 2007). We also moved one new molecule into Phase III studies, two new molecules into Phase II and seven new molecular entities from research into development. Finally, we closed or executed agreements for approximately 50 business development collaborations in 2006, including eight significant collaborations for products that are either currently in clinical development or expected to move into clinical development in the next one to two years.

[1] Our GAAP pre-tax operating margin for 2006 was 34 percent, an increase from 29 percent in 2005, and our GAAP earnings per share for 2006 was $1.97, an increase of 67 percent compared to 2005. Our 2006 non-GAAP amounts exclude the effects of (i): employee stock-based compensation expense associated with our adoption of Statement of Financial Standards No. 123R, "Share-Based Payment" (FAS 123R) on January 1, 2006 of $309 million on a pretax basis, (ii) recurring amortization charges related to the 1999 redemption of our Special Common Stock by Roche, which was $105 million on a pretax basis, (iii), litigation-related special items for accrued interest and associated bond costs on the City of Hope judgment, which was $54 million on a pretax basis, and (iv) the related income tax benefits on these items of $191 million. Our 2005 non-GAAP amounts exclude the effects of: (i) recurring amortization charges related to the 1999 redemption of our Special Common Stock by Roche, which was $123 million on a pretax basis, (ii) litigation-related special items for accrued interest and associated bond costs on the City of Hope judgment and net amounts paid on other litigation settlements, which was $58 million on a pretax basis, and (iii) the related income tax benefits on these items of $73 million. See pages 26-27 for the full reconciliation between our non-GAAP and GAAP numbers.

[2] Our free cash flow measure is defined as cash from ongoing operations less gross capital expenditures. Cash from ongoing operations is derived from the "net cash provided by operating activities" line in our consolidated statements of cash flows excluding the effect of changes in the trading portfolio, but this number may be adjusted for items that would allow the measure to better reflect our operational performance. These adjustments include, for example, cash receipts or payments related to litigation settlements, investments in trading securities and other potential items, any of which may be significant. For 2006, cash from ongoing operations represents net cash provided by operating activities, excluding the effect of changes in the trading portfolio.

2006 also included a couple of disappointments in the pipeline. In June, we learned that a Phase III study of Avastin in advanced pancreatic cancer did not meet its primary endpoint. In September, we received a Complete Response Letter from the FDA for the supplemental Biologics License Application submitted for Avastin in first-line metastatic breast cancer; we are currently addressing the FDA's requests and anticipate resubmission in mid-2007.

With regard to manufacturing, I am pleased to report that our efforts over the last two years have been highly successful in enhancing our mammalian cell culture production. We achieved several manufacturing milestones in 2006, including approvals of new high-titer processes for Avastin and Rituxan; submission of the licensure application for our Oceanside, CA facility; and the groundbreaking on our fill/finish facility in Hillsboro, OR. Other milestones included the approvals received for the Novartis and Wyeth facilities to manufacture Xolair® (Omalizumab) and Herceptin, respectively. Finally, we signed agreements with Lonza Group Ltd. selling them our Porriño, Spain facility and giving us the option to purchase their Singapore facility. The Lonza agreements support our efforts to meet both near- and long-term capacity needs and enable us to significantly improve our cost structure.

Towards the end of the year, we announced our intention to acquire Tanox, Inc., which represents the first proposed acquisition in Genentech's 30-year history. Genentech and Tanox have been working in collaboration with Novartis since 1996 to develop and commercialize Xolair. Closing the acquisition will result in an improvement of our financial results for Xolair and the acquisition of Tanox's product pipeline, which has some interesting molecules being developed for diseases such as asthma, HIV and AMD. We currently anticipate closing the deal within the first half of 2007, subject to customary closing conditions, including expiration of the waiting period under the Hart-Scott-Rodino Act.

Looking Ahead

While we are pleased with our progress as a company in 2006, we remain focused on the future and our long-term success. Below are several areas that I believe will be especially important for Genentech in 2007 and beyond.

Continuing to build the product pipeline. In the short term, Genentech's growth will be driven by our ability to execute on recent approvals, including Lucentis for wet AMD and Avastin in non-small cell lung cancer, and by potential new indications for our existing products, such as Avastin for breast cancer and Rituxan for immunological disorders.

We recognize that continued long-term growth will depend on our ability to bring innovative new molecules to the market that make a meaningful difference for patients and provide significant commercial opportunities. We are also aware that our recent success has raised the bar in terms of what our pipeline needs to look like to drive continued growth. Additionally, we face increasing competition from pharmaceutical companies and other biotechnology companies in diseases of interest to us. For these reasons, building a strong pipeline is our number one focus and priority as a company.

Although the process takes time, we are confident in the rigorous and disciplined approach to overseeing research and development (R&D) that we have built over the past 30 years. We believe the majority of new projects entering the pipeline will come from our internal efforts, but we will continue to look for ways to supplement the pipeline, especially through early-stage in-licensing.

As of the end of 2006, we had 16 new molecules in the early development pipeline and approximately 30 projects in late-stage research. Most of these molecules target novel mechanisms based on promising biology and could represent significant treatment advances. Over the next few years, we look forward to generating clinical data with new molecules and building our late-stage pipeline through advancement of these molecules.

Addressing pricing and reimbursement issues. With a new Congress in place, pricing will continue to be a topic of conversation in 2007. Externally, we will continue to work with patient groups, physicians, payers and government officials to discuss our business model and pricing philosophy, and to understand their concerns and ideas.

We believe that our pricing is appropriate given the difference our novel medicines make in the lives of patients. The price of our products also sustains our business model; the high risks and costs of R&D innovation are only viable if there is a reasonable return on our investments. We will continue to support our position and educate policymakers about our pricing, while at the same time working to ensure that price is not a barrier to access for patients. In February 2007, we launched the Avastin Patient Assistance Program, which caps the annual expenditure for eligible patients in order to address concerns in certain tumor types where the Avastin doses are high and treatment durations are long.

This new program complements our existing suite of patient access programs. Since 1985, the Genentech® Access to Care Foundation (GATCF) and the Genentech Endowment for Cystic Fibrosis have donated free product to eligible uninsured patients and those deemed uninsured due to payer denial. In 2006 alone, GATCF supported more than 14,000 patients by providing

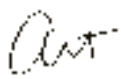


approximately $205 million in free medicine. Since 2005, Genentech has also contributed approximately $70 million to various independent public charities that provide financial assistance to eligible patients who cannot access needed medical treatment due to high co-pay costs. Finally, through our Single Point of Contact program, we provide patients with assistance and information on a broad array of reimbursement services and support.

Continuing to hire and grow our culture thoughtfully. In the last five years, Genentech has more than doubled our number of employees, adding approximately 6,000 people. Even though we are growing quickly, we are dedicated to making careful hiring decisions in order to continue to bring in individuals who fit well with the company culture. As I've discussed before, our distinctive culture is characterized by a commitment to excellent science, a dedication to patients, a respect for the individual, and decision-making that is focused on Genentech's long-term interest.

We were pleased to have been named in 2006 by Science magazine as "the top employer and most admired company in the biotechnology and pharmaceutical industries" for the fifth year in a row and by Working Mother to its "100 Best Companies for Working Mothers" list for the 14th time. Additionally, in early January 2007, FORTUNE magazine named Genentech number two on its 2007 list of "The 100 Best Companies to Work For." We have earned a place on the FORTUNE list for nine consecutive years, and in the past four years, we have been the only biotech or pharmaceutical company to appear in the top 20 positions. We believe our unique Genentech culture offers us a competitive advantage in stimulating innovation and productivity, contributing in a very important way to our continued success.

In closing, as we proceed into 2007, we have a solid foundation in place to deliver on our Horizon 2010 growth goals. We will continue to focus on developing important new medicines through excellent science, long-term planning, disciplined execution against our goals, and a passionate commitment to patients and employees. We see tremendous advances in understanding the biological basis of many debilitating diseases, and we believe these advances play to Genentech's greatest strengths as we try to translate the biology into new therapies. We are confident that as long as we continue to invest wisely and appropriately in R&D, we will continue to develop first-in-class and best-in-class molecules for significant unmet medical needs and create long-term value for our stockholders.



Arthur D. Levinson, Ph.D.
Chairman and Chief Executive Officer

Horizon 2010 Report Card

We developed our Horizon 2010 vision and goals to help ensure that we are solidly positioned to fulfill our mission of discovering, developing, manufacturing and commercializing life-enhancing and life-extending medicines for patients with unmet medical needs. The Horizon 2010 goals started in 2006 and continue through the end of 2010. Originally announced in March 2004, we provided an update to the goals in March 2006.

OUR VISION

Utilize the science of biotechnology to become a leader in revolutionizing the treatment of patients with cancer, immunological diseases and angiogenic disorders.

PROGRESS TOWARDS OUR GOALS

GOAL: TO BRING AT LEAST 20 NEW MOLECULES INTO CLINICAL DEVELOPMENT.
Status: We added seven new molecular entities into early-stage development in 2006, including three small molecules via collaborations.

GOAL: TO BRING AT LEAST 15 MAJOR NEW PRODUCTS OR INDICATIONS ONTO THE MARKET.
Status: We received approval for one new product and seven additional indications for existing products in 2006.

GOAL: TO ACHIEVE A COMPOUND ANNUAL NON-GAAP EARNINGS PER SHARE GROWTH RATE OF 25 PERCENT.[1]
Status: Our non-GAAP earnings per share growth rate for 2006 was 74 percent.[1]

GOAL: TO ACHIEVE CUMULATIVE FREE CASH FLOW OF $12 BILLION.[2]
Status: Our free cash flow as of December 31, 2006 was nearly $1 billion.[2]

GOAL: TO BECOME THE NUMBER ONE U.S. ONCOLOGY COMPANY IN SALES.
Status: We achieved the ranking of number one in U.S. oncology sales in the first quarter of 2006 and will strive to maintain this ranking in the future.

This Annual Report contains forward-looking statements regarding our development pipeline, time frame for filing an Avastin sBLA and closing the Tanox acquisition, adding 20 molecules into clinical development by 2010, bringing 15 major new products/indications onto the market by 2010, becoming the number one U.S. oncology company in sales by 2010, Genentech's long-term growth, including growth in non-GAAP earnings per share (EPS) and cumulative free cash flow by 2010, and creation of long-term value for stockholders. Such statements are predictions and involve risks and uncertainties such that actual results may differ materially. Among other things, our development pipeline, time frame for filing an Avastin sBLA and adding molecules into clinical development could be affected by a number of factors, including unexpected safety, efficacy or manufacturing issues, additional time requirements for coordination with third parties, data analysis, BLA preparation and decision-making, need for additional clinical studies, and FDA actions or delays; closing the Tanox acquisition could be affected or prevented by failure of certain closing conditions to occur, including FTC and other regulatory actions or delays; bringing new products/indications to market could be affected by all of the foregoing and by a number of other factors, including failure to obtain or maintain FDA approval; becoming a leader in oncology sales could be affected by all of the foregoing and by a number of other factors, including competition, pricing, reimbursement, intellectual property or contract rights, the ability to supply product, product withdrawals and new product approvals and launches; and Genentech's growth, including growth in non-GAAP EPS and cumulative free cash flow, and creation of long-term value for stockholders could be affected by all of the foregoing and by a number of other factors, including achieving sales revenue consistent with internal forecasts, costs of sales, R&D and MG&A expenses, stock-based compensation expense, unanticipated expenses such as litigation or legal settlement expenses or equity securities write-downs, royalties and contract revenues, and fluctuations in tax and interest rates. Please also refer to Genentech's periodic reports filed with the Securities and Exchange Commission. Genentech disclaims, and does not undertake, any obligation to update or revise any forward-looking statements in this Annual Report.

[1] Our GAAP earnings per share growth rate for 2006 was 67 percent. The non-GAAP EPS goal for 2006 through 2010 excludes the after-tax effects of the following items: employee stock-based compensation expense associated with our adoption of FAS 123R, recurring charges related to the redemption of our Special Common Stock by Roche, litigation-related special charges for accrued interest and associated bond costs on the City of Hope judgment, the cumulative effect of an accounting change related to sabbatical leave, the effect of any in-process R&D charge and amortization of intangible assets that would result if Genentech acquires Tanox, Inc., and other potential special charges related to existing or future litigation or its resolution, and changes in accounting principles, all of which may be significant. GAAP EPS for 2006 through 2010 would include the items described above. See pages 26-27 for the full reconciliation between our non-GAAP and GAAP numbers.

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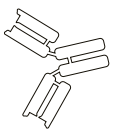
Mary, Scientist

Mary Cole works in Genentech's Biomedical Imaging group, where she develops imaging-based assays to evaluate experimental medicines in the research pipeline. Mary and her team combine their knowledge of biological processes with state-of-the-art imaging technology to gain a better understanding of how potential therapeutics work inside the body. These insights help to identify our most promising drug candidates and accelerate their development, so that breakthrough medications such as Xolair reach patients like Kevin more quickly.

Kevin, Xolair Patient

Kevin Hall was diagnosed with allergic asthma when he was three years old and had to be admitted to the hospital for eight days due to breathing difficulties. As he grew up, Kevin continued to struggle with his asthma. At one point, Kevin was taking 11 medications a day to improve his pulmonary function, and he was missing approximately 70 days of school a year. In 2003, Kevin's pulmonologist heard about the approval of Xolair and decided that Kevin's severe allergic asthma made him a good candidate for the drug. Since his treatment on Xolair, Kevin has experienced fewer asthma attacks and an improvement in symptoms, and he has been able to start attending school regularly. Today, he enjoys playing basketball with his friends and is studying hard to fulfill his dream of becoming a doctor.



Zemin, Senior Scientist

Zemin Zhang works with Genentech's interdisciplinary Bioinformatics group to develop and apply novel computational methods for analyzing large-scale genomics and gene expression data. By utilizing such integrative information to help discover new biological insights into disease and to identify biomarkers of therapeutic interest, Genentech is working toward developing more targeted therapies such as Herceptin that can help patients like Martha.

Martha, Herceptin Patient

About three years ago, Martha Ontiveros found a lump in her breast. Because it had doubled in size since her last doctor's visit, the mother of two decided to have it checked. Several days after her appointment, the doctor called Martha with the news that she had breast cancer, it had spread to her lymph nodes, and it was HER2-positive. Her oncologist mentioned that she was a good candidate for Herceptin in combination with chemotherapy, so she went home and immediately began researching the medicine. Since completing treatment with Herceptin, Martha has taken up gardening and is feeling hopeful about the future.

HERCEPTIN: 25 YEARS OF PROGRESS IN BREAST CANCER TREATMENT

In late 2006, Genentech's Herceptin was approved in the adjuvant (early-stage) setting for HER2-overexpressing breast cancer based on data that demonstrated the largest improvement in survival for women with breast cancer in 25 years. The story of Herceptin, which started 25 years ago, sheds light on the nature of the risks involved in cancer research, the time and resources required to make significant progress in cancer treatment, and Genentech's commitment to testing our cancer medicines in earlier stages of the disease.

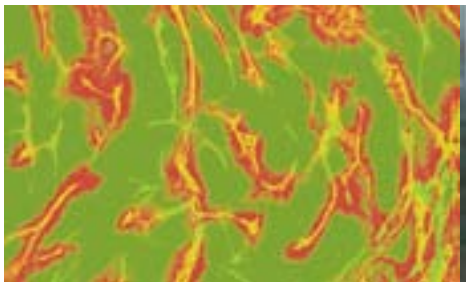
In the early 1980s, Genentech researcher Axel Ullrich was the first to clone the human gene for epidermal growth factor receptor, a protein that helps trigger epithelial cell division. Further experiments by Ullrich pointed to the existence of a distantly related receptor, which was cloned in collaboration with current Chief Executive Officer Art Levinson and other scientists at Genentech. The structure of this newly found gene, which we named HER2, was revealed to be closely related to a known cancer-causing gene in chickens, raising the possibility that this human counterpart could play a role in human cancer. Genentech scientists began working to develop antibodies to the HER2 protein, aiming to determine whether these antibodies might inhibit the growth of certain cancer cells.

While waiting for a flight at the Denver airport after a scientific conference, Ullrich met University of California, Los Angeles oncologist Dr. Dennis Slamon, who had been studying cancer and was dedicated to finding more effective treatments for the disease. They began talking about their research projects, and before long realized that they should combine efforts.

In 1987, Slamon, Ullrich, and colleagues published data in Science showing that approximately 25 percent of women with metastatic (advanced) breast cancer had tumors that overexpressed the HER2 protein and that this type of breast cancer (HER2-positive) was a very aggressive form of the disease, with greater likelihood of recurrence and decreased survival compared to HER2-negative breast cancer.

By 1990, Genentech scientists had humanized an antibody directed against the HER2 protein. This antibody, which would become Herceptin, was shown to inhibit the growth of human breast cancer cells that overexpress HER2. Slamon, along with other physicians, began testing Herceptin in the clinical setting.

Genentech conducted Phase I trials in 1991 and Phase II trials in 1993. In March 1997, the pivotal Phase III trials showed



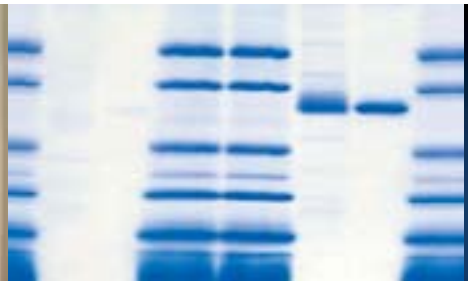
that Herceptin in combination with chemotherapy improved survival in this very difficult-to-treat patient population. As the first in a class of targeted biologic therapies designed to seek and destroy specific cancer cells, Herceptin represented a new direction in cancer treatment and is considered by many to be an important first step towards 'personalized medicine.'

Herceptin was approved by the FDA in 1998 in the metastatic breast cancer setting. Based on its effectiveness in the metastatic setting, Genentech began studies to determine if Herceptin might be effective when used as adjuvant therapy for women with earlier stages of breast cancer.

In May 2005, data from a joint interim analysis of more than 3,500 patients showed that the addition of Herceptin to standard adjuvant therapy reduced the risk of breast cancer recurrence by 52 percent in patients with HER2-positive breast cancer compared to those who received standard adjuvant therapy alone. The data represented a major milestone in breast cancer research and gave new hope to women with early-stage HER2-positive breast cancer. The trials suggested that Herceptin plus chemotherapy could potentially prevent or delay early-stage HER2-positive breast cancer from developing into metastatic disease or stop the disease from coming back. On November 16, 2006, the FDA approved Herceptin, administered weekly, in combination with chemotherapy for the adjuvant treatment of HER2-overexpressing, node-positive breast cancer.

Genentech's focus is on understanding the fundamental biology by which cancer grows, in the hopes of changing the way cancer is treated. We have proven with Herceptin that when you understand the biology of a target, monoclonal antibodies can be a precise, effective and well-tolerated way to hit the target specifically and to help patients. Genentech has worked on the HER pathway for 25 years, and Herceptin, Tarceva, and other projects in our pipeline demonstrate our success and leadership in fully exploiting this important cancer pathway to advance cancer treatment.

The Herceptin adjuvant approval also highlights a first step in a major initiative to study Genentech targeted therapies in earlier stages of disease where they have the potential to have the greatest impact on patient survival. Making progress in cancer treatment takes tremendous time, persistence, patience and resources, but we couldn't be more excited about the kind of patient benefit that may occur when we test a therapy on patients in the early-stage setting.



Development Pipeline

For more than 30 years, Genentech has excelled at transforming scientific discoveries into breakthrough therapies for patients. Today, Genentech's development pipeline focuses on oncology, immunology, and disorders of tissue growth and repair.

PHASE 1		
Oncology	Anti-CD40	Chronic Lymphocytic Leukemia
		Multiple Myeloma
	Apo2L/TRAIL	Solid Tumors and Hematologic Malignancies
	MEK Inhibitor	Oncology[1]
	PARP Inhibitor	Malignant Melanoma
	Systemic Hedgehog Antagonist	Solid Tumors
	Trastuzumab-DM1	HER2-Positive Metastatic Breast Cancer
	New Molecular Entities	Oncology
		Oncology[1]
Immunology	New Molecular Entity	Immunology[1]
PHASE 2		
Oncology	Anti-CD40	Non-Hodgkin's Lymphoma
	Avastin®	Adjuvant HER2-Negative Breast Cancer
		Extensive Small Cell Lung Cancer[1]
		Glioblastoma Multiforme
		Non-Squamous, Non-Small Cell Lung Cancer with Previously Treated CNS Metastases
	Omnitarg™ (pertuzumab)	Ovarian Cancer
Immunology	2nd Generation Anti-CD20[2]	Relapsing Remitting Multiple Sclerosis[1]
	HAE1	Moderate-to-Severe Allergic Asthma
Tissue Growth & Repair	ALTU-238[6]	Pediatric Growth Hormone Deficiency[1]
	Lucentis	Diabetic Macular Edema
	PARP Inhibitor	Acute Cardiovascular Conditions[3]
	Topical VEGF	Diabetic Foot Ulcers

[1] Preparing for phase.

[2] Our collaborator Biogen Idec disagrees with certain of our development decisions under our 2003 collaboration agreement. We continue to pursue a resolution of our differences with Biogen Idec, and the disputed issues have been submitted to arbitration in San Francisco, California.

[3] Genentech has the option to expand its licensed field to include certain acute cardiovascular indications, including but not limited to the prevention of ischemia-reperfusion injury following angioplasty procedures or coronary arterial bypass graft surgery. Genentech has not yet exercised this option.

[4] Studies are ongoing or planned in this indication with different regimens.

[5] The FDA requested a substantial safety and efficacy update from the ECOG 2100 study, including an independent review of patient scans for progression-free survival. We expect to resubmit the application to the FDA by mid-2007.

[6] Collaboration subject to closing conditions, including expiration of the Hart-Scott-Rodino waiting period.

Development Pipeline

PHASE 3		
Oncology	Avastin®	Adjuvant Breast Cancer[1] Adjuvant Colon Cancer Adjuvant Non-Small Cell Lung Cancer[1] Adjuvant Rectal Cancer First-Line Metastatic Breast Cancer[4] First-Line Metastatic Non-Squamous, Non-Small Cell Lung Cancer[4] First-Line Metastatic Ovarian Cancer First-Line Metastatic Renal Cell Carcinoma Gastrointestinal Stromal Tumors[1] Hormone-Refractory Prostate Cancer Second-Line Metastatic Breast Cancer[4] Second-Line Metastatic Ovarian Cancer[1]
	Avastin® +/- Tarceva® Herceptin® +/- Avastin® Rituxan®	First-Line Metastatic Non-Squamous, Non-Small Cell Lung Cancer[4] First-Line HER2-Positive Metastatic Breast Cancer[1] First-Line Follicular Non-Hodgkin's Lymphoma[4] Relapsed Chronic Lymphocytic Leukemia
	Tarceva®	Adjuvant Non-Small Cell Lung Cancer First-Line Metastatic Non-Small Cell Lung Cancer
	Tarceva® +/- Avastin®	First-Line Metastatic Pancreatic Cancer[4] Second-Line Metastatic Non-Small Cell Lung Cancer
Immunology	2nd Generation Anti-CD20[2]	Lupus Nephritis[1] Rheumatoid Arthritis Systemic Lupus Erythematosus[1]
	Rituxan®	ANCA-Associated Vasculitis Lupus Nephritis Primary Progressive Multiple Sclerosis Rheumatoid Arthritis (DMARD Inadequate Responders) Systemic Lupus Erythematosus
	Xolair®	Pediatric Asthma
Tissue Growth & Repair	ALTU-238[6] Lucentis®	Adult Growth Hormone Deficiency[1] Diabetic Macular Edema[1] Retinal Vein Occlusion[1]
	TNKase®	Catheter Clearance
FDA SUBMISSION PREP		
Oncology	Avastin®	First-Line Metastatic Breast Cancer[5] First-Line Metastatic Renal Cell Carcinoma
	Herceptin®	Adjuvant HER2-Positive Breast Cancer—Based on BCIRG-006 Data
Immunology	Rituxan®	Rheumatoid Arthritis—Based on REFLEX Radiographic Data
AWAITING FDA ACTION		
Oncology	Herceptin®	Adjuvant HER2-Positive Breast Cancer—Based on 1-year HERA Data

Lino, Scientist

A member of the Protein Chemistry group, Lino Gonzales works on projects throughout Genentech's Research department. Protein Chemistry touches almost every aspect of research at Genentech, from the purification of protein reagents for early- to late-stage research projects to the identification of new potential therapeutic targets. This work helps speed the development of novel medicines for rheumatoid arthritis and other serious diseases for patients like Natasha.

Natasha, Rituxan Patient

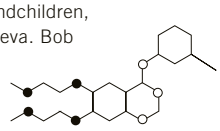
Natasha Williams was diagnosed with rheumatoid arthritis when she was 16. She woke up one morning with severely stiff and swollen joints in her hands. Because of her illness, Natasha didn't feel that she could relate to any of her peers, and she even decided to forgo participation in her high-school graduation ceremony. In 2004, after living with rheumatoid arthritis for more than a decade, her doctor highly recommended that the single mother take part in a clinical trial of Rituxan for rheumatoid arthritis. Natasha believes that Rituxan has allowed her to take a more active role in raising and playing with her three children.

Alan, Associate Director

As a member of Genentech's Medicinal Chemistry group, Alan Olivero is focused on the discovery and early development of small molecule anti-cancer agents, which may lead to therapies like Tarceva in the future. Alan and his group work on the design and synthesis of drugs that attack targets inside the cell and can be taken in pill form. They are working to identify molecules of interest that can proceed into development and ultimately help patients like Bob.

Bob, Tarceva Patient

Bob Hess, a retired postal worker, went to the doctor after feeling some discomfort in his chest. An oncologist found a tumor in his left lung and determined that he had cancer which had spread to his lymph nodes. With the support of his wife, four children, and eight grandchildren, Bob had his left lung and thyroid removed. When the cancer continued to spread to his right lung, his doctor recommended Tarceva. Bob applied to the Genentech® Access to Care Foundation with the help of his doctor and now receives Tarceva at no charge.



Financial Highlights (Unaudited)

(In millions, except per share, stock price and employee data)

YEARS ENDED DECEMBER 31,	2006	2005	2004	% Change from Preceding Year 2006/2005	2005/2004
Product sales	**$ 7,640**	$ 5,488	$ 3,749	39%	46%
Total operating revenues	**9,284**	6,633	4,621	40	44
Cost of sales	**1,181**	1,011	673	17	50
COS as a % of sales	**15%**	18%	18%		
Research and development expenses[1]	**1,773**	1,262	948	40	33
R&D as a % of revenues	**19%**	19%	21%		
Marketing, general and administrative expenses[1]	**2,014**	1,435	1,088	40	32
MG&A as a % of revenues	**22%**	22%	24%		
Collaboration profit sharing	**1,005**	823	594	22	39
Recurring charges related to redemption[2]	**105**	123	145	(15)	(15)
Special items: litigation-related[3]	**54**	58	37	(7)	57
Pretax operating income	**3,152**	1,921	1,136	64	69
Pretax operating margin	**34%**	29%	25%		
Net income	**2,113**	1,279	785	65	63
Diluted earnings per share	**1.97**	1.18	0.73	67	62
Non-GAAP net income[4]	**$ 2,390**	$ 1,387	$ 894	72%	55%
Non-GAAP net income as a % of revenues[4]	**26%**	21%	19%		
Non-GAAP diluted EPS[4]	**2.23**	1.28	0.83	74	54
Shares used to compute diluted earnings per share	**1,073**	1,081	1,079	(1)	0
Shares outstanding at year-end	**1,053**	1,054	1,047	(0)	1
Stock price at year-end	**$ 81.13**	$ 92.50	$ 54.44	(12)	70
No cash dividends were paid					
Cash, cash equivalents, short-term investments, long-term marketable debt and equity securities and equity hedge instruments	**$ 4,375**	$ 3,887	$ 2,802	13	39
Property, plant and equipment, net	**4,173**	3,349	2,091	25	60
Total assets	**14,842**	12,147	9,403	22	29
Long-term debt[5],[6]	**2,204**	2,083	412	6	*
Total liabilities	**5,364**	4,677	2,621	15	78
Total stockholders' equity	**9,478**	7,470	6,782	27	10
Capital expenditures[6]	**1,214**	1,400	650	(13)	115
Number of employees at year-end	**10,533**	9,563	7,646	10	25

(1) Amount in 2006 includes employee stock-based compensation expense due to our adoption of FAS 123R on January 1, 2006. In 2006, $140 million of employee stock-based compensation expense was allocated to research and development expenses, and $169 million of employee stock-based compensation expense was allocated to marketing, general and administrative expenses.

(2) Represents the amortization of other intangible assets in 2006, 2005 and 2004, related to the June 30, 1999 redemption of our Special Common Stock (Redemption) and the effects of push-down accounting.

(3) Amount in 2006 includes accrued interest and bond costs relate to the City of Hope (COH) trial judgment. Amount in 2005 includes accrued interest and bond costs related to the COH trial judgment and net amounts paid related to other litigation settlements. Amount in 2004 includes accrued interest and bond costs related to the COH trial judgment, net of a released accrual on a separate litigation matter. For further information on these items, see the "Results of Operations" section of Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of Part II of our 2006 Form 10-K on file with the Securities and Exchange Commission (SEC).

(4) Non-GAAP amounts exclude recurring charges related to the Redemption, litigation-related special items, and in 2006, also exclude employee stock-based compensation expense recognized under FAS 123R, and all related tax effects. GAAP net income as a percentage of operating revenues was 23 percent in 2006, 19 percent in 2005 and 17 percent in 2004. See pages 26-27 for the full reconciliation between our non-GAAP and GAAP numbers. For further information on these items, see the "Results of Operations" section of Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of Part II of our 2006 Form 10-K on file with the SEC.

(5) Includes approximately $2 billion related to our debt issuance in July 2005. Amount in 2005 is net of the repayment of $425 million to extinguish the consolidated debt and noncontrolling interest related to a synthetic lease obligation. For further information, see Note 8, "Leases, Commitments and Contingencies" in Part II, Item 8 of our 2006 10-K on file with the SEC.

(6) Excludes approximately $104 million in 2006 and $94 million in 2005 of capitalized costs related to our accounting for construction projects of which we are considered to be the owner during the construction period. We have recognized $216 million and $94 million as a construction financing obligation in long-term debt as of December 31, 2006 and 2005, respectively.

* Calculation not meaningful.

All share and per share amounts reflect the May 2004 two-for-one split of Genentech Common Stock.

Financial Highlights (Unaudited)

(In millions, except per share)

TOTAL OPERATING REVENUES

- Contract Revenue
- Royalties
- Product Sales

NET INCOME

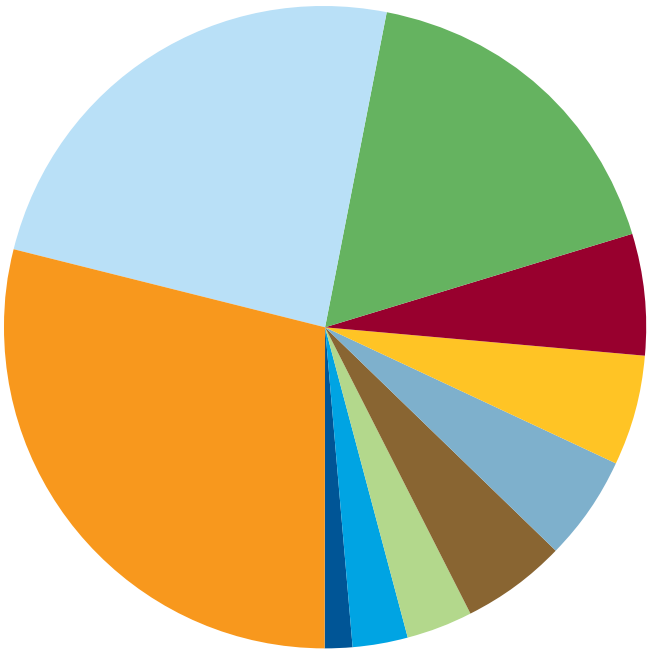
- Non-GAAP[1]
- GAAP

DILUTED EARNINGS PER SHARE

- Non-GAAP[1]
- GAAP

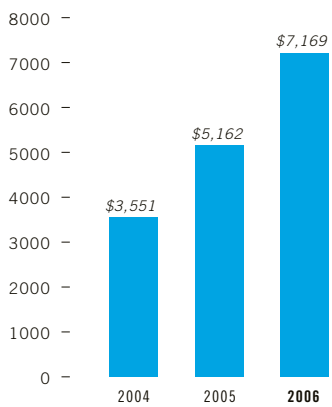
(1) Non-GAAP earnings per share and non-GAAP net income exclude recurring charges related to the 1999 Redemption, litigation-related special items, and in 2006, also exclude employee stock-based compensation expense recognized under FAS 123R, and all related tax effects. See pages 26-27 for the full reconciliation between our non-GAAP and GAAP numbers. All share and per share amounts reflect the May 2004 two-for-one split of Genentech Common Stock.

Marketed Products (Unaudited)



2006 U.S. PRODUCT SALES (In millions)	
Rituxan	$ 2,071
Avastin	1,746
Herceptin	1,234
Xolair	425
Tarceva	402
Lucentis	380
Nutropin Products	378
Thrombolytics	243
Pulmozyme	199
Raptiva	90

TOTAL U.S. PRODUCT SALES (In millions)

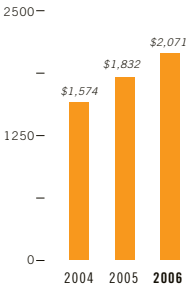


The values shown above are exact; therefore, the totals may not appear to sum due to rounding.

Marketed Products (Unaudited)

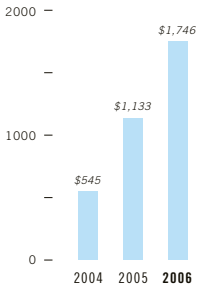
U.S. PRODUCT SALES (In millions)

Rituxan



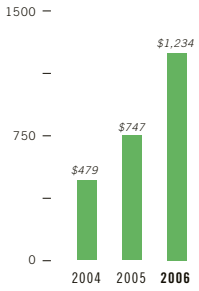
Rituxan® (Rituximab) is an anti-CD20 antibody which we commercialize with Biogen Idec Inc. It is approved for several forms of CD20-positive, B-cell non-Hodgkin's lymphoma. In 2006, we also received approval for Rituxan in combination with methotrexate for reducing signs and symptoms in adult patients with moderately-to-severely active rheumatoid arthritis who have had an inadequate response to one or more tumor necrosis factor antagonist therapies.

Avastin



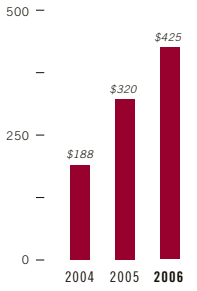
Avastin® (bevacizumab) is an anti-VEGF humanized antibody approved for use in combination with intravenous 5-fluorouracil-based chemotherapy as a treatment for patients with first- or second-line metastatic cancer of the colon or rectum. It is also approved for use in combination with carboplatin and paclitaxel chemotherapy for the first-line treatment of unresectable, locally advanced, recurrent or metastatic non-squamous non-small cell lung cancer.

Herceptin



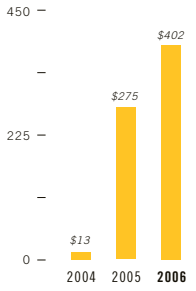
Herceptin® (Trastuzumab) is a humanized anti-HER2 antibody approved for use as a first-line therapy in combination with paclitaxel and as a single agent in second- and third-line therapy for patients with HER2-positive metastatic breast cancer. In 2006, we also received approval for Herceptin as an adjuvant treatment in HER2-positive, node-positive breast cancer as part of a treatment regimen containing doxorubicin, cyclophosphamide, and paclitaxel.

Xolair



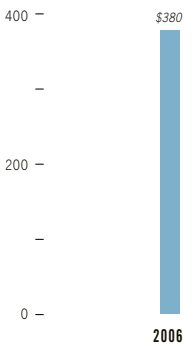
Xolair® (Omalizumab for Subcutaneous Use) is a humanized anti-IgE antibody which we commercialize with Novartis Pharma AG. Xolair is approved for adults and adolescents (12 years of age and above) with moderate-to-severe persistent asthma who have a positive skin test or in vitro reactivity to a perennial aeroallergen and whose symptoms are inadequately controlled with inhaled corticosteroids.

Tarceva



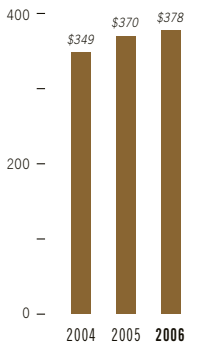
Tarceva® (erlotinib), which we commercialize with OSI Pharmaceuticals, Inc., is a small-molecule tyrosine kinase inhibitor of the HER1/epidermal growth factor receptor signaling pathway. Tarceva is approved for the treatment of patients with locally advanced or metastatic non-small cell lung cancer after failure of at least one prior chemotherapy regimen. It is also approved, in combination with gemcitabine chemotherapy, for the first-line treatment of patients with locally advanced, unresectable or metastatic pancreatic cancer.

Lucentis



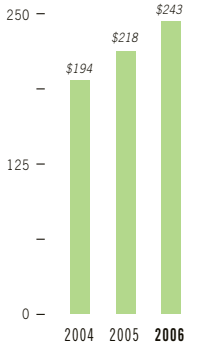
Lucentis® (ranibizumab injection) is an anti-VEGF antibody fragment approved for the treatment of neovascular (wet) age-related macular degeneration.

Nutropin Products



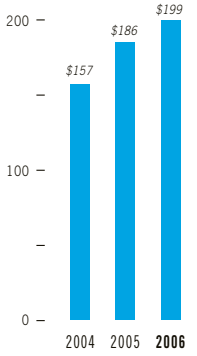
Nutropin® (somatropin [rDNA origin] for injection) and Nutropin AQ® (somatropin [rDNAorigin] injection) are growth hormone products approved for the treatment of growth hormone deficiency in children and adults, growth failure associated with chronic renal insufficiency prior to kidney transplantation, short stature associated with Turner syndrome, and long-term treatment of idiopathic short stature.

Thrombolytics



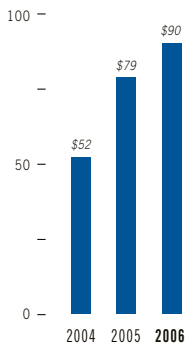
Activase® (alteplase, recombinant) is a tissue plasminogen activator (or t-PA) approved for the treatment of acute myocardial infarction (heart attack), acute ischemic stroke (blood clots in the brain) within three hours of the onset of symptoms, and acute massive pulmonary embolism (blood clots in the lungs). TNKase® (tenecteplase) is a modified form of t-PA approved for the treatment of acute myocardial infarction (heart attack). Cathflo® Activase® (alteplase, recombinant) is a t-PA approved in adult and pediatric patients for the restoration of function to central venous access devices that have become occluded due to a blood clot.

Pulmozyme



Pulmozyme® (dornase alfa, recombinant) is an inhalation solution approved, in combination with standard therapies, for the management of cystic fibrosis patients to improve pulmonary function.

Raptiva



Raptiva® (efalizumab) is a humanized anti-CD11a antibody approved for the treatment of chronic moderate-to-severe plaque psoriasis in adults age 18 or older who are candidates for systemic therapy or phototherapy.

11-Year Financial Summary (Unaudited)

(In millions, except per share, stock price and employee data)

YEARS ENDED DECEMBER 31,	2006	2005	2004
TOTAL OPERATING REVENUES	**$ 9,284**	$ 6,633	$ 4,621
Product sales	**7,640**	5,488	3,749
Royalties	**1,354**	935	641
Contract revenue	**290**	210	231
TOTAL COSTS AND EXPENSES	**$ 6,132**	$ 4,712	$ 3,485
Cost of sales	**1,181**	1,011	673
Research and development	**1,773**	1,262	948
Marketing, general and administrative	**2,014**	1,435	1,088
Collaboration profit sharing	**1,005**	823	594
Recurring charges related to redemption[11]	**105**	123	145
Special items	**54**[12]	58[12]	37[12]
Other income, net	**$ 251**	$ 92	$ 84
INCOME (LOSS) DATA			
Income (loss) before taxes and cumulative effect of accounting change	**$ 3,403**	$ 2,013	$ 1,220
Income tax (benefit) provision	**1,290**	734	435
Income (loss) before cumulative effect of accounting change	**2,113**	1,279	785
Cumulative effect of accounting change, net of tax	**—**	—	—
Net income (loss)	**2,113**	1,279	785
EARNINGS (LOSS) PER SHARE:			
Basic: Earnings before cumulative effect of accounting change	**$ 2.01**	$ 1.21	$ 0.74
Cumulative effect of accounting change, net of tax	**—**	—	—
Net earnings per share	**$ 2.01**	$ 1.21	$ 0.74
Diluted: Earnings before cumulative effect of accounting change	**$ 1.97**	$ 1.18	$ 0.73
Cumulative effect of accounting change, net of tax	**—**	—	—
Net earnings per share	**$ 1.97**	$ 1.18	$ 0.73
SELECTED BALANCE SHEET DATA			
Cash, cash equivalents, short-term investments, and long-term marketable debt and equity securities	**$ 4,325**	$ 3,814	$ 2,780
Accounts receivable	**1,666**	1,050	941
Inventories	**1,178**	703	590
Property, plant and equipment, net	**4,173**	3,349	2,091
Goodwill	**1,315**	1,315	1,315
Other intangible assets	**476**	574	668
Other long-term assets	**1,342**[5]	1,074[5]	807[5]
Total assets	**14,842**	12,147	9,403
Total current liabilities	**2,157**	1,660	1,238
Long-term debt	**2,204**[6], [7]	2,083[6],[7]	412
Total liabilities	**5,364**	4,677	2,621
Total stockholders' equity	**9,478**	7,470	6,782
OTHER DATA			
Depreciation and amortization expense	**$ 407**	$ 370	$ 353
Capital expenditures	**1,214**[7]	1,400[7]	650
SHARE INFORMATION			
Shares used to compute basic EPS	**1,053**	1,055	1,055
Shares used to compute diluted EPS	**1,073**	1,081	1,079
Shares outstanding at year-end	**1,053**	1,054	1,047
PER SHARE DATA			
Market price:			
High	**$ 95.16**	$ 100.20	$ 68.25
Low	**$ 75.58**	$ 43.90	$ 41.00
Book value	**$ 9.00**	$ 7.09	$ 6.48
NUMBER OF EMPLOYEES AT YEAR-END	**10,533**	9,563	7,646

See pages 26-27 for Footnotes to 11-Year Financial Summary.

11-Year Financial Summary (Unaudited)

	2003	2002	2001	2000	1999[4]	1998	1997	1996
	$ 3,300	$ 2,584	$ 2,044	$ 1,514	$ 1,292	$ 1,053	$ 936	$ 904
	2,621	2,164	1,743	1,278	1,039	718	585	583
	501	366	264	207	189	230	241	215
	178	54	37	29[3]	64	105	110	106
	$ 2,495	$ 2,662	$ 1,896	$ 1,726	$ 2,730	$ 874	$ 840	$ 816
	480	442	354	365[15]	286[15]	139	103	105
	722	623	526	490	367	396	471	471
	795	546	447	367	367	299	266	240
	457	351	247	129	74	40	—	—
	154	156[2]	322	375	198	—	—	—
	(113)[12]	544[16]	—	—	1,438[13]	—	—	—
	$ 92	$ 108	$ 135[14]	$ 216	$ 78	$ 74	$ 74	$ 60
	$ 897	$ 30	$ 283	$ 4	$ (1,360)	$ 253	$ 170	$ 148
	287	(34)	127	20	(203)	71	41	30
	610	64	156	(16)	(1,157)	182	129	118
	(47)[1]	—	(6)[14]	(58)[3]	—	—	—	—
	563	64[2]	150	(74)	(1,157)	182	129	118
	$ 0.59	$ 0.06	$ 0.15	$ (0.02)	$ (1.13)	$ 0.18	$ 0.13	$ 0.12
	(0.05)	—	(0.01)	(0.05)	—	—	—	—
	$ 0.54	$ 0.06	$ 0.14	$ (0.07)	$ (1.13)	$ 0.18	$ 0.13	$ 0.12
	$ 0.58	$ 0.06	$ 0.15	$ (0.02)	$ (1.13)	$ 0.18	$ 0.13	$ 0.12
	(0.05)	—	(0.01)	(0.05)	—	—	—	—
	$ 0.53	$ 0.06	$ 0.14	$ (0.07)	$ (1.13)	$ 0.18	$ 0.13	$ 0.12
	$ 2,935	$ 1,602	$ 2,865	$ 2,459	$ 1,957	$ 1,605	$ 1,287	$ 1,159
	588	432	321	278	233	158	184	194
	470	394	357	266	275	149	116	92
	1,618[1]	1,069	866	753	730	700	683	586
	1,315	1,315	1,303	1,456	1,609	—	—	—
	811	928	1,113	1,280	1,453	65	55	40
	822[5]	801[5]	136	175	206	135	128	113
	8,759	6,776	7,162	6,739	6,561	2,868	2,507	2,226
	893	661	677[8]	475	503	303	289	250
	412[1]	—	—	150	150	150	150	150
	2,239	1,437	1,242	1,065	1,291	524	476	425
	6,520	5,339	5,920	5,674	5,270[9]	2,344	2,031	1,801
	$ 295	$ 275[2]	$ 428	$ 463	$ 281	$ 78	$ 66	$ 62
	322	323	213	113	95	88	155	142
	1,035	1,038	1,054	1,044	1,026	1,007	984	965
	1,058	1,049	1,071	1,044	1,026	1,039	1,011	992
	1,049	1,026	1,057	1,051	1,032	1,017	994	971
	$ 47.68	$ 27.58	$ 42.00	$ 61.25	$ 11.25	$ 9.97	$ 7.58	$ 6.92
					$ 35.75*			
	$ 15.77	$ 12.55	$ 19.00	$ 21.13	$ 9.32	$ 7.41	$ 6.66	$ 6.42
					$ 12.13*			
	$ 6.21	$ 5.21	$ 5.60	$ 5.40	$ 5.10	$ 2.30	$ 2.04	$ 1.85
	6,226	5,252	4,950	4,459	3,883	3,389	3,242	3,071

Reconciliation of GAAP to Non-GAAP Net Income (Unaudited)

(In millions, except per share amounts)

YEARS ENDED DECEMBER 31,	2006	2005
GAAP net income	**$ 2,113**	$ 1,279
Employee stock-based compensation expense [10] under FAS 123R included in the following operating expenses:		
Research and development	**140**	—
Marketing, general and administrative	**169**	—
Recurring charges related to redemption[11]	**105**	123
Special items	**54**[12]	58[12]
Other Non-GAAP reconciling items	**—**	—
Income tax effect[17]	**(191)**	(73)
Income (loss) before cumulative effect of accounting change	**2,390**	1,387
Cumulative effect of accounting change, net of tax	**—**	—
Non-GAAP net income	**$ 2,390**	$ 1,387
Non-GAAP earnings per share:		
Diluted	**$ 2.23**	$ 1.28
Non-GAAP weighted average shares used to compute earnings per share:		
Diluted	**1,074**[18]	1,081

11-Year Financial Summary Footnotes

We have paid no dividends. We currently intend to retain all future income for use in the operation of our business and for future stock repurchases and, therefore, do not anticipate paying any cash dividends in the foreseeable future.

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

All share and per share amounts reflect two-for-one stock splits of our Common Stock that were effected in 2004, 2000 and 1999.

* Common Stock began trading July 20, 1999; prior to that date, shares were Special Common Stock. On June 30, 1999, we redeemed all of our outstanding Special Common Stock held by stockholders other than Roche (also known as the Redemption). Roche's percentage ownership of our outstanding equity increased from 65 percent to 100 percent. On July 23, 1999, October 26, 1999, and March 29, 2000, Roche completed public offerings of our Common Stock. At December 31, 2006, Roche's ownership percentage was 55.8 percent.

(1) Reflects the impact of the adoption of FIN 46, "Consolidation of Variable Interest Entities." For more information, see the "Results of Operations" section of Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of Part II of our 2003 Form 10-K on file with the SEC.

(2) We adopted FAS 141 on Business Combinations and FAS 142 on Goodwill and other Intangible Assets on January 1, 2002. In accordance with FAS 141 and 142, we discontinued the amortization of goodwill and our trained and assembled workforce intangible asset, which resulted in an increase in reported net income by approximately $158 million (or $0.15 per share) in 2002, as compared to the accounting prior to the adoption of FAS 141 and 142.

(3) Reflects the impact of the adoption of SAB 101 on revenue recognition effective January 1, 2000.

(4) GAAP 1999 results reflect the June 30, 1999 redemption and push-down accounting and include the combined New Basis and Old Basis periods presented in the 1999 Consolidated Statements of Operations and Consolidated Statements of Cash Flows. Refer to our 2001 Form 10-K (Part II, Item 8) on file with the SEC.

(5) Includes approximately $788 million at December 31, 2006, $735 million at December 31, 2005, $682 million at December 31, 2004 and $630 million at December 31, 2003 and 2002 of restricted cash pledged to secure a bond for the City of Hope (COH) judgment. For further information on the COH judgment, see Note 8, "Leases, Commitments and Contingencies" in Part II, Item 8 of our 2006 Form 10-K on file with the SEC.

(6) Long-term debt in 2006 and 2005 includes approximately $2 billion related to our debt issuance in July 2005. Long-term debt in 2005 also reflects the repayment of $425 million to extinguish the consolidated debt and noncontrolling interest related to a synthetic lease obligation. For further information, see Note 7, "Leases, Commitments and Contingencies" in Part II, Item 8 of our 2005 10-K on file with the SEC.

(7) We capitalized costs in property, plant and equipment of approximately $104 million in 2006 and $94 million in 2005 related to our accounting for construction projects for which we are considered to be the owner of the buildings during the construction period. These costs have been excluded from 2006 and 2005 capital expenditures. We have also recognized $216 million and $94 million as construction financing obligations in long-term debt as of December 31, 2006 and 2005, respectively, related to these projects. For further information, see Note 8, "Leases, Commitments and Contingencies" in Part II, Item 8 of our 2006 10-K on file with the SEC.

(8) The $150 million long-term debt was reclassified to current liabilities to reflect the March 27, 2002 maturity.

(9) Reflects the effect of the Redemption and related push-down accounting of $5,202 million of excess purchase price over net book value, net of charges and accumulated amortization of goodwill and other intangible assets.

11-Year Financial Summary (Unaudited)

2004	2003	2002	2001	2000	1999
$ 785	$ 563	$ 64	$ 150	$ (74)	$ (1,157)
—	—	—	—	—	—
—	—	—	—	—	—
145	154	156[2]	322	375	198
37[12]	(113)[12]	544[16]	—	—	1,438[13]
—	—	—	(10)[14]	93[15]	93[15]
(73)	(16)	(280)	(64)	(127)	(325)
894	588	484	398	267	247
—	47[1]	—	6[14]	58[3]	—
$ 894	$ 635	$ 484	$ 404	$ 325	$ 247
$ 0.83	$ 0.60	$ 0.46	$ 0.38	$ 0.30	$ 0.23
1,079	1,058	1,049	1,071	1,072	1,059

(10) Represents employee stock-based compensation expense associated with Genentech's adoption of FAS 123R on January 1, 2006. In 2006, the employee stock-based compensation expense was allocated to the research and development and marketing, general and administrative expense lines in the income statement.

(11) Primarily reflects amortization of other intangible assets in 2006, 2005, 2004, 2003, 2002, 2001, 2000, and 1999, and goodwill amortization in 2001, 2000 and 1999 related to the Redemption and push-down accounting.

(12) Litigation-related special items in 2006 was comprised of accrued interest and bond costs related to the COH judgment, in 2005 was comprised of accrued interest and bond costs related to the COH judgment and net amounts paid related to other litigation settlements, in 2004 it was comprised of accrued interest and bond costs related to the COH judgment (net of a released accrual on a separate litigation matter), and in 2003 it was comprised of Amgen and Bayer litigation settlements (net of accrued interest and bond costs related to the COH litigation).

(13) Charges related to Redemption and push-down accounting ($1,208 million) and legal settlements ($230 million).

(14) Reflects the effect of the adoption of FAS 133 on Accounting for Derivative Instruments and Hedging Activities.

(15) Includes costs related to the sale of inventory that was written up at the Redemption due to push-down accounting.

(16) Amount includes litigation-related special charges comprised of the City of Hope Medical Center litigation judgment in the second quarter of 2002, including accrued interest and costs related to obtaining a surety bond, and certain other litigation-related matters. For further information on these charges, see the "Results of Operations" section of Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of Part II of our 2002 Form 10-K on file with the SEC.

(17) Reflects the income tax benefit on employee stock-based compensation expense under FAS 123R, recurring charges related to Redemption, litigation-related special items, and other non-GAAP reconciling items.

(18) Weighted average shares used to compute non-GAAP diluted earnings per share were computed exclusive of the methodology used to determine dilutive securities under FAS 123R.

For further information on the non-GAAP reconciling items presented above, see the "Results of Operations" section of Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of Part II of our Form 10-K for the respective years on file with the SEC.

Executive Committee

From left to right: David A. Ebersman; Patrick Y. Yang; Arthur D. Levinson; Richard H. Scheller; Susan D. Desmond-Hellmann; Ian T. Clark; Stephen G. Juelsgaard

ARTHUR D. LEVINSON, PH.D.

Chairman and Chief Executive Officer

Dr. Levinson became chief executive officer of Genentech and joined the board of directors in July 1995. He was named chairman of the board in 1999. Levinson joined the company in 1980 as a senior scientist and subsequently held the position of staff scientist. He was named senior vice president of Research and Development in 1993 and president in 1995. He has been a member of Genentech's executive management team since 1990. Prior to his employment with Genentech, Levinson was a postdoctoral fellow in the department of microbiology at the University of California, San Francisco.

SUSAN D. DESMOND-HELLMANN, M.D., M.P.H.

President, Product Development

Dr. Hellmann was named president of Product Development in 2004. She joined Genentech in 1995 as a clinical scientist and was named executive vice president, Development and Product Operations in 1999. Prior to joining Genentech, Hellmann was associate director of clinical cancer research at Bristol-Myers Squibb's Pharmaceutical Research Institute. Trained as an oncologist, Hellmann spent several years treating patients in the clinical setting.

IAN T. CLARK

Executive Vice President, Commercial

Mr. Clark joined Genentech's executive committee in August 2005 as senior vice president, Commercial and was promoted to executive vice president, Commercial in December 2005. Clark first came to Genentech in January 2003 as senior vice president and general manager, BioOncology. Prior to joining Genentech, Clark served as president of Novartis Canada. Before assuming his post in Canada, Clark served as chief operating officer for Novartis United Kingdom.

DAVID A. EBERSMAN

Executive Vice President and Chief Financial Officer

Mr. Ebersman assumed the chief financial officer position in March 2005. He was promoted to executive vice president in December 2005. Ebersman joined Genentech in 1994 as a business development analyst. During the next several years, he was promoted to positions of increasing responsibility in Business Development, Product Development and Product Operations. Ebersman served for several years as senior vice president, Product Operations and most recently, as senior vice president, Finance.

STEPHEN G. JUELSGAARD, D.V.M., J.D.

Executive Vice President, Secretary and Chief Compliance Officer

Mr. Juelsgaard was promoted to executive vice president in September 2002 and named chief compliance officer in 2005. He joined Genentech in 1985 as corporate counsel. In 1993 he became vice president, Corporate Law, and in 1994 he was named vice president and general counsel. He was named secretary in 1997 and senior vice president in 1998.

RICHARD H. SCHELLER, PH.D.

Executive Vice President, Research

Dr. Scheller was promoted to executive vice president, Research in September 2003 after joining Genentech in 2001 as senior vice president, Research. In addition to his work at Genentech, Scheller is an Adjunct Professor in the Department of Biochemistry and Biophysics, School of Medicine, University of California, San Francisco. Scheller has published more than 200 papers in peer-reviewed scientific journals. Prior to joining Genentech, Scheller served as professor of Molecular and Cellular Physiology and of Biological Sciences at the Stanford University Medical Center and as an investigator with the Howard Hughes Medical Institute.

PATRICK Y. YANG, PH.D.

Executive Vice President, Product Operations

Dr. Yang was promoted to executive vice president in December 2005. He joined Genentech in 2003 as vice president, South San Francisco Manufacturing and Engineering and was named senior vice president, Product Operations in January 2005. He became a member of the Executive Committee in July 2005. Prior to joining Genentech, Yang spent 11 years at Merck & Company in various leadership positions, including vice president, Supply Chain Management and vice president, Asia/Pacific Manufacturing Operations. Prior to Merck, Yang worked for General Electric for 12 years in engineering and manufacturing.

Directors, Officers and Distinguished Contributors

BOARD OF DIRECTORS

Arthur D. Levinson, Ph.D.
Chairman and
Chief Executive Officer,
Genentech

Herbert W. Boyer, Ph.D.
Co-founder of Genentech and Professor
Emeritus of Biochemistry and Biophysics,
University of California, San Francisco

William M. Burns
Chief Executive Officer of the Pharmaceuticals
Division and Member of the Corporate
Executive Committee, The Roche Group

Erich Hunziker, Ph.D.
Chief Financial Officer
and Member of the Corporate
Executive Committee, The Roche Group

Jonathan K. C. Knowles, Ph.D.
President of Global Research and Member of
the Corporate Executive Committee,
The Roche Group

Debra L. Reed
President and Chief Operating Officer,
San Diego Gas & Electric and Southern
California Gas Company

Charles A. Sanders, M.D.
Lead Director of Genentech and
Former Chairman and Chief Executive
Officer, Glaxo, Inc.

OFFICERS

Arthur D. Levinson, Ph.D.*
Chairman and Chief Executive Officer

Susan D. Desmond-Hellmann, M.D., M.P.H.*
President, Product Development

Ian T. Clark*
Executive Vice President, Commercial

David A. Ebersman*
Executive Vice President and Chief Financial Officer

Stephen G. Juelsgaard, D.V.M., J.D.*
Executive Vice President, Secretary and Chief Compliance Officer

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Executive Vice President, Research

Patrick Y. Yang, Ph.D.*
Executive Vice President, Product Operations

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Senior Vice President, Development, and Chief Medical Officer

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Senior Vice President, Regulatory, Quality and Compliance

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Senior Vice President, Biochemical Manufacturing

Sean A. Johnston, J.D., Ph.D.
Senior Vice President and General Counsel

Timothy L. Moore
Senior Vice President, Global Supply Chain

John Orwin
Senior Vice President, Sales and Marketing, BioOncology

Marc Tessier-Lavigne, Ph.D.
Senior Vice President, Research Drug Discovery

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Vice President, Sales and Marketing, Immunology

Robert Andreatta
Controller

Vince Anicetti
Vice President, Commercial Quality

J. Joseph Barta
Vice President, Regulatory Affairs, Technical Operations

Ronald C. Branning
Vice President, Quality Operations

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Vice President and General Manager, Oceanside Product Operations

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Vice President, Corporate Engineering

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Vice President, Clinical Operations

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Vice President, Sales and Marketing, Rituxan Immunology

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Vice President, Immunology and Antibody Engineering

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Vice President, Product Portfolio Management

Vishva Dixit, M.D.
Vice President, Early Discovery Research

Gwendolyn Fyfe, M.D.
Vice President, Clinical Oncology, Avastin

Odette Go
Treasurer

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Vice President, Quality Assurance, South San Francisco

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Vice President, Corporate Law, and Assistant Secretary

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Vice President, Development Sciences

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Vice President, Planning, Distribution and Logistics

Anthony P. Hurley
Vice President, Fill/Finish Operations

Francis A. Jackson
Vice President and General Manager, Vacaville Product Operations

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Vice President, Clinical Immunology, Tissue Growth and Repair

Leonard Kanavy
Vice President, Commercial Operations

Pamela M. Klein, M.D.
Vice President, Clinical Oncology, Hematology and HER Family[1]

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Vice President, Managed Care and Customer Operations

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Vice President, Sales and Marketing, Lucentis

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Vice President, Business Development

Kevin McRaith
Vice President, Sales and Marketing, Hematology

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Vice President, South San Francisco Biochemical Manufacturing

Michael P. Miller
Vice President, Sales and Marketing, HER Family[1]

Walter K. Moore
Vice President, Government Affairs

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Vice President, Regulatory, Quality and Compliance Policy and Management Operations

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Vice President, Sales and Marketing, Avastin

Philippa Norman
Vice President, Manufacturing Collaborations

Quinton C. Oswald
Vice President, Sales and Marketing, Tissue Growth and Repair

Todd Pierce
Vice President, Corporate Information Technology

John R. Pinion II
Vice President, Quality

Robert S. Quinn
Vice President, CIT Business and Science Applications

Todd W. Rich, M.D.
Vice President, Regulatory Affairs, Clinical and Commercial

Corsee D. Sanders, Ph.D.
Vice President, Design, Analysis, Technology and Administration (DATA) for Development Organization

David Schenkein, M.D.
Vice President, Clinical Hematology/Oncology

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Vice President, Compliance and Regulatory Chemistry Manufacturing and Controls

Denise Smith-Hams
Vice President, Human Resources

Michael D. Varney, Ph.D.
Vice President, Small Molecule Drug Discovery

John M. Whiting
Vice President, Finance, and Chief Accounting Officer

* Member of Executive Committee

GENENTECH FELLOW

Napoleone Ferrara, M.D.
Research

SENIOR STAFF SCIENTIST

Avi J. Ashkenazi, Ph.D.
Research

STAFF SCIENTISTS

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Stuart Bunting, Ph.D.
Research

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Research

Vishva Dixit, M.D.
Research

Paul Godowski, Ph.D.
Research

Peter Jackson, Ph.D.
Research

Paul Polakis, Ph.D.
Research

Steve Shire, Ph.D.
Process Development

Mark Sliwkowski, Ph.D.
Research

Richard Vandlen, Ph.D.
Research

DISTINGUISHED ENGINEERS

Chung Hsu, Ph.D., P.E.
Process Development

Brad Snedecor, Ph.D.
Process Development

Robert van Reis
Process Development

Bradley Wolk
Process Development

DISTINGUISHED PROGRAMMER ANALYST

Colin Watanabe
Corporate Information Technology

[1] The HER Family includes the marketed oncology products Herceptin and Tarceva.

Stockholder Information

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INVESTOR RELATIONS

Genentech invites stockholders, securities analysts, representatives of portfolio management firms and other interested parties to contact:

Katherine A. Littrell, Ph.D., R.N.
Senior Director, Investor Relations
Phone: (650) 225-1034
Fax: (650) 225-8326
investor.relations@gene.com

STOCK LISTING

Genentech is listed on the New York Stock Exchange under the symbol DNA.

DNA
LISTED
NYSE

AVAILABLE INFORMATION

You may obtain a free copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports on the day of filing with the Securities and Exchange Commission on our website at www.gene.com, by calling the Genentech Investor Relations Department at (650) 225-4150, or by sending an email message to investor.relations@gene.com. You may also direct requests for literature to our literature request line at (800) 488-6519.

TRANSFER AGENT

Communications concerning transfer requirements, lost certificates and change of address should be directed to Genentech's stock transfer agent:

Computershare Investor Centre
c/o Computershare Trust Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078 USA
Attention: Shareholder Inquiries
(800) 733-5001
www.computershare.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
Palo Alto, California

ANNUAL MEETING

The annual meeting of stockholders will be held at 10:00 a.m. Pacific Daylight Time on April 20, 2007, at the Clarion Hotel, 401 East Millbrae Avenue, Millbrae, California. Detailed information about the meeting is contained in the Notice of Annual Meeting and Proxy Statement sent to each stockholder of record as of February 20, 2007.

Visit us on the web: www.gene.com.

OTHER INFORMATION

Genentech has included as Exhibits 31.1 and 31.2 to its 2006 Annual Report on Form 10-K filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of Genentech pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, and Genentech filed with the New York Stock Exchange the Annual CEO Certification as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

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IN BUSINESS FOR LIFE

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