We Are Genentech

2008 Annual Report

We Are Genentech.

Patients inspire and motivate us as we strive to provide breakthrough treatment options.

They are at the center of everything we do.

COVER LEGEND

PATIENTS

P1. JIM
P2. ANGELICA
P3. ZACHARY
P4. CASSANDRA
P5. MILOSH
P6. DAVID
P7. BROOKLYN
P8. JOHN
P9. MARIBEL

EMPLOYEES

E1. REEMA
E2. BOB
E3. CRAIG
E4. KATY
E5. CHRISTINE
E6. JENNIFER
E7. ALEX
E8. DAWN
E9. KENNETH
E10. PAUL
E11. DAVID
E12. ELAINE
E13. KAWA
E14. JONATHAN
E15. SOMASEKAR
E16. DAVID
E17. LARRY
E18. RHONDA
E19. GERALD
E20. WENDY
E21. SONIA
E22. KAREN
E23. JOHN
E24. VERONICA
E25. MARTIN
E26. KUI

Certain patients identified in this annual report are compensated for speaking on behalf of the company.

MISSION AND HORIZON 2010 GOALS

OUR MISSION

Genentech's mission is to be the leading biotechnology company, using human genetic information to discover, develop, manufacture and commercialize medicines to treat people with serious or life-threatening medical conditions. 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.

HORIZON 2010 VISION AND GOALS

Originally announced in March 2004 and updated in 2006, our Horizon 2010 goals will help ensure we are solidly positioned to continue our mission.

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

GOAL: TO BRING AT LEAST 20 NEW MOLECULES INTO CLINICAL DEVELOPMENT
Status: We added 23 new molecular entities into development from January 1, 2006 through December 31, 2008. In March 2007, we announced that as an internal stretch goal we aim to add a total of 30 new molecular entities into clinical development by the end of 2010.

GOAL: TO BRING AT LEAST 15 MAJOR NEW PRODUCTS OR INDICATIONS ONTO THE MARKET
Status: We received approval for one new product and 11 additional indications for existing products from January 1, 2006 through December 31, 2008.

GOAL: TO ACHIEVE A COMPOUND ANNUAL NON-GAAP EARNINGS PER SHARE GROWTH RATE OF 25 PERCENT[1]
Status: Our non-GAAP earnings per share compound annual growth rate was 39 percent from 2006 through 2008.[1]

GOAL: TO ACHIEVE CUMULATIVE FREE CASH FLOW OF $12 BILLION[2]
Status: Our cumulative free cash flow was approximately $6.8 billion from January 1, 2006 through December 31, 2008.[2]

GOAL: TO BECOME THE NUMBER ONE U.S. ONCOLOGY COMPANY IN SALES
Status: We have been ranked number one in U.S. oncology sales since the first quarter of 2006.

This annual report contains forward-looking statements regarding being number one in oncology sales in the United States; growth in non-GAAP earnings per share (EPS); adding new molecules into development; the approval of new products or indications; achieving $12 billion in free cash flow; the timing and availability of data for clinical studies including for Avastin, Lucentis and Rituxan; and regulatory submissions for several key indications including Tarceva in first-line maintenance therapy for advanced non-small cell lung cancer, Rituxan in chronic lymphocytic leukemia and Avastin in HER2-negative metastatic breast cancer. Such statements are predictions and involve risks and uncertainties such that actual results may differ materially. Such risks and uncertainties include, but are not limited to, delays in site initiation or patient recruitment; the need for additional data, data analysis or clinical studies; coordination with third parties; the results of clinical trials; filing preparation and decision making; U.S. Food and Drug Administration (FDA) actions or delays; failure to obtain or maintain, or changes to, FDA or other regulatory approval; difficulty in obtaining materials from suppliers; unexpected safety, efficacy, manufacturing or distribution issues for us or our contract/collaborator manufacturers; product withdrawals or suspensions; competition; efficacy data concerning any of our products, which shows or is perceived to show similar or improved treatment benefit at a lower dose or shorter duration of therapy; pricing decisions by us or our competitors; our ability to protect our proprietary rights; the outcome of, and expenses associated with, litigation or legal settlements; our cost of sales, other expenses and indebtedness; variations in collaborator sales and expenses; fluctuations in contract revenues and royalties; actions by Roche that are adverse to our interests; decreases in third-party reimbursement rates; the ability of wholesalers to effectively distribute our products, changes in accounting or tax laws or the application or interpretation of such laws; and the outcome of the Roche tender offer to acquire Genentech's outstanding shares. Please also refer to the risk factors in Genentech's periodic reports filed with the Securities and Exchange Commission. Genentech disclaims, and does not undertake, any obligation to update or revise forward-looking statements in this annual report.

[1] The compound annual GAAP EPS growth rate was 40% from 2006 through 2008. The non-GAAP EPS goal for 2006 through 2010 excludes the effects of recurring amortization charges related to the 1999 redemption of our Common Stock by Roche Holdings, Inc. (Redemption); litigation-related and similar special items; employee stock-based compensation expense; costs incurred by the company on behalf of the Special Committee in connection with its review of the Roche proposal to acquire our outstanding shares (Roche Proposal) and the Roche tender offer announced February 9, 2009 (Roche Tender Offer), as well as legal costs incurred in defense of the Special Committee and/or its individual members in shareholder lawsuits filed in connection with the Roche Proposal or Roche Tender Offer; and certain items associated with our 2007 acquisition of Tanox, Inc., including an in-process research and development expense (a non-recurring expense in 2007), recurring recognition of deferred royalty revenue, recurring amortization of intangible assets, a gain pursuant to Emerging Issues Task Force (EITF) No. 04-1, *"Accounting for Preexisting Relationships between the Parties to a Business Combination,"* (EITF 04-1) (a non-recurring gain in 2007), and asset impairment charges (a non-recurring item in 2008); together with the related tax effects of excluding such items, as well as potential and similar special items related to existing or future litigation or its resolution, changes in tax rates, changes in or adoption of accounting principles, or the outcome of the Roche Proposal or Roche Tender Offer, any of which may be significant. GAAP EPS for 2006 through 2010 would include the items described above. See pages 18-19 for the full reconciliation between our non-GAAP and GAAP amounts.

[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 amount 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 items, any of which may be significant. In 2008, 2007, and 2006, cash from ongoing operations represents net cash provided by operating activities, excluding the effect of changes in the trading portfolio of $82 million, $360 million, and $29 million, respectively, and the after-tax effect of the payment in the second quarter of 2008 related to the City of Hope National Medical Center litigation settlement of $291 million. Capital expenditures for 2008 exclude a $200 million financing payment related to the construction of a manufacturing facility in Singapore that reduced our 2008 free cash flow.

GAAP = U.S. generally accepted accounting principles

ARTHUR D. LEVINSON, PH.D.
CHAIRMAN & CHIEF EXECUTIVE OFFICER

WE ARE PLEASED TO REPORT THAT 2008 WAS ANOTHER SUCCESSFUL YEAR FOR GENENTECH.

Our more than 11,000 employees have consistently kept their eyes on the ultimate prize: doing all they can every day to bring life-changing medicines to the people who need them. As we work to deliver the next generation of breakthrough medicines, we remain committed to our employees and unique culture. Today, it's as true as ever that our employees are our most important asset.

Our performance across all areas of the business was strong in 2008. It has always been one of our guiding philosophies that our deep commitment to excellent science not only attracts the best scientists, but also adds to long-term shareholder value. We firmly believe it is this steadfast focus on science that enabled our eleventh consecutive year of double-digit revenue growth in 2008. Our financial performance was solid, with total operating revenue of $13.4 billion, up 14 percent from 2007, and non-GAAP earnings per share of $3.42, up 16 percent from 2007.[1]

ROCHE PROPOSAL

In February 2009, Roche commenced a tender offer to acquire all of the outstanding shares of Genentech stock not already owned by Roche. The special committee of our Board of Directors continues to work diligently toward one goal: assuring full, fair value for all of Genentech's minority shareholders. Meanwhile, our employees remain committed to developing new medicines for people with serious and life-threatening diseases and to continuing the many important initiatives and great work underway across the company.

PRODUCT AND PIPELINE HIGHLIGHTS

Our expansion into two new therapeutic focus areas, neuroscience and infectious disease, and our continued aggressive investment in oncology, immunology, and disorders of tissue growth and repair are possible in large part because of strong product sales. We are pleased with our commercial performance in 2008, with net U.S. product sales of $9.5 billion, an 11 percent increase from 2007 sales. Both Avastin® and Rituxan® once again topped the $2 billion annual sales mark, with Avastin U.S. net sales of $2.7 billion, a 17 percent increase over 2007, and Rituxan U.S. net sales of $2.6 billion, a 13 percent increase over 2007.

Further evidence of Genentech's progress in 2008 is reflected in our growing clinical development pipeline. In 2008, we received accelerated approval from the U.S. Food and Drug Administration (FDA) and launched Avastin in first-line metastatic breast cancer, meaning Avastin is now approved for the treatment of the three leading causes of cancer deaths in the United States. We also submitted two supplemental Biologic License Applications (sBLAs) with the FDA for Avastin—one for accelerated approval in previously treated glioblastoma, the most aggressive form of brain cancer, and the second for approval in first-line metastatic renal cell carcinoma. Avastin is currently being studied worldwide in more than 450 clinical trials in more than 30 different tumor types.

Progress in 2008 reached far beyond the expansion of opportunities for Avastin. sBLAs were also submitted for the use of Rituxan in rheumatoid arthritis patients with an inadequate response to disease-modifying anti-rheumatic therapies such as methotrexate, and for Xolair® in pediatric asthma. Genentech reported eight positive Phase III clinical trials, initiated more than 30 new clinical trials and moved eight new molecular entities into clinical development.

LOOKING AHEAD

As early as April 2009, we expect results from the NSABP C-08 Phase III trial studying Avastin in early-stage colon cancer. These results are clinically and scientifically important to us because they represent the first clinical data evaluating an anti-angiogenic therapy in the early or adjuvant setting and may represent a breakthrough for patients with early-stage colon cancer. We also anticipate data in 2009 from more than a dozen Phase II and Phase III clinical trials, including two Phase III trials of Lucentis® in retinal vein occlusion, an eye condition that can lead to loss of vision, and a Phase III study of Rituxan in lupus nephritis. Additionally, we plan to submit 10 or more sBLAs or supplemental New Drug Applications (sNDAs) for

[1] Our GAAP earnings per share for 2008 was $3.21, an increase of 24 percent compared to 2007. Non-GAAP amounts exclude recurring charges related to the Redemption; litigation-related and similar special items; employee stock-based compensation expense; certain items associated with the acquisition of Tanox in 2007, including in-process research and development expenses (a non-recurring expense in 2007), recurring recognition of deferred royalty revenue, recurring amortization of intangible assets, a gain pursuant to EITF 04-1 (a non-recurring gain in 2007), and asset impairment charges (a non-recurring item in 2008); costs incurred by the company in 2008 on behalf of the Special Committee in connection with its review of the Roche Proposal, as well as legal costs incurred in defense of the Special Committee and/or its individual members in shareholder lawsuits filed in connection with the Roche Proposal; and all related tax effects. See pages 18-19 for the full reconciliation between our non-GAAP and GAAP amounts.

several key indications, including Tarceva® in first-line maintenance therapy for advanced non-small cell lung cancer and Rituxan in chronic lymphocytic leukemia. We plan to submit two sBLAs for Avastin in HER2-negative metastatic breast cancer with the goal of translating our accelerated approval into full approval.

We are energized by the opportunities and promise of both our early-stage research and development pipelines. We recently surpassed our Horizon 2010 goal (described in greater detail on page 1 of this report) of moving 20 new molecules into clinical development. While this measure is significant, there is one number that trumps all others for us: more than seven million patients in the United States have been treated with Genentech medicines. We fervently believe that molecules in our pipeline will provide more and greater benefits for patients in the years to come.

NEW SCIENCE

Our commitment to science permeates all areas of the company, and this year we are delighted to report another outstanding publication record for Genentech scientists. Once again, in many respects it rivals those of premier academic institutions such as Stanford, Harvard and MIT. Two papers published in Nature provide wonderful illustrations of how excellent science continues to direct our business and potentially benefit patients.

Vice President of Molecular Biology Frederic de Sauvage is recognized worldwide as a leader in the study of the Hedgehog Pathway, a molecular pathway involved in the growth of cancer cells. Most clinical work related to the pathway has centered on basal cell cancer. In a paper published in September 2008, Fred and his team at Genentech, along with our collaborators at Curis, reported novel findings that are helping identify a broad range of tumors which might be treated with Hedgehog Pathway Inhibitors. This work is now helping guide our Hedgehog clinical development program in a variety of cancers.

A paper published in February 2009 by Executive Vice President of Research Drug Discovery Marc Tessier-Lavigne and scientist Anatoly Nikolaev, together with scientists at the Salk Institute, presented groundbreaking basic research about an entirely new way of looking at the cause of Alzheimer's disease, the sixth leading cause of death in the United States. Because of this research, we are working to develop both antibodies and small molecules that may attack Alzheimer's from a novel entry point and help the millions of people who currently suffer from this devastating disease.

Marc and Anatoly's research is just one highlight of our continued push into neuroscience, an area of high unmet medical need in which the science is breaking open. We are pleased to have recruited internationally renowned neuroscientist Morgan Sheng from MIT to direct our drug discovery efforts in this area. We also continue to ramp up our efforts in our other recently announced focus area, infectious disease.

COMMITMENT TO PATIENTS

Because our medicines cannot benefit people who are unable to afford them, we remain committed to ensuring that no eligible patient goes without a Genentech therapy because of an inability to pay. Since 1985, when our first therapy was approved, Genentech has donated approximately $1.3 billion in free medicine to patients. In light of the country's ongoing financial challenges, we will monitor access to our products even more closely as more people may be in need.

We are committed to getting the right medicine to the right patient and continue to strive to be the leader in developing diagnostics that identify appropriate patients for our targeted therapies. We believe not only that this is the best approach for patients, but also that it is essential for success in clinical development and in the marketplace.

We hope that Genentech will remain a sterling example of the adage, "By doing good, you can also do well." It is our belief that decisions made in the best interests of patients will be the correct ones for shareholders and employees. We believe that patients and shareholders will be rewarded if we do all we can to ensure our employees enjoy coming to work and being productive every day. We are pleased to have two recent high-profile external acknowledgements of our efforts. Genentech was once again named to FORTUNE magazine's "100 Best Companies to Work For" list, marking the fifth consecutive year in which we were ranked in the top 10, and Genentech was named the top employer in the biopharmaceutical industry by Science magazine for the sixth time in the last seven years.

Looking ahead into 2009, we will continue to strive to work effectively amid uncertainty. No matter the outcome of events during the year, we are confident that our focus on strong science, our continued investment in research and our growing development pipeline will bring value to patients for years to come.

Arthur D. Levinson, Ph.D.
Chairman and Chief Executive Officer
February 20, 2009

GENENTECH MEDICINES FROM IDEA TO PATIENT

RYAN
SCIENTIST
NEUROSCIENCE

"Being a scientist at Genentech allows you to explore some of the most difficult questions in science using advanced technologies and working with many great colleagues. As a part of our Neuroscience Research department, I focus on neurodegenerative diseases such as Alzheimer's disease, which impact the lives of millions, including our own friends and family. We continue to reveal insights into this disease area, which we hope will ultimately lead to effective treatments for patients."

OLIVIA
SENIOR DIRECTOR
PRODUCT PORTFOLIO MANAGEMENT

"Working on potential products at all phases of development, I get a true sense of the complexity of drug development, which means it's especially rewarding when a drug candidate makes it through the process. Seeing the full scope of our pipeline and watching it mature and grow over time, I really know how exciting it can be when a potential therapy gets one step closer to patients."

1. DISCOVERY RESEARCH

Genentech is dedicated to rigorous science, balancing basic biomedical and translational research to develop medicines that treat people with serious medical conditions. We foster individual creativity and initiative among our researchers, encouraging scientists to pursue projects of interest in addition to working toward company goals. Our Research organization combines the best of the academic and corporate worlds, allowing researchers the means not only to seek answers to important scientific questions, but also to collaborate with others at Genentech to move breakthrough ideas from the laboratory to development.

2. DEVELOPMENT

At Genentech, we use an extensive set of criteria, including scientific rationale and medical need, to determine which projects to move from discovery research into development—translating basic science into potential patient benefit. Our clinical scientists and medical professionals perform the essential role of helping Genentech determine which potential new therapies will be tested against specific diseases in the clinic, and they guide these chosen candidates through the many phases of clinical testing. Genentech is dedicated to evaluating potential drug candidates in rigorous randomized trials in order to demonstrate their potential benefits as therapies for patients.

RESEARCH FOCUS AREAS	TISSUE GROWTH AND REPAIR
ONCOLOGY	NEUROSCIENCE
IMMUNOLOGY	INFECTIOUS DISEASE

DEVELOPMENT PIPELINE

Our pipeline of more than 100 projects includes not only potential breakthrough innovations, but also possible new indications for existing products that may treat more than one disease or more than one form of a disease.

KYNA
SENIOR BIOPROCESS TECHNICIAN
CELL CULTURE MANUFACTURING

"Although all positions in the company are necessary and ultimately lead to making a difference in the lives of patients, working directly with the cells that make the protein essential for treatment is a remarkable feeling. I know that I am directly involved with the process and that the finished product impacts patients' lives in a positive way."

BENJAMIN
GROUP MANAGER
MARKET COMMUNICATIONS

"In my role, I get to solve the problem of how healthcare professionals and patients find information that impacts treatment outcomes. These days, most patients and caregivers search for that health information online, which is where I come in. I believe informed patients who can better understand and discuss their diagnoses and treatments with their doctors are more hopeful and empowered patients."

3. MANUFACTURING

Biotechnology's unique approach is to use proteins, rather than the chemical synthesis traditionally used in pharmaceuticals, to make medicines. Because Genentech produces complex molecules for human use, we monitor, control and document all aspects of the complicated process to ensure we make safe, active and consistent product. At Genentech, we have built world-class production facilities, developed expertise in commercially viable manufacturing processes, and attracted and retained key personnel with experience in large-scale biologics manufacturing to ensure we will continue to successfully deliver our medicines to the people who need them.

4. COMMERCIALIZATION

Commercial involvement begins early in a product's development and continues throughout its lifecycle. Our Commercial organization partners with Research and Product Development to utilize market planning and an ongoing examination of broad healthcare trends to find opportunities to apply the science our researchers are exploring. Then, once a product is approved, our Commercial organization builds strong, sustained relationships with its customers, including healthcare professionals, patients and payers, and focuses on educating these groups about the science behind and the appropriate uses for our medicines.

MANUFACTURING

EXPLORING OPPORTUNITIES TO APPLY GENENTECH'S SCIENCE

BUILDING STRONG, SUSTAINED RELATIONSHIPS WITH CUSTOMERS

PIERRE AVASTIN PATIENT

When Pierre was diagnosed with stage IV metastatic colon cancer in late 2007, his doctor recommended treatment with Avastin® (bevacizumab) plus chemotherapy. After a year of treatment and two surgeries, Pierre returns to the doctor every three months to monitor his health, but he's back to doing the things he enjoys. He believes his positive attitude and support system of family and friends have contributed to his continued progress. He looks forward to spending each day with his wife and daughter.

"I LOVE COOKING, ESPECIALLY NEW ORLEANS STYLE. I FLY SEAFOOD IN FROM LOUISIANA AND COOK FOR ALL OF MY FRIENDS."

ANGELICA RITUXAN PATIENT

Angelica started to notice her painful and swollen joints at the age of 17, when she was an active high school student. When her doctor diagnosed her with rheumatoid arthritis, she had a hard time accepting that her life would change. In 2004, after trying different treatments for ten years, Angelica's doctor told her about a clinical trial for Rituxan® (Rituximab). Within her first three weeks of treatments with Rituxan, Angelica started to make plans again—she no longer worried she would wake up in such pain that she would have to cancel them. Before Rituxan, Angelica felt confined by her rheumatoid arthritis, but now she sees her future as manageable, and she looks forward to enjoying it.

"I ENJOY SCRAPBOOKING AND MAKING BEADED JEWELRY. RECENTLY, MOST OF MY TIME HAS BEEN SPENT STUDYING FOR MY CERTIFICATION IN COURT REPORTING."

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, disorders of tissue growth and repair, and neuroscience.

PHASE 1		
ONCOLOGY	ABT-263	Chronic Lymphocytic Leukemia Lymphoid Malignancies Small Cell Lung Cancer
	Anti-NRP1	Cancer
	Apo2L/TRAIL	Colorectal Cancer
	Apomab	Colorectal Cancer
	Dacetuzumab (Anti-CD40)	Diffuse Large B-Cell Lymphoma Multiple Myeloma Non-Hodgkin's Lymphoma
	GA101	Non-Hodgkin's Lymphoma
	IAP Antagonist	Cancer
	MEK Inhibitor	Cancer
	New Molecular Entity	Cancer
	New Molecular Entity	Cancer
	PI3 Kinase Inhibitor	Cancer
	Trastuzumab-DM1 + Pertuzumab	HER2-Positive Metastatic Breast Cancer[1]
IMMUNOLOGY	Anti-Beta7	Ulcerative Colitis
	Anti-CD4	Rheumatoid Arthritis
	Anti-OX40L	Asthma
	New Molecular Entity	Autoimmune disease[1]
TISSUE GROWTH & REPAIR	Anti-oxLDL	Secondary Prevention of Cardiovascular Events
NEUROSCIENCE	Anti-Abeta	Alzheimer's Disease
PHASE 2		
ONCOLOGY	ABT-869	Advanced Renal Cell Carcinoma Advanced or Metastatic Hepatocellular Carcinoma First-Line Metastatic Breast Cancer Second-Line Metastatic Colorectal Cancer Metastatic Non-Small Cell Lung Cancer
	Apo2L/TRAIL	Indolent Relapsed Non-Hodgkin's Lymphoma First-Line Metastatic Non-Small Cell Lung Cancer
	Apomab	Indolent Relapsed Non-Hodgkin's Lymphoma First-Line Metastatic Non-Small Cell Lung Cancer
	Avastin®	Extensive Small Cell Lung Cancer Non-Squamous, Non-Small Cell Lung Cancer With Previously Treated CNS Metastases Relapsed Multiple Myeloma
	Dacetuzumab (Anti-CD40)	Relapsed Diffuse Large B-Cell Lymphoma Second-Line Diffuse Large B-Cell Lymphoma
	GA101	Relapsed or Refractory Hematologic Malignancies Indolent Non-Hodgkin's Lymphoma
	Hedgehog Pathway Inhibitor	Advanced Basal Cell Carcinoma First-Line Metastatic Colorectal Cancer Ovarian Cancer Maintenance Therapy
	MetMAb	Second- and Third-Line Metastatic Non-Small Cell Lung Cancer[1]
	Pertuzumab	Second-Line Metastatic Non-Small Cell Lung Cancer[1]
	Trastuzumab-DM1	First-Line HER2-Positive Metastatic Breast Cancer Second-Line HER2-Positive Metastatic Breast Cancer Third-Line HER2-Positive Metastatic Breast Cancer
IMMUNOLOGY	Anti-IFNalpha	Systemic Lupus Erythematosus[1]
	Anti-IL13	Asthma
	Ocrelizumab[2]	Relapsing Remitting Multiple Sclerosis
	Xolair®	Chronic Idiopathic Urticaria[1]

DEVELOPMENT PIPELINE

PHASE 3		
ONCOLOGY	Avastin®	Adjuvant Colon Cancer Adjuvant HER2-Negative Breast Cancer Adjuvant HER2-Positive Breast Cancer Adjuvant Non-Small Cell Lung Cancer Diffuse Large B-Cell Lymphoma First-Line Advanced Gastric Cancer First-Line HER2-Negative Metastatic Breast Cancer First-Line HER2-Positive Metastatic Breast Cancer First-Line Metastatic Ovarian Cancer Gastrointestinal Stromal Tumors High-Risk Carcinoid Hormone Refractory Prostate Cancer Newly Diagnosed Glioblastoma Multiforme[1] Relapsed Platinum-Sensitive Ovarian Cancer Second-Line HER2-Negative Metastatic Breast Cancer
	Avastin® +/- Tarceva®	First-Line Metastatic Non-Squamous, Non-Small Cell Lung Cancer
	Herceptin®	Adjuvant HER2-Positive Breast Cancer (HERA 2-Year Treatment)
	Pertuzumab	First-Line HER2-Positive Metastatic Breast Cancer Platinum-Resistant Ovarian Cancer[1]
	Rituxan®	Follicular Non-Hodgkin's Lymphoma
	Tarceva®	Adjuvant Non-Small Cell Lung Cancer
	Trastuzumab-DM1	Second-Line HER2-Positive Metastatic Breast Cancer
IMMUNOLOGY	Ocrelizumab[2]	Lupus Nephritis Rheumatoid Arthritis
	Rituxan®	ANCA-Associated Vasculitis Lupus Nephritis
	Xolair®	Asthma Liquid Formulation
TISSUE GROWTH & REPAIR	Lucentis®	Diabetic Macular Edema Retinal Vein Occlusion
	TNKase	Central Venous Catheter Clearance Hemodialysis Catheter Clearance
FDA SUBMISSION PREP		
ONCOLOGY	Avastin®	First-Line HER2-Negative Metastatic Breast Cancer (RIBBON-1 and AVADO)
	Rituxan®	Previously Untreated Chronic Lymphocytic Leukemia Relapsed Chronic Lymphocytic Leukemia
	Tarceva®	First-Line Maintenance Therapy For Advanced Non-Small Cell Lung Cancer
IMMUNOLOGY	Rituxan®	Rheumatoid Arthritis (Radiographic Data)
AWAITING FDA ACTION		
ONCOLOGY	Avastin®	First-Line Metastatic Renal Cell Carcinoma Previously Treated Glioblastoma
IMMUNOLOGY	Rituxan®	Rheumatoid Arthritis DMARD-Inadequate Responders
	Xolair®	Pediatric Asthma

[1] Preparing for phase.

[2] Our collaborator Biogen Idec Inc. disagrees with certain of our development decisions under our 2003 collaboration agreement with them. The disputed issues were submitted to arbitration in San Francisco, California; hearings were held in September and December of 2008 and closed in January 2009. We expect to receive a decision in the arbitration no later than July 2009. The arbitration proceedings with Biogen Idec Inc. are confidential.

ANCA = Anti-Neutrophilic Cytoplasmic Antibodies

CNS = Central Nervous System

DMARD = Disease-Modifying Anti-Rheumatic Drugs

As of March 2, 2009

BROOKLYN NUTROPIN PATIENT

When Brooklyn was four years old, her mother noticed that she wasn't as tall as other children her age, so they decided to consult a doctor to find out why she wasn't growing. Brooklyn's doctor diagnosed her with idiopathic short stature, and he prescribed Nutropin® [somatropin (rDNA origin) for injection]. Brooklyn's family was insured, but the family's insurance company denied coverage for Brooklyn's Nutropin treatments. Genentech Access Solutions™ helped Brooklyn's physician through the appeal process to reverse the insurer's decision, and now the insurer pays for her Nutropin with a $20 co-pay.

"I'VE BEEN A CHEERLEADER FOR TWO YEARS. I'M ALWAYS TRYING TO JUMP HIGHER, AND SOON I'LL BE LEARNING TO DO THE SPLITS."

DAVID ACTIVASE PATIENT

Before David left the house for work one morning, his wife Brenda noticed his jacket wasn't on his shoulder properly, and his eyes weren't focusing. She was concerned, so she called an ambulance. When David got to the hospital, his doctor confirmed that he was having a stroke and told him he was within the time frame required to administer Activase® (Alteplase). David decided to try the treatment, and within an hour, he started to get some of the feeling back in his left hand. His rehabilitation is still in progress, but he continues to train in martial arts and to stay active with his two sons, taking his recovery one day at a time.

"I'M A FIFTH-DEGREE BLACK BELT IN MARTIAL ARTS. HAVING A STROKE WAS LIKE BEING IN A FIGHT. SOMETIMES YOU GET KNOCKED DOWN, BUT YOU KNOW YOU HAVE TO PICK YOURSELF UP AND KEEP FIGHTING."

FINANCIAL HIGHLIGHTS (UNAUDITED)

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

YEARS ENDED DECEMBER 31,	2008	2007	2006	% Change from Preceding Year 2008/2007	2007/2006
Product sales	**$ 10,531**	$ 9,443	$ 7,640	12%	24%
Total operating revenue[1]	**13,418**	11,724	9,284	14	26
Cost of sales[2]	**1,744**	1,571	1,181	11	33
COS as a % of sales	**17%**	17%	15%		
Research and development expenses[2]	**2,800**	2,446	1,773	14	38
R&D as a % of revenue	**21%**	21%	19%		
Marketing, general and administrative expenses[2]	**2,405**	2,256	2,014	7	12
MG&A as a % of revenue	**18%**	19%	22%		
Collaboration profit sharing	**1,228**	1,080	1,005	14	7
Write-off of in-process research and development related to acquisition[3]	**—**	77	—	(100)	—
Gain on acquisition[3]	**—**	(121)	—	(100)	—
Recurring amortization charges related to redemption and acquisition[4]	**172**	132	105	30	26
Special items: litigation-related[5]	**(260)**	54	54	(581)	—
Pretax operating income	**5,329**	4,229	3,152	26	34
Pretax operating margin	**40%**	36%	34%		
Net income	**3,427**	2,769	2,113	24	31
Diluted earnings per share	**3.21**	2.59	1.97	24	31
Non-GAAP net income[6]	**$ 3,643**	$ 3,142	$ 2,390	16	31
Non-GAAP net income as a % of revenue[6]	**27%**	27%	26%		
Non-GAAP diluted earnings per share[6]	**3.42**	2.94	2.23	16	32
Shares used to compute diluted earnings per share	**1,067**	1,069	1,073	(0)	(0)
Shares outstanding at year-end	**1,053**	1,052	1,053	0	(0)
Stock price at year-end	**$ 82.91**	$ 67.07	$ 81.13	24	(17)
No cash dividends were paid					
Cash, cash equivalents, short-term investments, long-term marketable debt and equity securities and equity hedge instruments	**$ 9,585**	$ 6,089	$ 4,375	57	39
Property, plant and equipment, net	**5,404**	4,986	4,173	8	19
Total assets	**21,787**	18,940	14,842	15	28
Long-term debt[7]	**2,329**	2,402	2,204	(3)	9
Total liabilities	**6,116**	7,035	5,364	(13)	31
Total stockholders' equity	**15,671**	11,905	9,478	32	26
Capital expenditures[7]	**751**	977	1,214	(23)	(20)
Number of employees at year-end	**11,186**	11,174	10,533	0	6

(1) Amounts in 2008 and 2007 include recognition of deferred royalty revenue of $15 million and $6 million, respectively, related to our acquisition of Tanox, Inc. in 2007.

(2) Amounts include employee stock-based compensation expense due to our adoption of Statement of Financial Accounting Standards (FAS) No. 123(R), *"Share-Based Payment"* (FAS 123R), on January 1, 2006. In 2008, cost of sales, research and development, and marketing, general and administrative expenses include employee stock-based compensation expense of $82 million, $152 million and $165 million, respectively. In 2007, cost of sales, research and development, and marketing, general and administrative expenses include employee stock-based compensation expense of $71 million, $153 million and $179 million, respectively. In 2006, research and development and marketing, general and administrative expenses include employee stock-based compensation expense of $140 million and $169 million, respectively. No employee stock-based compensation expense was recognized in cost of sales in 2006.

(3) Represents non-recurring items related to our acquisition of Tanox in 2007.

(4) Represents the amortization of other intangible assets in 2008, 2007 and 2006, related to the 1999 redemption of our Common Stock by Roche Holdings, Inc. (Redemption) and the effects of push-down accounting, and our acquisition of Tanox in 2007.

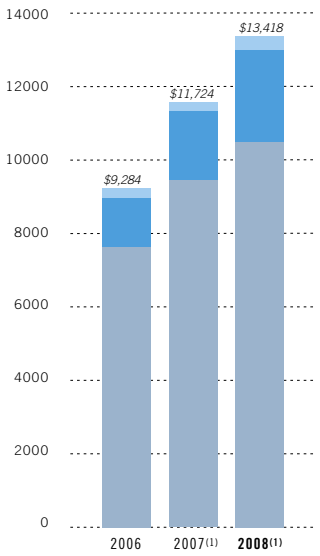
(5) Amount in 2008 includes the net settlement of ($300) million related to the City of Hope National Medical Center (COH) trial judgment and additional costs accrued of $40 million related to the COH contract dispute based on the status of negotiations between the parties on amounts owed for periods subsequent to the original court judgment rendered in 2002. Amounts in 2007 and 2006 include accrued interest and bond costs related to the COH trial judgment. 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," in Part II of our 2008 Form 10-K on file with the Securities and Exchange Commission (SEC).

(6) Non-GAAP amounts exclude recurring charges related to the Redemption; litigation-related and similar special items; employee stock-based compensation expense; certain items associated with the acquisition of Tanox in 2007, including in-process research and development expenses (a non-recurring expense in 2007), recurring recognition of deferred royalty revenue, recurring amortization of intangible assets, a gain pursuant to Emerging Issues Task Force (EITF) No. 04-1, *"Accounting for Preexisting Relationships between the Parties to a Business Combination,"* (EITF 04-1) (a non-recurring gain in 2007), and asset impairment charges (a non-recurring item in 2008); costs incurred by the company in 2008 on behalf of the Special Committee in connection with its review of the Roche proposal to acquire our outstanding shares (Roche Proposal), as well as legal costs incurred in defense of the Special Committee and/or its individual members in shareholder lawsuits filed in connection with the Roche Proposal; and all related tax effects. GAAP net income as a percentage of operating revenues was 26 percent in 2008, 24 percent in 2007, and 23 percent in 2006. See pages 18-19 for the full reconciliation between our non-GAAP and GAAP amounts.

(7) Capital expenditures exclude approximately $117 million in 2008, $203 million in 2007, and $104 million in 2006 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 $306 million in 2008, $399 million in 2007, and $216 million in 2006 as a construction financing obligation in long-term debt. Capital expenditures for 2008 also exclude a $200 million financing payment related to the construction of a manufacturing facility in Singapore that reduced our long-term debt balance as of December 31, 2008.

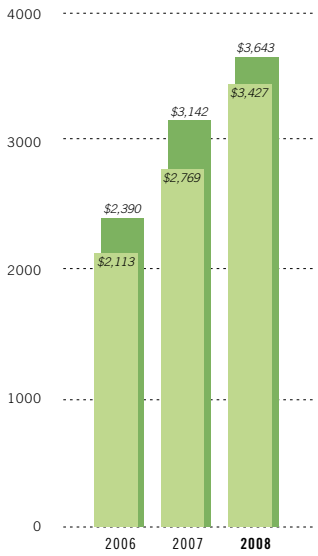
FINANCIAL HIGHLIGHTS (UNAUDITED)

(In millions, except per share data)



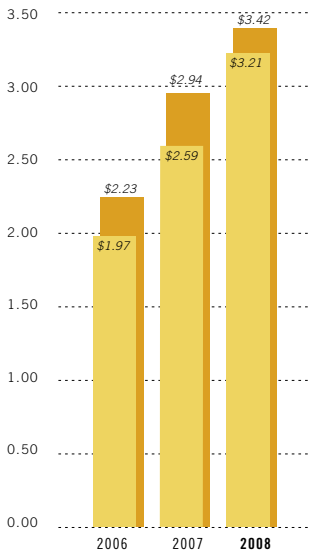
TOTAL OPERATING REVENUE

- Contract Revenue
- Royalties
- Product Sales



NET INCOME

- Non-GAAP(2)
- GAAP



DILUTED EARNINGS PER SHARE

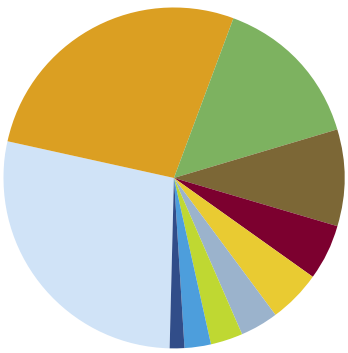
- Non-GAAP(2)
- GAAP

(1) 2008 and 2007 Non-GAAP operating revenue was $13,403 million and $11,718 million, respectively, which excludes recognition of deferred royalty revenue of $15 million and $6 million, respectively, related to our acquisition of Tanox in 2007.

(2) Non-GAAP earnings per share and non-GAAP net income exclude recurring charges related to the Redemption; litigation-related and similar special items; employee stock-based compensation expense; certain items related to the acquisition of Tanox in 2007, including in-process research and development expenses (a non-recurring expense in 2007), recurring recognition of deferred royalty revenue, recurring amortization of intangible assets, a gain pursuant to EITF 04-1 (a non-recurring gain in 2007), and asset impairment charges (a non-recurring item in 2008); costs incurred by the company in 2008 on behalf of the Special Committee in connection with its review of the Roche Proposal, as well as legal costs incurred in defense of the Special Committee and/or its individual members in shareholder lawsuits filed in connection with the Roche Proposal; and all related tax effects. See pages 18-19 for the full reconciliation between our non-GAAP and GAAP amounts.

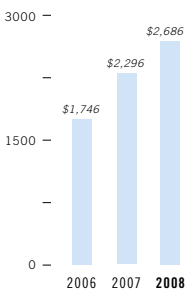
MARKETED PRODUCTS (UNAUDITED)

U.S. PRODUCT SALES (In millions)



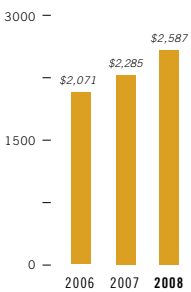
2008 U.S. PRODUCT SALES[1] (In millions)	
Avastin	$ 2,686
Rituxan	2,587
Herceptin	1,382
Lucentis	875
Xolair	517
Tarceva	457
Nutropin Products	358
Thrombolytics	275
Pulmozyme	257
Raptiva	108

Avastin



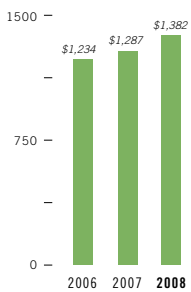
Avastin® (bevacizumab) is an anti-VEGF humanized antibody approved for use in combination with chemotherapy for the first- or second-line treatment of patients with metastatic colorectal cancer. It is also approved in combination with chemotherapy for the first-line treatment of patients with metastatic non-squamous non-small cell lung cancer and in combination with paclitaxel chemotherapy in first-line metastatic HER2-negative breast cancer. The effectiveness of Avastin in metastatic breast cancer is based on an improvement in progression-free survival. Avastin is not indicated for patients with breast cancer that has progressed following anthracycline and taxane chemotherapy administered for metastatic disease. Currently, no data are available that demonstrate an improvement in disease-related symptoms or increased survival with Avastin in breast cancer.

Rituxan



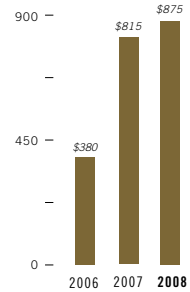
Rituxan® (Rituximab) is an anti-CD20 antibody commercialized in the United States with Biogen Idec Inc. It is approved for the treatment of relapsed or refractory low-grade or follicular non-Hodgkin's lymphoma (NHL). It is also approved for the first-line treatment of follicular NHL with CVP chemotherapy and for treatment as a single agent in patients with stable disease or better following CVP chemotherapy. Finally, it is approved for the treatment, in combination with CHOP chemotherapy, of aggressive NHL and in combination with methotrexate for reducing signs and symptoms and to slow the progression of structural damage 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.

Herceptin



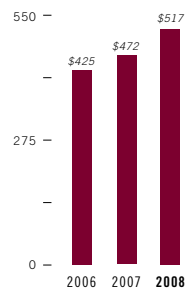
Herceptin® (Trastuzumab) is a humanized anti-HER2 antibody approved for the adjuvant treatment of HER2-positive, node-negative or node-positive (ER/PR negative or with one high-risk factor) breast cancer in combination with several chemotherapy regimens or as a single agent following chemotherapy. It is also approved for first-line metastatic HER2-positive breast cancer with paclitaxel or as a single agent after one or more chemotherapy regimens.

Lucentis



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

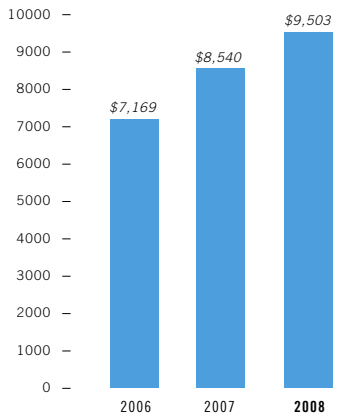
Xolair



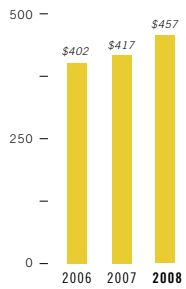
Xolair® (Omalizumab) is a humanized anti-IgE antibody jointly marketed with Novartis Pharmaceuticals Corporation. Xolair is approved for adults and adolescents (12 years of age and above) with moderate-to-severe persistent asthma whose symptoms are inadequately controlled with inhaled corticosteroids.

[1] The values of the individual U.S. product sales shown above are exact; therefore, total U.S. product sales may not appear to sum due to rounding.

TOTAL U.S. PRODUCT SALES[1] (In millions)

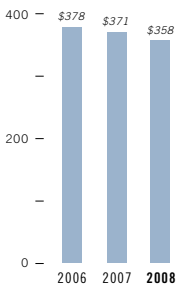


Tarceva



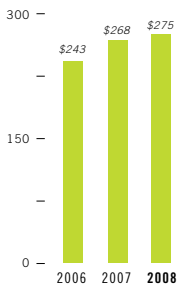
Tarceva® (erlotinib), commercialized with OSI Pharmaceuticals, Inc., is a small-molecule tyrosine kinase inhibitor of the HER1/epidermal growth factor receptor-signaling pathway. Tarceva is approved for the treatment of patients with locally advanced or metastatic non-small cell lung cancer after failure of at least one prior chemotherapy regimen. It is also approved in combination with chemotherapy for the treatment of advanced pancreatic cancer in patients who have not received previous chemotherapy.

Nutropin Products



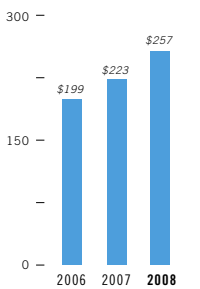
Nutropin® (somatropin [rDNA origin] for injection) and Nutropin AQ® are growth hormone products approved for the long-term treatment of growth failure due to a lack of adequate endogenous growth hormone (GH) secretion; for the treatment of growth failure associated with chronic renal insufficiency up to the time of renal transplantation; for the long-term treatment of short stature associated with Turner syndrome; for the long-term treatment of idiopathic short stature; and for the replacement of endogenous GH in patients with adult GH deficiency.

Thrombolytics



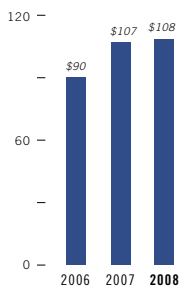
Activase® (alteplase, recombinant) is a tissue plasminogen activator (or t-PA) approved for the treatment of acute myocardial infarction (heart attack), acute ischemic stroke and acute massive pulmonary embolism. TNKase® (tenecteplase) is a modified form of t-PA approved for use in the reduction of mortality associated with acute myocardial infarction. Cathflo® Activase® (alteplase) is a t-PA approved for the restoration of function to central venous access devices as assessed by the ability to withdraw blood.

Pulmozyme



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

Raptiva



Raptiva® (efalizumab) is a humanized anti-CD11a antibody approved for chronic moderate-to-severe plaque psoriasis in adults age 18 or older.

11-YEAR FINANCIAL SUMMARY (UNAUDITED)

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

YEARS ENDED DECEMBER 31,	2008	2007	2006
TOTAL OPERATING REVENUE	**$13,418**	$ 11,724	$ 9,284
Product sales	**10,531**	9,443	7,640
Royalties[1]	**2,539**	1,984	1,354
Contract revenue	**348**	297	290
TOTAL COSTS AND EXPENSES	**$ 8,089**	$ 7,495	$ 6,132
Cost of sales	**1,744**	1,571	1,181
Research and development	**2,800**	2,446	1,773
Marketing, general and administrative	**2,405**	2,256	2,014
Collaboration profit sharing	**1,228**	1,080	1,005
Write-off of in-process research and development related to acquisition[1]	**—**	77	—
Gain on acquisition[1]	**—**	(121)	—
Recurring amortization charges related to redemption and acquisition[2]	**172**	132	105
Special items	**(260)**[16]	54[16]	54[16]
Other income, net	**$ 102**	$ 197	$ 251
INCOME (LOSS) DATA			
Income (loss) before taxes and cumulative effect of accounting change	**$ 5,431**	$ 4,426	$ 3,403
Income tax provision (benefit)	**2,004**	1,657	1,290
Income (loss) before cumulative effect of accounting change	**3,427**	2,769	2,113
Cumulative effect of accounting change, net of tax	**—**	—	—
Net income (loss)	**3,427**	2,769	2,113
EARNINGS (LOSS) PER SHARE:			
Basic: Earnings before cumulative effect of accounting change	**$ 3.25**	$ 2.63	$ 2.01
Cumulative effect of accounting change, net of tax	**—**	—	—
Net earnings per share	**$ 3.25**	$ 2.63	$ 2.01
Diluted: Earnings before cumulative effect of accounting change	**$ 3.21**	$ 2.59	$ 1.97
Cumulative effect of accounting change, net of tax	**—**	—	—
Net earnings per share	**$ 3.21**	$ 2.59	$ 1.97
SELECTED BALANCE SHEET DATA			
Cash, cash equivalents, short-term investments, and long-term marketable debt and equity securities	**$ 9,545**	$ 6,065	$ 4,325
Accounts receivable	**1,941**	1,766	1,666
Inventories	**1,299**	1,493	1,178
Property, plant and equipment, net	**5,404**	4,986	4,173
Goodwill	**1,590**	1,577	1,315
Other intangible assets	**1,008**	1,168	476
Other long-term assets	**365**	366[15]	1,342[15]
Total assets	**21,787**	18,940	14,842
Commercial paper	**500**[20]	599[20]	—
Total current liabilities	**3,095**	3,918	2,010
Long-term debt	**2,329**[18],[19]	2,402[18],[19]	2,204[18],[19]
Total liabilities	**6,116**	7,035	5,364
Total stockholders' equity	**15,671**	11,905	9,478
OTHER DATA			
Depreciation and amortization expense	**$ 592**	$ 492	$ 407
Capital expenditures	**751**[19]	977[19]	1,214[19]
SHARE INFORMATION			
Shares used to compute basic earnings per share	**1,053**	1,053	1,053
Shares used to compute diluted earnings per share	**1,067**	1,069	1,073
Shares outstanding at year-end	**1,053**	1,052	1,053
PER SHARE DATA			
Market price: High	**$ 99.14**	$ 89.73	$ 95.16
Low	**$ 65.60**	$ 65.35	$ 75.58
Book value	**$ 14.88**	$ 11.32	$ 9.00
NUMBER OF EMPLOYEES AT YEAR-END	**11,186**	11,174	10,533

See pages 18-19 for Footnotes to 11-Year Financial Summary.

2005	2004	2003	2002	2001	2000	1999[6]	1998
$ 6,633	$ 4,621	$ 3,300	$ 2,584	$ 2,044	$ 1,514	$ 1,292	$ 1,053
5,488	3,749	2,621	2,164	1,743	1,278	1,039	718
935	641	501	366	264	207	189	230
210	231	178	54	37	29[10]	64	105
$ 4,712	$ 3,485	$ 2,495	$ 2,662	$ 1,896	$ 1,726	$ 2,730	$ 874
1,011	673	480	442	354	365[7]	286[7]	139
1,262	948	722	623	526	490	367	396
1,435	1,088	795	546	447	367	367	299
823	594	457	351	247	129	74	40
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
123	145	154	156[13]	322	375	198	—
58[16]	37[16]	(113)[16]	544[14]	—	—	1,438[8]	—
$ 92	$ 84	$ 92	$ 108	$ 135[11]	$ 216	$ 78	$ 74
$ 2,013	$ 1,220	$ 897	$ 30	$ 283	$ 4	$ (1,360)	$ 253
734	435	287	(34)	127	20	(203)	71
1,279	785	610	64	156	(16)	(1,157)	182
—	—	(47)[17]	—	(6)[11]	(58)[10]	—	—
1,279	785	563	64[13]	150	(74)	(1,157)	182
$ 1.21	$ 0.74	$ 0.59	$ 0.06	$ 0.15	$ (0.02)	$ (1.13)	$ 0.18
—	—	(0.05)	—	(0.01)	(0.05)	—	—
$ 1.21	$ 0.74	$ 0.54	$ 0.06	$ 0.14	$ (0.07)	$ (1.13)	$ 0.18
$ 1.18	$ 0.73	$ 0.58	$ 0.06	$ 0.15	$ (0.02)	$ (1.13)	$ 0.18
—	—	(0.05)	—	(0.01)	(0.05)	—	—
$ 1.18	$ 0.73	$ 0.53	$ 0.06	$ 0.14	$ (0.07)	$ (1.13)	$ 0.18
$ 3,814	$ 2,780	$ 2,935	$ 1,602	$ 2,865	$ 2,459	$ 1,957	$ 1,605
1,050	941	588	432	321	278	233	158
703	590	470	394	357	266	275	149
3,349	2,091	1,618[17]	1,069	866	753	730	700
1,315	1,315	1,315	1,315	1,303	1,456	1,609	—
574	668	811	928	1,113	1,280	1,453	65
1,074[15]	807[15]	822[15]	801[15]	136	175	206	135
12,147	9,403	8,759	6,776	7,162	6,739	6,561	2,868
—	—	—	—	—	—	—	—
1,660	1,238	893	661	677[12]	475	503	303
2,083[18],[19]	412	412[17]	—	—	150	150	150
4,677	2,621	2,239	1,437	1,242	1,065	1,291	524
7,470	6,782	6,520	5,339	5,920	5,674	5,270[9]	2,344
$ 370	$ 353	$ 295	$ 275[13]	$ 428	$ 463	$ 281	$ 78
1,400[19]	650	322	323	213	113	95	88
1,055	1,055	1,035	1,038	1,054	1,044	1,026	1,007
1,081	1,079	1,058	1,049	1,071	1,044	1,026	1,039
1,054	1,047	1,049	1,026	1,057	1,051	1,032	1,017
$ 100.20	$ 68.25	$ 47.68	$ 27.58	$ 42.00	$ 61.25	$ 11.25	$ 9.97
						$ 35.75*	
$ 43.90	$ 41.00	$ 15.77	$ 12.55	$ 19.00	$ 21.13	$ 9.32	$ 7.41
						$ 12.13*	
$ 7.09	$ 6.48	$ 6.21	$ 5.21	$ 5.60	$ 5.40	$ 5.10	$ 2.30
9,563	7,646	6,226	5,252	4,950	4,459	3,883	3,389

11-YEAR FINANCIAL SUMMARY (UNAUDITED)

Reconciliation of GAAP to Non-GAAP Net Income (Unaudited) (In millions, except per share amounts)

YEARS ENDED DECEMBER 31,	2008	2007	2006
GAAP net income (loss)	**$ 3,427**	$ 2,769	$ 2,113
Royalty revenue[1]	**(15)**	(6)	—
Employee stock-based compensation expense[3] under FAS 123R included in the following operating expenses:			
Cost of sales	**82**	71	—
Research and development	**152**	153	140
Marketing, general and administrative	**165**	179	169
Asset impairment charges[1]	**15**	—	—
Roche Proposal-related fees incurred on behalf of the Special Committee[4]	**14**	—	—
Write-off of in-process research and development related to acquisition[1]	**—**	77	—
Gain on acquisition[1]	**—**	(121)	—
Recurring amortization charges related to redemption and acquisition[2]	**172**	132	105
Special items	**(260)**[16]	54[16]	54[16]
Other Non-GAAP reconciling items	**—**	—	—
Income tax effect[5]	**(109)**	(166)	(191)
Income before cumulative effect of accounting change	**3,643**	3,142	2,390
Cumulative effect of accounting change, net of tax	**—**	—	—
Non-GAAP net income	**$ 3,643**	$ 3,142	$ 2,390
Non-GAAP earnings per share:			
Diluted	**$ 3.42**	$ 2.94	$ 2.23
Non-GAAP weighted average shares used to compute earnings per share:			
Diluted	**1,065**[21]	1,068[21]	1,074[21]

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, 2008, Roche's ownership percentage was 55.8 percent.

(1) Represents recurring recognition of deferred royalty revenue, non-recurring asset impairment charges in 2008, and non-recurring items in 2007 related to our acquisition of Tanox in 2007.

(2) Primarily reflects amortization of other intangible assets in 1999 through 2008 and goodwill amortization in 1999 through 2001 related to the Redemption and push-down accounting, and the acquisition of Tanox in 2007.

(3) Represents employee stock-based compensation expense associated with our adoption of FAS 123R on January 1, 2006. No employee stock-based expense was recognized in GAAP-reported cost of sales in any period ending prior to January 1, 2007.

(4) Represents costs incurred by the company on behalf of the Special Committee in connection with its review of the Roche Proposal, as well as legal costs incurred in defense of the Special Committee and/or its individual members in shareholder lawsuits filed in connection with the Roche Proposal.

(5) Reflects the income tax benefit on employee stock-based compensation expense under FAS 123R, recurring charges related to the Redemption, litigation-related and similar special items, items related to our acquisition of Tanox, costs related to the Roche Proposal, and other non-GAAP reconciling items.

(6) GAAP 1999 results reflect the 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.

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

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

(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.

(10) Reflects the impact of the adoption of Staff Accounting Bulletin No. 101, *"Revenue Recognition,"* effective January 1, 2000.

(11) Reflects the effect of the adoption of FAS 133, *"Accounting for Derivative Instruments and Hedging Activities."*

(12) The $150 million long-term debt in 2000 was reclassified to current liabilities to reflect the March 27, 2002 maturity.

(13) We adopted FAS 141, *"Business Combinations"* (FAS 141), and FAS 142, *"Goodwill and other Intangible Assets"* (FAS 142), on January 1, 2002. In accordance with FAS 141 and FAS 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 FAS 142.

2005	2004	2003	2002	2001	2000	1999
$ 1,279	$ 785	$ 563	$ 64	$ 150	$ (74)	$ (1,157)
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
123	145	154	156[13]	322	375	198
58[16]	37[16]	(113)[16]	544[14]	—	—	1,438[8]
—	—	—	—	(10)[11]	93[7]	93[7]
(73)	(73)	(16)	(280)	(64)	(127)	(325)
1,387	894	588	484	398	267	247
—	—	47[17]	—	6[11]	58[10]	—
$ 1,387	$ 894	$ 635	$ 484	$ 404	$ 325	$ 247
$ 1.28	$ 0.83	$ 0.60	$ 0.46	$ 0.38	$ 0.30	$ 0.23
1,081	1,079	1,058	1,049	1,071	1,072	1,059

(14) Amount includes litigation-related special charges which comprised the COH 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," in Part II of our 2002 Form 10-K on file with the SEC.

(15) Includes approximately $788 million at December 31, 2006, $735 million at December 31, 2005, $682 million at December 31, 2004 and $630 million at each of December 31, 2003 and 2002 of restricted cash pledged to secure a bond for the COH judgment. In 2007, the restricted cash balance of $788 million was reclassified as a short-term asset. As a result of the California Supreme Court ruling in April 2008, we paid $476 million to COH in the second quarter of 2008, reflecting the amount of compensatory damages awarded plus interest thereon from the date of the original decision, June 10, 2002. The restrictions were lifted from the restricted cash and investments accounts in the third quarter of 2008, which consisted of available-for-sale investments, and the funds became available for use in our operations. For further information on the COH judgment, see Note 9, "Leases, Commitments, and Contingencies" in Part II, Item 8 of our 2008 Form 10-K on file with the SEC.

(16) Litigation-related special items in 2008 comprised the net settlement of ($300) million related to the COH trial judgment and additional costs accrued of $40 million related to the COH contract dispute based on the status of negotiations between the parties on amounts owed for periods subsequent to the original court judgment rendered in 2002, in 2007 and 2006 comprised accrued interest and bond costs related to the COH judgment, in 2005 comprised accrued interest and bond costs related to the COH judgment and net amounts paid related to other litigation settlements, in 2004 comprised accrued interest and bond costs related to the COH judgment (net of a released accrual on a separate litigation matter), and in 2003 comprised Amgen and Bayer litigation settlements (net of accrued interest and bond costs related to the COH litigation).

(17) Reflects the impact of the adoption of the Financial Accounting Standards Board Interpretation No. 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," in Part II of our 2003 Form 10-K on file with the SEC.

(18) Long-term debt in 2008, 2007, 2006 and 2005 includes approximately $2 billion related to our debt issuance in July 2005. For further information, see Note 8, "Debt," in Part II, Item 8 of our 2008 Form 10-K on file with the SEC. Long-term debt in 2008 was reduced by a $200 million financing payment related to the construction of a manufacturing facility in Singapore. Long-term debt in 2005 was also reduced by the repayment of $425 million to extinguish the consolidated debt and noncontrolling interest related to a synthetic lease obligation. For further information, see Note 9, "Leases, Commitments, and Contingencies" in Part II, Item 8 of our 2008 Form 10-K on file with the SEC and Note 7, "Leases, Commitments, and Contingencies" in Part II, Item 8 of our 2005 Form 10-K on file with the SEC.

(19) We capitalized costs in property, plant and equipment of approximately $117 million in 2008, $203 million in 2007, $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 2008, 2007, 2006 and 2005 capital expenditures. We have also recognized $306 million, $399 million, $216 million and $94 million as construction financing obligations in long-term debt as of December 31, 2008, 2007, 2006 and 2005, respectively, related to these projects. Capital expenditures for 2008 also exclude a $200 million financing payment related to the construction of a manufacturing facility in Singapore that reduced our long-term debt balance as of December 31, 2008. For further information, see Note 9, "Leases, Commitments, and Contingencies" in Part II, Item 8 of our 2008 Form 10-K on file with the SEC.

(20) Represents amount outstanding under our commercial paper program.

(21) 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," in Part II of our Form 10-K for the respective years on file with the SEC.

EXECUTIVE COMMITTEE

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

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, 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, 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 Operations

Mr. Clark joined Genentech's executive committee in August 2005 as senior vice president, Commercial Operations and was promoted to executive vice president, Commercial Operations in January 2006. 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, and he was promoted to executive vice president in January 2006. 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 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 1992 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 and Chief Scientific Officer

Dr. Scheller was promoted to executive vice president, Research in September 2003 and appointed chief scientific officer in June 2008. He joined 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. He is a member of the National Academy of Sciences and 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, Product Operations in January 2006. He joined Genentech in 2003 as vice president, South San Francisco Manufacturing and Engineering, and was named senior vice president, Product Operations in December 2004. 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 research, 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 Deputy Head of the Corporate Executive Committee, The Roche Group

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

Debra L. Reed
President and Chief Executive 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 Operations

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

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Executive Vice President, Secretary and Chief Compliance Officer

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Executive Vice President, Product Operations

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Executive Vice President, Research Drug Discovery

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Senior Vice President, Development and Chief Medical Officer

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Senior Vice President, Immunology

Markus Gemuend
Senior Vice President, Biochemical Manufacturing

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Senior Vice President and General Counsel

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Senior Vice President, Sales and Marketing, BioOncology

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Senior Vice President, Quality and Compliance

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Senior Vice President, Clinical Hematology/Oncology

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Senior Vice President, Small Molecule Drug Discovery

Sunil Agarwal, M.D.
Vice President, Genentech Drug Safety

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Vice President, Controller and Chief Accounting Officer

Vince Anicetti
Vice President, Biochemical Quality

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Vice President, Clinical Development, Avastin

Sean Bohen, M.D., Ph.D.
Vice President, Immunology Development, Tissue Growth and Repair

Glenn Brame
Vice President, Quality, Global Supply Chain

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Vice President and General Manager, Vacaville Product Operations

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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, Corporate Relations

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Vice President, Product Portfolio Management

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Vice President, Research, Molecular Biology

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

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Vice President, Finance and Corporate Planning

Khurem Farooq
Vice President, Sales and Marketing, Xolair

Jeffrey S. Garland
Vice President, Sales and Marketing, Rituxan Hematology

Odette Go
Treasurer

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Vice President and General Manager, Oceanside Product Operations

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Vice President, Access Solutions/Managed Care and Customer Operations

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Vice President, Immunology, Tissue Growth and Repair

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Vice President, Planning, Distribution and Logistics

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Vice President, South San Francisco Production

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Vice President, Process Research and Development

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Vice President, Business Development

Ira Mellman, Ph.D.
Vice President, Research, Oncology

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Vice President and General Manager, Singapore Product Operations

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

Walter K. Moore
Vice President, Government Affairs

Genesio Murano, Ph.D.
Vice President, Regulatory Policy and Strategy

Varun Nanda
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

Jon Reed
Vice President, Corporate Engineering

Todd W. Rich, M.D.
Vice President, Development Regulatory, Medical Information, Drug Safety and Quality Assurance

John Rim
Vice President, Product Operations and Administration Finance

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

Morgan Sheng, M.D., Ph.D.
Vice President, Neuroscience

Mary B. Sliwkowski, Ph.D.
Vice President, Regulatory Chemistry Manufacturing and Controls and Information Systems

Denise Smith-Hams
Vice President, Human Resources

John Snisarenko
Vice President, Sales and Marketing, Lucentis

John M. Whiting
Vice President, Finance, Treasury and Procurement

GENENTECH FELLOW

Napoleone Ferrara, M.D.
Research

SENIOR STAFF SCIENTISTS

Avi J. Ashkenazi, Ph.D.
Research

Gwendolyn Fyfe, M.D.
Development

STAFF SCIENTISTS

Frederic de Sauvage, Ph.D.
Research

Vishva Dixit, M.D.
Research

Paul Godowski, Ph.D.
Research

Peter Jackson, Ph.D.
Research

Hartmut Koeppen, M.D., Ph.D.
Research

Paul Polakis, Ph.D.
Research

Steve Shire, Ph.D.
Process Research and Development

Mark Sliwkowski, Ph.D.
Research

Hergen Spits, Ph.D.
Research

Richard Vandlen, Ph.D.
Research

SENIOR ONCOLOGY FELLOW

Bob Cohen, M.D.
Business Development

DISTINGUISHED ENGINEERS

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

Brad Snedecor
Process Research and Development

Robert van Reis
Process Research and Development

Bradley Wolk
Process Research and Development

DISTINGUISHED PROGRAMMER ANALYST

Colin Watanabe
Corporate Information Technology

As of March 2, 2009

* Member of Executive Committee

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

STOCKHOLDER INFORMATION

HEADQUARTERS

Genentech
1 DNA Way
South San Francisco, CA 94080-4990
(650) 225-1000
www.gene.com

INVESTOR RELATIONS

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

Katherine A. Littrell, Ph.D., R.N.
Vice President, 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 Trust Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078 USA
Attention: Shareholder Inquiries
(800) 733-5001
www.computershare.com/investor

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 Time on April 24, 2009, at the Four Seasons Hotel, 2050 University Avenue, East Palo Alto, 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 25, 2009.

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

OTHER INFORMATION

Genentech has included as Exhibits 31.1 and 31.2 to its 2008 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.

Be Different































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IN BUSINESS FOR LIFE

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