

B u s i n e s s H i g h l i g h t s

GENENTECH BUSINESS HIGHLIGHTS IN 1996 AND EARLY 1997

Corporate

- 1996 earnings: \$118.3 million, or 96 cents per share. 1996 revenues: \$968.6 million.
- A Delaware Chancery Court approved the settlement of a consolidated stockholder class action lawsuit filed following the 1995 announcement of an extended buy-out option by Roche, which stockholders approved in October 1995. In the settlement, Roche agreed to an increase in the redemption prices for Genentech's stock by 50 cents each quarter, with a final redemption price of \$82.50 in the quarter ending June 30, 1999, if Roche causes the redemption of the remaining Genentech stock under the extended buyout option.
- Celebrated 20th anniversary since Genentech's founding by Herbert W. Boyer, Ph.D. and Robert A. Swanson.
- Roche exercised its options, per Genentech's 1995 arrangement with Roche, to develop the following Genentech development products outside the United States: IDEC's C2B8 monoclonal antibody, insulin-like growth factor-I (IGF-I), and nerve growth factor (NGF).
- Completed a new 42,000-square-foot building to provide three floors of research labs and offices for Cell Culture/Fermentation R&D groups.
- Named J. Richard Munro as chairman of the board of directors following cofounder Robert A. Swanson's retirement as chairman and from the board.
- Filed an amended complaint alleging that Novo-Nordisk infringes five Genentech patents in the manufacture and sale of Novo's recombinant human insulin product, Novolin®, in the United States.

Marketed Products

Activase® (Alteplase, recombinant)

- 1996 Activase sales: \$284.1 million.
- Reached a record thrombolytic market share of approximately 80 percent.
- Received U.S. regulatory clearance to market Activase for the treatment of eligible adult patients with acute ischemic stroke within three hours of symptom onset.
- The American Heart Association, the American Academy of Neurology and the National Institutes of Health issued guidelines or proposed standards identifying stroke as a medical emergency and recommending that eligible patients—following appropriate screening—be treated with Activase to enhance their chances of recovering with no or minimal disability.

- Filed a patent infringement suit against Boehringer Mannheim in the United States and Germany that alleges its thrombolytic agent, Reteplase, infringes several Genentech patents.
- Reached an out-of-court settlement with Sumitomo Pharmaceuticals in Japan on a seven-year patent dispute over t-PA, for which Sumitomo agreed to halt the manufacturing and marketing of the drug in exchange for Genentech foregoing demands related to damages.

Protropin® (somatrem for injection), Nutropin® [somatotropin (rDNA origin) for injection] and Nutropin AQ™ [somatotropin (rDNA origin) injection] growth hormones

- 1996 growth hormone sales: \$218.2 million.
- Maintained a two-thirds market share in growth hormone market despite new competition.
- Received U.S. regulatory clearance to market Nutropin for the treatment of short stature associated with Turner syndrome.
- Received Canadian regulatory approval to market Nutropin for the treatment of growth hormone inadequacy in children and growth failure resulting from chronic renal insufficiency. Roche has the right to market Nutropin in Canada.
- Filed for U.S. regulatory clearance to market Nutropin for the treatment of growth hormone inadequacy in adults.

Pulmozyme® (dornase alfa) Inhalation Solution

- 1996 Pulmozyme sales: \$76.0 million.
- Received U.S. regulatory clearance to market Pulmozyme for the management of cystic fibrosis patients with advanced disease.

Actimmune® (Interferon gamma-1b)

- 1996 Actimmune sales: \$4.5 million.
- Discontinued pursuing Actimmune for renal cell carcinoma after analysis of Phase III clinical data showed no significant benefit of the product for this targeted indication.

Business Development

- Entered into an agreement with Roche under which Genentech will promote Roche's Roferon®-A (Interferon alfa-2a, recombinant) in the United States for its approved oncology indications.
- With Tanox Biosystems, Inc. and Novartis Pharmaceuticals Corporation, settled lawsuits related to the development of anti-IgE antibodies. Also, reached an agreement under which Genentech and Tanox/Novartis combined their existing anti-IgE antibody programs under a cross-licensing program in a cooperative development effort.

- Expanded collaborative agreement with IDEC to include the clinical development and commercialization of the Y2B8 antibody, currently in Phase I/II clinical trials, as a potential complementary treatment for non-Hodgkin's B-cell lymphoma.
- Agreed with CytoTherapeutics, Inc. to develop treatments for various neurodegenerative diseases using CytoTherapeutics' encapsulated cell technology to deliver several of Genentech's proprietary growth factors.
- Agreed with XOMA Corporation for XOMA to develop Genentech's anti-CD11a antibody (hu1124) for the treatment of psoriasis and organ transplant rejection.
- Agreed with the Biotech Group of Baxter Healthcare Corporation to jointly develop a cellular therapy for hemophilia A.
- Agreed to invest in VaxGen, Inc. (formerly Genenvax), created to expand development of gp120, Genentech's potential vaccine for the prevention of HIV-1 infection. Genentech provided VaxGen exclusive rights to gp120.
- Entered into an agreement with Genetics Institute, Inc. to gain access to its DiscoverEase™ protein development platform.
- Entered into an agreement with Incyte Pharmaceuticals, Inc. to gain access to its LifeSeq® DNA sequence and gene expression database.

- Entered a collaborative agreement with Massachusetts General Hospital for basic developmental research conducted at the hospital's Cardiovascular Research Center through studies of zebrafish.

Research and Development

- Genentech's partner, IDEC Pharmaceuticals, completed Phase III clinical trials of the C2B8 antibody for the treatment of non-Hodgkin's B-cell lymphoma and submitted regulatory filings seeking marketing clearance in the first quarter of 1997.
- Completed Phase II trials of NGF for diabetic peripheral neuropathy, which suggested initial safety and efficacy. Began planning for approval-directed Phase III clinical trials anticipated to begin in the first half of 1997.
- Completed Phase II clinical trials utilizing IGF-I as an adjunct to insulin therapy in patients with Type I and Type II diabetes.
- Completed a Phase II clinical trial with an oral IIb/IIIa antagonist, designed in collaboration with Roche, in patients with acute coronary syndrome. Preparing for pivotal Phase III trials.
- In collaboration with Alkermes, Inc., began Phase I/II clinical trials of ProLease® human growth hormone, a sustained-release growth hormone product, in children with growth hormone inadequacy.

- Began Phase I clinical trials of vascular endothelial growth factor (VEGF) for the treatment of coronary arterial disease.
- Filed an investigational new drug application (IND) and began preparations for a Phase I trial of an anti-VEGF antibody for the treatment of several types of cancer.
- Roche began a Phase I trial to investigate Genentech's anti-CD18 antibody for the treatment of hemorrhagic shock.
- XOMA began a Phase I safety trial of Genentech's anti-CD11a antibody (hu1124) in patients with psoriasis and filed an IND to test this antibody in the clinic in renal transplant patients to prevent rejection of the grafted kidney.
- Donated approximately \$7 million for scientific research through medical and academic research organizations and hospital groups.
- For the seventh time, Genentech was named one of the top 100 companies for working mothers by *Working Mother* magazine.

Corporate Responsibility

- Provided more than \$23 million worth of pharmaceuticals free of charge in 1996 through various programs for un- or under-insured patients in the United States.
- Decided to continue to fund Access Excellence—a nationwide electronic forum for high school biology teachers.
- Funded the independent Genentech Foundation for Growth and Development, which supports research in the area of human growth and development.