

5X5 report card

Our 5X5 goals began in 1999 and continue in place through 2005. Our performance against these ambitious goals remains strong.

1. 25 percent average annual non-GAAP¹ EPS growth

The first goal is the most important of the 5X5 goals. We remain comfortable that we will meet or exceed this goal, given that our average annual non-GAAP¹ EPS growth for 1999 through 2003 has been 28 percent.

2. 25 percent non-GAAP¹ net income as a percentage of operating revenues

For 2003, our non-GAAP¹ net income as a percentage of operating revenues was 19.2 percent. Given the importance of Rituxan[®] (Rituximab) to the overall numbers and the associated profit split and our need to continue to develop new products for the pipeline, this financial productivity goal remains a significant challenge that will be difficult to meet.

3. 5 new products/indications approved

With the approvals of Xolair[®] (Omalizumab), RAPTIVA[™] (efalizumab), and Avastin[™] (bevacizumab), we have exceeded our 5X5 goal of five new products or indications approved by 2005.

4. 5 significant products in late-stage clinical trials

We are well-positioned to meet or exceed this goal; our development pipeline has over 20 projects, with several projects in early stage and a steady flow of projects advancing in the pipeline.

5. \$500 million in new revenues from strategic alliances or acquisitions

This goal may be difficult to meet revenue-wise, but importantly, we have entered into more than 40 significant agreements and in-licensing arrangements since 1999 which augur well for future growth prospects.

The statements made on pages 1 to 6 of this annual report relating to the number of expected products in late-stage clinical development, time frame for multiple product launches, impact of Medicare legislation on our business, time frame for manufacturing Avastin at Porriño, and Genentech's expected growth, including non-GAAP earnings per share growth, are forward-looking and actual results could differ materially. Among other things, the number of products in late-stage clinical trials and the time frame for multiple product launches may be affected by safety or efficacy issues, the need for additional clinical studies and FDA actions, including the failure to receive FDA approval; the impact of the Medicare legislation on our business may result in decreased sales based on changes in physician prescribing conduct; the Porriño manufacturing time frame may be affected by technical, legal or regulatory challenges or compliance with local and national laws and regulations; and Genentech's growth, including growth in non-GAAP earnings per share, could be affected by all of the foregoing or by competition, pricing, the ability to supply product, product withdrawals, new product approvals and launches, achieving sales revenue consistent with internal forecasts, unanticipated expenses such as litigation or legal settlement expenses or equity securities write-downs, costs of sales, R&D expenses, fluctuations in contract revenues and royalties, or fluctuations in tax and interest rates. Genentech has no intention, and disclaims any obligation, to update or revise any forward-looking statements appearing on pages 1 to 6.

¹ Non-GAAP amounts exclude the recurring charges related to the Redemption, litigation-related special items, cumulative effects of accounting changes, and all related tax effects. See pages 10-11 for the reconciliation to our GAAP numbers.