

11-year financial summary (UNAUDITED)

(IN MILLIONS, EXCEPT PER SHARE AND EMPLOYEE DATA)

	2003			2002			2001		
	GAAP	DIFFERENCES	NON-GAAP ⁽¹⁾	GAAP	DIFFERENCES	NON-GAAP ⁽¹⁾	GAAP	DIFFERENCES	NON-GAAP ⁽¹⁾
TOTAL OPERATING REVENUES	\$3,300.2		\$3,300.2	\$2,583.7		\$2,583.7	\$2,044.1		\$2,044.1
Product sales	2,621.4		2,621.4	2,163.6		2,163.6	1,742.9		1,742.9
Royalties	500.9		500.9	365.6		365.6	264.5		264.5
Contract revenue	177.9		177.9	54.5		54.5	36.7		36.7
TOTAL COSTS AND EXPENSES	\$2,495.6	\$ (41.2)	\$2,454.4	\$2,661.6	\$ (699.6)	\$1,962.0	\$1,896.1	\$ (321.8)	\$1,574.3
Cost of sales	480.1		480.1	441.6		441.6	354.5		354.5
Research and development	722.0		722.0	623.5		623.5	526.2		526.2
Marketing, general and administrative	794.8		794.8	546.2		546.2	446.9		446.9
Collaboration profit sharing	457.5		457.5	350.7		350.7	246.7		246.7
Recurring charges related to redemption ⁽⁴⁾	154.3	(154.3)	—	155.7	(155.7)	—	321.8	(321.8)	—
Special items	(113.1)	113.1	—	543.9 ⁽¹¹⁾	(543.9)	—	—	—	—
Other income, net	\$ 92.8	—	\$ 92.8	\$ 107.7	—	\$ 107.7	\$ 135.0 ⁽⁹⁾	\$ (10.0)	\$ 125.0
INCOME (LOSS) DATA									
Income (loss) before taxes and cumulative effect of accounting change	\$ 897.4	\$ 41.2	\$ 938.6	\$ 29.8	\$ 699.6	\$ 729.4	\$ 283.0	\$ 311.8	\$ 594.8
Income tax (benefit) provision	287.3	16.4	303.7	(34.0)	279.8	245.8	127.1	63.2	190.3
Income (loss) before cumulative effect of accounting change	610.1	24.8	634.9	63.8	419.8	483.6	155.9	248.6	404.5
Cumulative effect of accounting change, net of tax	(47.6) ⁽²⁾	47.6	—	—	—	—	(5.6) ⁽⁹⁾	5.6	—
Net income (loss)	562.5	72.4	634.9	63.8 ⁽¹²⁾	419.8	483.6	150.3	254.2	404.5
EARNINGS (LOSS) PER SHARE:									
Basic: Earnings (loss) before cumulative effect of accounting change	\$ 1.18	\$ 0.05	\$ 1.23	\$ 0.12	\$ 0.81	\$ 0.93	\$ 0.30	\$ 0.47	\$ 0.77
Cumulative effect of accounting change, net of tax	(0.09)	0.09	—	—	—	—	(0.01)	0.01	—
Net earnings (loss) per share	\$ 1.09	\$ 0.14	\$ 1.23	\$ 0.12	\$ 0.81	\$ 0.93	\$ 0.29	\$ 0.48	\$ 0.77
Diluted: Earnings (loss) before cumulative effect of accounting change	\$ 1.15	\$ 0.05	\$ 1.20	\$ 0.12	\$ 0.80	\$ 0.92	\$ 0.29	\$ 0.47	\$ 0.76
Cumulative effect of accounting change, net of tax	(0.09)	0.09	—	—	—	—	(0.01)	0.01	—
Net earnings (loss) per share	\$ 1.06	\$ 0.14	\$ 1.20	\$ 0.12	\$ 0.80	\$ 0.92	\$ 0.28	\$ 0.48	\$ 0.76
SELECTED BALANCE SHEET DATA									
Cash, cash equivalents, short-term investments, and long-term marketable debt and equity securities	\$2,934.7		—	\$1,601.9		—	\$2,864.9		—
Accounts receivable	574.1		—	418.4		—	315.3		—
Inventories	469.6		—	393.5		—	356.9		—
Property, plant and equipment, net	1,617.9 ⁽²⁾		—	1,068.7		—	865.7		—
Goodwill	1,315.0		—	1,315.0		—	1,302.5		—
Other intangible assets	810.8		—	927.5		—	1,113.3		—
Other long-term assets ⁽¹³⁾	812.7 ⁽¹⁴⁾		—	796.8 ⁽¹⁴⁾		—	127.2		—
Total assets	8,736.2		—	6,758.1		—	7,146.8		—
Total current liabilities	873.0		—	646.7		—	663.8		—
Long-term debt	412.3 ⁽²⁾		—	—		—	— ⁽¹⁰⁾		—
Total liabilities	2,215.9		—	1,419.2		—	1,227.0		—
Total stockholders' equity	6,520.3		—	5,338.9		—	5,919.8		—
OTHER DATA									
Depreciation and amortization expense	\$ 295.4		—	\$ 275.0 ⁽¹²⁾		—	\$ 428.1		—
Capital expenditures	322.0		—	322.8		—	213.4		—
SHARE INFORMATION									
Shares used to compute Basic EPS:	517.2		517.2	519.2		519.2	527.0		527.0
Shares used to compute Diluted EPS:	528.8		528.8	524.4		524.4	535.3		535.3
Actual year-end	524.7		—	512.8		—	528.3		—
PER SHARE DATA									
Market price: High	\$ 95.35		—	\$ 55.15		—	\$ 84.00		—
Low	\$ 31.53		—	\$ 25.10		—	\$ 37.99		—
Book value	\$ 12.43		—	\$ 10.41		—	\$ 11.21		—
NUMBER OF EMPLOYEES AT YEAR-END	6,226			5,252			4,950		

2000			1999			1998	1997	1996	1995	1994	1993
GAAP	DIFFERENCES	NON-GAAP ⁽¹⁾	GAAP	DIFFERENCES	NON-GAAP ⁽¹⁾						
\$1,514.2		\$1,514.2	\$1,292.2		\$1,292.2	\$1,053.1	\$ 935.9	\$ 904.4	\$ 851.7	\$ 752.6	\$ 608.2
1,278.3		1,278.3	1,039.1		1,039.1	717.8	584.9	582.8	635.3	601.0	457.4
207.3		207.3	189.3		189.3	229.6	241.1	214.7	190.8	126.0	112.9
28.6 ⁽⁶⁾		28.6 ⁽⁶⁾	63.8		63.8	105.7	109.9	106.9	25.6	25.6	37.9
\$1,726.3	\$ (468.2)	\$1,258.1	\$2,729.7	\$(1,728.8)	\$1,000.9	\$ 873.5	\$ 839.3	\$ 815.7	\$ 731.0	\$ 646.1	\$ 584.3
364.9 ⁽⁸⁾	(92.9)	272.0	285.6 ⁽⁸⁾	(93.4)	192.2	138.6	102.5	104.5	97.9	95.8	70.5
489.9		489.9	367.3		367.3	396.2	470.9	471.1	363.0	314.3	299.4
367.4		367.4	367.1		367.1	298.9	265.9	240.1	245.1	236.0	214.4
128.8		128.8	74.3		74.3	39.8	—	—	—	—	—
375.3	(375.3)	—	197.7	(197.7)	—	—	—	—	25.0 ⁽¹⁵⁾	—	—
—	—	—	1,437.7 ⁽³⁾	(1,437.7)	—	—	—	—	—	—	—
\$ 216.1	—	\$ 216.1	\$ 76.9	—	\$ 76.9	\$ 73.0	\$ 73.2	\$ 59.2	\$ 51.5	\$ 23.1	\$ 35.0
\$ 4.0	\$ 468.2	\$ 472.2	\$(1,360.6)	\$ 1,728.8	\$ 368.2	\$ 252.6	\$ 169.8	\$ 147.9	\$ 172.2	\$ 129.6	\$ 58.9
20.4	126.7	147.1	(203.1)	324.6	121.5	70.7	40.8	29.6	25.8	5.2	—
(16.4)	341.5	325.1	(1,157.5)	1,404.2	246.7	181.9	129.0	118.3	146.4	124.4	58.9
(57.8) ⁽⁶⁾	57.8	—	—	—	—	—	—	—	—	—	—
(74.2)	399.3	325.1	(1,157.5)	1,404.2	246.7	181.9	129.0	118.3	146.4	124.4	58.9
\$ (0.03)	\$ 0.65	\$ 0.62	\$ (2.26)	\$ 2.74	\$ 0.48	\$ 0.36	\$ 0.26	\$ 0.25	\$ 0.31	\$ 0.27	\$ 0.13
(0.11)	0.11	—	—	—	—	—	—	—	—	—	—
\$ (0.14)	\$ 0.76	\$ 0.62	\$ (2.26)	\$ 2.74	\$ 0.48	\$ 0.36	\$ 0.26	\$ 0.25	\$ 0.31	\$ 0.27	\$ 0.13
\$ (0.03)	\$ 0.64	\$ 0.61	\$ (2.26)	\$ 2.73	\$ 0.47	\$ 0.35	\$ 0.26	\$ 0.24	\$ 0.30	\$ 0.26	\$ 0.12
(0.11)	0.11	—	—	—	—	—	—	—	—	—	—
\$ (0.14)	\$ 0.75	\$ 0.61	\$ (2.26)	\$ 2.73	\$ 0.47	\$ 0.35	\$ 0.26	\$ 0.24	\$ 0.30	\$ 0.26	\$ 0.12
\$2,459.4		—	\$1,957.4		—	\$1,604.6	\$1,286.5	\$1,159.1	\$1,096.8	\$ 920.9	\$ 719.8
273.7		—	226.8		—	149.7	189.2	197.6	172.2	146.3	130.5
265.8		—	275.2		—	148.6	116.0	91.9	93.6	103.2	84.7
752.9		—	730.1		—	700.2	683.3	586.2	503.7	485.3	456.7
1,455.8		—	1,609.1		—	—	—	—	—	—	—
1,280.4		—	1,453.3		—	65.0	54.7	40.1	42.2	16.0	13.8
168.5		—	201.1		—	131.3	122.5	109.1	63.3	45.0	50.3
6,728.4		—	6,549.8		—	2,855.4	2,507.6	2,226.4	2,011.0	1,745.1	1,468.8
465.3 ⁽¹⁰⁾		—	492.5		—	291.3	289.6	250.0	233.4	220.5	190.7
149.7		—	149.7		—	150.0	150.0	150.0	150.0	150.4	151.2
1,054.2		—	1,280.0		—	511.6	476.4	425.3	408.9	396.3	352.0
5,674.2		—	5,269.8 ⁽⁵⁾		—	2,343.8	2,031.2	1,801.1	1,602.0	1,348.8	1,116.8
\$ 463.0		—	\$ 280.7		—	\$ 78.1	\$ 65.5	\$ 62.1	\$ 58.4	\$ 53.5	\$ 44.0
112.7		—	95.0		—	88.1	154.9	141.8	70.2	82.8	87.5
522.2		522.2	512.9		519.2	503.3	492.2	482.5	473.1	464.0	455.6
522.2	13.9	536.1	512.9	16.6	529.5	519.5	505.6	495.9	487.0	480.8	475.0
525.5		—	516.2		—	508.5	497.0	485.7	477.1	469.0	459.3
\$ 117.25		—	\$ 22.50		—	\$ 19.94	\$ 15.16	\$ 13.85	\$ 13.25**	\$ 13.38	\$ 12.63
			\$ 71.50**								
\$ 46.13		—	\$ 18.63		—	\$ 14.82	\$ 13.32	\$ 12.85	\$ 11.13**	\$ 10.44	\$ 7.82
			\$ 24.25**								
\$ 10.80		—	\$ 10.21		—	\$ 4.61	\$ 4.09	\$ 3.71	\$ 3.36	\$ 2.88	\$ 2.43
4,459			3,883			3,389	3,242	3,071	2,842	2,738	2,510

11-year financial summary footnotes (UNAUDITED)

Effective January 1, 2003, we made certain classification changes to our consolidated statements of income. Comparable amounts in the prior years have been reclassified to conform to the 2003 presentation. These classification changes included:

- a new caption titled “other income, net,” which includes realized gains and losses from the sale of certain of our biotechnology equity securities as well as changes in the recoverability of our debt securities, write-downs for other-than-temporary declines in the fair value of certain of these biotechnology debt and equity securities, interest income and interest expense, net of amounts capitalized in 2002;
- a change from the “contract and other” caption to the new “contract revenues” caption (the gains on sales of biotechnology equity securities, which were previously included in “contract and other,” are now reflected in the new “other income, net” caption); and
- a change from including write-downs of biotechnology equity securities and changes in the recoverability of our debt securities in “marketing, general and administrative” expenses to including them in the new “other income, net” caption.

The 11-year Financial Summary above reflects the Financial Accounting Standards Board Interpretation No. 46 (or FIN 46), “Consolidation of Variable Interest Entities,” in 2003, Statement of Financial Accounting Standards (or FAS) No. 141, 142, 144 and 148 in 2002, FAS 133 in 2001, The Securities and Exchange Commission’s Staff Accounting Bulletin No. 101 (or SAB 101) in 2000, FAS 130 and 131 in 1998, FAS 128 and 129 in 1997, FAS 121 in 1996 and FAS 115 in 1994.

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.

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

* Special Common Stock began trading October 26, 1995. On October 25, 1995, pursuant to the 1995 Agreement with Roche Holdings, Inc. (or Roche), each share of our Common Stock not held by Roche or its affiliates automatically converted to one share of Special Common Stock.

** 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% to 100%. On July 23, 1999, October 26, 1999, and March 29, 2000, Roche completed public offerings of our Common Stock. On January 19, 2000, Roche completed an offering of zero-coupon notes that are exchangeable for an aggregate of approximately 13 million shares of our Common Stock held by Roche. Roche’s percentage ownership was 58.4% at December 31, 2003.

(1) Non-GAAP amounts exclude (i) recurring charges related to the Redemption; (ii) litigation-related special items in 2003 comprised of Amgen and Bayer litigation settlements (net of City of Hope litigation-related charges), and in 2002 of special charges for the City of Hope judgment in the second quarter of 2002, including accrued interest and costs related to obtaining a surety bond, and certain other litigation-related matters; (iii) special charges in 1999 related to the June 30, 1999 redemption of our Special Common Stock (or Redemption) and the effects of “push-down”

accounting as required by U.S. generally accepted accounting principles; (iv) costs in 2000 and 1999 related to the sale of inventory that was written up at the Redemption; (v) the cumulative effect of accounting changes; (vi) the changes in fair value of certain derivatives recorded in “other income, net” in 2001; and (vii) all related tax effects. 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 Form 10-K for the respective years on file with the Securities and Exchange Commission (or SEC).

- (2) Reflects the impact of the adoption of FIN 46 on Consolidation of Variable Interest Entities.
- (3) Charges related to Redemption and push-down accounting (\$1,207.7 million) and legal settlements (\$230.0 million).
- (4) Primarily reflects amortization of other intangible assets in 2003, 2002, 2001, 2000 and 1999, and goodwill amortization in 2001, 2000 and 1999, related to the Redemption and push-down accounting.
- (5) Reflects the impact of the Redemption and related push-down accounting of \$5,201.9 million of excess purchase price over net book value, net of charges and accumulated amortization of goodwill and other intangible assets.
- (6) Reflects the impact of the adoption of SAB 101 on revenue recognition effective January 1, 2000.
- (7) 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.
- (8) Includes costs related to the sale of inventory that was written up at the Redemption due to push-down accounting.
- (9) Reflects the impact of the adoption of FAS 133 on Accounting for Derivative Instruments and Hedging Activities.
- (10) The \$149.7 million long-term debt was reclassified to current liabilities to reflect the March 27, 2002 maturity.
- (11) 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.
- (12) 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 \$157.6 million, net of tax, (or \$0.30 per share) in 2002, as compared to the accounting prior to the adoption of FAS 141 and 142.
- (13) Includes restricted cash.
- (14) Includes \$630.0 million of restricted cash pledged to secure a bond for the City of Hope Medical Center judgment. For further information on the City of Hope Medical Center judgment, see the “Legal Proceedings” section of Part I, Item 3 of our 2003 Form 10-K on file with the SEC.
- (15) Primarily includes charges related to 1995 merger and the 1995 Agreement with Roche (\$21.0 million).