

GENENTECH, INC.
CONSOLIDATED STATEMENTS OF INCOME DATA
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended December 31,					
	2005			2004		
	GAAP ⁽¹⁾	Difference	Non-GAAP ⁽²⁾	GAAP ⁽¹⁾	Difference	Non-GAAP ⁽²⁾
Revenues:						
Product sales	\$ 1,576,964		\$ 1,576,964	\$ 1,066,302		\$ 1,066,302
Royalties	265,099		265,099	181,220		181,220
Contract revenue and other	51,032		51,032	67,778		67,778
Total operating revenues	<u>1,893,095</u>		<u>1,893,095</u>	<u>1,315,300</u>		<u>1,315,300</u>
Costs and expenses:						
Cost of sales	244,914		244,914	205,373		205,373
Research and development	411,610		411,610	310,196		310,196
Marketing, general and administrative	429,357		429,357	299,495		299,495
Collaboration profit sharing	228,417		228,417	170,070		170,070
Recurring charges related to redemption	26,591	\$ (26,591) ⁽³⁾	-	34,534	\$ (34,534) ⁽³⁾	-
Special items: litigation-related	13,483	(13,483) ⁽⁴⁾	-	(3,189)	3,189 ⁽⁴⁾	-
Total costs and expenses	<u>1,354,372</u>	<u>(40,074)</u>	<u>1,314,298</u>	<u>1,016,479</u>	<u>(31,345)</u>	<u>985,134</u>
Operating income	538,723	40,074	578,797	298,821	31,345	330,166
Other income (expense):						
Interest and other income, net ⁽⁵⁾	43,743		43,743	24,041		24,041
Interest expense	(23,035)		(23,035)	(2,718)		(2,718)
Total other income, net	<u>20,708</u>		<u>20,708</u>	<u>21,323</u>		<u>21,323</u>
Income before taxes	559,431	40,074	599,505	320,144	31,345	351,489
Income tax provision	220,192	16,029	236,221	113,560	12,540	126,100
Net income	<u>\$ 339,239</u>	<u>\$ 24,045</u>	<u>\$ 363,284</u>	<u>\$ 206,584</u>	<u>\$ 18,805</u>	<u>\$ 225,389</u>
Earnings per share:						
Basic	<u>\$ 0.32</u>	<u>\$ 0.02</u>	<u>\$ 0.34</u>	<u>\$ 0.20</u>	<u>\$ 0.01</u>	<u>\$ 0.21</u>
Diluted	<u>\$ 0.31</u>	<u>\$ 0.03</u>	<u>\$ 0.34</u>	<u>\$ 0.19</u>	<u>\$ 0.02</u>	<u>\$ 0.21</u>
Weighted average shares used to compute earnings per share:						
Basic	<u>1,054,724</u>		<u>1,054,724</u>	<u>1,049,700</u>		<u>1,049,700</u>
Diluted	<u>1,080,152</u>		<u>1,080,152</u>	<u>1,070,708</u>		<u>1,070,708</u>

(1) Reflects operating results in accordance with U.S. generally accepted accounting principles (or GAAP).

(2) Non-GAAP amounts exclude litigation-related special items and recurring charges related to the 1999 redemption of Genentech's Special Common Stock, net of tax effects.

(3) Represents the amortization of other intangible assets related to the 1999 redemption of Genentech's Special Common Stock.

(4) Includes accrued interest and bond costs related to the City of Hope trial judgment in Q4 2005 and 2004, net of a released accrual in Q4 2004 on a litigation matter.

(5) "Interest and other income, net" includes interest income, net realized gains from the sale of certain biotechnology equity securities and write-downs for other-than-temporary impairments in the fair value of certain biotechnology debt and equity securities. For further detail, refer to our web site at www.genetec.com.

2006 Reconciliation of GAAP and Non-GAAP EPS

Our 2006 non-GAAP EPS estimate does not include: (i) recurring amortization charges related to the 1999 redemption of our stock by Roche, which are estimated to be approximately \$105 million on a pretax basis in 2006, (ii) litigation-related special items for accrued interest and associated bond costs on the City of Hope judgment and net amounts paid on other litigation settlements, which are currently estimated to be approximately \$52 million on a pretax basis in 2006, and (iii) stock compensation expense associated with Genentech's adoption of Statement of Financial Accounting Standards No. 123R on January 1, 2006, which we expect the net of tax diluted EPS impact to be in the range of \$0.15 to \$0.17 per share for 2006. Our 2006 GAAP EPS would include the items listed above as well as any other potential special charges related to existing or future litigation or its resolution, or changes in accounting principles, all of which may be significant.

GENENTECH, INC.
CONSOLIDATED STATEMENTS OF INCOME DATA
(in thousands, except per share amounts)
(unaudited)

	Year Ended December 31,					
	2005			2004		
	GAAP ⁽¹⁾	Difference	Non-GAAP ⁽²⁾	GAAP ⁽¹⁾	Difference	Non-GAAP ⁽²⁾
Revenues:						
Product sales	\$ 5,488,058		\$ 5,488,058	\$ 3,748,879		\$ 3,748,879
Royalties	935,112		935,112	641,119		641,119
Contract revenue and other	210,202		210,202	231,159		231,159
Total operating revenues	<u>6,633,372</u>		<u>6,633,372</u>	<u>4,621,157</u>		<u>4,621,157</u>
Costs and expenses:						
Cost of sales ⁽⁶⁾	1,011,069		1,011,069	672,526		672,526
Research and development	1,261,824		1,261,824	947,513		947,513
Marketing, general and administrative ⁽⁶⁾	1,435,025		1,435,025	1,088,111		1,088,111
Collaboration profit sharing	823,083		823,083	593,616		593,616
Recurring charges related to redemption	122,746	\$ (122,746) ⁽³⁾	-	145,485	\$ (145,485) ⁽³⁾	-
Special items: litigation-related	57,774	(57,774) ⁽⁴⁾	-	37,087	(37,087) ⁽⁴⁾	-
Total costs and expenses	<u>4,711,521</u>	<u>(180,520)</u>	<u>4,531,001</u>	<u>3,484,338</u>	<u>(182,572)</u>	<u>3,301,766</u>
Operating income	1,921,851	180,520	2,102,371	1,136,819	182,572	1,319,391
Other income (expense):						
Interest and other income, net ⁽⁵⁾	140,927		140,927	89,997		89,997
Interest expense	(49,929)		(49,929)	(7,400)		(7,400)
Total other income, net	<u>90,998</u>		<u>90,998</u>	<u>82,597</u>		<u>82,597</u>
Income before taxes	2,012,849	180,520	2,193,369	1,219,416	182,572	1,401,988
Income tax provision	733,858	72,207	806,065	434,600	73,031	507,631
Net income	<u>\$ 1,278,991</u>	<u>\$ 108,313</u>	<u>\$ 1,387,304</u>	<u>\$ 784,816</u>	<u>\$ 109,541</u>	<u>\$ 894,357</u>
Earnings per share:						
Basic	<u>\$ 1.21</u>	<u>\$ 0.11</u>	<u>\$ 1.32</u>	<u>\$ 0.74</u>	<u>\$ 0.11</u>	<u>\$ 0.85</u>
Diluted	<u>\$ 1.18</u>	<u>\$ 0.10</u>	<u>\$ 1.28</u>	<u>\$ 0.73</u>	<u>\$ 0.10</u>	<u>\$ 0.83</u>
Weighted average shares used to compute earnings per share:						
Basic	<u>1,054,952</u>		<u>1,054,952</u>	<u>1,055,165</u>		<u>1,055,165</u>
Diluted	<u>1,080,949</u>		<u>1,080,949</u>	<u>1,079,209</u>		<u>1,079,209</u>

(1) Reflects operating results in accordance with U.S. generally accepted accounting principles (or GAAP).

(2) Non-GAAP amounts exclude litigation-related special items and recurring charges related to the 1999 redemption of Genentech's Special Common Stock, net of tax effects.

(3) Represents the amortization of other intangible assets related to the 1999 redemption of Genentech's Special Common Stock.

(4) Includes accrued interest and bond costs related to the City of Hope trial judgment in 2005 and 2004 and net amounts paid in 2005 related to other litigation settlements, net of a released accrual in 2004 on a litigation matter.

(5) "Interest and other income, net" includes interest income, net realized gains from the sale of certain biotechnology equity securities and write-downs for other-than-temporary impairments in the fair value of certain biotechnology debt and equity securities. For further detail, refer to our web site at www.gene.com.

(6) Certain minor amounts for the nine months ended September 30, 2005 have been reclassified to conform to the current year-end presentation.

2006 Reconciliation of GAAP and Non-GAAP EPS

Our 2006 non-GAAP EPS estimate does not include: (i) recurring amortization charges related to the 1999 redemption of our stock by Roche, which are estimated to be approximately \$105 million on a pretax basis in 2006, (ii) litigation-related special items for accrued interest and associated bond costs on the City of Hope judgment and net amounts paid on other litigation settlements, which are currently estimated to be approximately \$52 million on a pretax basis in 2006, and (iii) stock compensation expense associated with Genentech's adoption of Statement of Financial Accounting Standards No. 123R on January 1, 2006, which we expect the net of tax diluted EPS impact to be in the range of \$0.15 to \$0.17 per share for 2006. Our 2006 GAAP EPS would include the items listed above as well as any other potential special charges related to existing or future litigation or its resolution, or changes in accounting principles, all of which may be significant.

GENENTECH, INC.
CONSOLIDATED BALANCE SHEETS DATA
(in thousands)
(unaudited)

	December 31,	
	2005	2004
Selected balance sheet data:		
Cash, cash equivalents and short-term investments	\$ 2,365,161	\$ 1,665,105
Accounts receivable - product sales, net	554,455	599,052
Accounts receivable - royalties, net	296,664	217,482
Accounts receivable - other, net	232,297	143,421
Inventories	702,515	590,343
Long-term marketable debt and equity securities	1,448,731	1,115,327
Property, plant and equipment, net	3,349,352	2,091,404
Goodwill	1,315,019	1,315,019
Other intangible assets	573,779	668,391
Other long-term assets	1,041,219	787,914
Total assets	12,146,879	9,403,395
Total current liabilities	1,659,832	1,238,030
Total liabilities	4,677,295 ⁽⁴⁾	2,621,205
Total stockholders' equity	7,469,584	6,782,190
Year-to-date:		
Capital expenditures	\$ 1,399,824 ⁽⁵⁾	\$ 649,858
Total GAAP ⁽¹⁾ depreciation and amortization expense	370,166	353,221
Less: redemption related amortization expense ⁽³⁾	(122,746)	(145,485)
Non-GAAP ⁽²⁾ depreciation and amortization expense	<u>\$ 247,420</u>	<u>\$ 207,736</u>

(1) In accordance with U.S. generally accepted accounting principles (or GAAP).

(2) Non-GAAP amounts exclude amortization of other intangible assets related to the 1999 redemption of Genentech's Special Common Stock.

(3) Represents the amortization of other intangible assets related to the 1999 redemption of Genentech's Special Common Stock.

(4) Includes approximately \$2 billion related to our debt issuance in July 2005.

(5) Excludes approximately \$94 million in capitalized costs related to our accounting for a construction project which we are considered to be the owner of during the construction period. We have recognized a corresponding amount as a construction financing obligation in long-term debt.

GENENTECH, INC.
NET PRODUCT SALES DETAIL
(in thousands)
(unaudited)

	Three Months Ended December 31,	
	2005	2004
Net U.S. Product Sales		
Rituxan	\$ 484,404	\$ 429,184
Herceptin	250,069	125,952
Avastin	359,110	190,546
Nutropin products	94,891	91,894
Thrombolytics	58,389	47,300
Pulmozyme	49,008	42,757
Xolair	93,250	60,340
Raptiva	20,453	16,421
Tarceva	83,891	13,348
Total U.S. product sales	<u>1,493,465</u>	<u>1,017,742</u>
Net product sales to collaborators	83,499	48,560
Total Product Sales	<u>\$ 1,576,964</u>	<u>\$ 1,066,302</u>
	Year Ended December 31,	
	2005	2004
Net U.S. Product Sales		
Rituxan	\$ 1,831,529	\$ 1,573,997
Herceptin	747,274	478,948
Avastin	1,132,805	544,680
Nutropin products	370,461	348,790
Thrombolytics	218,494	194,433
Pulmozyme	186,490	157,097
Xolair	320,433	187,672
Raptiva	79,256	52,392
Tarceva	274,884	13,348
Total U.S. product sales	<u>5,161,626</u>	<u>3,551,357</u>
Net product sales to collaborators	326,432	197,522
Total Product Sales	<u>\$ 5,488,058</u>	<u>\$ 3,748,879</u>