

GENENTECH, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)
(Unaudited)

| | Three Months | | Six Months | |
|--|----------------|----------------|-----------------|----------------|
| | Ended June 30, | | Ended June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Revenues: | | | | |
| Product sales | \$ 2,443 | \$ 1,810 | \$ 4,773 | \$ 3,454 |
| Royalties | 484 | 316 | 903 | 602 |
| Contract revenue | 77 | 73 | 171 | 129 |
| Total operating revenues | <u>3,004</u> | <u>2,199</u> | <u>5,847</u> | <u>4,185</u> |
| Costs and expenses: | | | | |
| Cost of sales (includes employee stock-based compensation expense: three months–2007–\$16; 2006–\$0; six months–2007–\$33; 2006–\$0) | 429 | 284 | 821 | 546 |
| Research and development (includes employee stock-based compensation expense: three months–2007–\$39; 2006–\$34; six months–2007–\$77; 2006–\$67) | 603 | 390 | 1,213 | 764 |
| Marketing, general and administrative (includes employee stock-based compensation expense: three months–2007–\$47; 2006–\$41; six months–2007–\$93; 2006–\$82) | 532 | 471 | 1,023 | 912 |
| Collaboration profit sharing | 277 | 259 | 529 | 485 |
| Recurring charges related to redemption | 26 | 26 | 52 | 52 |
| Special items: litigation-related | 13 | 14 | 26 | 27 |
| Total costs and expenses | <u>1,880</u> | <u>1,444</u> | <u>3,664</u> | <u>2,786</u> |
| Operating income | 1,124 | 755 | 2,183 | 1,399 |
| Other income (expense): | | | | |
| Interest and other income, net ⁽¹⁾ | 75 | 121 | 149 | 174 |
| Interest expense | (17) | (18) | (35) | (37) |
| Total other income, net | <u>58</u> | <u>103</u> | <u>114</u> | <u>137</u> |
| Income before taxes | 1,182 | 858 | 2,297 | 1,536 |
| Income tax provision | 435 | 327 | 844 | 584 |
| Net income | <u>\$ 747</u> | <u>\$ 531</u> | <u>\$ 1,453</u> | <u>\$ 952</u> |
| Earnings per share: | | | | |
| Basic | <u>\$ 0.71</u> | <u>\$ 0.50</u> | <u>\$ 1.38</u> | <u>\$ 0.90</u> |
| Diluted | <u>\$ 0.70</u> | <u>\$ 0.49</u> | <u>\$ 1.36</u> | <u>\$ 0.89</u> |
| Weighted average shares used to compute earnings per share: | | | | |
| Basic | <u>1,053</u> | <u>1,053</u> | <u>1,053</u> | <u>1,054</u> |
| Diluted | <u>1,070</u> | <u>1,073</u> | <u>1,071</u> | <u>1,074</u> |

(1) "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 equity securities. For further detail, refer to our web site at www.gene.com.

GENENTECH, INC.
RECONCILIATION OF GAAP to NON-GAAP NET INCOME
(In millions, except per share amounts)
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------------|------------------------------|-----------------|
| | 2007 | 2006 | 2007 | 2006 |
| GAAP net income | \$ 747 | \$ 531 | \$ 1,453 | \$ 952 |
| Employee stock-based compensation expense under FAS 123R ⁽¹⁾ included in the following operating expenses: | | | | |
| Cost of sales | 16 | - | 33 | - |
| Research and development | 39 | 34 | 77 | 67 |
| Marketing, general and administrative | 47 | 41 | 93 | 82 |
| Recurring charges related to redemption ⁽²⁾ | 26 | 26 | 52 | 52 |
| Special items: litigation-related ⁽³⁾ | 13 | 14 | 26 | 27 |
| Income tax effect ⁽⁴⁾ | (54) | (44) | (107) | (87) |
| Non-GAAP net income | <u>\$ 834</u> | <u>\$ 602</u> | <u>\$ 1,627</u> | <u>\$ 1,093</u> |
| Non-GAAP earnings per share: | | | | |
| Diluted | <u>\$ 0.78</u> | <u>\$ 0.56</u> | <u>\$ 1.52</u> | <u>\$ 1.02</u> |
| Non-GAAP weighted average shares used to compute earnings per share ⁽⁵⁾ : | | | | |
| Diluted | <u>1,068</u> | <u>1,074</u> | <u>1,070</u> | <u>1,075</u> |

- (1) Represents employee stock-based compensation expense associated with FAS 123R. No employee stock-based compensation expense was recognized in GAAP-reported cost of sales in any period ending prior to January 1, 2007.
- (2) Represents the amortization of intangible assets related to the 1999 redemption of our common stock by Roche Holdings, Inc.
- (3) Includes accrued interest and bond costs in the second quarters and first six months of 2007 and 2006 related to the City of Hope trial judgment.
- (4) Reflects the income tax effects of excluding employee stock-based compensation expense under FAS 123R, recurring charges related to the redemption of our common stock, and litigation-related special items.
- (5) 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.

Reconciliation of 2007 GAAP and Non-GAAP EPS Estimates

Our 2007 non-GAAP EPS estimate excludes the effects of: (i) recurring amortization charges related to the 1999 redemption of our common stock by Roche Holdings, Inc. which are estimated to be approximately \$104 million on a pretax basis in 2007, (ii) litigation-related special items for accrued interest and associated bond costs on the City of Hope judgment which are currently estimated to be approximately \$54 million on a pretax basis in 2007, (iii) income tax effect of \$63 million on recurring charges related to the redemption of our common stock and litigation-related special items, (iv) employee stock-based compensation expense, which we expect the net of tax diluted EPS impact to be in the range of \$0.23 to \$0.25 per share for 2007, and (v) any in-process R&D charge and amortization of intangible assets that would result if we acquire Tanox, Inc. Our 2007 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 or adoption of accounting principles, all of which may be significant.

The statements regarding the amounts relating to the 1999 Roche redemption of our common stock, litigation-related special items and employee stock-based compensation expense are forward-looking and such statements are predictions and involve risks and uncertainties such that actual results may differ materially. The amounts identified above could be affected by a number of factors, including a re-valuation of certain intangible assets, greater than expected litigation-related costs, the number of options granted to employees, our stock price and certain valuation assumptions concerning our stock. We disclaim, and do not undertake, any obligation to update or revise any of these forward-looking statements.

GENENTECH, INC.
SELECTED CONSOLIDATED FINANCIAL DATA

(In millions)

(Unaudited)

| | June 30, 2007 | December 31, 2006 |
|---|--------------------------|------------------------------|
| Selected consolidated balance sheet data: | | |
| Cash, cash equivalents and short-term investments | \$ 3,195 | \$ 2,493 |
| Accounts receivable - product sales, net | 1,067 | 965 |
| Accounts receivable - royalties, net | 514 | 453 |
| Accounts receivable - other, net | 178 | 248 |
| Inventories | 1,365 | 1,178 |
| Long-term marketable debt and equity securities | 1,883 | 1,832 |
| Property, plant and equipment, net | 4,563 | 4,173 |
| Goodwill | 1,315 | 1,315 |
| Other intangible assets | 427 | 476 |
| Other long-term assets | 1,472 | 1,342 |
| Total assets | 16,359 | 14,842 |
| Total current liabilities ⁽¹⁾ | 1,989 | 2,010 |
| Long-term debt ⁽²⁾ | 2,307 | 2,204 |
| Total liabilities | 5,508 | 5,364 |
| Total stockholders' equity | 10,851 | 9,478 |

| | Six Months Ended June 30, | |
|---|----------------------------------|-------------|
| | 2007 | 2006 |
| Selected consolidated cash flow data: | | |
| Capital expenditures ⁽²⁾ | \$ 475 | \$ 538 |
| Total GAAP ⁽³⁾ depreciation and amortization expense | 215 | 199 |
| Less: redemption-related amortization expense ⁽⁴⁾ | (52) | (52) |
| Non-GAAP depreciation and amortization expense | \$ 163 | \$ 147 |

(1) Certain reclassifications have been made at December 31, 2006 to conform to the June 30, 2007 presentation.

(2) Capital expenditures exclude approximately \$101 million at June 30, 2007 and \$61 million at June 30, 2006 in capitalized costs related to our accounting for construction projects for which we are considered to be the owner during the construction period. We have recognized related amounts as a construction financing obligation in long-term debt. The balances in long-term debt related to the construction financing obligation are \$322 million at June 30, 2007 and \$216 million at December 31, 2006.

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

(4) Represents the amortization of intangible assets related to the 1999 redemption of our common stock by Roche Holdings, Inc.