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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 11-K**

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(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2001

OR

**TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .

Commission file number: 1-9813

**GENENTECH, INC. TAX REDUCTION INVESTMENT PLAN**

(Full title of the Plan)

**GENENTECH, INC.**

(Name of issuer of the securities held pursuant to the Plan)

**1 DNA Way, South San Francisco, California 94080-4990**

(Address of principal executive offices and zip code)

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**Genentech, Inc. Tax Reduction Investment Plan  
Index to Financial Statements**

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In this report, "Genentech," "we," "us" and "our" refer to Genentech, Inc. "Common Stock" refers to Genentech's Common Stock, par value \$0.02 per share. All numbers related to the number of shares, price per share and per share amounts of Common Stock give effect to the two-for-one split of our Common Stock in October 2000.

**Genentech, Inc. Tax Reduction Investment Plan**  
**Statements of Net Assets Available for Benefits**

|  | <b>December 31,</b> |                 |
|--|---------------------|-----------------|
|  | <b>2001</b>         | <b>2000</b>     |
| <b>ASSETS:</b>                               |                     |                 |
| Investments, at fair value                   | \$ 302,186,320      | \$ 317,410,543  |
| <b>Receivables:</b>                          |                     |                 |
| Contribution receivable from Genentech, Inc. | 11,859,499          | 10,127,033      |
| Investment income receivable                 | -                   | 1,090           |
| Amounts due from broker                      | 46,251              | 285,548         |
| Total receivables                            | 11,905,750          | 10,413,671      |
| <br>Total assets                             | <br>314,092,070     | <br>327,824,214 |
| <br><b>LIABILITIES:</b>                      |                     |                 |
| Amounts due to broker                        | 59,813              | 143,460         |
| Net assets available for benefits            | \$ 314,032,257      | \$ 327,680,754  |

See accompanying notes.

**Genentech, Inc. Tax Reduction Investment Plan**  
**Statement of Changes in Net Assets Available for Benefits**

|                                    | <b>Year Ended<br/>December 31, 2001</b> |
|------------------------------------|---|
| <b>ADDITIONS:</b>                  |   |
| Investment income (loss):          |   |
| Interest and dividends             | \$ 5,752,036                            |
| Realized and unrealized loss, net  | <u>(47,715,943)</u>                     |
| Total investment loss              | (41,963,907)                            |
| <br>                               |   |
| Contributions:                     |   |
| Basic                              | 26,563,001                              |
| Rollover                           | 3,644,706                               |
| Employer match                     | <u>11,866,585</u>                       |
| Total contributions                | <u>42,074,292</u>                       |
| <br>                               |   |
| Total additions                    | 110,385                                 |
| <br>                               |   |
| <b>DEDUCTIONS:</b>                 |   |
| Benefit payments                   | 13,746,465                              |
| Administrative expenses            | <u>12,417</u>                           |
| Total deductions                   | <u>13,758,882</u>                       |
| <br>                               |   |
| Net decrease                       | (13,648,497)                            |
| Net assets available for benefits: |   |
| Beginning of year                  | <u>327,680,754</u>                      |
| End of year                        | <u><u>\$ 314,032,257</u></u>            |

See accompanying notes.

**Genentech, Inc. Tax Reduction Investment Plan**  
**Notes to Financial Statements**

**(1) DESCRIPTION OF THE PLAN**

**General**

The following description of the Genentech, Inc. Tax Reduction Investment Plan, or the Plan, provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

The Plan is a defined contribution plan and was established, effective January 1, 1985, by Genentech for the benefit of its eligible employees. This Plan is based on employee systematic salary reductions. The employee's salary is reduced by the amount elected to be saved on a pre-tax basis, or salary deferral contributions, and is then invested by the Plan based on the employee's investment elections. An individual employee's account is credited with earnings or losses on a pro rata basis as the actual investment funds report their earnings performance.

Individuals eligible to participate under the Plan must be employees of Genentech or employees of an affiliate of Genentech that adopts the Plan with the approval of the Board of Directors. Such employees become eligible immediately upon hire. However, the following employees or classes of employees are not eligible to participate: (i) any employee who is classified as temporary by Genentech, unless such employee has completed at least 1,000 hours of service in a 12-month period beginning on his or her hire date or any anniversary thereof; (ii) any part-time employee normally scheduled to work less than 20 hours per week, unless such employee has completed at least 1,000 hours of service in a 12-month period beginning on his or her hire date or any anniversary thereof; (iii) any employee who is a member of a collective bargaining unit and who is covered by a collective bargaining agreement where retirement benefits were the subject of good faith bargaining, unless the agreement specifically provides coverage of such employee under the Plan; (iv) any individual employed by any corporation or other business entity that is merged or liquidated into Genentech, unless Genentech designates such employees as eligible employees; (v) any employee paid from a non-U.S. payroll; or (vi) any employee classified or treated as an independent contractor, consultant, leased employee (as defined under the Internal Revenue Code of 1986, as amended (the Code)), or an employee of an employment agency or other entity, even if subsequently determined to have been a common-law employee of Genentech.

**Contributions**

We match a portion of employee contributions, up to a maximum of 4% of a participant's eligible compensation, or the Match. The Match is effective December 31st of each year, or the Effective Date, and contributions under the Match are fully vested at that time. The Match is funded in the first quarter of the subsequent year to all participants employed by Genentech on the Effective Date.

Salary deferral contributions, or basic contributions, are accrued and vested when deducted from employee pay; the Match is accrued and fully (100%) vested on the Effective Date; and qualified rollover contributions are recorded and vested when received by Fidelity Management Trust Company, or the Plan Trustee. All contributions are invested pursuant to participants' directions to the Plan Trustee after receipt of contributions by the Plan Trustee. Participants may change the amount of contributions (as a percentage reduction of pre-tax eligible compensation) at any time by contacting the Plan Trustee. Transfers between funds and changes in investment allocations can be made at any time, up to ten times per year, effective upon direction by the participant to the Plan Trustee.

Subject to limitations of the Code, each participant in the Plan could elect to defer up to the lower of \$10,500 or 15% in 2001 and 2000 of his or her eligible compensation.

## **Notes to Financial Statements - (Continued)**

### **Investment Options**

Each participant could direct the investment of his or her contributions to any available investment funds of the Plan (or any combination thereof). A detailed description of these investment fund options is provided in the Plan document.

### **Participant Accounts**

Each participant's account is credited with the participant's contribution, the Match and Plan earnings. All amounts contributed to the Plan are deposited in a trust account with the Plan Trustee. The Plan Trustee has blanket bond insurance covering the full market value of the securities and investments of which it has custody. Generally, the Plan Trustee's fees and expenses are paid by the Plan Sponsor and are not charged to the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

### **Participant Loans**

Loans are made to Plan participants at fixed interest rates (presently 2% above the then-current bank prime interest rate), subject to certain restrictions, principally related to a participant's account balance, permissible loan amount, and repayment through payroll withholding. Loans are repaid through monthly payroll deductions over three or five years, or fifteen years if the purpose of the loan is to purchase a participant's principal residence.

### **Conditions of Withdrawal**

Distributions under the Plan are made upon a participant's death, disability, retirement or other termination of employment with us, attainment of age 70-1/2 (applicable only to participants who own 5% or more of the Company's stock), or authorized exercise of his or her withdrawal rights under the Plan. Upon termination, a participant must consent to a distribution unless the balance credited to his or her account under the Plan does not exceed and has not exceeded \$5,000. Distributions are made upon receipt of the participant's or beneficiary's election directing the method of distribution.

Anytime prior to termination of employment with us, the Plan administrative committee may grant a participant's request for a withdrawal from the participant's account if the Plan administrative committee makes a determination that such withdrawal is necessary in light of the immediate and heavy financial needs of the participant and is in accordance with the requirements of the Code and regulations promulgated thereunder. In addition, a Plan participant may withdraw up to the entire balance of his or her Plan account if over age 59-1/2 at the time of withdrawal.

### **Plan Termination**

Our Board of Directors has the right under the Plan to alter, amend or terminate the Plan, or any part thereof, in such a manner as it may determine. If the Plan is terminated, the interests of all Plan members would remain fully (100%) vested and nonforfeitable. The balances credited to their accounts would remain with the Plan Trustee until they become distributable in accordance with the Plan.

**Notes to Financial Statements - (Continued)**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Investment Valuation and Income Recognition**

Investments are stated at fair market value at year end. Investments in mutual funds are valued at the last quoted price on the last business day of the year, which for the mutual funds represents the net asset values of shares held by the Plan at year end. Money market funds are valued on the basis of historical cost plus accrued interest that approximates fair value. Participant loans are valued at their outstanding balance, which approximates fair value. Genentech Common Stock is valued at the quoted market price on the last day of the plan year.

All security transactions are recorded on the trade date. Gains and losses on the disposals of investments are determined based on the average cost of all securities. Dividend income is recorded on the effective date of a declared dividend. Income from other investments is recorded as earned on an accrual basis.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**(3) INVESTMENTS**

The Plan Trustee holds the Plan's investments and executes all investment transactions. During 2001, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated (depreciated) in fair value as determined by quoted market prices as follows:

|              | <b>Net Realized and Unrealized<br/>Depreciation in<br/>Fair Value of Investments</b> |
|--------------|--|
| Common stock | \$ (5,533,603)   |
| Mutual funds | (42,182,340)   |
|              | <b>\$ (47,715,943)</b>   |

The fair value of individual investments that represent 5% or more of the Plan's net assets is as follows:

|  | <b>December 31,</b> |               |
|--|---------------------|---------------|
|  | <b>2001</b>         | <b>2000</b>   |
| Janus Worldwide Fund                         | \$ 17,528,991       | \$ 20,505,009 |
| Genentech Common Stock                       | 19,997,255          | 16,598,127    |
| Fidelity Magellan Fund                       | 61,893,279          | 68,732,912    |
| Fidelity Growth Company Fund                 | 50,938,626          | 66,659,833    |
| Fidelity Growth & Income Portfolio           | 45,745,883          | 49,667,493    |
| Fidelity Balanced Fund                       | 15,812,989          | 16,484,757    |
| Fidelity Retirement Money Market Portfolio   | 30,201,955          | 27,430,817    |
| Fidelity Spartan U.S. Equity Index Portfolio | 21,460,423          | 21,833,668    |

**Notes to Financial Statements - (Continued)**

**(4) INCOME TAX STATUS**

The Plan has received a determination letter from the Internal Revenue Service dated September 25, 1995, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Subsequent to the issuance of the determination letter, the Plan was amended and restated. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended and restated, is qualified and the related trust is tax exempt.

**(5) RELATED PARTY TRANSACTIONS**

Transactions in shares of Genentech Common Stock qualify as party-in-interest transactions under the provisions of ERISA. During 2001, the Plan made purchases of approximately \$10.0 million and sales of approximately \$6.6 million of Genentech Common Stock.

**(6) RECONCILIATION TO FORM 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2001 and 2000:

|  | <b>December 31,</b> |                |
|--|---------------------|----------------|
|  | <b>2001</b>         | <b>2000</b>    |
| Net assets available for benefits per the financial statements | \$ 314,032,257      | \$ 327,680,754 |
| Less: Amounts allocated to withdrawn participants              | -                   | 36,676         |
| Net assets available for benefits per the Form 5500            | \$ 314,032,257      | \$ 327,644,078 |

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500 for the year ended December 31, 2001:

|   |               |
|---|---------------|
| Benefit payments per the financial statements                             | \$ 13,746,465 |
| Less: Amounts allocated to withdrawn participants as of December 31, 2000 | 36,676        |
| Benefit payments per the Form 5500  | \$ 13,709,789 |

Amounts allocated to withdrawn participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to year-end but not yet paid.



## REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Participants and Plan Administrative Committee of the  
Genentech, Inc. Tax Reduction Investment Plan

We have audited the accompanying statements of net assets available for benefits of the Genentech, Inc. Tax Reduction Investment Plan as of December 31, 2001 and 2000, and the related statement of changes in net assets available for benefits for the year ended December 31, 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2001 and 2000, and the changes in its net assets available for benefits for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2001, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Ernst & Young LLP*

Palo Alto, California  
May 31, 2002

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan administrator has duly caused this annual report to be signed by the undersigned hereunto duly authorized.

Genentech, Inc. Tax Reduction Investment Plan  
by Genentech, Inc., Plan Administrator

Date: June 10, 2002

/s/ LOUIS J. LAVIGNE, JR.  
Louis J. Lavigne, Jr.  
Executive Vice President and  
Chief Financial Officer  
and Plan Administrative Committee  
Member for Genentech, Inc.  
Tax Reduction Investment Plan

Date: June 10, 2002

/s/ R. GUY KRAINES  
R. Guy Kraines  
Vice President, Corporate Information  
Technology and  
Plan Administrative Committee  
Member for Genentech, Inc.  
Tax Reduction Investment Plan

**Genentech, Inc. Tax Reduction Investment Plan**  
 EIN: 94-2347624, Plan #001  
 Schedule H, Line 4i - Schedule of Assets (Held At End of Year)  
 December 31, 2001

| (a)   | (b)  | (c) | (e)              |
|---|--|-----|------------------|
| Identity of issue, borrower,<br>lessor or similar party | Description of investment<br>including maturity date, rate of<br>interest, collateral, par, or<br>maturity value | (2) | Current<br>Value |
| <b>MUTUAL FUNDS:</b>                                    |  |     |                  |
| * Fidelity Magellan Fund                                | 593,871 shares   | \$  | 61,893,279       |
| * Fidelity Growth Company Fund                          | 957,133 shares   |     | 50,938,626       |
| * Fidelity Growth & Income Portfolio                    | 1,223,806 shares   |     | 45,745,883       |
| * Fidelity Intermediate Bond Fund                       | 227,287 shares   |     | 2,345,598        |
| * Fidelity Overseas Fund                                | 114,825 shares   |     | 3,148,514        |
| * Fidelity Balanced Fund                                | 1,061,274 shares   |     | 15,812,989       |
| * Fidelity Asset Manager Fund                           | 65,535 shares  |     | 1,015,798        |
| * Fidelity Asset Manager: Growth Fund                   | 135,705 shares   |     | 1,946,006        |
| * Fidelity Asset Manager: Income Fund                   | 31,133 shares  |     | 352,731          |
| * Fidelity Spartan U.S. Equity Index Portfolio          | 528,062 shares   |     | 21,460,423       |
| PIMCO Total Return Fund                                 | 751,664 shares   |     | 7,862,404        |
| MSIFT High Yield Portfolio                              | 193,635 shares   |     | 1,086,294        |
| Neuberger & Berman Genesis Trust                        | 200,469 shares   |     | 5,835,656        |
| RS Emerging Growth Fund                                 | 66,008 shares  |     | 2,112,903        |
| INVESCO Total Return Fund                               | 295,108 shares   |     | 7,380,656        |
| Janus Worldwide Fund                                    | 399,840 shares   |     | 17,528,991       |
| Domini Social Equity Fund                               | 17,312 shares  |     | 473,835          |
| <b>MONEY MARKET FUNDS:</b>                              |  |     |                  |
| * Fidelity Retirement Money Market Portfolio            | 30,201,955 shares  |     | 30,201,955       |
| * Interest bearing cash                                 | 268,607 shares   |     | 268,607          |
| <b>COMMON STOCK:</b>                                    |  |     |                  |
| * Genentech Common Stock Fund                           | 368,613 shares   |     | 19,997,255       |
| * Participant Loans                                     | (1)  |     | 4,777,917        |
| Total Investments                                       |  |     | \$ 302,186,320   |

(1) Maturing at various dates through 2016 at interest rates ranging from 6.75% to 11.50%.

(2) Cost information is not provided as all investments are participant directed.

\* Indicates party-in-interest to the Plan.

**Genentech, Inc. Tax Reduction Investment Plan**  
Index of Exhibits Filed with Form 11-K  
For the Year Ended December 31, 2001

| <u>Exhibit<br/>Number</u> | <u>Description</u>  | <u>Sequential<br/>Page Numbers</u> |
|---------------------------|---|------------------------------------|
| 23                        | Consent of Ernst & Young LLP, Independent Auditors,<br>filed with this document | 23                                 |

**CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS**

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-94749) pertaining to the Genentech, Inc. Tax Reduction Investment Plan of our report dated May 31, 2002, with respect to the financial statements and supplemental schedule of the Genentech, Inc. Tax Reduction Investment Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2001.

*Ernst + Young LLP*

Palo Alto, California  
June 10, 2002