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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **July 11, 2005**

**GENENTECH, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**1-9813**  
(Commission  
File Number)

**94-2347624**  
(I.R.S. Employer  
Identification No.)

**1 DNA Way**  
**South San Francisco, California 94080-4990**  
(Address of principal executive offices and Zip Code)

Registrant's telephone number, including area code: **(650) 225-1000**

**Not Applicable**  
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On July 11, 2005, Genentech, Inc., a Delaware corporation, issued a press release announcing earnings for the quarter ended June 30, 2005. A copy of the earnings press release is furnished as Exhibit 99.1 to this report.

The attached press release contains both GAAP and non-GAAP financial measures. The non-GAAP financial measures included are net income and earnings per share (or EPS). These non-GAAP financial measures exclude recurring charges related to the redemption of our callable puttable common stock on June 30, 1999 (the "Redemption") and the effects of push-down accounting and litigation-related special items, and their related tax effects. Non-GAAP financial measures should be considered in addition to, and not as a substitute for, or superior to, financial measures prepared in accordance with GAAP.

The press release includes non-GAAP financial measures because our management uses this information to monitor and evaluate Genentech's operating results and trends on an on-going basis. Our management believes the non-GAAP information is also useful for investors because the amounts relating to the Redemption and push-down accounting and the litigation-related special items that are excluded were the result of transactions that are unusual due to their nature, size or infrequency. Consequently, excluding those items from our operating results provides users of the financial statements an important insight into our operating results and related trends that affect our business. In addition, our management uses non-GAAP financial information and measures internally for operating, budgeting and financial planning purposes.

## **ITEM 8.01. OTHER EVENTS**

A copy of our condensed consolidated statements of income and balance sheets for the quarter ended June 30, 2005, prepared in accordance with GAAP is filed as Exhibit 99.2 to this report.

## **ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS**

(c) Exhibits.

### Exhibit No.

|      |  |
|------|--|
| 99.1 | Earnings Press Release of Genentech, Inc. dated July 11, 2005. |
| 99.2 | Condensed Consolidated Statements of Income and Balance Sheets |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GENENTECH, INC.

Date: July 11, 2005

/s/ARTHUR D. LEVINSON

Arthur D. Levinson, Ph.D.  
Chairman and Chief Executive Officer

Date: July 11, 2005

/s/DAVID A. EBERSMAN

David A. Ebersman  
Senior Vice President and  
Chief Financial Officer

Date: July 11, 2005

/s/JOHN M. WHITING

John M. Whiting  
Vice President, Controller and  
Chief Accounting Officer

## EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--------------------|
|--------------------|--------------------|

|      |  |
|------|--|
| 99.1 | Earnings Press Release of Genentech, Inc. dated July 11, 2005. |
| 99.2 | Condensed Consolidated Statements of Income and Balance Sheets |



## ***NEWS RELEASE***

Media Contact: Debra Charlesworth (650) 225-2742  
Caroline Pecquet (650) 467-7078  
Investor Contact: Kathee Littrell (650) 225-1034  
<http://www.gene.com>

### **GENENTECH ANNOUNCES SECOND QUARTER 2005 RESULTS**

*-- Total Product Sales Grow 39 Percent; Non-GAAP Net Income Increases 63 Percent --*

*-- Nine FDA Filings Anticipated --*

**SOUTH SAN FRANCISCO, Calif. -- July 11, 2005** -- Genentech, Inc. (NYSE: DNA) today announced financial results for the second quarter of 2005. Key results for the second quarter of 2005 included:

- Total product sales of \$1,274.1 million, a 39 percent increase over product sales of \$913.4 million in the second quarter of 2004
- Operating revenues of \$1,526.8 million, a 35 percent increase over operating revenues of \$1,128.2 million in the second quarter of 2004
- Non-GAAP earnings per share increase of 58 percent to \$0.30 per share from \$0.19 per share in the second quarter of 2004; GAAP earnings per share increase of 69 percent to \$0.27 per share from \$0.16 per share in the second quarter of 2004
- Non-GAAP net income increase of 63 percent to \$328.6 million from \$201.8 million in the second quarter of 2004; GAAP net income increase of 73 percent to \$296.2 million from \$170.8 million in the second quarter of 2004

"Our recent clinical and financial successes are built on decades of rigorous efforts to continuously follow the science and focus on the patient. We have demonstrated continued strong growth this past quarter, achieving significant increases in product sales, revenues and earnings

per share," said Arthur D. Levinson, Ph.D., Genentech's chairman and chief executive officer. "Moving forward, we remain focused on strong execution that will allow us to pursue breakthrough therapies and the achievement of our Horizon 2010 goals."

"We are currently expecting year-over-year non-GAAP earnings per share for 2005 to increase by greater than 35 percent, relative to 2004," said David Ebersman, senior vice president and chief financial officer.

**Note:** Genentech's non-GAAP net income and non-GAAP earnings per share exclude recurring charges related to the 1999 Roche redemption of Genentech's stock and litigation-related special items. The differences in non-GAAP and GAAP numbers are reconciled in the tables below and on [www.gene.com](http://www.gene.com). All share and per share amounts reflect the May 2004 two-for-one split of Genentech common stock.

## **Product Sales**

### **For the three months ended June 30, 2005:**

- Total product sales, comprised of U.S. product sales and product sales to collaborators (primarily ex-U.S. sales), increased 39 percent to \$1,274.1 million from \$913.4 million in the second quarter of 2004.
- U.S. product sales increased 39 percent to \$1,215.9 million from U.S. product sales of \$872.5 million in the second quarter of 2004.
- U.S. sales of Avastin™ (bevacizumab) increased 85 percent to \$245.7 million, from U.S. sales of \$133.0 million in the second quarter of 2004. Sequential quarter-over-quarter Avastin sales increased 21 percent from first quarter 2005 U.S. sales of \$202.9 million.
- U.S. sales of Tarceva™ (erlotinib) were \$70.2 million. Sequential quarter-over-quarter Tarceva sales increased 47 percent from first quarter 2005 U.S. sales of \$47.6 million. Tarceva was launched in the United States in November 2004.
- U.S. sales of Rituxan® (Rituximab) increased 15 percent to \$450.3 million, from U.S. sales of \$390.0 million in the second quarter of 2004.
- U.S. sales of Herceptin® (Trastuzumab) increased 29 percent to \$152.4 million, from U.S. sales of \$118.0 million in the second quarter of 2004.

- U.S. sales of Xolair® (Omalizumab) increased 84 percent to \$80.4 million, from U.S. sales of \$43.6 million in the second quarter of 2004.
- U.S. sales of RAPTIVA® (efalizumab) increased 59 percent to \$21.3 million, from U.S. sales of \$13.4 million in the second quarter of 2004.
- U.S. sales of legacy products, including growth hormone, cardiovascular products and Pulmozyme® (dornase alfa, recombinant) Inhalation Solution, increased 12 percent to \$195.6 million, from U.S. sales of \$174.5 million in the second quarter of 2004.
- Product sales to collaborators increased 42 percent to \$58.2 million, from sales of \$40.9 million in the second quarter of 2004. Product sales to collaborators primarily consisted of shipments of Rituxan and Pulmozyme for the ex-U.S. markets and Enbrel for the U.S. market.

#### **Royalties and Contract Revenues**

- Royalties increased 32 percent to \$200.3 million from \$151.9 million in the second quarter of 2004.
- Contract revenues decreased 17 percent to \$52.4 million from \$62.9 million in the second quarter of 2004.

#### **Total Costs and Expenses**

- Cost of sales increased 44 percent to \$269.5 million from \$186.7 million in the second quarter of 2004, primarily due to higher product sales and charges of \$41.0 million to cancel certain manufacturing obligations. Cost of sales as a percentage of product sales was 21 percent compared to 20 percent in the second quarter of 2004.
- Research and development (R&D) expenses increased 31 percent to \$278.1 million from \$212.9 million in the second quarter of 2004. R&D expenses as a percentage of operating revenues were 18 percent compared to 19 percent in the second quarter of 2004.
- Marketing, general and administrative (MG&A) expenses increased 29 percent to \$356.6 million from \$276.7 million in the second quarter of 2004. MG&A expenses as a percentage of operating revenues decreased to 23 percent compared to 25 percent in the second quarter of 2004.

- Collaboration profit-sharing expenses in the second quarter of 2005 increased 37 percent to \$198.8 million from \$145.2 million in the second quarter of 2004. The growth in these expenses is attributable to higher Rituxan, Tarceva, and Xolair sales.
- Genentech's income tax rate for the second quarter of 2005 decreased from the prior year and the prior quarter primarily as the result of a one-time benefit from recognizing additional R&D tax credits. The one-time benefit is based upon new regulations recently issued by the U.S. Department of Treasury that are favorable for Genentech.

### **Clinical Development**

"I am tremendously pleased that our efforts to discover and develop potential therapies may change clinical practice and improve the lives of patients. We are actively working with the FDA to prioritize the nine potential filings relating to our significant Phase III trial results, while we continue to develop more than 30 projects in the pipeline primarily in our oncology and immunology focus areas," said Susan D. Hellmann, M.D., M.P.H., president of Product Development. "We currently anticipate filing Herceptin for adjuvant breast cancer in the first quarter of 2006 and expect to provide updates on filing timelines for Avastin data upon the completion of preliminary discussions with the FDA."

Genentech is preparing for potential U.S. Food and Drug Administration (FDA) filings for Avastin for second-line metastatic colorectal cancer; Avastin for first-line non-squamous non-small cell lung cancer; Avastin for metastatic breast cancer; Herceptin for adjuvant breast cancer; Herceptin in combination with Taxotere for first-line metastatic breast cancer; Lucentis in wet age-related macular degeneration; Rituxan for front-line aggressive non-Hodgkins lymphoma (NHL); Rituxan for front-line indolent/maintenance<sup>1</sup> NHL; and Rituxan for rheumatoid arthritis in inadequate anti-TNF responders.

Genentech announced that in the second quarter of 2005 it began enrolling patients in several Phase III studies, including Rituxan in systemic lupus erythematosus, Avastin in prostate cancer, and combination Avastin and Tarceva in second-line non-small cell lung cancer. It also began enrollment in a Phase I study of a small molecule hedgehog antagonist in basal cell carcinoma in collaboration with Curis.



The company also announced that it removed from the development pipeline Omnitarg as a single agent in breast and lung cancer. It continues to enroll the Phase II study of Omnitarg in combination with chemotherapy for ovarian cancer.

Genentech and Boehringer Ingelheim announced that they stopped early the ASSENT 4 PCI trial, a randomized, open-label Phase IIIb/IV clinical study of the single-bolus thrombolytic TNKase™/Metalyse® (tenecteplase) in combination with a planned percutaneous coronary intervention (PCI, also known as primary angioplasty/stenting) versus PCI alone in patients with large acute myocardial infarctions. The trial was stopped after an analysis of the 30-day data showed that the mortality rates in those treated with tenecteplase plus PCI were higher than in the PCI alone arm. Additional results from the study will be presented at the annual meeting of the European Society of Cardiology in Stockholm, Sweden in September 2005.

### **Executive Appointment**

Patrick Y. Yang, Ph.D., senior vice president of Product Operations, will become a member of Genentech's Executive Committee.

Yang will continue to report to Levinson and will continue to be responsible for Manufacturing, Facilities, Engineering, Process Development and Supply Chain Management functions. He joined Genentech in 2003 as vice president, South San Francisco Manufacturing and Engineering.

### **Webcast:**

Genentech will be offering a live webcast of a discussion by Genentech management of the earnings and other business results on Monday, July 11, 2005, at 2:15 p.m. Pacific Time (PT). The live webcast may be accessed on Genentech's website at <http://www.gene.com>. This webcast will be available via the website until 5:00 p.m. PT on July 25, 2005. An audio replay of the webcast will be available beginning at 5:15 p.m. PT on July 11, 2005 through 5:15 p.m. PT on July 18, 2005. Access numbers for this replay are: 1-800-642-1687 (U.S./Canada) and 1-706-645-9291 (international); conference ID number is 7086252.

**About Genentech:**

Genentech is a leading biotechnology company that discovers, develops, manufactures and commercializes biotherapeutics for significant unmet medical needs. A considerable number of the currently approved biotechnology products originated from or are based on Genentech science. Genentech manufactures and commercializes multiple biotechnology products directly in the United States and licenses several additional products to other companies. The company has headquarters in South San Francisco, California and is traded on the New York Stock Exchange under the symbol DNA. For additional information about the company, please visit <http://www.gene.com>.

For information on Genentech's latest business and product development events please refer to <http://www.gene.com/gene/news/press-releases/index.jsp>.

This press release contains forward-looking statements regarding nine potential FDA filings, the FDA filing timeframe for Herceptin in adjuvant breast cancer, achievement of Horizon 2010 goals and expected growth in non-GAAP EPS for 2005, and actual results could differ materially. Among other things, potential FDA filings, including the Herceptin filing timeframe, and our Horizon 2010 goals of adding programs into research and clinical development could be affected by product safety, efficacy or manufacturing issues, additional time requirements to achieve study endpoints or for data analysis or filing preparation, need for additional clinical studies, and FDA actions or delays; our Horizon 2010 goal of bringing potential new products or indications to market could be affected by all of the foregoing and failure to receive FDA approval; our Horizon 2010 goals of becoming number one in U.S. oncology sales and building a leading immunology business could be affected by all of the foregoing and by competition, pricing, reimbursement, the ability to supply product, product withdrawals, new product approvals and launches and achieving sales revenue consistent with internal forecasts; and non-GAAP EPS growth, including our Horizon 2010 goal of non-GAAP EPS growth, could be affected by all of the foregoing and by unanticipated expenses such as litigation or legal settlement expenses or equity securities write-downs, cost of sales, R&D expenses, fluctuations in royalties and contract revenues, and

fluctuations in tax and interest rates. Genentech disclaims, and does not undertake, any obligation to update or revise any forward-looking statements in this press release.

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<sup>1</sup> One area of concern for the FDA is the use of the term "maintenance." Genentech will be working toward a nomenclature that the FDA feels better describes this approach to treating patients with Rituxan.

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

|   | Three Months<br>Ended June 30, |                            |                         |                     |                            |                         |
|---|--------------------------------|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|
|   | 2005                           |                            |                         | 2004                |                            |                         |
|   | GAAP <sup>(1)</sup>            | Difference                 | Non-GAAP <sup>(2)</sup> | GAAP <sup>(1)</sup> | Difference                 | Non-GAAP <sup>(2)</sup> |
| Revenues:   |                                |                            |                         |                     |                            |                         |
| Product sales   | \$ 1,274,115                   |                            | \$ 1,274,115            | \$ 913,366          |                            | \$ 913,366              |
| Royalties   | 200,321                        |                            | 200,321                 | 151,860             |                            | 151,860                 |
| Contract revenue  | 52,443                         |                            | 52,443                  | 62,852              |                            | 62,852                  |
| Total operating revenues                                    | <u>1,526,879</u>               |                            | <u>1,526,879</u>        | <u>1,128,078</u>    |                            | <u>1,128,078</u>        |
| Costs and expenses:   |                                |                            |                         |                     |                            |                         |
| Cost of sales   | 269,481                        |                            | 269,481                 | 186,683             |                            | 186,683                 |
| Research and development                                    | 278,124                        |                            | 278,124                 | 212,886             |                            | 212,886                 |
| Marketing, general and administrative                       | 356,638                        |                            | 356,638                 | 276,654             |                            | 276,654                 |
| Collaboration profit sharing                                | 198,798                        |                            | 198,798                 | 145,221             |                            | 145,221                 |
| Recurring charges related to redemption                     | 34,482                         | \$ (34,482) <sup>(3)</sup> | -                       | 38,209              | \$ (38,209) <sup>(3)</sup> | -                       |
| Special items: litigation-related                           | 19,527                         | (19,527) <sup>(4)</sup>    | -                       | 13,458              | (13,458) <sup>(4)</sup>    | -                       |
| Total costs and expenses                                    | <u>1,157,050</u>               | <u>(54,009)</u>            | <u>1,103,041</u>        | <u>873,111</u>      | <u>(51,667)</u>            | <u>821,444</u>          |
| Operating margin  | 369,829                        | 54,009                     | 423,838                 | 254,967             | 51,667                     | 306,634                 |
| Other income, net <sup>(5)</sup>                            | 31,502                         | -                          | 31,502                  | 15,444              | -                          | 15,444                  |
| Income before taxes   | 401,331                        | 54,009                     | 455,340                 | 270,411             | 51,667                     | 322,078                 |
| Income tax provision  | 105,165                        | 21,603                     | 126,768                 | 99,640              | 20,666                     | 120,306                 |
| Net income  | <u>\$ 296,166</u>              | <u>\$ 32,406</u>           | <u>\$ 328,572</u>       | <u>\$ 170,771</u>   | <u>\$ 31,001</u>           | <u>\$ 201,772</u>       |
| Earnings per share:   |                                |                            |                         |                     |                            |                         |
| Basic   | <u>\$ 0.28</u>                 | <u>\$ 0.03</u>             | <u>\$ 0.31</u>          | <u>\$ 0.16</u>      | <u>\$ 0.03</u>             | <u>\$ 0.19</u>          |
| Diluted   | <u>\$ 0.27</u>                 | <u>\$ 0.03</u>             | <u>\$ 0.30</u>          | <u>\$ 0.16</u>      | <u>\$ 0.03</u>             | <u>\$ 0.19</u>          |
| Weighted average shares used to compute earnings per share: |                                |                            |                         |                     |                            |                         |
| Basic   | <u>1,057,564</u>               |                            | <u>1,057,564</u>        | <u>1,060,619</u>    |                            | <u>1,060,619</u>        |
| Diluted   | <u>1,083,841</u>               |                            | <u>1,083,841</u>        | <u>1,087,087</u>    |                            | <u>1,087,087</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) Represents accrued interest and bond costs in Q2 2005 and 2004 related to the City of Hope trial judgment, and amounts paid in Q2 2005 related to a litigation settlement.

(5) "Other income, net" includes interest income and interest expense. In addition, "other income, net" includes 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](http://www.gene.com).

**2005 Reconciliation of GAAP and Non-GAAP EPS**

Our 2005 GAAP EPS is not estimable at this time. The 2005 GAAP EPS would include recurring charges related to the 1999 redemption of our stock by Roche, which are estimated to be approximately \$123 million on a pretax basis in 2005. In addition, the 2005 GAAP EPS would include litigation-related special charges for accrued interest and associated bond costs on the City of Hope judgment, which are currently estimated to be approximately \$14 million per quarter on a pretax basis in 2005 until resolved. The 2005 non-GAAP EPS estimate does not include the redemption related recurring charges and the litigation-related special items or 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)

**Six Months  
Ended June 30,**

|   | 2005                |                            |                         | 2004                |                            |                         |
|---|---------------------|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|
|   | GAAP <sup>(1)</sup> | Difference                 | Non-GAAP <sup>(2)</sup> | GAAP <sup>(1)</sup> | Difference                 | Non-GAAP <sup>(2)</sup> |
| Revenues:   |                     |                            |                         |                     |                            |                         |
| Product sales   | \$ 2,460,117        |                            | \$ 2,460,117            | \$ 1,677,066        |                            | \$ 1,677,066            |
| Royalties   | 432,236             |                            | 432,236                 | 305,957             |                            | 305,957                 |
| Contract revenue  | 96,104              |                            | 96,104                  | 120,190             |                            | 120,190                 |
| Total operating revenues                                    | <u>2,988,457</u>    |                            | <u>2,988,457</u>        | <u>2,103,213</u>    |                            | <u>2,103,213</u>        |
| Costs and expenses:   |                     |                            |                         |                     |                            |                         |
| Cost of sales   | 520,522             |                            | 520,522                 | 301,163             |                            | 301,163                 |
| Research and development                                    | 521,364             |                            | 521,364                 | 403,231             |                            | 403,231                 |
| Marketing, general and administrative                       | 671,852             |                            | 671,852                 | 523,968             |                            | 523,968                 |
| Collaboration profit sharing                                | 375,075             |                            | 375,075                 | 271,652             |                            | 271,652                 |
| Recurring charges related to redemption                     | 68,964              | \$ (68,964) <sup>(3)</sup> | -                       | 76,418              | \$ (76,418) <sup>(3)</sup> | -                       |
| Special items: litigation-related                           | 30,784              | (30,784) <sup>(4)</sup>    | -                       | 26,857              | (26,857) <sup>(4)</sup>    | -                       |
| Total costs and expenses                                    | <u>2,188,561</u>    | <u>(99,748)</u>            | <u>2,088,813</u>        | <u>1,603,289</u>    | <u>(103,275)</u>           | <u>1,500,014</u>        |
| Operating margin  | 799,896             | 99,748                     | 899,644                 | 499,924             | 103,275                    | 603,199                 |
| Other income, net <sup>(5)</sup>                            | 47,899              | -                          | 47,899                  | 37,765              | -                          | 37,765                  |
| Income before taxes   | 847,795             | 99,748                     | 947,543                 | 537,689             | 103,275                    | 640,964                 |
| Income tax provision  | 267,455             | 39,899                     | 307,354                 | 190,331             | 41,310                     | 231,641                 |
| Net income  | <u>\$ 580,340</u>   | <u>\$ 59,849</u>           | <u>\$ 640,189</u>       | <u>\$ 347,358</u>   | <u>\$ 61,965</u>           | <u>\$ 409,323</u>       |
| Earnings per share:   |                     |                            |                         |                     |                            |                         |
| Basic   | <u>\$ 0.55</u>      | <u>\$ 0.06</u>             | <u>\$ 0.61</u>          | <u>\$ 0.33</u>      | <u>\$ 0.06</u>             | <u>\$ 0.39</u>          |
| Diluted   | <u>\$ 0.54</u>      | <u>\$ 0.05</u>             | <u>\$ 0.59</u>          | <u>\$ 0.32</u>      | <u>\$ 0.06</u>             | <u>\$ 0.38</u>          |
| Weighted average shares used to compute earnings per share: |                     |                            |                         |                     |                            |                         |
| Basic   | <u>1,052,228</u>    |                            | <u>1,052,228</u>        | <u>1,057,955</u>    |                            | <u>1,057,955</u>        |
| Diluted   | <u>1,076,519</u>    |                            | <u>1,076,519</u>        | <u>1,084,618</u>    |                            | <u>1,084,618</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) Represents accrued interest and bond costs in 2005 and 2004 related to the City of Hope trial judgment, and net amounts paid in 2005 related to other litigation settlements.

(5) "Other income, net" includes interest income and interest expense. In addition, "other income, net" includes 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](http://www.gene.com).

**2005 Reconciliation of GAAP and Non-GAAP EPS**

Our 2005 GAAP EPS is not estimable at this time. The 2005 GAAP EPS would include recurring charges related to the 1999 redemption of our stock by Roche, which are estimated to be approximately \$123 million on a pretax basis in 2005. In addition, the 2005 GAAP EPS would include litigation-related special charges for accrued interest and associated bond costs on the City of Hope judgment, which are currently estimated to be approximately \$14 million per quarter on a pretax basis in 2005 until resolved. The 2005 non-GAAP EPS estimate does not include the redemption related recurring charges and the litigation-related special items or 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 SHEET DATA**  
(in thousands)  
(unaudited)

|   | <b>June 30,</b>    |                    |
|---|--------------------|--------------------|
|   | <u><b>2005</b></u> | <u><b>2004</b></u> |
| <b>Selected balance sheet data:</b>                             |                    |                    |
| Cash, cash equivalents and short-term investments               | \$ 2,010,541       | \$ 1,619,134       |
| Accounts receivable - product sales, net                        | 509,971            | 445,076            |
| Accounts receivable - royalties, net                            | 238,714            | 189,513            |
| Accounts receivable - other, net                                | 165,133            | 136,593            |
| Inventories   | 600,863            | 527,649            |
| Long-term marketable debt and equity securities                 | 901,052            | 1,414,663          |
| Property, plant and equipment, net                              | 2,792,106          | 1,740,423          |
| Goodwill  | 1,315,019          | 1,315,019          |
| Other intangible assets   | 603,956            | 710,644            |
| Long-term assets  | 998,673            | 817,906            |
| Total assets  | 10,546,610         | 9,083,774          |
| Total current liabilities                                       | 1,141,735          | 862,201            |
| Total liabilities   | 2,566,605          | 2,198,740          |
| Total stockholders' equity                                      | 7,980,005          | 6,885,034          |
| <b>Year-to-date:</b>  |                    |                    |
| Capital expenditures  | \$ 729,810         | \$ 196,633         |
| Total GAAP <sup>(1)</sup> depreciation and amortization expense | 181,454            | 178,520            |
| Less: redemption related amortization expense <sup>(3)</sup>    | (68,964)           | (76,418)           |
| Non-GAAP <sup>(2)</sup> depreciation and amortization expense   | <u>\$ 112,490</u>  | <u>\$ 102,102</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.

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

|                                    | <b>Three Months<br/>Ended June 30,</b> |                     |
|------------------------------------|--|---------------------|
|                                    | <b>2005</b>                            | <b>2004</b>         |
| <b>Net US Sales:</b>               |  |                     |
| Rituxan                            | \$ 450,348                             | \$ 390,005          |
| Herceptin                          | 152,427                                | 118,001             |
| Avastin                            | 245,685                                | 133,004             |
| Growth Hormone                     | 97,116                                 | 88,000              |
| Thrombolytics                      | 51,635                                 | 50,001              |
| Pulmozyme                          | 46,906                                 | 36,509              |
| Xolair                             | 80,370                                 | 43,623              |
| Raptiva                            | 21,271                                 | 13,415              |
| Tarceva                            | 70,186                                 | -                   |
| Total US Sales                     | <u>\$ 1,215,944</u>                    | <u>\$ 872,558</u>   |
| <b>Net Sales to Collaborators:</b> |  |                     |
| Rituxan                            | \$ 32,013                              | \$ 34,661           |
| Herceptin                          | (1,767)                                | (319)               |
| Avastin                            | 3,557                                  | -                   |
| Growth Hormone                     | 799                                    | 413                 |
| Thrombolytics                      | 1,663                                  | 1,543               |
| Pulmozyme                          | 7,886                                  | 4,457               |
| Xolair                             | 1,722                                  | 53                  |
| Raptiva                            | 3,629                                  | -                   |
| Enbrel                             | 8,669                                  | -                   |
| Total Sales to Collaborators       | <u>\$ 58,171</u>                       | <u>\$ 40,808</u>    |
| Total Net Product Sales            | <u>\$ 1,274,115</u>                    | <u>\$ 913,366</u>   |
|                                    |  |                     |
|                                    | <b>Six Months<br/>Ended June 30,</b>   |                     |
|                                    | <b>2005</b>                            | <b>2004</b>         |
| <b>Net US Sales:</b>               |  |                     |
| Rituxan                            | \$ 890,898                             | \$ 751,813          |
| Herceptin                          | 282,057                                | 226,696             |
| Avastin                            | 448,540                                | 171,131             |
| Growth Hormone                     | 186,984                                | 171,965             |
| Thrombolytics                      | 102,202                                | 94,266              |
| Pulmozyme                          | 90,889                                 | 74,524              |
| Xolair                             | 145,633                                | 73,476              |
| Raptiva                            | 37,916                                 | 19,706              |
| Tarceva                            | 117,771                                | -                   |
| Total US Sales                     | <u>\$ 2,302,890</u>                    | <u>\$ 1,583,577</u> |
| <b>Net Sales to Collaborators:</b> |  |                     |
| Rituxan                            | \$ 65,063                              | \$ 73,483           |
| Herceptin                          | 9,121                                  | 4,449               |
| Avastin                            | 15,189                                 | -                   |
| Growth Hormone                     | 3,019                                  | 1,918               |
| Thrombolytics                      | 4,666                                  | 3,502               |
| Pulmozyme                          | 15,649                                 | 9,874               |
| Xolair                             | 5,056                                  | 263                 |
| Raptiva                            | 11,099                                 | -                   |
| Enbrel                             | 28,365                                 | -                   |
| Total Sales to Collaborators       | <u>\$ 157,227</u>                      | <u>\$ 93,489</u>    |
| Total Net Product Sales            | <u>\$ 2,460,117</u>                    | <u>\$ 1,677,066</u> |

**EXHIBIT 99.2**

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

|   | <b>Three Months<br/>Ended June 30,</b> |             |
|---|--|-------------|
|   | <b>2005</b>                            | <b>2004</b> |
| Revenues:   |  |             |
| Product sales   | \$ 1,274,115                           | \$ 913,366  |
| Royalties   | 200,321                                | 151,860     |
| Contract revenue  | 52,443                                 | 62,852      |
| Total operating revenues                                    | 1,526,879                              | 1,128,078   |
| Costs and expenses:   |  |             |
| Cost of sales   | 269,481                                | 186,683     |
| Research and development                                    | 278,124                                | 212,886     |
| Marketing, general and administrative                       | 356,638                                | 276,654     |
| Collaboration profit sharing                                | 198,798                                | 145,221     |
| Recurring charges related to redemption                     | 34,482                                 | 38,209      |
| Special items: litigation-related                           | 19,527                                 | 13,458      |
| Total costs and expenses                                    | 1,157,050                              | 873,111     |
| Operating margin  | 369,829                                | 254,967     |
| Other income, net <sup>(1)</sup>                            | 31,502                                 | 15,444      |
| Income before taxes   | 401,331                                | 270,411     |
| Income tax provision  | 105,165                                | 99,640      |
| Net income  | \$ 296,166                             | \$ 170,771  |
| Earnings per share:   |  |             |
| Basic   | \$ 0.28                                | \$ 0.16     |
| Diluted   | \$ 0.27                                | \$ 0.16     |
| Weighted average shares used to compute earnings per share: |  |             |
| Basic   | 1,057,564                              | 1,060,619   |
| Diluted   | 1,083,841                              | 1,087,087   |

(1) "Other income, net" includes interest income and interest expense. In addition, "other income, net" includes 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](http://www.gene.com).



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

|   | <b>Six Months<br/>Ended June 30,</b> |              |
|---|--------------------------------------|--------------|
|   | <b>2005</b>                          | <b>2004</b>  |
| Revenues:   |                                      |              |
| Product sales   | \$ 2,460,117                         | \$ 1,677,066 |
| Royalties   | 432,236                              | 305,957      |
| Contract revenue  | 96,104                               | 120,190      |
| Total operating revenues                                    | 2,988,457                            | 2,103,213    |
| Costs and expenses:   |                                      |              |
| Cost of sales   | 520,522                              | 301,163      |
| Research and development                                    | 521,364                              | 403,231      |
| Marketing, general and administrative                       | 671,852                              | 523,968      |
| Collaboration profit sharing                                | 375,075                              | 271,652      |
| Recurring charges related to redemption                     | 68,964                               | 76,418       |
| Special items: litigation-related                           | 30,784                               | 26,857       |
| Total costs and expenses                                    | 2,188,561                            | 1,603,289    |
| Operating margin  | 799,896                              | 499,924      |
| Other income, net <sup>(1)</sup>                            | 47,899                               | 37,765       |
| Income before taxes   | 847,795                              | 537,689      |
| Income tax provision  | 267,455                              | 190,331      |
| Net income  | \$ 580,340                           | \$ 347,358   |
| Earnings per share:   |                                      |              |
| Basic   | \$ 0.55                              | \$ 0.33      |
| Diluted   | \$ 0.54                              | \$ 0.32      |
| Weighted average shares used to compute earnings per share: |                                      |              |
| Basic   | 1,052,228                            | 1,057,955    |
| Diluted   | 1,076,519                            | 1,084,618    |

(1) "Other income, net" includes interest income and interest expense. In addition, "other income, net" includes 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](http://www.gene.com).

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

|  | <b>June 30,</b> |              |
|--|-----------------|--------------|
|  | <b>2005</b>     | <b>2004</b>  |
| <b>Selected balance sheet data:</b>                  |                 |              |
| Cash, cash equivalents and short-term investments    | \$ 2,010,541    | \$ 1,619,134 |
| Accounts receivable - product sales, net             | 509,971         | 445,076      |
| Accounts receivable - royalties, net                 | 238,714         | 189,513      |
| Accounts receivable - other, net                     | 165,133         | 136,593      |
| Inventories  | 600,863         | 527,649      |
| Long-term marketable securities and other            | 901,052         | 1,414,663    |
| Property, plant and equipment, net                   | 2,792,106       | 1,740,423    |
| Goodwill   | 1,315,019       | 1,315,019    |
| Other intangible assets                              | 603,956         | 710,644      |
| Long-term assets                                     | 998,673         | 817,906      |
| Total assets   | 10,546,610      | 9,083,774    |
| Total current liabilities                            | 1,141,735       | 862,201      |
| Total liabilities                                    | 2,566,605       | 2,198,740    |
| Total stockholders' equity                           | 7,980,005       | 6,885,034    |
| <b>Year-to-date:</b>                                 |                 |              |
| Capital expenditures                                 | \$ 729,810      | \$ 196,633   |
| <br>Total GAAP depreciation and amortization expense | <br>181,454     | <br>178,520  |

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

|                      | <b>Three Months<br/>Ended June 30,</b> |                   |
|----------------------|--|-------------------|
|                      | <b>2005</b>                            | <b>2004</b>       |
| <b>Net US Sales:</b> |  |                   |
| Rituxan              | \$ 450,348                             | \$ 390,005        |
| Herceptin            | 152,427                                | 118,001           |
| Avastin              | 245,685                                | 133,004           |
| Growth Hormone       | 97,116                                 | 88,000            |
| Thrombolytics        | 51,635                                 | 50,001            |
| Pulmozyme            | 46,906                                 | 36,509            |
| Xolair               | 80,370                                 | 43,623            |
| Raptiva              | 21,271                                 | 13,415            |
| Tarceva              | 70,186                                 | -                 |
| Total US Sales       | <u>\$ 1,215,944</u>                    | <u>\$ 872,558</u> |

|                                    |                     |                   |
|------------------------------------|---------------------|-------------------|
| <b>Net Sales to Collaborators:</b> |                     |                   |
| Rituxan                            | \$ 32,013           | \$ 34,661         |
| Herceptin                          | (1,767)             | (319)             |
| Avastin                            | 3,557               | -                 |
| Growth Hormone                     | 799                 | 413               |
| Thrombolytics                      | 1,663               | 1,543             |
| Pulmozyme                          | 7,886               | 4,457             |
| Xolair                             | 1,722               | 53                |
| Raptiva                            | 3,629               | -                 |
| Enbrel                             | 8,669               | -                 |
| Total Sales to Collaborators       | <u>\$ 58,171</u>    | <u>\$ 40,808</u>  |
| Total Net Product Sales            | <u>\$ 1,274,115</u> | <u>\$ 913,366</u> |

|                      | <b>Six Months<br/>Ended June 30,</b> |                     |
|----------------------|--------------------------------------|---------------------|
|                      | <b>2005</b>                          | <b>2004</b>         |
| <b>Net US Sales:</b> |                                      |                     |
| Rituxan              | \$ 890,898                           | \$ 751,813          |
| Herceptin            | 282,057                              | 226,696             |
| Avastin              | 448,540                              | 171,131             |
| Growth Hormone       | 186,984                              | 171,965             |
| Thrombolytics        | 102,202                              | 94,266              |
| Pulmozyme            | 90,889                               | 74,524              |
| Xolair               | 145,633                              | 73,476              |
| Raptiva              | 37,916                               | 19,706              |
| Tarceva              | 117,771                              | -                   |
| Total US Sales       | <u>\$ 2,302,890</u>                  | <u>\$ 1,583,577</u> |

|                                    |                     |                     |
|------------------------------------|---------------------|---------------------|
| <b>Net Sales to Collaborators:</b> |                     |                     |
| Rituxan                            | \$ 65,063           | \$ 73,483           |
| Herceptin                          | 9,121               | 4,449               |
| Avastin                            | 15,189              | -                   |
| Growth Hormone                     | 3,019               | 1,918               |
| Thrombolytics                      | 4,666               | 3,502               |
| Pulmozyme                          | 15,649              | 9,874               |
| Xolair                             | 5,056               | 263                 |
| Raptiva                            | 11,099              | -                   |
| Enbrel                             | 28,365              | -                   |
| Total Sales to Collaborators       | <u>\$ 157,227</u>   | <u>\$ 93,489</u>    |
| Total Net Product Sales            | <u>\$ 2,460,117</u> | <u>\$ 1,677,066</u> |