

GENENTECH (DNA)
Delivering On Promises

Genentech met analysts' expectations. More important, the company has met its own high expectations, as total product sales for the second quarter were **\$913.4 million** - a **42 percent increase over product sales of \$644.3 million in the second quarter of 2003**. **Operating revenues increased by 41 percent** from the second quarter of 2003 to \$1.1 billion. Avastin™ (bevacizumab), in its first full quarter of sales, realized sales of \$133.0 million for the second quarter of 2004.

For the first time in its history, **Genentech topped \$1 billion** in quarterly revenues. Arthur D. Levinson, Ph.D., Genentech's chairman and chief executive officer said, "we are exiting the first half of the year with revenues of more than \$2 billion. Our unrelenting focus on science has led us to launch **three successful products, Avastin, Xolair and RAPTIVA**, in a recent nine-month period. We remain committed to our **5x5 goals**."

For the three months ended June 30, 2004.

Operating revenues increased **41 percent** to \$1,128.2 million from \$799.7 million in the second quarter of 2003.

Total product sales increased **42 percent** to \$913.4 million from \$644.3 million in the second quarter of 2003.

Non-GAAP net income increased **23 percent** to \$201.8 million from \$163.5 million in the second quarter of 2003.

GAAP net income increased 29 percent to \$170.8 million from \$132.3 million in the second quarter of 2003.

Non-GAAP earnings per share increased 19 percent to \$0.19 per share from \$0.16 per share in the second quarter of 2003. GAAP earnings per share increased by 23 percent to \$0.16 per share from \$0.13 per share in the second quarter of 2003.

Note: Genentech's non-GAAP earnings per share and non-GAAP net income 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. All share and per share amounts reflect the May 2004 two-for-one split of Genentech common stock.

Along with the discontinuation of Nutropin Depot(R) (somatropin (rDNA origin) for injectable suspension), Genentech took a charge of \$37.4 million, of which \$18.6 million was related to the Nutropin Depot license and \$18.8 million was related to inventory. In addition, during the quarter, Genentech took a provision of \$21.3 million related to filling failures for other products.

Product Sales

For the three months ended June 30, 2004:

Sales of marketed products increased **42 percent** to \$913.4 million from \$644.3 million in the second quarter of 2003.

BioOncology sales were 74 percent of total product revenues compared to 73 percent of total product revenues in the second quarter of 2003.

Avastin, in its first full quarter of sales, realized sales of **\$133.0 million for the quarter**.

Rituxan® (Rituximab) sales **increased 17 percent** to \$424.7 million from \$363.4 million in the second quarter of 2003.

Net U.S. sales were \$390 million, a **19 percent increase** from the second quarter of 2003.

Ex-U.S. sales were \$34.7 million compared to \$35.4 million in the second quarter of 2003.

Herceptin® sales increased **8 percent** to \$117.7 million from \$109.1 million in the second quarter of 2003.

Xolair® (Omalizumab) sales were \$43.7 million for the quarter.
RAPTIVA® (efalizumab) sales were **\$13.4 million for the quarter.**

Sales of legacy products, including growth hormone, cardiovascular products and Pulmozyme® Inhalation Solution, increased **5 percent** to \$180.9 million from \$171.8 million in the second quarter of 2003.

Royalties

Royalties **grew to \$151.9 million compared to \$122.8 million** in the second quarter of 2003. The increase is primarily due to higher royalties from Roche for Rituxan and Herceptin.

Contract Revenues

Contract revenues increased to **\$62.9 million** compared to **\$32.6 million** in the second quarter of 2003. The increase is primarily due to higher revenues from ongoing collaborations, including ongoing payments after opt-ins from Roche and other parties.

Total Costs and Expenses

Costs and expenses increased **as anticipated** in the second quarter of 2004 in comparison to costs and expenses in the second quarter of 2003.

-- Research and development (R&D) expenses were \$212.9 million compared to \$180.2 million in the second quarter of 2003. R&D expenses as a percentage of operating revenues were 19 percent compared to 23 percent in the second quarter of 2003.

-- Cost of sales increased to \$186.7 million from \$123.4 million in the second quarter of 2003, primarily due to the inclusion of an \$18.8 million charge related to Nutropin Depot inventory and a provision of \$21.3 million related to filling failures for other products. Cost of sales as a percentage of product sales was 20 percent compared to 19 percent in the second quarter of 2003.

-- Marketing, general and administrative (MG&A) expenses increased to \$276.7 million compared to \$184.3 million in the second quarter of 2003 due to ongoing expenses for commercial products, primarily related to the launch of three new products and preparation for the potential launch of Tarceva™ (erlotinib HCl), and a charge of \$18.6 million related to the license for Nutropin Depot. MG&A expenses as a percentage of operating revenues increased to 25 percent compared to 23 percent in the second quarter of 2003.

-- Collaboration profit-sharing expenses in the second quarter of 2004 increased to \$145.2 million compared to \$107.3 million in the second quarter of 2003. The growth in these expenses is attributable to higher Rituxan and Xolair sales.

Genentech has offered a live webcast of a discussion by Genentech management of the earnings and other business results on Wednesday, July 7, 2004, 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 also be available after the call via the website until 5:00 p.m. PT on July 21, 2004. An audio replay of the webcast will be available beginning at 5:15 p.m. PT on July 7, 2004 through 5:15 p.m. PT on July 14, 2004. Access numbers for this replay are: 1-800-642-1687 (U.S./Canada) and 1-706-645-9291 (international); conference ID number is 8133116.

COMMENTS: What can anybody say more? Genentech will continue its advance on the road to excellence and will reach its target. The company is outperforming itself. It has the courage to promise and has the skills to deliver on its promises, and its promises are numerous, large and very ambitious. Five products in the clinics each and every year is one of these promises, which, achieved, will not only move this firm to the camp of the giant pharmaceutical elites, but will put it on the top of their list. Investing in the biotech group without having Genentech in the portfolio is like going to a beach in a country with no sun, sea, or moon.



XOMA (XOMA)
A Notable Progress

The good news has come from the **unanimous positive opinion by the European Committee for Medicinal Products for Human Use (CHMP)** for the **psoriasis treatment product RAPTIVA™ (efalizumab)**. It came also from the clinical progress on the company's **XMP.629**, the topical acne treatment compound, and its new therapeutic antibody for cancer, **anti-CD40** monoclonal antibody.

In a press release issued on June 24th by Serono, S.A., Genentech Inc.'s international marketing partner for RAPTIVA(TM), Serono announced that RAPTIVA™ has received a positive opinion recommending European approval from the CHMP, the scientific committee that evaluates medicinal products for human use within the European Union (EU). The CHMP recommended RAPTIVA(TM) for the treatment of moderate to severe chronic plaque psoriasis after other therapies have failed, are contraindicated or are not tolerated. Recommendations from this scientific panel are normally endorsed by the European Commission within 90 days. Serono anticipates final European Union marketing authorization during the third quarter of this year followed by the availability of the product in some EU countries during the fourth quarter of 2004. When approved, RAPTIVA™ would be the first biologic approved for psoriasis in the European Union.

Serono has predicted that its peak sales of RAPTIVA™ could reach between **\$250-\$400** million annually. In addition to its profit sharing agreement with Genentech within the United States, XOMA is entitled to a mid-single digit royalty on all sales of RAPTIVA(TM) outside of the United States.

About RAPTIVA™

As a targeted T-cell modulator, RAPTIVA™ is designed to reversibly block the activity of T-cells without destroying them. T-cells play a key role in the development of psoriasis. RAPTIVA™ is the first biologic therapy that is designed to provide **continuous control of chronic moderate-to-severe plaque psoriasis** and can be administered to patients as a single, once weekly subcutaneous injection.

RAPTIVA™ was developed in the U.S. through a partnership between Genentech, Inc. and XOMA. The drug is licensed outside of the United States and Japan through an agreement made with Serono in August of 2002. RAPTIVA™ received FDA approval in October of 2003; approval in Switzerland in March of 2004; approval in Argentina in June of 2004; and is awaiting the outcomes of marketing applications in a number of other territories.

Late Stage Products

XMP.629: Patient enrollment has been completed in a Phase II clinical trial testing XOMA's XMP.629 product, which is being developed as topical treatment for acne. Preliminary results are expected to be released by the end of August of 2004.

"Efficacy data from the Phase II study, combined with an analysis of the compound's safety and tolerability within these controlled patient testing groups, should enable us to determine further development of the XMP.629 compound, including potentially moving into Phase III trials," said Patrick J. Scannon, M.D., Ph.D., XOMA's senior vice president, chief scientific and medical officer. Clinical data from two Phase I studies, evaluating potential cumulative skin irritation and absorption, will be presented at the upcoming 62nd Annual Meeting of the American Academy of Dermatology (AAD) in late July 2004.

About the XMP.629 Clinical Trial

The XMP.629 Phase II trial is a randomized, double blind, placebo-controlled dose-ranging efficacy and safety study of 240 patients with mild-to-moderate acne. Treatment is administered once daily for 12 weeks as either a placebo or one of three concentrations of XMP.629. In several preclinical studies, evidence suggested the XMP.629 peptide to be a potent agent against *Propionibacterium acnes* and other related skin microorganisms associated with acne, demonstrating favorable topical properties. Phase I studies in healthy volunteers and acne patients have already shown that the topical application of XMP.629 is safe, non-irritating, well tolerated and, importantly, does not have measurable systemic absorption.

Early Stage Products

Anti CD-40mAb: During an analyst meeting held by Chiron Corporation on June 23rd, Chiron announced the first monoclonal antibody target for cancer, CD40, that it will co-develop with XOMA. XOMA and Chiron entered into a multi-product collaboration agreement in February of 2004 for the development and commercialization on antibody products for the treatment of cancer. Chiron and XOMA plan to file an Investigational New Drug (IND) application to the U.S. FDA for the anti-**CD40mAb** compound by the end of 2004.

XOMA BENEFITS FROM *The Acquisition Of Sagres Discovery*

On July 6th, Chiron announced the acquisition of Sagres Discovery, a privately held discovery stage company based in Davis, California, that specializes in the discovery and validation of oncology targets. Under the acquisition, Chiron reportedly will have access to all of Sagres' proprietary technology in the area of oncology. Further review of these targets **is expected to identify additional antibody target candidates that will be used as part of XOMA's and Chiron's** antibody product candidate program for the treatment of cancer.

Anti-CD40mAb: This monoclonal antibody has potential as a dual mechanism therapeutic drug to target B cell hematological tumors. Upon binding to certain tumor cells, the anti-CD40mAb both mediates killing of CD40 expressing tumors by immune effector cells and prevents their CD40 ligand mediated growth and survival.

"All of these latest developments and initiatives demonstrate the robustness and rapid pace of development within our product pipeline," said John L. Castello, XOMA's chairman, president and chief executive officer. "They capitalize on XOMA and its partners' multiple capabilities and expertise in biopharmaceutical development and provide attractive opportunities for value creation."



BIOGENTECH (BGTH) *PreHistin To Go To Phase 3 Trials*

The FDA cleared the way for BioGentech to proceed to implementation of its planned **Phase 3 Clinical Trials** for its flagship product PreHistin developed to prevent airborne allergies

The approved study designs will enable investigators to determine the optimal time period for allergy sufferers to begin using the product prior to the onset of allergy season to prevent the onset of their seasonal allergy symptoms.

Chas Radovich, BioGentech's CEO commented: "We have worked long and hard with the FDA to devise a study design that the Agency deems will generate the necessary data to evaluate the intended PreHistin claim to prevent the symptoms of seasonal allergies. We are excited to begin implementation plans now for these Phase III trials, and look forward to working with the FDA throughout these trials to a successful conclusion."

BioGentech plans to commence its Phase III Clinical Trials for PreHistin in Q4 2004.

About BioGentech Corp. - PreHistin™

Headquartered in Irvine, California, BioGentech Corp. is an over-the-counter pharmaceutical company. Its flagship product, PreHistin, designed to prevent the primary cause of airborne allergies, is scheduled for Phase III clinical trials in Q4 of 2004 and initial marketing in the U.S. will commence upon final FDA marketing approval. The U.S. anti-allergy medication market was \$7.2 billion in 2003 and is expected to exceed \$10 billion by 2010. Prior studies have shown that the active ingredient in PreHistin appears to have essentially no risks of adverse effects to the general population, including sedation and drowsiness found in many of the allergy products currently available. For further information please visit the website at <http://www.biogentec.com>.

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