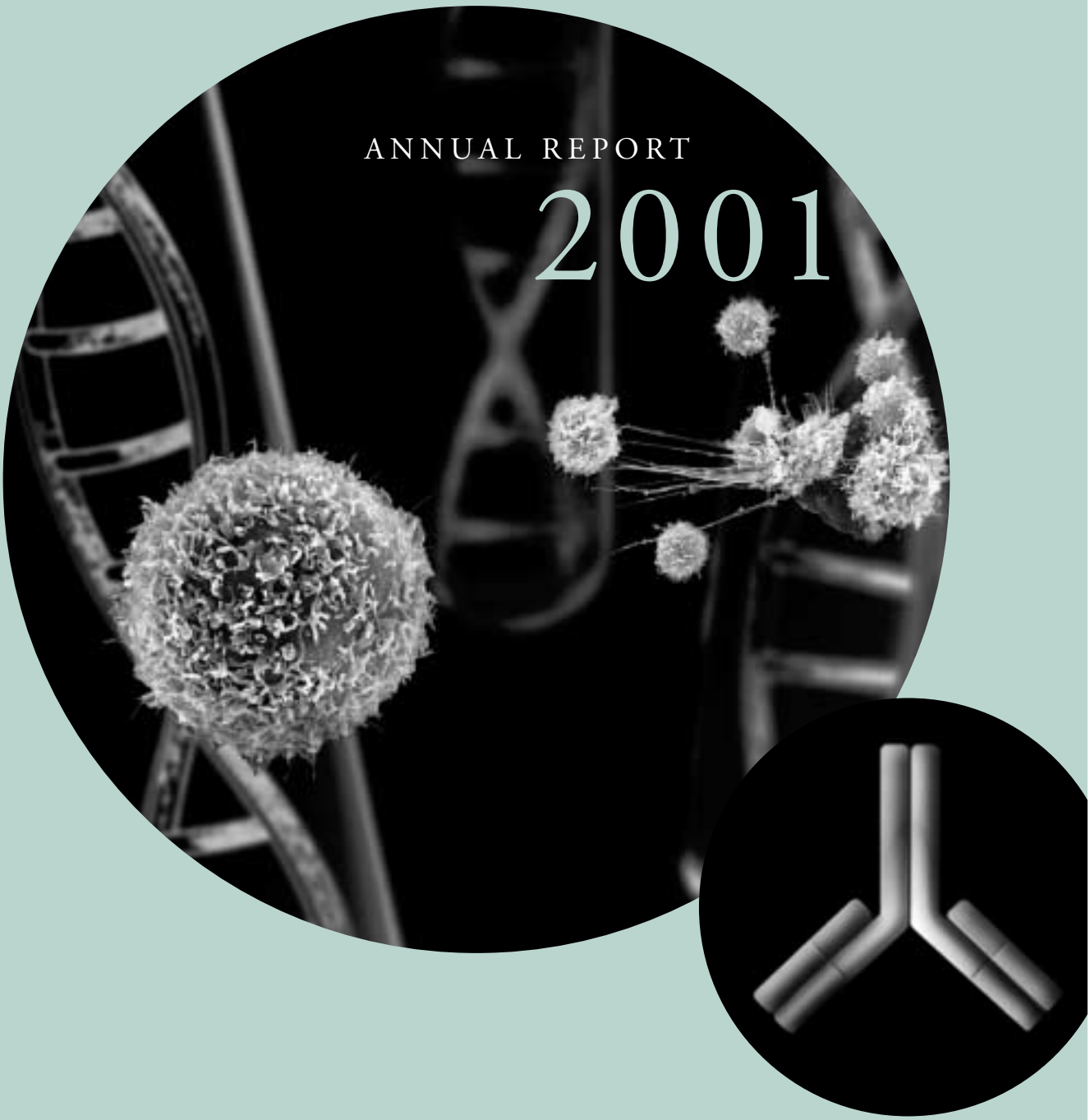
DENDREON CORPORATION



DENDREON CORPORATION

ANNUAL REPORT 2001

DENDREON ANNUAL REPORT 2001

DENDREON IS DEDICATED TO THE DEVELOPMENT OF NOVEL PRODUCTS FOR THE TREATMENT OF HUMAN DISEASE. OUR CURRENT FOCUS IS ON CANCER, WITH INNOVATIVE APPROACHES THAT INCLUDE THERAPEUTIC VACCINES AND PRECISE MONOCLONAL ANTIBODIES THAT ENHANCE THE BODY'S NATURAL DEFENSES TO FIGHT DISEASE.

2001: A YEAR OF GROWTH

LETTER TO OUR SHAREHOLDERS

In the world of biotechnology, growth is reflected a variety of ways. From the concrete – a new product in the pipeline, to the abstract – an advance in research; growth provides strength and opportunity to a company.

I welcome the opportunity to share with you the growth that occurred at Dendreon in 2001. We have made significant progress in building upon our strong foundation of science, technology and business.

As a company focusing on the development of novel human therapeutics, Dendreon's strengths are an extensive product pipeline that addresses serious and prevalent diseases, a targeted, yet varied, technology platform, strong collaborative support and financial resources. Developing a new class of immunotherapy products requires making inroads into uncharted territory, a bold course of action that brings both risk and reward.

In 2001, our financial stability allowed us to broaden our pipeline by licensing products that enhance our technology platforms. Our leading cancer vaccines, which are aimed at treating disease in a novel manner, have been shown to stimulate the immune system and avoid the harsh side effects of conventional therapies.

In the clinic, we achieved some notable milestones, including the completion of enrollment in our first Phase III trial of Provenge™ for men with advanced, hormone resistant prostate cancer. In addition, we expanded our clinical program for Provenge to an earlier disease setting with the start of a Phase III trial for prostate cancer patients who are still responding to hormone therapy. This trial is currently being conducted at clinical sites throughout the United States, with enrollment continuing in 2002.

In looking at our budget for 2002, we were faced with the prospect of expending substantial financial reserves on Provenge commercialization. To approach this commitment cautiously, we decided to perform an interim analysis of our Phase III Provenge trial, so that statisticians might predict for us its final outcome. We knew that at this early stage, the data from the trial would not be ripe and the analysis might be inconclusive. Such proved to be the case, and we will not know the outcome of this trial before mid-2002. The market reacted quickly to news of our analysis and did not conclude favorably – we believe it overreacted. As you know, Wall Street is currently not tolerant of uncertainty. We believe that Provenge can be an important drug; it will be up to our staff, working together with many physicians throughout the country, to define the clinical setting where it will be most efficacious.

Keeping pace with the evolving treatment setting for the disease multiple myeloma, we expanded the trial of our therapeutic vaccine Mylovenge™. Multiple myeloma is a challenging disease; most patients are advanced at the time of diagnosis. We are encouraged by the promise Mylovenge has demonstrated in our trials to date. With information from our Phase II trials, we expect to begin design of a Phase III trial during 2002.

At the start of 2001, we began human clinical trials for our first therapeutic vaccine that targets multiple cancer types – breast, ovarian and colon cancers. This vaccine, known as APC8024, targets a well-known protein, HER-2/neu, and is currently being tested in patients with metastatic disease. Early results from the first patients in the trial demonstrate

that APC8024, like all of our vaccines tested to date, stimulates key antigen-specific immune cells, called T-cells, against the targeted cancer.

New cancer targets were acquired that strengthened our preclinical pipeline in 2001. A licensing agreement with Geron Corp. brought us rights to telomerase. This antigen is found in more than 80 percent of tumors, making it an excellent target for immunotherapy. We also obtained rights from Bayer to use a well-known antigen, carcinoembryonic antigen (CEA), commonly expressed by a wide range of cancers, and the "MN" antigen, prevalent in cervical, kidney and colon cancers. Our pipeline now provides us with avenues to develop multivalent treatments for the eight most common cancers in Western society.

In the laboratory, our focused research efforts have led to discoveries that offer great potential. This year, Dendreon received a patent on the gene trp-p8, discovered in our own laboratories. In normal organ tissue, the gene is only found in the prostate. Yet in malignant tissues, trp-p8 has been found to be highly expressed in a number of cancers, including the majority of lung, colon and breast cancers.

As an ion channel, trp-p8 offers us a variety of novel product opportunities. These include monoclonal antibody targeting and the ability to use small molecules to affect channel function. We look forward to advancing our research with trp-p8 and exploring its possibilities as a druggable target.

Trp-p8 joins two other Dendreon product candidates, DN1921 and DN1924. These also were the result of our internal discovery activities. DN1924 is a monoclonal antibody that causes the death of malignant cells, but does not affect the function of normal cells. Its antigen is present on a number of blood-cell malignancies such as Hodgkin's lymphoma, non-Hodgkin lymphoma and B-cell leukemias. DN1921 is another monoclonal antibody; it suppresses immune system function and thus may be used for treatment of autoimmune diseases, such as rheumatoid arthritis, multiple sclerosis and systemic lupus erythematosus.

We look forward to expanding our horizons as an immunotherapy company and tapping into the potential of these candidate products.

Through collaborations, we have continued strong relationships with leading companies that help support Dendreon's operations and provide new opportunities. In 2001, we were pleased to expand our longstanding relationship with the pharmaceutical division of Kirin Brewery Co., Ltd. This collaboration provides support as both companies work toward introducing our products in Asia.

The collaboration we entered into in 2000 with Johnson & Johnson Pharmaceutical Research & Development, L.L.C. (J&J PRD) has matured, with Dendreon receiving FDA approval for a clinical trial of J&J PRD's immunotherapy for breast cancer. Our collaboration with J&J PRD provides financial support for Dendreon to conduct this trial along with clinical development of our own product APC8024. We look forward to learning more about the potential of these products as they advance in the clinic.

Our strategic planning efforts are focused on adding to our technology platforms and product opportunities and to accessing the infrastructure needed to commercialize our products. In 2001, we secured strategic collaborations in the areas of access to cell collection centers through Gambro Healthcare Inc. and protein scale-up capabilities through Diosynth RTP, Inc.

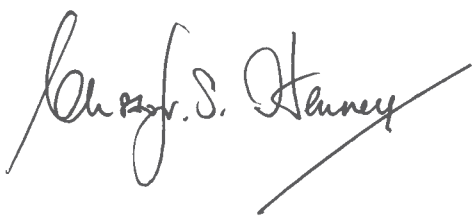
Within the company, we made strong additions to our team, which already included an experienced senior management group with deep biotech roots. Our staff expanded to more than 140 employees in 2001, and we deepened our industry experience with additions to our business development and research departments. In particular, the addition of Dr. Mitchell Gold as Vice President Business Development has already had significant impact.

Our financial position remained very strong in 2001. The company advanced on many fronts, yet we managed cash flow effectively and offset a significant portion of our research and development expenses through collaborations. We ended the year with a solid balance sheet and the resources to fuel our future operations.

Looking ahead to 2002, we expect this year's growth to begin to bear fruit, both clinically, as our products advance, and strategically, as we introduce new technologies and product opportunities to the Dendreon pipeline.

The growth of Dendreon could not be achieved without our shareholders, who support our mission. It is my pleasure to provide you with this annual report. In it you will find the roadmap for a company dedicated to the development of innovative and effective therapies for human disease and staffed with a group of experienced, energetic and optimistic people. We care about what we do.

Sincerely,

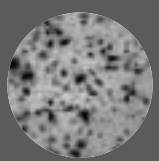


CHRISTOPHER S. HENNEY, PH.D., D.SC.

Chairman of the Board and
Chief Executive Officer

MOVING FORWARD

APC8024 begins clinical trials in immunotherapy of breast, ovarian and colon cancers



Two Phase II Mylovenge™ studies initiate in multiple myeloma

Development pipeline expands to include CEA and MN antigens

Provenge™ clinical program expands into larger hormone sensitive disease setting

Enrollment completes in first Phase III trial of Provenge for hormone refractory prostate cancer

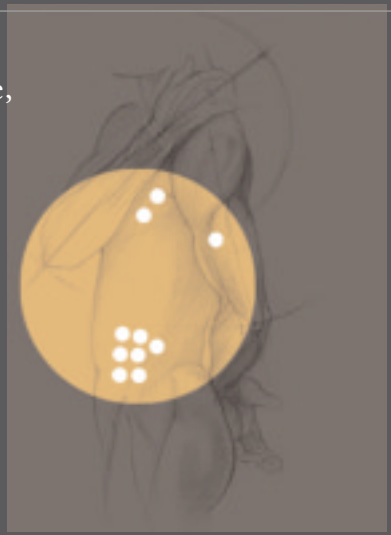
Patent award for novel cancer gene, trp-p8, secures powerful therapeutic options

Access to nationwide cell collection network supports manufacturing infrastructure

Collaboration with Kirin Brewery Co., Ltd. expands

Agreement for commercial protein production provides scale-up capabilities

License of prevalent cancer target, telomerase, complements existing product opportunities



EXPANDING OUR PIPELINE

Product Candidates in Clinical Trials

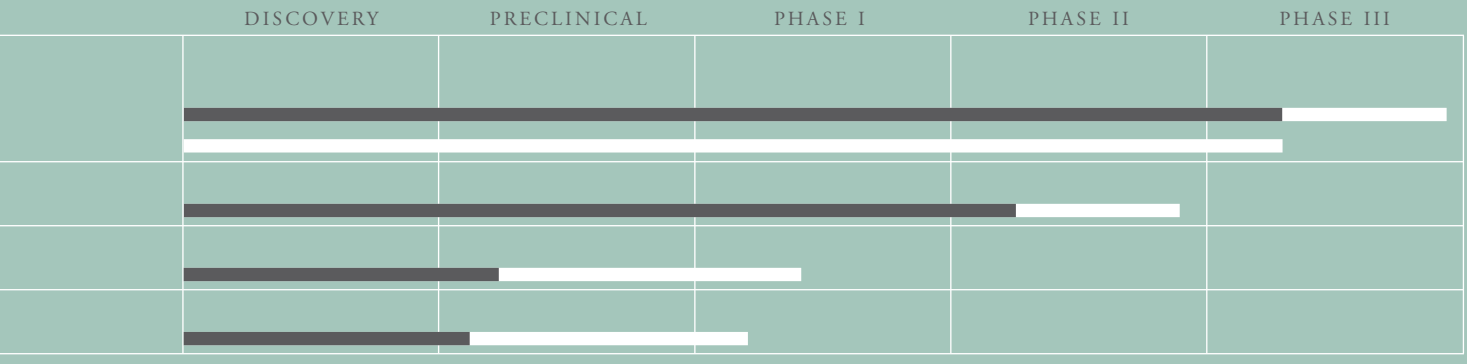
PRODUCT	TARGET
Provenge™	Hormone refractory prostate cancer Hormone sensitive prostate cancer
Mylovenge™	Multiple myeloma, amyloidosis, other B-cell malignancies
APC8024	Breast, ovarian, colon cancers
CTL8004*	Breast, ovarian, colon cancers

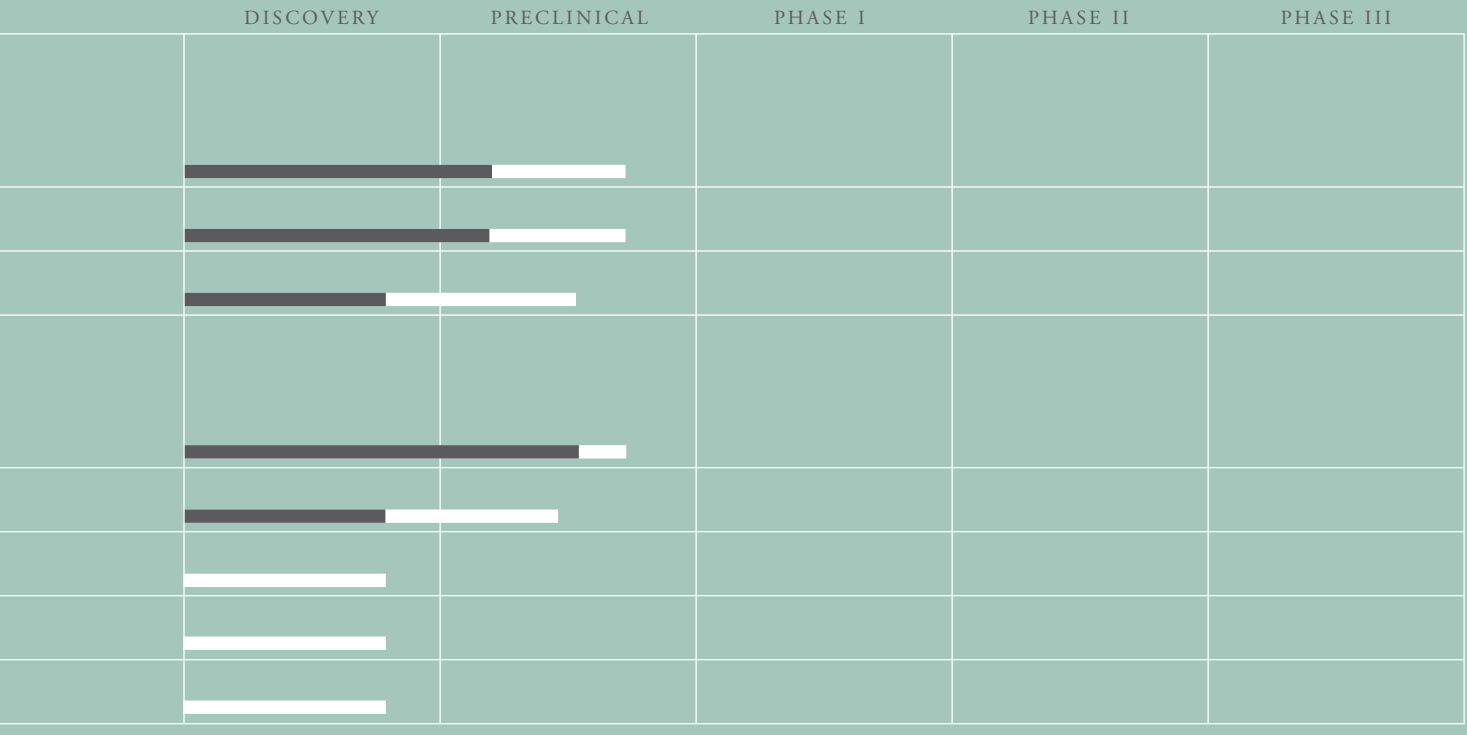
Product Candidates in Research and Development

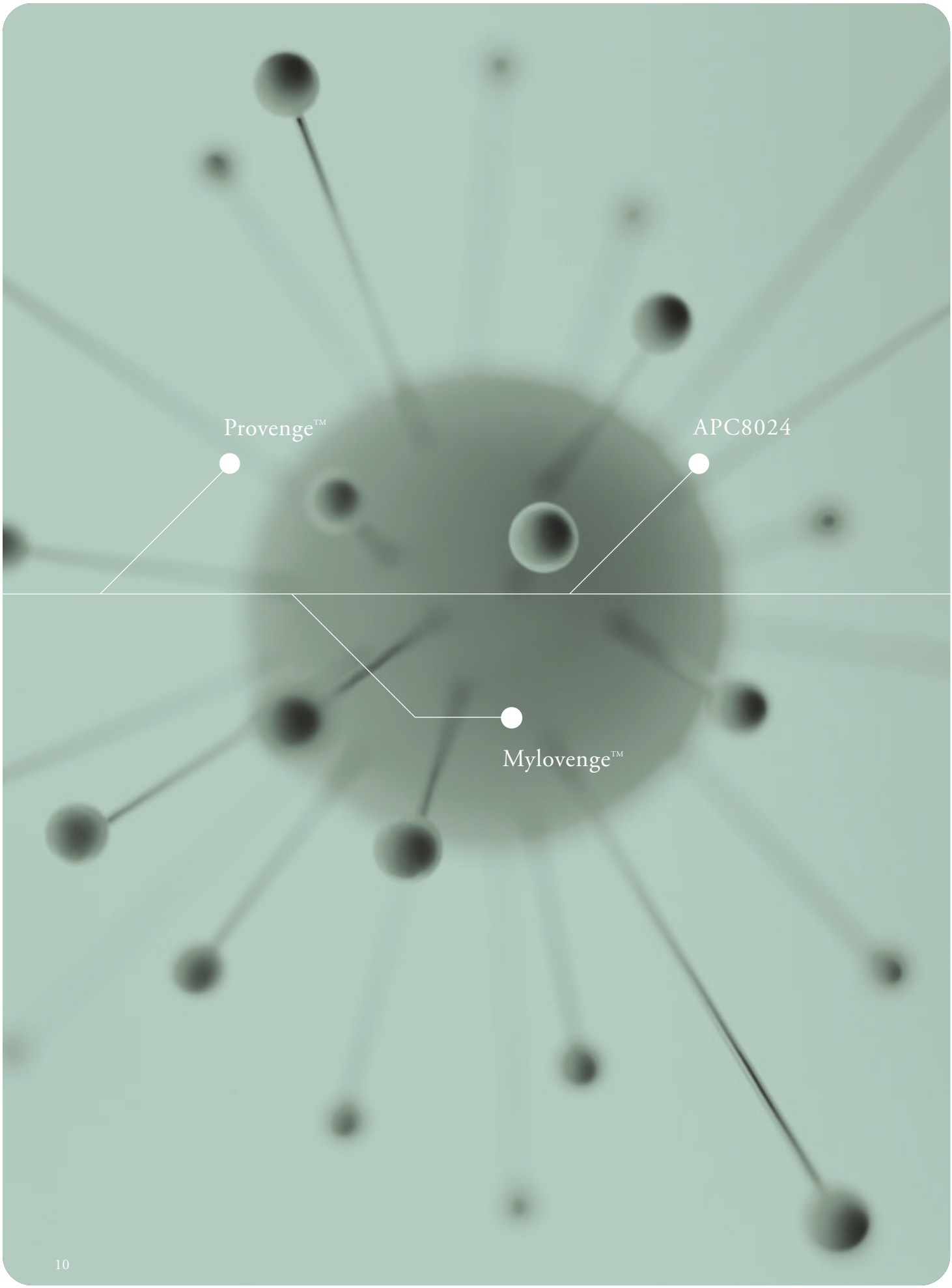
PRODUCT	TARGET
Antibodies:	
DN1924	B-cell malignancies
DN1921	Autoimmune diseases
Trp-p8	Multiple cancers
Vaccine Targets:	
NY-ESO	Bladder, lung, breast, prostate, ovarian/uterine cancers
Trp-p8	Lung, colon, breast, prostate cancers
CEA	Colon, lung, breast cancers
MN	Cervical, kidney, colon cancers
Telomerase	Most cancers

*Product of Johnson & Johnson Pharmaceutical Research & Development, L.L.C.

Progress since 2000






Provenge™
APC8024
Mylovenge™

WE ARE DEVELOPING NEW WAYS TO FIGHT CANCER THROUGH INNOVATIVE VACCINE TECHNOLOGY

ADVANCING CLINICAL PROGRAMS

Cancer cells elude attack from the immune system by disguising themselves as normal and by producing chemicals that sedate key cells of the immune system known as antigen presenting cells (APCs) or dendritic cells. These cells are responsible for stimulating the T-cell arm of the immune system; a process vital to the destruction of malignant cells. Our novel technology unmasks cancer cells and reveals them to the immune system by awakening the power of APCs. This is achieved by removing APCs from this suppressive environment and reviving them outside the body with a protein that directs the immune system to attack the cancer. Three products based on this technology, often referred to as therapeutic vaccines, are undergoing clinical testing – Provenge™, Mylovenge™ and APC8024.

Provenge

STATUS: PHASE III

Provenge targets an antigen found in 95 percent of prostate cancers. In 2001, prostate cancer was diagnosed in approximately 200,000 men in the U.S.; more than 32,000 died of the disease. Provenge is in Phase III double-blind, placebo-controlled trials. Two trials examine the treatment in men who have failed hormone therapy and whose disease has metastasized. The trials seek to determine whether Provenge slows disease progression and the development of symptoms such as bone pain. Another trial, started in 2001, examines Provenge in an earlier disease stage, combining the treatment with hormone therapy for men whose prostate cancer has returned after surgery. The trial tests whether Provenge can delay the need for additional rounds of hormone therapy, a treatment associated with troublesome side effects.

Mylovenge

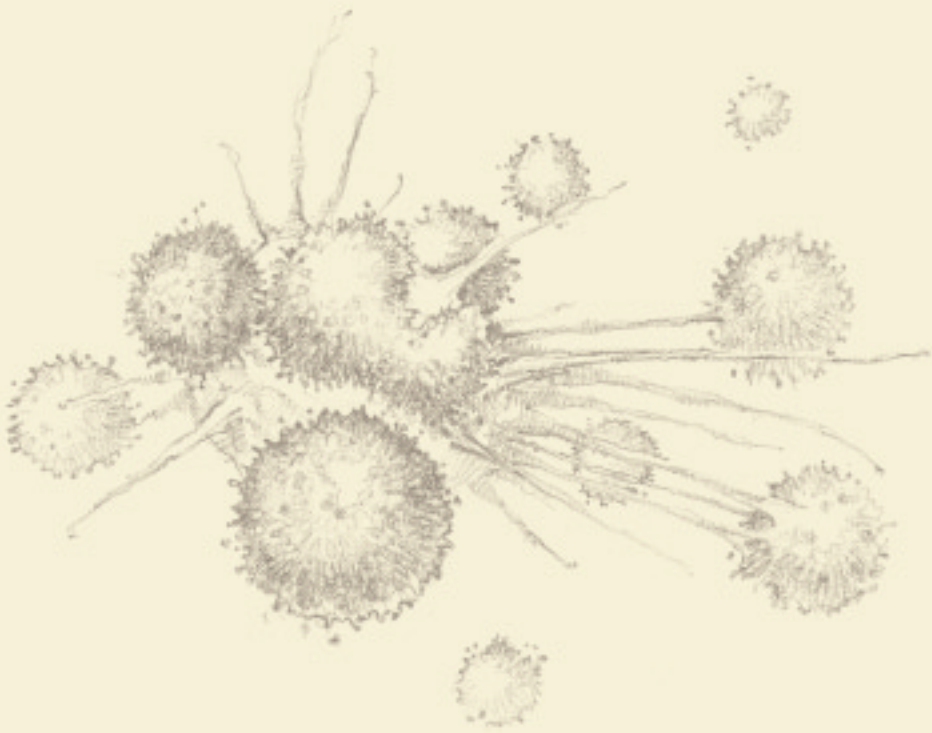
STATUS: PHASE II

Mylovenge targets B-cell malignancies, such as multiple myeloma, which reside in the bone marrow. Myeloma stops the body from making blood, renders it incapable of fighting infection and destroys neighboring bone. Each year, approximately 15,000 new multiple myeloma cases are diagnosed in the U.S., and over 10,000 patients succumb to the disease. Mylovenge is being tested in a variety of treatment settings to determine its effectiveness.

APC8024

STATUS: PHASE I

APC8024 targets HER-2/neu, a protein overexpressed in malignant tissues. This protein is commonly associated with breast, colon and ovarian cancers. Breast cancer is the most common cancer among women, with 203,500 new diagnoses annually in the U.S., and is the second-leading cause of cancer death among women. Colon cancer also ranks among the most prevalent cancers, with 107,300 new cases each year in the U.S. Mortality rates are especially high in ovarian cancer: Each year, 13,900 women succumb to the disease and 23,400 cases are diagnosed in the U.S. Early results of Phase I trials of APC8024 demonstrate that the vaccine stimulates the T-cell arm of the immune system.



Priming the Immune System for Attack

ATTACKING MULTIPLE CANCERS

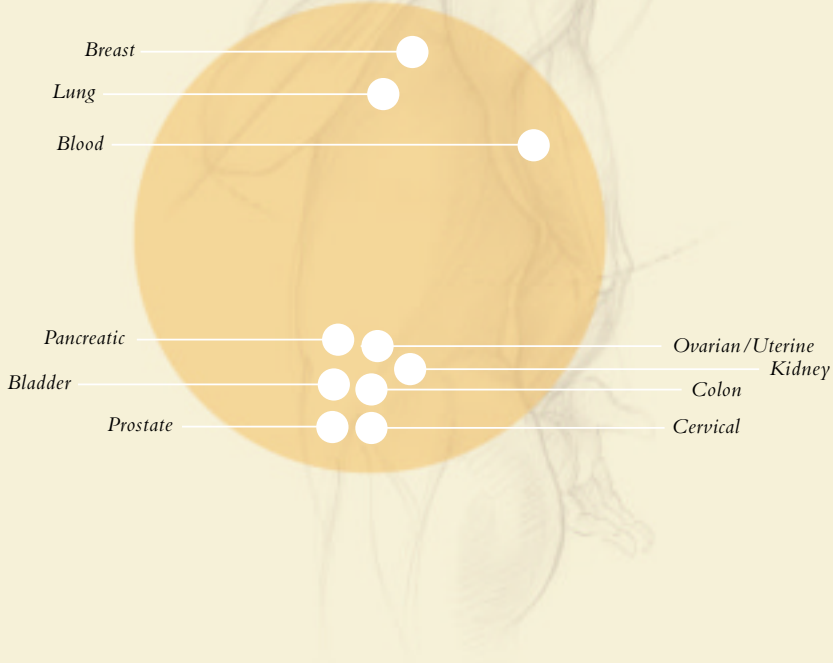
Through discovery efforts, patents and licensing agreements, we have created an impressive portfolio of potential product opportunities covering a significant array of cancer targets, several of which are displayed on the same cancers. Three new antigens joined our pipeline in 2001. Each has already been validated as a target for immunotherapy in cancer. Telomerase is found in more than 80 percent of all tumor samples studied. Carcinoembryonic antigen (CEA) is associated with colon, lung and breast cancers. MN is present in nearly 100 percent of kidney cancers, 80 percent of colon cancers and is prevalent in cervical cancers.

Together, these antigens are expressed in the most common cancers in Western society, and many overlap in their display on a cancer. We believe the characteristics of these antigens, along with our intellectual property rights to them, provide us with the opportunity to craft potent multivalent vaccines and become a market leader in immunotherapy for widespread cancers.

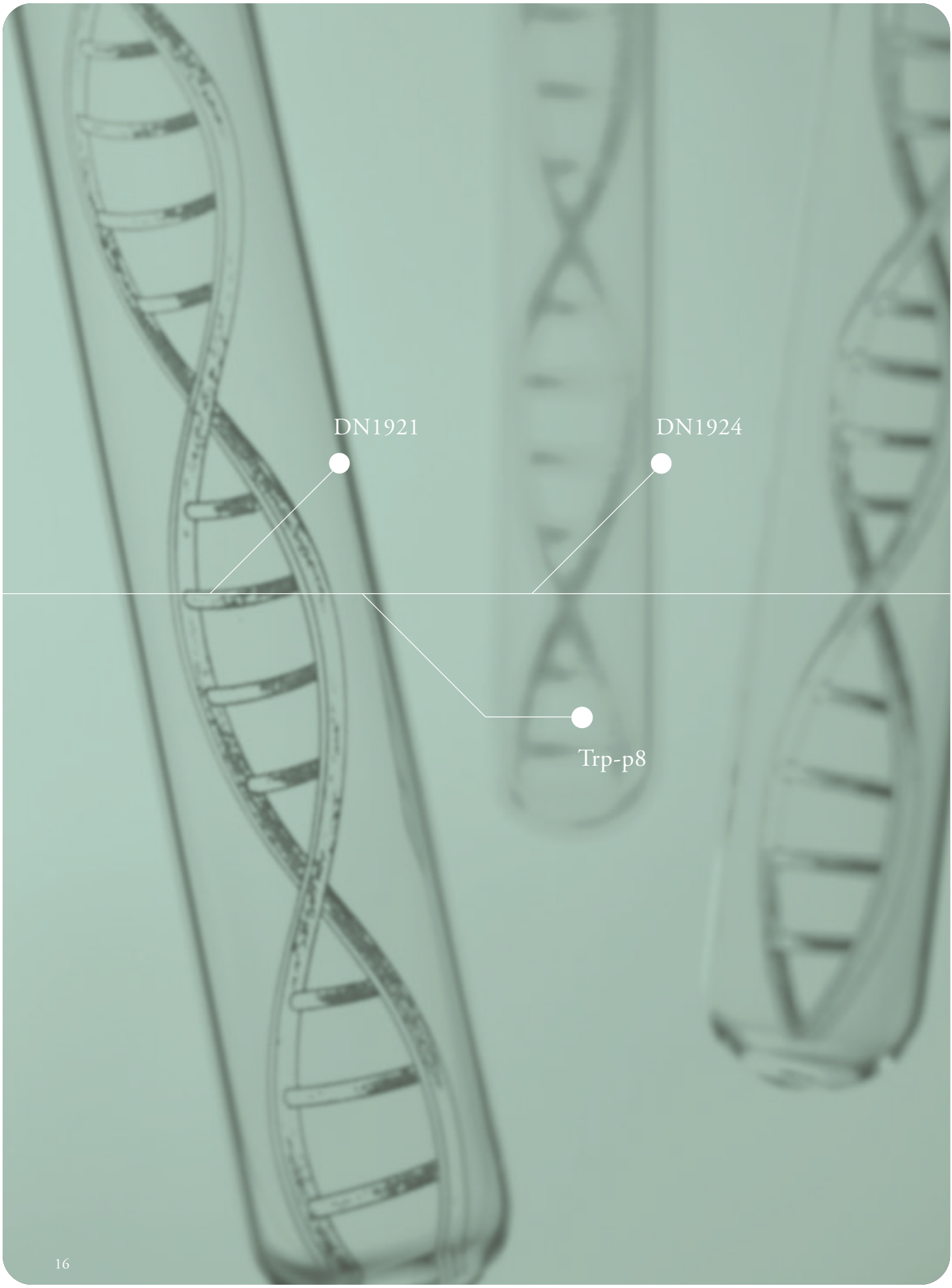
Targeting Leading Cancers

Vaccines:	PROSTATE	MYELOMA / LYMPHOMA	BREAST	LUNG	PANCREATIC	OVARIAN / UTERINE	BLADDER	COLON	CERVICAL	KIDNEY
Provenge™	●									
Mylovenge™		●								
APC8024			●			●		●		
NY-ESO	●		●	●		●	●			
Trp-p8	●		●	●				●		
CEA			●	●				●		
MN								●	●	●
Telomerase	●	●	●	●	●	●	●	●	●	●

Antibodies:										
Trp-p8	●		●	●				●		
DN1924		●								



Targeting the Most Prevalent Cancers


DN1921
DN1924
Trp-p8

OUR NEW DISCOVERIES OFFER PATHWAYS TO MONOCLONAL ANTIBODY AND SMALL-MOLECULE THERAPIES

SELECT ANTIBODIES, MULTIPLE OPPORTUNITIES

Monoclonal antibodies are a commercially proven form of immunotherapy. Monoclonal antibodies zero in on specific pathogenic cells and destroy them, sparing normal cells. Our monoclonal antibody program is complementary to our therapeutic vaccine portfolio.

DN1924

STATUS: PRECLINICAL

DN1924 is a monoclonal antibody that targets an antigen known as HLA-DR expressed in a significant number of blood malignancies, including B-cell malignancies. DN1924 induces malignant B-cells to undergo apoptosis or programmed cell death. Normal cells are unharmed. This therapeutic antibody may provide a treatment option for the tens of thousands of people who each year are diagnosed with or die from Hodgkin's lymphoma, non-Hodgkin lymphoma, B-cell leukemias and multiple myeloma.

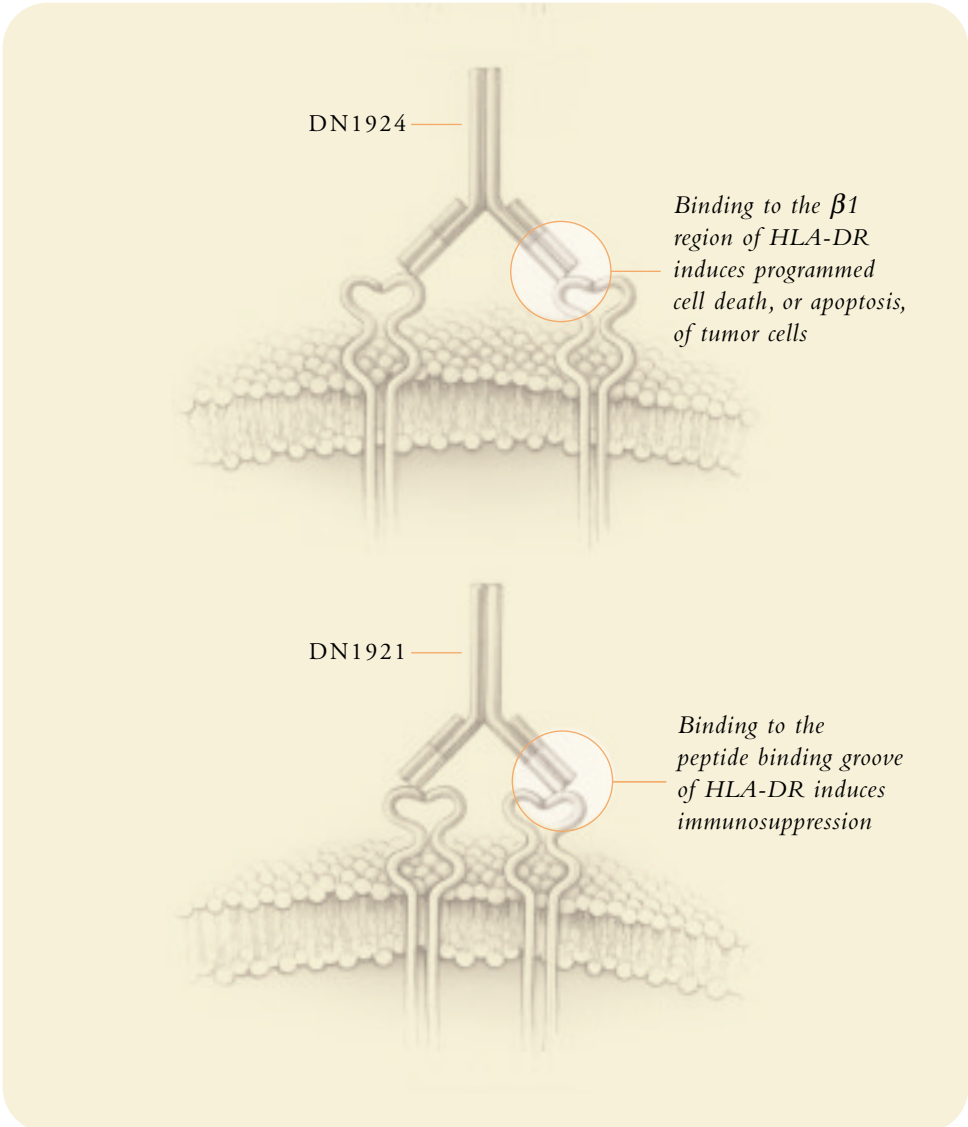
DN1921

STATUS: PRECLINICAL

DN1921 has relevance for millions of Americans whose bodies have turned against themselves. People who suffer from autoimmune diseases are plagued by immune systems that are damaging normal tissue. The monoclonal antibody DN1921 may suppress an overactive immune system and could potentially treat the millions of Americans diagnosed each year with autoimmune diseases, such as multiple sclerosis, rheumatoid arthritis and systemic lupus erythematosus.

MONOCLONAL ANTIBODIES

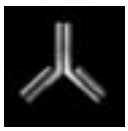
DN1924 AND DN1921



FROM ONE GENE DISCOVERY: MANY THERAPEUTIC OPTIONS

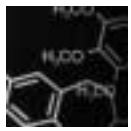
We constantly look for new targets that can be used to bolster the immune system's response to cancer. Trp-p8, a member of the transient receptor potential (TRP) protein family, is a product of our diligent research efforts. In malignant tissues, trp-p8 can be found in high concentrations in breast, colon, lung and prostate cancers. That distribution pattern suggests that trp-p8 might be useful in treating these cancers. A patent on trp-p8 was issued to Dendreon in 2001.

Trp-p8



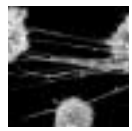
ANTIBODIES

Monoclonal antibody potential: Trp-p8 is a membrane protein, opening up the possible development of a monoclonal antibody that would "see" and target the three-dimensional protein as it lies on the surface of a cell. The antibody may be effective on its own or may be used in tandem with other agents to treat cancer.



SMALL MOLECULES

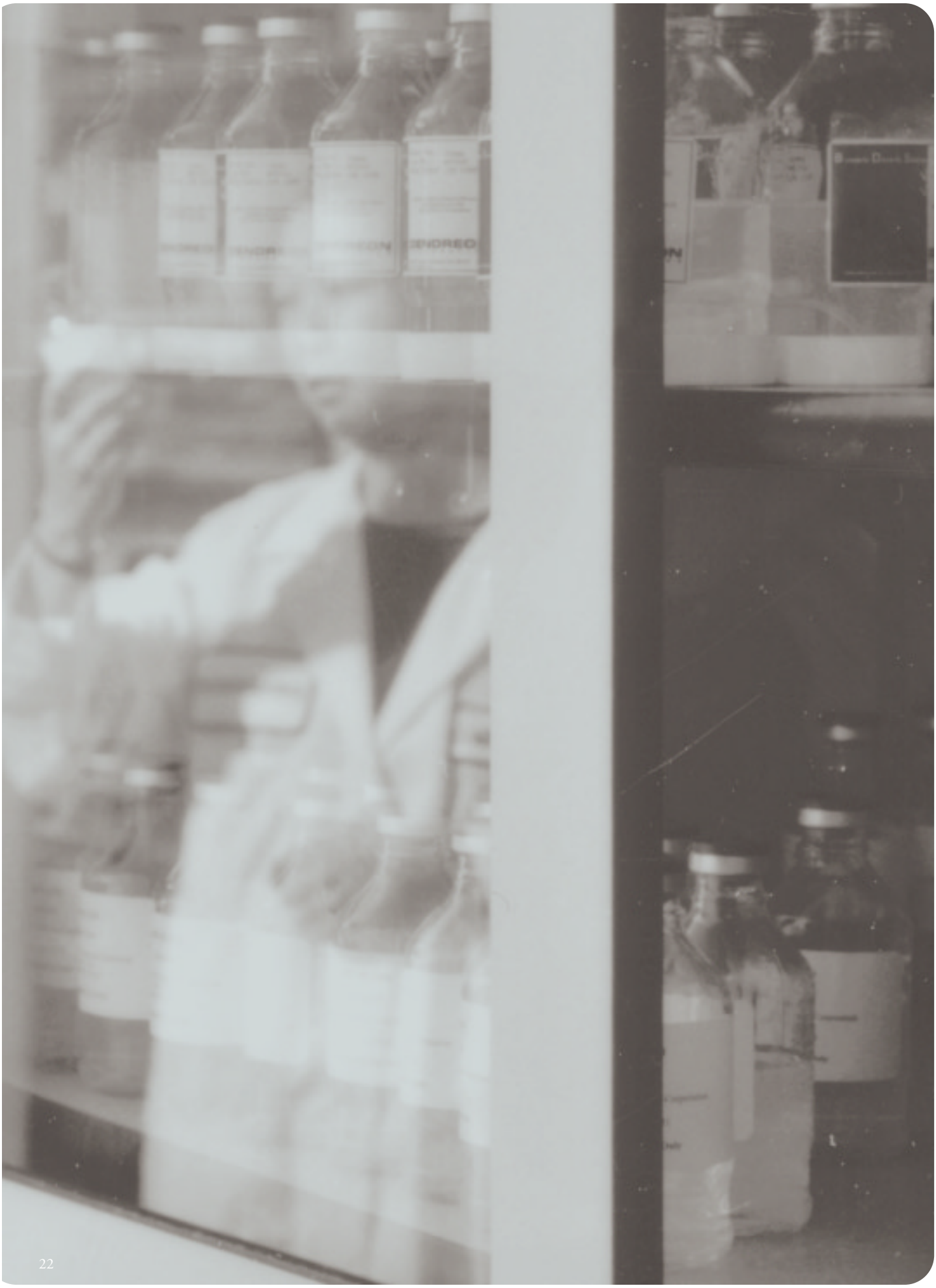
Small-molecule potential: The protein encoded by trp-p8 is an ion channel that regulates the entry of calcium into cells. Calcium entry is tightly controlled in cells that range from bacteria to human neurons, and this regulation is essential for cell survival. Devising an easily deliverable small-molecule therapy to manipulate the calcium channel may interfere with this key cell function and result in cell death.



VACCINES

Vaccine potential: Dendreon's core technology creates innovative ways to prompt the T-cell arm of the body's immune system to attack malignant cells that express specific antigens. Because trp-p8 is found in a number of malignant cells, including breast, colon, lung and prostate cancers, it is a promising candidate for vaccine development.

Multiple Avenues for Treatment



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Company Information
The Dendreon Corporation web site offers individuals the opportunity to receive company press releases and calendar updates by email. To register, visit www.dendreon.com

Annual Meeting
May 15, 2002
Dendreon Corporation
3005 First Avenue
Seattle, WA 98121

Stock Exchange and Symbols
Dendreon Corporation Common Stock is listed on the Nasdaq National Market under the symbol DNDN.

Forward-Looking Statements
Except for historical information contained herein, this Annual Report to Shareholders contains forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ materially from the results discussed in the forward-looking statements, particularly those risks and uncertainties inherent in the process of discovering, developing and commercializing drugs that are safe and effective for use as human therapeutics. Factors that may cause such a difference include risks related to Dendreon's limited operating history, risks associated with completing Dendreon's clinical trials, the risk that the safety or efficacy results of a clinical trial will not support an application for a biologics license, the risk that the FDA will not approve a product for which a biologics license has been applied, the uncertainty of Dendreon's future access to capital, the failure by Dendreon to secure and maintain relationships with collaborators, dependence on the efforts of third parties, and dependence on intellectual property. Further information on the factors and risks that could affect Dendreon's business, financial condition, and results of operations are contained in Dendreon's public disclosure filings with the U.S. Securities and Exchange Commission and in Dendreon's 2001 Annual Report on Form 10-K which is included in this Annual Report to Shareholders.

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