

# Flexibility in Alliances

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**Robert Little**

*Chief Commercial  
Officer*



**Eric de La Fortelle**

*Global Head, External  
Research & Technologies*

## Safe Harbor

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. All statements made in this presentation that are not statements of historical fact constitute forward-looking statements. The matters referred to in forward-looking statements could be affected by the risks and uncertainties of the Company's business. Such risks inherent to the Company's business will be described in the Company's filings, when they occur, with the Securities and Exchange Commission, as well as in its press releases. The Company's actual results may differ materially from those expressed in or indicated by such forward-looking statements.

# Halozyme Therapeutics Inc.

## *Company background*

- Founded 1998
- ~ 50 employees (38 in R&D)
- On AMEX stock exchange since 2004 (HTI)
- Listed on NASDAQ effective 10 May 2007 (HALO)
- Market cap ~\$175M (Nov 2006), ~\$740M (Apr 2007)
- Develop and commercialize biotechnology products based on versatile family of patented hyaluronidase enzymes

San Diego, CA



## Halozyme Highlights

- Unique portfolio of assets with best-in-class partners
  - **Enhance™ Technology**: Novel drug delivery platform that can lead to value-creating partnerships; e.g. \$600M+ partnership with Roche
  - **HYLENEX**: FDA-approved drug product targeting \$500M market opportunity; partnership with Baxter Healthcare
- Broad and deep pipeline of clinical & pre-clinical candidates targeting significant unmet needs with large markets

# Product Pipeline

## Development status

| Product             | Target/ indication(s)                      | Research                                 | Pre-clinical | Phase 1 & 2 | Phase 3 | In registration | Marketed product |
|---------------------|--|--|--------------|-------------|---------|-----------------|------------------|
| Cumulase®           | In vitro fertilization                     | Device product launched in US, EU, Japan |              |             |         |                 |                  |
| HYLENEX*            | Drug & fluid infusion                      | NDA approved and marketed                |              |             |         |                 |                  |
| Chemophase™         | Bladder cancer                             |  |              |             |         |                 |                  |
| Enhanze™ Technology | Large molecule therapeutics (e.g., MoAb's) |  |              |             |         |                 |                  |
| rHuPH20 IV          | Oncology, neurology, cardiology            |  |              |             |         |                 |                  |
| HTI-101             | Oncology                                   |  |              |             |         |                 |                  |

\* HYLENEX is a registered trademark of Baxter International, Inc.



# Roche

## *Innovation across the healthcare spectrum*



### Committed to personalized medicine

- Pharma: No. 5 worldwide\*
- Diagnostics: World leader
- Biotechnology: World's largest

### Strength in biotechnology

- Development portfolio includes 15 therapeutic proteins in 54 indications
- Manufacturing facilities under major expansion
- Biologicals constitute 63% sales of Roche top 20 selling products (2006)



\* By sales, WoodMackenzie Dec 2006

# Our innovation strategy

## *A core of partnerships*

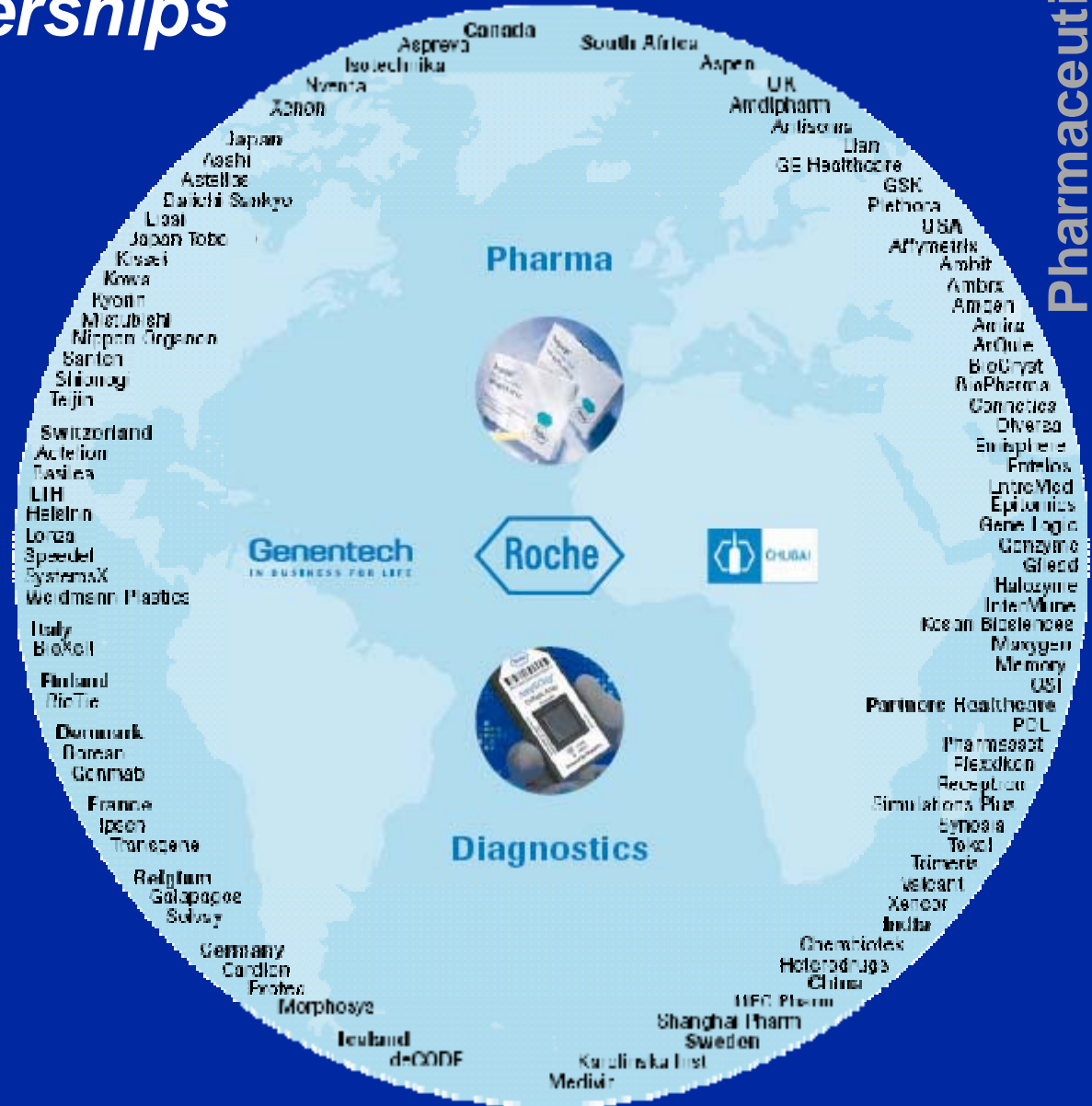


Pharmaceuticals

Roche's internal hub and spoke R&D structure

Independent entities within one group

Together with a global network of independent partners





# Roche Pharma Partnering

## *What we are looking for*

From opportunity to partnership

Want Find Get Manage

### **Scientific value**

Differentiated medicine

### **Business case**

Value to both companies

### **Reciprocal fit**

Synergism between teams

### **Strategic fit**

Complement or leverage portfolio

Therapeutic area

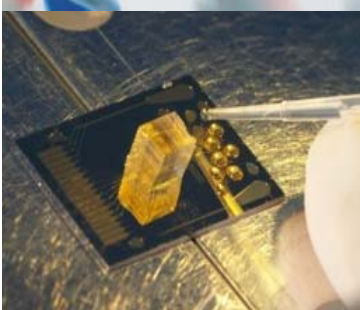
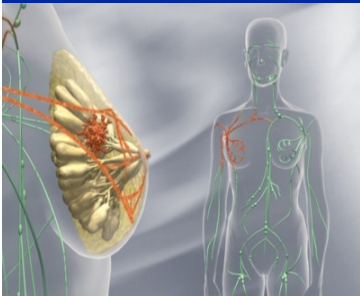
Emerging/enabling technology





# Strategic fit

## *Searching for innovation to complement & leverage portfolio*



### Therapeutic areas

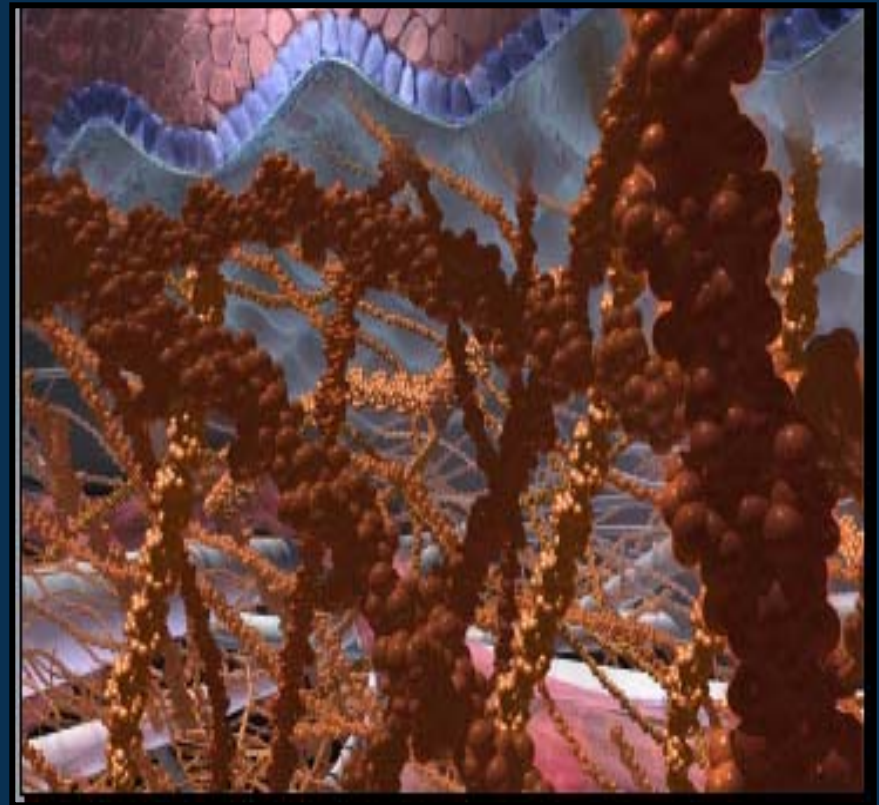
- Oncology
- CNS
- Metabolic disorders
- Inflammation
- Virology

### Technologies

- Medicinal chemistry
- Synthesis and screening
- Combinatorial chemistry
- Delivery/formulation
- Molecular modeling
- Genetics, genomics
- Proteomics

# Interstitial Matrix Limits Subcutaneous Injection

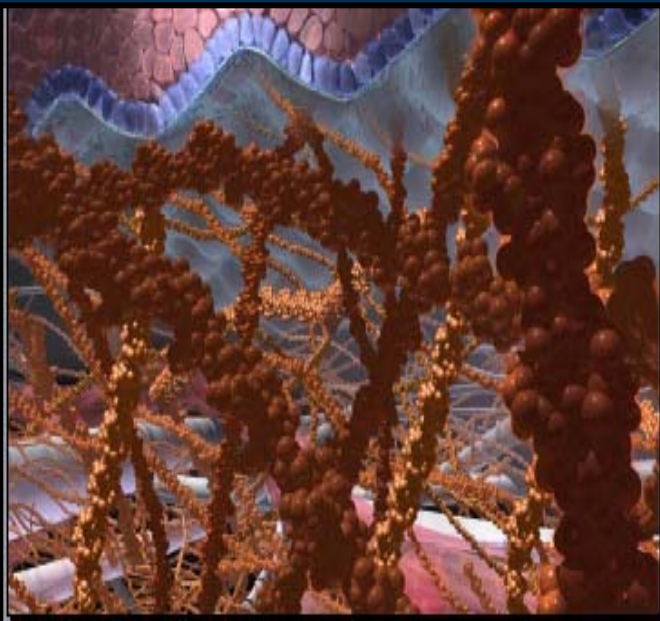
- Hyaluronic acid & collagen fibers fill subcutaneous space
- These limit volume of subcutaneous injection
  - cause pain !!



Hyaluronic acid & collagen fibers

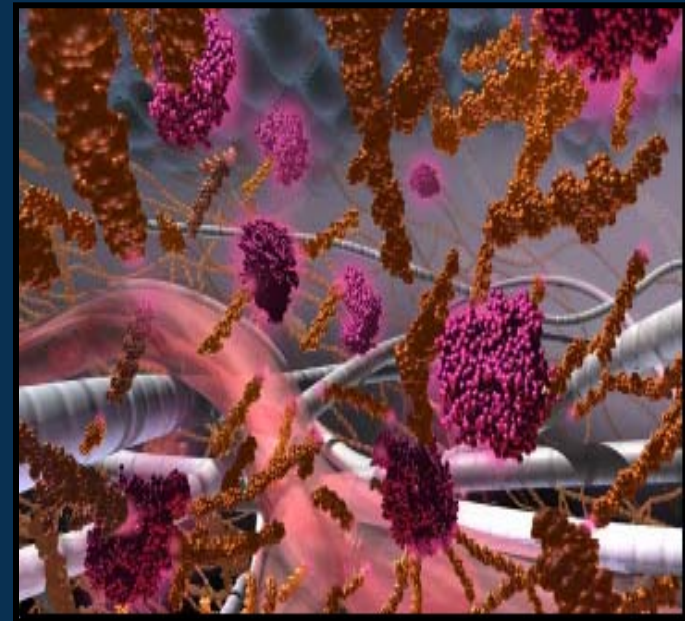
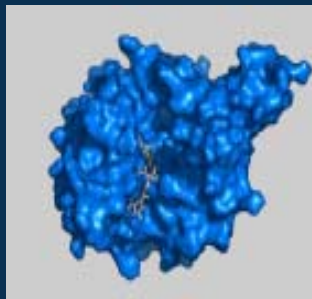
# Hyaluronidase Temporarily Breaks Down Interstitial Matrix

- Breaks down hyaluronic acid but collagen matrix not disrupted
- Matrix is repaired within 24 hr



rHuPH20

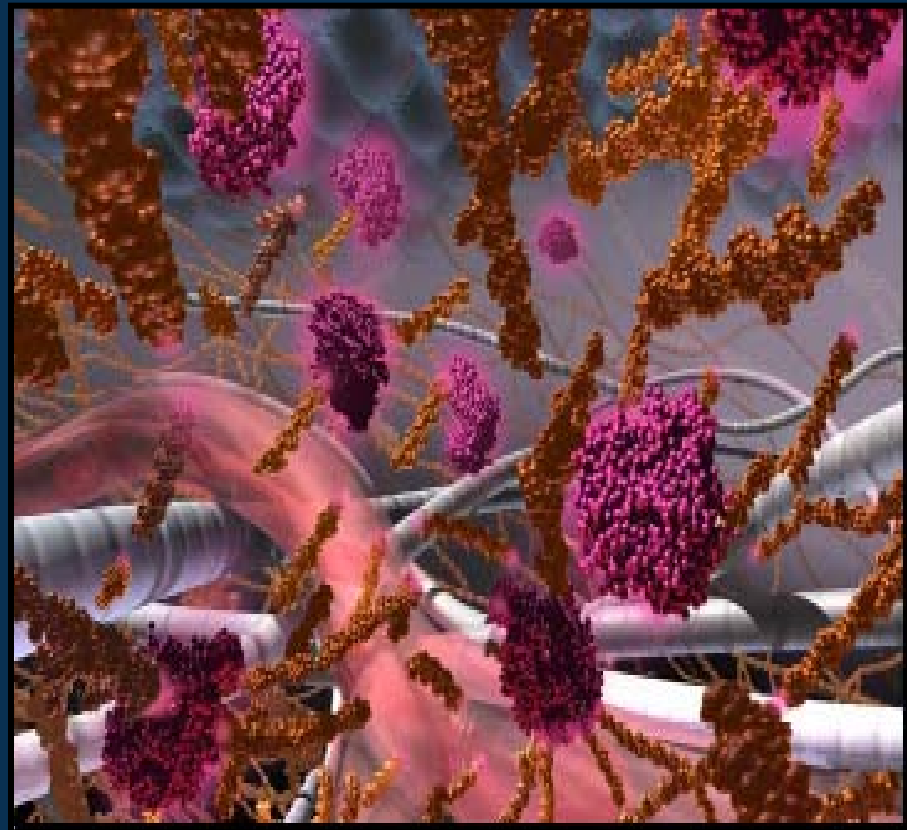
Recombinant  
Human  
Hyaluronidase



# Hyaluronidase Improves Diffusion / Absorption of Drug Substance

Anticipate improvement of

- Injectable volume
- Subcutaneous distribution
- Drug absorption
  - higher bioavailability
- Flow into interstitial matrix
  - less pain



# Enhance™ Technology: *Value Add for Injectable Drugs*

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## Efficacy

- Deliver more drug to intended targets
- Allow drug to work faster
- Increase volume of drug at each injection

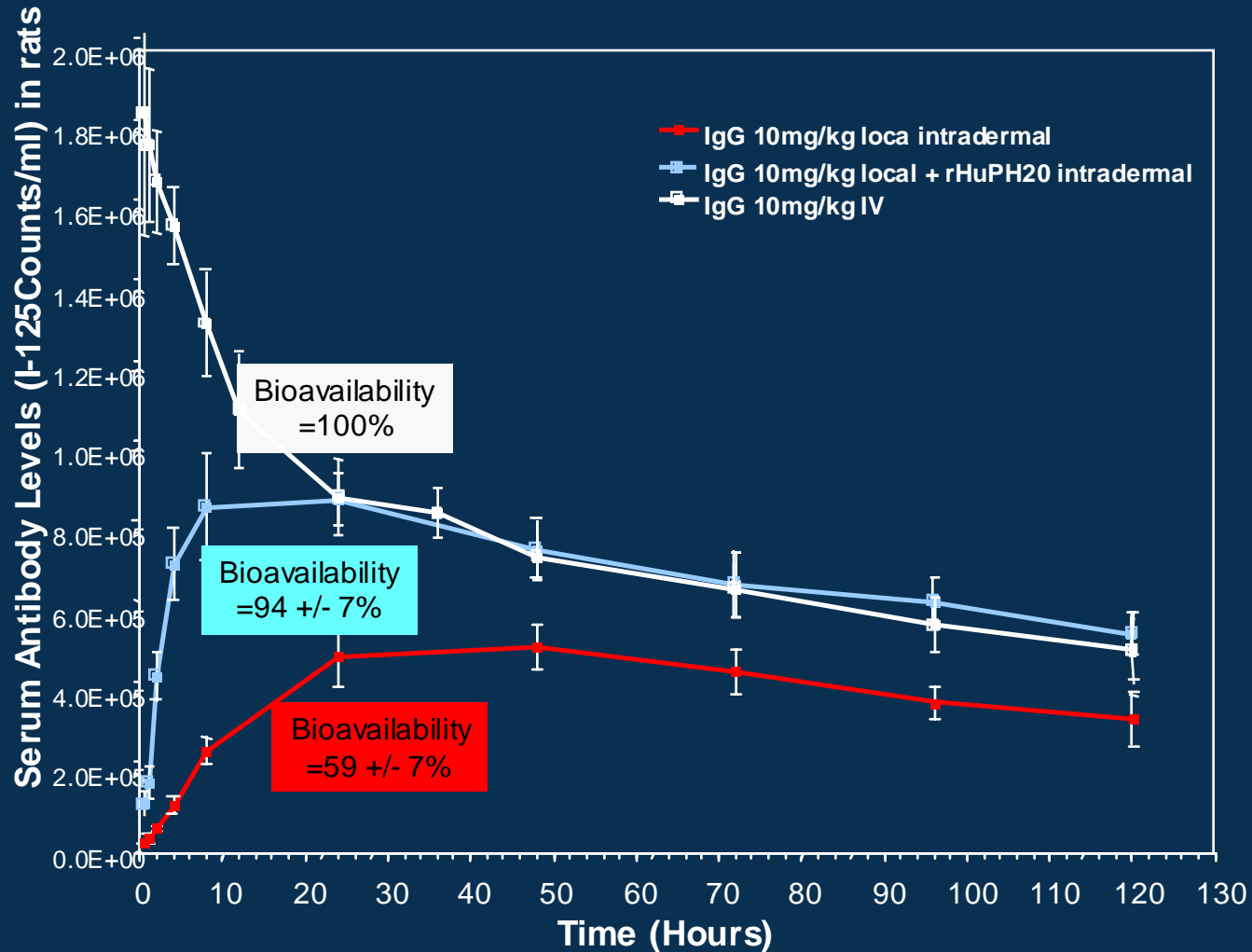
## Convenience & compliance

- Decrease pain and tissue distortion upon injection
- Change route of administration (e.g., IV to SC)
- Potentially increase dosing interval

## Economic benefits

- Extend product lifecycle
- Provide differentiation for multi-sourced drugs
- Enable inpatient drugs to be injected at home

# Enhanced™ Commercial Anti-Rheumatic Monoclonal Antibody

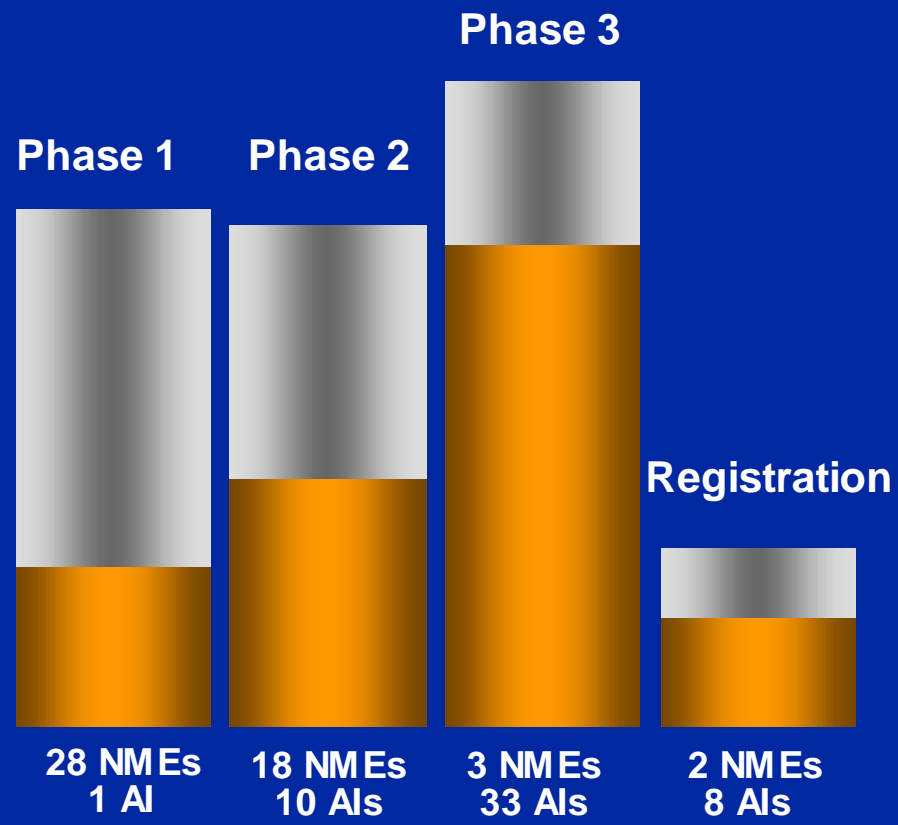




Pharmaceuticals

# Opportunity: Apply Enhance™ to Roche biologicals

*Potential leverage across the portfolio*



Marketed

- MABTHERA (trastuzumab)
- PEGASYS (peginterferon alfa-2a (40KD))
- Herceptin (trastuzumab)
- AVASTIN (bevacizumab)
- Tarceva (erlotinib)
- NeoRecormon (Epoetin Beta)

54% of Roche's pipeline is represented by biologics

6 of Roche's top 10 best selling products are biologics

# Flexibility in Deal Making

*Bridging positions in the negotiation*

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- **Starting position** – respective demands
  - **Roche:** exclusivity of Halozyme technology on largest possible number of biologics
  - **Halozyme:** retain ability to do deals with other partners in this field
- **Negotiated solution** - flexibility created for both parties, 3 ‘baskets’







# Enhance Technology Deal

*Biologics collaboration for 13 targets*

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## Responsibilities

- rHUPH20 manufacturing
- Regulatory support for rHuPH20 part of filing(s)

## Financials

- Deal value over \$600M
- \$20M upfront
- Up to \$111M in milestones for first 3 exclusive targets
- Up to \$47M in milestones & upfront for each 10 additional targets
- \$11M equity purchase
- Royalties on net sales



## Responsibilities

- Development
- Regulatory
- Commercialization



## Deal Value Add

*Value adding partnerships*



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Market Cap ~\$175M (Nov '06), ~\$740M (Apr '07)



# Flexibility Beyond the Deal

## *Effective alliance management*

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### **Each partner assigned one Global Alliance Director**

- Interface between Roche and partner
- Empowered and integrated into every level of decision making
- Ensures partner involvement

### **Adoption of similar philosophies**

- Halozyme sets up new alliance director function
- Dedicated to Roche partnership



# Guiding Principles of the Alliance

*Creating a win-win partnership*

- Committed to commercial success of the Enhanze™ Technology / Roche biologics programs
- Optimization of efficiency without compromising quality
- “Obligation to frankness”
- “Bust the paradigm”



# Learnings in Flexibility

*Accelerating activities by being flexible*

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## Example in “Doing the Deal”

- All night negotiations/contract revisions
- Competitive environment enforced time constraint
- Integrated business team (science, business, negotiators, attorneys)



# Learnings in Flexibility

## *Understanding constraints*

**Take best of each company's attributes**, while being flexible as to constraints

- **Halozyme has less structures**, thus short-loop internal decision making
- **Roche has more structures**, providing broader expertise and critical mass



# Learnings in Flexibility

## *Transparency and communication*

- **Transparency** yields smoother relationships; understanding background behind issues enables flexibility
- **Early alignment of goals and expectations** – helped guide negotiations when things got “sticky”
- **Open communication**, eliminating hidden agendas enhances trust
- **Full disclosure**, even when difficult, permits proactive problem-solving, i.e., “sharing the warts up front” to be dealt with



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