Flexibility in Alliances

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Safe Harbor

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Halozyeme 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
Halozyrne Highlights

- Unique portfolio of assets with best-in-class partners
  - **Enhanze™ Technology**: Novel drug delivery platform that can lead to value-creating partnerships; e.g. $600M+ partnership with Roche
  - **HYLENEK**: 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

<table>
<thead>
<tr>
<th>Product</th>
<th>Target/ indication(s)</th>
<th>Development status</th>
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<tbody>
<tr>
<td>Cumulase®</td>
<td>In vitro fertilization</td>
<td>Device product launched in US, EU, Japan</td>
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<tr>
<td>HYLENEX*</td>
<td>Drug &amp; fluid infusion</td>
<td>NDA approved and marketed</td>
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<tr>
<td>Chemophase™</td>
<td>Bladder cancer</td>
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<tr>
<td>Enhancer™ Technology</td>
<td>Large molecule therapeutics (e.g., MoAb’s)</td>
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<tr>
<td>rHuPH20 IV</td>
<td>Oncology, neurology, cardiology</td>
<td></td>
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<tr>
<td>HTI-101</td>
<td>Oncology</td>
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</tbody>
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*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

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!!
Hyaluronidase Temporarily Breaks Down Interstitial Matrix

- Breaks down hyaluronic acid but collagen matrix not disrupted
- Matrix is repaired within 24 hr
Hyaluronidase Improves Diffusion / Absorption of Drug Substance

Anticipate improvement of

- Injectable volume
- Subcutaneous distribution
- Drug absorption
  - higher bioavailability
- Flow into interstitial matrix
  - less pain
Enhanze™ Technology: Value Add for Injectable Drugs

**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
Enhanzed™ Commercial Anti-Rheumatic Monoclonal Antibody

Serum Antibody Levels (I-125 Counts/ml) in rats

- IgG 10mg/kg local intradermal
  - Bioavailability = 59 +/- 7%
- IgG 10mg/kg local + rHuPH20 intradermal
  - Bioavailability = 94 +/- 7%
- IgG 10mg/kg IV
  - Bioavailability = 100%
Opportunity: Apply Enhanze™ to Roche biologicals

Potential leverage across the portfolio

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

- **Starting position** – respective demands
  - **Roche**: exclusivity of Halozyyme technology on largest possible number of biologics
  - **Halozyyme**: retain ability to do deals with other partners in this field

- **Negotiated solution** - flexibility created for both parties, 3 ‘baskets’

- Defined Targets exclusive to Roche
- Option Targets 1st designation rights to Roche
- Non-defined targets
Enhanze Technology Deal
*Biologics collaboration for 13 targets*

**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**
- rHUPH20 manufacturing
- Regulatory support for rHuPH20 part of filing(s)
- Development
- Regulatory
- Commercialization
Deal Value Add

Value adding partnerships

Market Cap ~$175M (Nov ‘06), ~$740M (Apr ‘07)
Flexibility Beyond the Deal

Effective alliance management

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
- Halozyyme 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*

**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