

Theranos $\frac{F}{\text{Financials}}$

Theranos

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Disruptive Technology Opportunity

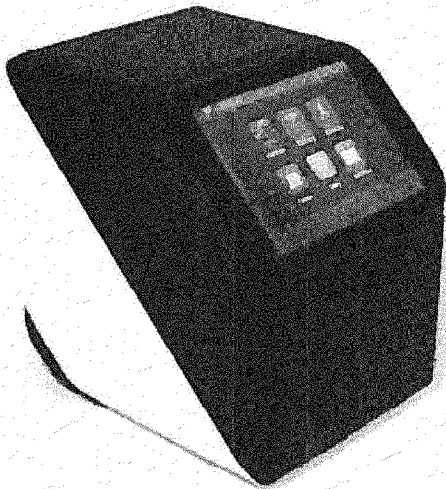
- **Create a new in store pharmacy service with a mini-diagnostic lab**
- **Increase Rx contribution (currently at \$280M) by 50 - 100% over 5 years**
- **Own the application and use it to secure additional script and grocery business**
- **Strengthen the Safeway Health offering**

Technology Overview

- **Full diagnostic blood, saliva and urine lab in a box**
- **Blood test samples result from a finger stick**
- **Test results in 20 minutes**
- **Retail price is 40 - 70% lower than two dominant competitors**

Physical Device and Cartridges

Device



Cartridge



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Technology Partner – Theranos

- **Founded in 2003 by a Stanford PhD student in chemical and electrical engineering**
- **Currently cash flow neutral with a client base of pharmaceutical companies**
- **Company vision is:**
 - Dramatically lower the cost of retail diagnostic work
 - Displace current labs with a better footprint of retail locations
 - Develop new tests for predicting and managing disease

Safeway – Theranos Deal

- **Safeway builds a network of retail outlets that has 85% of the U.S. population within 5 miles**
- **Network participants are initially granted an exclusive in their market, subject to service requirements**
- **Safeway earns an attractive margin on its customers and a small network fee from other network participants**
- **All labs would be branded with a common name (most likely Theranos)**

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Other Deal Points

- **Safeway, subject to due diligence, makes a \$25 million equity investment for 2.8% of the company**
- **Post-pilot, Safeway pre-purchases \$25 million of inventory**
- **Safeway granted a board seat**

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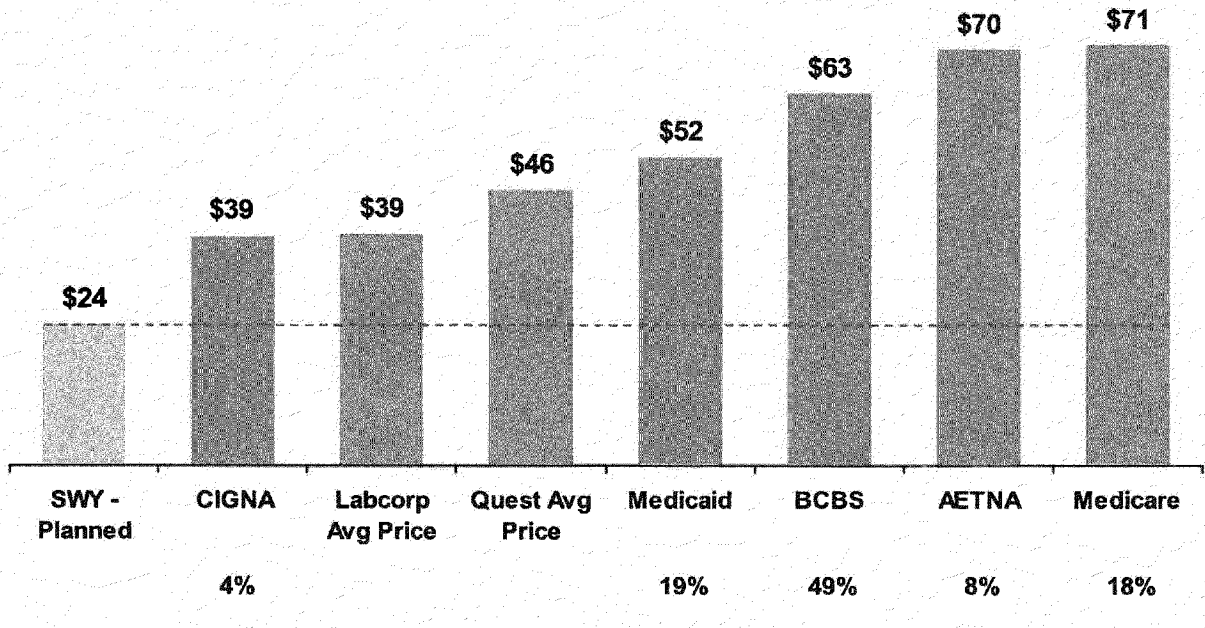
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Advantaged Pricing

ESTIMATES

Average Fee Paid per Quest/LabCorp Visit by Insurer



Source: CIGNA, AETNA, Independence Blue Cross – Safeway health plan claims experience, Medicare & Medi-Cal calculated from California State fee schedules, company 10Ks

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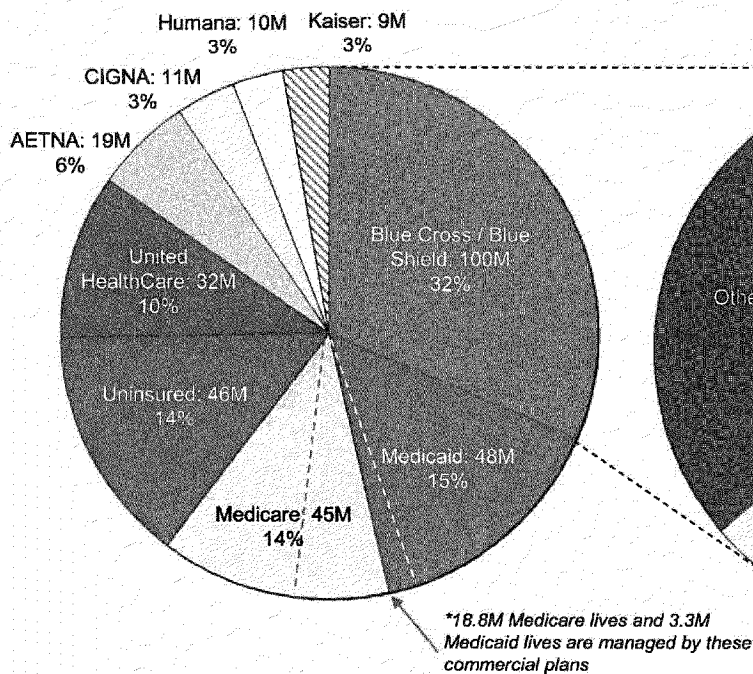


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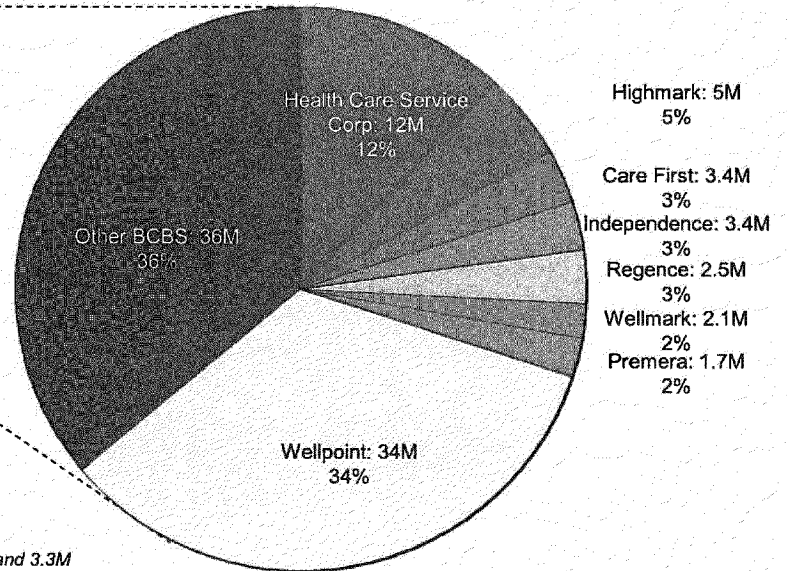
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Concentration of Insurance Coverage

Market Share of U.S. Population



Components of BCBS Business



Sources: Kaiser Family Foundation; Company 10Ks.

Note: Removed 7M Medicaid members with dual eligibility in Medicare. Total membership includes members with dual eligibility in commercial plans that administer Medicare/Medicaid.

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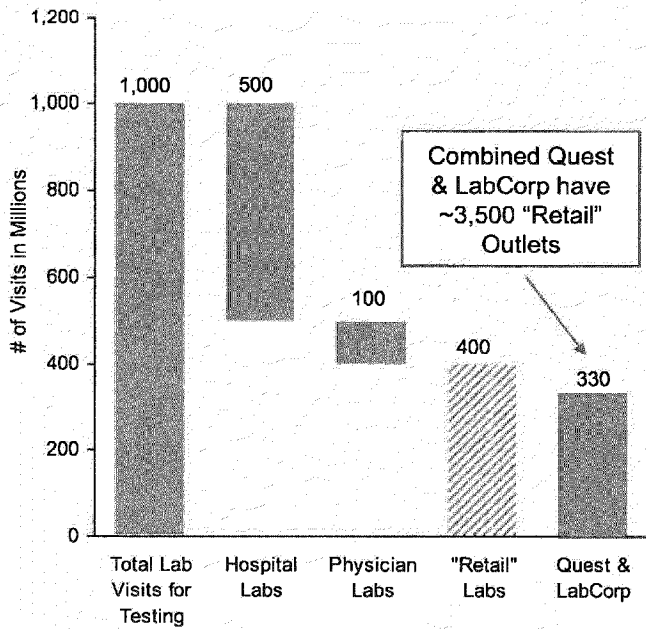


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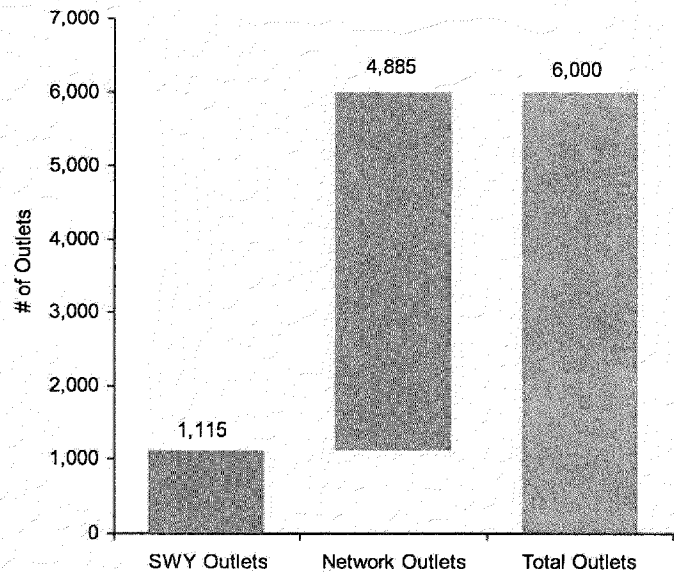
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Market Opportunity – Commercial Labs

Market Size of Laboratory Visits



Safeway Designed Network



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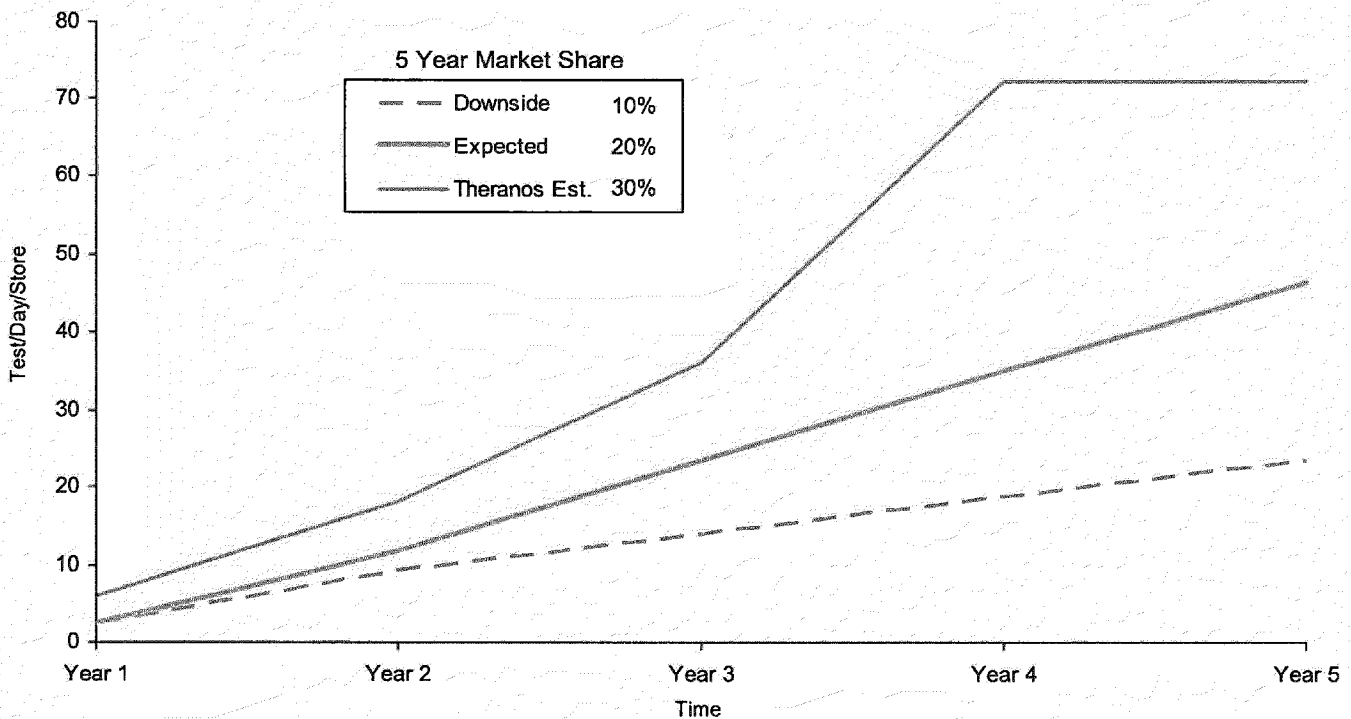
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Retail Lab Market Penetration Assumptions

Safeway Volume per Store – 3 Scenarios



Note: Network stores are assumed to do half the volume of a Safeway store

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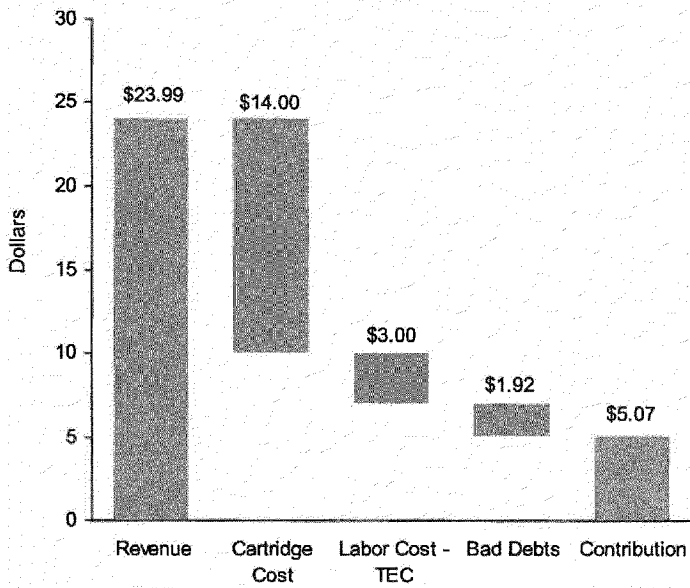


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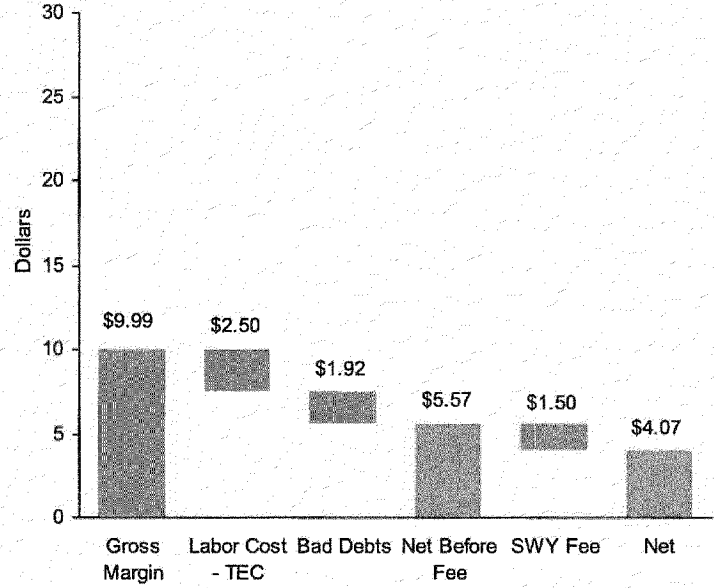
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Expected Per Test Contribution

SWY Stores



Network Stores



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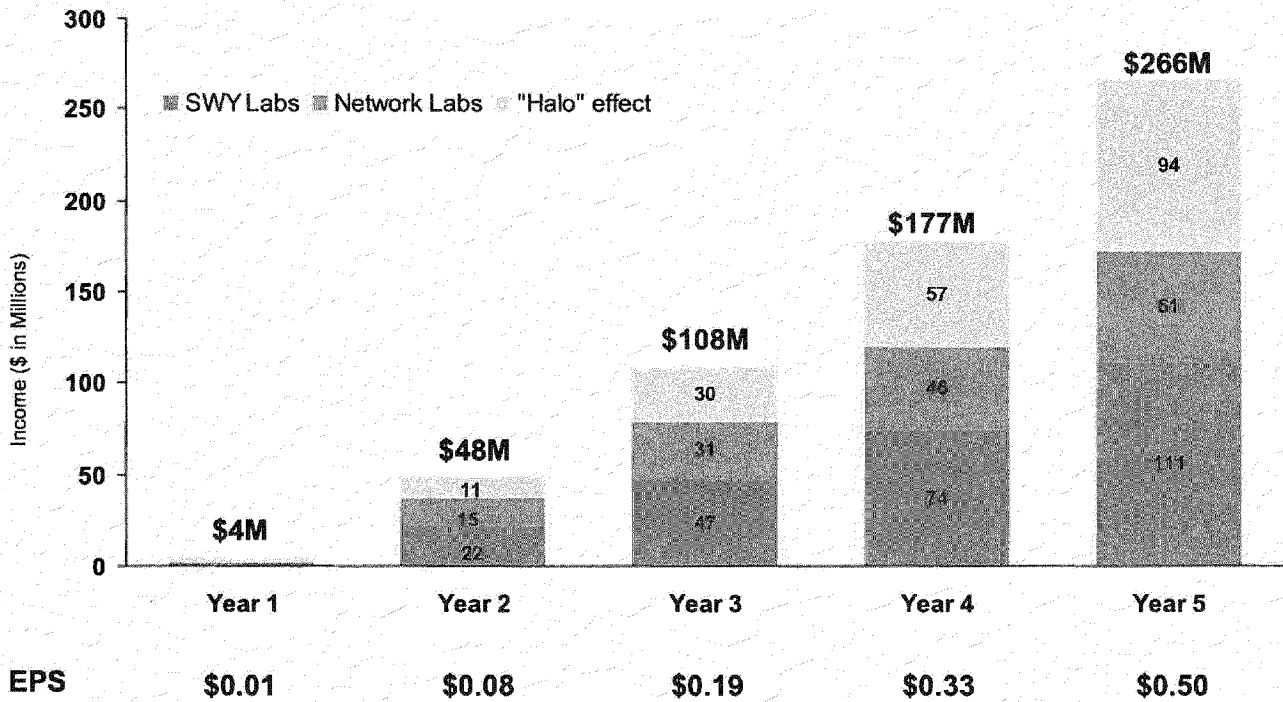


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SWY Contribution General Chem Tests Only

Contribution at 20% Market Share



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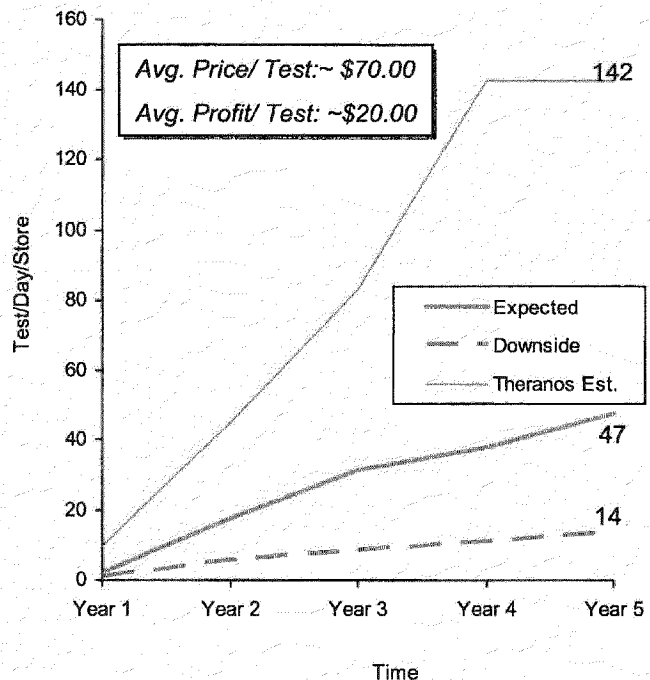
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Market Expansion via New Tests

Key Assumptions

- Theranos' device also enables new clinical applications both for consumers and clinical practitioner
- Consumer Driven Tests
 - Diabetes/Obesity risk factors
 - Heart Disease risk factors
 - Pregnancy Health
 - Anonymous STD testing
- Clinical Practitioner Tests
 - Blood protein biomarker replacement for current cancer tests (e.g. mammogram)
 - Infertility / Hormone Levels Panel
 - Flu typing - H1N1, H1N2, Seasonal, etc. + bacterial infection ID

Safeway Volume per Store 3 Scenarios



Note: Network stores are assumed to do half the volume of a Safeway store

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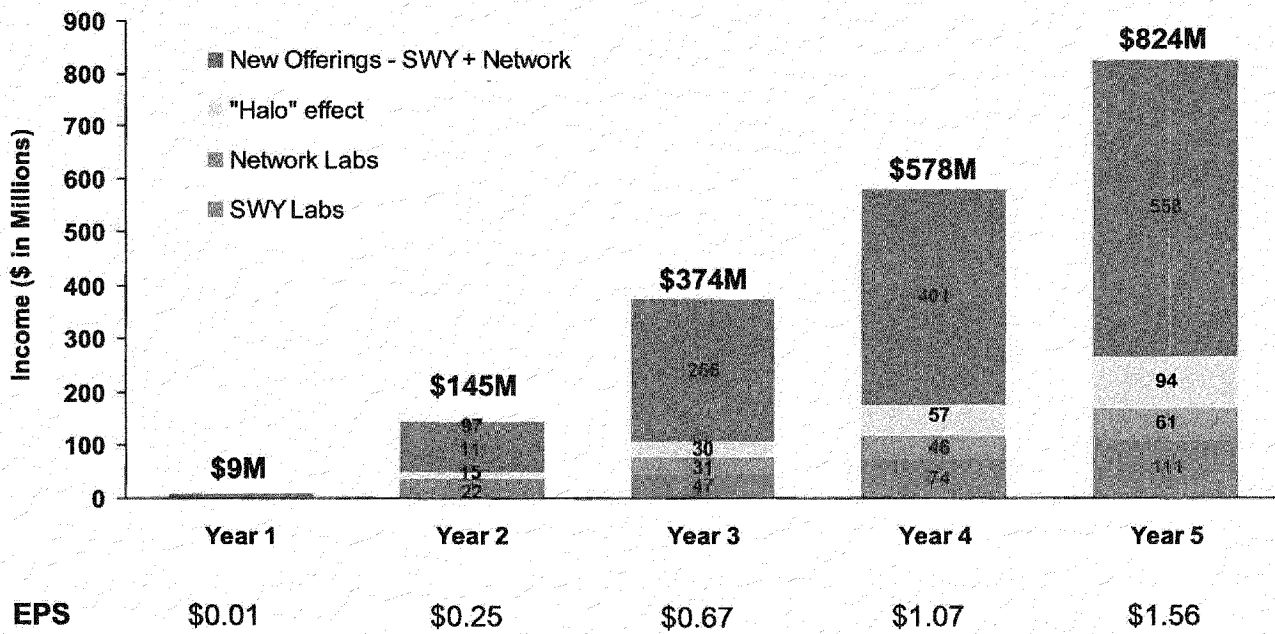
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SWY Contribution Total

Expected Case



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Rollout Strategy

- **Secure preferred position (in-network) with all major payors**
- **Launch an isolated pilot to determine ramping speed, network requirements and capital needs**
- **Undertake a Northern California division-wide pilot**
- **Build a network of mini-labs and prepare for launch**

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Anticipated Program Roll-out

Timeline

Activities/Worksteps	Quarter							
	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11	Q4'11	Q1'12
Close Deal	■							
Reimbursement Negotiations		■	■	■				
Under-the-Radar test			■					
Northern California Pilot				■				
SWY Chain Roll-out					■	■	■	
Network Roll-out					■	■	■	■

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Business Risks

- **Regulatory approval of Theranos device and tests**
- **Obtaining “CLIA waived” registration for pharmacies to operate device**
- **Negotiating preferred network status with commercial health plans**
- **Establishing a network of partners to provide a comprehensive network and maintain exclusive**

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Next Steps

- **Satisfactorily complete due diligence**
 - Review regulatory strategy and progress with external experts
 - Validate technology with scientific panel, including Johns Hopkins and UCSF
 - Confirm equity value
- **Negotiate final deal terms and close deal**
- **Launch negotiations with Blue Cross and Blue Shield of Northern California**
- **Begin discussions with the Centers for Medicare & Medicaid Services**
- **Establish retail partner network**