



SARISSA CAPITAL

M A N A G E M E N T L P

Innoviva Investor Presentation
March 23, 2017

SPECIAL NOTE REGARDING THIS PRESENTATION

ON MARCH 22, 2017, SARISSA CAPITAL MANAGEMENT LP ("SARISSA"), TOGETHER WITH THE OTHER PARTICIPANTS IN SARISSA'S PROXY SOLICITATION (THE "PARTICIPANTS"), FILED A DEFINITIVE PROXY STATEMENT AND ACCOMPANYING GOLD PROXY CARD WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") TO BE USED TO SOLICIT PROXIES IN CONNECTION WITH THE 2017 ANNUAL MEETING OF SHAREHOLDERS OF INNOVIVA, INC. (THE "COMPANY"). SHAREHOLDERS ARE ADVISED TO READ THE DEFINITIVE PROXY STATEMENT AND OTHER DOCUMENTS RELATED TO THE SOLICITATION OF PROXIES FROM THE SHAREHOLDERS OF THE COMPANY BECAUSE THEY CONTAIN IMPORTANT INFORMATION, INCLUDING INFORMATION RELATING TO THE PARTICIPANTS. THE DEFINITIVE PROXY STATEMENT AND A FORM OF PROXY IS AVAILABLE TO SHAREHOLDERS OF THE COMPANY AT NO CHARGE AT THE SEC'S WEBSITE AT WWW.SEC.GOV. THE DEFINITIVE PROXY STATEMENT AND A FORM OF PROXY IS ALSO AVAILABLE BY CONTACTING SARISSA'S PROXY SOLICITOR, D.F. KING & CO., INC., BY TELEPHONE AT THE FOLLOWING NUMBERS: STOCKHOLDERS CALL TOLL-FREE: (800) 549-6746 AND BANKS AND BROKERAGE FIRMS CALL: (212) 269-5550, OR THROUGH THE INTERNET AT WWW.DFKING.COM/INVA

This presentation includes information based on data found in filings with the SEC, independent industry publications and other sources. Although the Participants believe that the data is reliable, they do not guarantee the accuracy or completeness of this information and have not independently verified any such information. Many of the statements in this presentation reflect the Participants' subjective belief. Although they have reviewed and analyzed the information that has informed their opinions, they do not guarantee the accuracy of any such beliefs. They have not sought, nor have they received, permission from any third-party to include their information in this presentation.

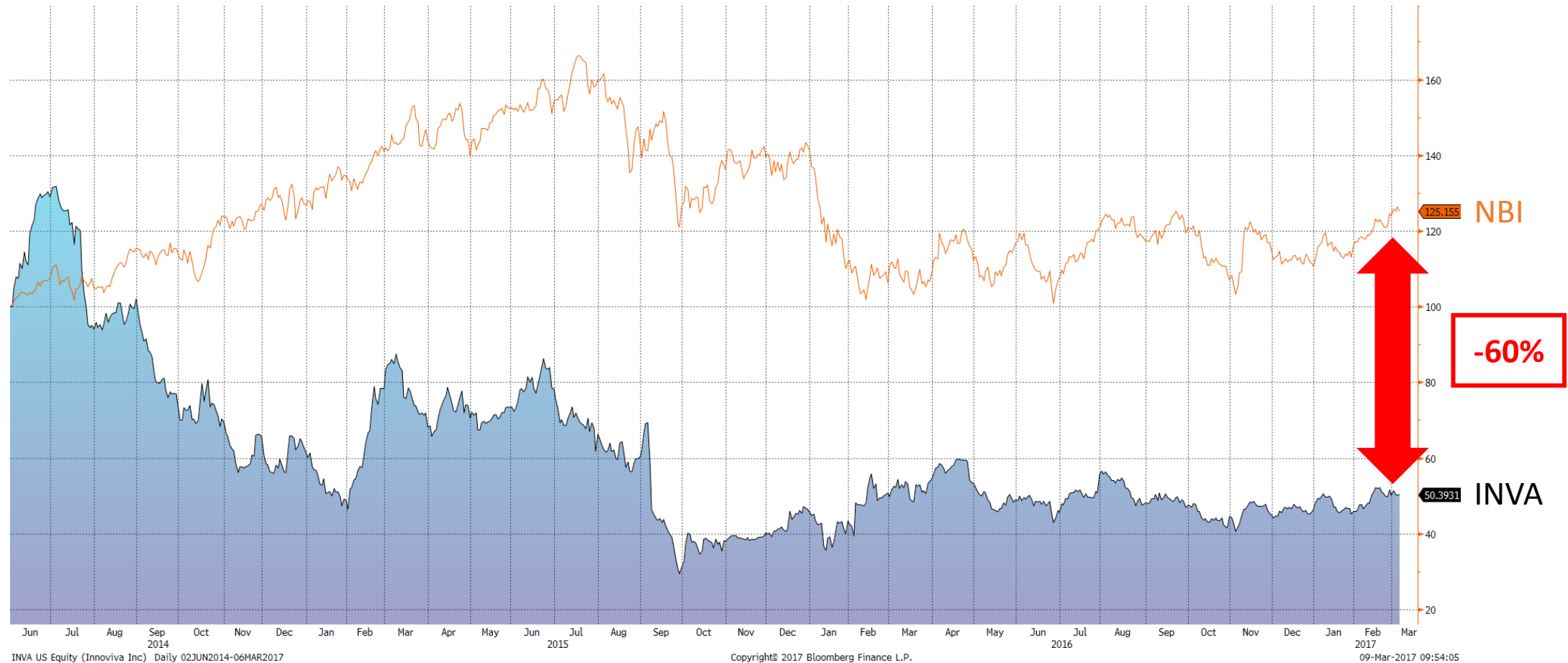
Who has benefited the most from the Innoviva spin-off?



Shareholder value has been destroyed since the spin in June 2014



Innoviva has recently compared its performance to the NBI Index. Innoviva has underperformed the NBI by about -60% since the spin



NBI Index (NASDAQ Biotechnology Index). Chart normalized as of June 2, 2014
Data through March 6, 2017

Innoviva's current business is focused on collecting royalties from GSK for two respiratory inhalers

GSK (Glaxo Group Limited)

GSK is responsible for the development and commercialization of respiratory products partnered with Innoviva



Innoviva

Innoviva receives royalties from GSK on sales of the inhalers



Innoviva has no control over GSK's marketing and sales efforts as the company has made clear in SEC documents

Innoviva 10-K (2016)

ITEM 1A. RISK FACTORS

Risks Related to our Business

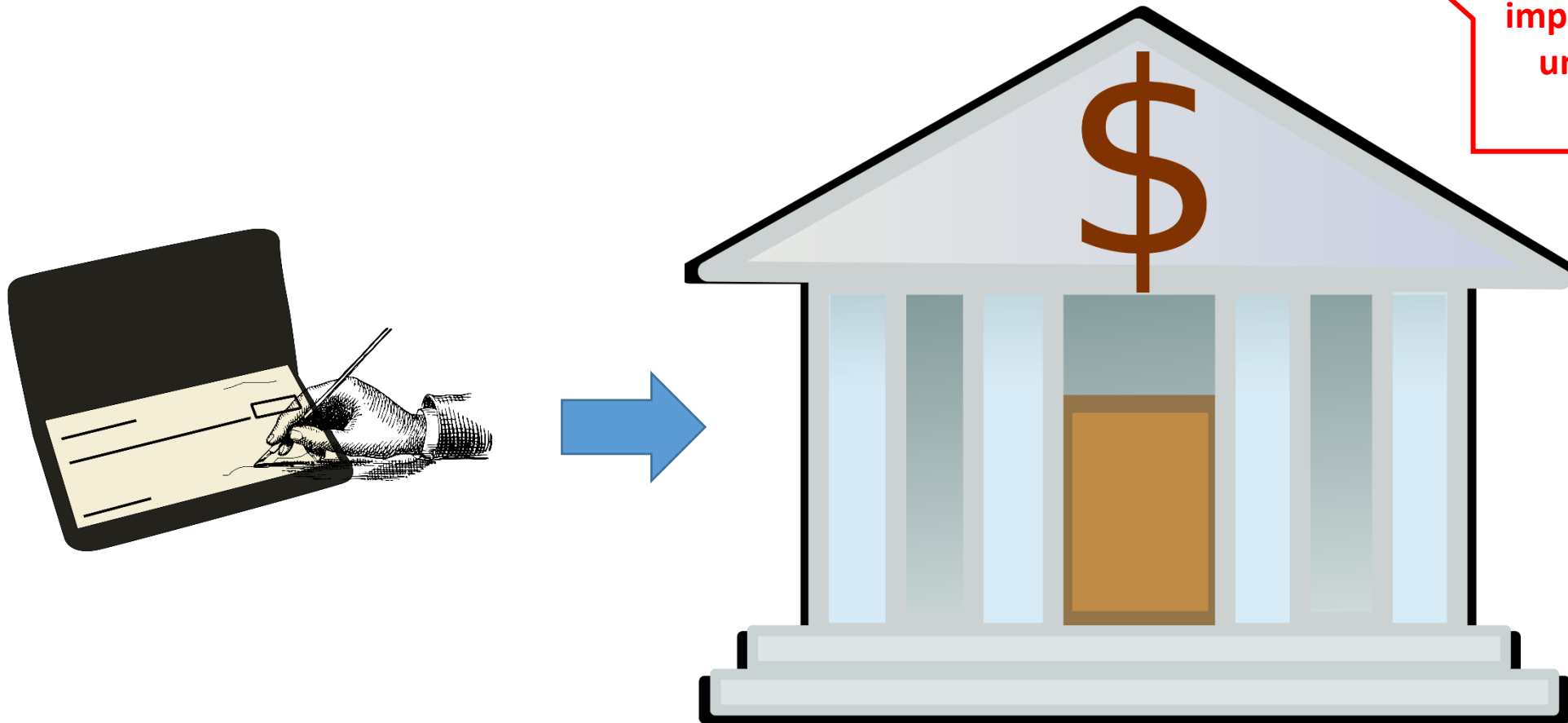
For the foreseeable future we will derive all of our royalty revenues from GSK and our future success depends on GSK's ability to successfully develop and commercialize the products in the respiratory programs partnered with GSK.

Pursuant to the GSK Agreements, GSK is responsible for the development and commercialization of products in the partnered respiratory programs. Although we may receive milestone payments from GSK if certain development milestones are achieved in our MABA program, we believe that royalty revenues from RELVAR[®]/BREO[®] ELLIPTA[®] and ANORO[®] ELLIPTA[®] will represent the majority of our future revenues from GSK. The amount and timing of revenue from such royalties and milestones are unknown and highly uncertain. Our future success depends upon the performance by GSK of its commercial obligations under the GSK Agreements and the commercial success of RELVAR[®]/BREO[®] ELLIPTA[®] and ANORO[®] ELLIPTA[®]. We have no control over GSK's marketing and sales efforts, and GSK might not be successful, which would harm our business and cause the price of our securities to fall.



Therefore, the company's main purpose seems to be to collect and endorse royalty checks from GSK

We believe this is an important point to understanding Innoviva!



We believe the CEO is grossly overpaid

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)(d)	Stock Awards (\$)(2)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total (\$)(i)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(i)
Michael W. Aguiar	2016	746,688	—	2,159,152	—	672,019	19,667	3,597,526
President and Chief	2015	721,438	—	2,314,256	—	516,206	9,000	3,560,900
Executive Officer	2014	557,247	—	3,564,881	—	437,500	500	4,560,128



(ISS recommended a vote AGAINST the company on “Say on Pay” in 2016)

We call on the Chair of the Comp Committee to resign
for permitting this egregious compensation



The CEO was overpaid in 2015 relative to his peers (as assessed by ISS based on its 2016 report)

Executive Compensation Analysis

COMPONENTS OF PAY

(\$ in thousands)		CEO Peer Median
	M. Aguiar	
	2015	2015
Base salary	721	567
Deferred comp & pension	0	0
All other comp	9	14
Bonus	0	0
Non-equity incentives	516	234
Restricted stock	2,314	0
Option grant	0	1,437
Total	3,561	2,985



Source: ISS 2016 report. We have not sought, nor have we received, permission to include this information

And therefore most certainly for a CEO of a company that only manages royalties, he is overpaid

- We believe that comparing the CEO compensation at Innoviva to that at other companies of similar size is distorting
 - The responsibilities differ greatly!
- Recall, Innoviva merely manages royalties
 - Unlike other companies in its peer group by size, Innoviva lacks a salesforce or extensive R&D pipeline!

**The peer group used by Innoviva,
based on most recent public filings,
has a median of 290 employees versus
only 14 employees at Innoviva**



In fact, compensation expenses for the five senior officers and the Board's directors have amounted to almost \$12 M per year

Year	Aguiar	d'Esparbes	Abercrombie	Faerm	Witek	Directors	Total
2014	\$4,560,128	\$2,066,548	\$1,899,507		\$1,490,693	\$2,854,668	\$12,871,544
2015	\$3,560,900	\$1,061,380	\$1,553,598	\$2,066,575	\$1,551,896	\$1,659,920	\$11,454,269
2016	\$3,597,526	\$1,549,940	\$1,399,092	\$1,369,934	\$1,378,604	\$2,115,395	\$11,410,491
Total	\$11,718,554	\$4,677,868	\$4,852,197	\$3,436,509	\$4,421,193	\$6,629,983	\$35,736,304

Recall, Innoviva manages royalties



Remarkably, in 2015 the median compensation of directors at Innoviva was >\$100K higher than Theravance Biopharma (spin-off in 2014)

Innoviva

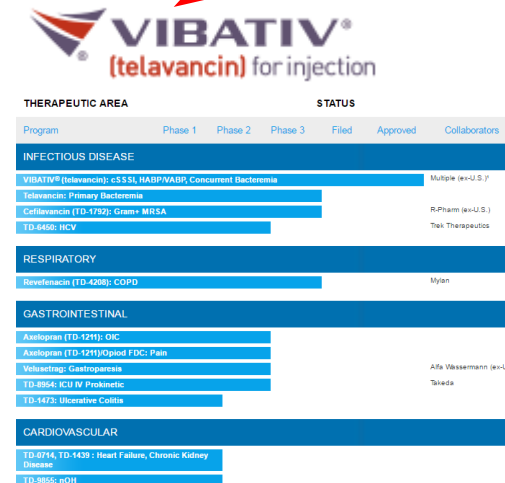
Non-executive director	Total compensation (2015)
Catherine J. Friedman	319,984
Terrence C. Kearney	317,484
Paul A. Pepe	329,984
James L. Tyree	329,984
William H. Waltrip	362,484
MEDIAN	329,984

Recall, Innoviva manages royalties

Theravance Biopharma, Inc.

Non-executive director	Total compensation (2015)
Eran Broshy	163,641
Henrietta H. Fore	193,293
Robert V. Gunderson, Jr.	196,577
Burton G. Malkiel, Ph.D.	233,125
Dean J. Mitchell	213,577
Susan Molineaux, Ph.D.	352,143
Donal O'Connor	162,189
Peter S. Ringrose	220,757
George M. Whitesides, Ph.D.	205,165
William D. Young	241,580
MEDIAN	209,371

Theravance Biopharma has a real operating business – marketed product, salesforce and extensive R&D pipeline – and yet lower director compensation than Innoviva



As the company merely manages royalties and has been overpaying its CEO and directors...

- **We call for CEO compensation to be reduced to below \$500,000/year**
 - If the CEO refuses to reduce his pay, the Board should immediately endeavor to find a more reasonably priced replacement
- **We call on Board compensation to be reduced to below \$200,000/year**
 - We believe compensation should at the very least come more in line with Theravance Biopharma, which has a marketed product, salesforce and extensive R&D pipeline



Also, the company spent ~\$25M of Opex in 2016!

	2016
Royalty revenue from a related party, net of amortization for capitalized fees paid to a related party of \$13,823, \$13,823 and \$11,066 in the year ended December 31, 2016, 2015, and 2014	\$ 132,684
Revenue from collaborative arrangements from a related party, net	885
Total net revenue	133,569
Operating expenses:	
Research and development	1,393
General and administrative	23,188
Total operating expenses	24,581
Income (loss) from operations	108,988
Other income (expense), net	2,382
Interest income	582
Interest expense	(52,416)
Income (loss) from continuing operations	\$ 59,536
Loss from discontinued operations (Notes 1 and 12)	—
Net income (loss)	\$ 59,536

\$25M!!

Recall, Innoviva
manages royalties



Which is more than in 2015!

	2016	2015
Royalty revenue from a related party, net of amortization for capitalized fees paid to a related party of \$13,823, \$13,823 and \$11,066 in the year ended December 31, 2016, 2015, and 2014	\$ 132,684	\$ 53,064
Revenue from collaborative arrangements from a related party, net	885	885
Total net revenue	133,569	53,949
Operating expenses:		
Research and development	1,393	2,619
General and administrative	23,188	19,750
Total operating expenses	24,581	22,369
Income (loss) from operations	108,988	31,580
Other income (expense), net	2,382	1,120
Interest income	582	343
Interest expense	(52,416)	(51,803)
Income (loss) from continuing operations	\$ 59,536	\$ (18,760)
Loss from discontinued operations (Notes 1 and 12)	—	—
Net income (loss)	\$ 59,536	\$ (18,760)

2016 Opex > 2015 Opex

Recall, Innoviva
manages royalties



Without a detailed explanation for where the money is spent, we fear the worst...

- We made a request for information under Delaware law
- Innoviva has said it would only give us some information if we agreed not to share it with any other stockholders
- We have filed a complaint to enforce our rights to obtain information that we want to share with our fellow stockholders

We call on the company to provide stockholders a line by line accounting of operating expenses

- We are particularly interested in Travel & Entertainment spending



We believe Innoviva does not have a properly functioning Nom-Gov committee

The Nom-Gov committee has yet to meet with Sarissa Capital even though it determined to reject all of our nominees

The entire nomination process has been dominated by the non-independent CEO

One Nom-Gov committee member had a 15-minute phone call with each of only two of Sarissa's nominees the day before Innoviva publicly rejected Sarissa's entire slate

In spite of this, the company stated even in its definitive proxy that members of Innoviva's board, "interviewed and carefully assessed Sarissa's candidates"



We are concerned that Innoviva added two new directors in 2016 although it previously disclosed that the Nom-Gov committee did not meet in either 2015 or 2016

Innoviva PREC14A filed March 7, 2017

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee is responsible for identifying, reviewing and evaluating candidates to serve as directors of the Company (consistent with criteria approved by the

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Board of Directors), evaluating and making recommendations to the Board of Directors concerning stockholder nominees for election as directors, reviewing and evaluating incumbent directors, recommending to the Board of Directors for selection candidates for election to the Board of Directors, making recommendations to the Board of Directors regarding the membership of the committees of the Board of Directors, assessing the performance of the Board of Directors and advising the Board of Directors on corporate governance principles for the Company. Our Nominating/Corporate Governance Committee charter can be found on the corporate governance section of our corporate website at www.inva.com. The current members of the Nominating/Corporate Governance Committee are Patrick G. LePore (Chairman), James L. Tyree and William H. Waltrip. Mr. LePore replaced Paul A. Pepe as a member and Chairman of the Nominating/Corporate Governance Committee effective March 3, 2017. All current members of the Nominating/Corporate Governance Committee are independent (as independence is currently defined in the Nasdaq listing standards). The Nominating/Corporate Governance Committee did not meet in 2016, but acted by written consent 2 times during the year.

Innoviva DEF 14A filed March 2016

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee of the Board of Directors is responsible for identifying, reviewing and evaluating candidates to serve as directors of the Company (consistent with criteria approved by the Board of Directors), reviewing and evaluating incumbent directors, recommending to the Board of Directors for selection candidates for election to the Board of Directors, making recommendations to the Board of Directors regarding the membership of the committees of the Board, assessing the performance of the Board of Directors and advising the Board of Directors on corporate governance principles for the Company. Our Nominating/Corporate Governance Committee charter can be found on the corporate governance section of our corporate website at www.inva.com. The current members of the Nominating/Corporate Governance Committee are Paul A. Pepe (Chairman), James L. Tyree and William H. Waltrip. All current members of the Nominating/Corporate Governance Committee are independent (as independence is currently defined in the Nasdaq listing standards). The Nominating/Corporate Governance Committee did not meet in 2015, but acted by written consent 1 time during the year.



In fact, despite adding five new directors in the past three years, Innoviva disclosed that the Nom-Gov committee had met only once

Innoviva DEF 14A filed March 2015

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee of the Board of Directors is responsible for identifying, reviewing and evaluating candidates to serve as directors of the Company (consistent with criteria approved by the Board), reviewing and evaluating incumbent directors, recommending to the Board for selection candidates for election to the Board, making recommendations to the Board regarding the membership of the committees of the Board, assessing the performance of the Board and advising the Board on corporate governance principles for the Company. Our Nominating/Corporate Governance Committee charter can be found on the corporate governance section of our corporate website at www.thrxinc.com. The current members of the Nominating/Corporate Governance Committee are Paul Pepe, James L. Tyree and William H. Waltrip (Chairman), Burton G. Malkiel, Ph.D. and William D. Young served on the Nominating/Corporate Governance Committee in 2014 prior to the Spin-Off. All current members of the Nominating/Corporate Governance Committee are independent (as independence is currently defined in the Nasdaq listing standards). **The Nominating/Corporate Governance Committee met one time during 2014.**



Notably, after we raised this issue with Innoviva, three Nom-Gov committee meetings in 2016 were discovered and the company no longer claims to have acted by written consent

Innoviva PREC14A filed March 7, 2017



Innoviva DEFC14A filed March 22, 2017

Director	Audit	Compensation	Nominating/ Corporate Governance	Stock Option
Michael W. Aguiar				X
Barbara Duncan	X(1)			
Catherine J. Friedman	X	X		
Patrick G. LePore		X(2)	X(3)*	
Terrence C. Kearney(4)	X(4)	X(4)		
Paul A. Pepe	X*		X(5)	
James L. Tyree	X(6)	X*	X	
William H. Waltrip			X	
Total meetings in fiscal year 2016	9	6	2#	4#

Director	Audit	Compensation	Nominating/ Corporate Governance	Stock Option
Michael W. Aguiar				X
Barbara Duncan	X(1)			
Catherine J. Friedman	X	X		
Patrick G. LePore		X(2)	X(3)*	
Terrence C. Kearney(4)	X(4)	X(4)		
Paul A. Pepe	X*		X(5)	
James L. Tyree	X(6)	X*	X	
William H. Waltrip			X	
Total meetings in fiscal year 2016	9	6	3	4#

The committee did not meet in 2016, but acted by written consent during the year.

We call on the Nom-Gov members to resign for failing to uphold their duty



We believe members of the Board have breached their fiduciary duties for having perpetuated these gross injustices



We believe the company is not open to constructive dialogue

- Since our first call we have repeatedly stressed our desire to work together to improve the company
- In the middle of discussions and without adequate warning, the company filed proxy materials claiming that we want to take control of the Board
- As we have disclosed in our preliminary proxy statement, we are not seeking control of the Board but much needed stockholder representation for the benefit of all stockholders



To be continued...

