Q2 Presentation

Oslo, 17th August 2016

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BIOTEC PHARMACON

Agenda

- **Highlights**
- **Q2 Financials**
- **BetaGlucans**
  - Advanced wound care
- **Enzymes**
  - Molecular testing
- **Outlook**

Highlights Q2

- Group sales NOK 15.3 MNOK (11.5)
- EBITDA -1.6 MNOK (-1.0)
  - Increased spending in commercialization of Woulgan® Gel
- A 510K application for Woulgan® for the US market was filed
- Woulgan® commercialization process is gaining traction with a number of user trials, a new distributor in Germany and the first commercial sale in Finland

Q2 financials

Financial highlights Q2

NOK million	Q2 2016	Q2 2015	6M 2016	6M 2015
Enzymes	7.8	7.3	15.9	14.9
BetaGlucans	7.5	4.2	16.6	8.9
Sales	**15.3**	**11.5**	**32.6**	**23.8**
Enzymes	3.0	3.4	5.6	5.9
BetaGlucans	-4.4	-3.1	-8.6	-6.0
Unallocated	-0.2	-1.3	-2.1	-3.7
EBITDA	**-1.6**	**-1.0**	**-5.1**	**-3.8**
EBIT	**-2.1**	**-1.7**	**-6.0**	**-5.1**

Unallocated expenses are remaining corporate overhead not allocated to the segments. Segment figures for 2015 are adjusted for comparison purposes.

Cash flow and cash position

NOK million	Q2 2016	Q2 2015	6M 2016	6M 2015
Operating activities	-3.0	-4.8	-13.7	-14.0
Investing activities	0	-0.5	0	-0.5
Financing activities	0	4.5	0	4.5
Changes in cash and cash equivalent	**-3.0**	**-0.8**	**-13.6**	**-10.0**
Cash and cash equivalents at the beginning of period	67.7	79.1	78.3	88.3
Cash and cash equivalents at the end of period	**64.7**	**78.3**	**64.7**	**78.3**

Beta-Glucans

Advanced wound care

REACTIVATE
STALLED HEALING

BetaGlucans – segment numbers

NOK million	Q2 2016	Q2 2015	6M 2016	6M 2015
Sales	7.5	4.2	16.6	8.9
Gross profit	**2.9**	**2.0**	**7.9**	**4.2**
Other revenues	0.5	0.5	1.0	1.1
Personnel expenses	-4.5	-2.6	-10.1	-5.9
Operating expenses	-3.2	-3.0	-7.4	-5.3
EBITDA	**-4.4**	**-3.1**	**-8.6**	**-6.0**
Depreciation & Amortization	-0.3	-0.4	-0.7	-0.9
EBIT	**-4.7**	**-3.5**	**-9.3**	**-6.8**

Unallocated expenses are remaining corporate overhead not allocated to the segments. Segment figures for 2015 are adjusted for comparison purposes.

Positioning & Commercial Strategy

- Woulgan is positioned for stalled wounds
- Literature defines wounds as stalled when they don't close by 40% after 4 weeks
- Estimated >60% of chronic wounds are stalled
- Positioning Woulgan for stalled wounds means that it addresses a well-defined issue
  - more valuable versus standard of care
  - more benefit to patients & clinicians
- Clinicians appreciate the credible positioning

Substantial potential with Bioactive Beta-Glucan technology; demonstrated ability to kick-start "stalled wounds"

UK Launch

	Q2 Achievements	Next Steps
Clinical Practice	• Completed successful Focus Group evaluation producing valuable feedback • Total 70 patients treated in H1 • Most enthusiastic about the product • More selective criteria for structured case series meant fewer patients	• Writing up case series, care guidelines and submitting cases for Wounds UK congress to be used to promote Woulgan's adoption • Produce video testimonials from patients & clinicians • Adding more clinical evaluation sites
Market Access	• NHS Prescription Services continuing review Drug Tariff (DT) application. Biotec supporting the assessment	• Monitor & support process • DT listing is required for full launch
Go-to-Market	• Clinical sales specialist opened additional evaluations • Woulgan present at Tissue Viability Society & Malvern Diabetic Foot congresses	• Drive commercial evaluations • Planning launch with UK distributor, H&R

UK Launch: Focus Group

- 9 expert clinicians in 5 sites running a more structured evaluation, overseen by 2 KOLs
- Provide quality data to publish & cost model. Create 1st-hand experiences for clinicians. Feedback on positioning & care guidance
- Objective: record wound response & cost of wound care using local standard care & compare these to intervention with Woulgan

Profile of patient cohort (n=27)

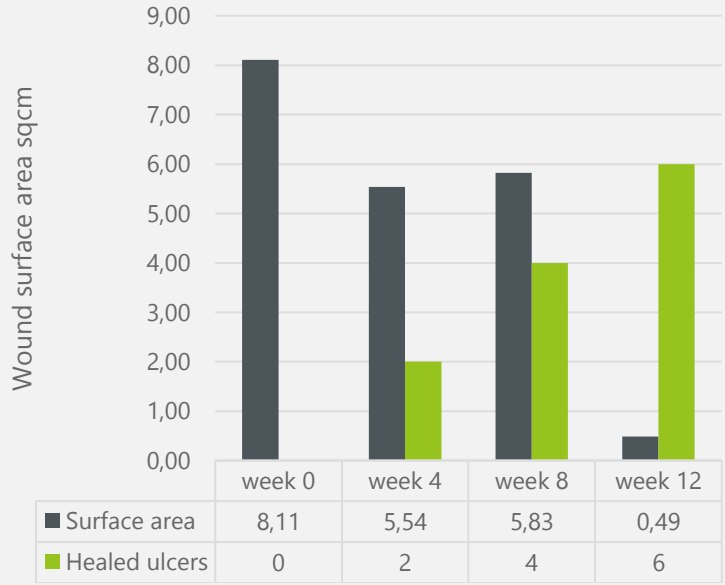
Male subjects		16
Female subjects		11
Mean age		71 years
Age range		35 – 93 years
Leg ulcers		22
Diabetic foot ulcers		4
Pressure ulcers		1
Wound age recruited	4 weeks	2
	12 weeks	4
	>16 weeks	21

- Varied wound types, many leg ulcers
- All stalled wounds
- 25 wounds≥12 weeks old

UK Launch: Focus Group

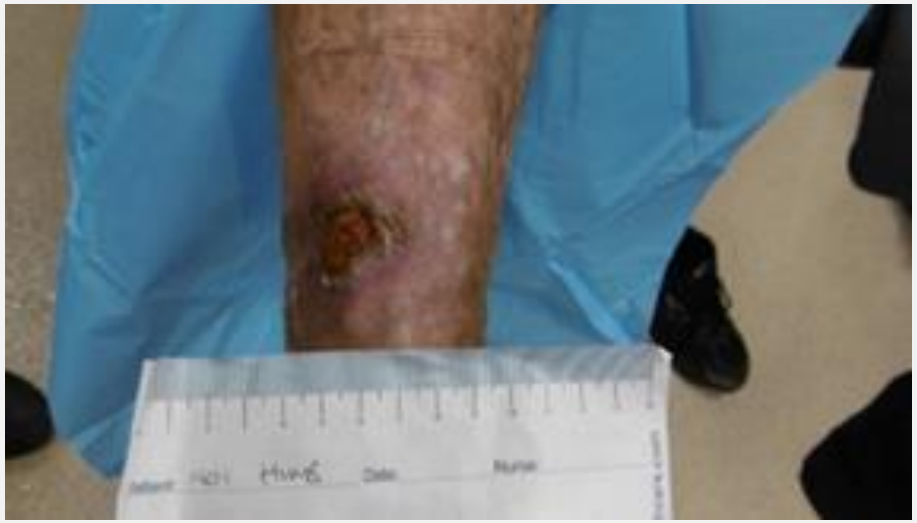
- The evaluation took place over a 12-week period
- All wounds had been stalled at the start
- 20 of 27 wounds improved having been stalled
- Note that 25 wounds had been present for 12 weeks or more
- Substantial reduction in average wound surface area from 8.11 sqcm to 0.49 sqcm in 12 weeks
- Notable reduction in reported pain
- Six wounds healed completely
- The following Case Histories are 4 of the 6 healed wounds.....

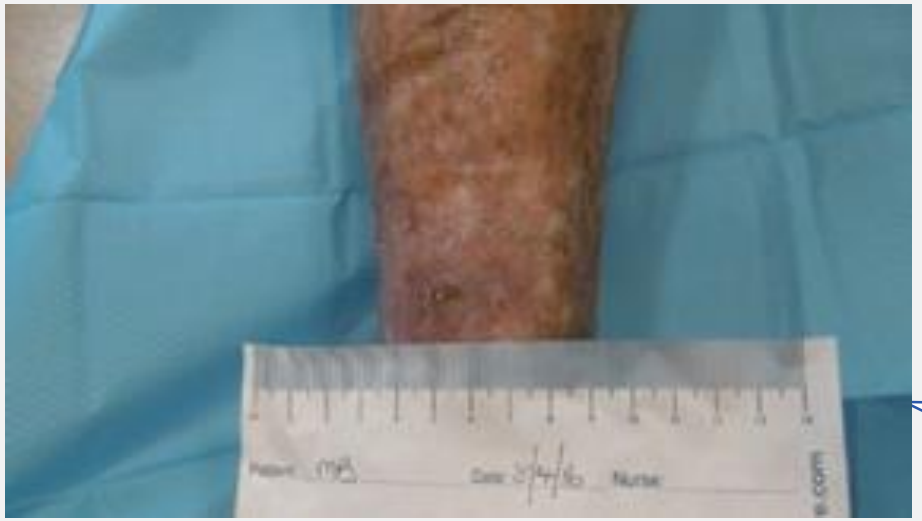
Average wound surface area & number of healed ulcers



	week 0	week 4	week 8	week 12
Surface area	8,11	5,54	5,83	0,49
Healed ulcers	0	2	4	6

Focus Group Case Histories: Reactivated Healing

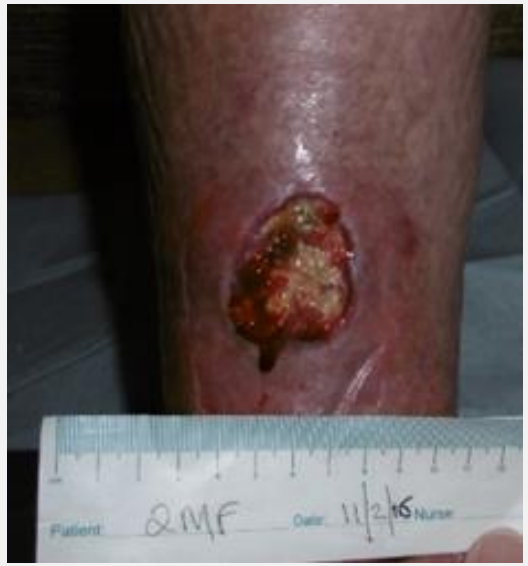


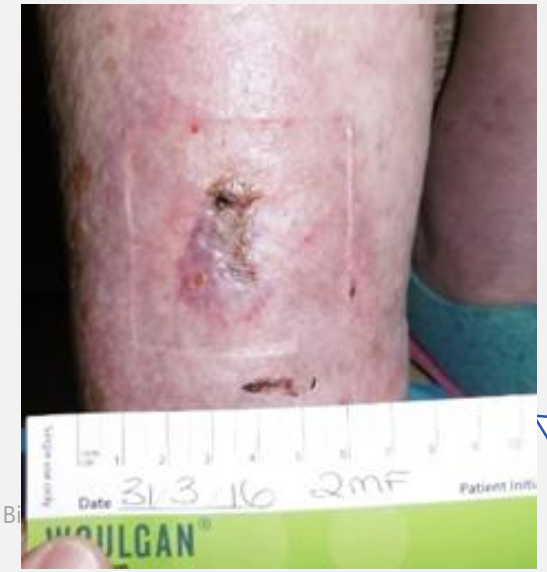


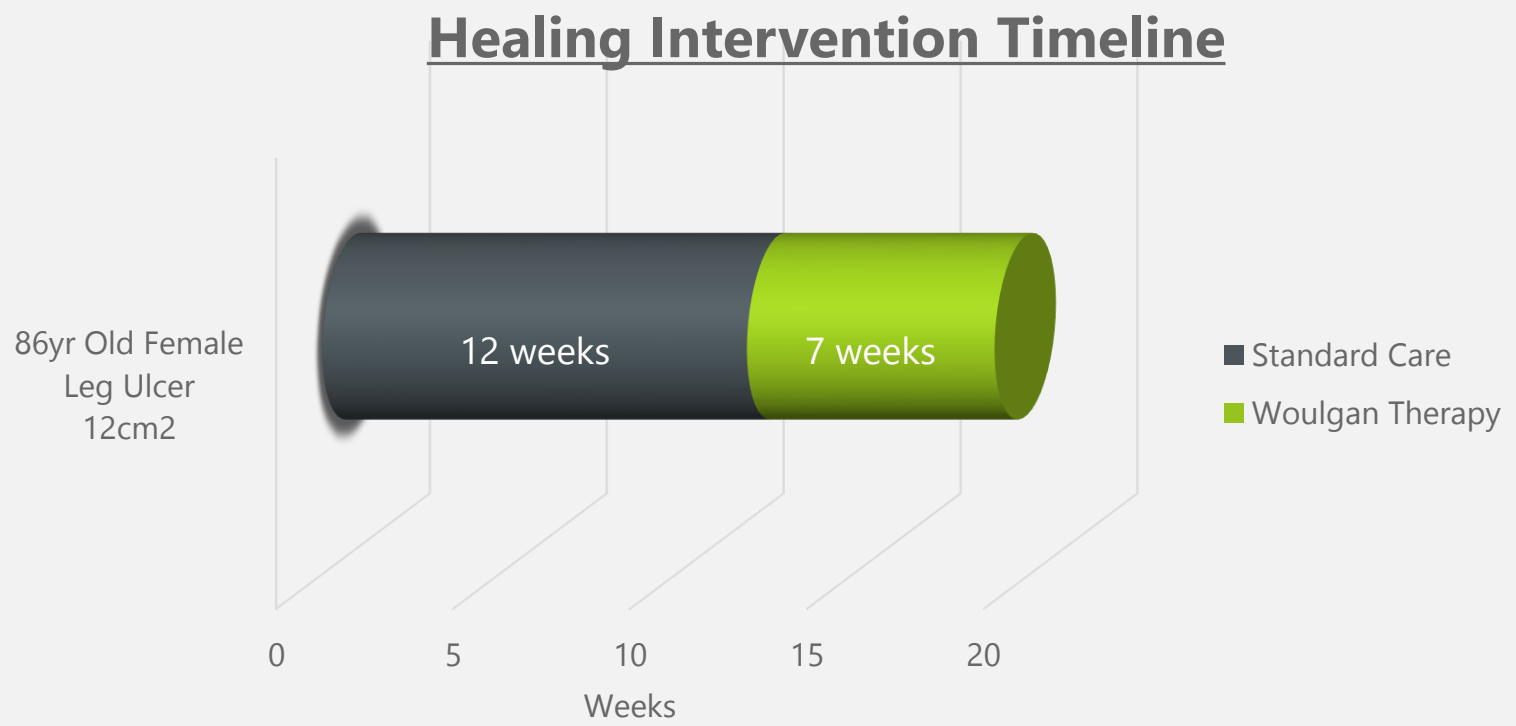
81yr Old Male
Leg Ulcer
2.4cm2

Patient was having vascular intervention, arterial disease. Never healed over a number of years. Expectation prior to Woulgan was not to heal (UK clinician)

Focus Group Case Histories: Reactivated Healing

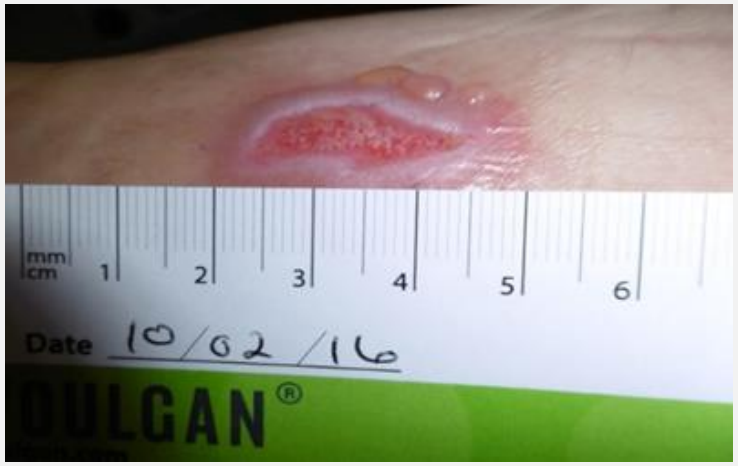




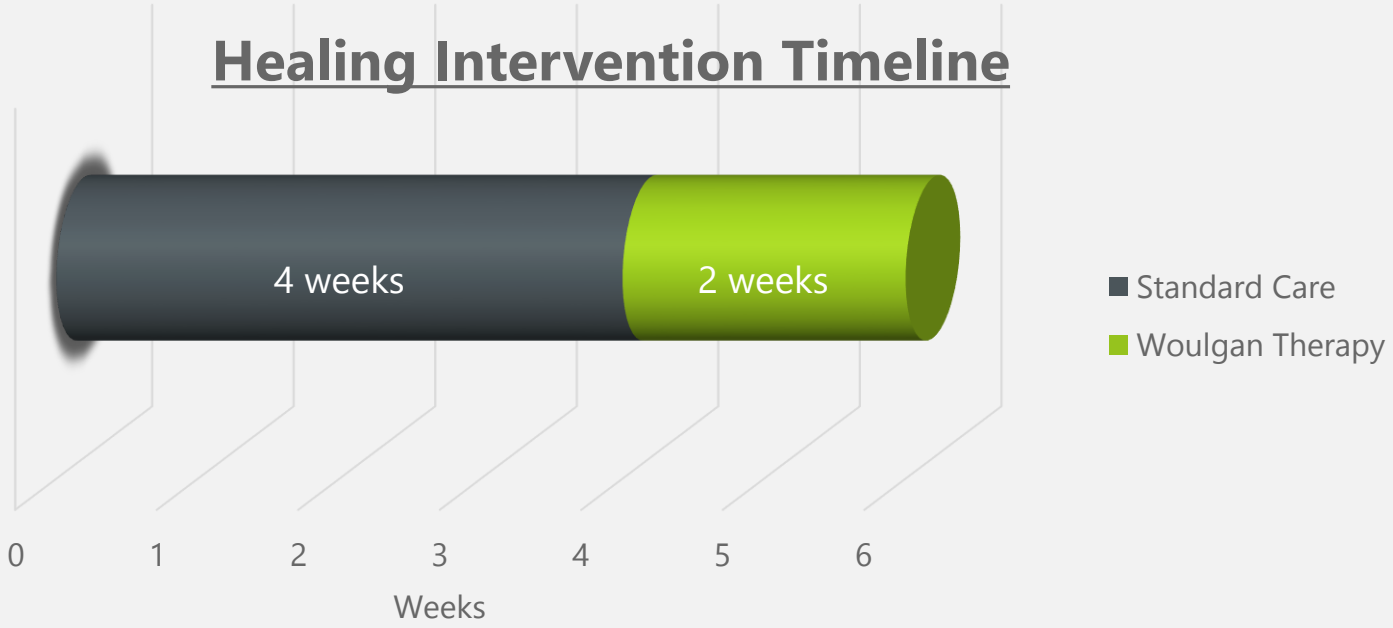


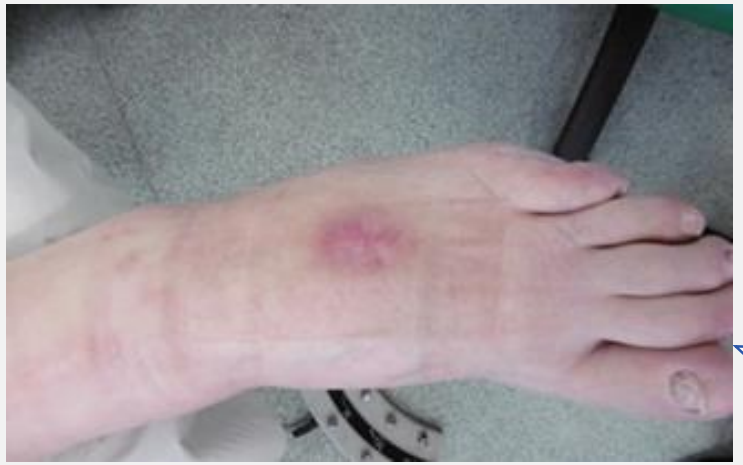
this patient had a trauma wound since November 2015 – the wound had initially improved but had become static therefore referral to TV service. District nurses had tried aquacel, actiform cool and hydrogel over a period of about 7-8 weeks. I was amazed with the results and did not expect such a rapid improvement. My first patient, I was unsure whether the gel would make a difference. However with future patients, I felt confident in its mode of action and was quite confident that it would help (UK clinician)

Focus Group Case Histories: Reactivated Healing



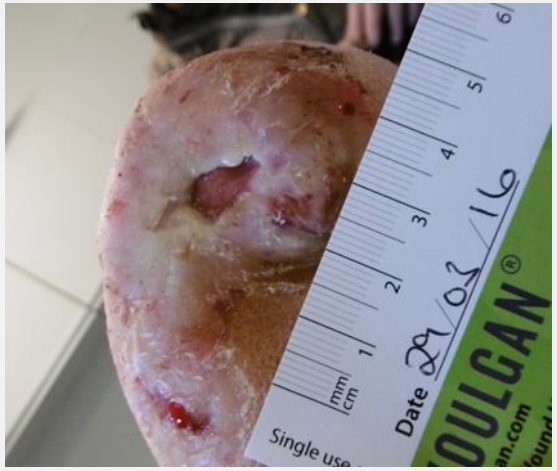
61yr Old Male
DFU
2.4cm2

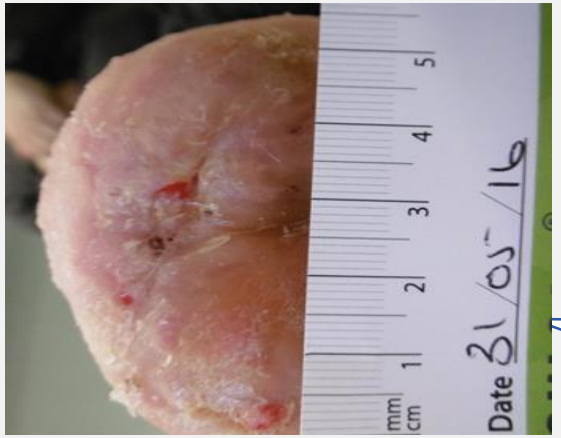




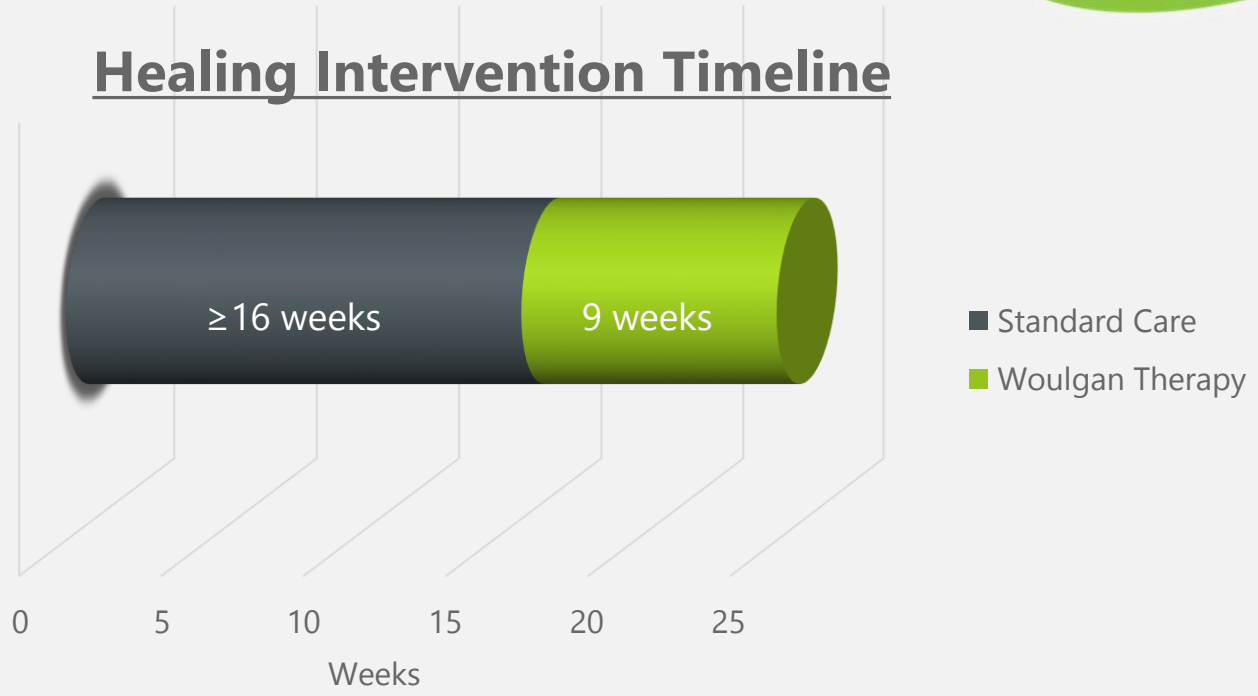
Thought this would heal slowly as non-weight bearing area. Healing process much quicker with Woulgan (UK clinician)

Focus Group Case Histories: Reactivated Healing





48yr Old Male
Neuropathic Amputation
0.5cm2



Never (sic) healed in 6 years post amputation. Now healed post Woulgan remains healed for 2 weeks +. Is this a minor miracle? (UK clinician)

Nordic Launch

	Q2 Achievements	Next Steps
Clinical Practice	• Large number of KOL meetings • About 100 additional patients being treated with Woulgan® in Q2	• Continue to drive commercial evaluations • Manage positive trials for clinician endorsement • Meetings in all wound centres
Market Access	• Awarded first hospital tender Finland (August) • Engaging tender co-ordinators	• Submit tender bids on all tenders when published • Focus on specialist nurses in Wound Care Centres
Go-to-Market	• First sales in Finland from multiple sites • All relevant sales rep's and KAMs trained • Attended 14 exhibitions/seminars in Q2	• Attending all relevant exhibitions and seminars • Increasing sellers promoting Woulgan (NO & DK)

German Launch

	Q2 Achievements	Next Steps
Clinical Practice	• Met participating clinicians from historic trials • Identified clinicians interested to evaluate Woulgan further	• Holding German expert panel – September • Planning German advisory board – October • Accelerate more structured evidence (case series) • Drive individual (commercial) trials to gain adoption
Market Access	• PZN application submitted, gained listing in Lauer Taxe • Feedback from 1st regional Sick Fund is positive regards reimbursement of Woulgan • Meetings planned with more Sick Funds	• Follow closely changes to reimbursement system that are being discussed in Germany • Continue engaging with Sick Funds to expand acceptance
Go-to-Market	• Appointed Rogg as distributor for physician offices & pharmacies; first KAMs trained • Employed German commercial manager • Biotec directly managing KOL relationships & priority homecare customers	• Train all relevant KAMs at Rogg September • Push sales cycle with priority homecare companies

US Update

- Filed 510K application for Woulgan®
  - FDA approval typically takes 6-9 months
- Represents first step in process to position Woulgan® in most attractive global market
- Preparing a strategic partner process for the US

New products and clinical trials

- New products:
  - Pilot versions of two product categories presented to wound care professionals for feedback
  - Both products were perceived as novel, with exciting & significant potential in wound care management
  - The Company continues to identify the optimal format for these two new product extensions.
- Status Post Market Clinical Follow-up study:
  - 4 new sites recruited – should be sufficient
  - Randomized controlled trial - 80 DFU patients , 60 treated with Woulgan® and 20 with Intrasite® as the comparator.

Activities outside Woulgan®

- Dietary supplement glucan rights were cleared by the Arbitration Court in favour of Biotec
- See good growth in animal health
- Started to supply new feed ingredient customer
- Collaborating with supplier to expand production capacity to meet expected further increase
- Continuing the focus on R&D to support our products with new scientific documentation

Enzymes

Molecular testing

Enzymes – segment numbers

NOK million	Q2 2016	Q2 2015	6M 2016	6M 2015
Sales	7.8	7.3	15.9	14.9
Gross profit	**7.7**	**7.0**	**15.7**	**14.4**
Other revenues	1.2	1.5	2.6	2.8
Personnel expenses	-3.9	-3.3	-9.1	-7.7
Operating expenses	-2.0	-1.8	-3.6	-3.5
EBITDA	**3.0**	**3.4**	**5.6**	**5.9**
Depreciation & Amortization	-0.1	-0.2	-0.3	-0.5
EBIT	**2.9**	**3.2**	**5.3**	**5.4**

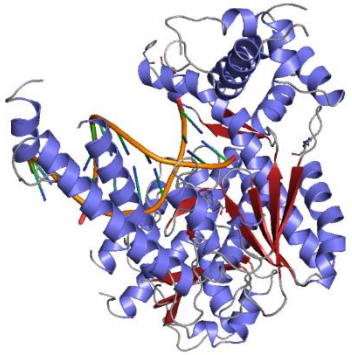
Unallocated expenses are remaining corporate overhead not allocated to the segments.
Segment figures for 2015 are adjusted for comparison purposes.

Commercial Update

- **Good Q2 sales – contributing factors:**
  - Several new orders from existing OEM/B2B customers.
  - A number of new customers were obtained:
    - ✓ New customers in pilot to scale-up phase contributed to the positive result in Q2.
    - ✓ Several large international companies placed their first orders in Europe and America. This supports our strategic objective to broaden the business
  - In Europe through the implementation of a dedicated business development resource at the beginning of 2016, ArcticZymes have been able to:
    - ✓ Prioritize strategically relevant European prospects.
    - ✓ Grow in scope and scale the number of existing key accounts in the EMEA territory

R&D: Polymerase Update

- **Phase I: First Polymerase Product**
  - An advanced prototype of our first polymerase is ready for customer testing. AZ plans to initiate testing with some of the leading companies in Molecular Diagnostics and Next Generation Sequencing in H2
  - The first commercially available material is estimated to be available to customers following tis initial testing via our Early Access Program
  - There has been much interest in our polymerase product developments. Therefore upon launch of our first polymerase we will make the Early Access Product immediately available to all interested parties



ArcticZymes Polymerase
(courtesy of A. Larsen, NorStruct, UiT)

R&D: Polymerase Update

- **Phase II: Building Out the Polymerase Portfolio:**
  - ArcticZymes plans to bring a panel of novel polymerases to the market during 2017-2018. The strategic importance here is that we will offer our customers a portfolio of slightly different polymerases which will make it easier to select the most optimal polymerase for integration into their latest technologies

  - In further supporting the polymerase initiatives, ArcticZymes has, in collaboration with Norinnova Technology Transfer and University of Tromsø, been granted funding from the Research Council of Norway through the FORNY program. The project "MDxPol – Marine DNA polymerases as tools for next generation Molecular Diagnostic solutions"

The Research Council of Norway

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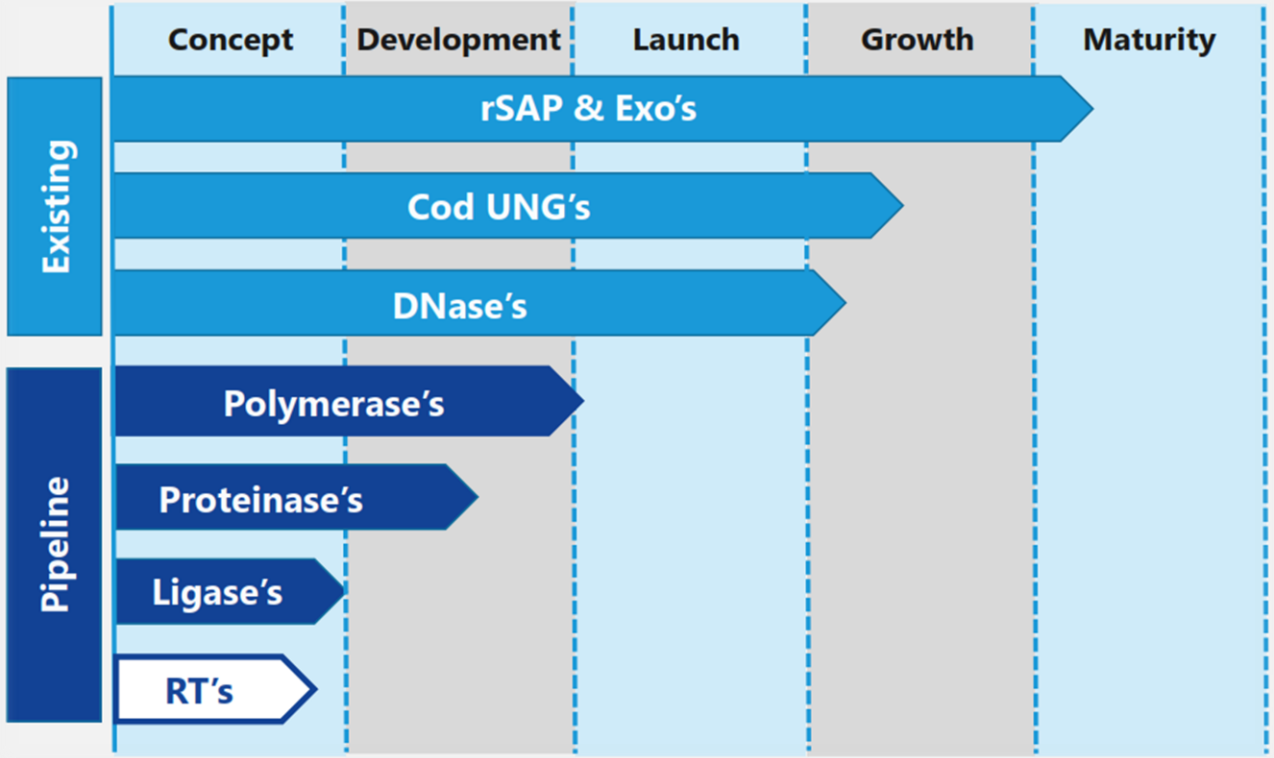
ArcticZymes

Expanding the Pipeline



- AZ will introduce into the development pipeline a new portfolio of Reverse Transcriptase's (RT's).
- Project will kick start during the first half of 2017.
- RT's strategically represent the only major class of molecular enzymes that AZ has not been developing.
- RT's will conveniently complement AZ molecular portfolio.
- RT's will allow AZ to take more of the value chain.

Outlook

OUTLOOK 2016

✓Entering into distribution agreement(s) for Woulgan® in Germany

- Finalize the UK reimbursement process in the high-end category of the market
- Full launch and growing revenues in UK and Scandinavia
- Grow business further in Animal Health and Nutrition
- Achieve important milestones in the development of the ArcticZymes business and in the new enzyme development projects

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