

Q3 Presentation

Oslo, 3rd November 2015

Svein W. F. Lien – CEO

Børge Sørvoll – CFO

Erik Thorsen – Chairman of the Board

Jethro Holter – MD ArcticZymes



Agenda

- **Highlights**
- **Q3 Financials**
- **BetaGlucans**
 - Advanced wound care
- **Enzymes**
 - Molecular testing
- **Outlook**

Highlights Q3

- Good revenue growth in all sectors. Acc. 9 months revenues nearly doubled to NOK 40.2 million compared to NOK 23.0 million in 2014
- Improved EBIT to a loss of NOK 4.2 million in the quarter, compared to a loss of NOK 6.7 million in the third quarter 2014
- Signed distribution partner agreement for Woulgan® covering UK and Ireland
- Much focus on pre-launch activities for Woulgan® in Europe





Q3 financials

Financial highlights Q3

NOK million	Q3 2015	Q3 2014	9M 2015	9M 2014	2014
Enzymes	5.4	3.4	20.3	11.9	16.3
BetaGlucans	11.0	6.2	19.9	11.1	16.8
Sales revenues	16.4	9.6	40.2	23.0	33.0
Enzymes	-0.1	-2.2	5.0	-2.7	-3.8
BetaGlucans	-3.4	-3.9	-12.3	-12.7	-17.4
EBITDA	-3.5	-6.0	-7.3	-15.4	-21.2
Profit before tax	-4.7	-6.2	-9.2	-16.2	-22.0

Cash flow and cash position

NOK million	Q3 2015	Q3 2014	9M 2015	9M 2014	2014
Operating activities	-1.6	-4.1	-15.2	-22.5	-21.2
Investing activities	-0.1	0.8	-0.6	-1.4	-1.9
Financing activities	0	1.0	4.5	76.9	77.7
Changes in cash and cash equivalent	-1.3	-2.3	-11.3	53.0	54.6
Cash and cash equivalents at the beginning of period	78.3	89.0	88.3	33.7	33.7
Cash and cash equivalents at the end of period	76.9	86.7	76.9	86.7	88.3



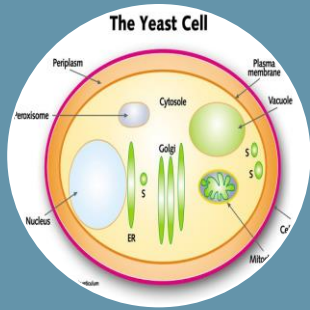
Beta-Glucans

Advanced wound care

BetaGlucans – segment numbers

NOK million	Q3 2015	Q3 2014	9M 2015	9M 2014	2014
Sales Revenue	11.0	6.2	19.9	11.1	16.8
Gross profit	5.4	2.4	9.6	4.9	6.7
Other income	0.2	0.4	1.3	0.5	1.6
Personnel expenses	-4.8	-4.3	-12.3	-10.4	-15.2
Operating expenses	-4.2	-2.4	-10.9	-7.7	-10.5
EBITDA	-3.4	-3.9	-12.3	-12.7	-17.4
Depreciation & Amortization	-0.5	-0.4	-1.3	-1.2	-1.5
EBIT	-3.9	-4.3	-13.6	-13.9	-18.9

One source – different products



**Yeast cell walls from yeast extract production
(25% BG)**



**M-Glucan™
Feed ingredient
(65% BG)**



**NBG Particulate
Nutrition
(80% BG)**



**NBG Cos
Cosmetics
(90% BG)**



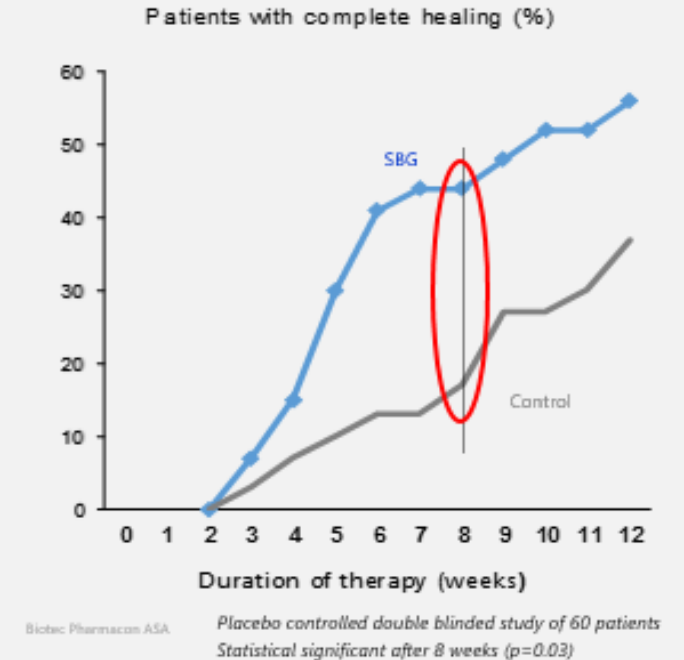
**SBG™
Soluble Beta-Glucan
(Medicinal product)
(99% BG)**



Status Woulgan®

- Most ulcers are difficult indications to treat effectively so the health care professionals are looking for new products
- The market is cautious when considering new premium priced products – they have seen many fail
- Important to work with health care professionals to gradually build support for Woulgan and also to learn about the product in routine use
- Further case studies will be needed in each market
 - Small short term studies used to build experience, support and as references locally

SBG Clinical phase II



UK market statistics – Diabetes and DFU

- Diabetes related treatment account for more than 10% of the UK health budget
- Around 7,5% (type 1 and 2 combined) of people with diabetes has a history of active or previous foot ulcer. The lifetime risk for any diabetic patient to develop a foot ulcer is up to 15%*
- People with diabetes account ~50% of lower limb amputations in adults
- 100 amputations are carried out each week because of diabetes
- Up to 70% of people having an amputation die within five years of as a result of diabetes



Status Woulgan[®] - UK

- H&R and Biotec co-operate to prepare for UK launch
- Health economic data seems to be sufficient to get good reimbursement
- Working with local opinion leaders to build support – crucial for successful launch
- End users look for improved guidance in the use of such an advanced product
 - Careful patient selection
 - How to use the product
- As Woulgan[®] is a unique product it requires more effort and careful positioning to succeed as a premium priced product
- When sufficient support is obtained Woulgan[®] will be launched

Health economics

- Building documentation for Diabetic Foot Ulcers (DFU)
- Important basis for marketing

	Woulgan	Std. care	Difference
Time	Average cost per healed ulcer		
8 weeks	£1890	£3885	- £1995
12 weeks	£2260	£2660	- £400
52 weeks*	£2760	£3542	- £782
	Average patient cost to reach standard of care healing rate at 12 weeks (37%)		
	£577	£1038	- £461

* Calculated from extrapolated data

Status Woulgan[®] - Other markets

- Similar process is being planned in Germany
 - Thorough assessment of this market and its potential
 - Consider entrance strategy – incl. discussions with distributors
 - Gain sufficient local opinion leaders support and references
- Numerous processes in parallel in other markets including Scandinavia
- US process is moving forward
 - Continuing its effort to clarify the best route for Woulgan[®] into the US market

Other areas Woulgan®

- PMCF study has started – expect about 2 years – target is safety and usefulness
- Strengthening the commercial organization:
 - Employed International Marketing Director Woulgan
 - Will over time employ in total 6-8 marketing/product managers in local markets
- New follow-up products under development:
 - Spray product
 - Combination product



Activities outside Woulgan®:

- Long term sale of M-Glucan to aquaculture has been obtained. Scientific documentation has been strengthened to support the customers
- Working to clarify the strategic options for the Nutrition market. Exclusivity is expiring January 2016
- The study using Biotec's SBG® as an adjuvant in treatment of Neuroblastoma conducted by Memorial Sloan Kettering Cancer Center in New York are encouraging and is expanded into a phase II aiming to recruit a total of 115 patients



Enzymes

Molecular testing

Enzymes – segment numbers

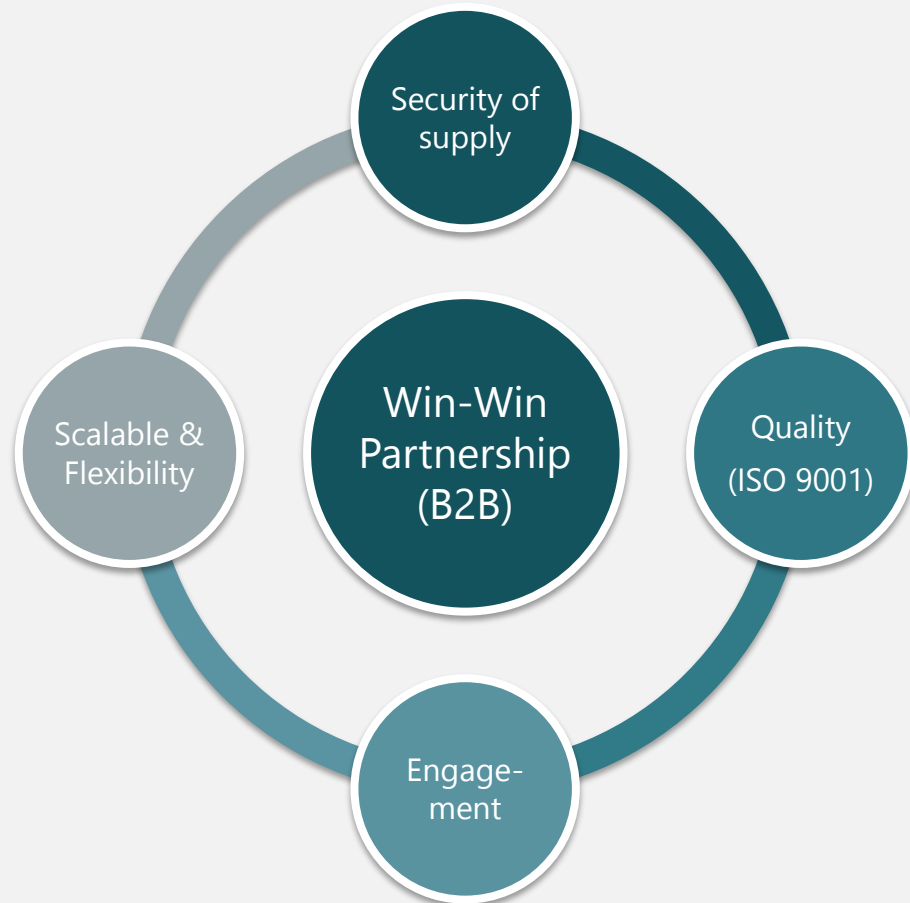
NOK million	Q3 2015	Q3 2014	9M 2015	9M 2014	2014
Sales Revenue	5.4	3.3	20.3	11.9	16.3
Gross profit	4.9	3.1	19.2	11.1	15.3
Other income	1.5	1.0	4.2	4.0	4.0
Personnel expenses	-4.7	-4.0	-12.3	-10.1	-13.9
Operating expenses	-1.7	-2.3	-6.1	-6.9	-9.3
EBITDA	-0.1	-2.2	5.0	-2.7	-3.8
Depreciation & Amortization	-0.2	-0.2	-0.7	-0.7	-1.0
EBIT	-0.4	-2.4	4.3	-3.4	-4.8

ArcticZymes

- Develops, manufactures and sells unique marine enzymes for molecular DNA/RNA analysis used in research and diagnostics
- Unique enzymes based on genetic information from the marine Arctic
- In close cooperation with academic institutions in particular UiT
- ArcticZymes formulates, develops and manufacture customer driven applications



Business to Business (B2B) = long-term focus



- The majority of molecular biology business is related to large multinational corporations and specialised diagnostic players
- ArcticZymes shall be a creative and reliable long-term partner to these companies
- The future is a mix of own unique products and customer initiated developments
- ArcticZymes access to bioprospecting and libraries is unique and key to success

Sustained strategy is paying off

- Been successful in demonstrating the applicability of its DNase and Cod UNG portfolio in the life science and molecular diagnostic segment
- Both product portfolios have been integrated with new partners, and are growing well
- New products being finalized for launch next year will add volume and momentum
 - HL-Exol will complement its lead product SAP
 - Glycerol free version of Cod UNG

A lot of opportunities

- Major companies acquisitions of enzyme providers lead to opportunities:
 - Showing the increased interest for enzyme based solutions
 - Likely these companies will change focus towards internal platforms
 - In general limit the independent providers of sophisticated products
- ArcticZymes is strengthening its commercial organization in Europe and Asia



Outlook



Outlook

- Biotec BetaGlucans main objective is to secure successful market introduction and strong distribution of Woulgan® in selected regions
- ArcticZymes' main markets are developing favorably and will continue to create new opportunities for existing and new enzyme products
- ArcticZymes will continue to work with the large companies in molecular biology to develop new enzymes and new applications that will be growth drivers going forward