



Fourth Quarter 2010

Svein W. F. Lien - CEO

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# Biotec Pharmacon

## Value proposition

Tromsø



### Beta -1,3/1,6-glucan

- Well documented effect in wound care - diabetic ulcer
- Animal study verified cause of unsuccessful phase III
- Company refocused on medical device product for ulcers/wounds
- Partner interest to take medical device to market
- Pharma path retained through partner interest and dormant development programs

### Enzymes - ArcticZymes

- Profitable business based on unique cold adapted enzymes
- On track to double sales from 2009-2012
- Strong IP position for marketed products
- Large unexploited market
- Strong pipeline secured through strategic alliances and acquisition

**20 years of research in key areas – strong IP based science**

## Q4 highlights

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- GROUP:
  - Completed private placement and subsequent offering
  - Group cash flow neutral in Q4 2010 due to strong enzyme sales
- BETA-GLUCANS:
  - Promising results from studies in mice, confirm that SBG combined with gel forming agent improve wound healing
  - Positive feedback and continued interaction with potential partners
- ENZYMES:
  - Q4 sales of NOK 9.5 million (+77%), 2010 sales of NOK 21.6 million (+23%)
  - Increase in customer trials strengthen prospects for further sales growth

# Agenda

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- Highlights and overview
- **Beta-Glucans**
- Enzymes
- Q4 Financials
- Summary

# The Beta-Glucan opportunity

- Diabetic Ulcer - a USD 1.5 billion market
- Soluble Beta-Glucan (SBG) failed in phase III, but showed good clinical performance in phase II and in the part of phase III that was done with an active product
- SBG is likely to be effective in other advanced wound healing applications, with a market potential >USD 5 billion

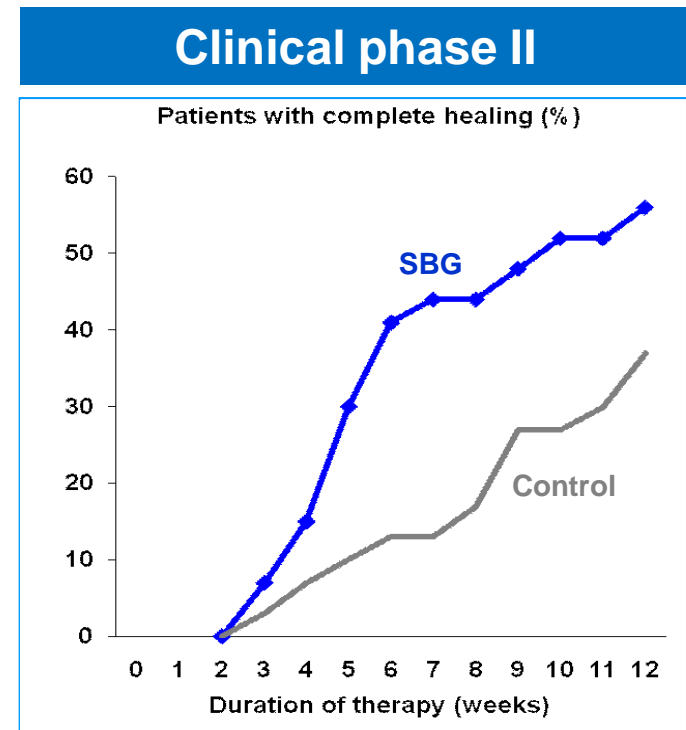
**“No treatment for Diabetic Ulcer really works today”**

Professor William Jeffcote  
Department of Diabetes and Endocrinology, Nottingham City Hospital

# Parts of phase III was in line with phase II

- Failed in Phase III, but sub-analysis of clinical data shows that results in one of the two phase III batches were in line with the phase II results

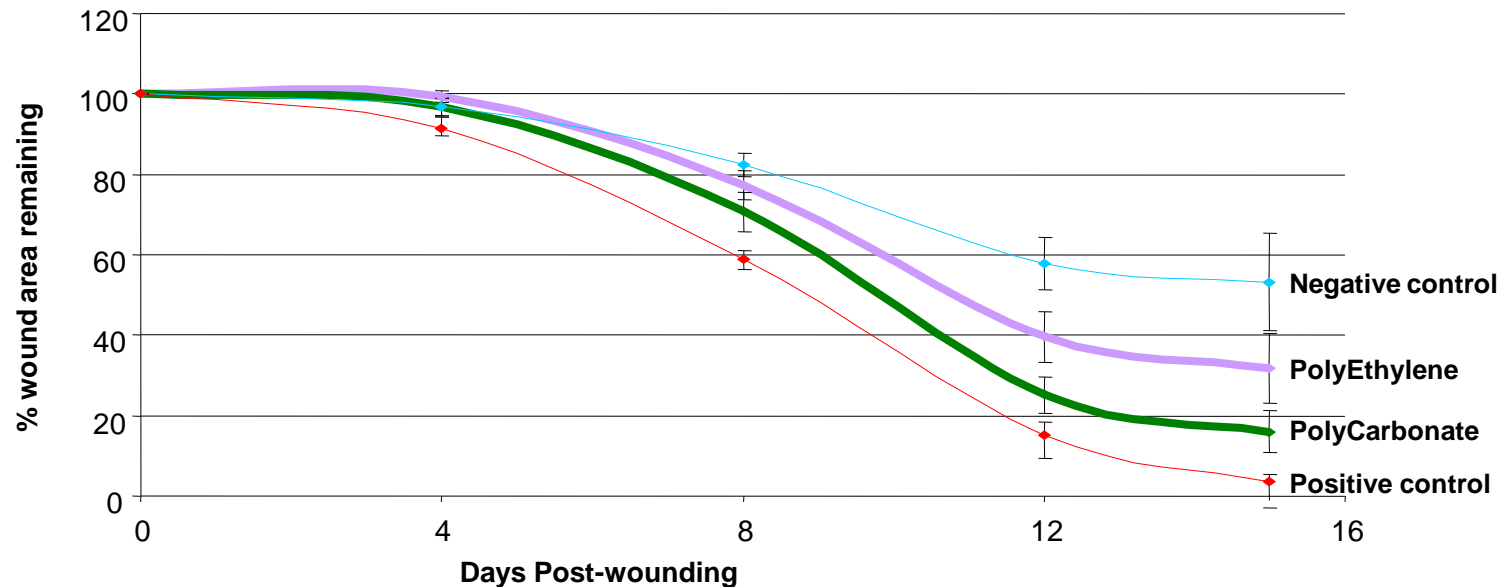
Clinical phase III		
SBG in Nottingham study 2 <sup>nd</sup> batch (N=21) Product stored for 3 months		
Product % healed	Placebo % healed	p-value
52.4%	33.3%	0.22



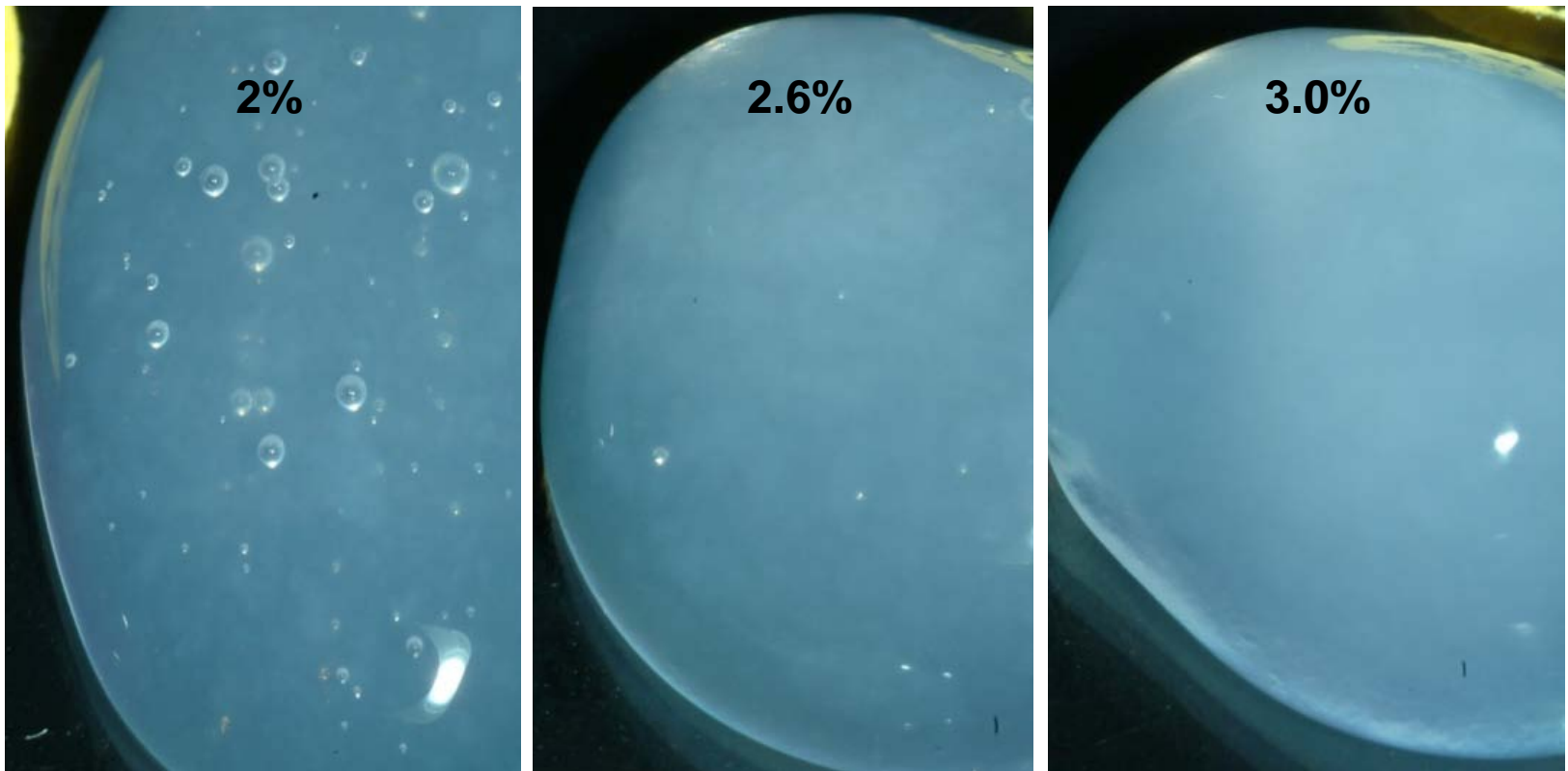
# Product stability was the main issue

## The 2% SBG gel was too fragile

- SBG stored in polycarbonate containers perform better than the same batch stored in polyethylene ampoules.
- 2% SBG in treatment of acute wounds in diabetic mice



# Improved stability with more concentrated SBG (stored in polyethylene)

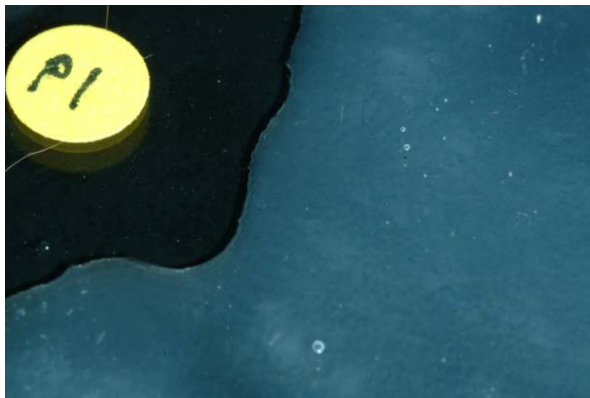


Six months accelerated stability data (37/4°C w/ occasional shaking)

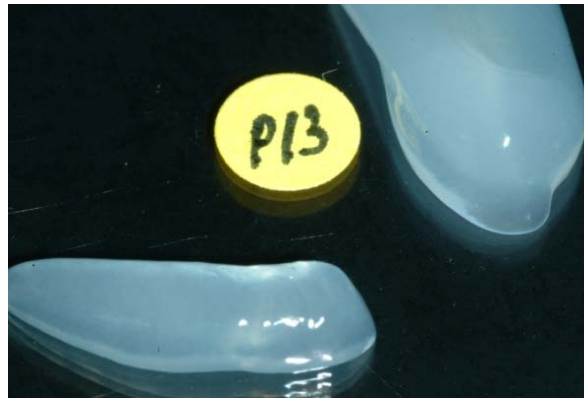


# Can we make a stable SBG formulation?

- Stability of SBG can be increased by adding CMC (and glycerin) or increase the concentration



**2% SBG in Al-tubes**



**2% SBG + CMC**

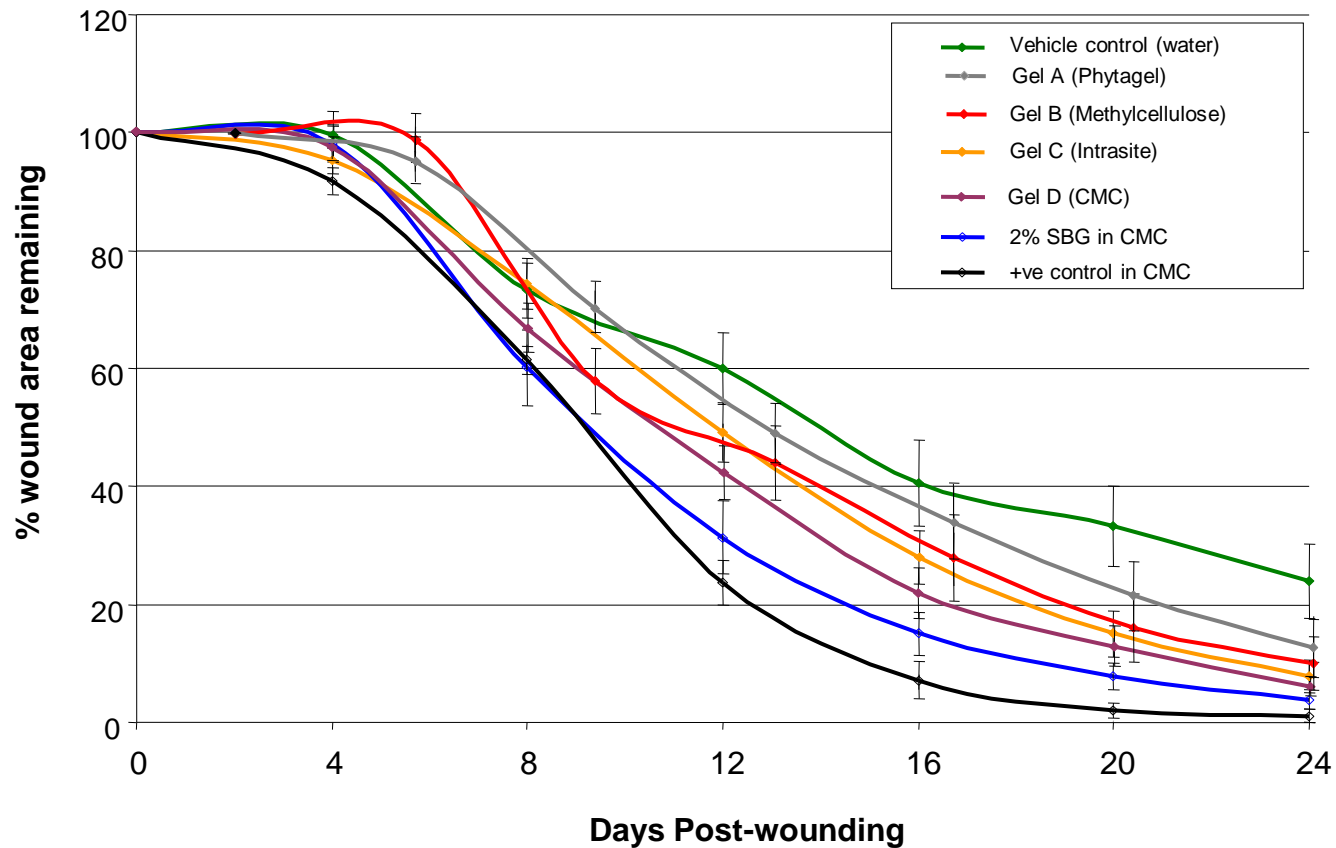


**2% SBG + CMC+ glycerin**

Accelerated stability data from storage in Al-tubes (37/4°C w/ occasional shaking)

# Wound closure

## SBG in CMC vs different hydrogel forming agents



# Partner processes continuing

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- Positive dialogue with potential partners
- Detailed discussions, commercial investigations and regulatory considerations
- Important input to the parallel product development process

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ArcticZymes

Jan Buch Andersen, Ph.D.  
Managing Director – ArcticZymes AS



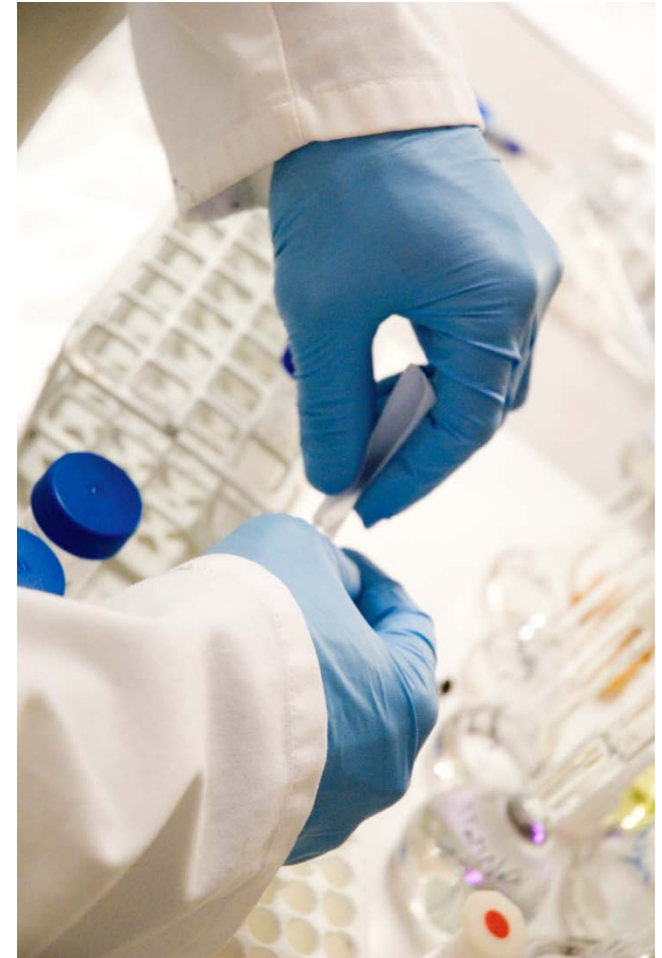
# Overview and outlook

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- 2010 on target for doubling from 2009 to 2012
  - High sales in Q4 and full year growth of 23% from 2009
- Increased number of customer oriented trials - strengthened basis for future growth
  - Compensate for long lead times
- Establishing local representatives to increase customer contacts and follow-up
- Increasing R&D activities to support new product development

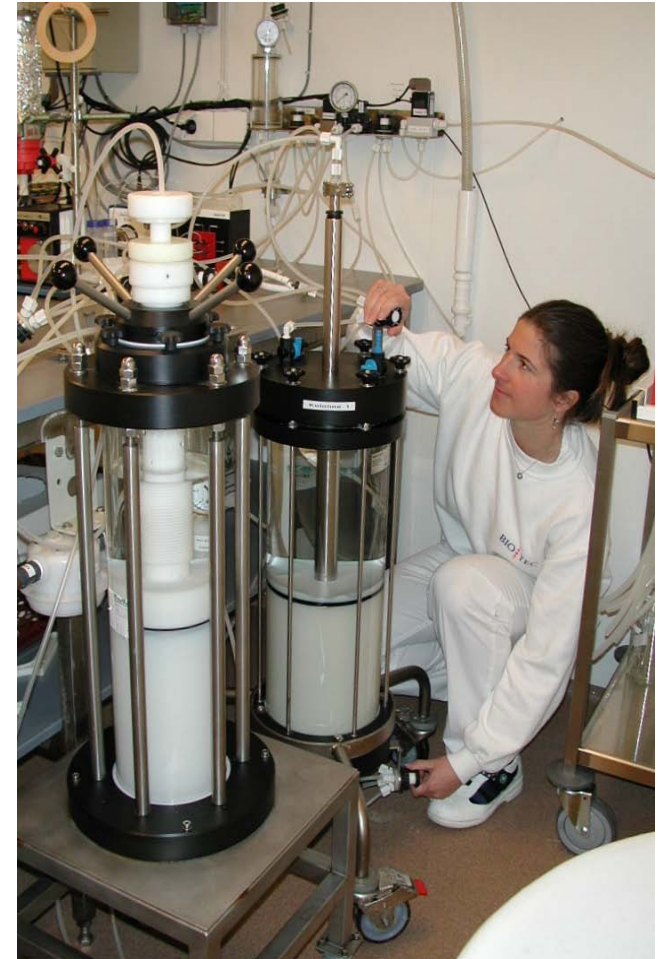
# Increased market activity paying off

- High activity levels in exhibitions and trade shows – increased customer awareness & primary lead generators
- Sales processes typically based on customer trials with high level of customer involvement
  - 26 new trials Q4 2010
  - 98 new trials 2010 vs 8 new trials 2009
- Potential to cut-down trial time with optimized use of Application support



# Customer portfolio & regional mix change

- Rapid increase in number of customers as end user sales gaining momentum
  - Branded sales up 381%
- Sales expanding beyond USA
  - Value of European sales up 234%
- Recombinant SAP successfully taking over
  - Native SAP production terminated
- Launch of improved HL-dsDNase was very well received by the market





# Increased R&D activity

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- Entry into the MARZymes project with exclusive commercial rights significantly increases the long-term growth potential
- Also exclusive enzyme partner in:
  - MabCent
  - UNIS project on eukaryotic microorganisms
  - KMB project on viral enzymes
- Establishing an integrated product development platform in 2011 with funding support from Norwegian Research Council
- Application development and support essential in the customer buying decision process

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# Financial Highlights

<b>(MNOK)</b>	<b>Q4-2010</b>	<b>Q4-2009</b>	<b>2010</b>	<b>2009</b>
Beta-Glucans	1.1	1.5	4.3	6.5
ArcticZymes	9.5	5.4	21.6	17.6
<b>Revenues (sales)</b>	<b>10.6</b>	<b>7.0</b>	<b>25.9</b>	<b>24.1</b>
Beta-Glucans	-6.3	-19.9	-29.3	-71.1
ArcticZymes	7.4	2.0	10.5	8.4
Corporate/ unallocated	-2.3	-3.4	-7.5	-19.4
<b>EBITDA</b>	<b>-1.3</b>	<b>-21.3</b>	<b>-26.4</b>	<b>-82.1</b>
<b>Profit before tax</b>	<b>-1.9</b>	<b>-21.6</b>	<b>-28.4</b>	<b>-81.2</b>
<b>Net profit, continued business</b>	<b>-1.9</b>	<b>-52.4</b>	<b>-28.4</b>	<b>-111.9</b>

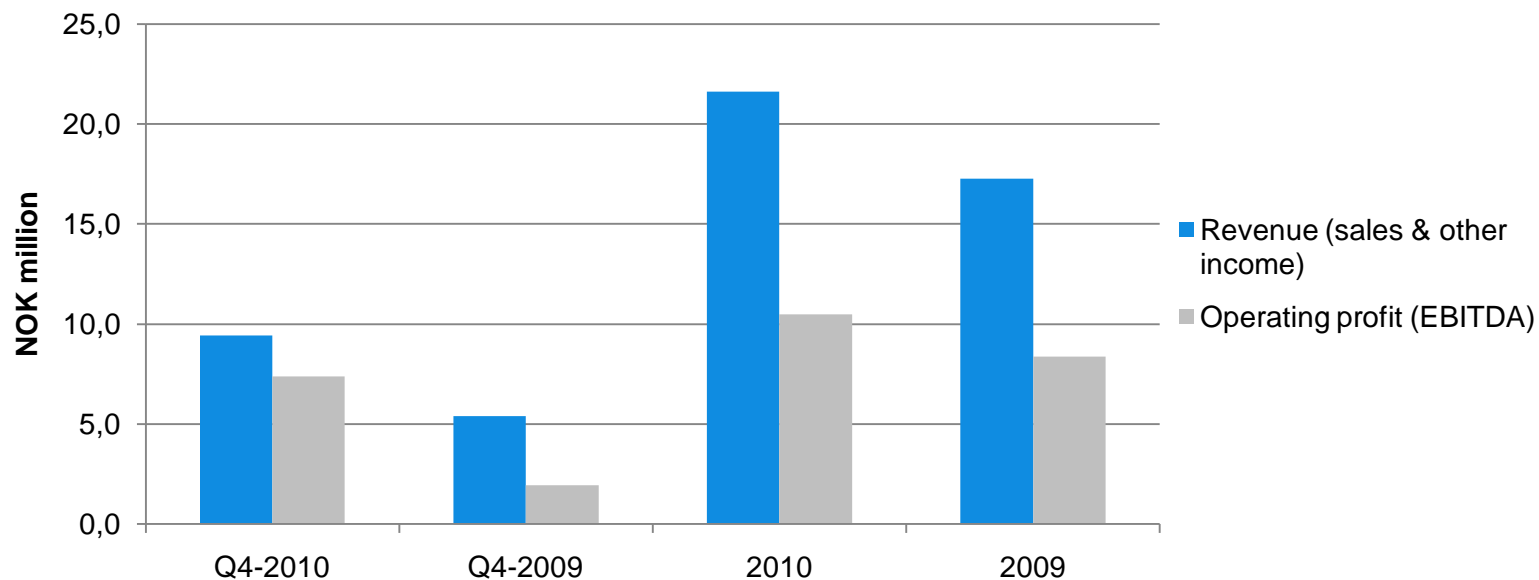
# Cash Flow

	Q4-2010	Q4-2009	2010	2009
Operating activities	0.3	-16.2	-25.0	-89.0
Investing & Financing activities	20.0	16.7	18.7	14.1
Net Cash Flow	20.3	0.5	-6.3	-74.9
Cash at end of period	43.3	49.6	43.3	49.6

Estimated net cash of NOK 7.2 million from subsequent share offering to be received in Q1 2011

# ArcticZymes

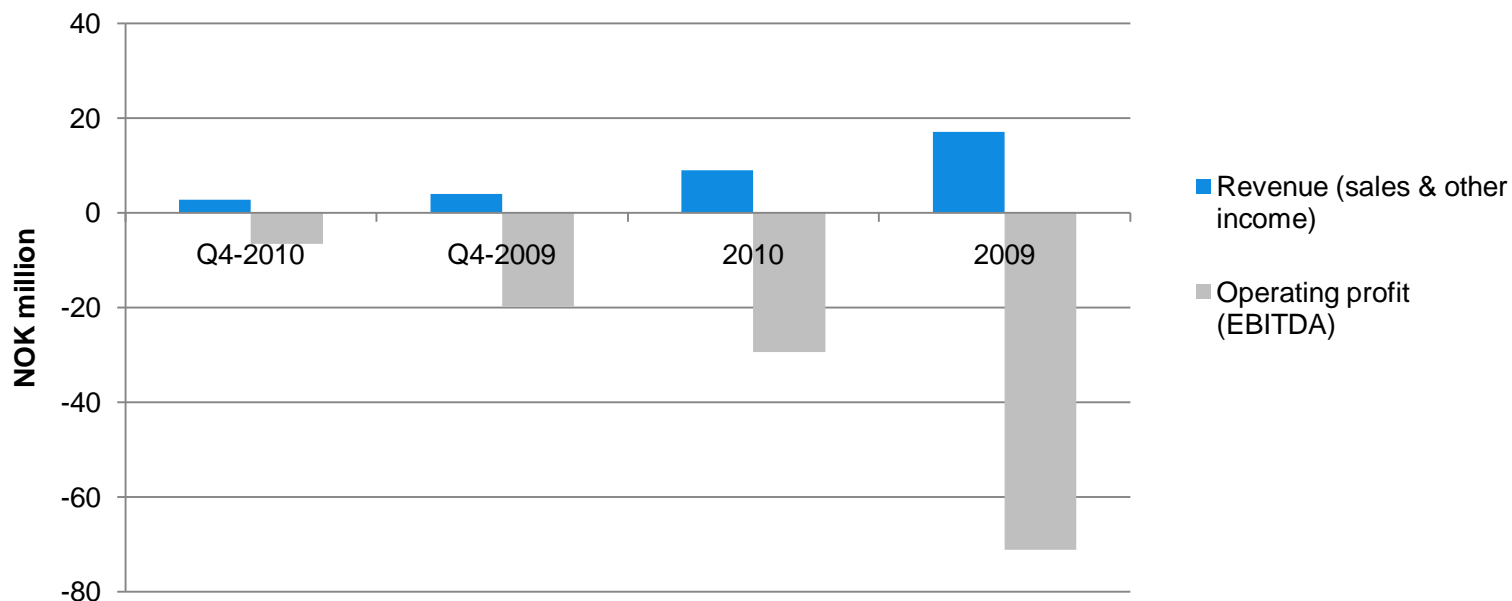
(MNOK)	Q4-2010	Q4-2009	2010	2009
<b>Revenue (Sales &amp; Other income)</b>	<b>9.4</b>	<b>5.4</b>	<b>21.6</b>	<b>17.3</b>
Operating expenses	-2.0	-3.4	-11.1	-8.9
<b>Operating profit (EBITDA)</b>	<b>7.4</b>	<b>2.0</b>	<b>10.5</b>	<b>8.4</b>
Depreciation	-0.1	0.0	-0.2	-0.1
<b>Operating profit (EBIT)</b>	<b>7.3</b>	<b>2.0</b>	<b>10.3</b>	<b>8.3</b>



# Beta Glucans development

## Completed clinical Ph. III costs and staff reductions

(MNOK)	Q4-2010	Q4-2009	2010	2009
<b>Revenue (Sales &amp; Other income)</b>	<b>2.8</b>	<b>4.1</b>	<b>9.0</b>	<b>17.2</b>
Operating expenses	-9.2	-23.9	-38.3	-88.3
<b>Operating profit (EBITDA)</b>	<b>-6.4</b>	<b>-19.8</b>	<b>-29.3</b>	<b>-71.1</b>
Depreciation	-0.7	-0.7	-2.5	-2.7
<b>Operating profit (EBIT)</b>	<b>-7.1</b>	<b>-20.5</b>	<b>-31.8</b>	<b>-73.8</b>



# Summary

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- GROUP:
  - Successful share issue secured funding far into 2012
- BETA-GLUCANS:
  - Promising results from animal studies, combined with stability data give clear indications as to gel composition for a wound healing medical device
  - Positive feedback and continued interaction with potential partners
- ENZYMES:
  - On track for doubling of revenue from 2009-2012
  - Strong growth in direct customer sales and trial

# Questions / Discussion

