Carnegie

24.08.2015

Svein W. F. Lien – CEO

Agenda

- **Highlights**
- **Q2 financials**
- **Beta-Glucans**
  - advanced wound care
- **Enzymes**
  - molecular testing
- **Outlook**

Highlights

- Q2 revenues NOK 11.5 million (9,3 million). H1 2015 revenues 23.8 million (13.4 million)
- Improved EBIT to minus NOK 1.7 million in the quarter (NOK -2.9 million)
- July: Decided to end the commercial discussions for the Woulgan® distribution with Smith & Nephew and accelerate on-going processes with alternative distribution partners
- August: Signed the first regional distribution agreement for UK and Ireland with specialist wound care provider H&R Healthcare

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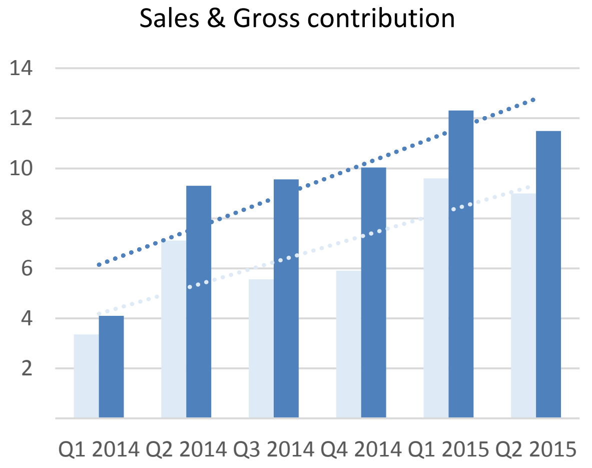
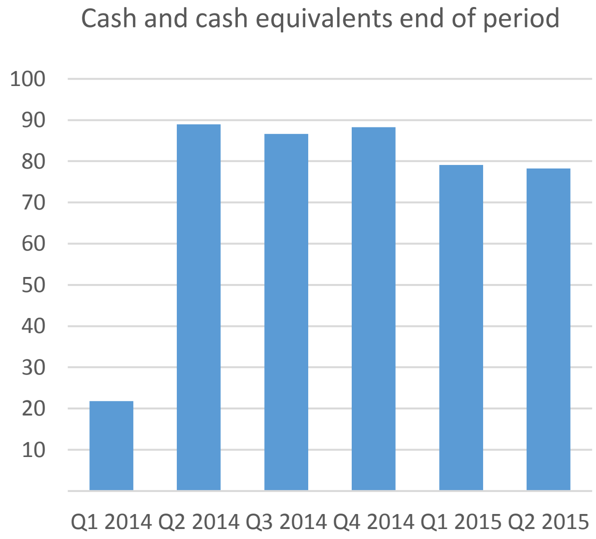
Financial highlights Q2

NOK million	Q2 2015	Q2 2014	6M 2015	6M 2014	2014
Enzymes	7.3	4.0	14.9	8.6	16.3
Beta-Glucans	4.2	5.3	8.9	4.8	16.8
Sales revenues	**11.5**	**9.3**	**23.8**	**13.4**	**33.0**
EBITDA	**-1.0**	**-2.3**	**-3.8**	**-9.4**	**-21.2**
EBIT	-1.7	-2.9	-5.1	-10.7	-23.6
Net cash flow from operations	-4.8	-7.7	-14.0	-18.3	-21.2
Net cash end of period	78.3	89.0	78.3	89.0	88.4





Biotec BetaGlucans

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- **Beta-Glucans**
  - – advanced wound care
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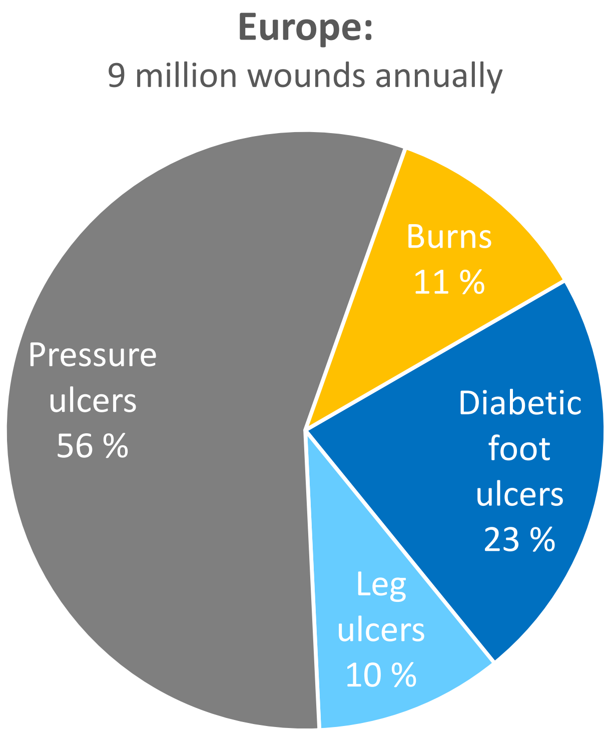
Advanced wound healing - Major market opportunity

- The European market counts ~9 million wounds in the initial indication areas:

  Diabetic ulcers, leg ulcers, pressure ulcers, burns

- Approved also for other major wound areas

  Post-surgery wounds, trauma wounds, lacerations, and abrasions



Europe represents ~1/3 of the total available global wound market

Woulgan® - the development history

-2009

Pharmaceutical development

(failed due to instability)

Dec 2012

Signed evaluation agreement with Smith & Nephew

April 2014

Received CE-mark as a class III medical device

May 2014 – July 2015

Smith & Nephew evaluation study and negotiations.

(Had exclusivity throughout 2014)

Jan 2015 – onwards

Process with alternative regional distributors.

August: Appointed «H&R Healthcare» for UK and Ireland as the first regional distribution partner

S&N Evaluation study - Key themes

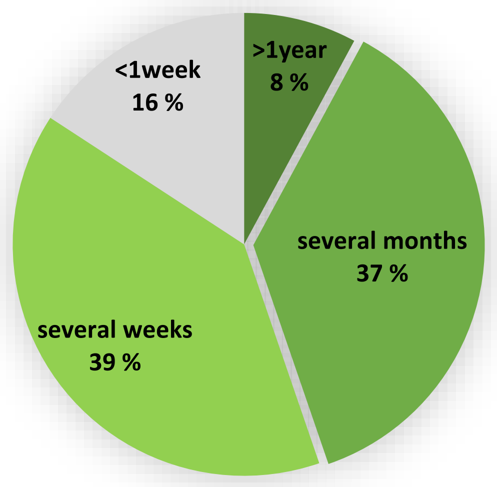
	UK	Germany
Target wounds	DFU, FU, VLU, LU, PU	DFU, FU, VLU, LU, PU
Tubes per application	DFU – less than 1 VLU – 1 or more	DFU – less than 1 VLU – 1 or more
Applications per week	DFU – 1 to 3 per week VLU – 1 to 2 per week	DFU – 1 to 3 per week VLU – 1 to 2 per week
Application	Very easy to use. Patients have applied it themselves at home.	Very easy to use. Patients have applied it themselves at home. The size keeps the price down.
Tube size	About right. Sometimes need more, sometimes need less.	About right, but keep the price down.
Gel	Really nice consistency. Stays in place.	Really like the way it stays in place once applied. Better than other gels.
Wound response	Varies from neutral to improvement seen. Most centres have at least one good example of progress, but mixed with others that are slow or no response.	Some clear responders, majority show slight progression, others remain static.
Pain	Some anecdotal reports of reduced pain	Occasional reports of pain reduction

Source: Smith & Nephew evaluation study

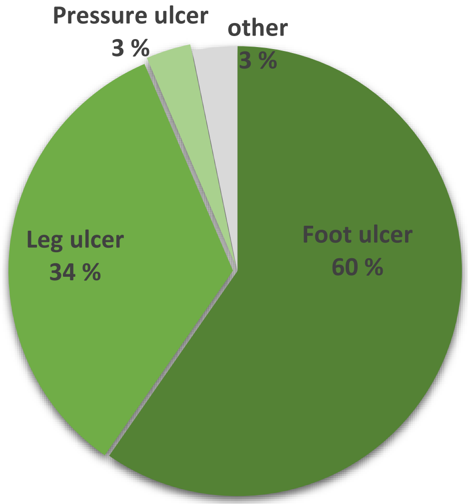
Clinical evaluation UK/Germany 2014-2015

- Detailed data from 62 patients (July 2015)
- Data from 5 sentres in UK (3) and Germany (2).

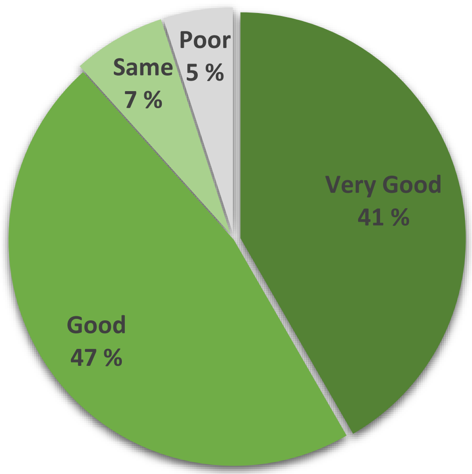
How "old" is the wound?



Wound diagnosis



How would you rate WBGs effect



Source: Smith & Nephew evaluation study

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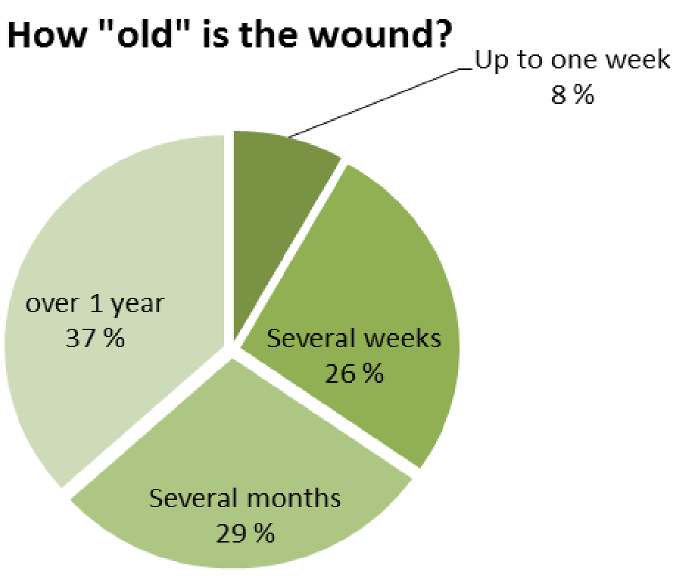
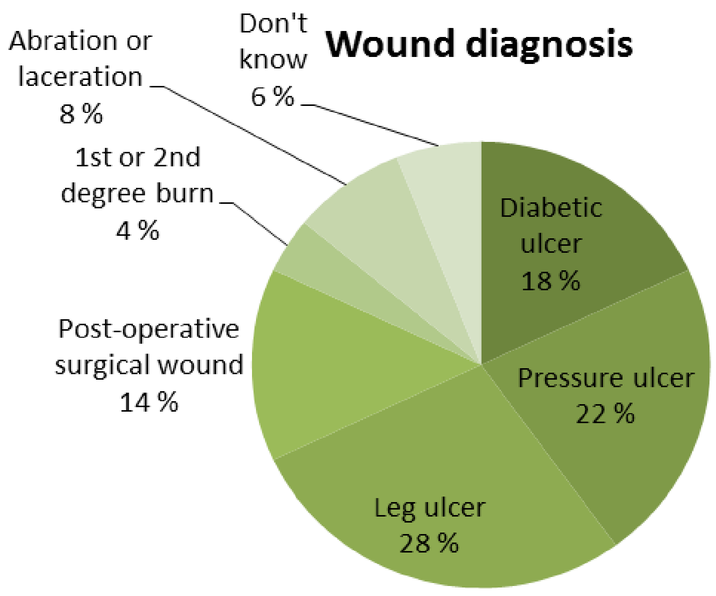
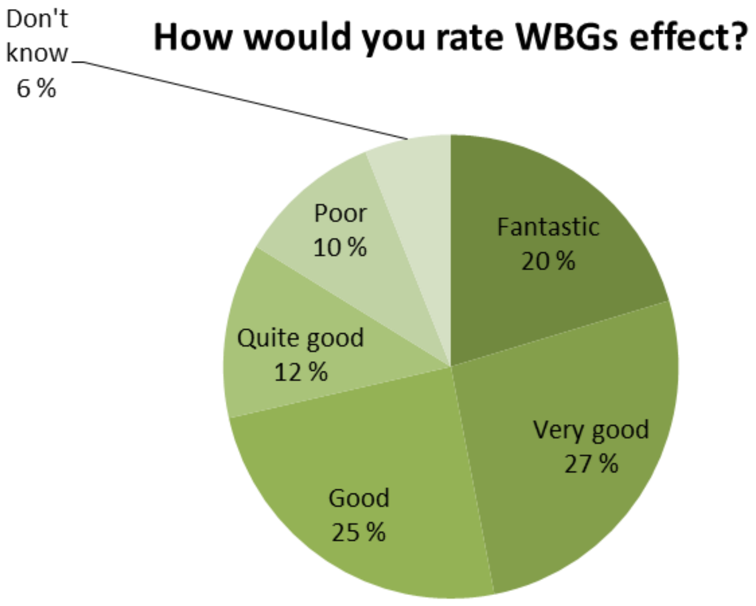
WOULGAN® - Clinical evaluation undertaken in Norway

- Primarily used in chronic wounds
- Variety of wound types
- 72% of clinicians rated the product good to fantastic







Distributor/Partner selection process

Process:

- Started when the exclusivity with S&N expired end 2014
  - Had a number of contacts already from process in 2010-12
- Preliminary contacts and first physical meetings EWMA May 2015
- Geographical focus: UK, Germany and Scandinavia

Important selection criteria:

- Experience with advanced products and KOL's
- Ability to focus on our product for primary target – DFU
- Limited overlapping products

H&R Healthcare

- 50 employees – GBP 13 mill in revenues
- Very experienced management
- Track record in penetrating market through KOL's with advanced wound care products
- Just lost Sorbion products as Sorbion were bought by BSN
- No competing DFU products
- Share much of values and ideas of how to go forward

Key highlights of the agreement with H&R

- 3 year agreement – with renewals
- Market price sat in cooperation with H&R
  - Important to obtain pan-European price strategy
- Distributor margin of 40-45% of their net sales
- Biotec will support them locally in training, marketing resources etc.

In general to work actively with the distributors is the key to success

Competition for Woulgan®

No truly comparable products but strong competition among existing solutions

- Active products:
  - Xelma – not reimbursable, not promoted
  - Regranex – discontinued in UK 2011
    - Available in the USA
- Currently non-active hydrogels and Negative Pressure Wound Therapy are standard of care in UK

Product positioning UK – targeted approach

- Primary:
  - Slow-healing diabetic foot ulcers
- Secondary:
  - Leg ulcers
  - Pressure ulcers
  - Partial thickness and full thickness burns
  - Graft and donor sites
  - Postoperative surgical wounds

UK market statistics – Diabetes and DFU

Diagnosed:

- 2.9 million people diagnosed with diabetes in the UK (2011). Average prevalence of 4,5% of adults expected to grow to 5 million people by 2025 i.e. high growth market
- Around one in twenty people with diabetes will develop a foot ulcer in one year

Amputation:

- People with diabetes account for just under half of lower limb amputations in adults
- 100 amputations are carried out each week because of diabetes
- Up to 70 per cent of people die within five years of having an amputation as a result of diabetes

Woulgan® market penetration approach

Penetration:	Market Segments:	Paid by:	Distribution:
	Hospitals and Wound Clinics	Normally budget funded	Direct purchase
	Primary Care Community health	Reimbursement - National application and process’	Wholesalers Tenders Pharmacies
	OTC/Individuals	Reimbursement and/or individual payment	Pharmacies

Short term activities UK – some highlights:

- Approach KOL's - both those participated in the Evaluation and new
  - Investigate price/claims positioning /acceptance
- Direct sales early users
- NHS SC (England) application:
  - Tender application est. Q3/4 2015 - Live from est. Q1/2 2016
- Drug Tariff application – new category:
  - Health Economics - Around 6 months to reimbursement
- Key to have the product positioned as a high end – careful start
- Limited sales until tender and reimbursement first 6-9 months

Distribution process going forward:

- Agreement with H&R Healthcare represents first step
- In advanced discussion for other markets
- Primary focus in Europe is on UK, Germany and Scandinavia in Europe
  - Will hold back on other European markets as some of the German alternatives cover other European countries as well
- Will decide which markets outside Europe and US we will prioritize short term

Other areas Woulgan®

US:

- Develop reimbursement positioning strategy
- Key for potential US partners

Strengthening the commercial organization:

- International Marketing Director Woulgan
- 6-8 marketing/product managers working in the local markets

Health Economics:

- Building documentation for DFU
- Important basis for marketing

- New follow-up products under development:
  - Spray product
  - Combination product

The Biotec beta-glucan is a versatile technology platform with a lot of opportunities for expansion

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Qualities	Substance	Comments:	Opportunities:
Medicinal substance quality	Soluble beta-glucans SBG®	High end substance, very well documented to be used in different compositions	New wound care products & adjuvant for cancer therapy. Has also been tested in IBD and IBS. Its immunomodulatory capabilities opens a number of potential areas.
Skin care and cosmetic quality	Cosmetic beta-glucans	Used as an ingredience in various skin care products	The wound care focus may open for synergetic skin care products later and increase the profile of the substance
Nutrition Quality	Particulate (dried) beta-glucans	Used in nutrition (e.g. Capsules) and in functional food	This is a large area with a lot of opportunities to be included in branded products
Animal feed quality	M-Glucan®	Used as an additive in feed for e.g. fish farming to strengthen the fish' immune system and general resistance	High interest for new documentation to assist in increase animal health and e.g. reduce use of antibiotics. So far mostly salmon farming but will be a reference to other markets as well

A number of other activities:

- New documentation in animal feed and a number of follow up opportunities in the animal health market
- Working to clarify the strategic options for the Nutrition market for decision later this year. 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
- In general open for new opportunities where we can assist with limited resources as investments are focused towards wound healing short term
    - E.g. IBD, IBS, Oral Mucosites, other adjuvant opportunities

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ArcticZymes

ArcticZymes highlights Q2 2015

- ArcticZymes continued to maintain momentum by driving sales with its key customers
- Three top products; rSAP, Cod UNG, and the DNase product portfolio (stand-alone enzymes and finished kits) continue to drive the sales figures
- The pipeline of B2B (business to business) customer prospects for the PCR Cleanup and DNase portfolio, as well as Cod UNG and early prototypes are progressing to the next stage of commercial development

New business & developing the pipeline

- ArcticZymes plans to commercialize a synergetic mix of new enzymes and applications primarily targeted towards the PCR, Sequencing and Molecular Diagnostics markets
- Close contact with customer (B2B partners) to understand future direction and opportunities
- Use this “wish list” working with bioprospecting outcome and prospects in libraries combined with ArcticZymes’ in house expertise for genetic modification and synthesis
- Will lead to a number of new products with interesting commercial potential

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Outlook

- The primary focus of Biotec currently is to enter into agreements which will best possibly secure the full commercial potential of Woulgan®
- Biotec is currently discussing agreements with additional potential regional partners in Europe
- The short term European focus are on UK, Germany and Scandinavia
- Will work to have more data from the Wolgan® evaluation published and to finalize health economic data model which also will influence the pricing
- Keeping up the momentum on ArcticZymes to secure continuous growth

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Q&A

Svein W. F. Lien
Mob: +4792289323
Email: sl@biotec.no
www.biotec.no