



**2010**

## **THIRD QUARTER RESULTS**

**Presentation 12 November 2010**

**CEO Morten Jurs and CFO Synne H Røine**

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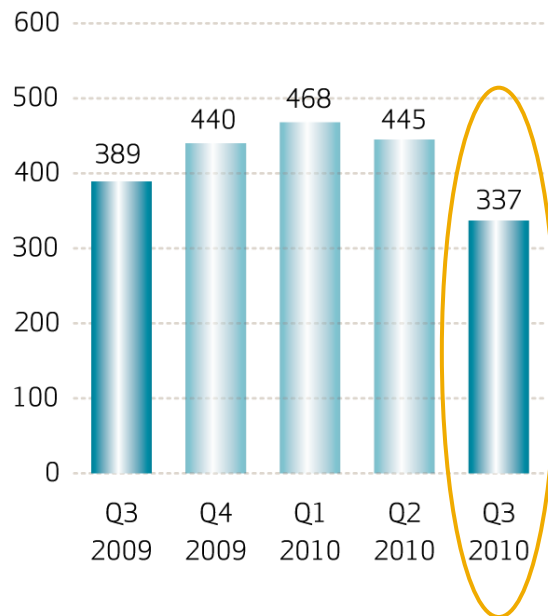
# Highlights Q3

- + Several milestones achieved, supporting long term growth**
  - strengthened distribution power with renewed Abbott agreement
  - two market authorisations granted
  - filed for HF label inclusion in Europe
  
- + Healthy financial performance**
  - despite reduced partner demand in the USA
  - good cash flow from operations
  
- + Cost efficiency programme implemented**
  - reduce manufacturing related costs
  - increase output and yield in production
  - enable increase in R&D investments
  
- + Long term financing in place**

# Operational performance

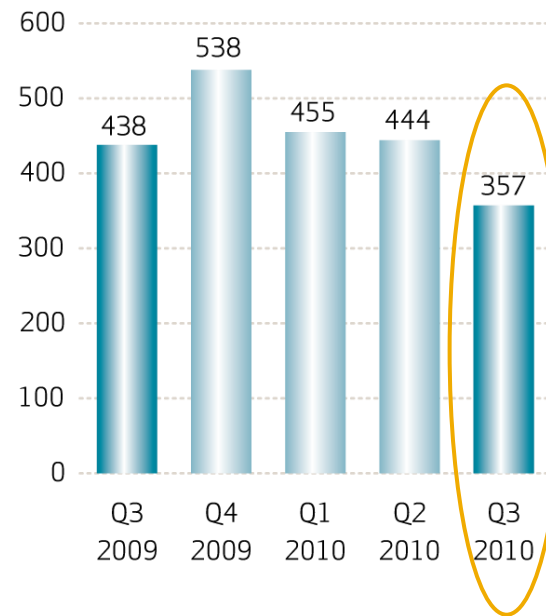
## Shipments

Tonnes



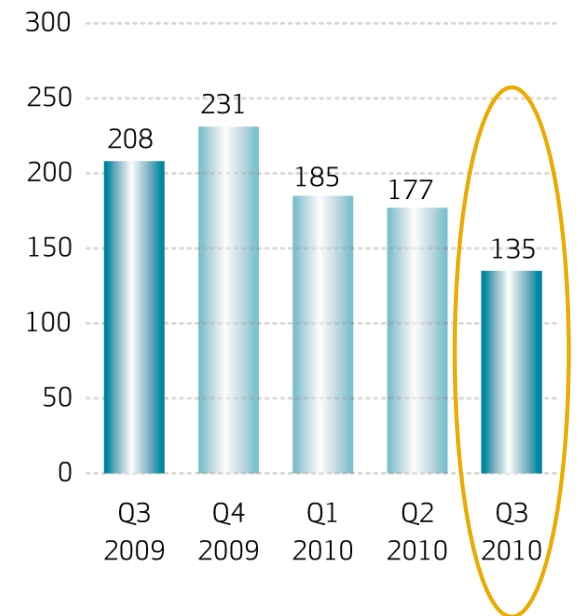
## Revenues

NOK million



## EBITDA

NOK million

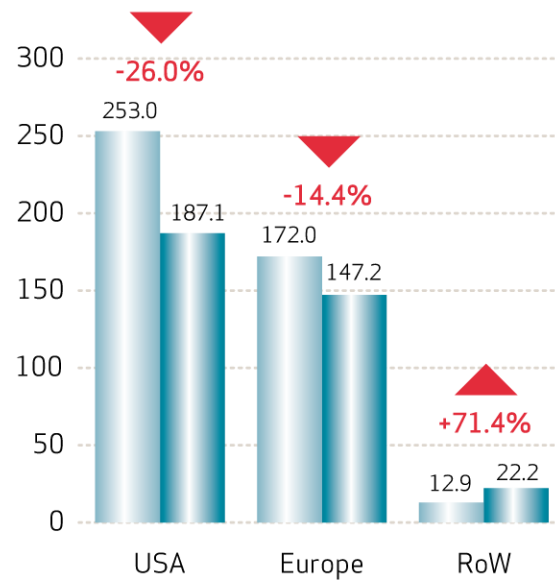


# Revenues impacted by reduced demand from GSK

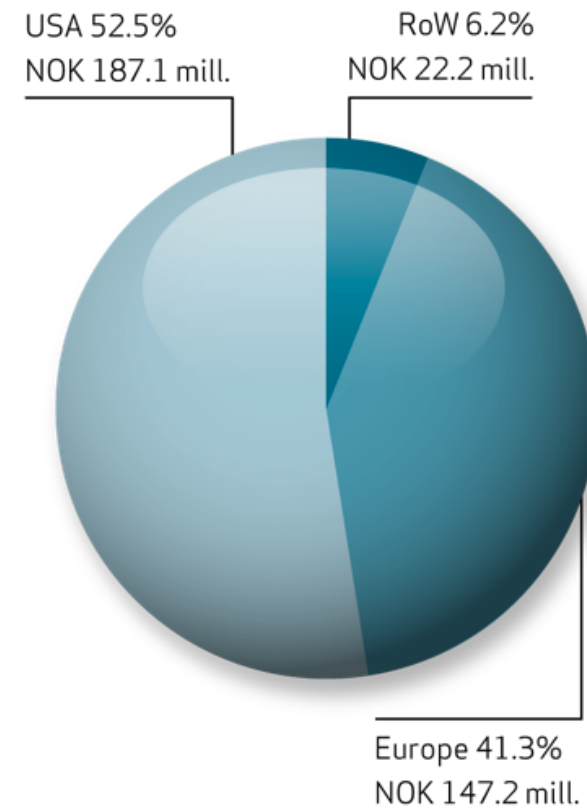
## Revenue by market

NOK million

+ Q3 2009 + Q3 2010



## Revenues split by market Q3 2010



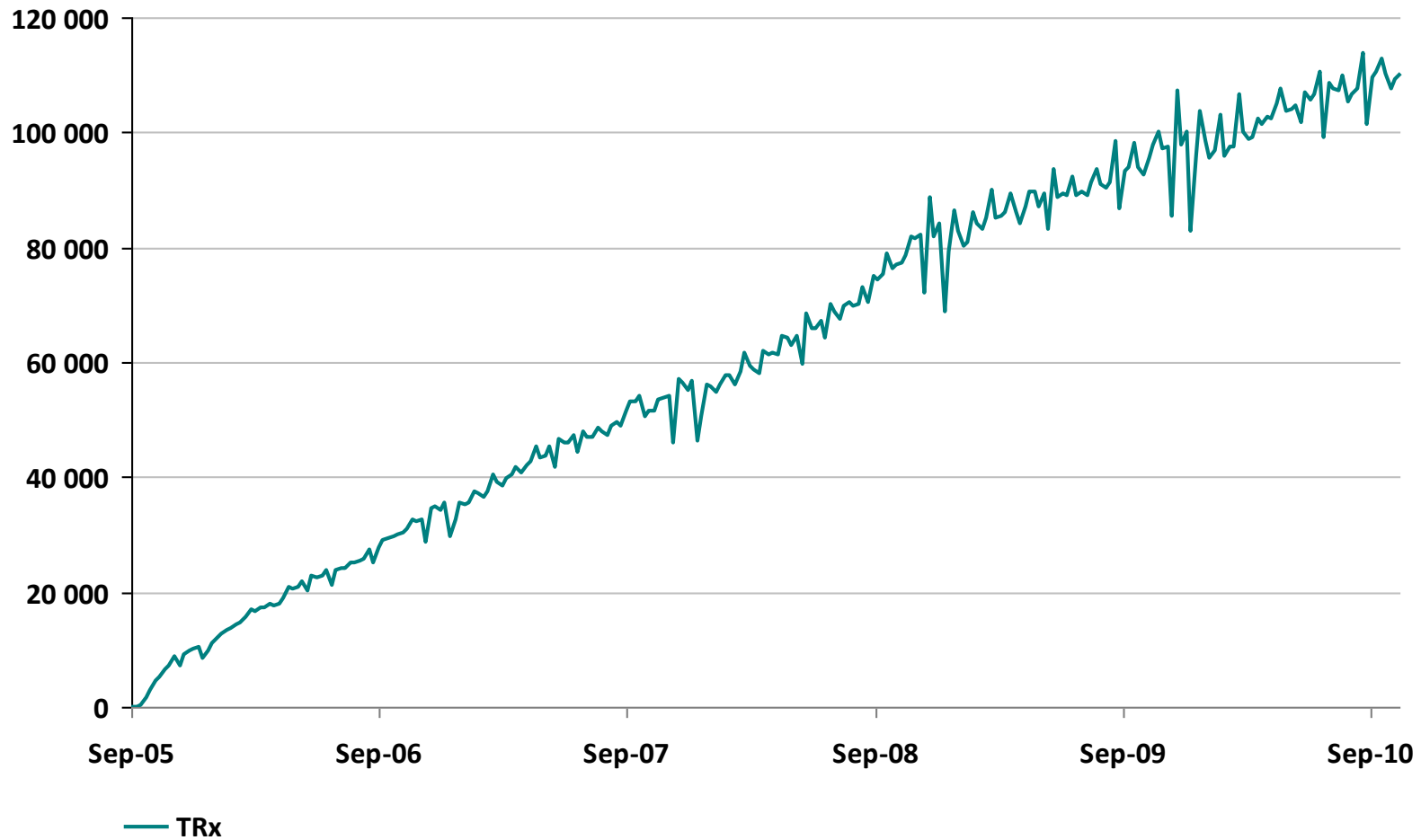


**Q3-2010**

## **MARKET UPDATE**

Lovaza™:

# 17.4 per cent growth in total prescription (YTD 2010 / YTD 2009)

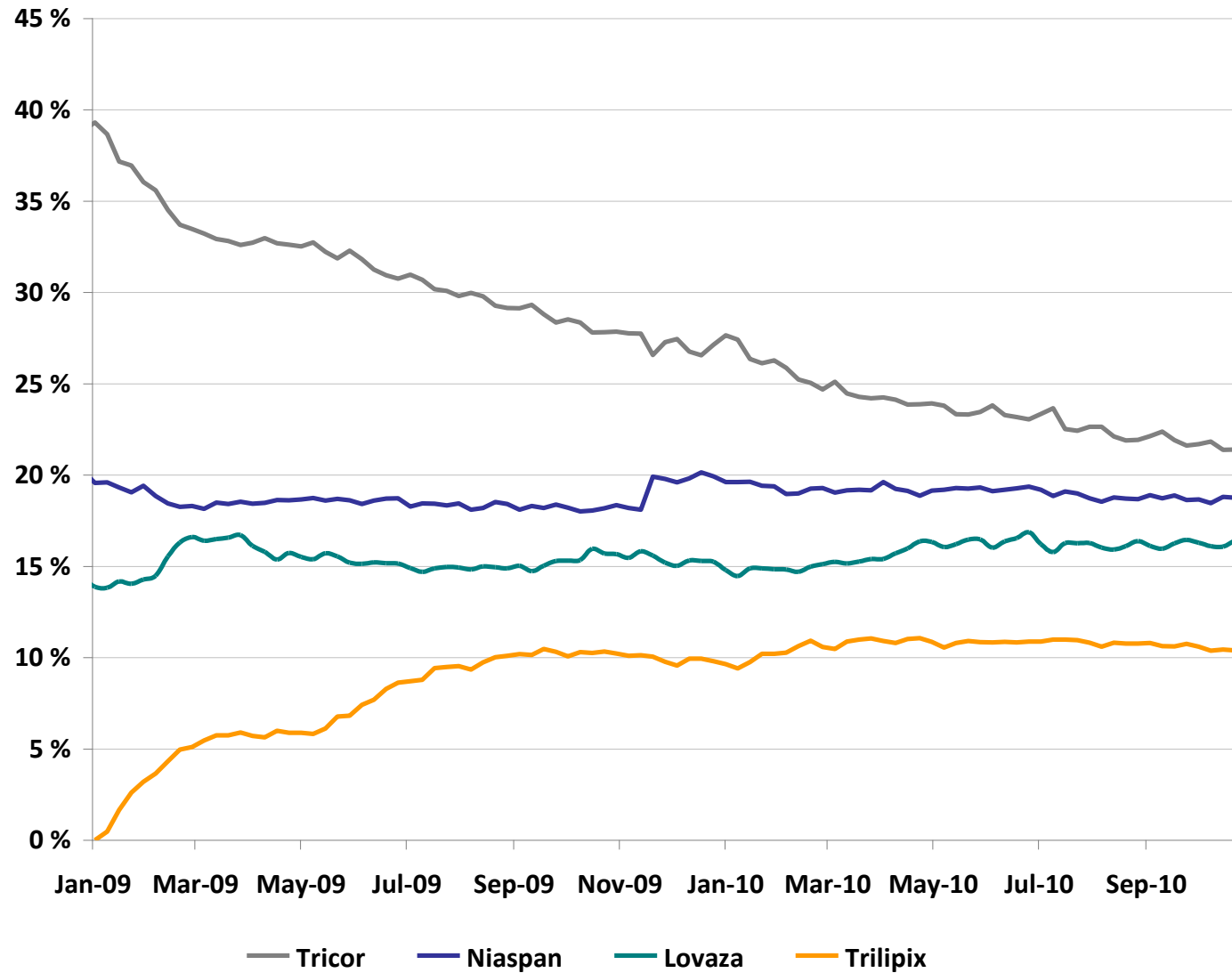


12 November 2010

Source: IMS

US market share – NRx:

# Lovaza™ markets-share development

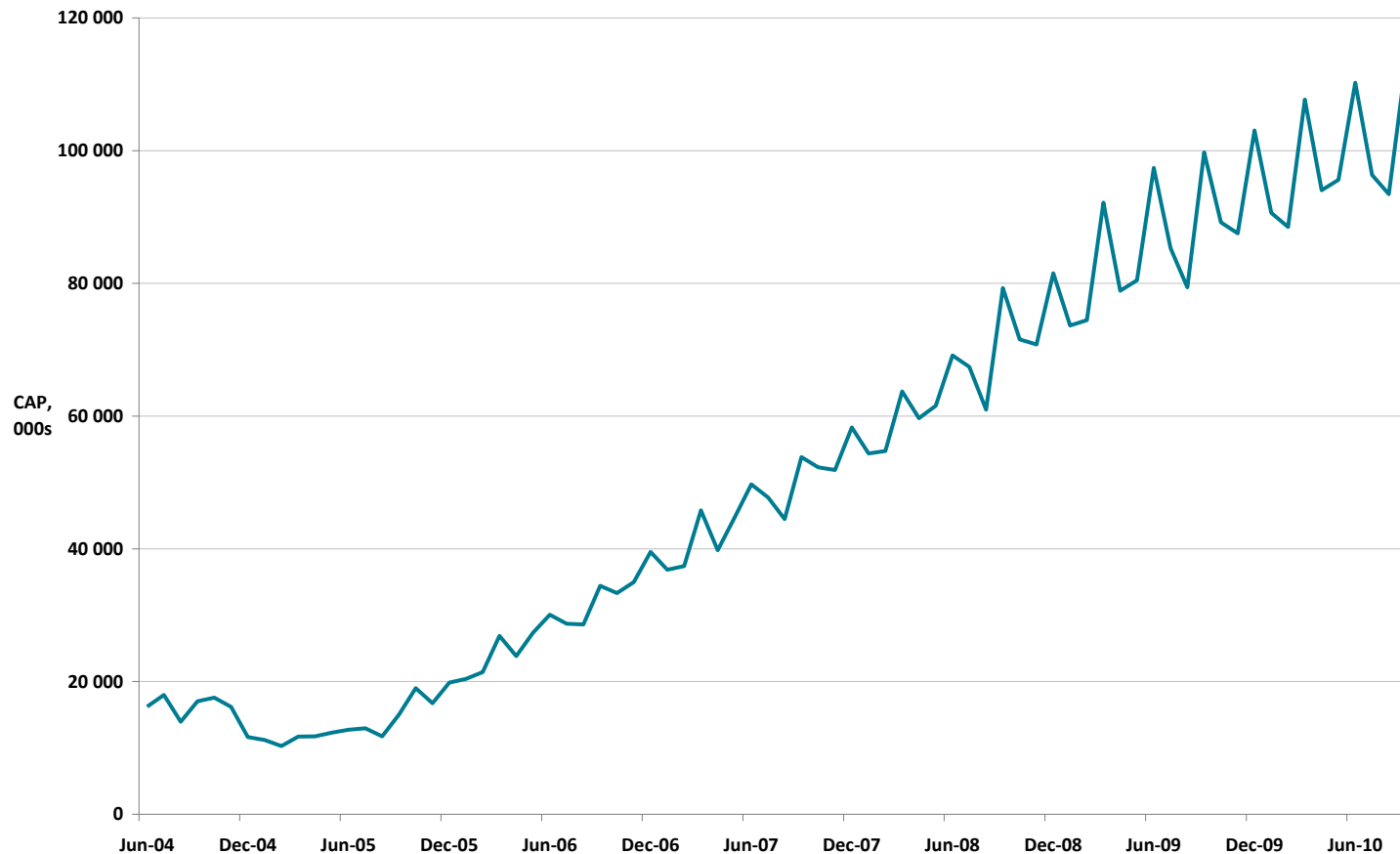


12 November 2010

Source: IMS

*End-user market:*

# Continued growth in eight major markets



- + Strong fundamentals for further long term growth
- + Strong position, but still untapped potential
- + 17 per cent growth YTD 2010

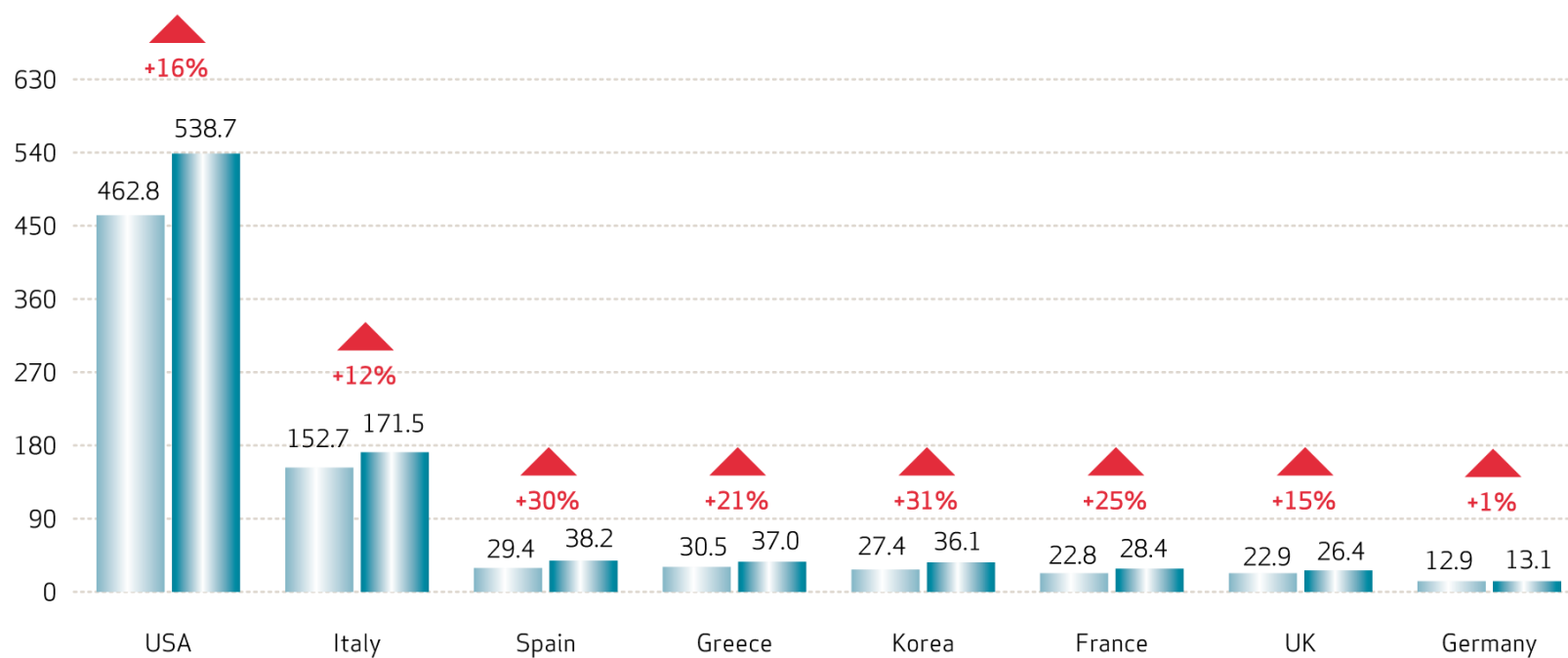
End user market:

# Omacor<sup>®</sup>/Lovaza<sup>™</sup> eight major markets

## End-user sales by major markets at 30 September\*

Volume sold in tonnes

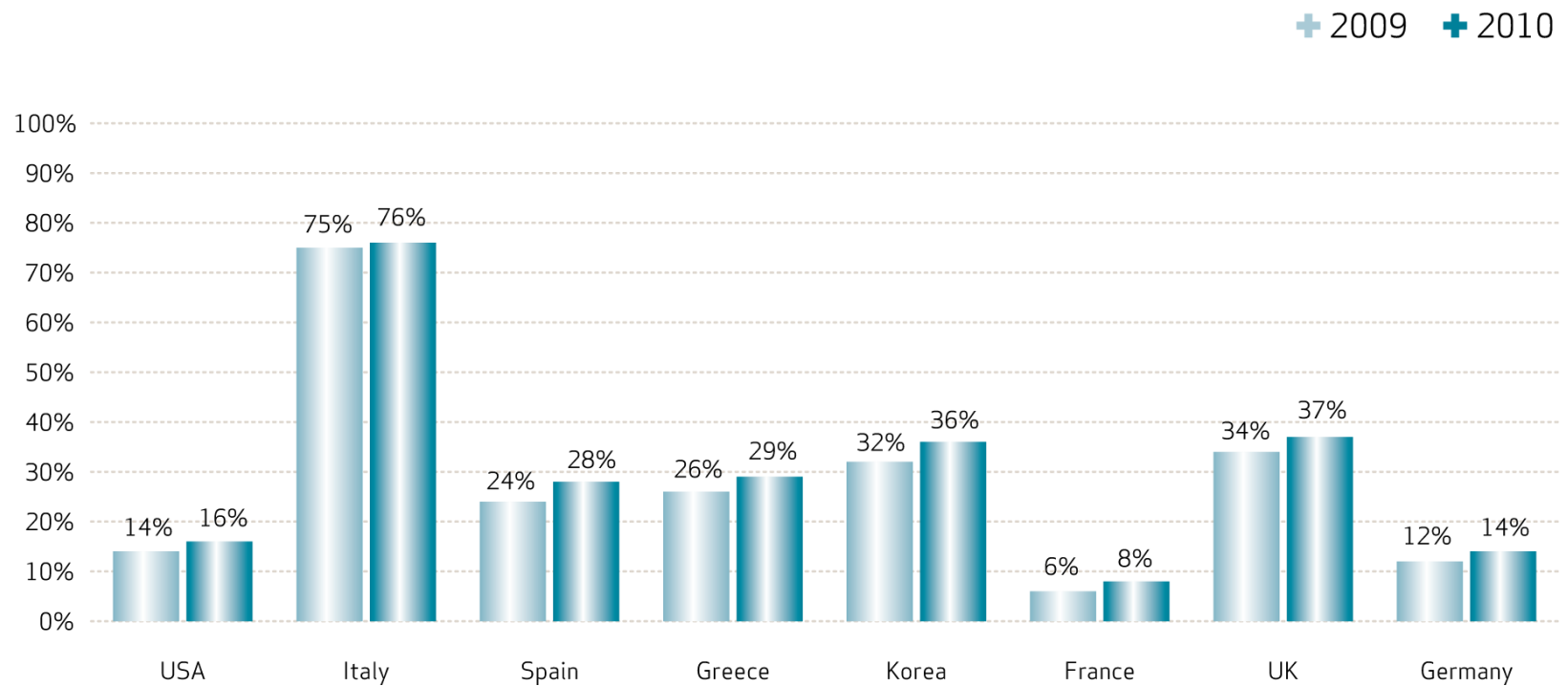
+ YTD 2009 + YTD 2010



\* Source: IMS Health

**Omacor<sup>®</sup> / Lovaza<sup>™</sup>:**

# Market-share in non-statin dyslipidemic market



# Partner update

## + Abbott agreement

- € 19.5 million incentive fee – 3 years prepayment of royalties
- strong distribution power in existing markets
- opportunities in new high growth markets
- joint development committee

## + Renegotiations initiated in Italy

- current agreement expires Q2 2011

# New markets

## + **Launching Omacor<sup>®</sup> in Australia and Mexico**

- Omacor<sup>®</sup> approved for HTG and post-MI indications in both markets
- launch in both markets in November
- the two markets represent a population of 130 million
- Mexico was the among the fifteenth largest pharmaceutical markets in 2009

## + **Major emerging markets – a target for further growth**

- India, South-Africa, Brazil, Turkey, Vietnam, Malaysia, Taiwan, Hong Kong, China
- market approvals expected in the next three years

## + **Phase III studies ongoing in Japan**

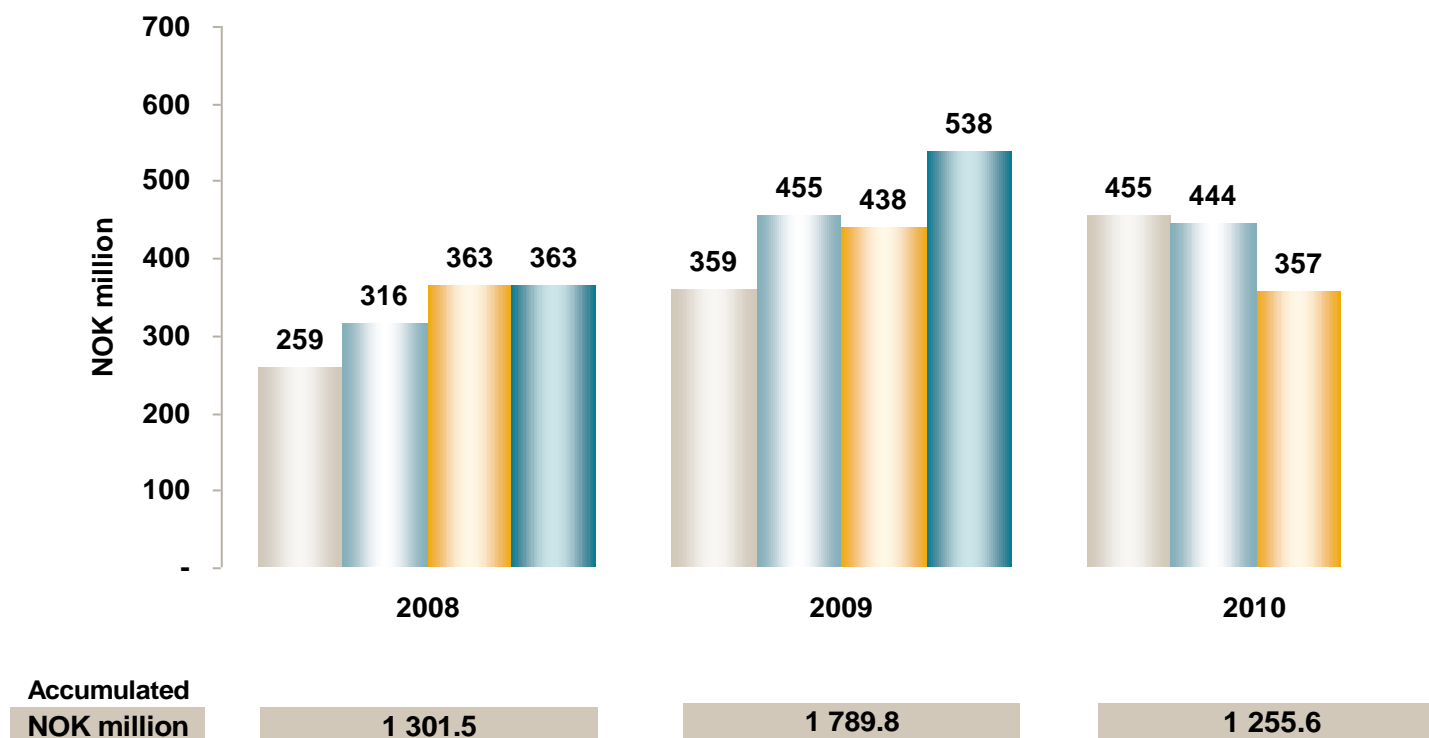


**Q3-2010**

## **FINANCIAL REVIEW**

*Income statement:*

# Revenues NOK 357 million in the quarter



# Operational performance

## + 337 tonnes shipped

- shipments according to plan

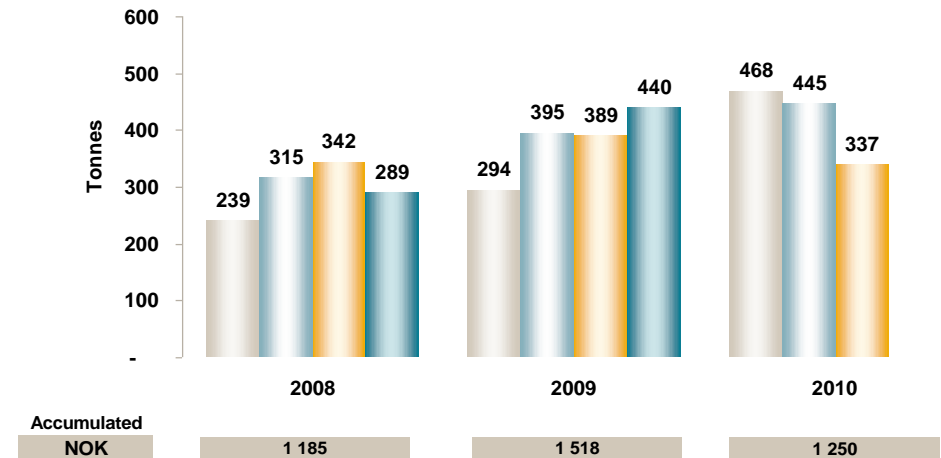
## + 421 tonnes produced

- optimising production from two plants

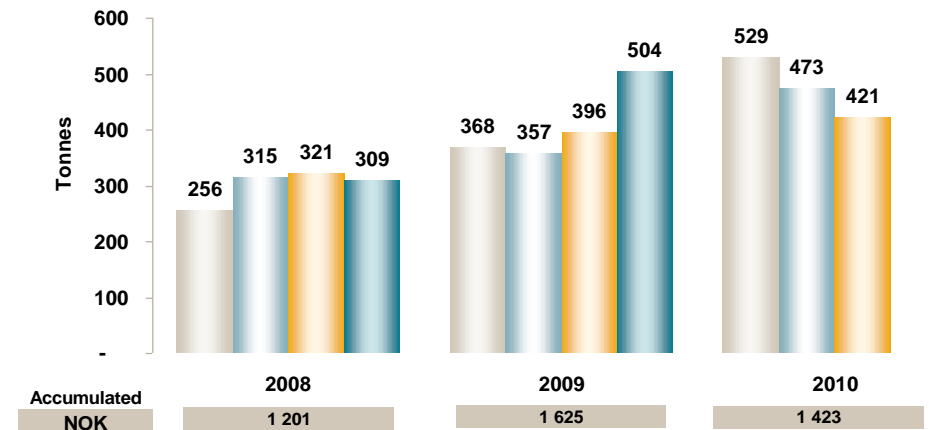
## + Inventory of finished goods

- positively impacting gross margin
- excess production to avoid disruptions following work-force reduction

Shipments by quarter

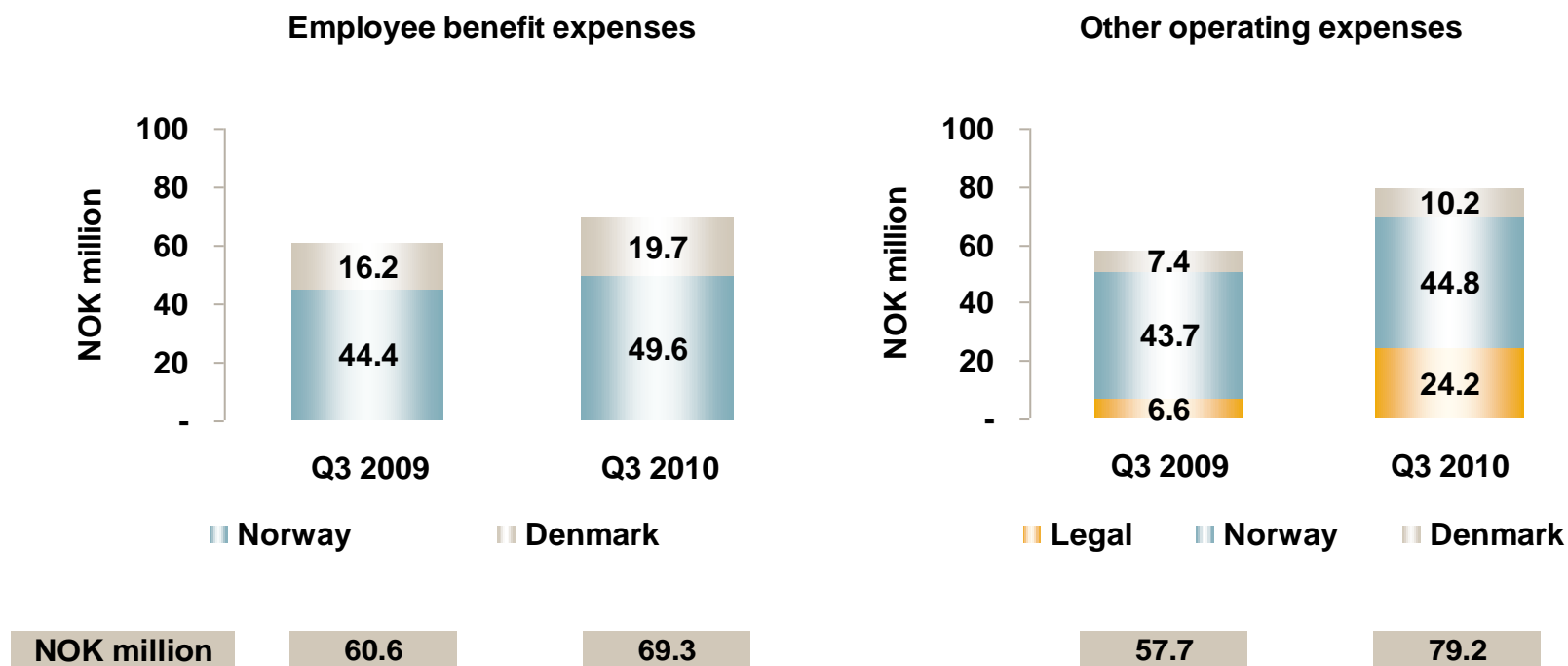


Production by quarter



*Income statement:*

# Employee benefit and other operating expenses



*Operating expenses:*

## **Cost efficiency programme**

### **+ Objective**

- reduce manufacturing related costs
- increase output and yield in production
- enable increase in R&D investments

### **+ Work force reduced by 10 - 15 per cent at the end of Q3**

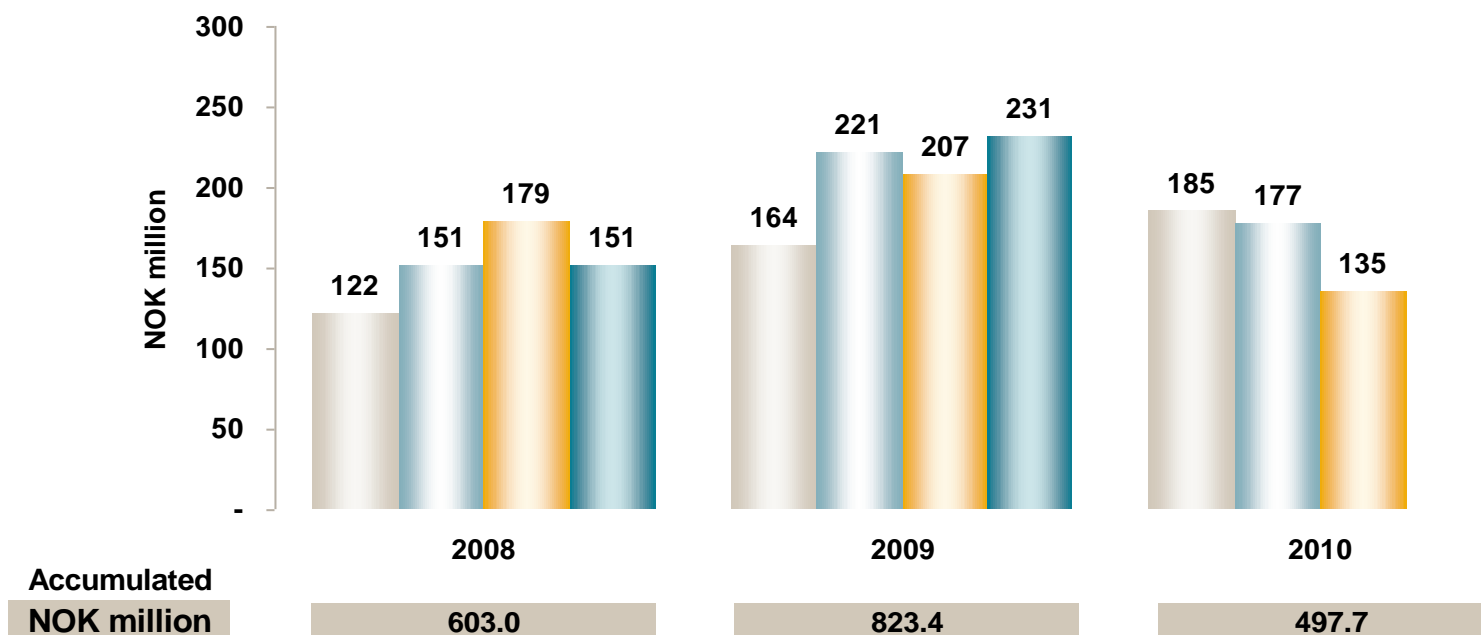
- provision of NOK 8.3 million made in the quarter for severance pay

### **+ Annual savings/cost reductions in 2011 of around NOK 50 million**

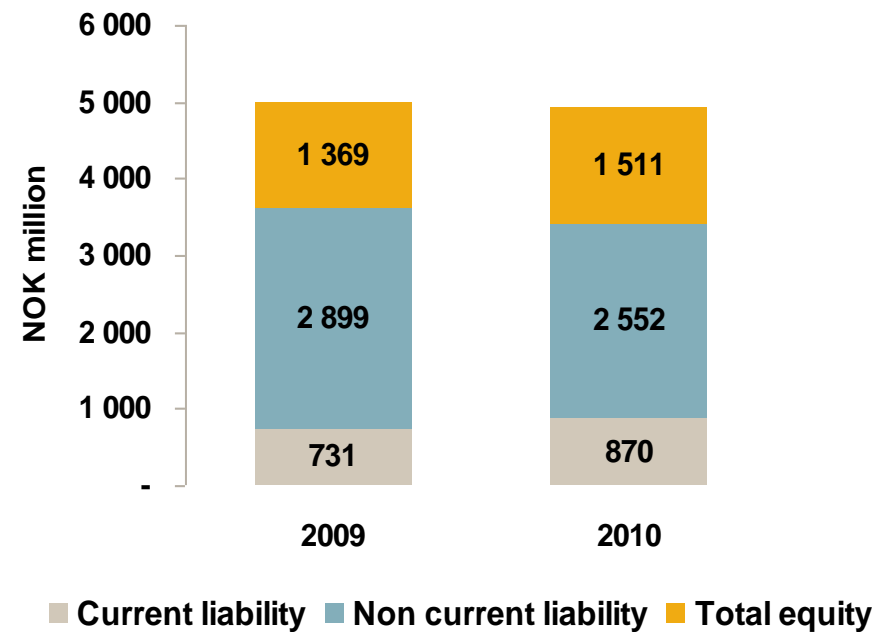
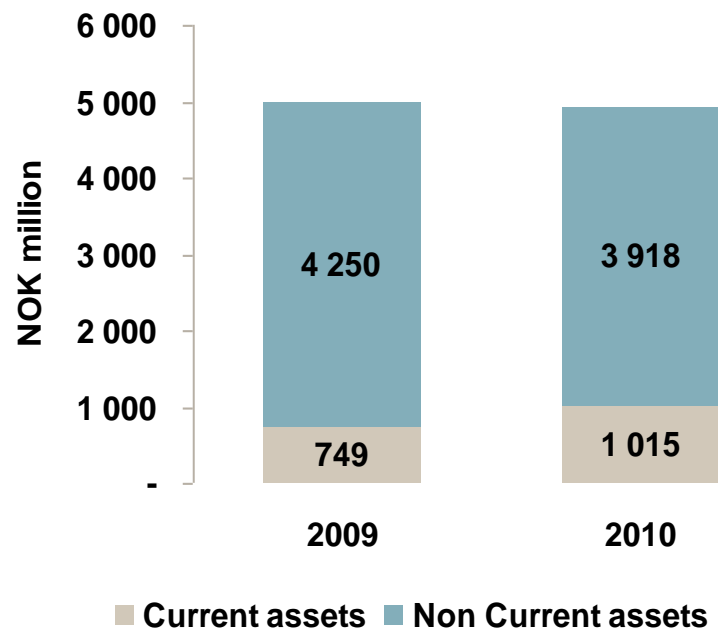
- compared to H1 2010 base level

*Income statement:*

# EBITDA NOK 135 million in the quarter



## Financial position: Assets and liabilities



NOK million

4 998.8

4 932.8

4 998.8

4 932.8

*Long term borrowings:*

## Refinancing of long term borrowings completed

- + **Pronova BioPharma completed a refinancing of the long term financing with a new five-year senior credit facility 30 September 2010**

- + **Facilities:**

Facility A:	NOK 680 million
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Facility B:	NOK 1 100 million
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Revolving facility:	NOK 500 million
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Overdraft facility:	NOK 100 million
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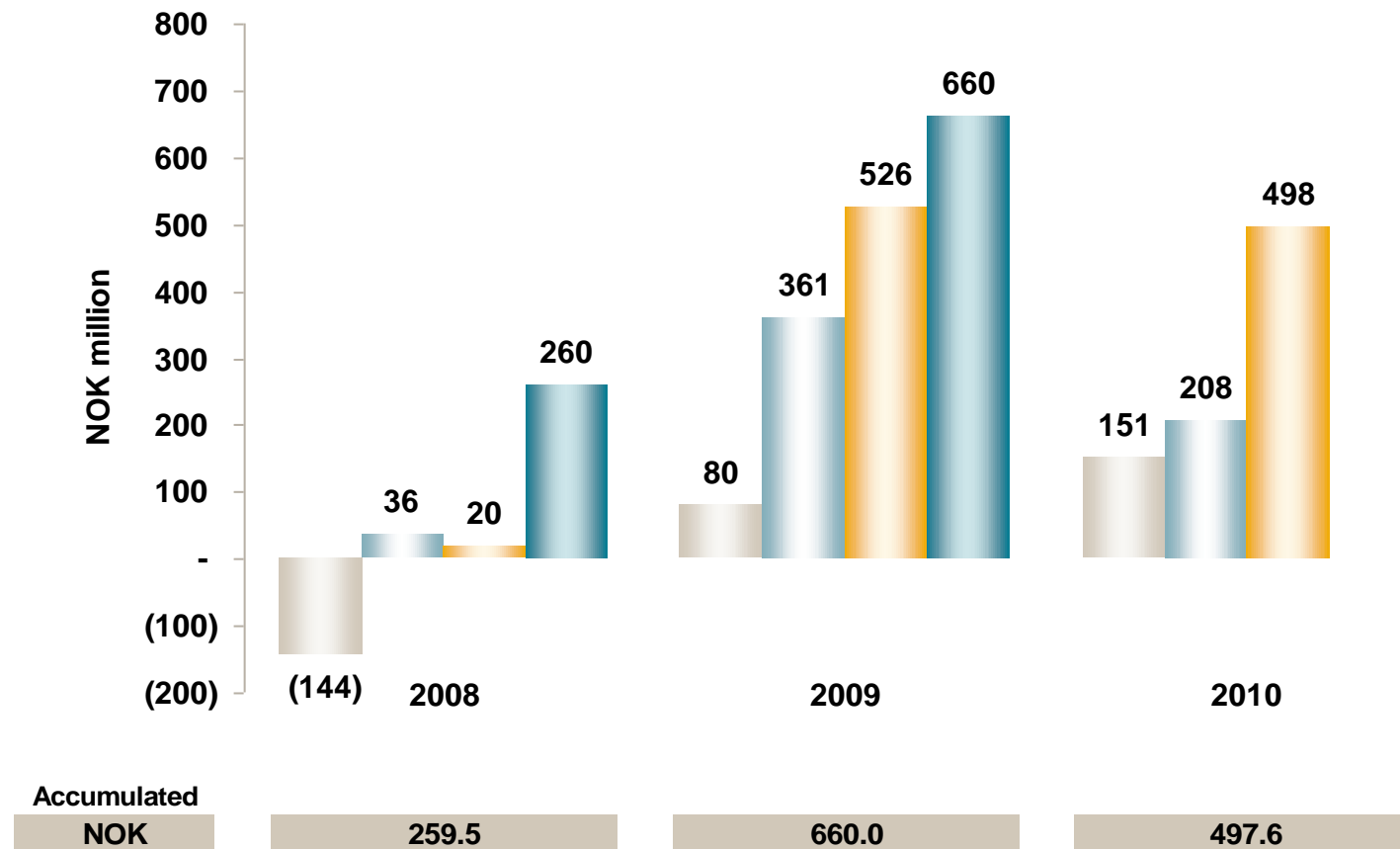
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Total:	NOK 2 380 million
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- + **Semi-annual repayment of NOK 70 million of facility A**
- + **Covenants are leverage ratio and interest cover ratio**
- + **Interest rate is set by the relevant interbank rate plus the lender's applicable margin and is determined by the leverage ratio**

*Cash flow statement:*

# Continued strong cash flow from operations





**Q3-2010 INTELLECTUAL PROPERTY**

*Litigation updates:*

## Ongoing litigations

### + Patents no. '077 & '667

- litigation process in the USA against Teva Pharmaceuticals, Apotex, Par Pharmaceutical advances according to schedule
- discovery phase closed end of October
- trial scheduled for 28 March 2011

### + New composition patent no. 7 732 488 listed in Orange Book on 2 July 2010

- entitled "A Pharmaceutical Composition Comprising Low Concentrations of Environmental Pollutants" ('448 patent)
- expiry date 2025
- paragraph IV letters received in the third quarter from Teva and Par
- Pronova BioPharma has filed lawsuit against two ANDA filers asserting infringement
- scheduling hearing held in October, trial expected January 2012

*Proprietary production processes:*

## Expanded IP portfolio with prolonged tenure

### + Two process patents granted in the US

- entitled “Process for Decreasing Environmental Pollutants in an Oil or a Fat”
- entitled “Process for Decreasing the Amount of Cholesterol in a Marine Oil Using a Volatile Working Fluid”
- expiry date 2023
- patents are expected to be included in the same trial as the ‘488 patent

### + Two process patents granted by European Patent Office (EPO)

- both stripping patents have been opposed in Europe
- on October 7, Pronova BioPharma successfully defended the cholesterol stripping patent in an oral proceeding at EPO



**Q3-2010 RESEARCH AND DEVELOPMENT**

# Programme highlights

- + Filed for label inclusion in Europe based on GISSI-HF study**
  - feedback from regulatory bodies expected H2 2011
  
- + R&D initiatives on several new candidates are progressing well**
  - preparing to advance into clinical Phase I during H1 2011 with lead candidate
  - lead candidate positioned towards cardiovascular disease area
  - encouraging pre-clinical results of lipid profiles such as TG, LDL and HDL
  
- + Alginate capsule technology**
  - optimisation of capsule formulation performed with encouraging results
  - subject to pre-clinical trials, Pronova expects to advance into clinical trial in Q3 2011



**Q3-2010 OUTLOOK**

# Outlook

- + Well positioned to further shape the omega-3 industry**
  - growth in end-user demand expected to continue in 2011
- + Total shipments 2010 expected to be 1 600 -1 650 tonnes**
- + Revenue per shipped tonne in Q4 2010 is expected to be around 1.00, depending on factors influencing the ratio (level of shipments, exchange rates etc.)**
- + Reduced demand from GSK in 2011 due to litigation uncertainties**
- + Expected cost reductions, yield improvements and increased R&D investments in 2011**
- + No generic entry into Europe, 15 months post patent expiry**
- + The continued interest in Omacor<sup>®</sup>/Lovaza<sup>™</sup> is expected to open up for new opportunities and future growth**



**Q3-2010** **ADDITIONAL INFORMATION**

# Elements impacting price to major partners

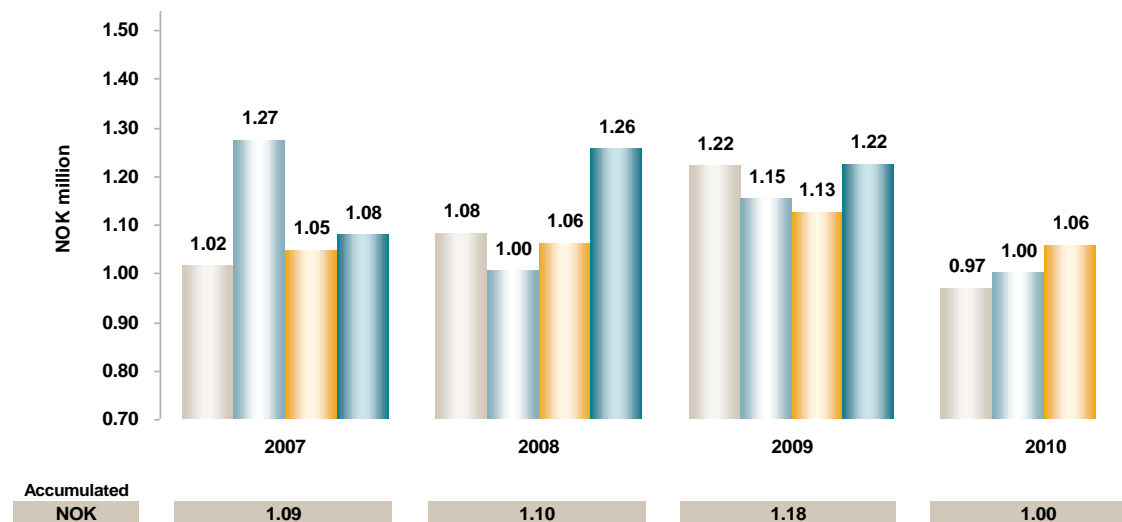
- + Contractual agreement to some major partners include adjustments for:
  - CPI
  - crude fish-oil prices
- + Annual adjustments of next year prices
  - adjustments dependent on current year elements

	2009	2010	2011e <sup>1</sup>
Adjustments (CPI + fish oil)	+	-	+

# Revenues per shipped tonne

## + Revenues per shipped volumes impacted by:

- prices (implied royalty rates to partners)
- partners' inventory build-up / build-down versus royalty received on end-user sales
- geographical mix (different implied royalty rates to partners)
- level of sampling (sample price is lower than supply price)
- level of by-product sales
- foreign exchange fluctuations

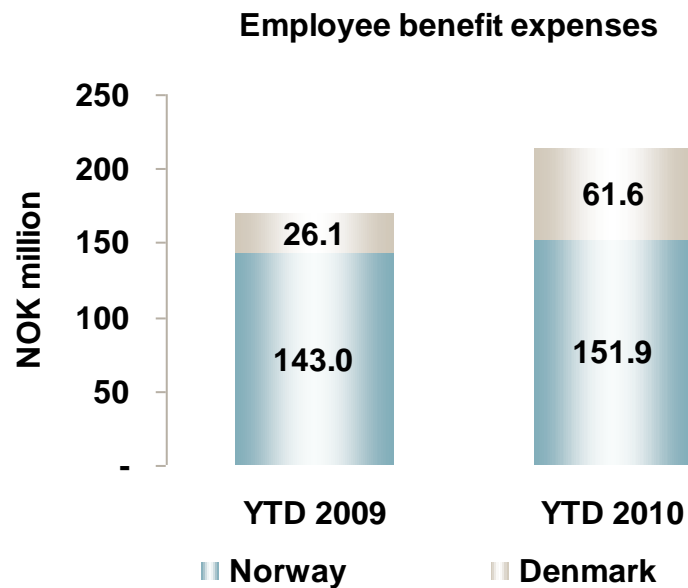


# Condensed consolidated income statement (unaudited)

(All amounts in NOK 1000)	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Total revenues	356 568	437 916	1 255 560	1 251 722	1 789 816
Change in inventories	41 863	10 945	84 918	38 777	66 406
Cost of materials	(114 698)	(123 073)	(364 996)	(368 721)	(523 714)
Employee benefits expense	(69 277)	(60 649)	(213 475)	(169 098)	(255 968)
Depreciation of property, plant and equipment and write downs	(64 028)	(49 536)	(192 282)	(91 693)	(159 010)
Amortisation of intangible assets	(21 539)	(22 471)	(64 617)	(67 374)	(89 890)
Other operating expenses	(79 232)	(57 685)	(264 285)	(160 059)	(253 153)
Total operating expenses	(306 911)	(302 470)	(1 014 737)	(818 169)	(1 215 329)
Operating profit	49 658	135 446	240 823	433 554	574 487
Net financial items	(20 618)	(107 913)	(87 940)	(222 353)	(252 847)
Profit before tax	29 040	27 533	152 883	211 201	321 640
Income tax expense	(7 818)	(12 250)	(47 264)	(66 501)	(90 543)
Net profit for the period	21 222	15 284	105 619	144 700	231 098
Earnings per share (in NOK) - basic and diluted	0.07	0.05	0.35	0.48	0.77
EBITDA	135 225	207 454	497 722	592 621	823 387
EBITDA margin	37.9 %	47.4 %	39.6 %	47.3 %	46.0 %

*Income statement:*

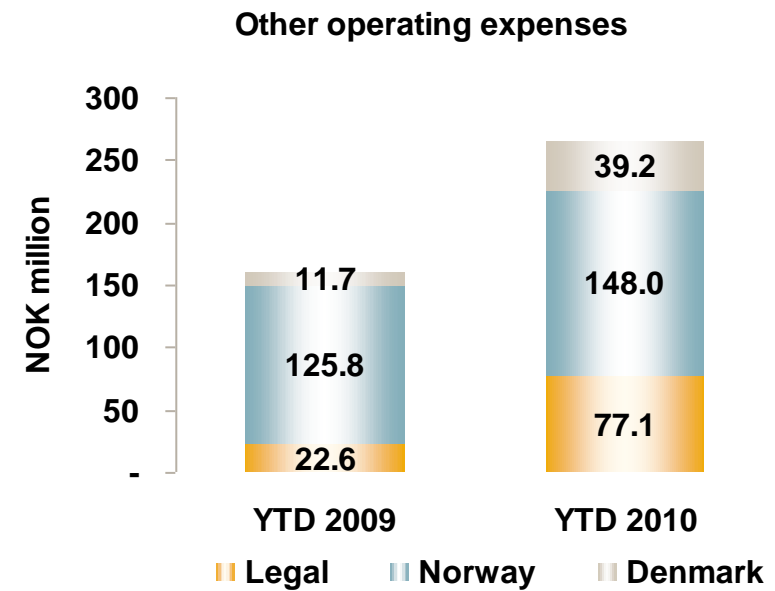
# Employee benefit and other operating expenses



NOK million

169.1

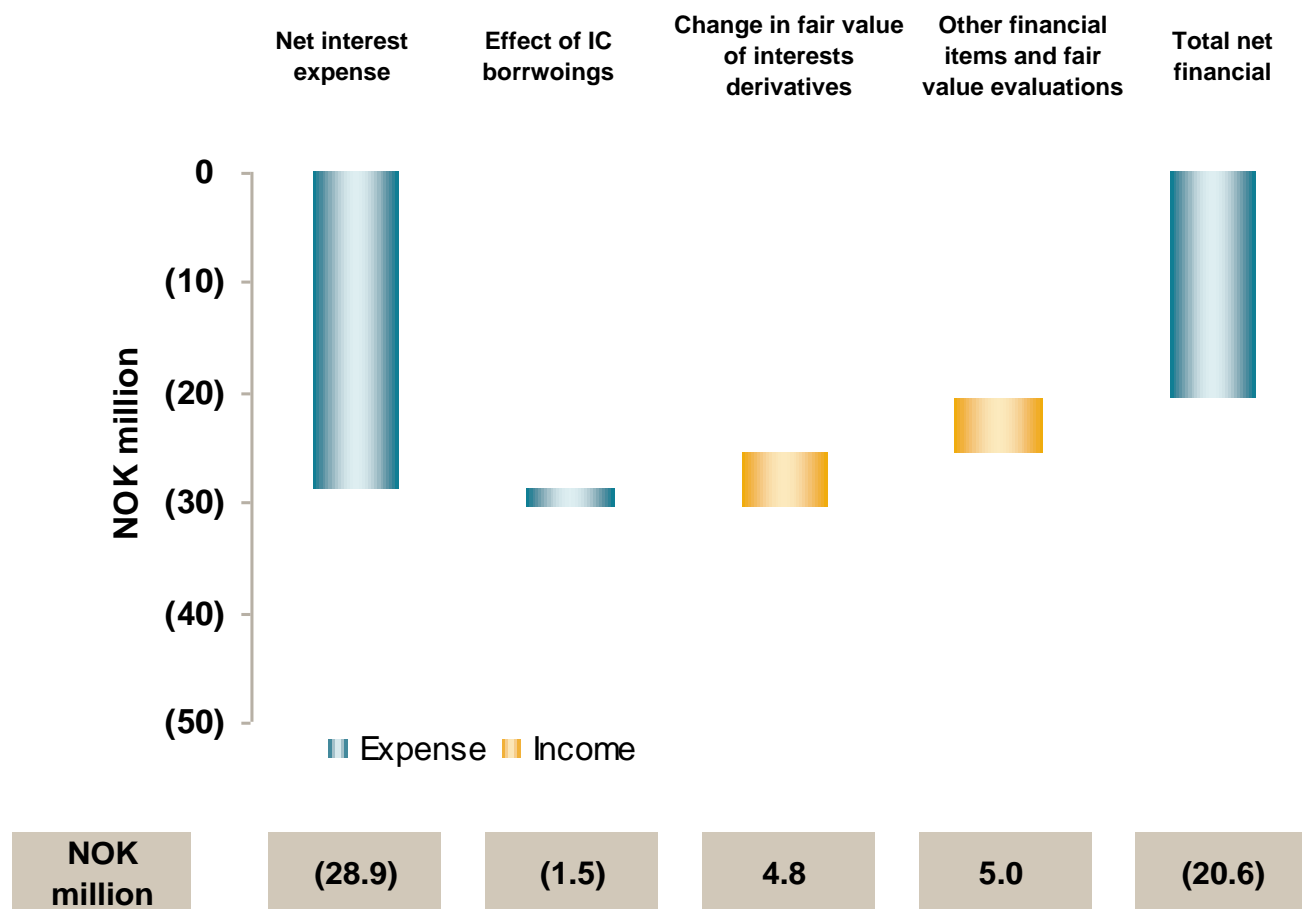
213.5



160.1

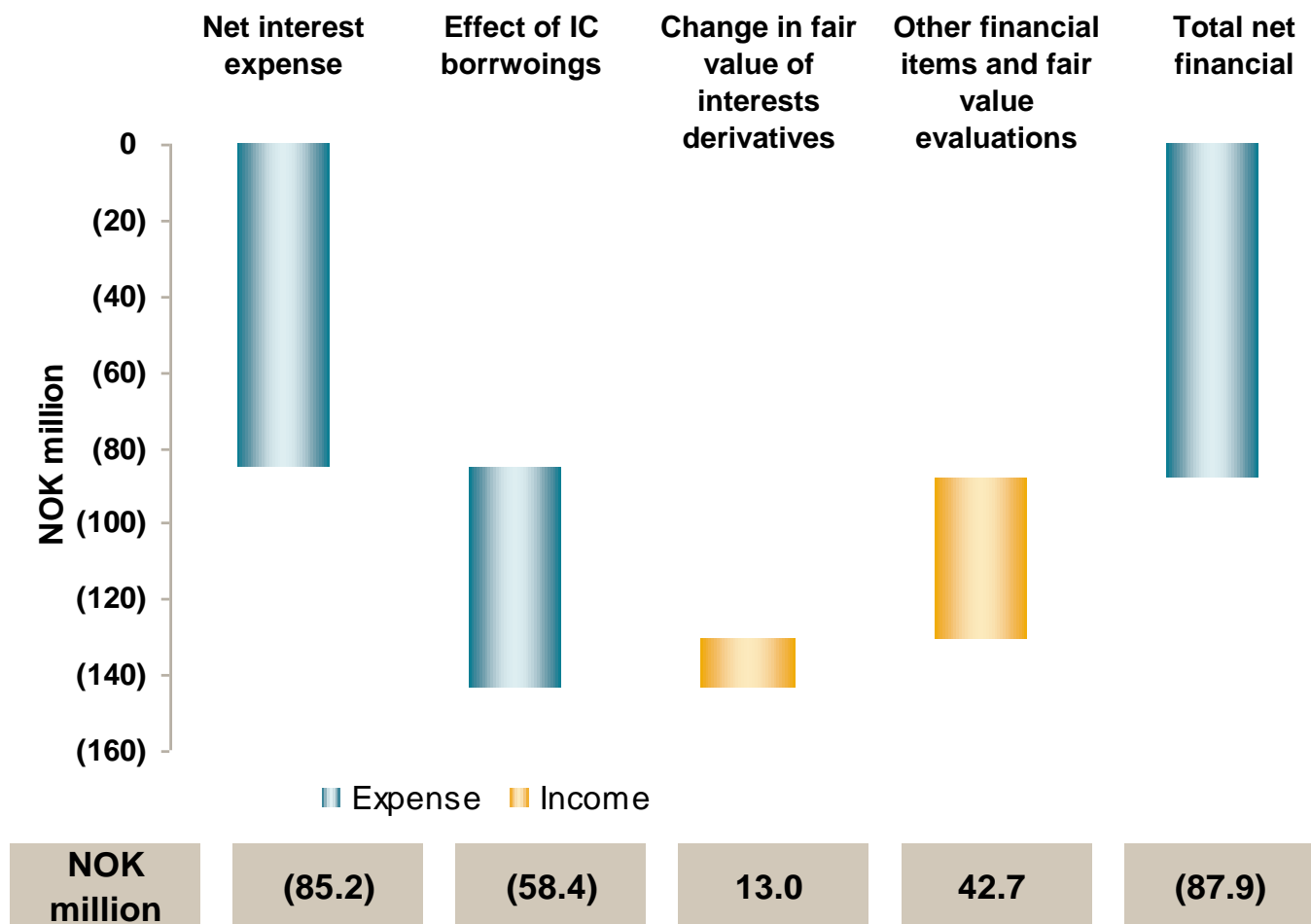
264.3

# Income statement: Net finance Q3



*Income statement:*

# Net finance YTD Q3 2010



## Consolidated statement of financial position:

# Total assets (unaudited)

(All amounts in NOK 1000)	30.09.2010	30.09.2009	31.12.2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2 508 353	2 813 345	2 769 075
Goodwill	633 453	633 453	633 453
Other intangible assets	656 069	731 503	714 634
Deferred tax assets	17 754	34 544	12 436
Other financial assets	102 573	37 337	39 062
<b>Total non-current assets</b>	<b>3 918 203</b>	<b>4 250 182</b>	<b>4 168 660</b>
<b>Current assets</b>			
Inventories	494 408	323 140	319 309
Trade and other receivables	213 858	230 585	354 417
Other financial assets	3 804	24 213	13 496
Cash and cash equivalents	302 557	170 631	119 938
<b>Total current assets</b>	<b>1 014 626</b>	<b>748 569</b>	<b>807 160</b>
<b>Total assets</b>	<b>4 932 830</b>	<b>4 998 751</b>	<b>4 975 821</b>

## Consolidated statement of financial position:

# Total equity and liabilities (unaudited)

(All amounts in NOK 1000)	30.09.2010	30.09.2009	31.12.2009
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	6 017	6 017	6 017
Share premium reserve	579 665	579 665	579 665
Retained earnings	921 823	729 806	816 205
Reserves	3 459	53 993	40 510
<b>Total equity</b>	<b>1 510 964</b>	<b>1 369 481</b>	<b>1 442 397</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	183 340	234 814	206 042
Borrowings	2 004 777	2 419 344	2 320 473
Deferred revenues	336 323	206 656	201 435
Retirement benefit obligation	23 110	22 280	23 163
Other financial liabilities	4 403	15 453	8 847
<b>Total non-current liabilities</b>	<b>2 551 952</b>	<b>2 898 547</b>	<b>2 759 961</b>
<b>Current liabilities</b>			
Trade and other payables	165 810	147 517	182 141
Borrowings	239 538	205 227	205 486
Other financial liabilities	73 383	51 692	22 145
Current tax liabilities	123 969	183 371	171 563
Deferred revenues	78 670	17 646	23 866
Other liabilities	154 748	103 190	126 052
Provisions	33 796	22 079	42 209
<b>Total current liabilities</b>	<b>869 913</b>	<b>730 723</b>	<b>773 463</b>
<b>Total liabilities</b>	<b>3 421 865</b>	<b>3 629 270</b>	<b>3 533 423</b>
<b>Total equity and liabilities</b>	<b>4 932 830</b>	<b>4 998 751</b>	<b>4 975 821</b>

# Consolidated statement of comprehensive income (unaudited)

(All amounts in NOK 1000)	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Net profit for the period	21 222	15 284	105 619	144 700	231 098
<b>Other comprehensive income</b>					
Exchange differences arising on translation of foreign operations	(694)	(25 722)	(37 490)	(75 489)	(82 855)
Cash flow hedges	138 932	158 515	609	419 314	410 820
Income tax relating to cash flow hedges	(38 901)	(44 384)	(171)	(117 408)	(115 030)
Other comprehensive income for the period (net of tax)	99 337	88 409	(37 051)	226 417	212 935
Total comprehensive income for the period	120 560	103 693	68 567	371 117	444 033

## Consolidated statement of changes in equity (unaudited)

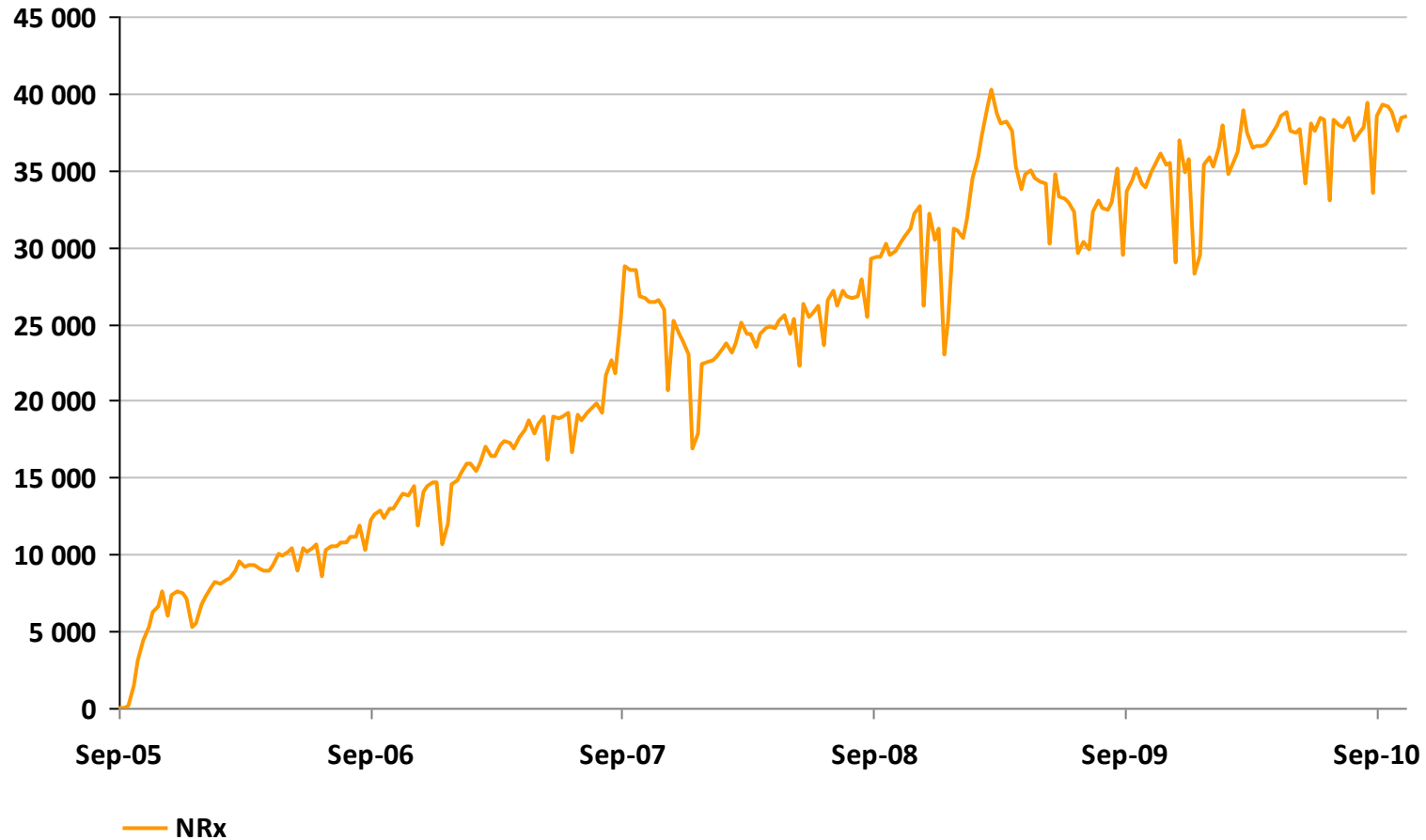
(All amounts in NOK 1000)	Share capital	Share premium	Retained earnings	Reserves	Total equity
Balance at 1 January 2010	6 017	579 665	816 205	40 510	<b>1 442 397</b>
Total comprehensive income 1.1 - 30.9	-	-	105 619	(37 051)	<b>68 567</b>
Balance at 30 September 2010	6 017	579 665	921 824	3 459	<b>1 510 964</b>
Balance at 1 January 2009	6 017	579 665	585 107	(172 425)	<b>998 364</b>
Total comprehensive income 1.1 - 30.9	-	-	144 700	226 417	<b>371 117</b>
Balance at 30 September 2009	6 017	579 665	729 807	53 992	<b>1 369 481</b>

# Consolidated cash flow statement (unaudited)

(All amounts in NOK 1000)	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
<b>Cash flow from operating activities</b>					
Profit before tax	29 040	27 534	<b>152 883</b>	211 201	321 640
Unrealised group internal currency loss(+)/gains(-)	1 516	110 024	<b>58 356</b>	186 267	214 272
Taxes paid in the period	(752)	(656)	<b>(124 596)</b>	(83 823)	(122 547)
Depreciation and amortisation and write downs	85 567	72 007	<b>256 899</b>	159 067	248 900
Loss on disposal of property plant and equipment	3	-	<b>4</b>	-	(3)
Expensed borrowing costs	2 120	392	<b>2 399</b>	1 177	1 569
Pension costs, without cash effect	902	570	<b>606</b>	(834)	49
Currency effects	930	8 505	<b>(4 291)</b>	31 523	31 222
Changes in inventories	2 442	43 465	<b>(175 099)</b>	71 485	75 315
Changes in trade receivables	19 404	507	<b>118 001</b>	142 044	34 322
Changes in trade payables	(21 620)	(57 482)	<b>15 541</b>	(118 235)	(58 120)
Changes in other current assets/liabilities	170 335	(40 030)	<b>196 898</b>	(73 748)	(86 623)
<b>Net cash from operating activities</b>	<b>289 888</b>	<b>164 836</b>	<b>497 602</b>	<b>526 124</b>	<b>659 995</b>
<b>Cash flow from investing activities</b>					
Payments for property, plant and equipment	(13 495)	(177 359)	<b>(61 011)</b>	(773 189)	(855 654)
<b>Net cash from investing activities</b>	<b>(13 495)</b>	<b>(177 359)</b>	<b>(61 011)</b>	<b>(773 189)</b>	<b>(855 654)</b>
<b>Cash flow from financing activities</b>					
Proceeds from new long-term borrowings	-	-	-	450 000	450 000
Repayment of long term debt	(150 985)	(1 292)	<b>(253 399)</b>	(104 033)	(205 620)
<b>Net cash from financing activities</b>	<b>(150 985)</b>	<b>(1 292)</b>	<b>(253 399)</b>	<b>345 967</b>	<b>244 380</b>
Effect of currency translation of bank deposits, cash and cash equivalents	120	(2 009)	<b>(573)</b>	(5 046)	(5 560)
Net change in bank deposits, cash and cash equivalents	125 528	(15 824)	<b>182 618</b>	93 855	43 162
Bank deposits, cash and cash equivalents at beginning of period	177 029	186 456	<b>119 938</b>	76 776	76 776
Bank deposits, cash and cash equivalents at end of period	302 557	170 631	<b>302 557</b>	170 631	119 938

**Lovaza™:**

**9.6 per cent growth in new prescriptions (YTD 2010 / YTD 2009)**



12 November 2010

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Source: IMS

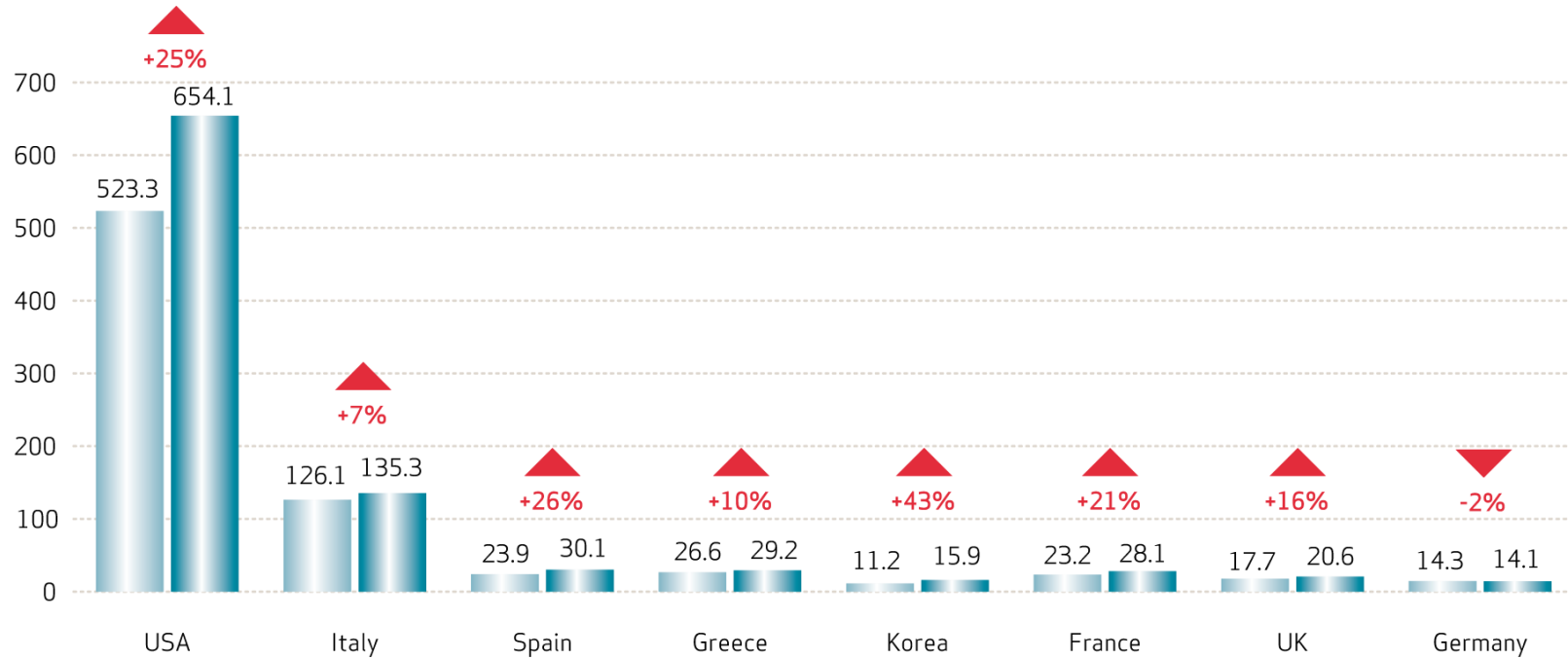
Omacor® / Lovaza™:

# End-user sales by major markets, USD

## End-user sales by major markets at 30 September\*

Amounts in USD million

+ YTD 2009 + YTD 2010



\* Source: IMS Health

## Omacor® / Lovaza™ end-user sales: 8 major markets (USD)

