

PRONOVA BIOPHARMA Q3 2011 RESULTS

CEO MORTEN JURS AND CFO SYNNE H. RØINE
11 NOVEMBER 2011



Disclaimer:

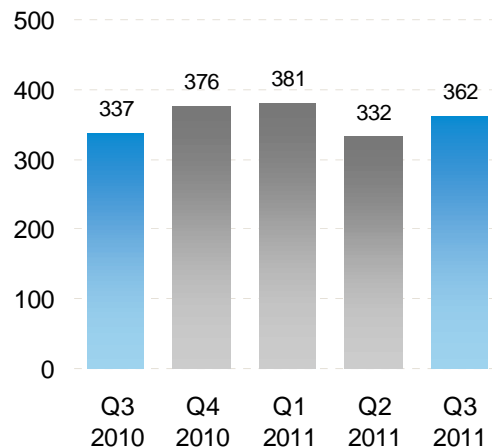
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HIGHLIGHTS Q3

- Strong cash flow and continued operational improvement
- Strategic move into consumer healthcare business
- Progress in pharmaceutical pipeline
- Expansion into new geographical markets

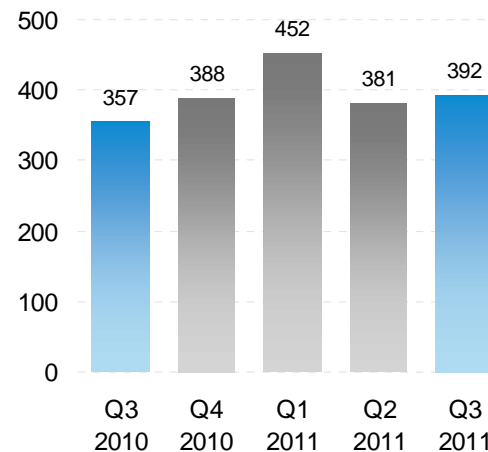
SHIPMENTS

Tonnes



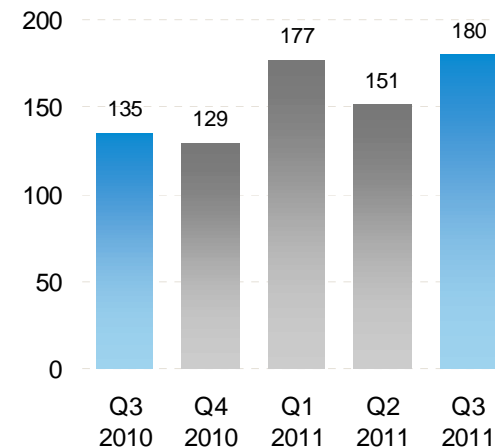
REVENUES

NOK million



EBITDA

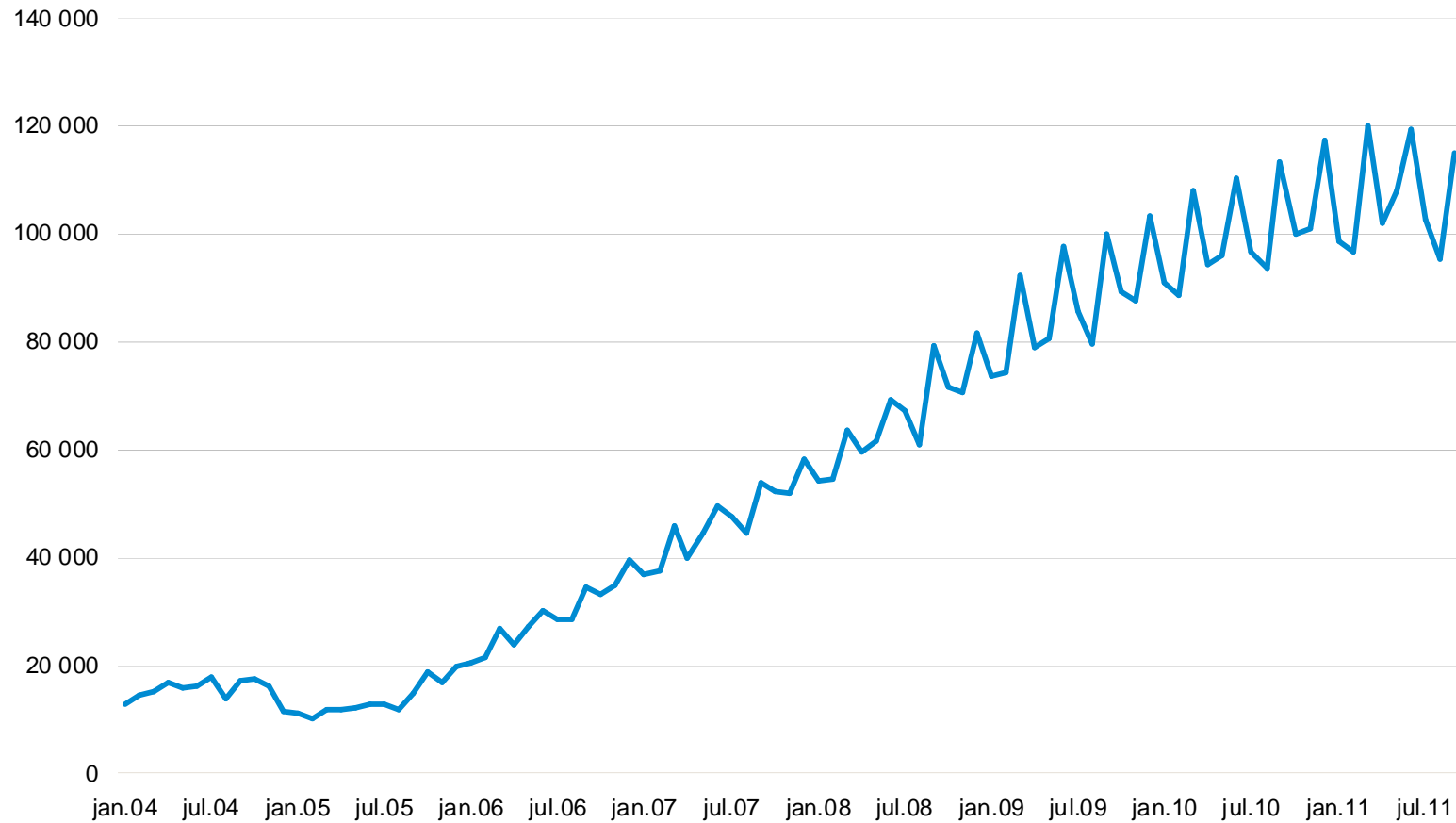
NOK million



END USER SALES IN 8 MAJOR MARKETS: 7 PERCENT GROWTH YTD

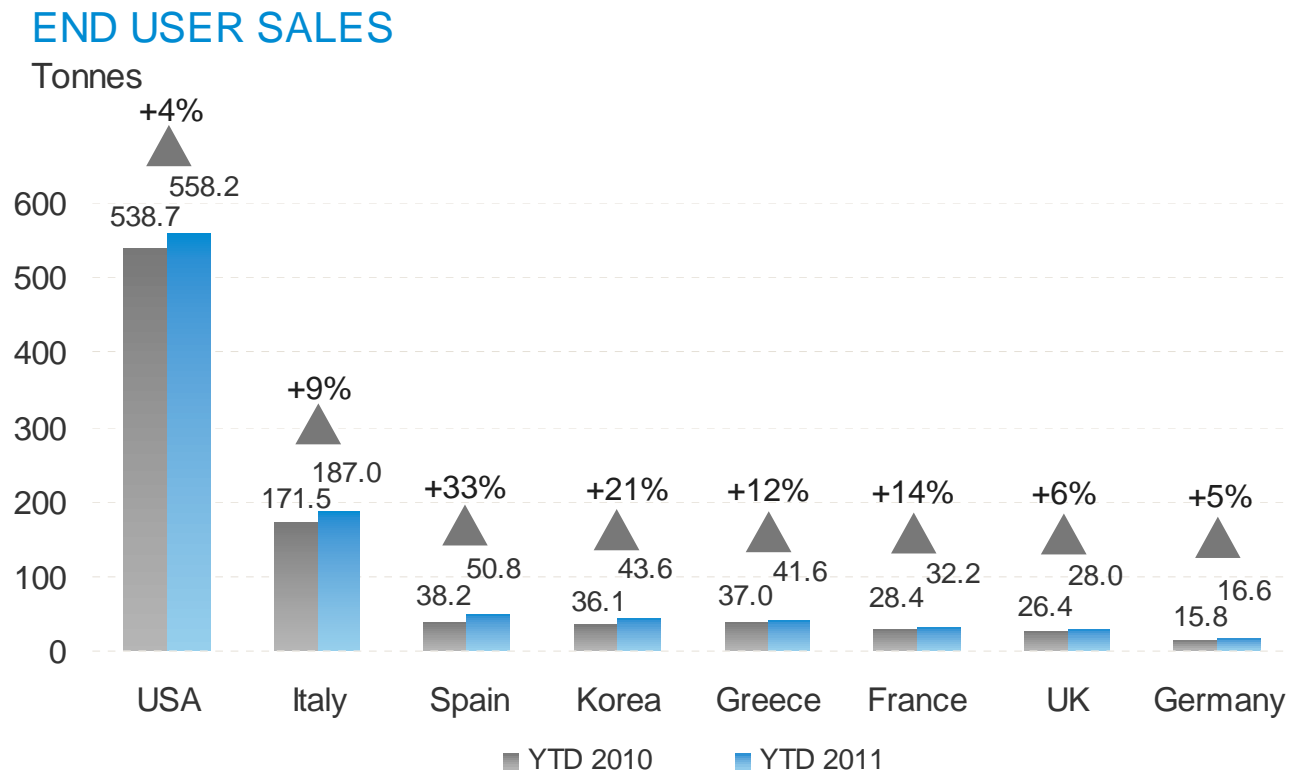
CAPSULES

1000s



Source: IMS

END USER SALES IN 8 MAJOR MARKETS: CONTINUED GROWTH



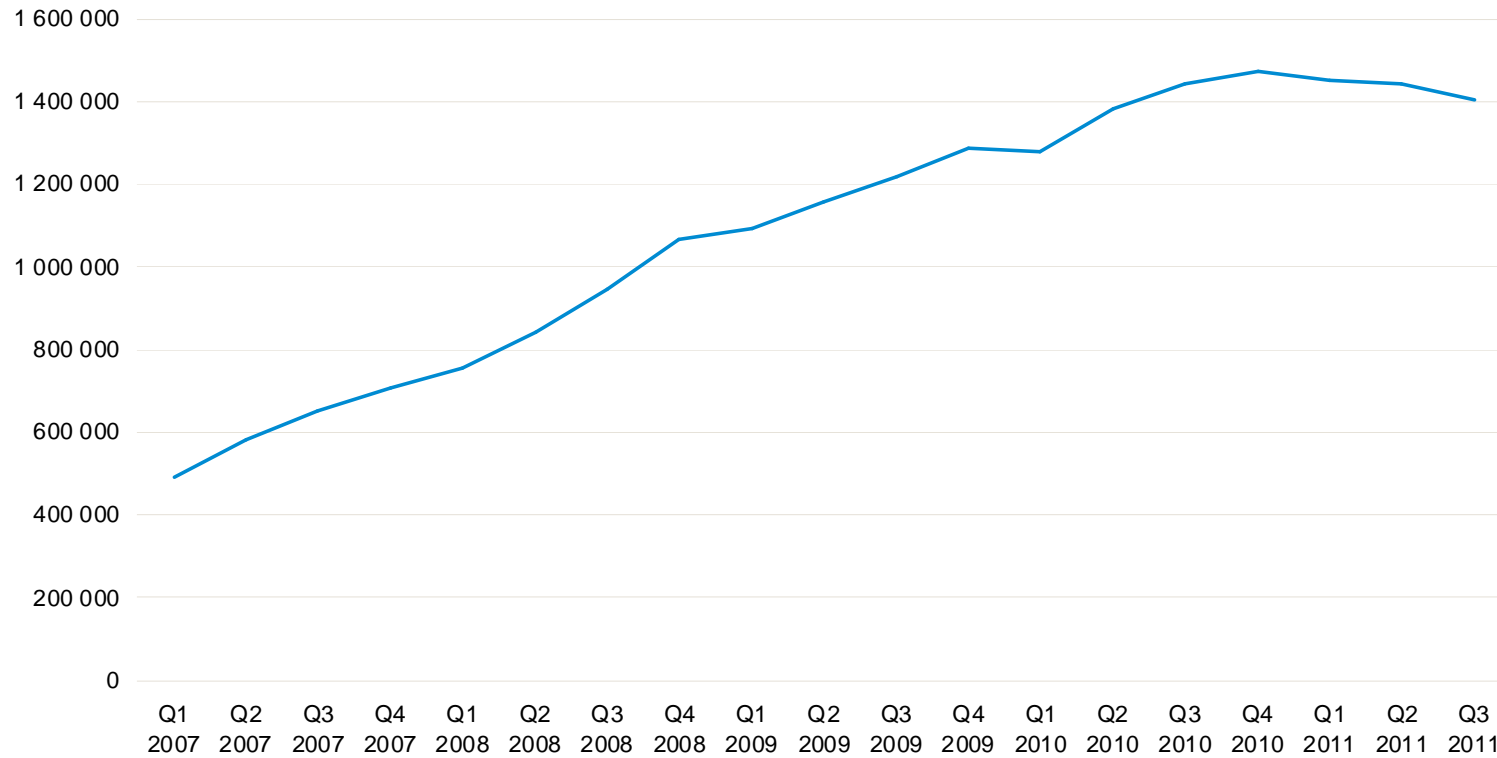
Source: IMS

LOVAZA™:

ECONOMIC PRESSURES IN THE USA

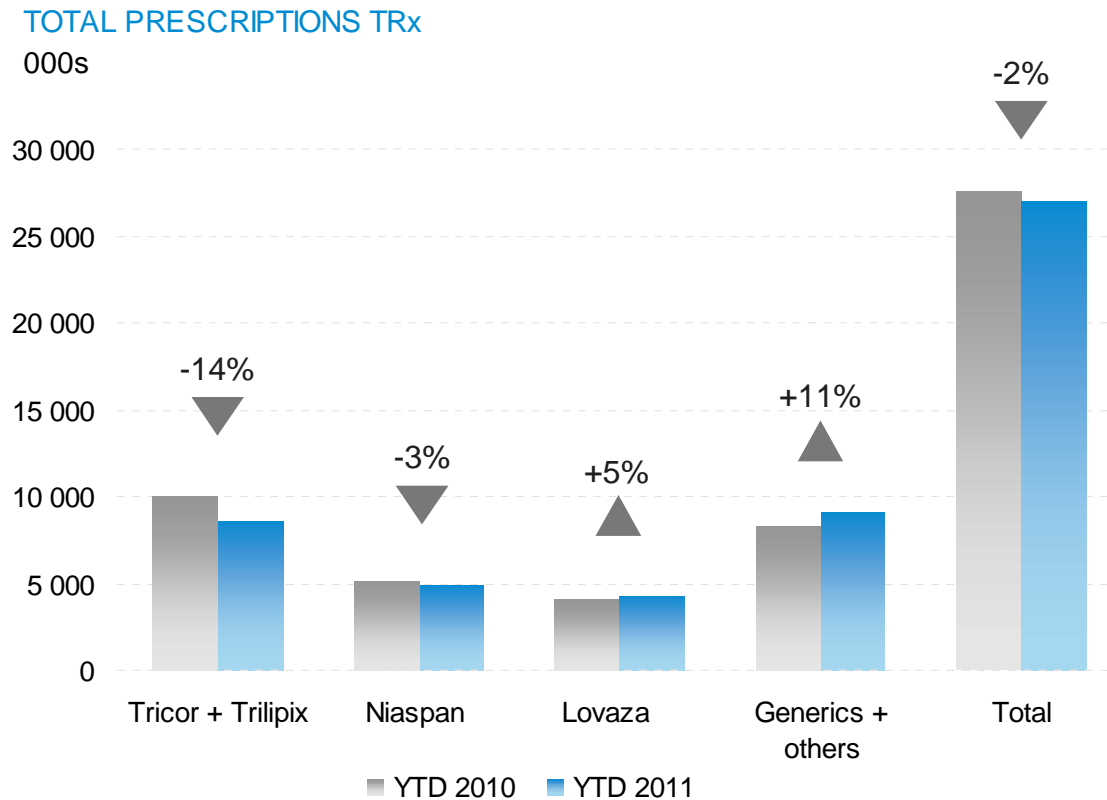
TOTAL PRESCRIPTIONS

TRx



Source: IMS

LOVAZA™: ONLY BRAND PRODUCT WITH MARKET SHARE GAIN

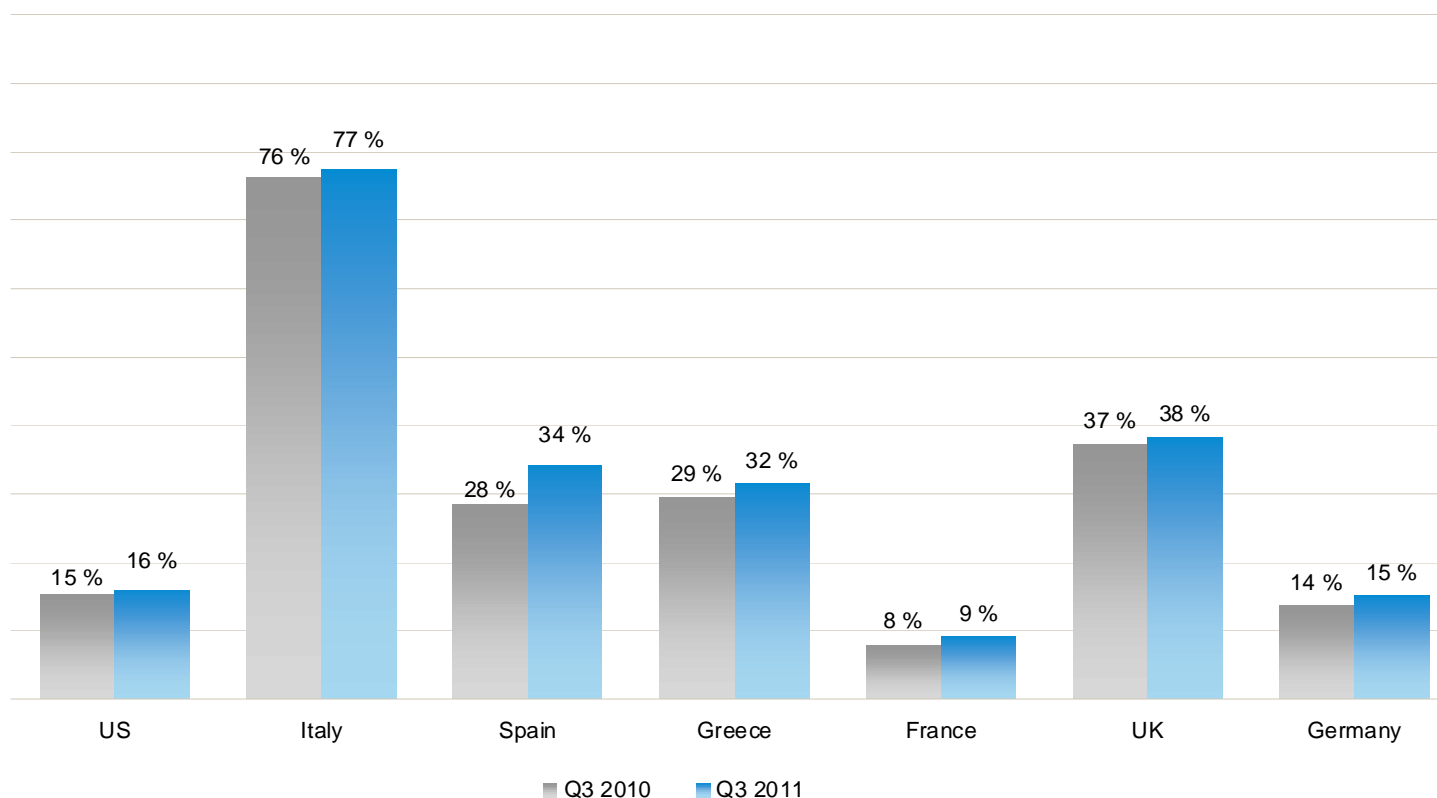


Source: IMS

NON-STATIN DYSLIPIDEMIC MARKET: INCREASED SHARE IN ALL MARKETS

MARKET SHARE IN NON-STATIN DYSLIPIDEMIC MARKET

Percent of capsules sold



Source: IMS

GEOGRAPHICAL EXPANSION

- New drug application submitted in Japan in September
 - Japanese partner Takeda submitted NDA for TAK-085 to regulatory authorities
 - Targeting approval and launch in 2012/2013
- Expansion into emerging markets
 - Regulatory approval in Brazil in September 2011
 - Omacor launched in Venezuela in September 2011
 - Approval of post-MI indication in Philippines on top of existing HTG indication

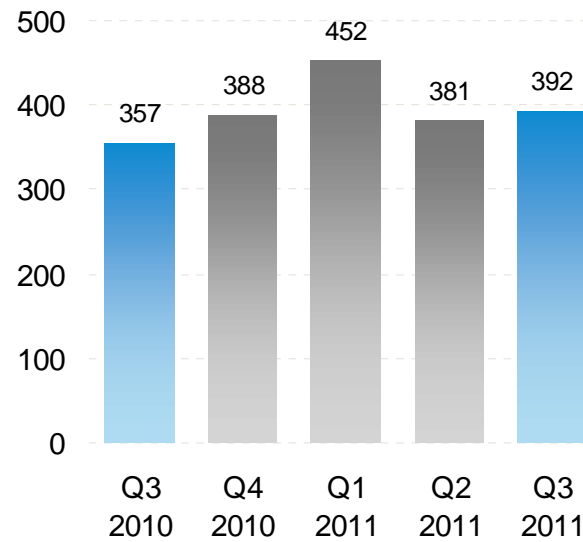
02

FINANCIAL REVIEW
Q3 2011

REVENUES AND SHIPMENTS

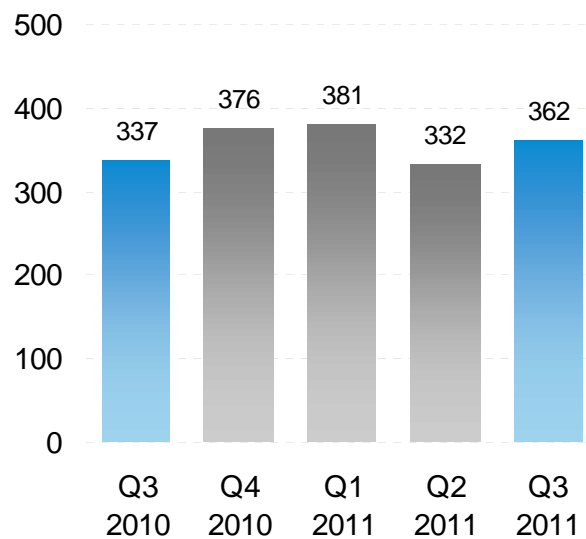
REVENUES

NOK million



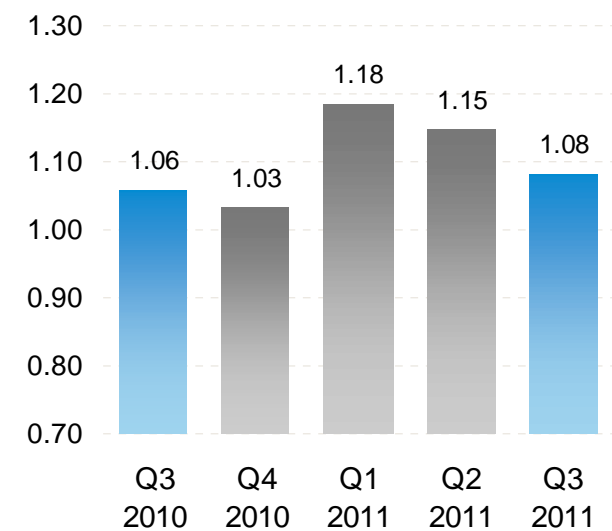
SHIPMENTS

Tonnes



REVENUE/SHIPMENT

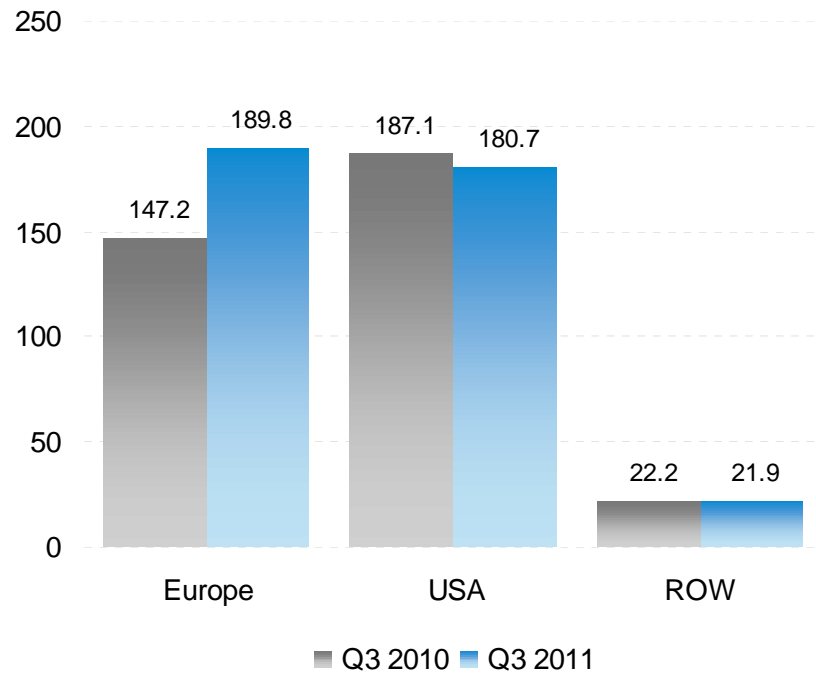
Ratio



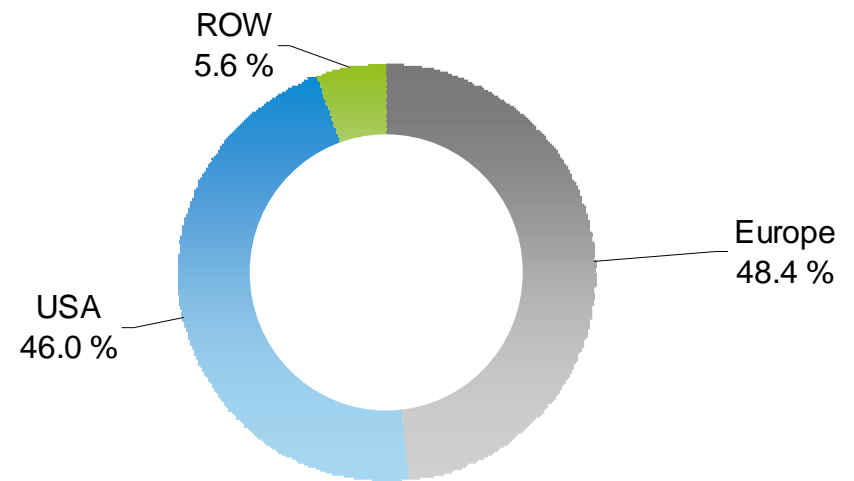
REVENUES BY GEOGRAPHY

REVENUE BY MARKET

NOK million



REVENUES SPLIT BY MARKET Q3 2011

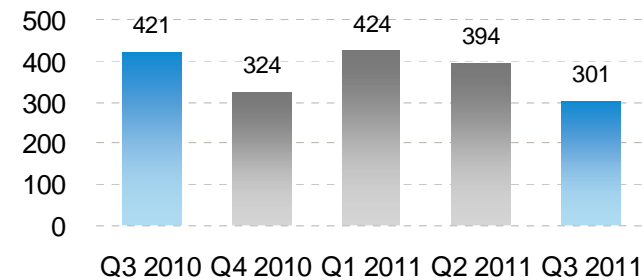


OPERATIONAL PERFORMANCE

- Production 301 tonnes
- Shipments 362 tonnes
- Gross margin 78 percent
 - Yield improvement
 - Higher revenues per shipped tonne

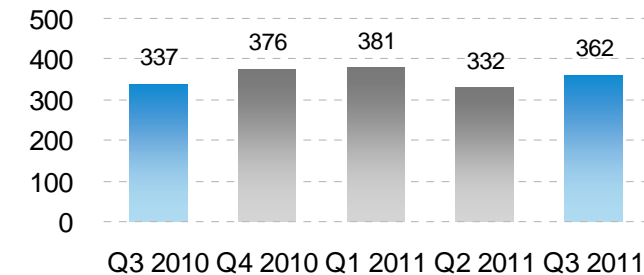
PRODUCTION BY QUARTER

Tonnes



SHIPMENTS BY QUARTER

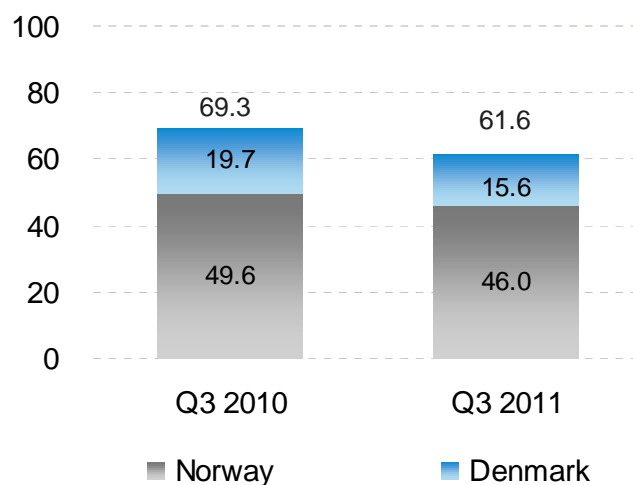
Tonnes



WIND DOWN OF LEGAL COSTS

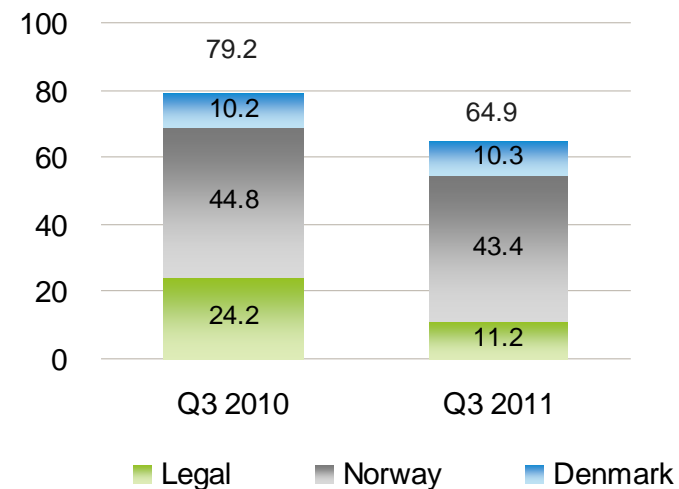
EMPLOYEE BENEFIT EXPENSES

NOK million



OTHER OPERATING EXPENSES

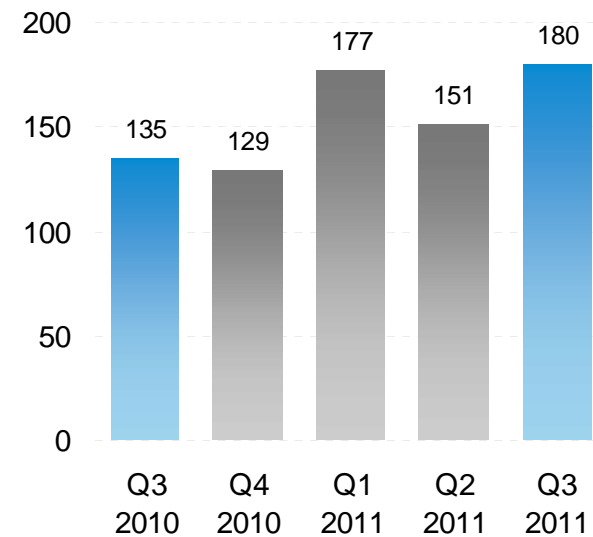
NOK million



Q3 EBITDA NOK 180 MILLION

- Revenues up 10 percent
- EBITDA up 30 percent
- Significant cost reductions:
 - Yield improvements
 - Lower production related costs
 - Reduced legal costs

EBITDA
NOK million

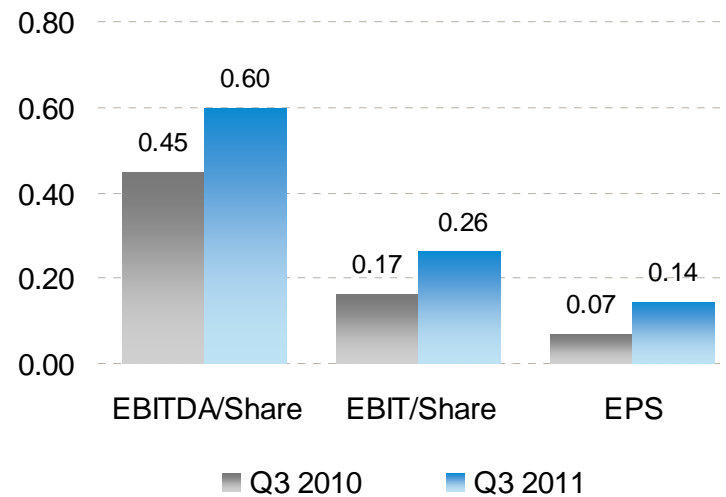


PROFIT PER SHARE

- EBITDA per share in the quarter was NOK 0.6
- Change in amortisation profile negatively impacts EBIT
- Net interest payment Q3 NOK 23.4 million

PROFIT PER SHARE

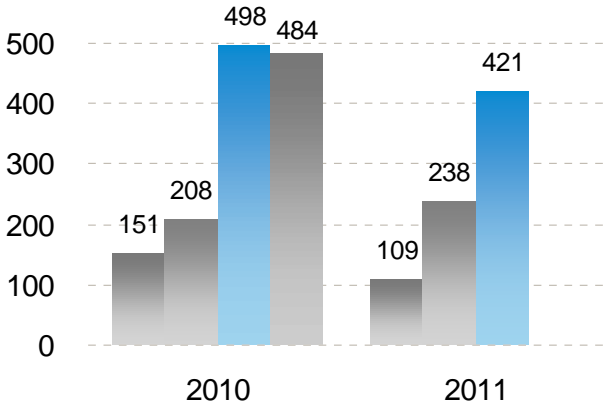
NOK



CONTINUED STRONG CASH FLOW

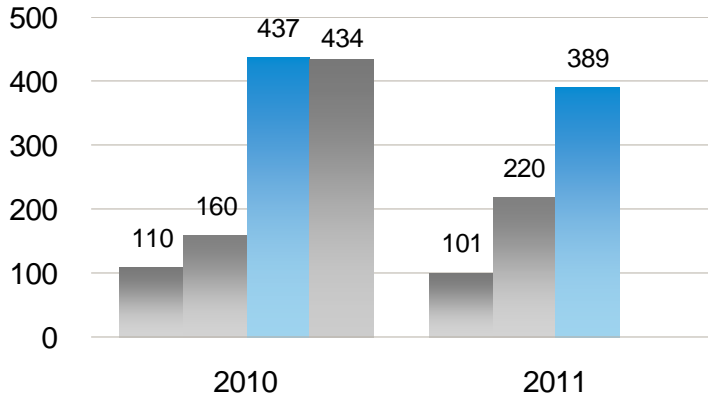
CASH FLOW FROM OPERATIONS

NOK million



FREE CASH FLOW

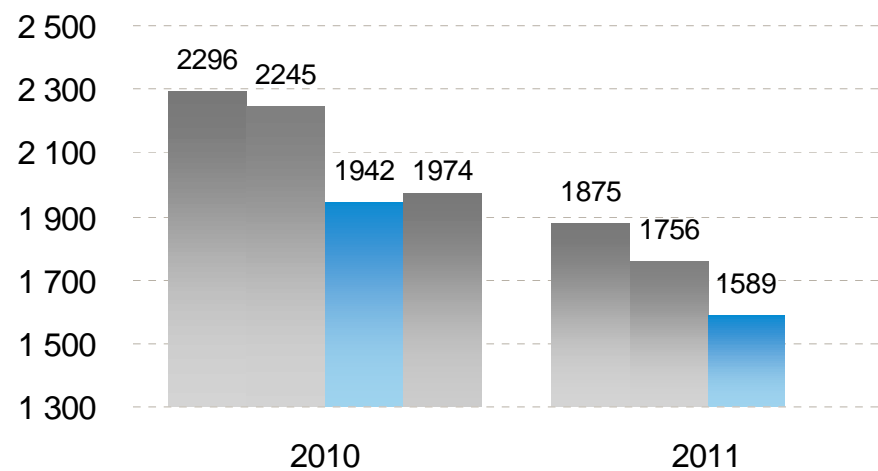
NOK million



CONTINUED STRENGTHENING OF FINANCIAL POSITION: 353 MNOK DEBT REDUCTION Y-O-Y

NET DEBT

NOK million



03

INTELLECTUAL
PROPERTY UPDATE

US LITIGATION UPDATE

- Ruling in the US litigation against Teva and Par expected in Q4 2011 – Q2 2012
- Pronova BioPharma has chosen, at this time, not to assert patents against Endo and Sandoz and await the ruling in the US litigation
- Substantially lower legal costs anticipated in 2012
 - Reduction started in Q3 2011

04

RESEARCH &
DEVELOPMENT

LEAD COMPOUND ENTERS PHASE I

- PRC-4016 for treatment of combined dyslipidemia
- Lowers both TG and LDL-c and increase HDL-c in preclinical trials
- First subject dosed in September 2011



First results anticipated in Q1 2012

05

NEW OMEGA-3
CONSUMER
HEALTHCARE
BUSINESS



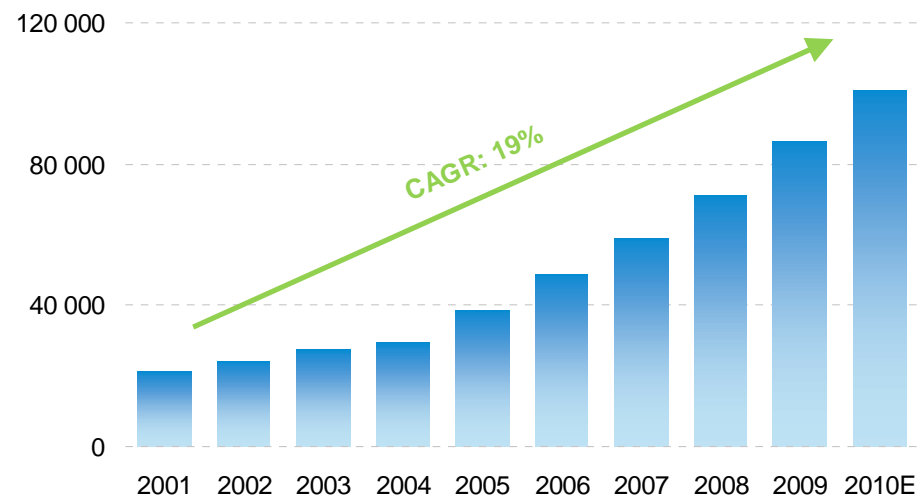
VISION OF NEW CONSUMER HEALTHCARE BUSINESS

IMPROVE HEALTH AND VITALITY THROUGH CLINICALLY PROVEN CONSUMER HEALTH OMEGA-3 SOLUTIONS

LARGE AND GROWING OMEGA-3 MARKET

- Pronova has pioneered the rapidly growing omega-3 market
- The strong body of clinical data that has driven the success of Omacor®/ Lovaza™ has significantly increased awareness of the overall benefits of high grade omega-3

GLOBAL COMSUMPTION OF EPA AND DHA-RICH OILS
Metric tonnes

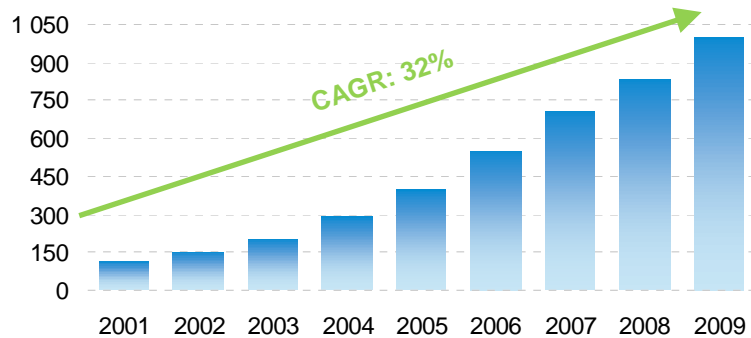


Source: GOED

RAPID GROWTH OF OMEGA-3 SUPPLEMENTS

US EPA/DHA DIETARY SUPPLEMENT SALES

USD million



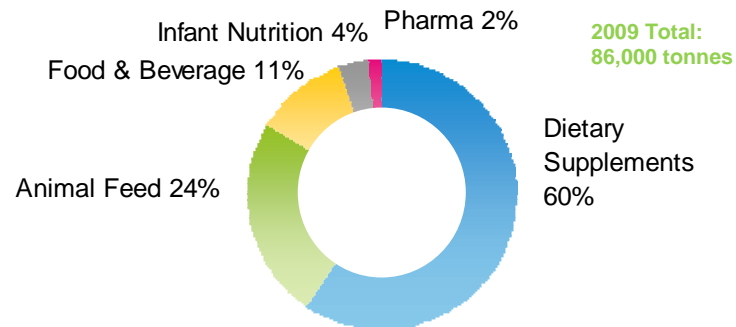
Source: GOED, Nutrition Business Journal

Growth drivers

- Increasing usage
- Demography and lifestyle
- Greater awareness of benefits
- Increased promotional activity

GLOBAL EPA & DHA OIL END USES

Volume in Metric tonnes, 2009



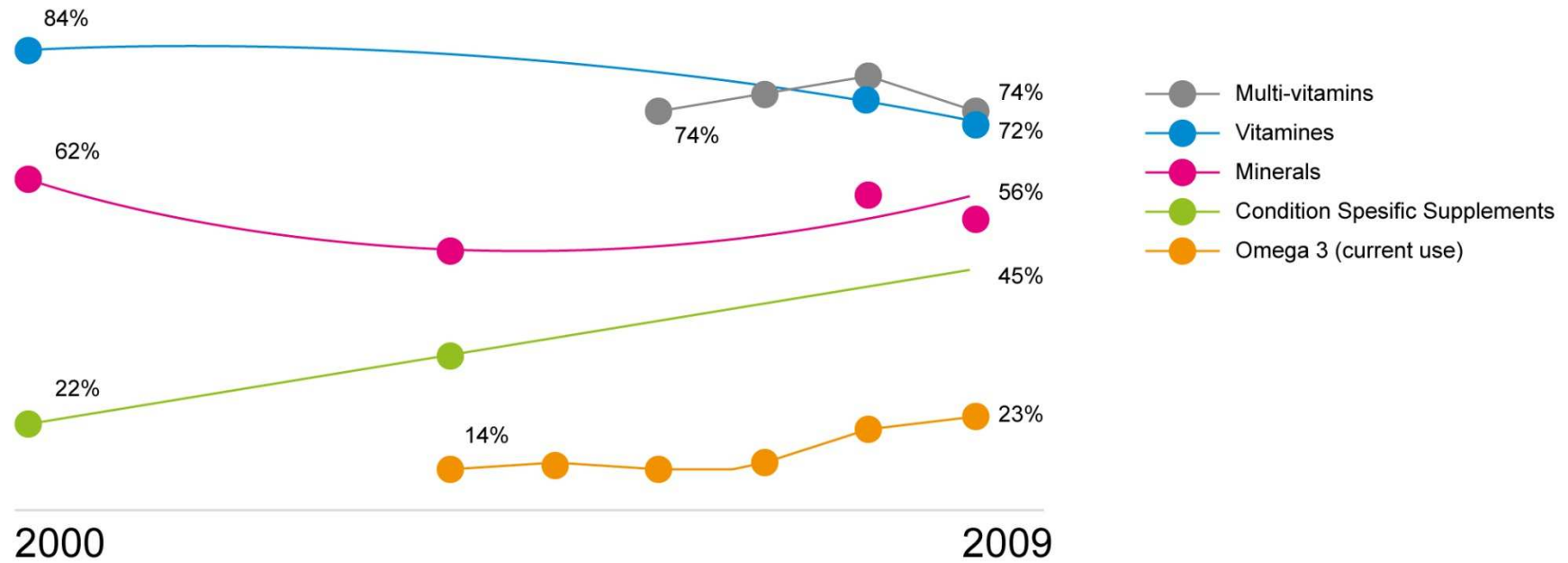
Pronova's focus

- Pronova to target the dietary supplement market
- Large and high growth market
- Scope to leverage industry leading position in pharma

UNDERPENETRATED MARKET

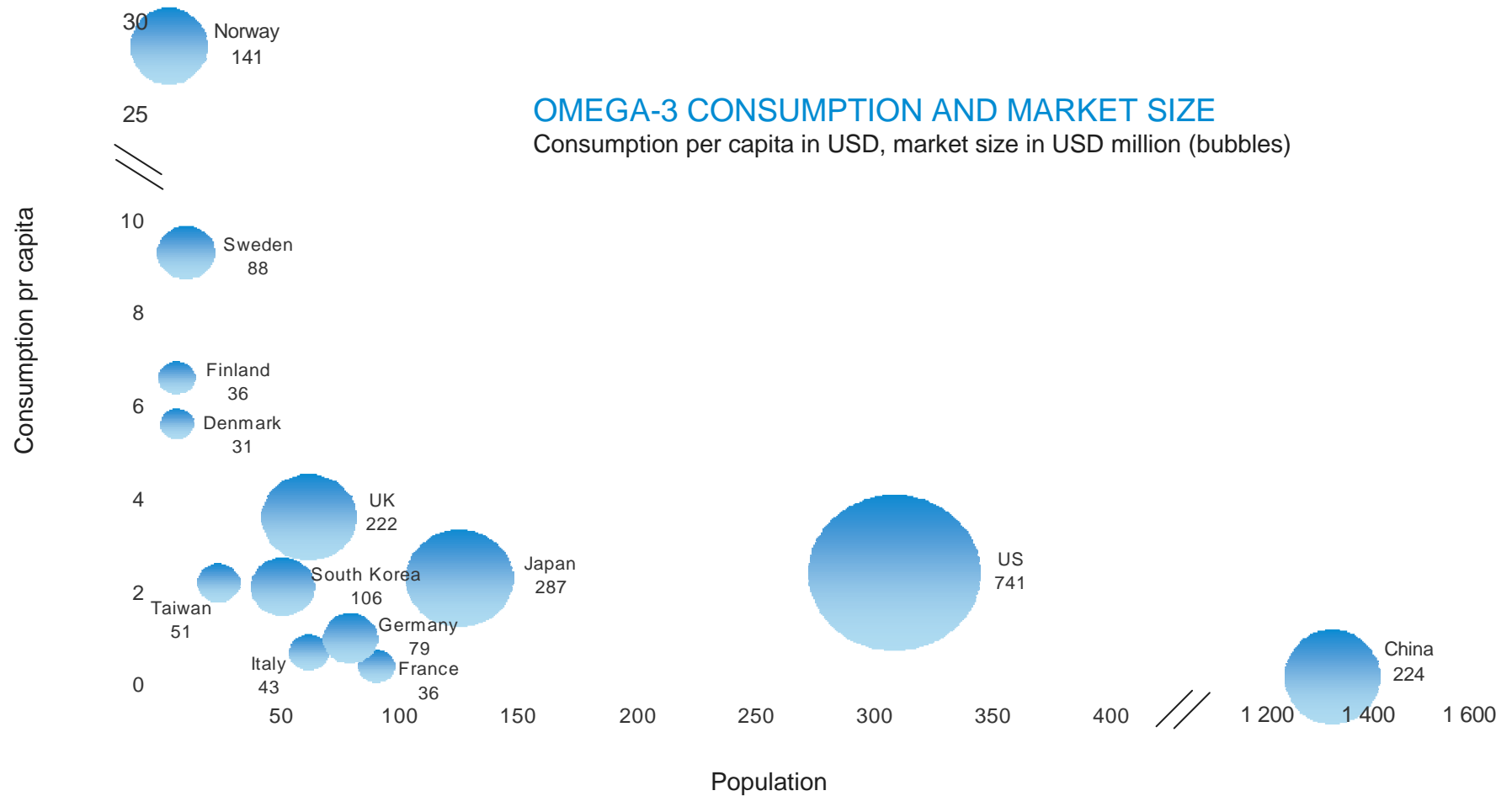
CONSUMERS REPORTING USAGE OF OMEGA-3 SUPPLEMENTS

Percent



Source: NMI report

SIGNIFICANT GROWTH POTENTIAL

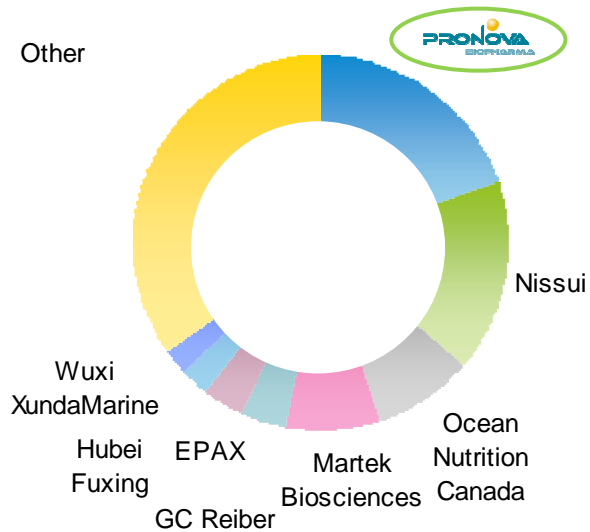


Source: Euromonitor, EIU

MARKET OPPORTUNITY PRONOVA IN A UNIQUE POSITION

OMEGA-3 INGREDIENTS MARKET

By Company, 2009



Source: Frost & Sullivan

- The top omega-3 product on the market
 - Clean and pure omega-3 with clinical benefits and quality assurance
 - Solid endorsement by healthcare professionals
 - Successful partnership model
- World-leading facilities and supply chain for production of high concentrate omega-3
 - 500 MUSD invested in recent years to establish leadership
 - Two world scale state-of-the-art manufacturing facilities with 2 400 tons of 90 percent omega-3 capacity
 - Programs to step-up productivity
- Unique scientific base in lipids, regulatory know-how and ability to clinically substantiate health benefits

CONSUMER HEALTH OPPORTUNITY FOR PRONOVA

LEVERAGE EXISTING PLATFORM

PRONOVA EXISTING EXPERTISE

- Focused producer of high grade omega-3
- Created the Rx market in omega-3
- Over 500 MUSD invested in manufacturing capacity
- Clinical programmes and R&D for Rx
- Experience in dealing with sophisticated partners

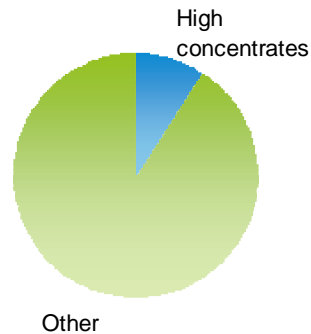
IMPACT ON CONSUMER HEALTH

- Manufacturing, technology, sourcing capabilities and support functions already in place
- Vision for product differentiation and developing an appropriate “go to market” strategy
- Sufficient existing manufacturing capacity to address consumer health roll-out and provide economies of scale
- Know-how to develop intellectual property and “design” products with health claims
- Ability to identify the right partners best suited to commercialize products

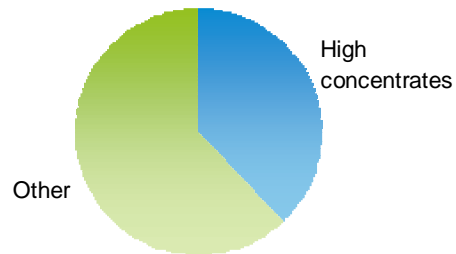
HIGH CONCENTRATE SUPPLEMENT MARKET RIGHT TIME TO ENTER

EPA and DHA OMEGA-3 INGREDIENTS MARKET
Revenue Market Share by Product Type/Source, 2009

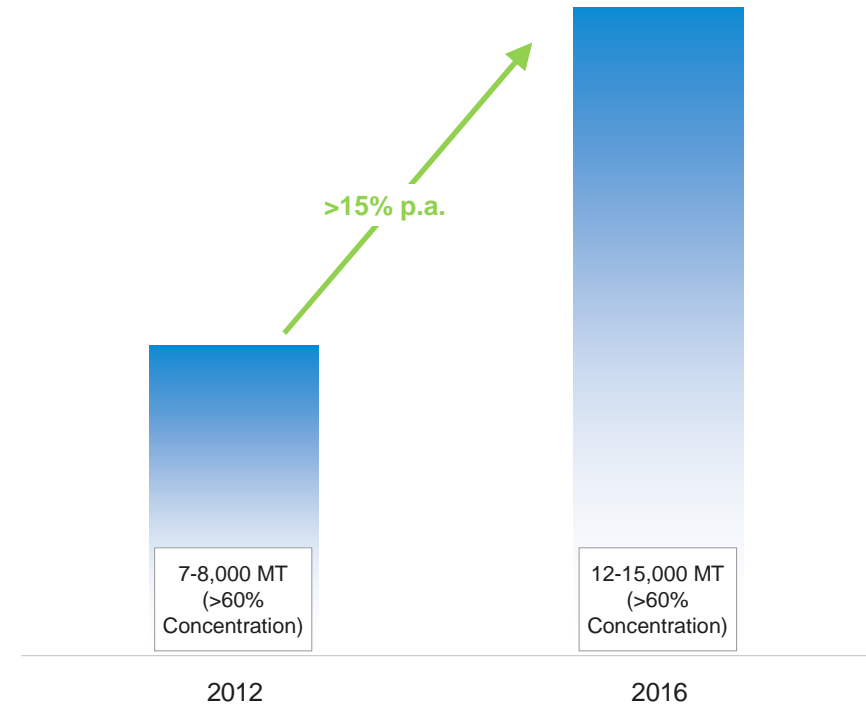
VOLUME MARKET SHARE



REVENUE MARKET SHARE



MARKET VOLUME FORECAST TO SIGNIFICANTLY EXPAND
Metric tonnes



Source: Frost & Sullivan

2012 MILESTONES

- Minor adjustments in manufacturing to facilitate consumer health production
 - Estimated 10 MUSD in capex
 - No implications for launch timing
- New commercial division focused on consumer health
- Product launch strategy
 - Product trial and design
 - Optimisation towards clinical claims and intellectual property
- Partnerships / alliances

CONSUMER HEALTHCARE

A VERY EXCITING OPPORTUNITY FOR PRONOVA

- Omega-3 supplements represent an attractive market opportunity
- Pronova is well placed to re-enter this market with minimal investments
- Commercialisation strategy based on a partner-driven approach
 - We will focus on our core manufacturing and design expertise
- Differentiated supplier in the market through product design which involves clinical trials and building IP
 - Producer of choice for “high-end” supplement markets
 - Achieve favourable pricing and margin dynamics

06

OUTLOOK

OUTLOOK

- **Increasing diversification and creating new sources of growth**
 - Pipeline progress - Phase I clinical trial in combined dyslipidemia underway
 - Geographical market expansion continues
 - New Drug Application for TAK-085 submitted
 - Strategic move into consumer healthcare
- **Maintain guidance for 2011**
 - Shipments below underlying demand
 - Revenue shipment ratio of 1.10-1.20
- **Expect revenue and profitability EBITDA growth in 2012**
 - 2012 shipments aligned with underlying end-user demand
 - Average sales price in 2012 in line with 2011 levels
 - Risk of generic entry remains - diversification strategy is moving ahead



QUESTIONS?

www.pronova.com

ADDITIONAL INFORMATION Q3 2011

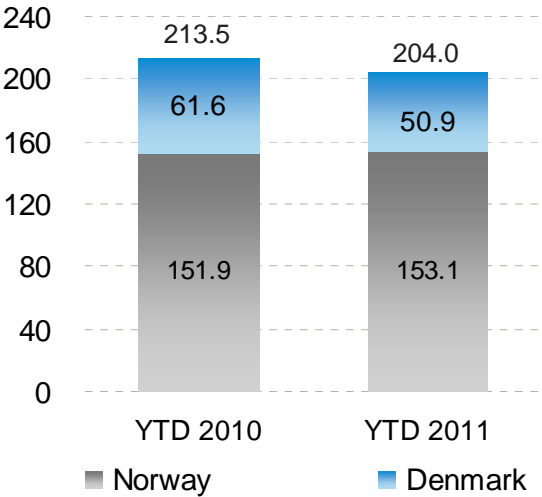


CONDENSED CONSOLIDATED INCOME STATEMENT

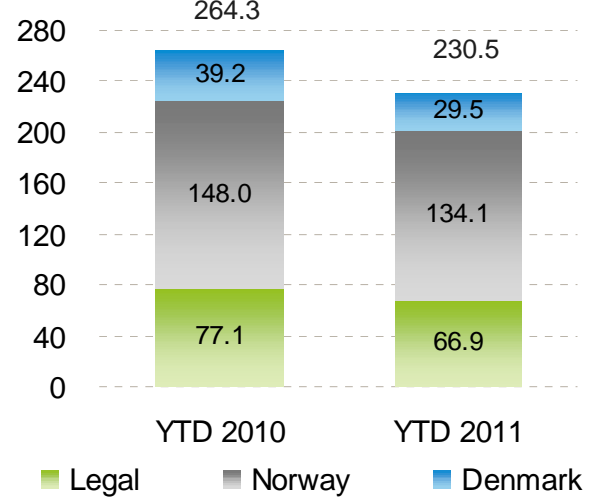
(All amounts in NOK 1000)	Q3 2011	Q3 2010	YTD 2011	YTD 2010	FY 2010
Total revenues	392 450	356 568	1 224 617	1 255 560	1 643 747
Change in inventories	(15 850)	41 863	(298)	84 918	61 085
Cost of materials	(70 050)	(114 698)	(281 699)	(364 996)	(457 767)
Employee benefits expense	(61 637)	(69 277)	(203 988)	(213 475)	(267 584)
Depreciation of property, plant and equipment and write downs	(62 967)	(64 028)	(189 947)	(192 282)	(257 963)
Amortisation of intangible assets	(38 832)	(21 539)	(98 182)	(64 617)	(89 057)
Other operating expenses	(64 907)	(79 232)	(230 475)	(264 285)	(352 900)
Total operating expenses	(314 242)	(306 911)	(1 004 589)	(1 014 737)	(1 364 186)
Operating profit	78 209	49 658	220 029	240 823	279 561
Net financial items	(21 077)	(20 618)	(69 545)	(87 940)	(136 242)
Profit before tax	57 132	29 040	150 484	152 883	143 320
Income tax expense	(13 957)	(7 818)	(38 353)	(47 264)	(44 826)
Net profit for the period	43 175	21 222	112 130	105 619	98 494
Earnings per share (in NOK) - basic and diluted	0.14	0.07	0.37	0.35	0.33
EBITDA	180 007	135 225	508 157	497 722	626 581
EBITDA margin	45.9 %	37.9 %	41.5 %	39.6 %	38.1 %

OPERATING EXPENSES YTD 2011

EMPLOYEE BENEFIT EXPENSES
NOK million



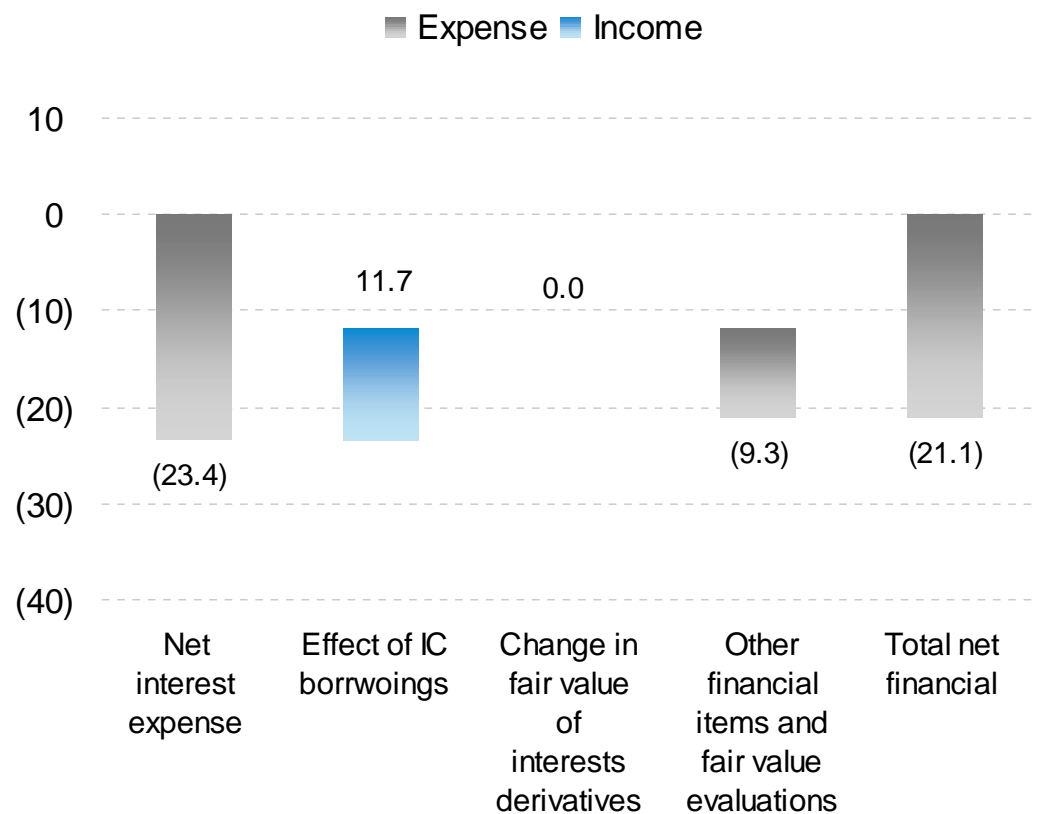
OTHER OPERATING EXPENSES
NOK million



INCOME STATEMENT: NET FINANCE Q3 2011

NET FINANCE Q3 2011

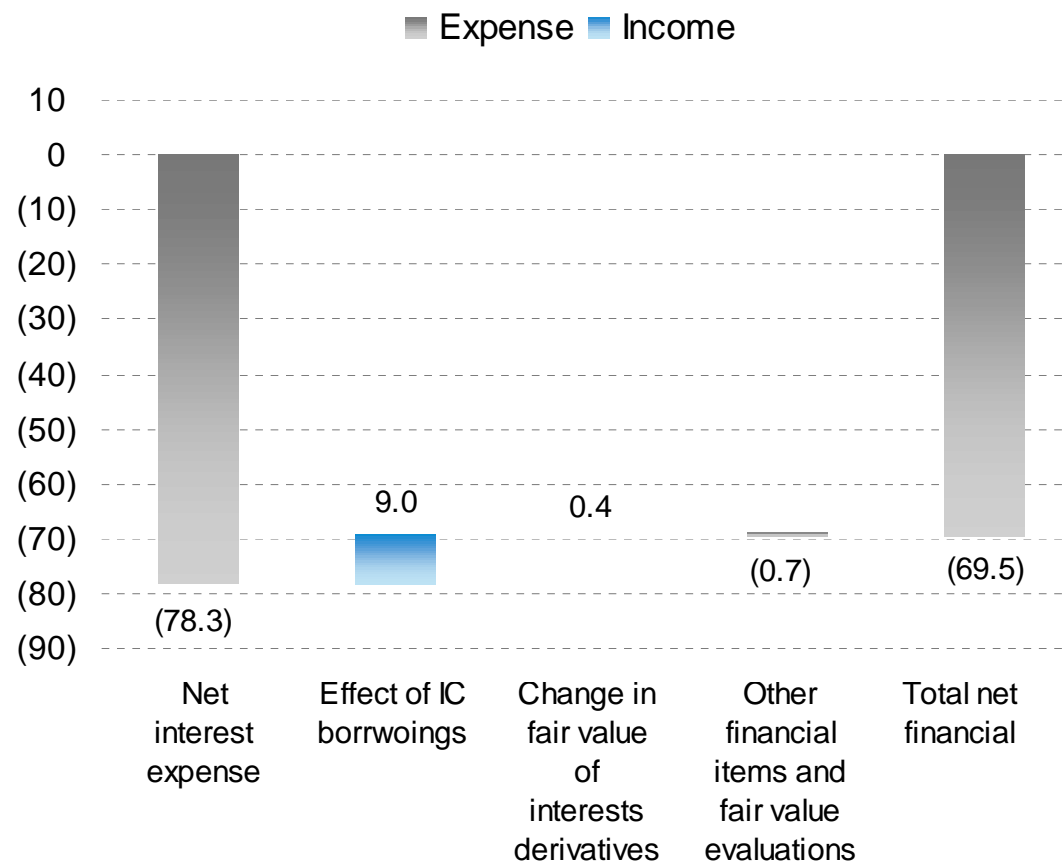
NOK million



INCOME STATEMENT: NET FINANCE YTD 2011

NET FINANCE YTD 2011

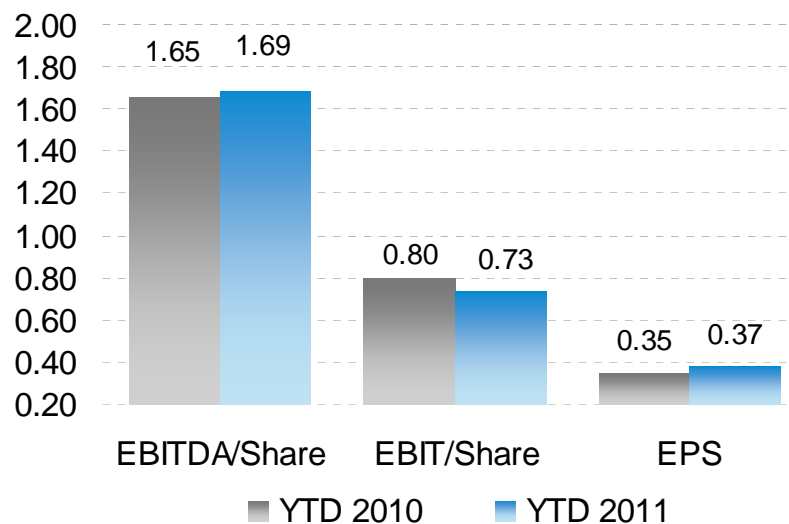
NOK million



PROFIT PER SHARE YTD Q3 2011

PROFIT PER SHARE

NOK



CONSOLIDATED STATEMENT OF FINANCIAL POSITION: TOTAL ASSETS

(All amounts in NOK 1000)	30.09.2011	30.09.2010	31.12.2010
ASSETS			
Non-current assets			
Property, plant and equipment	2 241 050	2 508 353	2 394 140
Goodwill	633 453	633 453	633 453
Other intangible assets	549 235	656 069	632 737
Deferred tax assets	9 641	17 754	-
Other financial assets	13 198	102 573	44 731
Total non-current assets	3 446 577	3 918 203	3 705 060
Current assets			
Inventories	484 947	494 408	516 755
Trade and other receivables	191 453	213 858	239 309
Other financial assets	58 113	3 804	22 014
Cash and cash equivalents	85 686	302 557	119 752
Total current assets	820 198	1 014 626	897 830
Total assets	4 266 776	4 932 830	4 602 891

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: TOTAL EQUITY AND LIABILITIES

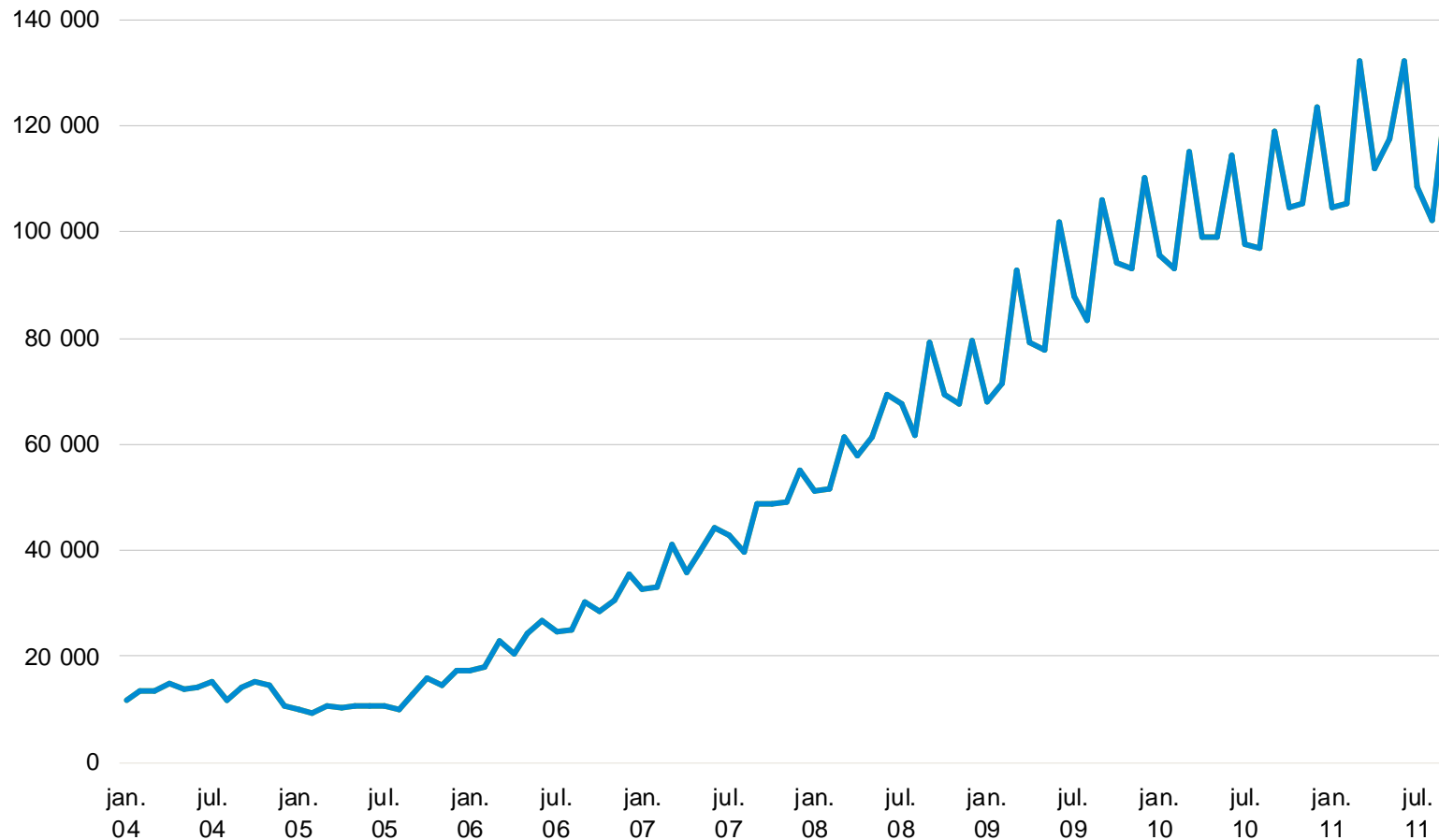
(All amounts in NOK 1000)	30.09.2011	30.09.2010	31.12.2010
EQUITY AND LIABILITIES			
Equity			
Share capital	6 017	6 017	6 017
Share premium reserve	579 665	579 665	579 665
Retained earnings	1 026 829	921 823	914 699
Reserves	10 826	3 459	(4 658)
Total equity	1 623 337	1 510 964	1 495 722
Non-current liabilities			
Deferred tax liabilities	197 758	183 340	223 696
Borrowings	1 533 254	2 004 777	1 948 457
Deferred revenues	295 733	336 323	271 800
Retirement benefit obligation	21 470	23 110	22 770
Other financial liabilities	-	4 403	465
Total non-current liabilities	2 048 214	2 551 952	2 467 189
Current liabilities			
Trade and other payables	234 470	165 810	208 505
Borrowings	141 196	239 538	145 145
Other financial liabilities	-	73 383	423
Current tax liabilities	44 019	123 969	9 365
Deferred revenues	6 894	78 670	72 017
Other liabilities	120 258	154 748	180 955
Provisions	48 388	33 796	23 570
Total current liabilities	595 224	869 913	639 980
Total liabilities	2 643 439	3 421 865	3 107 169
Total equity and liabilities	4 266 776	4 932 830	4 602 891

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in NOK 1000)	Q3 2011	Q3 2010	YTD 2011	YTD 2010	FY 2010
Cash flow from operating activities					
Profit before tax	57 131	29 040	150 484	152 883	143 320
Unrealised group internal currency loss(+)/gains(-)	(11 668)	1 516	(9 041)	58 356	78 452
Taxes paid in the period	-	(752)	(41 402)	(124 596)	(183 672)
Depreciation and amortisation and write downs	101 798	85 567	288 128	256 899	347 020
Gain on disposal of property plant and equipment	-	3	-	4	(412)
Expensed borrowing costs	1 281	2 120	3 843	2 399	3 827
Pension costs, without cash effect	(894)	902	(1 300)	606	266
Currency effects	(8 491)	930	(1 994)	(4 291)	(5 111)
Changes in inventories	(11 437)	2 442	31 808	(175 099)	(197 446)
Changes in trade receivables	3 856	19 404	14 229	118 001	78 327
Changes in trade payables	41 647	(21 620)	25 965	15 541	57 601
Changes in other current assets/liabilities	10 467	170 335	(39 516)	196 898	162 292
Net cash from operating activities	183 689	289 888	421 204	497 602	484 465
Cash flow from investing activities					
Payments for property, plant and equipment	(14 278)	(13 495)	(31 990)	(61 011)	(63 492)
Proceeds from sale of property, plant and equipment	-	-	-	-	13 090
Net cash from investing activities	(14 278)	(13 495)	(31 990)	(61 011)	(50 403)
Cash flow from financing activities					
Repayment of long term debt	(146 132)	(150 985)	(423 413)	(253 399)	(433 308)
Net cash from financing activities	(146 132)	(150 985)	(423 413)	(253 399)	(433 308)
Effect of currency translation of bank deposits, cash and cash equivalents	136	120	133	(573)	(941)
Net change in bank deposits, cash and cash equivalents	23 415	125 528	(34 066)	182 618	(187)
Bank deposits, cash and cash equivalents at beginning of period	62 271	177 029	119 752	119 938	119 938
Bank deposits, cash and cash equivalents at end of period	85 686	302 557	85 686	302 557	119 752

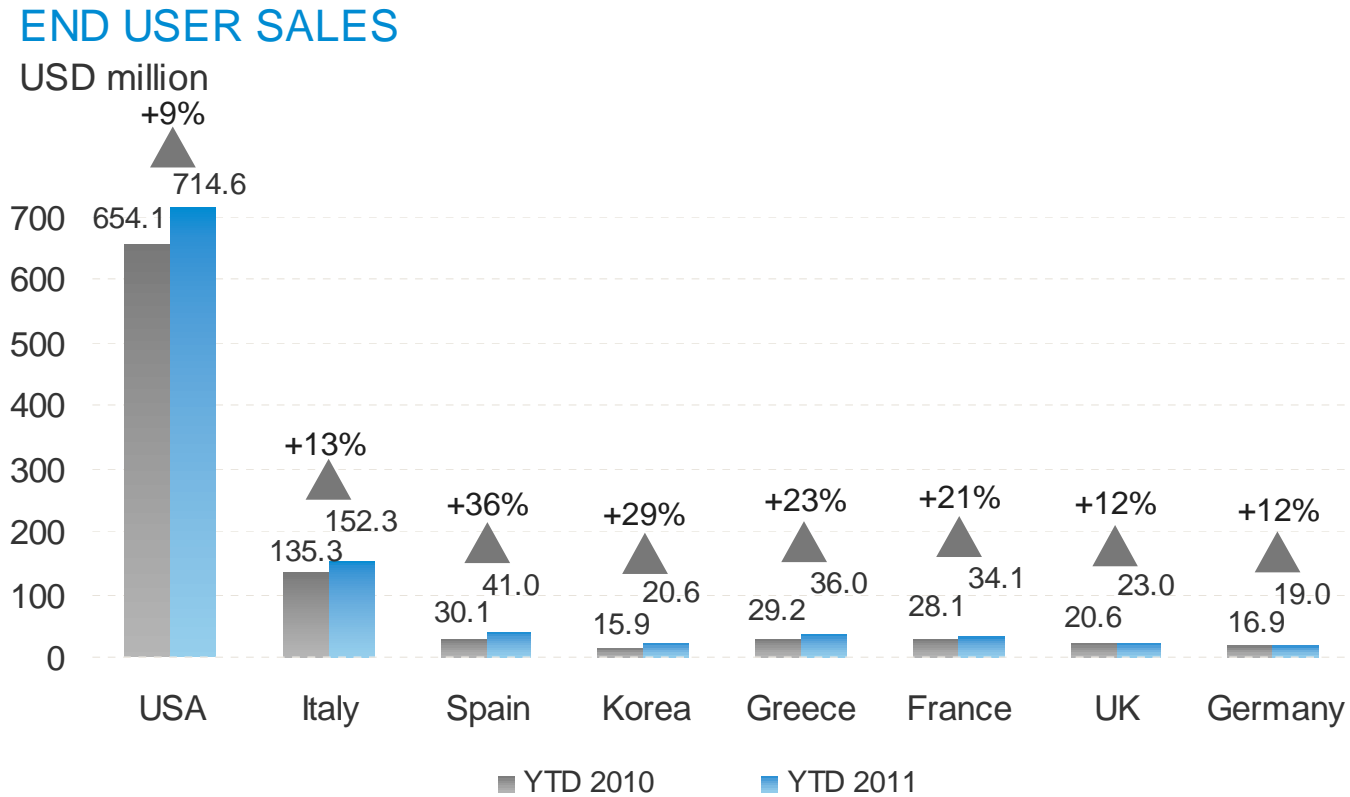
OMACOR®/LOVAZA™ END-USER SALES: EIGHT MAJOR MARKETS (USD)

IMS SALES, 8 MAJOR MARKETS
USD, 000S



Source: IMS

OMACOR®/LOVAZA™ END-USER SALES: EIGHT MAJOR MARKETS (USD)



Source: IMS