



June 12, 2016

A Letter from the CEO

Dear Stockholders,

Our (unaudited) first quarter financial results are now known and it is time to bring you up-to-date. Quarterly revenues can fluctuate substantially and might not be repeatable; however, we are pleased to advise you our Q1 revenues and gross profits, while not as high as in Q4, were up over 100% from the same period in the weather-impacted previous year.

Due to our audit schedule, we share our Q1 results prior to our end-of year results. The 2015 results will be shared in the Stockholders letter that is mailed with our proxy. We also plan to post the letter on our website.

For those of you who read every update, you have noticed that certain explanations are repeated in every letter. While the explanations are necessary for first-time or occasional readers, you regular readers find them unnecessary and repetitive. I address this issue by replacing explanations with an explanatory footnote.⁽¹⁾ In addition, I have moved a recommendation by AST, our stock transfer agent, to a footnote.⁽²⁾

1. Highlights of activities since my February letter:

Both of our peptide ingredient distribution partners recently exhibited at key industry tradeshows: In-Cosmetics Paris 2016 and the New York Society of Cosmetic Chemist Supplier Day. They continue to actively promote our peptides into the personal care and dermocosmetic marketplace.

We have a number of ongoing programs in our R&D labs, some of which support pipeline innovation for our licensees and others that continue our efforts in the dermatology drug development area.

Apothederm[®] skin care has been featured in a number of social media and print publications. The line's stretch mark cream continues to be a top performer and the May issue of Day Spa showcased the product in their "In Shape for Summer" issue <http://dayspamagazine.epubxp.com/i/665614-may-2016>

2. The Q1 2016 unaudited financial results:

The total revenue for the first quarter of 2016 was \$958,000 compared to \$289,000 for the same period in 2015. Gross profits for the first quarter of 2016 were \$757,000 compared to \$277,000 for the same period in 2015. Operating expenses for the first quarter of 2016 were \$831,000 compared to \$791,000 for the same period in 2015. As a result, our operating losses for the first quarter of 2016 were \$74,000 compared to operating losses of \$514,000 in the first quarter of 2015. The company's non-cash stock expense fluctuates substantially from quarter to quarter, therefore, the company's management and board of directors exclude this expense from our operating expenses and from our

operating losses during our internal analysis of the company's performance. I have added those two numbers to the table below.

Here are five significant items along with the results from one year earlier (000):

<i>Item</i>	<i>1Q2016</i>	<i>1Q2015</i>
<i>Revenue</i>	\$958	\$289
<i>Gross Profits</i>	\$757	\$277
<i>Operating Expenses</i>	\$831	\$791
<i>Excluding Stock Expense</i>	\$743	\$687
<i>Operating profit (loss)</i>	(\$074)	(\$546)
<i>Excluding Stock Expense</i>	\$014	(\$410)
<i>Cash + A/R – A/P</i>	\$2,581	\$1,159

3. Strategic Evaluation and Commentary:

The strategic evaluation of the company falls into two general categories, which unlike quarterly results do not vary dramatically quarter-to-quarter:

Revenue⁽³⁾

The best measure of our financial progress is to look at our gross profits and our operating losses (ignoring stock expense) over the past 12 months as compared the previous 12 months. Our gross profits and operating losses (excluding non-cash stock expense) respectively for the past 12 months are \$2.702M and (\$123K) as compared to \$1.453M and (\$1.163K) for the previous 12 months.

Company R&D

The company's research and development efforts remain focused on generating peptides that have near term commercialization potential as well as longer term pipeline opportunities. During the year, we continued to grow our intellectual property portfolio.

4. Conclusion

Our first quarter (unaudited) results are very encouraging. As state earlier, our gross profits are up over 100% from the same quarter in the previous year. Our challenge for the remainder of 2016 is to continue our path towards becoming profitable on an annualized basis.

I look forward to reporting our continued progress in the September letter.

Sincerely,



R. Stephen Beatty

Chief Executive Officer and Chairman of the Board

Footnote (1)

The purpose of these quarterly letters is to briefly discuss our results along with selected events that have occurred since the last letter. For ease of comparison, I use the same format each quarter which is less detailed than my annual letter that is published after Moss Adams LLP completes our annual audit in the second quarter of the following year. This letter is divided into four parts:

- 1) Highlights of activities since my last letter;
- 2) Our Q3 2015 unaudited financial results;
- 3) Strategic evaluation and commentary;
- 4) Conclusion.

Footnote (2)

Abandoned Stock: AST (our stock transfer agent) has advised us that some of our stockholders did not submit their letter of transmittal when we performed our reverse split in 2012. The state you resided in at the time of the reverse split, will begin escheatment process on your stock. This essentially means that if you did not turn in the letter of transmittal, the state will claim your non exchanged Helix Biomedix stock. You will also start receiving letters from LINK asking you to pay a fee to exchange your shares. If your stock is escheated in the future, please go to your state's unclaimed property website to reclaim your shares back. In order to avoid escheatment, I strongly suggest that you submit your letter of transmittal to avoid the issue by contacting AST directly. You can either call AST or send an email to request a duplicate Letter of Transmittal for the unexchanged shares of Helix BioMedix.

AST Shareholder Services:

Shareholder Services: (AST's Call Center is open Monday through Friday, 8am to 8pm ET.	(800) 937-5449 (718) 921-8124 or Email directly at info@amstock.com
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Footnote (3)

Our most important revenues are generated from our high margin licensing agreements and consumer product sales. Our licensing revenues are royalty-based and, therefore, carry no cost of goods. While royalty payments appear to be "pure profit," we must measure this royalty income against the costs required to support our ongoing patent obligations and the development/production costs required to support our licensing partners and generate new product opportunities.

Because we have more control over our high-margin branded product sales, we are placing a great deal of emphasis on developing this business. Our Apothederm® line of products continues to expand and we encourage you to visit www.Apothederm.com for more information.



Evonik, the creative industrial group from Germany, is one of the world leaders in specialty chemicals. Profitable growth and a sustained increase in the value of the company form the heart of Evonik's corporate strategy. Its activities focus on the key megatrends health, nutrition, resource efficiency and globalization. Evonik benefits specifically from its innovative prowess and integrated technology platforms.

Evonik is active in over 100 countries around the world. In fiscal 2013 more than 33,500 employees generated sales of around €12.9 billion and an operating profit (adjusted EBITDA) of about €2.0 billion.



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Founded in 1938, Grant Industries is a privately held company involved in the research, development, manufacturing, and marketing of specialty performance chemicals. A leading global provider to the personal care industry, Grant Industries dedicates its business on superior quality and customer service. Operations are conducted out of two main facilities; Grant Industries-USA in Elmwood Park, NJ and Grant Industries-Asia in Beijing, China.



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