June 8, 2017

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. First quarter operations (excluding stock expense) showed a small loss as they did during the same period in 2016 and is a material improvement over past years.

As a reminder, due to our audit schedule, we are sharing our Q1 results for 2017 prior to our end-of year results for 2016. The 2016 results will be discussed in the Stockholders letter that is mailed with our proxy. We also plan to post the Stockholders 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). Please carefully review this information as it relates your stock and any necessary steps you need to take to regarding submission of a letter of transmittal if you have not already done this.

1. Highlights of activities since my February letter:

Our R&D focus continues to be to support pipeline innovation for our licensees and to cost-effectively broaden our efforts in the dermatology drug development area.

Our peptide ingredient distribution partners continue to actively promote Helix Biomedix peptides into the personal care and dermocosmetic marketplace.

We began a cross-promotion campaign with Sophie la giraffe Baby Skin Care targeting our Apothederm® Stretch Mark Cream to expecting and new mothers. In addition, we have been increasing our social media outreach and Apothederm products have been featured in a variety of blogs and postings.

2. The Q1 2017 unaudited financial results:

The total revenue for the first quarter of 2017 was $698,000 compared to $958,000 for the same period in 2016. Gross profits for the first quarter of 2017 were $596,000 compared to $757,000 for the same period in 2016. Operating expenses for the first quarter of 2017 were $693,000 compared to $831,000 for the first quarter of 2016. As a result, our operating losses for the first quarter of 2017 were $97,000 compared to $74,000 in the first quarter of 2016.

Our financial performance for 1Q17 was weaker than our performance for the same period a year earlier. As I stated in the introduction, quarterly results can fluctuate substantially. Some of this fluctuation is a reflection of the timing of new product launches that require higher initial peptide volumes to comprehensively stock retail shelves at roll-out.

22121 - 17th Ave. SE, Suite 112 • Bothell, WA 98021 USA • phone 425.402.8400 • fax 425.806.2999
www.helixbiomedix.com • www.apothederm.com

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):

Item	***1Q2017***	***1Q2016***
Revenue	*$698*	*$958*
Gross Profits	*$596*	*$757*
Operating Expenses	*$693*	*$831*
Excluding Stock Expense	*$631*	*$743*
Operating profit (loss)	*($097)*	*($074)*
Excluding Stock Expense	*($035)*	*$014*
Cash + A/R – A/P	*$2,301*	*$2,479*

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 income (losses) (ignoring stock expense) over the past 12 months as compared the previous 12 months. Our gross profits and operating income (losses) (excluding non-cash stock expense) respectively for the past 12 months are $2,310M and ($196K) as compared to $2,703M and ($122K) for the previous 12 months. While these numbers are quite good by historical standards, they are not as good as in the previous 12 months. The reason for the dip is a one-time large royalty payment from one of our customers that is not currently repeatable.

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. We have continued our discovery work in the areas of anti-inflammatory peptides for psoriasis and anti-glycation peptides.

4. Conclusion:

The overall direction of the company continues to be positive. In May, one of our major competitors stated that “between 1,600 and 2,000 new products dedicated to skin care containing peptides are launched every year”. At the same time, our largest licensing partners have seen encouraging sales numbers. All of this suggests we are in the right market at the right time.

I look forward to reporting our ongoing progress in the August/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 unaudited financial results for the quarter;
3) Strategic evaluation and commentary;
4) Conclusion.

Footnote (2)
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 and therefore, 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.**

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

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.

EVONIK INDUSTRIES

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 2015 more than 33,400 employees generated sales of around €13.5 billion and an operating profit (adjusted EBITDA) of about €2.46 billion.

www.apothederm.com

GRANT INDUSTRIES
Where Performance Matters

DEDICATED TO SUPERIOR QUALITY & CUSTOMER SERVICE

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.