HELIX BIOMEDIX

September 11, 2015

A Letter from the CEO

Dear Stockholders,

Our (unaudited) second quarter financial results are now known and it is time to bring you up-to-date. If you are a new reader, please see footnote.[(1)]

1. Highlights of activities since my February letter:

We held our annual shareholder's meeting on August 26th. At the meeting R. Stephen Beatty, Robin L. Carmichael, John F. Clifford, Richard Cohen, and Lawrence Blake Jones were elected to the board of directors. In addition, Moss Adams, LLP was ratified as our auditors for the year 2015. You should have received a copy of our 2014 audit with your proxy materials.

Apothederm® products were presented by professional dancer Karina Smirnoff (Dancing with the Stars) on EVINE Live's Before & After Beauty Day home shopping event in mid-June. While consumer response was encouraging, we are still evaluating the metrics of program as Ms. Smirnoff is returning to the fall season of Dancing with the Stars after a year hiatus.

The line continues to be promoted to flash sales such as Rue la la and is being carried by spas, medispas and internet health and beauty destinations in addition to our own e-commerce site www.apothederm.com. We will be exhibiting at ISPA, a leading industry tradeshow, in October and we continue to receive enthusiastic blog and social media reviews.

2. The Q2 2015 unaudited financial results:

The total revenue for the second quarter of 2015 was $568,000 compared to $520,000 for the same period in 2014. Gross profits for the second quarter of 2015 were $442,000 compared to $438,000 for the same period in 2014. Operating expenses for the second quarter of 2015 were $795,000 compared to $746,000 for the second quarter of 2014. Consequently, our operating losses for the second quarter of 2015 were $353,000 compared to operating losses of $307,000 in the second quarter of 2014. The company's non-cash stock expense fluctuates substantially from quarter to quarter. As a result, 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	*2Q2015*	*2Q2014*
Revenue	*$568*	*$520*
Gross Profits	*$442*	*$438*
Operating Expenses	*$795*	*$746*
Excluding Stock Expense	*$709*	*$653*
Operating profit (loss)	*($353)*	*($307)*
Excluding Stock Expense	*($267)*	*($214)*
Cash + A/R – A/P	*$934*	

Those of you who read the last letter will notice that revenues and gross profits are up substantially over Q1. This is as a seasonal fluctuation (Q1 was negatively impacted by the weather) rather than long term improvement. Operating expenses continue to be negatively impacted by both ongoing and one-time expenses related to increasing the size of our R&D department.

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[(2)]

The best measure of our financial progress is to look at our gross profits and our operating losses (excluding 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 $1.449M and $1.124M as compared to $1.389M and $1.233M 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 quarter, we continued to grow our intellectual property portfolio. We currently own over 130 issued patents with many more pending.

We have several early programs in development including peptides for anti-glycation and psoriasis and hope to be able to report our progress in our next update. According to Research Partnership, the market for psoriasis (PsO) therapies is predicted to grow by nearly 66% by 2023, when it will be worth $3.7 billion, due to the continued uptake of the premium-price biologics and novel therapies expected to launch over the period. This growth will be driven by a growing treatment population and the continued uptake of biologics and advanced therapies.

4. Conclusion

We look forward to keeping you informed of our progress. Our second quarter numbers improved substantially over our weather-damaged first quarter and it appears we are back on track towards profitability. The demand for high quality peptides from our partners has increased, forcing us expand our R&D network to meet the demand. We will not see additional revenue from our expanded delivery commitments for at least two years; however, we already have numerous new peptides in our pipeline that will hopefully come to market in the near future and help continue to grow our revenue and gross product.

Let me close by saying that we continue to remain optimistic that we will see year-over-year gross product growth while exercising financial discipline in the management of our expenses.

Sincerely,

R. Stephen Beatty
Chairman & CEO

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 Q1 2015 unaudited financial results;
3) Strategic evaluation and commentary;
4) Conclusion.

Footnote (2)
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.

www.apothederm.com