



ZYMOGENETICS

Forward-Looking Statements

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2009 Strategic Objectives

- Build market for RECOTHROM[®]
- Aggressively develop PEG-Interferon lambda with partner Bristol-Myers Squibb
 - ▶ Initiate first Phase 2 clinical trial
- Reduce cash usage through additional cost cutting and partnering activities



RECOTHROM[®]
**(topical recombinant
thrombin)**

The first and only plasma-free human
thrombin

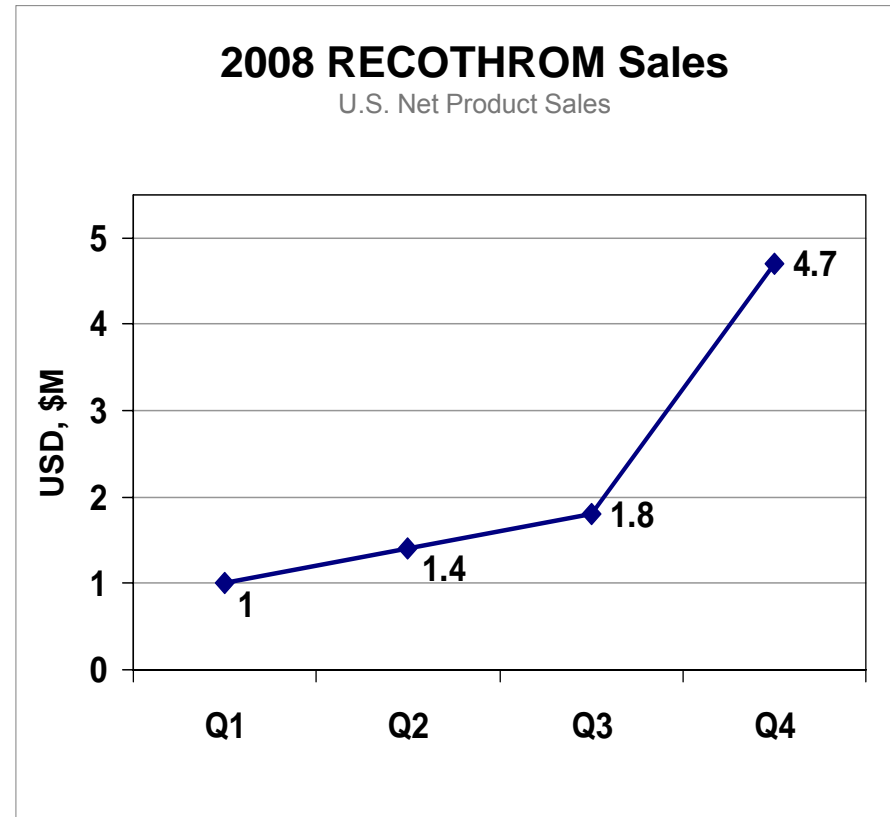
RECOTHROM Commercial Product

- RECOTHROM® (topical recombinant human thrombin)
- 2008 FDA approval
 - ▶ 5K IU vial January 2008
 - ▶ 20K IU vial and spray kit May 2008
- Strong product profile and label
 - ▶ General adjunct to hemostasis claim
 - ▶ Plasma-free, human recombinant
 - ▶ No black box warning
- Partner Bayer filed for regulatory approval in Europe Q3 2008 and in Canada Q4 2008



RECOTHROM Product Sales

- October: Price change
- Positive impact on Q4 selling activity
- Q4 sales \$4.7M
- 2008 sales \$8.8M
- FY 2009 guidance: \$25-35M



RECOTHROM

2009 Keys to Success

- Build on Q4 2008 momentum
- Continued focus on formulary approval and product adoption
- Continue to build awareness and educate on product differentiation
- Regulatory approval in EU and other territories



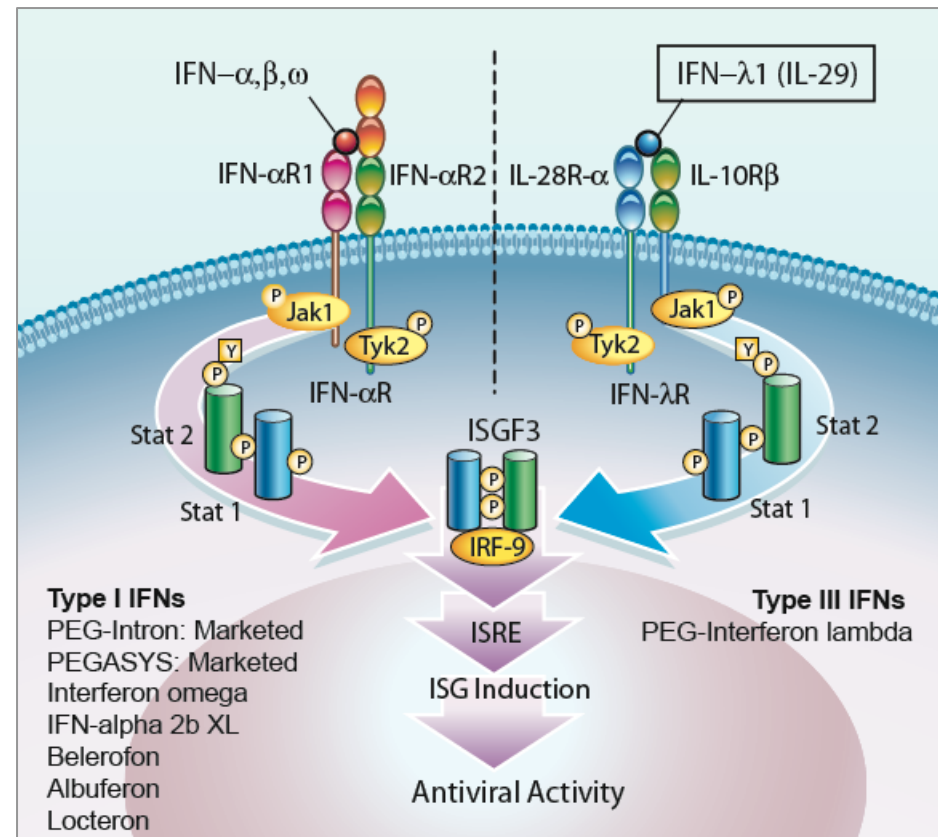
PEG-Interferon lambda

A more targeted interferon with the potential to become the new treatment of choice for patients with Hepatitis C

PEG-Interferon lambda

More Targeted Interferon for Hepatitis C

- Novel, PEGylated, Type III IFN
 - ▶ Activates ISGs
 - ▶ Most differentiated interferon
- Unique receptor with more targeted distribution
 - ▶ No cross-reactivity with IFN-alpha receptor
 - ▶ Expressed on hepatocytes
- Target product profile
 - ▶ Anti-viral activity at least as good as PEG-IFN alpha
 - ▶ Improved tolerability
 - ▶ Supported by early clinical testing



PEG-Interferon lambda

Phase 1b Dose and Schedule Escalation

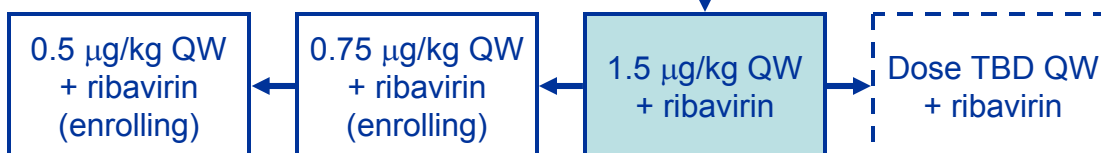
Design

- Genotype 1 HCV infection patients who relapsed after IFN- α + RBV
- Treatment 4 weeks, 6 patients/cohort

Part 1: Single-agent therapy



Part 2: Combination therapy with ribavirin



Endpoints

- Safety: clinical events and laboratory abnormalities
- Antiviral activity: > 1 Log decrease in HCV RNA
- Determine MTD

Status

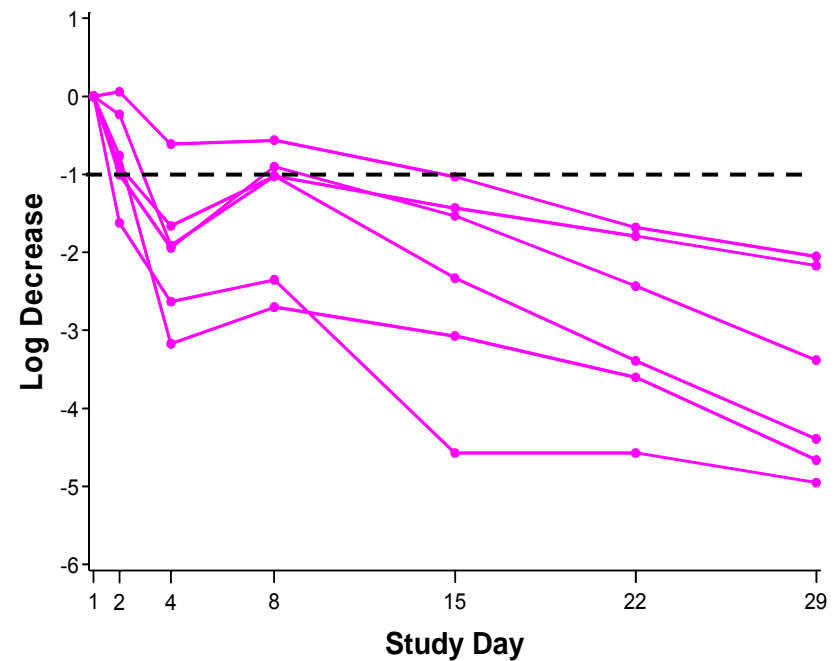
- Part 1 completed
- Part 2 enrolling (in parallel)

PEG-Interferon lambda Phase 1b Interim Anti-viral Data

Maximum Viral Load Reduction

	- Q2W -		- QW -
	1.5 µg/kg (n=6)	3 µg/kg (n=6)	1.5 µg/kg (n=6)
Mean Decrease (Log)	2.2	1.9	3.6
Patients with >2 Log decrease in HCV RNA	2 (33%)	3 (50%)	6 (100%)

Viral Kinetics: 1.5 µg/kg QW Schedule



4 of 6 patients with HCV RNA < 1000 IU/mL at Day 29

Interim PEG-Interferon lambda Phase 1b Safety Profile (as of AASLD)

- **Clinical Adverse Events with Single Agent PEG-IFN lambda (n=18)**
 - ▶ Well tolerated at all doses and schedules
 - No discontinuation due to adverse events
 - No treatment-related fever
 - ▶ All adverse events Grade 1 or 2

- **Laboratory Values (n=18)**
 - ▶ No hematological toxicity
 - No neutropenia
 - No thrombocytopenia
 - No anemia
 - ▶ Reversible transaminase increases
 - Gr 3 ALT or AST in 2 patients (< 7 days)

PEG-Interferon lambda 2009 Key Activities

- Phase 1b study
 - ▶ Continue testing in combination with ribavirin in relapsed patients
 - ▶ Expand into IFN-naïve patients
 - ▶ Presentation at EASL (April 2009)

- Phase 2 study
 - ▶ Initiation expected in H2 2009
 - ▶ Supporting toxicology studies on-going

PEG-Interferon lambda

Collaboration with Bristol-Myers Squibb

- Effective February 26, 2009
- Financials
 - ▶ \$200M expect to receive in 2009
 - \$85M upfront payment in March
 - \$20M additional license fee in March
 - \$95M of Phase 2 related milestones
 - ▶ \$335M of additional development related milestones in HCV
 - ▶ \$287M of development milestones in other indications
 - ▶ \$285M of sales based milestones

PEG-Interferon lambda Collaboration Structure

- Development
 - ▶ Joint development in US/EU
 - ZGEN covers first \$100M of development costs
 - Post-\$100M, development cost sharing [20% ZGEN, 80% BMY]
 - ▶ BMY will develop in Rest of World
- Commercialization
 - ▶ Joint commercialization in US
 - Cost sharing and profit split [40% ZGEN, 60% BMY]
 - ▶ BMY will commercialize in ex-US
 - Milestones and double-digit royalties
- ZGEN can discontinue cost sharing and convert to double digit royalty position

PEG-Interferon lambda Collaboration Strategic Rationale

- Ideal timing
 - ▶ Collaborative global planning of Phase 2 and 3
 - ▶ Facilitates most rapid path to approval
- BMS is the right partner
 - ▶ Commitment to HCV, anti-virals
 - ▶ Common vision for development
 - ▶ Strong global commercial organization
- Excellent strategic fit
 - ▶ Significant near-term cash
 - ▶ Substantial participation in downstream value



Interleukin 21

Demonstrated anti-tumor activity in early
clinical trials

Interleukin 21 (IL-21)

- Enhances anti-tumor activity of the immune system
- Single agent activity demonstrated
- Tolerability allows outpatient treatment
- Phase 2 studies to be completed in 2009
 - ▶ Renal cell carcinoma in combination with Nexavar
 - ASCO poster presentation (June 2009)
 - ▶ Metastatic melanoma as a single agent therapy
 - Abstract planned for Worldwide Melanoma Meeting (May 2009)
- Positive Phase 2 data will support licensing effort

IL-21 with Nexavar Phase 2 Tumor Response in RCC

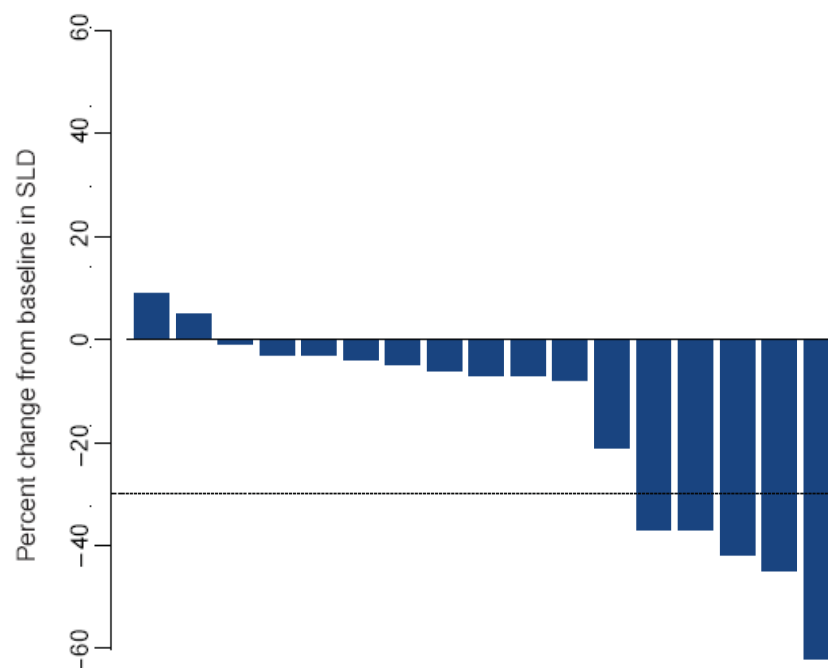
Best Response per Recist at Any Time on Study By Independent Review (N=18)*

	n (%)
Disease control rate (CR + PR + SD)	16 (89%)
PR, confirmed	3 (17%)
PR, unconfirmed	2 (11%)
SD	11 (61%)
PD	2 (11%)

CR=complete response; PD=progressive disease; PR=partial response; SD=stable disease

* Snapshot of data as of Sept 2008; treatment and assessment of tumor response is ongoing

Maximum Tumor Reduction on Study By Independent Review (N=17)*



SLD=sum of the longest diameters of target lesions
Data presented for subjects who were evaluated by independent review



Preclinical Pipeline

Promising opportunities to generate
substantial value

Robust Late Stage Preclinical Pipeline Candidates

Autoimmunity / Inflammation

IL-21 mAb	Antagonist
IL-31 mAb	Antagonist
FcyR1a	Immune complex inhibitor

Oncology

PDGFR/VEGF bispecific Ab	Dual antagonist
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Licensed Product Candidates

THERAPEUTIC CANDIDATE	Preclinical	Phase 1	Phase 2	Phase 3	Marketed
Atacicept <i>Merck Serono</i>	SLE				
	RA, MS				
Augment Bone Graft <i>BioMimetic Therapeutics</i>	Foot & Ankle Fusion				
Factor 13 (rFXIII) <i>Novo Nordisk</i>	Congenital deficiency				
	Cardiac surgery				
Fibroblast Growth Factor 18 <i>Merck Serono</i>	Osteoarthritis				
Anti-IL20 <i>Novo Nordisk</i>	Inflammation				
IL-17RC <i>Merck Serono</i>	A&I				
IL-22 Receptor <i>Merck Serono</i>	A&I				

Strengthened Financial Position

- ~\$90M of cash and investments (12/31/08)
- BMY collaboration adds significant cash
 - ▶ \$105M license fees in March 2009
 - ▶ \$95M milestones expected in H2 2009
- Deerfield funding commitment
 - ▶ First \$25M installment drawn in Q4 2008
 - ▶ Remaining \$75M available until January 2010
- Increasing RECOTHROM sales, licensing opportunities and anticipated cost reductions will significantly reduce cash burn

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