



ZYMOGENETICS

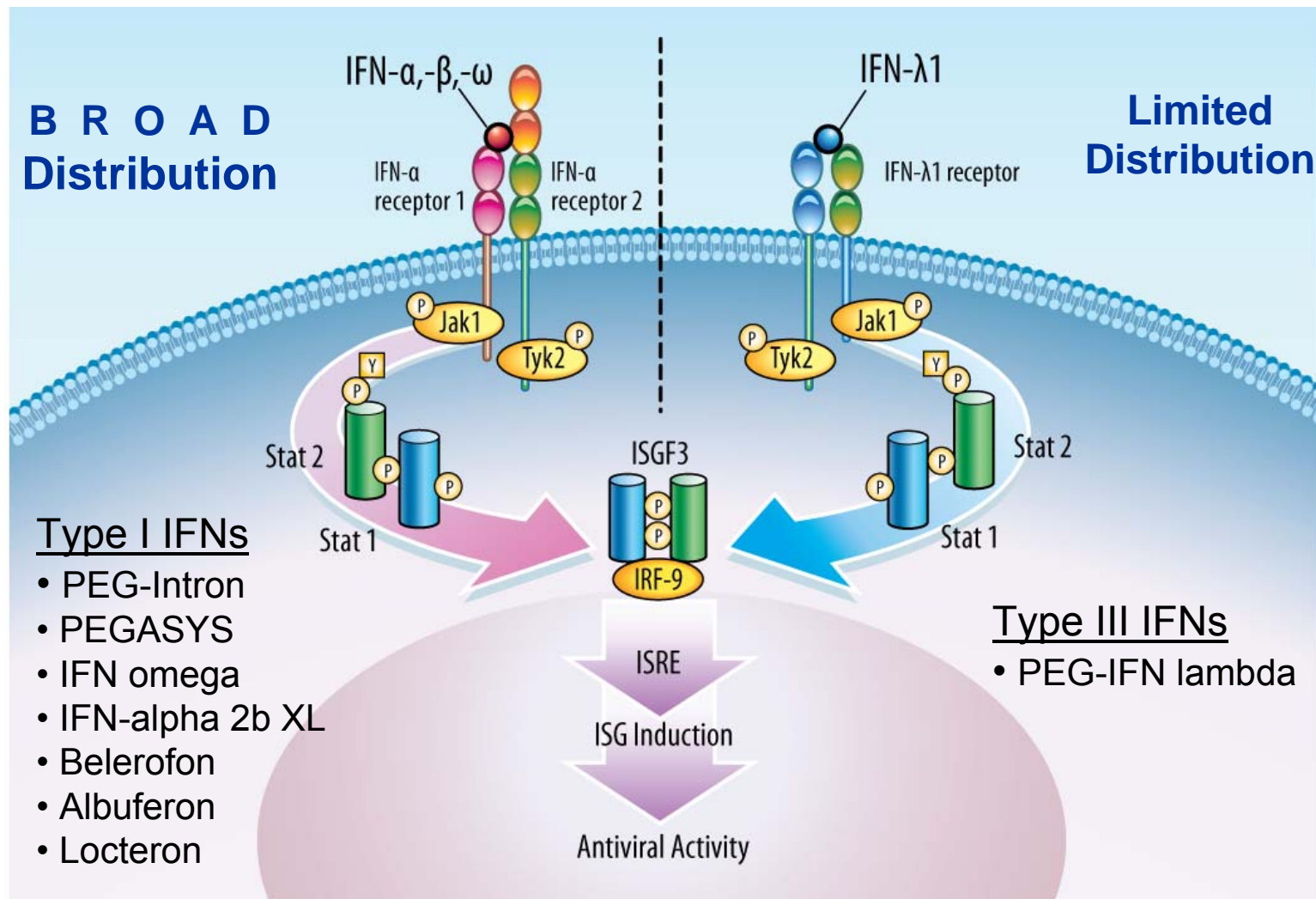
Forward-Looking Statements

This presentation includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the current intent and expectations of ZymoGenetics management and are subject to a number of risks and uncertainties, which are difficult to predict. ZymoGenetics actual results and the timing and outcome of events may differ materially from those expressed in or implied by the forward-looking statements due to a number of risks detailed in the company’s public filings with the Securities and Exchange Commission, including the company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009. Except as required by law, ZymoGenetics undertakes no obligation to update any forward-looking or other statements in this presentation, whether as a result of new information, future events or otherwise.

Value Proposition: ZGEN

- Potential blockbuster: PEG-Interferon lambda in HCV
- Approved product: RECOTHROM®
- Compelling Phase 2 data with IL-21 in RCC, melanoma
- Robust preclinical pipeline: immunology focused
- Potential partnerships: IL-21, preclinical candidates
- Three out-licensed products in Phase 3
- Benefits of April 2009 reorganization
 - ▶ Reduced cost structure by \$30M annually
 - ▶ Focuses on core strength in immunology
 - ▶ Creates stronger, more sustainable company

PEG-IFN lambda Mechanism of Action



PEG-IFN lambda Rationale

Target Product Profile

Comparable Efficacy + Improved Tolerability

- Believe IFN will remain a cornerstone of HCV therapy
- Intend PEG-IFN lambda to become IFN of choice in future combination drug regimens
- Expect side effects of direct antiviral agents to elevate need for a more tolerable interferon

PEG-IFN lambda Development

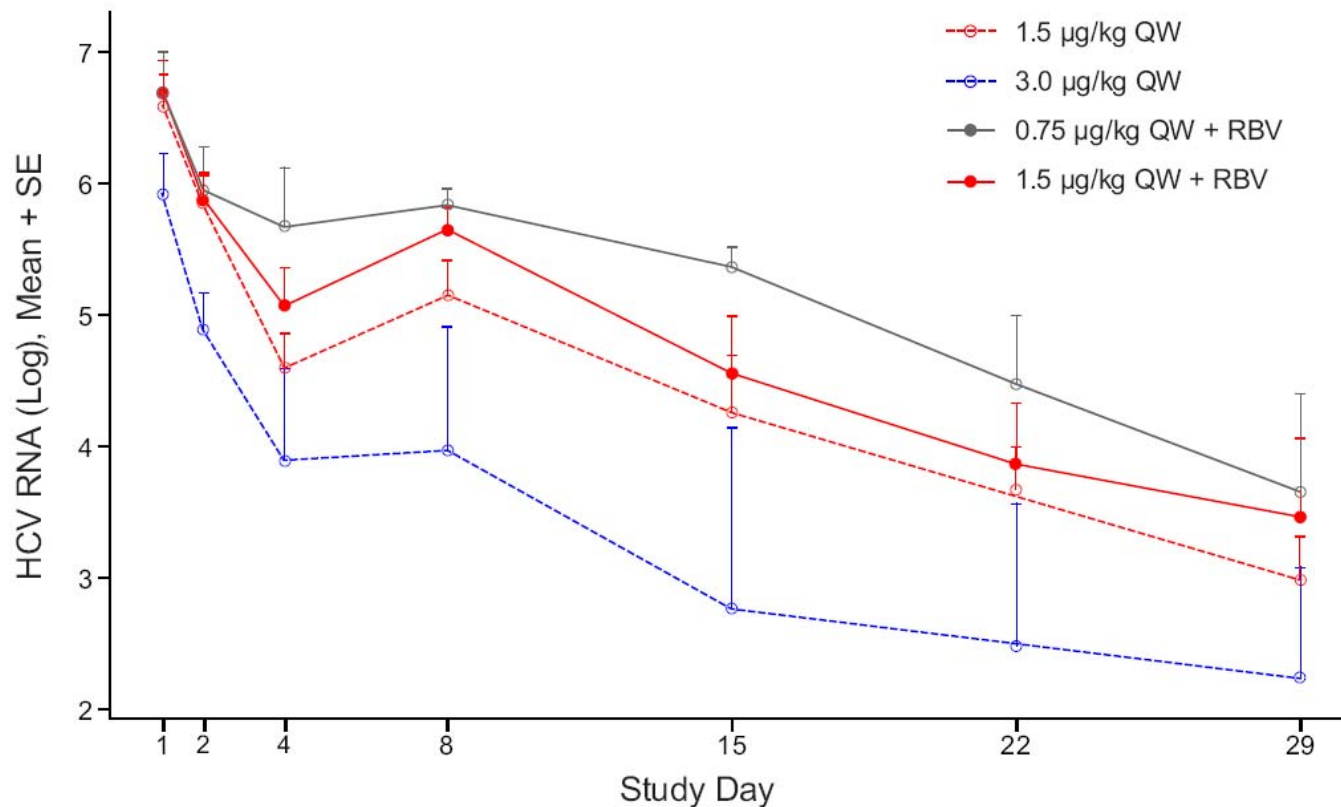
- Preclinical toxicology
 - ▶ None of the typical interferon alpha toxicities observed
- Phase 1a Healthy Volunteers (n=17)
 - ▶ Maximum dose tested: 7.5 mcg/kg
 - ▶ Pharmacological activity at 1.5 mcg/kg
- Phase 1b HCV patient study
 - ▶ Interim results reported at EASL April 2009 (n=34)
 - ▶ Patient enrollment completed June 2009
 - ▶ Abstract submitted to present final results at AASLD 2009
- Phase 2 planning ongoing
 - ▶ Targeting Q4 2009 study initiation

PEG-Interferon lambda

Phase 1b Interim Results: EASL 2009

- Significant antiviral activity, all doses and schedules
 - ▶ Mean decrease in viral load > 3 log at Day 29
 - ▶ 50% had less than 1,000 HCV RNA copies at Day 29
 - ▶ 3 of 6 patients achieved RVR at highest dose tested
- Well tolerated over four weeks of treatment
 - ▶ No treatment-related fever
 - ▶ No hematological toxicity
 - ▶ Reversible, dose-dependent increases in liver enzymes
- Administered in combination with ribavirin
 - ▶ Well tolerated with minimal constitutional symptoms and hematological effects

Mean HCV RNA by Dose Level and Visit



Source: 2009 EASL poster, April 2009

PEG-IFN lambda Observations: 4 Week Treatment

- Solid efficacy vs. interferon alpha published results
 - ▶ Robust antiviral activity better than published data with interferon alpha
- Improved side-effect profile
 - ▶ Antiviral activity observed without typical interferon alpha side effects
 - ▶ No hematological toxicities
 - ▶ Lack of fever/flu-like symptoms
- Similar dosing regimen
 - ▶ Results support QW dosing
- Results potentially better than target product profile
 - ▶ Possibility for enhanced efficacy

Based on Phase 1b data in EASL poster, April 2009

PEG-IFN lambda Collaboration Financials

- January 12, 2009: ZymoGenetics and Bristol-Myers Squibb announce PEG-Interferon lambda collaboration
- Financials
 - ▶ \$200M expected to be received in 2009
 - \$105M upfront/license payments (received March 09)
 - \$25M related to progress toward Phase 2 (received July 09)
 - \$70M upon initiation of Phase 2 study (expected Q4 09)
 - ▶ \$335M of additional development milestones in HCV
 - ▶ \$287M of development milestones in other indications
 - ▶ \$285M of sales based milestones

PEG-IFN lambda Collaboration Structure

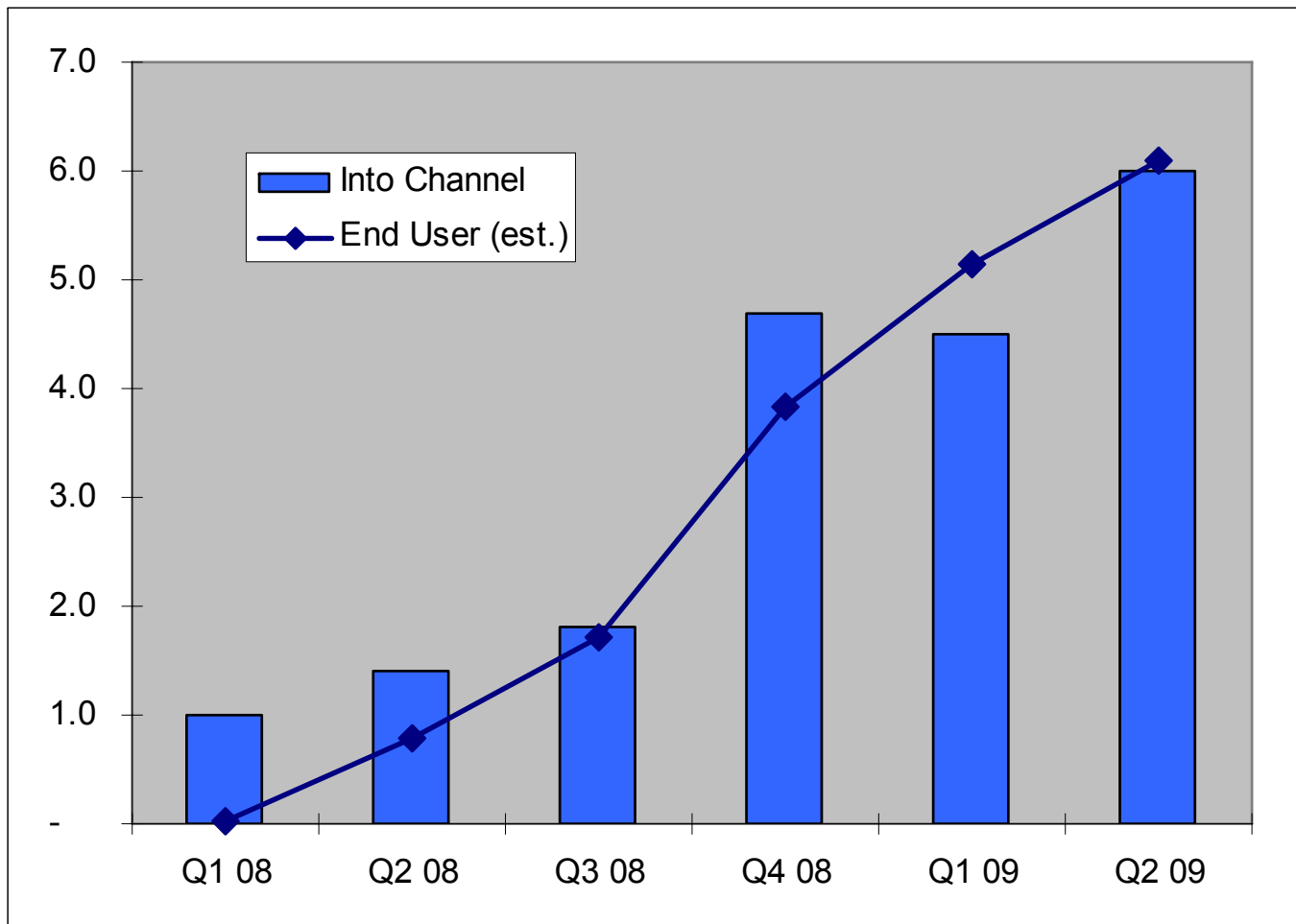
- Development
 - ▶ Joint development in US/EU
 - ZGEN covers first \$100M of development costs
 - Post-\$100M, development cost sharing [20% ZGEN, 80% BMS]
 - ▶ BMS will develop in Rest of World
- Commercialization
 - ▶ Joint commercialization in US
 - Cost sharing and profit split [40% ZGEN, 60% BMS]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

RECOTHROM[®] recombinant human thrombin

- FDA approved January 2008
- 2008 U.S. market \$270M
- Rapid and reliable hemostasis
- Differentiated product
 - ▶ 100% plasma-free
 - ▶ Significantly lower rate of antibody formation compared to bovine thrombin
- U.S. commercial rights maintained and leveraged through Bayer co-promotion
- Ex-U.S. rights licensed to Bayer for milestones/royalties



RECOTHROM: Quarterly Net Sales



- 2009 U.S. net sales guidance: \$25-35M

Interleukin 21 (IL-21)

Activating the immune system to fight cancer

- Novel cytokine discovered at ZGEN
 - ▶ Proprietary and patent protected
 - ▶ Maintain worldwide rights
- Anti-tumor activity shown in Phase 1 and 2 trials
- Tolerability profile allows outpatient treatment
- Phase 2 studies to be completed in 2009
 - ▶ Renal cell carcinoma in combination with Nexavar
 - Encouraging final results reported at ASCO May 2009
 - ▶ Metastatic melanoma single agent therapy
 - Positive interim results reported May 2009
- Partnering efforts initiated in Q2 2009

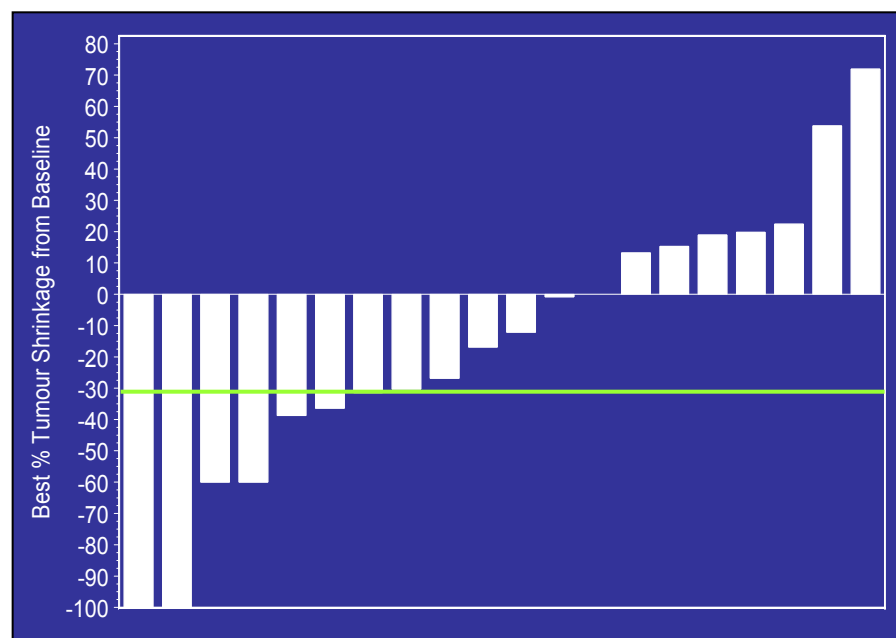
Single Agent IL-21: Encouraging Anti-tumor Activity in Metastatic Melanoma

Confirmed and Unconfirmed Objective Response (n=24 eligible patients)

OBJECTIVE RESPONSE	# pts	%
Complete Response (CR)	0	
Partial Response (PR)	7	29.2
Stable Disease (SD)	8	33.3
Progressive disease (PD)	8	
Inevaluable (IN)	1	

- Includes 2 patients with unconfirmed partial responses

Best response on study Maximum target lesion shrinkage by subject (n=20 eligible patients)

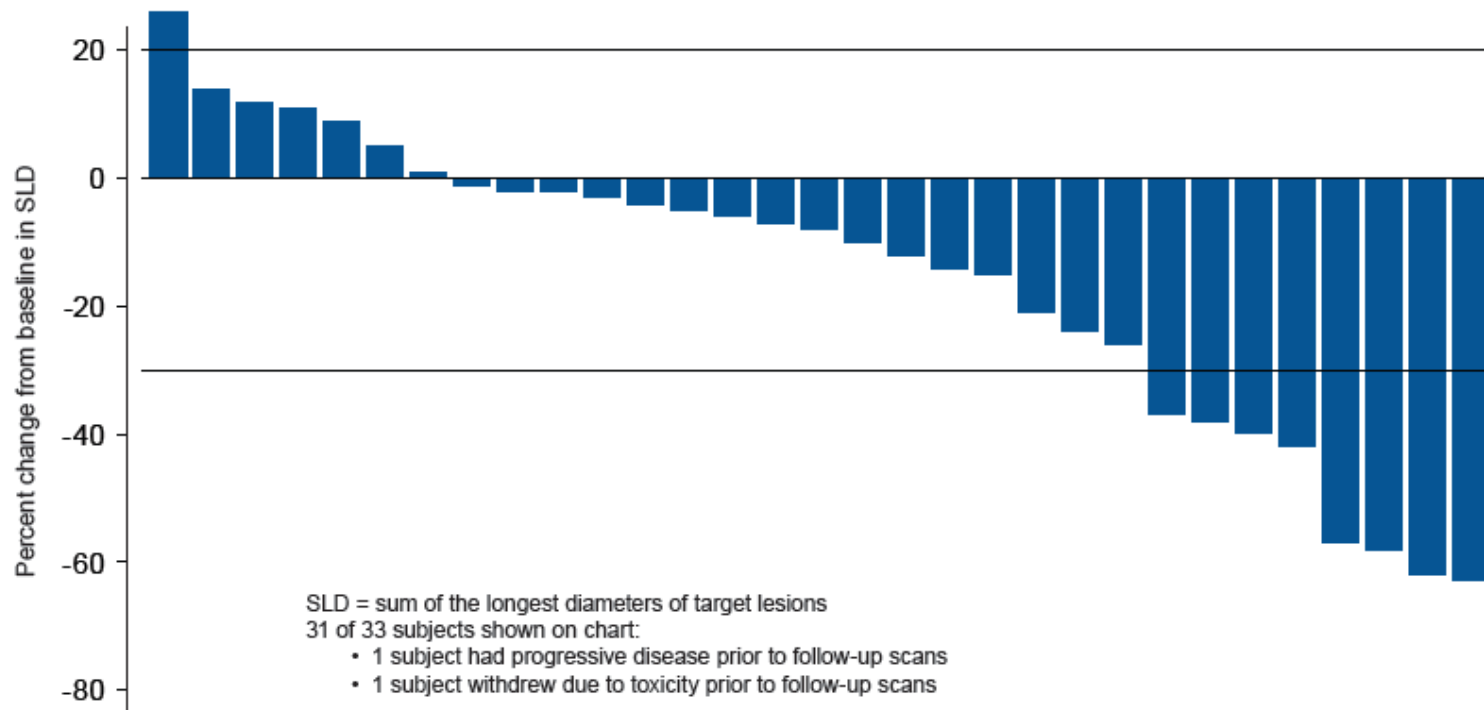


- subjects with 100% shrinkage were classified as PRs based on non-target lesions
- all patients with at least one follow-up measure of all baseline target lesions were included

Presented May 13, 2009 World Congress on Melanoma

IL-21 with Nexavar Phase 2 RCC Final Results: Maximum Tumor Reduction

Maximum Tumor Reduction on Study By Independent Review



- Response Rate – 21%
- Disease Control Rate – 82%
- Progression Free Survival – 5.7 months

Presented May 31, 2009 ASCO

Preclinical Pipeline




A history of generating promising assets

Autoimmunity / Inflammation

IL-21 mAb	Antagonist
IL-31 mAb	Antagonist
FcyR1a	Immune complex inhibitor
B7R1	Antagonist

- April 2009 restructuring creates greater focus
 - ▶ Oncology programs available for out-licensing
 - ▶ Internal focus on core strength in immunology

Out-Licensed Product Candidates Opportunities for Significant Value Generation

THERAPEUTIC CANDIDATE	Preclinical	Phase 1	Phase 2	Phase 3	Partner
Atacicept <i>Systemic Lupus Erythematosus</i> <i>Rheumatoid Arthritis</i> <i>Multiple Sclerosis</i>					
FGF-18 <i>Osteoarthritis</i>					
IL-17RC <i>Inflammatory Diseases</i>					
IL-22 Receptor <i>Psoriasis</i>					
rFactor XIII <i>Congenital Factor XIII Deficiency</i> <i>Cardiac Surgery</i> <i>Cancer-related Bleeding</i>					
IL-20 <i>Psoriasis</i>					
Augment Bone Graft (PDGF) <i>Orthopedic Fracture & Bone Defects</i>					
					
					

2009 Financial Guidance (as of August 3, 2009)

- Net RECOTHROM sales: \$25-35M
 - ▶ Cost of product sales 20-22% of net sales
- Other revenues: \$80-85M
- R&D expense: \$95-105M
- SG&A expense: \$60-65M
- Net loss: \$60-75M, or \$0.87-1.09 per share
- Ending cash: \$140-160M
 - ▶ Includes \$200M under PEG-IFN lambda collaboration
 - ▶ Excludes any other new partnerships
 - ▶ Excludes \$75M available under Deerfield LOC

Progress Toward 2009 Business Objectives

- Build market for RECOTHROM®
 - ▶ August 3: reiterated guidance for \$25-35M in 2009 net sales
- Aggressively develop PEG-Interferon lambda with partner Bristol-Myers Squibb
 - ▶ Planning underway to initiate Phase 2 by year end
- Improve cash position through cost cutting and partnering activities
 - ▶ \$200M expected from BMY collaboration
 - ▶ \$30M annual cost savings from staff reduction
 - ▶ Additional partnering discussions in process
 - ▶ Goal: end year with more than 2 years of cash



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