Unlocking the potential of innovative medicines

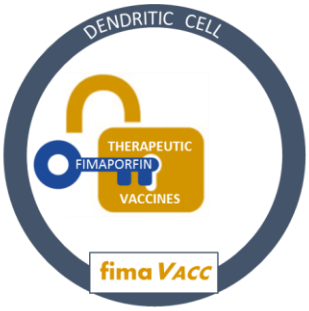
SECOND QUARTER AND FIRST HALF YEAR REPORT

2017

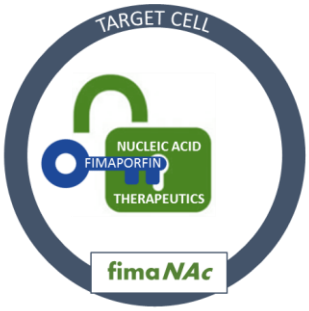
LEVERAGING THE PCI-TECHNOLOGY IN THREE DISTINCT AREAS

TRIGGERED ENDOSOMAL RELEASE

Enabling approved drugs to fulfil unmet local treatment need



Enhancing cellular immune responses important for therapeutic vaccines



Providing a delivery solution for nucleic acid therapeutics

ABOUT PCI BIOTECH

PCI Biotech is a cancer focused biopharmaceutical company headquartered in Norway and listed on the Oslo Stock Exchange (Axess). The company develops therapeutic products based on its proprietary photochemical internalisation (PCI) technology. Originating from world leading research at the Norwegian Radium Hospital, the PCI technology works by inducing light-triggered endosomal release and may be used to unlock the true potential of a wide array of therapeutic modalities, such as small molecules, vaccines and nucleic acids.

PCI Biotech's lead candidate is the photosensitiser fimaporfin (Amphinex®). A Phase I study of fimaporfin in cancer patients has been completed at University College Hospital in London and published in Lancet Oncology. Promising early signs of tumour response were seen in all 22 patients and the treatment seemed to be well tolerated, providing the first clinical proof-of-concept of the fimaporfin technology.

HIGHLIGHTS

- **fimaCHEM**
  - **Encouraging interim overall survival data from Phase I**
  - **First patient treated in the Phase I extension study**

- **fimaVACC**
  - **Tolerability of the vaccination technology established – awaiting initial results on overall T-cell responses**

- **fimaNAc**
  - **RXi Pharmaceuticals collaboration expanded into the field of immuno-oncology**
  - **Top-10 pharma collaboration extended and entered into *in vivo* studies**

CORPORATE

- **Dr Hans Olivecrona appointed as Chief Medical Officer**
- **Completion of a fully underwritten rights issue of NOK 70 million**
- **Awarded up to NOK 14.3 million in public grants for further development of the vaccination platform**

KEY FIGURES

(In NOK 1,000)	2017 1H	2017 Q2	2016 1H	2016 Q2	2016 FY
Other income	4 833	2 405	4 917	2 332	10 475
Operating costs	21 892	9 611	21 506	11 613	43 502
Operating results	-17 059	-7 205	-16 589	-9 281	-33 027
Financial items	403	181	283	111	843
Comprehensive income	**-16 657**	**-7 024**	**-16 306**	**-9 170**	**-32 184**
Cash & cash equivalents	**60 700**	**60 700**	**31 028**	**31 028**	**14 002**
Net cash flow from operating activities	**-18 334**	**-9 229**	**-18 221**	**-8 607**	**-35 247**

PCI Biotech reported important progress for the fimaCHEM programme during 1H 2017, with early promising signs of effect in Phase I. The study has also provided encouraging interim overall survival data averaging 15.6 months per end July 2017 (median 14.4 months), with 25% of the patients still being alive. These promising results may be further strengthened by repeating the treatment. Safety for repeated treatment will be investigated in a Phase I extension study and the first patient in this study was treated in August. Regulatory interactions to clarify the fastest way to market and subsequent preparations for Phase II will run in parallel with the extension study, thereby minimising time to initiation of a potential pivotal Phase II study with repeated treatment.

Clinical translation of the fimaVACC asset is progressing with tolerability being established and the initial results on overall T-cell responses from the study are expected to be available during 2H 2017.

The fimaNAc programme has showed positive progress and the research collaborations with RXi Pharmaceuticals and a top-10 pharma company have both entered into new stages during 2017.

The rights issue completed in Q1 2017 enables PCI Biotech to progress the fimaCHEM programme through regulatory interactions to determine the fastest way to market, as well as the Phase I extension study and other preparations for initiation of Phase II. The proceeds, together with a grant from the Norwegian Research Council, will also cover the clinical translation of the promising fimaVACC asset. The organisation will be strengthened with Dr Olivecrona as Chief Medical Officer (CMO) from October 2017.

OPERATIONAL REVIEW

fimaCHEM

The fimaCHEM programme aims to fulfil unmet medical needs by providing local enhancement of approved chemotherapies. The lead project – local enhancement of gemcitabine in bile duct cancer – is in clinical development with Amphinex, the intravenous formulation of fimaporfin.

ENCOURAGING INTERIM OVERALL SURVIVAL DATA

Per end July 2017 the interim average overall survival from Phase I in the study of fima*CHEM* for treatment of inoperable extrahepatic bile duct cancer patients was 15.6 months, with 25% of the patients still being alive. The median overall survival ended at 14.4 months. The survival data includes all dose cohorts, 16 patients in total and are encouraging when seen in relation to the most appropriate published comparator data. The emerging Phase I data were presented at The International Liver Congress in April 2017 and at the annual meeting of the US Cholangiocarcinoma Foundation in February 2017.

PHASE I EXTENSION STUDY INITIATED AND OTHER PREPARATIONS FOR PHASE II

The early promising signs of efficacy represent an important milestone for the bile duct cancer programme. However there may still be opportunity to optimise the treatment regimen as the Phase I results were based on a single fima*CHEM* treatment. In order to further optimise the treatment regimen in Phase II, a Phase I extension study has been initiated with the objective to determine safety and tolerability of repeated treatments with fima*CHEM*. The second fima*CHEM* treatment will be done 3-4 months after the initial treatment. The extension study will include a minimum of 6 evaluable patients and the first patient was treated in August 2017.

PCI Biotech has, based on the encouraging Phase I results, initiated processes to assess the fastest route to market for fima*CHEM* in this life-threatening rare disease without approved treatments. The development strategy for fimaporfin in bile duct cancer will be determined after completion of regulatory interactions with both European and US authorities and PCI Biotech is considering all relevant alternatives for regulatory approval. The regulatory interactions are expected to be completed during the second half of 2017. A US Orphan Drug Designation (ODD) application was submitted in Q1 2017 and the company is in interaction with the US Food and Drug Administration (FDA) to ensure a quickest possible process.

The Phase I extension study and other time-critical activities, such as completion of regulatory interactions and subsequent Phase II preparations, are performed in parallel, thereby minimising time to initiation of a potential pivotal Phase II study with repeated treatment.

The company plans to expand clinical development into the US and has therefore initiated a process to engage bile duct cancer clinicians and other key stakeholders in the US.

About bile duct cancer and the fima*CHEM* technology

Bile duct cancer originates in the ducts that drain bile from the liver into the small intestine. It is a rare cancer without approved chemotherapies and the development pipeline is weak. The annual incidence rate is 1-2 cases per 100,000 in the Western world, but rates are higher in most Asian countries. The majority of cases present as inoperable and there is a high-unmet need for improved treatment technologies.

Surgery is currently the only curative option for these patients, yet the majority of the tumours are inoperable. Standard treatment for inoperable patients is stenting to keep the bile duct open, followed by chemotherapy. Combination of the chemotherapeutics gemcitabine and cisplatin has become standard treatment, but there is a need to increase overall survival and quality of life.

Bile duct cancer is characterised by a remarkable resistance to common chemotherapy, and there is a high need for new drug classes or alternative methods. The most studied and used drug is gemcitabine, which also is one of the drugs significantly enhanced by the fima*CHEM* technology in preclinical studies. Light access for fima*CHEM* treatment is easy through routinely used endoscopic methods.

About comparator data for inoperable bile duct cancer

The median overall survival (OS) in the studies that established gemcitabine and cisplatin as standard treatment in cholangiocarcinoma (CCA) was 11.7 and 11.2 months respectively (Valle et al. NEJM (2010) 362:1273-81 and Okusaka et al. BJC (2010) 103:469-74). Gallbladder cancer patients had a poorer outcome in the latter study and the median OS was 13 months when these patients were excluded. These results represents the best available published comparator data, but are not directly comparable to the data in the fima*CHEM* Phase I study. The published studies include a wide range of different inoperable CCA patients, while the fima*CHEM* Phase I study focuses on inoperable perihilar CCA patients.

fima*VACC*

The fima*VACC* programme aims to enhance the cellular immune responses important for therapeutic effect of vaccines. This proprietary vaccination technology has entered clinical development, and is also subject to one active research collaboration.

TOLERABILITY OF THE VACCINATION TECHNOLOGY ESTABLISHED - AWAITING INITIAL RESULTS ON OVERALL T-CELL RESPONSES

PCI Biotech initiated in Q3 2016 clinical validation of the fima*VACC* technology through a Phase I study in healthy volunteers. To date more than 50 subjects have been included, and tolerability of intradermal treatment with fima*VACC* has been established. The initial results on overall T-cell responses are expected to be available in 2H 2017, later than initially expected due to delays in the set-up of the analytical assay. The change in reporting schedule will allow for presenting data from a larger base of subjects than initially planned.

The dose escalation part of the study will continue into second half of 2017 to identify the highest tolerable dosing, and be followed by further optimisation work aiming to identify a fima*VACC* regimen for optimal immune responses. The continued dosing work may lead to a higher number of subjects and the planned enrolment level has therefore increased with up to 30 additional subjects.

About immunotherapy with the fima*VACC* technology

The pharmaceutical industry has long recognised the potential of therapeutic cancer vaccination, i.e. vaccines that treat cancer by inducing or strengthening an immune response. Several companies have reported failed clinical studies in the past years, but the potential of combining vaccination with checkpoint inhibitors has triggered a renewed interest in therapeutic cancer vaccines. There are however still important unsolved issues and improving immunogenicity of vaccine candidates is a main priority in immunotherapy. PCI Biotech believes the fimaVacc technology may play an important role in solving this challenge.

Effective induction of cytotoxic T-cells is key to realise the huge potential of therapeutic cancer vaccination, but vaccines often fail to generate such responses. One of the most important reasons is probably insufficient delivery of vaccine antigens to the appropriate presentation pathway in immune cells for cytotoxic T-cell induction. The fimaVacc technology may solve this challenge by effectively enhancing the vaccine presentation through this pathway.

fima*NAc*

The fima*NAc* programme provides a targeted intracellular delivery technology for nucleic acid therapeutics. It is a preclinical stage opportunistic programme subject to four active research collaborations.

PRECLINICAL RESEARCH COLLABORATIONS ENTERING NEW STAGES

The collaboration with RXi Pharmaceuticals was in Q2 2017 extended and supported by a new preclinical research collaboration agreement that reflects both RXi's recently completed acquisition of MirImmune and PCI Biotech's focus in oncology. In brief, the preclinical research collaboration will evaluate technology compatibility and synergy based on in vivo studies. The companies will evaluate results achieved from this research collaboration and then explore the potential for a further partnership within the field of immuno-oncology.

In July 2017 the preclinical research collaboration with an undisclosed top-10 pharma company, initiated in September 2015, was extended until the end of 2017. The pharma company is one of the global leaders in nucleic acid therapeutics. The aim of the extension is to further evaluate the synergistic effects of both parties' technology platforms and to determine whether PCI Biotech's fima*NAc* technology has the potential to enhance the therapeutic effect of the partner's nucleic acid therapeutic compounds. The previous agreement covered *in vitro* studies, while this extension is supported by an expansion of the preclinical research collaboration agreement to cover evaluation of technological compatibility and synergy based on *in vivo* studies. The companies will evaluate the data generated in this research collaboration and explore the potential for further partnership based on this outcome. The extended evaluation period spans over six months, but may be further extended.

About the fima*NAc* and nucleic acid therapy

The fima*NAc* technology may enhance the delivery of most types of nucleic acids. Several forms of nucleic acids are widely acknowledged to have a large therapeutic potential, and numerous clinical trials are underway. The therapeutic potential of such compounds is challenged by the obstacles to achieve adequate intracellular access, which the fima*NAc* technology may resolve.

The fima*NAc* programme has four active research collaborations with key players in the field of nucleic acid therapeutics. These aim to explore synergies between partners proprietary nucleic acid technologies and the fima*NAc* technology. The collaboration partners span from an undisclosed big pharma company to three mid-/small-size biotechs: BioNTech, eTheRNA immunotherapies and RXi Pharmaceuticals.

CORPORATE

Dr Hans Olivecrona appointed as Chief Medical Officer

Dr Hans Olivecrona MD PhD is appointed as Chief Medical Officer (CMO). Dr Olivecrona will also serve as a member of PCI Biotech's executive management team and he will take on his new position in October 2017. Dr Olivecrona will lead the execution of all clinical development programmes, and be a key contributor to the identification and implementation of new opportunities and pipeline expansions.

Dr Olivecrona brings extensive experience in the development and commercialisation of novel therapeutics. In his most recent role Dr Olivecrona held the position as Senior Medical Director at Swedish Orphan Biovitrum (Sobi AB) in Stockholm, Sweden, with the responsibility for medical affairs and all medical aspects of business development for Sobi's international partner product portfolio. Prior to this, Dr Olivecrona held various positions spanning from preclinical and clinical development to regulatory interactions. Dr Olivecrona has a PhD from the Karolinska Institute and his work experience includes 20 years of academic clinical background, mainly within oncological surgery with a specialty in gastrointestinal cancers. Dr Olivecrona also headed a hospital research facility and is the author of numerous scientific publications.

FINANCIAL REVIEW

Fully underwritten rights issue of NOK 70 million completed

An extraordinary general meeting resolved in December 2016 a fully underwritten rights issue of NOK 70 million, which was completed in January 2017. The net proceeds of approximately NOK 65 million enable PCI Biotech to progress the fima*CHEM* programme in bile duct cancer through regulatory interactions to determine fastest way to market in both EU and US, as well as the Phase I extension study and other preparations for initiation of Phase II. Furthermore, the proceeds will be allocated to the promising fima*VACC* programme for immunotherapy and alliance management of the current research collaborations.

Allocation of share options to key employees

The Board of Directors of PCI Biotech Holding ASA awarded a total of 340,000 share options to key employees in May 2017. Each share option gives the right to subscribe for or acquire one share per option (after PCI Biotech Holding ASA's choice), at a strike price of NOK 24.95 and the share options will lapse in Q3 2022. Please see Note 11 and 12 for further details.

New grants

The fima*VACC* programme received in January 2017 a grant of up to NOK 13.8 million from the Research Council of Norway (BIA-programme). The grant will be distributed over the course of three and a half years, 2017-2020.

PCI Biotech and Ultimovacs AS, a Norwegian clinical stage cancer vaccine company, have received a grant of up to NOK 0.5 million for 2017, dedicated to the existing research collaboration within PCI Biotech's fima*VACC* programme.

Income Statement

(Figures in brackets = same period 2016 unless stated otherwise).

The Group did not record revenues for Q2 and 1H 2017. Grants received from various public sources such as the Norwegian Research Council and "SkatteFUNN" were recorded as other income. Other income for Q2 and 1H 2017 amounted to NOK 2.4 million (NOK 2.3 million) and NOK 4.8 million (NOK 4.9 million) respectively.

Expenditure on research activities is recognised as an expense in the period in which it was incurred. The Group has no development expenditure that qualifies for recognition as an asset under IAS 38 and all research expenses are recorded in the profit and loss statement, in line with previous years. Research and development (R&D) costs for Q2 and 1H 2017 totalled NOK 8.5 million (NOK 10.8 million) and NOK 19.9 million (NOK 19.8 million) respectively.

Net loss for the quarter was NOK 7.0 million (NOK 9.2 million). Net loss for the first half was NOK 16.7 million (NOK 16.3 million).

Cash flow and balance sheet

The Group held cash and cash equivalents of NOK 60.7 million at the end of the quarter, compared to NOK 14.0 million at year-end 2016. The increase is due to net proceeds of NOK 65.0 million from the rights issue completed in January 2017. All cash and cash equivalents were placed as bank deposits at the end of the quarter.

Cash flow from operations is mainly dependent on R&D activity. Net cash flow from operating activities was NOK -9.2 million in the quarter (NOK -8.6 million) and NOK -18.3 million for the first half year (NOK -18.2). The increase in short-term receivables from NOK 8.4 million at year-end 2016 to NOK 10.6 million at Q2 2017 was mainly due to increased “SkatteFUNN” grants not yet received.

OTHER

Risks and uncertainty factors for 2017

PCI Biotech is exposed to uncertainties and risk factors, which may influence some or all of the company’s activities. As described in the Annual Report 2016, the most important risks the company is exposed to in 2017 are associated with progress and performance of R&D programmes, and the associated regulatory affairs and market risk. No circumstances have been identified that significantly change the uncertainties and risk factors described in the Annual Report 2016.

Related party transactions

PCI Biotech is relying on services provided by third parties, including related parties, as a result of its organisational set-up. PCI Biotech considers its business relationship with The Norwegian Radium Hospital Research Foundation as the only material ordinary related party transactions in 1H 2017.

The rights issue of NOK 70 million completed in January 2017 was fully underwritten, subject to customary terms and conditions, by an underwriting syndicate. The Norwegian Radium Hospital Research Foundation, other larger shareholders, Hans Peter Bøhn (Chairman of the Board of PCI Biotech Holding ASA) and Lars Viksmoen (member of the Board of PCI Biotech Holding ASA) participated in the underwriting syndicate. Please see Note 7 for further details.

Post-closing events

In July 2017 the preclinical collaboration agreement with a top 10 big pharma company was extended until the end of 2017. Per end July 2017 the interim average overall survival from Phase I in the study of fima*CHEM* for treatment of inoperable extrahepatic bile duct cancer patients was 15.6 months, with 25% of the patients still being alive. The median overall survival ended at 14.4 months. The first patient in the Phase I extension study in bile duct cancer was treated in August 2017.

PCI Biotech is not aware of any other post-closing events, which could materially influence this interim financial statement.

OUTLOOK

PCI Biotech's lead project is clinical development of fima*CHEM* (fimaporfin (Amphinex®) in combination with gemcitabine) for treatment of inoperable bile duct cancer; an orphan disease with high unmet medical need. The promising early signs of efficacy in Phase I may have opened new opportunities and the company has initiated regulatory interactions with the aim to achieve clarity on the fastest route to market for this orphan indication. The development strategy will be determined after completion of these regulatory interactions, which will continue into the second half of 2017.

PCI Biotech believes the PCI technology has potential to play a role in the realisation of several new therapeutic modalities, including cancer immunotherapy (fima*VACC*) and nucleic acid therapeutics (fima*NAc*). The active collaborations show that external companies share this view.

Clinical validation of the promising fima*VACC* technology is essential for PCI Biotech's role within the immunotherapy space and the phase I study in healthy volunteers will provide results on clinical translation of the technology. Initial results on overall T-cell responses from the first phase of the study are expected to be available during 2H 2017.

The fima*NAc* programme will continue to follow an opportunistic approach, pursuing out-licensing opportunities.

The main priorities of PCI Biotech are to:

- Effectively drive the fima*CHEM* development programme in inoperable bile duct cancer;
- Progress and finalise the fima*VACC* phase I study in healthy volunteers;
- Alliance management and partnering activities across all commercially interesting areas for the PCI platform.

The Board of Directors and CEO
PCI Biotech Holding ASA
Oslo, 28 August 2017

Hans Peter Bøhn Chairman (sign)	Christina Herder Director (sign)	Hilde H. Steineger Director (sign)
Kjetil Taskén Director (sign)	Lars Viksmoen Director (sign)	Per Walday CEO (sign)

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the unaudited condensed set of financial statements for the first half of 2017 which has been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the Group's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair view of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

The Board of Directors and CEO
PCI Biotech Holding ASA
Oslo, 28 August 2017

Hans Peter Bøhn Chairman (sign)	Christina Herder Director (sign)	Hilde H. Steineger Director (sign)
Kjetil Taskén Director (sign)	Lars Viksmoen Director (sign)	Per Walday CEO (sign)

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

PROFIT AND LOSS

(In NOK 1,000)	Note	2017 Q2	2016 Q2	2017 1H	2016 1H	2016 FY
Other income	5	**2 405**	**2 332**	**4 833**	**4 917**	**10 475**
Research and development	8	8 524	10 811	19 853	19 833	39 216
General and administrative		1 087	802	2 039	1 673	4 286
Operating costs		**9 611**	**11 613**	**21 892**	**21 506**	**43 502**
Operating results		**-7 205**	**-9 281**	**-17 059**	**-16 589**	**-33 027**
Financial income and costs						
Financial income		211	111	403	287	847
Financial expenses		29	0	0	3	4
Net financial result		**181**	**111**	**403**	**283**	**843**
Profit/loss before income tax		**-7 024**	**-9 170**	**-16 657**	**-16 306**	**-32 184**
Income tax	9	0	0	0	0	0
Net profit/loss	4	**-7 024**	**-9 170**	**-16 657**	**-16 306**	**-32 184**
Other comprehensive income		0	0	0	0	0
Comprehensive income		**-7 024**	**-9 170**	**-16 657**	**-16 306**	**-32 184**

BALANCE SHEET

(In NOK 1,000)	Note	2017 30.06	2016 30.06	2016 31.12
Fixed and intangible assets				
Operating assets		3	7	5
Total fixed and intangible assets		**3**	**7**	**5**
Current assets				
Short term receivables	*7*	10 581	9 011	8 391
Cash & cash equivalents	*7*	60 700	31 028	14 002
Total current assets		**71 281**	**40 039**	**22 393**
Total assets		**71 284**	**40 047**	**22 398**
Shareholders' equity and liabilities				
Shareholders' equity				
Paid in capital		230 411	165 379	165 379
Other reserves		-167 428	-136 692	-152 293
Total equity	*10*	**62 983**	**28 687**	**13 086**
Trade debtors		1 563	3 354	2 080
Other short term liabilities		6 738	8 006	7 232
Total liabilities		**8 301**	**11 360**	**9 312**
Total shareholders' equity and liabilities		**71 284**	**40 047**	**22 398**

CHANGE IN SHAREHOLDERS EQUITY

(In NOK '000)	2017 Q2	2016 Q2	2017 1H	2016 1H	2016 FY
Equity at beginning of period	**68 953**	**37 508**	**13 086**	**44 284**	**44 284**
Capital increase	-	-	65 032	-	-
Share option scheme	1 054	349	1 521	709	986
Comprehensive income in the period	-7 024	-9 170	-16 657	-16 306	-32 184
Equity at end of period	**62 983**	**28 687**	**62 983**	**28 687**	**13 086**

CASH FLOW

(In NOK '000)	2017 Q2	2016 Q2	2017 1H	2016 1H	2016 FY
Ordinary profit before taxes	-7 024	-9 170	-16 657	-16 306	-32 184
Depreciation, amortisation and write off	1	1	2	2	5
Share options	1 054	349	1 521	709	986
Net financials	-181	-111	-403	-283	-843
Changes in working capital	-3 260	212	-3 200	-2 627	-4 053
Cash flow from operating activities	-9 410	-8 718	-18 737	-18 504	-36 089
Net financials	181	111	403	283	843
Taxes paid	-	-	-	-	-
Net cash flow from operating activities	-9 229	-8 607	-18 334	-18 221	-35 247
Cash flow from financial activities					
Net proceeds from share issues	-	-	65 032	-	-
Net cash flow from financial activities	-	-	65 032	-	-
Net change in cash during the period	-9 229	-8 607	46 698	-18 221	-35 247
Cash and cash equivalents at the beginning of the period	69 929	39 635	14 002	49 249	49 249
Cash and cash equivalents at the end of the period	**60 700**	**31 028**	**60 700**	**31 028**	**14 002**

SELECTED EXPLANATORY NOTES:

1. Nature of operation

PCI Biotech Holding ASA (PCI Biotech) was established in 2008, and comprises PCI Biotech Holding ASA, the fully owned subsidiary PCI Biotech AS and the dormant Icelandic Branch PCI Biotech Utibu. PCI Biotech AS was a subsidiary of Photocure ASA until June 2008. The PCI Biotech shares have been listed on the Oslo Axess since 18 June 2008 under the ticker PCIB. The company is headquartered in Oslo, Norway.

PCI Biotech has developed a unique and patented photochemical intracellular drug delivery technology for use in cancer therapy and other diseases. The technology may also be used to enhance the immunological response of vaccines. The company collaborates closely with The Norwegian Radium Hospital in Oslo, Norway and receives substantial funding on several projects from the Research Council of Norway. The company has an extensive international collaboration network with recognised expert groups in both drug delivery and vaccination. Photochemical Internalisation (PCI) is a proprietary technology for light-directed intracellular drug delivery by triggered endosomal release.

The PCI technology has potential to improve the efficacy of both existing drugs and new classes of drugs, such as therapeutic vaccines, gene therapy and other therapies based on nanotechnology or on biotechnological principles. The company's objective is to prove the clinical usefulness of the technology with various drugs and subsequently license out the technology to partners for further development and marketing. Revenues will be generated at the time of partnering and onwards from up-front payments, milestone payments and royalties from sales. PCI Biotech works on the development of PCI products for enhanced delivery of existing cancer drugs (fima*CHEM)*, and as a platform that may both potentiate the effect of vaccines (fima*VACC*) and delivery of nucleic acids (fima*NAC*). PCI Biotech has one active clinical development project in the fima*CHEM* programme, with the lead candidate fimaporfin (Amphinex) in combination with the chemotherapeutic agent gemcitabine for treatment of bile duct cancer. The company also has one active study in the fima*VACC* programme, a phase I study in healthy volunteers, for clinical proof of concept of fima*VACC's* ability to enhance and direct the response of vaccines towards a stronger cellular type immunity. The fima*NAC* programme is in preclinical stage.

2. Basis of presentation

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These condensed interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016 (hereafter 'the Annual Financial Statements'), as they provide an update of previously reported information. The accounting policies used are consistent with those used in the Annual Financial Statements. The presentation of the condensed interim financial statements is consistent with the Annual Financial Statements. This interim report has not been subject to an audit. The going concern assumption has been applied when preparing this interim financial report. The board of directors approved the condensed interim financial information on 28 August 2017.

PCI Biotech has Norwegian kroner (NOK) as its functional currency and presentation currency. In the absence of any statement to the contrary, all financial information is reported in whole thousands. As a result of rounding adjustments, the figures in the condensed interim financial statements may not add up to the totals.

3. Summary of significant accounting policies

The accounting policies applied and the presentation of the interim condensed consolidated financial information is consistent with the consolidated financial statements for the year ended 31 December 2016.

The new standards and interpretations or amendments to published standards that were effective for the annual period beginning on January 1, 2017 or later and that could affect PCI Biotech are discussed in accounting policies, part 4, to the consolidated financial statements for 2016. In the 2016 financial statements, PCI Biotech made evaluations that at current stage *IFRS 15 Revenue from contract with customers*, *IFRS 16 Leases, IFRS 9 Financial Instruments* and amendments to *IAS 7 Cash Flows* are not expected to have a material impact on the Group's financial position, performance and/or disclosure.

4. Important accounting valuations, estimates and assumptions

Estimates and judgments are evaluated on an on-going basis and are based on historical experience and other factors, including expectations of future events that are considered to be relevant.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31st, 2016.

5. Earnings per share

Earnings per share

	2017 Q2	2016 Q2	2017 1H	2016 1H	2016 FY
Result allocated to shareholders (NOK'000)	-7 024	-9 170	-16 657	-16 306	-32 184
Weighted average of outstanding shares ('000)	24 900	14 900	23 747	14 900	14 900
Earnings per share (NOK per share)	-0.28	-0.62	-0.70	-1.09	-2.16

Diluted earnings per share:

	2017 Q2	2016 Q2	2017 1H	2016 1H	2016 FY
Result allocated to shareholders (NOK'000)	-7 024	-9 170	-16 657	-16 306	-32 184
Weighted average of outstanding shares ('000)	25 295	15 001	24 132	14 986	15 003
Earnings per share (NOK per share)	-0.28	-0.62	-0.70	-1.09	-2.16

Weighted average of outstanding diluted shares is weighted number of average number of shares adjusted with share options that are in the money. Earnings per share is not affected by the dilution if negative results in the period.

6. Segment information

The Company reports only one segment and had no revenues for the reporting period. Government grants are recognised at the value of the contribution at the transaction date. Grants are not recognised until it is probable that the conditions attached to the contribution will be achieved. The grants are recognised in the statement of profit and loss in the same period as the related costs, and are disclosed as other income. The Company has recognised Norwegian grants and tax incentive scheme (SkatteFUNN) in the period.

7. Related party transactions

PCI Biotech is relying on services provided by third parties, included related parties, as a result of its organisational set-up. PCI Biotech considers that its business relationship with The Norwegian Radium Hospital Research Foundation regarding research and overall PCI technology development represent

related party transactions. The following table shows the extent of such transactions in the reported periods (all figures in NOK '000):

Purchase of services	2017 Q2	2016 Q2	2017 1H	2016 1H	2016 FY
The Norwegian Radium Hospital Research Foundation	923	675	1 745	1 575	3 060

At the end of the quarter PCI Biotech had NOK 0.8 million in short-term liability to The Norwegian Radium Hospital Research Foundation.

In connection with the fully underwritten rights issue of NOK 70 million resolved in January 2017, the underwriters received an underwriting fee equal to 2.0 per cent of their underwriting obligations. The Norwegian Radium Hospital Research Foundation entered into the underwriting syndicate with NOK 5.0 million. In addition, Hans Peter Bøhn, Chairman of the Board of Directors of PCI Biotech, and Lars Viksmoen, member of the Board of PCI Biotech, had both entered into the underwriting agreement and had each separately underwritten NOK 1.0 million of the rights issue. The corresponding underwriting fees were settled in January 2017.

8. Credit risk, foreign currency risk and interest risk

Credit risk
PCI Biotech has no sales for 2016 and 2017 and faces therefore no credit risk.

Maturity profile on short-term receivables at the end of the quarter (all figures in '000 NOK):

	Not due (prepaid expenses)	Less than 3 months	3 to 12 months	More than 12 months	Total
Trade receivables	-	-	-	-	-
Other receivables	894	367	6 820	2 500	10 581
Total receivables	**894**	**367**	**6 820**	**2 500**	**10 581**

A majority of the short-term receivables relates to accrued, not received grants (BIA) and tax incentive scheme (SkatteFUNN).

Foreign currency risk
PCI Biotech has transactional currency exposure arising from purchases in currencies other than the functional currency (NOK). PCI Biotech has not implemented any hedging strategy to reduce foreign currency risk.

Interest risk
PCI Biotech has no interest bearing debt.

9. Research and Development costs

All figures in '000 NOK

	2017 Q2	2016 Q2	2017 1H	2016 1H	2016 FY
Clinical studies	4 519	5 024	10 655	8 726	20 331
Pre-clinical studies	2 469	3 972	4 604	6 764	10 480
CMC and equipment	935	787	2 754	2 310	4 687
Patents	669	1 028	1 908	2 033	3 718
Other costs	0	0	0	0	0
Total	**8 524**	**10 811**	**19 853**	**19 833**	**39 216**

10. Deferred tax and deferred tax assets

At the end of the quarter, the group held NOK 74.8 million in non-capitalised deferred tax assets, which mainly relates to carry forward losses.

11. Share options

In accordance with the authorisation granted by the Annual General Meeting 19 May 2016, the Board of Directors of PCI Biotech Holding ASA awarded a total of 340,000 share options to key employees in May 2017. Each share option gives the right to subscribe for or acquire one share per option (after PCI Biotech Holding ASA's choice), at a strike price of NOK 24.95, equal to the volume weighted average share price (VWAP) for the last 5 days of trade prior to the grant date. The options can be exercised with 1/3 of the options after one year, further 1/3 after two years and the last third after three years. The share options lapse in Q3 2022. The fair value of the net allocation of 340,000 share options using the Black-Scholes valuation model was NOK 7.8 million. The significant input to the model were; strike price of NOK 24.95, share price of NOK 26.10 at the grant day, volatility of 132%, risk free rate of 1.1% and dividend yield of 0%

Of these share options, 95,000 share options were allotted to Per Walday, CEO. After the allocation, Per Walday holds a total portfolio of 120,000 unexercised share options and 63,561 shares.

60,000 share options were allotted to Anders Høgset, CSO. After the allocation, Anders Høgset holds a total portfolio of 77,000 unexercised share options and 61,375 shares.

50,000 share options were allotted to Ronny Skuggedal, CFO. After the allocation, Ronny Skuggedal holds a total portfolio of 116,000 unexercised share options and 25,066 shares.

20,000 share options were allotted to Kristin Eivindvik, PD. After the allocation, Kristin Eivindvik holds a total portfolio of 44,500 unexercised share options and 16,867 shares.

15,000 share options were allotted to Gaël L'Hévéder, CBDO. After the allocation, Gaël L'Hévéder holds a total portfolio of 106,000 unexercised share options and 10,000 shares.

The current authorisation, as of 29 May 2017, allows for a total of 1,865,000 share options, of which 735,000 have been granted by the Board of Directors. The authorisation is valid for 2 years.

Share options outstanding at the end of the period have the following expiry date and exercise prices:

Expiry date	Exercise price in NOK per share	Number of options 30.06.2017	31.12.2016
2017 - Q3	19.90	86 500	86 500
2018 - Q3	10.55	85 000	85 000
2018 - Q3	10.02	40 000	40 000
2020 - Q3	9.11	73 500	73 500
2020 - Q3	3.79	110 000	110 000
2022 – Q3	24.95	340 000	-
Total		**735 000**	**395 000**

The exercise prices have, due to the capital increase resolved in January 2017, been recalculated in Q1 2017 according to the employee share option agreements. This change led to a total increase of share option cost of NOK 0.4 million and were accounted for immediately.

Overview options, Senior executives	Total holdings 31.12.2016	Allocated	Lapsed	Exercised	Expired	Total holdings 30.06.2017
Per Walday, CEO	25 000	95 000	0	0	0	120 000
Ronny Skuggedal, CFO	66 000	50 000	0	0	0	116 000
Anders Høgset, CSO	17 000	60 000	0	0	0	77 000
Gaël L'Hévéder, CBDO	91 000	15 000	0	0	0	106 000
Kristin Eivindvik, PD	24 500	20 000	0	0	0	44 500
Sum	**223 500**	**240 000**	**0**	**0**	**0**	**463 500**

12. Share capital

The Company completed a fully underwritten rights issue of NOK 70 million in gross proceeds at a subscription price of NOK 7 per share, with pre-emptive subscription rights for existing shareholders. The capital increase was registered in the Norwegian Register of Business Enterprises on the 19th January 2017 and 10,000,000 new shares were admitted for trading the following day. The new share capital in the Company per 19th January 2017 is NOK 74,701,170 divided into 24,900,390 shares, each with a nominal value of NOK 3.00 and each giving one vote at the Company's general meeting. Net proceeds from the rights issue was approximately NOK 65.0 million.

	No. of shares	Nominal value per share in NOK	Share capital in NOK
31.12.2016	14 900 390	3.00	44 701 170
Rights Issue	10 000 000	3.00	30 000 000
30.06.2017	**24 900 390**	**3.00**	**74 701 170**

The Annual General Meeting held 29 May 2017 authorised the Board of Directors to execute share capital increases by issuing up to 1,865,000 shares with a nominal value of NOK 3 in connection with the company's employee incentive program. The authorisation is valid for 2 years.

The Annual General Meeting held 29 May 2017 authorised the Board of Directors to execute share increases the share capital with up to NOK 8,029,600 in connection with private placements. The authorisation shall not be used to increase the share capital by an amount in excess of 10% of the share capital, based in the share capital per 29 May 2017 and potential share capital increases in

relation to the employee incentive programme. The authorisation may be used for general corporate purposes. The authorisation is valid for 2 years.

The Company has more than 2,900 shareholders (year-end 2016: 2,200) at the end of the quarter.

10 largest shareholders per 30 June 2017:

Name	No. of shares	Ownership
FONDSAVANSE AS	2 540 840	10,20
RADIUMHOSPITALETS FORSKNINGSSTIFTELSE	1 597 274	6,41
MP PENSJON PK	1 447 504	5,81
NORDNET LIVSFORSIKRING	715 766	2,87
GRESSLIEN ODD ROAR	556 000	2,23
MYRLID AS	555 900	2,23
BERG-LARSEN ALEXANDER	547 293	2,20
NORDNET BANK AB	467 440	1,88
SYVERTSEN SVEIN ERIK	437 107	1,76
AASEN KJETIL MYRLID	370 000	1,49
Total 10 largest shareholders	**9 235 124**	**37,1 %**
Others	*15 665 266*	*62,9 %*
Total	*24 900 390*	*100 %*

Shares owned, directly or indirectly, by members of the board, senior executives and their personally related parties per end of the quarter:

		No. of shares		Subscription rights
Name	**Position**	**30.06.2017**	**31.12.2016**	**31.12.2016***
Hans Peter Bøhn	Chairman	83 556	50 000	33 556
Christina Herder	Board member	8 355	5 000	3 355
Kjetil Taskén (Kjetil Taskén AS)	Board member	4 000	4 000	0
Lars Viksmoen (Stocken Invest AS)	Board member	4 000	4 000	0
Hilde H. Steineger	Board member	0	0	0
Per Walday	CEO	63 561	34 019	29 542
Anders Høgset	CSO	61 375	29 177	32 198
Ronny Skuggedal	CFO	25 066	15 000	10 066
Gaël L'Hévéder	CBDO	10 000	10 000	0
Kristin Eivindvik	PD	16 867	7 985	8 882
Total		**276 780**	**159 181**	**117 599**

*All subscription rights per 31.12.2016 were subscribed for in the share issue resolved in January 2017. There were no remaining subscription rights per 30.06.2017.

13. Other short term liabilities

Other short term liabilities mainly consist of accrued R&D and salary related costs and public duties.

14. Subsequent events

In July 2017 the preclinical collaboration agreement with a top 10 big pharma company was extended until the end of 2017. Per end July 2017 the interim average overall survival from Phase I in the study of fima*CHEM* for treatment of inoperable extrahepatic bile duct cancer patients was 15.6 months, with 25% of the patients still being alive. The median overall survival ended at 14.4 months. The first patient in the Phase I extension study in bile duct cancer was treated in August 2017.

PCI Biotech is not aware of any other post-closing events, which could materially influence this interim financial statement.

DEFINITIONS AND GLOSSARY

Amphinex:	Trade name of the clinical intravenous formulation of fimaporfin
FDA:	US Food and Drug Administration
Fimaporfin:	Generic name of the photosensitiser active ingredient TPCS2a
IND	Investigational New Drug
In vitro:	Studies performed with cells or biological molecules studied outside their normal biological context; for example proteins are examined in solution, or cells in artificial culture medium.
In vivo:	Studies in which the effects of various biological entities are tested on whole, living organisms usually animals.
ODD:	Orphan Drug Designation
PCI:	Photochemical internalisation
PFS:	Progression Free Survival
R&D:	Research and Development
FY:	Financial year (1st January – 31st December)
NOK:	Norwegian kroner
Q2:	Second quarter (1st April – 30th June)
1H	First half year (1st January – 30th June)

FINANCIAL CALENDAR

Q3 2017 Report	14 November 2017

INVESTOR CONTACT

Contact person: Ronny Skuggedal, CFO, email: rs@pcibiotech.no, mob: +47 9400 5757

FORWARD LOOKING STATEMENTS

This Report contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, and are sometimes identified by the words “believes”, expects”, “predicts”, “intends”, “projects”, “plans”, “estimates”, “aims”, “foresees”, “anticipates”, “targets”, and similar expressions. The forward-looking statements contained in this Report, including assumptions, opinions and views of the Company or cited from third party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that are expressed or implied by statements and information in the Report, including, among others, risks or uncertainties associated with the Company’s business, segments, development, growth management, financing, market acceptance and relations with customers, and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations, taxes, changes in competition and pricing environments, and fluctuations in currency exchange rates and interest rates. None of the Company or any of its subsidiaries or any such person’s directors, employees or advisors provide any assurance that the assumptions underlying forward-looking statements expressed in this Report are free from errors nor does any of them accept any responsibility for the future accuracy of such forward-looking statements.

PCI BIOTECH HOLDING ASA
Ullernchausséen 64
N-0379 Oslo
Norway

Phone: +47 67 11 54 00
email: post@pcibiotech.com
web: www.pcibiotech.com

PCI BIOTECH AS, subsidiary
Ullernchausséen 64
N-0379 Oslo
Norway