Unlocking the potential of innovative medicines

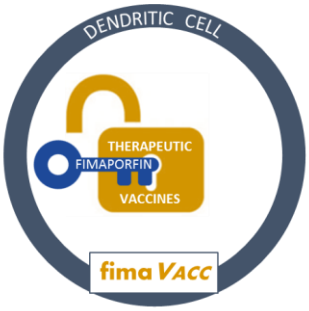
SECOND QUARTER AND FIRST HALF YEAR REPORT

2016

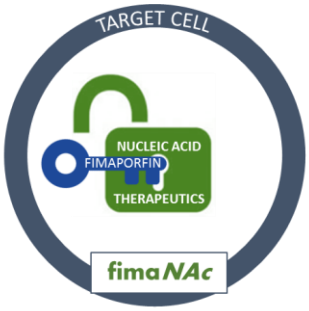
LEVERAGING THE PCI-TECHNOLOGY IN THREE DISTINCT AREAS

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 is developing 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 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 (AmphinexTM). 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 FIRST HALF OF 2016 AND BEYOND

- **fimaCHEM**
  - **Granted Orphan Drug Designation of fimaporfin for treatment of bile duct cancer in EU**
  - **Commissioned independent expert evaluation of the early promising response data – results expected Q3**
  - **Lancet Oncology publication of the fimaporfin (Amphinex) first-in-man Phase I study – with independent expert commentary**
- **fimaVACC**
  - **Ready for clinical validation – a major milestone towards potential commercialisation**
  - **Initiated first research collaboration with commercial entity**

"We were very pleased that fimaporfin was granted orphan designation for use in bile duct cancer in EU, which supports our further development of fimaporfin in this indication and provides important development and commercialisation benefits.
The publication of our first-in-man Phase I study with Amphinex in the prestigious peer-reviewed scientific journal Lancet Oncology, including an independent expert commentary on PCI treatment, signifies the quality of this work and the interest in the fimaCHEM *treatment approach.*
We are also pleased to announce that fimaVACC *is now ready for clinical validation in a well-designed phase I study, providing read-out already in 1H 2017."*
Per Walday, CEO

KEY FIGURES

(In NOK 1,000)	2016 Q2	2016 1H	2015 FY
Other Income	2 332	4 917	10 467
Operating costs	11 613	21 506	43 096
Operating results	-9 281	-16 589	-32 629
Financial items	111	283	707
Comprehensive income	**-9 170**	**-16 306**	**-31 922**
Cash & cash equivalents	**31 028**	**31 028**	**49 249**
Net cash flow from operating activities	**-8 607**	**-18 222**	**-31 974**

OPERATIONAL REVIEW

fima*CHEM*

The fima*CHEM* programme aims to fulfil unmet needs by 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.

ORPHAN DESIGNATION GRANTED IN EU FOR FIMAPORFIN IN BILE DUCT CANCER

Orphan designation for fimaporfin in bile duct cancer, was received from the European Commission in August 2016. Bile duct cancer is a rare disease and PCI Biotech's business case is based on the assumption of approved orphan drug designations in both EU and US. The orphan drug designation in EU is therefore an important milestone for the programme that provides important development and commercialisation benefits for fimaporfin in this indication.

COMMISIONED INDEPENDENT EXPERT EVALUATION OF THE EARLY PROMISING RESPONSE DATA

The company has commissioned an independent evaluation of the radiology data from patients treated in cohort III and the expanded cohort IV of the Phase I part of the study. A central independent evaluation of data is expected to be mandatory for potential regulatory acceptance of radiological endpoints and has therefore been initiated to verify the promising early signs of efficacy reported from the various European sites. The central external evaluation is performed by radiology experts from the US, according to the generally accepted response evaluation criteria in solid tumours (RECIST). The company expects to report the results of the independent evaluation in Q3 2016.

About bile duct cancer and PCI treatment

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 the only current 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 is one of the drugs significantly enhanced by the fima*CHEM* technology in preclinical studies. Light access for PCI treatment is easy through routinely used endoscopic methods.

LANCET ONCOLOGY PUBLICATION OF THE FIMAPORFIN (AMPHINEX™) FIRST-IN-MAN PHASE I STUDY

The first-in-man Phase I study with the proprietary drug fimaporfin performed at University College Hospital in London in patients with various advanced solid tumours has been published in Lancet Oncology, the premier publication worldwide for original clinical trials research in oncology. The article was accompanied by an independent expert commentary commissioned by Lancet Oncology: "The results of this phase 1, first-in-man, dose-escalation trial of a new photosensitiser, disulfonated tetraphenyl chlorin (TPCS2a), are encouraging. Of particular interest are the findings that the treatment approach seems to be effective in various difficult-to-treat malignancies…".

In this phase I study, fimaporfin was given at escalating doses in combination with the cytotoxic drug bleomycin to 22 patients with advanced and recurrent cancer. The treatment was found safe and tolerable, and provided significant anti-tumour effects in aggressive tumours.

fima*VACC*

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

READY FOR CLINICAL VALIDATION – A MAJOR MILESTONE TOWARDS POTENTIAL COMMERCIALISATION

The company has followed a strategy to build a comprehensive and convincing pre-clinical dataset to prepare for clinical validation of the technology. The translation of results from preclinical to clinical is one of the major challenges in pharmaceutical development. The company has decided to expedite the clinical validation through a PCI Biotech driven phase I, healthy volunteer study. PCI Biotech has selected the renowned clinical research organisation of Covance as strategic partner for this study. The healthy volunteer study is thoroughly prepared, with input from the Scientific Advisory Committee and other external advisors. It is ready to be initiated in Q3-Q4 2016 with an estimated external cost of up to NOK 20 million and estimated completion in 1H 2017. The main objective of the study is to determine safety, tolerability and immune responses for fima*VACC*.

Improving immunogenicity of vaccine candidates is a main priority in the immunotherapy industry and PCI Biotech believes that the fima*VACC* technology may play an important part in solving this challenge. A successful clinical validation provides substantial risk reduction for the fima*VACC* asset, with significant value enhancement and opens up for partnering discussions.

The fima*VACC* programme is supported by a grant from the Research Council of Norway (BIA-programme) of up to NOK 12.5 million and the grant is distributed over the course of three years, 2014-2017.

INITIATED FIRST RESEARCH COLLABORATION WITH COMMERCIAL ENTITY

In January 2016, PCI Biotech announced the initiation of a preclinical research collaboration with the Norwegian privately held pharmaceutical company, Ultimovacs AS, developing novel immunotherapy against cancer. The purpose of the collaboration is to utilise the companies' complementary scientific platforms to explore potential synergies. The partnership is governed by a preclinical research collaboration agreement. In brief, the preclinical research collaboration will evaluate technology compatibility and synergy based on preclinical in vivo studies.

About immunotherapy with the PCI vaccination 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. There has been a renewed focus on such vaccines over the past few years, and FDA approved the first such vaccine in 2010. There are however still important unsolved issues and several companies have recently reported failed clinical studies.

Effective induction of cytotoxic T-cells is key to realise the huge potential of therapeutic cancer vaccination, but vaccines often fail to generate the required T-cell responses. One of the most important reasons for this is probably insufficient delivery of vaccine antigens to the appropriate target cells. The fima*VACC* technology may solve the issue by effectively enhancing appropriate delivery of vaccine antigens to the appropriate cells in the immune system.

fima*NAc*

The fima*NAc* programme provides an intracellular delivery technology for nucleic acid therapeutics. It is a preclinical stage opportunistic programme with two active research collaborations

PROGRESSING RESEARCH COLLABORATIONS IN NUCLEIC ACID THERAPEUTICS

PCI Biotech has two active research collaborations within nucleic acid therapeutics. A collaboration with an undisclosed top-10 pharma company, with the aim to evaluate synergistic effects of PCI with their nucleic acid therapeutics technology. The research to investigate optimisation of technological synergies is ongoing and the companies will evaluate the data generated in this research collaboration and based on this explore the potential for a further partnership.

The other collaborative research programme is with RXi Pharmaceuticals, with the aim to explore potential synergies between the companies' complementary PCI technology and siRNA platform. The collaboration is progressing as planned and has moved into research in animal models. RXi Pharmaceuticals (NASDAQ: RXII), is an American biotechnology company focused on discovering and developing innovative therapeutics that address high unmet medical needs primarily in the area of dermatology and ophthalmology.

About the PCI technology and nucleic acid therapy
The PCI technology may enhance the delivery of most types of nucleic acid technologies. Different forms of nucleic acids are widely acknowledged to have a large potential as therapeutic agents, 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.

FINANCIAL REVIEW

Income Statement 2nd Quarter (Q2) 2016 and first half year (1H) 2016 results

The Group has no revenue, but receives grants from different public sources such as the Norwegian Research Council and "SkatteFUNN". These grants are disclosed as other income. Other income for Q2 was NOK 2.3 million (2015: NOK 2.1 million) and for the first half year other income was NOK 4.9 million (2015: 4.7 million).

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 charged through the profit and loss statement, in line with previous years. Research and development (R&D) costs was NOK 10.8 million for Q2 2016 (2015: NOK 8.3 million) and for the first half year R&D costs was NOK 19.8 million (2015: NOK 17.7 million). The increased costs compared to 2015 are due to higher activities within both the clinical and pre-clinical programmes.

Net loss was NOK 9.2 million in Q2 (2015: NOK 6.6 million) and for the first half year net loss was NOK 16.3 million (2015: NOK 14.2 million).

Cash flow and Balance sheet

The company held cash and cash equivalents of NOK 31.0 million at the end of the quarter, compared to NOK 49.2 million at year-end 2015. All cash and cash equivalents are placed as bank deposits at the end of the quarter. Cash flow from operating activities is mainly dependent on the activity level within R&D. Net cash flow from operating activities was NOK -8.6 million in the quarter (2015: NOK -9.3 million) and NOK -18.2 million for the first half year (2015: NOK -17.9 million). The increase in short-term receivables from NOK 6.6 million in Q2 2015 to NOK 9.0 million in Q2 2016, is mainly due to increased "SkatteFUNN" grants.

OTHER

Risks and uncertainty factors for 2016

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 2015, the most important risks the company is exposed to for 2016 are associated with progress and performance of R&D programmes.

At current cost level the company is financed into first half of 2017 and in light of the strategic options for the company the board of directors are evaluating the company's corresponding capital need and financing alternatives. Fondsfinans is engaged as financial advisors in connection with this evaluation.

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 its business relationship with The Norwegian Radium Hospital Research Foundation as the only material related party transactions in 2016. See Note 6 for full disclosure of related party transactions.

Post-closing events

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

STRATEGY AND 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 strategy for the phase II part of the ongoing phase I/II study will be determined when the complete independent evaluation of response results from phase I is available. Considerations will include whether the study can be designed as a pivotal study with possible market approval potential, which would significantly shorten the time to market for this orphan indication.

PCI Biotech believes that the PCI technology has the potential to play a role in the realisation of several new therapeutic modalities, including cancer immunotherapy (fima*VACC*) and mRNA therapeutics (fima*NAc*), and the signed agreements 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 a phase I study in healthy volunteers is ready to be initiated.

The strategy for the fima*NAc* programme will continue to be an opportunistic approach, pursuing out-licensing opportunities.

The main priorities are to:

- Effectively progress the fima*CHEM* development programme in inoperable bile duct cancer;
- Translate the promising preclinical results with fima*VACC* to the clinical setting through a well-designed phase I study in healthy volunteers;
- Alliance management and partnering activities across all commercially interesting areas for the PCI platform.

The Board of Directors emphasise that there are generally considerable uncertainty and risks associated with forward looking statements.

The Board of Directors and CEO
PCI Biotech Holding ASA
Oslo, 29 August 2016

Hans Peter Bøhn Chairman (sign)	Christina Herder (sign)	Hilde H. Steineger (sign)
Kjetil Taskén (sign)	Lars Viksmoen (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 2016 which has been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the Company's and 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, 29 August 2016

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

PROFIT AND LOSS

(In NOK 1,000)	Note	2016 Q2	2015 Q2	2016 1H	2015 1H	2015 FY
Other Income	5	**2 332**	**2 115**	**4 917**	**4 729**	**10 467**
Research and development	8	10 811	8 270	19 833	17 712	38 844
General and administrative		802	809	1 673	1 691	4 252
Operating costs		**11 613**	**9 079**	**21 506**	**19 403**	**43 096**
Operating results		**-9 281**	**-6 964**	**-16 589**	**-14 674**	**-32 629**
Financial income and costs						
Financial income		111	401	287	456	867
Financial expenses		0	29	3	29	160
Net financial result		**111**	**372**	**283**	**427**	**707**
Ordinary profit before taxes		**-9 170**	**-6 592**	**-16 306**	**-14 247**	**-31 922**
Tax on ordinary result	9	0	0	0	0	0
Net profit/loss	4	**-9 170**	**-6 592**	**-16 306**	**-14 247**	**-31 922**
Other comprehensive income		0	0	0	0	0
Comprehensive income		**-9 170**	**-6 592**	**-16 306**	**-14 247**	**-31 922**

BALANCE SHEET

(In NOK 1,000)	Note	2016 30.06	2015 30.06	2015 31.12
Fixed and intangible assets				
Operating assets		7	12	10
Total fixed and intangible assets		**7**	**12**	**10**
Current assets				
Short term receivables	*7*	9 011	6 589	7 139
Cash & cash equivalents	*7*	31 028	63 316	49 249
Total current assets		**40 039**	**69 905**	**56 388**
Total assets		**40 047**	**69 917**	**56 398**
Shareholders' equity and liabilities				
Shareholders' equity				
Paid in capital		165 379	165 379	165 379
Other reserves		-136 692	-104 052	-121 094
Total equity	*10*	**28 687**	**61 328**	**44 284**
Trade debtors		3 354	1 442	3 371
Other short term liabilities		8 005	7 147	8 742
Total liabilities		**11 360**	**8 589**	**12 114**
Total shareholders' equity and liabilities		**40 047**	**69 917**	**56 398**

CHANGE IN SHAREHOLDERS EQUITY

(In NOK '000)	2016 Q2	2015 Q2	2016 1H	2015 1H	2015 FY
Equity at beginning of period	**37 508**	**66 825**	**44 284**	**9 114**	**9 114**
Capital increase	-	822	-	65 468	65 468
Share option scheme	349	272	709	992	1 624
Comprehensive income in the period	-9 170	-6 592	-16 306	-14 247	-31 922
Equity at end of period	**28 687**	**61 328**	**28 687**	**61 328**	**44 284**

CASH FLOW

(In NOK '000)	2016 Q2	2015 Q2	2016 1H	2015 1H	2015 FY
Ordinary profit before taxes	-9 170	-6 592	-16 306	-14 247	-31 922
Depreciation, Amortisation and Write Off	1	1	2	2	4
Share options	349	272	709	992	1 624
Net financials	-111	-372	-283	-427	-867
Changes in working capital	212	-3 023	-2 627	-4 654	-1 680
Cash flow from operating activities	-8 718	-9 714	-18 504	-18 334	-32 841
Net financials	111	372	283	427	867
Taxes paid	-	-	-	-	-
Net cash flow from operating activities	-8 607	-9 341	-18 221	-17 907	-31 974
Cash flow from financial activities					
Net proceeds from share issues	-	822	-	65 469	65 469
Net cash flow from financial activities	-	822	-	'65 469	65 469
Net change in cash during the period	-8 607	-8 519	-18 221	47 562	33 495
Cash and cash equivalents at the beginning of the period	39 635	71 835	49 249	15 754	15 754
Cash and cash equivalents at the end of the period	**31 028**	**63 316**	**31 028**	**63 316**	**49 249**

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 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 different 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 focuses on the development of PCI products for enhanced delivery of marketed 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 study in the fima*CHEM* programme, a phase I/II trial in bile duct cancer with the lead candidate fimaporfin (Amphinex) in combination with the chemotherapeutic agent gemcitabine. The company also has an on-going preclinical fima*VACC* programme ready to enter clinical testing, to enhance and direct the response of vaccines towards a stronger cellular type immunity.

2. Basis of presentation

These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2015 (hereafter 'the Annual Financial Statements'), as they provide an update of previously reported information. They were approved for issue by the Board of Directors on 11 April 2016. The accounting policies used are consistent with those used in the Annual Financial Statements. The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements. The 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 interim condensed financial information on 29 August 2016.

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 2015.

The new standards and interpretations or amendments to published standards that were effective for the annual period beginning on January 1, 2016 and that could affect PCI Biotech are discussed in accounting policies, part 4, to the consolidated financial statements for 2015. In the 2015 financial statements, PCI Biotech made evaluations that at current stage *IFRS 15 Revenue from contract with customers* and *IFRS 16 Leases* are not expected to have a material impact on the Group's financial position, performance and/or disclosure.

4. Earnings per share

Earnings per share

	2016 Q2	2015 Q2	2016 1H	2015 1H	2015 FY
Result allocated to shareholders (NOK'000)	-9 170	-6 592	-16 306	-14 247	-31 922
Weighted average of outstanding shares ('000)	14 900	14 842	14 900	13 034	13 967
Earnings per share (NOK per share)	-0.62	-0.44	-1.09	-1.09	-2.29

Diluted earnings per share:

	2016 Q2	2015 Q2	2016 1H	2015 1H	2015 FY
Result allocated to shareholders (NOK'000)	-9 170	-6 592	-16 306	-14 247	-31 922
Weighted average of outstanding shares ('000)	15 001	14 900	14 986	13 150	14 025
Earnings per share (NOK per share)	-0.62	-0.44	-1.09	-1.09	-2.29

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.

5. Segment information

The Company reports only one segment and revenues are not influenced by any cyclicality of operations. The company received Norwegian grants and tax incentive scheme (SkatteFUNN) and these are shown as other income.

6. 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 and legal services provided by former board member Theresa Comiskey Olsen, who ended her term as board member in May 2015, represents related party transactions. The following table shows the extent of such transactions in the reported periods (all figures in NOK '000):

Purchase of services	2016 Q2	2015 Q2	2016 1H	2015 1H	2015 FY
The Norwegian Radium Hospital Research Foundation	675	869	1 575	1 737	3 488
Theresa Comiskey Olsen	NA	1	NA	17	17*

* Comiskey Olsen ended her term as board member in May 2015 and transactions up to that date are disclosed.

At the end of the quarter, PCI Biotech had NOK 500 thousand in short term liability to The Norwegian Radium Hospital Research Foundation.

7. Credit risk, foreign currency risk and interest risk

Credit risk
PCI Biotech trades only with recognised, creditworthy third parties, of which most are governmental institutions. Receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant and therefore no offset of bad debts has been recognised at the end of the quarter.

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

	Not due	Less than 3 months	3 to 12 months	Total
Trade receivables	-	-	-	-
Other receivables	9 011	-	-	9 011
Total receivables	**9 011**	**-**	**-**	**9 011**

A majority of other 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.

8. Research and Development costs

All figures in '000 NOK

	2016 Q2	2015 Q2	2016 1H	2015 1H	2015 FY
Clinical studies	5 024	4 002	8 726	8 105	17 808
Pre-clinical studies	3 972	2 319	6 764	5 033	11 876
CMC and equipment	787	1 075	2 310	2 350	4 941
Patents	1 028	874	2 033	2 224	4 220
Other costs	0	0	0	0	0
Total	**10 811**	**8 270**	**19 833**	**17 712**	**38 844**

9. Deferred tax and deferred tax assets

At the end of the quarter, the group held NOK 67.5 million in non-capitalised deferred tax assets, which mainly relates to carry forward losses.

10. Share options

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 shares 30.06.2016	31.12.2015
2016 - Q3	14.07	170 000	170 000
2017 - Q3	27.38	86 500	86 500
2018 - Q3	14.52	85 000	85 000
2018 - Q3	13.78	40 000	40 000
2020 - Q3	12.53	73 500	73 500
2020 - Q3	5.21	110 000	110 000
Total		**565 000**	**565 000**

Overview options 2016, Senior executives	Total holdings 31.12.2015	Allocated	Lapsed	Exercised	Expired	Total holdings 30.06.2016
Per Walday, CEO	105 000	0	0	0	0	105 000
Ronny Skuggedal, CFO	66 000	0	0	0	0	66 000
Anders Høgset, CSO	77 000	0	0	0	0	77 000
Gaël L'Hévéder, CBDO	91 000	0	0	0	0	91 000
Kristin Eivindvik, PD	24 500	0	0	0	0	24 500
Sum	**363 500**	**0**	**0**	**0**	**0**	**363 500**

11. Share capital

The share capital is NOK 44 701 170 divided by 14 900 390 shares, each with a nominal value of NOK 3.00 and each giving one vote at the Company's general meeting. The company has approximately 1 450 shareholders.

	No. of shares	Nominal value per share in NOK	Share capital in NOK
31.12.2015	14 900 390	3,00	44 701 170
Events	-	3,00	-
30.06.2016	**14 900 390**	**3,00**	**44 701 170**

10 largest shareholders per 30 June 2016:

Name	No. of shares	Ownership
FONDSAVANSE AS	2 149 138	14,42
PHOTOCURE ASA	1 483 339	9,96
RADIUMHOSPITALETS FORSKNINGSSTIFTELSE	1 359 853	9,13
STOREBRAND VEKST JPMORGAN EUROPE LTD	999 300	6,71
MP PENSJON	916 531	6,15
VICAMA AS	743 288	4,99
VERDIPAPIRFONDET KLP	453 737	3,05
BERGEN KOMMUNALE PENSJON	350 000	2,35
KOMMUNAL LANDSPENSJON	315 308	2,12
GRESSLIEN ODD ROAR	251 000	1,68
Total 10 largest shareholders	**9 021 494**	**60,5 %**
Others	*5 878 896*	*39,5 %*
Total	*14 900 390*	*100 %*

Shares owned, directly or indirectly, by members of the board, senior executives and their personally related parties per 31.12.2015 and per 30.06.2016:

		No. of shares	
Name	**Position**	**31.12.2015**	**30.06.2016**
Hans Peter Bøhn	Chairman	50 000	50 000
Christina Herder	Board member	0	5 000
Kjetil Taskén	Board member	0	0
Hilde H. Steineger	Board member	0	0
Per Walday	CEO	44 019	44 019
Ronny Skuggedal	CFO	15 000	15 000
Anders Høgset	CSO	47 977	47 977
Gaël L'Hévéder	CBDO	10 000	10 000
Kristin Eivindvik	PD	13 235	13 235
Total		**180 231**	**185 231**

12. Other short term liabilities

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

13. Material events subsequent to the end of the reporting period

PCI Biotech is not aware of any 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
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.
PCI:	Photochemical internalisation
PFS:	Progression Free Survival
R&D:	Research and Development
NOK:	Norwegian kroner
Q2:	Second quarter (1st April – 30th June)
1H:	First half year (1st January – 30th June)
FY:	Financial year (1st January – 31st December)

FINANCIAL CALENDAR

Q3 2016 Report	22 November 2016

INVESTOR CONTACT

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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.

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