



Company overview

Vaccibody AS is a privately held vaccine company based on the technology conceived at the University of Oslo and Oslo University Hospital in the laboratories of Professors Bjarne Bogen and Inger Sandlie. Vaccibody AS has developed a unique and innovative vaccine platform with the aim to treat and prevent pre-cancerous diseases or cancer as well as infectious diseases. Through its innovative design Vaccibody AS's proprietary vaccine platform generates rapid, durable and broad antibody and T cell responses leading to remarkably potent vaccines.

Vaccibody has developed compelling preclinical data and initiated the first clinical trial with VB10.16, a therapeutic vaccine against cervical precancerous lesion. Also, Vaccibody has initiated development of neoantigen-based individualized cancer vaccines and is using the Vaccibody technology to generate first-in-class therapeutics to treat cancers with a high unmet medical need.

Highlights for the 2nd quarter 2017 (April-June)

- Clinical Trial VB C-01:
 - 12 months data from the phase I trial was released with the following results:
 - Well tolerated. No Serious Adverse Events (SAEs).
 - Transient or long-term reduction in lesion size and CIN regression observed in majority of patients
 - Direct correlation of strength of immune response with size reduction plus clear trend with CIN regression
 - A protocol amendment adding a 4th vaccination and extending the immunomonitoring program was approved

- VB10.NEO Neoantigen-based individualized cancer vaccine program:
 - Generation of highly encouraging preclinical data showing that combination of VB10.NEO and checkpoint inhibitor immunotherapy can lead to eradication of large, established tumours - with induction of long-term memory responses able to prohibit any signs of tumour growth after a second tumour challenge.
 - Development of a VB10.NEO specific neoepitope prediction model based on key features identified to be important for immunogenicity.
 - Completed development and pilot batch manufacturing of VB10.NEO DNA vaccines under GMP at selected Contract Manufacturing Organization (CMO)
 - Selection of clinical CRO to support the execution of the VB N-01 clinical trial.
 - Completion of key documents for the Clinical Trial Protocol (Investigator's Brochure and Investigational Medicinal Product Dossier). (**Post Q2 note: the Clinical Trial Application (CTA) was filed with German regulators at the Paul Ehrlich Institute on August 3rd.**)



Key figures <i>Amounts in NOK 1,000</i>	2nd quarter		6 months		Full year
	2017	2016	2017	2016	2016
Total revenue and other income	2 494	1 884	4 502	3 174	8 999
Total operating expenses	9 635	5 216	16 138	11 037	25 407
Operating profit (loss)	-7 141	-3 332	-11 637	-7 863	-16 408
Net profit (loss) for the period	-6 310	-3 304	-10 690	-7 767	-16 220
Net proceeds from equity issues	0	106	498	106	23 945
Net cash flow	-5 616	-4 117	197 506	-8 378	7 914
Cash and cash equivalents, end of period	222 509	8 711	222 509	8 711	25 002
Outstanding shares, beginning of period	2 409 649	1 215 349	1 215 349	1 197 819	1 215 349
Outstanding shares, end of period	2 417 064	1 220 639	2 417 064	1 220 639	1 529 649
Employees, end of period	12	6	12	6	8

VB10.16 Clinical Development

The Company's core focus in the VB10.16 trial in Q2 2017 has been to complete the analysis of the long-term (1 year) data from the dosing phase (phase I) of the first-in human study for VB10.16 with the title "An exploratory, safety and immunogenicity study of the human papillomavirus (HPV16) immunotherapy VB10.16 in women with high grade cervical intraepithelial neoplasia (HSIL; CIN 2/3)".

The treatment with VB10.16 was well tolerated. No serious adverse events (SAEs) have been reported. The most common AEs were transient mild to moderate local site reactions at the administration site.

Immunological analyses of the peripheral blood demonstrated a strong induction of HPV16-specific T cell immune responses in 12 of 14 patients evaluated. The short interval immunization regimen in Cohort 1 induced a more rapid, stronger and longer-lasting T cell response than seen with the schedule with longer intervals used in Cohort 2. Therefore, and as earlier reported, the immunization regimen in Cohort 1 was chosen for the expansion phase of the study (clinical phase IIa), which was initiated in Q1 2017.

The strength of the immune response correlates directly with reduction in the size of the lesions and shows a clear trend with CIN regression as well as HPV16 clearance. In Cohort 1 reduction in the size of the lesions after 12 months was observed in 4 of 6 patients (two patients chose to be conized during the course of the study and were thus excluded from the 12-month analysis). Histopathological regression to low grade neoplasia (CIN 1) or no disease was seen in 3 of 6 patients. During the course of the 12-months study/follow up period, however, all 6 of 6 patients at some point in time has shown histopathological regression to CIN 1 or no disease and simultaneously 5 out of 6 presented with reduction in lesion size. Both co-infection with other high-risk HPV infections and a transient upregulation of the checkpoint inhibitor PD-L1 were observed in the patients without complete long-term



responses and may play a role in these findings. The observed HPV16-specific T cell responses peaked after 2 months in Cohort 1 and in order to improve the chances of long-term regression of lesions, the phase IIa immunization scheme will be supplemented with an extra vaccination at 16 weeks to increase and prolong the T cell response that seem to correlate directly with clinical responses.

The company has also been focusing on initiation of the clinical phase IIa of the VB10.16 trial. The first patient was vaccinated in March and patients are now being enrolled into 4 clinical centers in Germany.

Vaccibody will enroll 15-20 additional patients with CIN 2/3 in this expansion phase.

VB10.NEO Preclinical and Clinical Development

Vaccibody continued the generation of strong preclinical data to support filing of a Clinical Trial Application (CTA) for VB10.NEO.

A combination study of VB10.NEO and anti-PD-1 checkpoint inhibitor immunotherapy in a mouse model showed impressive results which lead to eradication of large, established tumour and long-term memory responses able to inhibit growth of a new tumour implantation. Data supporting the use of 10 to 20 neoepitopes per patient in the VB10.NEO format was generated. These data were instrumental in the final clinical protocol design process.

A careful and thorough process to identify and select a Clinical Research Organisation (CRO) to support Vaccibody in the VB10.NEO clinical trial was undertaken in Q2.

A Scientific Advice Meeting with the German regulatory agency at the Paul Ehrlich Institute (PEI) was successfully conducted in April. This formed the basis for completion of Clinical Trial Application (CTA), the Investigator's Brochure (IB) and the Investigational Medicinal Product Dossier (IMPD).

The CTA supports a multicenter phase I/IIa clinical trial evaluating the safety, feasibility and efficacy of VB10.NEO in combination with standard of care checkpoint inhibitor therapy. The clinical trial will enroll patients with locally advanced or metastatic non-small cell lung cancer, melanoma, renal cancer, bladder or head&neck cancer. A total of 40 patients is planned to be enrolled in the phase I part of the trial. *(Post Q2 note: the Clinical Trial Application (CTA) was filed with German regulators at the Paul Ehrlich Institute on August 3).*

Phibro Agreement

Phibro Animal Health Corporation has terminated the global exclusive license agreement with Vaccibody, which had granted Phibro a right to develop, market and sell novel vaccines for the



poultry market using the Vaccibody platform technology. Thus, Phibro has no further rights to Vaccibody's technology under the Agreement. The termination will neither influence the development of the human vaccines currently being pursued by Vaccibody (VB10.16 for precancerous lesions of the cervix and VB10.NEO for various advanced solid cancers) nor have any financial impact going forward.

Financial review

Profit and loss statement

Revenue in the first six months of 2017 of KNOK 486 relates to an R&D collaboration of limited scope which was completed in the 2nd quarter 2017. *Other income* in the first six months of 2017 was KNOK 4,015 compared to KNOK 3,168 in the first six months of 2016. Grants from the Norwegian Research Council under the BIA programme is higher in 2017 than for 2016 in line with the increased R&D expenses of the Neo-antigen project.

Total operating expenses increased to KNOK 16,138 in the first six months of 2017 from KNOK 11,037 in the same period in 2016. *Payroll and related expenses* increased to KNOK 5,033 compared to KNOK 3,115 in 2016 due to the planned increase in staff. *Procurement of R&D services and IP expenses* increased to KNOK 7,146 in the first six months of 2017 compared to KNOK 5,298 in the same period in 2016. Expenses on the Neo-antigen project increased as planned, including preparations for the clinical trial application and pre-clinical studies, whereas expenses on the VB10.16 clinical trial was reduced due to the delayed inclusion of patients in the expansion phase IIa of the study. *Other operating expenses* increased to KNOK 3,920 in the first six months of 2017 compared to KNOK 2,575 in the same period in 2016, mainly due to increased internal lab expenses, recruitment expenses, more traveling activity and general and administration expenses relating to increased staff.

Statement of financial position

On June 30, 2017, Vaccibody had total assets of KNOK 229,826, hereunder *Cash and cash equivalents* of KNOK 222,509 and *Receivables* of KNOK 6,912. *Receivables* include mainly grants earned and to be received during the year in accordance with the applicable payment schedules. *Shareholders' equity* was KNOK 224,209.



Outlook

For the upcoming twelve months, the Company's plans include:

- Clinical Trial VB C-01 (VB10.16)
 - Conclude enrolment of the expansion phase (Phase IIa)
 - Interim reporting from the expansion phase (Phase IIa)
- Clinical Trial for cancer neoantigen vaccine (VB10.NEO)
 - Approval of the clinical trial application (CTA) for a clinical phase I/IIa in cancer patients within indications with high unmet medical need
 - Initiation of phase I/IIa clinical trial evaluating the safety, feasibility and efficacy of VB10.NEO in combination with standard of care checkpoint inhibitor therapy.
- The Company is in continuous dialogue with academic and industrial entities and will announce new key collaborations and partnerships when they may occur.

Profit and loss statement <i>NOK 1,000</i>	<i>2nd quarter</i>		<i>6 months</i>		<i>Full year</i>
	2017	2016	2017	2016	2016
Revenue	486	-	486	6	243
Other income	2 008	1 884	4 015	3 168	8 755
Payroll and related expenses	2 511	1 114	5 033	3 115	8 507
Procurement of R&D services and IP expenses	4 913	2 807	7 146	5 298	11 153
Depreciation	21	18	39	48	84
Other operating expenses	2 190	1 277	3 920	2 575	5 662
Total operating expenses	9 635	5 216	16 138	11 037	25 407
Operating profit (loss)	-7 141	-3 332	-11 637	-7 863	-16 408
Net financial items	832	28	946	96	188
Profit (loss) before income tax	-6 310	-3 304	-10 690	-7 767	-16 220
Income tax	-	-	-	-	-
Net profit (loss) for the period	-6 310	-3 304	-10 690	-7 767	-16 220



Statement of financial position							
<i>NOK 1,000</i>	30.06.17	31.03.17	31.12.16	30.09.16	30.06.16	31.03.16	31.12.15
Intangible assets	300	300	300	300	300	300	300
Property, plant and equipment	105	79	97	122	134	152	117
Total non-current assets	405	379	397	422	434	452	417
Receivables	6 912	6 153	226 608	6 845	5 597	4 116	3 917
Cash and cash equivalents	222 509	228 125	25 002	26 941	8 711	12 828	17 088
Total current assets	229 421	234 278	251 611	33 786	14 308	16 944	21 005
Total assets	229 826	234 657	252 008	34 208	14 742	17 396	21 422
Share capital	2 417	2 410	1 530	1 521	1 221	1 215	1 215
Share premium	287 445	286 954	78 784	78 563	55 254	55 154	55 154
Other paid in equity	-	-	-	-	-	-	-
Unregistered share issue	-	498	209 050	-	-	-	-
Retained earnings (accumulated losses)	-65 653	-59 343	-54 962	-51 819	-46 509	-43 205	-38 742
Shareholders' equity	224 209	230 519	234 402	28 264	9 966	13 164	17 627
Accounts payable	2 811	1 466	3 411	2 423	1 420	408	1 293
Other current liabilities	2 806	2 672	14 195	3 520	3 356	3 824	2 502
Current liabilities	5 617	4 138	17 606	5 943	4 776	4 232	3 795
Total liabilities	5 617	4 138	17 606	5 943	4 776	4 232	3 795
Total Equity and Liabilities	229 826	234 657	252 008	34 208	14 742	17 396	21 422

Statement of changes in equity					
<i>NOK 1,000</i>	Share capital	Share premium	Accumulated losses	Other equity	Total equity
Balance at 01.01.2016	1 215	55 154	-38 742		17 627
Loss for the period			-16 220		-16 220
Issue of ordinary shares	314	23 631			23 945
Issue of ordinary shares, not registered				209 050	209 050
Balance at 31.12.2016	1 530	78 784	-54 962	209 050	234 402
Balance at 01.01.2017	1 530	78 784	-54 962	209 050	234 402
Loss for the period			-10 690		-10 690
Registration of share issue	880	208 170		-209 050	0
Warrants exercised	7	490			498
Balance at 30.06.2017	2 417	287 445	-65 653	-	224 209



Statement of cash flow	6 months		Full year
<i>NOK 1,000</i>	2017	2016	2016
Loss for the period	-10 690	-7 767	-16 220
<i>Adjustments for:</i>			
Interest income	-637	-225	-356
Interest expenses	1	104	160
Depreciation	39	48	84
Change in trade receivables	212	74	-290
Change in trade payables	-600	127	2 118
Change in receivables related to grants	-516	-1 754	-2 402
Change in other current liabilities	-439	854	743
Net cash flow from operating activities	-12 630	-8 540	-16 163
Purchase of property, plant and equipment	-47	-65	-65
Interest income	637	225	356
Net cash flow from investing activities	590	161	292
Interest expenses	-1	-104	-160
Proceeds from equity issues	209 548	106	23 945
Net cash flow from financing activities	209 546	2	23 786
Net change in cash and cash equivalents	197 506	-8 378	7 914
Cash and cash equivalents at beginning of period	25 002	17 088	17 088
Cash and cash equivalents at end of period	222 509	8 711	25 002

Notes to the Quarterly Financial Statement

Note 1 Accounting policies

The financial statements of Vaccibody AS for 2016 and 2017 are presented in accordance with the Norwegian Accounting Act and generally accepted accounting principles for small-size companies.

Note 2 Other income

Vaccibody AS has received a grant from the Norwegian Research Council under the BIA-programme for the development of VB10.16 at a total of MNOK 15.5 for the period 2012-2016. The Company recognized MNOK 0.4, 4.4, 6.4, 2.7 and 1.5 of the grant in 2012, 2013, 2014, 2015 and 2016 respectively.

Vaccibody AS has a contract with the Norwegian Research Council regarding a grant under the BIA-programme for its neo-antigen programme. The total amount available to the Company under the contract is MNOK 19.9 for the period 2016-2020. The Company recognized MNOK 2.8 in 2016 and MNOK 2.0 in the first six months of 2017.



Vaccibody AS is eligible for grant under the Norwegian Skattefunn programme. The Company has recognized MNOK 1.77, 2.8 and 3.9 of the grant in 2014, 2015 and 2016 respectively, and MNOK 2.1 in the first six months of 2017.

Note 3 Share capital and shareholders

Table of shareholders as of June 30, 2017:

Shareholder	Shares	Ownership
SARSIA SEED AS	336 240	13,9 %
RADIUMHOSPITALET FORSKNINGSSTIFTELSE	253 070	10,5 %
ARCTIC FUNDS PLC	196 457	8,1 %
DATUM INVEST AS	167 700	6,9 %
NORDA ASA	141 600	5,9 %
NORRON SICAV - TARGET	112 000	4,6 %
PORTIA AS	103 500	4,3 %
INVEN2 AS (1)	100 020	4,1 %
KREFTFORENINGEN	97 280	4,0 %
OM HOLDING AS	73 850	3,1 %
OTHERS	835 347	34,6 %
Total	2 417 064	100,0 %

(1) Inven2 AS holds 33 000 shares on behalf of the inventors of the Company's technology, Bjarne Bogen, Inger Sandlie and Agnete B. Fredriksen.

The Company has 172,248 warrants outstanding to inventors, key employees, former employees and members of the board. The Company also has an agreement with Inven2 AS, under which Inven2 AS on certain specific conditions may claim shares equivalent to 1.5% of the number of shares outstanding at the time of exercise of the option.

Disclaimer

This quarterly 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, sometimes identified by the words "believes", "expects", "intends", "anticipates", "targets", and similar expressions. The forward-looking statements contained in this quarterly 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 actual events to differ materially from any anticipated development. Neither the Company nor any of its Directors, officers or employees provides any assurance that the assumptions underlying such forward-looking statements are free from errors nor does any of them accept any responsibility for the future accuracy of the opinions expressed in this quarterly report or the actual occurrence of the forecasted developments. The Company assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to our actual results.