Third Quarter 2016 Business Update

HALLE/SAALE, Germany, 10 November 2016 – Probiodrug AG (Euronext Amsterdam: PBD), a biopharmaceutical company developing novel therapeutic solutions to treat Alzheimer's disease (AD), today announces its third quarter business update for the period ending 30 September 2016, in the form of an interim management report.

OPERATIONAL HIGHLIGHTS

- Probiodrug announced first data of a preclinical combination therapy with the Glutaminyl Cyclase (QC) inhibitor PQ912 and the pGlu-Abeta specific antibody PBD-C06, which showed clear additive effects in reducing pGlu-Abeta as well as overall Abeta in an Alzheimer-mouse model
- Promising new findings for the Glutaminyl Cyclase inhibitor PQ912 in an inflammation animal model presented
- Changes to the Supervisory Board and Executive Management announced
- Expenditures and corresponding cash position in line with management expectations
- As of 30 September 2016 (excluding the proceeds of EUR 14.9 million from the capital raise of October), Probiodrug held EUR 11.57 million in cash and cash equivalents

POST PERIOD HIGHLIGHTS

- On 6 October 2016, Probiodrug announced the raise of EUR 14.9 million via an accelerated bookbuild at a price of EUR 20 per share

Commenting on the third quarter, Dr Konrad Glund, Chief Executive Officer of Probiodrug, said:
"In the third quarter 2016 we have achieved significant progress, both in the development of our programs as well as of the company. In a combination therapy study with PQ912 and PBD-C06, we showed clear additive effects in reducing pGlu-Abeta as well as total Abeta in an Alzheimer-mouse model. Our results are very exciting as they indicate the potential of a combination therapy by either increasing the effect size on lowering toxic pGlu-Abeta and total Abeta as shown here, or potentially by lowering a single agent's dose.
"Furthermore, we see the successful placement of 10% of the then outstanding shares at the beginning of October as a further validation of the potential of our approach to fight Alzheimer's disease. We are glad to welcome further top tier investors from Europe and the US as shareholders of our company and would like to thank our existing and new investors for their trust and commitment."

OPERATIONAL REVIEW

Pipeline update

Probiodrug's development approach targets pyroglutamate-Abeta (pGlu-Abeta, also called N3pG Abeta) as a therapeutic strategy to fight Alzheimer's disease. This modified Abeta is considered to be linked with disease initiation and progression by seeding the formation of soluble neurotoxic amyloid oligomers. Probiodrug is developing proprietary product candidates to target toxic pGlu-Abeta via two modes of action: by (i) inhibiting the production of pGlu-Abeta; and (ii) clearing existing pGlu-Abeta from the brain.

Probiodrug's innovative approach is based on the development of specific inhibitors for the enzyme Glutaminyl Cyclase (QC), which is instrumental in the creation of pGlu-Abeta. In addition, the company is developing a monoclonal antibody targeting pGlu-Abeta to enhance its clearance.

To date, Probiodrug's pipeline consists of two small molecule inhibitors of the QC-enzyme, PQ912 and PQ1565, and a monoclonal antibody, PBD-C06, targeting pGlu-Abeta.

PQ912
In 2015, Probiodrug initiated a Phase 2a study, the "SAPHIR" study, of its lead product candidate PQ912. In a preceding Phase 1 study with healthy young and elderly volunteers, PQ912 was shown to be safe and well tolerated and revealed high QC-inhibition.

PQ912 has been evaluated in rats and dogs in 4 weeks, 3 months and 6/9 months studies. In the chronic toxicology studies no new findings were observed and the minimal to slight, non-adverse changes seen in both the 4-week and the 13-week studies were without any aggravation by the prolonged treatment. The conclusions from these peer-reviewed results of the long term toxicology studies are viewed as the regulatory prerequisite for longer treatment clinical studies in AD patients.

PQ912 is the first QC-inhibitor being tested in patients. The Phase 2a study is a randomized, double-blind multi-center study which plans to enrol a total of 110 patients with early stage Alzheimer's disease. The study is led by internationally renowned experts in AD in six European countries at about 18 sites, with the Alzheimer Center, VU Medical Center (VUmc), Amsterdam being the lead center. The primary endpoint of the trial is the safety and tolerability of PQ912 compared with placebo over a three-month treatment period. Additionally, a set of exploratory read-outs comprising of cognitive tests, functional assessments by EEG as well as functional MRI and new molecular biomarkers in CSF which will be used to evaluate the compound's effect on the pathology of the disease. Patient enrolment started in March 2015.

SAPHIR is in full swing. To respond to several challenges such as high competition in getting access to treatment naïve patients, we have taken various measures, in particular adding more sites in various countries while keeping quality at high level. Additional sites are activated, all are highly motivated and enrolling. The full picture of all results is expected to be available Q1 / Q2 2017.

PBD-C06
PBD-C06 is a monoclonal antibody, currently in preclinical stage. PBD-C06 targets pGlu-Abeta, aiming to selectively clear the brain of pGlu-Abeta while leaving non-toxic forms of Abeta untouched. PBD-C06 has been successfully humanized and also de-immunized to avoid detection by the patient's endogenous immune system. For the first time for an anti-pGlu-Abeta approach, PBD-C06 has not only shown the ability to reduce Abeta/plaques but also to significantly improve cognitive deficits in aged Alzheimer's mice. Moreover, no evidence was found of increased microhemorrhages after treatment with PBD-C06.

PQ1565
PQ1565 is a QC-inhibitor, currently in preclinical stage. The product candidate has shown attractive drug-like properties in preclinical studies. The GMP process for this molecule is being implemented.

The next development steps are in preparation and respective decisions would be made in connection with the readout of the SAPHIR trial.

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Operational Update

Combination therapy with Glutaminyl Cyclase (QC) inhibitor PQ912 and pGlu-Abeta specific antibody PBD-C06

A clear additive effect on lowering pGlu-Abeta (pyroglutamate-Amyloid-beta) as well as total Abeta was observed with a double-pronged approach of targeting toxic pGlu-Abeta by combining the Glutaminyl Cyclase-inhibitor PQ912 to block pGlu-Abeta formation and the mouse version of the pGlu-Abeta specific antibody, PBD-C06, to increase clearance in an AD animal model. Data were generated in collaboration with Cynthia Lemere of the Brigham and Women's Hospital, Harvard Medical School, USA, and QPS, Graz, Austria.

Promising new findings for the Glutaminyl Cyclase (QC) inhibitor PQ912 in an inflammation animal model

The effect of the QC inhibitor PQ912 was investigated in a mouse model of inflammation (thioglycollate induced peritonitis) with a special focus on its effect on cell infiltration and release of pro-resolving lipid mediators. The effects seen with PQ912 on recruitment of macrophages and eosinophils, and levels of chemokines and lipid mediators, makes QC inhibition attractive for further evaluation as potential anti-inflammatory drug and/or resolution promoting agent. Data were generated in collaboration with Ambiotis SAS (Toulouse, France) and were presented at the Summer Frontiers Symposium 2016 in Nijmegen, The Netherlands, and at the 6th European Workshop on Lipid Mediators, in Frankfurt, Germany.

CORPORATE REVIEW

Changes to the Supervisory Board and Executive Management announced

Probiodrug announced changes to the Supervisory Board and Executive Management. Olivier Litzka, partner at Edmond de Rothschild Investment Partners (EdRIP) and member of the Supervisory Board since October 2009, stepped down in September 2016 as part of a natural transition. Mark Booth, Chief Business Officer, left the company for personal reasons in August 2016 and his responsibilities have been taken over by Dr Konrad Glund, CEO.

Financials

In third quarter of 2016 the research and development expenses were with TEUR 1,776 below the corresponding numbers of 2015 with TEUR 2,416, reflecting mainly shifts and not real reductions. In line with the business planning the general and administrative expenses further decreased to TEUR 588 vs. TEUR 713 in the third quarter of 2015, reflecting the implementation of the post listing requirements mainly accomplished in 2015. Correspondingly, the resulting comprehensive loss of the reporting period was TEUR 2,383, below the comprehensive loss of the third quarter of 2015 (TEUR 3,148).

The comprehensive loss for the nine month period ending 30 September 2016 was TEUR 8,427, compared to TEUR 9,377 for the corresponding period in 2015. Thereof TEUR 6,487 were research and development expenses in comparison to TEUR 6,927 in the nine month period 2015. TEUR 1,912 were general and administrate expenses in comparison to TEUR 2,585 for the nine months 2015.

All numbers are in line with management expectations.

Excluding the proceeds from the capital raise of October of EUR 14.9 million, Probiodrug held EUR 11.57 million in cash and cash equivalents as of 30 September 2016.

POST PERIOD UPDATE

Placement of new shares

Probiodrug announced a EUR 14.9 million placement of new shares on 6 October 2016 via an accelerated bookbuild. As a result Probiodrug increased its share capital by EUR 744,248, from EUR 7,442,487 to EUR 8,186,735, by issuing 744,248 new shares with a notional par value of EUR 1.00 per share. The order book was well covered based on strong demand from European and US investors. The new shares have been placed with selected qualified institutional investors at a price of EUR 20.00 per share. The issued shares represented approximately 10% of the company's then issued share capital. The net proceeds from the transaction will be used primarily to support preparations of further clinical development of the lead product PQ912 beyond the ongoing Phase 2a (SAPHIR) trial, support further development of PBD-C06 and PQ1565 and exploration of other mechanism-related indications, strengthen the financial position of the Company and support exploration of business opportunities.

Kempen & Co acted as Global Coordinator and together with Bank am Bellevue and RBC Capital Markets as Joint Bookrunners in the offering.

Halle (Saale), 10 November 2016

Management Probiodrug