

Quarterly Update

September 6th 2017

BioLineRx Ltd.: Continued execution of multiple clinical development programs for the Company's lead project – BL-8040; Investment by a principal investor reflects confidence in the company's strategy. Target Price unchanged.

Primary exchange: TASE

Secondary exchange: NASDAQ (1 ADS = 1 Share).

Symbol: TASE, NASDAQ: BLRX

Sector: Biotechnology

Sub-sector: Drug Development

Stock target price: NIS 4.90

As of September 5th, 2017

Closing price: NIS 3.75

Market cap: NIS 391.0 million

of shares: 104.1 million

Stock performance (YTD): 13.3%

Daily trading vol (12 months): NIS 471.5K

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Company Overview

BioLineRx Ltd. (hereinafter: "BioLineRx" or "the Company") is an Israeli clinical-stage biopharmaceutical company focused on oncology and immunology. In 2007, the company was listed on the Tel Aviv Stock Exchange (TASE). In July 2011, the company registered American Depositary Shares (ADSs) with the NASDAQ. The Company in-licenses compounds, develops them through pre-clinical and/or clinical stages, and then partners with pharmaceutical companies for advanced clinical development and/or commercialization.

BioLineRx's leading therapeutic clinical platform is BL-8040, a cancer therapy platform. A Phase IIa study was successfully completed for relapsed/refractory AML, a Phase IIb study as an AML consolidation treatment is ongoing, a Phase II study in stem cell mobilization for allogeneic transplantation is also ongoing and a Phase III in autologous transplantation is expected to be initiated this year. BL-5010, a treatment for skin lesions was out-licensed to Perrigo. AGI-134 - BioLineRx recently acquired *Agalimmune*, a UK-based oncology company, for \$6 million. *Agalimmune* has a key flagship product treating various solid tumours (expected to commence a first-in-man study in patients with solid tumors in the first half of 2018).

Highlights

BioLineRx reported its financial results for the second quarter ending June 30, 2017 with the following highlights and achievements:

- The Company announced an additional direct investment of \$9.6 million by BVF Partners, L.P., its largest shareholder, this increased their holding to 24.9%. BVF's investment was priced at \$1.13 per ADS (NIS 4.0).
- BioLineRx also announced plans to initiate a Phase 3 pivotal study with BL-8040 as a novel stem cell mobilization treatment for autologous bone-marrow transplantation in H2-2017, following a successful meeting with the FDA.
- The Company reported regulatory submissions of three Phase 1b/2 trials for BL-8040 in combination with atezolizumab, Genentech's anti-PDL1 cancer immunotherapy agent, for; pancreatic, gastric and non-small cell lung cancers, under an immunotherapy collaboration with Genentech, a member of the Roche Group. All three studies will be conducted as part of MORPHEUS, Roche's Novel Cancer Immunotherapy Development Platform, and are expected to commence in H2-2017.
- The Company reported filing regulatory submissions to commence Phase 1b/2 trials for BL-8040 in combination with Genentech's atezolizumab in Acute Myeloid Leukemia (AML). Led by BioLineRx, this study is expected to commence in H2-2017.
- The Company announced initiation of the first Phase 1b/2 trial under immunotherapy collaboration with Genentech in pancreatic cancer.

Analysis:

- We assume that by H1-2018, BioLineRx may have one Phase 3 and seven Phase 2 or 1b/2 clinical trials on-going. Furthermore, the company may announce partial results of its Phase 2 study in pancreatic cancer, under its immunotherapy collaboration with *Merck*.
- This timeline reflects the company's strategy to continuously execute multiple clinical development programs for its lead asset – BL-8040.
- Financially, the \$9.6 million investment BioLineRx received is a positive signal for its strategy.
- We estimate BioLineRx's equity value at \$139.8 million (NIS 503.3 million), higher than our most recent report of 30th July 2017 (\$131.5 million - NIS 468.1 million).
- We estimate the target price to range between NIS 4.76 - NIS 5.04, with a mean of NIS 4.90. Thus, 1 ADS (representing 1 ordinary share) is equal to \$1.40.

Quarterly Updates

Financial Results for the Second Quarter

Research and development expenses for the three months ending June 30, 2017 were \$4.0 million, an increase of \$1.3 million, or 48.2%, compared with \$2.7 million for the quarter ending June 30, 2016. The increase is primarily a result of spending on AGI-134 and BL-8040 in 2017. Research and development expenses for the six months ending June 30, 2017 were \$7.7 million, an increase of \$2.4 million, or 45.0%, compared with \$5.3 million for the half-year ending June 30, 2016.

Sales and marketing expenses for the six months ending June 30, 2017 were \$1.0 million, an increase of \$0.5 million, or 86.3%, compared to \$0.5 million for the six months ending June 30, 2016. The increase resulted primarily from market research activities and one-time professional fees for business development activities.

General and administrative expenses for the six months ending June 30, 2017 were \$1.8 million, much the same as the corresponding period in 2016. The Company's operating loss for the six months ending June 30, 2017 amounted to \$10.5 million, compared with an operating loss of \$7.6 million for the corresponding 2016 period.

The Company's net loss for the six months ending June 30, 2017 amounted to \$9.8 million, compared with a net loss of \$7.2 million for the corresponding period in 2016. The Company held \$52.6 million in cash, cash equivalents and short-term bank deposits as of June 30, 2017. In July 2017, the Company completed a direct placement of its securities for net proceeds of \$9.5 million. Net cash used in operating activities was \$8.0 million for the six months ending June 30, 2017, compared with net cash used in operating activities of \$7.5 million for the six months ending June 30, 2016.

Issuance of share capital

BioLineRx is a research and development firm, and as such, capital raising is fundamental to execution of the company's strategy. In May 2014, BioLineRx and Lincoln Park Capital Fund ("LPC"), entered into a \$20 million, 36-month purchase agreement, whereby LPC agreed to intermittently purchase up to \$20 million *BioLineRx* ADSs during said period, subject to certain limitations. During the six months ending June 30, 2017, the Company issued a total of 2,124,952 ADSs to LPC for aggregate gross proceeds of \$2,130,000. As a result of these issuances, a total of 53,124 ADSs was issued to LPC as a commitment fee and a total of \$43,000 was paid for Oberon Securities as a finder's fee. On a cumulative basis, from the effective date of the purchase agreement through the date of these financial statements, BioLineRx has sold a total of 5,550,603 ADSs to LPC for aggregate gross proceeds of \$7,000,000.

In March 2017, as per the *Agalimmune* acquisition, the Company issued 2,550,935 ADSs to *Agalimmune* shareholders. In April 2017, the Company completed an underwritten public offering of approximately 33.8 million ADSs at a price of \$0.85 per ADS. The offering raised a total of \$28.8 million, with net proceeds of approximately \$26.2 million, after deducting fees and expenses.

Also, as reported above, in July 2017, the company completed a direct placement to BVF Partners, L.P., its largest shareholder, for aggregate gross proceeds of \$9.6 million. The placement consisted of 8,495,575 ADSs, Series A warrants to purchase an additional 2,973,451 ADSs and Series B warrants to purchase an additional 2,973,451 ADSs. Net proceeds from the transaction were approximately \$9.5 million, after deducting fees and expenses.

Upcoming Potential Catalysts

Program	Event	Significance	Timeline
BL-8040	Completion of Phase II (allogeneic SCM)	Medium	H1-2018
	Top-line results of Phase II (allogeneic SCM)	Medium	H1-2018
	Initiation of Phase III (autologous SCM)	Medium	Q4-2017
	Partial results Phase II (pancreatic cancer)	Medium	H2-2017
	Top-line results Phase II (pancreatic cancer)	High	H1-2018
	Initiation Phase Ib (AML maintenance)	Medium	H2-2017
	Partial results Phase Ib	Low	H2-2018
	Initiation Phase Ib (multiple solid tumors)	Medium	H2-2017
	Partial results Phase Ib (multiple solid tumors)	Low	H2-2018
	Top-line Phase Ib results (AML consolidation)	Medium	H2-2019
AGI-134	Initiation of Phase I/II (multiple solid tumors)	Low	H1-2018

Analysis

We assume that by H1-2018, BioLineRx will have one Phase 3 and seven Phase 2 or 1b/2 clinical trials on-going. Furthermore, the company may announce partial results of its Phase 2 study in pancreatic cancer, under its immunotherapy collaboration with *Merck*. Thus, **clinical development is on track with the company's strategy to continuously execute multiple clinical development programs for its lead asset – BL-8040.**

Financially, the \$9.6 million investment BioLineRx received strongly asserts their strategy. The investor is the principal shareholder and, unlike other investors, has in-depth knowledge of clinical developments and accordingly the optimal way to execute the company's strategy. This vocational experience is significant to the company's share price, which was purchased at a premium of over 10% above market as of 25 July, 2017. The additional funds allow BioLineRx to maintain current operations and increase the company's equity, while diluting current investors.

We estimate BioLineRx's equity value at \$139.8 million (NIS 503.3 million), this is higher than our most recent report dated 30th July, 2017 (\$131.5 million/NIS 468.1 million). We estimate the target price to range between NIS 4.76 and NIS 5.04, with a mean of NIS 4.90. Thus, 1 ADS (representing 1 ordinary share) is equal to \$1.40.¹

¹ NIS/\$ Calculation: NIS 4.9/3.6 = \$1.4

Appendix - Financial Reports

Profit and Loss Statement (In \$ 000s)

Reporting Year	31.12.2015	31.12.2016	31.3.2017	30.6.2017
RESEARCH AND DEVELOPMENT EXPENSES, NET	11,489	11,177	3,590	7,652
SALES AND MARKETING EXPENSES	1,003	1,352	681	969
GENERAL AND ADMINISTRATIVE EXPENSES	3,704	3,984	1,030	1,874
OPERATING LOSS	16,196	16,513	5,301	10,495
NON-OPERATING INCOME, NET	1,445	214	5	9
FINANCIAL INCOME	457	480	457	761
FINANCIAL EXPENSES	106	22	6	9
NET LOSS	14,400	15,841	4,855	9,752

Balance Sheet (In \$ 000s)

	31.12.2013	31.12.2014	31.12.2015	31.12.2016	30.6.2017
CURRENT ASSETS					
Cash and cash equivalents	8,899	5,790	5,544	2,469	6,946
Short-term bank deposits	9,319	28,890	42,119	33,154	45,616
Prepaid expenses	258	221	229	255	560
Other receivables	360	257	291	223	541
Total current assets	18,836	35,158	48,183	36,101	53,663
NON-CURRENT ASSETS					
Restricted deposits	165	166	0	0	0
Long-term prepaid expenses	49	49	58	52	53
Net PPE	712	721	2,909	2,605	2,463
Intangible assets, net	253	117	152	181	6,869
Total non-current assets	1,179	1,053	3,119	2,838	9,385
Total assets	20,015	36,211	51,302	38,939	63,048
CURRENT LIABILITIES					
Current maturities of long-term bank loan	0	0	93	93	93
Accounts payable and accruals: Trade	2,289	1,654	1,910	2,590	4,262
Other Accounts payable and accruals	764	1,252	1,137	978	1,059
Total current liabilities	3,053	2,906	3,140	3,661	5,414
NON-CURRENT LIABILITIES					
Long-term bank loan, net of current maturities	0	0	344	250	203
Warrants	5,240	1,500	208	1	1
Total non-current liabilities	5,240	1,500	552	251	204
Total Liabilities	8,293	4,406	3,692	3,912	5,618
Total equity	11,722	31,805	47,610	35,027	57,430
Total liabilities and equity	20,015	36,211	51,302	38,939	63,048

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