



Results for fourth quarter and full year 2015

Photocure



*Photocure Technology™
is effective and precise.
The unique selectivity
makes targeted, minimally
invasive approaches to
early diagnosis and
treatment possible.*



10 February 2016

Highlights for fourth quarter and full year 2015

(Numbers in brackets and comparisons are for the corresponding period in 2014.)

- Hexvix/Cysview global in-market sales increased 22% to NOK 59 million in the fourth quarter and 20% for the full year to NOK 215 million. Full year in-market unit sales increased 7%
- Sales revenues increased 34% in fourth quarter. Full year sales revenues increased 31% to NOK 122.3 million (NOK 93.6 million)
- Commercial segment EBITDA increased 70% to NOK 28.7 million (NOK 16.8 million) with EBITDA margin at 21% (17%) for the full year
- Visonac® phase 2b clinical trial results published in the *British Journal of Dermatology*
- Cash and cash equivalents of NOK 134 million as of 31 December 2015

Key figures:

Figures in NOK million	4Q 2015	4Q 2014	Change	FY 2015	FY 2014	Change
Sales revenues	33.2	24.8	34 %	122.3	93.6	31 %
Signing fee & milestone revenues	1.3	1.2		12.4	35.4	
Total revenues	34.5	26.0	33 %	134.7	129.0	4 %
Operating expenses	41.2	33.8	22 %	144.6	126.1	15 %
EBITDA	-8.7	-9.7		-18.1	-4.2	
EBITDA commercial franchise	4.5	5.1	-11 %	28.7	16.8	70 %
EBITDA development portfolio	-13.2	-14.7		-46.8	-21.0	
EBIT (Operating result)	-10.2	-10.0		-22.0	-5.6	
Profit/loss(-) before PCI and tax	-10.1	-5.4		-17.4	1.5	
Earnings per share, diluted (NOK)	-0.44	-1.48		-1.69	-1.16	
Cash & cash equivalents				134.0	165.2	

President & CEO Kjetil Hestdal, M.D. Ph.D. comments:

“Throughout 2015, we made great strides towards our goal of building Photocure into a Specialty Pharma Company. Consistent with 2014, we continued to drive revenue growth in all major regions in 2015, while continuously increasing the profitability of our urology focused commercial franchise. Hexvix/Cysview market share continues to grow in the TURB segment across the major markets, and we have started a substantial effort to penetrate the large bladder cancer surveillance segment. Through new partnerships signed in 2015, Hexvix/Cysview will expand into Canada, Australia and New Zealand.

We also continued advancements in our product pipeline this past year. With Cevira, we gained alignment with the US FDA on the pivotal registration program. In addition, the long term value of our novel late stage, phase 3 ready assets, Cevira and Visonac, were further strengthened with issuance of new patents.”

Operational review

Photocure's strategy is to create a Specialty Pharmaceutical Company maximizing its commercial presence and the opportunity of its flagship brand Hexvix/Cysview in urology. In addition, the company will continue to leverage its core competence developing products based on its proprietary Photodynamic Technology Platform targeting unmet medical needs in urology, dermatology and gynecology. We will seek to develop and commercialize new products alone or in partnerships with others to capture the full potential of our products.

Update commercial segment

Sales performance continued to progress in the fourth quarter with sales revenue up 34% at NOK 33.2 million (NOK 24.8 million).

Fourth quarter total revenue, including milestones, increased 33% to NOK 34.5 million (NOK 25.9 million). Operating expenses increased to NOK 27.9 million (NOK 19.1 million) for the quarter, reflecting investments in US and Hexvix/Cysview market expansion surveillance trials. EBITDA for the fourth quarter was NOK 4.5 million (5.1 million).

Total revenue increased 37% for the full year to NOK 134.7 million (NOK 98.2 million). EBITDA was NOK 28.7 million (NOK 16.8 million) and the EBITDA margin was 21%, up from 17% prior year. Impact from currency translation was approximately NOK 2.0 million negative for the full year and neutral in fourth quarter.

MNOK	Q4 '15	FY '15	FY '14
Nordic - Hexvix	12,3	38,7	33,4
US - Cysview	7,3	23,0	12,3
Partner - Hexvix	13,6	54,1	46,3
Hexvix / Cysview Total	33,2	115,8	92,0
API revenues	0,0	6,5	1,6
Signing fee & milestones	1,3	12,4	4,6
Total revenues	34,5	134,7	98,2
YoY growth	33 %	37 %	
Cost of goods sold	-2,0	-8,2	-7,0
Gross profit	32,5	126,5	91,2
Operating expenses	-27,9	-97,8	-74,4
EBITDA	4,5	28,7	16,8
EBITDA margin	13 %	21 %	17 %

Hexvix®/Cysview® – profitable growth

Hexvix/Cysview is the first approved drug-device procedure for improved detection and management of bladder cancer. Photocure is commercializing Hexvix/Cysview directly in the US and the Nordic region, and has strategic partnerships for the commercialization of Hexvix/Cysview in Europe, Canada, Australia and New Zealand.

Global in-market sales of Hexvix/Cysview were up 22% to NOK 59 million in the fourth quarter, and up 20% to NOK 215 million for the full year. Global in-market unit sales for the fourth quarter increased 8% compared to 2014. Unit volume increased 7% for the full year compared to prior year. Full year volume growth was negatively impacted by reduced seasonality effects in the fourth quarter compared to prior years.

Total sales revenues for Hexvix/Cysview increased 34% to NOK 33.2 million (NOK 24.8 million) in the fourth quarter, and were up 26% to NOK 115.8 million (NOK 92.0 million) for the full year. Revenue growth was positively impacted by foreign exchange rates, increased demand in major markets and price increases. Revenue growth in constant currencies was 14% for the full year.

Photocure Hexvix/Cysview sales

Photocure's sales revenues from its sales force in the US and Nordic region increased 34% to NOK 19.6 million in the fourth quarter. For the full year sales revenues increased 35%, to NOK 61.7 million, reflecting strong growth in both regions. Revenue in constant currencies grew 20% for the full year compared to 2014.

Nordic Hexvix sales

Nordic revenues increased 13% in the fourth quarter compared to prior year. Revenues grew 16% for the full year, mainly driven by foreign exchange rates, customer demand and price increases. Revenue in constant currencies grew 10% for the full year.

Photocure's in-market unit sales in the Nordic region decreased 5% in the fourth quarter and increased 5% for the full year. The decline in the fourth quarter was driven by a reduced seasonality effect compared to prior years. The positive momentum in Sweden continued, with 17% growth in unit sales for the full year. Overall Hexvix market share in the Nordic region has grown to ~ 40% for the full year.

US Cysview sales

In the US, fourth quarter revenue increased 95% compared to fourth quarter prior year. Revenue increased 87% for the full year, driven by volume growth, positive foreign exchange rates and price increases. In constant currency, revenue grew 46% for the full year compared to 2014.

Unit sales in the US increased 41% in the fourth quarter and 33% for the full year, compared to prior year.

US growth was driven both by the number of permanent blue light cystoscopes (BLCs) installed at leading US hospitals/urology centers and by increased average usage per center. The total number of permanent BLCs installed at leading US hospitals/urology centers at the end of the fourth quarter was 65, an increase of 14 compared to end of 2014.

During 2015 Photocure continued to work closely with key stakeholders to secure a long-term sustainable solution for Cysview Medicare reimbursement. A bill to secure coverage for US Medicare bladder patient access to state of the art treatment using up to date technology, including Cysview, was introduced in 2015 and during fourth quarter the bill continued to gain additional support of Congressional members and progress through the legislative process. The bill was not acted upon in 2015, however, Photocure will continue its work to obtain reimbursement for Cysview in the US.

Hexvix/Cysview partner sales

Partner revenue increased 34% in the fourth quarter, positively impacted by the timing of supply stocks to our partner in previous quarters. Revenue increased 17% to NOK 54.1 million for the full year compared to prior year. Revenue in constant currency grew 9% for the full year.

End user unit sales increased 9% in the fourth quarter. Germany and France delivered double digit volume growth in the fourth quarter. Unit growth for partner was 6% for the full year.

Hexvix/Cysview new territories

During 2015 Photocure appointed two new exclusive distributors of Hexvix/Cysview, BioSyent Pharma in Canada and Juno Pharmaceuticals in Australia and New Zealand. Under the terms of the agreements with both distributors, Photocure received signing fees of NOK 7.5 million and will receive additional milestone payments upon achievement of predefined milestones.

It is anticipated that the first commercial sale of Cysview in Canada will take place first half 2016 and that Hexvix will obtain marketing authorization in Australia in second half 2016.

In June, marketing approval for Hexvix in Russia was received. Photocure is evaluating potential commercial partners in Russia.

Hexvix/Cysview (hexaminolevulinate hydrochloride) is an innovative breakthrough technology for the diagnosis and management of non-muscle invasive bladder cancer. It is designed to selectively target malignant cells in the bladder and induce fluorescence during a cystoscopic procedure using a blue light enabled cystoscope. Using Hexvix/Cysview as an adjunct to standard white-light cystoscopy enables the urologist to better detect and remove lesions, leading to a reduced risk of recurrence. Hexvix/Cysview is approved in Europe, US, Canada and Russia.

Bladder cancer has a high incidence, and is the fourth most common type of cancer in males in the US. An estimated 75,000 new cases of bladder cancer were diagnosed in 2014, with an estimated 15,600 people dying from the disease, according to the American Cancer Society. In Europe bladder cancer is the fifth most common cancer with an estimated 167 000 newly diagnosed cases and 59 000 deaths due to the disease in 2012 (Witjes JA et al., Eur Urol 2014). If bladder cancer is detected at an early stage, management and outcome for the patient is improved.

Update development portfolio

Progress in the clinical development programs

	Indication	Status
Visonac®	Treatment of moderate to severe acne	Phase 3 ready
Cevira®	Treatment of HPV associated diseases of the cervix including precancerous lesions	Phase 3 ready
Hexvix® Cysview®	Detection of bladder cancer, surveillance segment	Phase 3 initiated

Hexvix®/Cysview® – growth opportunities

An expansion of the use of Hexvix/Cysview into the surveillance patient segment will open a market segment estimated to be 2-3 times larger than the current segment. Hexvix/Cysview is currently used to optimize patient management through improved diagnosis and bladder cancer resection (TURB) in a surgical procedure. After patients are initially diagnosed and treated by TURB, they undergo cystoscopy examinations every 3-9 months. This surveillance is performed in the out-patient/office setting using flexible cystoscopes to detect any suspicious new lesions requiring referral for additional TURBs.

In the fourth quarter, the first patient was enrolled in a 360 patient phase 3 clinical study examining bladder cancer detection rates using Cysview blue light flexible cystoscopy vs white light flexible cystoscopy. The study design is in alignment with FDA to obtain label expansion and fulfill the Cysview post marketing commitments. Final results are expected in 2017 with possible FDA approval in 2018.

Visonac® – treatment of moderate to severe acne

Visonac is a novel patented photodynamic treatment in late-stage development for treating moderate to severe, inflammatory acne. Visonac has been developed in combination with Photocure's innovative full face red light lamp, Nedax®. The estimated global market value of available treatments in this segment, oral antibiotics and retinoids, is USD 900 million annually. Visonac will address a large unmet medical need as a second line treatment option for patients with moderate to severe acne estimated to affect more than 2 million patients each year in the EU and US.

Research from GlobalData cites Visonac as one of the most highly anticipated introductions in the acne therapeutics market¹.

In December, clinical results from the Visonac phase 2b study were published in the *British Journal of Dermatology*, a prestigious dermatology journal. Visonac demonstrated a statistically significant reduction in inflammatory lesions and overall improvement in acne severity in patients with severe acne vulgaris where there

is a significant unmet medical need due to a lack of effective treatment options. The phase 2b study has also been the foundation for the alignment with regulatory authorities in both the US and Europe on the design and analysis of the global pivotal phase 3 registration program.

In 2015 the intellectual property portfolio for Visonac was further strengthened by the grant of an additional key patent in Europe. The patent expires in 2028.

Photocure's strategy is to establish a strategic partnership for Visonac for further development and commercialization. Discussions with companies that are leaders in dermatology continue to take place.

Visonac (methyl aminolevulinate 80mg/g) is in development for the treatment of moderate to severe acne. Acne is the single most common skin disease worldwide and affects up to 85% of all 12-24 year olds. There is a high unmet medical need for patients with moderate to severe acne, where the current mainstay of treatment is oral antibiotics and/or retinoids. By avoiding the risks of increased antibiotic resistance from long term exposure and providing a better tolerated alternative than systemic retinoids, Visonac has the potential to satisfy a high unmet medical need.

Cevira® – treatment of HPV associated diseases of the cervix

Cevira is a unique, non-invasive photodynamic therapy under development for the treatment of oncogenic human papilloma virus (HPV) infection and pre-cancerous cervical abnormalities. Cevira is the first in class of possible new medical treatments in this therapeutic area. The market opportunity for a successful product is significant. Each year in EU and the US approximately 1 million women are diagnosed with high grade lesions and an estimated 10-15 million women are diagnosed with oncogenic HPV.

Photocure has consulted key regulatory agencies in both the US and EU to agree the design and target patient population for the pivotal phase 3 registration program.

After submission of proposed phase 3 protocols for a Special Protocol Assessment Review (SPAR) in the first quarter of 2015, FDA approved

¹ <http://healthcare.globaldata.com/media-center/press-releases/pharmaceuticals/novel-product-launches-to-reinvigorate-acne-treatment-market-by-2018-says-globaldata>

the Special Protocol Agreement (SPA) in August. The SPA defines the size, design and analysis of clinical trials that will form the primary basis of approval. Ensuring regulatory alignment before initiating the Phase 3 registration trials reduces the risk of the development program and is an important milestone in the continued development of Cevira. With alignment with FDA on Phase 3 clinical studies now obtained, Photocure plans to finalize necessary documentation for the Cevira device to ensure readiness for the Phase 3 trial.

In September 2015 a new patent for Cevira was granted in Europe. The patent protects the Cevira device including its use in combination with the Cevira drug until 2029, and complements the company's proprietary European patent, which claims different aspects of the Cevira device and Photocure's registered European Community design, covering the appearance of the device, i.e. lines, contours, colors, shape, texture and/or materials. The patent expires in 2029, while the design expires in April 2038. In US, Photocure has patents granted to 2030.

Cevira has the potential to treat HPV induced cervical high grade disease and prevent the development of cervical cancer which globally affects more than 500,000 women annually. Photocure will continue discussions with leading companies in women's healthcare to secure a strategic partnership to support the phase 3 development and commercialization of Cevira.

Financial review

(Numbers in brackets are for the corresponding period in 2014; references to the prior year refer to a comparison to the full year 2014, unless otherwise stated).

Photocure's financial performance improved significantly in 2015 with increased sales revenue as well as improved operating results before one-off milestone revenues.

Revenues

Revenues in the fourth quarter were NOK 34.5 million, an increase of 33% from the same quarter last year (NOK 26.0 million). For the full year revenues increased 4% to NOK 134.7 million. Excluding milestones and termination fees the full year increase was 31% to NOK 122.3 million (NOK 93.6 million).

This increase was driven mainly by positive effects of currency exchange rates, continued market

penetration of Hexvix/Cysview, price increases and sales of API.

Total Hexvix/Cysview sales revenues for the fourth quarter were NOK 33.2 million, an increase of 34% from last year (NOK 24.8 million). Hexvix/Cysview sales revenue grew 26% for the full year to NOK 115.8 million (NOK 92.0 million). The US operation accounted for almost half of this growth. In constant currencies the revenue grew 14% for the full year.

Operating costs

Total operating costs excluding depreciation and amortization were NOK 41.2 million (NOK 33.8 million) in the fourth quarter, an increase of 22%. Operating costs excluding depreciation and amortization were up 15% to NOK 144.6 million for the full year (up approximately 4% in constant currency). The increases in operating costs were to a large extent driven by changes in currency exchange rates, increased investments in US operations as well as increased activities related to expanding the use of Hexvix/Cysview into the flexible surveillance patient segment.

MNOK	Q4 '15	FY '15
Research & Development	9,0	29,6
YoY growth	-5 %	-9 %
Sales & Marketing	20,9	73,3
YoY growth	50 %	35 %
Other Opex	11,2	41,7
YoY growth	9 %	7 %
Operating expenses	41,2	144,6
YoY growth	22 %	15 %
Depreciation & Amort.	1,5	3,9
Total	42,7	148,5

Fourth quarter research and development (R&D) costs were NOK 9.0 million (NOK 9.6 million). The R&D costs relate to regulatory work and maintenance and expansion of our intellectual property as well as the development of the current pipeline. R&D costs were NOK 29.6 million for the full year, a decline of 9% from the prior year. The primary development activities in 2015 have been the initiation of the Cysview flexible scope / post marketing commitment trial in the U.S and regulatory work related to Cevira. Expenses related to the Cysview flexible scope / post marketing commitment trial are capitalized.

Marketing and sales costs increased 50% to NOK 20.9 million (NOK 13.9 million) in the fourth quarter compared to same period prior year, significantly impacted by changes in currency exchange rates,

particularly the USD/NOK. Marketing and sales costs for the full year were NOK 73.3 million, an increase of 35% from last year (approximately 17% in constant currencies).

Financial results

EBITDA was at NOK -8.7 million for the fourth quarter, an improvement of 10% as compared to prior year (NOK -9.7 million). Full year EBITDA was NOK -18.1 million (NOK -4.2 million). Prior year EBITDA was positively impacted by the termination fee from Salix of NOK 30.8 million. Excluding the termination fee from Salix full year EBITDA improved with NOK 16.8 million from prior year. Impact from currency translation was approximately NOK 2.0 million negative for the full year and neutral in fourth quarter.

EBITDA in the commercial segment was NOK 28.7 million for the full year compared to NOK 16.8 million prior year. Development portfolio had an EBITDA of NOK -46.8 million for the full year compared to NOK -51.8 million last year excluding the termination fee from Salix of NOK 30.8 million.

Fourth quarter depreciation and amortization was NOK 1.5 million (NOK 0.4 million). Full year depreciation and amortization was NOK 3.9 million (NOK 1.5 million). The increase from prior year is driven by amortization on the investments in intangible assets related to the initiation of the phase 3 market expansion and post-marketing commitment trial for Cysview.

Net financial items excluding impairment loss of shares in PCI Biotech were NOK 0.1 million (NOK 4.6 million) in the fourth quarter and NOK 4.5 million for the full year (NOK 7.2 million). Photocure had at quarter end 9.96% of the shares in PCI Biotech Holding ASA. The market value of the shareholding was NOK 5.9 million at year end 2015, resulting in a negative market value adjustment of NOK 3.0 million for the fourth quarter and NOK 10.6 million for the full year.

Photocure's net loss before tax was NOK 13.1 million in the fourth quarter (loss of NOK 13.6 million) and a loss of NOK 28.1 million (loss of NOK 6.7 million) for the full year 2015.

Cash flow and statement of financial position

Net cash flow from operations was negative NOK 1.8 million in the fourth quarter (negative NOK 2.9 million) and negative NOK 21.0 million for the full year (negative NOK 6.1 million). The full year change reflects the Salix termination fee in 2014 partly offset by improved operational results in 2015. Net cash flow from investments was

negative NOK 3.6 million in the fourth quarter and negative NOK 12.6 million for the full year. This includes investments in intangible assets of NOK 14.4 million mainly related to the initiation of the phase 3 market expansion and post-marketing commitment trial for Cysview.

Cash and cash equivalents were NOK 134.0 million at year end 2015. Fourth quarter net change in cash was negative NOK 5.4 million (negative NOK 1.6 million). Net change in cash for the full year was negative NOK 31.2 million (negative NOK 2.0 million).

Shareholders' equity was NOK 210 million at year end 2015, an equity ratio of 85%. At the end of 2014, shareholders' equity was NOK 240 million (89%).

As of 31 December 2015, Photocure held 35,476 own shares.

Risks and uncertainty factors

Photocure is exposed to risk and uncertainty factors, which may affect some or all of the company's activities. Photocure has financial risk, market risk as well as operational risk and risk related to development of new products.

The most important risks the company is exposed to for 2015 are associated with market development for Hexvix/Cysview, progress of partnering activities, as well as financial risks related to interest rates, liquidity and currency fluctuations.

There are no significant changes in the risks and uncertainty factors compared to the descriptions in the Annual Report for 2014.

Outlook

Photocure expects increasing unit sales growth rates for Hexvix/Cysview through continued positive sales development of Cysview in the US, launch in new markets as well as growth in key mature markets.

Photocure has built considerable experience in the urology sector through the Hexvix/Cysview franchise. The Company will continue to expand its commercial presence in urology by furthering the Hexvix/Cysview opportunity in the bladder cancer surveillance market with finalization of the new phase 3 clinical trial. The Company expects

this trial to cost USD 8.5 million in total, of which an estimated USD 3.5 million will be invested in 2016.

Operating expenses are expected to increase moderately in constant currencies due to increased sales and marketing activities supporting increased revenues and activities in the surveillance market. In 4Q 2016 Photocure is

entitled to receive Euro 4 million from Galderma as the final payment related to the 2009 Metvix asset purchase agreement. Cash position is expected to remain solid throughout 2016 including committed deferred payments and milestones.

Photocure is committed to establishing strategic partnerships for its non-urology pipeline products.

The Board of Directors and CEO
Photocure ASA

Oslo, 10 February 2016

Bente-Lill B Romøren
Chairperson

Xavier Yon

Synne H. Røine

Lars Rønn

Tom Pike

Kjetil Hestdal
President and CEO

Photocure Group – Accounts for fourth quarter and full year 2015

Photocure Group – Statement of comprehensive income

(all amounts in NOK 1 000 except per share data)	Note	2015	2014	2015	2014
		4Q	4Q	1.1-31.12	1.1-31.12
Sales revenues		33 200	24 771	122 330	93 586
Signing fee and milestone revenues		1 287	1 186	12 387	35 366
Total revenues		34 487	25 957	134 717	128 951
Cost of goods sold		-2 034	-1 821	-8 221	-6 996
Gross profit		32 453	24 136	126 496	121 955
Indirect manufacturing expenses	3	-2 897	-3 197	-10 410	-9 187
Research and development expenses	3	-9 801	-9 562	-31 337	-32 554
Marketing and sales expenses	3	-20 925	-13 932	-73 399	-54 561
Business development and administrative exp.	3	-9 034	-7 474	-33 327	-31 284
Operating expenses		-42 657	-34 165	-148 473	-127 586
EBIT		-10 204	-10 030	-21 977	-5 631
Financial income		2 028	5 189	8 851	9 787
Financial expenses		-1 961	-543	-4 304	-2 630
Net financial profit/loss(-) excluding PCI		67	4 646	4 547	7 157
Profit/loss(-) before PCI and tax		-10 137	-5 384	-17 430	1 526
Impairment loss shares in PCI Biotech Holding		-2 967	-8 181	-10 636	-8 181
Profit/loss(-) before tax		-13 104	-13 565	-28 066	-6 655
Tax expenses	4	3 680	-18 047	-8 108	-18 047
Net profit/loss(-)		-9 424	-31 611	-36 173	-24 701
Other comprehensive income	5	1 145	-6 734	865	-7 392
Total comprehensive income		-8 279	-38 345	-35 309	-32 093
Net profit/loss(-) per share, undiluted	6	-0,44	-1,48	-1,69	-1,16
Net profit/loss(-) per share, diluted	6	-0,44	-1,48	-1,69	-1,16

Photocure Group – Statement of financial position

(Amounts in NOK 1 000)	Note	31/12/15	31/12/14
Non-current assets			
Machinery & equipment	7	2 288	3 094
Intangible assets	7	11 877	
Other investments	8, 9	38 738	42 355
Deferred tax asset	4	23 490	31 063
Total non-current assets		76 394	76 512
Current assets			
Inventory		13 800	13 237
Receivables		23 844	15 585
Cash & cash equivalents	8	134 026	165 245
Total current assets		171 670	194 067
Total assets		248 064	270 579
Equity and liabilities			
<i>Equity</i>			
Share capital	10	10 738	10 697
Other paid-in capital		42 848	37 801
Retained earnings		156 478	191 560
Shareholders' equity		210 064	240 058
<i>Long-term liabilities</i>			
Other non-current liabilities		3 960	3 055
Total long-term liabilities		3 960	3 055
Current liabilities		34 039	27 466
Total liabilities		38 000	30 521
Total equity and liabilities		248 064	270 579

Photocure Group – Changes in equity

	2015	2014	2015	2014
(Amounts in NOK 1 000)	4Q	4Q	1.1-31.12	1.1-31.12
Equity at beginning of period	217 689	277 253	240 058	269 123
Capital increase		-	2 415	
Share-based compensation (share options employees)	654	464	2 899	2 343
Other items	-	686	-	686
Comprehensive income	-8 279	-38 345	-35 309	-32 093
Equity at end of period	210 064	240 058	210 064	240 058

Photocure Group – Cash flow statement

	2015 4Q	2014 4Q	2015 1.1-31.12	2014 1.1-31.12
<i>(Amounts in NOK 1 000)</i>				
Profit/loss(-) before tax	-13 104	-13 565	-28 066	-6 655
Depreciation and amortisation	1 476	372	3 899	1 469
Gain sale of financial assets	-	-	-1 342	-
Impairment loss shares	2 967	8 181	10 636	8 181
Share-based compensation	654	465	2 899	2 343
Net interests	-343	-979	-986	-4 138
Changes in working capital	7 319	5 304	-2 249	-1 954
Other operational items	-785	-2 646	-5 823	-5 335
Net cash flow from operations	-1 816	-2 868	-21 032	-6 089
Machinery & equipment investment	-49	-402	-520	-748
Intangible asset investment	-3 916	-	-14 410	-
Received financial payments	343	979	2 328	4 138
Cash flow from investments	-3 622	577	-12 602	3 390
Cash flow from financing activities	-	686	2 415	686
Net change in cash during the period	-5 439	-1 605	-31 219	-2 013
Cash & cash equivalents at beginning of period	139 465	166 850	165 245	167 259
Cash & cash equivalents at end of period	134 026	165 245	134 026	165 245

Note 1 – General accounting principles

General information

Photocure ASA is a public limited company domiciled in Norway. The business of the Company is associated with research, development, production, distribution, marketing and sales of pharmaceutical products and related technical medical equipment. The Company's shares are listed on the Oslo Stock Exchange. The Company's registered office is Hoffsveien 4, NO-0275 Oslo, Norway.

Photocure Group (Photocure) comprises Photocure ASA and the wholly owned subsidiary Photocure Inc. that is a US registered company.

Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014 (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 with the exception of the changes to the segment reporting as described in the section for segment reporting. 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 Board of Directors approved the interim financial statements on 10 February 2016.

Photocure 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 financial statements may not add up to the totals.

Summary of significant accounting policies

The new and amended standards and interpretations from IFRS that were adopted by the EU with effect from 2015 did not have any significant impact on the reporting in 2015. Photocure has not chosen an early implementation of any new or amended IFRS's or IFRIC interpretations.

Important accounting valuations, estimates and assumptions

Preparation of the accounts in accordance with IFRS requires the use of judgment, estimates and assumptions that have consequences for recognition in the balance sheet of assets and liabilities, the estimation of contingent liabilities and recorded revenues and expenses. The use of estimates and assumptions is based on the best discretionary judgment of the Group management.

Note 2 - Photocure Group – Segment information

Photocure has evaluated the group use of segments in the reporting to align internal and external reporting. Based on this the group has decided to change the segment reporting from 2015. The new segment structure is Commercial Franchise and Development Portfolio. Commercial Franchise includes Hexvix /Cysview by sales channel, own sales and partner sales, and other sales, currently including sale of active ingredients. Development Portfolio is split by development of commercial products and pipeline products.

The change is implemented from first quarter 2015. Segment reporting for 2014 has been restated to comply with new structure.

4Q 2015 (Amounts in NOK 1 000)	Commercial Franchise			Development Portfolio			Grand Total
	Hex/Cys Own sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	
Sales Revenues	19 620	13 580	-	33 200	-	-	-
Milestone revenues	-	-	1 288	1 288	-	-	1 288
Cost of goods sold	-672	-1 362	-	-2 034	-	-	-2 034
Gross profit	18 949	12 217	1 288	32 454	-	-	32 454
Gross profit of sales %	97 %	90 %		94 %			94 %
R&D	-	-	-	-	-1 169	-7 869	-9 037
Sales & marketing	-17 914	-2 526	-	-20 440	-	-453	-453
Other & allocations	-3 175	-4 161	-173	-7 509	-926	-2 816	-3 742
Operating expenses	-21 089	-6 688	-173	-27 949	-2 095	-11 138	-13 233
EBITDA	-2 141	5 530	1 115	4 505	-2 095	-11 138	-13 233
							-8 728

4Q 2014 (Amounts in NOK 1 000)	Commercial Franchise			Development Portfolio			Grand Total
	Hex/Cys Own sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	
Sales Revenues	14 649	10 121	-	24 770	-	-	-
Milestone revenues	-	-	1 186	1 186	-	-	1 186
Cost of goods sold	-730	-1 091	-	-1 821	-	-	-1 821
Gross profit	13 919	9 030	1 186	24 135	-	-	24 135
Gross profit of sales %	95 %	89 %		93 %			93 %
R&D	-	-	-	-	-1 554	-7 994	-9 548
Sales & marketing	-11 031	-1 381	-	-12 412	-	-1 482	-1 482
Other & allocations	-2 920	-3 517	-204	-6 642	-367	-3 342	-3 709
Operating expenses	-13 951	-4 898	-204	-19 054	-1 921	-12 818	-14 739
EBITDA	-32	4 132	981	5 081	-1 921	-12 818	-14 739
							-9 658

1 Jan - 31 December 2015 (Amounts in NOK 1 000)	Commercial Franchise			Development Portfolio			Grand Total
	Hex/Cys Own sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	
Sales Revenues	61 684	54 101	6 545	122 329	-	-	-
Milestone revenues	-	7 450	4 939	12 388	-	-	12 388
Cost of goods sold	-2 483	-5 738	-	-8 221	-	-	-8 221
Gross profit	59 201	55 812	11 484	126 497	-	-	126 497
Gross profit of sales %	96 %	89 %	100 %	93 %			93 %
R&D	-	-	-	-	-4 709	-24 849	-29 558
Sales & marketing	-61 568	-8 684	-	-70 252	-	-3 021	-3 021
Other & allocations	-11 169	-15 769	-602	-27 541	-3 069	-11 134	-14 203
Operating expenses	-72 737	-24 453	-602	-97 793	-7 778	-39 004	-46 782
EBITDA	-13 536	31 359	10 881	28 704	-7 778	-39 004	-46 782
							-18 078

1 Jan - 31 December 2014 (Amounts in NOK 1 000)	Commercial Products			Development products			Grand Total
	Hex/Cys Own sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	
Sales Revenues	45 693	46 320	1 572	93 585	-	-	- 93 585
Milestone revenues	-	-	4 612	4 612	-	30 754	30 754 35 366
Cost of goods sold	-2 175	-4 821	-	-6 996	-	-	-6 996
Gross profit	43 519	41 499	6 184	91 201	-	30 754	30 754 121 955
Gross profit of sales %	95 %	90 %	100 %	93 %			93 %
R&D	-	-	-	-	-4 087	-28 453	-32 540 -32 540
Sales & marketing	-46 056	-4 555	-	-50 611	-	-3 819	-3 819 -54 430
Other & allocations	-10 375	-12 558	-812	-23 744	-1 499	-13 903	-15 402 -39 147
Operating expenses	-56 431	-17 113	-812	-74 356	-5 586	-46 175	-51 761 -126 117
EBITDA	-12 912	24 386	5 372	16 846	-5 586	-15 421	-21 007 -4 162

Note 3 – Income statement classified by nature

(Amounts in NOK 1 000)	2015	2014	2015	2014
	4Q	4Q	1.1-31.12	1.1-31.12
Sales revenues	33 200	24 771	122 330	93 586
Signing fees and milestone revenues	1 287	1 186	12 387	35 366
Cost of goods sold	-2 034	-1 821	-8 221	-6 996
Gross profit	32 453	24 136	126 496	121 955
Payroll expenses	-20 833	-19 274	-80 358	-73 008
R&D costs excl. payroll expenses/other operating exp.	-4 971	-4 721	-15 117	-15 197
Ordinary depreciation and amortisation	-1 476	-372	-3 899	-1 469
Other operating expenses	-15 377	-9 798	-49 099	-37 912
Total operating expenses	-42 657	-34 165	-148 473	-127 586
EBIT	-10 204	-10 030	-21 977	-5 631

Note 4 – Tax

(Amounts in NOK 1 000)	31.12.2015	31.12.2014
Income tax expense		
Tax payable	535	
Changes in deferred tax	7 573	18 047
Total income tax expense	8 108	18 047
 Tax base calculation		
Profit before income tax	-28 066	-6 653
Permanent differences	13 441	10 636
Temporary differences	-7 811	-7 148
Utilisation of tax loss carried forward	-9 347	-61 610
Increase tax loss carried forward	31 783	64 775
Tax base	0	0
 Temporary differences:		
Total	-137 903	-130 092
Tax loss carried forward	438 744	407 756
Net temporary differences	300 841	277 664
Write down of deferred tax benefit	-206 882	-162 614
Deferred tax benefit	93 959	115 050
Deferred tax asset	23 490	31 064

The Company has recognized a deferred tax asset regarding net temporary differences in the parent company in Norway but not for the subsidiary Photocure Inc. The parent company has a profit before tax in 2015 of NOK 9.3 million compared to NOK 66.5 million in 2014. Photocure has decided to change the transfer price method in the Group from a resale method to a profit/loss split method for the business in US. The taxable profit as of end December 2015 in the parent company will be offset by the tax loss carried forward in Norway. The deferred tax asset is of this reason decreased by NOK 7.6 million as of 31 December 2015 to NOK 23.5 million. The basis for the recognition is the assessment that it is more-likely-than-not that the deferred tax benefit will be utilized. There is no expiry on losses to be carried forward in Norway while it expires after 20 years in US.

Note 5 – Other comprehensive income

(Amounts in NOK 1 000)	2015	2014	2015	2014
	4Q	4Q	1.1-31.12	1.1-31.12
Market value adjustment PCI Biotech Holding ASA	297	-7 142	0	-7 884
Currency translation	848	408	864	491
Total other comprehensive income	1 145	-6 734	865	-7 392

Items may be subsequently reclassified to profit or loss.

Note 6 – Earnings per share

Earnings per share are calculated on the basis of the profit/loss for the year after tax but excluding other comprehensive items. The result is divided by a weighted average number of outstanding shares over the year, reduced by acquisition of treasury shares. The diluted earnings per share is calculated by adjusting the average number of outstanding shares by the number of employee options that can be exercised. Anti-dilution effects are not taken into consideration.

(Figures indicate the number of shares)	31.12.2015	31.12.2014
Issued ordinary shares 1 January	21 393 301	21 393 301
Effect of treasury shares	-35 476	-35 476
Effect of share options exercised	-49 639	-36 678
Effect of shares issued 2015	82 994	
Weighted average number of shares	21 391 180	21 321 147
Effect of outstanding share options	83 495	15 618
Weighted average number of diluted shares	21 474 675	21 336 765
Earnings per share in NOK	-1,69	-1,16
Earnings per share in NOK diluted	-1,69	-1,16

Note 7 – Fixed Assets

(Amounts in NOK 1 000)	Machinery & equipment	Intangible
Net book value 31.12.14	3 094	
Net investments 31.12.15	565	14 406
Depreciation and amortization	-1 371	-2 528
Net book value 31.12.15	2 288	11 877

Photocure has from 2015 capitalized a new clinical study for Cysview in US and a project for new solvent device

Note 8 – Other investments

(Amounts in NOK 1 000)	31.12.2015	31.12.2014
Market value PCI Biotech Holding ASA	5 933	16 569
Booked part of remaining settlement from sale of Metvix/Aktelite	32 805	25 786
Total other investments	38 738	42 355

Note 9 – Fair value

The table below analyses financial assets recognized in the balance sheet at fair value according to the valuation method.

The different levels have been defined as follows:

- Level 1: Noted prices in active markets for corresponding assets or liabilities
- Level 2: Available value measurements other than the noted prices classified as Level 1, either directly observable in the form of agreed prices or indirectly as derived from the price of equivalent.
- Level 3: Value measurements of assets or liabilities that are not based on observed market values

Market value hierarchy (Amounts in NOK 1 000)	Level 1	Level 2	Level 3	Total
Financial assets available for sale:				
- Shares in PCI Biotech Holding ASA	5 933	-	-	5 933
- Money market funds	113 313	-	-	113 313
Total	119 246	-	-	119 246

Note 10 – Share capital

Registered share capital in Photocure ASA amounts to:

	No. of shares	Nominal value per share	Share capital in NOK
Share capital at 31 December 2015	21 476 295	NOK 0.50	10 738 148
Share capital at 31 December 2014	21 393 301	NOK 0.50	10 696 651
Treasury shares:			
Holdings of treasury shares at 31 December 2014	35 476		17 738
Buy-back of treasury shares	-	NOK 0.50	-
Share option exercise	-	NOK 0.50	-
Holdings of treasury shares at 31 December 2015	35 476		17 738

The table below indicates the status of authorizations at 31 December 2015:

(Figures indicate the number of shares)	Purchase, treasury shares	Ordinary share issue	Employee share issues
Authorisation issued at the General Meeting on 30 April 2015	2 139 330	2 139 330	800 000
Share issues after the General Meeting on 30 April 2015	-	-	82 994
Purchase of treasury shares	-	-	-
Remaining under authorisations at 31 December 2015	2 139 330	2 139 330	717 006

Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of 31 December 2015:

Name	Position	No. of shares	No. of subscription rights
Kjetil Hestdal	President and CEO	103 873	116 000
Ambaw Bellete	Head, US Cancer Commercial Operations	-	54 100
Erik Dahl	Chief Financial Officer	-	69 000
Kathleen Deardorff	Chief Operating Officer	-	135 095
Inger Ferner Heglund	Vice President Research and Development	8 200	82 280
Grete Hogstad	Vice President Strategic Marketing	10 500	74 050
Espen Njåstein	Head, Nordic Cancer Commercial Operations	-	57 650
Gry Stensrud	Vice President Technical Development & Operations	6	87 050
Tom Pike	Board member	3 400	-

Note 11 – Share options

At 31 December 2015, employees in Photocure had the following share option schemes:

Year of allocation	2015	2014	2012/2013	2012
Option programme	2015	2014	2012	2011
Number	363 870	211 336	275 593	268 744
Exercise price (NOK)	32,78	27,39	38,50	48,75
Date of expiry (31 December)	2019	2018	2017	2016

The number of employee options and average exercise prices for Photocure, and developments during the year:

	31/12/15		31/12/14	
	No. of shares	Average exercise price (NOK)	No. of shares	Average exercise price (NOK)
Outstanding at start of year	1 153 312	39,05	1 013 637	41,14
Allocated during the year	407 700	32,78	326 000	27,39
Become invalid during the year	129 725	38,66	107 575	38,52
Exercised during the year	86 994	29,02	37 500	18,30
Expired during the year	224 750	42,00	41 250	18,30
Outstanding at end of period	1 119 543	37,00	1 153 312	39,05
Exercisable options at end of	768 728	39,57	852 631	41,84

Average exercise price for allocated, invalid, outstanding and exercisable options are all adjusted for paid dividend of NOK 2.00 in 2013.

Note 12 – Shareholders

Overview of the major shareholders at 31 December 2015:

Shareholder	Account type	Citizen	No of shares	%
J.P. MORGAN CHASE BANK N.A. LONDON	NOM	GBR	3 153 674	14,68 %
RADIUMHOSPITALET FORSKNINGSSSTIFTELSE		NOR	1 729 000	8,05 %
KLP AKSJE NORGE VPF		NOR	1 279 984	5,96 %
FONDSFINANS NORGE		NOR	1 114 490	5,19 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	950 000	4,42 %
MP PENSJON PK		NOR	848 000	3,95 %
HIGH SEAS AS		NOR	800 000	3,73 %
SKAGEN VEKST		NOR	626 466	2,92 %
DANSKE INVEST NORSKE INSTIT. II.		NOR	422 703	1,97 %
VERDIPAPIRFONDET EIKA NORGE		NOR	406 517	1,89 %
FONDSFINANS GLOBAL HELSE		NOR	372 682	1,74 %
BERGEN KOMMUNALE PENSJONSKASSE		NOR	370 000	1,72 %
DANSKE INVEST NORSKE AKSJER INST		NOR	360 714	1,68 %
VICAMA AS		NOR	345 384	1,61 %
RUL AS		NOR	281 475	1,31 %
POLAR CAPITAL GLOBAL HSBC BANK PLC.		GBR	254 537	1,19 %
VERDIPAPIRFONDET DNB NORGE (IV)		NOR	249 881	1,16 %
VERDIPAPIRFONDET DNB SMB		NOR	210 000	0,98 %
ARTAL AS		NOR	201 340	0,94 %
HOLMEN SPESIALFOND		NOR	200 000	0,93 %
Total 20 largest shareholders			14 176 847	66,01 %
Total other shareholders			7 299 448	33,99 %
Total number of shares			21 476 295	100,00 %

For more information, please contact:

Kjetil Hestdal, President and CEO
Mobile: +47 913 19 535
E-mail: kh@photocure.no

Erik Dahl, CFO
Mobile: +47 450 55 000
E-Mail: ed@photocure.com

Photocure ASA
Hoffsveien 4
NO – 0275 Oslo
Norway
Telephone: +47 22 06 22 10
Fax: +47 22 06 22 18