

Q2

SECOND QUARTER
REPORT 2016
PHOTOCURE GROUP



2016

Highlights for second quarter and first half year 2016

(Numbers in brackets and comparisons are for the corresponding period in 2015. Year to date refers to period ending 30 June 2016)

- Total Hexvix/Cysview global in-market sales increased 19% to NOK 124 million year to date. Year to date in-market unit sales increased 6%
- Hexvix/Cysview sales revenue increased 18% to NOK 34.2 million (NOK 28.9 million) in second quarter. Year to date Hexvix/Cysview sales revenue increased 22% to NOK 67.7 million (NOK 55.6 million)
- Commercial segment EBITDA year to date at NOK 11.3 million, down from last year NOK 14.8 million due to less sales of active ingredients (API) and milestones and increased investments in US. EBITDA margin at 16%
- Milestone reached in the US market – Blue light enabled cystoscopy with Cysview was recommended in new bladder cancer guidelines released by the American Urology Association and Society of Urological Oncology
- Patient enrollment in the phase 3 clinical study of Blue Light Flexible Cystoscopy with Cysview (BLFCC) is progressing according to plan and expected to be fully recruited by the end of 2016
- Two independent publications in latest issues of *Bladder Cancer* has shown that Blue light enabled cystoscopy with Hexvix/Cysview provides long term clinical benefits for bladder cancer patients by significantly reducing and prolonging time to disease progression

Key figures:

Figures in NOK million	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change	FY 2015
Sales revenues	34.2	31.5	8 %	67.7	59.9	13 %	122.3
Signing fee & milestone revenues	1.3	3.3		2.6	4.5		12.4
Total revenues	35.5	34.8	2 %	70.3	64.4	9 %	134.7
Operating expenses	35.7	33.7	6 %	71.9	67.9	6 %	144.6
EBITDA	-2.3	-1.1		-6.1	-7.7		-18.1
EBITDA commercial franchise	5.9	10.3		11.3	14.8		28.7
EBITDA development portfolio	-8.3	-11.4		-17.3	-22.5		-46.8
EBIT (Operating result)	-4.4	-1.9		-9.2	-9.1		-22.0
Profit/loss(-) before PCI and tax	-3.6	-0.4		-8.0	-7.4		-17.4
Net Profit/loss(-)	18.1	-10.8		17.4	-21.8		-36.2
Earnings per share, diluted (NOK)	0.84	-0.51		0.81	-1.02		-1.69
Cash & cash equivalents	104.4	146.7		104.4	146.7		134.0

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

“During the quarter and first half year Photocure continued to grow revenues. The revenue increase in the first half year was driven by growth across all key markets. It is especially encouraging to see the positive momentum of Cysview in the US, both in regard to continued volume growth and expansion in the base of installed blue light enabled cystoscopes, as well as the recommendation of Cysview in the US bladder cancer guidelines. This event is an important foundation for future investments and growth of our flagship brand. Our phase 3 surveillance study with Cysview in the US is progressing well and remains on track to have all patients enrolled by the end of 2016.

In the second quarter of 2016 we continued to meet our financial targets and make progress with our corporate strategy. We remain committed to securing partnerships for our two phase 3 ready development products, Cevira and Visonac, and continue to focus our business development work towards potential partnerships”.

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

The commercial segment second quarter total revenue increased 2% to NOK 35.5 million (NOK 34.8 million) compared to the same period last year. First half year total revenue was NOK 70.3 million, an increase of 9% from last year. Hexvix/Cysview revenues grew both in the quarter (18%) and year to date (22%), however, the revenues were negatively impacted by a reduction in API revenue and milestone revenues compared to the prior year.

Operating expenses increased as planned to NOK 27.4 million (NOK 22.3 million) for the quarter and NOK 54.6 million (NOK 45.4 million) year to date, reflecting increased marketing efforts in US and Hexvix/Cysview market expansion surveillance trials.

EBITDA for the second quarter was NOK 5.9 million (NOK 10.3 million) and year to date NOK 11.3 million (NOK 14.8 million).

MNOK	Q2 '16	YTD '16	YTD '15
Nordic - Hexvix	10,6	20,7	18,2
US - Cysview	7,1	14,7	10,3
Partner - Hexvix	16,5	32,3	27,0
Hexvix/Cysview total	34,2	67,7	55,6
<i>YoY growth</i>	18 %	22 %	
API revenues	0,0	0,0	4,3
Signing fee & milest.	1,3	2,6	4,5
Total revenues	35,5	70,3	64,4
<i>YoY growth</i>	2 %	9 %	
Cost of goods sold	-2,1	-4,5	-4,2
Gross profit	33,4	65,9	60,2
Operating expenses	-27,4	-54,6	-45,4
EBITDA	5,9	11,3	14,8
<i>EBITDA margin</i>	17 %	16 %	23 %

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 increased 18% to NOK 53 million in the second quarter and 19% to NOK 124 million year to date. Global in-market unit sales increased 6% in the second quarter and year to date compared to 2015. The volume growth in the second quarter was driven by the US and Ipsen territory, while year to date was mostly driven by positive market development in Nordic and US markets.

Total sales revenues for Hexvix/Cysview increased 18% to NOK 34.2 million (NOK 28.9 million) in the second quarter and increased 22% to NOK 67.7 million (NOK 55.6 million) year to date. Revenue growth was positively impacted by foreign exchange rates, increased demand in major markets and price increases. Revenue growth in constant currencies was 12% year to date.

Photocure Hexvix/Cysview sales

Photocure's sales revenues from its sales force in the US and Nordic region increased 12% to NOK 17.7 million in the second quarter and 24% to NOK 35.4 million year to date. Revenue in constant currencies grew 14% year to date compared to same period 2015.

Nordic Hexvix sales

Nordic revenues increased 14% year to date and 6% in second quarter compared to the prior year. The growth year to date was mainly driven by foreign exchange rates, customer demand and price increases. Revenue in constant currencies grew 5% year to date.

Photocure's in-market unit sales in the Nordic region increased 9% year to date. In-market sales in second quarter was 2% less compared to same quarter last year, mainly due to lower volume in Norway. Sweden continues the strong development with a year to date in-market volume growth of 22%.

US Cysview sales

In the US, second quarter revenue increased 23% and year to date revenue increased 42% compared to same periods the prior year. The increase was driven by volume growth, positive foreign exchange rates and price increase. In constant currency, year

to date revenue grew 30% compared to the same period in 2015.

Unit sales in the US increased 22% year to date and 11% in second quarter compared to same period prior year.

US growth is 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 second quarter was 79, an increase of 14 compared to end of 2015 and 21 compared to end of second quarter 2015.

Photocure continues 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 the first half year the bill continued to gain additional support of Congressional members and progress through the legislative process. Photocure will continue its work to obtain reimbursement for Cysview in the US.

Hexvix/Cysview partner sales

Partner revenue increased 26% to NOK 16.5 million (NOK 13.2 million) in second quarter and 20% year to date to NOK 32.3 million (NOK 27.0 million), positively affected by foreign exchange and increased volumes. Year to date sales included the first shipment to BioSynt Pharma in Canada in the first quarter. Revenue in constant currency grew 10% year to date.

End user unit sales increased 7% in second quarter and 5% year to date. It is anticipated that the first commercial sale of Cysview in Canada will take place third quarter 2016.

Juno Pharmaceuticals, our partner in Australia and New Zealand, is expected to obtain marketing authorization in Australia in H2 2016.

Marketing authorization for Hexvix in Russia was received in 2015. Photocure is evaluating potential commercial partners in Russia.

Hexvix/Cysview publications

A significant milestone and recognition of the medical benefits of Cysview was achieved in April 2016 with recommendation of blue light enabled cystoscopy with Cysview in the new AUA/SUO Guidelines for bladder cancer. In recommending the use of Cysview, the guidelines highlight the importance of Cysview in increasing the detection and decreasing

the recurrence rate of non-muscle invasive bladder cancer.

In April a study was published in *Bladder Cancer*, demonstrating that Blue Light Cystoscopy (BLC) with Hexvix/Cysview significantly prolonged time to disease progression and showed a trend in the reduction of the rate of progression in patients with non-muscle invasive bladder cancer (NMIBC).

In August a new study and meta-analysis was published in *Bladder Cancer*. This study analyzed the impact of Hexvix on disease progression from five different Hexvix/Cysview studies. The results showed that Blue Light Cystoscopy with Hexvix significantly reduced the ability of the bladder cancer to progress to more severe disease stage.

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 ongoing

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 last year, the first patient was enrolled in a phase 3 clinical study examining bladder cancer detection rates using Cysview blue light flexible cystoscopy vs white light flexible cystoscopy. The enrollment of patients into the study is progressing according to plan and, with more than 50% of patients included so far, the study is on track to be fully recruited by end of 2016. Final results from this study 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.

With alignment with regulatory authorities in both the US and Europe on the design and analysis of the global pivotal phase 3 registration program, Visonac is phase 3 ready.

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.

With alignment with FDA on Phase 3 clinical studies now obtained, Photocure continues to interact with FDA to finalize necessary documentation for the Cevira device to ensure readiness for the Phase 3 trial.

During the first half year the patent portfolio for Cevira was further strengthened as a new patent for Cevira was issued by the European Patent Office (EPO). The granted patent provides protection for the Cevira drug, its use and its combination with a drug delivery device, such as the Cevira device, until 2030. This new key patent in Photocure's Cevira portfolio complements the company's two proprietary European patents which protect different aspects of the Cevira device, and which expire in 2029.

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.

Organizational update

Photocure Chief Operating Officer, Kathleen Deardorff, left the Company in Q2. Photocure has engaged Torrey Partners and DNB Markets to ensure the continued focus and strengthen the Company's business development efforts to secure strategic partnerships for the further development of Visonac and Cevira.

Financial review

(Numbers in brackets are for the corresponding period in 2015; references to the prior year refer to a comparison to the same period 2015, unless otherwise stated).

Photocure's operational results in the second quarter were driven by growth in revenues from Hexvix/Cysview. This was partly offset by lack of API revenues and milestone revenues as well as continued investments in the US markets.

Revenues

Revenues in the second quarter were NOK 35.5 million, an increase of 2% from the same quarter last year (NOK 34.8 million). Year to date the revenues were NOK 70.3 million (NOK 64.4 million), an increase of 9%.

This increase was driven mainly by an increase in Hexvix/Cysview revenue, however almost offset by lack of API revenues and reduced milestone revenues compared to last year.

Total Hexvix/Cysview sales revenues for the second quarter were NOK 34.2 million, an increase of 18% from last year (NOK 28.9 million). The increase is driven by positive effects of currency exchange rates, continued market penetration of Hexvix/Cysview and price increases. Year to date Hexvix/Cysview revenues were NOK 67.7 million (NOK 55.6 million), an increase of 22%. In constant currencies the Hexvix/Cysview revenues grew 12% year to date.

Operating costs

Total operating costs excluding depreciation and amortization were NOK 35.7 million (NOK 33.7 million) in the second quarter, an increase of 6%. Year to date the increase was 6% to NOK 71.9 million (NOK 67.9 million).

<i>MNOK</i>	Q2 '16	YTD '16
Research & Development	3,3	8,3
<i>YoY growth</i>	-56 %	-43 %
Sales & Marketing	20,0	40,1
<i>YoY growth</i>	17 %	17 %
Other Opex	12,4	23,6
<i>YoY growth</i>	35 %	22 %
Operating expenses	35,7	71,9
<i>YoY growth</i>	6 %	6 %
Depreciation & Amort.	2,0	3,2
Total	37,7	75,1
<i>YoY growth</i>	10 %	8 %

The increases in operating costs were driven by changes in currency exchange rates, increased investments in US commercial operations as well as increased activities related to expanding the use of Hexvix/Cysview into the flexible surveillance patient segment.

Second quarter research and development (R&D) costs were NOK 3.3 million (NOK 7.4 million). R&D costs year to date were NOK 8.3 million (NOK 14.4 million). The reduction reflects readiness for phase 3 for Visonac and Cevira. 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. Expenses related to the Cysview phase 3 market expansion trial are capitalized.

Marketing and sales costs increased NOK 2.9 million to NOK 20.0 million (NOK 17.1 million) in the second quarter, significantly impacted by changes in currency exchange rates, particularly the USD/NOK. Cost for first half 2016 was NOK 40.1 million (NOK 34.2 million).

Other operating expenses, which includes supply chain, business development and general/administration, increased NOK 3.9 million year to date, driven by increased activity level.

Financial results

EBITDA was at NOK -2.3 million NOK (NOK -1.1 million) for the second quarter. Year to date EBITDA was NOK -6.1 million, an improvement of 22% as compared to prior year (NOK -7.7 million). Currency translation had a positive effect on the results of approximately NOK 1 million for the second quarter and 2 million year to date.

EBITDA in the commercial segment was NOK 11.3 million year to date compared to NOK 14.8 million prior year. The development portfolio had an EBITDA of NOK -17.3 million year to date compared to NOK -22.5 million prior year.

Second quarter depreciation and amortization was NOK 2.0 million (NOK 0.7 million). Year to date depreciation and amortization was NOK 3.2 million (NOK 1.3 million). The increase from prior year was mainly driven by amortization on the investments in intangible assets related to the initiation of the phase 3 market expansion trial for Cysview.

Net financial items excluding impairment loss shares in PCI Biotech were NOK 0.7 million (NOK 1.4 million) in the second quarter and NOK 1.2 million (NOK 1.7 million) year to date.

Photocure's net loss before tax was NOK 3.6 million in the second quarter (net loss of NOK 8.1 million). Year to date net loss before tax was NOK 8.0 million (net loss of NOK 15.0 million).

Net tax in the second quarter was an income of NOK 21.8 million (net cost of NOK 2.7 million). Year to date net income was 25.4 million (net cost of NOK 6.7 million). The net income was driven by a transfer of loss carried forward from the subsidiary in US to the parent company in Norway of NOK 88.6 million due to change in transfer pricing method (see note 4, page 15 in this report).

Net result was NOK 18.1 million (loss of NOK 10.8 million) in the second quarter and NOK 17.4 million (loss of NOK 21.8 million) year to date.

Cash flow and statement of financial position

Net cash flow from operations was negative NOK 12.8 million in the second quarter (negative NOK 2.5 million). Year to date net cash flow from operations was negative NOK 22.1 million (negative NOK 14.4 million). The change from prior year was mainly driven by changes to working capital; increased inventory and receivables due to increased revenue and decrease in accounts payables compared to increase prior year.

Net cash flow from investments was negative NOK 3.1 million in the second quarter (negative NOK 1.5 million). Net cash flow from investments year to date was negative NOK 8.3 million (negative NOK 5.1 million). This includes investments in intangible assets of NOK 7.8 million year to date, mainly related to the phase 3 market expansion trial for Cysview.

Cash and cash equivalents were NOK 104.4 million at the end of second quarter 2016. Second quarter net change in cash was negative NOK 16.2 million (negative NOK 3.1 million). Year to date net change in cash was negative NOK 29.6 million (NOK 18.6 million).

Shareholders' equity was NOK 232.9 million at quarter end, an equity ratio of 89%. At the end of 2015, shareholders' equity was NOK 210.1 million (equity ratio of 85%).

As of 30 June 2016, Photocure held 809 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 2016 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 2015.

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.

Responsibility statement

We confirm that, to the best of our knowledge, the unaudited condensed set of financial statements for the first half year of 2016 which has been prepared in accordance with IAS 34 Interim Financial Statements

gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the first half 2016 report includes a fair review of the information required under the Norwegian Securities trading Act section 5-6 fourth paragraph.

The Board of Directors and CEO
Photocure ASA

Oslo, 22 August 2016

Bente-Lill B Romøren
Chairperson

Synne H. Røine

Tom Pike

Xavier Yon

Grannum R. Sant

Kjetil Hestdal
President and CEO

Photocure Group

Accounts for second quarter and first half year 2016

Photocure Group – Statement of comprehensive income

		2016	2015	2016	2015	2015
		Q2	Q2	1.1-30.06	1.1-30.06	1.1-31.12
<i>(all amounts in NOK 1 000 except per share data)</i>						
Sales revenues		34 183	31 507	67 714	59 876	122 330
Signing fees and milestone revenues		1 280	3 280	2 601	4 486	12 387
Total revenues		35 463	34 787	70 315	64 362	134 717
Cost of goods sold		-2 082	-2 191	-4 453	-4 177	-8 221
Gross profit		33 381	32 596	65 862	60 185	126 496
Indirect manufacturing expenses	3	-2 393	-2 144	-5 145	-4 536	-10 410
Research and development expenses	3	-4 169	-7 727	-9 784	-14 831	-31 337
Marketing and sales expenses	3	-20 480	-17 090	-40 626	-34 276	-73 399
Other operating expenses	3	-10 705	-7 491	-19 541	-15 603	-33 336
Total operating expenses		-37 747	-34 451	-75 096	-69 246	-148 482
EBIT		-4 366	-1 855	-9 234	-9 061	-21 986
Financial income		1 210	1 809	2 492	4 339	8 856
Financial expenses		-486	-377	-1 253	-2 651	-4 304
Net financial profit/loss(-) excluding PCI shares		725	1 433	1 239	1 688	4 552
Profit/loss(-) before PCI and tax		-3 642	-423	-7 995	-7 374	-17 434
Impairment loss shares in PCI Biotech Holding		-	-7 669	-	-7 669	-10 636
Profit/loss(-) before tax		-3 642	-8 092	-7 995	-15 043	-28 070
Tax expenses	4	21 750	-2 732	25 397	-6 732	-8 108
Net profit/loss(-)		18 108	-10 824	17 402	-21 775	-36 178
Other comprehensive income	5	-948	-2 735	1 425	126	865
Total comprehensive income		17 160	-13 558	18 827	-21 649	-35 313
Net profit/loss(-) per share, undiluted	6	0,84	-0,51	0,81	-1,02	-1,69
Net profit/loss(-) per share, diluted	6	0,84	-0,51	0,81	-1,02	-1,69

Photocure Group – Statement of financial position

<i>(Amounts in NOK 1 000)</i>	Note	30.06.2016	30.06.2015	31.12.2015
Non-current assets				
Machinery & equipment	7	1 537	2 834	2 289
Intangible assets	7	19 160	6 421	11 877
Other investments	8, 9	7 862	36 435	5 933
Deferred tax asset	4	48 886	24 331	23 490
Total non-current assets		77 445	70 021	43 589
Current assets				
Inventories		16 657	12 234	13 800
Accounts receivable		12 141	9 691	12 259
Other receivables	10	51 310	10 897	44 384
Cash and short term deposits	8	104 448	146 677	134 026
Total current assets		184 555	179 499	204 469
Total assets		262 001	249 520	248 058
Equity and liabilities				
Equity				
Share capital	11	10 755	10 713	10 738
Other paid-in capital		51 764	40 057	43 073
Retained earnings		170 428	170 184	156 249
Shareholders' equity		232 947	220 953	210 060
Long-term liabilities				
Pension liabilities		3 192	3 468	3 960
Total long-term liabilities		3 192	3 468	3 960
Current liabilities		25 862	25 099	34 038
Total liabilities		29 054	28 567	37 998
Total equity and liabilities		262 001	249 520	248 058

Photocure Group – Changes in equity

<i>(Amounts in NOK 1 000)</i>	2016	2015	2016	2015	2015
	Q2	Q2	1.1-30.06	1.1-30.06	1.1-31.12
Equity at beginning of period	213 511	233 034	210 060	240 058	240 058
Capital increase	1 031	918	1 031	918	2 415
Share-based compensation (share options employees)	1 245	560	2 045	1 626	2 899
Treasury shares decrease			984	-	
Comprehensive income	17 160	-13 558	18 827	-21 649	-35 313
Equity at end of period	232 947	220 953	232 947	220 953	210 060

Photocure Group – Cash flow statement

	2016	2015	2016	2015	2015
	Q2	Q2	1.1-30.06	1.1-30.06	1.1-31.12
<i>(Amounts in NOK 1 000)</i>					
Profit/loss(-) before tax	-3 642	-8 092	-7 995	-15 043	-28 070
Depreciation and amortisation	2 029	738	3 177	1 329	3 899
Gain sale of financial assets	-	-	-	-1 342	-1 342
Impairment loss shares	-	7 669	-	7 669	10 636
Share-based compensation	1 246	560	2 045	1 626	2 899
Net interest income	-731	-458	-1 502	-1 048	-986
Changes in working capital	-10 509	-1 593	-15 729	-6 367	-2 250
Other operational items	-1 201	-1 331	-2 068	-1 229	-5 819
Net cash flow from operations	-12 809	-2 506	-22 072	-14 405	-21 033
Investments in fixed assets	-194	-204	-1 953	-440	-520
Development expenditures	-3 663	-1 723	-7 800	-7 031	-14 410
Received financial payments	731	458	1 502	2 390	2 328
Cash flow from investments	-3 125	-1 469	-8 251	-5 082	-12 602
Cash flow from financing activities	-239	918	745	918	2 415
Net change in cash during the period	-16 173	-3 058	-29 578	-18 568	-31 221
Cash & cash equivalents at beginning of period	120 622	149 735	134 026	165 246	165 246
Cash & cash equivalents at end of period	104 448	146 677	104 448	146 677	134 026

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 (OSE: PHO). The Company's registered office is Hoffsvæien 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 2015 (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. 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 22 August 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 2016 did not have any significant impact on the reporting in 2016. 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 two segments; 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 includes development of commercial products and pipeline products.

1 Jan - 30 June 2016	Commercial Products				Development products			Grand
	Hex/Cys Own sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Total
<i>(Amounts in NOK 1 000)</i>								
Sales Revenues	35 377	32 337	-	67 714	-	-	-	67 714
Milestone revenues	-	-	2 601	2 601	-	-	-	2 601
Cost of goods sold	-1 305	-3 149	-	-4 453	-	-	-	-4 453
Gross profit	34 072	29 188	2 601	65 862	-	-	-	65 862
Gross profit of sales %	96 %	90 %		93 %				93 %
R&D	-	-	-	-	-1 581	-6 693	-8 274	-8 274
Sales & marketing	-34 958	-3 621	-	-38 579	-	-1 481	-1 481	-40 059
Other & allocations	-5 913	-9 738	-357	-16 009	-1 840	-5 736	-7 576	-23 584
Operating expenses	-40 871	-13 359	-357	-54 587	-3 421	-13 910	-17 331	-71 918
EBITDA	-6 799	15 830	2 244	11 275	-3 421	-13 910	-17 331	-6 057

1 Jan - 30 June 2015	Commercial Franchise				Development Portfolio			Grand
	Hex/Cys Own sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Total
<i>(Amounts in NOK 1 000)</i>								
Sales Revenues	28 568	27 027	4 281	59 876	-	-	-	59 876
Milestone revenues	-	2 100	2 387	4 487	-	-	-	4 487
Cost of goods sold	-1 213	-2 964	-	-4 177	-	-	-	-4 177
Gross profit	27 355	26 163	6 668	60 186	-	-	-	60 186
Gross profit of sales %	96 %	89 %	100 %	93 %				93 %
R&D	-	-	-	-	-2 793	-11 598	-14 392	-14 392
Sales & marketing	-28 737	-3 945	-	-32 682	-	-1 530	-1 530	-34 213
Other & allocations	-5 244	-7 212	-288	-12 744	-1 442	-5 129	-6 571	-19 314
Operating expenses	-33 981	-11 157	-288	-45 426	-4 235	-18 257	-22 493	-67 919
EBITDA	-6 626	15 006	6 380	14 760	-4 235	-18 257	-22 493	-7 732

Q2 2016	Commercial Franchise				Development Portfolio			Grand
	Hex/Cys Own sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Total
<i>(Amounts in NOK 1 000)</i>								
Sales Revenues	17 651	16 531	-	34 183	-	-	-	34 183
Milestone revenues	-	-	1 281	1 281	-	-	-	1 281
Cost of goods sold	-656	-1 427	-	-2 083	-	-	-	-2 083
Gross profit	16 995	15 105	1 281	33 381	-	-	-	33 381
Gross profit of sales %	96 %	91 %		94 %				94 %
R&D	-	-	-	-	-759	-2 546	-3 304	-3 304
Sales & marketing	-17 593	-1 732	-	-19 325	-	-653	-653	-19 978
Other & allocations	-2 901	-5 012	-199	-8 111	-1 013	-3 310	-4 323	-12 434
Operating expenses	-20 493	-6 744	-199	-27 436	-1 772	-6 508	-8 281	-35 717
EBITDA	-3 498	8 361	1 082	5 945	-1 772	-6 508	-8 281	-2 336

Q2 2015	Commercial Franchise				Development Portfolio			
	Hex/Cys Own sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Grand Total
(Amounts in NOK 1 000)								
Sales Revenues	15 732	13 174	2 601	31 507	-	-	-	31 507
Milestone revenues	-	2 100	1 181	3 281	-	-	-	3 281
Cost of goods sold	-649	-1 544	-	-2 192	-	-	-	-2 192
Gross profit	15 083	13 730	3 782	32 595	-	-	-	32 595
Gross profit of sales %	96 %	88 %	100 %	93 %				93 %
R&D	-	-	-	-	-1 312	-6 133	-7 445	-7 445
Sales & marketing	-14 349	-1 818	-	-16 167	-	-892	-892	-17 058
Other & allocations	-2 529	-3 487	-143	-6 159	-710	-2 344	-3 054	-9 212
Operating expenses	-16 878	-5 305	-143	-22 325	-2 023	-9 368	-11 391	-33 716
EBITDA	-1 794	8 425	3 639	10 270	-2 023	-9 368	-11 391	-1 121

1 Jan - 31 December 2015	Commercial Franchise				Development Portfolio			
	Hex/Cys Own sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Grand Total
(Amounts in NOK 1 000)								
Sales Revenues	61 684	54 101	6 545	122 329	-	-	-	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	-29 558
Sales & marketing	-61 568	-8 684	-	-70 252	-	-3 021	-3 021	-73 273
Other & allocations	-11 169	-15 769	-602	-27 541	-3 069	-11 134	-14 203	-41 744
Operating expenses	-72 737	-24 453	-602	-97 793	-7 778	-39 004	-46 782	-144 575
EBITDA	-13 536	31 359	10 881	28 704	-7 778	-39 004	-46 782	-18 078

Note 3 – Income statement classified by nature

	2016 Q2	2015 Q2	2016 1.1-30.06	2015 1.1-30.06	2015 1.1-31.12
<i>(Amounts in NOK 1 000)</i>					
Sales revenues	34 183	31 507	67 714	59 876	122 330
Signing fees and milestone revenues	1 280	3 280	2 601	4 486	12 387
Cost of goods sold	-2 082	-2 191	-4 453	-4 177	-8 221
Gross profit	33 381	32 596	65 862	60 185	126 496
Payroll expenses	-20 753	-17 105	-42 853	-38 355	-80 358
R&D costs excl. payroll expenses/other operating exp.	-1 236	-4 165	-3 465	-7 408	-15 117
Ordinary depreciation and amortisation	-2 029	-734	-3 177	-1 329	-3 899
Other operating expenses	-13 730	-12 448	-25 602	-22 155	-49 108
Total operating expenses	-37 747	-34 451	-75 096	-69 246	-148 482
EBIT	-4 366	-1 855	-9 234	-9 061	-21 986

Note 4 – Tax

<i>(Amounts in NOK 1 000)</i>	30.06.2016	31.12.2015
Income tax expense		
Tax payable		535
Changes in deferred tax	-25 397	7 573
Total income tax expense	-25 397	8 108
Tax base calculation		
Profit before income tax	-7 995	-28 070
Permanent differences	-588	13 390
Temporary differences	15 378	-11 150
Utilisation of tax loss carried forward	-3 451	-9 294
Change in tax loss carried forward	-3 344	35 124
Tax base	0	0
Temporary differences:		
Total	-122 507	-137 885
Tax loss carried forward	394 845	438 793
Net temporary differences	272 338	300 908
Write down of deferred tax benefit	-76 794	-206 948
Deferred tax benefit	195 544	93 960
Deferred tax asset	48 886	23 490

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. Photocure has in 2015 changed the transfer price method in the Group from a resale method to a profit/loss split method for the business in US. The Norwegian Tax authorities have in May 2016 accepted the new method and agreed to transfer loss carried forward from the subsidiary in US to the parent company in Norway of NOK 88.6 million. Of this reason the deferred tax asset is in 2016 increased by NOK 25.4 million to NOK 48.9 million at the end of the second quarter. The taxable profit in the parent company is related to changes in temporary differences in addition to the operating profit. 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

	2016	2015	2016	2015	2015
<i>(Amounts in NOK 1 000)</i>	Q2	Q2	1.1-30.06	1.1-30.06	1.1-31.12
Market value adjustment PCI Biotech Holding ASA	-712	-2 715	1 928	-	-
Currency translation	-236	-20	-503	126	865
Total other comprehensive income	-948	-2 735	1 425	126	865

Items may be subsequently reclassified to profit or loss.

Note 6 – Earnings per share

Earnings per share are calculated based on 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.

	2016	2015
<i>(Figures indicate the number of shares)</i>	1.1-30.06	1.1-31.12
Issued ordinary shares 1 January	21 476 295	21 393 301
Effect of treasury shares	-809	-35 476
Effect of share options exercised	-37 665	-49 639
Effect of shares issued	34 134	82 994
Weighted average number of shares	21 471 955	21 391 180
Effect of outstanding share options	110 865	83 495
Weighted average number of diluted shares	21 582 820	21 474 675
Earnings per share in NOK	0,81	-1,69
Earnings per share in NOK diluted	0,81	-1,69

Note 7 – Fixed Assets

	Machinery & equipment	Intangible
<i>(Amounts in NOK 1 000)</i>		
Net book value 31.12.15	2 289	11 877
Net investments 30.06.16	-209	9 918
Depreciation and amortization	-542	-2 635
Net book value 30.06.16	1 537	19 160

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

Note 8 – Other investments

	30.06.2016	31.12.2015
<i>(Amounts in NOK 1 000)</i>		
Market value PCI Biotech Holding ASA	7 862	5 933
Total other investments	7 862	5 933

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				
<i>(Amounts in NOK 1 000)</i>				
	Level 1	Level 2	Level 3	Total
Financial assets available for sale:				
- Shares in PCI Biotech Holding ASA	7 862	-	-	7 862
- Money market funds	86 816	-	-	86 816
- Currency forward contract		83	-	83
Total	94 678	83	-	94 761

The currency risk related to the remaining settlement amount of EUR 4 million from sale of Metvix/Aktelite, has in Q2 been partly hedged by a currency forward contract of EUR 3 million. The currency forward contract is measured at market value and the unrealized profit is presented as part of financial items in the Statement of comprehensive income.

Note 10 – Other receivables

<i>(Amounts in NOK 1 000)</i>	30.06.2016	31.12.2015
Booked part of remaining settlement from sale of	34 961	32 805
Prepayments and other receivables	16 349	11 579
Total other receivables	51 310	44 384

Note 11 – 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 30 June 2016	21 510 429	NOK 0.50	10 755 215
Treasury shares:			
Holdings of treasury shares at 31 December 2015	35 476		17 738
Buy-back of treasury shares	-	NOK 0.50	-
Share option exercise	-34 667	NOK 0.50	-17 334
Holdings of treasury shares at 30 June 2016	809		405

The table below indicates the status of authorizations at 30 June 2016:

	Purchase, treasury shares	Ordinary share issue	Employee share issues
<i>(Figures indicate the number of shares)</i>			
Authorisation issued at the General Meeting on 28 April 2016	2 147 628	2 147 628	2 147 628
Share issues after the General Meeting on 28 April 2016	-	-	34 134
Purchase of treasury shares	-	-	-
Remaining under authorisations at 30 June 2016	2 147 628	2 147 628	2 113 494

Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of 30 June 2016:

Name	Position	No. of shares	No. of subscription rights
Kjetil Hestdal	President and CEO	103 873	148 500
Ambaw Bellele	Head, US Cancer Commercial Operations	-	76 600
Erik Dahl	Chief Financial Officer	-	94 500
Inger Ferner Heglund	Vice President Research and Development	8 200	110 080
Grete Hogstad	Vice President Strategic Marketing	10 500	95 050
Espen Njåstein	Head, Nordic Cancer Commercial Operations	-	85 450
Gry Stensrud	Vice President Technical Development & Operations	1 845	96 350
Tom Pike	Board member	3 400	-

Note 12 – Share options

At 30 June 2016, employees in Photocure had the following share option schemes:

Year of allocation	2016	2015	2014	2012/2013	2012
Option programme	2016	2015	2014	2012	2011
Number	335 200	302 270	151 668	240 448	178 794
Exercise price (NOK)	40,15	32,78	27,39	38,50	48,75
Date of expiry (31)	2020	2019	2018	2017	2016

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

	Q2 2016		2015	
	No. of shares	Average exercise price (NOK)	No. of shares	Average exercise price (NOK)
Outstanding at start of year	1 119 543	37,00	1 153 312	39,05
Allocated during the year	354 100	40,15	407 700	32,78
Become invalid during the year	196 462	41,41	129 725	38,66
Exercised during the year	68 801	29,28	86 994	29,02
Expired during the year	-	-	224 750	42,00
Outstanding at end of period	1 208 380	37,65	1 119 543	37,00
Exercisable options at end of period	873 180	38,39	768 728	39,57

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

Note 13 – Shareholders

Overview of the major shareholders at 30 June 2016:

Shareholder	Account type	Citizen	No of shares	%
J.P. MORGAN CHASE BANK N.A. LONDON	NOM	GBR	3 151 124	14,65 %
HIGH SEAS AS		NOR	2 900 000	13,48 %
RADIUMHOSPITALET FORSKNINGSSTIFTELSE		NOR	1 412 916	6,57 %
KLP AKSJE NORGE VPF		NOR	1 218 255	5,66 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	838 272	3,90 %
FONDSFINANS NORGE		NOR	815 000	3,79 %
MP PENSJON PK		NOR	722 000	3,36 %
SKAGEN VEKST		NOR	452 000	2,10 %
DANSKE INVEST NORSKE INSTIT. II.		NOR	418 103	1,94 %
VERDIPAPIRFONDET EIKA NORGE		NOR	406 517	1,89 %
VICAMA AS		NOR	345 384	1,61 %
DANSKE INVEST NORSKE AKSJER INST		NOR	328 314	1,53 %
FONDSFINANS GLOBAL HELSE		NOR	320 000	1,49 %
BERGEN KOMMUNALE PENSJONSKASSE		NOR	258 397	1,20 %
POLAR CAPITAL GLOBAL HEALTHCARE GROWTH		GBR	254 537	1,18 %
VERDIPAPIRFONDET DNB NORGE (IV)		NOR	232 088	1,08 %
RUL AS		NOR	224 451	1,04 %
HOLMEN SPESIALFOND		NOR	200 000	0,93 %
EGELAND HOLDING AS		NOR	195 000	0,91 %
KLP AKSJENORGE INDEKS		NOR	193 680	0,90 %
Total 20 largest shareholders			14 886 038	69,20 %
Total other shareholders			6 624 391	30,80 %
Total number of shares			21 510 429	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