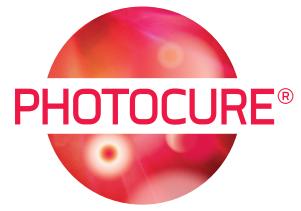


Q3

THIRD QUARTER
REPORT 2016
PHOTOCURE GROUP



Highlights for third quarter and the first nine months 2016

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

- Total Hexvix/Cysview global in-market sales increased 12% to NOK 57 million in the third quarter and 16% to NOK 181 million year to date
- Hexvix/Cysview sales revenue increased 17% to NOK 31.6 million (NOK 27.0 million) in the third quarter. Year to date Hexvix/Cysview sales revenue increased 20% to NOK 99.4 million (NOK 82.6 million)
- Year to date in-market unit sales increased 5% driven by growth of 27% in the US, 5% for partner sales and 1% in Nordic
- Commercial segment EBITDA year to date was NOK 19.3 million with EBITDA margin of 18%. Increased investments in US and less sales of API and milestone revenues drives a reduction from last year of NOK 4.9 million
- Continued strong patient enrollment in the phase 3 clinical study of Blue Light Flexible Cystoscopy with Cysview (BLFCC) in third quarter provide a lower cost level than originally planned.
- Studies published in *Bladder Cancer*, *World Journal of Urology* and *The Journal of Urology* in the third quarter documenting clinical benefits for bladder cancer patients by using Hexvix/Cysview

Key figures:

Figures in NOK million	Q3 2016	Q3 2015	Change	YTD 2016	YTD 2015	Change	FY 2015
Hexvix/Cysview revenues	31.6	27.0	17 %	99.4	82.6	20 %	115.8
Other sales & milestone revenues	3.6	8.9		6.2	17.6		18.9
Total revenues	35.2	35.9	-2 %	105.5	100.2	5 %	134.7
Operating expenses	34.7	35.5	-2 %	106.6	103.4	3 %	144.6
EBITDA	-1.6	-1.6		-7.7	-9.3		-18.1
EBITDA commercial franchise	8.0	9.4		19.3	24.2		28.7
EBITDA development portfolio	-9.7	-11.1		-27.0	-33.5		-46.8
EBIT (Operating result)	-3.2	-2.7		-12.5	-11.8		-22.0
Profit/loss(-) before PCI and tax	-3.3	0.1		-11.3	-7.3		-17.4
Net Profit/loss(-)	0.1	-5.0		17.5	-26.7		-36.2
Earnings per share, diluted (NOK)	0.00	-0.23		0.81	-1.25		-1.69
Cash & cash equivalents	93.9	139.5		93.9	139.5		134.0

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

“As in first half year, Photocure continued to grow sales revenues in third quarter. The Hexvix/Cysview sales revenue increase for the quarter and first nine months was double digit. It is encouraging to see the positive momentum of volume growth and increased adoption of Cysview in the US, both in the quarter and year to date.

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.

We continue our business development efforts to establish partnerships for Visonac and Cevira.”

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 third quarter total revenue declined 2% to NOK 35.2 million (NOK 35.9 million) compared to the same period last year. Year to date total revenue was NOK 105.5 million, an increase of 5% from last year. Hexvix/Cysview revenues grew both in the quarter (17%) and year to date (20%), however, the revenues were negatively impacted by an expected reduction in API revenue and milestone revenues compared to the prior year.

Operating expenses increased as planned to NOK 25.0 million (NOK 24.4 million) for the quarter and NOK 79.6 million (NOK 69.8 million) year to date, reflecting increased marketing efforts in US and Hexvix/Cysview market expansion investigator initiated surveillance trials in Nordic.

EBITDA for the third quarter was NOK 8.0 million (NOK 9.4 million) and year to date NOK 19.3 million (NOK 24.2 million). The reduction in EBITDA was due to reduced sales of API and milestones.

MNOK	Q3 '16	YTD '16	YTD '15
Nordic - Hexvix	8,7	29,4	26,4
US - Cysview	7,8	22,4	15,7
Partner - Hexvix	15,1	47,5	40,5
Hexvix/Cysview total	31,6	99,4	82,6
<i>YoY growth</i>	<i>17 %</i>	<i>20 %</i>	
API revenues	0,0	0,0	6,5
Signing fee & milest.	3,6	6,2	11,1
Total revenues	35,2	105,5	100,2
<i>YoY growth</i>	<i>-2 %</i>	<i>5 %</i>	
Cost of goods sold	-2,2	-6,6	-6,2
Gross profit	33,1	98,9	94,0
Operating expenses	-25,0	-79,6	-69,8
EBITDA	8,0	19,3	24,2
<i>EBITDA margin</i>	<i>23 %</i>	<i>18 %</i>	<i>24 %</i>

Hexvix®/Cysview® – profitable growth

Global in-market sales of Hexvix/Cysview increased 12% to NOK 57 million in the third quarter and 16% to NOK 181 million year to date. Global in-market unit sales increased 3% in the third quarter and 5% year to date compared to 2015. Sales development in US has been strong, but consolidated volume growth has been impacted by slowing growth in mature markets.

Total sales revenues for Hexvix/Cysview increased 17% to NOK 31.6 million (NOK 27.0 million) in the third quarter. Year to date sales revenue for Hexvix/Cysview increased 20% to NOK 99.4 million (NOK 82.6 million), positively impacted by foreign exchange rates, increased demand in US and price increases. Both quarter and year to date revenues have also been positively impacted by inventory purchases by our distributors in Nordic and partners. Revenue growth in constant currencies was 13% year to date.

Photocure Hexvix/Cysview sales

Photocure's sales revenues from its sales force in the US and Nordic region increased 22% to NOK 16.5 million in the third quarter and 23% to NOK 51.9 million year to date. Revenue in constant currencies grew 17% year to date compared to same period 2015.

Nordic Hexvix sales

Nordic revenues increased 7% in the third quarter and 12% year to date compared to the prior year. The growth year to date was mainly driven by favorable foreign exchange rates, inventory purchases by our distributors, price increases and customer demand. Revenue in constant currencies grew 6% year to date.

Photocure's in-market unit sales in the Nordic region in third quarter was 14% less compared to same quarter last year, driven by lower volume in all countries. Sales results have been impacted by vacancies during the last two quarters. The organization will be fully staffed by year end. In-market sales increased 1% year to date. Year to date volume growth was driven by 11% volume growth in Sweden.

US Cysview sales

In the US, third quarter revenue increased 46% and year to date revenue increased 43% 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 35% compared to the same period in 2015.

Unit sales in the US increased 37% in the third quarter and 27% year to date compared to same periods 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 third quarter was 81, an increase of 16 units compared to number of BLCs installed at the end of 2015 and an increase of 19 units compared to end of third quarter 2015.

Photocure continues to work 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, has been introduced. The bill has gained significant support of Congressional members and a possible resolution may occur in December.

Hexvix/Cysview partner sales

Partner revenue increased 12% to NOK 15.1 million (NOK 13.5 million) in the third quarter and 17% year to date to NOK 47.5 million (NOK 40.5 million), positively affected by foreign exchange, inventory movements at partner and increased volumes. Revenue in constant currency grew 10% year to date.

End user unit sales increased 4% in the third quarter and 5% year to date, reflecting a slow-down of growth rates in the key markets. The commercial sale of Cysview in Canada has lagged behind our partner's expectation in the third quarter due to the timing of outplacement of scopes.

Juno Pharmaceuticals, our partner in Australia and New Zealand, obtained marketing authorization in Australia in the third quarter. The milestone triggered a milestone payment of EUR 250,000 from Juno as per license and supply agreement.

Hexvix/Cysview publications

There is an ongoing stream of publications documenting the medical benefits of Blue Light Cystoscopy with Hexvix/Cysview. During the third quarter three medical publications highlighted and verified key clinical benefits including the large benefit/risk ratio of Hexvix/Cysview. The clinical benefits provided in these publications included the positive impact of Hexvix/Cysview on reduced disease progression, bladder cancer detection and the safety of repeated use of Hexvix/Cysview.

In August, a 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.

In September, the results of a multicenter, prospective, non-interventional 403 patient study from 30 German centers was published in the *World Journal of Urology*. The study demonstrates that Blue Light Cystoscopy (BLC) with Hexvix significantly improves the detection of non-muscle invasive bladder cancer (NMIBC) versus the standard procedure of white light alone in routine clinical practice in Germany. Germany is currently the largest market for Hexvix.

In September, *The Journal of Urology* published online a study showing that there is no significant statistical difference in the frequency or grade of adverse events in patients having one Blue Light Cystoscopy with Cysview® (BLCC) versus repeat BLCC procedures. The study was based on a retrospective review of 180 patients who underwent 269 BLCC procedures at two institutions in the United States.

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, the management and outcome for the patient is improved.

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.

Update development portfolio

Progress in the clinical development programs

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

Hexvix®/Cysview® – growth opportunities

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. An expansion of the use of Hexvix/Cysview into the surveillance patient segment will open a market segment estimated to have a total market size of 2-3 times the current segment.

A phase 3 clinical study examining bladder cancer detection rates using Cysview blue light flexible cystoscopy vs white light flexible cystoscopy began in the fourth quarter of 2015. During the third quarter the patient enrollment into the study was strong and 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. The cost estimates for the study has been reduced to USD 7.5 million in total, down from originally planned USD 8.5 million. The reduction is expected to materialize in 2016.

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 and represents a significant market opportunity. 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.

As a phase 3 ready product both in EU and the US, if successful 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 2015; references to the prior year refer to a comparison to the same period 2015, unless otherwise stated).

The results in the third quarter were driven by growth in revenues from Hexvix/Cysview, which was partly offset by a decline in API revenues and milestone

revenues as well as increased operational expenses due to continued investments in the US markets.

Revenues

Revenues in the third quarter were NOK 35.2 million, a decrease of 2% from the same quarter last year (NOK 35.9 million). Year to date revenues were NOK 105.5 million (NOK 100.2 million), an increase of 5%.

Year to date revenue increase was driven mainly by an increase in Hexvix/Cysview revenue, but was offset by a decline in API revenues and reduced milestone revenues compared to last year. The sale of API will cease in 2017.

Total Hexvix/Cysview sales revenues for the third quarter were NOK 31.6 million, an increase of 17% from last year (NOK 27.0 million). The increase is driven by positive effects of currency exchange rates, inventory purchases by our distributors, continued market penetration of Hexvix/Cysview and price increases. Year to date Hexvix/Cysview revenues were NOK 99.4 million (NOK 82.6 million), an increase of 20%. In constant currencies the Hexvix/Cysview revenues grew 13% year to date.

Operating costs

Total operating costs, excluding depreciation and amortization, were NOK 34.7 million (NOK 35.5 million) in the third quarter, a decline of 2%. Year to date the increase was 3% to NOK 106.6 million (NOK 103.4 million).

MNOK	Q3 '16	YTD '16
Research & Development	3,9	12,2
YoY growth	-36 %	-40 %
Sales & Marketing	19,1	59,2
YoY growth	5 %	13 %
Other Opex	11,6	35,2
YoY growth	4 %	15 %
Operating expenses	34,7	106,6
YoY growth	-2 %	3 %
Depreciation & Amort.	1,6	4,8
Total	36,3	111,4
YoY growth	-1 %	5 %

The increase in year to date operating costs were driven by changes in currency exchange rates, increased investments in US sales and marketing operations as well as increased activities related to expanding the use of Hexvix/Cysview into the flexible surveillance patient segment. These drivers were partly offset by reduction in research and development costs.

Third quarter research and development (R&D) costs were NOK 3.9 million (NOK 6.1 million). R&D costs

year to date were NOK 12.2 million (NOK 20.5 million). The decrease reflects a reduction in expenses for Visonac and Cevira, given they are Phase 3 ready and Photocure does not intend to pursue further major clinical trials without a strategic partner. 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 0.9 million to NOK 19.1 million (NOK 18.2 million) in the third quarter. Year to date marketing and sales costs were NOK 59.2 million (NOK 52.4 million), impacted by increased activity level as well as changes in currency exchange rates, particularly the USD/NOK.

Other operating expenses, which includes supply chain, business development and general/administration, increased NOK 0.4 million in the third quarter and NOK 4.7 million year to date, driven by increased activity level.

Financial results

EBITDA was negative NOK 1.6 million (NOK -1.6 million) for the third quarter. Year to date EBITDA was negative NOK 7.7 million, an improvement of 18% as compared to prior year (NOK -9.4 million). Currency translation had a positive effect on the results of approximately NOK 2 million year to date.

EBITDA in the commercial segment was NOK 19.3 million year to date compared to NOK 24.2 million prior year. The development portfolio had an EBITDA loss of NOK -27.0 million year to date compared to NOK -33.5 million prior year.

Third quarter depreciation and amortization was NOK 1.6 million (NOK 1.1 million). Year to date depreciation and amortization was NOK 4.8 million (NOK 2.4 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 1.2 million (NOK 4.5 million) year to date.

Photocure's net loss before tax was NOK 3.3 million in the third quarter (net profit of NOK 0.1 million). Year to date net loss before tax was NOK 11.3 million (net loss of NOK 15.0 million).

Net tax in the third quarter was an income of NOK 3.3 million (net cost of NOK 5.1 million). Year to date net tax was an income of NOK 28.7 million (net cost of NOK 11.8 million). The net tax income was mainly

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 0.1 million (loss of NOK 5.0 million) in the third quarter and NOK 17.5 million (loss of NOK 26.7 million) year to date.

Cash flow and statement of financial position

Net cash flow from operations was negative NOK 8.6 million in the third quarter (negative NOK 4.8 million). Year to date net cash flow from operations was negative NOK 30.7 million (negative NOK 19.2 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 current liabilities compared to prior year.

Net cash flow from investments was negative NOK 2.9 million in the third quarter (negative NOK 3.9 million). Net cash flow from investments year to date was negative NOK 11.1 million (negative NOK 9.0 million). This includes investments in intangible assets of NOK 10.8 million year to date, mainly related to the phase 3 market expansion trial for Cysview.

Cash and cash equivalents were NOK 93.9 million at the end of the third quarter 2016. Third quarter net change in cash was negative NOK 10.5 million (negative NOK 7.2 million). Year to date net change in cash was negative NOK 40.1 million (NOK 25.8 million).

Shareholders' equity was NOK 234.1 million at quarter end, an equity ratio of 91%. At the end of 2015, shareholders' equity was NOK 210.1 million (equity ratio of 85%).

As of 30 September 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 Hexvix/Cysview unit sales growth rates to be approximately 5% for the year. Growth rates are negatively impacted by slowing growth in 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 and hopes to further 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 7.5 million in total, down from originally planned USD 8.5 million. Estimated cost in 2016 is USD 2.5 million, compared to planned USD 3.5 million.

Operating expenses are expected to increase moderately in constant currencies due to increased sales and marketing activities supporting increased revenues and activities devoted to 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 in discussions with potential partners to establish strategic partnerships for its non-urology pipeline products, Visonac and Cevira.

The Board of Directors and CEO
Photocure ASA

Oslo, 14 November 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 third quarter and the first nine months 2016

Photocure Group – Statement of comprehensive income

(all amounts in NOK 1 000 except per share data)	Note	2016	2015	2016	2015	2015
		Q3	Q3	1.1-30.09	1.1-30.09	1.1-31.12
Sales revenues		31 639	29 254	99 353	89 130	122 330
Signing fees and milestone revenues		3 592	6 614	6 193	11 100	12 387
Total revenues		35 231	35 868	105 546	100 230	134 717
Cost of goods sold		-2 168	-2 010	-6 621	-6 187	-8 221
Gross profit		33 063	33 858	98 925	94 043	126 496
Indirect manufacturing expenses	3	-2 628	-2 977	-7 773	-7 513	-10 410
Research and development expenses	3	-5 249	-6 705	-15 033	-21 536	-31 337
Marketing and sales expenses	3	-19 130	-18 198	-59 756	-52 474	-73 399
Other operating expenses	3	-9 295	-8 690	-28 837	-24 293	-33 336
Total operating expenses		-36 302	-36 570	-111 399	-105 816	-148 482
EBIT		-3 239	-2 712	-12 473	-11 773	-21 986
Financial income		2 007	2 484	4 500	6 823	8 856
Financial expenses		-2 033	308	-3 286	-2 343	-4 304
Net financial profit/loss(-) excluding PCI shares		-26	2 792	1 214	4 480	4 552
Profit/loss(-) before PCI and tax		-3 264	80	-11 260	-7 293	-17 434
Impairment loss shares in PCI Biotech Holding		-	-	-	-7 669	-10 636
Profit/loss(-) before tax		-3 264	80	-11 260	-14 962	-28 070
Tax expenses	4	3 320	-5 055	28 717	-11 787	-8 108
Net profit/loss(-)		56	-4 975	17 458	-26 749	-36 178
Other comprehensive income	5	-602	-406	825	-280	865
Total comprehensive income		-546	-5 380	18 282	-27 029	-35 313
Net profit/loss(-) per share, undiluted	6	0,00	-0,23	0,81	-1,25	-1,69
Net profit/loss(-) per share, diluted	6	0,00	-0,23	0,81	-1,25	-1,69

Photocure Group – Statement of financial position

(Amounts in NOK 1 000)	Note	30.09.2016	30.09.2015	31.12.2015
Non-current assets				
Machinery & equipment	7	1 654	2 553	2 289
Intangible assets	7	20 810	9 122	11 877
Other investments	8, 9	7 372	39 488	5 933
Deferred tax asset	4	52 207	19 811	23 490
Total non-current assets		82 043	70 974	43 589
Current assets				
Inventories		16 416	14 905	13 800
Accounts receivable		14 434	15 653	12 259
Other receivables	10	50 520	8 463	44 384
Cash and short term deposits	8	93 905	139 465	134 026
Total current assets		175 276	178 486	204 469
Total assets		257 319	249 460	248 058
Equity and liabilities				
Equity				
Share capital	11	10 773	10 738	10 738
Other paid-in capital		53 221	42 310	43 073
Retained earnings		170 083	164 641	156 249
Shareholders' equity		234 077	217 689	210 060
Long-term liabilities				
Pension liabilities		3 417	3 674	3 960
Total long-term liabilities		3 417	3 674	3 960
Current liabilities		19 826	28 096	34 038
Total liabilities		23 243	31 770	37 998
Total equity and liabilities		257 319	249 460	248 058

Photocure Group – Changes in equity

(Amounts in NOK 1 000)	2016	2015	2016	2015	2015
	Q3	Q3	1.1-30.09	1.1-30.09	1.1-31.12
Equity at beginning of period	232 947	220 953	210 060	240 058	240 058
Capital increase	959	1 497	1 990	2 415	2 415
Share-based compensation (share options employees)	717	619	2 761	2 245	2 899
Treasury shares decrease			984	-	
Comprehensive income	-546	-5 380	18 282	-27 029	-35 313
Equity at end of period	234 077	217 689	234 077	217 689	210 060

Photocure Group – Cash flow statement

^(Amounts in NOK 1 000)	2016	2015	2016	2015	2015
	Q3	Q3	1.1-30.09	1.1-30.09	1.1-31.12
Profit/loss(-) before tax	-3 264	80	-11 260	-14 962	-28 070
Depreciation and amortisation	1 620	1 095	4 797	2 423	3 899
Gain sale of financial assets	-	-	-	-1 342	-1 342
Impairment loss shares	-	-	-	7 669	10 636
Share-based compensation	714	619	2 760	2 245	2 899
Net interest income	-607	405	-2 109	-643	-986
Changes in working capital	-7 177	-3 201	-22 906	-9 568	-2 250
Other operational items	72	-3 809	-1 996	-5 038	-5 819
Net cash flow from operations	-8 642	-4 810	-30 714	-19 215	-21 033
Investments in fixed assets	-497	-31	-2 450	-471	-520
Development expenditures	-2 970	-3 463	-10 770	-10 494	-14 410
Received financial payments	607	-405	2 109	1 985	2 328
Cash flow from investments	-2 860	-3 899	-11 111	-8 980	-12 602
Cash flow from financing activities	958	1 497	1 703	2 415	2 415
Net change in cash during the period	-10 543	-7 212	-40 121	-25 780	-31 221
Cash & cash equivalents at beginning of period	104 448	146 677	134 026	165 246	165 246
Cash & cash equivalents at end of period	93 905	139 465	93 905	139 465	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 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 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 14 November 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.

(Amounts in NOK 1 000)	Commercial Franchise				Development Portfolio			
	Hexvix/Cysview			Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Grand Total
	Hex/Cys Own sales	Hex/Cys Partner	Other Sales					
Sales Revenues	16 502	15 138	-	31 640	-	-	-	31 640
Milestone revenues	-	2 311	1 280	3 591	-	-	-	3 591
Cost of goods sold	-601	-1 566	-	-2 167	-	-	-	-2 167
Gross profit	15 901	15 883	1 280	33 064	-	-	-	33 064
Gross profit of sales %	96 %	90 %		93 %				93 %
R&D	-	-	-	-	-705	-3 241	-3 946	-3 946
Sales & marketing	-16 541	-1 817	-	-18 358	-	-761	-761	-19 118
Other & allocations	-2 710	-3 809	-147	-6 666	-754	-4 199	-4 953	-11 619
Operating expenses	-19 250	-5 626	-147	-25 023	-1 459	-8 201	-9 660	-34 683
EBITDA	-3 350	10 257	1 133	8 040	-1 459	-8 201	-9 660	-1 620

(Amounts in NOK 1 000)	Commercial Franchise				Development Portfolio			
	Hex/Cys			Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Grand Total
	Own sales	Hex/Cys	Other Sales					
Sales Revenues	13 495	13 495	2 264	29 254	-	-	-	29 254
Milestone revenues	-	5 350	1 264	6 614	-	-	-	6 614
Cost of goods sold	-598	-1 412	-	-2 010	-	-	-	-2 010
Gross profit	12 897	17 432	3 528	33 858	-	-	-	33 858
Gross profit of sales %	96 %	90 %	100 %	93 %				93 %
R&D	-	-	-	-	-1 356	-4 772	-6 128	-6 128
Sales & marketing	-14 917	-2 213	-	-17 129	-	-1 038	-1 038	-18 167
Other & allocations	-2 751	-4 397	-142	-7 289	-701	-3 188	-3 889	-11 179
Operating expenses	-17 667	-6 609	-142	-24 418	-2 057	-8 998	-11 055	-35 474
EBITDA	-4 770	10 822	3 386	9 439	-2 057	-8 998	-11 055	-1 616

(Amounts in NOK 1 000)	Commercial Franchise				Development Portfolio			
	Hex/Cys			Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Grand Total
	Own sales	Hex/Cys	Other Sales					
Sales Revenues	51 879	47 474	-	99 353	-	-	-	99 353
Milestone revenues	-	2 311	3 881	6 193	-	-	-	6 193
Cost of goods sold	-1 906	-4 715	-	-6 621	-	-	-	-6 621
Gross profit	49 973	45 071	3 881	98 925	-	-	-	98 925
Gross profit of sales %	96 %	90 %		93 %				93 %
R&D	-	-	-	-	-2 286	-9 935	-12 221	-12 221
Sales & marketing	-51 499	-5 438	-	-56 936	-	-2 242	-2 242	-59 178
Other & allocations	-8 623	-13 547	-505	-22 674	-2 594	-9 935	-12 529	-35 203
Operating expenses	-60 122	-18 984	-505	-79 611	-4 880	-22 111	-26 991	-106 602
EBITDA	-10 149	26 087	3 377	19 315	-4 880	-22 111	-26 991	-7 676

1 Jan - 30 September 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	42 064	40 521	6 545	89 130	-	-	-
Milestone revenues	-	7 450	3 652	11 101	-	-	-
Cost of goods sold	-1 811	-4 376	-	-6 187	-	-	-6 187
Gross profit	40 252	43 595	10 196	94 044	-	-	94 044
Gross profit of sales %	96 %	89 %	100 %	93 %			93 %
R&D	-	-	-	-	-4 150	-16 370	-20 520
Sales & marketing	-43 654	-6 158	-	-49 811	-	-2 568	-2 568
Other & allocations	-7 995	-11 609	-430	-20 033	-2 143	-8 317	-10 460
Operating expenses	-51 648	-17 766	-430	-69 844	-6 293	-27 255	-33 548
EBITDA	-11 396	25 829	9 767	24 199	-6 293	-27 255	-33 548
							-9 349

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	-	-	-
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

Note 3 – Income statement classified by nature

(Amounts in NOK 1 000)	2016	2015	2016	2015	2015
	Q3	Q3	1.1-30.09	1.1-30.09	1.1-31.12
Sales revenues	31 639	29 254	99 353	89 130	122 330
Signing fees and milestone revenues	3 592	6 614	6 193	11 100	12 387
Cost of goods sold	-2 168	-2 010	-6 621	-6 187	-8 221
Gross profit	33 063	33 858	98 925	94 043	126 496
Payroll expenses	-20 191	-21 170	-63 044	-59 525	-80 358
R&D costs excl. payroll expenses/other operating exp.	-1 597	-2 738	-5 062	-10 146	-15 117
Ordinary depreciation and amortisation	-1 620	-1 095	-4 797	-2 423	-3 899
Other operating expenses	-12 894	-11 567	-38 496	-33 722	-49 108
Total operating expenses	-36 302	-36 570	-111 399	-105 816	-148 482
EBIT	-3 239	-2 712	-12 473	-11 773	-21 986

Note 4 – Tax

(Amounts in NOK 1 000)	30.09.2016	31.12.2015
Income tax expense		
Tax payable		535
Changes in deferred tax	-28 717	7 573
Total income tax expense	-28 717	8 108
Tax base calculation		
Profit before income tax	-11 260	-28 070
Permanent differences	-1 361	13 390
Temporary differences	29 056	-11 150
Utilisation of tax loss carried forward	-3 158	-9 294
Change in tax loss carried forward	-13 277	35 124
Tax base	0	0
Temporary differences:		
Total	-109 603	-137 885
Tax loss carried forward	404 270	438 793
Net temporary differences	294 667	300 908
Write down of deferred tax benefit	-85 839	-206 948
Deferred tax benefit	208 828	93 960
Deferred tax asset	52 207	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. In 2015, Photocure changed the transfer price method in the Group from a resale method to a profit/loss split method for the business in US. In May 2016, the Norwegian Tax authorities 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. For this reason the deferred tax asset is increased by NOK 22.2 million in 2016. Accumulated tax asset in the parent company at the end of the third quarter was NOK 52.2 million. 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

(Amounts in NOK 1 000)	2016	2015	2016	2015	2015
	Q3	Q3	1.1-30.09	1.1-30.09	1.1-31.12
Market value adjustment PCI Biotech Holding ASA	-490	-297	1 439	-297	-
Currency translation	-112	-109	-614	17	865
Total other comprehensive income	-602	-406	825	-280	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 1.1-30.09	2015 1.1-31.12
<i>(Figures indicate the number of shares)</i>		
Issued ordinary shares 1 January	21 476 295	21 393 301
Effect of treasury shares	-809	-35 476
Effect of share options exercised	-6 706	-49 639
Effect of shares issued	17 993	82 994
Weighted average number of shares	21 486 773	21 391 180
Effect of outstanding share options	124 522	83 495
Weighted average number of diluted shares	21 611 295	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 30.09.16	121	12 974
Depreciation and amortization	-756	-4 041
Net book value 30.09.16	1 654	20 810

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

Note 8 – Other investments

	30.09.2016	31.12.2015
Market value PCI Biotech Holding ASA	7 372	5 933
Total other investments	7 372	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 (Amounts in NOK 1 000)	Level 1	Level 2	Level 3	Total
Financial assets available for sale:				
- Shares in PCI Biotech Holding ASA	7 372	-	-	7 372
- Money market funds	76 411	-	-	76 411
- Currency forward contract		1 106	-	1 106
Total	83 783	1 106	-	84 889

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

(Amounts in NOK 1 000)	30.09.2016	31.12.2015
Booked part of remaining settlement from sale of Metvix/Aktelite	35 058	32 805
Prepayments and other receivables	15 462	11 579
Total other receivables	50 520	44 384

Note 11 – Share capital

Registered share capital in Photocure ASA amounts to:

	Nominal value per share	Share capital in NOK
Share capital at 31 December 2015	21 476 295	NOK 0.50
Share capital at 30 September 2016	21 545 429	NOK 0.50
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
Holdings of treasury shares at 30 September 2016	809	405

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

<i>(Figures indicate the number of shares)</i>	Purchase, treasury shares	Ordinary share issue	Employee share issues
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	-	-	69 134
Purchase of treasury shares	-	-	-
Remaining under authorisations at 30 September 2016	2 147 628	2 147 628	2 078 494

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 September 2016:

Name	Position	No. of shares	No. of subscription rights
Kjetil Hestdal	President and CEO	128 873	123 500
Ambaw Bellete	Head, US Cancer Commercial Operations	-	76 600
Erik Dahl	Chief Financial Officer	1 000	93 500
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 September 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	327 200	294 970	107 668	234 598	170 419
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:

	30.09.2016	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	234 987	40,75	129 725	38,66
Exercised during the year	103 801	28,64	86 994	29,02
Expired during the year	-	-	224 750	42,00
Outstanding at end of period	1 134 855	37,97	1 119 543	37,00
Exercisable options at end of period	807 655	38,89	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 September 2016:

Shareholder	Account type	Citizen	No of shares	%
HIGH SEAS AS		NOR	3 370 000	15,64 %
J.P. MORGAN CHASE BANK N.A. LONDON	NOM	GBR	3 155 822	14,65 %
KLP AKSJE NORGE VPF		NOR	1 218 130	5,65 %
RADIUMHOSPITALET FORSKNINGSSTIFTELSE		NOR	1 162 916	5,40 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	838 272	3,89 %
FONDSFINANS NORGE		NOR	780 000	3,62 %
MP PENSJON PK		NOR	720 000	3,34 %
SKAGEN VEKST		NOR	427 092	1,98 %
DANSKE INVEST NORSKE INSTIT. II.		NOR	418 103	1,94 %
VERDIPAPIRFONDET EIKA NORGE		NOR	391 799	1,82 %
VICAMA AS		NOR	345 384	1,60 %
FONDSFINANS GLOBAL HELSE		NOR	336 000	1,56 %
DANSKE INVEST NORSKE AKSJER INST		NOR	328 314	1,52 %
POLAR CAPITAL GLOBAL HEATHCARE GROWTH		GBR	254 537	1,18 %
BERGEN KOMMUNALE PENSJONSKASSE		NOR	230 000	1,07 %
RUL AS		NOR	224 451	1,04 %
EGELAND HOLDING AS		NOR	195 000	0,91 %
KLP AKSJENORGE INDEKS		NOR	193 680	0,90 %
EUROCLEAR BANK S.A./N.V.	NOM	BEL	177 832	0,83 %
VERDIPAPIRFONDET DNB SMB		NOR	160 553	0,75 %
Total 20 largest shareholders			14 927 885	69,29 %
Total other shareholders			6 617 544	30,71 %
Total number of shares			21 545 429	100,00 %

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