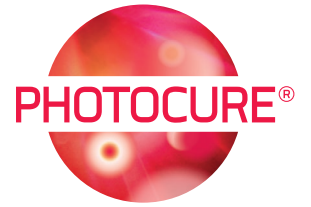


# Q4

FOURTH QUARTER  
REPORT 2016  
PHOTOCURE GROUP



# 2016

## Highlights for fourth quarter and full year 2016

(Numbers in brackets and comparisons are for the corresponding period in 2015. Full year refers to period ending 31 December 2016)

- Total Hexvix/Cysview global in-market sales increased 4% to NOK 60 million (NOK 58 million) in the fourth quarter and 13% to NOK 241 million (NOK 214 million) for the full year
- Total revenue increased 10% to NOK 38.1 million (NOK 34.5 million) in the fourth quarter. Full year total revenue increased 7% to NOK 143.6 million (NOK 134.7 million)
- Full year in-market unit sales increased 5% driven by growth of 21% in the US, 5% for partner sales and flat in Nordic
- Commercial segment EBITDA was NOK 30.0 million for the year (NOK 28.7 million) with EBITDA margin of 21%
- Improved cash balance to NOK 169 million
- Blue Light Cystoscopy with Cysview obtained strong recommendation in the new National treatment guidelines in the US
- Patient enrollment in US Market expansion study for Blue Light Flexible Cystoscopy (BLFC) with Cysview completed post-period end

### Key figures:

Figures in NOK million	Q4 2016	Q4 2015	Change	FY 2016	FY 2015	Change
Hexvix/Cysview revenues	31.6	33.2	-5 %	131.0	115.8	13 %
Other sales & milestone revenues	6.5	1.3		12.6	18.9	
<b>Total revenues</b>	<b>38.1</b>	<b>34.5</b>	<b>10 %</b>	<b>143.6</b>	<b>134.7</b>	<b>7 %</b>
Operating expenses	35.7	41.2	-13 %	142.3	144.6	-2 %
<b>EBITDA</b>	<b>-0.3</b>	<b>-8.7</b>		<b>-8.0</b>	<b>-18.1</b>	
EBITDA commercial franchise	10.7	4.5		30.0	28.7	
EBITDA development portfolio	-11.1	-13.2		-38.1	-46.8	
<b>EBIT (Operating result)</b>	<b>-3.4</b>	<b>-10.2</b>		<b>-15.9</b>	<b>-22.0</b>	
<b>Profit/loss(-) before tax</b>	<b>24.0</b>	<b>-13.1</b>		<b>12.8</b>	<b>-28.1</b>	
<b>Net Profit/loss(-)</b>	<b>17.9</b>	<b>-9.4</b>		<b>35.3</b>	<b>-36.2</b>	
Earnings per share, diluted (NOK)	0.83	-0.44		1.64	-1.69	
<b>Cash &amp; cash equivalents</b>				<b>169.2</b>	<b>134.0</b>	

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

*"2016 was a positive year for Photocure as we continued to build momentum in the US with Cysview. A significant milestone was reached by the inclusion and recommendations of Cysview in National treatment guidelines in the US. In addition, several papers including strong new clinical evidence supporting the use of Hexvix/Cysview were published during 2016. These events, together with the increase in installed base of Blue Light enabled Cystoscopes in the US and a higher level of patient awareness, provide us with confidence that our planned increase in investment in the US commercial urology franchise will create value for our shareholders in the future. Lastly, we are also looking forward to receiving results from our expanded use Phase 3 study in the US with the Karl Storz flexible scope in the surveillance setting in the middle of the year."*

## 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

Both fourth quarter and full year results have improved compared to same period last year driven mainly by increased revenues.

Fourth quarter total revenue increased 10% to NOK 38.1 million (NOK 34.5 million) compared to the same period last year. Full year total revenue was NOK 143.6 million (NOK 134.7 million), an increase of 7% from last year. Hexvix/Cysview revenues grew 13% for the full year but declined 5% in the fourth quarter mainly due to inventory reductions at distributors as well as a negative impact from foreign exchange. In-market unit sales increased with 3% in the quarter. The decline in Hexvix/Cysview revenue in the fourth quarter was more than offset by increased revenue from active pharmaceutical ingredients (API).

Operating expenses decreased to NOK 24.6 million (NOK 27.9 million) for the fourth quarter and increased, as planned, by 7% to NOK 104.2 million (NOK 97.8 million) for the year, reflecting increased marketing efforts in US and Hexvix/Cysview market expansion investigator initiated surveillance trials in Nordic.

EBITDA for the fourth quarter was NOK 10.7 million (NOK 4.5 million) and for the year NOK 30.0 million (NOK 28.7 million). Full year EBITDA margin was 21%, flat year-on-year.

<b>MNOK</b>	<b>Q4 '16</b>	<b>FY '16</b>	<b>FY '15</b>
Nordic - Hexvix	9.6	39.0	38.7
US - Cysview	8.0	30.5	23.0
Partners	14.0	61.5	54.1
<b>Hexvix/Cysview total</b>	<b>31.6</b>	<b>131.0</b>	<b>115.8</b>
<i>YoY growth</i>	<b>-5 %</b>	<b>13 %</b>	
API revenues	5.2	5.2	6.5
Signing fee & milest.	1.2	7.4	12.4
<b>Total revenues</b>	<b>38.1</b>	<b>143.6</b>	<b>134.7</b>
<i>YoY growth</i>	<b>10 %</b>	<b>7 %</b>	
Cost of goods sold	-2.7	-9.3	-8.2
<b>Gross profit</b>	<b>35.4</b>	<b>134.3</b>	<b>126.5</b>
Operating expenses	-24.6	-104.2	-97.8
<b>EBITDA</b>	<b>10.7</b>	<b>30.0</b>	<b>28.7</b>
<i>EBITDA margin</i>	<b>28 %</b>	<b>21 %</b>	<b>21 %</b>

### Hexvix®/Cysview® – profitable growth

Global in-market sales of Hexvix/Cysview increased 4% to NOK 60 million (NOK 58 million) in the fourth quarter and 13% to NOK 241 million (NOK 214 million) for the year. Global in-market unit sales increased 3% in the fourth quarter and 5% for the year compared to 2015. Sales development in US was strong, but consolidated volume growth was impacted by slowing growth in more mature markets.

Total sales revenues for Hexvix/Cysview declined 5% to NOK 31.6 million (NOK 33.2 million) in the fourth quarter, negatively impacted by foreign exchange rates. Full year sales revenue for Hexvix/Cysview increased 13% to NOK 131.0 million (NOK 115.8 million), positively impacted by foreign exchange rates, as well as increased demand in US and price increases. Both quarter and full year revenues have also been negatively impacted by reduced inventory purchases by our distributors in the Nordic area as well as partners. Revenue growth in constant currencies was 9% for the year.

#### Nordic Hexvix sales

Nordic revenues decreased 22% to NOK 9.6 million (NOK 12.3 million) in the fourth quarter, mainly driven by inventory reductions at our distributors as compared to last year inventory increases. Fourth quarter calculated in-market sales, adjusted for inventory changes, decreased 4% compared to same quarter last year.

Full year revenue increased 1% to NOK 39.0 million (NOK 38.7 million) compared to last year, driven by a mix of the negative impact from inventory reductions at our distributors and favorable foreign exchange rates. Calculated in-market sales for the full year, adjusted for inventory changes, increased 5%

compared to last year. Revenue in constant currencies grew 1% for the year.

Photocure's in-market unit sales in the Nordic region in fourth quarter was 3% less compared to same quarter last year, driven by lower volume in all countries excluding Sweden. Volume in Sweden increased 25% in the quarter. In-market sales for the full year was level with last year. Overall sales results have been impacted by sales force vacancies during the year.

#### *US Cysview sales*

Fourth quarter revenue in the US increased 9% to NOK 8.0 million (NOK 7.3 million) compared to the prior year, negatively impacted by a 2% decline in average quarter currency rate. Full year revenue increased 32% to NOK 30.5 million (NOK 23.0 million) compared to last year driven by volume growth, price increase and positive foreign exchange rates. In constant currency, full year revenue grew 27% compared to last year. Unit sales in the US increased 5% in the fourth quarter and 21% for the 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 2016 was 83, an increase of 18 units compared to the number of BLCs installed at the end of 2015.

In May, the American Urological Association (AUA) and the Society of Urological Oncology (SUO) included enhanced cystoscopy in the Guidelines for the management of non-muscle invasive bladder cancer (NMIBC). Enhanced cystoscopy including Blue Light Cystoscopy (BLC) with Cysview is recommended for increasing the detection and reducing recurrence of NMIBC.

In the US we have an established a real world registry study at nine sites across the US. In 2016, the registry reached more than 600 patients after enrolment of more than 360 patients in 2016. The registry study has already resulted in numerous podium and abstract presentations at national and international scientific urological meetings, and the plan is that this will continue to allow for publications of additional clinical data supporting the medical benefits of Hexvix/Cysview.

A patient survey of more than 500 bladder cancer patients showed that the awareness of BLC with Cysview increased during 2016. Especially, in the recent survey 74% percent of patients stated that they sought hospitals that specifically offered BLC

with Cysview for the management of bladder cancer, up from 41% in the previous year.

Photocure believes that there is an opportunity now to expand its salesforce in US and that this will lead to increased penetration in hospitals and urology practices of Cysview.

Photocure continues to work to secure a long-term sustainable solution for Cysview Medicare reimbursement. The bill introduced in the last Congressional session was not voted on after the election in November and therefor no final resolution was reached. Based on the continued support, a similar bill is under preparation for introduction in the current Congress. We expect the new bill to gain bipartisan support of a cross section of Congressional members, however, the timing of a final resolution is uncertain.

#### *Hexvix/Cysview partner sales*

Partner revenue increased 3% to NOK 14.0 million (NOK 13.6 million) in the fourth quarter, negatively impacted by inventory reductions at our partners in the quarter. For the full year, revenue increased 14% NOK 61.5 million (NOK 54.1 million), positively impacted by foreign exchange rates and increased volumes. Revenue in constant currency grew 9% for the year.

End user unit sales increased 4% in the fourth quarter and 5% for the year, reflecting a slow-down of growth rates in the key markets. Sales in the new markets, Canada and Australia, have commenced, however volume has been negatively impacted by timing of outplacement of scopes by the third party suppliers.

#### *Hexvix/Cysview publications*

In November new 2016 French National Guidelines for the management of Bladder Cancer were introduced. The French guidelines recommend BLC with Hexvix for the first bladder cancer resection (TURBT) in essentially all patients and for consecutive TURBT's in the majority of patients. The recommendations are at an evidence level Grade B, demonstrating the strong clinical data supporting BLC with Hexvix.

Also in November, a publication in the Journal of Urology concluded that Blue Light Cystoscopy with Cysview/Hexvix was associated with decreased risk of progression and recurrence of non-muscle invasive bladder cancer versus white light cystoscopy alone. The review was sponsored by the US Agency for Healthcare Research (AHRQ).

New data from a prospective multicenter real world study that included 338 patients, 415 BLC procedures and 1060 lesions from nine study sites in



the United States released in December documented that BLCC as an adjunct to white light cystoscopy resulted in the detection of an additional 151 lesions and 45 patients uniquely with the addition of blue light. This resulted in upgrading or upstaging of 52 (15%) of the patients. Correct staging and grading impacts the management of bladder cancer patients and may have an impact on patient outcomes.

*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
<b>Hexvix® Cysview®</b>	Detection of bladder cancer, surveillance segment	Phase 3 ongoing
<b>Cevira®</b>	Treatment of HPV associated diseases of the cervix including precancerous lesions	Phase 3 ready
<b>Visonac®</b>	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 Blue Light Flexible Cystoscopy with Cysview vs white light flexible cystoscopy began in the fourth quarter of 2015. The study enrollment is now complete with final results from this study expected mid-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 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).

Fourth quarter results were driven by increased revenues due to growth in API revenues and decreased operating expenses mainly due to reduced R&D costs as well as profit from sale of shares and subscription rights in PCI Biotech.

Full year results improvement reflects increased revenue of Hexvix/Cysview combined with operating cost at level with prior year.

### Revenues

Revenues in the fourth quarter were NOK 38.1 million, an increase of 10% from the fourth quarter last year (NOK 34.5 million).

Full year revenues were NOK 143.6 million (NOK 134.7 million), an increase of 7%, driven by an increase in Hexvix/Cysview revenue, partly 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 fourth quarter were NOK 31.6 million, a decrease of 5% from last year (NOK 33.2 million). Quarter revenues were negatively impacted by foreign exchange as well as by reduced inventory purchases by our distributors in Nordic and partners. Full year Hexvix/Cysview revenues were NOK 131.0 million (NOK 115.8 million), an increase of 13%. In constant currencies the Hexvix/Cysview full year revenues grew 9%. The increase was driven by continued market penetration of Hexvix/Cysview and price increases, partly offset by reduced inventory purchases compared to last year.

### Operating costs

Total operating costs, excluding depreciation and amortization, were NOK 35.7 million (NOK 41.2 million) in the fourth quarter, a decline of 13%. For the full year total operating costs declined 2% to NOK 142.3 million (NOK 144.6 million).

MNOK	Q4 '16	FY '16	FY '15
Research & Development	5.4	17.7	29.6
YoY growth	-40 %	-40 %	
Sales & Marketing	20.1	79.3	73.3
YoY growth	-4 %	8 %	
Other Opex	10.1	45.3	41.8
YoY growth	-10 %	9 %	
<b>Operating expenses</b>	<b>35.7</b>	<b>142.3</b>	<b>144.6</b>
YoY growth	-13 %	-2 %	
Depreciation & Amort.	3.1	7.9	3.9
YoY growth	107 %	101 %	
<b>Total</b>	<b>38.8</b>	<b>150.2</b>	<b>148.5</b>
YoY growth	-9 %	1 %	

The decline in full year operating costs was driven by reduction in research and development (R&D) costs, partly offset 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.

Fourth quarter R&D costs were NOK 5.4 million (NOK 9.0 million). R&D costs for the year were NOK 17.7 million (NOK 29.6 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 decreased 4% to NOK 20.1 million (NOK 20.9 million) in the fourth quarter. Full year marketing and sales costs were NOK 79.3 million (NOK 73.3 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, decreased NOK 1.2 million in the fourth quarter to NOK 10.1 million (NOK 11.3 million). Full year other operating expenses were at NOK 45.3 million (NOK 41.8 million), driven by increased activity level.

#### *Financial results*

EBITDA was negative NOK 0.3 million (NOK -8.7 million) for the fourth quarter. Full year EBITDA was negative NOK 8.0 million, an improvement of 56% as compared to prior year (NOK -18.1 million). Currency translation had a positive effect on the results of approximately NOK 2 million for the year.

EBITDA in the commercial segment was NOK 30.0 million for the full year compared to NOK 28.7 million prior year. The development portfolio had a negative EBITDA of NOK 38.1 million for the full year compared to NOK -46.8 million prior year.

Fourth quarter depreciation and amortization was NOK 3.1 million (NOK 1.5 million). Full year depreciation and amortization was NOK 7.9 million (NOK 3.9 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 were NOK 28.6 million (NOK 4.6 million) for the year. Photocure sold all shares and subscription rights in PCI Biotech in the fourth quarter with a net profit of NOK 27.3 million.

Photocure had a net profit before tax of NOK 24.0 million in the fourth quarter (net loss of NOK 13.1 million). Full year net profit before tax was NOK 12.8 million (net loss of NOK 28.1 million).

Tax expenses in the fourth quarter were NOK 6.2 million (net income NOK 3.7 million). Full year net tax was an income of NOK 22.5 million (net cost of NOK 8.1 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 17.9 million (loss of NOK 9.4 million) in the fourth quarter and NOK 35.3 million (loss of NOK 36.2 million) for the full year.

#### *Cash flow and statement of financial position*

Net cash flow from operations was positive NOK 49.9 million in the fourth quarter (negative NOK 1.8 million). Full year net cash flow from operations was positive NOK 19.2 million (negative NOK 21.0 million). The change from prior year was mainly driven by settlement of deferred revenue Galderma and changes to working capital.

Net cash flow from investments was positive NOK 25.0 million in the fourth quarter (negative NOK 3.6 million). Quarter net cash flow includes sale of shares and subscription rights in PCI Biotech totaling NOK 33.2 million. Net cash flow from investments full year was positive NOK 13.9 million (negative NOK 12.6 million). This includes investments in intangible assets of NOK 18.6 million, mainly related to the Phase 3 market expansion trial for Cysview.

Cash and cash equivalents were NOK 169.2 million at the end of 2016. Fourth quarter net change in cash was positive NOK 75.3 million (negative NOK 5.4 million). Full year net change in cash was positive NOK 35.2 million (negative NOK 31.2 million).

Shareholders' equity was NOK 251.9 million at year end, an equity ratio of 88%. At the end of 2015, shareholders' equity was NOK 210.1 million (equity ratio of 85%).

As of 31 December 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 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 has built considerable experience in the urology sector through its Hexvix/Cysview franchise and sees significant long-term value creation potential in this market segment. The company has

over the last years experienced a strong and growing penetration of Hexvix in key European markets and aims to capitalize on the inclusion in the AUA guidelines, as well as the increased patient awareness, to significantly increase penetration in the US market.

Photocure does however believe that in order to increase market shares in the US to European levels an investment in the US salesforce is required. The company will therefore double its salesforce and increase sales and marketing expenses accordingly towards the end of 2017. The goal of these efforts is to quadruple the revenues from the US operations to a range of USD 15 million by 2020. As a result of the increased activity level, the added operating expenses will contribute to an EBITDA decline for the group in 2017 and 2018. The company is fully funded for this market strategy.

Photocure has completed enrollment in its Phase 3 study of Hexvix/Cysview in the surveillance patient segment and expects to report clinical results in mid-2017. The company will then submit an sNDA to the US FDA, with a possible approval in 2018 for use of Blue Light Flexible Cystoscopy with Cysview in this setting.

Photocure will continue to work on reimbursement in the US and will utilize an ongoing stream of publications documenting the medical benefits of Blue Light Cystoscopy with Hexvix/Cysview to demonstrate its clinical benefits.

Photocure is continuing its discussions and due diligence processes with potential partners to establish strategic partnerships for its non-urology products, Visonac and Cevira.

The Board of Directors and CEO  
Photocure ASA

Oslo, 14 February 2017

Bente-Lill B Romøren  
Chairperson

Synne H. Røine

Tom Pike

Xavier Yon

Grannum R. Sant

Kjetil Hestdal  
President and CEO



## Photocure Group

### Accounts for fourth quarter and full year 2016

#### Photocure Group – Statement of comprehensive income

		2016	2015	2016	2015
	Note	Q4	Q4	1.1-31.12	1.1-31.12
<i>(all amounts in NOK 1 000 except per share data)</i>					
Sales revenues		36,833	33,200	136,186	122,330
Signing fees and milestone revenues		1,249	1,287	7,441	12,387
<b>Total revenues</b>		<b>38,081</b>	<b>34,487</b>	<b>143,627</b>	<b>134,717</b>
Cost of goods sold		-2,716	-2,034	-9,337	-8,221
<b>Gross profit</b>		<b>35,365</b>	<b>32,453</b>	<b>134,291</b>	<b>126,496</b>
Indirect manufacturing expenses	3	-2,613	-2,897	-10,386	-10,410
Research and development expenses	3	-7,929	-9,801	-22,962	-31,337
Marketing and sales expenses	3	-20,174	-20,925	-79,930	-73,399
Other operating expenses	3	-8,037	-9,034	-36,874	-33,336
<b>Total operating expenses</b>		<b>-38,753</b>	<b>-42,657</b>	<b>-150,152</b>	<b>-148,482</b>
<b>EBIT</b>		<b>-3,388</b>	<b>-10,204</b>	<b>-15,861</b>	<b>-21,986</b>
Financial income		27,927	2,028	32,427	8,856
Financial expenses		-501	-1,961	-3,787	-4,304
Impairment loss		-	-2,967	-	-10,636
<b>Net financial profit/loss(-)</b>		<b>27,426</b>	<b>-2,900</b>	<b>28,640</b>	<b>-6,084</b>
<b>Profit/loss(-) before tax</b>		<b>24,039</b>	<b>-13,104</b>	<b>12,779</b>	<b>-28,070</b>
Tax expenses	4	-6,187	3,680	22,530	-8,108
<b>Net profit/loss(-)</b>		<b>17,852</b>	<b>-9,424</b>	<b>35,309</b>	<b>-36,178</b>
Other comprehensive income	5	-1,191	1,145	-366	865
<b>Total comprehensive income</b>		<b>16,660</b>	<b>-8,279</b>	<b>34,943</b>	<b>-35,313</b>
Net profit/loss(-) per share, undiluted	6	0.83	-0.44	1.64	-1.69
Net profit/loss(-) per share, diluted	6	0.83	-0.44	1.64	-1.69

## Photocure Group – Statement of financial position

<i>(Amounts in NOK 1 000)</i>	<b>Note</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
<b>Non-current assets</b>			
Machinery & equipment	7	1,660	2,289
Intangible assets	7	26,390	11,877
Other investments	8, 9	-	5,933
Deferred tax asset	4	46,020	23,490
<b>Total non-current assets</b>		<b>74,070</b>	<b>43,589</b>
<b>Current assets</b>			
Inventories		17,955	13,800
Accounts receivable		12,323	12,259
Other receivables	10	12,750	44,384
Cash and short term deposits	8	169,239	134,026
<b>Total current assets</b>		<b>212,268</b>	<b>204,469</b>
<b>Total assets</b>		<b>286,338</b>	<b>248,058</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	11	10,779	10,738
Other paid-in capital		54,268	43,073
Retained earnings		186,895	156,249
<b>Shareholders' equity</b>		<b>251,943</b>	<b>210,060</b>
<b>Long-term liabilities</b>			
Pension liabilities		3,758	3,960
<b>Total long-term liabilities</b>		<b>3,758</b>	<b>3,960</b>
Current liabilities		30,637	34,038
<b>Total liabilities</b>		<b>34,395</b>	<b>37,998</b>
<b>Total equity and liabilities</b>		<b>286,338</b>	<b>248,058</b>

## Photocure Group – Changes in equity

<i>(Amounts in NOK 1 000)</i>	<b>2016 Q4</b>	<b>2015 Q4</b>	<b>2016 1.1-31.12</b>	<b>2015 1.1-31.12</b>
<b>Equity at beginning of period</b>	<b>234,077</b>	<b>217,689</b>	<b>210,060</b>	<b>240,058</b>
Capital increase	425		2,415	2,415
Share-based compensation (share options employees)	781	650	3,541	2,899
Treasury shares decrease			984	
Comprehensive income	16,660	-8,279	34,943	-35,313
<b>Equity at end of period</b>	<b>251,943</b>	<b>210,060</b>	<b>251,943</b>	<b>210,060</b>

## Photocure Group – Cash flow statement

	2016	2015	2016	2015
(Amounts in NOK 1 000)	Q4	Q4	1.1-31.12	1.1-31.12
Profit/loss(-) before tax	24,039	-13,104	12,779	-28,070
Depreciation and amortisation	3,056	1,476	7,853	3,899
Gain sale of financial assets	-27,280	-	-27,280	-1,342
Impairment loss shares	-	2,967	-	10,636
Share-based compensation	781	654	3,541	2,899
Net interest income	-285	-343	-2,394	-986
Settlement deferred revenue Galderma	37,193	-	37,193	-
Changes in working capital	14,119	7,317	-8,787	-2,250
Other operational items	-1,717	-785	-3,713	-5,819
<b>Net cash flow from operations</b>	<b>49,906</b>	<b>-1,818</b>	<b>19,193</b>	<b>-21,033</b>
Net investments in fixed assets	-698	-49	-3,148	-520
Development expenditures	-7,797	-3,916	-18,567	-14,410
Sales proceeds shares PCI Biotech Holding	33,213	-	33,213	1,342
Received interest payments	285	343	2,394	986
<b>Cash flow from investments</b>	<b>25,003</b>	<b>-3,622</b>	<b>13,892</b>	<b>-12,602</b>
<b>Cash flow from financing activities</b>	<b>425</b>	<b>-</b>	<b>2,128</b>	<b>2,415</b>
<b>Net change in cash during the period</b>	<b>75,334</b>	<b>-5,440</b>	<b>35,213</b>	<b>-31,221</b>
Cash & cash equivalents at beginning of period	93,905	139,466	134,026	165,247
<b>Cash &amp; cash equivalents at end of period</b>	<b>169,239</b>	<b>134,026</b>	<b>169,239</b>	<b>134,026</b>

## Notes to the accounts for fourth quarter and full year 2016

### 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 14 February 2017.

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 is analyzing the impact of implementing IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1.1.2018 and IFRS 16 Leases from 1.1.2019. Photocure will give more information of the effects of implementing these standards when this work has been concluded.

#### 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.

Q4 2016 (Amounts in NOK 1 000)	Commercial Products				Development Products			Grand Total
	Hex/Cys	Hex/Cys	Other	Total	Hex/Cys	Pipeline	Total	
	Own Sales	Partner	Sales	Sales	Develop.		R&D	
Sales revenues	17,626	13,985	5,222	36,833	-	-	-	36,833
Milestone revenues	-	-	1,249	1,249	-	-	-	1,249
Cost of goods sold	-795	-1,921	-	-2,716	-	-	-	-2,716
<b>Gross profit</b>	<b>16,830</b>	<b>12,065</b>	<b>6,470</b>	<b>35,365</b>	-	-	-	<b>35,365</b>
Gross profit of sales %	95 %	86 %	100 %	93 %				93 %
R&D	-	-	-	-	-1,928	-3,503	-5,431	-5,431
Sales & marketing	-16,732	-2,103	-	-18,835	-	-1,314	-1,314	-20,148
Other & allocations	-2,415	-3,256	-128	-5,798	-593	-3,726	-4,319	-10,117
<b>Operating expenses</b>	<b>-19,146</b>	<b>-5,359</b>	<b>-128</b>	<b>-24,633</b>	<b>-2,521</b>	<b>-8,543</b>	<b>-11,064</b>	<b>-35,697</b>
<b>EBITDA</b>	<b>-2,316</b>	<b>6,706</b>	<b>6,342</b>	<b>10,733</b>	<b>-2,521</b>	<b>-8,543</b>	<b>-11,064</b>	<b>-331</b>

Q4 2015 (Amounts in NOK 1 000)	Commercial Products				Development Products			Grand Total
	Hex/Cys	Hex/Cys	Other	Total	Hex/Cys	Pipeline	Total	
	Own Sales	Partner	Sales	Sales	Develop.		R&D	
Sales revenues	19,620	13,580	-	33,200	-	-	-	33,200
Milestone revenues	-	-	1,287	1,287	-	-	-	1,287
Cost of goods sold	-672	-1,362	-	-2,034	-	-	-	-2,034
<b>Gross profit</b>	<b>18,949</b>	<b>12,217</b>	<b>1,287</b>	<b>32,453</b>	-	-	-	<b>32,453</b>
Gross profit of sales %	97 %	90 %		94 %				94 %
R&D	-	-	-	-	-1,627	-7,411	-9,038	-9,038
Sales & marketing	-17,914	-2,526	-	-20,440	-	-453	-453	-20,894
Other & allocations	-3,176	-4,164	-173	-7,513	-927	-2,819	-3,746	-11,259
<b>Operating expenses</b>	<b>-21,091</b>	<b>-6,690</b>	<b>-173</b>	<b>-27,953</b>	<b>-2,554</b>	<b>-10,683</b>	<b>-13,237</b>	<b>-41,191</b>
<b>EBITDA</b>	<b>-2,142</b>	<b>5,527</b>	<b>1,114</b>	<b>4,500</b>	<b>-2,554</b>	<b>-10,683</b>	<b>-13,237</b>	<b>-8,737</b>

1 Jan - 31 December 2016 (Amounts in NOK 1 000)	Commercial Products				Development Products			Grand Total
	Hex/Cys	Hex/Cys	Other	Total	Hex/Cys	Pipeline	Total	
	Own Sales	Partner	Sales	Sales	Develop.		R&D	
Sales revenues	69,504	61,460	5,222	136,186	-	-	-	136,186
Milestone revenues	-	2,311	5,130	7,441	-	-	-	7,441
Cost of goods sold	-2,701	-6,635	-	-9,337	-	-	-	-9,337
<b>Gross profit</b>	<b>66,803</b>	<b>57,136</b>	<b>10,352</b>	<b>134,291</b>	-	-	-	<b>134,291</b>
Gross profit of sales %	96 %	89 %	100 %	93 %				93 %
R&D	-	-	-	-	-4,215	-13,437	-17,652	-17,652
Sales & marketing	-68,230	-7,541	-	-75,771	-	-3,555	-3,555	-79,326
Other & allocations	-11,037	-16,802	-632	-28,472	-3,187	-13,661	-16,848	-45,320
<b>Operating expenses</b>	<b>-79,268</b>	<b>-24,343</b>	<b>-632</b>	<b>-104,243</b>	<b>-7,401</b>	<b>-30,654</b>	<b>-38,055</b>	<b>-142,298</b>
<b>EBITDA</b>	<b>-12,465</b>	<b>32,793</b>	<b>9,719</b>	<b>30,047</b>	<b>-7,401</b>	<b>-30,654</b>	<b>-38,055</b>	<b>-8,008</b>

1 Jan - 31 December 2015	Commercial Products				Development Products			
(Amounts in NOK 1 000)	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Grand Total
Sales revenues	61,684	54,101	6,545	122,329	-	-	-	122,329
Milestone revenues	-	7,450	4,938	12,387	-	-	-	12,387
Cost of goods sold	-2,483	-5,738	-	-8,221	-	-	-	-8,221
Gross profit	59,201	55,812	11,483	126,496	-	-	-	126,496
Gross profit of sales %	96 %	89 %	100 %	93 %				93 %
R&D	-	-	-	-	-5,776	-23,782	-29,558	-29,558
Sales & marketing	-61,568	-8,684	-	-70,252	-	-3,021	-3,021	-73,273
Other & allocations	-11,171	-15,772	-603	-27,546	-3,070	-11,136	-14,206	-41,752
Operating expenses	-72,739	-24,456	-603	-97,798	-8,847	-37,939	-46,785	-144,583
EBITDA	-13,538	31,356	10,880	28,698	-8,847	-37,939	-46,785	-18,087

### Note 3 – Income statement classified by nature

	2016 Q4	2015 Q4	2016 1.1-31.12	2015 1.1-31.12
(Amounts in NOK 1 000)				
Sales revenues	36,833	33,200	136,186	122,330
Signing fees and milestone revenues	1,249	1,287	7,441	12,387
Cost of goods sold	-2,716	-2,034	-9,337	-8,221
<b>Gross profit</b>	<b>35,365</b>	<b>32,453</b>	<b>134,291</b>	<b>126,496</b>
Payroll expenses	-19,341	-20,833	-82,385	-80,358
R&D costs excl. payroll expenses/other operating exp.	-2,480	-4,971	-7,542	-15,117
Ordinary depreciation and amortisation	-3,056	-1,476	-7,853	-3,899
Other operating expenses	-13,877	-15,377	-52,373	-49,108
<b>Total operating expenses</b>	<b>-38,753</b>	<b>-42,657</b>	<b>-150,152</b>	<b>-148,482</b>
<b>EBIT</b>	<b>-3,388</b>	<b>-10,204</b>	<b>-15,861</b>	<b>-21,986</b>

## Note 4 – Tax

<i>(Amounts in NOK 1 000)</i>	<b>31.12.2016</b>	<b>31.12.2015</b>
<b>Income tax expense</b>		
Tax payable	-	535
Changes in deferred tax	-22,530	7,573
<b>Total income tax expense</b>	<b>-22,530</b>	<b>8,108</b>
<b>Tax base calculation</b>		
Profit before income tax	12,779	-28,070
Permanent differences	-26,217	13,390
Temporary differences	18,446	-11,150
Utilisation of tax loss carried forward	-10,408	-9,294
Change in tax loss carried forward	5,400	35,124
<b>Tax base</b>	<b>0</b>	<b>0</b>
<b>Temporary differences:</b>		
<b>Total</b>	<b>-119,439</b>	<b>-137,885</b>
Tax loss carried forward	400,448	438,793
<b>Net temporary differences</b>	<b>281,009</b>	<b>300,908</b>
Unrecognised deductible temporary differences and tax losses	-89,258	-206,948
<b>Deferred tax benefit</b>	<b>191,751</b>	<b>93,960</b>
<b>Deferred tax asset</b>	<b>46,020</b>	<b>23,490</b>

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. This is the main reason for the deferred tax asset to increase by NOK 22.5 million in 2016. Accumulated tax asset in the parent company at the end of the year is NOK 46.0 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

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<i>(Amounts in NOK 1 000)</i>	<b>Q4</b>	<b>Q4</b>	<b>1.1-31.12</b>	<b>1.1-31.12</b>
Market value adjustment PCI Biotech Holding ASA	-1,439	297	-	-
Currency translation	247	848	-366	865
<b>Total other comprehensive income</b>	<b>-1,191</b>	<b>1,145</b>	<b>-366</b>	<b>865</b>

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>	1.1-31.12	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	-54,730	-49,639
Effect of shares issued	81,615	82,994
<b>Weighted average number of shares</b>	<b>21,502,371</b>	<b>21,391,180</b>
Effect of outstanding share options	128,971	83,495
<b>Weighted average number of diluted shares</b>	<b>21,631,342</b>	<b>21,474,675</b>
Earnings per share in NOK	1.64	-1.69
Earnings per share in NOK diluted	1.64	-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 31.12.16	359	21,378
Depreciation and amortization	-988	-6,865
<b>Net book value 31.12.16</b>	<b>1,660</b>	<b>26,390</b>

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

## Note 8 – Other investments

	31.12.2016	31.12.2015
<i>(Amounts in NOK 1 000)</i>		
Market value PCI Biotech Holding ASA	-	5,933
<b>Total other investments</b>	<b>-</b>	<b>5,933</b>



## 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

<b>Market value hierarchy</b> (Amounts in NOK 1 000)	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets available for sale:				
- Money market funds	141,663	-	-	141,663
<b>Total</b>	<b>141,663</b>	<b>-</b>	<b>-</b>	<b>141,663</b>

## Note 10 – Other receivables

(Amounts in NOK 1 000)	<b>31.12.2016</b>	<b>31.12.2015</b>
Booked part of remaining settlement Galderma	-	32,805
Prepayments and other receivables	12,750	11,579
<b>Total other receivables</b>	<b>12,750</b>	<b>44,384</b>

## Note 11 – Share capital

Registered share capital in Photocure ASA amounts to:

	<b>No. of shares</b>	<b>Nominal value per share</b>	<b>Share capital in NOK</b>
Share capital at 31 December 2015	21,476,295	NOK 0.50	10,738,148
Share capital at 31 December 2016	21,557,910	NOK 0.50	10,778,955
<b>Treasury shares:</b>			
<b>Holdings of treasury shares at 31 December 2015</b>	<b>35,476</b>		<b>17,738</b>
Buy-back of treasury shares	-	NOK 0.50	-
Share option exercise	-34,667	NOK 0.50	-17,334
<b>Holdings of treasury shares at 31 December 2016</b>	<b>809</b>		<b>405</b>

The table below indicates the status of authorizations at 31 December 2016:

	<b>Purchase, treasury shares</b>	<b>Ordinary share issue</b>	<b>Employee share issues</b>
<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	-	-	81,615
Purchase of treasury shares	-	-	-
<b>Remaining under authorisations at 31 December 2016</b>	<b>2,147,628</b>	<b>2,147,628</b>	<b>2,066,013</b>

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 2016:

<b>Name</b>	<b>Position</b>	<b>No. of shares</b>	<b>No. of subscription rights</b>
Kjetil Hestdal	President and CEO	128,873	93,500
Ambaw Belleste	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	90,580
Grete Hogstad	Vice President Strategic Marketing	10,500	77,800
Espen Njåstein	Head, Nordic Cancer Commercial Operations	5,000	80,450
Gry Stensrud	Vice President Technical Development & Operations	1,845	73,850
Tom Pike	Board member	3,400	-

## Note 12 – Share options

At 31 December 2016, employees in Photocure had the following share option schemes:

<b>Year of allocation</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2012</b>
Option programme	2016	2015	2014	2012
Number	327,200	294,970	102,668	227,117
Exercise price (NOK)	40.15	32.78	27.39	38.50
Date of expiry (31 December)	2020	2019	2018	2017

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

	31.12.2016		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	116,282	29.22	86,994	29.02
Expired during the year	170,419	48.75	224,750	42.00
Outstanding at end of period	951,955	36.10	1,119,543	37.00
Exercisable options at end of period	620,772	35.28	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 31 December 2016:

Shareholder	Account type	Citizen	No of shares	%
HIGH SEAS AS		NOR	3,350,000	15.54 %
J.P. MORGAN CHASE BANK N.A. LONDON	NOM	GBR	3,155,822	14.64 %
KLP AKSJE NORGE VPF		NOR	1,218,130	5.65 %
RADIUMHOSPITALET FORSKNINGSSTIFTELSE		NOR	1,112,916	5.16 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	838,272	3.89 %
FONDSFINANS NORGE		NOR	825,000	3.83 %
MP PENSJON PK		NOR	810,000	3.76 %
DANSKE INVEST NORSKE INSTIT. II.		NOR	422,603	1.96 %
SKAGEN VEKST		NOR	399,267	1.85 %
VERDIPAPIRFONDET EIKA NORGE		NOR	366,001	1.70 %
VICAMA AS		NOR	329,530	1.53 %
DANSKE INVEST NORSKE AKSJER INST		NOR	322,414	1.50 %
FONDSFINANS GLOBAL HELSE		NOR	320,000	1.48 %
POLAR CAPITAL GLOBAL HEALTHCARE GROWTH		GBR	254,537	1.18 %
RUL AS		NOR	224,451	1.04 %
WLH INVEST AS		NOR	201,537	0.93 %
BERGEN KOMMUNALE PENSJONSKASSE		NOR	200,000	0.93 %
EGELAND HOLDING AS		NOR	195,000	0.90 %
KLP AKSJENORGE INDEKS		NOR	188,492	0.87 %
ARTAL AS		NOR	177,349	0.82 %
Total 20 largest shareholders			14,911,321	69.17 %
Total other shareholders			6,646,589	30.83 %
Total number of shares			21,557,910	100.00 %

## Photocure Group – Alternative Performance Measures

(Information provided based on Guidelines on Alternative Performance Measures (APMs) for listed issuers by The European Securities and Markets Authority - ESMA)

Photocure reports certain performance measures that are not defined under IFRS but which represent additional measures used by the Board as well as by management in assessing performance as well as for reporting both internally and to shareholders. Photocure believes that the presentation of these non-IFRS performance measures provides useful information which provides readers with a more meaningful understanding of the underlying financial and operating performance of the company when viewed in conjunction with our IFRS financial information.

Photocure uses the following alternative performance measures.

### EBITDA & EBIT

We regard EBITDA as the best approximation to pre-tax operating cash flow and reflects cash generation before working capital changes. EBITDA is widely used by investors when evaluating and comparing businesses, and provides an analysis of the operating results excluding depreciation and amortisation. The non-cash elements depreciation and amortization may vary significantly between companies depending on the value and type of assets.

The definition of EBITDA is “Earnings Before Interest, Tax, Depreciation and Amortization”.

The reconciliation to the IFRS accounts is as follows:

		2016	2015	2016	2015
(all amounts in NOK 1 000 except per share data)	Note	Q4	Q4	1.1-31.12	1.1-31.12
<b>Gross profit</b>		<b>35,365</b>	<b>32,453</b>	<b>134,291</b>	<b>126,496</b>
Operating expenses excl. depreciation and amortization		-35,697	-41,180	-142,298	-144,583
<b>EBITDA</b>		<b>-331</b>	<b>-8,727</b>	<b>-8,008</b>	<b>-18,087</b>
Depreciation and amortization		-3,056	-1,476	-7,853	-3,899
<b>EBIT</b>		<b>-3,388</b>	<b>-10,204</b>	<b>-15,861</b>	<b>-21,986</b>

### Revenue growth in constant currency

Photocure’s business is conducted internationally and in respective local currency. Less than 90% of the revenue for the full year 2016 was conducted in Norwegian kroner, our functional currency. Fluctuations in foreign exchange rates may have a significant impact on reported revenue in Norwegian kroner. To eliminate the translational effect of foreign exchange and to better understand the revenue development in the various regions we provide calculated revenue growth information by region and total for the company.

The average exchange rates used to translate revenues as per the reporting dates were as follows:

	9 months 2016	9 months 2015	12 months 2016	12 months 2015
USD	8.41	7.91	8.40	8.06
EUR	9.38	8.81	9.29	8.94
DKK	125.93	118.12	124.81	119.88
SEK	100.10	93.99	98.23	95.59



## Photocure Group – Other Measures

### In-market sales

A significant share of Photocure's sales of Hexvix/Cysview, i.e. all sales classified as partner sales and all sales in the Nordic region, goes through partners and distributors. These partners and distributors carry inventory of Hexvix/Cysview. Photocure's billing and revenue therefore does not necessarily reflect the demand from end users / hospitals at a given point in time as inventory levels may vary over time.

Furthermore, Photocure's revenue does not reflect the full value of the product in the market, as partners pay a royalty or a purchase price for the product below the price charged the end user.

To capture end user demand the company's partners and distributors report their revenue to end users in terms of number of units invoiced and in terms of revenue achieved. Photocure collects this data and consolidate to get the group total in-market sales, in units and in Norwegian kroner.

		2016	2015	2016	2015
	Note	Q4	Q4	1.1-31.12	1.1-31.12
<i>(all amounts in NOK 1 000)</i>					
<b>In-market sales</b>		<b>60,367</b>	<b>58,149</b>	<b>241,099</b>	<b>214,109</b>

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