

# Q3

THIRD QUARTER  
REPORT 2017  
PHOTOCURE GROUP



# 2017

## Highlights for third quarter and the first nine months 2017

(Numbers in brackets and comparisons are for the corresponding period in 2016.)

- Investments in US commercial organization driving continued strong Cysview sales revenue growth, up 45% in the third quarter
- In-market unit sales increased 3% in the third quarter. Unit sales growth was 39% in the US and 6% in Nordic, while partner unit sales declined 1%
- Hexvix/Cysview sales revenue increased 12% to NOK 35.5 million in the third quarter. Year to date revenue growth was 10% (12% in constant currency)
- Following the investments in US, commercial segment EBITDA was NOK -0.2 million (NOK 8.0 million) for the third quarter and NOK 9.4 million (NOK 19.3 million) year to date
- In November, CMS (United States Centers for Medicare & Medicaid Services) issued the Final Rule stating that it will reimburse hospital outpatient departments for certain Blue Light Cystoscopy (BLC) with Cysview procedures beginning January 1, 2018
- In October, the U.S. Food and Drug Administration (FDA) granted priority review status to Photocure's supplemental New Drug Application (sNDA) for Cysview

### Key figures:

Figures in NOK million	Q3 2017	Q3 2016	Change	YTD 2017	YTD 2016	Change	FY 2016
Hexvix/Cysview revenues	35.5	31.6	12 %	109.6	99.4	10 %	131.0
Other sales & milestone revenues	0.2	3.6		1.9	6.2		12.7
<b>Total revenues</b>	<b>35.6</b>	<b>35.2</b>	<b>1 %</b>	<b>111.5</b>	<b>105.5</b>	<b>6 %</b>	<b>143.6</b>
Operating expenses	42.2	34.7	22 %	121.2	106.6	14 %	142.3
<b>EBITDA recurring</b>	<b>-9.6</b>	<b>-1.6</b>		<b>-18.3</b>	<b>-7.7</b>		<b>-8.0</b>
EBITDA commercial franchise	-0.2	8.0		9.4	19.3		30.0
EBITDA development portfolio	-9.4	-9.7		-27.7	-27.0		-38.1
<b>EBIT (Operating result)</b>	<b>-13.9</b>	<b>-3.2</b>		<b>-31.1</b>	<b>-12.5</b>		<b>-15.9</b>
<b>Profit/loss (-) before tax</b>	<b>-13.5</b>	<b>-3.3</b>		<b>-28.4</b>	<b>-11.3</b>		<b>12.8</b>
<b>Net Profit/loss (-)</b>	<b>-10.1</b>	<b>0.1</b>		<b>-21.7</b>	<b>17.5</b>		<b>35.3</b>
Earnings per share, diluted (NOK)	-0.47	0.00		-1.01	0.81		1.64
<b>Cash &amp; cash equivalents</b>				<b>123.1</b>	<b>93.9</b>		<b>169.2</b>

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

*"Our third quarter report demonstrates continued significant progress in our US business. The new reimbursement of Blue Light Cystoscopy with Cysview for Medicare patients, as well as the potential to expand Cysview's label in the US show our commitment to this important market. It also confirms our desire to deliver patients better access to bladder cancer treatment. We expect the new reimbursement to drive significant growth in the future."*

## 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 competence in its proprietary Photodynamic Technology Platform and expertise and capacity in urology to explore, alone or in partnership with others, new product opportunities targeting unmet medical needs in urology.

### Update commercial segment

The commercial segment continued to deliver strong revenues from own sales, particularly US, however total revenues were negatively impacted by lack of growth in partner revenues and no milestone revenues compared to last year.

Total Hexvix/Cysview revenue increased 12% to NOK 35.5 million (NOK 31.6 million) in the third quarter. Own revenues, Nordic and US, increased 23%, while partner revenues, Ipsen, increased 1%. Year to date Hexvix/Cysview revenue increased 10% to NOK 109.6 million (+12% in constant currencies).

In-market unit sales increased 3% in the third quarter, of which own unit sales increased 17% and partner unit sales declined 1%. Year to date in-market unit sales increased 4%.

Operating expenses increased 31% to NOK 32.8 million (NOK 25.0 million) in the third quarter and 17% to NOK 93.5 million (NOK 79.6 million) year to date. This was mainly driven by the planned increase in sales and marketing efforts in US as well as increased expenses related to flexible cystoscopy in Nordic.

Year to date EBITDA was NOK 9.4 million (NOK 19.3 million). With increased investment in marketing and sales in the US as well as reduced milestone revenues, the decline compared to the same period last year was expected. The EBITDA margin was 8%, compared to 18% last year.

<b>MNOK</b>	<b>Q3 '17</b>	<b>YTD '17</b>	<b>YTD '16</b>
Nordic - Hexvix	9.0	30.4	29.4
US - Cysview	11.3	32.3	22.4
Partners	15.2	47.0	47.5
<b>Hexvix/Cysview total</b>	<b>35.5</b>	<b>109.6</b>	<b>99.4</b>
<i>YoY growth</i>	<b>12 %</b>	<b>10 %</b>	
Other revenues	0.2	1.9	6.2
<b>Total revenues</b>	<b>35.6</b>	<b>111.5</b>	<b>105.5</b>
<i>YoY growth</i>	<b>1 %</b>	<b>6 %</b>	
<b>Gross profit</b>	<b>32.6</b>	<b>102.9</b>	<b>98.9</b>
Operating expenses	-32.8	-93.5	-79.6
<b>EBITDA</b>	<b>-0.2</b>	<b>9.4</b>	<b>19.3</b>
<i>EBITDA margin</i>	<b>-1 %</b>	<b>8 %</b>	<b>18 %</b>

### Hexvix®/Cysview®

Global in-market sales of Hexvix/Cysview increased 8% to NOK 61 million (NOK 57 million) in the third quarter. Year to date in-market sales were NOK 193 million (NOK 181 million). Global in-market unit sales increased 3% in the third quarter compared to the same period in 2016. Sales development in US was strong with a unit sales increase of 39%. Consolidated volume growth was impacted by a reduction in our partner business of 1% in the quarter. Year to date in-market unit sales increased 4%.

### US Cysview sales

Third quarter revenues in the US grew 45% to NOK 11.3 million (NOK 7.8 million), driven by volume growth and price increases. The improvement reflects increased productivity as well as expanded sales resources. In-market unit growth in the third quarter was 39%.

Year to date US revenues increased 44% to NOK 32.3 million (NOK 22.4 million), with unit growth of 35%. There was no significant impact from currency translation year to date.

The volume growth was driven both by the number of permanent blue light cystoscopes (BLCs) installed at leading US hospitals and by increased average usage per center. The total number of permanent BLCs installed at leading US hospitals at the end of third quarter was 96, an increase of 13 units compared to the number of BLCs installed at the end of 2016.

Photocure is in the process of expanding its salesforce in US to increase penetration of Cysview in hospitals and urology practices. We are on target to double our US sales organization by the end of 2017.

In November, the United States Centers for Medicare & Medicaid Services (CMS) released the Final Rule stating that it will reimburse hospital outpatient departments for certain Blue Light Cystoscopy (BLC)

with Cysview procedures from January 1, 2018. CMS has created a new set of codes specific to Blue Light Cystoscopy allowing for improved reimbursement for those procedures. The Company expects this to increase the installed base of BLC's and drive revenue growth from 2018.

#### *Nordic Hexvix sales*

Nordic revenues increased 3% to NOK 9.0 million (NOK 8.7 million) in the third quarter, driven by increased sales in Sweden and Finland. Following the reorganization of hospitals in Copenhagen which led to a decline in revenue at the end of last year and early 2017, the Danish market has returned to level with last year in the third quarter. Photocure's in-market unit sales in the Nordic region in third quarter increased 6%.

Year to date Nordic revenues increased 3% (+5% in constant currencies) to NOK 30.4 million (NOK 29.4 million). Year to date in-market unit sales were level compared to last year.

#### *Hexvix/Cysview partner sales*

Partner revenue increased 1% to NOK 15.2 million (NOK 15.1 million) in the third quarter, negatively impacted by a 1% reduction in in-market unit sales. Third quarter in-market unit sales declined in all markets excluding Germany and Austria.

Year to date partner revenue declined 1% to NOK 47.0 million (NOK 47.5 million), negatively impacted by lower sales in several markets and to some extent currency translation. In constant currencies, revenue was level compared to last year. In-market unit sales increased 2%. 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 and timing of health system funding approvals. Juno Pharmaceuticals completed the registration of Hexvix in New Zealand in October.

In November 2016, new 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. However, Hexvix has been removed from the "Liste-en-sus" in France and has lost reimbursement from second quarter 2017. This resulted in a negative volume development in the second and third quarter, but limited financial impact at the EBITDA level. Ipsen is working on securing a separate Blue Light DRG code in France.

#### *Hexvix/Cysview publications*

In July, a study investigating the use of Blue Light Flexible Cystoscopy with Hexvix in patients with Carcinoma in Situ (CIS) was published in the Scandinavian Journal of Urology. The results showed that bladder examinations and biopsies of lesions performed with Blue Light Flexible Cystoscopy in the outpatient setting were equivalent to those performed in the inpatient setting with rigid scopes in the operating room and the patient under general anaesthesia. Furthermore, there were significant Quality of Life benefits for the patients in the outpatient setting versus the inpatient setting.

In August, The World Journal of Urology published a prospective controlled study investigating the introduction of BLC with Hexvix at first presentation in patients with non-muscle invasive bladder cancer (NMIBC) in routine clinical practice. The study showed that the overall recurrence rates at 3 years were significantly less in patients who received BLC with Hexvix (39.0%) compared to an optimized White Light Cystoscopy resection (53.3%;  $p=0.02$ ). The benefit on the recurrence rate was most pronounced in patients with high-risk disease (52.1% recurrence at year 3 with BLC with Hexvix versus 80% with White Light Cystoscopy;  $p=0.01$ ).

#### *Update development portfolio*

##### **Hexvix®/Cysview® – expansion opportunities**

Hexvix/Cysview is currently used to optimize patient management through improved diagnosis and bladder cancer resection (TURB) in a surgical procedure using rigid cystoscopes. After patients are initially diagnosed and treated by TURB, they undergo cystoscopic examinations every 3-9 months. This surveillance is performed in the outpatient/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 US 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 positive results from this study were presented at the AUA meeting in Boston, May 2017.

Based on these positive results, we filed a supplemental NDA with the FDA in August. In October, FDA provided us with the notification that they accepted the supplemental New Drug Application (sNDA) for Cysview on a priority review



basis. We expect a decision on the approval by the FDA during the first half of 2018.

### Visonac® and Cevira® – late stage clinical non-urology development products

In April, the Company announced that it will assess further strategic alternatives for its non-urology assets, Cevira and Visonac, in parallel with ongoing partner search.

The decision to initiate a broad review of possible strategic alternatives for Cevira and Visonac follows a non-conclusive comprehensive partnering process. Photocure has experienced interest with several possible partners having recognized the unmet medical need in the target therapeutic areas, and has engaged in thorough discussions and due diligence for both Cevira and Visonac. However, at this stage remaining development risk is expressed as a concern for establishing an optimal partnership for Cevira, while the current combination of drug and device is an expressed commercial concern for Visonac.

Based on the input received in the partnering process, Photocure is in the process of assessing further strategic alternatives for Cevira and Visonac.

## Financial review

(Numbers in brackets are for the corresponding period in 2016; references to the prior year refer to a comparison to the same period 2016, unless otherwise stated).

MNOK	Q3 '17	YTD '17	YTD '16
Hexvix/Cysview revenues	35.5	109.6	99.4
Other revenues	0.2	1.9	6.2
<b>Total revenues</b>	<b>35.6</b>	<b>111.5</b>	<b>105.5</b>
<b>Gross profit</b>	<b>32.6</b>	<b>102.9</b>	<b>98.9</b>
<b>Operating expenses</b>	<b>-42.2</b>	<b>-121.2</b>	<b>-106.6</b>
<b>EBITDA recurring</b>	<b>-9.6</b>	<b>-18.3</b>	<b>-7.7</b>
One-Off items	-	-4.0	-
Depreciation & Amort	-4.3	-8.8	-4.8
<b>EBIT</b>	<b>-13.9</b>	<b>-31.1</b>	<b>-12.5</b>
Net financial items	0.4	2.7	1.2
<b>Earnings before tax</b>	<b>-13.5</b>	<b>-28.4</b>	<b>-11.3</b>
Tax expenses	3.5	6.7	28.7
<b>Net earnings</b>	<b>-10.1</b>	<b>-21.7</b>	<b>17.5</b>

Photocure's operational results in the third quarter and year to date were driven by continued strong growth in its activities in US. Added resources have had an impact on revenue growth as well as operational costs in line with our strategic objectives.

### Revenues

Total revenues in the third quarter were NOK 36.6 million, an increase of 1% from the third quarter last year (NOK 35.2 million). Year to date revenues were NOK 111.5 million (NOK 105.5 million), an increase of 6%.

Hexvix/Cysview sales revenues for the third quarter were NOK 35.5 million, an increase of 12% from last year (NOK 31.6 million). The increase was driven by strong sales in US. Sales revenue growth was however partly offset by lower performance in the quarter for our partner business. Year to date Hexvix/Cysview revenues were NOK 109.6 million (NOK 99.4 million), an increase of 10%. In constant currencies, Hexvix/Cysview revenues grew 12% year to date.

Other revenues include sale of Active Pharmaceutical Ingredients (API) and Signing/Milestone revenues. 2016 revenues were driven by revenue deferrals as well as milestones that are not repeated in the current year. 2017 revenues relate to Bellus Medical, a privately-owned US based cosmetic dermatology company. In April, Photocure and Bellus Medical signed an asset purchase and licensing agreement for Photocure's cosmetic dermatology product Allumera. Under the terms of this agreement, Photocure received USD 200,000 at signing.

### Operating costs

Total operating costs, excluding one-off items, depreciation and amortization, were NOK 42.2 million (NOK 34.7 million) in the third quarter, an increase of 22%. Year to date the increase was 14% to NOK 121.2 million (NOK 106.6 million).

The increase in operating costs was mainly driven by planned investments in US sales and marketing operations.

MNOK	Q3 '17	YTD '17	YTD '16
Research & Development	4.7	13.3	12.2
YoY growth	18 %	9 %	
Sales & Marketing	25.6	73.0	59.2
YoY growth	34 %	23 %	
Other Opex	12.0	34.9	35.2
YoY growth	3 %	-1 %	
<b>Operating expenses excl one-off</b>	<b>42.2</b>	<b>121.2</b>	<b>106.6</b>
YoY growth	22 %	14 %	
Nedax write-down	0.0	4.0	0.0
<b>Operating expenses</b>	<b>42.2</b>	<b>125.2</b>	<b>106.6</b>
YoY growth	22 %	17 %	
Depreciation & Amort.	4.3	8.8	4.8
YoY growth	165 %	83 %	
<b>Total</b>	<b>46.5</b>	<b>134.0</b>	<b>111.4</b>
YoY growth	28 %	20 %	

Third quarter research and development (R&D) costs were NOK 4.7 million (NOK 3.9 million). R&D costs year to date were NOK 13.3 million (NOK 12.2 million). The R&D costs relate mainly to regulatory work and maintenance and expansion of our intellectual property. Expenses related to the Cysview Phase 3 market expansion trial, excluding internal resources, are capitalized and amortized.

Sales and marketing costs increased 34% to NOK 25.6 million (NOK 19.1 million) in the third quarter. Sales and marketing costs year to date were NOK 73.0 million (NOK 59.2 million). The increase was in line with our strategic plans and was driven by activities in US. As announced in the fourth quarter 2016 report Photocure will increase expenses in US operations in 2017 and 2018.

Year to date other operating expenses, which includes supply chain, business development and general/ administration, was level compared to last year.

One-off items relate to write off of parts and finished goods inventory for Nedax, the light source used with Visonac. As announced in April 2017, following non-conclusive partnering discussions for Cevira and Visonac, Photocure is in the process of assessing other strategic alternatives for these two opportunities in parallel to ongoing partner search.

#### *Financial results*

EBITDA was negative NOK 9.6 million (NOK -1.6 million) for the third quarter. Year to date EBITDA, before one-off items, was negative NOK 18.3 million (NOK -7.7 million). Currency translation had a negative effect on the year to date EBITDA of less than NOK 1 million.

EBITDA in the commercial segment was NOK 9.4 million year to date compared to NOK 19.3 million the prior year. The development portfolio had EBITDA, before one-off items, of negative NOK 27.7 million year to date (NOK -27.0 million).

Year to date depreciation and amortization was NOK 8.8 million (NOK 4.8 million). The increase from prior year was mainly driven by amortization on the investments in intangible assets related to the Phase 3 market expansion trial for Cysview.

Net financial items were NOK 2.7 million (NOK 1.2 million) year to date.

Photocure had a net loss before tax of NOK 13.5 million in the third quarter (net loss of NOK 3.3 million) and a net loss of NOK 28.4 million year to date (net loss of NOK 11.3 million). Tax expenses in the third quarter were a net income of NOK 3.5 million (net

income NOK 3.3 million) and year to date a net income of NOK 6.7 million (net income of NOK 28.7 million). Prior year net tax income was mainly driven by a change in transfer pricing method.

Net loss was NOK 10.1 million in the third quarter (profit of NOK 0.1 million) and NOK 21.7 million year to date (profit of 17.5 million).

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

Net cash flow from operations was negative NOK 3.4 million in the third quarter (negative NOK 8.6 million) and negative NOK 31.1 million year to date (negative NOK 30.7 million). The impact from changes to working capital year to date was negative NOK 10.7 million (negative NOK 22.9 million).

Net cash flow from investments was negative NOK 10.6 million in the third quarter (negative NOK 2.9 million) and negative NOK 15.1 million year to date (negative NOK 11.1 million). This was mainly driven by investments related to the Phase 3 market expansion trial for Cysview.

Third quarter net change in cash was negative NOK 13.9 million (negative NOK 10.5 million). Year to date net change in cash was negative NOK 46.1 million (negative NOK 40.1 million). Cash and cash equivalents were NOK 123.1 million at the end of the third quarter.

Shareholders' equity was NOK 230.7 million at end of third quarter, an equity ratio of 89%.

As of 30 September 2017, 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 2016.

## **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 aims to capitalize on the inclusion in the AUA guidelines, as well as the increased patient awareness and the changes to reimbursement of Cysview in the outpatient setting, to significantly increase penetration in the US market.

CMS (United States Centers for Medicare & Medicaid Services) released in November the Final Rule stating that it will reimburse hospital outpatient departments for certain Blue Light Cystoscopy (BLC) with Cysview procedures beginning January 1, 2018.

Photocure believes that in order to increase market shares in the US, an investment in the US commercial and medical infrastructure is required. As stated previously, the Company plans to double its salesforce from 2016 and increase sales and marketing expenses 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 before impact of Medicare reimbursement. The added reimbursement will have a positive effect

on future revenues, however, the full implications of this positive change are not expected to be fully known before second half of 2018. Currently the Company estimates that the added reimbursement will drive the US revenues in 2020 to a range of USD 20–25 million. The Company will update the market on this outlook in 2018 when there is better visibility of effects of the new reimbursement situation.

As a result of the increased activity level in US, 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 reported in May this year that the Phase 3 study of Hexvix/Cysview in the surveillance patient segment met its primary endpoint and other major endpoints. Based on this, the Company submitted a supplemental New Drug Application (sNDA) to the US FDA, and in October FDA accepted for review and granted priority review status to the sNDA for Cysview. We expect a decision on the approval by the FDA during the first half of 2018.

The Board of Directors and CEO  
Photocure ASA

Oslo, 7 November 2017

Jan Hendrik Egberts  
Chairperson

Johanna Holldack  
Director

Gwen Melincoff  
Director

Tom Pike  
Director

Synne H. Røine  
Director

Grannum R. Sant  
Director

Xavier Yon  
Director

Kjetil Hestdal  
President and CEO

## Photocure Group

### Accounts for third quarter and the first nine months 2017

#### Photocure Group – Statement of comprehensive income

		2017	2016	2017	2016	2016
	Note	Q3	Q3	1.1-30.09	1.1-30.09	1.1-31.12
<i>(all amounts in NOK 1 000 except per share data)</i>						
Sales revenues		35,644	31,639	109,772	99,353	136,186
Signing fees and milestone revenues		-	3,592	1,730	6,193	7,441
<b>Total revenues</b>		<b>35,644</b>	<b>35,231</b>	<b>111,502</b>	<b>105,546</b>	<b>143,627</b>
Cost of goods sold		-3,030	-2,168	-8,607	-6,621	-9,337
<b>Gross profit</b>		<b>32,614</b>	<b>33,063</b>	<b>102,895</b>	<b>98,925</b>	<b>134,291</b>
Indirect manufacturing expenses	3	-2,719	-2,628	-7,615	-7,773	-10,386
Research and development expenses	3	-8,383	-5,249	-24,427	-15,033	-22,962
Marketing and sales expenses	3	-25,611	-19,130	-73,048	-59,756	-79,930
Other operating expenses	3	-9,814	-9,295	-28,865	-28,837	-36,874
<b>Total operating expenses</b>		<b>-46,527</b>	<b>-36,302</b>	<b>-133,955</b>	<b>-111,399</b>	<b>-150,152</b>
<b>EBIT</b>		<b>-13,913</b>	<b>-3,239</b>	<b>-31,060</b>	<b>-12,473</b>	<b>-15,861</b>
Financial income		1,258	2,007	4,495	4,500	32,427
Financial expenses		-865	-2,033	-1,842	-3,286	-3,787
<b>Net financial profit/loss(-)</b>		<b>393</b>	<b>-26</b>	<b>2,654</b>	<b>1,214</b>	<b>28,640</b>
<b>Profit/loss(-) before tax</b>		<b>-13,520</b>	<b>-3,265</b>	<b>-28,406</b>	<b>-11,260</b>	<b>12,779</b>
Tax expenses	4	3,450	3,320	6,712	28,717	22,530
<b>Net profit/loss(-)</b>		<b>-10,070</b>	<b>55</b>	<b>-21,694</b>	<b>17,457</b>	<b>35,309</b>
Other comprehensive income	5	-463	-602	-573	825	-366
<b>Total comprehensive income</b>		<b>-10,532</b>	<b>-546</b>	<b>-22,267</b>	<b>18,282</b>	<b>34,943</b>
Net profit/loss(-) per share, undiluted	6	-0.47	0.00	-1.01	0.81	1.64
Net profit/loss(-) per share, diluted	6	-0.47	0.00	-1.01	0.81	1.64



## Photocure Group – Statement of financial position

(Amounts in NOK 1 000)		Note	30.09.2017	30.09.2016	31.12.2016
<b>Non-current assets</b>					
Machinery & equipment			1,495	1,654	1,660
Intangible assets	7		34,849	20,810	26,390
Other investments			-	7,372	-
Deferred tax asset	4		52,732	52,207	46,020
<b>Total non-current assets</b>			<b>89,076</b>	<b>82,043</b>	<b>74,070</b>
<b>Current assets</b>					
Inventories			14,869	16,416	17,955
Accounts receivable			16,040	14,434	12,323
Other receivables			16,479	50,520	12,750
Cash and short term deposits	8		123,092	93,905	169,239
<b>Total current assets</b>			<b>170,480</b>	<b>175,276</b>	<b>212,268</b>
<b>Total assets</b>			<b>259,556</b>	<b>257,319</b>	<b>286,338</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	9		10,779	10,773	10,779
Other paid-in capital			55,822	53,221	54,268
Retained earnings			164,123	170,083	186,895
<b>Shareholders' equity</b>			<b>230,724</b>	<b>234,077</b>	<b>251,943</b>
<b>Long-term liabilities</b>					
Pension liabilities			4,524	3,417	3,758
<b>Total long-term liabilities</b>			<b>4,524</b>	<b>3,417</b>	<b>3,758</b>
Current liabilities			24,308	19,826	30,637
<b>Total liabilities</b>			<b>28,832</b>	<b>23,243</b>	<b>34,395</b>
<b>Total equity and liabilities</b>			<b>259,556</b>	<b>257,319</b>	<b>286,338</b>

## Photocure Group – Changes in equity

	2017	2016	2017	2016	2016
(Amounts in NOK 1 000)	Q3	Q3	1.1-30.09	1.1-30.09	1.1-31.12
<b>Equity at beginning of period</b>	<b>240,983</b>	<b>232,947</b>	<b>251,943</b>	<b>210,060</b>	<b>210,060</b>
Capital increase		959		1,990	2,415
Share-based compensation (share options employees)	273	717	1,049	2,762	3,300
Treasury shares decrease				984	1,225
Comprehensive income	-10,532	-546	-22,267	18,282	34,943
<b>Equity at end of period</b>	<b>230,724</b>	<b>234,077</b>	<b>230,724</b>	<b>234,078</b>	<b>251,943</b>

## Photocure Group – Cash flow statement

	2017	2016	2017	2016	2016
	Q3	Q3	1.1-30.09	1.1-30.09	1.1-31.12
<i>(Amounts in NOK 1 000)</i>					
Profit/loss(-) before tax	-13,520	-3,265	-28,406	-11,260	12,779
Depreciation and amortisation	4,285	1,620	8,799	4,797	7,853
Gain sale of financial assets	-	-	-	-	-27,280
Share-based compensation	273	714	1,049	2,760	3,541
Net interest income	-474	-607	-2,042	-2,109	-2,394
Settlement deferred revenue Galderma	-	-	-	-	37,193
Changes in working capital	6,153	-7,177	-10,726	-22,906	-8,787
Other operational items	-91	73	239	-1,995	-3,713
<b>Net cash flow from operations</b>	<b>-3,374</b>	<b>-8,642</b>	<b>-31,087</b>	<b>-30,714</b>	<b>19,193</b>
Net investments in fixed assets	-212	-497	-367	-2,450	-3,148
Development expenditures	-10,817	-2,970	-16,735	-10,770	-18,567
Sales proceeds shares PCI Biotech Holding	-	-	-	-	33,213
Received interest payments	474	607	2,042	2,109	2,394
<b>Cash flow from investments</b>	<b>-10,556</b>	<b>-2,860</b>	<b>-15,061</b>	<b>-11,111</b>	<b>13,892</b>
<b>Cash flow from financing activities</b>	<b>-</b>	<b>958</b>	<b>-</b>	<b>1,703</b>	<b>2,128</b>
<b>Net change in cash during the period</b>	<b>-13,929</b>	<b>-10,543</b>	<b>-46,147</b>	<b>-40,121</b>	<b>35,213</b>
Cash & cash equivalents at beginning of period	137,021	104,448	169,239	134,026	134,026
<b>Cash &amp; cash equivalents at end of period</b>	<b>123,092</b>	<b>93,904</b>	<b>123,092</b>	<b>93,904</b>	<b>169,239</b>

## Notes to the accounts for third quarter and the first nine months 2017

### 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 2016 (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 7 November 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

IFRS 15 Revenue from contract with customers establishes a comprehensive framework for determining whether, how much and when revenue is recognized. The standard replaces IAS 18 Revenue and related interpretations. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The new standard contains a new set of principles on when and how to recognize and measure revenue as well as new requirements related to presentation. The core principle in that framework is that revenue should be recognized dependent on the transfer of promised goods or services to the customer for an amount that reflects the consideration which should be received in exchange for those goods or services. The objective of the standard is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations, and recognizing revenue when or as performance obligations are satisfied.

The Group is continuing to assess the potential impact of IFRS 15. The adoption of IFRS 15 is not expected to have a significant impact on Photocure's recognition of sale of goods, but might affect the timing of the recognition of upfront payment and milestone fees.

Photocure is analyzing the impact of implementing IFRS 9 Financial Instruments and IFRS 16 Leases from 1.1.2019. Based on the financial assets and liabilities currently held by the Company these are not expected to have a significant impact on Photocure's financial statements.

The new and amended standards and interpretations from IFRS that were adopted by the EU with effect from 2017 did not have any significant impact on the reporting in 2017.

#### 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 judgement of the Group management.

## Note 2 - Photocure Group – Segment information

Photocure has two segments; Commercial Franchise and Development Portfolio. Commercial Franchise includes Hexvix/Cysview by sales channel, own sales and partner sales, and other sales, currently including sale of active ingredients. Development Portfolio includes development of commercial products and pipeline products.

1 Jan - 30 September 2017 (Amounts in NOK 1 000)	Commercial Products				Development Products			Grand Total
	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	
Sales revenues	62,651	46,956	166	109,772	-	-	-	109,772
Milestone revenues	-	-	1,730	1,730	-	-	-	1,730
Cost of goods sold	-2,529	-6,078	-	-8,607	-	-	-	-8,607
<b>Gross profit</b>	<b>60,122</b>	<b>40,878</b>	<b>1,895</b>	<b>102,895</b>	-	-	-	<b>102,895</b>
Gross profit of sales %	96 %	87 %	100 %	92 %				92 %
R&D	-	-	-	-	-2,214	-15,101	-17,315	-17,315
Sales & marketing	-63,992	-5,911	-	-69,904	-	-3,088	-3,088	-72,992
Other & allocations	-9,137	-13,881	-530	-23,548	-2,674	-8,628	-11,302	-34,850
<b>Operating expenses</b>	<b>-73,129</b>	<b>-19,792</b>	<b>-530</b>	<b>-93,451</b>	<b>-4,888</b>	<b>-26,817</b>	<b>-31,705</b>	<b>-125,156</b>
<b>EBITDA</b>	<b>-13,008</b>	<b>21,086</b>	<b>1,366</b>	<b>9,444</b>	<b>-4,888</b>	<b>-26,817</b>	<b>-31,705</b>	<b>-22,261</b>

1 Jan - 30 September 2016 (Amounts in NOK 1 000)	Commercial Products				Development Products			Grand Total
	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	
Sales revenues	51,879	47,474	-	99,353	-	-	-	99,353
Milestone revenues	-	2,311	3,882	6,194	-	-	-	6,194
Cost of goods sold	-1,906	-4,715	-	-6,621	-	-	-	-6,621
<b>Gross profit</b>	<b>49,973</b>	<b>45,071</b>	<b>3,882</b>	<b>98,926</b>	-	-	-	<b>98,926</b>
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
<b>Operating expenses</b>	<b>-60,122</b>	<b>-18,984</b>	<b>-505</b>	<b>-79,611</b>	<b>-4,880</b>	<b>-22,111</b>	<b>-26,991</b>	<b>-106,602</b>
<b>EBITDA</b>	<b>-10,149</b>	<b>26,087</b>	<b>3,378</b>	<b>19,316</b>	<b>-4,880</b>	<b>-22,111</b>	<b>-26,991</b>	<b>-7,675</b>

Q3 2017 (Amounts in NOK 1 000)	Commercial Products				Development Products			Grand Total
	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	
Sales revenues	20,261	15,218	166	35,644	-	-	-	35,644
Milestone revenues	-	-	-	-	-	-	-	-
Cost of goods sold	-839	-2,190	-	-3,029	-	-	-	-3,029
<b>Gross profit</b>	<b>19,422</b>	<b>13,028</b>	<b>166</b>	<b>32,615</b>	-	-	-	<b>32,615</b>
Gross profit of sales %	96 %	86 %	100 %	92 %				92 %
R&D	-	-	-	-	-734	-3,926	-4,660	-4,660
Sales & marketing	-22,586	-2,082	-	-24,669	-	-924	-924	-25,592
Other & allocations	-3,071	-4,894	-173	-8,138	-863	-2,988	-3,851	-11,989
<b>Operating expenses</b>	<b>-25,658</b>	<b>-6,977</b>	<b>-173</b>	<b>-32,807</b>	<b>-1,597</b>	<b>-7,838</b>	<b>-9,435</b>	<b>-42,242</b>
<b>EBITDA</b>	<b>-6,236</b>	<b>6,051</b>	<b>-7</b>	<b>-192</b>	<b>-1,597</b>	<b>-7,838</b>	<b>-9,435</b>	<b>-9,627</b>

Q3 2016	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	16,502	15,138	-	31,640	-	-	-	31,640
Milestone revenues	-	2,311	1,281	3,592	-	-	-	3,592
Cost of goods sold	-601	-1,566	-	-2,167	-	-	-	-2,167
Gross profit	15,901	15,883	1,281	33,065	-	-	-	33,065
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	1,134	8,041	-1,459	-8,201	-9,660	-1,619

1 Jan - 31 December 2016	Commercial Products				Development Products			
(Amounts in NOK 1 000)	Hex/Cys	Hex/Cys	Other	Total	Hex/Cys		Total	Grand
	Own Sales	Partner	Sales	Sales	Develop.	Pipeline	R&D	Total
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
Gross profit	66,803	57,136	10,352	134,291	-	-	-	134,291
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
Operating expenses	-79,268	-24,343	-632	-104,243	-7,401	-30,654	-38,055	-142,298
EBITDA	-12,465	32,793	9,719	30,047	-7,401	-30,654	-38,055	-8,008

### Note 3 – Income statement classified by nature

(Amounts in NOK 1 000)	2017	2016	2017	2016	2016
	Q3	Q3	1.1-30.09	1.1-30.09	1.1-31.12
Sales revenues	35,644	31,639	109,772	99,353	136,186
Signing fees and milestone revenues	-	3,592	1,730	6,193	7,441
Cost of goods sold	-3,030	-2,168	-8,607	-6,621	-9,337
<b>Gross profit</b>	<b>32,614</b>	<b>33,063</b>	<b>102,895</b>	<b>98,925</b>	<b>134,291</b>
Payroll expenses	-26,946	-20,191	-71,838	-63,044	-82,385
R&D costs excl. payroll expenses/other operating exp.	-1,889	-1,597	-9,606	-5,062	-7,542
Ordinary depreciation and amortisation	-4,285	-1,620	-8,799	-4,797	-7,853
Other operating expenses	-13,407	-12,894	-43,713	-38,496	-52,373
<b>Total operating expenses</b>	<b>-46,527</b>	<b>-36,302</b>	<b>-133,955</b>	<b>-111,399</b>	<b>-150,152</b>
<b>EBIT</b>	<b>-13,913</b>	<b>-3,239</b>	<b>-31,060</b>	<b>-12,473</b>	<b>-15,861</b>



## Note 4 – Tax

<i>(Amounts in NOK 1 000)</i>	<b>30.09.2017</b>	<b>31.12.2016</b>
<b>Income tax expense</b>		
Tax payable	-	-
Changes in deferred tax	-6,712	-22,530
<b>Total income tax expense</b>	<b>-6,712</b>	<b>-22,530</b>
<b>Tax base calculation</b>		
Profit before income tax	-34,780	18,685
Permanent differences	-2,630	-27,426
Temporary differences	30,722	19,044
Utilisation of tax loss carried forward	-	-10,303
Change in tax loss carried forward	6,688	-
<b>Tax base</b>	<b>0</b>	<b>0</b>
<b>Temporary differences:</b>		
<b>Total</b>	<b>-91,546</b>	<b>-122,268</b>
Tax loss carried forward	320,813	314,019
<b>Net temporary differences</b>	<b>229,267</b>	<b>191,751</b>
Unrecognised deductible temporary differences and tax losses		
<b>Deferred tax benefit</b>	<b>229,267</b>	<b>191,751</b>
<b>Deferred tax asset</b>	<b>52,731</b>	<b>46,020</b>

Temporary differences are recognized for the parent company only and the note disclosure for the Group is of this reason identic to the disclosure for parent company.

The parent company has recognized a deferred tax asset regarding net temporary differences. Accumulated tax asset in the parent company at the end of September 2017 is NOK 52.7 million compared to NOK 46.0 million at end of 2016. There is no expiry on losses to be carried forward in Norway. The basis for recognition of a tax asset in Norway are the predicted future profit according to the business plan for all major markets and that temporary differences for the coming years will be reversed. The deferred tax asset is of this reason increased by NOK 6.7 million as of 30 September 2017. The basis for the recognition of the tax asset is the assessment that there is convincing evidence that the deferred tax benefit will be utilized.

## Note 5 – Other comprehensive income

	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
<i>(Amounts in NOK 1 000)</i>	<b>Q3</b>	<b>Q3</b>	<b>1.1-30.09</b>	<b>1.1-30.09</b>	<b>1.1-31.12</b>
Market value adjustment PCI Biotech Holding ASA		-490		1,439	-
Currency translation	-463	-112	-573	-615	-366
<b>Total other comprehensive income</b>	<b>-463</b>	<b>-602</b>	<b>-573</b>	<b>824</b>	<b>-366</b>

Items may be subsequently reclassified to profit or loss.

## Note 6 – Earnings per share

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

	2017 1.1-30.09	2016 1.1-31.12
<i>(Figures indicate the number of shares)</i>		
Issued ordinary shares 1 January	21,557,910	21,476,295
Effect of treasury shares	-809	-809
Effect of share options exercised	-	-54,730
Effect of shares issued	-	81,615
<b>Weighted average number of shares</b>	<b>21,557,101</b>	<b>21,502,371</b>
Effect of outstanding share options	12,890	128,971
<b>Weighted average number of diluted shares</b>	<b>21,569,991</b>	<b>21,631,342</b>
Earnings per share in NOK	-1.01	1.64
Earnings per share in NOK diluted	-1.01	1.64

## Note 7 – Fixed Assets

	Machinery & equipment	Intangible
<i>(Amounts in NOK 1 000)</i>		
Net book value 31.12.16	1,660	26,390
Net investments 30.09.17	358	16,735
Depreciation and amortization	-523	-8,276
<b>Net book value 30.09.17</b>	<b>1,495</b>	<b>34,849</b>

Photocure has from 2015 carried out a clinical study in US for the approved product Cysview in order to file a supplemental NDA. Related to this study Photocure has capitalized, net after amortization, NOK 30.8 million as of end September 2017 compared to NOK 21.1 million as of 31 December 2016. The investment is amortized on a straight-line basis in the profit and loss from the start of the project and over the remaining patent period for the approved product and indication.

The remaining intangible assets consist of capitalized software and a project for new solvent device.

## Note 8 – 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	105,705	-	-	105,705
<b>Total</b>	<b>105,705</b>	<b>-</b>	<b>-</b>	<b>105,705</b>

## Note 9 – 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 2016	21,557,910	NOK 0.50	10,778,955
Share capital at 30 September 2017	21,557,910	NOK 0.50	10,778,955
<b>Treasury shares:</b>			
<b>Holdings of treasury shares at 31 December 2016</b>	<b>809</b>		<b>405</b>
Buy-back of treasury shares	-	NOK 0.50	-
Share option exercise	-	NOK 0.50	-
<b>Holdings of treasury shares at 30 September 2017</b>	<b>809</b>		<b>405</b>

The table below indicates the status of authorizations at 30 September 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 27 April 2017	2,155,791	2,155,791	1,077,895
Share issues after the General Meeting on 27 April 2017	-	-	-
Purchase of treasury shares	-	-	-
<b>Remaining under authorisations at 30 September 2017</b>	<b>2,155,791</b>	<b>2,155,791</b>	<b>1,077,895</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 30 September 2017:

<b>Name</b>	<b>Position</b>	<b>No. of shares</b>	<b>No. of subscription rights</b>
Kjetil Hestdal	President and CEO	133,873	93,500
Ambaw Bellele	Head, US Cancer Commercial Operations	2,000	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 10 – Share options

At 30 September 2017, employees in Photocure had the following share option schemes:

<b>Year of allocation</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2012</b>
Option programme	2017	2016	2015	2014	2012
Number	76,900	302,200	277,169	96,334	207,092
Exercise price (NOK)	38.06	40.15	32.78	27.39	38.50
Date of expiry (31	2021	2020	2019	2018	2017

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

	<b>30.09.2017</b>		<b>31.12.2016</b>	
	<b>No. of shares</b>	<b>Average exercise price (NOK)</b>	<b>No. of shares</b>	<b>Average exercise price (NOK)</b>
Outstanding at start of year	951,955	36.10	1,119,543	37.00
Allocated during the year	90,100	38.06	354,100	40.15
Become invalid during the year	79,693	37.16	234,987	40.75
Exercised during the year	2,667	27.39	116,282	29.22
Expired during the year	-	-	170,419	48.75
Outstanding at end of period	959,695	36.22	951,955	36.10
Exercisable options at end of period	807,681	35.61	620,772	35.28

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

## Note 11 – Shareholders

Overview of the major shareholders at 30 September 2017:

Shareholder	Account type	Citizen	No of shares	%
HIGH SEAS AS		NOR	2,525,000	11.80 %
FONDSFINANS NORGE		NOR	1,305,000	6.10 %
KLP AKSJE NORGE VPF		NOR	1,202,195	5.62 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	948,789	4.43 %
RADIUMHOSPITALET FORSKNINGSSTIFTELSE		NOR	743,319	3.47 %
MP PENSJON PK		NOR	660,000	3.09 %
J.P. MORGAN CHASE BANK N.A. LONDON	NOM	GBR	643,009	3.01 %
DANSKE INVEST NORSKE INSTIT. II.		NOR	407,503	1.90 %
VERDIPAPIRFONDET EIKA NORGE		NOR	405,009	1.89 %
FONDSFINANS GLOBAL HELSE		NOR	400,000	1.87 %
VICAMA AS		NOR	329,530	1.54 %
DANSKE INVEST NORSKE AKSJER INST		NOR	324,514	1.52 %
INTERTRADE SHIPPING		NOR	300,000	1.40 %
BERGEN KOMMUNALE PENSJONSKASSE		NOR	300,000	1.40 %
POLAR CAPITAL GLOBAL HEATHCARE GROWT		GBR	254,537	1.19 %
RUL AS		NOR	244,451	1.14 %
DANSKE BANK A/S	NOM	DNK	240,269	1.12 %
EGELAND HOLDING AS		NOR	230,000	1.08 %
KLP AKSJENORGE INDEKS		NOR	217,036	1.01 %
MYNA AS		NOR	205,000	0.96 %
Total 20 largest shareholders			11,885,161	55.13 %
Total other shareholders			9,672,749	44.87 %
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 and 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:

	2017 Q3	2016 Q3	2017 1.1-30.09	2016 1.1-30.09	2016 1.1-31.12
<i>(all amounts in NOK 1 000)</i>					
<b>Gross profit</b>	<b>32,614</b>	<b>33,063</b>	<b>102,895</b>	<b>98,925</b>	<b>134,291</b>
Operating expenses excl amortization & depreciation	-42,242	-34,683	-125,157	-106,602	-142,298
<b>EBITDA</b>	<b>-9,628</b>	<b>-1,620</b>	<b>-22,262</b>	<b>-7,676</b>	<b>-8,008</b>
Amortization & depreciation	-4,285	-1,619	-8,798	-4,797	-7,853
<b>EBIT</b>	<b>-13,913</b>	<b>-3,239</b>	<b>-31,060</b>	<b>-12,473</b>	<b>-15,861</b>

Recurring EBITDA equals EBITDA before one-off items. One-off items are accounting items of a significant and extraordinary nature. In the first quarter Photocure identified the write off of parts and finished goods inventory for Nedax as an on-off item, in total NOK 4.0 million.

### Revenue growth in constant currency

Photocure's business is conducted internationally and in respective local currency. Less than 90% of the revenue is 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:

	2017 Q3	2016 Q3	2017 1.1-30.09	2016 1.1-30.09	2016 1.1-31.12
USD (NOK per 1 USD)	7.96	8.32	8.31	8.41	8.40
EUR (NOK per 1 EUR)	9.35	9.29	9.23	9.38	9.29
DKK (NOK per 100 DKK)	125.69	124.82	124.16	125.93	124.81
SEK (NOK per 100 SEK)	97.82	97.68	96.36	100.10	98.23

## 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.

	2017	2016	2017	2016	2016
	Q3	Q3	1.1-30.09	1.1-30.09	1.1-31.12
<i>(all amounts in NOK 1 000)</i>					
<b>In-market sales</b>	<b>61,353</b>	<b>56,670</b>	<b>192,612</b>	<b>180,732</b>	<b>241,099</b>

## Photocure Group – Our Products

### Hexvix/Cysview

Hexvix/Cysview (hexaminolevulinate hydrochloride) is a drug that is taken up selectively by cancer cells in the bladder making them glow bright pink during Blue Light Cystoscopy (BLC). BLC with Hexvix improves the detection of tumors and leads to more complete resection, less residual tumors and better management decisions.

Hexvix is the tradename in Europe, Australia and New Zealand, Cysview in the US and Canada. 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.

Bladder cancer ranks as the ninth most common cancer worldwide with 430,000 new cases and more than 165,000 deaths annually. 75% of all bladder cancer cases occur in men<sup>1</sup>. It has a high recurrence rate with an average of 61% in year one and 78% over five years<sup>2</sup>. Bladder cancer has the highest lifetime treatment costs per patient of all cancers<sup>3</sup>.

Bladder cancer is a costly, potentially progressive disease for which patients have to undergo multiple cystoscopies due to the high risk of recurrence. There is an urgent need to improve both the diagnosis and the management of bladder cancer for the benefit of patients and healthcare systems alike.

Bladder cancer is classified into two types, non-muscle invasive bladder cancer (NMIBC) and muscle-invasive bladder cancer (MIBC), depending on the depth of invasion in the bladder wall<sup>4</sup>. NMIBC remains in the inner layer of cells lining the bladder. These cancers are the most common (75%) of all bladder cancer cases and include the subtypes Ta, carcinoma in situ (CIS) and T1 lesions. MIBC is when the cancer has grown into deeper layers of the bladder wall. These cancers, including subtypes T2, T3 and T4, are more likely to spread and are harder to treat<sup>5</sup>.

1. Globocan. Incidence/mortality by population. Available at: [http://globocan.iarc.fr/Pages/bar\\_pop\\_sel.aspx](http://globocan.iarc.fr/Pages/bar_pop_sel.aspx)

2. Babjuk M, Burger M, Zigeuner R, Shariat SF, van Rhijn BW, Compérat E, et al. EAU Guidelines on non-muscle-invasive bladder cancer (Ta, T1 and CIS). Eur Urol. 2016 Guidelines Edition:1-40.

3. Sievert KD et al. World J Urol 2009;27:295–300

4. Bladder Cancer. American Cancer Society. <http://www.cancer.org/acs/groups/cid/documents/webcontent/003085-pdf.pdf>. Accessed April 2016.

5. Bladder Cancer. American Cancer Society. <http://www.cancer.org/acs/groups/cid/documents/webcontent/003085-pdf.pdf>. Accessed April 2016

### Visonac

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

Cevira is in development as an intravaginal drug-device combination for photodynamic therapy of cervical persistent oncogenic human papilloma virus (HPV) infections and precancerous lesions. This treatment modality is based on our highly selective technology targeting the diseased area. Cevira is a treatment modality aiming to preserve the competence of the cervix, an improvement over surgical procedures frequently used today.

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