



THE
BLADDER CANCER
COMPANY™

Q1

FIRST QUARTER REPORT
2018



Highlights for first quarter 2018

(Numbers in brackets and comparisons are for the corresponding period in 2017.)

- Hexvix/Cysview sales revenue increased 11% to NOK 40.7 million in the first quarter, driven by increase of own sales (U.S. and Nordic) of 26%
- Investments in U.S. commercial organization driving strong Cysview sales revenue growth, up 36% in local currency to USD 1.6 million (USD 1.2 million)
- First quarter in-market unit sales growth was 29% in the U.S. Total Company in-market unit sales declined 3%
- EBITDA was NOK -4.0 million (NOK -4.3 million) – driven by investments focused on U.S. sales operation
- Approval of the extension of the indication for Blue Light Cystoscopy (BLC) with Cysview to include flexible cystoscopes used for on-going surveillance of patients with non-muscle invasive bladder cancer by the U.S. Food and Drug Administration (FDA), opening an opportunity in a new and significantly larger market for Cysview
- In May, BLC with Cysview using Karl Storz flexible cystoscopes was launched and the first U.S. bladder cancer patients received BLC with Cysview as part of their regular bladder cancer surveillance
- New strong clinical data of BLC with Hexvix/Cysview was presented during the European Association of Urology annual congress in March and during the American Urological Association annual meeting in May
- In May, the United States Centers for Medicare & Medicaid Services (CMS) released their preliminary coding recommendation to establish a specific reimbursement code (A code) for instillation of hexylaminolevulinate (Cysview) when used in physician office and other sites of care from January 1, 2019

Key figures:

Figures in NOK million	Q1 2018	Q1 2017	Change	FY 2017
Hexvix/Cysview revenues	40.7	36.5	11 %	149.0
Other sales & milestone revenues	0.9			1.9
Total revenues	41.6	36.5	14 %	150.9
Operating expenses	42.2	37.9	11 %	168.0
EBITDA recurring	-4.0	-4.3		-29.1
EBITDA commercial franchise	0.9	4.9		10.4
EBITDA development portfolio	-5.0	-9.2		-39.5
EBIT (Operating result)	-7.3	-10.4		-45.2
Profit/loss (-) before tax	-7.5	-9.3		-41.6
Net Profit/loss (-)	-3.0	-6.9		-34.7
Earnings per share, diluted (NOK)	-0.14	-0.32		-1.61
Cash & cash equivalents	110.7	155.5		129.4

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

"We are pleased to report strong growth in the U.S. sales with year over year increase of 36%. The increase follows the accelerated investments in our U.S. commercial team, sales infrastructure and marketing. We believe these organizational changes will continue to drive execution of our growth plans throughout the year. Furthermore, we have this year received FDA approval of label expansion for Cysview and launched Cysview in combination with flexible cystoscopes in the surveillance of bladder cancer patients. With this as well as



publication of new clinical data and new reimbursement in the U.S., we have significantly strengthened our ability to provide many more bladder cancer patients with improved management.”

Operational review

Photocure (the Company) delivers transformative solutions to improve the lives of bladder cancer patients.

Photocure is leveraging its flagship brand Hexvix/Cysview for improved detection of bladder cancer, reduced disease recurrence and progression rates to improve cost effective health outcomes for bladder cancer patients.

With its established specialist commercial and medical teams in the U.S. and the Nordic region Photocure has a solid foundation for future growth of its breakthrough bladder cancer product as well as exploring expansion of the product portfolio.

Update commercial segment

The commercial segment continued to show improved sales in the quarter. First quarter total revenue increased 14% to NOK 41.6 million (NOK 36.5 million) compared to last year, mainly driven by improvements in sales performance for Hexvix/Cysview, particularly in U.S. Additionally, first quarter total revenue was impacted positively by IFRS 15 adjustments (see note 3) related to the partner business as well as inventory build by the distributors in Nordic.

Operating expenses increased 30% to NOK 37.3 million (NOK 28.7 million) in the first quarter. This was mainly driven by the planned increase in U.S. commercial efforts.

EBITDA for the first quarter was NOK 0.9 million (NOK 4.9 million). The decline from first quarter last year was expected given the investments in sales and marketing in U.S.

MNOK	YTD '18	YTD '17	FY '17
Nordic - Hexvix	12.1	9.7	43.3
US - Cysview	12.7	10.0	42.4
Partners	15.8	16.7	63.3
Hexvix/Cysview total	40.7	36.5	149.0
<i>YoY growth</i>	11 %		
Other revenues	0.9	0.0	0.0
Total revenues	41.6	36.5	150.9
<i>YoY growth</i>	14 %		
Cost of goods sold	-3.4	-2.9	-12.0
Gross profit	38.2	33.7	138.9
Operating expenses	-37.3	-28.7	-128.5
EBITDA	0.9	4.9	10.4
<i>EBITDA margin</i>	2 %	14 %	7 %

Hexvix®/Cysview®

First quarter unit sales in U.S. increased 29%, continuing the growth experienced in previous quarters. Global unit sales decreased 3% in the first quarter compared to 2017, negatively impacted by a decline in Nordic and partner sales.

Global in-market sales of Hexvix/Cysview increased 5% to NOK 69 million (NOK 65 million) in the first quarter.

U.S. Cysview sales

First quarter revenue in U.S. increased 27% to NOK 12.7 million (NOK 10.0 million) compared to the prior year, driven by volume growth and price increases, but negatively impacted by a 7% decline in average quarter currency rate. In constant currency, first quarter revenue grew 36% compared to last year. Unit sales in the U.S. increased 29% in the first quarter. This improvement reflects productivity improvements as well as expanded sales resources.

Following the positive ruling in November 2017 from the United States Centers for Medicare & Medicaid Services (CMS), hospital outpatient departments were reimbursed additionally for certain Blue Light Cystoscopy (BLC) with Cysview procedures from January 1, 2018.

In first quarter the company experienced all time high increases in permanent blue light cystoscopes (BLCs) installed during a quarter at leading U.S. hospitals. Total BLCs installed were 9 in the quarter with a total of 113 placed at period end.

Photocure has from 2017 gradually expanded its commercial and medical organization in U.S. to



increase penetration of Cysview in hospitals and urology practices. The company will continue this process throughout 2018.

In February 2018, the U.S. Food and Drug Administration (FDA) approved additional indications for BLC with Cysview to include flexible cystoscopes, which are used in the on-going surveillance of patients with bladder cancer. This new indication was granted based on the results from a large Phase 3 study completed in 2017. The clinical safety and efficacy profile was confirmed in this study and the label now allows repeated use of Cysview.

In May 2018, Photocure launched Cysview in combination with blue light enabled flexible video cystoscopy and the first bladder cancer patients underwent surveillance examination performed with flexible BLC with Cysview.

In May 2018, the United States Centers for Medicare & Medicaid Services (CMS) positively responded to Photocure's request to establish a Cysview specific reimbursement code. CMS released their preliminary coding recommendation to establish a specific A code for instillation of hexylaminolevulinate (Cysview) when used in physician office and other sites of care from January 1, 2019. The final ruling is expected to be released second half 2018. The proposed reimbursement code is a permanent code that CMS frequently applies to FDA approved drugs, especially products used in connection with a procedure and imaging.

Nordic Hexvix sales

Nordic revenues increased 24% to NOK 12.1 million (NOK 9.7 million) in the first quarter driven by inventory build at distributors, foreign exchange rates and price increases. Revenue in constant currencies increased 19% in the quarter.

Photocure's in-market unit sales in the Nordic region in first quarter was 10% less compared to same quarter last year. The decline was driven by Denmark sales and was due to large deliveries to hospitals end of fourth quarter 2017.

Hexvix/Cysview partner sales

Partner revenue decreased 5% to NOK 15.8 million (NOK 16.7 million) in the first quarter, negatively impacted by lower volumes. Approximately half of the decline is related to lower volumes in France, driven by loss of reimbursement from second quarter 2017.

First quarter revenue was positively impacted by IFRS 15 adjustment of NOK 1.7m (note 3 to the accounts) and by foreign exchange impact. Revenue decline in constant currencies was 12%.

End user unit sales decreased 5% in the first quarter, with slowing sales both in Germany and France. Sales in Canada and Australia have commenced; however, volume has been negatively impacted by timing of placement of the blue light cystoscopes by the third-party suppliers and timing of health system funding approvals.

Hexvix/Cysview publications and presentations

In March and May, new clinical data on Hexvix/Cysview was presented at the 2018 Annual European Association of Urology (EAU) congress and American Urological Association (AUA) congress respectively

In April, a new study on Blue Light Cystoscopy (BLC(TM)) with Hexvix using the KARL STORZ flexible video cystoscope system in the outpatient setting for the laser treatment of low-grade bladder tumors was published in the Scandinavian Journal of Urology.

Update development portfolio

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

In second quarter 2017, the Company announced that it will assess further strategic alternatives for its non-urology assets, Cevira and Visonac.

The decision to initiate a broad review of possible strategic alternatives for Cevira and Visonac follows a non-conclusive comprehensive partnering process. Photocure will continue assessing further strategic alternatives for Cevira and Visonac.



Financial review

(Numbers in brackets are for the corresponding period in 2017; references to the prior year refer to a comparison to the same period 2017, unless otherwise stated).

<i>MNOK</i>	YTD '18	YTD '17	FY '17
Hexvix/Cysview revenues	40.7	36.5	149.0
Other revenues	0.9	0.0	1.9
Total revenues	41.6	36.5	150.9
Gross profit	38.2	33.7	138.9
Operating expenses	-42.2	-37.9	-168.0
EBITDA recurring	-4.0	-4.3	-29.1
One-Off items	-	-4.0	-4.0
Depreciation & Amort	-3.2	-2.2	-12.1
EBIT	-7.3	-10.4	-45.2
Net financial items	-0.2	1.1	3.6
Earnings before tax	-7.5	-9.3	-41.6
Tax expenses	4.5	2.4	6.9
Net earnings	-3.0	-6.9	-34.7

As in 2017 Photocure's operational results in first quarter have been driven by strong growth in its activities in U.S. Added resources have had a positive impact on revenue growth as well as operational costs in line with the strategic objectives.

Revenues

Total revenues in the first quarter were NOK 41.6 million, an increase of 14% from the first quarter last year (NOK 36.5 million).

First quarter revenues are impacted by inclusion of IFRS 15 adjustments (see note 3 to the accounts). Total adjustment to the accounts in the quarter was a revenue increase of NOK 2.6 million, of which NOK 1.7 million was classified as Hexvix/Cysview revenue to partners and the remaining was classified as milestone revenues.

Hexvix/Cysview sales revenues for the first quarter were NOK 40.7 million, an increase of 11% from last year (NOK 36.5 million). The increase was driven by strong sales in U.S. as well as purchases for inventory by distributors in Nordic. In constant currencies, Hexvix/Cysview revenues grew 10%.

Other revenues totaling NOK 0.9 million mainly include an IFRS 15 adjustment.

Operating expenses

Total operating expenses, excluding one-off items, depreciation and amortization, were NOK 42.2 million (NOK 37.9 million) in the first quarter, an increase of 11%.

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

<i>MNOK</i>	YTD '18	YTD '17	FY '17
Research & Development	2.5	4.5	18.9
Sales & Marketing	27.2	22.0	96.4
Other Opex	12.6	11.5	52.7
Operating expenses excl one-off	42.2	37.9	168.0
YoY growth	11 %		
One-off items	-	4.0	4.0
Operating expenses	42.2	41.9	172.0
Depreciation & Amort.	3.2	2.2	12.1
Total	45.5	44.1	184.1

First quarter research and development (R&D) costs were NOK 2.5 million (NOK 4.5 million), reflecting lower activity level than last year. The R&D costs relate mainly to regulatory work and maintenance and expansion of Photocure's intellectual property.

Sales and marketing costs increased 24% to NOK 27.2 million (NOK 22.0 million) in the first quarter. The increase was in line with Photocure's strategic plans and was driven by activities in U.S.

First quarter other operating expenses, which include supply chain, business development and general/administration, were NOK 12.6 million compared to NOK 11.5 million last year, driven mainly by business development activities.

One-off items in 2017 relate to write off of parts and finished goods inventory for Nedax, the light source used with Visonac.

Financial results

Photocure is transforming itself from a technology based company to a therapeutic area focused pharmaceutical company, focusing on bladder cancer. The allocation of resources and hence expenses are shifting from R&D to sales and marketing in U.S. while EBITDA is in line with last year.

EBITDA, before one-off items, was negative NOK 4.0 million (NOK -4.3 million) for the first quarter. Currency translation had a positive effect on the quarter EBITDA of approximately NOK 2 million compared to last year.

EBITDA in the commercial segment was NOK 0.9 million for the quarter compared to NOK 4.9 million prior year. The development portfolio had first quarter



EBITDA, before one-off items, negative NOK 5.0 million (NOK -9.2 million).

The first quarter depreciation and amortization was NOK 3.2 million (NOK 2.2 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. In addition, first quarter 2018 includes an IFRS adjustment (note 3 to the accounts) of NOK 0.3 million net costs.

Net financial items for the first quarter were NOK -0.2 million (NOK 1.1 million). The decline was driven by negative impacts from currency.

Photocure had a net loss before tax of NOK 7.5 million in the first quarter (net loss of NOK 9.3 million). Tax expenses in the first quarter were a net income of NOK 4.5 million (net income NOK 2.4 million).

Net loss was NOK 3.0 million in the first quarter (loss of NOK 6.9 million).

Cash flow and statement of financial position

Net cash flow from operations was negative NOK 18.5 million in the first quarter (negative NOK 10.8 million). The impact from changes to working capital first quarter was negative NOK 13.6 million (negative NOK 3.7 million).

Net cash flow from investments was negative NOK 0.1 million in the first quarter (negative NOK 3.0 million). The improvement was driven by a significant reduction in investments related to the Phase 3 market expansion trial for Cysview.

First quarter net change in cash was negative NOK 18.6 million (negative NOK 13.8 million). Cash and cash equivalents were NOK 110.8 million at the end of the quarter.

Shareholders' equity was NOK 203.9 million at the end of the year, an equity ratio of 81%.

As of 31 March 2018, 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 2017.

Outlook

Photocure has built considerable experience in the bladder cancer market 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 TURBT procedures with rigid cystoscopes, to significantly increase penetration in the U.S. market. Furthermore, with the approval of the extension of the indication for BLC with Cysview to include flexible cystoscopies, a significant market opportunity has opened in the surveillance segment.

Photocure believes that in order to increase market share in the U.S., an investment in the U.S. commercial and medical infrastructure is required. The Company has invested significantly in increased sales force in 2017 and will continue to invest in 2018. These investments will enable the Company to drive the U.S. revenues in 2020 to a range of USD 20-25 million, however with upside potential driven by added reimbursement and penetration of the surveillance segment. The Company will update the market on this outlook later in 2018 when there is better visibility of the effects of the new reimbursement and initial market response in the surveillance segment.

As a result of the increased activity level in U.S., the added operating expenses has contributed an EBITDA decline for the group in 2017. This will continue in 2018. The Company is fully funded for this market strategy.



The Board of Directors and CEO
Photocure ASA

Oslo, 22 May 2018

Jan Hendrik Egberts
Chairperson

Johanna Holldack
Director

Gwen Melincoff
Director

Tom Pike
Director

Synne H. Røine
Director

Grannum R. Sant
Director

Kjetil Hestdal
President and CEO

Photocure Group

Accounts for first quarter 2018

Photocure Group – Statement of comprehensive income

		2018	2017	2017
	Note	Q1	Q1	1.1-31.12
<i>(all amounts in NOK 1 000 except per share data)</i>				
Sales revenues	3	40,712	36,514	149,181
Signing fees and milestone revenues	3	845	-	1,730
Total revenues		41,557	36,514	150,911
Cost of goods sold		-3,361	-2,853	-12,011
Gross profit		38,196	33,661	138,900
Indirect manufacturing expenses	4	-3,323	-2,681	-11,293
Research and development expenses	4	-4,934	-10,022	-32,591
Marketing and sales expenses	4	-27,205	-21,995	-96,430
Other operating expenses	4	-9,997	-9,353	-43,789
Total operating expenses		-45,459	-44,051	-184,103
EBIT		-7,262	-10,390	-45,203
Financial income		667	1,632	5,949
Financial expenses		-863	-547	-2,326
Net financial profit/loss(-)		-197	1,085	3,622
Profit/loss(-) before tax		-7,459	-9,305	-41,580
Tax expenses	5	4,457	2,378	6,883
Net profit/loss(-)		-3,002	-6,927	-34,697
Other comprehensive income		-509	-313	-507
Total comprehensive income		-3,511	-7,240	-35,204
Net profit/loss(-) per share, undiluted	6	-0.14	-0.32	-1.61
Net profit/loss(-) per share, diluted	6	-0.14	-0.32	-1.61

Photocure Group – Statement of financial position

<i>(Amounts in NOK 1 000)</i>	Note	31.03.2018	31.03.2017	31.12.2017
Non-current assets				
Intangible assets	7	30,947	28,382	33,315
Machinery & equipment		1,229	1,484	1,268
Deferred tax asset	5	57,360	48,398	52,903
Contract costs		1,495		
Total non-current assets		91,030	78,264	87,486
Current assets				
Inventories		17,779	14,436	19,552
Accounts receivable		17,527	14,660	14,573
Other receivables		13,176	15,304	12,119
Cash and short term deposits	8	110,747	155,466	129,368
Total current assets		159,229	199,865	175,613
Total assets		250,259	278,129	263,099
Equity and liabilities				
Equity				
Share capital	9	10,779	10,779	10,779
Other paid-in capital		57,780	55,594	57,740
Retained earnings		135,305	179,535	149,561
Shareholders' equity		203,864	245,908	218,080
Long-term liabilities				
Other non-current liabilities		4,989	3,955	4,752
Total long-term liabilities		4,989	3,955	4,752
Current liabilities		31,695	28,267	40,267
Contract liabilities		9,712		
Total liabilities		46,396	32,222	45,019
Total equity and liabilities		250,259	278,129	263,099

Photocure Group – Changes in equity

<i>(Amounts in NOK 1 000)</i>	Note	2018 Q1	2017 Q1	2017 1.1-31.12
Equity at end of prior period		218,080	251,943	251,943
Adjustments initial applications of IFRS 15 & IFRS 9	3	-10,746		
Adjusted equity beginning of period		207,334	251,943	251,943
Capital increase				
Share-based compensation (share options employees)		40	781	1,341
Other			425	
Comprehensive income		-3,511	-7,240	-35,204
Equity at end of period		203,864	245,908	218,080



Photocure Group – Cash flow statement

	2018	2017	2017
(Amounts in NOK 1 000)	Q1	Q1	1.1-31.12
Profit/loss(-) before tax	-7,459	-9,305	-41,580
Depreciation and amortisation	3,213	2,151	12,108
Gain sale of financial assets	-	-	-
Share-based compensation	40	941	1,341
Net interest income	-330	-1,008	-2,310
Changes in working capital	-13,561	-3,742	6,396
Other operational items	-398	151	452
Net cash flow from operations	-18,495	-10,812	-23,593
Net investments in fixed assets	-63	-17	-1,050
Development expenditures	-394	-3,952	-17,538
Received interest payments	330	1,008	2,310
Cash flow from investments	-126	-2,961	-16,278
Cash flow from financing activities	-	-	-
Net change in cash during the period	-18,621	-13,773	-39,871
Cash & cash equivalents at beginning of period	129,368	169,239	169,239
Cash & cash equivalents at end of period	110,747	155,465	129,368

Notes to the accounts for first quarter 2018

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 U.S. 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 2017 (the Annual Financial Statements) as they provide an update of previously reported information.

This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described below and in Note 3.

The interim report has not been subject to an audit. The Board of Directors approved the interim financial statements on 22 May 2018.

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.

Changes in 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 adoption of IFRS 15 have an impact on Photocure's timing of recognition of sale of goods as variable considerations related to sales-based royalties on partner sales are recognized when the in-market partner sales occur. The timing effect of recognition of sales of goods was calculated to be approximately NOK 6.4 million in reduction of equity as of January 1, 2018.

Under IFRS 15 up-front fees not related to a separate performance obligation will be recognized over the term of the contract upon the delivery of goods. For current contracts the contract term is estimated to be equal to the expiry date of the patents in the relevant market areas. This will result in revenue being deferred compared to revenue recognition under the old standard. There is currently only one material open contract, entered into in 2011 where patents will expire in 2019, Deferred contract revenue as of January 1, 2018 was calculated to NOK 5.9 million while related contract costs have remaining amortization of NOK 1.7 million giving net adjustment of equity NOK 4.2 million.



IFRS 9

IFRS 9 contains a new classification and measurement approach, impairment and hedge accounting rules for financial assets and liabilities. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Photocure has analyzed the impact of implementing IFRS 9 Financial Instruments from 1 January 2018. Based on the contracts, financial assets and liabilities currently held by the Group, the impact on Photocure's financial statements are evaluated to be insignificant. The impact of changing from the incurred loss model under IAS 39 to the expected loss model under IFRS 9 on trade receivables amounts to NOK 0.2 million.

IFRS 16

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. The standard is effective for annual period beginning on or after 1 January 2019. The adoption of IFRS is not expected to have a significant impact on Photocure's statement of financial position as future lease payments under existing lease contracts are limited.

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 and Allumera. Development Portfolio includes development of commercial products and pipeline products.

1 Jan - 31 March 2018 (Amounts in NOK 1 000)	Commercial Franchise				Development Portfolio			Grand Total
	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	
Sales revenues	24,819	15,841	53	40,712	-	-	-	40,712
Milestone revenues	-	845	-	845	-	-	-	845
Cost of goods sold	-1,260	-2,094	-8	-3,361	-	-	-	-3,361
Gross profit	23,559	14,591	45	38,196	-	-	-	38,196
Gross profit of sales %	95 %	87 %	86 %	92 %				92 %
R&D	-	-	-	-	-477	-2,005	-2,482	-2,482
Sales & marketing	-25,307	-1,644	-	-26,951	-	-236	-236	-27,186
Other & allocations	-4,384	-5,933	-	-10,317	-305	-1,953	-2,258	-12,576
Operating expenses	-29,691	-7,577	-	-37,268	-782	-4,194	-4,976	-42,244
EBITDA	-6,132	7,015	45	928	-782	-4,194	-4,976	-4,048



1 Jan - 31 March 2017								
(Amounts in NOK 1 000)								
	Commercial Franchise				Development Portfolio			
	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Grand Total
Sales revenues	19,772	16,742	-	36,514	-	-	-	36,514
Milestone revenues	-	-	-	-	-	-	-	-
Cost of goods sold	-768	-2,085	-	-2,853	-	-	-	-2,853
Gross profit	19,004	14,657	-	33,661	-	-	-	33,661
Gross profit of sales %	96 %	88 %	-	92 %	-	-	-	92 %
R&D	-	-	-	-	-825	-7,625	-8,450	-8,450
Sales & marketing	-19,071	-1,885	-	-20,956	-	-1,020	-1,020	-21,977
Other & allocations	-3,093	-4,480	-188	-7,761	-966	-2,747	-3,713	-11,474
Operating expenses	-22,164	-6,365	-188	-28,717	-1,791	-11,392	-13,183	-41,900
EBITDA	-3,160	8,292	-188	4,944	-1,791	-11,392	-13,183	-8,239
1 Jan - 31 December 2017								
(Amounts in NOK 1 000)								
	Commercial Products				Development Products			
	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Grand Total
Sales revenues	85,720	63,295	166	149,181	-	-	-	149,181
Milestone revenues	-	-	1,730	1,730	-	-	-	1,730
Cost of goods sold	-3,403	-8,607	-	-12,011	-	-	-	-12,011
Gross profit	82,316	54,688	1,895	138,900	-	-	-	138,900
Gross profit of sales %	96 %	86 %	100 %	92 %	-	-	-	92 %
R&D	-	-	-	-	-3,905	-18,991	-22,896	-22,896
Sales & marketing	-84,022	-8,320	-	-92,342	-	-4,012	-4,012	-96,355
Other & allocations	-14,195	-21,208	-765	-36,168	-4,028	-12,548	-16,576	-52,744
Operating expenses	-98,217	-29,527	-765	-128,510	-7,933	-35,551	-43,485	-171,995
EBITDA	-15,901	25,160	1,130	10,390	-7,933	-35,551	-43,485	-33,095

Note 3 – Changes in significant accounting policies

The Group has initially adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 January 2018.

The effect of initially applying these standards is mainly attributed to the following:

- The adoption of IFRS 15 will have an impact on Photocure's timing of recognition of sale of goods. The timing effect of recognition of sales of goods is related to partner sales.
- Under IFRS 15 up-front fees not related to a separate performance obligation are recognized over the term of the contract upon the delivery of goods. For current contracts the contract term is estimated to be equal to the expiry date of the patents in the relevant market areas. This result in revenue and contract costs are being deferred compared to revenue recognition under the previous standard

The Group has adopted IFRS 15 using the cumulative effect method and accordingly, the information presented for 2017 has not been restated.

The following table summarizes the impact of transition to IFRS 15 and IFRS 9 on retained earnings at 1 January 2018 and 31 March 2018.



Statement of financial position	01.01.2018			31.03.2018		
	As reported	Adjust-ments	Without adjustm.	As reported	Adjust-ments	Without adjustm.
<i>(Amounts in NOK 1 000)</i>						
Intangible assets	33,315		33,315	30,947		30,947
Contract costs	1,744	-1,744	-	1,495	-1,495	-
Other Non-current assets	54,171		54,171	58,589		58,589
Accounts receivable	14,371	202	14,573	17,527	227	17,755
Other Current assets	161,040		161,040	141,702		141,702
Total Assets	264,641	-1,542	263,099	250,259	-1,268	248,992
Shareholders' equity	207,334	10,746	218,080	203,864	8,445	212,309
Long-term liabilities	4,752		4,752	4,989		4,989
Contract liabilities	12,288	-12,288	-	9,712	-9,712	-0
Other Current liabilities	40,267		40,267	31,695		31,695
Total equity and liabilities	264,641	-1,542	263,099	250,259	-1,267	248,992

Statement of comprehensive income	31.03.2018		
	As reported	Adjust-ments	Without adjustm.
<i>(all amounts in NOK 1 000)</i>			
Sales revenues	40,712	-1,731	38,981
Signing fees and milestone revenues	845	-845	-
Cost of goods sold	-3,361		-3,361
Gross profit	38,196	-2,576	35,620
Total operating expenses	-45,459	275	-45,183
EBIT	-7,262	-2,301	-9,563

Note 4 – Income statement classified by nature

	2018	2017	2017
	Q1	Q1	1.1-31.12
<i>(Amounts in NOK 1 000)</i>			
Sales revenues	40,712	36,514	149,181
Signing fees and milestone revenues	845	-	1,730
Cost of goods sold	-3,361	-2,853	-12,011
Gross profit	38,196	33,661	138,900
Payroll expenses	-25,914	-22,656	-96,271
R&D costs excl. payroll expenses/other operating exp.	-858	-5,724	-12,999
Ordinary depreciation and amortisation	-3,213	-2,151	-12,108
Other operating expenses	-15,474	-13,520	-62,725
Total operating expenses	-45,459	-44,051	-184,103
EBIT	-7,262	-10,390	-45,203

Note 5 – Tax

<i>(Amounts in NOK 1 000)</i>	31.03.2018	31.12.2017
Income tax expense		
Tax payable	-	-
Changes in deferred tax	4,457	-6,883
Total income tax expense	4,457	-6,883
Tax base calculation		
Profit before income tax	-14,391	-34,546
Permanent differences	-2,483	-3,618
Temporary differences	15,123	26,568
Utilisation of tax loss carried forward		-
Change in tax loss carried forward	1,751	11,596
Tax base	0	0
Temporary differences:		
Total	-85,405	-100,528
Tax loss carried forward	334,798	330,542
Net temporary differences	249,393	230,014
Unrecognised deductible temporary differences and tax losses		
Deferred tax benefit	249,393	230,014
Deferred tax asset	57,360	52,903

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 calculation of deferred tax asset 31 March 2018 and 31 December 2017 is based on a tax rate of 23%.

The parent company has recognized a deferred tax asset regarding net temporary differences. Accumulated tax asset in the parent company at the end of March 2018 is NOK 57.4 million compared to NOK 52.9 million at end of 2017. 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 4.4 million as of 31 March 2018. 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.

For further information Photocure refer to the consolidated financial statements for the year ended 31 December 2017 note 10.

Note 6 – Earnings per share

Earnings per share are calculated on the basis of the profit/loss for the year after tax but excluding other comprehensive items. The result is divided by a weighted average number of outstanding shares over the year, reduced by acquired 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. Antidilution effects are not taken into consideration.

	2018	2017
(Figures indicate the number of shares)	1.1-31.03	1.1-31.12
Issued ordinary shares 1 January	21,557,910	21,557,910
Effect of treasury shares	-809	-809
Effect of share options exercised	-	-
Effect of shares issued	-	-
Weighted average number of shares	21,557,101	21,557,101
Effect of outstanding share options	456	10,175
Weighted average number of diluted shares	21,557,557	21,567,276
Earnings per share in NOK	-0.14	-1.61
Earnings per share in NOK diluted	-0.14	-1.61

Note 7 – Fixed Assets

	Machinery & equipment	Intangibles
(Amounts in NOK 1 000)		
Net book value 31.12.17	1,268	33,315
Adjustments initial applications of IFRS 15		1,744
Net book value 01.01.18	1,268	35,059
Net investments 31.03.18	83	473
Depreciation and amortization	-122	-3,091
Net book value 31.03.18	1,229	32,441

Photocure has from 2015 carried out a clinical study in U.S. for the approved product Cysview in order to file a supplemental NDA. Related to this study Photocure has capitalized, net after amortization, NOK 26.9 million as of end March 2018 compared to NOK 29.0 million as of 31 December 2017. 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 project for new homepage. From 01 January 2018 the implementation of IFRS 15 entails contract costs for milestones to be included.

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

Market value hierarchy	Level 1	Level 2	Level 3	Total
(Amounts in NOK 1 000)				
Financial assets available for sale:				
- Money market funds	95,313	-	-	95,313
Total	95,313	-	-	95,313



Note 9 – Share capital

Registered share capital in Photocure ASA amounts to:

	No. of shares	Nominal value per share	Share capital in NOK
Share capital at 31 December 2017	21,557,910	NOK 0.50	10,778,955
Share capital at 31 March 2018	21,557,910	NOK 0.50	10,778,955
Treasury shares:			
Holdings of treasury shares at 31 December 2017	809		405
Buy-back of treasury shares	-	NOK 0.50	-
Share option exercise	-	NOK 0.50	-
Holdings of treasury shares at 31 March 2018	809		405

The table below indicates the status of authorizations at 31 March 2018:

	Purchase, treasury shares	Ordinary share issue	Employee share issues
<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	-	-	-
Remaining under authorisations at 31 March 2018	2,155,791	2,155,791	1,077,895

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 March 2018:

Name	Position	No. of shares	subscription rights
Kjetil Hestdal	President and CEO	133,873	72,500
Ambaw Bellete	Head, US Cancer Commercial Operations	2,000	61,300
Erik Dahl	Chief Financial Officer	1,000	63,500
Inger Ferner Heglund	Vice President Research and Development	8,200	70,300
Grete Hogstad	Vice President Strategic Marketing	10,500	58,000
Espen Njåstein	Head, Nordic Cancer Commercial Operations	5,000	64,100
Gry Stensrud	Vice President Technical Development & Operations	1,845	53,300
Tom Pike	Board member	3,400	-



Note 10 – Share options

At 31 March 2018, employees in Photocure had the following share option schemes:

Year of allocation	2017	2016	2015	2014
Option programme	2017	2016	2015	2014
Number	72,400	294,000	274,935	96,334
Exercise price (NOK)	38.06	40.15	32.78	27.39
Date of expiry (31 December)	2021	2020	2019	2018

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

	31.03.2018		31.12.2017	
	No. of shares	Average exercise price (NOK)	No. of shares	Average exercise price (NOK)
Outstanding at start of year	737,669	35.53	951,955	36.10
Allocated during the year	-	-	90,100	38.06
Become invalid during the year	-	-	94,627	37.35
Exercised during the year	-	-	2,667	27.39
Expired during the year	-	-	207,092	38.50
Outstanding at end of period	737,669	35.53	737,669	35.53
Exercisable options at end of period	713,532	35.45	591,389	34.56



Note 11 – Shareholders

Overview of the major shareholders at 28 March 2018:

Shareholder	Account type	Citizen	No of shares	%
HIGH SEAS AS		NOR	2,210,000	10.25 %
FONDSFINANS NORGE		NOR	1,300,000	6.03 %
KLP AKSJE NORGE VPF		NOR	1,202,395	5.58 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	948,789	4.40 %
MP PENSJON PK		NOR	810,000	3.76 %
RADIUMHOSPITALET FORSKNINGSSTIFTELSE		NOR	693,319	3.22 %
BNP PARIBAS SECURITIES SERVICES	NOM	AUS	600,599	2.79 %
MYRLID AS		NOR	535,000	2.48 %
FONDSFINANS GLOBAL HELSE		NOR	390,000	1.81 %
VICAMA AS		NOR	329,530	1.53 %
ESTI AS		NOR	316,146	1.47 %
INTERTRADE SHIPPING		NOR	300,000	1.39 %
POLAR CAPITAL GLOBAL HEALTHCARE GROWTH		GBR	254,537	1.18 %
RUL AS		NOR	244,451	1.13 %
NORDNET LIVSFORSIKRING AS		NOR	241,182	1.12 %
EGELAND HOLDING AS		NOR	230,000	1.07 %
BERGEN KOMMUNALE PENSJONSKASSE		NOR	225,000	1.04 %
DANSKE BANK A/S	NOM	DEN	194,669	0.90 %
BILLINGTON ERIK		NOR	190,000	0.88 %
KLP AKSJENORGE INDEKS		NOR	187,812	0.87 %
Total 20 largest shareholders			11,403,429	52.90 %
Total other shareholders			10,154,481	47.10 %
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 the IFRS financial information.

Photocure uses the following alternative performance measures.

EBITDA & EBIT

Photocure regards 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:

	2018	2017	2017
(all amounts in NOK 1 000)	1.1-31.3	1.1-31.3	1.1-31.12
Gross profit	38,196	33,661	138,900
Operating expenses excl amortization & depreciation	-42,245	-41,900	-171,995
EBITDA	-4,048	-8,239	-33,095
Amortization & depreciation	-3,214	-2,151	-12,108
EBIT	-7,262	-10,390	-45,203

Recurring EBITDA equals EBITDA before one-off items. One-off items are accounting items of a significant and extraordinary nature. In the first quarter 2017 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, Photocure's 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 Photocure provides 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:



	2018	2017	2017
	1.1-31.3	1.1-31.3	1.1-31.12
USD (NOK per 1 USD)	7.84	8.44	8.27
EUR (NOK per 1 EUR)	9.63	8.98	9.33
DKK (NOK per 100 DKK)	129.35	120.83	125.42
SEK (NOK per 100 SEK)	96.63	94.51	96.80

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.

	2018	2017	2017
	1.1-31.3	1.1-31.3	1.1-31.12
<i>(all amounts in NOK 1 000)</i>			
In-market sales	68,901	65,498	256,426



Photocure Group – 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.

Cysview® is the tradename in the U.S. and Canada, Hexvix® is the tradename in all other markets. Photocure is commercializing Hexvix/Cysview directly in the U.S. 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 men¹. It has a high recurrence rate with an average of 61% in year one and 78% over five years². Bladder cancer has the highest lifetime treatment costs per patient of all cancers³.

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 wall⁴. 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 treat⁴.

1. Globocan. Incidence/mortality by population. Available at: 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.

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 Photocure's 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.



THE
BLADDER CANCER
COMPANY™

For more information, please contact:

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

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

Photocure ASA
Hoffsveien 4,
NO – 0275 Oslo,
Norway

Telephone: +47 22 06 22 10
Fax: +47 22 06 22 18



THE
BLADDER CANCER
COMPANY™

Photocure ASA

| Hoffsvæien 4 | 0275 Oslo, Norway
| +47 22 06 22 10
| info@photocure.no

Photocure INC

| 104 Carnegie Center, suite 303
| Princeton, NJ 08540 USA | +1609 7596500
| info@photocure.com

www.photocure.com