



THE
BLADDER CANCER
COMPANY™



Q2

SECOND QUARTER REPORT

2018



Highlights for the second quarter and first half year 2018

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

- Second quarter Hexvix/Cysview revenue increased 13% to NOK 42.4 million, with a year to date revenue growth of 12%
- Strong U.S. Cysview revenue growth in the second quarter, up 56% in local currency. Year to date growth of 47% in local currency, to USD 3.6 million (USD 2.5 million). Second quarter in-market unit sales growth of 49% in the U.S., while the year to date growth was 39%
- Break even recurring EBITDA for the second quarter at NOK 0.7 million (NOK -4.4 million). Year to date recurring EBITDA NOK -3.4 million (NOK -8.7 million). Continued investments focused on U.S. operations
- Streamlining of organization to focus on commercial targets. Lower cost base through reduction of headcount. Restructuring costs of NOK 13.1 million in the second quarter
- The first U.S. bladder cancer patients received BLC with Cysview as part of their regular bladder cancer surveillance procedure 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 hexylaminolevulate (Cysview) when used in physician office and other sites of care starting January 1, 2019

Key figures:

Figures in NOK million	Q2 2018	Q2 2017	Change	YTD 2018	YTD 2017	Change	FY 2017
Hexvix/Cysview revenues	42.4	37.6	13 %	83.1	74.1	12 %	149.0
Total revenues	45.7	39.3	16 %	87.2	75.9	15 %	150.9
Operating expenses	-40.2	-41.0	-2 %	-82.5	-78.9	4 %	-168.0
EBITDA recurring	0.7	-4.4		-3.4	-8.7		-29.1
EBITDA commercial franchise	4.8	4.7		5.7	9.6		10.4
EBITDA development portfolio	-4.1	-9.1		-9.1	-18.3		-39.5
EBIT recurring	-2.6	-6.8		-9.8	-13.2		-41.2
Restructuring expenses	-13.1			-13.1			
One-off items					-4.0		-39.5
Net Profit/loss (-)	-17.0	-4.7		-20.0	-11.6		-34.7
Earnings per share, diluted (NOK)	-0.79	-0.22		-0.93	-0.54		-1.61
Cash & cash equivalents				97.9	137.0		129.4

Interim CEO Erik Dahl comments:

"Photocure delivered strong sales in the U.S. in the second quarter, following the positive regulatory and reimbursement progress. Photocure continues to invest and execute on these opportunities and reiterates the positive outlook for the important U.S. market. In addition, we have taken action to adjust the cost base and are implementing necessary organizational changes to set the stage to enter a new growth phase with focus on commercial growth and profitability."



Operational review

Photocure 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 continues to be driven by strong growth in U.S., both sequential growth and year over year. Both first and second quarter showed increasing growth rates and the year to date revenue growth was 47% in constant currency. In Nordic revenue growth year to date in constant currencies was 5%, driven mainly by Norway and Finland. The revenue decline in the second quarter was expected and due to inventory reductions at our distributors. Partner sales continue to disappoint and declined 3% year to date compared to proforma 2017.

Total Hexvix/Cysview revenue increased 13% to NOK 42.4 million (NOK 37.6 million) in the second quarter. U.S. sales contributed 38% of the total compared to 28% second quarter last year. Year to date Hexvix/Cysview revenue increased 12% to NOK 83.1 million (NOK 74.1 million). In-market unit sales were flat from the prior year.

Operating expenses, excluding depreciation and amortization, increased 13% to NOK 36.1 million (NOK 31.9 million) in the second quarter. Year to date operating expenses, excluding depreciation and amortization, increased 21% to NOK 73.4 million (NOK 60.6 million). Increases were mainly driven by the planned increase in U.S. commercial efforts.

Second quarter EBITDA was NOK 4.8 million (NOK 4.7 million). Year to date EBITDA was NOK 5.7 million (NOK 9.6 million). Given the increased investment in commercial activities in the US, the year to date decline compared to the same period last year was expected. The year to date EBITDA margin was 7%.

MNOK	Q2 '18	Q2 '17	YTD '18	YTD '17
Nordic - Hexvix	10.8	11.7	22.9	21.4
US - Cysview	16.1	10.9	28.8	21.0
Partners	15.6	15.0	31.5	31.7
Hexvix/Cysview total	42.4	37.6	83.1	74.1
<i>YoY growth</i>	<i>13 %</i>	<i>12 %</i>	<i>12 %</i>	
Other revenues	3.2	1.7	4.1	1.7
Total revenues	45.7	39.3	87.2	75.9
<i>YoY growth</i>	<i>16 %</i>	<i>15 %</i>	<i>15 %</i>	
Gross profit	40.9	36.6	79.1	70.3
Operating expenses	-36.1	-31.9	-73.4	-60.6
EBITDA	4.8	4.7	5.7	9.6
<i>EBITDA margin</i>	<i>11 %</i>	<i>12 %</i>	<i>7 %</i>	<i>13 %</i>

Hexvix®/Cysview®

Second quarter sales in the U.S. were strong with a unit sales increase of 49%. Global volume growth in the second quarter was 3%, impacted by a reduction of the partner sales of 3%. Year to date consolidated in-market unit sales was in level with prior year.

Global in-market sales of Hexvix/Cysview increased 9% to NOK 72 million (NOK 66 million) in the second quarter. Year to date in-market sales were NOK 140 million (NOK 131 million), an increase of 7%.

U.S. Cysview sales

Second quarter revenues in the U.S. increased 47% to NOK 16.1 million (NOK 10.9 million), driven by volume growth and price increases, partly offset by currency changes. In constant currency, the revenue growth was 56%. In-market unit growth in the second quarter was 49%.

Year to date U.S. revenues increased 37% to NOK 28.8 million (NOK 21.0 million), with unit growth of 39%. In constant currency the revenue growth was 47%.

The second quarter and year to date improvement reflects improved productivity, as well as added sales resources. Photocure has from 2017 gradually expanded its commercial and medical organization in the U.S. to increase penetration of Cysview in hospitals and urology practices. The company will continue this process throughout 2018.

Furthermore, sales were impacted by improved reimbursement. 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.



The improved reimbursement has resulted in a significant growth in the installed base of permanent blue light cystoscopes (BLCs). In total, 15 rigid scopes were installed in the second quarter, bringing the overall total to 128 at the end of the quarter. The increase is an all-time high.

In addition to the rigid scopes, two flexible scopes were installed during the quarter.

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 efficacy and safety 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 cystoscopes from KARL STORZ, 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 the physician office and other sites of care beginning January 1, 2019. The final ruling is expected to be released in the second half 2018. The proposed reimbursement code is a permanent code that CMS applies to FDA approved drugs, especially products used in connection with a procedure and imaging.

Nordic Hexvix sales

Nordic revenues declined 8% to NOK 10.8 million (NOK 11.7 million) in the second quarter. The decline was driven by reduced billing as distributors have reduced their inventory following the inventory increase in the first quarter. Photocure's in-market unit sales in the Nordic region in second quarter increased 1%.

Year to date Nordic revenues increased 7% to NOK 22.9 million (NOK 21.4 million). In constant currencies, the increase was 5%. In-market unit sales decreased 4% year to date. The decline in unit sales was driven by sales in Denmark and was mainly due to large deliveries to hospitals at the end of the fourth quarter 2017.

Hexvix/Cysview partner sales

Partner revenue increased 4% to NOK 15.6 million (NOK 15.0 million) in the second quarter. Second quarter revenue was negatively impacted by IFRS 15 adjustment of NOK 1.2 million (refer note 3 to the accounts). Revenue increase in constant currencies was 2%. In-market unit sales decreased 3% in the second quarter, reflecting decreases in both of Ipsen's main markets, Germany and France.

Year to date partner revenue was at NOK 31.4 million (NOK 31.7 million), a reduction of 1%. Year to date partner revenue was positively impacted by IFRS 15 adjustment of NOK 0.6 million (refer note 3 to the accounts). In constant currencies, revenue decreased 5%. In-market unit sales decreased 4%. Approximately half of the decline is related to lower volumes in France, driven by loss of reimbursement from second quarter 2017.

Sales in Canada have commenced, however volumes have been negatively impacted by the timing of placement of the blue light cystoscopes and the timing of health system funding approvals.

Hexvix/Cysview publications and presentations

In April, a new study on Blue Light Cystoscopy (BLC™) 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.

In May, new clinical data on Hexvix/Cysview was presented at the 2018 American Urological Association (AUA) congress, including a plenary presentation on BLC with Cysview.

In May, positive results from the U.S. BLC with Cysview registry were published in the Urologic Oncology Journal. Data from the publication showed that BLC significantly increases detection rates of flat, aggressive Carcinoma in Situ lesions (CIS) and papillary lesions compared to WLC alone, and can result in upstaging or upgrading in about 14% of patients and that repeat use is safe.

In July, the Patient Reported Outcomes (PRO) with BLC with Cysview Study was published online in the British Journal of Urology International

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.

Organizational update

In the second quarter, Photocure implemented organizational changes to streamline the organization and increase focus on commercial targets. The changes will reduce the cost base through reduction of headcount by 5.

Kjetil Hestdal, CEO, stepped down 1 July. The Board of Directors has initiated a search for his replacement and CFO Erik Dahl is appointed as interim CEO.

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).

MNOK	Q2 '18	Q2 '17	YTD '18	YTD '17
Hexvix / Cysview revenues	42.4	37.6	83.1	74.1
Other revenues	3.2	1.7	4.1	1.7
Total revenues	45.7	39.3	87.2	75.9
Gross profit	40.9	36.6	79.1	70.3
Operating expenses	-40.2	-41.0	-82.5	-78.9
EBITDA recurring	0.7	-4.4	-3.4	-8.7
Depreciation & amortization	-3.3	-2.4	-6.5	-4.5
Restructuring expenses	-13.1	-	-13.1	-
One-Off items	-	-	-	-4.0
EBIT	-15.7	-6.8	-23.0	-17.1
Net financial items	0.1	1.2	-0.1	2.3
Earnings before tax	-15.6	-5.6	-23.1	-14.9
Tax expenses	-1.4	0.9	3.1	3.3
Net earnings	-17.0	-4.7	-20.0	-11.6

Photocure is transforming itself from a technology-based company to a therapeutic area-focused pharmaceutical company with focus on bladder cancer. The allocation of resources, and hence expenses, are shifting from R&D to sales and marketing in U.S. Overall, the company saw operational improvements from 2017 in the second quarter and ended with a break-even recurring EBITDA for the quarter.

In the second quarter the company continued to add resources to its U.S commercial organization, in line with its strategic objectives. The added resources have driven revenue growth, as well as increased sales and marketing costs.

Revenues

2018 revenues are impacted by inclusion of IFRS 15 adjustments. The group has adopted IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018. See note 3 to the accounts for explanation and specification of impact on revenues.

The following table is prepared on the proforma basis, as if the newly adopted accounting principles IFRS 15 had been adopted 1 January 2017 and used in quarterly accounts for 2017. Page 23 of this report provides 2017 proforma statements by quarter.

REPORTED (MNOK)	Q2 '18	Q2 '17	YTD '18	YTD '17
Hexvix / Cysview revenues	42.4	37.6	83.1	74.1
% Change	13 %		12 %	
Other revenues	3.2	1.7	4.1	1.7
Total revenues	45.7	39.3	87.2	75.9
% Change	16 %		15 %	
PROFORMA ADJUSTM (MNOK)	Q2 '18	Q2 '17	YTD '18	YTD '17
Hexvix / Cysview revenues	-	0.8	-	0.7
Other revenues	-	0.8	-	1.7
Total revenues	-	1.6	-	2.3
PROFORMA (MNOK)	Q2 '18	Q2 '17	YTD '18	YTD '17
Hexvix / Cysview revenues	42.4	38.4	83.1	74.8
% Change	11 %		11 %	
Other revenues	3.2	2.6	4.1	3.4
Total revenues	45.7	41.0	87.2	78.2
% Change	12 %		12 %	

Total revenues in the second quarter were NOK 45.7 million, an increase of 16% from the second quarter last year (NOK 39.3 million). Year to date revenues were NOK 87.2 million (NOK 75.9 million), an increase of 15%. On a proforma basis the second quarter and year to date increase in total revenue was 12%.

Other revenues in the second quarter include a milestone from Bellus Medical for Allumera of NOK 2.4 million and IFRS 15 adjustments of NOK 0.8 million. Year to date other revenues include IFRS 15 adjustments of NOK 1.7 million.

Hexvix/Cysview revenues for the second quarter were NOK 42.4 million, an increase of 13% from last year (NOK 37.6 million). The increase was driven by strong sales in U.S., partly offset by a decline in Nordic revenues due to reduced inventory at distributors.

Year to date Hexvix/Cysview revenues were NOK 83.1 million (NOK 74.1 million), an increase of 12%. In constant currencies, Hexvix/Cysview revenues grew 12% year to date. On a proforma basis, the second quarter and year to date increase in Hexvix/Cysview revenues were 11%.

Operating expenses

Total operating expenses, excluding one-off items, depreciation and amortization, were NOK 40.2 million (NOK 41.0 million) in the second quarter, a decline of 2%. Year to date, the operating expenses increased 4% to NOK 82.5 million (NOK 78.9 million).

The increase in operating expenses year to date is driven mainly by planned investments in U.S. sales and marketing operations.

MNOK	Q2 '18	Q2 '17	YTD '18	YTD '17
Research & Developm.	2.4	4.2	4.9	8.7
Sales & Marketing	29.8	25.4	56.9	47.4
Other Opex	8.1	11.4	20.6	22.9
Operating expenses excl one-off	40.2	41.0	82.5	78.9
YoY growth	-2 %		4 %	

Second quarter research and development (R&D) costs were NOK 2.4 million (NOK 4.2 million). R&D costs year to date were NOK 4.9 million (NOK 8.7 million), a reduction of 44%. The R&D costs relate mainly to regulatory work and maintenance and expansion of Photocure's intellectual property.

Sales and marketing costs increased 17% to NOK 29.8 million (NOK 25.4 million) in the second quarter. Sales & marketing costs year to date were NOK 56.9 million (NOK 47.4 million). The increase of 20% was in line with Photocure's strategic plans and was driven by activities in U.S.

Second quarter other operating expenses, which include supply chain, business development, and general/administration, were NOK 8.1 million compared to NOK 11.4 million last year. Year to date other operating expenses decreased 10% to NOK 20.6 million (NOK 22.9 million).

Financial results

Recurring EBITDA was NOK 0.7 million (NOK -4.4 million) for the second quarter. Year to date recurring EBITDA was negative NOK 3.4 million (NOK -8.7 million). Currency translation had a limited impact on second quarter results and a positive impact on year to date EBITDA of approximately NOK 2 million compared to prior year.

Recurring EBITDA in the commercial segment was NOK 4.8 million for the second quarter (NOK 4.7 million) and year to date NOK 5.7 million (NOK 9.6 million). The development portfolio recurring EBITDA for the second quarter was negative NOK 4.1 million (NOK -9.1 million) and year to date negative NOK 9.1 million (NOK -18.3 million).

Year to date depreciation and amortization was NOK 6.5 million (NOK 4.5 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, year to date 2018 includes an IFRS adjustment (note 3 to the accounts) of NOK 0.6 million net costs.

Restructuring costs have been incurred with NOK 13.1 million in the second quarter and relate to implemented headcount reductions and organizational changes. A total of 5 employees have left the company or agreed to a severance agreement to leave before year-end. The cost reductions do not relate to the commercial organization.

Included in the restructuring costs are costs related to the exit of the CEO totaling NOK 7.0 million, in accordance with the employment agreement.

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

Net financial items were NOK -0.1 million (NOK 2.3 million) year to date. The decline was driven by negative impacts from currency.

Photocure had a net loss before tax of NOK 15.6 million in the second quarter (net loss of NOK 5.6 million) and a net loss of NOK 23.1 million year to date (net loss of NOK 14.9 million).

Tax expenses in the second quarter were NOK -1.4 million (net income NOK 0.9 million) and year to date a net income of NOK 3.1 million (net income of NOK 3.3 million).

Net loss was NOK 17.0 million in the second quarter (loss of NOK 4.7 million) and 20.0 million year to date (loss of 11.6 million).

Cash flow and statement of financial position

Net cash flow from operations was negative NOK 11.5 million in the second quarter (negative NOK 16.9 million) and negative NOK 30.0 million year to date (negative NOK 27.7 million). The impact from changes to working capital year to date was negative NOK 11.0 million (negative NOK 16.9 million).

Net cash flow from investments was negative NOK 0.8 million in the second quarter (negative NOK 1.5 million) and negative NOK 0.9 million year to date (negative NOK 4.5 million). The improvement was driven by a significant reduction in investments



related to the Phase 3 market expansion trial for Cysview.

Second quarter net change in cash was negative NOK 12.8 million (negative NOK 18.4 million). Year to date net change in cash was negative NOK 31.4 million (negative NOK 32.2 million). Cash and cash equivalents were NOK 97.9 million at the end of the second quarter.

Shareholders' equity was NOK 189.1 million at end of second quarter, an equity ratio of 79%.

As of 30 June 2018, Photocure held 13,809 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-SUO guidelines, as well as the increased patient awareness and the changes to reimbursement of Cysview for 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 2017 and will continue to invest in 2018. The increased activity level in U.S. will have a negative effect on the EBITDA for the group in 2018. The company is fully funded for this market strategy. 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.

Responsibility statement

We confirm that, to the best of our knowledge, the unaudited condensed set of financial statements for the first half year of 2018 which has been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the first half 2018 report includes a fair review of the information required under the Norwegian Securities trading Act section 5-6 fourth paragraph.

The Board of Directors and CEO
Photocure ASA

Oslo, 7 August 2018

Jan Hendrik Egberts
Chairperson

Johanna Holldack
Director

Gwen Melincoff
Director

Tom Pike
Director

Synne H. Røine
Director

Grannum R. Sant
Director

Erik Dahl
Interim CEO



Photocure Group

Accounts for second quarter and first half year 2018

Photocure Group – Statement of comprehensive income

(all amounts in NOK 1,000 except per share data)	Note	2018		2017		2018	2017	2017
		Q2	Q2	1.1-30.06	1.1-30.06			
Sales revenues	3	42,441	37,614	83,153	74,128	149,181		
Signing fees and milestone revenues	3	3,245	1,730	4,089	1,730	1,730		
Total revenues		45,685	39,344	87,242	75,858	150,911		
Cost of goods sold		-4,777	-2,724	-8,138	-5,577	-12,011		
Gross profit		40,908	36,620	79,104	70,281	138,900		
Indirect manufacturing expenses	4	-2,189	-2,215	-5,512	-4,896	-11,293		
Research and development expenses	4	-4,871	-6,022	-9,805	-16,044	-32,591		
Marketing and sales expenses	4	-29,774	-25,442	-56,979	-47,437	-96,430		
Other operating expenses	4	-6,647	-9,697	-16,644	-19,051	-43,789		
Total operating expenses recurring		-43,482	-43,376	-88,940	-87,428	-184,103		
EBIT recurring		-2,574	-6,756	-9,836	-17,147	-45,203		
Restructuring	7	-13,133	-	-13,133	-	-		
EBIT including non-recurring		-15,707	-6,756	-22,969	-17,147	-45,203		
Financial income		667	1,605	1,333	3,237	5,949		
Financial expenses		-556	-430	-1,419	-977	-2,326		
Net financial profit/loss(-)		111	1,175	-86	2,260	3,622		
Profit/loss(-) before tax		-15,596	-5,581	-23,055	-14,886	-41,580		
Tax expenses	5	-1,369	884	3,088	3,262	6,883		
Net profit/loss(-)		-16,965	-4,697	-19,967	-11,624	-34,697		
Other comprehensive income		2,559	202	2,050	-111	-507		
Total comprehensive income		-14,406	-4,495	-17,917	-11,735	-35,204		
Net profit/loss(-) per share, undiluted	6	-0.79	-0.22	-0.93	-0.54	-1.61		
Net profit/loss(-) per share, diluted	6	-0.79	-0.22	-0.93	-0.54	-1.61		



Photocure Group – Statement of financial position

(Amounts in NOK 1,000)	Note	30.06.2018	30.06.2017	31.12.2017
Non-current assets				
Intangible assets	8	28,304	28,143	33,315
Machinery & equipment		1,927	1,502	1,268
Deferred tax asset	5	55,991	49,282	52,903
Contract costs		1,245		
Total non-current assets		87,468	78,927	87,486
Current assets				
Inventories		21,423	15,585	19,552
Accounts receivable		18,808	23,772	14,573
Other receivables		13,779	14,675	12,119
Cash and short term deposits	9	97,934	137,021	129,368
Total current assets		151,944	191,053	175,613
Total assets		239,412	269,980	263,099
Equity and liabilities				
Equity				
Share capital	10	10,779	10,779	10,779
Other paid-in capital		57,412	55,373	57,740
Retained earnings		120,892	174,831	149,561
Shareholders' equity		189,083	240,983	218,080
Long-term liabilities				
Other non-current liabilities		4,998	4,234	4,752
Total long-term liabilities		4,998	4,234	4,752
Current liabilities		35,310	24,762	40,267
Contract liabilities		10,020		
Total liabilities		50,328	28,997	45,019
Total equity and liabilities		239,412	269,980	263,099

Photocure Group – Changes in equity

(Amounts in NOK 1,000)	Note	2018 Q2	2017 Q2	2018 1.1-30.06	2017 1.1-30.06	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		203,864	245,908	207,334	251,943	251,943
Share-based compensation (share options employees)		3	-430	43	776	1,341
Own shares		-377		-377		
Comprehensive income		-14,406	-4,495	-17,917	-11,735	-35,204
Equity at end of period		189,083	240,983	189,083	240,983	218,080



Photocure Group – Cash flow statement

(Amounts in NOK 1,000)	2018 Q2	2017 Q2	2018 1.1-30.06	2017 1.1-30.06	2017 1.1-31.12
Profit/loss(-) before tax	-15,596	-5,581	-23,055	-14,886	-41,580
Depreciation and amortisation	3,263	2,363	6,476	4,514	12,108
Share-based compensation	3	-164	43	777	1,341
Net interest income	-393	-560	-723	-1,568	-2,310
Changes in working capital	2,017	-13,137	-10,965	-16,878	6,396
Other operational items	-801	179	-1,778	330	452
Net cash flow from operations	-11,508	-16,901	-30,003	-27,713	-23,593
Net investments in fixed assets	-982	-138	-1,045	-155	-1,050
Development expenditures	-165	-1,966	-559	-5,918	-17,538
Received interest payments	393	560	723	1,568	2,310
Cash flow from investments	-754	-1,544	-880	-4,505	-16,278
Cash flow from financing activities	-551	-	-551	-	-
Net change in cash during the period	-12,813	-18,444	-31,434	-32,218	-39,871
Cash & cash equivalents at beginning of period	110,747	155,465	129,368	169,239	169,239
Cash & cash equivalents at end of period	97,934	137,021	97,934	137,021	129,368



Notes to the accounts for second quarter and first half year 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 Hoffsveien 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 second 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 7 August 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 - 30 June 2018 (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	51,659	31,440	53	83,152	-	-	-	83,152
Milestone revenues	-	1,689	2,400	4,089	-	-	-	4,089
Cost of goods sold	-3,029	-5,093	-16	-8,138	-	-	-	-8,138
Gross profit	48,629	28,037	2,437	79,103	-	-	-	79,103
Gross profit of sales %	94 %	84 %	71 %	90 %				90 %
R&D	-	-	-	-	-905	-3,990	-4,896	-4,896
Sales & marketing	-53,210	-3,237	-	-56,447	-	-495	-495	-56,942
Other & allocations	-8,356	-8,552	-	-16,908	-574	-3,144	-3,717	-20,626
Operating expenses	-61,566	-11,789	-	-73,355	-1,479	-7,630	-9,109	-82,464
EBITDA	-12,936	16,248	2,437	5,748	-1,479	-7,630	-9,109	-3,360



1 Jan - 30 June 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	42,390	31,738	-	74,128	-	-	-	-	74,128
Milestone revenues	-	-	1,730	1,730	-	-	-	-	1,730
Cost of goods sold	-1,690	-3,888	-	-5,577	-	-	-	-	-5,577
Gross profit	40,700	27,850	1,730	70,280	-	-	-	-	70,280
Gross profit of sales %	96 %	88 %		92 %					92 %
R&D	-	-	-	-	-1,480	-11,175	-12,654	-	-12,654
Sales & marketing	-41,406	-3,829	-	-45,235	-	-2,165	-2,165	-	-47,399
Other & allocations	-6,066	-8,987	-357	-15,409	-1,811	-5,640	-7,451	-	-22,860
Operating expenses	-47,472	-12,815	-357	-60,644	-3,291	-18,979	-22,270	-	-82,914
EBITDA	-6,772	15,035	1,373	9,636	-3,291	-18,979	-22,270	-	-12,634

Q2 2018 (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	26,840	15,599	-	42,440	-	-	-	-	42,440
Milestone revenues	-	845	2,400	3,245	-	-	-	-	3,245
Cost of goods sold	-1,770	-2,999	-8	-4,777	-	-	-	-	-4,777
Gross profit	25,070	13,445	2,392	40,908	-	-	-	-	40,908
Gross profit of sales %	93 %	81 %		89 %					89 %
R&D	-	-	-	-	-428	-1,986	-2,414	-	-2,414
Sales & marketing	-27,902	-1,594	-	-29,496	-	-260	-260	-	-29,756
Other & allocations	-3,972	-2,619	-	-6,591	-268	-1,191	-1,459	-	-8,050
Operating expenses	-31,874	-4,212	-	-36,087	-697	-3,436	-4,133	-	-40,219
EBITDA	-6,804	9,233	2,392	4,821	-697	-3,436	-4,133	-	688

Q2 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	22,618	14,996	-	37,614	-	-	-	-	37,614
Milestone revenues	-	-	1,730	1,730	-	-	-	-	1,730
Cost of goods sold	-922	-1,803	-	-2,725	-	-	-	-	-2,725
Gross profit	21,696	13,193	1,730	36,619	-	-	-	-	36,619
Gross profit of sales %	96 %	88 %		93 %					93 %
R&D	-	-	-	-	-655	-3,549	-4,204	-	-4,204
Sales & marketing	-22,335	-1,943	-	-24,278	-	-1,145	-1,145	-	-25,423
Other & allocations	-2,973	-4,507	-169	-7,648	-845	-2,893	-3,738	-	-11,386
Operating expenses	-25,308	-6,450	-169	-31,927	-1,500	-7,587	-9,087	-	-41,014
EBITDA	-3,612	6,742	1,561	4,692	-1,500	-7,587	-9,087	-	-4,395



1 Jan - 31 December 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	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 30 June 2018.

Statement of financial position (Amounts in NOK 1 000)	01.01.2018			30.06.2018		
	As reported	Adjustments	Without adjustm.	As reported	Adjustments	Without adjustm.
Intangible assets	33,315		33,315	28,304		28,304
Contract costs	1,744	-1,744	-	1,245	-1,245	0
Other Non-current assets	54,171		54,171	57,918		57,918
Accounts receivable	14,371	202	14,573	18,808	277	19,085
Other Current assets	161,040		161,040	133,136		133,136
Total Assets	264,641	-1,542	263,099	239,412	-968	238,444
Shareholders' equity	207,334	10,746	218,080	189,083	9,052	198,135
Long-term liabilities	4,752		4,752	4,998		4,998
Contract liabilities	12,288	-12,288	-	10,020	-10,020	-
Other Current liabilities	40,267		40,267	35,310		35,310
Total equity and liabilities	264,641	-1,542	263,099	239,412	-968	238,444



Statement of comprehensive income <i>(all amounts in NOK 1 000)</i>	30.06.2018		
	As reported	Adjust- ments	Without adjustm.
Sales revenues	83,153	-578	82,575
Signing fees and milestone revenues	4,089	-1,690	2,400
Cost of goods sold	-8,138		-8,138
Gross profit	79,104	-2,268	76,836
Total operating expenses	-88,940	566	-88,374
EBIT recurring	-9,836	-1,702	-11,538

Note 4 – Income statement classified by nature

<i>(Amounts in NOK 1 000)</i>	2018 1.1-30.06	2017 1.1-30.06	2017 1.1-31.12
Sales revenues	83,153	74,128	149,181
Signing fees and milestone revenues	4,089	1,730	1,730
Cost of goods sold	-8,138	-5,577	-12,011
Gross profit	79,104	70,281	138,900
Payroll expenses	-57,994	-44,891	-96,271
R&D costs excl. payroll expenses/other operating exp.	-1,844	-7,716	-12,999
Ordinary depreciation and amortisation	-6,476	-4,514	-12,108
Other operating expenses	-22,627	-30,306	-62,725
Total operating expenses	-88,940	-87,428	-184,103
EBIT	-9,836	-17,147	-45,203



Note 5 – Tax

(Amounts in NOK 1 000)	30.06.2018	31.12.2017
Income tax expense		
Tax payable	-	-
Changes in deferred tax	3,088	-6,883
Total income tax expense	3,088	-6,883
Tax base calculation		
Profit before income tax	-8,501	-34,546
Permanent differences	-2,419	-3,618
Temporary differences	7,522	26,568
Utilisation of tax loss carried forward		-
Change in tax loss carried forward	3,398	11,596
Tax base	0	0
Temporary differences:		
Total	-93,006	-100,528
Tax loss carried forward	336,445	330,542
Net temporary differences	243,439	230,014
Unrecognised deductible temporary differences and tax losses		
Deferred tax benefit	243,439	230,014
Deferred tax asset	55,991	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 30 June 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 June 2018 is NOK 55.9 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 3.1 million as of 30 June 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.



<i>(Figures indicate the number of shares)</i>	2018	2017
	1.1-30.06	1.1-31.12
Issued ordinary shares 1 January	21,557,910	21,557,910
Effect of treasury shares	-4,616	-809
Effect of share options exercised	0	-
Effect of shares issued	-	-
Weighted average number of shares	21,553,294	21,557,101
Effect of outstanding share options	3,434	10,175
Weighted average number of diluted shares	21,556,728	21,567,276
Earnings per share in NOK	-0.93	-1.61
Earnings per share in NOK diluted	-0.93	-1.61

Note 7 – Restructuring

Restructuring costs have been incurred with NOK 13.1 million in the second quarter and relates to implemented headcount reductions and organizational changes. In total 6 employees including the CEO and CBO have left the Company or agreed to a severance agreement to leave before year end. The cost reductions do not relate to the commercial organization.

Included in the restructuring costs is costs related to the exit of the CEO totaling NOK 7.0 million, according to the employment agreement.

Note 8 – Fixed Assets

<i>(Amounts in NOK 1 000)</i>	Machinery & equipment	Intangibles
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 30.06.18	914	710
Depreciation and amortization	-256	-6,220
Net book value 30.06.18	1,927	29,549

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 24.5 million as of end June 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 website. From 01 January 2018 the implementation of IFRS 15 entails contract costs for milestones to be included.



Note 9 – Fair value

The table below analyses financial assets recognized in the balance sheet at fair value according to the valuation method.

The different levels have been defined as follows:

Level 1: Noted prices in active markets for corresponding assets or liabilities
Level 2: Available value measurements other than the noted prices classified as Level 1, either directly observable in the form of agreed prices or indirectly as derived from the price of equivalent.
Level 3: Value measurements of assets or liabilities that are not based on observed market values

Market value hierarchy <i>(Amounts in NOK 1 000)</i>	Level 1	Level 2	Level 3	Total
Financial assets available for sale:				
- Money market funds	84,707	-	-	84,707
Total	84,707	-	-	84,707

Note 10 – 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 30 June 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	13,000	NOK 0.50	6,500
Holdings of treasury shares at 30 June 2018	13,809		6,905

The table below indicates the status of authorizations at 30 June 2018:

<i>(Figures indicate the number of shares)</i>	Purchase, treasury shares	Ordinary share issue	Employee share issues
Authorisation issued at the General Meeting on 9 May 2018	2,155,791	2,155,791	1,077,895
Share issues after the General Meeting on 9 May 2018	-	-	-
Purchase of treasury shares	-	-	-
Remaining under authorisations at 30 June 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 30 June 2018:



Name	Position	No. of shares	No. of subscription rights
Erik Dahl	Interim CEO and Chief Financial Officer	6,046	63,500
Ambaw Bellete	Head, US Cancer Commercial Operations	7,551	61,300
Inger Ferner Heglund	Vice President Research and Development	10,940	70,300
Grete Hogstad	Vice President Strategic Marketing	14,525	58,000
Espen Njåstein	Head, Nordic Cancer Commercial Operations	7,691	64,100
Gry Stensrud	Vice President Technical Development & C	5,648	53,300
Jan H. Egbert	Chairperson of the board	12,500	-
Tom Pike	Board member	3,400	-

Note 11 – Share options

At 30 June 2018, employees in Photocure had the following share option schemes:

Year of allocation	2017	2016	2015	2014
Option programme	2017	2016	2015	2014
Number	56,600	266,600	260,168	94,334
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 development during the year:

	30.06.2018		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	59,967	37.36	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	677,702	35.37	737,669	35.53
Exercisable options at end of period	658,833	35.29	591,389	34.56



Note 12 – Shareholders

Overview of the major shareholders at 29 June 2018:

Shareholder	type	Account		
		Citizen	No of shares	%
HIGH SEAS AS		NOR	2,220,000	10.30 %
FONDSFINANS NORGE		NOR	1,350,000	6.26 %
KLP AKSJE NORGE VPF		NOR	1,202,395	5.58 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	948,789	4.40 %
MP PENSJON PK		NOR	760,000	3.53 %
RADIUMHOSPITALET FORSKNINGSSSTIFTELSE		NOR	693,319	3.22 %
BNP PARIBAS SECURITIES SERVICES	NOM	FRA	600,599	2.79 %
MYRLID AS		NOR	535,000	2.48 %
FONDSFINANS GLOBAL HELSE		NOR	400,000	1.86 %
VICAMA AS		NOR	329,530	1.53 %
INTERTRADE SHIPPING		NOR	300,000	1.39 %
POLAR CAPITAL GLOBAL HEATHCARE GROWTH		GBR	254,537	1.18 %
RUL AS		NOR	244,451	1.13 %
NORDNET LIVSFORSIKRING AS		NOR	230,000	1.07 %
DANSKE BANK A/S	NOM	DEN	227,167	1.05 %
EGELAND HOLDING AS		NOR	208,000	0.96 %
BERGEN KOMMUNALE PENSJONSKASSE		NOR	205,000	0.95 %
BILLINGTON ERIK		NOR	190,000	0.88 %
KLP AKSJENORGE INDEKS		NOR	186,536	0.87 %
FONDSAVANSE AS		NOR	185,261	0.86 %
Total 20 largest shareholders			11,270,584	52.28 %
Total other shareholders			10,287,326	47.72 %
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 Q2	2017 Q2	2018 1.1-30.6	2017 1.1-30.6	2017 1.1-31.12
Gross profit	40,908	36,620	79,104	70,281	138,900
Operating expenses excl amortization & depreciation	-40,220	-41,014	-82,465	-82,915	-171,995
EBITDA	688	-4,395	-3,361	-12,634	-33,095
Amortization & depreciation	-3,262	-2,362	-6,476	-4,513	-12,108
EBIT	-2,574	-6,757	-9,836	-17,147	-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. In the second quarter 2018 Photocure incurred NOK 13.1 million in restructuring costs.

Revenue growth in constant currency

Photocure's business is conducted internationally and in respective local currency. Less than 10% 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 Q2	2017 Q2	2018 1.1-30.6	2017 1.1-30.6	2017 1.1-31.12
USD (NOK per 1 USD)	8.02	8.52	7.93	8.48	8.27
EUR (NOK per 1 EUR)	9.55	9.37	9.59	9.18	9.33
DKK (NOK per 100 DKK)	128.27	125.97	128.81	123.40	125.42
SEK (NOK per 100 SEK)	92.46	96.74	94.55	95.63	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 Q2	2017 Q2	2018 1.1-30.6	2017 1.1-30.6	2017 1.1-31.12
(all amounts in NOK 1 000)					
In-market sales	71,524	65,761	140,426	131,259	256,426



Photocure Group – Proforma Accounts 2017

The Group has initially adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 January 2018. See note 3 to the accounts for explanation and specification of impact of transition to IFRS 15 and IFRS 9 on retained earnings at 1 January 2018 and 30 June 2018.

The following statements are prepared on the proforma basis as if the newly adopted accounting principles IFRS 15 and IFRS 9 had been adopted 1 January 2017 and used in quarterly accounts for 2017. This is to enable comparison of the 2018 financial statements with 2017 financial statements.

MNOK	Q2 2017			YTD 2017			FY 2017		
	Reported	Adjustm	ProForma	Reported	Adjustm	ProForma	Reported	Adjustm	ProForma
Hexvix / Cysview revenues	37.6	0.8	38.4	74.1	0.7	74.8	149.0	-3.4	145.6
Other revenues	1.7	0.8	2.6	1.7	1.7	3.4	1.9	3.4	5.3
Total revenues	39.3	1.6	41.0	75.9	2.3	78.2	150.9	-0.0	150.9
Gross profit	36.6	1.6	38.2	70.3	2.3	72.6	138.9	-0.0	138.9
Operating expenses	-41.0	-0.1	-41.1	-78.9	-0.1	-79.1	-168.0	-0.0	-168.0
EBITDA recurring	-4.4	1.5	-2.9	-8.7	2.2	-6.4	-29.1	-0.0	-29.1
Depreciation & amortization	-2.4	-0.2	-2.6	-4.5	-0.5	-5.0	-12.1	-1.0	-13.1
EBIT recurring	-6.8	1.2	-5.5	-13.2	1.7	-11.4	-41.2	-1.0	-42.2
One-Off items	-	-	-	-4.0	-	-4.0	-4.0	-	-4.0
EBIT	-6.8	1.2	-5.5	-17.1	1.7	-15.4	-45.2	-1.0	-46.2
Net financial items	1.2	-	1.2	2.3	-	2.3	3.6	-	3.6
Tax expenses	0.9	-	0.9	3.3	-	3.3	6.9	-	6.9
Net profit/loss(-)	-4.7	1.2	-3.5	-11.6	1.7	-9.9	-34.7	-1.0	-35.7

MNOK	YTD Q1 2017			YTD Q2 2017			YTD Q3 2017			FY 2017		
	Reported	Adjustm	ProForma	Reported	Adjustm	ProForma	Reported	Adjustm	ProForma	Reported	Adjustm	ProForma
Hexvix / Cysview revenues	36.5	-0.1	36.4	74.1	0.7	74.8	109.6	-0.3	109.3	149.0	-3.4	145.6
Other revenues	0.0	0.8	0.8	1.7	1.7	3.4	1.9	2.5	4.4	1.9	3.4	5.3
Total revenues	36.5	0.7	37.2	75.9	2.3	78.2	111.5	2.3	113.8	150.9	-0.0	150.9
Gross profit	33.7	0.7	34.4	70.3	2.3	72.6	102.9	2.3	105.2	138.9	-0.0	138.9
Operating expenses	-37.9	-	-37.9	-78.9	-0.1	-79.1	-121.2	-0.0	-121.2	-168.0	-0.0	-168.0
EBITDA recurring	-4.3	0.7	-3.5	-8.7	2.2	-6.4	-18.3	2.2	-16.1	-29.1	-0.0	-29.1
Depreciation & amortization	-2.2	-0.2	-2.4	-4.5	-0.5	-5.0	-8.8	-0.7	-9.5	-12.1	-1.0	-13.1
EBIT recurring	-6.4	0.5	-5.9	-13.2	1.7	-11.4	-27.1	1.5	-25.6	-41.2	-1.0	-42.2
One-Off items	-4.0	-	-4.0	-4.0	-	-4.0	-4.0	-	-4.0	-4.0	-	-4.0
EBIT	-10.4	0.5	-9.9	-17.1	1.7	-15.4	-31.1	1.5	-29.6	-45.2	-1.0	-46.2
Net financial items	1.1	-	1.1	2.3	-	2.3	2.7	-	2.7	3.6	-	3.6
Tax expenses	2.4	-	2.4	3.3	-	3.3	6.7	-	6.7	6.9	-	6.9
Net profit/loss(-)	-6.9	0.5	-6.4	-11.6	1.7	-9.9	-21.7	1.5	-20.2	-34.7	-1.0	-35.7



THE
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