



THE  
BLADDER CANCER  
COMPANY™

Q3

THIRD QUARTER REPORT  
2018

## Highlights for third quarter and the first nine months 2018

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

- Third quarter Hexvix/Cysview revenue increased 23% to NOK 43.5 million, with a year to date revenue growth of 15%
- Continued strong U.S. Cysview revenue growth, third quarter up 42% in USD. Year to date growth of 45% in USD, to USD 5.6 million (USD 3.9 million). Installed base of cystoscopes was 137 at the end of the quarter, including 6 flex cystoscopes
- Significant improvement of recurring EBITDA; third quarter at NOK -3.1 million (NOK -9.6 million), year to date at NOK -6.4 million (NOK -18.3 million)
- Daniel Schneider appointed as President and Chief Executive Officer. Mr. Schneider brings extensive commercial experience from the U.S. healthcare industry. He started October 29<sup>th</sup>
- Implementation of restructuring driving lower cost base. Continued investments focused on U.S. operations
- In November the United States Centers of Medicare and Medicaid Services (CMS) released its final rule securing reimbursement for Cysview for certain Blue Light Cystoscopy procedures when used in hospital outpatient departments as well as a permanent A code for Cysview when used in physician office and other sites of care, effective January 1st, 2019

### Key figures:

Figures in NOK million	Q3 2018	Q3 2017	Change	YTD 2018	YTD 2017	Change	FY 2017
Hexvix/Cysview revenues	43.5	35.5	23 %	126.6	109.6	15 %	149.0
<b>Total revenues</b>	<b>44.4</b>	<b>35.6</b>	<b>25 %</b>	<b>131.6</b>	<b>111.5</b>	<b>18 %</b>	<b>150.9</b>
Operating expenses	-43.4	-42.2	3 %	-125.9	-121.2	4 %	-168.0
<b>EBITDA recurring</b>	<b>-3.1</b>	<b>-9.6</b>		<b>-6.4</b>	<b>-18.3</b>		<b>-29.1</b>
EBITDA commercial franchise	1.3	-0.2		7.1	9.4		10.4
EBITDA development portfolio	-4.4	-9.4		-13.5	-27.7		-39.5
<b>EBIT recurring</b>	<b>-6.4</b>	<b>-13.9</b>		<b>-16.2</b>	<b>-27.1</b>		<b>-41.2</b>
Restructuring expenses				-13.1			
One-off items					-4.0		-39.5
<b>Net Profit/loss (-)</b>	<b>-4.8</b>	<b>-10.1</b>		<b>-24.7</b>	<b>-21.7</b>		<b>-34.7</b>
Earnings per share, diluted (NOK)	-0.22	-0.47		-1.15	-1.01		-1.61
<b>Cash &amp; cash equivalents</b>				<b>92.8</b>	<b>123.1</b>		<b>129.4</b>

### President & CEO Daniel Schneider comments:

"The Photocure team has built a unique company within the field of bladder cancer, with excellent people, world leading technology and high-potential products. The company has developed a solid infrastructure in key regions. We will continue to scale and leverage on this growth platform to deliver on the commercial opportunities in the bladder cancer markets. I look forward to work with the team to expand the commercial footprint and to embark on the growth journey for Photocure."



## 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 showed significant revenue growth in all regions in the third quarter. Total Hexvix/Cysview revenue increased 23% to NOK 43.5 million (NOK 35.5 million) in the third quarter. Year to date Hexvix/Cysview revenue increased 15% to NOK 126.6 million (NOK 109.6 million). Compared to IFRS proforma 2017 the increase in the third quarter and year to date was 26% and 16% respectively.

U.S. continues to be the major growth driver. Third quarter revenue growth in U.S. was 42% measured in USD. Nordic revenue growth in the third quarter was 19%, with positive development in all countries. Partner sales improved in the third quarter, in particular in Germany and France. In total partner sales increased 15% in the third quarter compared to IFRS proforma 2017.

Operating expenses, excluding depreciation and amortization, increased 19% to NOK 39.0 million (NOK 32.8 million) in the third quarter. Year to date operating expenses, excluding depreciation and amortization, increased 20% to NOK 112.4 million (NOK 93.5 million). Increases were mainly driven by the planned increase in U.S. commercial efforts.

EBITDA was NOK 1.3 million (NOK -0.2 million) in the third quarter. Year to date EBITDA was NOK 7.1 million (NOK 9.4 million). Given the increased investment in commercial activities in the U.S., the year to date decline compared to the same period last year was expected. The year to date EBITDA margin was 5%.

<i>MNOK</i>	<u>Q3 '18</u>	<u>Q3 '17</u>	<u>YTD '18</u>	<u>YTD '17</u>
Nordic - Hexvix	10.6	9.0	33.5	30.4
US - Cysview	16.5	11.3	45.3	32.3
Partners	16.4	15.2	47.8	47.0
<b>Hexvix/Cysview total</b>	<b>43.5</b>	<b>35.5</b>	<b>126.6</b>	<b>109.6</b>
<i>YoY growth</i>	<b>23 %</b>		<b>15 %</b>	
Other revenues	0.9	0.2	5.1	1.9
<b>Total revenues</b>	<b>44.4</b>	<b>35.6</b>	<b>131.6</b>	<b>111.5</b>
<i>YoY growth</i>	<b>25 %</b>		<b>18 %</b>	
<b>Gross profit</b>	<b>40.4</b>	<b>32.6</b>	<b>119.5</b>	<b>102.9</b>
Operating expenses	-39.0	-32.8	-112.4	-93.5
<b>EBITDA</b>	<b>1.3</b>	<b>-0.2</b>	<b>7.1</b>	<b>9.4</b>
<i>EBITDA margin</i>	<b>3 %</b>	<b>-1 %</b>	<b>5 %</b>	<b>8 %</b>

### Hexvix®/Cysview®

Global in-market unit sales increased 8% in the third quarter and 2% year to date reflecting a market value of NOK 211 million (NOK 192 million) year to date.

#### U.S. Cysview sales

Third quarter revenues in the U.S. increased 46% to NOK 16.5 million (NOK 11.3 million), driven mostly by volume growth and price increases. In USD, the revenue growth was 42%. In-market unit growth in the third quarter was 35%.

Year to date U.S. revenues increased 40% to NOK 45.3 million (NOK 32.3 million), with unit growth of 38%. In USD the revenue growth was 45%.

The third 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 in both current and new accounts. The company will continue this process throughout 2018 and into 2019.

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 and includes carcinoma in situ (CIS) lesions.

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 addition, 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 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. At the end of the quarter the total installed base of rigid cystoscopes was 131. In addition, 6 flexible cystoscopes for the surveillance setting have been installed. Blue Light Cystoscopy in the surveillance setting is in the midst of a launch in the U.S. market. We have developed a robust pipeline for flexible Blue Light Cystoscopy and some accounts have already started offering Blue Light Cystoscopy for surveillance in the U.S.

In November 2018, the United States Centers for Medicare and Medicaid Services (CMS) released its final rule positively responding to Photocure's request by establishing an A9598 Code for Cysview when used in the physician office and other sites of care effective January 1st, 2019. In addition, CMS also issued complexity adjustment for certain blue light cystoscopy procedures performed in hospital outpatient departments continuing its complexity adjustment payment which has been in place since January 1st, 2018. The Blue Light Cystoscopy with Cysview complexity adjustment will result in an incremental payment of \$1,187 over white light cystoscopy payment effective January 1st, 2019.

#### *Nordic Hexvix sales*

Nordic revenues increased 19% to NOK 10.6 million (NOK 9.0 million) in the third quarter. The increase was driven by price increases as well as higher billing compared to last year as distributors third quarter last year reduced their inventory. Photocure's in-market unit sales in the Nordic region in third quarter declined 1%.

Year to date Nordic revenues increased 10% to NOK 33.5 million (NOK 30.4 million). In constant currencies, the increase was 9%. In-market unit sales decreased 3% 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.

In August, Photocure signed an exclusive distribution agreement for the Nordic area with Combat Medical ([www.combat-medical.com](http://www.combat-medical.com)). The device is designed for the delivery of Hyperthermic Intra-Vesical Chemotherapy (HIVEC®) for non-muscle invasive bladder cancer and has a strong strategic and

synergistic fit with current business. Photocure will leverage on the extensive Hexvix infrastructure in the Nordics for implementation of the Combat Medical distribution agreement and expects commercial sales to commence from the first quarter of 2019.

#### *Hexvix/Cysview partner sales*

Partner revenue increased 8% to NOK 16.4 million (NOK 15.2 million) in the third quarter. Third quarter revenue was positively impacted by IFRS 15 adjustment of NOK 2.1 million (refer note 3 to the accounts). Revenue increase in constant currencies was 5%. In-market unit sales increased 6% in the third quarter, reflecting increases in both of Ipsen's main markets, Germany and France.

Year to date partner revenue was at NOK 47.8 million (NOK 47.0 million), an increase of 2%. Year to date partner revenue was positively impacted by IFRS 15 adjustment of NOK 2.7 million (refer note 3 to the accounts). In constant currencies, revenue decreased 2%. In-market unit sales decreased 1%. The decline is driven by lower volumes in France, due to 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 July, the Patient Reported Outcomes (PRO) with BLC with Cysview Study was published online in the British Journal of Urology International. The publication shows that patient anxiety levels decreased following flexible blue light cystoscopy with Cysview, and the vast majority of patients (94%) undergoing this procedure found it worthwhile and would do it again and recommend it to others (91%). Receiving an instillation of the drug Cysview did not have a negative effect on PRO.

### **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 third quarter, Photocure announced the appointment of Daniel Schneider as President and Chief Executive Officer. Mr. Schneider brings extensive commercial experience from the U.S. healthcare industry, including his previous position as General Manager for Ablynx N.V. in North America. Mr. Schneider has also held executive management positions in other pharmaceutical and biotech companies, including BTG International, Somaxon Pharmaceuticals and Sepracor. Mr. Schneider is a U.S. citizen and holds an MBA from Washington University and a Bachelor of Science degree in Business Administration from St. Louis University with a double major in Finance and Marketing.

## 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	Q3 '18	Q3 '17	YTD '18	YTD '17
Hexvix / Cysview revenues	43.5	35.5	126.6	109.6
Other revenues	0.9	0.2	5.1	1.9
<b>Total revenues</b>	<b>44.4</b>	<b>35.6</b>	<b>131.6</b>	<b>111.5</b>
<b>Gross profit</b>	<b>40.4</b>	<b>32.6</b>	<b>119.5</b>	<b>102.9</b>
<b>Operating expenses</b>	<b>-43.4</b>	<b>-42.2</b>	<b>-125.9</b>	<b>-121.2</b>
<b>EBITDA recurring</b>	<b>-3.1</b>	<b>-9.6</b>	<b>-6.4</b>	<b>-18.3</b>
Depreciation & amortization	-3.3	-4.3	-9.8	-8.8
Restructuring expenses	-	-	-13.1	-
One-Off items	-	-	-	-4.0
<b>EBIT</b>	<b>-6.4</b>	<b>-13.9</b>	<b>-29.3</b>	<b>-31.1</b>
Net financial items	0.0	0.4	-0.0	2.7
<b>Earnings before tax</b>	<b>-6.3</b>	<b>-13.5</b>	<b>-29.4</b>	<b>-28.4</b>
Tax expenses	1.5	3.5	4.6	6.7
<b>Net earnings</b>	<b>-4.8</b>	<b>-10.1</b>	<b>-24.7</b>	<b>-21.7</b>

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 third quarter and year to date driving significant improvements in earnings.

The company has 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)	Q3 '18	Q3 '17	YTD '18	YTD '17
Hexvix / Cysview revenues	43.5	35.5	126.6	109.6
% Change	23 %		15 %	
Other revenues	0.9	0.2	5.1	1.9
<b>Total revenues</b>	<b>44.4</b>	<b>35.6</b>	<b>131.6</b>	<b>111.5</b>
% Change	25 %		18 %	

PROFORMA ADJUSTM (MNOK)	Q3 '18	Q3 '17	YTD '18	YTD '17
Hexvix / Cysview revenues	-	-0.9	-	-0.3
Other revenues	-	0.8	-	2.5
<b>Total revenues</b>	<b>-</b>	<b>-0.1</b>	<b>-</b>	<b>2.3</b>

PROFORMA (MNOK)	Q3 '18	ProF Q3 '17	YTD '18	ProF YTD '17
Hexvix / Cysview revenues	43.5	34.6	126.6	109.3
% Change	26 %		16 %	
Other revenues	0.9	1.0	5.1	4.4
<b>Total revenues</b>	<b>44.4</b>	<b>35.6</b>	<b>131.6</b>	<b>113.8</b>
% Change	25 %		16 %	

Total revenues in the third quarter were NOK 44.4 million, an increase of 25% from the third quarter last year (NOK 35.6 million). Year to date revenues were NOK 131.6 million (NOK 111.5 million), an increase of 18%. On a proforma basis the third quarter and year to date increase in total revenue was 25% and 16% respectively.

Other revenues in the third quarter include IFRS 15 adjustments of NOK 0.8 million. Year to date other revenues include IFRS 15 adjustments of NOK 2.5 million.

Hexvix/Cysview revenues for the third quarter were NOK 43.5 million, an increase of 23% from last year (NOK 35.5 million). The increase was driven by strong sales in U.S., as well as increases in both Nordic and for partner sales. On a proforma basis, the third quarter increase in Hexvix/Cysview revenues were 26%.

Year to date Hexvix/Cysview revenues were NOK 126.6 million (NOK 109.6 million), an increase of 15%. In constant currencies, Hexvix/Cysview revenues grew 15% year to date. On a proforma basis, the year to date increase in Hexvix/Cysview revenues were 16%.

### Operating expenses

Total operating expenses, excluding one-off items, depreciation and amortization, were NOK 43.4 million

(NOK 42.2 million) in the third quarter, an increase of 3%. Year to date, the operating expenses increased 4% to NOK 125.9 million (NOK 121.2 million).

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

<i>MNOK</i>	<b>Q3 '18</b>	<b>Q3 '17</b>	<b>YTD '18</b>	<b>YTD '17</b>
Research & Developm.	2.4	4.7	7.3	13.3
Sales & Marketing	30.4	25.6	87.3	73.0
Other Opex	10.6	12.0	31.2	34.9
<b>Operating expenses excl one-off</b>	<b>43.4</b>	<b>42.2</b>	<b>125.9</b>	<b>121.2</b>
<i>YoY growth</i>	3 %		4 %	

Third quarter research and development (R&D) costs were NOK 2.4 million (NOK 4.7 million). R&D costs year to date were NOK 7.3 million (NOK 13.3 million), a reduction of 45%. The R&D costs relate mainly to regulatory work and maintenance and expansion of Photocure's intellectual property.

Sales and marketing costs increased 19% to NOK 30.4 million (NOK 25.6 million) in the third quarter. Sales & marketing costs year to date were NOK 87.3 million (NOK 73.0 million). The increase of 20% was in line with Photocure's strategic plans and was driven by activities in U.S.

Third quarter other operating expenses, which include supply chain, business development, and general/administration, were NOK 10.6 million compared to NOK 12.0 million last year. Year to date other operating expenses decreased 10% to NOK 31.2 million (NOK 34.8 million).

### Financial results

Recurring EBITDA was negative NOK 3.1 million (NOK -9.6 million) for the third quarter. Year to date recurring EBITDA was negative NOK 6.4 million (NOK -18.3 million). Currency translation had a limited impact on third 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 1.3 million for the third quarter (NOK -0.2 million) and year to date NOK 7.1 million (NOK 9.4 million). The development portfolio recurring EBITDA for the third quarter was negative NOK 4.4 million (NOK -9.4 million) and year to date negative NOK 13.5 million (NOK -27.7 million).

Year to date depreciation and amortization was NOK 9.8 million (NOK 8.8 million). The main cost item is the amortization on the investments in intangible assets related to the Phase 3 market expansion trial for Cysview. The increase from prior year was mainly

driven by an IFRS adjustment (note 3 to the accounts) of NOK 0.8 million net costs.

Restructuring costs totaling NOK 13.1 million 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 0.0 million (NOK 2.7 million) year to date. The decline was driven by reduced interest income and impact from currency.

Photocure had a net loss before tax of NOK 6.3 million in the third quarter (net loss of NOK 13.5 million) and a net loss before tax of NOK 29.4 million year to date (net loss of NOK 28.4 million).

Tax expenses in the third quarter were a net income of NOK 1.5 million (net income NOK 3.5 million) and year to date a net income of NOK 4.6 million (net income of NOK 6.7 million).

Net loss was NOK 4.8 million in the third quarter (loss of NOK 10.1 million) and 24.7 million year to date (loss of 21.7 million).

### Cash flow and statement of financial position

Net cash flow from operations was negative NOK 5.3 million in the third quarter (negative NOK 3.4 million) and negative NOK 35.3 million year to date (negative NOK 31.1 million). The impact from changes to working capital year to date was negative NOK 10.5 million (negative NOK 10.7 million).

Net cash flow from investments was positive NOK 0.2 million in the third quarter (negative NOK 10.6 million) and negative NOK 0.7 million year to date (negative NOK 15.1 million). The improvement was driven by the finalization of the Phase 3 market expansion trial for Cysview.

Third quarter net change in cash was negative NOK 5.1 million (negative NOK 13.9 million). Year to date net change in cash was negative NOK 36.5 million (negative NOK 46.1 million). Cash and cash equivalents were NOK 92.8 million at the end of the third quarter.

Shareholders' equity was NOK 182.6 million at end of third quarter, an equity ratio of 80%.

As of 30 September 2018, Photocure held 14,930 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 commercial risk, 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 and towards profitability, with potential driven by favorable reimbursement and penetration of the surveillance segment. The company will update the market on this outlook at latest when releasing full year 2018 results.

The Board of Directors and CEO  
Photocure ASA

Oslo, 7 November 2018

Jan Hendrik Egberts  
Chairperson

Johanna Holldack  
Director

Gwen Melincoff  
Director

Tom Pike  
Director

Synne H. Røine  
Director

Grannum R. Sant  
Director

Daniel Schneider  
President and CEO

## Photocure Group

### Accounts for third quarter and first nine months 2018

#### Photocure Group – Statement of comprehensive income

		2018	2017	2018	2017	2017
	Note	Q3	Q3	1.1-30.09	1.1-30.09	1.1-31.12
<i>(all amounts in NOK 1,000 except per share data)</i>						
Sales revenues	3	43,558	35,644	126,711	109,772	149,181
Signing fees and milestone revenues	3	845	-	4,934	1,730	1,730
<b>Total revenues</b>		<b>44,403</b>	<b>35,644</b>	<b>131,645</b>	<b>111,502</b>	<b>150,911</b>
Cost of goods sold		-4,045	-3,030	-12,183	-8,607	-12,011
<b>Gross profit</b>		<b>40,358</b>	<b>32,614</b>	<b>119,462</b>	<b>102,895</b>	<b>138,900</b>
Indirect manufacturing expenses	4	-3,114	-2,719	-8,626	-7,615	-11,293
Research and development expenses	4	-4,872	-8,383	-14,678	-24,427	-32,591
Marketing and sales expenses	4	-30,394	-25,611	-87,373	-73,048	-96,430
Other operating expenses	4	-8,336	-9,813	-24,980	-28,865	-43,789
<b>Total operating expenses recurring</b>		<b>-46,716</b>	<b>-46,526</b>	<b>-135,657</b>	<b>-133,955</b>	<b>-184,103</b>
<b>EBIT recurring</b>		<b>-6,359</b>	<b>-13,913</b>	<b>-16,195</b>	<b>-31,060</b>	<b>-45,203</b>
Restructuring	7	-	-	-13,133	-	-
<b>EBIT including non-recurring</b>		<b>-6,359</b>	<b>-13,913</b>	<b>-29,328</b>	<b>-31,060</b>	<b>-45,203</b>
Financial income		728	1,258	2,061	4,495	5,949
Financial expenses		-689	-865	-2,108	-1,842	-2,326
<b>Net financial profit/loss(-)</b>		<b>39</b>	<b>393</b>	<b>-47</b>	<b>2,654</b>	<b>3,622</b>
<b>Profit/loss(-) before tax</b>		<b>-6,320</b>	<b>-13,519</b>	<b>-29,375</b>	<b>-28,407</b>	<b>-41,580</b>
Tax expenses	5	1,548	3,450	4,636	6,712	6,883
<b>Net profit/loss(-)</b>		<b>-4,772</b>	<b>-10,069</b>	<b>-24,739</b>	<b>-21,695</b>	<b>-34,697</b>
Other comprehensive income		-2,465	-463	-414	-573	-507
<b>Total comprehensive income</b>		<b>-7,236</b>	<b>-10,532</b>	<b>-25,153</b>	<b>-22,268</b>	<b>-35,204</b>
Net profit/loss(-) per share, undiluted	6	-0.22	-0.47	-1.15	-1.01	-1.61
Net profit/loss(-) per share, diluted	6	-0.22	-0.47	-1.15	-1.01	-1.61



## Photocure Group – Statement of financial position

<i>(Amounts in NOK 1,000)</i>	Note	30.09.2018	30.09.2017	31.12.2017
<b>Non-current assets</b>				
Intangible assets	8	25,414	34,849	33,315
Machinery & equipment		1,811	1,495	1,268
Deferred tax asset	5	57,539	52,732	52,903
Contract costs		996		
<b>Total non-current assets</b>		<b>85,760</b>	<b>89,076</b>	<b>87,486</b>
<b>Current assets</b>				
Inventories		17,025	14,869	19,552
Accounts receivable		20,048	16,040	14,573
Other receivables		12,868	16,479	12,119
Cash and short term deposits	9	92,828	123,092	129,368
<b>Total current assets</b>		<b>142,769</b>	<b>170,480</b>	<b>175,613</b>
<b>Total assets</b>		<b>228,530</b>	<b>259,556</b>	<b>263,099</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	10	10,797	10,779	10,779
Other paid-in capital		58,193	55,822	57,740
Retained earnings		113,632	164,123	149,561
<b>Shareholders' equity</b>		<b>182,621</b>	<b>230,724</b>	<b>218,080</b>
<b>Long-term liabilities</b>				
Other non-current liabilities		5,179	4,524	4,752
<b>Total long-term liabilities</b>		<b>5,179</b>	<b>4,524</b>	<b>4,752</b>
Current liabilities		33,648	24,308	40,267
Contract liabilities		7,081		
<b>Total liabilities</b>		<b>45,908</b>	<b>28,832</b>	<b>45,019</b>
<b>Total equity and liabilities</b>		<b>228,530</b>	<b>259,556</b>	<b>263,099</b>

## Photocure Group – Changes in equity

<i>(Amounts in NOK 1,000)</i>	Note	2018 Q3	2017 Q3	2018 1.1-30.09	2017 1.1-30.09	2017 1.1-31.12
<b>Equity at end of prior period</b>				<b>218,080</b>	<b>251,943</b>	<b>251,943</b>
Adjustments initial applications of IFRS 15 & IFF	3			-10,746		
<b>Adjusted equity beginning of period</b>		<b>189,083</b>	<b>240,983</b>	<b>207,334</b>	<b>251,943</b>	<b>251,943</b>
Capital increase		742		742		
Share-based compensation (share options employees)		32	273	75	1,049	1,341
Own shares				-377		
Comprehensive income		-7,236	-10,532	-25,153	-22,268	-35,204
<b>Equity at end of period</b>		<b>182,621</b>	<b>230,724</b>	<b>182,621</b>	<b>230,724</b>	<b>218,080</b>

## Photocure Group – Cash flow statement

	2018	2017	2018	2017	2017
	Q3	Q3	1.1-30.09	1.1-30.09	1.1-31.12
<i>(Amounts in NOK 1,000)</i>					
Profit/loss(-) before tax	-6,320	-13,519	-29,375	-28,407	-41,580
Depreciation and amortisation	3,305	4,285	9,780	8,799	12,108
Share-based compensation	33	273	75	1,049	1,341
Net interest income	-253	-474	-976	-2,042	-2,310
Changes in working capital	-1,624	6,153	-10,495	-10,726	6,396
Other operational items	-443	-92	-4,315	239	452
<b>Net cash flow from operations</b>	<b>-5,302</b>	<b>-3,374</b>	<b>-35,305</b>	<b>-31,087</b>	<b>-23,593</b>
Net investments in fixed assets	-57	-212	-1,102	-367	-1,050
Development expenditures	-	-10,817	-559	-16,735	-17,538
Received interest payments	253	474	976	2,042	2,310
<b>Cash flow from investments</b>	<b>196</b>	<b>-10,556</b>	<b>-685</b>	<b>-15,061</b>	<b>-16,278</b>
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-551</b>	<b>-</b>	<b>-</b>
<b>Net change in cash during the period</b>	<b>-5,106</b>	<b>-13,929</b>	<b>-36,540</b>	<b>-46,147</b>	<b>-39,871</b>
Cash & cash equivalents at beginning of period	97,934	137,021	129,368	169,239	169,239
<b>Cash &amp; cash equivalents at end of period</b>	<b>92,828</b>	<b>123,092</b>	<b>92,828</b>	<b>123,092</b>	<b>129,368</b>

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

The Group's financial statements include from 2018 the principles and presentation related to the implementation of IFRS 15 and IFRS 9. 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 November 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 milestone and royalties from a licence partner. Development Portfolio includes development of commercial products and pipeline products.

1 Jan - 30 September 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	78,766	47,824	121	126,711	-	-	-	126,711
Milestone revenues	-	2,533	2,400	4,933	-	-	-	4,933
Cost of goods sold	-4,539	-7,460	-183	-12,183	-	-	-	-12,183
<b>Gross profit</b>	<b>74,227</b>	<b>42,897</b>	<b>2,338</b>	<b>119,461</b>	-	-	-	<b>119,461</b>
Gross profit of sales %	94 %	84 %	-52 %	90 %				90 %
R&D	-	-	-	-	-1,694	-5,620	-7,313	-7,313
Sales & marketing	-81,749	-4,858	-	-86,606	-	-710	-710	-87,316
Other & allocations	-13,077	-12,684	-	-25,761	-861	-4,625	-5,485	-31,246
<b>Operating expenses</b>	<b>-94,825</b>	<b>-17,542</b>	<b>-</b>	<b>-112,367</b>	<b>-2,554</b>	<b>-10,955</b>	<b>-13,509</b>	<b>-125,876</b>
<b>EBITDA</b>	<b>-20,599</b>	<b>25,355</b>	<b>2,338</b>	<b>7,094</b>	<b>-2,554</b>	<b>-10,955</b>	<b>-13,509</b>	<b>-6,415</b>





Photocure – Results for third quarter and the first nine months 2018

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

Q3 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	27,107	16,384	68	43,559	-	-	-	43,559
Milestone revenues	-	844	-	844	-	-	-	844
Cost of goods sold	-1,510	-2,368	-168	-4,045	-	-	-	-4,045
<b>Gross profit</b>	<b>25,597</b>	<b>14,860</b>	<b>-100</b>	<b>40,358</b>	-	-	-	<b>40,358</b>
Gross profit of sales %	94 %	86 %	-147 %	91 %				91 %
R&D	-	-	-	-	-788	-1,629	-2,417	-2,417
Sales & marketing	-28,539	-1,620	-	-30,159	-	-215	-215	-30,374
Other & allocations	-4,721	-4,132	-	-8,853	-287	-1,481	-1,768	-10,621
<b>Operating expenses</b>	<b>-33,259</b>	<b>-5,753</b>	<b>-</b>	<b>-39,012</b>	<b>-1,075</b>	<b>-3,325</b>	<b>-4,400</b>	<b>-43,413</b>
<b>EBITDA</b>	<b>-7,662</b>	<b>9,108</b>	<b>-100</b>	<b>1,346</b>	<b>-1,075</b>	<b>-3,325</b>	<b>-4,400</b>	<b>-3,055</b>

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

1 Jan - 31 December 2017	Commercial Products				Development Products			Grand Total
(Amounts in NOK 1 000)	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
<b>Gross profit</b>	<b>82,316</b>	<b>54,688</b>	<b>1,895</b>	<b>138,900</b>	-	-	-	<b>138,900</b>
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
<b>Operating expenses</b>	<b>-98,217</b>	<b>-29,527</b>	<b>-765</b>	<b>-128,510</b>	<b>-7,933</b>	<b>-35,551</b>	<b>-43,485</b>	<b>-171,995</b>
<b>EBITDA</b>	<b>-15,901</b>	<b>25,160</b>	<b>1,130</b>	<b>10,390</b>	<b>-7,933</b>	<b>-35,551</b>	<b>-43,485</b>	<b>-33,095</b>

### 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 September 2018.

Statement of financial position	01.01.2018			30.09.2018		
(Amounts in NOK 1 000)	As reported	Adjustments	Without adjustm.	As reported	Adjustments	Without adjustm.
Intangible assets	33,315		33,315	25,414		25,414
Contract costs	1,744	-1,744	-	996	-996	-
Other Non-current assets	54,171		54,171	59,350		59,350
Accounts receivable	14,371	202	14,573	20,048	298	20,346
Other Current assets	161,040		161,040	122,721		122,721
<b>Total Assets</b>	<b>264,641</b>	<b>-1,542</b>	<b>263,099</b>	<b>228,530</b>	<b>-699</b>	<b>227,831</b>
Shareholders' equity	207,334	10,746	218,080	182,621	6,382	189,003
Long-term liabilities	4,752		4,752	5,179		5,179
Contract liabilities	12,288	-12,288	-	7,081	-7,081	0
Other Current liabilities	40,267		40,267	33,648		33,648
<b>Total equity and liabilities</b>	<b>264,641</b>	<b>-1,542</b>	<b>263,099</b>	<b>228,530</b>	<b>-699</b>	<b>227,831</b>

Statement of comprehensive income	30.09.2018		
	As reported	Adjustments	Without adjustm.
<i>(all amounts in NOK 1 000)</i>			
Sales revenues	126,711	-2,673	124,038
Signing fees and milestone revenues	4,934	-2,535	2,399
Cost of goods sold	-12,183		-12,183
<b>Gross profit</b>	<b>119,462</b>	<b>-5,208</b>	<b>114,255</b>
<b>Total operating expenses</b>	<b>-135,657</b>	<b>836</b>	<b>-134,821</b>
<b>EBIT recurring</b>	<b>-16,195</b>	<b>-4,372</b>	<b>-20,567</b>

#### Note 4 – Income statement classified by nature

	2018	2017	2017
	1.1-30.09	1.1-30.09	1.1-31.12
<i>(Amounts in NOK 1 000)</i>			
Sales revenues	126,711	109,772	149,181
Signing fees and milestone revenues	4,934	1,730	1,730
Cost of goods sold	-12,183	-8,607	-12,011
<b>Gross profit</b>	<b>119,462</b>	<b>102,895</b>	<b>138,900</b>
Payroll expenses	-84,967	-71,838	-96,271
R&D costs excl. payroll expenses/other operating exp.	-2,696	-9,606	-12,999
Ordinary depreciation and amortisation	-9,780	-8,799	-12,108
Other operating expenses	-38,214	-43,713	-62,725
<b>Total operating expenses</b>	<b>-135,657</b>	<b>-133,955</b>	<b>-184,103</b>
<b>EBIT recurring</b>	<b>-16,195</b>	<b>-31,060</b>	<b>-45,203</b>

## Note 5 – Tax

<i>(Amounts in NOK 1 000)</i>	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>Income tax expense</b>		
Tax payable	-	-
Changes in deferred tax	4,636	-6,883
<b>Total income tax expense</b>	<b>4,636</b>	<b>-6,883</b>
<b>Tax base calculation</b>		
Profit before income tax	-13,170	-34,546
Permanent differences	-3,485	-3,618
Temporary differences	14,266	26,568
Utilisation of tax loss carried forward		-
Change in tax loss carried forward	2,389	11,596
<b>Tax base</b>	<b>0</b>	<b>0</b>
<b>Temporary differences:</b>		
<b>Total</b>	<b>-86,262</b>	<b>-100,528</b>
Tax loss carried forward	336,436	330,542
<b>Net temporary differences</b>	<b>250,175</b>	<b>230,014</b>
Unrecognised deductible temporary differences and tax losses		
<b>Deferred tax benefit</b>	<b>250,175</b>	<b>230,014</b>
<b>Deferred tax asset</b>	<b>57,539</b>	<b>52,903</b>

Temporary differences are recognized for the parent company only and the note disclosure for the Group is of this reason identic to the disclosure for parent company. The calculation of deferred tax asset 30 September 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 September 2018 is NOK 57.5 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 4.6 million as of 30 September 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)	1.1-30.09	1.1-31.12
Issued ordinary shares 1 January	21,557,910	21,557,910
Effect of treasury shares	-7,825	-809
Effect of share options exercised		-
Effect of shares issued	10,582	-
<b>Weighted average number of shares</b>	<b>21,560,667</b>	<b>21,557,101</b>
Effect of outstanding share options	27,796	10,175
<b>Weighted average number of diluted shares</b>	<b>21,588,463</b>	<b>21,567,276</b>
Earnings per share in NOK	-1.15	-1.61
Earnings per share in NOK diluted	-1.15	-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

	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
<b>Net book value 01.01.18</b>	<b>1,268</b>	<b>35,059</b>
Net investments 30.09.18	964	710
Depreciation and amortization	-421	-9,358
<b>Net book value 30.09.18</b>	<b>1,811</b>	<b>26,411</b>

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 22.1 million as of end September 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

<b>Market value hierarchy</b>				
<i>(Amounts in NOK 1 000)</i>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets available for sale:				
- Money market funds	78,960	-	-	78,960
<b>Total</b>	<b>78,960</b>	<b>-</b>	<b>-</b>	<b>78,960</b>

## Note 10 – Share capital

Registered share capital in Photocure ASA amounts to:

	<b>No. of shares</b>	<b>Nominal value per share</b>	<b>Share capital in NOK</b>
Share capital at 31 December 2017	21,557,910	NOK 0.50	10,778,955
Share capital at 30 September 2018	21,593,574	NOK 0.50	10,796,787
<b>Treasury shares:</b>			
Holdings of treasury shares at 31 December 2017	809		405
Buy-back of shares	13,000	NOK 0.50	6,500
Buy-back of restricted shares	1,121	NOK 0.50	561
<b>Holdings of treasury shares at 30 September 2018</b>	<b>14,930</b>		<b>7,465</b>

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

	<b>Purchase, treasury shares</b>	<b>Ordinary share issue</b>	<b>Employee share issues</b>
<i>(Figures indicate the number of shares)</i>			
Authorisation issued at the General Meeting on 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	-1,121	-	-
<b>Remaining under authorisations at 30 September 2018</b>	<b>2,154,670</b>	<b>2,155,791</b>	<b>1,077,895</b>

Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of 30 September 2018:

Name	Position	No. of shares	No. of restricted shares	No. of subscription rights
Erik Dahl	Chief Financial Officer	1,000	5,046	63,500
Ambaw Bellele	Head, US Cancer Commercial Operations	2,000	5,551	61,300
Inger Ferner Heglund	Vice President Research and Development	8,200	2,740	70,300
Grete Hogstad	Vice President Strategic Marketing	10,500	4,025	58,000
Espen Njåstein	Head, Nordic Cancer Commercial Operations	5,000	2,691	64,100
Gry Stensrud	Vice President Technical Development & Operations	1,845	3,803	53,300
Jan H. Egberts	Chairperson of the board	12,500	-	-
Tom Pike	Board member	3,400	-	-

As part of the employee long-term incentive program for restricted shares in the company, 35,664 restricted shares were issued 7 May 2018 out of which senior management received 23,856 restricted shares. The restricted shares have a three year lock-up period and are subject to other customary terms and conditions for employee incentive programs.

## Note 11 – Share options

At 30 September 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:

	30.09.2018		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 1 October 2018:

Shareholder	Account type	Citizen	No of shares	%
HIGH SEAS AS		NOR	2,220,000	10.28 %
FONDSFINANS NORGE		NOR	1,015,000	4.70 %
KLP AKSJE NORGE VPF		NOR	990,062	4.58 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	707,234	3.28 %
RADIUMHOSPITALET FORSKNINGSSTIFTELSE		NOR	693,319	3.21 %
MP PENSJON PK		NOR	624,355	2.89 %
MYRLID AS		NOR	565,000	2.62 %
NORDNET LIVSFORSIKRING AS		NOR	379,786	1.76 %
VICAMA AS		NOR	329,530	1.53 %
DANSKE BANK A/S	NOM	DNK	302,110	1.40 %
INTERTRADE SHIPPING		NOR	300,000	1.39 %
FONDSFINANS GLOBAL HELSE		NOR	284,490	1.32 %
BNP PARIBAS SECURITIES SERVICES	NOM	AUS	269,579	1.25 %
POLAR CAPITAL GLOBAL HEALTHCARE GROWTH		GBR	254,537	1.18 %
RUL AS		NOR	244,451	1.13 %
EGELAND HOLDING AS		NOR	230,000	1.07 %
ESTI AS		NOR	221,065	1.02 %
BILLINGTON ERIK		NOR	190,000	0.88 %
KLP AKSJENORGE INDEKS		NOR	189,577	0.88 %
FONDSAVANSE AS		NOR	182,569	0.85 %
Total 20 largest shareholders			10,192,664	47.20 %
Total other shareholders			11,400,910	52.80 %
Total number of shares			21,593,574	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 Q3	2017 Q3	2018 1.1-30.9	2017 1.1-30.9	2017 1.1-31.12
<i>(all amounts in NOK 1 000)</i>					
<b>Gross profit</b>	<b>40,358</b>	<b>32,614</b>	<b>119,462</b>	<b>102,895</b>	<b>138,900</b>
Operating expenses excl amortization & depreciation	-43,412	-42,242	-125,877	-125,157	-171,995
<b>EBITDA</b>	<b>-3,054</b>	<b>-9,628</b>	<b>-6,415</b>	<b>-22,262</b>	<b>-33,095</b>
Amortization & depreciation	-3,304	-4,285	-9,780	-8,798	-12,108
<b>EBIT</b>	<b>-6,359</b>	<b>-13,913</b>	<b>-16,195</b>	<b>-31,060</b>	<b>-45,203</b>

Recurring EBITDA equals EBITDA before one-off items. One-off items are accounting items of a significant and extraordinary nature. In the first quarter 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 Q3	2017 Q3	2018 1.1-30.9	2017 1.1-30.9	2017 1.1-31.12
USD (NOK per 1 USD)	8.24	7.96	8.03	8.31	8.27
EUR (NOK per 1 EUR)	9.58	9.35	9.59	9.23	9.33
DKK (NOK per 100 DKK)	128.47	125.69	128.70	124.16	125.42
SEK (NOK per 100 SEK)	92.05	97.82	93.71	96.36	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 Q3	2017 Q3	2018 1.1-30.9	2017 1.1-30.9	2017 1.1-31.12
<i>(all amounts in NOK 1 000)</i>					
<b>In-market sales</b>	<b>71,194</b>	<b>61,353</b>	<b>211,620</b>	<b>192,612</b>	<b>256,426</b>

## 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 September 2018.

The following statements are prepared on the proforma basis as if the 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	Q3 '17			YTD '17			FY 2017		
	Reported	Adjustm	ProForma	Reported	Adjustm	ProForma	Reported	Adjustm	ProForma
Hexvix / Cysview revenues	35.5	-0.9	34.6	109.6	-0.3	109.3	149.0	-3.4	145.6
Other revenues	0.2	0.8	1.0	1.9	2.5	4.4	1.9	3.4	5.3
<b>Total revenues</b>	<b>35.6</b>	<b>-0.1</b>	<b>35.6</b>	<b>111.5</b>	<b>2.3</b>	<b>113.8</b>	<b>150.9</b>	<b>-0.0</b>	<b>150.9</b>
<b>Gross profit</b>	<b>32.6</b>	<b>-0.1</b>	<b>32.5</b>	<b>102.9</b>	<b>2.3</b>	<b>105.2</b>	<b>138.9</b>	<b>-0.0</b>	<b>138.9</b>
<b>Operating expenses</b>	<b>-42.2</b>	<b>0.1</b>	<b>-42.2</b>	<b>-121.2</b>	<b>-0.0</b>	<b>-121.2</b>	<b>-168.0</b>	<b>-0.0</b>	<b>-168.0</b>
<b>EBITDA recurring</b>	<b>-9.6</b>	<b>0.0</b>	<b>-9.6</b>	<b>-18.3</b>	<b>2.2</b>	<b>-16.1</b>	<b>-29.1</b>	<b>-0.0</b>	<b>-29.1</b>
Depreciation & amortization	-4.3	-0.2	-4.5	-8.8	-0.7	-9.5	-12.1	-1.0	-13.1
<b>EBIT recurring</b>	<b>-13.9</b>	<b>-0.2</b>	<b>-14.2</b>	<b>-27.1</b>	<b>1.5</b>	<b>-25.6</b>	<b>-41.2</b>	<b>-1.0</b>	<b>-42.2</b>
One-Off items	-	-	-	-4.0	-	-4.0	-4.0	-	-4.0
<b>EBIT</b>	<b>-13.9</b>	<b>-0.2</b>	<b>-14.2</b>	<b>-31.1</b>	<b>1.5</b>	<b>-29.6</b>	<b>-45.2</b>	<b>-1.0</b>	<b>-46.2</b>
Net financial items	0.4	-	0.4	2.7	-	2.7	3.6	-	3.6
Tax expenses	3.5	-	3.5	6.7	-	6.7	6.9	-	6.9
<b>Net profit/loss(-)</b>	<b>-10.1</b>	<b>-0.2</b>	<b>-10.3</b>	<b>-21.7</b>	<b>1.5</b>	<b>-20.2</b>	<b>-34.7</b>	<b>-1.0</b>	<b>-35.7</b>

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
<b>Total revenues</b>	<b>36.5</b>	<b>0.7</b>	<b>37.2</b>	<b>75.9</b>	<b>2.3</b>	<b>78.2</b>	<b>111.5</b>	<b>2.3</b>	<b>113.8</b>	<b>150.9</b>	<b>-0.0</b>	<b>150.9</b>
<b>Gross profit</b>	<b>33.7</b>	<b>0.7</b>	<b>34.4</b>	<b>70.3</b>	<b>2.3</b>	<b>72.6</b>	<b>102.9</b>	<b>2.3</b>	<b>105.2</b>	<b>138.9</b>	<b>-0.0</b>	<b>138.9</b>
<b>Operating expenses</b>	<b>-37.9</b>	<b>-</b>	<b>-37.9</b>	<b>-78.9</b>	<b>-0.1</b>	<b>-79.1</b>	<b>-121.2</b>	<b>-0.0</b>	<b>-121.2</b>	<b>-168.0</b>	<b>-0.0</b>	<b>-168.0</b>
<b>EBITDA recurring</b>	<b>-4.3</b>	<b>0.7</b>	<b>-3.5</b>	<b>-8.7</b>	<b>2.2</b>	<b>-6.4</b>	<b>-18.3</b>	<b>2.2</b>	<b>-16.1</b>	<b>-29.1</b>	<b>-0.0</b>	<b>-29.1</b>
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
<b>EBIT recurring</b>	<b>-6.4</b>	<b>0.5</b>	<b>-5.9</b>	<b>-13.2</b>	<b>1.7</b>	<b>-11.4</b>	<b>-27.1</b>	<b>1.5</b>	<b>-25.6</b>	<b>-41.2</b>	<b>-1.0</b>	<b>-42.2</b>
One-Off items	-4.0	-	-4.0	-4.0	-	-4.0	-4.0	-	-4.0	-4.0	-	-4.0
<b>EBIT</b>	<b>-10.4</b>	<b>0.5</b>	<b>-9.9</b>	<b>-17.1</b>	<b>1.7</b>	<b>-15.4</b>	<b>-31.1</b>	<b>1.5</b>	<b>-29.6</b>	<b>-45.2</b>	<b>-1.0</b>	<b>-46.2</b>
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
<b>Net profit/loss(-)</b>	<b>-6.9</b>	<b>0.5</b>	<b>-6.4</b>	<b>-11.6</b>	<b>1.7</b>	<b>-9.9</b>	<b>-21.7</b>	<b>1.5</b>	<b>-20.2</b>	<b>-34.7</b>	<b>-1.0</b>	<b>-35.7</b>



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