



THE
BLADDER CANCER
COMPANY™



Q4

FOURTH QUARTER REPORT

2018

Highlights for fourth quarter and full year 2018

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

- Fourth quarter Hexvix/Cysview revenue increased 18% to NOK 46.3 million, increase of 28% based on proforma 2017. Full year growth of 16%, proforma 19%
- Strong U.S. Cysview revenue growth, fourth quarter up 76% in USD. Full year growth of 53% in USD. Installed base of blue light cystoscopes at 157 at the end of the year, including 8 flexible cystoscopes
- Continued improvement of recurring EBITDA; fourth quarter at NOK -4.1 million (NOK -10.8 million), full year at NOK -10.5 million (NOK -29.1 million)
- Daniel Schneider appointed as President and Chief Executive Officer. Mr. Schneider brings extensive commercial experience in the U.S. healthcare industry. He started 29 October
- 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 1 January 2019

Key figures:

Figures in NOK million	Q4 2018	Q4 2017	Change	FY 2018	FY 2017	Change
Hexvix/Cysview revenues	46.3	39.4	18 %	172.9	149.0	16 %
Total revenues	49.9	39.4	27 %	181.5	150.9	20 %
Operating expenses	-49.0	-46.8	5 %	-174.9	-168.0	4 %
EBITDA recurring	-4.1	-10.8		-10.5	-29.1	
EBITDA commercial franchise	1.3	0.9		8.4	10.4	
EBITDA development portfolio	-5.4	-11.8		-18.9	-39.5	
EBIT recurring	-7.5	-14.1		-23.7	-41.2	
Restructuring expenses	-1.1			-14.2		
One-off items					-4.0	
Net Profit/loss (-)	-12.0	-13.0		-36.7	-34.7	
Cash & cash equivalents				106.8	129.4	

President & CEO Daniel Schneider comments:

"We closed 2018 with an acceleration in forward momentum posting another record quarter with a YoY increase of 76% in the U.S. our largest and largely untapped market. The combined momentum of Q3 and Q4 drove an overall YoY increase of 53% in the U.S. Notably, and key to increased Cysview future sales, one third of the cystoscopes in the market were installed during 2018 alone. In mid-2018, we launched the newly approved indication for Cysview in the surveillance market. Since January 2019, we have now achieved permanent and favorable reimbursement in all settings of care which will further support adoption of BLC in treating bladder cancer patients.

Since assuming the role of CEO in November 2018, I have taken the time to assess the business carefully and have begun implementing changes that will continue to improve execution and performance. Some early key decisions include, increased customer facing roles by nearly 50% starting in Q1 2019, focus on increased accountability and performance from our commercial partners, and developing greater insights into the KPIs that will help us drive performance now and into the future.

We will continue to invest in the growing largely untapped U.S. market where we expect to see our greatest returns in the form of significant and sustainable revenue and profitability growth."

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 non-muscle invasive 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 Nordics Photocure has a solid foundation for future growth of its breakthrough bladder cancer product, as well as exploring expansion of its product portfolio.

Update commercial segment

The commercial segment continued to show improved sales in the fourth quarter and the full year.

Fourth quarter total Hexvix/Cysview revenue increased 18% to NOK 46.3 million (NOK 39.4 million) compared to the same quarter in 2017. Full year Hexvix/Cysview revenue increased 16% to NOK 172.9 million (NOK 149.0 million). Compared to IFRS proforma 2017 the increase in the fourth quarter and full year 28% and 19% respectively.

The strong growth is driven by improvements in sales performance in U.S. Fourth quarter revenue increase, measured in USD, was 76%, and full year increase was 53%.

Other revenues include IFRS 15 adjustments of NOK 0.8 million fourth quarter and NOK 3.4 million full year. In addition, the company has received milestone payments and royalty from Bellus Medical for Allumera totaling NOK 2.5 million in the quarter and NOK 5.0 million for the full year.

Operating expenses, excluding depreciation and amortization, increased 24% to NOK 43.6 million (NOK 35.1 million) in the fourth quarter. Full year operating expenses, excluding depreciation and amortization, increased 21% to NOK 156.0 million (NOK 128.5 million). Increases were driven by the planned increase in U.S. commercial efforts.

Fourth quarter recurring EBITDA was NOK 1.3 million (NOK 0.9 million). Full year recurring EBITDA was NOK 8.4 million (NOK 10.4 million). The decline in full year recurring EBITDA was expected and driven by the increased investment in commercial activities in

the U.S. The full year recurring EBITDA margin was 5%.

<i>MNOK</i>	Q4 '18	Q4 '17	FY '18	FY '17
Nordic - Hexvix	13.5	12.9	47.0	43.3
US - Cysview	18.4	10.2	63.7	42.4
Partners	14.4	16.3	62.2	63.3
Hexvix/Cysview total	46.3	39.4	172.9	149.0
<i>YoY growth</i>	18 %		16 %	
Other revenues	3.5	0.0	8.6	1.9
Total revenues	49.9	39.4	181.5	150.9
<i>YoY growth</i>	27 %		20 %	
Gross profit	44.9	36.0	164.4	138.9
Operating expenses	-43.6	-35.1	-156.0	-128.5
EBITDA	1.3	0.9	8.4	10.4
<i>EBITDA margin</i>	3 %	2 %	5 %	7 %

Hexvix®/Cysview®

Global in-market unit sales increased 11% in the fourth quarter and 5% for the year reflecting an in-market value of NOK 284 million (NOK 256 million) for the year.

U.S. Cysview sales

The company had a strong fourth quarter in U.S. with a revenue growth of 81% to NOK 18.4 million (NOK 10.2 million). The growth is driven both by volume growth and price increases. In USD, the revenue growth was 76%. In-market unit growth in the fourth quarter was 69%.

Full year U.S. revenues increased 50% to NOK 63.7 million (NOK 42.4 million), with unit growth of 45%. In USD the revenue growth was 53%. U.S. is now the largest and fastest growing region for Photocure.

As in previous quarters, the 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 in 2019.

The growth has been fueled by approval of new indications, launch of the product in the surveillance setting and by improved reimbursement.

In February 2018, the U.S. Food and Drug Administration (FDA) approved additional indications for BLC with Cysview to include carcinoma in situ (CIS) lesions, repeated use of Cysview, and use with flexible cystoscopy in the on-going surveillance of patients with non-muscle invasive bladder cancer.

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. In November 2017 the United States Centers for Medicare & Medicaid Services (CMS), established complexity adjustments for certain blue light cystoscopy procedures performed in hospital outpatient departments from 1 January 2018.

In November 2018, the reimbursement was extended and strengthened as CMS established an A9598 Code for Cysview when used in the physician office and other sites of care effective 1 January 2019. In addition, CMS also issued a complexity adjustment for certain blue light cystoscopy procedures performed in hospital outpatient departments continuing its complexity adjustment payment which has been in place since 1 January 2018. The Blue Light Cystoscopy with Cysview complexity adjustment results in an incremental payment of \$1,187 over white light cystoscopy payment effective 1 January 2019.

The improved reimbursement has resulted in a significant growth in the installed base of permanent blue light cystoscopes. At the end of the year the total installed base of rigid cystoscopes was 149, an increase of 45 (43%) for the year.

Blue Light Cystoscopy in the surveillance setting is in the midst of a launch in the U.S. market. By the end of the year 8 flexible cystoscopes for the surveillance setting had been installed. The company has 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.

Nordic Hexvix sales

Nordic revenues increased 5% to NOK 13.5 million (NOK 12.9 million) in the fourth quarter. Full year Nordic revenues increased 9% to NOK 47.0 million (NOK 43.3 million). The increase was mainly driven by price increases.

Photocure's in-market unit sales in the Nordic region in fourth quarter declined 6% and declined full year 4%. The decline in unit sales was driven by lower sales in Denmark mainly due to large deliveries to hospitals at the end of the fourth quarter 2017 as well as reorganization of clinics.

In August, Photocure signed an exclusive distribution agreement for the Nordic area with Combat Medical

(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 our current business and customer call points. 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 declined 12% to NOK 14.4 million (NOK 16.3 million) in the fourth quarter. Full year partner revenue declined 2% to NOK 62.2 million (NOK 63.3 million).

However, compared to IFRS proforma 2017 the fourth quarter partner revenue increased 9% from 2017 revenue of NOK 13.2 million, and full year revenue increased 4% from 2017 revenue of NOK 59.9 million.

In-market unit sales were at level with 2017 for the full year including a small growth in Germany and a decline in France. Volume decline in France is due to loss of reimbursement from second quarter 2017.

Hexvix/Cysview publications and presentations

The company has had several publications and presentations throughout the year. Main publications are:

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

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

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	Q4 '18	Q4 '17	FY '18	FY '17
Hexvix / Cysview revenues	46.3	39.4	172.9	149.0
Other revenues	3.5	0.0	8.6	1.9
Total revenues	49.9	39.4	181.5	150.9
Gross profit	44.9	36.0	164.4	138.9
Operating expenses	-49.0	-46.8	-174.9	-168.0
EBITDA recurring	-4.1	-10.8	-10.5	-29.1
Depreciation & amortization	-3.4	-3.3	-13.2	-12.1
Restructuring expenses	-1.1	-	-14.2	-
One-Off items	-	-	-	-4.0
EBIT	-8.6	-14.1	-37.9	-45.2
Net financial items	1.2	1.0	1.2	3.6
Earnings before tax	-7.3	-13.2	-36.7	-41.6
Tax expenses	-4.6	0.2	0.0	6.9
Net earnings	-12.0	-13.0	-36.7	-34.7

Photocure has transformed itself from a technology-based company to a therapeutic area-focused commercial stage pharmaceutical company with focus on bladder cancer. The allocation of resources, and hence expenses, have shifted from R&D to sales and marketing in U.S. Overall, the company has in 2018 seen operational improvements from 2017 driving significant improvements in earnings.

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

Revenues

2018 revenues were 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)	Q4 '18	Q4 '17	FY '18	FY '17
Hexvix / Cysview revenues	46.3	39.4	172.9	149.0
% Change	18 %		16 %	
Other revenues	3.5	0.0	8.6	1.9
Total revenues	49.9	39.4	181.5	150.9
% Change	27 %		20 %	

PROFORMA ADJUSTM (MNOK)	Q4 '18	Q4 '17	FY '18	FY '17
Hexvix / Cysview revenues	-	-3.1	-	-3.4
Other revenues	-	0.8	-	3.4
Total revenues	-	-2.3	-	-0.0

PROFORMA (MNOK)	Q4 '18	ProF Q4 '17	FY '18	ProF FY '17
Hexvix / Cysview revenues	46.3	36.3	172.9	145.6
% Change	28 %		19 %	
Other revenues	3.5	0.8	8.6	5.3
Total revenues	49.9	37.1	181.5	150.9
% Change	34 %		20 %	

Total revenues in the fourth quarter were NOK 49.9 million, an increase of 27% from the fourth quarter last year (NOK 39.4 million). Full year revenues were NOK 181.5 million (NOK 150.9 million), an increase of 20%. On a proforma basis the fourth quarter and full year increase in total revenue was 34% and 20% respectively.

Hexvix/Cysview revenues for the fourth quarter were NOK 46.3 million, an increase of 18% from the fourth quarter of 2017 (NOK 39.4 million). The increase was driven by strong sales in U.S. On a proforma basis, the fourth quarter increase in Hexvix/Cysview revenues were 28%.

Full year Hexvix/Cysview revenues were NOK 172.9 million (NOK 149.0 million), an increase of 16%. In constant currencies, Hexvix/Cysview revenues grew 15% for the year. On a proforma basis, the full year increase in Hexvix/Cysview revenues were 19%.

Other revenues in the fourth quarter include IFRS 15 adjustments of NOK 0.8 million. Full year other revenues include IFRS 15 adjustments of NOK 3.4 million. In addition, the company has received milestone payments and royalty from Bellus Medical for Allumera totaling NOK 2.5 million in the quarter and NOK 5.0 million for the full year.

Operating expenses

Total operating expenses, excluding one-off items, depreciation and amortization, were NOK 49.0 million (NOK 46.8 million) in the fourth quarter, an increase

of 5%. Full year, the operating expenses increased 4% to NOK 174.9 million (NOK 168.0 million).

The increase in operating expenses for the quarter as well as for the year was driven mainly by planned investments in U.S. commercial operations.

MNOK	Q4 '18	Q4 '17	FY '18	FY '17
Research & Developm.	2.0	5.6	9.3	18.9
Sales & Marketing	33.9	23.4	121.2	96.4
Other Opex	13.1	17.9	44.3	52.7
Operating expenses excl one-off	49.0	46.8	174.9	168.0
YoY growth	5 %		4 %	

Fourth quarter research and development (R&D) costs were NOK 2.0 million (NOK 5.6 million). R&D costs for the year were NOK 9.3 million (NOK 18.9 million), a reduction of 51%. The remaining R&D costs relate mainly to regulatory work and maintenance and expansion of Photocure's intellectual property.

Sales and marketing costs increased 45% to NOK 33.9 million (NOK 23.4 million) in the fourth quarter. Sales & marketing costs for the full year were NOK 121.2 million (NOK 96.4 million). The increase of 26% was in line with Photocure's strategic plans and was driven by activities in U.S.

Fourth quarter other operating expenses, which include supply chain, business development, and general/administration, were NOK 13.1 million compared to NOK 17.9 million in the same quarter in 2017. Full year other operating expenses decreased 16% to NOK 44.3 million (NOK 52.8 million).

Financial results

Recurring EBITDA was negative NOK 4.1 million (NOK -10.8 million) for the fourth quarter. Full year recurring EBITDA was negative NOK 10.5 million (NOK -29.1 million). Currency translation had a limited impact on fourth quarter results and a positive impact on full year EBITDA of approximately NOK 2 million compared to prior year.

Recurring EBITDA in the commercial segment was NOK 1.3 million for the fourth quarter (NOK 0.9 million) and full year NOK 8.4 million (NOK 10.4 million). The development portfolio recurring EBITDA for the fourth quarter was negative NOK 5.4 million (NOK -11.8 million) and full year negative NOK 18.9 million (NOK -39.5 million).

Full year depreciation and amortization was NOK 13.2 million (NOK 12.1 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 1.0 million net costs.

Restructuring costs totaling NOK 14.2 million relate to implemented organizational changes and a staff reduction of 5. 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 1.2 million (NOK 3.6 million) for the year. The decline was driven by reduced interest income and impact from currency.

Photocure had a net loss before tax of NOK 7.3 million in the fourth quarter (net loss of NOK 13.2 million) and a net loss before tax of NOK 36.7 million for the year (net loss of NOK 41.6 million).

Tax expenses in the fourth quarter were NOK 4.6 million (net income NOK 0.2 million) and full year NOK 0.0 million (net income of NOK 6.9 million). The net cost in fourth quarter is due to reduced tax rate driving lower tax asset.

Net loss was NOK 12.0 million in the fourth quarter (loss of NOK 13.0 million) and full year NOK 36.7 million (loss of NOK 34.7 million).

Cash flow and statement of financial position

Net cash flow from operations was positive NOK 11.2 million in the fourth quarter (positive NOK 7.5 million) and negative NOK 24.1 million for the year (negative NOK 23.6 million). The impact from changes to working capital full year was positive NOK 1.4 million (positive NOK 6.4 million).

Net cash flow from investments was negative NOK 0.4 million in the fourth quarter (negative NOK 1.2 million) and negative NOK 1.1 million for the year (negative NOK 16.3 million). The improvement was driven by the finalization of the Phase 3 market expansion trial for Cysview.

Fourth quarter cash flow from financing was positive NOK 3.1 million, driven by issuance of new shares for stock option program.

Fourth quarter net change in cash was positive NOK 14.0 million (positive NOK 6.3 million). Full year net change in cash was negative NOK 22.5 million (negative NOK 39.9 million). Cash and cash



equivalents were NOK 106.8 million at the end of the year.

Shareholders' equity was NOK 176.3 million at the end of the year, an equity ratio of 76%.

As of 31 December 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 a number of factors including inclusion in the AUA-SUO guidelines, increased patient awareness and the improved reimbursement of Cysview. These drivers will significantly increase penetration in the U.S. market. Furthermore, with the approval of Cysview to be used with flexible cystoscopes, a significant market opportunity has opened in the surveillance segment.

Given the large untapped market opportunities, the company will continue to invest in the U.S. commercial and medical infrastructure in 2019. Photocure is fully funded for this market strategy.

The company maintains its 2020 forecasted revenue range of USD 20-25 million in the U.S., up from USD 7.8 million in 2018, and sees significant continued revenue growth and profit opportunities in the U.S. market beyond 2020.

Along with our partner Karl Storz, we have doubled the number of installed blue light cystoscopes in the U.S. since 2016. We believe the continued strong installation growth rates will drive future revenue growth for Cysview. Key to our continued success is the acceleration and adoption of the newly approved Flexible Blue Light Surveillance Cystoscopy with Cysview performed in the larger surveillance market.

We will expand the commercial footprint by 50% early 2019. The expansion of customer facing roles will help drive cystoscopy installations in coordination with our partner Karl Storz and increase the number of patients treated with Cysview per installed scope in all settings of care.

The improved permanent reimbursement rates went into effect 1 January 2019 and will provide physicians the ability to use Cysview in Blue Light Cystoscopy procedures on the majority of their patients without negatively affecting their practice economics.

Recent bladder cancer patient survey data confirms that there is growing awareness and patient demand for Blue Light Cystoscopy with Cysview. Patients are now actively seeking treatment centers who offer Cysview and Blue Light Cystoscopy.

Our future growth rates will also be significant and sustainable through continued investment and focused execution.

The Board of Directors and CEO
Photocure ASA

Oslo, 26 February 2019

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 fourth quarter and full year 2018

Photocure Group – Statement of comprehensive income

		2018	2017	2018	2017
(all amounts in NOK 1,000 except per share data)	Note	Q4	Q4	1.1-31.12	1.1-31.12
Sales revenues	3	46,526	39,409	173,237	149,181
Signing fees and milestone revenues	3	3,340	-0	8,273	1,730
Total revenues		49,866	39,409	181,510	150,911
Cost of goods sold		-4,965	-3,404	-17,147	-12,011
Gross profit		44,901	36,005	164,363	138,900
Indirect manufacturing expenses	4	-1,626	-3,678	-10,252	-11,293
Research and development expenses	4	-4,467	-8,164	-19,145	-32,591
Marketing and sales expenses	4	-33,928	-23,382	-121,301	-96,430
Other operating expenses	4	-12,389	-14,924	-37,370	-43,789
Total operating expenses recurring		-52,409	-50,148	-188,066	-184,103
EBIT		-7,508	-14,143	-23,703	-45,203
Restructuring	7	-1,066	-	-14,199	-
EBIT including restructuring		-8,574	-14,143	-37,902	-45,203
Financial income		1,590	1,454	3,652	5,949
Financial expenses		-356	-485	-2,464	-2,326
Net financial profit/loss(-)		1,234	969	1,188	3,622
Profit/loss(-) before tax		-7,340	-13,174	-36,715	-41,580
Tax expenses	5	-4,630	171	6	6,883
Net profit/loss(-)		-11,970	-13,003	-36,709	-34,697
Other comprehensive income		106	66	-308	-507
Total comprehensive income		-11,864	-12,937	-37,017	-35,204
Net profit/loss(-) per share, undiluted	6	-0.55	-0.60	-1.70	-1.61
Net profit/loss(-) per share, diluted	6	-0.55	-0.60	-1.70	-1.61

Photocure Group – Statement of financial position

<i>(Amounts in NOK 1,000)</i>	Note	31.12.2018	31.12.2017
Non-current assets			
Intangible assets	8	22,502	33,315
Machinery & equipment		2,141	1,268
Deferred tax asset	5	52,377	52,903
Contract costs		747	
Total non-current assets		77,767	87,486
Current assets			
Inventories		18,582	19,552
Accounts receivable		20,371	14,573
Other receivables		7,643	12,119
Cash and short term deposits	9	106,833	129,368
Total current assets		153,429	175,613
Total assets		231,196	263,099
Equity and liabilities			
Equity			
Share capital	10	10,890	10,779
Other paid-in capital		63,656	57,740
Retained earnings		101,797	149,561
Shareholders' equity		176,342	218,080
Long-term liabilities			
Other non-current liabilities	7	2,401	4,752
Total long-term liabilities		2,401	4,752
Current liabilities		45,389	40,267
Contract liabilities		7,064	
Total liabilities		54,854	45,019
Total equity and liabilities		231,196	263,099

Photocure Group – Changes in equity

<i>(Amounts in NOK 1,000)</i>	Note	2018 Q4	2017 Q4	2018 1.1-31.12	2017 1.1-31.12
Equity at end of prior period				218,080	251,943
Adjustments initial applications of IFRS 15 & IFRS 9	3			-10,746	
Adjusted equity beginning of period		182,621	230,724	207,334	251,943
Capital increase		5,597		6,339	
Share-based compensation (share options employees)		-12	292	63	1,341
Own shares				-377	
Comprehensive income		-11,864	-12,937	-37,017	-35,204
Equity at end of period		176,342	218,080	176,342	218,080

Photocure Group – Cash flow statement

	2018 Q4	2017 Q4	2018 1.1-31.12	2017 1.1-31.12
<i>(Amounts in NOK 1,000)</i>				
Profit/loss(-) before tax	-7,340	-13,174	-36,715	-41,580
Depreciation and amortisation	3,431	3,309	13,211	12,108
Share-based compensation	-12	292	63	1,341
Net interest income	-149	-268	-1,125	-2,310
Changes in working capital	12,738	17,121	1,416	6,396
Other operational items	2,512	213	-976	452
Net cash flow from operations	11,180	7,493	-24,124	-23,593
Net investments in fixed assets	-528	-683	-1,630	-1,050
Development expenditures	-	-803	-559	-17,538
Received interest payments	149	268	1,125	2,310
Cash flow from investments	-379	-1,218	-1,063	-16,278
Share capital increase employees	6,339	-	6,339	-
Reclassification and paid long-term liability	-3,136	-	-3,310	-
Buy back own shares	-	-	-377	-
Cash flow from financing activities	3,203	-	2,652	-
Net change in cash during the period	14,005	6,276	-22,535	-39,871
Cash & cash equivalents at beginning of period	92,828	123,092	129,368	169,239
Cash & cash equivalents at end of period	106,833	129,368	106,833	129,368

Notes to the accounts for fourth quarter and full 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 Hoffsvæien 4, NO-0275 Oslo, Norway.

Photocure Group (Photocure) comprises Photocure ASA and the wholly owned subsidiary Photocure Inc. that is a US registered company.

Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 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 26 February 2019.

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 recognised 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 16 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. The preliminary calculation of future office lease contracts amounts to approximately NOK 10.0 million.

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 - 31 December 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	110,725	62,209	303	173,237	-	-	-	173,237
Milestone revenues	-	3,378	4,895	8,273	-	-	-	8,273
Cost of goods sold	-6,562	-10,514	-71	-17,147	-	-	-	-17,147
Gross profit	104,163	55,073	5,127	164,363	-	-	-	164,363
Gross profit of sales %	94 %	83 %	77 %	90 %				90 %
R&D	-	-	-	-	-2,363	-6,962	-9,325	-9,325
Sales & marketing	-113,961	-6,258	-	-120,219	-	-994	-994	-121,213
Other & allocations	-18,123	-17,630	-	-35,753	-1,357	-7,206	-8,563	-44,317
Operating expenses	-132,084	-23,888	-	-155,972	-3,721	-15,162	-18,883	-174,855
EBITDA	-27,921	31,185	5,127	8,391	-3,721	-15,162	-18,883	-10,492



Photocure – Results for fourth quarter and full year 2018

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

Q4 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	31,959	14,385	182	46,526	-	-	-	46,526
Milestone revenues	-	845	2,495	3,340	-	-	-	3,340
Cost of goods sold	-2,023	-3,054	112	-4,964	-	-	-	-4,964
Gross profit	29,937	12,176	2,789	44,902	-	-	-	44,902
Gross profit of sales %	94 %	79 %	161 %	89 %				89 %
R&D	-	-	-	-	-669	-1,343	-2,012	-2,012
Sales & marketing	-32,213	-1,401	-	-33,613	-	-284	-284	-33,897
Other & allocations	-5,047	-4,946	-	-9,992	-497	-2,581	-3,078	-13,070
Operating expenses	-37,259	-6,346	-	-43,605	-1,166	-4,208	-5,374	-48,979
EBITDA	-7,322	5,830	2,789	1,297	-1,166	-4,208	-5,374	-4,077

Q4 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	23,069	16,339	-	39,409	-	-	-	39,409
Milestone revenues	-	-	-	-	-	-	-	-
Cost of goods sold	-875	-2,529	-	-3,404	-	-	-	-3,404
Gross profit	22,195	13,810	-	36,005	-	-	-	36,005
Gross profit of sales %	96 %	85 %		91 %				91 %
R&D	-	-	-	-	-1,691	-3,890	-5,582	-5,582
Sales & marketing	-20,030	-2,409	-	-22,439	-	-924	-924	-23,363
Other & allocations	-5,058	-7,327	-236	-12,620	-1,355	-3,919	-5,274	-17,894
Operating expenses	-25,088	-9,735	-236	-35,059	-3,046	-8,734	-11,780	-46,839
EBITDA	-2,893	4,075	-236	946	-3,046	-8,734	-11,780	-10,834

Note 3 – Changes in significant accounting policies

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

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

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

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

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

Statement of financial position	01.01.2018			31.12.2018		
	As reported	Adjust-ments	Without adjustm.	As reported	Adjust-ments	Without adjustm.
<i>(Amounts in NOK 1 000)</i>						
Intangible assets	33,315		33,315	22,502		22,502
Contract costs	1,744	-1,744	-	747	-747	-
Other Non-current assets	54,171		54,171	54,518		54,518
Accounts receivable	14,371	202	14,573	20,371	288	20,660
Other Current assets	161,040		161,040	133,058		133,058
Total Assets	264,641	-1,542	263,099	231,196	-459	230,737
Shareholders' equity	207,334	10,746	218,080	176,342	6,605	182,947
Long-term liabilities	4,752		4,752	2,401		2,401
Contract liabilities	12,288	-12,288	-	7,064	-7,064	-0
Other Current liabilities	40,267		40,267	45,389		45,389
Total equity and liabilities	264,641	-1,542	263,099	231,196	-459	230,737

Statement of comprehensive income	31.12.2018		
	As reported	Adjust-ments	Without adjustm.
<i>(all amounts in NOK 1 000)</i>			
Sales revenues	173,237	-1,846	171,391
Signing fees and milestone revenues	8,273	-3,378	4,896
Cost of goods sold	-17,147		-17,147
Gross profit	164,363	-5,224	159,140
Total operating expenses	-188,066	1,064	-187,002
EBIT	-23,703	-4,160	-27,863

Note 4 – Income statement classified by nature

	2018	2017
(Amounts in NOK 1 000)	1.1-31.12	1.1-31.12
Sales revenues	173,237	149,181
Signing fees and milestone revenues	8,273	1,730
Cost of goods sold	-17,147	-12,011
Gross profit	164,363	138,900
Payroll expenses	-99,369	-96,271
R&D costs excl. payroll expenses/other operating exp.	-3,742	-12,999
Ordinary depreciation and amortisation	-13,211	-12,108
Other operating expenses	-71,744	-62,725
Total operating expenses	-188,066	-184,103
EBIT	-23,703	-45,203

Note 5 – Tax

(Amounts in NOK 1 000)	31.12.2018	31.12.2017
Income tax expense		
Tax payable	533	-
Changes in deferred tax	-526	-6,883
Total income tax expense	6	-6,883
Tax base calculation		
Profit before income tax	1,654	-34,546
Permanent differences	801	-3,618
Temporary differences	-8,063	26,568
Change in tax loss carried forward	5,609	11,596
Tax base	0	0
Temporary differences:		
Total	-97,966	-100,528
Tax loss carried forward	336,041	330,542
Net temporary differences	238,075	230,014
Deferred tax benefit	238,075	230,014
Deferred tax asset	52,377	52,903

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

The calculation of deferred tax asset 31 December 2018 is based on a tax rate of 22% 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 December 2018 is NOK 52.4 million compared to NOK 52.9 million at end of 2017. There is no expiry on losses to be carried forward in Norway. The basis for recognition of a tax asset in Norway are the predicted future profit according to the business plan for all major markets and that temporary differences for the coming years will be reversed. The basis for the recognition of the tax asset is the assessment that there is convincing evidence that the deferred tax benefit will be utilized.

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

Note 6 – Earnings per share

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

	2018	2017
(Figures indicate the number of shares)	1.1-31.12	1.1-31.12
Issued ordinary shares 1 January	21,557,910	21,557,910
Effect of treasury shares	-9,616	-809
Effect of shares issued	34,686	-
Weighted average number of shares	21,582,980	21,557,101
Effect of outstanding share options	47,512	10,175
Weighted average number of diluted shares	21,630,492	21,567,276
Earnings per share in NOK	-1.70	-1.61
Earnings per share in NOK diluted	-1.70	-1.61

Note 7 – Restructuring

Restructuring costs have been incurred with NOK 14.2 million for the year 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 are costs related to the exit of the CEO totaling NOK 7.0 million according to the employment agreement.

As part of the exit agreements pension coverage in the Photocure balance has been reclassified to short term liabilities with NOK 3.2 million as of December 31, 2018.

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
Net book value 01.01.18	1,268	35,059
Net investments 31.12.18	1,480	794
Depreciation and amortization	-607	-12,604
Net book value 31.12.18	2,141	23,249

Photocure has from 2015 carried out a clinical study in US for the approved product Cysview in order to file a supplemental NDA. Related to this study Photocure has capitalized, net after amortization, NOK 19.6 million as of end December 2018 compared to NOK 29.0 million as of 31 December 2017. The investment is amortized on a straight-line basis in the profit and loss from the start of the project and over the remaining patent period for the approved product and indication.

The remaining intangible assets consist of capitalized software and project for new homepage. From 01 January 2018 the implementation of IFRS 15 entails contract costs for milestones to be included.

Note 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	Level 1	Level 2	Level 3	Total
(Amounts in NOK 1 000)				
Financial assets available for sale:				
- Money market funds	79,114	-	-	79,114
Total	79,114	-	-	79,114

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 31 December 2018	21,779,008	NOK 0.50	10,889,504
Treasury shares:			
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
Holdings of treasury shares at 31 December 2018	14,930		7,465

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

	Purchase, treasury shares	Ordinary share issue	Employee share issues
<i>(Figures indicate the number of shares)</i>			
Authorisation issued at the General Meeting on 9 May 2018	2,155,791	2,155,791	1,077,895
Share issues after the General Meeting on 9 May 2018	-	-	185,434
Purchase of treasury shares	-1,121	-	-
Remaining under authorisations at 31 December 2018	2,154,670	2,155,791	892,461

Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of 31 December 2018:

Name	Position	No. of shares	No. of restricted shares	No. of subscription rights
Daniel Schneider	President & CEO	15,000	-	-
Erik Dahl	Chief Financial Officer	3,500	5,046	49,500
Ambaw Bellele	Head, US Cancer Commercial Operations	3,600	5,551	22,500
Grete Hogstad	Vice President Strategic Marketing	13,878	4,025	45,000
Espen Njåstein	Head, Nordic Cancer Commercial Operations	8,378	2,691	51,100
Gry Stensrud	Vice President Technical Development & Operations	1,845	3,803	53,300
Jan H. Egbert	Chairperson of the board	14,500	-	-
Gwen Melincoff	Board member	1,000	-	-
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 31 December 2018, employees in Photocure had the following share option schemes:

Year of allocation	2017	2016	2015
Option programme	2017	2016	2015
Number	43,000	188,700	150,168
Exercise price (NOK)	38.06	40.15	32.78
Date of expiry (31 December)	2021	2020	2019

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

	31.12.2018		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	170,367	38.02	94,627	37.35
Exercised during the year	185,434	30.18	2,667	27.39
Expired during the year	-	-	207,092	38.50
Outstanding at end of period	381,868	35.37	737,669	35.53
Exercisable options at end of period	367,533	36.98	591,389	34.56

Note 12 – Shareholders

Overview of the major shareholders at 1 January 2019:

Shareholder	Account type	Citizen	No of shares	%
HIGH SEAS AS		NOR	2,220,000	10.19 %
FONDSFINANS NORGE		NOR	975,000	4.48 %
KLP AKSJENORGE		NOR	930,062	4.27 %
RADIUMHOSPITALET FORSKNINGSSTIFTELSE		NOR	693,319	3.18 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	679,994	3.12 %
MP PENSJON PK		NOR	674,355	3.10 %
MYRLID AS		NOR	585,000	2.69 %
NORDNET LIVSFORSIKRING AS		NOR	409,871	1.88 %
DANSKE BANK A/S	NOM	DNK	360,811	1.66 %
BNP PARIBAS SECURITIES SERVICES	NOM	AUS	356,186	1.64 %
VICAMA AS		NOR	329,530	1.51 %
POLAR CAPITAL GLOBAL HEALTHCARE		GBR	254,537	1.17 %
RUL AS		NOR	244,451	1.12 %
FONDSFINANS GLOBAL HELSE		NOR	234,490	1.08 %
EGELAND HOLDING AS		NOR	230,000	1.06 %
LEHRE HOLDING AS		NOR	212,731	0.98 %
BILLINGTON ERIK		NOR	190,000	0.87 %
NORDNET BANK AB	NOM	SWE	189,523	0.87 %
A/S SKARV		NOR	150,000	0.69 %
PIBCO AS		NOR	140,000	0.64 %
Total 20 largest shareholders			10,059,860	46.19 %
Total other shareholders			11,719,148	53.81 %
Total number of shares			21,779,008	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 Q4	2017 Q4	2018 1.1-31.12	2017 1.1-31.12
<i>(all amounts in NOK 1 000)</i>				
Gross profit	44,901	36,005	164,363	138,900
Operating expenses excl amortization & depreciation	-48,978	-46,838	-174,855	-168,016
EBITDA recurring	-4,077	-10,833	-10,492	-29,116
Amortization & depreciation	-3,431	-3,310	-13,211	-12,108
EBIT recurring	-7,508	-14,143	-23,703	-41,224

Recurring EBITDA equals EBITDA before one-off items. One-off items are accounting items of a significant and extraordinary nature. In 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 2018 Photocure incurred NOK 14.2 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 Q4	2017 Q4	2018 1.1-31.12	2017 1.1-31.12
USD (NOK per 1 USD)	8.44	8.16	8.13	8.27
EUR (NOK per 1 EUR)	9.63	9.62	9.60	9.33
DKK (NOK per 100 DKK)	129.10	129.20	128.80	125.42
SEK (NOK per 100 SEK)	93.39	98.12	93.63	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	2017	2018	2017
	Q4	Q4	1.1-31.12	1.1-31.12
<i>(all amounts in NOK 1 000)</i>				
In-market sales	73,189	63,814	284,809	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 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	Q4 '17			FY '17		
	Reported	Adjustm	ProForma	Reported	Adjustm	ProForma
Hexvix / Cysview revenues	39.4	-3.1	36.3	149.0	-3.4	145.6
Other revenues	0.0	0.8	0.8	1.9	3.4	5.3
Total revenues	39.4	-2.3	37.1	150.9	-0.0	150.9
Gross profit	36.0	-2.3	33.7	138.9	-0.0	138.9
Operating expenses	-46.8	0.0	-46.8	-168.0	-0.0	-168.0
EBITDA recurring	-10.8	-2.3	-13.1	-29.1	-0.0	-29.1
Depreciation & amortization	-3.3	-0.2	-3.6	-12.1	-1.0	-13.1
EBIT recurring	-14.1	-2.5	-16.6	-41.2	-1.0	-42.2
One-Off items	-	-	-	-4.0	-	-4.0
EBIT	-14.1	-2.5	-16.6	-45.2	-1.0	-46.2
Net financial items	1.0	-	1.0	3.6	-	3.6
Tax expenses	0.2	-	0.2	6.9	-	6.9
Net profit/loss(-)	-13.0	-2.5	-15.5	-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



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