



THE
BLADDER CANCER
COMPANY™



Q1

First quarter
report 2019

Highlights for first quarter 2019

(Numbers in brackets and comparisons are for the corresponding period in 2018.)

- First quarter Hexvix/Cysview revenue increased 26% to NOK 51.2 million (NOK 40.7 million). Increase from fourth quarter 2018 was 10%
- Continued strong U.S. Cysview revenue growth, first quarter YoY increase of 52% in USD. Installed base of blue light cystoscopes at 171 at the end of the first quarter, including 11 flexible cystoscopes
- Recurring EBITDA at NOK -1.5 million, an improvement of NOK 2.5 million from first quarter last year
- An expert consensus opinion regarding when and how to use Cysview to detect bladder cancer using a flexible cystoscope was published in *Nature Review Urology* (April)
- A study was published in *World Journal of Urology*, showing that patients who undergo bladder tumor resection with Blue Light Cystoscopy (BLC™) with Hexvix exhibit improved outcomes (April).
- Strong clinical data of BLC™ with Hexvix/Cysview was presented during the European Association of Urology annual congress in March and the American Urological Association annual meeting in May

Key figures:

Figures in NOK million	Q1 2019	Q1 2018	Change	FY 2018
Hexvix/Cysview revenues	51.2	40.7	26 %	172.9
Total revenues	52.2	41.6	26 %	181.5
Operating expenses	-48.3	-42.2	14 %	-174.9
EBITDA recurring	-1.5	-4.0		-10.5
EBITDA commercial franchise	1.7	0.9		8.4
EBITDA development portfolio	-3.2	-5.0		-18.9
EBIT recurring	-5.8	-7.3		-23.7
Restructuring expenses				-14.2
Net Profit/loss (-)	-4.9	-3.0		-36.7
Cash & cash equivalents	91.4	110.7		106.8

President & CEO Daniel Schneider comments:

"We are off to a strong start in 2019, continuing the momentum begun in 2018 posting another record quarter of results. In particular, the U.S. growth trajectory continues with a YoY increase of 52% in USD. We are still very early in the launch phase into the U.S. surveillance market with tremendous potential for long term sustained growth. Our direct efforts in the Nordic countries continue to produce strong single digit growth as expected in this mature market. Partnered sales have begun to show improvement.

We have received strong endorsement for the use of BLC with flexible cystoscopes in the surveillance market through the newly published Expert Consensus Guidelines, further underscoring the importance BLC should play in the treatment of NMIBC.

It is our ambition to make Hexvix/Cysview the standard of care for bladder cancer patients. Keys to Success are in place:

- Approval – Broader US Indication into the 3x larger surveillance market
- Acceptance - AUA, EAU, SUO and many regional and local guidelines as well as the newly published Expert Consensus Guidelines for surveillance with flexible cystoscopes
- Access - Permanent and favorable reimbursement as of January 2019



- *Activated Awareness – Patient demand via advocacy groups and media; 99% of bladder cancer patients in a recent survey intend to seek institutions offering BLC*
- *Acceleration – Commercial investment in the US to optimize the opportunity in our largest and untapped market*

We will maximize the return on our commercial investment by executing our plans in the 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 its positive momentum from previous quarters and recorded another all-time high for revenue. First quarter total revenue increased 26% to NOK 52.2 million (NOK 41.6 million) compared to last year, mainly driven by significant improvements in sales performance in U.S. First quarter revenue increase in U.S. was 52% measured in USD.

Additionally, first quarter total revenue was impacted positively by foreign exchange by approximately 5%.

Operating expenses, excluding depreciation and amortization, increased 21% to NOK 45.1 million (NOK 37.3 million) in the first quarter. The operating expenses increased 3% from fourth quarter 2018. Increases were driven by planned increase in U.S. commercial efforts.

First quarter recurring EBITDA was NOK 1.7 million, an improvement from first quarter 2018 (NOK 0.9 million) and fourth quarter 2018 (NOK 1.3 million). First quarter recurring EBITDA margin was 3%.

MNOK	Q1 '19	Q1 '18	FY '18
Nordic - Hexvix	13.1	12.1	47.0
US - Cysview	21.2	12.7	63.7
Partners	17.0	15.8	62.2
Hexvix/Cysview total	51.2	40.7	172.9
<i>YoY growth</i>	<i>26 %</i>		
Other revenues	1.0	0.9	0.0
Total revenues	52.2	41.6	181.5
<i>YoY growth</i>	<i>26 %</i>		
Gross profit	46.8	38.2	164.4
Operating expenses	-45.1	-37.3	-156.0
EBITDA	1.7	0.9	8.4
<i>EBITDA margin</i>	<i>3 %</i>	<i>2 %</i>	<i>5 %</i>

Hexvix®/Cysview®

Global in-market unit sales increased 7% in the first quarter reflecting an in-market value of NOK 80 million (NOK 68 million) for the quarter.

U.S. Cysview sales

First quarter revenue in U.S. increased 66% to NOK 21.2 million (NOK 12.7 million) compared to the prior year, driven by volume growth, positive foreign exchange impact and price increase. In USD, first quarter revenue grew 52% compared to last year. In-market unit sales in the U.S. increased 44% in the first quarter. This improvement reflects productivity improvements as well as expanded sales resources. U.S. is the largest and fastest growing region for Photocure.

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

As in previous quarters, the improvement reflects increased productivity as well as additional sales resources.

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 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 first quarter the total installed base of rigid cystoscopes was 160, an increase of 11 in the quarter and 47 (42%) since first quarter prior 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 first quarter 11 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.

Nordic Hexvix sales

Nordic revenues increased 8% to NOK 13.1 million (NOK 12.1 million) in the first quarter. The increase was driven both by unit growth and by price increases.

Photocure's in-market unit sales in the Nordic region in first quarter increased 13% as opposed to last year's decline. The growth was particularly strong in Denmark (30%).

In August 2018, 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. Commercial sales have commenced as planned in the first quarter, albeit with low volumes.

Hexvix/Cysview partner sales

Partner revenue increased 7% to NOK 17.0 million (NOK 15.8 million) in the first quarter. The increase was driven by increased average price and some impact from foreign exchange.

In-market unit sales were at level with first quarter 2018, with growth in Germany offset by declines in other countries.

Hexvix/Cysview publications and presentations

The company has had several publications and presentations in 2019:

In March, at the European Association of Urology (EAU) congress held in Barcelona, Spain, Dr. Yair Lotan, M.D., Professor of Urology, University of Texas Southwestern Medical Center presented on "Blue Light Flexible Cystoscopy with Hexaminolevulinate for Surveillance of Bladder Cancer".

In April, an Expert Consensus on the optimal use of Blue Light Cystoscopy (BLC™) with Cysview was announced in *Nature Reviews Urology*. The consensus opinion was regarding when and how to use Cysview to detect bladder cancer using a flexible cystoscope.

In April, a study was published in *World Journal of Urology*, showing that patients who undergo bladder tumor resection with Blue Light Cystoscopy (BLC™) with Hexvix exhibit improved outcomes even if they progress to disease stages which require radical cystectomy.

In May, at the American Urological Association Meeting (AUA 2019) in Chicago, U.S., Photocure was exhibiting Blue Light Cystoscopy (BLC™) with Cysview using both rigid and flexible equipment. Cysview was also showcased during plenary and poster sessions at the AUA annual meeting.

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 2018; references to the prior year refer to a comparison to the same period 2018, unless otherwise stated).

MNOK	Q1 '19	Q1 '18	FY '18
Hexvix / Cysview revenues	51.2	40.7	172.9
Other revenues	1.0	0.9	8.6
Total revenues	52.2	41.6	181.5
Gross profit	46.8	38.2	164.4
Operating expenses	-48.3	-42.2	-174.9
EBITDA recurring	-1.5	-4.0	-10.5
Depreciation & amortization	-4.2	-3.2	-13.2
Restructuring expenses	-	-	-14.2
EBIT	-5.8	-7.3	-37.9
Net financial items	-0.2	-0.2	1.2
Earnings before tax	-6.0	-7.5	-36.7
Tax expenses	1.0	4.5	0.0
Net earnings	-4.9	-3.0	-36.7

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. Photocure's strategy is to maximize its commercial presence and the opportunity of its flagship brand Hexvix/Cysview in bladder cancer. In addition, the Company will continue to explore alone or in partnership with others new product opportunities that is complementary to the Company's commercial activities and expertise.

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

Total revenues in the first quarter were NOK 52.2 million, an increase of 26% from the first quarter last year (NOK 41.6 million).

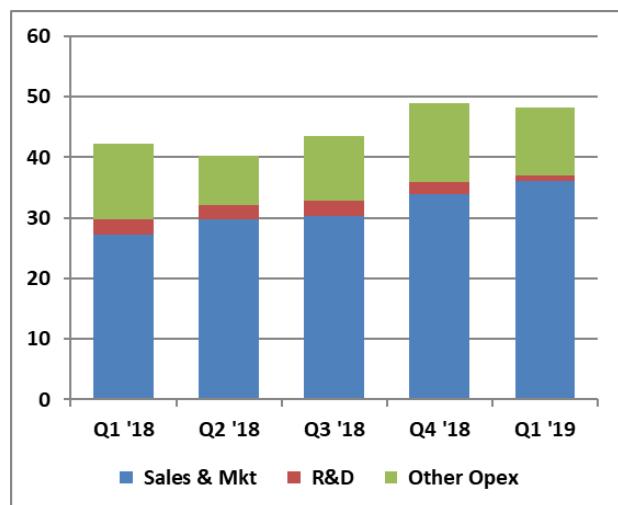
Hexvix/Cysview revenues for the first quarter were NOK 51.2 million, an increase of 26% from the first quarter of 2018 (NOK 40.7 million). The increase was mainly driven by strong sales in U.S, but all regions reported improvements from last year.

Other revenues in the first quarter include IFRS 15 adjustments of NOK 0.8 million.

Operating expenses

Total operating expenses, excluding depreciation and amortization, were NOK 48.3 million (NOK 42.2 million) in the first quarter, a decline of 1% from fourth quarter 2018.

The YoY increase in operating expenses was driven by planned investments in U.S. commercial operations.



First quarter research and development (R&D) costs were NOK 1.0 million (NOK 2.5 million), a reduction of 61%. The remaining R&D costs relate mainly to regulatory work and maintenance and expansion of Photocure's intellectual property.

Sales and marketing costs increased 33% to NOK 36.0 million (NOK 27.2 million) in the first quarter. The increase was in line with Photocure's strategic plans and was driven by activities in U.S. Compared to fourth quarter 2018 the increase was 6%.

First quarter other operating expenses, which include supply chain, business development, and general/administration, were NOK 11.3 million compared to NOK 12.6 million in the same quarter in 2018, a reduction of 10%.

Financial results

Recurring EBITDA was negative NOK 1.5 million (NOK -4.0 million) for the first quarter. Currency translation had a limited but negative effect on the quarter EBITDA compared to last year.

Recurring EBITDA in the commercial segment was NOK 1.7 million for the first quarter (NOK 0.9 million). The development portfolio recurring EBITDA for the

first quarter was negative NOK 3.2 million (NOK -5.0 million).

First quarter depreciation and amortization was NOK 4.2 million (NOK 3.2 million). The main cost item was 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 the adoption of IFRS 16 as the amortization of the right-of-use assets replace office rental costs as reported operating lease (see note 3 to the accounts).

Net financial items were NOK -0.2 million (NOK -0.2 million) for the first quarter.

Photocure had a net loss before tax of NOK 6.0 million in the first quarter (net loss of NOK 7.5 million). Net loss after tax was NOK 4.9 million (net loss of NOK 3.0 million).

Cash flow and statement of financial position

Net cash flow from operations was negative NOK 15.7 million in the first quarter (negative NOK 18.5 million). The improvement was mainly driven by improved EBITDA. The impact from changes to working capital for the quarter was negative NOK 12.5 million (negative NOK 11.0 million). Included in the working capital for the quarter was payments of NOK 3.2 million related to the 2018 restructuring.

Net cash flow from investments was positive NOK 0.5 million in the first quarter (negative NOK 0.1 million).

First quarter cash flow from financing was negative NOK 0.2 million.

First quarter net change in cash was negative NOK 15.4 million (negative NOK 18.6 million). Cash and cash equivalents were NOK 91.4 million at the end of the first quarter.

Shareholders' equity was NOK 171.8 million at the end of the first quarter, an equity ratio of 74%.

As of 31 March 2019, 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 2018.

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 should 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 has a 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 have expanded the number of customer facing roles in U.S. by 50% since the beginning of 2018. This will help drive blue light cystoscope 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 increase in commercial footprint will to a large extent be achieved by re-purposing existing headcount to sales and thereby limit the overall increase in headcount.

The improved permanent reimbursement rates in U.S. which went into effect 1 January 2019 will provide physicians the ability to use Cysview in Blue



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Photocure – Results for first quarter 2019

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, 13 May 2019

Jan Hendrik Egberts
Chairperson

Johanna Holldack
Director

Gwen Melincoff
Director

Tom Pike
Director

Grannum R. Sant
Director

Daniel Schneider
President and CEO



Photocure Group Accounts for first quarter 2019

Photocure Group – Statement of comprehensive income

(all amounts in NOK 1,000 except per share data)	Note	2019	2018	2018
		Q1	Q1	1.1-31.12
Sales revenues		51,353	40,712	173,237
Signing fees and milestone revenues		845	845	8,273
Total revenues		52,198	41,557	181,510
Cost of goods sold		-5,430	-3,361	-17,147
Gross profit		46,768	38,196	164,363
Indirect manufacturing expenses	4	-2,779	-3,323	-10,252
Research and development expenses	4	-3,472	-4,934	-19,145
Marketing and sales expenses	4	-36,067	-27,205	-121,301
Other operating expenses	4	-10,213	-9,997	-37,370
Total operating expenses recurring		-52,531	-45,459	-188,066
EBIT before restructuring		-5,764	-7,262	-23,703
Restructuring		-	-	-14,199
EBIT including restructuring		-5,764	-7,262	-37,902
Financial income		1,449	667	3,652
Financial expenses		-1,646	-863	-2,464
Net financial profit/loss(-)		-197	-197	1,188
Profit/loss(-) before tax		-5,960	-7,459	-36,715
Tax expenses	5	1,049	4,457	6
Net profit/loss(-)		-4,911	-3,002	-36,709
Other comprehensive income		-247	-509	-308
Total comprehensive income		-5,158	-3,511	-37,017
Net profit/loss(-) per share, undiluted	6	-0.23	-0.14	-1.70
Net profit/loss(-) per share, diluted	6	-0.23	-0.14	-1.70

Photocure Group – Statement of financial position

(Amounts in NOK 1,000)	Note	31.03.2019	31.03.2018	31.12.2018
Non-current assets				
Intangible assets	7	19,569	30,947	22,502
Machinery & equipment		1,940	1,229	2,141
Right-of-use assets	3	9,499		
Deferred tax asset	5	53,426	57,360	52,377
Contract costs		498	1,495	747
Total non-current assets		84,932	91,030	77,767
Current assets				
Inventories		18,630	17,779	18,582
Accounts receivable		26,584	17,527	20,371
Other receivables		10,852	13,176	7,643
Cash and short term deposits	8	91,405	110,747	106,833
Total current assets		147,472	159,229	153,429
Total assets		232,404	250,259	231,196
Equity and liabilities				
Equity				
Share capital	9	10,898	10,779	10,890
Other paid-in capital		64,261	57,780	63,656
Retained earnings		96,639	135,305	101,797
Shareholders' equity		171,798	203,864	176,342
Long-term liabilities				
Pension liability		2,566	4,989	2,401
Lease liability	3	9,490		
Total long-term liabilities		12,056	4,989	2,401
Current liabilities		39,453	31,695	45,389
Contract liabilities		9,098	9,712	7,064
Total liabilities		60,607	46,396	54,854
Total equity and liabilities		232,404	250,259	231,196

Photocure Group – Changes in equity

(Amounts in NOK 1,000)	Note	2019	2018	2018
		Q1	Q1	1.1-31.12
Equity at end of prior period		176,342	218,080	218,080
Adjustments initial applications of IFRS 15 & IFRS 9			-10,746	-10,746
Adjusted equity beginning of period		176,342	207,334	207,334
Capital increase		614		6,339
Share-based compensation (share options employees)			40	63
Own shares				-377
Comprehensive income		-5,158	-3,511	-37,017
Equity at end of period		171,798	203,864	176,342



Photocure Group – Cash flow statement

	2019	2018	2018
(Amounts in NOK 1,000)	Q1	Q1	1.1-31.12
Profit/loss(-) before tax	-5,960	-7,459	-36,715
Depreciation and amortisation	4,230	3,213	13,211
Share-based compensation		40	63
Net interest income	-543	-330	-1,125
Changes in working capital	-12,528	-10,985	1,416
Other operational items	-906	-2,974	-976
Net cash flow from operations	-15,707	-18,495	-24,124
Net investments in fixed assets	-17	-63	-1,630
Development expenditures		-394	-559
Received interest payments	543	330	1,125
Cash flow from investments	526	-126	-1,063
Share capital increase employees	614		6,339
Reclassification and paid long-term liability			-3,310
Payment lease liability	-861		
Buy back own shares			-377
Cash flow from financing activities	-247	-	2,652
Net change in cash during the period	-15,428	-18,621	-22,535
Cash & cash equivalents at beginning of period	106,833	129,368	129,368
Cash & cash equivalents at end of period	91,405	110,747	106,833

Notes to the accounts for first quarter 2019

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 development, production, distribution, marketing and sales of pharmaceutical products and related technical medical equipment. The Company's shares are listed on the Oslo Stock Exchange (OSE: PHO). The Company's registered office is Hoffsveien 4, NO-0275 Oslo, Norway.

Photocure Group (Photocure) comprises Photocure ASA and the wholly owned subsidiary Photocure Inc. that is a 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 2018 (the Annual Financial Statements) as they provide an update of previously reported information.

The Group's financial statements include from 2019 the principles and presentation related to the implementation of IFRS 16. 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 13 May 2019.

Photocure ASA 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 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 do not have a significant impact on Photocure's statement of financial position as future lease payments under existing office lease contracts are limited, ref. note 14 to the 2018 annual financial statements. The initial calculation of the Right-of-use assets and corresponding leasing liabilities as per 1 January 2019 related to office lease contracts amounts to NOK 10.4 million.

Important accounting valuations, estimates and assumptions

IFRS 15

The adoption of IFRS 15 from 2018 has an impact on Photocure's timing of recognition of sale of goods. The timing effect of recognition of sales of goods is calculated to be NOK 6.4 million in reduction of equity as of January 1, 2018 and NOK 4.5 million as of 31 December 2018.

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 results in revenue being deferred compared to revenue recognition under the old standard. 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. As of 31 December 2018, remaining deferred contract revenue was NOK 2.5 million while related contract costs had remaining amortization of NOK 0.7 million.

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 March 2019 (Amounts in NOK 1 000)	Commercial Franchise			Development Portfolio			Grand Total
	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	
Sales revenues	34,248	16,977	128	51,353	-	-	51,353
Milestone revenues	-	845	-	845	-	-	845
Cost of goods sold	-2,298	-3,056	-76	-5,430	-	-	-5,430
Gross profit	31,950	14,766	53	46,768	-	-	46,768
Gross profit of sales %	93 %	82 %	41 %	89 %			89 %
R&D	-	-	-	-	-390	-581	-972
Sales & marketing	-33,202	-2,262	-	-35,464	-155	-409	-564
Other & allocations	-4,675	-4,289	-686	-9,650	-661	-989	-1,650
Operating expenses	-37,877	-6,551	-686	-45,114	-1,207	-1,979	-3,187
EBITDA	-5,927	8,214	-633	1,654	-1,207	-1,979	-3,187
							-1,533

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



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		
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

Note 3 – Changes in significant accounting policies

The Group has initially adopted IFRS 16 “Leases” from 1 January 2019. The effect of initially applying this standard is mainly attributed to the following:

- The adoption of IFRS 16 have an impact on Photocure's recognition of operating expenses as the amortization of the right-of-use assets replace office rental costs as reported operating lease.
- The lease liability is measured at the present value of the lease payments that are not paid at the commencement, discounted using the Groups incremental borrowing rate as the discount rate.

The Group has adopted IFRS 16 using the cumulative effect method and accordingly, the information presented for 2018 has not been restated.

The following table summarizes the impacts of transition to IFRS 16 at 1 January 2019 and 31 March 2019.

Impacts on transition (Amounts in NOK 1 000)	01.01.2019		31.03.2019
	Discount rate	Value	Value
Right-of-use assets Norway	2.60 %	6,393	5,794
Right-of-use assets US	5.20 %	3,958	3,705
Total Lease Assets		10,351	9,499
Lease liability		-10,351	-9,490
Total non-current liabilities	-	-10,351	-9,490

Impacts for the period (Amounts in NOK 1 000)	01.01.- 31.03.19
Amortisation of assets	851
Interest expenses	64
Costs IFRS 16	915

Note 4 – Income statement classified by nature

(Amounts in NOK 1 000)	2019 1.1-31.03	2018 1.1-31.03	2018 1.1-31.12
Sales revenues	51,353	40,712	173,237
Signing fees and milestone revenues	845	845	8,273
Cost of goods sold	-5,430	-3,361	-17,147
Gross profit	46,768	38,196	164,363
Payroll expenses	-31,197	-25,914	-99,369
R&D costs excl. payroll expenses/other opera-	-532	-858	-3,742
Ordinary depreciation and amortisation	-4,230	-3,213	-13,211
Other operating expenses	-16,571	-15,474	-71,744
Total operating expenses recurring	-52,531	-45,459	-188,066
EBIT before restructuring	-5,764	-7,262	-23,703

Note 5 – Tax

(Amounts in NOK 1 000)	31.03.2019	31.12.2018
Income tax expense		
Tax payable	-	533
Changes in deferred tax	1,049	-526
Total income tax expense	1,049	6
Tax base calculation		
Profit before income tax	-4,553	1,654
Permanent differences	-215	801
Temporary differences	6,582	-8,063
Change in tax loss carried forward	-1,815	5,609
Tax base	0	0
Temporary differences:		
Total	-91,383	-97,966
Tax loss carried forward	334,226	336,041
Net temporary differences	242,843	238,075
Deferred tax benefit	242,843	238,075
Deferred tax asset	53,426	52,377

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

The calculation of deferred tax asset 31 March 2019 and 31 December 2018 is based on a tax rate of 23%.

The parent company has recognized a deferred tax asset regarding net temporary differences. Accumulated tax asset in the parent company at the end of March 2019 is NOK 53.4 million compared to NOK 52.4 million at end of 2018. 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 2018 note 12.

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.

	2019 1.1-31.03	2018 1.1-31.12
<i>(Figures indicate the number of shares)</i>		
Issued ordinary shares 1 January	21,779,008	21,557,910
Effects of share options excercised	-	17,781
Effect of treasury shares	-14,930	-9,616
Effect of shares issued	7,145	16,905
Weighted average number of shares	21,771,223	21,582,980
Effect of outstanding share options	61,286	47,512
Weighted average number of diluted shares	21,832,509	21,630,492
Earnings per share in NOK	-0.23	-1.70
Earnings per share in NOK diluted	-0.23	-1.70

Note 7 – Fixed Assets

	Machinery & equipment	Intangibles
<i>(Amounts in NOK 1 000)</i>		
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 and NOK 17.1 million as of 31 March 2019. 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.

Note 8 – Fair value

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

The different levels have been defined as follows:

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

Market value hierarchy (Amounts in NOK 1 000)	Level 1	Level 2	Level 3	Total
Financial assets available for sale:				
- Money market funds	72,657	-	-	72,657
Total	72,657	-	-	72,657

Note 9 – Share capital

Registered share capital in Photocure ASA amounts to:

	No. of shares	Nominal value per share	Share capital in NOK
Share capital at 31 December 2018	21,779,008	NOK 0.50	10,889,504
Share capital at 31 March 2019	21,796,387	NOK 0.50	10,898,194
Treasury shares:			
Holdings of treasury shares at 31 December 2018	14,930		7,465
Buy-back of shares	-	NOK 0.50	-
Buy-back of restricted shares	-	NOK 0.50	-
Holdings of treasury shares at 31 March 2019	14,930		7,465

The table below indicates the status of authorizations at 31 March 2019:

(Figures indicate the number of shares)	Purchase, treasury shares	Ordinary share issue	Employee share issues
Authorisation issued at the General Meeting on 9 May 2018	2,155,791	2,155,791	1,077,895
Share issues after the General Meeting on 9 May 2018	-	-	202,813
Purchase of treasury shares	-1,121	-	-
Remaining under authorisations at 31 March 2019	2,154,670	2,155,791	875,082



Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of 31 March 2019:

Name	Position	No. of shares	No. of restricted shares	No. of subscription rights
Daniel Schneider	President & CEO	15,000	17,379	-
Erik Dahl	Chief Financial Officer	3,500	5,046	49,500
Ambaw Bellete	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	-	-

The restricted shares have a three year lock-up period and are subject to other customary terms and conditions for employee incentive programs.

Note 10 – Share options

At 31 March 2019, 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	2021	2020	2019

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

	31.03.2019		31.12.2018	
	No. of shares	Average exercise price (NOK)	No. of shares	Average exercise price (NOK)
Outstanding at start of year	381,868	37.02	737,669	35.53
Allocated during the year	-	-	-	-
Become invalid during the year	-	-	170,367	38.02
Exercised during the year	-	-	185,434	30.18
Expired during the year	-	-	-	-
Outstanding at end of period	381,868	37.02	381,868	37.02
Exercisable options at end of period	381,868	37.02	367,533	36.98



Note 11 – Shareholders

Overview of the major shareholders at 1 April 2019:

Major Shareholders	Citizen	Type	# Shares	%
HIGH SEAS AS	Norway	Ordinary	2,220,000	10.19 %
FONDSFINANS NORGE	Norway	Ordinary	938,053	4.50 %
KLP AKSJENORGE	Norway	Ordinary	901,398	4.27 %
RADIUMHOSPITALETTS FORSKNINGSSTIFTELSE	Norway	Ordinary	693,319	3.18 %
KOMMUNAL LANDSPENSJONSKASSE	Norway	Ordinary	679,994	3.12 %
MYRLID AS	Norway	Ordinary	550,000	2.69 %
MP PENSJON PK	Norway	Ordinary	549,355	2.64 %
DANSKE BANK A/S	Denmark	Nominee	452,823	1.93 %
BNP PARIBAS SECURITIES SERVICES	Australia	Nominee	356,186	1.83 %
NORDNET LIVSFORSIKRING AS	Norway	Ordinary	346,266	1.64 %
VICAMA AS	Norway	Ordinary	329,530	1.51 %
BEELINE AS	Norway	Ordinary	244,451	1.17 %
FONDSFINANS GLOBAL HELSE	Norway	Ordinary	228,053	1.12 %
EGELAND HOLDING AS	Norway	Ordinary	218,000	1.08 %
LEHRE HOLDING AS	Norway	Ordinary	212,731	1.01 %
NORDNET BANK AB	Sweden	Nominee	202,698	0.98 %
BILLINGTON ERIK	Norway	Ordinary	190,000	0.85 %
A/S SKARV	Norway	Ordinary	150,000	0.84 %
PIBCO AS	Norway	Ordinary	140,000	0.69 %
STAVE FRANK ENDRE	Norway	Ordinary	125,241	0.64 %
Total 20 largest shareholders			9,728,098	45.87 %
Total other shareholders			12,068,289	54.13 %
Total number of shares			21,796,387	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 and capex. 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:

	2019 1.1-31.3	2018 1.1-31.3	2018 1.1-31.12
(all amounts in NOK 1 000)			
Gross profit	46,768	38,196	164,363
Operating expenses excl amortization & depreciation	-48,299	-42,245	-174,855
EBITDA before restructuring	-1,532	-4,048	-10,492
Amortization & depreciation	-4,232	-3,214	-13,211
EBIT before restructuring	-5,764	-7,262	-23,703

Recurring EBITDA equals EBITDA before restructuring. In 2018 Photocure incurred NOK 14.2 million in restructuring costs. Photocure choose to measure before restructuring and before infrequent and unusual costs because adjustments of these items give a better basis for an evaluation of future results.

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:



	2019 1.1-31.3	2018 1.1-31.3	2018 1.1-31.12
USD (NOK per 1 USD)	8.58	7.84	8.13
EUR (NOK per 1 EUR)	9.74	9.63	9.60
DKK (NOK per 100 DKK)	130.53	129.35	128.80
SEK (NOK per 100 SEK)	93.48	96.63	93.63

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.

	2019 1.1-31.3	2018 1.1-31.3	2018 1.1-31.12
<i>(all amounts in NOK 1 000)</i>			
In-market sales	80,424	68,901	284,809



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