

ANNUAL REPORT
YEAR 2015
PHOTOCURE GROUP



2015



2016 Financial calendar

**Annual
General
Meeting**

April 28, 2016

Q1

May 10, 2016

Q2

August 23, 2016

Q3

November 15, 2016



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This year in brief

Throughout 2015, we made great strides towards our goal of building Photocure into a specialty pharma company. Consistent with 2014, we continued to drive revenue growth in all major regions in 2015, while continuously increasing the profitability of our urology focused commercial franchise. Hexvix®/Cysview® market share continues to grow in the TURB segment across the major markets, and we have started a substantial effort to penetrate the large bladder cancer surveillance segment. Through new

partnerships signed in 2015, Hexvix®/Cysview® will expand into Canada, Australia and New Zealand.

We also continued advancements in our product pipeline this past year. With Cevira®, we gained alignment with the US FDA on the pivotal registration program. In addition, the long term value of our novel late stage, phase 3 ready assets, Cevira® and Visonac®, were further strengthened with issuance of new patents.

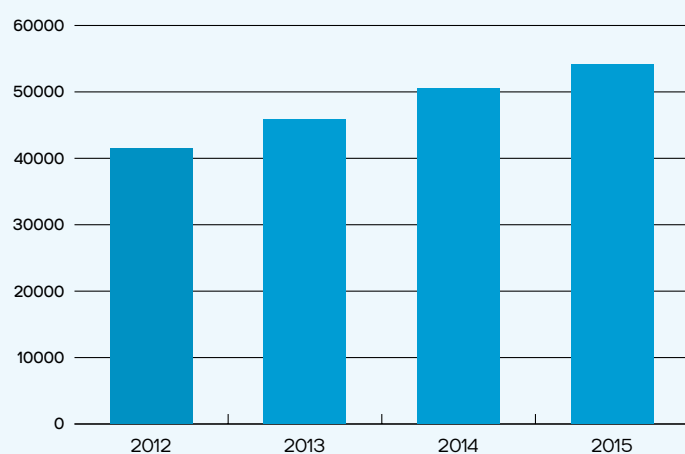
Sales revenues for 2015 were NOK 122 million, an increase of 31% from 2014

EBITDA was NOK -18 million (NOK -4 million in 2014)

Commercial segment EBITDA NOK 29 million (NOK 17 million in 2014)

CASH balance at year end NOK 134 million

IN-MARKET UNIT SALES



P&L PHOTOCURE TOTAL

MNOK	FY '15	FY '14
Total sales revenues	122,3	93,6
Signing fee and milestones	12,4	35,4
Total revenues	134,7	129,0
Gross profit	126,5	122,0
Operating expenses	-144,6	-126,1
EBITDA	-18,1	-4,2
EBIT	-22,0	-5,6
Net profit/loss(-)	-36,2	-24,7
Total comprehensive income	-35,3	-32,1
Earnings per share diluted (NOK)	-1,69	-1,16
Weighted average number of diluted shares (million)	21,5	21,3

Hexvix®/Cysview®: Appointed two new exclusive distributors, BioSyent Pharma in Canada and Juno Pharmaceuticals in Australia and New Zealand

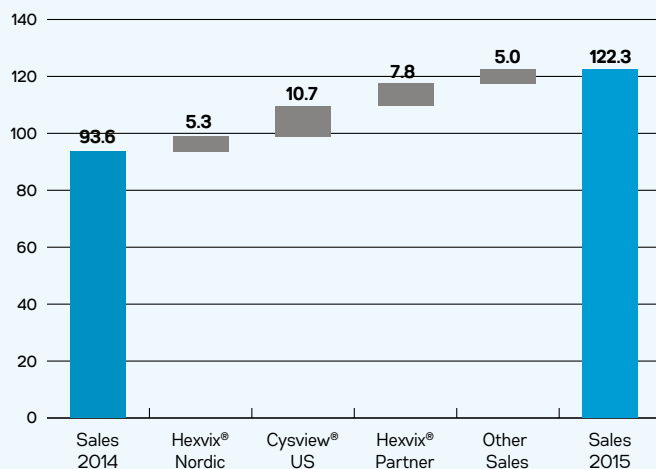
Cevira®: Agreement with US FDA for Cevira® phase 3 registration program

Visonac®: Phase 2b data presented in the British Journal of Dermatology

P&L PHOTOCURE BY SEGMENT

MNOK	FY '15	FY '14
Commercial Franchise		
Total revenues	134,7	98,2
Gross profit	126,5	91,2
Operating expenses	-97,8	-74,4
EBITDA	28,7	16,8
Development Portfolio		
Total revenues	0,0	30,8
Gross profit	0,0	30,8
Operating expenses	-46,8	-51,8
EBITDA	-46,8	-21,0

SALES REVENUE GROWTH - MNOK



Board of Directors Report 2015

During 2015, Photocure achieved significant financial and operational improvements with increased revenues and profitability for the commercial franchise. Sales revenues from Hexvix®/Cysview® increased 26% to NOK 115.8 million. The profitability of the commercial franchise improved with an operating profit of NOK 27.0 million for the year. Furthermore, the brand was strengthened by new guidelines on bladder cancer in UK as well as a publication demonstrating improved survival for bladder cancer patients.

In 2015, the company also has achieved significant milestones expanding the potential of the Hexvix®/Cysview® brand. The company entered two new distribution agreements; for Canada and Australia/New Zealand. In addition, the company initiated a phase 3 clinical study for examining improved detection rates of Hexvix®/Cysview® blue light cystoscopy vs white light cystoscopy for bladder cancer surveillance. For Cevira® Photocure secured the Special Protocol Agreement (SPA) with the US FDA on the design of the Phase 3 clinical registration program. This is a significant milestone and improves our ability to secure future partnerships for the development and commercialization of Cevira®.

About Photocure

Photocure ASA (“Photocure” or “the Group”) is a specialty pharmaceutical company listed on the Oslo Stock Exchange. The Group’s proprietary technology platform is focused in the field of photodynamic diagnosis and treatment and provides the opportunity to meet high unmet medical needs in the areas of dermatology and cancer.

Photocure has one marketed product that is commercialized through its own commercial operation in the Nordic region under the brand name Hexvix® and in the US under the brand name Cysview®. Photocure has a strategic partnership with Ipsen for the commercialization of Hexvix® in Europe, excluding the Nordic region. Ipsen is a global specialty-driven biopharmaceutical company focused in uro-oncology. Photocure also has distribution agreements in Canada with BioSynt Pharma and in Australia/New Zealand with Juno Pharmaceuticals.

In addition to Hexvix®/Cysview®, Photocure has two pharmaceutical products, Cevira® and Visonac®, in late stage clinical development, both targeted at various indications with significant medical need and market potential.

Strategic direction – building a specialty pharmaceutical company

Photocure’s strategy is to create a Specialty Pharmaceutical Company maximizing its commercial presence and the opportunity of its flagship brand Hexvix®/Cysview® in urology. In addition, the company will continue to leverage its core competence developing products based on its proprietary Photodynamic Technology Platform targeting unmet medical needs in urology, dermatology and gynecology. We will seek to develop and commercialize new products alone or in partnerships with others to capture the full potential of our products.

Our products

HEXVIX®/CYSVIEW® – THE INNOVATIVE PRODUCT FOR IMPROVED DETECTION AND MANAGEMENT OF BLADDER CANCER

Hexvix®/Cysview® is Photocure’s commercialized product and is the first significant advance for the improved detection and management of bladder cancer. The product is launched in all key European markets and in the US. In 2015 the in-market sales totaled NOK 215 million, which is an increase of 20% from 2014. Hexvix®/Cysview® is marketed in the US and Nordics by Photocure’s own salesforce and through partnership in continental Europe. During 2015 Hexvix®/Cysview® gained increased market share through double digit volume growth in several key markets including Sweden, Norway, Germany, France and the US. The company continues to see significant growth opportunities in these countries as well as in other major European countries and the new territories Canada and Australia/New Zealand.

Hexvix®/Cysview® is designed to induce specific fluorescence in the malignant cells in the bladder during a cystoscopic procedure, making it easier for the urologist to detect and treat bladder cancer. Recent clinical data have shown that improved detection using Hexvix®/Cysview® makes local surgery more complete and leads to improved patient management and a significant increase in the time to recurrence of bladder cancer.

The European Association of Urology guidelines on non-muscle invasive bladder cancer were updated with strengthened recommendations on the use of Hexvix® photodynamic diagnosis in 2015. During the year the National Institute for Health and Care Excellence (NICE) in the UK published its first guidelines on bladder cancer, recommending photodynamic diagnosis for improved detection of bladder cancer. Furthermore, in 2015, a study on the impact of Hexvix® on survival in bladder cancer patients was published in the World Journal of Urology. The findings from this study demonstrate that Hexvix® guided bladder cancer resection (TURB) in patients, who later progressed to requiring radical cystectomy, significantly increased the three year overall survival and the median three year recurrence free survival.

An expansion of the use of Hexvix®/Cysview® into the flexible surveillance patient segment will open a market segment which is estimated to be 2-3 times the size of the current TURB/OR segment. Following positive early clinical experience with flexible cystoscopes in 2014, Photocure initiated a phase 3 clinical study with 360 patients for examining improved detection rates of Cysview® blue light cystoscopy vs white light cystoscopy in



2015. The study design is in alignment with FDA to obtain label extension and fulfill the Cysview® post marketing commitments. Eighteen top rated cancer hospitals in the USA will participate in the study, and patient recruitment started in the third quarter. Final results are expected in 2017 and possible approval in 2018. In addition to the registration study Photocure is in the process of generating additional clinical data in the market expansion segment by supporting Investigator Initiated Trials.

Photocure is actively searching for partners for marketing of Hexvix® into new territories. In 2015 partner agreements for Canada, Australia and New Zealand was entered into with respectively BioSyent Pharma in Canada and Juno Pharmaceuticals in Australia and New Zealand. It is anticipated that the first commercial sale of Cysview® in Canada will take place first half 2016 and that Hexvix® will obtain marketing authorization in Australia in second half 2016. In June, marketing approval for Hexvix® in Russia was received. Photocure is evaluating potential commercial partners in Russia.

VISONAC® - TREATMENT OF MODERATE TO SEVERE ACNE

Photocure has been developing a new product for treating patients with moderate to severe acne, and Visonac® has the potential to satisfy a high unmet medical need.

Acne is the single most common skin disease worldwide, and affects up to 85% of all 12-24 year olds. There is a high unmet

medical need for patients with moderate to severe acne, where the current mainstay of treatment is oral antibiotics and/or retinoids. Visonac® is being developed as the first photodynamic therapeutic option for this large patient population, which can easily and conveniently be administered in dermatology offices. By avoiding the risks of increased antibiotic resistance from long term exposure, and providing a highly tolerable alternative to antibiotics and isotretinoin, Visonac® has the potential to provide medical benefit to a large patient population.

In a phase 2b study Visonac® showed a statistically significant reduction in inflammatory lesions and overall improvement in acne severity. Based on these significant clinical benefits as well as overall product and preclinical documentation Photocure started the regulatory and clinical preparations for phase 3 studies in EU and US. During 2013 Photocure obtained alignment with FDA on the phase 3 clinical development program through the Special Protocol Assessment (SPA) process. Photocure's strategy is to establish a development and commercialization partnership for Visonac® prior to initiation of the phase 3 clinical program. Photocure is in discussions with potential partners, where the priority is to secure an agreement demonstrating the full value of Visonac®.

In 2015, the results from the Phase 2b trial of Visonac® were published in the British Journal of Dermatology.

CEVIRA® - TREATMENT OF HPV AND PRECANCEROUS LESIONS OF THE CERVIX

Cevira® is a unique, non-invasive photodynamic therapy under development for the treatment of oncogenic human papilloma virus (HPV) infection and pre-cancerous cervical abnormalities.

A key objective in 2015 has been to secure the regulatory pathway on a registration program for Cevira® prior to initiation of the phase 3 clinical development. Following a guidance meeting with FDA in December 2013, Photocure completed a re-analysis of the Phase 2b data. The re-analysis included a new panel read pathology assessment and applying new clinical success criteria in the end-point definition. The re-analysis demonstrated that Cevira® provides improved treatment efficacy compared to placebo among patients with cervical high grade lesions (HSIL). The results were discussed with FDA in an End of Phase 2 meeting in December 2014, and it was confirmed that the phase 2 data support the proposed phase 3 program, and are sufficiently robust to continue the development of Cevira®.

Based on the positive outcome of the meeting with the FDA, Photocure secured in 2015 the Special Protocol Agreement (SPA) with the US FDA on the design of the Phase 3 clinical registration program for Cevira®. The SPA defines the size, design and analysis of clinical trials that will form the primary basis of approval.

With the agreement with FDA on Phase 3 clinical studies, Photocure is working on finalizing necessary documentation for the Cevira® device to ensure readiness for the Phase 3 trial. The Phase 3 registration program will consist of two identical double blind, randomized trials, each with approximately 200 patients, comparing Cevira® to placebo in women with biopsy proven high-grade cervical lesions. The primary endpoint will be clearance of the high-grade lesion, as determined by an independent panel of pathologists, at six months.

The regulatory progress for Cevira® lays the foundation for continued progress to secure the value of Cevira® through establishing partnership for the further development and commercialization of Cevira®.

In Europe, discussions with Health Authorities in key markets were completed in 2014 and support has been achieved to continue with the proposed phase 3 program, targeting women with high grade precancerous lesions of the cervix (HSIL (CIN2)) as the first indication.

Cervical HPV and precancerous lesions of the cervix are highly prevalent diseases affecting an estimated 260 million women across the globe, currently with only surgical treatment options available. Cevira® is being developed as the first novel non-surgical therapeutic option for this large and growing patient population. Cevira® can be easily administered by gynecologists, obviating the potential morbidities associated with surgery. Photocure's studies have demonstrated an excellent safety profile and no patient down

time. Photocure continues to work to identify a partner for Cevira® before initiating the phase 3 program.

Patent update

In 2015, Photocure patent strategy is continuing to bear fruits and several core patents were granted for both Visonac® and Cevira® in important future markets.

For Visonac®, a patent was granted in Europe which covers the Visonac® method of treating acne until 2028. For Cevira®, a patent was granted in Europe which covers the Cevira® device and its combination with a composition comprising a photosensitizer, such as the Cevira® drug. Moreover, in Europe and the US, notices of allowance were issued and patents will be granted shortly which protects the Cevira® drug and its combination with a drug delivery device, such as the Cevira® device. The patents on the Cevira® device and Cevira® drug expire in 2029 and 2030, respectively.

Photocure thus has expanded and strengthened its basis for the company's current development projects.

Financial review

The Photocure annual accounts have been prepared in accordance with IFRS requirements.

Total revenue reached NOK 135 million up from 129 million in 2014. Revenue growth was positively impacted by foreign exchange rates, increased demand in major markets and price increases, partly offset by reduced milestone revenues. Sales revenues reached NOK 122.3 million in 2015, an increase of 31% from NOK 93.6 million in 2014. Sales revenues comprise own sales of Hexvix® in the Nordic region and Cysview® in the US, income from product sales and royalties from Photocure's license partners on sales of Hexvix® to hospitals and pharmacies, and sale of active ingredient.

Signing and milestone revenues totaled NOK 12.4 million in 2015 compared to NOK 35.4 million in 2014. In 2014 the revenues include a termination fee from Salix of USD 5.0 million in connection with the termination of the licensing agreement for Lumacan. Signing and milestones revenues in 2015 include milestones from new partners, BioSynt and Juno Pharmaceuticals, totaling NOK 7.5 million. Furthermore, the revenues in 2014 and 2015 include deferred revenue from the sale of Metvix®/Aktilite®.

Operating expenses, after deductions for other operating income, increased from NOK 127.6 million in 2014 to NOK 148.5 million in 2015. Main cost drivers were increased sales and marketing expenses in the US sales operation as well as expenses related to development of the flexible surveillance patient segment in the Nordic region. Photocure expensed all research and development costs in 2014. From 2015 research and development costs related to the phase 3 clinical study for Cysview® have been capitalized as intangible assets. In total NOK 14.4 million has been capitalized as intangible assets in 2015.

Photocure's operating result totaled NOK -22.0 million in 2015, compared to an operating result of NOK -5.6 million in 2014. The change in the operating result is primarily attributable to the termination fee from Salix of NOK 30.8 million (USD 5.0 million) in 2014, partly offset by improved margins in 2015.

Net financial items excluding impairment loss on shares in PCI Biotech Holding totaled NOK 4.6 million in 2015, compared to NOK 7.2 million in 2014. The reduction in net financial income is driven by reduced interest income combined with increase foreign exchange losses.

Loss before tax and impairment loss on shares in PCI Biotech Holding was NOK 17.4 million in 2015 compared to a profit of NOK 1.5 million in 2014. Adjusted for impairment loss result before tax was a loss of NOK 28.1 million in 2015 compared to loss of NOK 6.7 million in 2014.

Tax expenses of NOK 8.1 million in 2015 reflects reduction in deferred tax assets at the end of the year. The parent company had a profit before tax in 2015 of NOK 9.1 million to be utilized by the tax loss carried forward. In 2014 the Group had a reduction of the deferred tax asset of NOK 18.0 million.

The Group's net result after tax is NOK -36.2 million in 2015 compared to NOK -24.7 million in 2014.

Photocure owned 9.96% of the shares in PCI Biotech Holding ASA, a company listed on the Oslo Stock Exchange, at year end. The market value of the shares in PCI Biotech Holding ASA decreased by NOK 10.6 million in 2015 to NOK 5.9 million as of 31 December 2015.

Photocure follows a low risk investment strategy for its liquid funds. The return on the liquid funds depends on the rate of interest in the money markets and will therefore vary over time. Liquid funds amounted to NOK 134.0 million at 31 December 2015, down from NOK 165.2 million at 31 December 2014.

Net cash flow from operating activities was NOK -21.0 million in 2015, compared to NOK -6.1 million in 2014. The increase in net outflow is driven by the termination fee paid by Salix in 2014 partly offset by operational improvements in 2015.

Shareholder equity was NOK 210.0 million at 31 December 2015, an equity ratio of 85%. At the end of 2014, shareholder equity was NOK 240.1 million (89%).

DIVIDEND

The Board does not propose a dividend payment for 2015.

Photocure is focusing its resources on building a specialty pharma company and the Board of Directors will recommend payment of dividends in line with the company's results, financial position, product development plans and outlook. Photocure has, due to its level of development, uneven revenue streams and net cash flows,

and does not expect to pay recurring dividends until justified by recurring cash flows.

PARENT COMPANY

Photocure ASA (parent company) had in 2015 a profit after tax of NOK 1.0 million, compared to a profit after tax of NOK 40.2 million in 2014. The equity in Photocure ASA totals NOK 423.9 million at 31 December 2015. The equity ratio of the parent company is 93%.

SHARE CAPITAL AND BOARD MANDATES

At 31 December 2015, 21,476,295 shares were registered in Photocure. At the Ordinary General Meeting 30 April 2015, the Board of Directors was granted authorization to purchase up to 10% of its own shares. At 31 December 2015, Photocure held 35,476 own shares, which is equivalent to 0.2% of the outstanding shares in the Group.

GOING CONCERN

Pursuant to § 3.3 (a) of the Norwegian Accounting Act, it is confirmed that the conditions for assuming that the Group is a going concern are present, and that the financial statements have been prepared on the basis of this assumption. No events have occurred since the end of 2015, except those which are stated in this report that are of major significance for the assessment of the company's financial position and results.

Subsequent events

Photocure is not aware of any events after year-end that would be of significance to the financial statements for the year ended 31 December 2015.

Operational risk

Photocure develops innovative products and markets and sells these products through its own commercial teams and in partnerships with other companies. These activities entail exposure to various risks. The Board of Directors and management monitor and analyze the operations and potential risk factors, and actively take risk reduction measures.

COMMERCIAL RISK

Photocure is commercializing Hexvix[®]/Cysview[®] directly in the US and the Nordic region, and has a strategic partnership with Ipsen for the commercialization of Hexvix[®] in Europe, excluding the Nordic region, and with Juno Pharmaceuticals and BioSynt Pharma for Australia/New Zealand and Canada respectively. Any significant event that adversely affects revenues from Hexvix[®]/Cysview[®] could have a material and negative impact on Photocure's results and cash flows. Key commercial risks include:

- Partners ability to fulfil its obligations to support the brand in key markets.
- Reimbursement may be limited or unavailable in certain markets, which could make it more difficult to achieve profitability in these markets.

MANUFACTURING RISK

Delays or interruptions at the production facilities may impair Photocure's supply of clinical trial material for pipeline products and supply of Hexvix®/Cysview® to the market and hence revenues.

DEVELOPMENT AND REGULATORY RISK

Photocure has currently two products under development, Visonac® and Cevira®. Key development risks include:

- The further development of Photocure's near-term pipeline relies on partnering agreements with third parties.
- Photocure or its future partners will need approval from regulatory authorities to market its pipeline products. Efficacy issues could arise and approval may be denied, delayed or limited.
- Successful launches and sales for pipeline products may not be achieved due to changes in market dynamics or competition, unsuccessful marketing, and pricing pressure due to limitations on healthcare budgets.
- The expiration or loss of patent protection may adversely affect Photocure's future results and cash flows. Third parties may challenge or seek to invalidate or circumvent Photocure's patents and patent applications.

Financial risk

Photocure has an international business operation and is exposed to currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. During the accounting period, the company has not utilized any derivatives or other financial instruments to reduce these risks.

Responsibility for managing financial risk is placed with the management of the company. Financial risk is also monitored by the Board of Directors.

INTEREST RATE RISK

Photocure does not have any interest-bearing debt, and the company's interest rate risk is mainly associated with the company's holdings of cash and cash equivalents. The main strategy is to diversify the risk and invest in money market funds and bond funds with low risk, high liquidity and short duration. More than 90% of the investments are denominated in NOK and are not hedged. The remaining investments are in Swedish kroner and Euro and are hedged by the funds.

LIQUIDITY RISK

The company monitors the cash flows from both long and short-term perspectives through planning and reporting. Photocure does not have any loan agreements that involve covenants or other financial requirements. Photocure uses a multi-currency consolidated accounts system that provides flexibility in relation to drawing on multiple currencies.

CREDIT RISK

Photocure is primarily exposed to credit risk associated with accounts receivable and other short-term receivables. Photocure's sales are mainly to license partners, pharmaceutical wholesalers in the Nordic region and hospitals in USA. The credit risk is limited as the counterparties are mainly large companies that are not related to each other. Photocure's credit risk is considered moderate and the company does not use credit insurance.



CURRENCY RISK

As NOK is the company's presentation currency, Photocure is exposed to translation risk associated with the company's net exposure in foreign currency. Photocure's revenues and costs are accrued in different currencies and the company is therefore exposed to exchange rate fluctuations. The company monitors the need for hedging of large transactions on an ongoing basis. Photocure did not have outstanding hedging of future transactions at 31 December 2015.

Organization

The Group's senior management team at year-end consists of Kjetil Hestdal, President and CEO; Erik Dahl, Chief Financial Officer; Kathleen Deardorff, Chief Operating Officer; Grete Hogstad, Vice President Strategic Marketing; Inger Ferner Heglund, Vice President Research and Development; Gry Stensrud, Vice President Technical Development and Operations; Ambaw Bellete, Head, US Cancer Commercial Operations and Espen Njåstein, Head, Nordic Cancer Commercial Operations.

The Board of Directors held 13 meetings in 2015. All members of the Board of Directors are shareholder-elected. The members of the Board of Directors was at the end of 2015 Bente-Lill Romøren (Chairperson), Synne H. Røine, Tom Pike, Lars Rønn and Xavier Yon.

Photocure ASA has offices in Oslo, Norway. Photocure ASA has one subsidiary, Photocure Inc, located in Princeton, New Jersey, USA.

Corporate social responsibility

Photocures corporate social responsibility guidelines are available on www.photocure.com.

Photocure is the world leader in photodynamic technology. We develop and commercialize highly selective and effective solutions in several disease areas such as bladder cancer, HPV and precancerous lesions of the cervix and acne. Our technology is uniquely selective, targeting affected areas without impact to non-affected areas. This allows for non-invasive procedures that improve quality of life.

We believe that creating value for patients, customers and society strengthens our business and provides value for shareholders, and that our commitment to corporate social responsibility will enhance this by building strong relationships with our stakeholders.

Our commitment to corporate social responsibility is driven by our values - integrity, respect and care, courage and passion - and is reflected in our focus on four priority areas: Patients access to health and quality of life, human resources, environment, governance and ethics.

PATIENTS ACCESS TO HEALTH AND QUALITY OF LIFE

Photocure's mission is to improve patient care and quality of life by making solutions based on photodynamic technology accessible to patients worldwide.

This mission encompasses all activities from developing products, gaining approval by relevant authorities, working with patient organizations and hospitals and finally getting the products to the market either by Photocure's own sales organization or by partners.

Through efforts made by Photocure and its partners, more bladder cancer patients gained access to Hexvix®/Cysview® and its possible positive impact on management of these patient. By continuously supporting clinical studies, the results of a study on the impact of Hexvix® on survival in bladder cancer patients was published in the World Journal of Urology. It is also Photocure's ambitions to provide patients in new territories the access to Hexvix®/Cysview® by expanding the product into new markets, and in 2015 new distributors in Canada, Australia and New Zealand were appointed.

Allowing patients access to new and improved treatment options, it is important to secure input from and alignment with key regulatory authorities on clinical topics. In 2015 Photocure and the US FDA agreed on the phase 3 clinical development program for Cevira® needed to document the best possible benefit/risk assessment of the product before providing patients access to Cevira®.

HUMAN RESOURCES

The Photocure organization comprised of 49 employees in Nordics and the US. In addition to our employees we have a strong network of consultants to further the development of our pipeline products. The company has a policy to outsource non-core operations and highly specialized services. The work environment within the company is considered to be good. No accidents or injuries resulting in absence were registered in 2015. Absence due to illness in the company was 2.25% of total hours in 2015, considerably lower than industry standard.

Photocure aims to be a workplace with equal opportunities in all areas. The company has traditionally recruited from environments where the number of women and men is relatively equally represented. In terms of gender equality within the company, 40% of board members are women, as are 50% of the senior management team. Working time arrangements at the company are independent of gender.

Photocure's policy is to promote equal rights and opportunities and prevent discrimination on account of gender, ethnicity, nationality, ancestry, color or religion. Photocure is working actively to promote the anti-discrimination act in our business. The activities include recruitment, salary and working conditions, promotion, professional development and protection against harassment.

Photocure aims to be a workplace where there is no discrimination on the basis of disability. Photocure works actively to design and facilitate the physical environment so that the company's various functions can be used by as many as possible.

ENVIRONMENT

The company does not pollute the external environment to a greater extent than is normal for this industry. All production and

distribution is outsourced. In selection of suppliers ethical and responsible business conduct including environment, health and safety policy of the supplier is evaluated.

GOVERNANCE AND ETHICS

Ensuring good governance practices involves all people in Photocure. This includes governance as documented in our guidelines for corporate governance, ethical conduct and anti-corruption based on the Photocure values and respect for human rights. Photocure's supplier requirements in terms of adherence to our practices, guidelines and values are an integral part of all stages of the procurement process including selection and auditing.

Our values set out our expectation for everyone to behave ethically in everything they do. Our values are integrity, respect and care, courage and passion. The annual performance appraisal for our employees and management includes an assessment of the performance in relation to the Photocure values.

Photocure considers solid corporate governance as a prerequisite to creating value for shareholders and gaining the confidence of investors. Photocure will strive to comply with the generally accepted principles of good corporate governance through its internal controls and management structure. Photocure believes that its current guidelines for corporate governance are in line with the latest version of the Norwegian Code of Practice for Corporate Governance, and a description of this is given at the end of the Annual report. A complete description of the recommendation is available at the Norwegian Corporate Governance Board (NCGB) web pages (www.nues.no).

Outlook

Photocure's strategy is to develop the company from a research and development based organization into a specialty pharmaceutical company. This is achieved by strengthening the commercial activities of the company in urology. In this connection significant investments are done in the US market to increase market share for Cysview® and to obtain market expansion through new clinical phase 3 study and marketing approval of Cysview® in the bladder cancer surveillance market. Moreover, the company works closely with its partners to launch and increase its Hexvix®/Cysview® market share in Europe, Australia/New Zealand and Canada. In the Nordics, Photocure is well established with a market share of approximately 40% of all transurethral resections of the bladder (TURB).

Photocure has through the Hexvix®/Cysview® franchise built considerable experience in the urology sector. The company will in 2016 continue to explore strategic alternatives to capitalize on its strength in the sector.

To maximize the value of Photocure's products, the company is working to identify partners for development and commercialization of Cevira® and Visonac®.

Oslo, 6 April 2016

The Board of Directors of Photocure ASA

Bente-Lill B. Romøren
Chairperson

Synne H. Røine
Director

Xavier Yon
Director

Tom Pike
Director

Lars Rønn
Director

Kjetil Hestdal
President and CEO

Confirmation from the Board of Directors and CEO 2015

We confirm that, to the best of our knowledge, that the financial statements for the period from 1 January to 31 December 2015 have been prepared in accordance with IFRS adopted by EU and gives a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations, and that the Report of the Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company together with a description of the key risks and uncertainty factors that the Company is facing.

Oslo, 6 April 2016
The Board of Directors of Photocure ASA

Bente-Lill B. Romøren
Chairperson

Synne H. Røine
Director

Xavier Yon
Director

Tom Pike
Director

Lars Rønn
Director

Kjetil Hestdal
President and CEO

Board of Directors



Bente-Lill Romøren

Chairperson of the Board/Member of Compensation Committee

Attendance: • Board meetings: 13/13 • Compensation Committee: 3/3

Bente-Lill Romøren was employed by Novo Nordisk Scandinavia AS from 1976 to 2012 in various positions, including as CEO of the Norwegian unit (2008-2012) and (1983-2002), division manager of HRT (hormone replacement therapy) and GHT (growth hormone therapy) in the Nordic region, UK and Ireland (2002-2008), and division manager of HRT in Scandinavia (2001-2002).

- Elected year 2014
- Position: Independent consultant
- Education: M.Sc. in Chemistry
- Other assignments: Board member of Radiumhospitalets Forskningsstiftelse, Board member of Targovax, Chairperson of Farmastat

Bente-Lill Romøren holds 0 shares in Photocure. She holds no share options in the company.

Synne H. Røine

Director/Chairperson Audit Committee

Attendance: • Board meetings: 12/13 • Audit Committee: 6/6

Synne H. Røine is CFO of Colosseum Smile Group, a leading provider of dental care in Scandinavia. Ms. Røine served as CFO of Bionor Pharma ASA from 2013 to 2015, a biotechnology company developing therapeutic vaccines against viral diseases. From 2009 to 2013 she was CFO of Pronova BioPharma ASA, which develops and sells Omega-3 based pharmaceuticals.

- Elected year 2014
- Position: CFO, Colosseum Smile Group
- Education: MBA
- Other assignments: Board member Navamedic ASA



Synne Røine holds 0 shares in Photocure. She holds no share options in the company.



Tom Pike

Director/Member Audit Committee

Attendance: • Board meetings: 9/9 • Audit Committee: 3/3

Tom Pike serves as Chairperson of Vaccibody, and has been associated with the pharmaceutical industry in Norway for many years. Previous positions include Partner in the venture capital fund NeoMed, Chairperson & CEO of Clavis Pharma ASA as well as Chairperson of the Association of the Pharmaceutical Industry in Norway. He has worked at Hoffman-La Roche in Norway and Switzerland for 18 years, including 8 years as general manager in Norway.

- Elected year 2014
- Position: Life Science Industry Professional
- Education: B.Sc. Honors in Pharmacology
- Other assignments: Chairperson at Vaccibody AS, Clanotech AB, ACD Pharmaceuticals AS, Europharma Apotek AS, Credio AS, Board member at Biosergen AS

Tom Pike holds 3 400 shares in Photocure. He holds no share options in the company.

Lars Rønn

Director/Member Compensation Committee

Attendance: • Board meetings: 8/9 • Compensation Committee: 1/1

Lars Rønn is currently an executive search and leadership consultant within the field of life sciences. From 2012 to 2013 he was the owner of Medtech Catalyzation, a strategic consulting company for life science companies. From 2005 to 2011 he served as Executive Vice President Sales & Marketing of Ambu A/S, a medical device company listed on NASDAQ OMX Nordic. Prior to this he was CEO of Medicult A/S.

- Elected year 2014
- Position: Consultant, executive search and leadership
- Education: BCs in Business, Language and Culture and Graduate Diploma from Copenhagen Business School
- Other assignments: Board member of Medistim ASA, Board member of Pressalit AS



Lars Rønn holds 0 shares in Photocure. He holds no share options in the company.



Xavier Yon

Director/ Chairperson Compensation Committee

Attendance: • Board meetings: 13/13 • Compensation Committee: 3/3

As a former President and CEO of Galderma, Xavier Yon has spent more than 40 years in the pharmaceutical industry. He has previously worked for Solvay, Pfizer and Alcon before starting as President and CEO of Galderma in 1989. Under Xavier Yon's leadership Galderma grew into being a leading dermatology company globally.

- Elected year 2011
- Position: Managing Director, XY Consulting
- Education: Degree in physics, chemistry and biology from Sorbonne University, Paris

Xavier Yon holds no shares or share options in Photocure.

Corporate Governance Policy and Annual Review

(Adopted by the board of directors on 6 April 2016)

Photocure is committed to Good Corporate Governance

Photocure ASA the (“Photocure” or the “Company”) has made a strong commitment to ensure trust in the Company and to enhance shareholder value through effective decision-making and improved communication between the management, the board of directors and the shareholders. The Company’s framework for corporate governance is intended to decrease business risk, maximize value and utilize the Company’s resources in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large.

The Company will seek to comply with the Norwegian Code of Practice for Corporate Governance (the “Corporate Governance Code”), last revised on 30 October 2014, which is available at the Norwegian Corporate Governance Committee’s web site www.nues.no to the extent not considered unreasonable due to the Company size and stage of development. The principal purpose of the Corporate Governance Code is to ensure (i) that listed companies implement corporate governance that clarifies the respective roles of shareholders, the board of directors and senior management more comprehensively than what is required by legislation and (ii) effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other parties concerned.

The Company is subject to reporting requirements for corporate governance under the Accounting Act section 3-3b as well as Oslo Børs’ “Continuing obligations of stock exchange listed companies” section 7. The board of directors will include a report on the Company’s corporate governance in each annual report including an explanation of any deviations from the Corporate Governance Code. The corporate governance framework of the Company is subject to annual reviews and discussions by the board of directors.

The following provides a discussion of the Company’s corporate governance in relation to each section of the Corporate Governance Code for the financial year 2015. Photocure’s compliance with the Code is detailed in this report and section numbers refer to the Corporate Governance Code:

1. Implementation and reporting on Corporate Governance

The board of directors of the Company has adopted several corporate governance guidelines, including rules of procedure for the board of directors, instructions for the audit committee, instructions for the compensation committee, insider manuals, manual on disclosure of information, ethical guidelines and guidelines for corporate social responsibility.

The Company will seek to comply with the Corporate Governance Code. The board of directors shall include a report on the Company’s corporate governance in its annual report, including an explanation of any deviations from the Corporate Governance Code.

Photocure’s value base constitutes a key premise for the Company’s corporate governance. The key values of the Company are integrity, respect and care, courage and passion. These values aim to characterize the behavior of the Company and the Company’s employees, and form the basis for the Company’s ethical guidelines.

Non-conformance with the recommendation: None

2. Business

Photocure’s business is clearly defined in the Company’s articles of association (the “Articles of Association”). The Company’s goals and strategies are presented in the annual report, and the Company’s website www.photocure.com.

The Company’s business is defined in the following manner in the Articles of Association section 3:

“The purpose and main business of the Company is to operate business related to medical use of photodynamic technology and other medical methods of treatment, and anything thereby connected.”

Non-conformance with the recommendation: None

3. Equity and dividends

EQUITY

At 31 December 2015, the Company’s consolidated equity was NOK 210.0 million, an equity ratio of 85%. The board of directors considers this equity level to be satisfactory. The Company’s equity level and financial strength is continuously considered in light of its objectives, strategy and risk profile.

DIVIDEND POLICY

Photocure is focusing its resources on building a specialty pharma Company and the board of directors will recommend payment of dividends in line with the Company’s results, financial position and outlook. The Company has, due to its level of development, uneven revenue streams and net cash flows, and does not expect to pay recurring dividends until justified by recurring cash flows.

The ordinary general meeting resolves the annual dividend, based on the proposal by the board of directors. The amount proposed sets an upper limit for the general meeting’s resolution.

CAPITAL INCREASES AND ISSUANCE OF SHARES

The board of directors’ is authorized by the general meeting to resolve increases of the Company’s share capital. The authorization is restricted to defined purposes, and does not last longer than to the Company’s next annual general meeting.

PURCHASE OF OWN SHARES

The board of directors’ is authorized by the general meeting to purchase the Company’s own shares on behalf of the Company.

The authorization is restricted to defined purposes, and does not last longer than to the Company's next annual general meeting.

Non-conformance with the recommendation: None

4. Equal treatment of shareholders and transactions with related parties

CLASS OF SHARES

The Company has one class of shares. All shares carry equal rights in the Company, and the Articles of Association do not contain any provisions restricting the exercise of voting rights.

PRE-EMPTION RIGHTS TO SUBSCRIBE

According to the Norwegian Public Limited Liability Companies Act, the Company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may however be set aside, either by the general meeting or by the board of directors if the general meeting has granted a board authorization which allows for this. Any resolution to set aside pre-emption rights will be justified by the common interests of the Company and the shareholders, and such justification will be publicly disclosed through a stock exchange notice from the Company.

TRADING IN OWN SHARES

Photocure owns a total of 35,476 own shares. Photocure has not acquired any own shares during 2015.

In the event of a future share buy-back program, the board of directors will aim to ensure that all transactions pursuant to such program will be carried out either through the trading system at Oslo Børs or at prevailing prices at Oslo Børs. In the event of such program, the board of directors will take the Company's and shareholders' interests into consideration and aim to maintain transparency and equal treatment of all shareholders. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

TRANSACTIONS WITH CLOSE ASSOCIATES

The board of directors aims to ensure that any not immaterial future transactions between the Company and shareholders, a shareholder's parent Company, members of the board of directors, executive personnel or close associates of any such parties are entered into on arms-length terms. For any such transactions which do not require approval by the general meeting pursuant to the Norwegian Public Limited Liability Companies Act, the board of directors will on a case-by-case basis assess whether a fairness opinion from an independent third party should be obtained.

GUIDELINES FOR DIRECTORS AND SENIOR MANAGEMENT

The board of directors has adopted rules of procedures for the board of directors which inter alia includes guidelines for notification by members of the board of directors and senior management if they have any material direct or indirect interest in

any transaction entered into by the Company.

Non-conformance with the recommendation: None

5. Freely negotiable shares

The shares of the Company are freely transferable. There are no restrictions on transferability of shares pursuant to the Articles of Association.

Non-conformance with the recommendation: None

6. General meetings

The board of directors will make its best efforts with respect to the timing and facilitation of general meetings to ensure that as many shareholders as possible may exercise their rights by participating in general meetings, thereby making the general meeting an effective forum for the views of shareholders and the board of directors.

NOTIFICATION

The notice for a general meeting, with reference to or attached support information on the resolutions to be considered at the general meeting, shall as a principal rule be sent to shareholders individually, or to their depository banks, no later than 21 days prior to the date of the general meeting. The notice of meeting includes information regarding shareholders' rights, guidelines for registering and voting at the meeting.

The board of directors will seek to ensure that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting. The notice and support information, as well as a proxy voting form, will normally be made available on the Company's website www.photocure.com no later than 21 days prior to the date of the general meeting.

PARTICIPATION AND EXECUTION

Pursuant to the Articles of Association 1 shareholders who want to participate at the general meeting shall notify the Company thereof within five days prior to the general meeting.

To the extent deemed appropriate or necessary, the board of directors will seek to arrange for the general meeting to vote separately on each candidate nominated for election to the Company's corporate bodies.

The chairperson of the board, the chief executive officer and the chief financial officer are present at the annual general meeting. The board of directors and the nomination committee shall, as a general rule, be present at general meetings. The auditor will attend the ordinary general meeting and any extraordinary general meetings to the extent required by the agenda items or other relevant circumstances.

The chairperson of the board will normally be chairing the general

meetings. The board of directors will seek to ensure that an independent chairperson is appointed if considered necessary based on the agenda items or other relevant circumstances.

The Company will aim to prepare and facilitate the use of proxy forms which allows separate voting instructions to be given for each item on the agenda, and nominate a person who will be available to vote on behalf of shareholders as their proxy.

Non-conformance with the recommendation: Photocure is a small company and with directors living abroad, the company has so far not required directors' attendance in general meeting.

7. Nomination Committee

The nomination committee is governed by the Articles of Association section 7. In addition, the Company's general meeting adopts instructions for the nomination committee.

The nomination committee shall consist of two or three members who shall be shareholders or shareholder representatives. The members shall be elected by the general meeting for a term of one year. The nomination committee shall give its recommendation to the general meeting on election of and compensation to members of the board of directors, in addition to election of members of the nomination committee. The proposals shall be justified.

The nomination committee currently consists of the following three members: Hans Peter Bøhn (chairperson), Beate Bredesen, and James McDonald. The current members have been elected by the general meeting with a term until the Company's ordinary general meeting in 2016. All members are independent of the board of directors and senior management.

Non-conformance with the recommendation: None

8. Composition and independence of the Board of Directors

Pursuant to the Articles of Association section 5, the Company's board of directors shall consist of three to seven members. The board of directors currently consists of the following five members: Bente-Lill Bjerkelund Romøren (chairperson), Synne H. Røine, Tom Pike, Lars Rønn and Xavier Denis Yon. The chairperson of the board has been elected by the general meeting. The term of office for members of the board of directors is one year at a time.

All members of the board are considered independent of the Company's senior management, material business contacts and the Company's main shareholders.

The Company's annual report provides information to illustrate the expertise of the members of the board of directors and their record of attendance at board meetings.

Non-conformance with the recommendation: None

9. The work of the Board of Directors

THE RULES OF PROCEDURE FOR THE BOARD OF DIRECTORS

The board of directors is responsible for the over-all management of the Company, and shall supervise the Company's day-to-day management and the Company's activities in general.

The Norwegian Public Limited Liability Companies Act regulates the duties and procedures of the board of directors. In addition, the board of directors has adopted supplementary rules of procedures, which provides further regulation on inter alia the duties of the board of directors and the chief executive officer, the division of work between the board of directors and the chief executive officer, the annual plan for the board of directors, notices of board proceedings, administrative procedures, minutes, board committees, transactions between the Company and the shareholders and confidentiality.

The board shall produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The chief executive officer shall at least once a month, by attendance or in writing, inform the board of directors about the Company's activities, position and profit trend.

The board of directors' consideration of material matters in which the chairperson of the board is, or has been, personally involved, shall be chaired by some other member of the board.

The board of directors shall evaluate its performance and expertise annually, and make the evaluation available to the nomination committee.

THE AUDIT COMMITTEE

The Company's audit committee is governed by the Norwegian Public Limited Liability Companies Act and a separate instruction adopted by the board of directors.

The members of the audit committee are appointed by and among the members of the board of directors. A majority of the members shall be independent of the Company's senior management, and at least one member shall have qualifications within accounting or auditing. Board members who are also members of the senior management cannot be members of the audit committee. The principal tasks of the audit committee are to:

- prepare the board of directors' supervision of the Company's financial reporting process;
- monitor the systems for internal control and risk management;
- have continuous contact with the Company's auditor regarding the audit of the annual accounts; and
- review and monitor the independence of the Company's auditor, including in particular the extent to which services other than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor.

The audit committee currently consists of the following two members: Synne H. Røine (chairperson) and Tom Pike.

THE COMPENSATION COMMITTEE

The Company's compensation committee is governed by a separate instruction adopted by the board of directors. The members of the compensation committee are appointed by and among the members of the board of directors, and shall be independent of the Company's senior management. The principal tasks of the compensation committee are to prepare:

- the board of directors' declaration on determination of salaries and other remuneration for senior management in accordance with the Norwegian Public Limited Liability Companies Act section 6-16 a; and
- other matters relating to remuneration and other material employment issues in respect of the senior management.

The compensation committee currently consists of the following three members: Xavier Denis Yon (chairperson), Bente-Lill Bjerkelund Romøren and Lars Rønn.

Non-conformance with the recommendation: None

10. Risk management and internal control

The board of directors should on an ongoing basis assess the Company's risks. Each year, as a minimum, the board of directors has a thorough assessment of the significant parts of the Group's business and outlook, in order to identify risks and potential risks, and remedy any incident that have occurred. The board of directors may engage external expertise if necessary. The objective is to have the best possible basis for, and control of, the Company's situation at any given time.

In addition to the annual risk assessment, the management should present quarterly financial statements that will inform the board and shareholders on current business performance, including risk. These reports should be subject to review at the board meetings.

Significant risks include strategic risks, financial risks, liquidity risks and operational risks including risks related to development of products. The Company's significant risks are assessed on an ongoing basis and at least once a year by the board.

The Company's finance function is responsible for the preparation of the financial statements and to ensure that these are prepared and reported according to applicable laws and regulations and in accordance with IFRS. The audit committee performs reviews of the quarterly and annual financial statements with special focus on transaction types which includes judgments, estimates or issues with major impact on the financial statement. In addition to the quarterly and annual reporting, the board of directors receives monthly financial updates. Management controls are performed at a senior level in the Company.

Non-conformance with the recommendation: None

11. Remuneration of the Board of Directors

The remuneration of the board of directors shall be decided at the Company's general meeting, and should reflect the board of directors' responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration is not linked to the Company's performance.

The nomination committee shall give a recommendation as to the size of the remuneration to the board of directors. Pursuant to the instructions for the nomination committee, the recommendation should normally be published on the Company's website at least 21 days prior to the general meeting that will decide on the remuneration.

The Company has not granted share options to board members.

Any remuneration in addition to normal fees to the members of the Board should be specifically identified in the annual report.

Members of the board of directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the board unless approved by the board of directors. The remuneration for such additional duties should be approved by the board of directors.

Non-conformance with the recommendation: None

12. Remuneration of the senior management

The board of directors shall in accordance with the Norwegian Public Limited Liability Companies Act prepare separate guidelines for the stipulation of salary and other remuneration to key management personnel. The guidelines shall include the main principles applied in determining the salary and other remuneration of the senior management, and shall ensure convergence of the financial interests of the senior management and the shareholders. It should be clear which aspects of the guidelines that are advisory and which, if any, that are binding thereby enabling the general meeting to vote separately on each of these aspects of the guidelines.

The board of directors aims to ensure that performance-related remuneration of the senior management in the form of share options, annual bonus programs or the like, if used, are linked to value creation for shareholders or the Company's earnings performance over time. Performance-related remuneration should be subject to an absolute limit. Furthermore, the Company aims to ensure that such arrangements are based on quantifiable factors which the employee in question can influence.

The board of directors has established guidelines for remuneration of the key employees of the Company, and the guidelines will be presented to the annual general meeting in 2016. The remuneration guidelines are included in note 22 to the annual accounts. The compensation scheme for the Company's senior management is based on a fixed salary, performance related bonus (capped based

on fixed salary) and a share option program. Performance-related remuneration is linked to value creation for the shareholders over time, and is based on quantifiable factors which the employees in question can influence.

Non-conformance with the recommendation: None

13. Information and communications

GENERAL

The Company has targeted investor relation activities with the aim to consistently provide the market with timely and accurate information.

The Company's reporting of financial and other information is based on openness and takes into account requirements for equal treatment of all investors.

The board of directors has adopted a separate manual on disclosure of information, which sets forth the Company's disclosure obligations and procedures. The board of directors will seek to ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner, taking into account the requirement for equal treatment of all participants in the securities market.

The Company will each year publish a financial calendar, providing an overview of the dates for major events such as its ordinary general meeting and publication of interim reports.

INFORMATION TO SHAREHOLDERS

The Company shall have procedures for establishing discussions with important shareholders to enable the Board to develop a balanced understanding of the circumstances and focus of such shareholders. Such discussions shall be done in compliance with the provisions of applicable laws and regulations.

All information distributed to the Company's shareholders will be published on the Company's web site at the same time as it is sent to shareholders. The chairperson of the board and the chief executive officer are authorized to speak on behalf of the Company, and delegate such authority as is appropriate in relevant cases.

Non-conformance with the recommendation: None

14. Take-overs

In the event the Company becomes the subject of a take-over offer, the board of directors shall ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The board of directors shall also ensure that the shareholders have sufficient information and time to assess the offer.

The board of directors will not attempt to influence, hinder or complicate the submission of bids for the acquisition of the Company's operations or shares, or prevent the execution thereof. There are no defense mechanisms against take-over bids in the Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the Company. The board of directors has not established written guiding principles for how it will act in the event of a take-over bid, as such situations are normally characterized by concrete and one-off situations which make a guideline challenging to prepare.

In the event a take-over was to occur, the board of directors will consider the relevant recommendations in the Corporate Governance Code and whether the concrete situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

Non-conformance with the recommendation: The Company has not established separate principles for how to act in a take-over situation as described

15. Auditor

The Company's external auditor is KPMG AS.


On an annual basis, the auditor presents to the audit committee a review of the Company's internal control procedures, including identified risk areas and proposals for improvement, as well as the main features of the plan for the audit of the Company.

Furthermore, the auditor participates in meetings of the board of directors that deal with the annual accounts and, at least once a year, carries out a review of the Company's procedures for internal control in collaboration with the audit committee. At least one board meeting with the auditor shall be held each year in which no member of the senior management is present.

The board of directors has established guidelines in respect of the use of the auditor by the senior management for services other than the audit.

The remuneration to the auditor will be approved by the ordinary general meeting. The board of directors will report to the general meeting details of fees for audit work and any fees for other specific assignments.

Non-conformance with the recommendation: None



The power to transform

Statement of Comprehensive Income

Parent		Amounts in NOK 1,000			Group	
2015	2014		Notes	2015	2014	
100,903	93,913	Sales revenues	1,2,3	122,330	93,586	
12,387	35,366	Signing fees and milestone revenues	1,2,3	12,387	35,366	
113,290	129,279	Total revenues		134,717	128,952	
-7,974	-6,948	Cost of goods sold	4	-8,221	-6,996	
105,316	122,331	Gross profit		126,496	121,956	
103	400	Other income		0	0	
-10,410	-9,187	Indirect manufacturing expenses	5	-10,410	-9,187	
-31,337	-32,554	Research and development expenses	5	-31,337	-32,554	
-34,495	-24,777	Marketing and sales expenses	5	-73,399	-54,561	
-47,685	-28,123	Other operating expenses	5	-33,336	-31,284	
-123,824	-94,241	Total other income and expenses		-148,482	-127,586	
-18,508	28,091	Operating profit/loss(-)		-21,986	-5,630	
42,566	41,022	Financial income	9	8,856	9,787	
-4,304	-2,630	Financial expenses	9	-4,304	-2,630	
38,262	38,392	Net financial profit/loss(-) excluding PCI shares		4,552	7,157	
19,754	66,483	Profit/loss(-) before PCI shares and tax		-17,434	1,528	
-10,636	-8,181	Impairment loss shares in PCI Biotech Holding	13	-10,636	-8,181	
9,118	58,302	Profit/loss(-) before tax		-28,070	-6,653	
-8,108	-18,047	Tax expense	10	-8,108	-18,047	
1,010	40,255	Net profit/loss(-)		-36,178	-24,700	
-	-7,883	Market value adjustment PCI shares		-	-7,883	
0	0	Currency translation		865	491	
0	-7,883	Total other comprehensive income items that may be reclassified to profit & loss		865	-7,392	
1,010	32,372	Comprehensive income		-35,313	-32,092	
		Earnings per share (Amounts in NOK):	11			
		Basic		-1.69	-1.16	
		Diluted		-1.69	-1.16	

Statement of Financial Position

as of 31 December

Parent		Amounts in NOK 1,000			Group	
2015	2014		Notes	2015	2014	
		ASSETS				
2,109	2,766	Machinery and equipment	12	2,289	3,094	
11,877	-	Intangible assets	12	11,877	-	
215,320	178,624	Loan to group company	26	-	-	
9,157	45,083	Other investments	13	5,933	42,355	
23,490	31,063	Deferred tax asset	10	23,490	31,063	
261,953	257,536	Total non-current assets		43,589	76,512	
13,466	12,995	Inventories	14	13,800	13,237	
7,867	7,847	Accounts receivable	15, 17	12,259	9,602	
43,538	5,453	Other receivables	15, 17	44,384	5,983	
130,868	161,286	Cash and short term deposits	15, 18	134,026	165,245	
195,739	187,581	Total current assets		204,469	194,067	
457,692	445,117	Total assets		248,058	270,579	
		EQUITY AND LIABILITIES				
10,738	10,697	Share capital	19	10,738	10,697	
43,073	37,801	Other paid-in capital		43,073	37,801	
370,061	369,049	Retained earnings		156,249	191,560	
423,872	417,547	Total equity		210,060	240,058	
3,960	3,055	Pension liabilities	7	3,960	3,055	
3,960	3,055	Total non-current liabilities		3,960	3,055	
8,172	3,977	Accounts payable	21	9,198	4,337	
4,036	3,532	Employee withholding taxes and social security tax		4,036	3,532	
17,652	17,006	Other current liabilities	21	20,804	19,597	
29,860	24,515	Total current liabilities		34,038	27,466	
33,820	27,570	Total liabilities		37,998	30,521	
457,692	445,117	Total equity and liabilities		248,058	270,579	

Oslo, 6 April
The Board of Directors of Photocure ASA

Bente-Lill B. Romøren
Chairperson

Xavier Yon
Director

Lars Rønn
Director

Synne H. Røine
Director

Tom Pike
Director

Kjetil Hestdal
President and CEO

Statement of Changes in Equity

Parent company							
	Amounts in NOK 1,000						
	Issued capital	Treasury shares	Other paid-in equity	Fair value reserve	Translation reserve	Retained earnings	Total equity
Equity as of 31 December 2013	10,697	-6,737	41,514	7,883	0	328,805	382,161
Comprehensive income:							
Net profit for the year						40,255	40,255
Other comprehensive income that may be reclassified to p&l			-	-7,883		-	-7,883
Total comprehensive income	0	0	0	-7,883	0	40,255	32,372
Transaction with owners:							
Sale own shares		686					686
Employees' options			2,329				2,329
Total transaction with owners	0	686	2,329	0	0	0	3,015
Equity as of 31 December 2014	10,697	-6,051	43,843	0	0	369,060	417,547
Comprehensive income:							
Net profit for the year						1,010	1,010
Other comprehensive income that may be reclassified to p&l			-	-		-	0
Total comprehensive income	0	0	0	0	0	1,010	1,010
Transaction with owners:							
Capital increase	41		2,374				2,415
Employees' options			2,899				2,899
Total transaction with owners	41	0	5,273	0	0	0	5,314
Equity as of 31 December 2015	10,738	-6,051	49,116	0	0	370,070	423,872
Group							
Equity as of 31 December 2013	10,697	-6,737	41,514	7,883	-311	216,076	269,122
Comprehensive income:							
Net profit for the year						-24,700	-24,700
Other comprehensive income that may be reclassified to p&l				-7,883	491		-7,883
Total comprehensive income	0	0	0	-7,883	491	-24,700	-32,092
Transaction with owners:							
Sale own shares		686					686
Employees' options			2,343				2,343
Total transaction with owners	0	686	2,343	0	0	0	3,029
Equity as of 31 December 2014	10,697	-6,051	43,857	0	180	191,376	240,058
Comprehensive income:							
Net profit for the year						-36,178	-36,178
Other comprehensive income that may be reclassified to p&l					865		865
Total comprehensive income	0	0	0	0	865	-36,178	-35,313
Transaction with owners:							
Capital increase	41		2,374				2,415
Employees' options			2,899				2,899
Total transaction with owners	41	0	5,273	0	0	0	5,314
Equity as of 31 December 2015	10,738	-6,051	49,130	0	1,045	155,198	210,060

Statement of Cash flows

Parent		Amounts in NOK 1,000			Group	
2015	2014		Notes	2015	2014	
9,118	58,302	Profit/loss(-) before tax		-28,070	-6,653	
3,709	1,257	Ordinary depreciation & amortisation		3,899	1,469	
10,636	8,181	Write down of non current investment		10,636	8,181	
-1,345	-67	(Gain)/Loss on sale of non-current assets		-1,345	-67	
-4,938	-4,612	Deferred income sale of Metvix & Aktelite		-4,938	-4,612	
2,899	2,329	Share-based payments expense		2,899	2,343	
906	759	Pension costs		906	759	
-986	-4,138	Interest income		-986	-4,138	
-33,710	-31,235	Unrealized currency (gain)/loss loan subsidiary		-	-	
-2,081	-1,839	Unrealized currency (gain)/loss deferred income		-2,081	-1,839	
-492	-1,704	Other items		828	425	
		Changes in				
-471	-434	- inventories		-560	-613	
-5,300	2,555	- trade and other receivables		-8,259	1,500	
4,699	-1,696	- trade and other payables		5,367	-2,737	
646	316	- provisions and other accruals		1,207	-105	
-535	-	Taxes paid		-535	-	
-17,245	27,974	Net cash flow from operating activities		-21,032	-6,088	
986	4,138	Interest received		986	4,138	
-2,986	-37,113	Loan to subsidiary		-	-	
-523	-956	Investments in machinery and equipment		-523	-956	
3	208	Sale of fixed assets (sales price)		3	208	
1,342	-	Sale of subscription rights		1,342	-	
-14,410	-	Development expenditures		-14,410	-	
-15,588	-33,723	Net cash flow from investing activities		-12,602	3,390	
2,415	-	Proceeds from exercise of share options		2,415	-	
-	686	Sale own shares		-	686	
2,415	686	Net cash flow from financing activities		2,415	686	
-30,418	-5,064	Net change in cash during the year		-31,219	-2,012	
161,286	166,349	Cash and cash equivalents as of 01 January		165,245	167,256	
130,868	161,286	Cash and cash equivalents as of 31 December		134,026	165,245	

Accounting principles 2015

1. General information

The annual accounts for 2015 for Photocure ASA (the company) and its subsidiary Photocure Inc (together the Group or Photocure) were approved for publication by the Board of Directors on 6 April 2016.

Photocure ASA is a public limited company domiciled in Norway. The business of the Group 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. The company's registered office is Hoffsvæien 4, NO-0275 Oslo, Norway.

2. Basis for preparation of the annual accounts

The annual accounts for the Group and the company have been prepared on the basis of historical cost, with the exception of investments in other shares and in money market funds, which are valued at fair value.

The Group and the company's annual accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as specified by the International Accounting Standards Board and implemented by the EU as per 31 December 2015. Photocure has NOK (Norwegian kroner) as its functional currency and presentation currency. In the absence of any statement to the contrary, all financial information are reported in whole thousands. As a result of rounding adjustments, the figures in the financial statements may not add up to the totals.

Photocure performs the sales and distribution of Hexvix® in the Nordic market and in the US through its wholly owned subsidiary Photocure Inc under the trade name Cysview®. Hexvix®/Cysview® is licensed to several license partners outside Photocure's own markets.

3. Disclosures regarding new standards not yet effective

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 IAS 11 Construction contracts and related interpretations. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Group is currently assessing the potential impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. Important accounting valuations, estimates and assumptions

Preparation of the annual 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 judgment of the Group management.

In the process of applying the principles of accounting, the Group management has made the following judgments and estimates that are of significance for recognized values in the annual accounts for 2015:

- Received, non-refundable up-front payments for licensing and termination fees for Photocure products from license partners, have been treated as payments associated with the transfer of rights for the product. Amounts received are not subject to netting, and in the view of the Group no conditions or future obligations are associated with these payments. Received payments are therefore recognized as income when the conditions are achieved.
- In the opinion of the Group, shares in PCI Biotech Holding ASA (PCI Biotech) are to be considered as shares available for sale in accordance with IAS 39. Our view is that with 9.96% of the shares, Photocure does not have significant influence in PCI Biotech. There are no shareholder agreements or similar



- arrangement between Photocure and the other owners of PCI Biotech. Photocure is not represented on the Board of PCI Biotech. The fair value decrease of NOK 10.6 million throughout 2015 is reported as impairment in the profit and loss.
- Based on Norwegian company tax rules, the Group has recognized a tax asset of NOK 23.5 million in the balance sheet as of 31 December 2015 of Photocure ASA. This is a decrease of NOK 7.6 million compared to previous year due to a taxable profit in Norway 2015. The taxable profit in Norway has been affected by a change of transfer pricing method in 2015. The basis for recognition of a tax asset in Norway is that temporary differences for the coming years will be reversed and Photocure ASA will generate future profit.
 - Development of pharmaceuticals and medical equipment: The Group cannot render probable future earnings large enough to justify recognizing development costs in the balance sheet before marketing approval has been obtained. Own development costs are therefore recognized as an expense until national market approval for the product and indication has been granted. Any further development of the product after marketing approval has been obtained and market launch is completed, will be recognized in the balance sheet to the extent this involves

significant changes to the product, which is considered likely to generate future financial benefits, cf. 5d.

- The fair value of employee options is calculated according to the Black-Scholes method. This method involves the use of estimates and discretionary judgment, as described in more detail in note 6. The allocation of options to employees of subsidiary is made directly from the parent company and the financial presentation is correspondingly reported in the subsidiary.

5. Summary of important guidelines for accounting for the Group

A. CLASSIFICATION

Assets/liabilities are classified as current assets/current liabilities when they meet one of the following criteria:

- They are expected to be realized in the Group's ordinary operating cycle or are kept for sale or consumption;
- They are expected to be realized within 12 months of the balance sheet date; or
- They are in the form of cash or a cash equivalent.

All other assets/liabilities are classified as fixed assets/long-term liabilities

B. CURRENCY

Monetary items in foreign currencies are converted at closing rate of exchange. In the absence of any statement to the contrary, realized and unrealized exchange rate gains and losses are included in financial income or expenses. Transactions in foreign currencies are recorded at the exchange rate on the date of transaction.

Assets and liabilities in foreign currencies are translated into NOK at the exchange rate applicable on the balance sheet date. Income and expenditure in foreign currencies are translated into NOK at the exchange rate applicable on the transaction date. Income and expenses in foreign subsidiaries are translated into NOK at the average exchange rate for the financial statement period.

Deferred revenue from the sale of Metvix/Aktlite to Galderma is recognized evenly over the maximum period, and translated to NOK based on an average currency rate during the year.

C. PROPERTY, PLANT AND EQUIPMENT

Tangible fixed assets are recognised at cost less deductions for accumulated depreciation and accumulated impairment losses. Tangible fixed assets are depreciated over the expected useful life of the assets taking any residual value into consideration. Costs incurred for major replacements and upgrades of tangible fixed assets are added to cost if it is probable that the costs will generate future economic benefits for the Group and if the costs can be reliably measured. Ordinary maintenance is expensed as incurred.

Tangible fixed assets are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

- Production and test equipment 5 years
- Furniture and office equipment 3–5 years

D. INTANGIBLE ASSETS

Capitalised development expenditures are recognised at cost less accumulated amortization and accumulated impairment losses. The expenditure capitalised includes the costs of services and materials rendered by external suppliers and own pharmaceutical ingredients and devices directly attributable to the development of the product. Internal personal and overhead costs are not capitalised.

Intangible development expenditures are amortized on a straight-line basis in the profit and loss over the remaining patent period for the approved product and indication as follows:

- Product development 4 - 10 years

E. IMPAIRMENT

A financial asset and tangible & intangible fixed assets recognised in the balance sheet that are depreciated or amortized are tested for impairment if there are indications of a permanent loss in value. If the book value of an asset is higher than the recoverable value of the asset, the loss in value is recognised in profit and loss. The recoverable value is the highest of net sales value and the value in use of the asset. Tangible fixed assets are grouped and measured at the lowest level for determining loss in value.

Previous impairment losses are reversed to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognised or taken place.

F. RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Development costs are recognised in the balance sheet as intangible assets only if there is an identifiable asset that is expected to generate future financial benefits, and when the costs of such an asset can be reliably measured. Development costs are recognised in the balance sheet as intangible assets if all the following criteria are fulfilled:

- It is technically possible to complete the asset so that it can be available for use or for sale;
- The purpose is to complete the asset for use or for sale;
- The Group is able to use or sell the asset;
- The asset will provide future financial benefits, a market exists for the asset or the output of the asset or that the asset is useful if it is to be used internally.
- Sufficient technical, financial or other resources are available to carry out the development and to use or sell it, and
- The opportunity exists to reliably measure costs associated with the intangible asset.

When all the criteria listed above have been met, costs related to development are to be recognized in the balance sheet. Development costs that have been expensed in previous accounting periods cannot be recognized in the balance sheet at a later date. Cost-sharing of research and development expenses with license partners is booked as a reduction in costs.

The work of the regulatory function and services provided are related to both market expansion and product development. Photocure classifies of this reason the regulatory function into the following two categories:

- Regulatory work and services related to new products or product development based on new clinical trials up to and including phase 3, are classified as R&D costs
- Regulatory work and services for new markets based on existing clinical data are classified as marketing costs

G. INVESTMENT IN SUBSIDIARY COMPANIES

Shares and investments with the aim of long-term ownership are booked in the balance sheet as long-term investments and are valued at the lower of cost and fair value. Write-downs for permanent declines in value are made on the basis of individual evaluations. Any realized and unrealized profits/losses and any write-downs related to these investments will be booked in the income statement as financial items.

H. INVENTORIES

Raw materials are valued at the lower of cost and net sales value in accordance with the first-in, first-out principle (FIFO). Semi-finished and finished goods are valued at production cost including a mark-up for their share of the indirect production costs based on the FIFO principle.

I. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are recognized in the balance sheet when the Group enters into a binding agreement in regard to the item.

1. Trade accounts receivable and other receivables are recorded at nominal value.
2. Cash and cash equivalents include, in addition to bank and cash balances, money market funds with securities that have an average life of three months or less.
3. Investments in other shares and securities valued as financial assets are booked at fair value. According to IAS 39, changes in the value of shares is to be booked directly against equity, but a permanent and significant fall in the value of shares is to be booked against profits. Any subsequent increase in the value of shares is to be booked against equity.
4. Interest-bearing liabilities are recognized at fair value at the time of recognition. In subsequent periods, interest-bearing liabilities are booked at amortized cost according to the effective interest method.
5. Trade accounts payable are booked at nominal value.
6. Financial income consists of interest income on bank balances and money market fund as well as exchange rate gains from currency items. Financial expense consists of interest expense on borrowing and exchange rate losses from currency items.

J. REVENUE RECOGNITION

Revenue is booked when it is probable that resources will generate future economic benefits that will accrue to the Group, and the amount of the revenue can be reliably estimated.

Payments for the sale of products are recorded on the date of delivery, that is to say when both control and risk essentially have been transferred to the buyer. The return of goods is booked as a reduction of revenue.

Signing payments received in connection with entering into license agreements are booked as revenue according to the content of the agreement in question. Receipt of payments that are non-refundable and where there are no obligations on Photocure associated with the payments, will be considered to be a sale and booked as revenue immediately.

Payments in connection with milestone achievements associated with regulatory approvals, launches etc. are booked as revenue when the milestones are achieved.

License agreements that give the right to a guaranteed minimum royalty are booked as revenue at the time the prerequisite is fulfilled. Royalty revenue is booked as Sales revenue in line with the licensee's sale of licensed products.

K. GOVERNMENT GRANTS

Government grants are booked at the same time as the income that it shall generate or the cost that it shall reduce. Grants received for product development or manufacture are first booked as reduction of costs when the conditions for the grant in question have been met and the applications are granted. Grants received for product development that are capitalised, are reported as reduction of gross expenditures and the net expenditures are regarded as the intangible assets.

L. LICENSE COSTS

The Group has entered into agreements with external parties concerning access to technology in the form of license agreements and agreements that allow the use of patented technology. Royalty-based payments on products are booked as an expense in line with the sale of the licensed products, and booked in the income statement as "Cost of goods sold". License payments associated with signing fees and milestone payments concerning regulatory approval and product launches are booked as an expense when they occur and are reported as "Other operating expenses" in the income statement.

M. PENSIONS

Photocure ASA has an agreement with a life assurance company concerning contribution-based pensions for Photocure's employees. Contributions, ranging from 5% to 8% of the employee's ordinary salary up to 12 times the basic amount (G) of the Norwegian National Insurance scheme, are paid into the employee's contribution account with the life assurance company. The company's payment of contributions is expensed in the period it is accrued. Any prepayments made to the contribution fund are recognized in the balance sheet.

Salary to employees above 12 x G is subject to agreements concerning operational coverage of pensions for salary above this level in the form of contribution-based pensions. The calculated contribution constitutes 16% of the employee's salary above 12 x G. The calculated pension obligation pursuant to this scheme is interest-bearing.

Photocure Inc. matches its employee's contribution to the 401(k) plan dollar for dollar. Photocure's contribution is limited to 4% of the salary.

N. SHARE-BASED REMUNERATION

Employees are offered subscription rights to the company's shares as an element of the Group's employee incentive policy. If the Group has a sufficient amount of own shares, the Group will allot own shares instead of issuing new shares. All subscription rights granted 2014 and later, are offered at strike prices that reflect the market price +10% of the shares at the time of allotment of the rights.

The fair value is expensed over the subscription rights' vesting period and the company's equity is increased correspondingly. The fair value of subscription rights is calculated according to the Black-Scholes model. Each program is calculated separately with the actual strike price and duration of the program. The subscription rights cease to be valid immediately on the employee's resignation from the company.

Employer's social security contributions on outstanding subscription rights are accrued as personnel costs over the vesting period based on the intrinsic value of the rights.

O. TAX

The tax expense in the income statement includes both the income tax payable for the period and changes in deferred tax. Deferred tax in Norway is calculated at rate of 25% and in the USA at an effective rate of 40% on the basis of the temporary differences that exist between the tax value of the assets and liabilities, and their book value.

Liabilities for deferred tax are included for all temporary differences that increase tax, except when the asset in connection with deferred tax arises as a result of the first-time inclusion of an asset or liability in a transaction that is not in a business combination and affects neither the accounting nor the taxable profit or loss at the time of the transaction.

Assets in connection with deferred tax are included for all tax-reducing temporary differences, carry forward of tax deductions and tax losses in the extent that there is objective proof that there will be sufficient taxable profits against which to offset tax-reducing temporary differences, and carry forward of unused tax deductions and tax losses.

The book value of assets in connection with deferred tax is reviewed on every balance sheet date and is reduced to the degree that there is no longer any objective proof that there will be sufficient taxable profits to utilize all or parts of assets in connection with deferred tax. Non-recognized assets in connection with deferred tax are reviewed every balance sheet date and are included to the degree that it is probable that future taxable profits will allow the recovery of assets in connection with deferred tax. Each taxable entity in the Group are treated separately.

P. EARNINGS PER SHARE

Earnings per share is calculated on the basis of the profits for the period after tax but before "Other comprehensive income", divided by a weighted average number of outstanding shares in the period and adjusted for the treasury shares.

The diluted earnings per share are calculated by adjusting the denominator for amounts outstanding on option programs. Anti-dilution effects are not taken into consideration.

Q. PROVISIONS

Provisions are booked when the Group has a liability associated with an event, when it is probable that the liability will have to be settled and when the liability can be measured or estimated.

When the Group expects that all or parts of the liability can be charged on to another party, this recharge will be recorded as an account receivable if there is reasonable certainty that the other party will pay. The cost associated with a provision will be recorded net in the income statement after deduction for the recharge.

R. CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are defined as:

- Possible liabilities as a result of earlier events where their existence depends on future events;

- Liabilities that are not included because it is not probable that they will lead to an outflow of resources from the Group;
- Liabilities that cannot be measured with sufficient reliability.

Contingent liabilities are not included in the annual accounts. Notes on significant contingent liabilities are provided, with the exception of contingent liabilities with little probability of occurring.

Contingent assets are not included in the annual accounts, but are reported in cases in which there is a certain likelihood of their resulting in a benefit to the Group.

S. EVENTS AFTER THE BALANCE SHEET DATE

New information regarding the Group's financial position on the balance sheet date has been taken into account in the annual accounts. Events after the balance sheet date that do not affect the Group's financial position on the balance sheet date, but which will affect the Group's financial position in the future, are reported if they are significant.

T. CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with the indirect method. Cash and cash equivalents consists of cash, bank deposits and other current investments like money market funds.

U. EQUITY

Amounts that are distributed to or contributed by shareholders are included directly in the equity. The Group's equity is increased in direct relation to the cost of share-based remuneration for employees.

1. The nominal value of treasury shares is presented in the balance sheet as a negative equity element. The net purchase price is entered as a reduction of other paid-in equity. Profits or losses on transactions in treasury shares are not included in the income statement.
2. Transaction charges in connection with equity transactions are included directly in equity after deduction for tax. Only transaction charges that are directly attributable to the equity transaction are included directly in equity.

V. LEASE AGREEMENTS

The decision as to whether an agreement is, or contains, a lease is based on underlying conditions in the transaction and requires an assessment of whether fulfillment of the agreement is dependent on the use of a specific asset and whether this entails a right to use the asset.

The rental sum in operational lease contracts is charged against income on a straight-line basis over the period of the lease. The lease sum is separated from payment for other elements in the agreement, and the amounts are recorded separately.

W. SEGMENT REPORTING

Segments are reported similarly as the internal reporting to the Group's senior decision makers. Senior decision makers are defined as the group's management group.



Notes to the financial statements for 2015

PHOTOCURE

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1. OWN SALES AND LICENSING OF HEXVIX® AND CYSVIEW®

In 2011 Photocure entered into an agreement with Ipsen Pharma SAS (Ipsen) for marketing, sales and distribution of Hexvix® in Europe and rest of the world excluding the US and Nordic region. Ipsen has a strong and well established uro-oncology franchise and commercialises Hexvix® through its dedicated urology sales force. Photocure has co-invested a total of EUR 3 million in 2012 and 2013 with Ipsen in marketing and sales programs to increase sales of Hexvix®.

In order to capitalize on the untapped US market opportunity, Photocure established its own commercial operations in its subsidiary Photocure Inc in 2012. The product is approved as Cysview® in the US.

In August 2015 Photocure appointed BioSyent Pharma Inc. as our exclusive distributor for the commercialization of Cysview® in Canada. BioSyent Pharma will fund all costs related to the launch and commercialization of Cysview®, which was approved by Health Canada in January 2015. In May 2015 Photocure appointed Juno Pharmaceuticals as our exclusive distributor for the registration and commercialization of Hexvix® in Australia and New Zealand. Juno, who will fund all costs to secure regulatory approval, begun the filing process immediately. During the review process, Juno Pharmaceuticals will initiate the preparations for the launch of Hexvix® in Australia and New Zealand.

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2. SIGNING FEES AND MILESTONE REVENUES

Under the terms of the agreement entered with BioSyent Pharma Inc in 2015 Photocure received a signing payment for the rights to Cysview® in the territory of Canada of USD 650,000.

Under the terms of the agreement entered with Juno Pharmaceuticals Photocure has received EUR 250,000 for the rights to Hexvix® in the territory of Australia and New Zealand.

Photocure entered in 2009 into an agreement with Galderma S.A. concerning the sale of rights associated with Metvix®. According to this agreement Photocure will receive deferred revenue of EUR 7 million. Photocure received part payment of EUR 3 million in 2012. Payment of the remaining EUR 4 million will be made latest December 2016. The total of EUR 7 million is recognised as revenue over the period up to the time of the last payment. Other payments from Galderma are recognised as revenue when incurred.

Photocure signed in 2010 a partnership agreement with Salix Pharmaceuticals, Inc. for the development of Lumacan for the diagnosis of colorectal cancer. In August 2014, following the proposed merger agreement between Salix and Cosmo Pharmaceuticals S.p.A, Photocure and Salix agreed to terminate the global licensing agreement for Lumacan. Photocure has received a payment of USD 5 million and will regain the global rights and all intellectual property to Lumacan.

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3. OPERATING SEGMENTS

The revised operating segments implemented from start of 2015 follow the current business model for Photocure which consists of two segments: Commercial Franchise and Development Portfolio. The Commercial segment include the Hexvix®/Cysview® products and is broken down into own sales and partner sales by market segments and other sales. The Development segment is split by development of commercial products and pipeline products. Sales revenue from own sales in Commercial segment consists of Hexvix® sales to pharmaceutical wholesalers in Nordic markets and sales of Cysview® to hospitals in the US. Sales through partners comprise sales of Hexvix® to Ipsen in Europe outside the Nordic region and royalties from sales by Ipsen to end users. Milestone revenue within partner subsegment include signing payments with Juno for Australia & New Zealand and BioSyent for Canada.

Milestone revenue within Development segment in 2014 includes the termination payment from Salix.

Other Sales in the Commercial segment consists of the sale of the active substance MAL. Milestone revenue is the deferred recognition of Metvix revenue from Galderma.

Operating costs are charged directly to the respective segment involved, or allocated by principles reviewed by corporate management. Government research grants are offset against operating expenses. Corporate management review the profitability of the segments on a regular basis and use this information to analyse and manage resource allocations.

1 Jan - 31 December 2015	Commercial Franchise				Development Portfolio			
Amounts in NOK 1,000	Hex/Cys Own sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Grand Total
Sales Revenues	61,684	54,101	6,545	122,329	-	-	-	122,329
Milestone revenues	-	7,450	4,939	12,388	-	-	-	12,388
Cost of goods sold	-2,483	-5,738	-	-8,221	-	-	-	-8,221
Gross profit	59,201	55,812	11,484	126,497	-	-	-	126,497
Gross profit of sales %	96 %	89 %	100 %	93 %				93 %
R&D	-	-	-	-	-4,709	-24,849	-29,558	-29,558
Sales & marketing	-61,568	-8,684	-	-70,252	-	-3,021	-3,021	-73,273
Other & allocations	-11,171	-15,772	-603	-27,546	-3,070	-11,136	-14,207	-41,753
Operating expenses	-72,739	-24,456	-603	-97,798	-7,779	-39,007	-46,786	-144,584
EBITDA	-13,538	31,356	10,881	28,699	-7,779	-39,007	-46,786	-18,087
Depreciation and Amortization				-1,586			-2,313	-3,899
EBIT				27,113			-49,099	-21,986

1 Jan - 31 December 2014	Commercial Franchise				Development Portfolio			
Amounts in NOK 1,000	Hex/Cys Own sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	Grand Total
Sales Revenues	45,693	46,320	1,572	93,585	-	-	-	93,585
Milestone revenues	-	-	4,612	4,612	-	30,754	30,754	35,366
Cost of goods sold	-2,175	-4,821	-	-6,996	-	-	-	-6,996
Gross profit	43,519	41,499	6,184	91,201	-	30,754	30,754	121,955
Gross profit of sales %	95 %	90 %	100 %	93 %				93 %
R&D	-	-	-	-	-4,087	-28,453	-32,540	-32,540
Sales & marketing	-46,056	-4,555	-	-50,611	-	-3,819	-3,819	-54,430
Other & allocations	-10,375	-12,558	-812	-23,744	-1,499	-13,903	-15,402	-39,147
Operating expenses	-56,431	-17,113	-812	-74,356	-5,586	-46,175	-51,761	-126,117
EBITDA	-12,912	24,386	5,372	16,846	-5,586	-15,421	-21,007	-4,162
Depreciation and Amortization				-862			-608	-1,469
EBIT				15,984			-21,615	-5,631

Geographical information

The geographical revenue information is based on the location of the customers.

The signing fees and milestone revenue information is described in note 2 and not included in the following table.

Amounts in NOK 1,000	Sale revenue	
	2015	2014
Nordic countries	38,667	33,415
United States	23,017	12,278
Own sales	61,684	45,693
Partner countries Europe	60,645	47,892
Group sale revenues	122,329	93,585

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4. COST OF GOODS SOLD

Total cost of goods sold include direct materials, services provided by contract manufactures and packaging suppliers, products freights and distribution costs. In addition are royalties for inlicensing of technology and rights from other parties included.

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5. INCOME STATEMENT CLASSIFIED BY NATURE

Amounts in NOK 1,000		Group		Parent	
	Note	2015	2014	2015	2014
Sales revenues	1	122,330	93,586	100,903	93,913
Signing fees and milestone revenues	2	12,387	35,366	12,387	35,366
Cost of goods sold	4	-8,221	-6,996	-7,974	-6,948
Gross profit		126,496	121,956	105,316	122,331
Other income		0	0	103	400
Payroll expenses	6	-80,358	-73,008	-52,894	-51,899
R&D costs excluding payroll expenses/ other operating expenses		-15,117	-15,197	-15,117	-15,197
Ordinary depreciation and amortisation	12	-3,899	-1,469	-3,709	-1,257
Other operating expenses		-49,108	-37,912	-52,207	-26,287
Total operating revenue and operating expenses		-148,482	-127,586	-123,824	-94,240
Operating profit		-21,986	-5,630	-18,508	28,091
Specification of Other operating expenses:					
		2015	2014	2015	2014
Marketing expenses		10,393	5,217	7,779	3,331
Profit split coverage US		-	-	18,147	-
Travel expenses		9,805	7,531	3,833	3,628
Patent costs, legal and other fees		15,777	11,203	12,210	7,584
Other expenses		13,133	13,961	10,238	11,744
Total other operating expenses		49,108	37,912	52,207	26,287

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6. PERSONNEL EXPENSES

Amounts in NOK 1,000		Group		Parent	
	Note	2015	2014	2015	2014
Salaries		63,613	58,816	39,716	40,251
Employer's social security contributions on salaries, etc.		6,892	6,240	5,367	5,199
Option costs		2,899	2,343	2,402	2,015
Employer's social security contributions on options		766	-82	766	-82
Pension costs	7	3,823	3,794	3,175	3,284
Other benefits		2,365	1,897	1,468	1,232
Total payroll expenses		80,358	73,008	52,894	51,899
No. of full-time equivalent positions		49	47	29	32

Share-based remuneration

As part of the company's incentive policy, employees are offered subscription rights to the company's shares (the term 'options' is also used). Allocated subscription rights are vested over three years, one third each year. The rights are no longer valid after five years or immediately on resignation of the employee. No subscription rights are allocated to members of the Board of Directors. For 2015, NOK 2.9 million of share-based payments has been expensed, of which NOK 0.5 million applies to Photocure Inc. The corresponding figure for Photocure in 2014 was NOK 2.3 million of which NOK 0.3 million applied to Photocure Inc.

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

	2015		2014	
	Number	Average exercise price (NOK)	Number	Average exercise price (NOK)
Outstanding at start of year	1,153,312	39.05	1,013,637	41.14
Granted during the year	407,700	32.78	326,000	27.39
Forfeited during the year	129,725	38.66	107,575	38.52
Exercised during the year	86,994	29.02	37,500	18.30
Expired during the year	224,750	42.00	41,250	18.30
Outstanding at end of year	1,119,543	37.00	1,153,312	39.05
Vested options as per 31 December	768,728	39.57	852,631	41.84

The average weighted life of outstanding share options was 2.1 years at 31 December 2015 and 2.1 years at 31 December 2014. The average weighted market value of options issued in 2015 was NOK 7.99.

The exercise prices and the average life of outstanding share options as per 31 December 2015 were as follows:

Average remaining life	No. of options	Exercise price (NOK)
1 year	268,744	48.75
2 year	275,593	38.50
3 year	211,336	27.39
4 year	363,870	32.78
Total	1,119,543	

Calculation method for market value of subscription rights / employee share options:

The market value of subscription rights is calculated according to the Black-Scholes method. Volatility is calculated on the basis of the development in the historical share price over the last 12-month period. This assumes that historical volatility indicates future volatility, which is not necessarily the case. Subscription prices are set as the listed price plus 10% at the time of allocation. Risk-free interest is based on the interest for Norwegian government bonds. Each option programme is calculated separately with the actual exercise price and duration of the programme. The exercise date for the options is calculated on the basis of historical experience in the company and differentiated between senior management and other employees. The interest advantage is insignificant and has not been included in the accounts. The table below shows the values that have been used in the model.

	2015	2014	2012	2011
Dividends (NOK)	0.00	0.00	0.00	0.00
Expected volatility (%)	46.64	41.10	45.74	46.85
Historical volatility (%)	46.64	41.10	45.74	46.85
Risk-free interest (%)	1.14	1.79	1.98	1.57
Expected life of options (years)	3.50	3.71	3.75	3.65

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7. PENSION COSTS

The parent company has a contribution-based pension scheme. This pension scheme complies with the requirements in regard to compulsory occupational pensions in Norway. As of 31 December 2015 and 31 December 2014, the company had immaterial deposits in the premium and the contribution fund. The company has entered into pension agreements with employees in the form of contribution-based pensions for salaries exceeding coverage by insurance. This contribution-based pension liability is interest-bearing in the amount of 4.5% per annum.

Photocure Inc matches its employee's contribution to the 401(k) plan dollar for dollar. Photocure's contribution is limited to 4% of the salary.

The pension cost for the year is calculated as follows:

Amounts in NOK 1,000	Group		Parent	
	2015	2014	2015	2014
Total pension costs, contribution scheme in life assurance	2,917	2,996	2,269	2,486
Total pension costs, company contribution scheme	906	798	906	798
Total	3,823	3,794	3,175	3,284

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8. AUDITING FEES

Amounts in NOK 1 000 ex VAT	Group and parent	
	2015	2014
Statutory auditing	331	304
Other attestation services	31	16
Other services excluding auditing	0	0
Tax advice	409	116
Total	771	436

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9. FINANCIAL INCOME AND EXPENSE

Amounts in NOK 1,000	Group		Parent	
	2015	2014	2015	2014
Interest income	995	4,138	995	4,138
Foreign exchange gains	6,519	5,649	40,229	36,884
Gain sale of financial rights	1,342	-	1,342	-
Total financial income	8,856	9,787	42,566	41,022
Foreign exchange losses	4,197	2,515	4,197	2,515
Other financial expense	107	115	107	115
Total financial expense	4,304	2,630	4,304	2,630

The foreign exchange gain in the parent company include unrealised exchange gain of the long term loan to the subsidiary that is nominated in USD. The exchange rate NOK/USD has increased from 6.08 as of December 31, 2013 to 8.80 as of December 31, 2015 resulting in unrealised gain of NOK 33.7 million in 2015 and NOK 31.2 million in 2014.

In the consolidated accounts the unrealised gain is eliminated against the change in equity as part of other comprehensive income.

10. TAX

Amounts in NOK 1,000	Group		Parent	
	2015	2014	2015	2014
Income tax expense				
Tax payable	535	-	535	-
Changes in deferred tax	7,573	18,047	7,573	18,047
Total income tax expense	8,108	18,047	8,108	18,047
Tax base calculation				
Profit before income tax	-28,070	-6,653	9,118	58,302
Permanent differences *)	13,390	10,553	12,286	9,860
Temporary differences	-11,150	-6,256	-12,110	-6,552
Utilisation of tax loss carried forward, not previously incorporated	-9,294	-61,610	-9,294	-61,610
Increase tax loss carried forward	35,124	63,966	-	-
Tax base	-	-	-	-
Temporary differences:				
Receivables	-	-	-	-
Inventories	1,921	1,921	1,921	1,921
Non current assets	-1,458	-1,276	-1,407	-1,243
Long term currency loans	67,700	34,747	67,700	34,747
Provisions	-3,348	-1,654	-766	-
Pensions	-3,742	-3,035	-3,742	-3,035
Gains and loss account	76,812	96,015	76,812	96,015
Total	137,885	126,718	140,518	128,405
Tax loss carried forward	-438,793	-404,386	-234,478	-243,454
Net temporary differences	-300,908	-277,668	-93,960	-115,049
Write down of deferred tax asset	206,948	162,617	-	-
Deferred tax benefit recognised in balance sheet	-93,960	-115,051	-93,960	-115,049
Deferred tax liability (asset)	-23,490	-31,063	-23,490	-31,063
	Group		Parent	
	2015	2014	2015	2014
Effective tax rate				
Expected income taxes at statutory tax rate 27%	-7,579	-1,796	2,462	15,742
Permanent differences	3,615	2,849	3,317	2,662
Effect change permanent differences previous years	-191	-2	-87	-357
Effect change tax rate Norway	1,879	-	1,879	-
Not recognised deferred tax benefit of tax loss US	2,552	13,007	-	-
Effect foreign currency	7,296	3,989	-	-
Effect different rate income tax US	-	-	-	-
Withholding tax in foreign jurisdiction	535	-	535	-
Income tax expense	8,108	18,047	8,108	18,047
Effective tax rate in % **)	28.9%	-271.3%	88.9%	31.0%

*) Permanent differences consist of non deductible costs, non taxable income and deduction for development cost through the SkatteFunn concept.

**) Tax expense related to profit before tax.

The company has recognised a deferred tax asset regarding net temporary differences in the parent company in Norway but not for the subsidiary Photocure Inc. The parent company has a profit before tax in 2015 of NOK 9.3 million compared to NOK 61.6 million in 2014. Photocure has decided to change the transfer price method in the Group from a resale method to a profit/loss split method for the business in US. The taxable profit as of end December 2015 in the parent company will be offset by the tax loss carried forward in Norway. The deferred tax asset is of this reason decreased by NOK 7.6 million as of 31 December 2015 to NOK 23.5 million. The basis for the recognition is the assessment that it is more-likely-than-not that the deferred tax benefit will be utilised. There is no expiry on losses to be carried forward in Norway while it expires after 20 years in US.

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11. 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 acquisition of 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.

	2015	2014
Figures indicate the number of shares		
Ordinary shares 1 January	21,393,301	21,393,301
Effect of treasury shares	-35,476	-35,476
Effect of share options exercised	-49,639	-36,678
Effect of shares issued 2015	82,994	-
Weighted average number of shares, 31 December	21,391,180	21,321,147
Effect of outstanding share options	83,495	15,618
Weighted average number of diluted shares, 31 December	21,474,675	21,336,765
Earnings per share		
Earnings per share in NOK basic	-1.69	-1.16
Earnings per share in NOK diluted	-1.69	-1.16

12. INTANGIBLE ASSETS, MACHINERY AND EQUIPMENT

Amounts in NOK 1,000				
Group	Intangible assets Product Development	Production Equipment	Furniture & Equipment	Total Equipment
Accumulated cost at 31 December 2013	0	3,214	4,604	7,818
Additions		90	866	956
Disposals and scrapping		-	-270	-270
Accumulated cost at 31 December 2014	0	3,304	5,200	8,504
Additions	14,405	28	495	523
Disposals and scrapping	-	-6	-500	-506
Accumulated cost at 31 December 2015	14,405	3,326	5,195	8,521
Accumulated depreciation at 31 December 2013	0	1,682	2,456	4,138
Amortization and depreciation		464	1,004	1,468
Impairment				0
Disposals and scrapping		-	-196	-196
Accumulated depreciation at 31 December 2014	0	2,146	3,264	5,410
Amortization and depreciation	2,528	417	954	1,371
Impairment	-			0
Disposals and scrapping	-	-6	-542	-548
Accumulated depreciation at 31 December 2015	2,528	2,557	3,676	6,233
Book value at 31 December 2014	0	1,158	1,936	3,094
Book value at 31 December 2015	11,877	769	1,519	2,288

The note for parent company has unmaterial differences to the group and is not disclosed of this reason.

Rental costs	Group		Parent	
	2015	2014	2015	2014
Rental of office premises	2,688	3,584	1,955	3,012
Rental of equipment	251	328	205	284
Total rental costs	2,939	3,912	2,160	3,296

The company has a rental agreement for premises at Hoffsvveien 4 in Oslo. Photocure utilised in 2014 an option to extend the agreement with an additional period of 5 years ending August 2021 including a right to subrent part of the premises. The net rent amounts to NOK 2.3 million for the period 1 January 2016 through 31 December 2016. The net rent for the remaining period until the expiry of the agreement amounts to NOK 11.6 million. Annual regulation of the rent corresponds to the change in the consumer price index.

Photocure Inc rents office premises at Carnegie Center, Princeton, New Jersey from 1 April 2011 through 31 March 2017. The rent commitment for the period 1 January 2016 to 31 December 2016 is NOK 0.8 million while the rent for the remaining period until the expiry of the agreement amounts to NOK 0.2 million.

Rental of equipment comprises medical treatment equipment located at hospitals and office equipment. All rental agreements for equipment are short-term.

13. OTHER INVESTMENTS

Group shares	Location	Year of incorporation	Share capital	Share-holding	Book value	Equity at 31 December 2015	Result 2015
PCI Biotech Holding ASA	Oslo, Norway	2007	16,249	9.96%	5.933	44,284	-31,922

Shares in PCI Biotech Holding ASA are valued at last traded price on Oslo Axess in 2015 at NOK 4.00 per share.

A continued fall in market value from NOK 16.6 million at the beginning of 2015 to market value as of balance sheet date of NOK 5.9 million represents a material decrease in value and impairments are necessary in the Financial Statements for 2015. Given that previous impairments should not be reversed through profit and loss if and when the market value increases again, it is only the fair value decrease below previous impairments to be recognised in profit and loss for 2015. This impairment is NOK 10.6 million for 2015. In 2014 an impairment of NOK 8.2 million was reported through the profit and loss while the remaining fall in market value of NOK 7.9 million was presented as Other comprehensive income due to previous impairments.

PCI Biotech Holding ASA carried out a fully underwritten rights issue of NOK 70 million that was completed 12 February 2015. Photocure did not participate in this capital increase and hold 9.96% of the shares in PCI Biotech Holding ASA after 12 February 2015.

In the balance sheet of parent company 100% of shares in the subsidiary Photocure Inc are included with book value NOK 3.2 million as of 31 December 2015 and NOK 2.7 million as of 31 December 2014.

Other non-current financial assets	Group and parent	
	31-Dec-15	31-Dec-14
Incurred part of final settlement from sale of Metvix/ Aktelite, cf. description in note 2 and note 17	-	25,786

14. INVENTORIES

Amounts in NOK 1,000	Group		Parent	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Raw materials	1,832	1,225	1,832	1,225
Components	4,048	3,713	4,048	3,713
Semi-finished and finished goods	7,920	8,299	7,586	8,057
Total inventories	13,800	13,237	13,466	12,995

The raw materials inventory consists of active substances for the pharmaceutical products. Raw materials are valued at cost. Finished and semi-finished goods are valued at full manufacturing cost. Consumption is carried out in accordance with the FIFO principle. Obsolete goods are written down to fair value. Provisions and write-downs of inventories are included in cost of goods sold in the income statement. Stocks of components comprises technical medical equipment to be used in clinical trials and products that are to be used in the production of technical medical equipment.

15. FINANCIAL RISK

The note describes the company's various financial risks and the management of same. In addition, numerical presentations of risk associated with financial risks are included.

(I) Organisation of financial risk management

Photocure has an international business operation and is exposed to currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. During the accounting period, the company has not utilised any derivatives or other financial instruments to reduce these risks. Responsibility for managing financial risk is placed with the management of the company, including financing, interest rate and currency management as well as risk within the business areas and the risk associated with the company's business processes. Financial risk is also monitored by the Board of Directors.

Centralised risk management

Photocure has a centralised finance department. This department ensures the company's financial freedom to act both long and short term, and to monitor and manage financial risk in collaboration with the individual business units within the company. The finance department maintains communication with the company's bank connections, and carries out hedging transactions regarding interest and currency. Required authorisations for borrowing and entering into derivative agreements are to be granted by the Board of Directors. All transactions involving financial instruments are backed by an underlying commercial hedging requirement.

Commercial operations – production, sales and marketing

Photocure manufactures, markets and sells the company's products through own sales organization in the Nordic region and US and through license partners in other countries. Revenues from license partners consist of three elements: sales of products to license partners, royalties from license partners' sales to end users, and milestone revenues. Photocure manufactures the company's products by renowned contract manufacturers in Italy, Spain, Sweden and Norway. Prices of raw materials are a risk factor. Currency risk is mainly related to milestone revenues, sale to partner and royalties which mainly is nominated in EUR and USD. Also Photocure's commercial operations in the US expose Photocure for currency risk against USD as both revenues and expenses are in USD. Currency risks are partly naturally hedged by purchasing goods and services in EUR and USD.

Research and development activities

Photocure conducts research and development of new innovative medical products based on the company's patented technology. Currency risk in research and development is connected to the purchase of goods and services for drug formulation and development of new medical devices, and to the purchase of services related to the conducting of clinical studies in Europe and the United States. The currency risk is primarily in the currencies EUR, USD and GBP. Currency exposure associated with research and development is normally not hedged.

(II) Classes of financial risk

Interest rate risk

Photocure does not have any interest-bearing debt, and the company's interest rate risk is mainly associated with the company's holdings of cash and cash equivalents. The main strategy is to diversify the risk and invest in money market funds and bond funds with low risk, high liquidity and short duration. More than 90% of the investments are denominated in NOK and are not hedged.

Liquidity risk

A main objective of Photocure's financial policy is to ensure that the company has the financial freedom to act both short and long term to achieve strategic and operational goals. Photocure is to have sufficient funds to cover known capital requirements during the forthcoming 12 months in addition to a strategic reserve. The company monitors the cash flows on long and short term through planning and reporting. Photocure does not have any loan agreements that involve covenants or other financial requirements.

Photocure uses a multi-currency consolidated accounts system that provides flexibility in relation to drawing on multiple currencies.

The following table presents an overview of the maturity structure of the company's financial obligations, based on non-discounted contractual payments:

Amounts in NOK 1,000	Remaining period				Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	
31-Dec-15					
Accounts payable	8,498	700			9,198
Other current liabilities	4,544	10,500	5,000	760	20,804
31-Dec-14					
Accounts payable	4,187	150			4,337
Other current liabilities	3,000	8,097	8,000	500	19,597

Credit risk

Management of credit risk associated with accounts receivable and other operational receivables is dealt with as a part of the commercial risk and is followed up continuously as a part of normal operations. Photocure is primarily exposed to credit risk associated with accounts receivable and other short-term receivables. Photocure's sales are made to license partners, pharmaceutical wholesalers in the Nordic region and hospitals in USA. The credit risk is limited as the counterparties are large companies that are not related to each other. Photocure's credit risk is considered moderate and the company does not use credit insurance.

Currency risk

As NOK is the company's presentation currency, Photocure is exposed to translation risk associated with the company's foreign net exposure. Photocure's revenues and costs are incurred in different currencies, primarily EUR, USD, GBP, SEK and DKK. Photocure is therefore exposed to exchange rate fluctuations. The company regularly monitors the need for hedging of large transactions. Bank accounts in foreign currencies are used actively to reduce exposure to all the main currencies, and currency risk is to some degree naturally hedged in EUR, USD, SEK and DKK by having both revenues and costs in the same currency. However Photocure had a cash surplus in EUR and a cash deficit in USD. Photocure does not have outstanding hedging of future transactions at 31 December 2015.

The following table shows the company's sensitivity for potential changes in the NOK exchange rate with all other factors constant. The calculation is based on the same change in relation to all relevant currencies. The effect in the income statement comes from changes in the value of monetary items.

Amounts in NOK 1000	Change in the NOK exchange rate	Effect on operating profit/loss
2015	+ 10 %	-3,935
2015	- 10 %	3,935
2014	+ 10 %	-5,163
2014	- 10 %	5,163

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16. FAIR VALUE

The table below analyses financial assets recognised 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

Amounts in NOK 1,000				
Market value hierarchy	Level 1	Level 2	Level 3	Total
Financial assets available for sale:				
- Shares in PCI Biotech Holding ASA	5,933			5,933
- Money market funds	113,313			113,313
Total	119,246	-	-	119,246

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17. RECEIVABLES**Maximum credit risk**

The company's maximum credit risk associated with financial instruments corresponds to gross receivables. In a hypothetical situations, where no receivables are actually paid, this would correspond to:

Amounts in NOK 1,000	Group		Parent	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Accounts receivable	12,259	9,602	7,828	7,795
Accounts receivable intercompany			38	52
Total	12,259	9,602	7,866	7,847
Royalty	4,263	3,891	4,263	3,891
Incurring part of final settlement from sale of Metvix/ Aktelite, cf. description in note 2 and note 13	32,805	-	32,805	-
Other receivables	7,316	2,092	6,470	1,562
Total other receivables	44,384	5,983	43,538	5,453

Loan to the subsidiary is disclosed in note 23.

Age breakdown of group accounts receivable	Not yet due	0-30 days	30-60 days	60-90 days	Over 90 days	Total
31 December 2015	9,191	2,477	328	263		12,259
31 December 2014	8,435	1,139	28			9,602

Bad debt loss in 2015 and 2014 has been immaterial. Credit risk and foreign exchange risk in regard to trade accounts receivable are dealt with in more detail in Note 18.

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18. CASH AND SHORT TERM DEPOSITS

Amounts in NOK 1,000	Group		Parent	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Cash and cash equivalents, restricted ⁽¹⁾	4,075	3,995	4,075	3,995
Cash and cash equivalents, non-restricted	16,638	17,882	13,480	13,923
Money market funds, non-restricted	113,313	143,368	113,313	143,368
Total	134,026	165,245	130,868	161,286

⁽¹⁾ Restricted cash and cash equivalents at 31 December 2015 include security for employees' withholding tax in the amount of NOK 1.6 million, while the remaining amount refers to deposit for rent of office.

19. SHARE CAPITAL

Registered share capital in Photocure ASA amounted to:

	No. of shares	Nominal value per share NOK	Share capital in NOK
Share capital at 31 December 2014	21,393,301	0.50	10,696,651
Share capital at 31 December 2015	21,476,295	0.50	10,738,148
Treasury shares:			
Holdings of treasury shares at 31 December 2013	72,976		36,488
Buy-back of treasury shares	0	0.50	0
Share option exercise	-37,500	0.50	-18,750
Holdings of treasury shares at 31 December 2014	35,476		17,738
Buy-back of treasury shares	0	0.50	0
Share option exercise	0	0.50	0
Holdings of treasury shares at 31 December 2015	35,476		17,738

All shares have the same voting rights and otherwise the same rights in the company. Ordinary shares are classified as equity. Expenses that are directly attributable to the issue of ordinary shares are included as a reduction of equity.

At the General Meeting 30 April 2015, the Board of Directors of Photocure ASA was granted authorisation to issue up to 2.9 million shares. Of this authorisation, (a) 2.1 million shares are linked to financing of the company's development, while (b) 0.8 million shares are associated with the issue of shares to the company's employees. Subscription of shares under the incentive program shall be subscribed at the market price with an addition of 10% at the time of allocation of the employee share options. At the General Meeting the Board of Directors was granted authorisation to purchase treasury shares to a total nominal value of up to 10% of the applicable share capital. The basis for this authorisation to purchase treasury shares is the desire by the Board of Directors to increase the liquidity of the company's shares and in connection with the incentive schemes.

All authorisations are valid up until the Ordinary General Meeting in 2016. Previously issued authorisations have expired.

The table below indicates the status of authorisations at 31 December 2015:

Figures indicate the number of shares	Purchase, treasury shares	Ordinary share issue	Employee share issues
Authorisation issued at the General Meeting on 30 April 2015	2,139,330	2,139,330	800,000
Share issues after the General Meeting on 30 April 2015	0	0	82,994
Purchase of treasury shares after the General Meeting 30 April 2015	0	0	0
Remaining under authorisations at 31 December 2015	2,139,330	2,139,330	717,006

1 119 543 subscription rights have been allocated to employees 31 December 2015 (see note 6).

Ownership structure

The major shareholders in Photocure as of 31 December 2015 were:

	Shares	Shareholding
JP Morgan Chase Bank*	3,153,674	14.7 %
The Norwegian Radium Hospital Research Foundation	1,729,000	8.1 %
KLP Aksje Norge VPF	1,279,984	6.0 %
Fondsfinans Spar	1,114,490	5.2 %
Kommunal Landspensjonskasse	950,000	4.4 %
MP Pensjon PK	848,000	3.9 %
High Seas AS	800,000	3.7 %
Skagen vekst	626,466	2.9 %
Danske Invest Norske Instit. II.	422,703	2.0 %
Verdipapirfondet Eika Norge	406,517	1.9 %
Fondsfinans global helse	372,682	1.7 %
Bergen Kommunale Pensjonskasse	370,000	1.7 %
Danske Invest Norske Aksjer	360,714	1.7 %
Vicama AS	345,384	1.6 %
Rul AS	281,475	1.3 %
Polar Capital Global Healthcare	254,537	1.2 %
VPF DNB Norge (IV)	249,881	1.2 %
VPF DNB SMB	210,000	1.0 %
Artal AS	201,340	0.9 %
Total of shareholders with a shareholding of more than 1%	13,976,847	50.4 %
Treasury shares	35,476	0.2 %
Total other shareholders	7,463,972	49.4 %
Total number of shares	21,476,295	100.0 %

* Nominee account for Hunter Hall

Shares owned, directly or indirectly, by members of the Board of Directors, the President and CEO and senior management and their closely related associates as of 31 December 2015:

Name	Position	No. of shares	No. of subscription rights*
Tom Pike	Board member	3,400	
Kjetil Hestdal	President and CEO	103,873	116,000
Ambaw Bellete	Head, US Cancer Commercial Operations	-	54,100
Erik Dahl	Chief Financial Officer	-	69,000
Kathleen Deardorff	Chief Operating Officer	-	135,095
Inger Ferner Heglund	Vice President Research and Development	8,200	82,280
Grete Hogstad	Vice President Strategic Marketing	10,500	74,050
Espen Njåstad	Head, Nordic Cancer Commercial Operations	-	57,650
Gry Stensrud	Vice President Technical Development & Operations	6	87,050

* See note 6 for additional information about the subscription rights.

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20. CAPITAL STRUCTURE

The Group is financed by equity and had no interest-bearing debt at 31 December 2015 and 31 December 2014 with exception for the pension liability according to note 7.

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21. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Amounts in NOK 1,000	Group		Parent	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Accounts payable	9,198	4,337	6,656	3,626
Accounts payable, intercompany			1,516	351
Total	9,198	4,337	8,172	3,977
Provision for accrued external R&D costs	1,800	1,891	1,800	1,891
Accrued bonus, holiday pay, salaries	13,484	12,375	10,470	10,725
Accrued royalty liability	856	590	856	590
Miscellaneous other accrued costs	4,664	4,740	4,526	3,800
Total other current liabilities	20,804	19,597	17,652	17,006

Accrued royalty liability concerns agreements with external parties for the right to use patented technology. The liability is calculated as royalty on sales of products accrued in the last period and as a share of signing fees and milestone payments received.

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22. REMUNERATION OF MANAGEMENT AND BOARD OF DIRECTORS

Amounts in NOK 1,000						
	Directors' fees paid	Salaries paid	Bonuses accrued	Benefits in kind	Pension cost	Total
Senior management 2015						
President and CEO		2,383	602	86	330	3,401
Chief Operating Officer *)		3,232	414	112	317	4,075
VP Research and Development		1,347	197	85	128	1,758
Chief Financial Officer		1,620	211	15	168	2,014
VP Strategic Marketing		1,422	196	92	142	1,852
VP Technical Development and Operations		1,215	208	17	98	1,538
Head, US Cancer Commercial Operations *)		2,507	462	188	85	3,242
Head, Nordic Cancer Commercial Operations		1,284	284	18	108	1,694
Total senior management		15,010	2,574	612	1,376	19,572
Board of Directors 2015						
Chairperson of the Board	470					470
Members of the Board	810					810
Total remuneration	1,280	15,010	2,574	612	1,376	20,852
*) Remunerations paid in USD:						
Chief Operating Officer		401	51	14	39	506
Head, US Cancer Commercial Operations		311	57	23	11	402

Amounts in NOK 1,000						
	Directors' fees paid	Salaries paid	Bonuses accrued	Benefits in kind	Pension cost	Total
Senior management 2014						
President and CEO		2,270	958	379	317	3,924
Chief Operating Officer *)		2,473	872	72	182	3,599
VP Research and Development		1,300	418	91	113	1,923
Chief Financial Officer		1,551	342	23	152	2,069
VP Strategic Marketing		1,373	328	98	125	1,923
VP Technical Development and Operations		1,160	241	16	82	1,499
Head, US Cancer Commercial Operations *)		1,890	614	131	66	2,700
Head, Nordic Cancer Commercial Operations		1,220	371	20	95	1,705
Total senior management		13,236	4,144	829	1,132	19,341
Board of Directors 2014						
Chairperson of the Board	470					470
Members of the Board	1,170					1,170
Total remuneration	1,640	13,236	4,144	829	1,132	20,981
*) Remunerations paid in USD:						
Chief Operating Officer		393	138	11	29	571
Head, US Cancer Commercial Operations		300	97	21	10	429

THE BOARD OF DIRECTORS' DECLARATION ON DETERMINATION OF SALARIES AND OTHER REMUNERATION FOR SENIOR MANAGEMENT 2016

1. General

This declaration is prepared by the Board of Directors in Photocure ASA ("Photocure") in accordance with the Norwegian Public Limited Liability Companies Act (the "Companies Act") section 6-16a, for consideration at the annual general meeting on 28 April 2016.

Principles in this declaration regarding allocation of shares, subscription rights, options and any other form of remuneration stemming from shares or the development of the official share price in the company are binding on the Board of Directors when approved by the general meeting. Such guidelines are described in section 3.2. Other guidelines are precatory for the Board of Directors. If the Board of Directors in an agreement deviates from these guidelines, the reasons for this shall be stated in the minutes of the Board of Directors' meeting.

The principles set out for determination of salaries and other remuneration for the senior management in this declaration shall apply for the financial year 2016 and until new principles are resolved by the general meeting in accordance with the Companies Act. The annual general meeting in 2017 will review how the principles set out in this declaration have been pursued in 2016 and deal with the principles for 2017 in accordance with the Companies Act.

2. Main principles

Senior management remuneration in Photocure and Group companies shall be determined based on the following main principles:

2.1 Remuneration shall be competitive, but not leading

Senior management remuneration shall, as a general guideline, be suited

to attract and retain skilled leaders in order to enhance value creation in the company and contribute to aligned interests between management and the shareholders. Total remuneration should as a general rule be at level with remuneration for senior management in comparable industries, businesses and positions in the country in which the individual manager resides.

2.2 Remuneration shall be motivational

Senior management remuneration shall be structured to drive motivation and encourage improvements in results and shareholder value. In general, the remuneration consists of five elements: base salary, short term incentives (bonus), long term incentives (options), benefits in kind and pension benefits.

The variable remuneration, short term and long term, is linked to value generation for shareholders over time. The variable remuneration is determined both by achievement of individual and company wide key performance indicators and goals. Instrumental is that the senior manager both individually and as a team can influence achievement of the key performance indicators and goals.

The long term incentives are option based and in accordance with section 3.2 of this declaration.

2.3 Remuneration shall be comprehensible and acceptable both internally and externally

The remuneration system shall not be unduly difficult to explain to the general public and should not involve disproportional complexity for the administration.

2.4 Remuneration shall be flexible, allowing adjustments over time

To be able to offer competitive remuneration the company must have a flexible system that can accommodate changes as company and markets evolve.

3. Principles regarding benefits offered in addition to base salary

The base salary is the main element of the senior manager's remuneration. Additional and variable remuneration elements are, at time of grant, subject to determination of specific maximum amounts depending on position.

The following refer to the individual benefits which are granted in addition to base salary. Unless specifically mentioned, no special terms, conditions or allocation criteria apply to the benefits mentioned.

3.1 Additional benefits

3.1.1 Short term incentive / bonus scheme

The company has established a bonus scheme for senior management. These schemes are reviewed at least annually. Bonus schemes are tied to achievement of operational and financial goals for the company laid down by the Board of Directors and achievement of personal goals. Personal goals for senior management are approved by the Board of Directors at the start of the year.

The Chief Executive Officer of the company has a bonus agreement of up to 40% of base salary, while other members of the senior management team have bonus agreements from 20% to 35% of their base salary.

3.1.2 Pension plans and insurance

Senior managers participate in the company's pension scheme, which is a contribution scheme that involves payment of between 5% and 8% of the employee's salary, up to a maximum of 12 times the basic amount (G) of the Norwegian National Social Security Scheme (Folketrygden). Photocure has established pension coverage for employees with salaries higher than 12 G. The scheme is a contribution-based operating pension with provisions corresponding to 16% of salary above 12 G. In the event of resignation, full pension rights are conditional upon at least five years' employment, while less than 3-years' employment carries no rights. The pension schemes also cover in the event of disability.

The company compensates the senior management for health and life insurance plans in line with standard conditions for senior positions, in addition to mandatory occupational injury insurance required under Norwegian law.

3.1.3 Severance schemes

In accordance with detailed regulations, the current Chief Executive Officer is entitled to continue to receive his salary for up to 24 months after the end of his period of notice. Should the Chief Executive Officer receive other income from employment in this period, any such income will be offset in full against his continued salary during the last 12 months of the period in which he continues to receive salary. Other senior management have a period of notice between 3 and 12 months.

3.1.4 Benefits in kind

Senior managers will normally be given the benefits in kind that are common market practice, i.e., telephone expenses, a laptop, free broadband connection and use, newspapers and car allowance. There are no special restrictions on the type of other benefits that can be agreed on.

3.1.5 Loans and guarantees

No loans are granted, nor any security provided for members of the senior management team, the Board of Directors, employees or other persons in elected corporate bodies.

3.1.6 Other benefits

The company may use other variable elements in remuneration or award other special benefits than those mentioned above, provided that this is considered expedient for attracting and/or retaining a manager. No special limitations have been placed on the type of benefits that can be agreed.

3.2 Binding principles for options and other types of benefits related to shares or share price trends

Senior managers participate in the company's incentive program with allocation of subscription rights for the company's shares. Options are allocated to the company's management according to the Board of Directors discretion, considering achievement of company as well as personal goals. The limits for the allocation of share options to senior managers is determined by the Board of Directors within the Board of Directors mandates adopted by the general meeting.

Stock options granted from and including 2013 have (i) an exercise price 10% above the stock price at the time of grant, and (ii) a cap on the size of remuneration which the stock option can bring, which shall equal seven times the stock price at the time of grant.

Stock options granted from and including 2014 have as a requirement on exercise that one share should be acquired for each ten subscription rights exercised, and that such shares should be held two years before sold.

4. Remuneration to senior managers in other Photocure companies

All companies in the Photocure Group are to follow the main principles for the determining of senior management salaries and remuneration as set out in this declaration. Photocure aims at coordinating management remuneration policy and the schemes used for variable benefits throughout the Group.

5. Statement on executive salary policy and consequences of agreements on remuneration in the previous financial year

Photocure has implemented an incentive scheme regarding allocation of share options in the company, pursuant to which senior management have received a total of 213,400 options in 2015.

The annual report and annual accounts for 2015 are available on the web site of the company, www.photocure.com.

The agreements entered into with senior management during the financial year 2015 are entered into in accordance with the principles for determining senior management salaries and remuneration as approved by the general meeting in 2015.

The Board of Directors believes that the guidelines for share-based remuneration promote value creation in the Company/Group and that the impact they have on the company and shareholders is positive.

Senior managers' holdings of shares in Photocure ASA are stated in the note concerning share capital. Allocation and exercise of subscription rights to shares and holdings of subscription rights for senior managers are presented in the following overview:

Subscription rights for senior management 2015	Subscription rights awarded*	Expired subscription rights	Subscription rights exercised	Holding of subscription rights at 31 December 2015	Average exercise price
President and CEO	40,000	50,000	-	116,000	36.78
Chief Financial Officer	24,000	-	-	69,000	34.10
Chief Operating Officer	24,800	-	-	135,095	41.91
VP Strategic Marketing	24,000	23,400	-	74,050	37.08
VP Research and Development	25,500	22,650	-	82,280	36.86
VP Technical Development and Operations	27,000	19,050	-	87,050	37.21
Head, US Cancer Commercial Operations	24,800	-	-	54,100	33.00
Head, Nordic Cancer Commercial Operations	23,300	-	-	57,650	32.72
Total	213,400	115,100	-	675,225	

* Exercise price NOK 32.78 expiry date 31 December 2019.

Subscription rights for senior management 2014	Subscription rights awarded*	Expired subscription rights	Subscription rights exercised	Holding of subscription rights at 31 December 2014	Average exercise price
President and CEO	25,000	-	37,500	126,000	40.13
Chief Financial Officer	15,000	-	-	45,000	34.80
Chief Operating Officer	15,000	-	-	110,295	43.96
VP Strategic Marketing	13,000	8,750	-	73,450	40.06
VP Research and Development	17,000	26,250	-	79,430	39.64
VP Technical Development and Operations	17,000	6,250	-	79,100	39.87
Head, US Cancer Commercial Operations	14,000	-	-	29,300	33.19
Head, Nordic Cancer Commercial Operations	18,000	-	-	34,350	32.68
Total	134,000	41,250	37,500	576,925	

* Exercise price NOK 27.39 expiry date 31 December 2018.

23. RELATED PARTIES - COMPANIES

Subsidiary

Photocure has established a wholly owned subsidiary in the US, Photocure Inc, in order to carry out the marketing-, selling- and distribution activities for the Cysview® product from 2012, see details in note 1. Photocure ASA has the ownership to the patent rights and the trade mark and is responsible in the Group for development and manufacturing of the product.

Photocure Inc purchases the completed product from the parent company and distributes in the United States. The transfer price method applied from 2012 to the end of 2014 was the resale method. The method determine the arm's-length price of a transaction by deducting an appropriate gross profit margin from the selling price to a third party. The transfer price method implemented from 2015 is the profit & loss split method (PSM). The PSM divides the combined profit or loss between the transacting related entities based on what would be anticipated if the entities had been transacting at arm's length. A contribution analysis for sale of Cysview® compares the split of profit or loss between Photocure Inc and Photocure ASA based on the value of the functions performed by each of the related parties, taking account of assets used and the risks assumed by both parties.

Photocure Inc has established its own marketing organization that is fully funded by a loan from its parent company. The transactions between Photocure and Photocure Inc are on terms at arm's length except for the loan that is interest free until further notice.

Transactions and intercompany balances Photocure Inc:		
Amounts in NOK 1 000	2015	2014
Sales of products	1,590	12,605
Sales of services	103	400
Total subsidiary	1,693	13,005
	31-Dec-15	31-Dec-14
Accounts receivables	38	52
Long term loan given	215,320	178,624
Accounts payables	-1,516	-351
Total subsidiary	213,842	178,325
Guarantees to bank in favor of subsidiary for requested security	1,980	1,850

These are for licenses with the States of Maryland and California to sell Cysview® and for the office lease deposit.

24. SUBSEQUENT EVENTS

There are no subsequent events after 31 December 2015 that give material impact to the Group financial position as of the balance sheet date.

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Photocure ASA, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Photocure ASA as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures, we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 6 April 2016
KPMG AS

Lars Inge Pettersen
State authorized public accountant



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