

PHOTOCURE ASA BUILDING A SPECIALTY PHARMA COMPANY

RESULTS FOR FOURTH QUARTER
AND FULL YEAR 2016

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KEY OBJECTIVES AND ACHIEVEMENTS

KEY OBJECTIVES

4Q/FY 2016 KEY ACHIEVEMENTS

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- Increase Hexvix/Cysview global in-market unit sales growth rate
- Hexvix/Cysview global in-market volume increased YoY 5% full year
 - Cysview in-market volume increased YoY 5% in fourth quarter and 21% full year
 - Hexvix/Cysview in-market value increased YoY 13% to NOK 241 million full year
 - Hexvix/Cysview recommended in National treatment guidelines in the US, Germany and France during the year
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- Finalize recruitment and reporting of clinical results of Hexvix/Cysview phase 3 market expansion study in 2017
- Patient enrollment completed
 - Lower total project costs than originally planned
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- Secure Partnership for further development and commercialization of Visonac and Cevira reflecting the product potential
- Discussions ongoing with potential partners

Strengthen cash position with NOK 75 million in 4Q2016 to NOK 169 million



Hexvix/Cysview Update

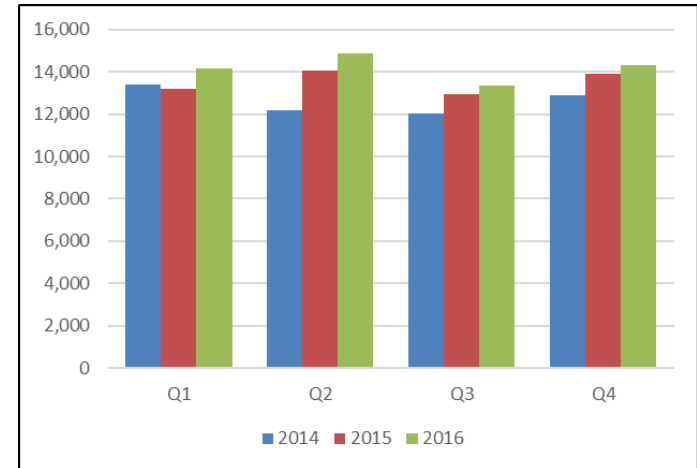


HEXVIX/CYSVIEW

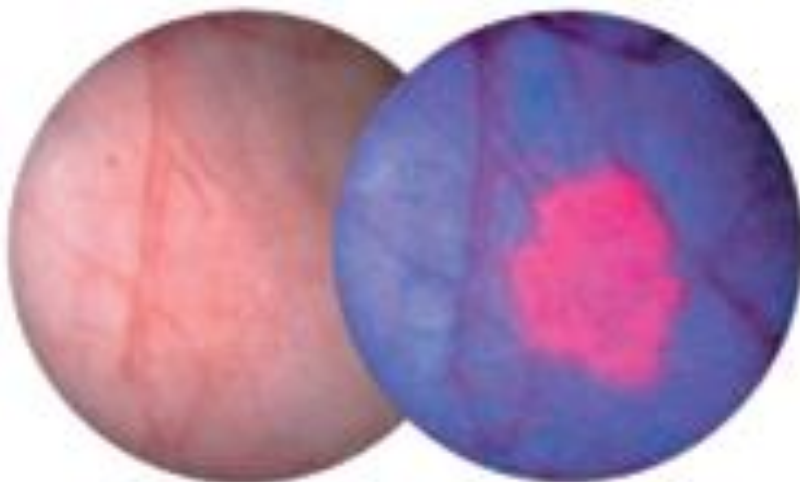
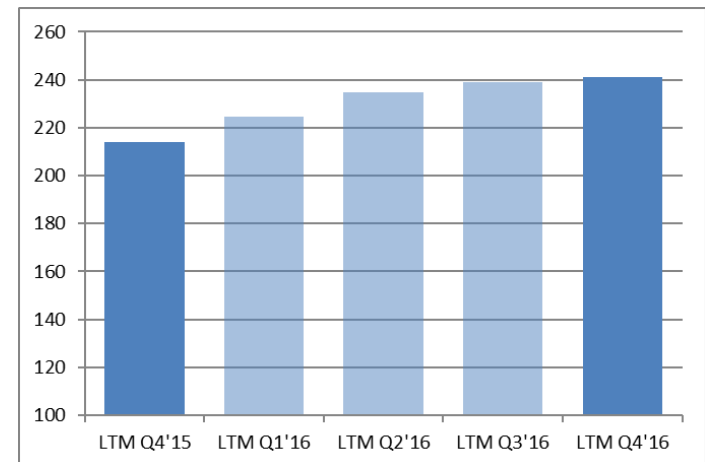
A SIGNIFICANT GLOBAL SPECIALTY BRAND

- Value of in-market sales of Hexvix/Cysview in the quarter increased YoY 4% to NOK 60 million. Full year at NOK 241 million (+13%)
- Hexvix/Cysview global in-market volume increased YoY 3% in the quarter and 5% for the full year
- Overall franchise EBITDA full year at NOK 30.0 million, EBITDA margin of 21%

Global in-market unit sales (by Q)



Global in-market value NOK mill (LTM)



HEXVIX/CYSVIEW INCREASED EXPOSURE IN MEDICAL COMMUNITY

Continued positive data flow fuels forward momentum

- New publications in *Bladder Cancer* show Blue Light Cystoscopy (BLC) with Hexvix/Cysview significantly improves long time outcomes
 - Significantly prolongs time to progression of bladder cancer (*Kamat et al, April*)
 - Significantly reduces progression of bladder cancer (*Gakis et al, August*)
- Publication in *The Journal of Urology* shows BLC with Hexvix/Cysview has no increase in adverse events when a one-off procedure to compared to repeats ¹
- New study in *World Journal of Urology* shows that BLC with Hexvix/Cysview significantly improves detection of NMIBC ²



1) Lane et al., Tolerability of Repeat Use of Blue Light Cystoscopy with Hexaminolevulinate for Patients with Urothelial Cell Carcinoma

2) Bach et al., Optimised photodynamic diagnosis for transurethral resection of the bladder (TURB) in German clinical practice

HEXVIX/CYSVIEW INCLUSION IN KEY NATIONAL GUIDELINES

Transforming clinical practice

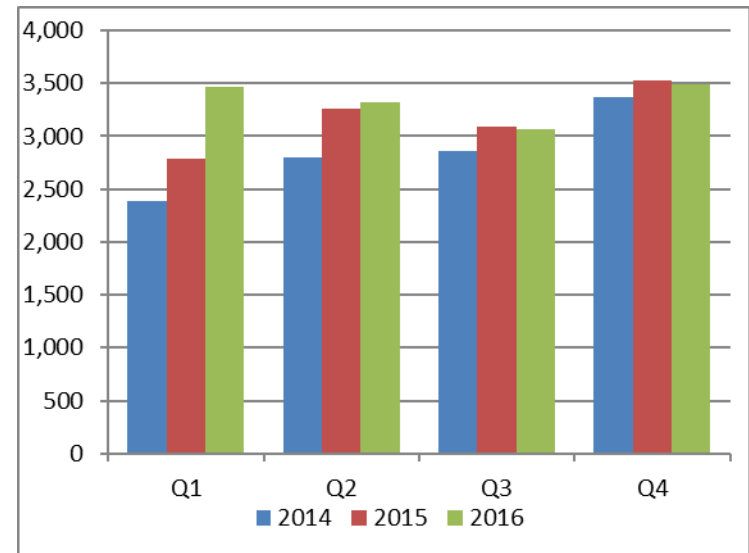
- US Guidelines: Use of Blue Light Cystoscopy with Cysview/Hexvix receives highest level of recommendation in the new AUA/SUO bladder cancer guideline
 - Recommended based on the large body of evidence supporting both increased detection and reduced recurrence of non-muscle invasive bladder cancer
- Included in European and National Guidelines in several EU countries
 - Strong recommendation recently received within French and German National Guidelines for Blue Light Cystoscopy with Hexvix
 - EAU altered guidelines to include the use of Hexvix as a preferential diagnosis procedure
 - NICE recommended the use of cystoscopies and that photodynamic diagnosis should be offered to patients
- Recommended use in 50-70% of TURB procedures ¹



HEXVIX/CYSVIEW PERFORMANCE IN NORDICS AND USA

- Photocure own sales revenue in the US and Nordics increased full year 13% to NOK 69.5 million. Full year growth in unit sales was 5%.
- US revenue increased YoY 9% in the quarter and 32% full year
 - Driven by YoY in-market volume growth of 5% in fourth quarter and 21% full year
 - Permanent Blue Light Cystoscope placements of 83 at the end of the year (2015 year end 65)
 - The bill introduced in the last Congressional session to secure Cysview Medicare reimbursement was not voted on. A similar bill is under preparation for introduction in the current Congress
- Nordic revenue decreased YoY 22% in the quarter and increased 1% full year
 - Main driver behind fourth quarter sales decline was inventory reductions at our distributors compared to last year inventory increases. In-market unit sales for the 8 quarter was YoY down 3%, full year at level with 2015

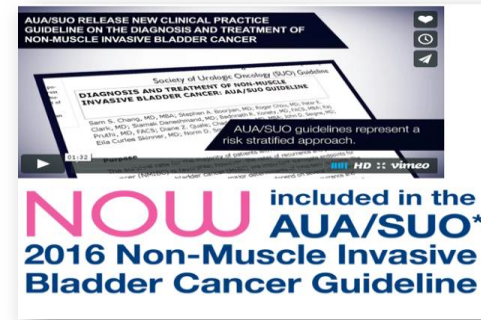
Own Hexvix/Cysview in-market unit sales
Nordic and US



CYSVIEW US ESTABLISHED FOUNDATION FOR CONTINUED GROWTH

Key highlights and basis for future growth

- Inclusion of BLC with Cysview in the AUA guidelines validated the high unmet medical needs
- BLC with Cysview available at many key US major urology and cancer hospitals
- Established best practice account management and gained market share of > 20% across current accounts
 - Successfully implementation of our MSA Strategy in key markets such as *NY Metro*, *Baltimore-Washington DC Metro* and *Los Angeles Metro* allowed for more effective and efficient penetration of accounts.
- Long standing partnership and commitment from US scope manufacturer

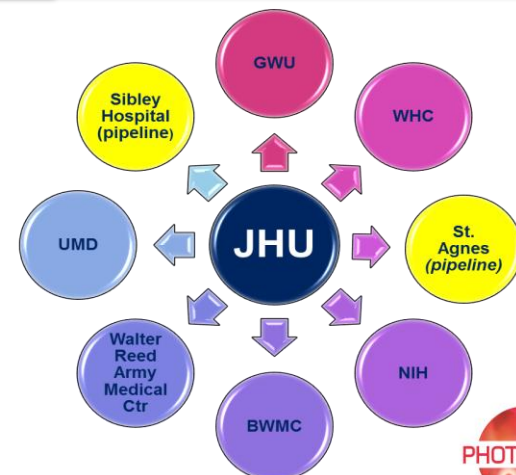


BLCC – A New Standard of Care in 46% of NCCN Designated Cancer Centers

BLCC is in 39% of the NCI Designated Cancer Centers



BLCC- A New Standard of Care in 68% of the top 25 of Best Hospitals in Adult Urology as per US News and World Report



CYSVIEW US

INCREASED AWARENESS KEY FOR CONTINUED GROWTH

- Established a major bladder cancer patient registry with over 600 patients as of 2016
 - Secure continued flow of new data on clinical benefits from real world clinical use of BLC with Cysview
- Patient awareness increased through close collaboration with Bladder Cancer Advocacy Network (BCAN), key Urology Hospitals, Physicians and patient awareness programs
 - Recent survey performed by BCAN among more than 500 bladder cancer patients confirmed increased awareness over last 12 months:
 - 70% vs 17% (LY) of patients had received BLC with Cysview
 - 71% vs 34% (LY) of patients were recommended by their physicians to have BLC with Cysview
 - 74% vs 41% (LY) of patients once diagnosed referred to hospitals providing BLC with Cysview
 - 81% vs 31% (LY) of patients stated that availability of BLC with Cysview was a determining factor in selecting for treatment facility



CYSVIEW US SIGNIFICANT GROWTH OPPORTUNITY

Number of bladder cancer resections (TURBs)

> 300 000 annually

- Majority of TURBT's done at 400 centers in the US with more than 100 MUSD potential

Number of cystoscopies > 1.4 million annually

- Surveillance following initial diagnosis a significant growth opportunity with a total market size 2-3 times current TURB segment
- Patient enrollment in Hexvix/Cysview Phase 3 market expansion trial completed as planned
- Study results expected mid-2017

Maximizing the long term potential of Cysview in the US by increasing the Cysview growth rate

- Increase of salesforce and marketing activities over next 24 months while build on current experience and successes
- Target to achieve 4 times current sales by end of 2020

Increase investment in US M&S

Increase US market penetration

Receive reimbursement code in US

Approval in surveillance market

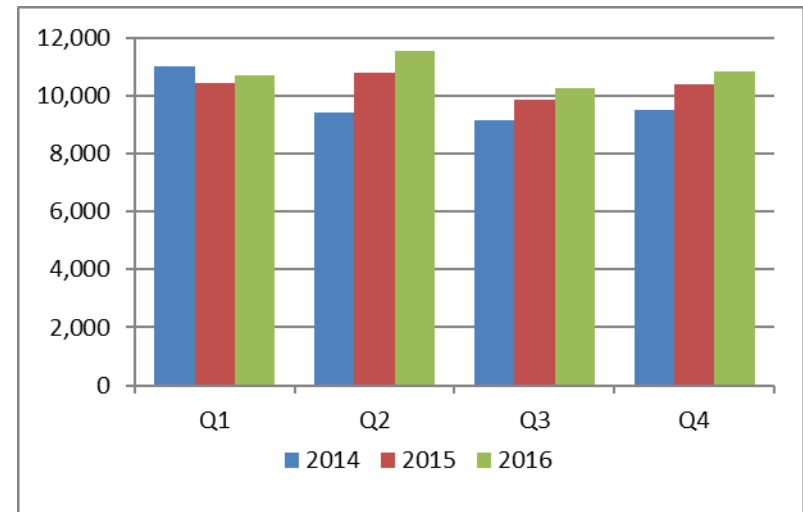
Maximizing the US Cysview opportunity is essential to Photocure's strategy to create a Specialty Pharmaceutical Company in Urology



HEXVIX/CYSVIEW PARTNER PROGRESS

- Partner revenue increased YoY 3% in the quarter and 14% full year to NOK 61.5 million
- End user YoY volume growth 3% in the quarter and 5% year to date
- New territories & partners
 - Sales in Canada and Australia have commenced
 - Commercial sales behind expectations due to timing of outplacement of scopes

Hexvix Partner Unit Sales Per Quarter

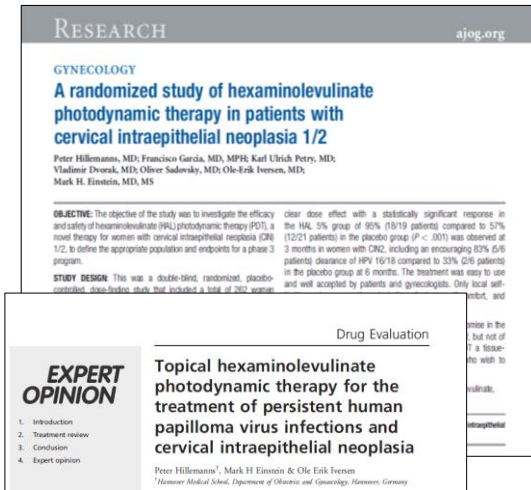


Cevira/Visonac Update



CEVIRA & VISONAC PHASE 3 READY PRODUCTS WITH SIGNIFICANT SALES POTENTIAL

- Cevira - Breakthrough single use and fully integrated drug-device technology to satisfy high need for novel non-surgical therapies to treat global epidemic of HPV/HSIL populations
- Visonac – Novel topical non-antibiotic/non-isotretinoin treatment to satisfy high unmet medical need among patients with inflammatory, severe acne (IGA 4)
- Cevira and Visonac both phase 3 ready with Special Protocol Agreement on phase 3 program with FDA
- Cevira and Visonac both addressing large patient populations with significant unmet medical needs
 - Cevira with blockbuster sales potential based on premium pricing opportunity in large patients populations
- Cevira and Visonac have granted patents with extensive patent life and additional patent applications can provide additional extension
- Ongoing discussions and due diligence with potential partners for development and commercialization



Financials



SEGMENTS

FOURTH QUARTER 2016

Commercial franchise:

- Hexvix/Cysview total revenue declining YoY 5% in the quarter, impacted by inventory reductions for distributors and partners. Full year increase of 13% (in constant FX: 9%)
- Full year total revenues negatively impacted by API and milestone revenues
- Increased operating expenses; sales & marketing in US and investigator initiated trials to support surveillance-market
- EBITDA margin at 21% for the year

Development portfolio:

- Activities related to regulatory work and intellectual property. Cysview post marketing commitment phase 3 capitalized

<i>MNOK</i>	<u>Q4 '16</u>	<u>FY '16</u>	<u>FY '15</u>
<u>Commercial Franchise</u>			
Nordic revenues	9.6	39.0	38.7
US revenues	8.0	30.5	23.0
Partner revenues	14.0	61.5	54.1
Hexvix / Cysview	31.6	131.0	115.8
API revenues	5.2	5.2	6.5
Signing fee & milestones	1.2	7.4	12.4
Total revenues	38.1	143.6	134.7
Cost of goods sold	-2.7	-9.3	-8.2
Gross profit	35.4	134.3	126.5
Operating expenses	-24.6	-104.2	-97.8
EBITDA	10.7	30.0	28.7
<u>Development Portfolio</u>			
Operating expenses	-11.1	-38.1	-46.8
EBITDA	-11.1	-38.1	-46.8
<u>Total</u>			
EBITDA	-0.3	-8.0	-18.1



PROFIT & LOSS

FOURTH QUARTER 2016

- Total revenue increase YoY 7% full year
 - Negatively impacted by reduced sales of API and reduced milestone revenues
- Operating expenses decline YoY 2% full year
 - R&D reduction 40%
 - Sales & marketing increase 8%
 - Other Opex increase 9%
- EBITDA at NOK -0.3 million for the quarter, NOK -8.0 million full year
- Gain from sale of shares and subscription rights with net profit of NOK 27.3 million
- Tax net income (non-cash) driven by change in transfer pricing method

<i>MNOK</i>	Q4 '16	FY '16	FY '15
Hexvix / Cysview revenues	31.6	131.0	115.8
Other sales revenues (API)	5.2	5.2	6.5
Signing fees and milestones	1.2	7.4	12.4
Total revenues	38.1	143.6	134.7
Cost of goods sold	-2.7	-9.3	-8.2
Gross profit	35.4	134.3	126.5
Research & Development	-5.4	-17.7	-29.6
Sales & Marketing	-20.1	-79.3	-73.3
Other Opex	-10.1	-45.3	-41.8
Operating expenses	-35.7	-142.3	-144.6
EBITDA	-0.3	-8.0	-18.1
Depreciation & Amortization	-3.1	-7.9	-3.9
EBIT	-3.4	-15.9	-22.0
Net financial items	27.4	28.6	-6.1
Profit/loss(-) before tax	24.0	12.8	-28.1
Tax expenses	-6.2	22.5	-8.1
Net profit/loss(-)	17.9	35.3	-36.2



CASH FLOW

FOURTH QUARTER 2016

<i>MNOK</i>	Q4 '16	FY '16	FY '15
Cash flow from:			
- Operations	49.9	19.2	-21.0
- Investments	25.0	13.9	-12.6
- Financing	0.4	2.1	2.4
Net change in cash	75.3	35.2	-31.2
Ending cash balance	169.2	169.2	134.0

- Fourth quarter net cash flow NOK 75.3 million, NOK 4.9 million excluding one-off items:
 - Cash flow from operations: Payment form Galderma, NOK 37.2 million (EUR 4.0 million)
 - Cash flow from investments: Sale of shares and subscription rights in PCI Biotech, NOK 33.2 million
- Full year cash flow from operations, excluding Galderma, NOK -18.0 million (prior year NOK -21.0 million)
- Full year cash flow from investments, excluding sale of shares, NOK -19.3 million. Includes investments of NOK 18.6 million in development expenses
- Year end cash balance at NOK 169.2 million

BALANCE SHEET

PER 31 DECEMBER 2016

- Non current assets include NOK 28.1 million in investments in tangible and intangible assets and deferred tax asset of NOK 46.0 million
- No interest bearing debt
- Shareholder's equity of NOK 251.9 million. Equity ratio of 88%
- Photocure held 809 own shares at end of the year

<i>MNOK</i>	31.12 2016	31.12 2015
Non-current assets	74.1	43.6
Inventory & receivables	43.0	70.4
Cash & equivalents	169.2	134.0
Total assets	286.3	248.1
Shareholders equity	251.9	210.1
Long term liabilities	3.8	4.0
Current liabilities	30.6	34.0
Total equity & liabilities	286.3	248.1
Equity ratio	88 %	85 %

Outlook



OUTLOOK

Investment in the US Cysview Market

- Established foundation for growth
 - Inclusion in AUA/SUO guidelines in 2016
 - Increased awareness of BLC with Cysview among urologists and patients
 - Bladder cancer registry demonstrating benefits in “real life” setting
- Opportunity to significantly improve US market penetration and sales
 - Increase of salesforce and marketing activities over next 24 months
 - Exploring new market segments (potential approval in surveillance setting 2018)
- Financial impact
 - Goal to increase US sales significantly, 4-times to the range of USD 15 million by 2020
 - Commercial franchise EBITDA reduction in 2017 / 2018
 - US growth strategy is fully funded

Secure Partnership for further development and commercialization of Visonac and Cevira reflecting the product potential