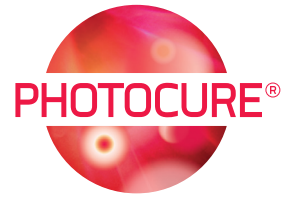


# Q2

SECOND QUARTER  
REPORT 2017  
PHOTOCURE GROUP



# 2017



## Highlights for second quarter and first half year 2017

(Numbers in brackets and comparisons are for the corresponding period in 2016.)

- Total Hexvix/Cysview global in-market sales increased 4% to NOK 66 million (NOK 63 million) in the second quarter and were up 6% to NOK 131 million (NOK 124 million) year to date
- Second quarter Hexvix/Cysview revenue increased 10% to NOK 37.6 million, driven by US revenue growth of 55%. Year to date revenue growth was 9% (12% in constant currencies)
- In-market unit sales declined 2% in the second quarter driven by a 6% decline in partner sales. Unit sales growth was 37% in the US and 3% in Nordic
- Commercial segment EBITDA was NOK 4.7 million (NOK 5.9 million) for the second quarter and NOK 9.6 million (NOK 11.3 million) year to date
- Strong clinical results from the Phase 3 study with Blue Light Flexible Cystoscopy (BLFC™) with Hexvix/Cysview were presented at the AUA meeting in May
- In July, CMS (United States Centers for Medicare & Medicaid Services) released the Proposed Rule outlining its 2018 plan to reimburse procedures using Blue Light Cystoscopy with Cysview
- In August, Photocure filed a supplemental NDA with the FDA for Blue Light Flexible Cystoscopy (BLFC™) with Cysview for use during surveillance cystoscopy using a KARL STORZ flexible cystoscope, including expansion of the current label to incorporate improved detection of all types of non-muscle invasive bladder cancer including carcinoma in situ (CIS) lesions and removal of restriction of repeated use of Cysview

### Key figures:

Figures in NOK million	Q2 2017	Q2 2016	Change	H1 2017	H1 2016	Change	FY 2016
Hexvix/Cysview revenues	37.6	34.2	10 %	74.1	67.7	9 %	131.0
Other sales & milestone revenues	1.7	1.3		1.7	2.6		12.7
<b>Total revenues</b>	<b>39.3</b>	<b>35.5</b>	<b>11 %</b>	<b>75.9</b>	<b>70.3</b>	<b>8 %</b>	<b>143.6</b>
Operating expenses	41.0	35.7	15 %	78.9	71.9	10 %	142.3
<b>EBITDA recurring</b>	<b>-4.4</b>	<b>-2.3</b>		<b>-8.7</b>	<b>-6.1</b>		<b>-8.0</b>
EBITDA commercial franchise	4.7	5.9		9.6	11.3		30.0
EBITDA development portfolio	-9.1	-8.3		-18.3	-17.3		-38.1
<b>EBIT (Operating result)</b>	<b>-6.8</b>	<b>-4.4</b>		<b>-17.1</b>	<b>-9.2</b>		<b>-15.9</b>
<b>Profit/loss(-) before tax</b>	<b>-5.6</b>	<b>-3.6</b>		<b>-14.9</b>	<b>-8.0</b>		<b>12.8</b>
<b>Net Profit/loss(-)</b>	<b>-4.7</b>	<b>18.1</b>		<b>-11.6</b>	<b>17.4</b>		<b>35.3</b>
Earnings per share, diluted (NOK)	-0.22	0.84		-0.54	0.81		1.64
<b>Cash &amp; cash equivalents</b>	<b>137.0</b>	<b>104.4</b>		<b>137.0</b>	<b>104.4</b>		<b>169.2</b>

### President & CEO Kjetil Hestdal, M.D. Ph.D. comments:

*“Our second quarter report shows significant progress for our US business, a market of strategic importance for Photocure, and we were delighted to present in May positive results from our Phase 3 study in the bladder cancer surveillance setting at the AUA meeting. These data formed the basis for our recent sNDA filing aimed at expanding the label for BLC with Cysview in the US to include the broader surveillance segment. Furthermore, after the quarter, we were very pleased to learn that CMS proposes to reimburse Blue Light Cystoscopy with Cysview from 2018, with a final decision expected later this year. We and our supporters have worked tirelessly to secure better reimbursement for Cysview in US and believe it will lead to increased access and allow better management for bladder cancer patients in the future.”*

## Operational review

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 competence in its proprietary Photodynamic Technology Platform and expertise and capacity in urology to explore, alone or in partnership with others, new product opportunities targeting unmet medical needs in urology.

### Update commercial segment

Commercial segment revenues were strong in the second quarter, driven by increased sales in own markets, particularly US. Total revenue growth was negatively impacted by a decrease in partner revenues compared to last year.

In the second quarter, total Hexvix/Cysview revenue increased 10% to NOK 37.6 million (NOK 34.2 million). Own revenues, Nordic and US, increased 28%, while partner revenues, Ipsen, declined 9%.

In the second quarter, in-market unit sales decreased 2%, of which own unit sales increased 13% and partner unit sales declined 6%.

Year to date Hexvix/Cysview revenue increased 9% to NOK 74.1 million (+12% in constant currencies) and in-market unit sales increased 4%.

Year to date operating expenses increased 11% to NOK 60.6 million (NOK 54.6 million). This was driven by the planned increase in sales and marketing efforts in US as well as increased expenses related to flexible cystoscopy in Nordic.

Year to date EBITDA was NOK 9.6 million (NOK 11.3 million). With increased investment in marketing and sales in the US, the decline compared to the same period last year was expected. The EBITDA margin was 13%, compared to 16% last year.

<b>MNOK</b>	<b>Q2 '17</b>	<b>YTD '17</b>	<b>YTD '16</b>
Nordic - Hexvix	11.7	21.4	20.7
US - Cysview	10.9	21.0	14.7
Partners	15.0	31.7	32.3
<b>Hexvix/Cysview total</b>	<b>37.6</b>	<b>74.1</b>	<b>67.7</b>
<i>YoY growth</i>	<b>10 %</b>	<b>9 %</b>	
Signing fee & milest.	1.7	1.7	2.6
<b>Total revenues</b>	<b>39.3</b>	<b>75.9</b>	<b>70.3</b>
<i>YoY growth</i>	<b>11 %</b>	<b>8 %</b>	
Cost of goods sold	-2.7	-5.6	-4.5
<b>Gross profit</b>	<b>36.6</b>	<b>70.3</b>	<b>65.9</b>
Operating expenses	-31.9	-60.6	-54.6
<b>EBITDA</b>	<b>4.7</b>	<b>9.6</b>	<b>11.3</b>
<i>EBITDA margin</i>	<b>12 %</b>	<b>13 %</b>	<b>16 %</b>

### Hexvix®/Cysview® – profitable growth

Global in-market sales of Hexvix/Cysview increased 4% to NOK 66 million (NOK 63 million) in the second quarter. Year to date in-market sales were NOK 131 million (NOK 124 million). Global in-market unit sales decreased 2% in the second quarter compared to the same period in 2016. Sales development in US was strong with a unit sales increase of 37%. Consolidated volume growth was impacted by a reduction of our partner business of 6% in the quarter. Year to date in-market unit sales increased 4%.

#### Nordic Hexvix sales

Nordic revenues increased 10% to NOK 11.7 million (NOK 10.6 million) in the second quarter, driven by increased sales in Norway. The previous quarters decline in the Danish market was reversed in the second quarter with a small increase in volume. Photocure's in-market unit sales in the Nordic region in second quarter increased 3%.

Year to date Nordic revenues increased 3% (+6% in constant currencies). In-market unit sales decreased 3% year to date. The decline across the region in the first half of 2017 was mainly related to Denmark and driven by temporary issues related to reorganization of hospitals in the Copenhagen region which impacted revenues in the first quarter.

#### US Cysview sales

Second quarter revenues in the US increased 55% to NOK 10.9 million (NOK 7.1 million), driven by volume growth and price increases. The improvement reflects improved productivity as well as added sales resources. In-market unit growth in the second quarter was 37%.

Year to date US revenues increased 43% to NOK 21.0 million (NOK 14.7 million), with unit growth of 33%. There was no significant impact from currency translation in the first half.

As in previous quarters, US growth was driven both by the number of permanent blue light cystoscopes (BLCs) installed at leading US hospitals/urology centers and by increased average usage per center. The total number of permanent BLCs installed at leading US hospitals/urology centers at the end of second quarter was 93, an increase of 10 units compared to the number of BLCs installed at the end of 2016.

Photocure is in the process of expanding its salesforce in US to increase penetration of Cysview in hospitals and urology practices.

Along with expansion of our sales reach, we have also established a real-world registry study at nine sites across the US to increase the awareness of BLC with Cysview among urologists. At the end of the second quarter the registry reached 650 patients. The registry study has already resulted in numerous podium and abstract presentations at national and international scientific urological meetings, including the American Urological Association (AUA) Annual Meeting May 2017. The plan is that this will continue to allow for publications of additional clinical data supporting the medical benefits of Hexvix/Cysview.

In July, the United States Centers for Medicare & Medicaid Services (CMS) released the Proposed Rule outlining its 2018 plan to reimburse hospital outpatients departments using Blue Light Cystoscopy with Cysview. CMS has proposed to create a new set of codes specific to Blue Light Cystoscopy allowing for improved reimbursement for those procedures. The Final Rule is expected to be issued in the fourth quarter of 2017, after the closing of the comment period in September. The Final Rule will be effective on 1 January 2018.

#### *Hexvix/Cysview partner sales*

Partner revenue declined 9% to NOK 15.0 million (NOK 16.5 million) in the second quarter, negatively impacted by inventory changes at the partner, as well as a 6% reduction in in-market unit sales. Second quarter in-market unit sales declined in both of Ipsen's main markets: Germany and France.

In November 2016, new French National Guidelines for the management of Bladder Cancer were introduced. The French guidelines recommend BLC with Hexvix for the first bladder cancer resection (TURBT) in essentially all patients and for consecutive TURBT's in the majority of patients. Hexvix has been removed from the "Liste-en-sus" in France and has lost reimbursement from second quarter 2017. This has resulted in a negative volume development in the second quarter, but limited financial impact at the EBITDA level.

Year to date partner revenue declined 2%, negatively impacted by currency translation, inventory changes at the partner and delays in new markets. In constant currencies, revenue increased 1%. In-market unit sales increased 3%. Sales in the new markets, Canada and Australia, have commenced, however volume has been negatively impacted by timing of outplacement of scopes by the third-party suppliers and timing of health system funding approvals.

## Update development portfolio

### Hexvix®/Cysview® – expansion opportunities

Hexvix/Cysview is currently used to optimize patient management through improved diagnosis and bladder cancer resection (TURB) in a surgical procedure using rigid cystoscopes. After patients are initially diagnosed and treated by TURB, they undergo cystoscopy examinations every 3-9 months. This surveillance is performed in the out-patient/office setting using flexible cystoscopes to detect any suspicious new lesions requiring referral for additional TURBs. An expansion of the use of Hexvix/Cysview into the surveillance patient segment will open a market segment estimated to have a total market size of 2-3 times the current segment.

A phase 3 clinical study examining bladder cancer detection rates using Blue Light Flexible Cystoscopy with Cysview vs white light flexible cystoscopy began in the fourth quarter of 2015. Final results from this study were presented at the AUA meeting in Boston, May 2017.

The results, presented during a late-breaking plenary abstract session, showed that the study met its primary endpoint. Blue Light Flexible Cystoscopy (BLFC) with Cysview showed a highly significant ( $p < 0.0001$ ) improvement in detecting additional patients (21.5%) with bladder cancer in the surveillance setting. Furthermore, Blue Light Cystoscopy with Cysview in the follow-up TURB examination increased the detection of malignancies compared to White Light Cystoscopy (WLC), showing a highly significant ( $p < 0.0001$ ) improvement of detection of patients with flat high grade bladder cancer lesions (CIS) of 34.6%. In addition, the repeated use of Cysview did not increase adverse event frequency.

Based on these positive results, we have made significant progress in the preparation of the filing of a supplemental NDA and submitted this to the FDA in August. If our application is successful, we anticipate a possible FDA approval and a commercial launch in the out-patient surveillance market in 2018.

## Visonac® and Cevira® – late stage clinical non-urology development products

In April, the company announced that it will assess further strategic alternatives for its non-urology assets, Cevira and Visonac, in parallel with ongoing partner search.

The decision to initiate a broad review of possible strategic alternatives for Cevira and Visonac follows a non-conclusive comprehensive partnering process. Photocure has experienced interest with several possible partners having recognized the unmet medical need in the target therapeutic areas, and has engaged in thorough discussions and due diligence for both Cevira and Visonac. However, at this stage remaining development risk is expressed as a concern for establishing an optimal partnership for Cevira, while the current combination of drug and device is an expressed commercial concern for Visonac.

Based on the input received in the partnering process, Photocure is in the process of assessing further strategic alternatives for Cevira and Visonac.

## Organizational update

In April, the annual general meeting appointed Jan Hendrik Egberts, M.D., Johanna Holldack, M.D. and Gwen Melincoff to its Board of directors with Dr. Egberts as the new Board Chairman.

In May Photocure announced the appointment of Jeremy Bahr as Chief Business Officer. Jeremy Bahr has significant strategic, commercial and transactional background from UCB, Pfizer and McKinsey & Company.

## Financial review

(Numbers in brackets are for the corresponding period in 2016; references to the prior year refer to a comparison to the same period 2016, unless otherwise stated).

<i>MNOK</i>	Q2 '17	YTD '17	YTD '16
Hexvix/Cysview revenues	37.6	74.1	67.7
Other revenues	1.7	1.7	2.6
<b>Total revenues</b>	<b>39.3</b>	<b>75.9</b>	<b>70.3</b>
<b>Gross profit</b>	<b>36.6</b>	<b>70.3</b>	<b>65.9</b>
<b>Operating expenses</b>	<b>-41.0</b>	<b>-78.9</b>	<b>-71.9</b>
<b>EBITDA recurring</b>	<b>-4.4</b>	<b>-8.7</b>	<b>-6.1</b>
One-Off items	-	-4.0	-
Depreciation & Amort	-2.4	-4.5	-3.2
<b>EBIT</b>	<b>-6.8</b>	<b>-17.1</b>	<b>-9.2</b>
Net financial items	1.2	2.3	1.2
<b>Earnings before tax</b>	<b>-5.6</b>	<b>-14.9</b>	<b>-8.0</b>
Tax expenses	0.9	3.3	25.4
<b>Net earnings</b>	<b>-4.7</b>	<b>-11.6</b>	<b>17.4</b>

Photocure's operational results in the second quarter were driven by continued strong growth in our activities in US. Added resources have had an impact on revenue growth as well as operational costs in line with our strategic objectives.

### Revenues

Total revenues in the second quarter were NOK 39.3 million, an increase of 11% from the second quarter last year (NOK 35.5 million). Year to date revenues were NOK 75.9 million (NOK 70.3 million), an increase of 8%.

Hexvix/Cysview sales revenues for the second quarter were NOK 37.6 million, an increase of 10% from last year (NOK 34.2 million). The increase was driven by strong sales in US and improvements in Nordic. Sales revenue growth was partly offset by lower performance in the quarter for our partner business. Year to date Hexvix/Cysview revenues were NOK 74.1 million (NOK 67.7 million), an increase of 9%. In constant currencies, Hexvix/Cysview revenues grew 12% year to date

In April, Photocure and Bellus Medical, a privately-owned US based cosmetic dermatology company, signed an asset purchase and licensing agreement for Photocure's cosmetic dermatology product Allumera. Under the terms of this agreement, Photocure received USD 200,000 at signing.

### Operating costs

Total operating costs, excluding one-off items, depreciation and amortization, were NOK 41.0 million (NOK 35.7 million) in the second quarter, an increase of 15%. Year to date the increase was 10% to NOK 78.9 million (NOK 71.9 million).

The increase in operating costs was mainly driven by planned investments in US sales and marketing operations.

<i>MNOK</i>	Q2 '17	YTD '17	YTD '16
Research & Development	4.2	8.7	8.3
<i>YoY growth</i>	27 %	5 %	
Sales & Marketing	25.4	47.4	40.1
<i>YoY growth</i>	27 %	18 %	
Other Opex	11.4	22.9	23.6
<i>YoY growth</i>	-8 %	-3 %	
<b>Operating expenses excl one-off</b>	<b>41.0</b>	<b>78.9</b>	<b>71.9</b>
<i>YoY growth</i>	15 %	10 %	
Nedax write-down	0.0	4.0	0.0
<b>Operating expenses</b>	<b>41.0</b>	<b>82.9</b>	<b>71.9</b>
Depreciation & Amort.	2.4	4.5	3.2
<b>Total</b>	<b>43.4</b>	<b>87.4</b>	<b>75.1</b>

Second quarter research and development (R&D) costs were NOK 4.2 million (NOK 3.3 million). R&D costs year to date were NOK 8.7 million (NOK 8.3 million). The R&D costs relate mainly to regulatory work and maintenance and expansion of our intellectual property as well as the development of the current pipeline. Expenses related to the Cysview Phase 3 market expansion trial are capitalized and amortized.

Marketing and sales costs increased 27% to NOK 25.4 million (NOK 20.0 million) in the second quarter. Marketing and sales cost year to date was NOK 47.4 million (NOK 40.1 million). The increase was in line with our strategic plans and was driven by activities in US. As announced in the fourth quarter 2016 report Photocure will increase spending in US operations in 2017 and 2018.

Year to date other operating expenses, which includes supply chain, business development and general/ administration, was at level with last year.

One-off items relate to write off of parts and finished goods inventory for Nedax, the light source used with Visonac. As announced in April 2017, following non-conclusive partnering discussions for Cevira and Visonac, Photocure is in the process of assessing other strategic alternatives for these two opportunities in parallel to ongoing partner search.

#### *Financial results*

EBITDA was negative NOK 4.4 million (NOK -2.3 million) for the second quarter. Year to date EBITDA, before one-off items, was negative NOK 8.7 million (NOK -6.1 million). Currency translation had a negative effect on the year to date EBITDA of approximately NOK 1 million.

EBITDA in the commercial segment was NOK 9.6 million year to date compared to NOK 11.3 million the prior year. The development portfolio had EBITDA,

before one-off items, of negative NOK 18.3 million year to date (NOK -17.3 million).

Year to date depreciation and amortization was NOK 4.5 million (NOK 3.2 million). The increase from prior year was mainly driven by amortization on the investments in intangible assets related to the Phase 3 market expansion trial for Cysview.

Net financial items were NOK 2.3 million (NOK 1.2 million) year to date.

Photocure had a net loss before tax of NOK 5.6 million in the second quarter (net loss of NOK 3.6 million) and a net loss of NOK 14.9 million year to date (net loss of NOK 8.0 million). Tax expenses in the second quarter were a net income of NOK 0.9 million (net income NOK 21.8 million) and year to date a net income of NOK 3.3 million (net income of NOK 25.4 million). Prior year net tax income was driven by a change in transfer pricing method.

Net loss was NOK 4.7 million in the second quarter (profit of NOK 18.1 million) and 11.6 million year to date (profit of 17.4 million).

#### *Cash flow and statement of financial position*

Net cash flow from operations was negative NOK 16.9 million in the second quarter (negative NOK 12.8 million) and negative NOK 27.7 million year to date (negative NOK 22.1 million). The impact from changes to working capital year to date was negative NOK 16.9 million (negative NOK 15.7 million).

Net cash flow from investments was negative NOK 1.5 million in the second quarter (negative NOK 3.1 million) and negative NOK 4.5 million year to date (negative NOK 8.3 million). This is mainly driven by investments related to the Phase 3 market expansion trial for Cysview.

Second quarter net change in cash was negative NOK 18.4 million (negative NOK 16.2 million). Year to date net change in cash was negative NOK 32.2 million (negative NOK 29.6 million). Cash and cash equivalents were NOK 137.0 million at the end of the second quarter.

Shareholders' equity was NOK 241.0 million at end of second quarter, an equity ratio of 89%.

As of 30 June 2017, Photocure held 809 own shares.

## **Risks and uncertainty factors**

Photocure is exposed to risk and uncertainty factors, which may affect some or all of the company's activities. Photocure has financial risk, market risk as

well as operational risk and risk related to development of new products.

The most important risks the company is exposed to are associated with market development for Hexvix/Cysview, progress of partnering activities, as well as financial risks related to interest rates, liquidity and currency fluctuations.

There are no significant changes in the risks and uncertainty factors compared to the descriptions in the Annual Report for 2016.

## Outlook

Photocure has built considerable experience in the urology sector through its Hexvix/Cysview franchise and sees significant long-term value creation potential in this market segment. The company aims to capitalize on the inclusion in the AUA guidelines, as well as the increased patient awareness and the possible changes to reimbursement of Cysview in the outpatient setting, to significantly increase penetration in the US market.

Photocure believes that in order to increase market shares in the US, an investment in the US salesforce is required. As stated previously, the company plans to double its salesforce from 2016 and increase sales and marketing expenses towards the end of 2017. The goal of these efforts is to quadruple the revenues from the US operations to a range of USD 15 million by 2020. As a result of the increased activity level, the added operating expenses will contribute to an

EBITDA decline for the group in 2017 and 2018. The company is fully funded for this market strategy.

CMS (United States Centers for Medicare & Medicaid Services) released in July the Proposed Rule outlining its 2018 plan to reimburse hospital outpatients departments using Blue Light Cystoscopy with Cysview. The comment period for the proposed rule closes in early September, and CMS is expected to issue a Final Rule in the fourth quarter of 2017 effective on 1 January 2018.

Photocure reported in May this year that the Phase 3 study of Hexvix/Cysview in the surveillance patient segment met its primary endpoint and other major endpoints. Based on this, the company has submitted an sNDA to the US FDA, with a possible approval in 2018, for use of Blue Light Flexible Cystoscopy with Cysview in this out-patient surveillance setting.

## Responsibility statement

We confirm that, to the best of our knowledge, the unaudited condensed set of financial statements for the first half year of 2017 which has been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the first half 2017 report includes a fair review of the information required under the Norwegian Securities trading Act section 5-6 fourth paragraph.

The Board of Directors and CEO  
Photocure ASA

Oslo, 22 August 2017

Jan Hendrik Egberts  
Chairperson

Johanna Holldack  
Director

Gwen Melincoff  
Director

Tom Pike  
Director

Synne H. Røine  
Director

Grannum R. Sant  
Director

Xavier Yon  
Director

Kjetil Hestdal  
President and CEO

## Photocure Group

### Accounts for second quarter and first half year 2017

#### Photocure Group – Statement of comprehensive income

<i>(all amounts in NOK 1 000 except per share data)</i>	Note	2017 Q2	2016 Q2	2017 1.1-30.06	2016 1.1-30.06	2016 1.1-31.12
Sales revenues		37,614	34,183	74,128	67,714	136,186
Signing fees and milestone revenues		1,730	1,280	1,730	2,601	7,441
<b>Total revenues</b>		<b>39,344</b>	<b>35,463</b>	<b>75,858</b>	<b>70,315</b>	<b>143,627</b>
Cost of goods sold		-2,724	-2,082	-5,577	-4,453	-9,337
<b>Gross profit</b>		<b>36,620</b>	<b>33,381</b>	<b>70,281</b>	<b>65,862</b>	<b>134,291</b>
Indirect manufacturing expenses	3	-2,215	-2,393	-4,896	-5,145	-10,386
Research and development expenses	3	-6,022	-4,169	-16,044	-9,784	-22,962
Marketing and sales expenses	3	-25,442	-20,480	-47,437	-40,626	-79,930
Other operating expenses	3	-9,697	-10,705	-19,051	-19,541	-36,874
<b>Total operating expenses</b>		<b>-43,376</b>	<b>-37,747</b>	<b>-87,428</b>	<b>-75,096</b>	<b>-150,152</b>
<b>EBIT</b>		<b>-6,756</b>	<b>-4,366</b>	<b>-17,147</b>	<b>-9,234</b>	<b>-15,861</b>
Financial income		1,605	1,210	3,237	2,492	32,427
Financial expenses		-430	-486	-977	-1,253	-3,787
<b>Net financial profit/loss(-)</b>		<b>1,175</b>	<b>725</b>	<b>2,260</b>	<b>1,239</b>	<b>28,640</b>
<b>Profit/loss(-) before tax</b>		<b>-5,581</b>	<b>-3,642</b>	<b>-14,886</b>	<b>-7,995</b>	<b>12,779</b>
Tax expenses	4	884	21,750	3,262	25,397	22,530
<b>Net profit/loss(-)</b>		<b>-4,697</b>	<b>18,108</b>	<b>-11,624</b>	<b>17,402</b>	<b>35,309</b>
Other comprehensive income	5	202	-948	-111	1,425	-366
<b>Total comprehensive income</b>		<b>-4,495</b>	<b>17,160</b>	<b>-11,735</b>	<b>18,827</b>	<b>34,943</b>
Net profit/loss(-) per share, undiluted	6	-0.22	0.84	-0.54	0.81	1.64
Net profit/loss(-) per share, diluted	6	-0.22	0.84	-0.54	0.81	1.64



## Photocure Group – Statement of financial position

<i>(Amounts in NOK 1 000)</i>	Note	30.06.2017	30.06.2016	31.12.2016
<b>Non-current assets</b>				
Machinery & equipment	7	1,502	1,537	1,660
Intangible assets	7	28,143	19,160	26,390
Other investments		-	7,862	-
Deferred tax asset	4	49,282	48,886	46,020
<b>Total non-current assets</b>		<b>78,927</b>	<b>77,445</b>	<b>74,070</b>
<b>Current assets</b>				
Inventories		15,585	16,657	17,955
Accounts receivable		23,772	12,141	12,323
Other receivables		14,675	51,310	12,750
Cash and short term deposits	8	137,021	104,448	169,239
<b>Total current assets</b>		<b>191,053</b>	<b>184,555</b>	<b>212,268</b>
<b>Total assets</b>		<b>269,980</b>	<b>262,001</b>	<b>286,338</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	9	10,779	10,755	10,779
Other paid-in capital		55,373	51,764	54,268
Retained earnings		174,831	170,428	186,895
<b>Shareholders' equity</b>		<b>240,983</b>	<b>232,947</b>	<b>251,943</b>
<b>Long-term liabilities</b>				
Pension liabilities		4,234	3,192	3,758
<b>Total long-term liabilities</b>		<b>4,234</b>	<b>3,192</b>	<b>3,758</b>
Current liabilities		24,762	25,862	30,637
<b>Total liabilities</b>		<b>28,997</b>	<b>29,054</b>	<b>34,395</b>
<b>Total equity and liabilities</b>		<b>269,980</b>	<b>262,001</b>	<b>286,338</b>

## Photocure Group – Changes in equity

<i>(Amounts in NOK 1 000)</i>	2017 Q2	2016 Q2	2017 1.1-30.06	2016 1.1-30.06	2016 1.1-31.12
<b>Equity at beginning of period</b>	<b>245,908</b>	<b>213,511</b>	<b>251,943</b>	<b>210,060</b>	<b>210,060</b>
Capital increase		1,031		1,031	2,415
Share-based compensation (share options employees)	-430	1,245	776	2,045	3,300
Treasury shares decrease				984	1,225
Comprehensive income	-4,495	17,160	-11,735	18,827	34,943
<b>Equity at end of period</b>	<b>240,983</b>	<b>232,947</b>	<b>240,983</b>	<b>232,947</b>	<b>251,943</b>

## Photocure Group – Cash flow statement

	2017	2016	2017	2016	2016
<i>(Amounts in NOK 1 000)</i>	Q2	Q2	1.1-30.06	1.1-30.06	1.1-31.12
Profit/loss(-) before tax	-5,581	-3,642	-14,886	-7,995	12,779
Depreciation and amortisation	2,363	2,029	4,514	3,177	7,853
Gain sale of financial assets	-	-	-	-	-27,280
Share-based compensation	-164	1,246	777	2,045	3,541
Net interest income	-560	-731	-1,568	-1,502	-2,394
Settlement deferred revenue Galderma	-	-	-	-	37,193
Changes in working capital	-13,137	-10,509	-16,878	-15,729	-8,787
Other operational items	179	-1,201	330	-2,068	-3,713
<b>Net cash flow from operations</b>	<b>-16,901</b>	<b>-12,809</b>	<b>-27,713</b>	<b>-22,072</b>	<b>19,193</b>
Net investments in fixed assets	-138	-194	-155	-1,953	-3,148
Development expenditures	-1,966	-3,663	-5,918	-7,800	-18,567
Sales proceeds shares PCI Biotech Holding	-	-	-	-	33,213
Received interest payments	560	731	1,568	1,502	2,394
<b>Cash flow from investments</b>	<b>-1,544</b>	<b>-3,125</b>	<b>-4,505</b>	<b>-8,251</b>	<b>13,892</b>
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-239</b>	<b>-</b>	<b>745</b>	<b>2,128</b>
<b>Net change in cash during the period</b>	<b>-18,444</b>	<b>-16,173</b>	<b>-32,218</b>	<b>-29,578</b>	<b>35,213</b>
Cash & cash equivalents at beginning of period	155,466	120,622	169,239	134,026	134,026
<b>Cash &amp; cash equivalents at end of period</b>	<b>137,021</b>	<b>104,448</b>	<b>137,021</b>	<b>104,448</b>	<b>169,239</b>

## Notes to the accounts for second quarter and first half year 2017

### Note 1 – General accounting principles

#### General information

Photocure ASA is a public limited company domiciled in Norway. The business of the Company is associated with research, development, production, distribution, marketing and sales of pharmaceutical products and related technical medical equipment. The Company's shares are listed on the Oslo Stock Exchange (OSE: PHO). The Company's registered office is Hoffsvæien 4, NO-0275 Oslo, Norway.

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

#### Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016 (the Annual Financial Statements) as they provide an update of previously reported information. The accounting policies used are consistent with those used in the Annual Financial Statements. The presentation of the interim financial statements is consistent with the Annual Financial Statements. The interim report has not been subject to an audit. The Board of Directors approved the interim financial statements on 22 August 2017.

Photocure has Norwegian kroner (NOK) as its functional currency and presentation currency. In the absence of any statement to the contrary, all financial information is reported in whole thousands. As a result of rounding adjustments, the figures in the financial statements may not add up to the totals.

#### Summary of significant accounting policies

IFRS 15 Revenue from contract with customers establishes a comprehensive framework for determining whether, how much and when revenue is recognized. The standard replaces IAS 18 Revenue and related interpretations. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The new standard contains a new set of principles on when and how to recognize and measure revenue as well as new requirements related to presentation. The core principle in that framework is that revenue should be recognized dependent on the transfer of promised goods or services to the customer for an amount that reflects the consideration which should be received in exchange for those goods or services. The objective of the standard is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations, and recognizing revenue when or as performance obligations are satisfied.

The Group is continuing to assess the potential impact of IFRS 15. The adoption of IFRS 15 is not expected to have a significant impact on Photocure's recognition of sale of goods, but might affect the timing of the recognition of upfront payment and milestone fees.

Photocure is analyzing the impact of implementing IFRS 9 Financial Instruments and IFRS 16 Leases from 1.1.2019. Based on the financial assets and liabilities currently held by the company these are not expected to have a significant impact on Photocure's financial statements.

The new and amended standards and interpretations from IFRS that were adopted by the EU with effect from 2017 did not have any significant impact on the reporting in 2017.

#### Important accounting valuations, estimates and assumptions

Preparation of the accounts in accordance with IFRS requires the use of judgment, estimates and assumptions that have consequences for recognition in the balance sheet of assets and liabilities, the estimation of contingent



liabilities and recorded revenues and expenses. The use of estimates and assumptions is based on the best discretionary judgement of the Group management.

## Note 2 - Photocure Group – Segment information

Photocure has two segments; Commercial Franchise and Development Portfolio. Commercial Franchise includes Hexvix/Cysview by sales channel, own sales and partner sales, and other sales, currently including sale of active ingredients. Development Portfolio includes development of commercial products and pipeline products.

1 Jan - 30 June 2017 (Amounts in NOK 1 000)	Commercial Products				Development Products			Grand Total
	Hex/Cys	Hex/Cys	Other	Total	Hex/Cys	Total	R&D	
	Own Sales	Partner	Sales	Sales	Develop.	Pipeline		
Sales revenues	42,390	31,738	-	74,128	-	-	-	74,128
Milestone revenues	-	-	1,730	1,730	-	-	-	1,730
Cost of goods sold	-1,690	-3,888	-	-5,577	-	-	-	-5,577
<b>Gross profit</b>	<b>40,700</b>	<b>27,850</b>	<b>1,730</b>	<b>70,280</b>	-	-	-	<b>70,280</b>
Gross profit of sales %	96 %	88 %		92 %				92 %
R&D	-	-	-	-	-1,480	-11,175	-12,654	-12,654
Sales & marketing	-41,406	-3,829	-	-45,235	-	-2,165	-2,165	-47,399
Other & allocations	-6,066	-8,987	-357	-15,409	-1,811	-5,640	-7,451	-22,860
<b>Operating expenses</b>	<b>-47,472</b>	<b>-12,815</b>	<b>-357</b>	<b>-60,644</b>	<b>-3,291</b>	<b>-18,979</b>	<b>-22,270</b>	<b>-82,914</b>
<b>EBITDA</b>	<b>-6,772</b>	<b>15,035</b>	<b>1,373</b>	<b>9,636</b>	<b>-3,291</b>	<b>-18,979</b>	<b>-22,270</b>	<b>-12,634</b>

1 Jan - 30 June 2016 (Amounts in NOK 1 000)	Commercial Products				Development Products			Grand Total
	Hex/Cys	Hex/Cys	Other	Total	Hex/Cys	Total	R&D	
	Own Sales	Partner	Sales	Sales	Develop.	Pipeline		
Sales revenues	35,377	32,337	-	67,714	-	-	-	67,714
Milestone revenues	-	-	2,601	2,601	-	-	-	2,601
Cost of goods sold	-1,305	-3,149	-	-4,453	-	-	-	-4,453
<b>Gross profit</b>	<b>34,072</b>	<b>29,188</b>	<b>2,601</b>	<b>65,862</b>	-	-	-	<b>65,862</b>
Gross profit of sales %	96 %	90 %		93 %				93 %
R&D	-	-	-	-	-1,581	-6,693	-8,274	-8,274
Sales & marketing	-34,958	-3,621	-	-38,579	-	-1,481	-1,481	-40,059
Other & allocations	-5,913	-9,738	-357	-16,009	-1,840	-5,736	-7,576	-23,584
<b>Operating expenses</b>	<b>-40,871</b>	<b>-13,359</b>	<b>-357</b>	<b>-54,587</b>	<b>-3,421</b>	<b>-13,910</b>	<b>-17,331</b>	<b>-71,918</b>
<b>EBITDA</b>	<b>-6,799</b>	<b>15,830</b>	<b>2,244</b>	<b>11,275</b>	<b>-3,421</b>	<b>-13,910</b>	<b>-17,331</b>	<b>-6,057</b>

Q2 2017 (Amounts in NOK 1 000)	Commercial Products				Development Products			Grand Total
	Hex/Cys	Hex/Cys	Other	Total	Hex/Cys	Total	R&D	
	Own Sales	Partner	Sales	Sales	Develop.	Pipeline		
Sales revenues	22,618	14,996	-	37,614	-	-	-	37,614
Milestone revenues	-	-	1,730	1,730	-	-	-	1,730
Cost of goods sold	-922	-1,803	-	-2,725	-	-	-	-2,725
<b>Gross profit</b>	<b>21,696</b>	<b>13,193</b>	<b>1,730</b>	<b>36,619</b>	-	-	-	<b>36,619</b>
Gross profit of sales %	96 %	88 %		93 %				93 %
R&D	-	-	-	-	-655	-3,549	-4,204	-4,204
Sales & marketing	-22,335	-1,943	-	-24,278	-	-1,145	-1,145	-25,423
Other & allocations	-2,973	-4,507	-169	-7,648	-845	-2,893	-3,738	-11,386
<b>Operating expenses</b>	<b>-25,308</b>	<b>-6,450</b>	<b>-169</b>	<b>-31,927</b>	<b>-1,500</b>	<b>-7,587</b>	<b>-9,087</b>	<b>-41,014</b>
<b>EBITDA</b>	<b>-3,612</b>	<b>6,742</b>	<b>1,561</b>	<b>4,692</b>	<b>-1,500</b>	<b>-7,587</b>	<b>-9,087</b>	<b>-4,395</b>



Q2 2016 (Amounts in NOK 1 000)	Commercial Products				Development Products			Grand Total
	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	
Sales revenues	17,651	16,531	-	34,183	-	-	-	34,183
Milestone revenues	-	-	1,281	1,281	-	-	-	1,281
Cost of goods sold	-656	-1,427	-	-2,083	-	-	-	-2,083
<b>Gross profit</b>	<b>16,995</b>	<b>15,105</b>	<b>1,281</b>	<b>33,381</b>	-	-	-	<b>33,381</b>
Gross profit of sales %	96 %	91 %		94 %				94 %
R&D	-	-	-	-	-759	-2,546	-3,304	-3,304
Sales & marketing	-17,593	-1,732	-	-19,325	-	-653	-653	-19,978
Other & allocations	-2,901	-5,012	-199	-8,111	-1,013	-3,310	-4,323	-12,434
<b>Operating expenses</b>	<b>-20,493</b>	<b>-6,744</b>	<b>-199</b>	<b>-27,436</b>	<b>-1,772</b>	<b>-6,508</b>	<b>-8,281</b>	<b>-35,717</b>
<b>EBITDA</b>	<b>-3,498</b>	<b>8,361</b>	<b>1,082</b>	<b>5,945</b>	<b>-1,772</b>	<b>-6,508</b>	<b>-8,281</b>	<b>-2,336</b>

1 Jan - 31 December 2016 (Amounts in NOK 1 000)	Commercial Products				Development Products			Grand Total
	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales	Total Sales	Hex/Cys Develop.	Pipeline	Total R&D	
Sales revenues	69,504	61,460	5,222	136,186	-	-	-	136,186
Milestone revenues	-	2,311	5,130	7,441	-	-	-	7,441
Cost of goods sold	-2,701	-6,635	-	-9,337	-	-	-	-9,337
<b>Gross profit</b>	<b>66,803</b>	<b>57,136</b>	<b>10,352</b>	<b>134,291</b>	-	-	-	<b>134,291</b>
Gross profit of sales %	96 %	89 %	100 %	93 %				93 %
R&D	-	-	-	-	-4,215	-13,437	-17,652	-17,652
Sales & marketing	-68,230	-7,541	-	-75,771	-	-3,555	-3,555	-79,326
Other & allocations	-11,037	-16,802	-632	-28,472	-3,187	-13,661	-16,848	-45,320
<b>Operating expenses</b>	<b>-79,268</b>	<b>-24,343</b>	<b>-632</b>	<b>-104,243</b>	<b>-7,401</b>	<b>-30,654</b>	<b>-38,055</b>	<b>-142,298</b>
<b>EBITDA</b>	<b>-12,465</b>	<b>32,793</b>	<b>9,719</b>	<b>30,047</b>	<b>-7,401</b>	<b>-30,654</b>	<b>-38,055</b>	<b>-8,008</b>

### Note 3 – Income statement classified by nature

(Amounts in NOK 1 000)	2017	2016	2017	2016	2016
	Q2	Q2	1.1-30.06	1.1-30.06	1.1-31.12
Sales revenues	37,614	34,183	74,128	67,714	136,186
Signing fees and milestone revenues	1,730	1,280	1,730	2,601	7,441
Cost of goods sold	-2,724	-2,082	-5,577	-4,453	-9,337
<b>Gross profit</b>	<b>36,620</b>	<b>33,381</b>	<b>70,281</b>	<b>65,862</b>	<b>134,291</b>
Payroll expenses	-22,236	-20,753	-44,891	-42,853	-82,385
R&D costs excl. payroll expenses/other operating exp.	-1,992	-1,236	-7,716	-3,465	-7,542
Ordinary depreciation and amortisation	-2,363	-2,029	-4,514	-3,177	-7,853
Other operating expenses	-16,786	-13,730	-30,306	-25,602	-52,373
<b>Total operating expenses</b>	<b>-43,376</b>	<b>-37,747</b>	<b>-87,428</b>	<b>-75,096</b>	<b>-150,152</b>
<b>EBIT</b>	<b>-6,756</b>	<b>-4,366</b>	<b>-17,147</b>	<b>-9,234</b>	<b>-15,861</b>

## Note 4 – Tax

<i>(Amounts in NOK 1 000)</i>	<b>30.06.2017</b>	<b>31.12.2016</b>
<b>Income tax expense</b>		
Tax payable	-	-
Changes in deferred tax	-3,262	-22,530
<b>Total income tax expense</b>	<b>-3,262</b>	<b>-22,530</b>
<b>Tax base calculation</b>		
Profit before income tax	-13,444	18,685
Permanent differences	-149	-27,426
Temporary differences	17,367	19,044
Utilisation of tax loss carried forward	-3,774	-10,303
Change in tax loss carried forward		-
<b>Tax base</b>	<b>0</b>	<b>0</b>
<b>Temporary differences:</b>		
<b>Total</b>	<b>-104,901</b>	<b>-122,268</b>
Tax loss carried forward	310,245	314,019
<b>Net temporary differences</b>	<b>205,344</b>	<b>191,751</b>
Unrecognised deductible temporary differences and tax losses		
<b>Deferred tax benefit</b>	<b>205,344</b>	<b>191,751</b>
<b>Deferred tax asset</b>	<b>49,282</b>	<b>46,020</b>

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

The parent company has recognized a deferred tax asset regarding net temporary differences. Accumulated tax asset in the parent company at the end of June 2017 is NOK 49.3 million compared to NOK 46.0 million at end of 2016. There is no expiry on losses to be carried forward in Norway. The basis for recognition of a tax asset in Norway are the predicted future profit according to the business plan for all major markets and that temporary differences for the coming years will be reversed. The deferred tax asset is of this reason increased by NOK 3.3 million as of 30 June 2017. The basis for the recognition of the tax asset is the assessment that there is convincing evidence that the deferred tax benefit will be utilized.

## Note 5 – Other comprehensive income

<i>(Amounts in NOK 1 000)</i>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Q2</b>	<b>Q2</b>	<b>1.1-30.06</b>	<b>1.1-30.06</b>	<b>1.1-31.12</b>
Market value adjustment PCI Biotech Holding ASA		-712		1,928	-
Currency translation	202	-236	-111	-503	-366
<b>Total other comprehensive income</b>	<b>202</b>	<b>-948</b>	<b>-111</b>	<b>1,425</b>	<b>-366</b>

Items may be subsequently reclassified to profit or loss.

## Note 6 – Earnings per share

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

	<b>2017</b>	<b>2016</b>
<i>(Figures indicate the number of shares)</i>	<b>1.1-30.06</b>	<b>1.1-31.12</b>
Issued ordinary shares 1 January	21,557,910	21,476,295
Effect of treasury shares	-809	-809
Effect of share options exercised	-	-54,730
Effect of shares issued	-	81,615
<b>Weighted average number of shares</b>	<b>21,557,101</b>	<b>21,502,371</b>
Effect of outstanding share options	41,959	128,971
<b>Weighted average number of diluted shares</b>	<b>21,599,060</b>	<b>21,631,342</b>
Earnings per share in NOK	-0.54	1.64
Earnings per share in NOK diluted	-0.54	1.64

## Note 7 – Fixed Assets

	<b>Machinery &amp; equipment</b>	<b>Intangible</b>
<i>(Amounts in NOK 1 000)</i>		
Net book value 31.12.16	1,660	26,390
Net investments 30.06.17	191	5,918
Depreciation and amortization	-349	-4,165
<b>Net book value 30.06.17</b>	<b>1,502</b>	<b>28,143</b>

Photocure has from 2015 capitalized a new clinical study for Cysview in US and a project for new solvent device.

## Note 8 – Fair value

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

The different levels have been defined as follows:

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

<b>Market value hierarchy</b> <i>(Amounts in NOK 1 000)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets available for sale:				
- Money market funds	120,231	-	-	120,231
<b>Total</b>	<b>120,231</b>	<b>-</b>	<b>-</b>	<b>120,231</b>

## Note 9 – Share capital

Registered share capital in Photocure ASA amounts to:

	<b>No. of shares</b>	<b>Nominal value per share</b>	<b>Share capital in NOK</b>
Share capital at 31 December 2016	21,557,910	NOK 0.50	10,778,955
Share capital at 30 June 2017	21,557,910	NOK 0.50	10,778,955
<b>Treasury shares:</b>			
<b>Holdings of treasury shares at 31 December 2016</b>	<b>809</b>		<b>405</b>
Buy-back of treasury shares	-	NOK 0.50	-
Share option exercise	-	NOK 0.50	-
<b>Holdings of treasury shares at 30 June 2017</b>	<b>809</b>		<b>405</b>

The table below indicates the status of authorizations at 30 June 2016:

	<b>Purchase, treasury shares</b>	<b>Ordinary share issue</b>	<b>Employee share issues</b>
<i>(Figures indicate the number of shares)</i>			
Authorisation issued at the General Meeting on 27 April 2017	2,155,791	2,155,791	1,077,895
Share issues after the General Meeting on 27 April 2017	-	-	-
Purchase of treasury shares	-	-	-
<b>Remaining under authorisations at 30 June 2017</b>	<b>2,155,791</b>	<b>2,155,791</b>	<b>1,077,895</b>



Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of 30 June 2017:

Name	Position	No. of shares	No. of subscription rights
Kjetil Hestdal	President and CEO	133,873	93,500
Ambaw Bellete	Head, US Cancer Commercial Operations	2,000	76,600
Erik Dahl	Chief Financial Officer	1,000	93,500
Inger Ferner Heglund	Vice President Research and Development	8,200	90,580
Grete Hogstad	Vice President Strategic Marketing	10,500	77,800
Espen Njåstein	Head, Nordic Cancer Commercial Operation	5,000	80,450
Gry Stensrud	Vice President Technical Development & Op	1,845	73,850
Tom Pike	Board member	3,400	-

## Note 10 – Share options

At 30 June 2017, employees in Photocure had the following share option schemes:

Year of allocation	2017	2016	2015	2014	2012
Option programme	2017	2016	2015	2014	2012
Number	85,500	319,900	288,636	100,001	218,942
Exercise price (NOK)	38.06	40.15	32.78	27.39	38.50
Date of expiry (31 December)	2021	2020	2019	2018	2017

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

	30.06.2017		31.12.2016	
	No. of shares	Average exercise price (NOK)	No. of shares	Average exercise price (NOK)
Outstanding at start of year	951,955	36.10	1,119,543	37.00
Allocated during the year	90,100	38.06	354,100	40.15
Become invalid during the year	26,409	37.51	234,987	40.75
Exercised during the year	2,667	27.39	116,282	29.22
Expired during the year	-	-	170,419	48.75
Outstanding at end of period	1,012,979	36.26	951,955	36.10
Exercisable options at end of period	849,331	35.65	620,772	35.28

Average exercise price for allocated, invalid, outstanding and exercisable options are all adjusted for paid dividend of NOK 2.00 in 2013.

## Note 11 – Shareholders

Overview of the major shareholders at 30 June 2017:

Shareholder	Account type	Citizen	No of shares	%
J.P. MORGAN CHASE BANK N.A. LONDON	NOM	GBR	3,071,873	14.25 %
HIGH SEAS AS		NOR	2,500,000	11.60 %
KLP AKSJE NORGE VPF		NOR	1,202,395	5.58 %
FONDSFINANS NORGE		NOR	1,019,789	4.73 %
RADIUMHOSPITALET'S FORSKNINGSSSTIFTELSE		NOR	1,000,000	4.64 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	848,789	3.94 %
MP PENSJON PK		NOR	610,000	2.83 %
DANSKE INVEST NORSKE INSTIT. II.		NOR	420,503	1.95 %
FONDSFINANS GLOBAL HELSE		NOR	400,000	1.86 %
VERDIPAPIRFONDET EIKA NORGE		NOR	366,001	1.70 %
VICAMA AS		NOR	329,530	1.53 %
DANSKE INVEST NORSKE AKSJER INST		NOR	324,514	1.51 %
INTERTRADE SHIPPING		NOR	300,000	1.39 %
BERGEN KOMMUNALE PENSJONSKASSE		GBR	254,537	1.18 %
POLAR CAPITAL GLOBAL HEALTHCARE GROWTH		NOR	244,451	1.13 %
RUL AS		NOR	219,000	1.02 %
EGELAND HOLDING AS		NOR	210,000	0.97 %
KLP AKSJENORGE INDEKS		NOR	203,758	0.95 %
FONDSAVANSE AS		NOR	184,272	0.85 %
KJETIL MYRLID AASEN		NOR	182,000	0.84 %
Total 20 largest shareholders			13,891,412	64.44 %
Total other shareholders			7,666,498	35.56 %
Total number of shares			21,557,910	100.00 %

## Photocure Group – Alternative Performance Measures

(Information provided based on Guidelines on Alternative Performance Measures (APMs) for listed issuers by The European Securities and Markets Authority - ESMA)

Photocure reports certain performance measures that are not defined under IFRS but which represent additional measures used by the Board and management in assessing performance as well as for reporting both internally and to shareholders. Photocure believes that the presentation of these non-IFRS performance measures provides useful information which provides readers with a more meaningful understanding of the underlying financial and operating performance of the company when viewed in conjunction with our IFRS financial information.

Photocure uses the following alternative performance measures.

### EBITDA & EBIT

We regard EBITDA as the best approximation to pre-tax operating cash flow and reflects cash generation before working capital changes. EBITDA is widely used by investors when evaluating and comparing businesses, and provides an analysis of the operating results excluding depreciation and amortisation. The non-cash elements depreciation and amortization may vary significantly between companies depending on the value and type of assets.

The definition of EBITDA is “Earnings Before Interest, Tax, Depreciation and Amortization”.

The reconciliation to the IFRS accounts is as follows:

	2017	2016	2017	2016	2016
	Q2	Q2	1.1-30.06	1.1-30.06	1.1-31.12
<i>(all amounts in NOK 1 000)</i>					
<b>Gross profit</b>	<b>36,620</b>	<b>33,381</b>	<b>70,281</b>	<b>65,862</b>	<b>134,291</b>
Operating expenses excl amortization & depreciation	-41,014	-35,717	-82,915	-71,919	-142,298
<b>EBITDA</b>	<b>-4,394</b>	<b>-2,336</b>	<b>-12,634</b>	<b>-6,057</b>	<b>-8,008</b>
Amortization & depreciation	-2,362	-2,030	-4,513	-3,178	-7,853
<b>EBIT</b>	<b>-6,756</b>	<b>-4,366</b>	<b>-17,147</b>	<b>-9,234</b>	<b>-15,861</b>

Recurring EBITDA equals EBITDA before one-off items. One-off items are accounting items of a significant and extraordinary nature. In the first quarter Photocure identified the write off of parts and finished goods inventory for Nedax as an on-off item, in total NOK 4.0 million.

### Revenue growth in constant currency

Photocure’s business is conducted internationally and in respective local currency. Less than 90% of the revenue is conducted in Norwegian kroner, our functional currency. Fluctuations in foreign exchange rates may have a significant impact on reported revenue in Norwegian kroner. To eliminate the translational effect of foreign exchange and to better understand the revenue development in the various regions we provide calculated revenue growth information by region and total for the company.

The average exchange rates used to translate revenues as per the reporting dates were as follows:

	2017	2016	2017	2016	2016
	Q2	Q2	1.1-30.06	1.1-30.06	1.1-31.12
USD (NOK per 1 USD)	8.52	8.26	8.48	8.45	8.40
EUR (NOK per 1 EUR)	9.37	9.32	9.18	9.42	9.29
DKK (NOK per 100 DKK)	125.97	125.28	123.40	126.48	124.81
SEK (NOK per 100 SEK)	96.74	100.48	95.63	101.31	98.23

## Photocure Group – Other Measures

### In-market sales

A significant share of Photocure's sales of Hexvix/Cysview, i.e. all sales classified as partner sales and all sales in the Nordic region, goes through partners and distributors. These partners and distributors carry inventory of Hexvix/Cysview. Photocure's billing and revenue therefore does not necessarily reflect the demand from end users / hospitals at a given point in time as inventory levels may vary over time.

Furthermore, Photocure's revenue does not reflect the full value of the product in the market, as partners pay a royalty or a purchase price for the product below the price charged the end user.

To capture end user demand the company's partners and distributors report their revenue to end users in terms of number of units invoiced and in terms of revenue achieved. Photocure collects this data and consolidate to get the group total in-market sales, in units and in Norwegian kroner.

	2017	2016	2017	2016	2016
<i>(all amounts in NOK 1 000)</i>	Q2	Q2	1.1-30.06	1.1-30.06	1.1-31.12
<b>In-market sales</b>	<b>65,761</b>	<b>63,120</b>	<b>131,259</b>	<b>124,062</b>	<b>241,099</b>

## Photocure Group – Our Products

### Hexvix/Cysview

Hexvix/Cysview (hexaminolevulinate hydrochloride) is a drug that is taken up selectively by cancer cells in the bladder making them glow bright pink during Blue Light Cystoscopy (BLC). BLC with Hexvix improves the detection of tumors and leads to more complete resection, less residual tumors and better management decisions.

Hexvix is the tradename in Europe, Australia and New Zealand, Cysview in the US and Canada. Photocure is commercializing Hexvix/Cysview directly in the US and the Nordic region, and has strategic partnerships for the commercialization of Hexvix/Cysview in Europe, Canada, Australia and New Zealand.

Bladder cancer ranks as the ninth most common cancer worldwide with 430,000 new cases and more than 165,000 deaths annually. 75% of all bladder cancer cases occur in men<sup>1</sup>. It has a high recurrence rate with an average of 61% in year one and 78% over five years<sup>2</sup>. Bladder cancer has the highest lifetime treatment costs per patient of all cancers<sup>3</sup>.

Bladder cancer is a costly, potentially progressive disease for which patients have to undergo multiple cystoscopies due to the high risk of recurrence. There is an urgent need to improve both the diagnosis and the management of bladder cancer for the benefit of patients and healthcare systems alike.

Bladder cancer is classified into two types, non-muscle invasive bladder cancer (NMIBC) and muscle-invasive bladder cancer (MIBC), depending on the depth of invasion in the bladder wall<sup>4</sup>. NMIBC remains in the inner layer of cells lining the bladder. These cancers are the most common (75%) of all bladder cancer cases and include the subtypes Ta, carcinoma in situ (CIS) and T1 lesions. MIBC is when the cancer has grown into deeper layers of the bladder wall. These cancers, including subtypes T2, T3 and T4, are more likely to spread and are harder to treat<sup>5</sup>.

1. Globocan. Incidence/mortality by population. Available at: [http://globocan.iarc.fr/Pages/bar\\_pop\\_sel.aspx](http://globocan.iarc.fr/Pages/bar_pop_sel.aspx)

2. Babjuk M, Burger M, Zigeuner R, Shariat SF, van Rhijn BW, Compérat E, et al. EAU Guidelines on non-muscle-invasive bladder cancer (Ta, T1 and CIS). Eur Urol. 2016 Guidelines Edition:1-40.

3. Sievert KD et al. World J Urol 2009;27:295–300

4. Bladder Cancer. American Cancer Society. <http://www.cancer.org/acs/groups/cid/documents/webcontent/003085-pdf.pdf>. Accessed April 2016.

5. Bladder Cancer. American Cancer Society. <http://www.cancer.org/acs/groups/cid/documents/webcontent/003085-pdf.pdf>. Accessed April 2016

### Visonac

Visonac (methyl aminolevulinate 80mg/g) is in development for the treatment of moderate to severe acne. 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. By avoiding the risks of increased antibiotic resistance from long term exposure and providing a better tolerated alternative than systemic retinoids, Visonac has the potential to satisfy a high unmet medical need.

### Cevira

Cevira is in development as an intravaginal drug-device combination for photodynamic therapy of cervical persistent oncogenic human papilloma virus (HPV) infections and precancerous lesions. This treatment modality is based on our highly selective technology targeting the diseased area. Cevira is a treatment modality aiming to preserve the competence of the cervix, an improvement over surgical procedures frequently used today.



**For more information, please contact:**

Kjetil Hestdal, President and CEO  
Mobile: +47 913 19 535  
E-mail: kh@photocure.no

Erik Dahl, CFO  
Mobile: +47 450 55 000  
E-Mail: ed@photocure.com

**Photocure ASA**  
Hoffsveien 4,  
NO – 0275 Oslo,  
Norway

Telephone: +47 22 06 22 10  
Fax: +47 22 06 22 18