

PHOTOCAT



INTERIM REPORT Q3.2016

**SUMMARY OF INTERIM REPORT JULY 1ST 2016 – SEPTEMBER 30TH 2016
PHOTOCAT A/S PCAT CORP. ID NO. 32357903**

SUMMARY

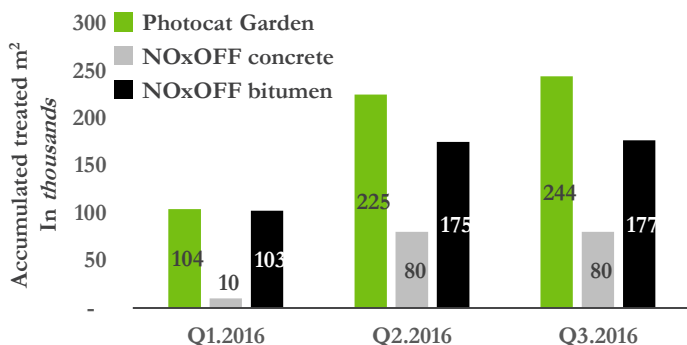
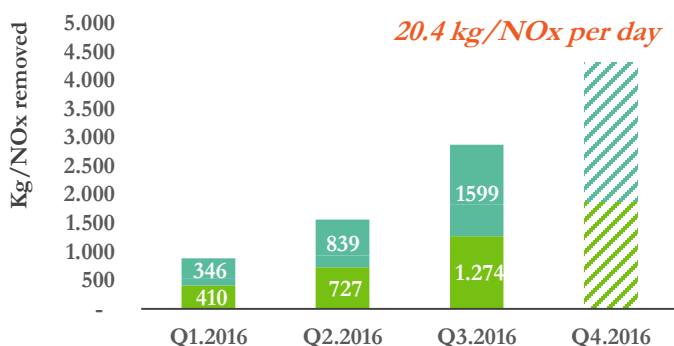
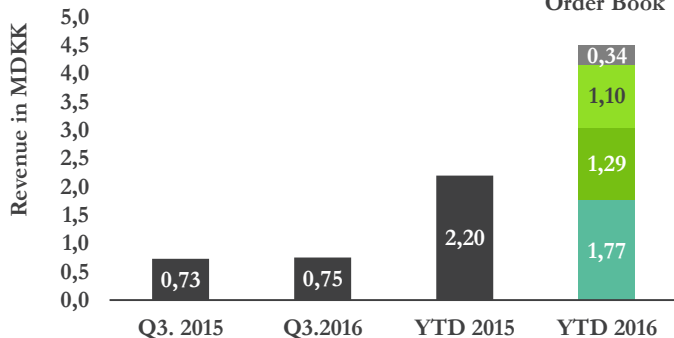
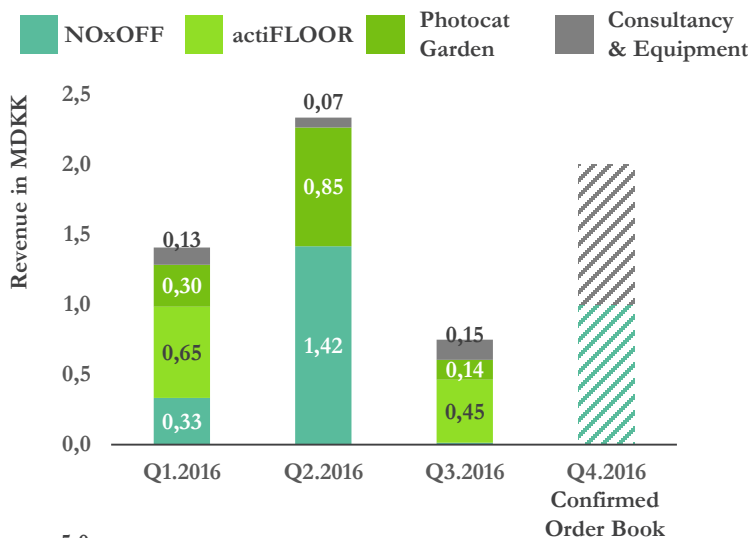
SIGNIFICANT EVENTS

DURING THE PERIOD

- Binné launched its NOxOFF product range at the Nordbau2016 trade show in Neumünster, Germany.
- A major European manufacturer produced its first bitumen membrane with the latest NOxOFF Photocat Technology.
- Photocat initiated negotiations with several Spanish bitumen and concrete manufacturers.
- Due to underperformance, Photocat terminated the distribution agreement regarding ShineOn for glass announced in 2015.

AFTER THE PERIOD

- Photocat delivered 15 tonnes of NOxOFF to Germany.
- Quandt held the symposium “Building with Conscience” in Berlin. The event celebrated Quandt’s contribution to the air quality in Berlin.
- Photocat and Quandt extended the existing agreement regarding NOxOFF increasing revenue expectations for 2017.
- Photocat assigned Quandt as distributor of Photocat Garden for the German and Austrian market.
- Photocat assigned PICA AB as a distributor of Photocat Garden for the Swedish market.



MESSAGE FROM THE CEO

NOxOFF is now launched in the largest European market for Bitumen products. It is really exciting to observe the impact our technology has on our customer's products and brands and to witness our technology becoming generally recognized in the industry. Such recognition increases our ability to generate leads and to expand to more regions.

Our focus is to support our customers in building a strong brand and succeeding with their strategy for photocatalytic products. The launch of our products on the German market has resulted in the highest production output ever and an order book for 2017. Quandt has committed to deliver a minimum of 500.000m² by 2018 in Berlin alone and Binne has started delivery to its first project. We are satisfied to see that our customers are experiencing a good start with their NOxOFF products and that we have been able to deliver on time despite a significant volume increase.

In Norway we are making progress with ASAK and aim at launching their new line of NOxOFF™ products soon. In Sweden and in Denmark we are in dialogue with one large concrete block and traffic systems manufacturer as well as one concrete facade manufacturer. In both cases we are discussing the possibility of incorporating the NOxOFF™ technology. Our ambition is for the NOxOFF™ concrete technology to be present in the whole of Scandinavia by 2017 and on a wider assortment of concrete products than today.

The third quarter of 2016 was the end of the 2016 season for Photocat Garden. So far, the product has only been sold in Denmark. We have entered into new distribution agreements covering Norway, Sweden, Germany, Austria and Spain and expect those to generate revenue in the first half of 2017. Photocat Garden has been a great success in Denmark and we look with anticipation to see how this product fairs in other geographical markets.

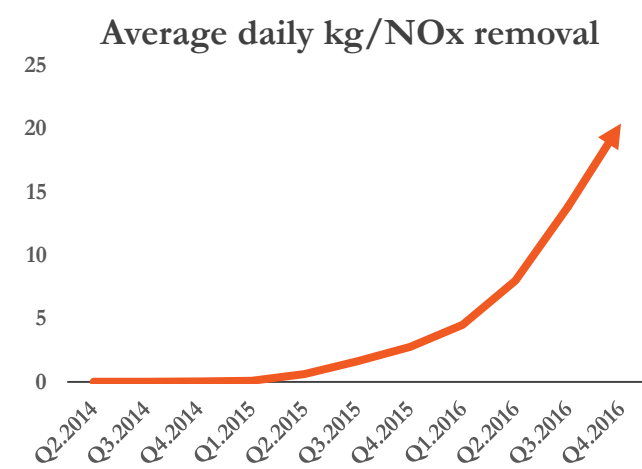
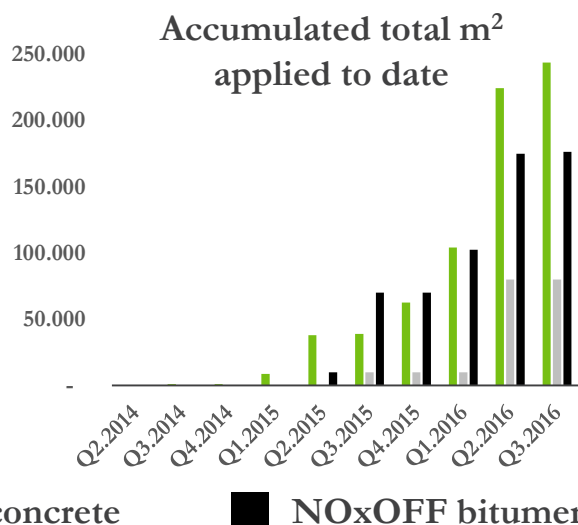
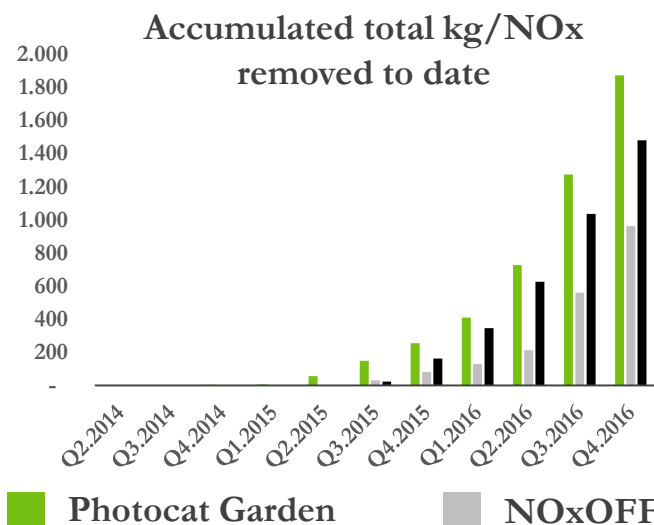
We continue to move customers from the technology implementation stage to the product launch stage. We continue to enter into dialogue with new potential customers in order to grow our customer base. We are currently in dialogue with large potential customers in Norway, Sweden, Denmark, Germany, Austria, Switzerland, Spain and Mexico and look to finalize significant agreements no later than first half of 2017. The cities of Barcelona, Madrid and Valencia are the first in the EU to include photocatalytic technologies in their air quality plans. Therefore we have appointed a representative in Spain and are preparing to market our technologies in Spain.

We are now at a stage where it makes sense to include a statement on Photocat's impact on reducing NOx. We are proud to state that our products have removed 2.873 kg of NOx corresponding to the yearly emission of around 2.873 euro 6 standard passenger vehicles. This amount will of course increase over time due to the long lifetime of our technology and due to increasing market penetration which we are already seeing for 2017. Reducing air pollution and affecting the environment positively is our DNA and the reason for offering solutions that contributes to saving health costs and increases the quality of life.



Michael Humle, CEO

Photocat's Environmental Impact



- As per Q3.2016 Photocat's technology has effectively removed a minimum of 2.873 kg/NOx.
- The current average daily kg/NOx removal is estimated at 20.4 kg/NOx.
- The societal health costs in EU per kg/NOx is on average **€10.5 [LINK]**.
- Highly populated and trafficked areas see higher societal cost related to air pollution. For example, the city of London is estimated to have up to **£190 [LINK]** per kg/NOx.



Total NOx removed is equivalent to 47.9 million driven kilometres driven by a euro 6 norm gasoline passenger car (0.06 g/km).

Daily NOx removed is equivalent to 340 thousand driven kilometres driven by a euro 6 norm gasoline passenger car (0.06 g/km).



FINANCIAL SUMMARY OF THE THIRD QUARTER 2016

- Revenue for the third quarter were TDKK 752 with the majority of this coming from actiFLOOR. That is a 3% increase from third quarter last year.
- Expenses for raw materials saw an increase due to costs related to application spray systems delivered in the second quarter.
- Cash at hand was reduced by MDKK 3.2 due to net loss in the third quarter.

PHOTOCAT A/S

Photocat A/S manufactures patented coating materials for both outdoor and indoor applications with the effect to degrade NO_x and VOC's when exposed to light. Both NO_x and VOC's are severely damaging to human health. Photocat's patented technology is a very efficient and economically viable alternative to many of the traditional technologies targeting NO_x.

Photocat's shares was listed in Nasdaq First North in Stockholm November 20, 2015, with the ticker symbol PCAT.

The company's Certified Advisor is Mangold Fondkommission AB.

FINANCIAL CALENDAR

	Date range	Released on
▪ Fourth quarter report 2016	01.10.2016 – 31.12.2016	17.02.2017
▪ First quarter report 2017	01.01.2017 - 31.03.2017	28.04.2017
▪ Annual report 2016	01.01.2016 – 31.12.2016	05.05.2017
▪ Annual General Meeting		26.05.2017
▪ Second quarter 2017	01.04.2017 – 30.06.2017	18.08.2017
▪ Third quarter 2017	01.07.2017 – 30.09.2017	04.11.2017

INCOME STATEMENT

In DKK, <i>thousands</i>	Notes	Q3 2016	YTD 2016	Q3 2015	YTD 2015
Revenue		752	4.499	729	2.202
Other operating income	1	114	341	0	265
Expenses for raw materials and consumables		-501	- 1.558	- 157	-516
Other external expenses	2	- 1.483	- 4.230	- 686	- 2.095
Gross profit		- 1.119	- 948	- 114	- 143
Staff expenses	4	- 1.337	- 3.326	- 1.369	- 2.746
Depreciation, amortization and impairment of intangible assets and property, plant and equipment		-606	- 1.824	- 464	- 1.656
Profit/loss before financial income and expenses		- 3.061	- 6.099	- 1.946	- 4.546
Financial expenses		-34	- 135	- 158	- 292
Profit/loss before tax		- 3.095	- 6.234	- 2.104	- 4.838
Tax		0	110	0	0
Net profit/loss		- 3.095	- 6.123	- 2.104	- 4.838

BALANCE SHEET 30TH OF SEPTEMBER

ASSETS

In DKK, <i>thousands</i>	Notes	Q3 2016	Q3 2015
Completed development projects		7.300	9.367
Acquired patents		321	529
Development projects in progress	3	2.339	342
Intangible Assets		9.959	10.238
Plant and machinery		2.419	2.463
Property, plant and equipment		2.419	2.463
Other investments		0	0
Deposits		290	290
Fixed asset investments		290	290
Fixed assets		12.669	12.991
Inventories		848	964
Trade receivables		2.175	1.625
Receivables from group enterprises		40	32
Other receivables		229	103
Deferred tax assets		83	1
Corporation tax		474	509
Prepayments		224	151
Receivables		3.225	2.422
Cash at bank and in hand		3.100	632
Current assets		7.173	4.018
Assets		19.842	17.009

BALANCE SHEET 30TH OF SEPTEMBER

LIABILITIES & EQUITY

In DKK, <i>thousands</i>	Notes	Q3 2016	Q3 2015
Share capital	5	2.356	1.785
Retained earnings		10.512	7.690
Equity		12.868	9.475
Subordinate loan capital		0	0
Credit institutions		1.858	1.825
Trade payables		0	0
Payables to shareholders and managements		19	25
Deferred income		2.121	2.916
Long-term debt		3.997	4.766
Credit institutions		0	580
Trade payables		1.982	1.261
Other payables		540	472
Deferred income		454	454
Short-term debt		2.977	2.767
Debt		6.974	7.534
Liabilities & Equity		19.842	17.009

CASH FLOW STATEMENT 1ST OF JULY - 30TH OF SEPTEMBER

In DKK, <i>thousands</i>	Notes	YTD 2016	YTD 2015
Net profit/loss		- 6.123	- 2.889
Adjustments		1.508	- 265
Change in working capital		- 880	0
Cash flow from operating activities before financial income and expenses		- 5.496	- 3.154
Financial expenses		- 135	- 150
Cash flow from ordinary activities		- 5.631	- 3.305
Corporation tax paid		0	0
Cash flow from operating activities		- 5.631	- 3.305
Purchase of property, plant and equipment		- 859	0
Other adjustments		0	0
Cash flow from investing activities		- 859	0
Increase in loans from credit institutions		- 79	1.598
Repayment of payables to group enterprises		1	- 2.558
Change in payables, stock and suppliers		0	0
Capital increase		6.534	4.879
Cash flow from financing activities		6.455	3.919
Change in cash and cash equivalents		- 34	615
Cash and cash equivalents as of 1st of January		3.135	18
Cash and cash equivalents as of 30th of September		3.100	632
		0	0
Cash and cash equivalents are specified as follows:		0	0
Cash at bank and in hand		3.100	632

NOTES

Note 1 – Other operating income

Other operating income comprises of grants received in respect of capitalized development projects and is recognized over the expected useful life of the asset.

Note 2 – Expenses for raw materials and consumables

Expenses for raw materials and consumables increased as a percentage to sales in the third quarter due to lower volumes in materials and a high fraction of application systems which holds a lower margin. Furthermore, sales provisions to Photocat agents is included. The gross margins on our materials have not changed.

Note 3 – Other external expenses

<i>In DKK, thousands</i>	Q3 2016
Marketing costs	369
Premises	306
Other costs	809
Total other external expenses	

Note 4 – Development projects in progress

Development projects in progress comprise capitalized development costs regarding development of the technology in the areas of concrete and bitumen.

Note 5 – Number of employees

Total number of employees excluding commercial agents is nine. Photocat has contracts with three commercial agents operating in Mexico and Europe.

Note 6 – Outstanding Shares

The Company's share capital is DKK 2,356,300 divided into shares of DKK 1.

RISKS

Photocat's operations are associated with risks related to inter alia product development, commercialization, financing, intellectual property, collaborations with partners, authority decisions, agreements and key personnel.

For a description of the Company's risks, please see the Annual Report for the fiscal year 2015. No significant changes in the Company's risk assessment have occurred since the Annual Report was issued.