

CLEANING THE AIR WE BREATHE



PHOTOCAT

INTERIM REPORT Q2 2017

The information in this interim report requires Photocat A/S to publish the information in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 18 August 2017 at 08:00 CET.

Q2 2017: SUMMARY

Main highlights during the second quarter of 2017

- Signed agreement on May 29th 2017 with S:T Eriks AB, Sweden's leading manufacturer of concrete products.
- As part of the process of establishing a board of directors consisting of mainly independent members both Henrik Jensen and Thomas Becker was replaced by Gitte Haanig-Høj and Theis Reenberg at the annual general meeting in April, the latter representing the major shareholder PhotoC Holding.
- The Danish market for Photocat Garden products experience serious price competition.
- Granted patent for concrete wet technology in EU.
- Lauzon report highest ever sales of its Pure Genius product range which is based on the actiFLOOR technology.
- Developed business offer together with Gammelrand to major Danish cities.
- Binne & Sohn attain and install first NO_xOFF reference project in Leipzig.

Main highlights during the first six months of 2017

- Signed agreement on May 29th 2017 with S:T Eriks AB, Sweden's leading manufacturer of concrete products.
- La Roda and Adybor attain first orders for NO_xOFF products in Spain.
- The Danish market for Photocat Garden products experience serious price competition.
- ASAK A/S , a leading concrete manufacturer in Norway, launches the NO_xOFF technology as standard on all "Gangbaneheller".
- Enter into technology partnership with Troldekt A/S, a leading manufacturer of acoustic ceilings in Europe, for the development of photocatalytic indoor acoustic ceilings.
- Share capital increased with 643.700 shares through a private placement to the company Strategic Investments A/S on February 15th 2017.

Significant events after the second quarter of 2017

- Secured two new customers in Spain: SAGRA S.A. and Prehorqui SA.
- Implemented cost alignment programme.
- Successful production test for new indoor acoustic ceiling application in cooperation with Troldekt A/S, a leading manufacturer of acoustic ceilings in Europe.

Amounts in DKK '000s	1 Apr – 30 Jun 2017	1 Apr – 30 Jun 2016	1 Jan – 30 Jun 2017	1 Jan – 30 Jun 2016	Full Year 2016**
Revenue from photocatalytic fluid	772.4	1,898.6	2,831.9	3,183.5	4,446.1
Revenue from Consultancy, Equipment & Other	131.1	552.6	1,451.7	791.2	1,188.8
Gross Profit	- 888.6	347.3	224.2	170.6	-2,593.9
EBITDA	- 2,067.6	- 716.6	- 2,234.9	- 1,818.7	- 7,341.5
P/L before Tax	- 2,815.9	- 1,382.5	3,762.6	3,138.5	-9,954.9
Net Profit	- 2,640.9	- 1,338.0	- 3,587.6	- 3,028.3	- 9,782.4
Total Assets	18,775.8	23,499.8	18,775.8	23,499.8	16,029.9
Equity	14,938.8	15,963.3	14,938.8	15,963.3	9,209.0
Debt	3,837.0	7,536.5	3,837.0	7,536.5	6,820.9
Cash at Hand	2,874.0	6,278.4	2,874.0	6,278.4	172.4

** Audited

CEO LETTER

In the second quarter of 2017 Photocat was given notice by the EPO (European Patent Office) that its patent application on "innovative technology applying photocatalytic features to wet concrete", will be granted during 2017. In my opinion this is a breakthrough for and improvement of the current technology of applying photocatalysts to concrete elements and implement the technology into the production of concrete elements. I do believe that this patent will bring better business opportunities for our sales of NO_xOFF as well as improve our ability to grant licenses to major cement manufacturers.



Michael Humle
CEO

During the second quarter the revenue was 903.7 TDKK. Sales was affected by production challenges which led to a delayed launch of products in Spain. The challenges have been solved. Furthermore, conversions of specifications in orders has led to displacement of sales.

In Denmark Photocat Garden, especially amongst professional service providers, has been under fierce price pressure, lowering average prices per sqm with more than 50 %. Furthermore, we presume the very wet and cold spring did not sprout the same desire to renovate garden stones. In Sweden the private market for Photocat Garden products has been positive. Together with our partner, PICA AB, we have successfully addressed some high profiled fast food chain's about their parking and drive in areas with positive feedback. The public market has been slow, the technology and product is accepted, yet time from acceptance to implementation in city planning seems prolonged. We have successfully addressed the city of Malmö together with PICA AB and will continue to address more Swedish cities in cooperation with PICA AB and S:T Eriks AB.

NO_xOFF is now available at the Scandinavian concrete market through the three leading Scandinavian concrete paving manufacturers, ASAK A/S (NO), Gammelrand A/S (DK) and S:T Eriks AB (SE). We are proud to have developed an attractive business proposition to all major cities in cooperation with Gammelrand. Besides the Scandinavian market, we are also focusing on the Spanish market. This market is important since major cities in Spain publicly have recognized photocatalysis as one of the technologies utilized to improve city air qualities. Presently we have four Spanish customers in the concrete market and the latest addition of SAGRA and Prehórqui S.A. has made Photocat more visible in this market.

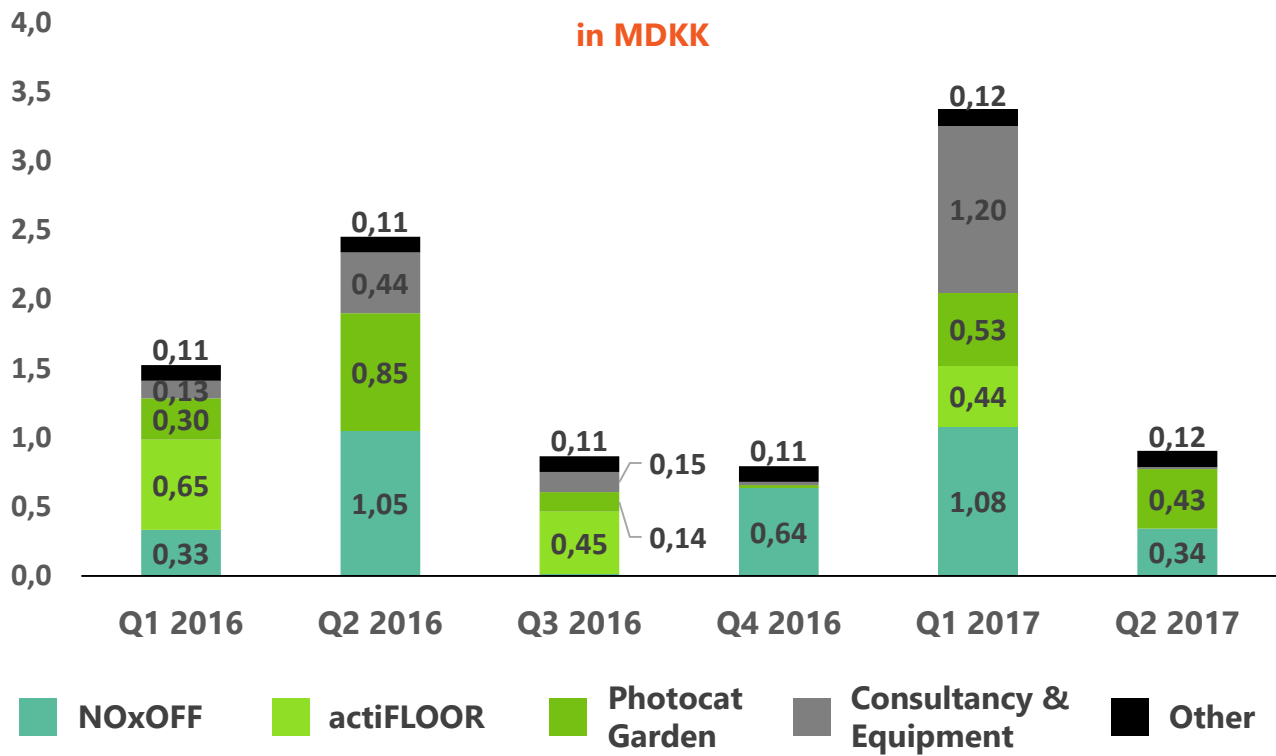
NO_xOFF in the bitumen market is mainly present in the German market, especially in the Berlin and Hamburg areas. The bitumen market especially in Germany was hit by a threefold price increase on an essential raw material, which forced manufacturers to introduce very strict cost controls and difficulties in supplying customers. This affected the second quarter business of NO_xOFF negatively. This situation has been solved.

Due to the lower than expected results for the second quarter, mainly as a result of price competition in the Danish market for Photocat Garden as well as expected displacement of sales into 2018 the expected revenue for the full year of 2017 is changed from 10 to 12 MDKK to around 10 MDKK.

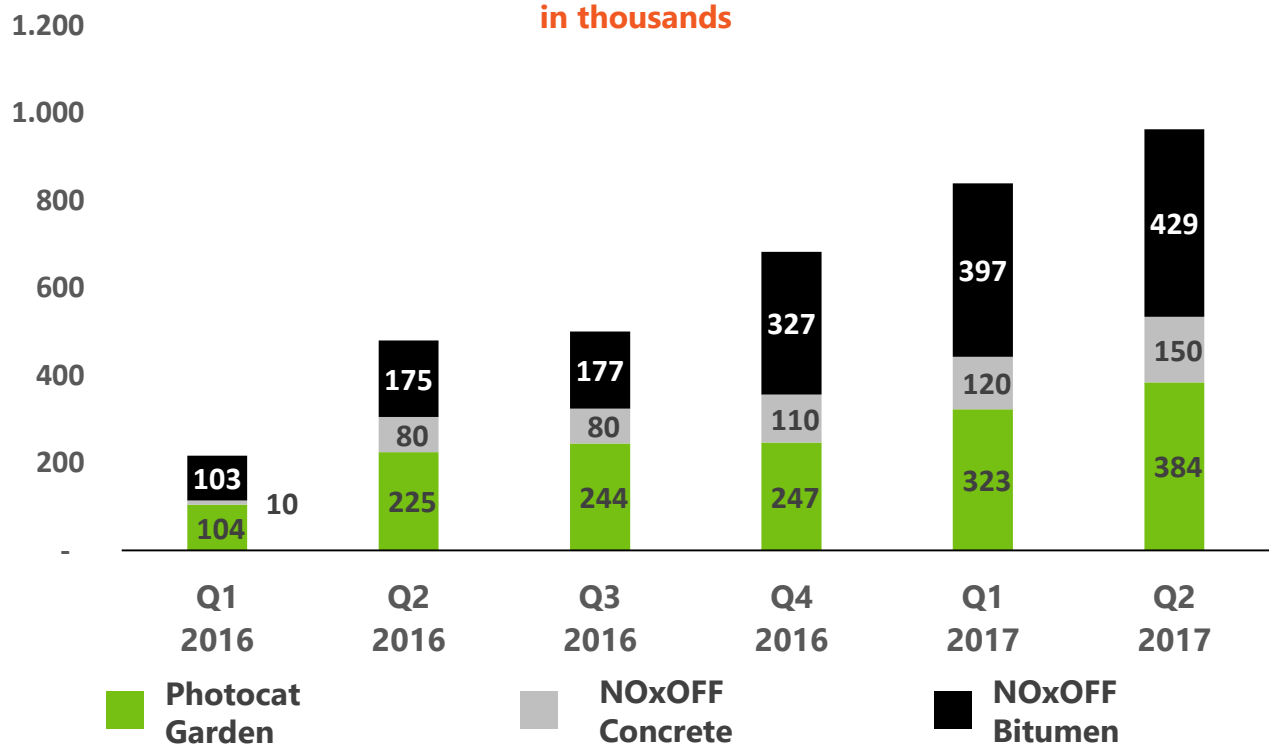
As of the third quarter Photocat incorporated a cost alignment programme which will ensure that costs are balanced with revenue in an even higher degree, and speed up the process to become EBITDA positive.

SUMMARY

REVENUE DEVELOPMENT, BY PRODUCT SEGMENT
in MDKK



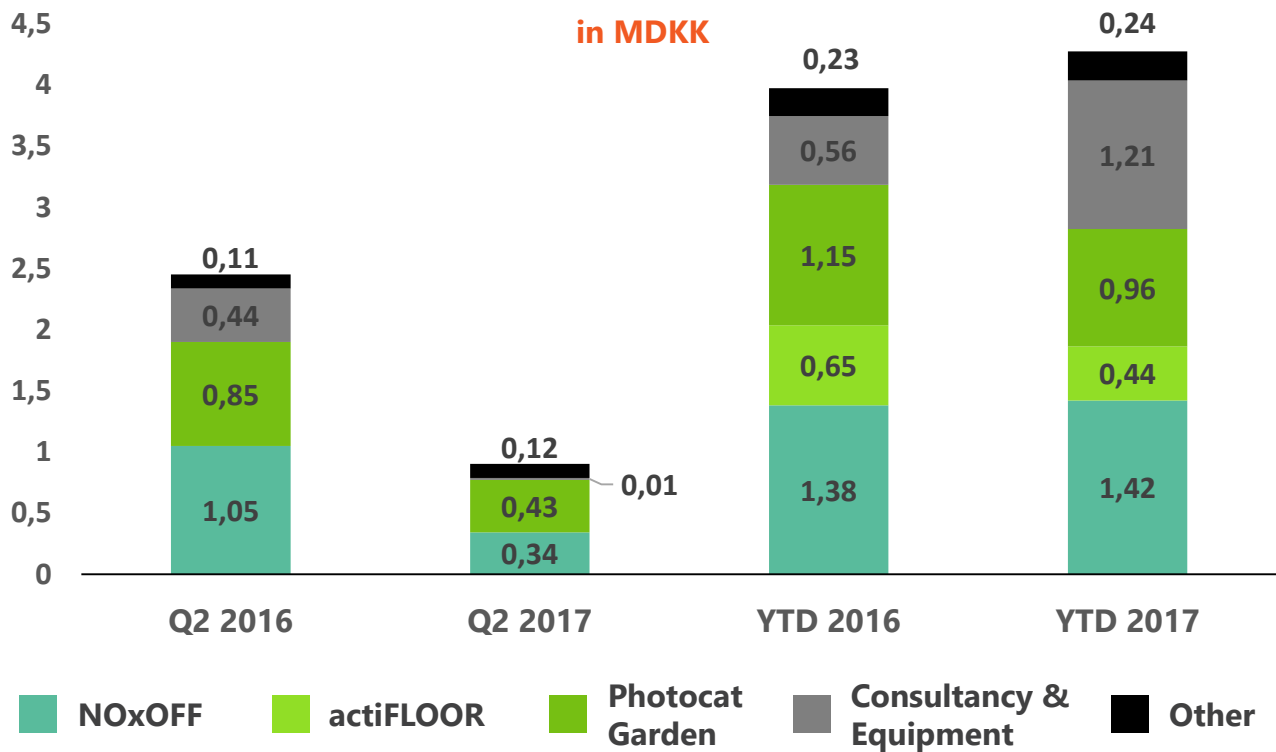
TREATED PHOTOCATALYTIC m² *, BY SURFACE TYPE
in thousands



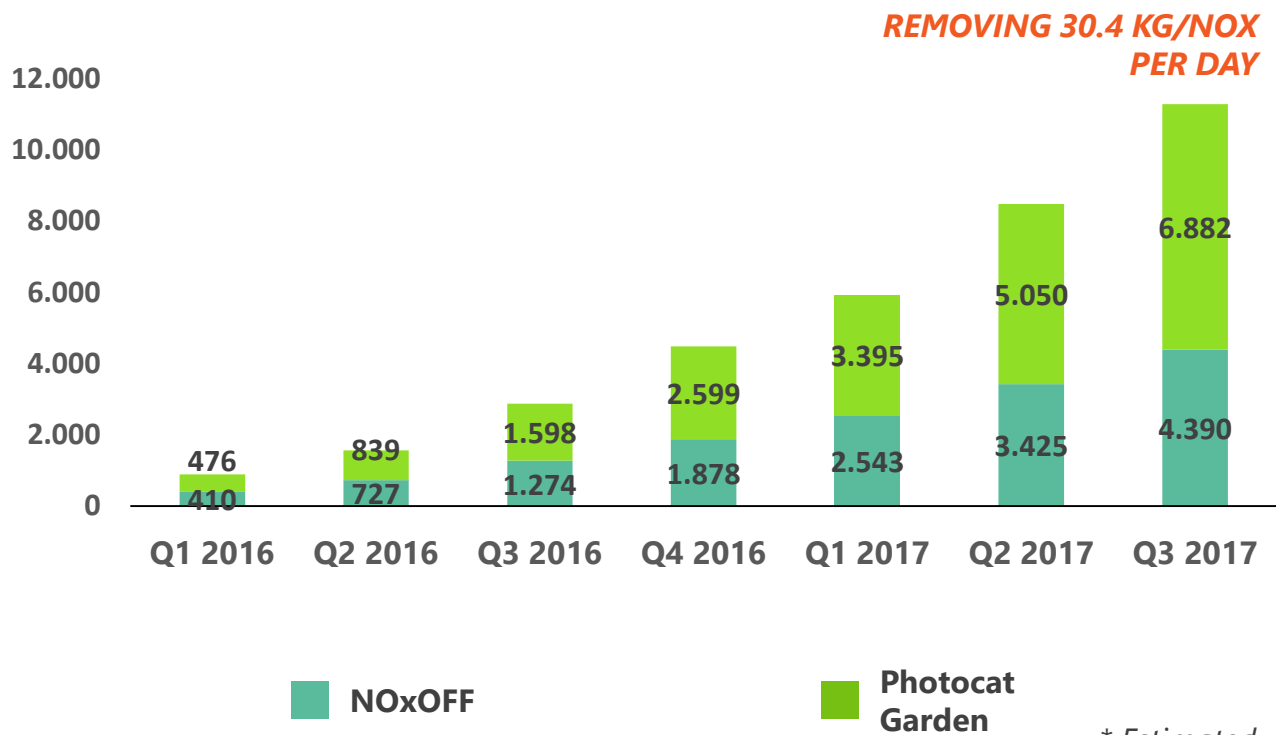
* Estimated

SUMMARY

REVENUE DEVELOPMENT, BY PRODUCT SEGMENT
in MDKK



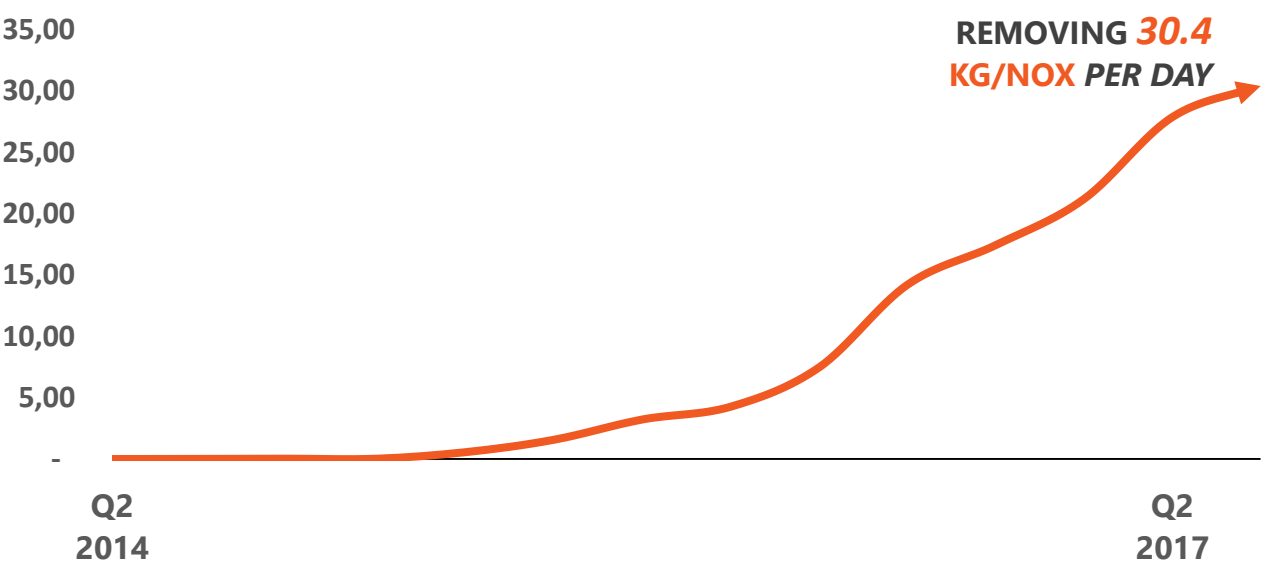
KG/NOX REMOVED TO DATE *, BY PRODUCT SEGMENT



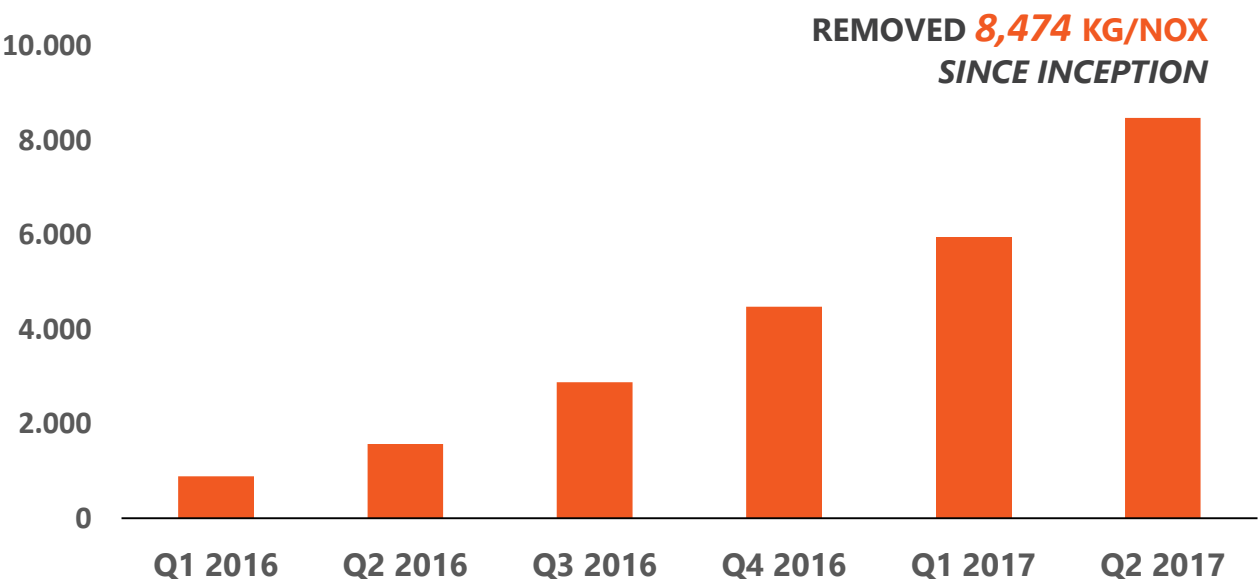
* Estimated

ENVIRONMENTAL IMPACT

Daily NOx removed is equivalent to **507 thousand driven kilometres***



Total NOx removed is equivalent to **141.2 million driven kilometres***



* Driven by a euro 6 norm gasoline passenger car (0.06 g/km).

SUPPORTING THE UN SDGs



Our photocatalytic technology directly supports two of the UN Sustainable Development Goals: Goal #3 and goal #11. By reducing the concentrations of both NO_x and VOCs in the air we are reducing the amount of toxic gasses that go through our respiratory system. Both NO_x and VOCs lead to negative health implications such as asthma, lung cancer, stroke and heart disease.

Both Goal #3 and #11 call for attention and action regarding air quality. At Photocat we believe in and work towards a future with cleaner air, our technology is specifically designed for this purpose and we contribute to these goals on a daily basis by removing 26 Kg/NO_x per day.



Goal 3. Ensure healthy lives and promote well-being for all at all ages

SDG Target: By 2030, **substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.**



Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable

SDG Target: By 2030, reduce the adverse per capita environmental impact of cities, including by paying **special attention to air quality** and municipal and other waste management

More than half of the world’s population lives in cities, and by 2030, it is expected that this number will increase to approximately 60% (UN, 2016). Furthermore, in urban areas, over 90 % of the population is exposed to levels of pollution which are above the World Health Organization's (WHO) guidelines for health protection.

NO_xOFF reduces pollution where the problem is and mitigates NO_x emissions especially in urban areas.

AIR POLLUTION

Air pollution is the primary environmental source causing 7 million premature deaths around the world every year. This number by far exceeds the combined annual death rates for malaria, tuberculosis and AIDS. In Europe alone air pollution is the solely source to more than 400.000 premature deaths on a yearly basis (EEA, 2016), leading air pollution to be the biggest threat to premature deaths for our generation and the generations to come (UNECE, 2016).

The most harmful air pollutant is NOx, as it affects all receptors and thereby directly causing fatal and protracted illnesses such as asthma, lung cancer, stroke and heart diseases (UNECE, 2016). The primary source to NOx emissions is road transport, as it constitutes for more than 60 % of the total emissions, whereas energy and industrial pollution accounts for approximately 30 %. The highest concentrations of NOx emissions are therefore found in urban areas, which further enforces that more people are exposed to NOx emissions, as more people live in urban rather than rural areas (OECD, 2015). Moreover, the NOx emission levels are highest during daytime, as this is when traffic is at its peaking point. This further exposes more people to the harmful air pollution, as the peak hours for people to be outside also takes place during rush hours in traffic and hence during daytime (Jensen, 2017).

The total NOx emission in the EU is 9.3 billion kilograms per year (RICARDO-AEA, 2014). NOx emissions accounts for a tremendous economic cost as it yearly accounts for EUR 1 trillion in the UNECE region. This does not include illness related work absence, which further adds a 10 % increase in the combined societal health cost meaning that NOx emissions are increasing these both directly as well as indirectly (OECD, 2015). The official numbers for societal health cost in relation to NOx emissions and concentrations show a significant difference between the cost of 1kg/NOx in cities with more than 100.000 habitants compared to the national level. As an example the cost of NOx per kg is more than 20x in London compared to the average cost in the U.K.

Health Cost per Kg/NOx



With more than half of the world's population living in cities today, which is expected to increase to 60 % by 2030 (UN, 2016) it becomes self evident that air pollution in cities must be actively combated today.

One solution to combat air pollution and more specifically to lower the NOx emission level is the photocatalytic technology, as it directly mitigates NOx emissions especially in urban areas.

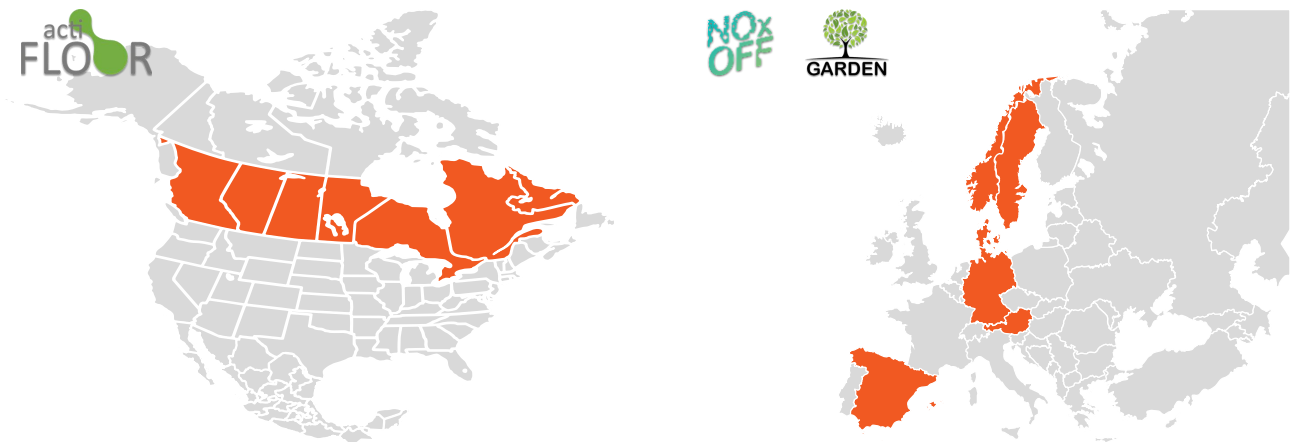
THE PHOTOCATALYTIC TECHNOLOGY

The photocatalytic technology is activated by natural sunlight, as it is a photo-induced chemical reaction driven by a catalyst that absorb the light used to drive the degradation process of NOx emissions in the air. In the degradation process of NOx emissions, the toxic air pollutant is transformed into harmless nitrate salt. Furthermore, the technology is cost-efficient, as it is a life-long investment, which is repaid within 1-3 years depending on the national, regional or local societal health costs (OECD 2015).

The photocatalytic mechanism was discovered back in 1972 by Professor A. Fujishima and Professor K. Honda from University of Tokyo (Fujishima & Honda, 1972). Since the photocatalytic technology was discovered more than 40 years ago it has experienced a commercial breakthrough during the 90's and the beginning of this century. Today the photocatalytic technology has become a mature technology and the market for photocatalytic products is a billion-dollar industry in Japan and more than 100 million square meters is installed throughout the world. The common conclusion is that the photocatalytic technology is very effective to solve air quality problems by mitigating the harmful NOx emissions using a photocatalyst and light.

The NOxOFF™ and actiFLOOR™ technology developed by Photocat is the leading photocatalytic technology for building materials such as concrete, bitumen membranes and hardwood floors. The technology behind NOxOFF™ is to date the most tested technology regarding real life tests. The NOxOFF technology is tested in a two-year demonstration case at Copenhagen airport, funded by the Danish Market Development Fund, where it was documented that the technology mitigated the NOx concentration with an average of 13 % during the tested period. Additionally, it was documented that during peak hours, both regarding natural sunlight and the highest concentration of NOx emissions, the effectiveness was up to a 24 % mitigation of NOx.

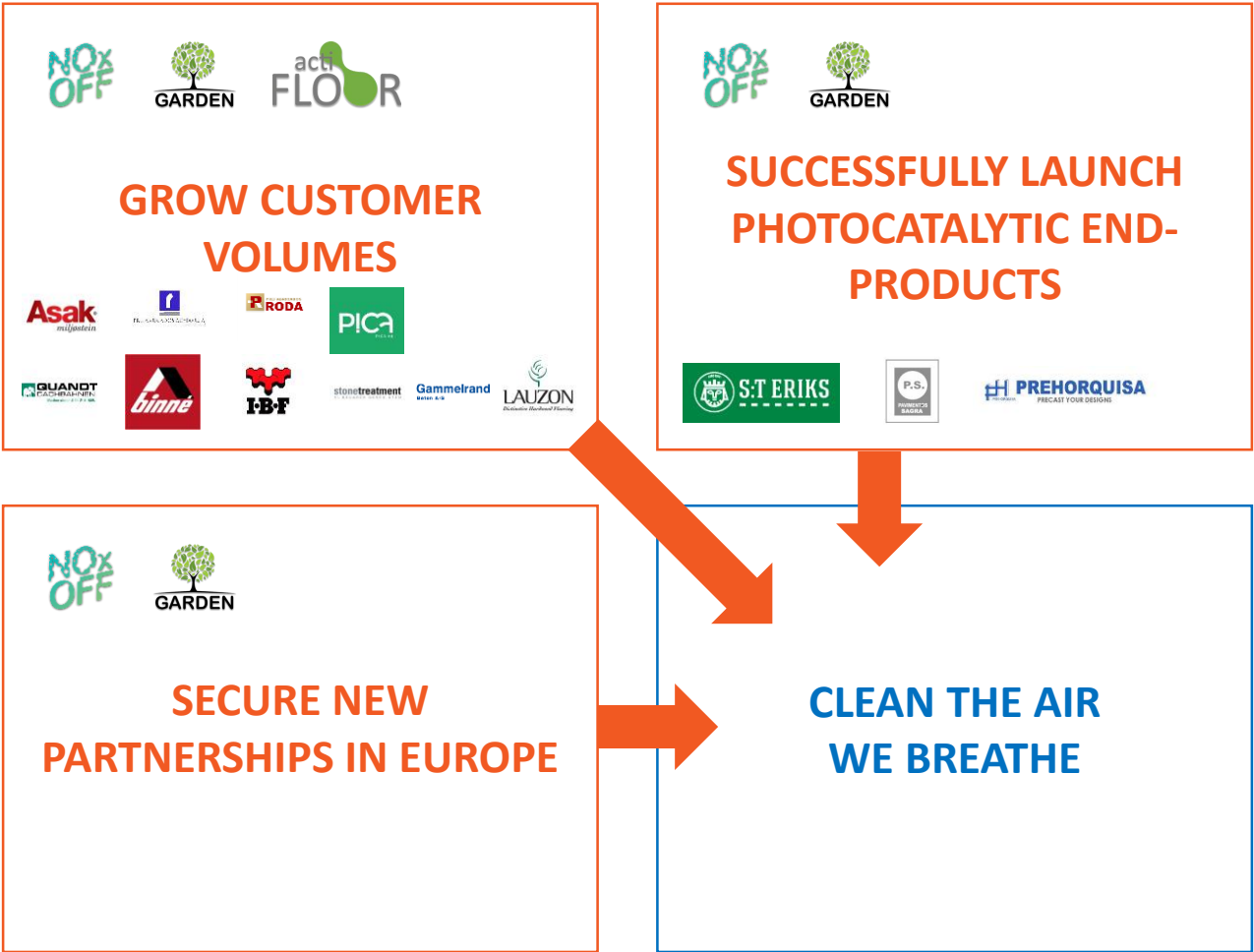
Photocat holds the right to commercially exploit 36 approved patents and 56 pending patents worldwide that protects the NOxOFF™ and actiFLOOR™ technology and application method. The technology is today available across three surface materials in Europe and North America. To date, the technology is deployed across 1 million square meters and **on a daily basis Photocat removes 30.4 kg/NOx** from the air we breathe.



MARKET STRATEGY

In 2017 we will leverage the partnerships established in Denmark, Sweden, Norway, Germany and Spain. We are actively assisting our partners by helping launch end-products, build awareness and engage decision makers in both the private and public market. All current partnerships should launch end-products with the NOxOFF™ and Photocat Garden™ technology during 2017.

With a hands-on approach we aim to show that our technology is both a societal and financial value creator that drives demand for our clients. The numbers are moving in the right direction and the business case for photocatalysis and our NOxOFF offering is continuously substantiated by the performance of our clients who are using it to win projects and enter new sales channels previously not available for them. We believe that as this story continues the business case, as well as the societal aspect, of this technology will become apparent and incorporated on an increasing amount of our partners product portfolio. In 2017 Asak Miljøstein has already launched its products with NOxOFF™, our Spanish partners have secured their first projects and Photocat Garden is in the process of being rolled out in five countries through private label distribution partnerships.



INCOME STATEMENT

Amounts in DKK '000s	Notes	Q2 2017	Q2 2016
Revenue		790.1	2,337.6
Other operating income	1	113.6	113.6
Expenses for raw materials and consumables		- 321.4	- 655.9
Other external expenses	2	- 1,470.8	- 1,448.0
Gross profit		- 888.6	347.3
Staff expenses		- 1,179.0	- 1,063.9
Depreciation, amortization and impairment of intangible assets and property, plant and equipment		-654.8	- 609.3
Profit/loss before financial income and expenses		- 2,722.3	- 1,325.9
Financial expenses		- 93.6	- 56.6
Profit/loss before tax		- 2,815.9	- 1,382.5
Tax		175.0	44.5
Net profit/loss		- 2,640.9	- 1,338.0

BALANCE SHEET

ASSETS

Amounts in DKK '000s	Notes	Q2 2017	Q2 2016
Completed development projects		6,445.5	7,493.4
Acquired patents		134.8	383.3
Development projects in progress	3	2,909.7	2,209.5
Intangible Assets		9,490.0	10,086.2
Plant and machinery		2,103.5	2,539.6
Property, plant and equipment		2,103.5	2,539.6
Other investments		0.0	0.0
Deposits		290.3	290.3
Fixed asset investments		290.3	290.3
Fixed assets		11,883.8	12,916.1
Inventories		720.4	926.3
Trade receivables		2,500.8	2,303.6
Receivables from group enterprises		0.0	39.7
Other receivables		160.8	259.6
Deferred tax assets		0.0	82.9
Corporation tax		430.3	474.1
Prepayments		205.7	219.1
Receivables		3,297.6	3,379.0
Cash at bank and in hand		2,874.0	6,278.4
Current assets		6,892.0	10,583.7
Assets		18,775.8	23,499.8

BALANCE SHEET

LIABILITIES & EQUITY

Amounts in DKK '000s	Notes	Q2 2017	Q2 2016
Share capital	5	3,000.0	2,356.3
Retained earnings		11,938.8	13,607.0
Equity		14,938.8	15,963.3
Subordinate loan capital		-	-
Credit institutions	6	-	1,930.5
Trade payables		-	-
Payables to shareholders and managements		20	18.4
Deferred income		1,779.8	2,234.2
Long-term debt		1,799.8	4,183.1
Credit institutions		-	-
Trade payables		1,008.1	2,469.1
Other payables		574.7	429.9
Deferred income	1	454.4	454.4
Short-term debt		2,037.2	3,353.4
Debt		3,837.0	7,536.5
Liabilities & Equity		18,775.8	23,499.8

CASH FLOW STATEMENT

Amounts in DKK '000s	Notes	H1 2017	H1 2016
Net profit/loss		- 3,587.6	- 3,028.2
Adjustments		1,125.4	982.3
Change in working capital		- 1,768.7	- 736.1
Cash flow from operating activities before financial income and expenses		- 4,230.8	- 2,781.9
Financial expenses		-215.9	- 101.2
Cash flow from ordinary activities		- 4,446.7	- 2,883.1
Corporation tax paid		-	-
Cash flow from operating activities		-4,446.7	- 2,883.1
Purchase of property, plant and equipment		- 795.4	- 501.0
Purchase of tangible fixed assets		- 32.3	-
Other adjustments		-	-
Cash flow from investing activities		- 827.7	- 501.0
Increase in loans from credit institutions		- 1,401.7	- 6.6
Repayment of payables to group enterprises		- 60.4	0.8
Change in payables, stock and suppliers		-	-
Capital increase		9,317.4	6,533.6
Cash flow from financing activities		7,976.1	6,527.8
Change in cash and cash equivalents		2,701.6	3,143.7
Cash and cash equivalents as of 1st of January		172.4	3,134.7
Cash and cash equivalents as of 30th of June		2,874.0	6,278.4

Cash and cash equivalents are specified as follows:

Cash at bank and in hand	2,874
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FINANCIAL 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 – Other external expenses

Amounts in DKK '000s	Q2 2017	Q2 2016
Marketing costs	387.2	312.7
Premises	298.7	263.5
Other costs	784.9	871.8
Total other external expenses	1,470.8	1,448.0

Note 3 – 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 4 – Number of employees

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

Note 5 – Share Capital

The Company's share capital is 3,000,000 DKK divided into shares of 1 DKK.

Note 7 – Credit Institutions

Long term debt to credit institutions was decreased to 0 DKK.

PHOTOCAT A/S

Photocat A/S manufactures patented coating materials for both outdoor and indoor applications with the effect to degrade NOx and VOC's when exposed to light. Both NOx 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 NOx.

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
▪ **Third quarter 2017**

Date range
01.07.2017 – 30.09.2017

Released on
03.11.2017