

CLEANING THE AIR WE BREATHE



PHOTOCAT

INTERIM REPORT Q1 2017

CEO LETTER

We have now reached more than 1 million square meters of applied NOxOFF, actiFLOOR and Photocat Garden surfaces. On a daily basis appx. 26 kg/NOx is degraded by the NOxOFF and Photocat Garden technology and with our technology being rolled out across more countries in Europe this number is set to increase. As a company that both aims to create shareholder value and a societal impact we are proud to see that our sales and environmental effect is scaling and we expect that 2017 will be a year of strong revenue growth with the full year expected to lie between 10 and 12 MDKK.



Michael Humle
CEO

In the first quarter 2017 the revenue was 3,371.5 TDKK however adjusted for the change in periodization of certain sales from 2016 to 2017 the underlying revenue in the first quarter was 1,761 TDKK. The periodization adjustment is primarily related to the implementation of spray equipment in Spain.

Despite a slower than expected start to 2017 we are confident that Photocat will continue to grow significantly. There is a continuous flow of NOxOFF goods and private labels for Photocat Garden are being launched across Europe. Scaling existing partnerships our core objective but we are still in dialogue with new potential partners both in current and new geographical regions in the EU, establishing new commercial partnerships is vital if we are to reach 12 MDKK or more.

In March 2017 the NOxOFF concrete customer Asak Miljøstein in Norway launched NOxOFF by major events in Oslo and Bergen. The events caught the attention of the Norwegian state media NRK. It is too early to predict how big the impact on the market has been but we see positively on the market penetration in Norway by Asak Miljøstein.

In Spain the first two NOxOFF concrete companies Adybor and La Roda have produced their first batches with our NOxOFF technology and the first major public order of more than 10,000 m² in Spain for NOxOFF concrete was won and is being produced in first and second quarter 2017.

The kick-off event for Photocat Garden was held in March. Learning how our partners work with our technology, and what feedback they in turn get from end-consumers is very important for us and together we can gain a competitive advantage in a market competing on price and not quality. The renovation and impregnation of terraces is dependent on weather conditions, usually the weather conditions have allowed for the season to start in March this year however the season started in April as the weather has been rather wet and cold in Denmark and the Nordic countries.

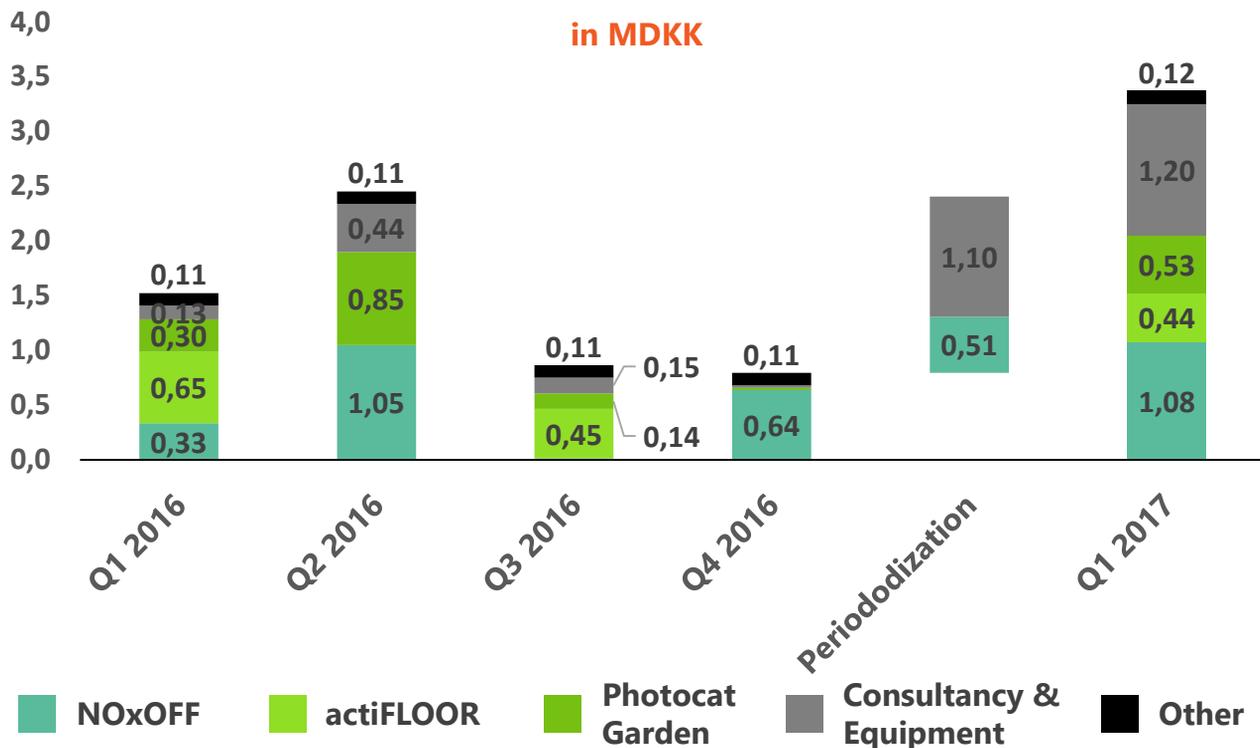
The first quarter also marked the signing of an agreement with Troldekt (a major Danish ceiling manufacturer) concerning making a new line of products based on Photocat's indoor air quality improvement technology. We have significant expectations to this agreement for the year 2018 and beyond.

SIGNIFICANT EVENTS DURING Q1 2017

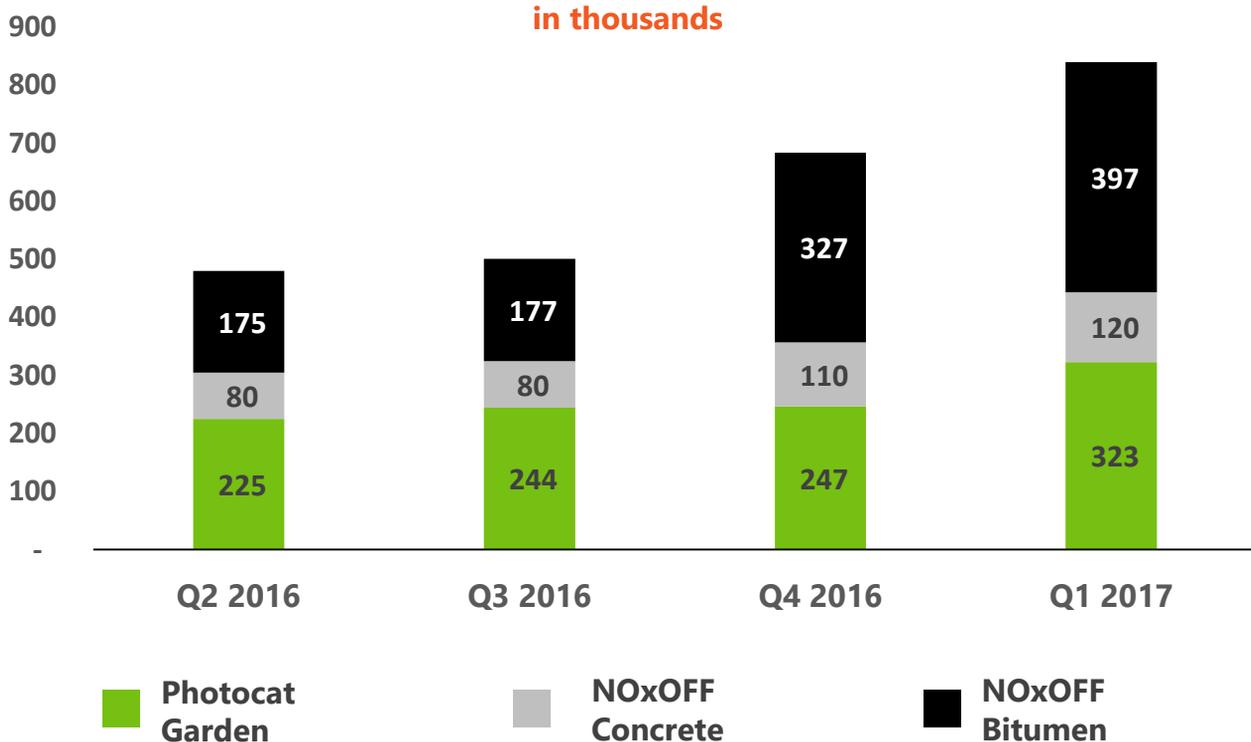
- Breaks the 1 million square meter threshold of photocatalytic surfaces with NOxOFF, Photocat Garden and actiFLOOR combines.
- ASAK Miljøstein launched its new line of photocatalytic concrete products in March together with Photocat and Bellona in Norway.
- The Season for Photocat Garden opened in March with products now available in Denmark, Sweden, Norway, Germany, Austria and Spain.
- In February, a strong institutional Danish investor, Strategic Investments A/S, invested 11.8 MSEK in Photocat corresponding to 643,700 shares [[See press release as of 15/02/2017](#)]. We welcome Strategic Investments A/S and are very pleased to see that we now have a larger Danish investor as shareholder and Strategic Investments A/S has expressed a strong commitment to be part of building a strong and profitable company.
- In February Photocat established a warrants program for its management and key employees [[See press release as of 15/02/2017](#)].
- In February Photocat entered into partnership with Troldekt A/S to develop a new line of photocatalytic acoustic ceilings [[See press release as of 21/02/2017](#)].

SUMMARY

REVENUE DEVELOPMENT, BY PRODUCT SEGMENT
in MDKK



TREATED PHOTOCATALYTIC m², BY SURFACE TYPE
in thousands

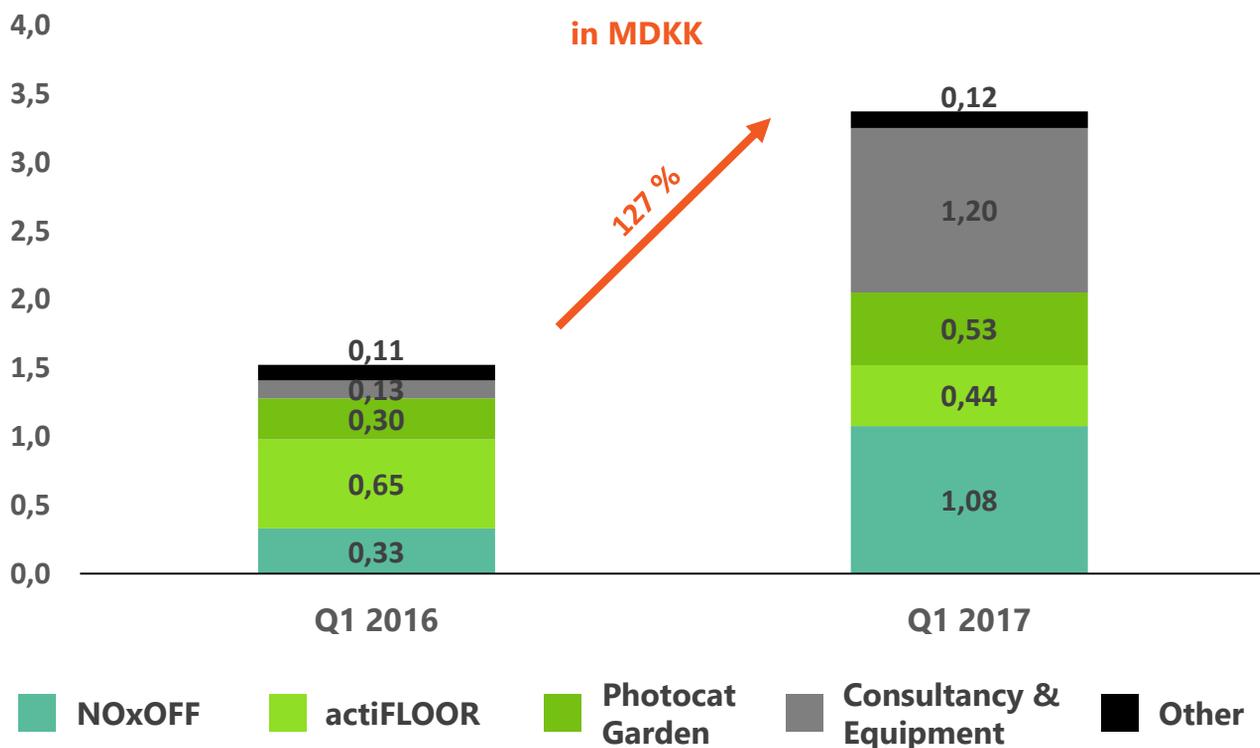


* Estimated

SUMMARY

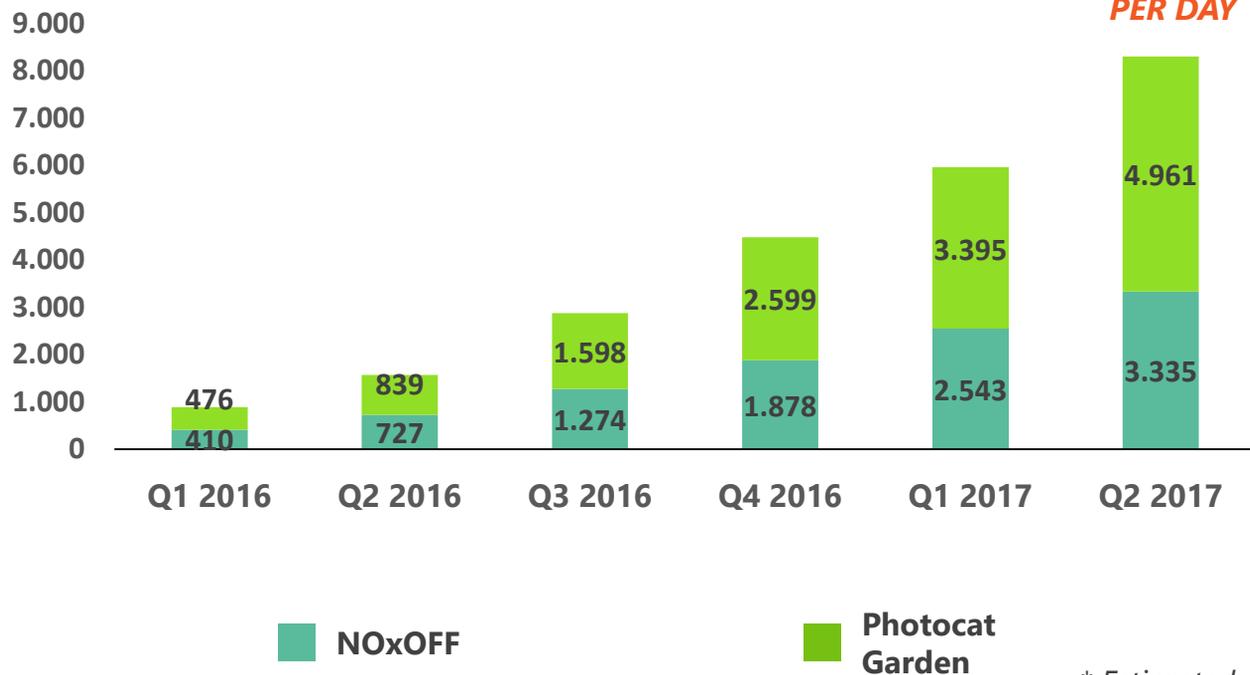
REVENUE DEVELOPMENT, BY PRODUCT SEGMENT

in MDKK



KG/NOX REMOVED TO DATE, BY PRODUCT SEGMENT

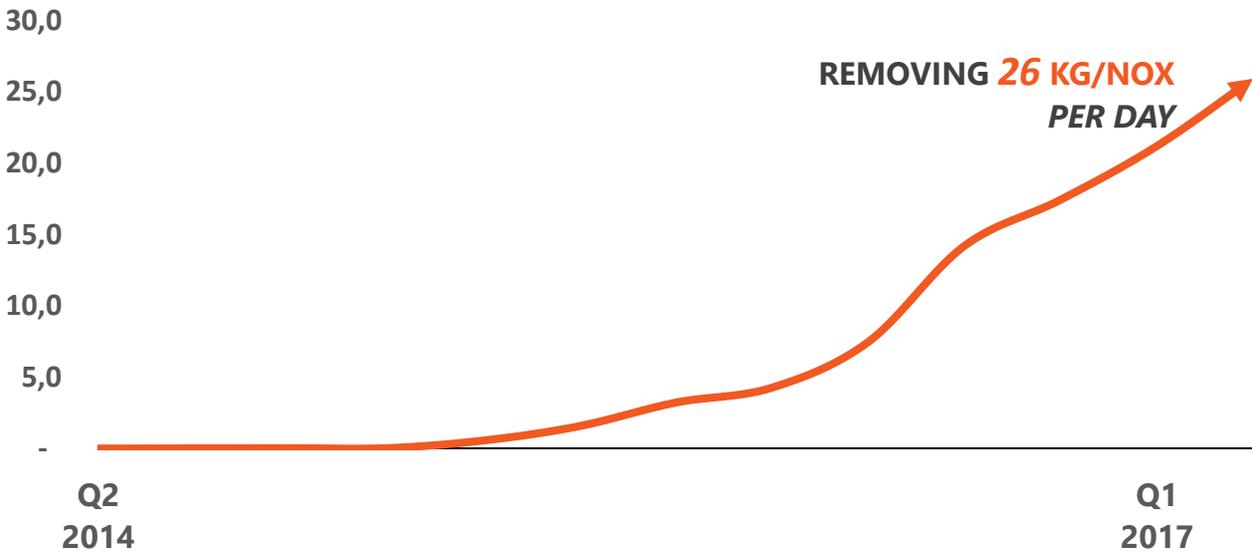
REMOVING 26 KG/NOX PER DAY



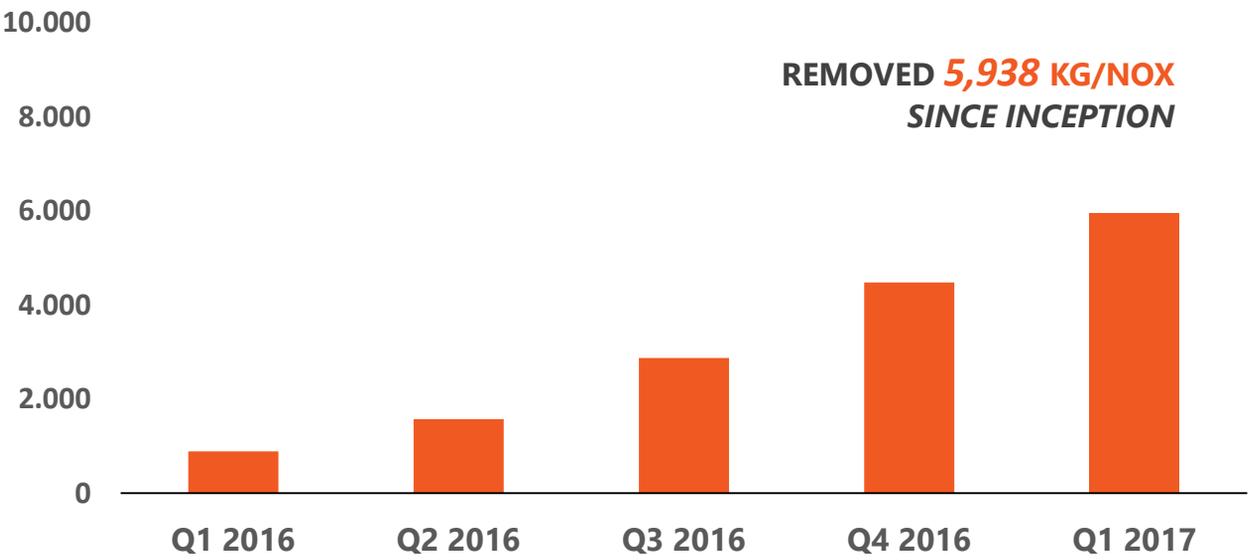
* Estimated

ENVIRONMENTAL IMPACT

Daily NOx removed is equivalent to **432 thousand driven kilometres**



Total NOx removed is equivalent to **98.9 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.

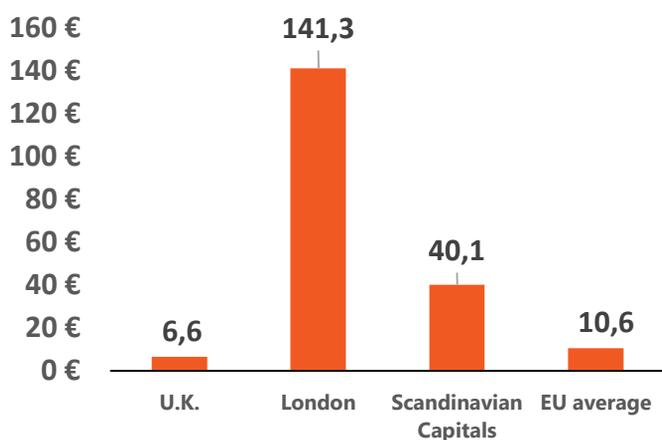
AIR POLLUTION

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 NO_x, 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 NO_x 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 NO_x emissions are therefore found in urban areas, which further enforces that more people are exposed to NO_x emissions, as more people live in urban rather than rural areas (OECD, 2015). Moreover, the NO_x 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 NO_x emission in the EU is 9.3 billion kilograms per year (RICARDO-AEA, 2014). NO_x 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 NO_x emissions are increasing these both directly as well as indirectly (OECD, 2015). The official numbers for societal health cost in relation to NO_x emissions and concentrations show a significant difference between the cost of 1kg/NO_x in cities with more than 100.000 habitants compared to the national level. As an example the cost of NO_x per kg is more than 20x in London compared to the average cost in the U.K.

Health Cost per Kg/NO_x



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 NO_x emission level is the photocatalytic technology, as it directly mitigates NO_x 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 26 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 are securing their first projects and Photocat Garden is in the process of being rolled out in five countries through private label distribution partnerships.



INCOME STATEMENT

In DKK, <i>thousands</i>	Notes	Q1 2017	Q1 2016
Revenue		3,257.9	1,409.9
Other operating income	1	113.6	113.6
Expenses for raw materials and consumables		-681.0	-401.2
Other external expenses	2	-1,577.7	-1,299.0
Gross profit		1,112.8	-176.7
Staff expenses		-1,280.2	-925.4
Depreciation, amortization and impairment of intangible assets and property, plant and equipment		-657.0	-609.3
Profit/loss before financial income and expenses		-824.4	-1,711.4
Financial expenses		-122.3	-44.6
Profit/loss before tax		-946.7	-1,756.0
Tax			65.7
Net profit/loss		-946.7	-1,690.3

BALANCE SHEET

ASSETS

In DKK, <i>thousands</i>	Notes	Q1 2017	Q1 2016
Completed development projects		6,728.1	8,607.4
Acquired patents		196.9	445.5
Development projects in progress	3	2,650.2	1,315.8
Intangible Assets		9,575.2	10,368.7
Plant and machinery		2,185.2	2,664.1
Property, plant and equipment		2,185.2	2,664.1
Other investments		0	0
Deposits		290.3	290.3
Fixed asset investments		290.3	290.3
Fixed assets		12,050.8	13,323.1
Inventories		734.5	1,100.2
Trade receivables		3,536.0	1,758.7
Receivables from group enterprises		60.4	39.8
Other receivables		256.0	178.7
Deferred tax assets		0	82.9
Corporation tax		255.3	429.6
Prepayments		223.2	219.1
Receivables		4,330.9	2,708.8
Cash at bank and in hand		6,081.2	981.9
Current assets		11,146.7	4,790.9
Assets		23,197.5	18,114.0

BALANCE SHEET

LIABILITIES & EQUITY

In DKK, <i>thousands</i>	Notes	Q1 2017	Q1 2016
Share capital	5	3,000.0	1,980.5
Retained earnings		14,579.7	8,787.2
Equity		17,579.7	10,767.7
Subordinate loan capital			
Credit institutions		1,561.4	1,528.0
Trade payables			
Payables to shareholders and managements		19.6	18.0
Deferred income		1,893.4	2,347.8
Long-term debt		3,474.4	3,893.8
Credit institutions			402.1
Trade payables		1,114.8	2,156.6
Other payables		574.2	439.2
Deferred income	1	454.4	454.4
Short-term debt		2,143.4	3,452.3
Debt		5,617.8	7,346.1
Liabilities & Equity		23,197.5	18,113.8

CASH FLOW STATEMENT

In DKK, <i>thousands</i>	Notes	Q1 2017	Q1 2016
Net profit/loss		-946.7	-1,690.1
Adjustments		665.7	588.1
Change in working capital		-2,825.0	-700.9
Cash flow from operating activities before financial income and expenses		-3,106.0	-1,802.9
Financial expenses		-122.3	-44.6
Cash flow from ordinary activities		-3,228.3	-1,847.5
Corporation tax paid			
Cash flow from operating activities		-3,228.3	-1,847.5
Purchase of property, plant and equipment		-339.9	-298.7
Other adjustments			
Cash flow from investing activities		-339.9	-298.7
Increase in loans from credit institutions		159.6	-7.0
Repayment of payables to group enterprises			0.4
Change in payables, stock and suppliers			
Capital increase		9,317.4	
Cash flow from financing activities		9,477.0	-6.6
Change in cash and cash equivalents		5,908.8	-2,152.8
Cash and cash equivalents as of 1st of January		172.4	3,134.7
Cash and cash equivalents as of 31st of March		6,081.2	981.9

Cash and cash equivalents are specified as follows:

Cash at bank and in hand	6,081.2	981.9
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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

In DKK, <i>thousands</i>	Q1 2017	Q1 2016
Marketing costs	458.7	297.2
Premises	281.1	318.6
Other costs	837.9	683.2
Total other external expenses	1,577.7	1,299

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 ten. 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.

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

- **Second quarter 2017**
- **Third quarter 2017**

Date range

01.04.2017 – 30.06.2017
01.07.2017 – 30.09.2017

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18.08.2017
03.11.2017