



Results for the second quarter and the first half year 2013

# Photocure Group

*Our mission is to improve patient care and quality of life by making solutions based on photodynamic technology accessible to patients and consumers worldwide*



21 August 2013



## Highlights for the second quarter and first half year 2013

Photocure (OSE:PHO), a Norwegian specialty pharmaceutical company focused on photodynamic technologies in cancer and dermatology, announces its results for the second quarter and first half year 2013.

### Highlights include:

(Numbers in brackets are for the corresponding period in 2012)

- Total sales revenues of Hexvix/Cysview increased 27% to NOK 21 million (NOK 16 million) in the second quarter driven by continued strong underlying customer demand in key markets.
- Total revenues of NOK 22 million in the second quarter were lower than last year (NOK 31 million) due to lower milestone revenues. Total revenues for the first half year were NOK 38 million (NOK 64 million)
- Operating loss from continued operations before restructuring of NOK 14 million (NOK 10 million loss), which was higher than last year mainly due to lower milestone revenues. The operating loss for the first half was NOK 38 million (NOK 19 million loss).
- Optimization of organization in line with Photocure's development and commercialization strategy.
- Cash and cash equivalents of NOK 199 million.
- Photocure obtained Special Protocol Agreement (SPA) from the US FDA on the design of the phase 3 clinical registration program for Visonac, which is in development for the treatment of moderate to severe acne. The SPA defines the size, design and analysis of clinical trials that will form the primary basis of approval. Additionally on August 1 Photocure received a notice of allowance for its acne patent in USA.
- Photocure reported positive final results of the phase 2b study for Cevira. Cevira showed a statistically significant and sustained lesion response and high HPV clearance in CIN2 patients. Health economic models based on these positive results confirm the beneficial value of Cevira to the healthcare system.

### Key figures:

Figures in NOK million	2Q 2013	2Q 2012	Change	1H 2013	1H 2012	FY 2012
Sales revenues Hexvix / Cysview	20.9	16.4	27 %	35.4	30.6	67.5
Sales revenues API	0.5	-0.1		0.7	4.6	7.6
Signing fee & milestone revenues	1.1	14.2	-93 %	2.1	28.3	58.7
<b>Total revenues</b>	<b>22.5</b>	<b>30.5</b>	<b>-26 %</b>	<b>38.1</b>	<b>63.5</b>	<b>133.8</b>
<b>Gross profit</b>	<b>20.4</b>	<b>27.9</b>	<b>-27 %</b>	<b>34.7</b>	<b>58.9</b>	<b>124.4</b>
Research and development expenses	6.5	9.7	-33 %	15.7	23.7	50.1
Sales and marketing expenses	19.2	17.2	12 %	38.2	30.6	70.2
<b>Operating result (EBIT) recurring</b>	<b>-13.9</b>	<b>-9.7</b>		<b>-37.6</b>	<b>-19.4</b>	<b>-39.2</b>
<b>Operating result incl. non-recurring</b>	<b>-18.0</b>	<b>-9.7</b>		<b>-41.7</b>	<b>-19.4</b>	
<b>Net profit/loss continued operations</b>	<b>-15.1</b>	<b>-8.3</b>		<b>-36.5</b>	<b>-15.2</b>	<b>-30.1</b>
Earnings per share, diluted (NOK)	-1.01	-0.65		-1.01	-1.19	-2.24

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

*"We are pleased to report robust organic growth of our underlying business in 2Q 2013. Hexvix/Cysview performance was strong across all of the key markets. The meta-analysis, confirming Hexvix/Cysview's importance in improving the detection and reduced risk of recurrence of bladder cancer, published during the 2Q in European Urology, validates the medical benefits of our flagship brand."*



*During the 2Q we continued to advance the development of our pipeline compounds. A significant milestone was achieved for Visonac in gaining agreement with the FDA on the design and analysis of the phase 3 registration protocols. Additionally, the positive results of the phase 2b study including the new health economic benefit for Cevira have generated substantial interest from prospective partners.”*

## Operational review

Photocure's strategy is to:

- Build a specialty pharma company, focused on cancer and dermatology
- Maximize the potential of the Company's Photodynamic Technology Platform – Photocure Technology™
- Leverage its experience to develop, register and commercialize new products based on Photocure Technology™
- Build a strong commercial platform in select territories

Photocure develops innovative products and markets and sells these products through its own commercial teams and in partnerships with other companies.

Photocure markets Hexvix/Cysview and has a strong portfolio of innovative products in development, both internally and in collaboration with partners.

## Commercial products

### Hexvix®/Cysview® – building momentum

Hexvix/Cysview is the first approved drug-device procedure for improved detection and management of bladder cancer. Photocure is commercializing Cysview directly in the US and the Nordic region. Photocure has a strategic partnership with Ipsen for the commercialization of Hexvix in Europe, excluding the Nordic region.

Total sales revenues for Hexvix/Cysview increased 27% to NOK 20.9 million (NOK 16.4 million) in the second quarter. The growth is driven by continued strong underlying customer demand in key markets, price increases as well as inventory replenishment among customers. For the first half year sales revenues were NOK 35.4 million, an increase of 16% from previous year.

Photocure's own sales in the US and Nordic region grew by 44% to NOK 10.4 million in the second quarter, driven by double digit in-market unit growth in all countries.

In US, the revenue growth for the second quarter was 97% compared to 2012, driven by addition of new equipment purchases, centers undergoing evaluations, volume growth as well as price increases. For the first half year revenue growth was 83%.

As well as actively driving an increase in the placement of blue light cystoscopes (BLCs), our team is working with the equipped centers to increase the use of Cysview in patients.

The roll out of new BLCs has been slower than anticipated. In the second quarter, an additional three BLCs were placed, bringing the total number either placed, under active evaluation or awaiting capital approval for purchase to 41.

Although Photocure has a significant pipeline of centers interested in the BLCs, the sales process is complex. This factor, along with impact of change in reimbursement codes, has hampered growth in adding new cystoscopes in the market place. We have improved our sales process to reduce the complexity. However, we are revising our target of 80 blue light cystoscopes placed by year end to 55-60.

Photocure's in-market unit sales in the Nordic region increased 21% in the second quarter and 7% for the first half year.

Revenues were up 36% in the quarter and 16% year to date, driven by strong customer demand, price increases as well as inventory replenishment among customers.

Double digit unit sales growth was achieved in all countries in the second quarter. The unit growth is driven both by an increase in patients per BLC as well as an increase in number of BLCs installed.

Sweden is the country in the Nordic region where we see the largest untapped potential, and during the first half of 2013 we achieved a 30% increase in end user unit sales. Market share is estimated to be 35% across the region.

During the second quarter, new national guidelines on the diagnosis and management of non-muscle invasive bladder cancer (NMIBC)



were released by the Norwegian Directorate of Health (“National action plan with guidelines for diagnosis and follow-up of bladder cancer”). The guidelines state that photodynamic diagnosis can be advantageously used to increase the detection rate of small tumors and Carcinoma In Situ (CIS) and thereby reduce the incidence of early recurrence of NMIBC.

Ipsen is Photocure’s strategic partner for the commercialization of Hexvix in Europe. End user unit sales by partners were up 9% in the second quarter compared to last year, with double digit volume growth in key markets. Revenue increased 14% in the quarter, driven by end user unit sales as well as inventory adjustments and timing of deliveries. For the first half year end user unit sales as well as revenues were up 8%.

## Revenues from Hexvix/Cysview

Figures in NOK million	2Q 2013	2Q 2012	Change	1H 2013	1H 2012	FY 2012
Own sales	10.4	7.2	44 %	16.8	13.3	29.5
Revenues from partners	10.5	9.2	14 %	18.6	17.3	37.9
<b>Total revenue</b>	<b>20.9</b>	<b>16.4</b>	<b>27 %</b>	<b>35.4</b>	<b>30.6</b>	<b>67.4</b>

*Hexvix/Cysview (hexaminolevulinate hydrochloride) is the first approved drug-device combination procedure for improved detection and management of bladder cancer. It is designed to induce fluorescence selectively in the malignant cells in the bladder during a cystoscopic procedure, enabling the urologist to detect non muscle invasive bladder cancer, as an adjunct to white light cystoscopy. It is the first product in a new diagnostic class known as Photodynamic Diagnostic (PDD) agents.*

*Bladder cancer is the fifth most common type of cancer in the US. An estimated 75,000 new cases will be diagnosed with cancer of the bladder in 2012, with an estimated 15,000 people dying from the disease, according to the American Cancer Society. In Europe, bladder cancer is the seventh most common type of cancer in men and the fourteenth in women. Each year in Europe, approximately 36,500 men and 13,000 women die due to bladder cancer (Ferlay et al., 2001). It is notoriously difficult to detect. The most common initial sign is blood in the urine, which calls for urine cytology and cystoscopy.*

## Product pipeline

### Progress in the clinical development programs

	Indication	Status
<b>Visonac®</b>	Treatment of moderate to severe acne	Phase 3 preparation
<b>Cevira®</b>	Treatment of HPV associated diseases of the cervix including precancerous lesions	Phase 3 preparation
<b>Lumacan®</b>	Detection of colorectal cancer	Phase 1/2 (Licensed to Salix)

### Visonac® – treatment of moderate to severe acne

Visonac is a novel photodynamic therapy under development in combination with Photocure’s proprietary red light lamp, Nedax, for treating the large unmet medical need in moderate to severe, inflammatory acne.

Positive results of the phase 2b study in acne with Visonac, a novel topical treatment, showed a statistically significant reduction in inflammatory lesions and overall improvement in acne severity. Visonac was well tolerated and no serious adverse events were reported in the study.

In response to Photocure’s request for a special protocol assessment (SPA), the US FDA has



agreed that the design and planned analysis of the pivotal phase 3 protocols address the objectives in support of a regulatory submission. Ensuring regulatory alignment before initiating the phase 3 registration trials reduces the risk of the development program and is an important milestone in the continued development of Visonac.

Additionally on August 1, Photocure received a notice of allowance for its acne patent in USA. Earlier patents of this acne patent family have been granted in other major markets including Europe, China, Japan, and Russia. This patent family protects the use of Visonac for the treatment of acne until 2025.

These milestones are important for our efforts to optimally secure options for the continued development of Visonac including exploration of potential partnership for development and eventual commercialization.

*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. The value of this segment globally is estimated at 900M US annually. Visonac is being developed as the first photodynamic therapeutic option for this large patient population, which can easily and conveniently be administered in dermatology offices. By avoiding the risks of increased antibiotic resistance from long term exposure and providing a better tolerated alternative than systemic isotretinoin (retinoid; vitamin A derivative), Visonac has the potential to satisfy a high unmet medical need.*

### **Cevira® – treatment of HPV associated diseases of the cervix**

Cevira is a unique, non-invasive photodynamic therapy under development for the treatment of oncogenic HPV infection and pre-cancerous cervical abnormalities.

HPV is the most common sexually transmitted disease causing approx. 500,000 new cases of cervical cancer annually world-wide. CIN1 are mild, low-grade lesions caused by HPV infection. High-grade lesions - CIN2, CIN3, or CIN2/3 - are more severe abnormalities that have a higher likelihood of progressing to cancer if left untreated.

On April 10, Photocure reported positive final results of the phase 2b study for Cevira in the treatment of human papilloma virus (HPV) associated diseases of the cervix. Cevira showed a statistically significant and sustained lesion response and high HPV clearance in CIN2 patients. This was further supported by high clearance of HPV subtypes 16 and 18, which carry high oncogenic risk in the overall population.

Cevira was well tolerated and easy to use by both gynecologists and patients. No treatment related serious adverse events were reported in the study. Additionally, patients experienced only expected benign and self-limiting events

Based on the positive results of the phase 2b trial, health economic models have been designed to evaluate the impact of Cevira on treating this large and underserved patient population. Cevira has the potential to deliver important cost savings to the healthcare system as compared to the current standard of care.

The market potential for Cevira for the population of CIN 2 patients as well as the growing population of high oncogenic risk HPV 16/18 is significant. Photocure is in discussions with companies that are global leaders in women's healthcare to secure a strategic partnership to assist with the late stage development and commercialization of Cevira. Additionally, plans are underway to secure US and EU regulatory authority alignment on the design for the phase 3 registration program.

*Cervical HPV and precancerous lesions of the cervix are highly prevalent diseases affecting an estimated 260 million women worldwide. There is currently no medical therapeutic treatment option available. Cevira is being developed as the first novel therapeutic option for this large and growing patient population. Cevira can be easily administered by gynecologists, avoiding the potential morbidities associated with surgery.*

### **Lumacan® – diagnosis of colorectal cancer**

Photocure's partner Salix Pharmaceuticals, a US based company that develops and markets prescription pharmaceutical products for the prevention and treatment of gastrointestinal diseases, is developing Lumacan.

An ongoing exploratory study to evaluate Lumacan following administration of an enema formulation is underway. Following successful completion of the enema formulation, Salix





intends to proceed to explore orally administered test formulations.

*Lumacan is being developed to increase the detection rate of polyps and colorectal cancer through fluorescence diagnosis. Colorectal cancer is traditionally diagnosed through colonoscopies (visual examination) with white light. The market for colonoscopies is growing as a result of extensive patient screening programs in Europe and USA. In the US, it is estimated that approximately 14 million colonoscopies are being carried out annually for screening of colorectal cancer. At the same time, it is increasingly being recognized that standard white-light colonoscopy has considerable limitations when it comes to optimal detection of colorectal cancer.*

## Financial review

(Numbers in brackets are for the corresponding period in 2012)

The financial report as of 30 June 2013 has been prepared in accordance with IAS 34 Interim Financial Reporting and follows the same principles as the Annual Report for 2012.

The US based Allumera business is reported as discontinued operations from fourth quarter of 2012 according to IFRS 5. All income statements have been restated to reflect this. Please refer note 10 for further information and restatement specifications.

Total revenues for the second quarter were NOK 22.5 million, a 26% decline from second quarter last year of NOK 30.5 million. This was driven by lower milestone revenues in the quarter while product sales and royalties from Hexvix/Cysview increased 27% from last year to NOK 20.9 million. Total revenues for the first half year declined 40% from last year due to lower milestone revenues as well as lower sales of active pharmaceutical ingredients.

Total operating costs excluding restructuring costs and net of other income amounted to NOK 34.3 million (NOK 37.6 million) in the second quarter. For the first half year operating costs were NOK 72.3 million (NOK 78.3 million).

Restructuring costs have been incurred with NOK 4.1 million in the quarter and relate to implemented headcount reductions and organizational changes. Since year end a total of 10 employees have left the company. The changes reflect plans for the continued development of the product pipeline as well as a

streamlining of the marketing support organization and administrative support.

Research and development (R&D) costs were NOK 6.5 million (NOK 9.7 million) in the second quarter. The primary R&D cost driver in the quarter has been work related to Cevira. For the first six months total R&D costs were NOK 15.7 million (NOK 23.7 million).

Marketing and sales costs increased by 12% to NOK 19.2 million (NOK 17.2 million) in the second quarter compared to the same quarter last year. The increase is due to the commercial activities in the US. Year to date marketing and sales spending was NOK 38.2 million (NOK 30.6 million).

Photocure had an operating loss of NOK 41.7 million (loss of NOK 19.4 million) after restructuring costs of NOK 4.1 million in the first six months. The increase in loss is driven by reduction in milestone revenues. Second quarter loss after restructuring costs was NOK 18.0 million.

Net financial items were NOK 5.2 million (NOK 4.2 million) in the first six months.

Photocure recorded a net loss from continued operations of NOK 36.5 million (NOK loss of 15.2 million) in the first six months. Discontinued operations include Allumera net operating result and restructuring costs related to the exit.

Photocure is the largest shareholder in PCI Biotech Holding ASA with 19.35% of the shares. The market value of the shareholding was NOK 31.6 million at 30 June 2013, resulting in a market value adjustment of negative NOK 15.1 million for the first half year.

Cash and cash equivalents were NOK 198.5 million at 30 June 2013 compared to 302.8 million at 31 December 2012. The company has paid a dividend of NOK 42.5 million in the second quarter.

Shareholders' equity was NOK 286.9 million at 30 June 2013, an equity ratio of 90%. At the end of 2012 shareholders' equity was NOK 380.3 million (88%).

As of 30 June 2013, Photocure held 152,871 own shares.

## Post-closing events

Ingrid Wiik, a member of Photocure's board of director's since 2011, has sadly passed away. Ingrid played an integral role in the growth and success of Photocure.

## Risks and uncertainty factors for 2013

Photocure is exposed to uncertainties and risk factors, which may affect some or all of the company's activities. Photocure has financial risk, market risk and operational risk factors and risk related to research and development of new products.

The most important risks the company is exposed to for 2013 are associated with market development for Hexvix/Cysview, progress and performance of R&D programs, 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 2012.

## Outlook

The main focus for Photocure during 2013 continues to be driving sales of its marketed product and to ensure that the momentum in its R&D pipeline continues.

Key to driving the 2013 sales is building upon the commercial partnership with Ipsen and

strengthening Photocure's own marketing and sales organization for Cysview in the US. Photocure has invested with Ipsen in marketing and sales programs to drive momentum and accelerate the sales growth of Hexvix/Cysview.

With respect to the development of the R&D pipeline, the priorities in 2013 are

- establish future partnership for Cevira prior to initiation of phase 3 clinical development,
- after obtaining regulatory alignment for Visonac phase 3 in second quarter, the priority is to find possible new strategic options for Visonac including exploration of possible partnership, and
- to support Salix in the development of Lumacan.

Given the focus on profitable growth, cost containment continues to be important. Photocure expects to spend in the range of NOK 75–85 million on marketing and sales in 2013.

## Responsibility Statement

We confirm that, to the best of our knowledge, the unaudited condensed set of financial statements for the first half year of 2013 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 2013 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, 21 August 2013

Åse Aulie Michelet  
Chairman

Jon Hindar

Mats Pettersson

Eva Steiness

Xavier Yon

Kjetil Hestdal  
President and CEO



## Photocure Group – Accounts for second quarter and first half year 2013

### Photocure Group – Statement of comprehensive income

	Note	2013 2Q	2012 2Q	2013 1.1-30.6	2012 1.1-30.6	2012 1.1-31.12
<i>(all amounts in NOK 1 000 except per share data)</i>						
Sales revenues		21 401	16 318	36 049	35 223	75 082
Signing fee and milestone revenues		1 050	14 196	2 075	28 279	58 741
<b>Total revenues</b>		<b>22 451</b>	<b>30 514</b>	<b>38 124</b>	<b>63 502</b>	<b>133 823</b>
Cost of goods sold		-2 096	-2 596	-3 441	-4 627	-9 405
<b>Gross profit</b>		<b>20 355</b>	<b>27 918</b>	<b>34 683</b>	<b>58 875</b>	<b>124 418</b>
Other income		353	551	629	1 102	2 242
Indirect manufacturing expenses	2	-1 747	-2 308	-3 879	-6 517	-12 337
Research and development expenses	2	-6 545	-9 701	-15 684	-23 738	-50 083
Marketing and sales expenses	2	-19 209	-17 203	-38 196	-30 629	-70 188
Business development and administrative expenses	2	-7 156	-8 966	-15 150	-18 475	-33 300
<b>Operating profit/loss(-) recurring</b>		<b>-13 949</b>	<b>-9 709</b>	<b>-37 597</b>	<b>-19 382</b>	<b>-39 248</b>
Restructure costs	3	-4 078	0	-4 078	0	0
<b>Operating profit/loss(-) incl. non-recurring</b>		<b>-18 027</b>	<b>-9 709</b>	<b>-41 675</b>	<b>-19 382</b>	<b>-39 248</b>
Financial income		2 893	2 563	5 445	6 788	12 766
Financial expenses		66	-1 187	-269	-2 568	-4 530
<b>Net financial profit/loss(-)</b>		<b>2 959</b>	<b>1 376</b>	<b>5 176</b>	<b>4 220</b>	<b>8 236</b>
<b>Profit/loss(-) before tax</b>		<b>-15 068</b>	<b>-8 333</b>	<b>-36 499</b>	<b>-15 162</b>	<b>-31 012</b>
Tax expenses		0	0	0	0	890
<b>Net profit/loss(-) continued operations</b>		<b>-15 068</b>	<b>-8 333</b>	<b>-36 499</b>	<b>-15 162</b>	<b>-30 122</b>
Discontinued operations	1	-121	-5 529	-104	-10 357	-17 778
<b>Net profit/loss(-)</b>		<b>-15 189</b>	<b>-13 862</b>	<b>-36 603</b>	<b>-25 519</b>	<b>-47 900</b>
Other comprehensive income	4	-1 050	-8 929	-14 996	-5 915	-11 356
<b>Total comprehensive income</b>		<b>-16 239</b>	<b>-22 791</b>	<b>-51 599</b>	<b>-31 433</b>	<b>-59 256</b>
Net profit/loss(-) per share, undiluted	5	-0,72	-0,65	-1,73	-1,20	-2,25
Net profit/loss(-) per share, diluted	5	-0,71	-0,65	-1,72	-1,19	-2,24

### Photocure Group – Balance sheet

	Note	30.06.2013	30.06.2012	31.12.2012
<i>(Amounts in NOK 1 000)</i>				
<b>Non-current assets</b>				
Machinery & equipment		4 044	4 365	4 111
Other investments	6	47 764	82 537	59 951
Deferred tax asset		40 840	39 950	40 840
<b>Total non-current assets</b>		<b>92 648</b>	<b>126 852</b>	<b>104 902</b>
<b>Current assets</b>				
Inventory		10 871	13 251	9 826
Receivables		16 834	17 045	15 432
Cash & cash equivalents		198 503	297 517	302 818
<b>Total current assets</b>		<b>226 208</b>	<b>327 813</b>	<b>328 077</b>
<b>Total assets</b>		<b>318 856</b>	<b>454 665</b>	<b>432 978</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	7	10 697	10 697	10 697
Other paid-in capital		73 755	70 899	71 197
Retained earnings		202 421	325 792	298 374
<b>Shareholders' equity</b>		<b>286 873</b>	<b>407 388</b>	<b>380 268</b>
<b>Long-term liabilities</b>				
Other non-current liabilities		1 989	1 310	1 621
<b>Total long-term liabilities</b>		<b>1 989</b>	<b>1 310</b>	<b>1 621</b>
Current liabilities		29 994	45 967	51 089
<b>Total liabilities</b>		<b>31 983</b>	<b>47 277</b>	<b>52 710</b>
<b>Total equity and liabilities</b>		<b>318 856</b>	<b>454 665</b>	<b>432 978</b>





## Photocure Group – Changes in equity

	2013 2Q	2012 2Q	2013 1.1-30.6	2012 1.1-30.6	2012 1.1-31.12
<i>(Amounts in NOK 1 000)</i>					
<b>Equity at beginning of period</b>	<b>344 898</b>	<b>430 057</b>	<b>380 268</b>	<b>439 337</b>	<b>439 337</b>
Share buy back, net	302	-2 054	-271	-4 326	-6 338
Share-based compensation (share options employees)	394	2 202	956	3 837	6 527
Dividend	-42 481		-42 481		
Other items		-26		-27	
Comprehensive income	-16 239	-22 791	-51 599	-31 433	-59 256
<b>Equity at end of period</b>	<b>286 873</b>	<b>407 388</b>	<b>286 873</b>	<b>407 388</b>	<b>380 268</b>

## Photocure Group – Cash flow Statement

	2013 2Q	2012 2Q	2013 1.1-30.6	2012 1.1-30.6	2012 1.1-30.6
<i>(Amounts in NOK 1 000)</i>					
Profit/loss(-) before tax	-15 189	-13 862	-36 603	-25 519	-48 790
Depreciation and amortisation	349	411	708	752	1 535
Share-based compensation	394	2 109	956	3 837	6 527
Net interests	-2 324	-1 616	-4 324	-4 362	-8 901
Changes in working capital	-5 463	-8 666	-8 821	-10 244	3 430
Other operational items	-15 283	-7 702	-16 144	-22 044	-8 728
<b>Net cash flow from operations</b>	<b>-37 516</b>	<b>-29 326</b>	<b>-64 227</b>	<b>-57 579</b>	<b>-54 928</b>
Cash flow from investments	850	2 032	2 664	4 539	9 073
Cash flow from financing activities	-42 179	-1 250	-42 752	-4 617	-6 500
<b>Net change in cash during the period</b>	<b>-78 845</b>	<b>-28 544</b>	<b>-104 315</b>	<b>-57 657</b>	<b>-52 355</b>
Cash & cash equivalents at beginning of period	277 348	326 061	302 818	355 174	355 173
<b>Cash &amp; cash equivalents at end of period</b>	<b>198 503</b>	<b>297 517</b>	<b>198 503</b>	<b>297 517</b>	<b>302 818</b>

## Photocure Group – Segment information

2Q 2013	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
<i>(Amounts in NOK 1 000)</i>								
Sales Revenues	10 431	10 970	-	21 401		-	0	21 401
Milestone revenues	0	-	-	0	1 050	-	1 050	1 050
Cost of goods sold	-528	-1 568	-	-2 096		-	0	-2 096
<b>Gross profit</b>	<b>9 903</b>	<b>9 402</b>	<b>-</b>	<b>19 305</b>	<b>1 050</b>	<b>0</b>	<b>1 050</b>	<b>20 355</b>
Gross profit of sales %	95 %	86 %		90 %				90 %
Operating expenses	-15 919	-7 834	-8 025	-31 779	-338	-2 188	-2 526	-34 305
<b>Operating profit/loss (-) ctnd oper.</b>	<b>-6 016</b>	<b>1 568</b>	<b>-8 025</b>	<b>-12 473</b>	<b>712</b>	<b>-2 188</b>	<b>-1 476</b>	<b>-13 949</b>

2Q 2012	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
<i>(Amounts in NOK 1 000)</i>								
Sales Revenues	7 224	9 181	-	16 405	-89	-	-89	16 316
Milestone revenues	0	11 331	-	11 331	2 866	-	2 866	14 197
Cost of goods sold	-958	-1 637	-	-2 596	0	-	0	-2 595
<b>Gross profit</b>	<b>6 266</b>	<b>18 875</b>	<b>-</b>	<b>25 140</b>	<b>2 777</b>	<b>0</b>	<b>2 777</b>	<b>27 918</b>
Gross profit of sales %	87 %	82 %		84 %	100 %		100 %	84 %
Operating expenses	-13 317	-9 601	-12 843	-35 761	-379	-1 486	-1 865	-37 626
<b>Operating profit/loss (-) ctnd oper.</b>	<b>-7 051</b>	<b>9 274</b>	<b>-12 843</b>	<b>-10 621</b>	<b>2 398</b>	<b>-1 486</b>	<b>912</b>	<b>-9 708</b>



1 Jan - 30 June 2013	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
<i>(Amounts in NOK 1 000)</i>								
Sales Revenues	16 826	19 223	-	36 049		-	0	36 049
Milestone revenues	0	-	-	0	2 075	-	2 075	2 075
Cost of goods sold	-909	-2 532	-	-3 441		-	0	-3 441
<b>Gross profit</b>	<b>15 917</b>	<b>16 691</b>	<b>-</b>	<b>32 608</b>	<b>2 075</b>	<b>0</b>	<b>2 075</b>	<b>34 683</b>
Gross profit of sales %	95 %	87 %		90 %				90 %
Operating expenses	-31 519	-16 185	-18 804	-66 508	-765	-5 007	-5 772	-72 281
<b>Operating result recurring oper.</b>	<b>-15 602</b>	<b>506</b>	<b>-18 804</b>	<b>-33 900</b>	<b>1 310</b>	<b>-5 007</b>	<b>-3 697</b>	<b>-37 597</b>

1 Jan - 30 June 2012	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
<i>(Amounts in NOK 1 000)</i>								
Sales Revenues	13 329	17 263	-	30 592	4 630	-	4 630	35 222
Milestone revenues	0	22 550	-	22 550	5 730	-	5 730	28 280
Cost of goods sold	-1 522	-3 091	-	-4 613	-14	-	-14	-4 627
<b>Gross profit</b>	<b>11 807</b>	<b>36 722</b>	<b>-</b>	<b>48 529</b>	<b>10 346</b>	<b>0</b>	<b>10 346</b>	<b>58 875</b>
Gross profit of sales %	89 %	82 %		85 %	100 %		100 %	87 %
Operating expenses	-24 295	-19 438	-27 048	-70 781	-877	-6 600	-7 476	-78 257
<b>Operating profit/loss (-) ctnd oper.</b>	<b>-12 488</b>	<b>17 284</b>	<b>-27 048</b>	<b>-22 252</b>	<b>9 469</b>	<b>-6 600</b>	<b>2 869</b>	<b>-19 382</b>

## Note 1 – General accounting principles

### General information

Photocure ASA is a public limited company domiciled in Norway. The business of the Group 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. The Company's registered office is Hoffsveien 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 2012 (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 21 August 2013.

Photocure has NOK (Norwegian kroner) 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

The new and amended standards and interpretations from IFRS that were adopted by the EU with effect from 2013 are expected to have no significant impact to Photocure's interim financial statements. Photocure has not chosen an early implementation of any new or amended IFRS's or IFRIC interpretations.

### Important accounting valuations, estimates and assumptions

Preparation of the annual 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 judgment of the Group management.

In the process of applying the principles of accounting, the Group management has made the following judgments and estimates that are of significance for recognized values in the interim financial statements for 2013:

- Received, non-refundable payments for licensing of the Hexvix product to Ipsen have been treated as payments associated with the transfer of rights for the product and manufacturing transition milestones achieved by Photocure. Amounts received are not subject to netting, and in the view of the Group no conditions or future obligations are associated with these payments. Received payments are therefore recognized as income when the conditions are achieved.
- In 2012 and through second quarter of 2013, Photocure has co-invested EUR 3.0 million with Ipsen in marketing and sales programs of Hexvix, conditional on Ipsen's own marketing and sales activities. Photocure's expenses have thus been recognized when incurred. These marketing and sales programs are finished at 30 June 2013.

### Exit Allumera operations

Photocure announced 1 October 2012 the decision to exit its Allumera® cosmetic dermatology business in the US. The commercial organization was downsized immediately after the announcement, but Photocure continues to support the current Allumera customers through a customer service center on a temporary basis. Restructuring costs of NOK 3.1 million were incurred in 4th quarter 2012.

The Allumera segment is reported as discontinued operations from 4th quarter of 2012 according to IFRS 5. For further information about revenue and expenses related to the Allumera business in 2012, please refer to the separate table in Note 9.



## Note 2 – Income statement classified by nature

	2013	2012	2013	2012	2012
<i>(Amounts in NOK 1 000)</i>	2Q	2Q	1.1-30.6	1.1-30.6	FY
Sales revenues	21 401	16 318	36 049	35 223	75 082
Signing fees and milestone revenues	1 050	14 196	2 075	28 279	58 741
Cost of goods sold	-2 096	-2 596	-3 441	-4 627	-9 405
<b>Gross profit</b>	<b>20 355</b>	<b>27 918</b>	<b>34 683</b>	<b>58 875</b>	<b>124 418</b>
Other income	353	551	629	1 102	2 242
Payroll expenses	-19 842	-16 138	-40 130	-33 770	-76 520
R&D costs excl. payroll expenses/other operating expenses	-3 100	-4 390	-6 243	-11 853	-23 782
Ordinary depreciation and amortisation	-349	-411	-708	-752	-1 545
Other operating expenses	-11 365	-17 239	-25 828	-32 984	-64 061
<b>Total operating revenue and operating expenses</b>	<b>-34 304</b>	<b>-37 627</b>	<b>-72 280</b>	<b>-78 257</b>	<b>-163 666</b>
<b>Operating result recurring</b>	<b>-13 949</b>	<b>-9 709</b>	<b>-37 597</b>	<b>-19 382</b>	<b>-39 248</b>

## Note 3 – Restructuring

Restructuring costs have been incurred with NOK 4.1 million in the quarter and relates to implemented headcount reductions and organizational changes. Since year end a total of 10 employees have left the company. The changes are made possible by plans for the continued development of the product pipeline as well as a streamlining of the marketing support organization and administrative support.

## Note 4 – Other comprehensive income

	2013	2012	2013	2012	2012
<i>(Amounts in NOK 1 000)</i>	2Q	2Q	1.1-30.6	1.1-30.6	FY
Market value adjustment PCI Biotech Holding ASA	-890	-10 235	-15 130	-5 637	-10 828
Currency translation	-160	1 306	134	-278	-528
<b>Total other comprehensive income</b>	<b>-1 050</b>	<b>-8 929</b>	<b>-14 996</b>	<b>-5 915</b>	<b>-11 356</b>

## Note 5 – Earnings per share

Earnings per share (EPS) are calculated on the basis of the profit/loss for the year after tax but excluding other comprehensive items. The result is divided by a weighted average number of outstanding shares over the year, reduced by acquisition of treasury shares. The diluted earnings per share is calculated by adjusting the average number of outstanding shares by the number of employee options that can be exercised. Anti-dilution effects are not taken into consideration.

	Total	Continued	Total	Continued
<i>(Figures indicate the number of shares)</i>	06.30.2013	06.30.2013	12.31.2012	12.31.2012
Ordinary shares 1 January	21 393 301	21 393 301	21 393 301	21 393 301
Effect of treasury shares	-182 072	-182 072	-133 510	-133 510
Effect of share options exercised	0	0	0	0
<b>Weighted average number of shares</b>	<b>21 211 229</b>	<b>21 211 229</b>	<b>21 259 791</b>	<b>21 259 791</b>
Effect of outstanding share options	91 992	91 992	89 884	89 884
<b>Weighted average number of diluted shares</b>	<b>21 303 221</b>	<b>21 303 221</b>	<b>21 349 675</b>	<b>21 349 675</b>
Earnings per share in NOK	-1,73	-1,72	-2,25	-1,42
Earnings per share in NOK diluted	-1,72	-1,71	-2,24	-1,41



## Note 6 – Other investments

<i>(Amounts in NOK 1 000)</i>	<b>30.06.2013</b>	<b>30.06.2012</b>	<b>12.31.2012</b>
Market value PCI Biotech Holding ASA	31 595	51 917	46 725
Booked part of remaining settlement from sale of Metvix/Aktelite	16 169	30 620	13 226
<b>Total other investments</b>	<b>47 764</b>	<b>82 537</b>	<b>59 951</b>

## Note 7 – 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

<i>(Amounts in NOK 1 000)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Market value hierarchy				
Financial assets available for sale:				
- Shares in PCI Biotech Holding ASA	31 595			31 595
- Money market funds	179 481			179 481
<b>Total</b>	<b>211 076</b>	<b>0</b>	<b>0</b>	<b>211 076</b>





## Note 8 – Share capital

Registered share capital in Photocure ASA amounts to:

### SHARE CAPITAL

Registered share capital in Photocure ASA amounts to:

	No. of shares	Nominal value per share	Share capital in NOK
Share capital at 30 June 2013	21 393 301	NOK 0.50	10 696 651
Share capital at 31 December 2012	21 393 301	NOK 0.50	10 696 651
<b>Treasury shares:</b>			
<b>Holdings of treasury shares at 31 December 2012</b>	<b>178 255</b>		<b>89 128</b>
Buy-back of treasury shares	100 000	NOK 0.50	50 000
Share option exercise	-125 384	NOK 0.50	-62 692
<b>Holdings of treasury shares at 30 June 2013</b>	<b>152 871</b>		<b>76 436</b>

The table below indicates the status of authorisations at 30 June 2013:

	Purchase, treasury shares	Ordinary share issue	Employee share issues
<i>(Figures indicate the number of shares)</i>			
Authorisation issued at the General Meeting on 22 May	2 139 330	2 139 330	800 000
Share issues after the General Meeting on 22 May 2013		0	0
Purchase of treasury shares	0		
<b>Remaining under authorisations at 30 June 2013</b>	<b>2 139 330</b>	<b>2 139 330</b>	<b>800 000</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 2013:

Name	Position	No. of shares	No. of subscription rights
Åse Aulie Michelet	Chairman	9 500	
Jon Hindar	Board member	8 000	
Mats Pettersson	Board member	5 000	
Eva Steiness	Board member	5 300	
Ingrid Wiik	Board member	4 000	
Kjetil Hestdal	President and CEO	62 873	160 000
Ambaw Bellele	Head, US Cancer Commercial Operations	-	15 300
Erik Dahl	Chief Financial Officer	-	30 000
Kathleen Deardorff	Chief Operating Officer	-	95 295
Inger Ferner Heglund	Vice President Research and Development	8 200	105 080
Grete Hogstad	Vice President Strategic Marketing	10 500	76 400
Espen Njåstein	Head, Nordic Cancer Commercial Operations	-	16 350
Gry Stensrud	Vice President Technical Development & Ope	6	68 350



## Note 9 – Share options

At 30 June 2013, employees in Photocure had the following share option schemes:

<b>Year of allocation</b>	<b>2012/2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Option programme	2012	2011	2010-I	2009	2008
Number	346 693	330 569	280 850	78 750	79 895
Exercise price (NOK)	38,50	48,75	42,00	18,30	30,00
Date of expiry (31 December)	2017	2016	2015	2014	2013

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

	<b>30.06.2013</b>		<b>31.12.2012</b>	
	<b>No. of shares</b>	<b>Average exercise price (NOK)</b>	<b>No. of shares</b>	<b>Average exercise price (NOK)</b>
Outstanding at start of year	1 050 792	41,54	975 094	36,23
Allocated during the year	346 649	38,50	351 219	49,87
Become invalid during the year	155 300	39,93	155 812	42,70
Exercised during the year	125 384	28,38	119 709	23,62
Expired during the year	-	-	-	-
Outstanding at end of period	1 116 757	40,38	1 050 792	41,54
Exercisable options at end of period	775 439	39,75	672 491	37,44

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



## Note 10 – Exit Allumera Business

Photocure announced 1 October 2012 the decision to exit its Allumera<sup>®</sup> cosmetic dermatology business in the US. The commercial organization was downsized immediately after the announcement, but Photocure continues to support the current Allumera customers through a customer service center on a temporary basis. Restructuring costs of NOK 3.1 million were incurred in 4th quarter 2012.

The Allumera segment is reported as discontinued operations from 4th quarter of 2012 according to IFRS 5. The following table reconciles discontinued and continued operations by quarter 2012. No adjustments are done to the balance sheet.

### Statement of comprehensive income

#### Total operations

	2012	2012	2012	2012	2012
<i>(all amounts in NOK 1 000)</i>	1Q	2Q	3Q	4Q	FY
Sales revenues	20 135	17 258	20 914	20 014	78 321
Signing fee and milestone revenues	14 084	14 196	2 864	27 597	58 741
<b>Total revenues</b>	<b>34 219</b>	<b>31 454</b>	<b>23 779</b>	<b>47 611</b>	<b>137 062</b>
Cost of goods sold	-2 116	-2 671	-3 231	-1 864	-9 882
<b>Gross profit</b>	<b>32 103</b>	<b>28 783</b>	<b>20 548</b>	<b>45 747</b>	<b>127 180</b>
Operating expenses	-46 604	-44 020	-47 895	-45 687	-184 206
<b>Operating profit/loss(-)</b>	<b>-14 501</b>	<b>-15 238</b>	<b>-27 347</b>	<b>60</b>	<b>-57 026</b>

### Statement of comprehensive income

#### Discontinued operations

	2012	2012	2012	2012	2012
<i>(all amounts in NOK 1 000)</i>	1Q	2Q	3Q	4Q	FY
Sales revenues	1 230	940	786	283	3 239
Signing fee and milestone revenues					
<b>Total revenues</b>	<b>1 230</b>	<b>940</b>	<b>786</b>	<b>283</b>	<b>3 239</b>
Cost of goods sold	-85	-75	-190	-127	-477
<b>Gross profit</b>	<b>1 145</b>	<b>865</b>	<b>596</b>	<b>156</b>	<b>2 762</b>
Operating expenses	-5 973	-6 394	-5 598	-2 577	-20 541
<b>Operating profit/loss(-)</b>	<b>-4 828</b>	<b>-5 529</b>	<b>-5 002</b>	<b>-2 421</b>	<b>-17 779</b>

### Statement of comprehensive income

#### Continued operations

	2012	2012	2012	2012	2012
<i>(all amounts in NOK 1 000)</i>	1Q	2Q	3Q	4Q	FY
Sales revenues	18 905	16 318	20 128	19 731	75 082
Signing fee and milestone revenues	14 084	14 196	2 864	27 597	58 741
<b>Total revenues</b>	<b>32 989</b>	<b>30 514</b>	<b>22 993</b>	<b>47 328</b>	<b>133 823</b>
Cost of goods sold	-2 031	-2 596	-3 041	-1 737	-9 405
<b>Gross profit</b>	<b>30 958</b>	<b>27 918</b>	<b>19 952</b>	<b>45 591</b>	<b>124 418</b>
Operating expenses	-40 631	-37 626	-42 297	-43 111	-163 665
<b>Operating profit/loss(-)</b>	<b>-9 673</b>	<b>-9 709</b>	<b>-22 345</b>	<b>2 480</b>	<b>-39 247</b>



## Note 11 – Shareholders

Overview of the major shareholders at 30 June 2013:

Shareholder	Account		No of shares	%
	type	Citizen		
RADIUMHOSPITALET'S FORSKNINGSSTIFTELSE		NOR	3 029 000	14,16 %
J.P. MORGAN CHASE BANK NORDEA TREATY ACCOUNT	NOM	GBR	1 957 334	9,15 %
FONDSFINANS SPAR		NOR	1 455 000	6,80 %
GEZINA AS		NOR	1 220 716	5,71 %
KLP AKSJE NORGE VPF		NOR	929 800	4,35 %
SKAGEN VEKST		NOR	920 401	4,30 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	875 417	4,09 %
ODIN NORGE		NOR	798 435	3,73 %
MP PENSJON PK		NOR	500 000	2,34 %
DANSKE INVEST NORSKE C/O DANSKE CAPITAL		NOR	421 807	1,97 %
DANSKE INVEST NORSKE		NOR	368 824	1,72 %
VICAMA AS		NOR	345 384	1,61 %
BERGEN KOMMUNALE PENSJONSKASSE		NOR	300 000	1,40 %
VERDIPAPIRFONDET DNB		NOR	270 000	1,26 %
VERDIPAPIRFONDET DNB		NOR	269 948	1,26 %
MYNA AS		NOR	246 700	1,15 %
HOLBERG NORGE VERDIPAPIRFONDET		NOR	224 800	1,05 %
A-RENDALS FOSSEKOMPANI		NOR	200 000	0,93 %
TERRA NORGE VPF		NOR	189 771	0,89 %
FONDSFINANS FARMASI		NOR	160 000	0,75 %
Total 20 largest shareholders			14 683 337	68,64 %
Total other shareholders			6 709 964	31,36 %
Total number of shares			21 393 301	100,00 %

**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