



Results for fourth quarter and full year 2013

# Photocure Group



26 February 2014



## Highlights for fourth quarter and full year 2013

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

### Highlights include:

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

- Total sales revenues of Hexvix/Cysview increased 28% to NOK 24.5 million (NOK 19.1 million) in the quarter. Full year sales revenues increased 16% to NOK 77.9 million (NOK 67.8 million).
- Hexvix/Cysview global in-market value growth of 28% in the quarter and 18% to NOK 150 million for the full year. Global in market unit sales increased 11% for the year.
- Fourth quarter operating loss from continued operations before restructuring and one-offs was NOK 10.5 million, an improvement from the previous three quarters. Full year operating loss from continued operations before restructuring and one-offs was NOK 63.0 million (NOK 39.2 million loss).
- Cash and cash equivalents of NOK 167 million as per 31 December 2013.
- Photocure obtained freedom to explore potential partnerships for the continued development and commercialization of Visonac from Galderma.
- On 28 November, CMS (Centers for Medicare & Medicaid Services) in the US announced that Cysview will be included in a category which packages payment for the drug into the overall procedure reimbursement.
- On 27th December, the US FDA informed Photocure that its application for Fast Track Designation for Cevira cannot be granted at this time. Photocure is in discussions with the FDA on identification of the appropriate patient population for phase 3.

### Key figures:

<i>Figures in NOK million</i>	<b>4Q 2013</b>	<b>4Q 2012</b>	<b>Change</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>Change</b>
Sales revenues Hexvix / Cysview	24.5	19.1	28 %	77.9	67.8	16 %
Sales revenues API	0.7	0.6		1.4	7.3	-81 %
Signing fee & milestone revenues	1.1	27.6	-96 %	4.3	58.7	-93 %
<b>Total revenues</b>	<b>26.3</b>	<b>47.3</b>	<b>-44 %</b>	<b>83.6</b>	<b>133.8</b>	<b>-38 %</b>
<b>Gross profit</b>	<b>24.4</b>	<b>45.6</b>	<b>-46 %</b>	<b>76.8</b>	<b>124.4</b>	<b>-38 %</b>
Research and development expenses	9.8	13.3	-27 %	34.0	50.1	-32 %
Sales and marketing expenses	14.8	18.7	-21 %	68.4	70.2	-3 %
<b>Operating result excl. restructuring &amp; one-off</b>	<b>-10.5</b>	<b>2.5</b>		<b>-63.0</b>	<b>-39.2</b>	
<b>Operating result incl. non-recurring</b>	<b>-19.1</b>	<b>2.5</b>		<b>-75.5</b>	<b>-39.2</b>	
<b>Net profit/loss</b>	<b>-9.2</b>	<b>3.3</b>		<b>-59.0</b>	<b>-47.9</b>	
Earnings per share, diluted (NOK)	-0.43	0.07		-2.77	-2.24	

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

*"It has been a mixed year for Photocure in our commercial operations and R&D pipeline. Our flagship product Hexvix/Cysview continued a positive growth trajectory driven by strong performance in the Nordic and in partner territories. However, the recent CMS ruling will have negative impact on our sales growth and we are working to secure a long-term sustainable reimbursement solution for Cysview."*

*The successful completion of the phase 2b trial of Cevira in women with HPV related diseases of the cervix, was a significant achievement towards securing a strategic partnership. Although the change in diagnostic classification means we have not received fast track designation in the US at this time, we are confident in the potential of this innovative drug. Securing regulatory alignment on the phase 3 registration program for Visonac with the FDA and EU regulatory bodies, coupled with achieving agreement with Galderma, places Photocure in a strong position to explore potential partnerships for developing this promising acne treatment."*

## 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.

## Commercial products

### Hexvix®/Cysview® – strong growth

Hexvix/Cysview is the first approved drug-device procedure for improved detection and management of bladder cancer. Photocure is commercializing Hexvix/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 28% to NOK 24.5 million (NOK 19.1 million) in the fourth quarter. Hexvix/Cysview continues to have underlying strong volume growth in the major markets. Furthermore fourth quarter growth is driven primarily by continued customer demand, price increases and a stronger Euro. For the full year sales revenues were NOK 77.9 million, an increase of 16% from previous

year. Hexvix/Cysview global in-market value increased through 2013 by 18% to NOK 150 million. Global in-market unit sales increased 11%.

Photocure's own sales in the US and Nordic region increased 34% to NOK 13.0 million in the fourth quarter, driven by customer demand in all countries as well as price increases in the Nordics.

Nordic revenues were up 33% in the quarter and 21% for the year, driven by strong customer demand and price increases. In the quarter price increases of 5% were successfully implemented in Denmark, Sweden and Finland.

Photocure's unit sales in the Nordic region increased 10% in the fourth quarter and 8% for the full year. Strong double digit unit sales growth has continued through the fourth quarter and for the full year in Sweden and Norway, 38% and 20% respectively. The unit growth was driven by both an increase in patients per blue light cystoscope (BLC) as well as an increase in the number of BLCs installed.

Market share is estimated to be 38% across the Nordic region.

In the US, the revenue for the fourth quarter increased 37% as compared to last year, driven by unit growth as well as price increases. For the full year revenue increased 68%, albeit from a low base.. Full year unit growth was 51%.

The US Medicare reimbursement payments for drugs and procedures are annually reviewed by CMS (Centers for Medicare & Medicaid Services). For 2014 CMS has created a new package category that Cysview will be included in. The code packages payment for the drug into the overall procedure reimbursement, which gives

hospitals a weaker incentive to use Cysview. The rule became effective 1 January 2014.

As anticipated, the ruling from CMS negatively impacted fourth quarter placements of BLCs in the US. By year end, the total number of BLCs was 49, including 36 permanent installations, 3 under evaluation and 10 awaiting capital approval for purchase, which is short of expectations.

Photocure continues to work closely with the leading urology associations AUA and BCAN, as well as other key stakeholders, patient groups, and interested members of the Congress to secure a long-term sustainable solution for Cysview reimbursement.

End user unit sales by Ipsen, Photocure's partner in Europe, increased 15% in the fourth quarter and 10% for the full year, with double digit volume growth in key markets.

Revenue increased 23% in the fourth quarter, driven by the strong customer demand and supply to partner. For the full year revenues increased 5%.

The volume growth in 2013 follows the transition period of Hexvix to Ipsen in 2012 and reflects Ipsen's significant efforts and solid execution in the key markets in Europe. During the fourth quarter, Ipsen achieved stronger reimbursement for 2014 in Italy and France.

## Revenues from Hexvix/Cysview

Figures in NOK million	4Q 2013	4Q 2012	Change	FY 2013	FY 2012	Change
<b>Total own sales</b>	<b>13.0</b>	<b>9.7</b>	<b>34 %</b>	<b>38.1</b>	<b>29.5</b>	<b>29 %</b>
Revenues from partners	11.5	9.4	23 %	39.8	37.9	5 %
<b>Total revenue</b>	<b>24.5</b>	<b>19.1</b>	<b>28 %</b>	<b>77.9</b>	<b>67.5</b>	<b>16 %</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 ready
<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 patented photodynamic therapy under development in combination with Photocure's innovative full face red light lamp, Nedax®, for treating the large unmet medical need in moderate to severe, inflammatory acne.



Visonac has successfully completed a phase 2b study that showed a statistically significant reduction in inflammatory lesions and overall improvement in acne severity. In addition, through the FDA Special Protocol Assessment (SPA) process, the design and analysis for the pivotal phase 3 clinical trials has been secured.

During the fourth quarter Photocure successfully renegotiated with Galderma the terms related to Visonac development and commercialization. The new terms allow Photocure to pursue the optimum development and commercialization strategy for Visonac including exploration of potential partnerships at a significantly earlier stage. At the end of 2013 Photocure initiated discussions with potential partners for the further development and commercialization of Visonac.

*Visonac (methyl aminolevulinate 80mg/g) is in development for the treatment of moderate to severe acne. Acne is the single most common skin disease worldwide and affects up to 85% of all 12-24 year olds. There is a high unmet medical need for patients with moderate to severe acne, where the current mainstay of treatment is oral antibiotics and/or retinoids. 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 retinoids, 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 human papilloma virus (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 (cervical intraepithelial neoplasia) are mild, low-grade lesions caused by HPV infection. High-grade lesions - CIN2 or CIN3 - are more severe abnormalities that have a higher and more rapid likelihood of progressing to cancer if left untreated.

Photocure has successfully completed a phase 2b study with positive results for Cevira in the

treatment of 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.

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.

As part of our aim to secure the optimal development of Cevira based on the strong phase 2b data, Photocure reinitiated its interaction with the US FDA. This included submission of an application for Fast Track Designation for treatment of patients with CIN2.

FDA informed Photocure that the application for Fast Track Designation for Cevira cannot be granted at this time. FDA encouraged Photocure to re-evaluate the clinical data in accordance with the recently published diagnostic consensus classification system where severity of disease is divided as either low grade or high grade, in place of previous categorization by grade of lesion severity (CIN 1, CIN 2 and CIN 3).

Photocure will continue the discussion with FDA on identification of the appropriate patient population for phase 3 in accordance with current clinical management guidelines. The current management guidelines recommend distinct treatment options for women with CIN2 and CIN3, particularly for the large group of women of child bearing potential. This is to avoid overtreatment of women with CIN 2 due to the potential morbidities caused by invasive treatments.

Photocure is in discussions with companies that are leaders in women's healthcare to secure a strategic partnership to assist with the late stage development and commercialization of Cevira. The partner discussions will continue as we progress our discussions with FDA.

*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 exploratory study to evaluate an enema formulation is underway, and, if successful, an additional study may be conducted to explore oral 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 31 December 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.

Overall, revenues in the fourth quarter as well as full year are driven by strong growth of Hexvix/Cysview, however this is offset by a decline in sales of active pharmaceutical ingredients as well as lower milestone revenues.

In the fourth quarter the end user volume growth of Hexvix/Cysview increased 14%. Total Hexvix/Cysview sales revenues for the quarter

were NOK 24.5 million, an increase of 28% from NOK 19.1 million recorded in fourth quarter last year. Full year Hexvix/Cysview sales revenues increased to NOK 77.9 million compared to last year NOK 67.5 million.

Total revenues in the fourth quarter were NOK 26.3 million, down from fourth quarter 2012 driven by lower milestone revenues in the quarter. Full year total revenues were NOK 83.6 million (NOK 133.8 million), also impacted by lower milestone revenues.

Operating costs continue to be well controlled and are significantly below last year. Total operating costs net of other income excluding restructuring costs and one-off items amounted to NOK 34.9 million (NOK 43.1 million) in the fourth quarter. For the full year operating costs from continued operations were NOK 139.8 million (NOK 163.7 million).

MNOK	Q4 '13	Change	FY '13	Change
Research & Development	9,8	-27 %	34,0	-32 %
Sales & Marketing	14,8	-21 %	68,4	-3 %
Other Opex	10,3	-8 %	37,4	-14 %
<b>Operating expenses</b>	<b>34,9</b>	<b>-19 %</b>	<b>139,8</b>	<b>-15 %</b>
Restructuring	-0,3		3,7	
One-Off items	8,9		8,9	
<b>Total</b>	<b>43,5</b>	<b>1 %</b>	<b>152,3</b>	<b>-7 %</b>

One-off items relate to a payment to Galderma of USD 1.5 million in the fourth quarter giving Photocure freedom to explore potential partnerships at a significantly earlier stage for Visonac.

Full year restructuring costs are NOK 3.7 million and relate to implemented headcount reductions and organizational changes. 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 9.8 million (NOK 13.3 million) in the fourth quarter. The primary R&D cost driver in the quarter has been work related to Cevira and Visonac as well as obligatory regulatory work related to Hexvix/Cysview. For the full year total R&D costs were NOK 34.0 million, down 32% from last year NOK 50.1 million.

Marketing and sales costs decreased by 21% to NOK 14.8 million (NOK 18.7 million) in the fourth quarter compared to the same quarter last year. The decrease is mainly due to the finalization of the funding of the marketing activities with Ipsen.

The commercial activities in the US were at level with the same quarter last year. Year to date marketing and sales spending was NOK 68.4 million (NOK 70.2 million).

Photocure had an operating loss of NOK 10.5 million (profit of NOK 2.5 million) before restructuring costs and one-off items for the fourth quarter. The increase in loss is mainly driven by reduction in milestone revenues and partly offset by increased revenues from Hexvix/Cysview and reduced operating costs. Operating loss after restructuring costs and one-off items was NOK 19.1 million (profit of NOK 2.5 million) for the fourth quarter and was NOK 75.5 million (loss of NOK 39.2 million) for the full year.

Net financial items were NOK 1.8 million for the fourth quarter and NOK 8.7 million (NOK 8.2 million) for the full year.

Photocure recorded a net loss from continued operations of NOK 58.6 million (loss of NOK 30.1 million) for the year. 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 32.6 million at 31 December 2013, resulting in a market value adjustment of negative NOK 14.1 million for the year.

Cash and cash equivalents were NOK 167.3 million at 31 December 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 269.1 million at 31 December 2013, an equity ratio of 89%. At the end of 2012, shareholders' equity was NOK 380.3 million (88%).

As of 31 December 2013, Photocure held 52,976 own shares.

## Risks and uncertainty factors for 2014

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 2014 are associated with market development for Hexvix/Cysview, progress and performance of R&D programs including out-licensing, 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 2014 continues to be driving sales of its marketed product and to establish partnerships to continue the momentum in its development pipeline.

Key to driving the 2014 sales is continued strong growth in the Nordic region and building upon the commercial partnership with Ipsen and increasing sales for Cysview in the US. We have seen a good development throughout 2013 for Ipsen and expect this to continue into 2014. Our success for Cysview will to a large extent depend on the reimbursement situation in US, even though we believe we will be able to offset some of a possible negative impact from lack of reimbursement through selective account targeting and development of larger current accounts. Our expectation for global in-market unit sales for 2014 is an increase of minimum 10%.

With respect to the development of the new product pipeline, the priorities continue to be

- Secure regulatory alignment on late stage clinical development plan to establish future partnership for Cevira prior to initiation of phase 3 clinical development
- Establish future partnership for Visonac prior to initiation of phase 3 clinical development. Our expectation is to secure a partnership before the end of 2014.
- Support Salix in the development of Lumacan.

Given the focus on profitable growth, cost containment will also be important in 2014. We expect to end 2014 with a cash reserve in excess of NOK 105 million, excluding milestones.



The Board of Directors and CEO  
Photocure ASA

Oslo, 26 February 2014

Åse Aulie Michelet  
Chairman

Jon Hindar

Mats Pettersson

Xavier Yon

Eva Steiness

Kjetil Hestdal  
President and CEO



## Photocure Group – Accounts for fourth quarter and full year 2013

### Photocure Group – Statement of comprehensive income

	Note	2013 4Q	2012 4Q	2013 1.1-31.12	2012 1.1-31.12
<i>(all amounts in NOK 1 000 except per share data)</i>					
Sales revenues		25 180	19 731	79 307	75 082
Signing fee and milestone revenues		1 140	27 597	4 309	58 741
<b>Total revenues</b>		<b>26 320</b>	<b>47 328</b>	<b>83 616</b>	<b>133 823</b>
Cost of goods sold		-1 926	-1 737	-6 829	-9 405
<b>Gross profit</b>		<b>24 394</b>	<b>45 591</b>	<b>76 787</b>	<b>124 418</b>
Other income		765	590	1 591	2 242
Indirect manufacturing expenses	2	-2 555	-2 832	-7 751	-12 337
Research and development expenses	2	-9 758	-13 284	-33 976	-50 083
Marketing and sales expenses	2	-14 828	-18 679	-68 418	-70 188
Business development and administrative expenses	2	-17 380	-8 907	-40 079	-33 300
<b>Operating profit/loss(-) recurring</b>		<b>-19 362</b>	<b>2 480</b>	<b>-71 846</b>	<b>-39 248</b>
Restructure costs	3	295	0	-3 694	0
<b>Operating profit/loss(-) incl. non-recurring</b>		<b>-19 067</b>	<b>2 480</b>	<b>-75 540</b>	<b>-39 248</b>
Financial income		2 366	2 569	10 119	12 766
Financial expenses		-615	-213	-1 431	-4 530
<b>Net financial profit/loss(-)</b>		<b>1 751</b>	<b>2 356</b>	<b>8 688</b>	<b>8 236</b>
<b>Profit/loss(-) before tax</b>		<b>-17 317</b>	<b>4 836</b>	<b>-66 852</b>	<b>-31 012</b>
Tax expenses		8 204	890	8 204	890
<b>Net profit/loss(-) continued operations</b>		<b>-9 113</b>	<b>5 726</b>	<b>-58 648</b>	<b>-30 122</b>
Discontinued operations	1	-43	-2 421	-302	-17 778
<b>Net profit/loss(-)</b>		<b>-9 156</b>	<b>3 305</b>	<b>-58 950</b>	<b>-47 900</b>
Other comprehensive income	4	3 870	-4 990	-14 015	-11 356
<b>Total comprehensive income</b>		<b>-5 286</b>	<b>-1 685</b>	<b>-72 966</b>	<b>-59 256</b>
Net profit/loss(-) per share, undiluted	5	-0,43	0,07	-2,78	-2,25
Net profit/loss(-) per share, diluted	5	-0,43	0,07	-2,77	-2,24

### Photocure Group – Balance sheet

	Note	31.12.2013	31.12.2012
<i>(Amounts in NOK 1 000)</i>			
<b>Non-current assets</b>			
Machinery & equipment		3 681	4 111
Other investments	6, 7	51 969	59 951
Deferred tax asset		49 109	40 840
<b>Total non-current assets</b>		<b>104 759</b>	<b>104 902</b>
<b>Current assets</b>			
Inventory		12 624	9 826
Receivables		17 085	15 432
Cash & cash equivalents	7	167 258	302 818
<b>Total current assets</b>		<b>196 967</b>	<b>328 077</b>
<b>Total assets</b>		<b>301 726</b>	<b>432 978</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	8	10 697	10 697
Other paid-in capital		34 777	71 197
Retained earnings		223 649	298 374
<b>Shareholders' equity</b>		<b>269 123</b>	<b>380 268</b>
<b>Long-term liabilities</b>			
Other non-current liabilities		2 296	1 621
<b>Total long-term liabilities</b>		<b>2 296</b>	<b>1 621</b>
Current liabilities		30 307	51 089
<b>Total liabilities</b>		<b>32 603</b>	<b>52 710</b>
<b>Total equity and liabilities</b>		<b>301 726</b>	<b>432 978</b>



## Photocure Group – Changes in equity

	2013	2012	2013	2012
(Amounts in NOK 1 000)	4Q	4Q	1.1-31.12	1.1-31.12
<b>Equity at beginning of period</b>	<b>271 836</b>	<b>381 383</b>	<b>380 268</b>	<b>439 337</b>
Treasury shares, net change	1 907	-223	2 125	-6 338
Share-based compensation (share options employees)	666	768	2 176	6 527
Dividend			-42 481	
Other items		25		
Comprehensive income	-5 286	-1 685	-72 966	-59 256
<b>Equity at end of period</b>	<b>269 123</b>	<b>380 268</b>	<b>269 123</b>	<b>380 268</b>

## Photocure Group – Cash flow Statement

	2013	2012	2013	2012
(Amounts in NOK 1 000)	4Q	4Q	1.1-31.12	1.1-31.12
Profit/loss(-) before tax	-17 360	2 415	-67 154	-48 790
Depreciation and amortisation	404	399	1 460	1 535
Share-based compensation	666	768	2 176	6 527
Net interests	-1 519	-2 387	-7 362	-8 901
Changes in working capital	1 339	6 325	-7 000	3 430
Other operational items	-1 302	19 987	-21 842	-8 728
<b>Net cash flow from operations</b>	<b>-17 771</b>	<b>27 507</b>	<b>-99 722</b>	<b>-54 928</b>
Cash flow from investments	899	1 671	4 518	9 073
Cash flow from financing activities	1 907	-223	-40 356	-6 500
<b>Net change in cash during the period</b>	<b>-14 965</b>	<b>28 955</b>	<b>-135 560</b>	<b>-52 355</b>
Cash & cash equivalents at beginning of period	182 224	273 864	302 818	355 173
<b>Cash &amp; cash equivalents at end of period</b>	<b>167 258</b>	<b>302 818</b>	<b>167 258</b>	<b>302 818</b>

## Photocure Group – Segment information

4Q 2013	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
(Amounts in NOK 1 000)								
Sales Revenues	12 976	11 522	-	24 498	683	-	683	25 181
Milestone revenues	0	-	-	0	1 140	-	1 140	1 140
Cost of goods sold	-716	-1 211	-	-1 927			0	-1 927
<b>Gross profit</b>	<b>12 260</b>	<b>10 311</b>	<b>-</b>	<b>22 571</b>	<b>1 823</b>	<b>0</b>	<b>1 823</b>	<b>24 394</b>
Gross profit of sales %	94 %	89 %		92 %				92 %
Operating expenses	-15 544	-4 857	-10 743	-31 144	-9 511	-3 101	-12 612	-43 756
<b>Operating profit/loss (-) ctned oper.</b>	<b>-3 284</b>	<b>5 454</b>	<b>-10 743</b>	<b>-8 573</b>	<b>-7 688</b>	<b>-3 101</b>	<b>-10 789</b>	<b>-19 362</b>

4Q 2012	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
(Amounts in NOK 1 000)								
Sales Revenues	9 718	9 384	-	19 102	629	-	629	19 731
Milestone revenues	0	0	25 160	25 160	2 437	-	2 437	27 597
Cost of goods sold	-915	-824	-	-1 738	0	-	0	-1 737
<b>Gross profit</b>	<b>8 803</b>	<b>8 560</b>	<b>25 160</b>	<b>42 524</b>	<b>3 066</b>	<b>0</b>	<b>3 066</b>	<b>45 591</b>
Gross profit of sales %	91 %	91 %		91 %	100 %		100 %	91 %
Operating expenses	-16 174	-8 276	-13 724	-38 174	-425	-4 512	-4 937	-43 111
<b>Operating profit/loss (-) ctned oper.</b>	<b>-7 370</b>	<b>285</b>	<b>11 436</b>	<b>4 350</b>	<b>2 641</b>	<b>-4 512</b>	<b>-1 871</b>	<b>2 480</b>



1 Jan - 31 December 2013	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
<i>(Amounts in NOK 1 000)</i>								
Sales Revenues	38 134	40 430	-	78 564	743	-	743	79 307
Milestone revenues	0	-	-	0	4 309	-	4 309	4 309
Cost of goods sold	-2 040	-4 789	-	-6 829		-	0	-6 829
<b>Gross profit</b>	<b>36 094</b>	<b>35 641</b>	<b>-</b>	<b>71 735</b>	<b>5 052</b>	<b>0</b>	<b>5 052</b>	<b>76 787</b>
Gross profit of sales %	95 %	88 %		91 %				91 %
Operating expenses	-62 097	-25 735	-39 325	-127 157	-10 628	-10 848	-21 476	-148 633
<b>Operating result recurring oper.</b>	<b>-26 003</b>	<b>9 906</b>	<b>-39 325</b>	<b>-55 422</b>	<b>-5 576</b>	<b>-10 848</b>	<b>-16 424</b>	<b>-71 846</b>

1 Jan - 31 December 2012	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
<i>(Amounts in NOK 1 000)</i>								
Sales Revenues	29 525	38 304	-	67 829	7 252	-	7 252	75 081
Milestone revenues	0	22 550	25 160	47 710	11 032	-	11 032	58 742
Cost of goods sold	-3 007	-6 385	-	-9 391	-14	-	-14	-9 405
<b>Gross profit</b>	<b>26 518</b>	<b>54 469</b>	<b>25 160</b>	<b>106 148</b>	<b>18 270</b>	<b>0</b>	<b>18 270</b>	<b>124 418</b>
Gross profit of sales %	90 %	83 %		86 %	100 %		100 %	87 %
Operating expenses	-56 510	-36 344	-53 861	-146 715	-1 708	-15 244	-16 951	-163 667
<b>Operating profit/loss (-) ctnd oper.</b>	<b>-29 992</b>	<b>18 126</b>	<b>-28 701</b>	<b>-40 567</b>	<b>16 562</b>	<b>-15 244</b>	<b>1 318</b>	<b>-39 248</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 Hoffsvæien 4, NO-0275 Oslo, Norway.

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

### Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 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 26 February 2014.

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 were 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.

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 10.

## Note 2 – Income statement classified by nature

	2013	2012	2013	2012
<i>(Amounts in NOK 1 000)</i>	4Q	4Q	1.1-31.12	1.1-31.12
Sales revenues	25 180	19 731	79 307	75 082
Signing fees and milestone revenues	1 140	27 597	4 309	58 741
Cost of goods sold	-1 926	-1 737	-6 829	-9 405
<b>Gross profit</b>	<b>24 394</b>	<b>45 591</b>	<b>76 787</b>	<b>124 418</b>
Other income	765	590	1 591	2 242
Payroll expenses	-16 999	-22 221	-73 388	-76 520
R&D costs excl. payroll expenses/other	-6 625	-5 701	-15 729	-23 782
Ordinary depreciation and amortisation	-404	-385	-1 460	-1 545
Other operating expenses	-20 493	-15 394	-59 647	-64 061
<b>Total operating revenue and operating result recurring</b>	<b>-43 756</b>	<b>-43 111</b>	<b>-148 633</b>	<b>-163 666</b>

## Note 3 – Restructuring

Restructuring costs have been incurred with NOK 3.7 million for the year and relates to implemented headcount reductions and organizational changes. During 2013 a total of 10 employees 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
<i>(Amounts in NOK 1 000)</i>	4Q	4Q	1.1-31.12	1.1-31.12
Market value adjustment PCI Biotech Holding ASA	3 708	-5 043	-14 092	-10 828
Currency translation	161	53	76	-528
<b>Total other comprehensive income</b>	<b>3 870</b>	<b>-4 990</b>	<b>-14 015</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>	12.31.2013	12.31.2013	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	-152 619	-152 619	-133 510	-133 510
Effect of share options exercised	0	0	0	0
<b>Weighted average number of shares</b>	<b>21 240 682</b>	<b>21 240 682</b>	<b>21 259 791</b>	<b>21 259 791</b>
Effect of outstanding share options	61 074	61 074	89 884	89 884
<b>Weighted average number of diluted shares</b>	<b>21 301 756</b>	<b>21 301 756</b>	<b>21 349 675</b>	<b>21 349 675</b>
Earnings per share in NOK	-2,78	-2,76	-2,25	-1,42
Earnings per share in NOK diluted	-2,77	-2,75	-2,24	-1,41

## Note 6 – Other investments

<i>(Amounts in NOK 1 000)</i>	<b>12.31.2013</b>	<b>12.31.2012</b>
Market value PCI Biotech Holding ASA	32 633	46 725
Booked part of remainig settlement from sale of Metvix/Aktlite	19 336	13 226
<b>Total other investments</b>	<b>51 969</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	32 633			32 633
- Money market funds	148 543			148 543
<b>Total</b>	<b>181 176</b>	<b>0</b>	<b>0</b>	<b>181 176</b>

## Note 8 – Share capital

Registered share capital in Photocure ASA amounts to:

	No. of shares	Nominal value per share	Share capital in NOK
Share capital at 31 December 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	-205 279	NOK 0.50	-102 640
<b>Holdings of treasury shares at 31 December 2013</b>	<b>72 976</b>		<b>36 488</b>

The table below indicates the status of authorisations at 31 December 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 2013	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 31 December 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 31 December 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	
Kjetil Hestdal	President and CEO	66 373	138 500
Ambaw Bellete	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	88 680
Grete Hogstad	Vice President Strategic Marketing	10 500	69 200
Espen Njåstein	Head, Nordic Cancer Commercial Operations	-	16 350
Gry Stensrud	Vice President Technical Development & Operation	6	68 350

## Note 9 – Share options

At 31 December 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>
Option programme	2012	2011	2010-I	2009
Number	338 893	322 569	273 425	78 750
Exercise price (NOK)	38,50	48,75	42,00	18,30
Date of expiry (31 December)	2017	2016	2015	2014

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

	<b>31.12.2013</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	41,27	975 094	36,23
Allocated during the year	346 649	38,50	351 219	49,87
Become invalid during the year	178 525	42,09	155 812	42,70
Exercised during the year	205 279	29,01	119 709	23,62
Expired during the year	-	-	-	-
Outstanding at end of period	1 013 637	41,14	1 050 792	41,27
Exercisable options at end of period	680 175	40,81	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.

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 31 December 2013:

Shareholder	Account type	Citizen	No of shares	%
RADIUMHOSPITALET'S FORSKNINGSSTIFTELSE		NOR	3 029 000	14,16 %
J.P. Morgan Chase Bank	NOM	GBR	1 957 334	9,15 %
FONDSFINANS SPAR		NOR	1 550 000	7,25 %
GEZINA AS		NOR	1 193 571	5,58 %
KLP AKSJE NORGE VPF		NOR	930 000	4,35 %
SKAGEN VEKST		NOR	920 401	4,30 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	890 000	4,16 %
ODIN NORGE		NOR	679 037	3,17 %
MP PENSJON PK		NOR	500 000	2,34 %
DANSKE INVEST NORSKE C/O DANSKE CAPITAL		NOR	430 203	2,01 %
VERDIPAPIRFONDET WARRENWICKLUND NO		NOR	406 517	1,90 %
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	290 000	1,36 %
RUL AS		NOR	274 131	1,28 %
VERDIPAPIRFONDET DNB IV		NOR	265 162	1,24 %
MYNA AS		NOR	262 000	1,22 %
HSBC BANK PLC	NOM	GBR	251 782	1,18 %
ARENDALS FOSSEKOMPANI		NOR	200 000	0,93 %
Total 20 largest shareholders			15 043 346	70,32 %
Total other shareholders			6 349 955	29,68 %
Total number of shares			21 393 301	100,00 %

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