



Results for third quarter and the first nine months 2014

# Photocure Group

*Photocure Technology™  
is effective and precise.  
The unique selectivity  
makes targeted, minimally  
invasive approaches to  
early diagnosis and  
treatment possible.*



5 November 2014



## Highlights for third quarter and the first nine months 2014

(Numbers in brackets are for the corresponding period in 2013)

- Total sales revenues of Hexvix/Cysview increased 34% in third quarter and 26% year to date to respectively NOK 24.1 million and NOK 67.2 million, driven by volume growth in major markets, price increases and positive currency effects
- Hexvix/Cysview global in-market sales value growth of 19% in the quarter to NOK 42 million and 23% year to date to NOK 131 million
- Hexvix/Cysview YTD operating profit at NOK 6.6 million, an improvement of NOK 24.8 million from last year
- Photocure received a payment of USD 5 million (NOK 30.8 million) in the quarter as a result of the termination agreement with Salix for Lumacan
- Third quarter operating profit was NOK 23.8 million (loss of NOK 14.9 million) and YTD profit at NOK 4.4 million, an improvement of NOK 56.9 million from previous year
- Cash and cash equivalents of NOK 167 million as of 30 September 2014
- Expert consensus statement published in Nature Reviews Urology on the optimal use of Blue Light Cystoscopy with Cysview in the United States

### Key figures:

<i>Figures in NOK million</i>	3Q 2014	3Q 2013	Change	YTD 2014	YTD 2013	Change	FY 2013
Sales revenues Hexvix / Cysview	24.1	18.0	34 %	67.2	53.4	26 %	77.9
Sales revenues API	0.8	0.1		1.6	0.7		1.4
Signing fee & milestone revenues	31.9	1.1		34.2	3.2		4.3
<b>Total revenues</b>	<b>56.8</b>	<b>19.2</b>		<b>103.0</b>	<b>57.3</b>	<b>80 %</b>	<b>83.6</b>
<b>Gross profit</b>	<b>55.2</b>	<b>17.7</b>		<b>97.8</b>	<b>52.4</b>	<b>87 %</b>	<b>76.8</b>
Research and development expenses	7.0	8.5	-18 %	23.0	24.2	-5 %	34.0
Sales and marketing expenses	13.1	15.4	-15 %	40.6	53.6	-24 %	68.4
<b>Operating result excl. restructuring &amp; one-off</b>	<b>23.8</b>	<b>-14.9</b>		<b>4.4</b>	<b>-52.5</b>		<b>-63.0</b>
<b>Operating result incl. non-recurring</b>	<b>23.8</b>	<b>-14.8</b>		<b>4.4</b>	<b>-56.5</b>		<b>-75.5</b>
<b>Net profit/loss</b>	<b>24.2</b>	<b>-13.2</b>		<b>6.9</b>	<b>-49.8</b>		<b>-58.9</b>
Earnings per share, diluted (NOK)	1.13	-0.62		0.32	-2.35		-2.78

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

*“The strong growth in the sales of Hexvix/Cysview has continued in all markets in the third quarter and revenues year to date are up 26%. In the US market, we continue to work closely with the leading urology associations as well as other key stakeholders to secure a long-term sustainable solution for Cysview reimbursement.*

*We received a payment of USD 5 million from Salix in the third quarter and will regain the global rights and all intellectual property to Lumacan. We will continue to evaluate options for further development of Lumacan.*

*Photocure’s priority in 2014 is to continue to increase sales of Hexvix/Cysview and to establish strategic partnerships for products in our pipeline.”*

## 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 selected 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.

The in-market value of Hexvix/Cysview continues with double digit growth. Third quarter, global in-market sales value increased by 19% to NOK 42 million. Year to date growth was 23% to NOK 131 million. Global in-market unit sales for the first nine months increased 13% compared to the previous year.

Total sales revenues for Hexvix/Cysview increased 34% to NOK 24.1 million (NOK 18.0 million) in third quarter. Hexvix/Cysview continues to experience underlying customer demand as shown by strong volume growth in the major markets. Furthermore, year to date growth has also been driven by price increases and a strong Euro.

Photocure's own sales in the US and Nordic region increased 33% to NOK 11.1 million in third quarter and 23% year to date.

Nordic revenues in third quarter increased 21% from last year. Growth was driven by strong customer demand, price increases and distributors inventory adjustments. Year to date revenue growth was 17%.

Photocure's in-market unit sales in the Nordic region increased 11% third quarter and 7% year to date. Sweden, the key growth area in Nordic, continues to develop positively with high double-digit growth both for the quarter and year to date.

In the US, third quarter revenue increased 63% compared to last year, driven mainly by volume growth. Year to date revenue increased 44%. Unit sales increased 60% in the quarter and 32% year to date.

The US National Cancer Institute (NCI) and Photocure have entered into a purchase agreement for Cysview, and the NCI purchased 100 units in the quarter to be used in their ongoing research program in bladder cancer.

As anticipated, the number of new Blue Light Cystoscope (BLC) installations has been impacted by the decision by Centers for Medicare & Medicaid Services (CMS) to create a new package category for Cysview. However, as more centers see the clinical and health economic benefits of Cysview, the total number of permanent BLCs has continued to increase. At the end of third quarter there were 49 BLCs compared to 36 at the end of 2013.

In the US, 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. A major milestone for the supporters of bladder cancer patients was achieved as a new bill to secure US senior cancer patient access to state of the art treatment using up to date technology, including Cysview, was introduced in June. The bill has continued to gain broad bi-partisan support in the third quarter. The bill, if enacted by Congress, will provide separate payment to hospitals for Cysview.

In our efforts to secure optimal reimbursement and coding of Cysview, Photocure, with support from the AUA, has applied to CMS for a distinct and separate code for Cysview. The ruling from CMS is expected during Q4. Independent of the outcome of the ruling, Photocure does not expect this to have a short term impact on the current reimbursement of Cysview in the hospital setting.

End user unit sales by Ipsen increased 9% in third quarter, driven by double digit growth in France, Italy and Austria. Year to date end user unit sales increased 13%.



Partner revenue increased 34% in the quarter and 28% year to date, driven by the strong customer demand and replenishment of supply to partner as well as foreign currency exchange rate impact.

In September an expert consensus statement on the optimal use of Blue Light Cystoscopy with Cysview (HAL-BLC) in the United States was published in Nature Reviews Urology.

Based on review of existing clinical evidence and guidelines of HAL-BLC for patients with Non Muscle Invasive Bladder Cancer (NMIBC) the

panel concluded that extensive evidence and clinical experience show that HAL-BLC can improve the detection of NMIBC beyond that achieved with the current standard of care.

The consensus opinion of the US expert panel is in line with the recent published (Eur Urol, 2014) opinions of European colleagues, namely that HAL-BLC has a role in the initial diagnosis of patients suspected to have NMIBC, as well as for management of recurrent bladder cancer.

## Revenues from Hexvix/Cysview

Figures in NOK million	3Q 2014	3Q 2013	Change	YTD 2014	YTD 2013	Change	FY 2013
Total own sales Nordic	7.3	6.0	21 %	22.5	19.3	17 %	29.9
Total own sales US	3.7	2.3	63 %	8.5	5.9	44 %	8.2
Revenues from partners	13.0	9.7	34 %	36.2	28.3	28 %	39.8
<b>Total revenue</b>	<b>24.1</b>	<b>18.0</b>	<b>34 %</b>	<b>67.2</b>	<b>53.4</b>	<b>26 %</b>	<b>77.9</b>

*Hexvix/Cysview (hexaminolevulinate hydrochloride) is an innovative breakthrough technology in the diagnosis and management of non-muscle invasive bladder cancer. It is designed to selectively target malignant cells in the bladder and induce fluorescence during a cystoscopic procedure using a blue light enabled cystoscope. Using Hexvix/Cysview as an adjunct to standard white-light cystoscopy enables the urologist to better detect and remove lesions, leading to a reduced risk of recurrence. Hexvix/Cysview is approved in Europe and US.*

*Bladder cancer has a high incidence, and is the fourth most common type of cancer in males in the US. An estimated 75,000 new cases will be diagnosed with cancer of the bladder in 2014, with an estimated 15,600 people dying from the disease, according to the American Cancer Society. In Europe bladder cancer is the fifth most common cancer with an estimated 167 000 newly diagnosed cases and 59 000 deaths due to the disease in 2012 (Witjes JA et al., Eur Urol 2014). If bladder cancer is detected at an early stage, management and outcome for the patient is improved.*

## 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

### 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.

Photocure's strategy is to establish a partnership for the product for further development. In third quarter, Photocure has continued its discussions with companies that are leaders in dermatology to



secure a strategic partnership to assist with the late stage development and commercialization of Visonac.

Research from GlobalData cites Visonac as one of the most highly anticipated introductions in the acne therapeutics market<sup>1</sup>.

Visonac 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 and approval of the European Pediatric Investigational Plan, the design and analysis for the global pivotal phase 3 registration program has been secured.

*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 USD 900 million 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.

Photocure has consulted key regulatory agencies in both the US and EU to agree the design and target patient population for the pivotal phase 3 registration program. Discussions with Health Authorities in key European markets have been completed and support has been achieved to continue with the proposed phase 3 program, targeting women with HSIL (CIN2) as the first indication.

Following the discussions with the US FDA last year, Photocure has completed a re-analysis of the clinical data in accordance with the recently published diagnostic consensus classification system and guidance provided by FDA. The re-analysis includes new pathology assessment, panel read among three pathologists and applying new clinical success end points. The re-analysis demonstrated that Cevira provides improved treatment efficacy compared to placebo among patients with high grade precancerous lesions of the cervix (HSIL). Photocure plans to discuss with the FDA to determine the next steps in the development of Cevira.

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 the regulators.

*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**

Following the proposed merger agreement between Salix and Cosmo Pharmaceuticals S.p.A announced in July, Photocure and Salix agreed to terminate the 2010 global licensing agreement for Lumacan. Photocure has received a payment of USD 5 million from Salix in the third quarter and will regain the global rights, all technical data and all intellectual property to Lumacan.

Photocure is actively evaluating the clinical data, competitive landscape, pricing and reimbursement scenarios to determine the optimal way forward for Lumacan.

*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*

<sup>1</sup> <http://healthcare.globaldata.com/media-center/press-releases/pharmaceuticals/novel-product-launches-to-reinvigorate-acne-treatment-market-by-2018-says-globaldata>



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 2013).

The development in the third quarter as well as year to date has been positive with growth in revenues combined with reduced operating costs.

Total revenues in third quarter were NOK 56.8 million, an increase of NOK 37.7 million from third quarter 2013. The increase is driven by the termination payment of USD 5 million from Salix as well as continued market penetration of Hexvix/Cysview. Revenues excluding the termination payment were NOK 26.1 million in the quarter, up 36% from third quarter last year.

In third quarter the in-market unit sales of Hexvix/Cysview increased 12% compared to the corresponding period in 2013. Total Hexvix/Cysview sales revenues for the quarter were NOK 24.1 million, an increase of 34% from NOK 18.0 million in third quarter 2013. Year to date in-market unit sales growth was 13% and growth in sales revenues were 26%. Year to date sales revenues are positively impacted by change in exchange rates of approximately 7%.

Third quarter operating costs are at level with previous quarters and are 4% below operating costs in third quarter 2013. Total operating costs net of other income amounted to NOK 31.4 million (NOK 32.6 million) in third quarter. Year to date operating costs were NOK 93.4 million, a reduction of 11% from same period 2013 before restructuring costs.

MNOK	YTD '14	YTD '13	Change
Research & Development	23,0	24,2	-5 %
Sales & Marketing	40,6	53,6	-24 %
Other Opex	29,8	27,1	10 %
<b>Operating expenses</b>	<b>93,4</b>	<b>104,9</b>	<b>-11 %</b>
Restructuring	0,0	4,0	
<b>Total</b>	<b>93,4</b>	<b>108,9</b>	<b>-14 %</b>

Third quarter research and development (R&D) costs were NOK 7.0 million (NOK 8.5 million). The R&D costs relate to patent protection and

regulatory work as well as the development of the current pipeline. The primary development activity in the quarter and year to date has been work related to the re-analysis of the phase 2b Cevira data. Year to date R&D costs were NOK 23.0 million, compared to NOK 24.2 million last year.

Marketing and sales costs decreased to NOK 13.1 million (NOK 15.4 million) in third quarter compared to last year, mostly driven by reduced costs related to commercial activities in the US. Cost year to date was NOK 40.6 million, a reduction of 24% from 2013 (NOK 53.6 million). The year to date decrease is mainly due to the completion of the contractual co-funding arrangement of the marketing activities with Ipsen as well as reduced costs related to commercial activities in the US.

Operating result was at NOK 23.8 million for the quarter, an improvement of NOK 38.7 million from last year. The improvement is driven by the termination payment from Salix of NOK 30.8 million and operational improvements of NOK 7.9 million. Year to date operating profit was NOK 4.4 million compared to loss of NOK 52.5 million in 2013 before restructuring.

Net financial items were NOK 0.3 million (NOK 1.8 million) in third quarter and NOK 2.5 million (NOK 6.9 million) year to date.

Photocure recorded a net profit from continued operations of NOK 24.2 million for the quarter, an improvement of NOK 37.2 million from last year (loss of NOK 13.0 million). Year to date improvement from last year is NOK 56.4 million to a profit of NOK 6.9 million.

Photocure is the largest shareholder in PCI Biotech Holding ASA with 19.35% of the shares. The market value of the shareholding was NOK 31.9 million at 30 September 2014, resulting in a negative market value adjustment of NOK 0.7 million year to date.

Cash and cash equivalents were NOK 167 million at 30 September 2014, at level with cash balance at 31 December 2013. Third quarter net change in cash was NOK 26.1 million compared to last year negative NOK 16.3 million. Year to date net change in cash was negative NOK 0.4 million, negatively impacted by an increase in net working capital. Net working capital at period end was NOK 6.7 million.

Shareholders' equity was NOK 277 million at 30 September 2014, an equity ratio of 91%. At the



end of 2013, shareholders' equity was NOK 269 million (89%).

As of 30 September 2014, Photocure held 72,976 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 2013.

## Outlook

The focus for Photocure is to increase sales of Hexvix/Cysview and to establish strategic partnerships for products in the pipeline.

Key to driving the sales is continued strong growth in the Nordic region, building upon the commercial partnership with Ipsen, as well as increasing sales for Cysview in the US. Photocure's expectation for global Hexvix/Cysview in-market unit sales for 2014 is a minimum increase of 10%.

With respect to the development of the product pipeline, Photocure's priorities are

- Secure regulatory pathway on a 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. The expectation is to secure a partnership before the end of 2014
- Evaluate options for further development of Lumacan

Given the focus on profitable growth, cost containment is important. Photocure expects to end 2014 with a cash reserve in the range of NOK 145-155 million, including the termination fee from Salix and excluding any milestone payments.

The Board of Directors and CEO  
Photocure ASA

Oslo, 5 November 2014

Bente-Lill B Romøren  
Chairman

Synne H. Røine

Mats Pettersson

Xavier Yon

Kjetil Hestdal  
President and CEO



## Photocure Group – Accounts for third quarter and the first nine months 2014

### Photocure Group – Statement of comprehensive income

<i>(all amounts in NOK 1 000 except per share data)</i>	Note	2014 3Q	2013 3Q	2014 1.1-30.09	2013 1.1-30.09	2013 1.1-31.12
Sales revenues		24 928	18 078	68 815	54 127	79 307
Signing fee and milestone revenues		31 896	1 094	34 180	3 169	4 309
<b>Total revenues</b>		<b>56 824</b>	<b>19 172</b>	<b>102 995</b>	<b>57 296</b>	<b>83 616</b>
Cost of goods sold		-1 610	-1 462	-5 175	-4 903	-6 829
<b>Gross profit</b>		<b>55 214</b>	<b>17 710</b>	<b>97 820</b>	<b>52 393</b>	<b>76 787</b>
Other income		-17	197	-	826	1 591
Indirect manufacturing expenses	2	-2 459	-1 317	-5 990	-5 196	-7 751
Research and development expenses	2	-6 974	-8 534	-22 992	-24 218	-33 976
Marketing and sales expenses	2	-13 074	-15 394	-40 629	-53 590	-68 418
Business development and administrative exp.	2	-8 873	-7 549	-23 810	-22 699	-40 079
<b>Operating profit/loss(-) recurring</b>		<b>23 817</b>	<b>-14 887</b>	<b>4 399</b>	<b>-52 484</b>	<b>-71 846</b>
Restructuring costs	3	-	89	-	-3 989	-3 694
<b>Operating profit/loss(-) incl. non-recurring</b>		<b>23 817</b>	<b>-14 798</b>	<b>4 399</b>	<b>-56 473</b>	<b>-75 540</b>
Financial income		1 526	2 308	4 598	7 753	10 119
Financial expenses		-1 184	-547	-2 087	-816	-1 431
<b>Net financial profit/loss(-)</b>		<b>342</b>	<b>1 761</b>	<b>2 511</b>	<b>6 937</b>	<b>8 688</b>
<b>Profit/loss(-) before tax</b>		<b>24 159</b>	<b>-13 036</b>	<b>6 910</b>	<b>-49 535</b>	<b>-66 852</b>
Tax expenses		-	-	-	-0	8 204
<b>Net profit/loss(-) continued operations</b>		<b>24 159</b>	<b>-13 036</b>	<b>6 910</b>	<b>-49 536</b>	<b>-58 648</b>
Discontinued operations	3	-	-155	-	-259	-302
<b>Net profit/loss(-)</b>		<b>24 159</b>	<b>-13 191</b>	<b>6 910</b>	<b>-49 795</b>	<b>-58 950</b>
Other comprehensive income	4	-9 476	-2 889	-658	-17 885	-14 015
<b>Total comprehensive income</b>		<b>14 683</b>	<b>-16 080</b>	<b>6 252</b>	<b>-67 680</b>	<b>-72 966</b>
Net profit/loss(-) per share, undiluted	5	1,13	-0,62	0,32	-2,35	-2,78
Net profit/loss(-) per share, diluted	5	1,13	-0,62	0,32	-2,35	-2,78

### Photocure Group – Balance sheet

<i>(Amounts in NOK 1 000)</i>	Note	30.09.2014	30.09.2013	31.12.2013
<b>Non-current assets</b>				
Machinery & equipment		2 949	4 038	3 681
Other investments	6, 7	54 475	46 601	51 969
Deferred tax asset		49 109	40 840	49 109
<b>Total non-current assets</b>		<b>106 533</b>	<b>91 479</b>	<b>104 759</b>
<b>Current assets</b>				
Inventory		13 728	10 006	12 624
Receivables		17 952	15 831	17 085
Cash & cash equivalents	7	166 850	182 224	167 258
<b>Total current assets</b>		<b>198 530</b>	<b>208 060</b>	<b>196 967</b>
<b>Total assets</b>		<b>305 063</b>	<b>299 539</b>	<b>301 726</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	8	10 697	10 697	10 697
Other paid-in capital		36 563	74 628	34 777
Retained earnings		229 994	186 511	223 649
<b>Shareholders' equity</b>		<b>277 253</b>	<b>271 836</b>	<b>269 123</b>
<b>Long-term liabilities</b>				
Other non-current liabilities		2 838	2 173	2 296
<b>Total long-term liabilities</b>		<b>2 838</b>	<b>2 173</b>	<b>2 296</b>
Current liabilities		24 972	25 530	30 307
<b>Total liabilities</b>		<b>27 810</b>	<b>27 703</b>	<b>32 603</b>
<b>Total equity and liabilities</b>		<b>305 064</b>	<b>299 539</b>	<b>301 726</b>





## Photocure Group – Changes in equity

	2014	2013	2014	2013	2013
<i>(Amounts in NOK 1 000)</i>	3Q	3Q	1.1-30.09	1.1-30.09	1.1-31.12
<b>Equity at beginning of period</b>	<b>261 955</b>	<b>286 873</b>	<b>269 123</b>	<b>380 268</b>	<b>380 268</b>
Treasury shares, net change	-	490	-	218	2 125
Share-based compensation (share options employees)	615	553	1 878	1 510	2 177
Dividend	-	-	-	-42 481	-42 481
Comprehensive income	14 683	-16 080	6 252	-67 680	-72 966
<b>Equity at end of period</b>	<b>277 253</b>	<b>271 836</b>	<b>277 253</b>	<b>271 835</b>	<b>269 123</b>

## Photocure Group – Cash flow Statement

	2014	2013	2014	2013	2013
<i>(Amounts in NOK 1 000)</i>	3Q	3Q	1.1-30.09	1.1-30.09	1.1-31.12
Profit/loss(-) before tax	24 159	-13 191	6 910	-49 794	-67 154
Depreciation and amortisation	361	347	1 097	1 056	1 460
Share-based compensation	615	554	1 878	1 510	2 176
Net interests	-653	-2 022	-2 956	-5 843	-7 362
Changes in working capital	1 702	482	-5 801	-8 339	-7 000
Other operational items	-949	-3 893	-4 349	-20 540	-21 842
<b>Net cash flow from operations</b>	<b>25 235</b>	<b>-17 724</b>	<b>-3 221</b>	<b>-81 951</b>	<b>-99 722</b>
Cash flow from investments	871	955	2 813	3 619	4 518
Cash flow from financing activities	-	489	-	-42 263	-40 356
<b>Net change in cash during the period</b>	<b>26 106</b>	<b>-16 280</b>	<b>-408</b>	<b>-120 595</b>	<b>-135 560</b>
Cash & cash equivalents at beginning of period	140 743	198 503	167 258	302 819	302 819
<b>Cash &amp; cash equivalents at end of period</b>	<b>166 850</b>	<b>182 224</b>	<b>166 850</b>	<b>182 224</b>	<b>167 258</b>

## Photocure Group – Segment information

Q3 2014	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
<i>(Amounts in NOK 1 000)</i>								
Sales Revenues	11 068	13 013		24 081	847		847	24 928
Milestone revenues	0	-	30 754	30 754	1 142		1 142	31 896
Cost of goods sold	-468	-1 142		-1 610			0	-1 610
<b>Gross profit</b>	<b>10 600</b>	<b>11 871</b>	<b>30 754</b>	<b>53 224</b>	<b>1 989</b>	<b>0</b>	<b>1 989</b>	<b>55 214</b>
Gross profit of sales %	96 %	91 %		93 %				94 %
Operating expenses	-13 801	-4 788	-10 283	-28 872	-221	-2 303	-2 525	-31 397
<b>Operating profit/loss (-) ctno oper.</b>	<b>-3 201</b>	<b>7 083</b>	<b>20 470</b>	<b>24 352</b>	<b>1 768</b>	<b>-2 303</b>	<b>-536</b>	<b>23 817</b>

Q3 2013	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
<i>(Amounts in NOK 1 000)</i>								
Sales Revenues	8 332	9 686	-	18 018	60	-	60	18 078
Milestone revenues	0	-	-	0	1 094	-	1 094	1 094
Cost of goods sold	-415	-1 047	-	-1 462			0	-1 462
<b>Gross profit</b>	<b>7 917</b>	<b>8 639</b>	<b>-</b>	<b>16 556</b>	<b>1 154</b>	<b>0</b>	<b>1 154</b>	<b>17 710</b>
Gross profit of sales %	95 %	89 %		92 %				92 %
Operating expenses	-15 034	-4 693	-9 780	-29 508	-347	-2 744	-3 091	-32 599
<b>Operating profit/loss (-) ctno oper.</b>	<b>-7 118</b>	<b>3 946</b>	<b>-9 780</b>	<b>-12 952</b>	<b>807</b>	<b>-2 744</b>	<b>-1 937</b>	<b>-14 889</b>



1 Jan - 30 September 2014 <i>(Amounts in NOK 1 000)</i>	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
Sales Revenues	31 044	36 199		67 243	1 572		1 572	68 815
Milestone revenues	0	-	30 754	30 754	3 426		3 426	34 180
Cost of goods sold	-1 504	-3 671		-5 175			0	-5 175
<b>Gross profit</b>	<b>29 541</b>	<b>32 528</b>	<b>30 754</b>	<b>92 822</b>	<b>4 998</b>	<b>0</b>	<b>4 998</b>	<b>97 819</b>
Gross profit of sales %	95 %	90 %		92 %				92 %
Operating expenses	-42 991	-12 505	-31 037	-86 532	-633	-6 255	-6 888	-93 420
<b>Operating profit/loss (-) ctnd oper.</b>	<b>-13 450</b>	<b>20 023</b>	<b>-283</b>	<b>6 290</b>	<b>4 364</b>	<b>-6 255</b>	<b>-1 891</b>	<b>4 399</b>

1 Jan - 30 September 2013 <i>(Amounts in NOK 1 000)</i>	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
Sales Revenues	25 158	28 909	-	54 067	60	-	60	54 127
Milestone revenues	0	-	-	0	3 169	-	3 169	3 169
Cost of goods sold	-1 324	-3 579	-	-4 903			0	-4 903
<b>Gross profit</b>	<b>23 834</b>	<b>25 330</b>	<b>-</b>	<b>49 164</b>	<b>3 229</b>	<b>0</b>	<b>3 229</b>	<b>52 394</b>
Gross profit of sales %	95 %	88 %		91 %				91 %
Operating expenses	-46 553	-20 878	-28 585	-96 016	-1 111	-7 751	-8 862	-104 878
<b>Operating profit/loss (-) ctnd oper.</b>	<b>-22 719</b>	<b>4 452</b>	<b>-28 585</b>	<b>-46 851</b>	<b>2 118</b>	<b>-7 751</b>	<b>-5 633</b>	<b>-52 484</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 2013 (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 5 November 2014.

Photocure has Norwegian kroner (NOK) 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 2014 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 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.

## Note 2 – Income statement classified by nature

	2014	2013	2014	2013	2013
<i>(Amounts in NOK 1 000)</i>	3Q	3Q	1.1-30.09	1.1-30.09	1.1-31.12
Sales revenues	24 928	18 078	68 815	54 127	79 307
Signing fees and milestone revenues	31 896	1 094	34 180	3 169	4 309
Cost of goods sold	-1 610	-1 462	-5 175	-4 903	-6 829
<b>Gross profit</b>	<b>55 214</b>	<b>17 710</b>	<b>97 820</b>	<b>52 393</b>	<b>76 787</b>
Other income	-17	197	-	276	1 591
Payroll expenses	-18 676	-19 760	-53 734	-56 389	-73 388
R&D costs excl. payroll expenses/other operating exp.	-2 753	-2 861	-10 476	-9 104	-15 729
Ordinary depreciation and amortisation	-361	-348	-1 097	-1 056	-1 460
Other operating expenses	-9 590	-9 825	-28 114	-38 604	-59 647
<b>Total operating revenue and operating expenses</b>	<b>-31 397</b>	<b>-32 597</b>	<b>-93 421</b>	<b>-104 877</b>	<b>-148 633</b>
<b>Operating result recurring</b>	<b>23 817</b>	<b>-14 887</b>	<b>4 399</b>	<b>-52 484</b>	<b>-71 846</b>

## Note 3 – Restructuring and discontinued operations

Restructuring costs have been incurred with NOK 3.7 million in 2013 and relates to implemented headcount reductions and organizational changes. The costs incurred in this process are reported as non-recurring restructuring costs from Q2 in 2013.



The results of the Allumera segment is restated as discontinued operations in the 2013 quarterly financial statements according to IFRS 5.

## Note 4 – Other comprehensive income

	2014	2013	2014	2013	2013
<i>(Amounts in NOK 1 000)</i>	3Q	3Q	1.1-30.09	1.1-30.09	1.1-31.12
Market value adjustment PCI Biotech Holding ASA	-9 642	-2 670	-741	-17 800	-14 092
Currency translation	166	-219	83	-85	76
<b>Total other comprehensive income</b>	<b>-9 476</b>	<b>-2 889</b>	<b>-658</b>	<b>-17 885</b>	<b>-14 015</b>

Items may be subsequently reclassified to profit or loss.

## Note 5 – Earnings per share

Earnings per share (EPS) are calculated on the basis of the profit/loss for the year after tax excluding other comprehensive items. The result is divided by 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.

<b>Continued operations</b>			
<i>(Figures indicate the number of shares)</i>	30.09.2014	30.09.2013	31.12.2013
Ordinary shares 1 January	21 393 301	21 393 301	21 393 301
Effect of treasury shares	-72 976	-170 378	-152 619
Effect of share options exercised	-	-	-
<b>Weighted average number of shares</b>	<b>21 320 325</b>	<b>21 222 923</b>	<b>21 240 682</b>
Effect of outstanding share options	17 847	93 114	61 074
<b>Weighted average number of diluted shares</b>	<b>21 338 172</b>	<b>21 316 038</b>	<b>21 301 756</b>
Earnings per share in NOK	0,32	-2,33	-2,76
Earnings per share in NOK diluted	0,32	-2,33	-2,76

## Note 6 – Other investments

<i>(Amounts in NOK 1 000)</i>	30.09.2014	30.09.2013	31.12.2013
Market value PCI Biotech Holding ASA	31 892	28 925	32 633
Booked part of remaining settlement from sale of Metvix/Aktelite	22 583	17 676	19 335
<b>Total other investments</b>	<b>54 475</b>	<b>46 601</b>	<b>51 969</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



### Market value hierarchy

(Amounts in NOK 1 000)

	Level 1	Level 2	Level 3	Total
Financial assets available for sale:				
- Shares in PCI Biotech Holding ASA	31 892	-	-	31 892
- Money market funds	117 586	-	-	117 586
<b>Total</b>	<b>149 478</b>	<b>-</b>	<b>-</b>	<b>149 478</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 30 September 2014	21 393 301	NOK 0.50	10 696 651
Share capital at 31 December 2013	21 393 301	NOK 0.50	10 696 651
<b>Treasury shares:</b>			
<b>Holdings of treasury shares at 31 December 2013</b>	<b>72 976</b>		<b>36 488</b>
Buy-back of treasury shares	-	NOK 0.50	-
Share option exercise	-	NOK 0.50	-
<b>Holdings of treasury shares at 30 September 2014</b>	<b>72 976</b>		<b>36 488</b>

The table below indicates the status of authorizations at 30 September 2014:

	Purchase, treasury shares	Ordinary share issue	Employee share issues
<i>(Figures indicate the number of shares)</i>			
Authorisation issued at the General Meeting on 27 May 2014	2 139 330	2 139 330	800 000
Share issues after the General Meeting on 27 May 2014	-	-	-
Purchase of treasury shares	-	-	-
<b>Remaining under authorisations at 30 September 2014</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 September 2014:

Name	Position	No. of shares	No. of subscription rights
Mats Pettersson	Board member	5 000	-
Kjetil Hestdal	President and CEO	66 373	163 500
Ambaw Bellele	Head, US Cancer Commercial Operations	-	29 300
Erik Dahl	Chief Financial Officer	-	45 000
Kathleen Deardorff	Chief Operating Officer	-	110 295
Inger Ferner Heglund	Vice President Research and Development	8 200	105 680
Grete Hogstad	Vice President Strategic Marketing	10 500	82 200
Espen Njåstein	Head, Nordic Cancer Commercial Operations	-	34 350
Gry Stensrud	Vice President Technical Development & Operations	6	85 350

## Note 9 – Share options

At 30 September 2014, employees in Photocure had the following share option schemes:

<b>Year of allocation</b>	<b>2014</b>	<b>2012/2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Option programme	2014	2012	2011	2010-I	2009
Number	317 000	330 718	315 694	264 875	78 750
Exercise price (NOK)	27,39	38,50	48,75	42,00	18,30
Date of expiry (31 December)	2018	2017	2016	2015	2014

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

	<b>30.09.2014</b>		<b>31.12.2013</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	1 013 637	41,14	1 050 792	41,27
Allocated during the year	326 000	27,39	346 649	38,50
Become invalid during the year	32 600	38,51	178 525	42,09
Exercised during the year	-	-	205 279	29,01
Expired during the year	-	-	-	-
Outstanding at end of period	1 307 037	37,77	1 013 637	41,14
Exercisable options at end of	985 464	39,92	680 175	40,81

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



## Note 10 – Shareholders

Overview of the major shareholders at 30 September 2014:

Shareholder	Account type	Citizen	No of shares	%
RADIUMHOSPITALET'S FORSKNINGSSSTIFTELSE		NOR	3 029 000	14,16 %
J.P. MORGAN CHASE BANK N.A. LONDON	NOM	GBR	1 957 334	9,15 %
FONDSFINANS SPAR		NOR	1 750 000	8,18 %
KLP AKSJE NORGE VPF		NOR	1 045 700	4,89 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	890 000	4,16 %
MP PENSJON PK		NOR	700 000	3,27 %
SKAGEN VEKST		NOR	626 466	2,93 %
GEZINA AS		NOR	623 000	2,91 %
ODIN NORGE		NOR	436 568	2,04 %
DANSKE INVEST NORSKE INSTIT. II.		NOR	422 703	1,98 %
VERDIPAPIRFONDET EIKA NORGE		NOR	406 517	1,90 %
BERGEN KOMMUNALE PENSJONSKASSE		NOR	400 000	1,87 %
DANSKE INVEST NORSKE AKSJER INST		NOR	360 714	1,69 %
VERDIPAPIRFONDET DNB SMB		NOR	355 000	1,66 %
VICAMA AS		NOR	345 384	1,61 %
FONDSFINANS FARMASI		NOR	300 000	1,40 %
VERDIPAPIRFONDET DNB NORGE (IV)		NOR	287 193	1,34 %
RUL AS		NOR	281 475	1,32 %
POLAR CAPITAL GLOBAL HSBC BANK PLC.		GBR	254 537	1,19 %
ARENDALS FOSSEKOMPANI		NOR	200 000	0,93 %
Total 20 largest shareholders			14 671 591	68,58 %
Total other shareholders			6 721 710	31,42 %
Total number of shares			21 393 301	100,00 %

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