Results for second quarter and the first half year 2014

Photocure Group

25 August 2014

Highlights for second quarter and the first half year 2014

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

- Total sales revenues of Hexvix/Cysview increased 14% in second quarter and 22% year to date to NOK 43.2 million (NOK 35.4 million) driven by volume growth in the major markets, price increases and positive currency effects
- Hexvix/Cysview global in-market sales value growth of 14% in the quarter to NOK 43 million and 24% year to date to NOK 89 million
- Second quarter operating loss from continued operations was significantly reduced to NOK 5.7 million compared to NOK 13.9 million in second quarter last year
- Cash and cash equivalents of NOK 141 million as of 30 June 2014
- Introduction of a bill to the US Congress to secure US senior patients access to state-of-the-art cancer treatment technology; this will if enacted by Congress provide separate payment to hospitals for Cysview in the US
- Updated expert recommendations on the clinical and cost effectiveness of Hexvix published in *European Urology* in July recommend the use of Hexvix in the management of a broader bladder cancer population
- Completion of the re-analysis of the Cevira phase 2b data confirmed that Cevira provides an improvement in treatment efficacy compared to placebo in patients with high-grade precancerous lesions of the cervix (HSIL).
- In August, following the proposed merger agreement between Salix and Cosmo Pharmaceuticals S.p.A, Photocure and Salix agreed to terminate the global licensing agreement for Lumacan®. Photocure has received a payment of USD 5 million and will regain the global rights and all intellectual property to Lumacan

Key figures:

Figures in NOK million	2Q 2014	2Q 2013	Change	1H 2014	1H 2013	FY 2013
Sales revenues Hexvix / Cysview	23.8	20.9	14 %	43.2	35.4	77.9
Sales revenues API	0.5	0.5	9 %	0.7	0.7	1.4
Signing fee & milestone revenues	1.1	1.1	8 %	2.3	2.1	4.3
Total revenues	**25.5**	**22.5**	**14 %**	**46.2**	**38.1**	**83.6**
Gross profit	**23.5**	**20.4**	**15 %**	**42.6**	**34.7**	**76.8**
Research and development expenses	7.3	6.5	13 %	16.0	15.7	34.0
Sales and marketing expenses	13.5	19.2	-30 %	27.6	38.2	68.4
Operating result excl. restructuring & one-off	**-5.7**	**-13.9**	**-59 %**	**-19.4**	**-37.6**	**-63.0**
Operating result incl. non-recurring	**-5.7**	**-18.0**		**-19.4**	**-41.7**	**-75.5**
Net profit/loss	**-4.2**	**-15.2**		**-17.2**	**-36.6**	**-58.9**
Earnings per share, diluted (NOK)	-0.20	-0.72		-0.81	-1.73	-2.78

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

"Sales of Hexvix/Cysview remained strong in the second quarter, achieving year to date growth of 22%. Alongside this positive growth in revenue, our focus on cost control has resulted in reduced losses.

The continued unit sales growth of Hexvix/Cysview across all markets demonstrates the untapped potential for Hexvix/Cysview. In the US market, our efforts coupled with the efforts of other key stakeholders within the

Urology and Bladder Cancer community, passed a milestone with the introduction of a new Congressional bill to secure a long term sustainable reimbursement solution for this valuable product. For Cevira we have made progress toward meeting the FDA requests by completing the reanalysis of the phase 2b data. This will now allow for continued discussions with the FDA."

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.

The in-market value of Hexvix/Cysview continues double digit growth. Second quarter, global in-market sales value increased by 14% to NOK 43 million. First half year growth was 24% to NOK 89 million. Global in-market unit sales for the first half year increased 13% compared to last year.

Total sales revenues for Hexvix/Cysview increased 14% to NOK 23.8 million (NOK 20.9 million) in second quarter. Hexvix/Cysview continues to experience underlying customer demand as shown by strong volume growth in the major markets. Furthermore, first half year growth has also been driven by price increases and a stronger Euro.

Photocure's own sales in the US and Nordic region increased 6% to NOK 11.1 million in second quarter and 19% for the first half year.

Nordic revenues in second quarter were level with last year, following a very strong growth in first quarter of 40%. Growth is driven by strong customer demand and price increases. A price increase of 8% has been implemented in second quarter in Norway. First half year revenue growth was 15%.

Photocure's in-market unit sales in the Nordic region increased 6% in the first half of the year, however with a slight decline of 2% in second quarter. Sweden, the key growth area in Nordic, is developing positively with high double-digit growth both for the quarter and year to date.

In the US, second quarter revenue increased 30% compared to last year, driven by unit growth as well as price increases and a stronger US dollar. Year to date revenue increased 33%. Unit sales increased 17% in the quarter and 15% year to date.

As anticipated, the number of 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 second quarter there were 47 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 recently 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. The bill has gained broad bi-partisan support. The bill, if enacted by Congress, will provide separate payment to hospitals for Cysview.

End user unit sales by Ipsen increased 8% in second quarter, driven by double digit growth in France, UK and Austria. Year to date end user unit sales growth was at 14%.

Partner revenue increased 22% in the quarter and 25% year to date, driven by the strong customer demand and replenishment of supply to partner as well as foreign currency exchange rate impact.

Updated expert recommendations on the clinical and cost effectiveness of Hexvix have been published in *European Urology*. The European expert panel, comprised of leading urologists across Europe, has reviewed the most recent evidence on both the clinical benefits and cost effectiveness on the use of Hexvix blue-light cystoscopy in the diagnosis and follow up of non-muscle-invasive bladder cancer (NMIBC). The panel concluded that Hexvix blue-light cystoscopy is a clinically effective and cost-effective tool for improving NMIBC detection and management, thereby reducing the burden of disease for patients and costs to the healthcare system. The group recommends Hexvix blue-light cystoscopy for all patients with non–muscle-invasive bladder cancer to improve initial resection and to identify previously missed or recurrent tumors at follow-up resections, especially in high-risk patients. Hexvix blue-light cystoscopy used at initial resection reduces costs and improves quality-adjusted life-years compared with a resection under white-light cystoscopy.

Revenues from Hexvix/Cysview

Figures in NOK million	2Q 2014	2Q 2013	*Change*	1H 2014	1H 2013	FY 2013
Total own sales	11.1	10.4	*6 %*	20.0	16.8	38.1
Revenues from partners	12.8	10.5	*22 %*	23.2	18.6	39.8
Total revenue	**23.8**	**20.9**	***14 %***	**43.2**	**35.4**	**77.9**

Hexvix/Cysview (hexaminolevulinate hydro-chloride) 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 a high incidence tumor type, and 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 15,580 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
Visonac®	Treatment of moderate to severe acne	Phase 3 ready
Cevira®	Treatment of HPV associated diseases of the cervix including precancerous lesions	Phase 3 preparation
Lumacan®	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. During the first half of the year Photocure has been in 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[1].

Visonac successfully completed a phase 2b study in 2012 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). The new data obtained from the re-evaluation do not allow for a direct comparison to the prospective data in CIN2 patients. However, the retrospective analyses in patients with HSIL applying new metrics showed that Cevira provided the same improvement rate (50-55%) compared to placebo as was obtained in previous prospective phase 2b results in CIN2 patients. The re-analysis has showed encouraging results, however the Company is dependent on the outcome of the discussions with the FDA on the further 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. ("Cosmo"), under which Salix will combine with Cosmo Technologies Limited, a subsidiary of Cosmo, Photocure and Salix have agreed to terminate the global licensing agreement for Lumacan®. Photocure will receive a payment of USD 5 million from Salix and will regain the global rights, all technical data and all intellectual property to Lumacan

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

Photocure entered into a development and commercialization agreement with Salix in 2010, granting Salix an exclusive global license for Lumacan.

Photocure will over the next months evaluate options to secure the further development and optimize value 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 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 second quarter as well as year to date has been positive with growth in revenues combined with reduced operating costs.

Total revenues in second quarter were NOK 25.5 million, an increase of 14% from second quarter 2013.

In second quarter the in-market unit sales of Hexvix/Cysview increased 6% compared to the corresponding period in 2013. Total Hexvix/Cysview sales revenues for the quarter were NOK 23.8 million, an increase of 14% from NOK 20.9 million in second quarter 2013. Year to date in-market unit growth was 13% and growth in sales revenues were 22%. Year to date sales revenues are positively impacted by change in exchange rates of approximately 8%.

Second quarter operating costs are below previous three quarters and are 15% below operating costs in second quarter 2013. Total operating costs net of other income amounted to NOK 29.1 million (NOK 34.3 million) in second quarter. Year to date operating costs were at NOK 62.0 million, a reduction of 14% from first half of 2013.

MNOK	YTD '14	YTD '13	Change
Research & Development	16,0	15,7	2 %
Sales & Marketing	27,6	38,2	-28 %
Other Opex	18,5	18,4	0 %
Operating expenses	**62,0**	**72,3**	**-14 %**

Research and development (R&D) costs were NOK 7.3 million (NOK 6.5 million), an increase of 11% compared to the second quarter 2013. 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 16.0 million, compared to NOK 15.7 million last year.

Marketing and sales costs decreased by 30% to NOK 13.5 million (NOK 19.2 million) in second quarter compared to last year. Year to date spending was NOK 27.6 million, a reduction of 28% from 2013 (NOK 38.2 million). The 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 loss reduced 59% to NOK 5.7 million in second quarter. This is an improvement of NOK 8.3 million in Q2 2013 excluding last year's restructuring costs. This was driven by a combination of increased Hexvix/Cysview revenues and a decrease in operating costs. Year to date operating loss was NOK 19.4 million compared to loss of NOK 37.6 million in 2013 before restructuring spending.

Net financial items were NOK 1.5 million (NOK 3.0 million) in second quarter and NOK 2.2 million (NOK 5.2 million) year to date.

Photocure recorded a net loss from continued operations of NOK 4.2 million for the quarter, an improvement of NOK 10.9 million from last year (loss of NOK 15.1 million). Year to date improvement from last year is NOK 19.3 million to a loss of NOK 17.2 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 41.5 million at 30 June 2014, resulting in a positive market value adjustment of NOK 8.9 million year to date.

Cash and cash equivalents were NOK 141 million at 30 June 2014 compared to 167 million at 31 December 2013. The net outflow is driven by

negative operating result as well as increase in net working capital.

Shareholders' equity was NOK 262 million at 30 June 2014, an equity ratio of 92%. At the end of 2013, shareholders' equity was NOK 269 million (89%).

As of 30 June 2014, Photocure held 72,976 own shares.

Post-closing events

Following the proposed merger agreement between Salix and Cosmo Pharmaceuticals S.p.A. ("Cosmo"), under which Salix will combine with Cosmo Technologies Limited, a subsidiary of Cosmo, Photocure and Salix have agreed to terminate the global licensing agreement for Lumacan®. Photocure will receive a payment of USD 5 million from Salix and will regain the global rights and all intellectual property to Lumacan

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 in 2014 is to increase sales of Hexvix/Cysview and to establish strategic partnerships for products in the pipeline.

Key to driving the 2014 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 alignment 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 140-150 million, including the termination fee from Salix and excluding any milestone payments.

Responsibility Statement

We confirm that, to the best of our knowledge, the unaudited condensed set of financial statements for the first half year of 2014 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 2014 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, 25 August 2014

Bente-Lill B Romøren Chairman	Synne H. Røine	Mats Pettersson
Xavier Yon		Kjetil Hestdal President and CEO

Photocure Group – Accounts for second quarter and the first half year 2014

Photocure Group – Statement of comprehensive income

(all amounts in NOK 1 000 except per share data)	Note	2014 2Q	2013 2Q	2014 1.1-30.06	2013 1.1-30.06	2013 1.1-31.12
Sales revenues		24 376	21 401	43 887	36 049	79 307
Signing fee and milestone revenues		1 132	1 050	2 284	2 075	4 309
Total revenues		**25 508**	**22 451**	**46 171**	**38 124**	**83 616**
Cost of goods sold		-2 027	-2 096	-3 565	-3 441	-6 829
Gross profit		**23 481**	**20 355**	**42 606**	**34 683**	**76 787**
Other income		17	353	17	629	1 591
Indirect manufacturing expenses	2	-1 633	-1 747	-3 531	-3 879	-7 751
Research and development expenses	2	-7 288	-6 545	-16 018	-15 684	-33 976
Marketing and sales expenses	2	-13 458	-19 209	-27 555	-38 196	-68 418
Business development and administrative exp.	2	-6 788	-7 156	-14 937	-15 150	-40 079
Operating profit/loss(-) recurring		**-5 669**	**-13 949**	**-19 418**	**-37 597**	**-71 846**
Restructuring costs	3	-	-4 078	-	-4 078	-3 694
Operating profit/loss(-) incl. non-recurring		**-5 669**	**-18 027**	**-19 418**	**-41 675**	**-75 540**
Financial income		1 679	2 893	3 072	5 445	10 119
Financial expenses		-216	66	-903	-269	-1 431
Net financial profit/loss(-)		**1 463**	**2 959**	**2 169**	**5 176**	**8 688**
Profit/loss(-) before tax		**-4 206**	**-15 068**	**-17 249**	**-36 499**	**-66 852**
Tax expenses		-	-	-	-	8 204
Net profit/loss(-) continued operations		**-4 206**	**-15 068**	**-17 249**	**-36 499**	**-58 648**
Discontinued operations	3	-	-121	-	-104	-302
Net profit/loss(-)		**-4 206**	**-15 189**	**-17 249**	**-36 603**	**-58 950**
Other comprehensive income	4	-7 012	-1 050	8 818	-14 996	-14 015
Total comprehensive income		**-11 218**	**-16 239**	**-8 431**	**-51 599**	**-72 966**
Net profit/loss(-) per share, undiluted	5	-0,20	-0,72	-0,81	-1,73	-2,78
Net profit/loss(-) per share, diluted	5	-0,20	-0,72	-0,81	-1,73	-2,78

Photocure Group – Balance sheet

(Amounts in NOK 1 000)	Note	30.06.2014	30.06.2013	31.12.2013
Non-currrent assets				
Machinery & equipment		3 293	4 044	3 681
Other investments	6, 7	63 106	47 764	51 969
Deferred tax asset		49 109	40 840	49 109
Total non-current assets		**115 508**	**92 648**	**104 759**
Current assets				
Inventory		11 867	10 871	12 624
Receivables		15 893	16 834	17 085
Cash & cash equivalents	7	140 743	198 503	167 258
Total current assets		**168 503**	**226 208**	**196 967**
Total assets		**284 011**	**318 856**	**301 726**
Equity and liabilities				
Equity				
Share capital	8	10 697	10 697	10 697
Other paid-in capital		36 046	73 755	34 777
Retained earnings		215 212	202 421	223 649
Shareholders' equity		**261 955**	**286 873**	**269 123**
Long-term liabilities				
Other non-current liabilities		2 658	1 989	2 296
Total long-term liabilities		**2 658**	**1 989**	**2 296**
Current liabilities		19 398	29 994	30 307
Total liabilities		**22 056**	**31 983**	**32 603**
Total equity and liabilities		**284 011**	**318 856**	**301 726**

Photocure Group – Changes in equity

(Amounts in NOK 1 000)	2014 2Q	2013 2Q	2014 1.1-30.06	2013 1.1-30.06	2013 1.1-31.12
Equity at beginning of period	**272 922**	**344 898**	**269 123**	**380 268**	**380 268**
Treasury shares, net change	-	302	-	-271	2 125
Share-based compensation (share options employees)	251	394	1 263	956	2 177
Dividend	-	-42 481	-	-42 481	-42 481
Comprehensive income	-11 218	-16 239	-8 431	-51 599	-72 966
Equity at end of period	**261 955**	**286 873**	**261 955**	**286 873**	**269 123**

Photocure Group – Cash flow Statement

(Amounts in NOK 1 000)	2014 2Q	2013 2Q	2014 1.1-30.06	2013 1.1-30.06	2013 1.1-31.12
Profit/loss(-) before tax	-4 206	-15 189	-17 249	-36 603	-67 154
Depreciation and amortisation	363	349	736	708	1 460
Share-based compensation	251	394	1 263	956	2 176
Net interests	-1 415	-2 324	-2 303	-4 324	-7 362
Changes in working capital	-1 872	-5 463	-7 503	-8 821	-7 000
Other operational items	-2 915	-15 283	-3 401	-16 144	-21 842
Net cash flow from operations	**-9 795**	**-37 516**	**-28 457**	**-64 227**	**-99 722**
Cash flow from investments	816	850	1 942	2 664	4 518
Cash flow from financing activities	-	-42 179	-	-42 752	-40 356
Net change in cash during the period	**-8 979**	**-78 845**	**-26 515**	**-104 315**	**-135 560**
Cash & cash equivalents at beginning of period	149 723	277 348	167 258	302 819	302 819
Cash & cash equivalents at end of period	**140 743**	**198 503**	**140 743**	**198 503**	**167 258**

Photocure Group – Segment information

Q2 2014	Cancer				Dermatology			Total
(Amounts in NOK 1 000)	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
Sales Revenues	11 070	12 759	-	23 829	547	-	547	24 376
Milestone revenues	-	-	-	-	1 132	-	1 132	1 132
Cost of goods sold	-521	-1 506	-	-2 027	-	-	-	-2 027
Gross profit	**10 548**	**11 253**	**-**	**21 801**	**1 680**	**-**	**1 680**	**23 481**
Gross profit of sales %	95 %	88 %		91 %				92 %
Operating expenses	-14 470	-3 537	-9 302	-27 309	-196	-1 645	-1 840	-29 149
Operating profit/loss (-) recurring	**-3 922**	**7 716**	**-9 302**	**-5 508**	**1 484**	**-1 645**	**-161**	**-5 669**

Q2 2013	Cancer				Dermatology			Total
(Amounts in NOK 1 000)	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
Sales Revenues	10 430	10 970	-	21 400	-	-	-	21 400
Milestone revenues	-	-	-	-	1 050	-	1 050	1 050
Cost of goods sold	-528	-1 568	-	-2 096	-	-	-	-2 096
Gross profit	**9 902**	**9 402**	**-**	**19 304**	**1 050**	**-**	**1 050**	**20 355**
Gross profit of sales %	95 %	86 %		90 %				90 %
Operating expenses	-15 919	-7 834	-8 025	-31 779	-337	-2 188	-2 525	-34 304
Operating profit/loss (-) recurring	**-6 017**	**1 568**	**-8 025**	**-12 474**	**714**	**-2 188**	**-1 475**	**-13 949**

1 Jan - 30 June 2014	Cancer				Dermatology			Total
(Amounts in NOK 1 000)	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
Sales Revenues	19 976	23 186	-	43 163	724	-	724	43 887
Milestone revenues	-	-	-	-	2 284	-	2 284	2 284
Cost of goods sold	-1 036	-2 529	-	-3 565	-	-	-	-3 565
Gross profit	**18 940**	**20 657**	**-**	**39 597**	**3 009**	**-**	**3 009**	**42 606**
Gross profit of sales %	95 %	89 %		92 %				92 %
Operating expenses	-29 190	-7 717	-20 753	-57 660	-412	-3 952	-4 364	-62 024
Operating profit/loss (-) recurring	**-10 249**	**12 940**	**-20 753**	**-18 062**	**2 597**	**-3 952**	**-1 355**	**-19 418**

1 Jan - 30 June 2013	Cancer				Dermatology			Total
(Amounts in NOK 1 000)	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
Sales Revenues	16 825	19 223	-	36 048		-	-	36 048
Milestone revenues	-	-	-	-	2 075	-	2 075	2 075
Cost of goods sold	-909	-2 532	-	-3 441		-	-	-3 441
Gross profit	**15 916**	**16 691**	**-**	**32 607**	**2 075**	**-**	**2 075**	**34 683**
Gross profit of sales %	95 %	87 %		90 %				90 %
Operating expenses	-31 519	-16 185	-18 804	-66 508	-764	-5 007	-5 771	-72 280
Operating profit/loss (-) recurring	**-15 602**	**506**	**-18 804**	**-33 901**	**1 311**	**-5 007**	**-3 696**	**-37 597**

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 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 25 August 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 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.

Note 2 – Income statement classified by nature

(Amounts in NOK 1 000)	2014 2Q	2013 2Q	2014 1.1-30.06	2013 1.1-30.06	2013 1.1-31.12
Sales revenues	24 376	21 401	43 887	36 049	79 307
Signing fees and milestone revenues	1 132	1 050	2 284	2 075	4 309
Cost of goods sold	-2 027	-2 096	-3 565	-3 441	-6 829
Gross profit	**23 481**	**20 355**	**42 606**	**34 683**	**76 787**
Other income	17	353	17	276	1 591
Payroll expenses	-15 002	-16 342	-35 058	-36 629	-73 388
R&D costs excl. payroll expenses/other operating exp.	-4 185	-3 100	-7 723	-6 243	-15 729
Ordinary depreciation and amortisation	-363	-349	-736	-708	-1 460
Other operating expenses	-9 618	-14 866	-18 524	-28 976	-59 647
Total operating revenue and operating expenses	**-29 150**	**-34 304**	**-62 024**	**-72 280**	**-148 633**
Operating result recurring	**-5 669**	**-13 949**	**-19 418**	**-37 597**	**-71 846**

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

(Amounts in NOK 1 000)	2014 2Q	2013 2Q	2014 1.1-30.06	2013 1.1-30.06	2013 1.1-31.12
Market value adjustment PCI Biotech Holding ASA	-6 378	-890	8 900	-15 130	-14 092
Currency translation	-634	-160	-83	134	76
Total other comprehensive income	**-7 012**	**-1 050**	**8 818**	**-14 996**	**-14 015**

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.

Continued operations *(Figures indicate the number of shares)*	06.30.2014	06.30.2013	12.31.2013
Ordinary shares 1 January	21 393 301	21 393 301	21 393 301
Effect of treasury shares	-72 976	-182 072	-152 619
Effect of share options exercised	-	-	-
Weighted average number of shares	21 320 325	**21 211 229**	**21 240 682**
Effect of outstanding share options	20 824	91 992	61 074
Weighted average number of diluted shares	21 341 149	**21 303 221**	**21 301 756**
Earnings per share in NOK	-0,81	-1,72	-2,76
Earnings per share in NOK diluted	-0,81	-1,72	-2,76

Note 6 – Other investments

(Amounts in NOK 1 000)	06.30.2014	06.30.2013	12.31.2013
Market value PCI Biotech Holding ASA	41 533	31 595	32 633
Booked part of remaining settlement from sale of Metvix/Aktilite	21 572	16 169	19 335
Total other investments	**63 106**	**47 764**	**51 969**

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	41 533	-	-	41 533
- Money market funds	120 734	-	-	120 734
Total	**162 267**	**-**	**-**	**162 267**

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 June 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
Treasury shares:			
Holdings of treasury shares at 31 December 2013	**72 976**		**36 488**
Buy-back of treasury shares	-	NOK 0.50	-
Share option exercise	-	NOK 0.50	-
Holdings of treasury shares at 30 June 2014	**72 976**		**36 488**

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

(Figures indicate the number of shares)	**Purchase, treasury shares**	**Ordinary share issue**	**Employee share issues**
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	-	-	-
Remaining under authorisations at 30 June 2014	**2 139 330**	**2 139 330**	**800 000**

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 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 Bellete	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 June 2014, employees in Photocure had the following share option schemes:

Year of allocation	2014	2012/2013	2012	2011	2010
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:

	30.06.2014		31.12.2013	
	No. of shares	Average exercise price (NOK)	No. of shares	Average exercise price (NOK)
Outstanding at start of year	1 013 637	41	1 050 792	41
Allocated during the year	326 000	27	346 649	39
Become invalid during the year	32 600	39	178 525	42
Exercised during the year	-	-	205 279	29
Expired during the year	-	-	-	-
Outstanding at end of period	1 307 037	38	1 013 637	41
Exercisable options at end of period	990 037	40	680 175	41

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 June 2014:

Shareholder	Account type	Citizen	No of shares	%
RADIUMHOSPITALETS FORSKNINGSSTIFTELSE		NOR	3 029 000	14,16 %
J.P. MORGAN CHASE BANK N.A. LONDON	NOM	GBR	1 957 334	9,15 %
FONDSFINANS SPAR		NOR	1 600 000	7,48 %
KLP AKSJE NORGE VPF		NOR	1 030 000	4,81 %
GEZINA AS		NOR	919 477	4,30 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	890 000	4,16 %
MP PENSJON PK		NOR	700 000	3,27 %
SKAGEN VEKST		NOR	626 466	2,93 %
ODIN NORGE		NOR	512 267	2,39 %
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 %
VERDIPAPIRFONDET DNB SMB		NOR	375 000	1,75 %
DANSKE INVEST NORSKE AKSJER INST		NOR	360 714	1,69 %
VICAMA AS		NOR	345 384	1,61 %
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 %
FONDSFINANS FARMASI		NOR	218 000	1,02 %
ARENDALS FOSSEKOMPANI		NOR	200 000	0,93 %
Total 20 largest shareholders			14 816 067	69,26 %
Total other shareholders			6 577 234	30,74 %
Total number of shares			21 393 301	100,00 %

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