

# Photocure ASA

## Executing the Strategy

RESULTS OF THE SECOND QUARTER  
AND FIRST HALF 2012

24 AUGUST 2012

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# Highlights Second Quarter 2012

## Building a Specialty Pharma Company

### Operational

- Hexvix<sup>®</sup>/Cysview<sup>®</sup> delivering growth across geographies
  - Approval of upgraded blue light cystoscope in May enables US market access
  - Study published in the prestigious *Journal of Urology* demonstrates significant improvement in bladder cancer recurrence free survival
  - Photocure's sales from dedicated commercial operations in the Nordic region and the US increased 29% in 2Q 2012
- Achieved final transition milestone from Ipsen under strategic collaboration for Hexvix, bringing total up-fronts and milestones to EUR 6.5 million
- Positive results of phase 2b trial of Visonac<sup>®</sup> for treating acne laying the foundation for global phase 3 registration program

### Financial

- Total revenues increased 63% to NOK 31.5 million in 2Q 2012, and 63% to NOK 65.7 million for 1H 2012
- Operating performance continues to improve with net loss of NOK 13.9 million in 2Q 2012, NOK 25.5 million for 1H 2012
- 3. Solid cash position with cash and cash equivalents of NOK 297.5 million



# Commercial Operations Update

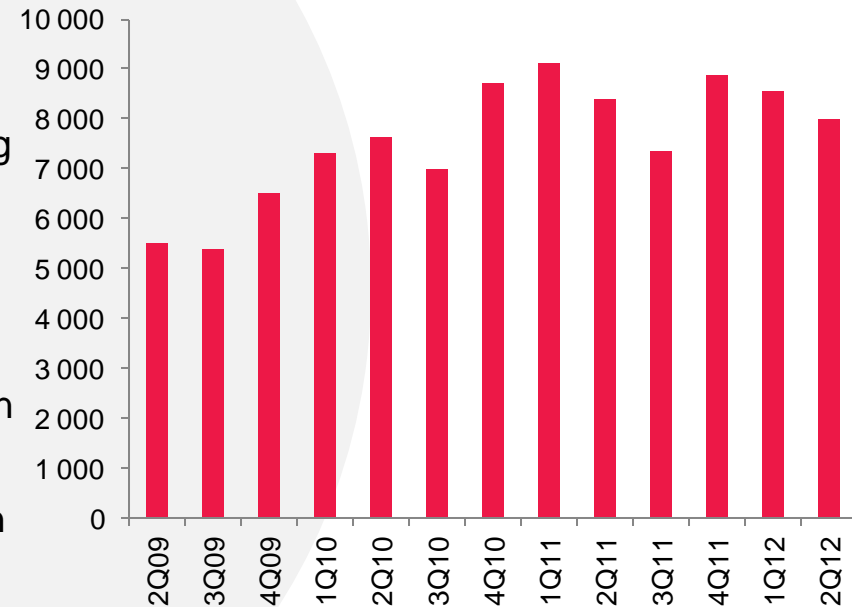


# Hexvix<sup>®</sup>/Cysview<sup>®</sup>

## Strategic Collaboration with Ipsen

- Strategic partnership progressing well
- EUR 6.5 million in up-fronts and milestones achieved to date
  - Final milestone, EUR 1.5 million received following approval to manufacture at Patheon, Italy
- Commercial transition to Ipsen progressing according to plan
  - MAA transfers complete across all major European markets by end of 2Q 2012
  - Staffed, trained, mobilized across major markets in 3Q 2012
- 2Q 2012 sales impacted by expired import license
  - Renewed in early July
  - 9% sales growth on adjusted basis in 2Q 2012

Hexvix Partner Unit Sales Per Quarter

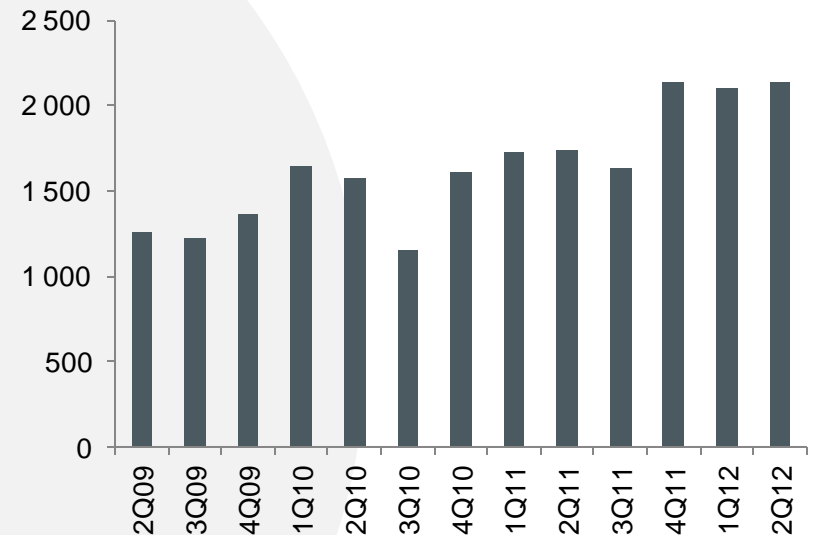


# Hexvix<sup>®</sup>/Cysview<sup>®</sup>

## Nordic and US Commercial Operations

- Sales growth driven by Photocure's dedicated commercial operations in US and Nordic regions increased 29% in 2Q 2012
- Sales growth from US and Nordic regions increased 19% in 1H 2012
- Approval of KSEA upgraded blue light cystoscope expands market access in US
  - +5 placements achieved in 2Q 2012
  - Targeting 40-50 total IB by end of 2012
- US Commercial Operation fully staffed
  - 11 Strategic Accounts Managers
  - 3 Medical Science Liaisons

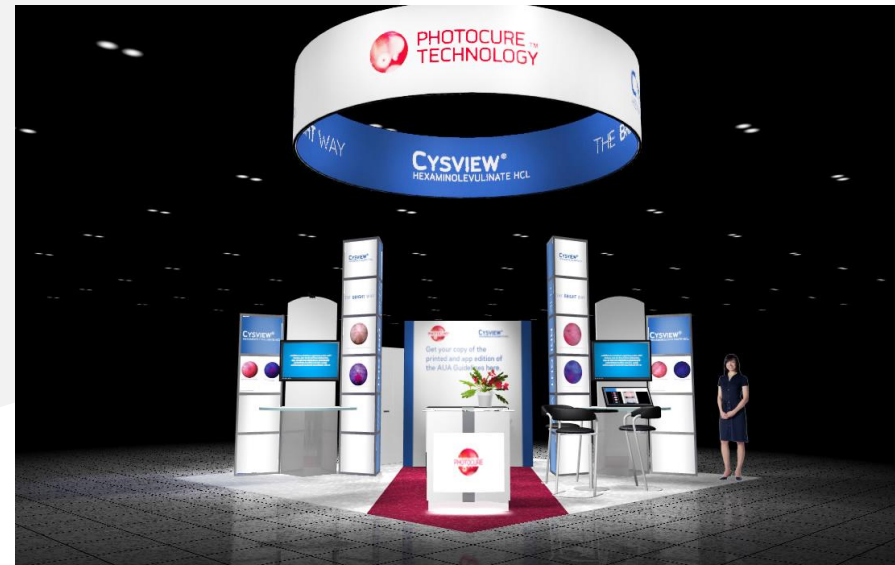
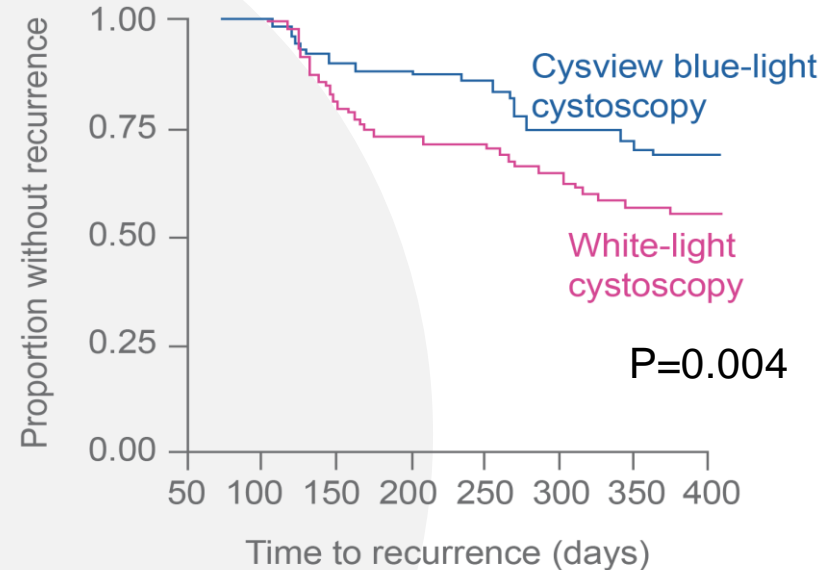
Own Hexvix/Cysview Unit Sales Per Quarter



# Hexvix<sup>®</sup>/Cysview<sup>®</sup>

## Nordic and US Commercial Operations

- Long term follow up study in 551 patients published in *Journal of Urology*
  - Statistically significant improvement in bladder cancer recurrence-free-survival
  - Trend towards bladder preservation
- Successful introduction to key target audience at American Urology Association Annual Meeting
  - Exhibited side by side with KSEA
  - High level of interest in Cysview



# Allumera®

## US Commercial Operation

- New customer generation encouraging
  - >70 new customers generated first half 2012, with 170 customers by 2Q 2012
- Reorder rate, ~30%, indicative of increased customer satisfaction
- Telemarketing initiative supplementing field force for broader targeting
- Revenues in 2Q 2012 were impacted by start of summer slowdown in dermatology procedures
  - 2Q 2012 revenues NOK 0.9 million
  - 1H 2012 revenues NOK 2.2 million
- Initiatives to drive sales through focus on increasing consumer awareness through practice promotional tools and establishing benefit from IPL consumer trial








# Pipeline Update



# Creating Value

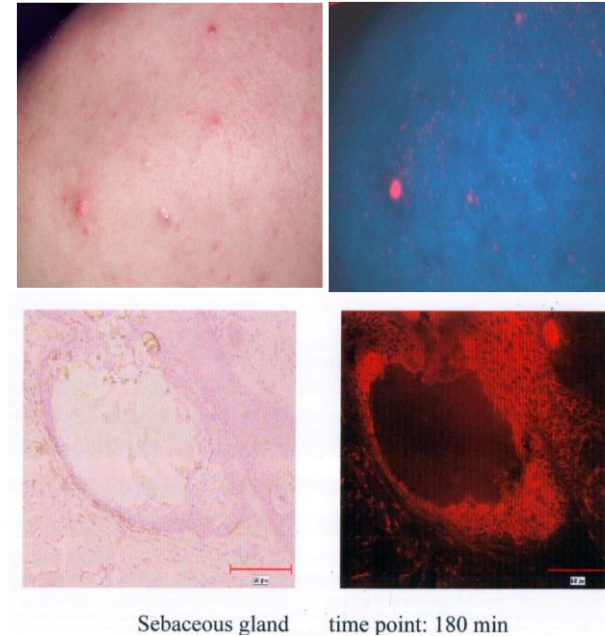
## Diverse Product Portfolio

	Technology	Indication	Phase 1	Phase 2	Phase 3	Status
<b>Cevira®</b>	<b>PDT</b>	Treatment of precursors of cervical cancer				<ul style="list-style-type: none"> <li>• Phase 2b results to be reported in 4Q 2012</li> <li>• Commercialization through partners</li> <li>• Significant interest from potential partners</li> </ul>
<b>Lumacan®</b>	<b>PDD</b>	Detection of colorectal cancer				<ul style="list-style-type: none"> <li>• Formulation prototypes in the clinic in 2012</li> <li>• First development milestone expected in 2013</li> <li>• Worldwide license with Salix</li> </ul>
<b>Visonac®</b>	<b>PDT</b>	Treatment of moderate to severe acne				<ul style="list-style-type: none"> <li>• Positive Phase 2b results; Phase 3 starts 1Q 2013</li> <li>• Commercialization through own operations in US. Partner for ROW</li> </ul>

# Visonac<sup>®</sup>

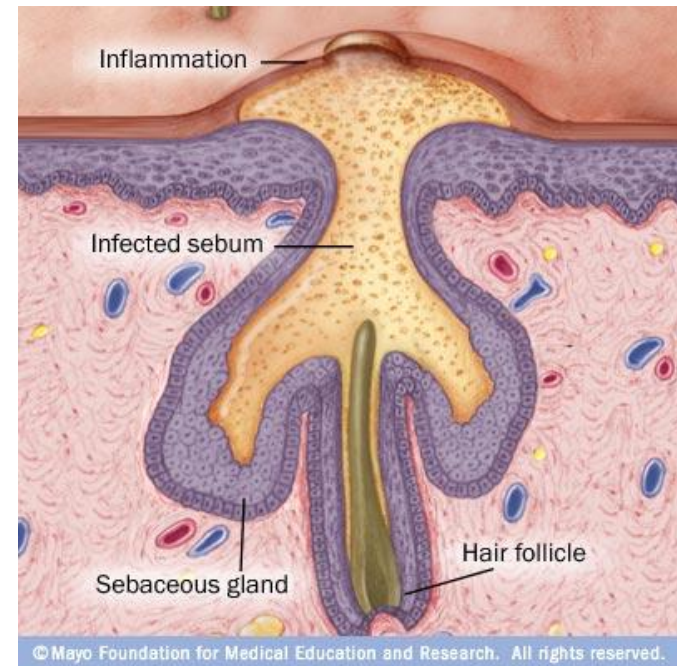
## Successful Clinical Trial Results

- Visonac<sup>®</sup> (methyl aminolevulinate) is a key late stage asset within the Photocure pipeline
- Red light selected as optimal wavelength to adequately penetrate sebaceous glands
- Dual mechanism of action – kills *P. acnes* and decreases sebum production
- Prior to phase 2b, clinical experience gained in >400 patients
- Lays the foundation for the global Phase 3 registration program to begin 2013



# Acne – The Disease

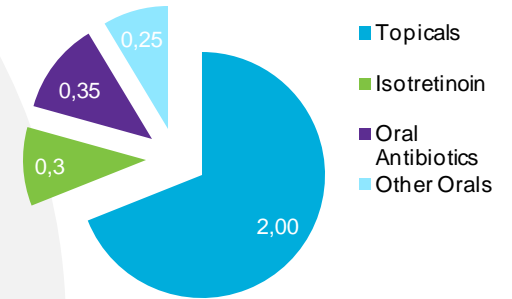
- Acne is a high prevalence disease
  - 120 million patients afflicted in US and top 5 EU markets
  - Impacts 80-90% of young people
    - Continues through age 20-40
  - 95% of patients seek medical advice
- Clinical studies demonstrate that acne has a greater impact on emotional state and social function than other serious diseases (e.g. asthma, epilepsy)
- Mild acne is dominated by non-inflammatory lesions
- Moderate and severe acne are dominated by inflammatory lesions and can lead to scarring



# High Unmet Need in Acne

- High unmet need in the segment of moderate to severe acne
  - Current mainstay of therapy are oral, systemic antibiotics, retinoids, combinations
  - Value of this segment ~USD 900 million globally
    - Most widely prescribed Rx in the US dermatology market both in \$ and # of scripts is Solodyn (Medicis)
      - Indicated to treat inflammatory lesions of non-nodular moderate to severe acne
- Shortfalls of existing therapies
  - Development of antimicrobial resistance
  - Lack of sustainable responses
  - Risk of severe toxicities
    - Risk of severe toxicities including teratogenicity, ocular and gastro-intestinal
    - Restrictions on prescribing of isotretinoin (iPledge)

Sales, Billions



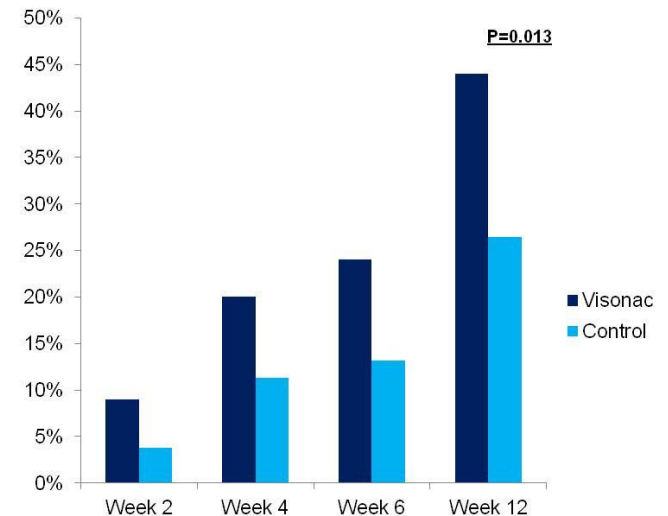
# Visonac<sup>®</sup>

## Summary of Clinical Trial Results

- Visonac phase 2b results demonstrated significant efficacy versus control
  - Statistically significant reduction in inflammatory lesions (primary end point)
  - Statistically significant higher treatment success rate as defined by reduction in acne severity grade
  - Non-inflammatory lesions were reduced in both arms of the study
- Visonac treatment was well tolerated
  - Adverse events were predominately local pain and erythema
  - No serious or systemic adverse events were reported
- This study supports the continued development of Visonac in a patient population of moderate to severe acne in which there is a high unmet medical need



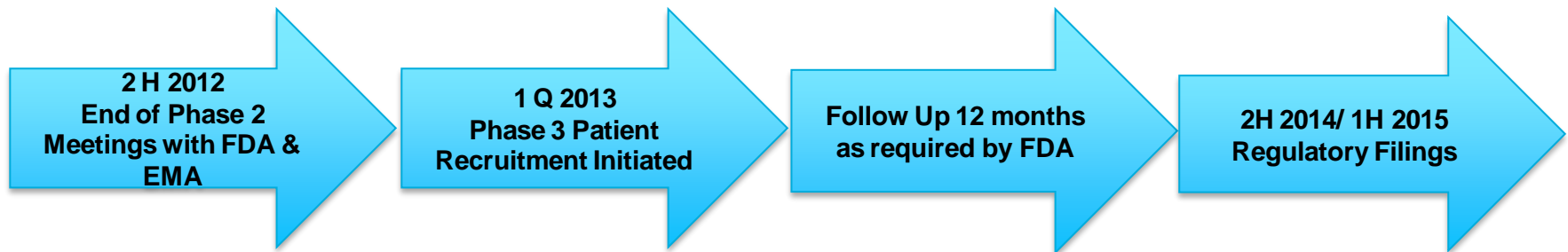
Percentage of patients with reduced acne severity



# Visonac<sup>®</sup>

## Phase 3 Global Development Plan

- Photocure will complete development and registration for both US and EU, leveraging its expertise with previous drug-device approvals
- Continue discussions with regulatory authorities to finalize phase 3 study design
  - Number of subjects, duration of follow up, others



- Estimated market entry 2015/2016

# Financials





# Profit & Loss

## Second quarter and first half year 2012

<i>Figures in NOK million</i>	2Q 2012	2Q 2011	Change	1H 2012	1H 2011	Full year 2011
Sales revenues	17.3	16.6	4%	37.4	34.5	71.5
Signing fee & milestone revenues	14.2	2.7	432%	28.2	5.7	44.0
<b>Total revenues</b>	<b>31.5</b>	<b>19.3</b>	<b>63%</b>	<b>65.7</b>	<b>40.2</b>	<b>115.6</b>
<b>Gross profit</b>	<b>28.8</b>	<b>17.0</b>	<b>69%</b>	<b>60.9</b>	<b>33.7</b>	<b>104.5</b>
Research and development expenses	9.7	18.2	-47%	23.7	31.2	66.2
Sales and marketing expenses	23.2	10.9	112%	42.2	21.6	50.2
<b>Operating result (EBIT)</b>	<b>-15.2</b>	<b>-20.8</b>		<b>-29.7</b>	<b>-38.3</b>	<b>-57.4</b>
<b>Net profit/loss</b>	<b>-13.9</b>	<b>-18.5</b>		<b>-25.5</b>	<b>-34.4</b>	<b>-7.5</b>
Earnings per share, diluted (NOK)	-0.65	-0.86		-1.19	-1.59	-0.35

- Total revenues up 63% to NOK 31.5 million in 2Q 2012 - includes milestone revenues of NOK 14.2 million. Total revenues for 1H 2012 were NOK 65.7 million, also an increase of 63%
- Sales revenues increased 4% to NOK 17.3 million in 2Q 2012. Sales revenues for 1H 2012 increased 8% totaling NOK 37.4 million
- R&D expenses in 2Q 2012 totaled NOK 9.7 million and NOK 23.7 million for 1H 2012. Main R&D activities were ongoing phase 2b studies in EU/USA for Cevira and Visonac
- S&M expenses increased to NOK 23.2 million in 2Q 2012 and to NOK 42.2 million 1H 2012, an increase of 95%, driven by increased commercial activities in both cancer and dermatology in US as well as supporting Ipsen in commercial activities for Hexvix in EU
- Operating loss down from NOK 20.8 million to NOK 15.2 million in 2Q 2012 and an operating loss of NOK 29.7 million for 1H 2012

# Balance Sheet

## Per 30 June 2012

<i>(Amounts in NOK 1 000)</i>	Note	30.06.2012	30.06.2011	31.12.2011
<b>Non-current assets</b>				
Machinery & equipment		4 365	3 546	4 414
Other investments	6	82 537	91 725	83 337
Deferred tax asset		39 950	0	39 950
<b>Total non-current assets</b>		<b>126 852</b>	<b>95 271</b>	<b>127 700</b>
<b>Current assets</b>				
Inventory		13 251	13 653	11 790
Receivables		17 045	17 145	14 518
Cash & cash equivalents		297 517	348 957	355 175
<b>Total current assets</b>		<b>327 813</b>	<b>379 755</b>	<b>381 483</b>
<b>Total assets</b>		<b>454 665</b>	<b>475 026</b>	<b>509 183</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	7	10 697	11 047	10 697
Other paid-in capital		70 899	69 257	72 771
Retained earnings		325 792	344 192	355 869
<b>Shareholders' equity</b>		<b>407 388</b>	<b>424 496</b>	<b>439 337</b>
<b>Long-term liabilities</b>				
Other non-current liabilities		1 310	877	1 196
<b>Total long-term liabilities</b>		<b>1 310</b>	<b>877</b>	<b>1 196</b>
Current liabilities		45 967	49 654	68 650
<b>Total liabilities</b>		<b>47 277</b>	<b>50 531</b>	<b>69 846</b>
<b>Total equity and liabilities</b>		<b>454 665</b>	<b>475 026</b>	<b>509 183</b>

- NOK 297.5 million in cash & cash equivalents on 30 June 2012
- Other investments includes NOK 51.9 million in shares in PCI Biotech
- The deferred tax asset was recognized in 4Q 2011
- Shareholder's equity of NOK 407.4 million
- Photocure held 127.896 own shares at end of 2Q and total shares outstanding is 21,393,301
- Equity ratio of 89.6%
- No interest bearing debt

# Cash Flow

## Second Quarter 2012

	2012	2011	2012	2011	2011
<i>(Amounts in NOK 1 000)</i>	2Q	2Q	1.1-30.6	1.1-30.6	Full year
Profit/loss(-) before tax	-13 863	-18 497	-25 519	-34 428	-47 462
Depreciation and amortisation	411	299	752	570	1 134
Share-based compensation	2 109	1 916	3 837	3 992	6 882
Net interests	-1 616	-1 984	-4 362	-4 063	-10 753
Changes in working capital	-8 666	7 240	-10 244	2 968	16 505
Other operational items	-7 702	-2 733	-22 043	-5 517	-772
<b>Net cash flow from operations</b>	<b>-29 326</b>	<b>-13 759</b>	<b>-57 579</b>	<b>-36 478</b>	<b>-34 466</b>
Cash flow from investments	2 033	2 201	4 539	3 171	7 048
Cash flow from capital transactions	-1 250	-1 470	-4 617	-6 977	-6 648
<b>Net change in cash during the period</b>	<b>-28 543</b>	<b>-13 028</b>	<b>-57 657</b>	<b>-40 284</b>	<b>-34 067</b>
Cash & cash equivalents at beginning of period	326 060	361 985	355 174	389 241	389 241
<b>Cash &amp; cash equivalents at end of period</b>	<b>297 517</b>	<b>348 957</b>	<b>297 517</b>	<b>348 957</b>	<b>355 174</b>

- Net change in cash from operations of NOK -29.3 million in 2Q 2012 and NOK 57.7 million for 1H 2012
- Reduction in working capital due to reduction in accounts payable and payment of vacation allowance in June
- Cash and cash equivalents on 30 June 2012 were NOK 297.5 million

# Segment Information

## Second Quarter 2012

- Cancer Own sales includes revenues from Hexvix/Cysview in Nordic and USA
- Milestone revenue of NOK 11.3 million from Ipsen and NOK 2.9 million in deferred milestone revenues from the Galderma deal
- Operating expenses increased by 17% mainly due to increased commercial activities for Hexvix together with Ipsen and the new commercial activities for cancer and dermatology in the US

Q2.2012 <i>(Amounts in NOK 1 000)</i>	Cancer				Dermatology				Total
	Own sales	Partner	R&D	Sum	Own sales	Partner	R&D	Sum	
Sales Revenues	7 224	9 181	-	16 405	940	-89	-	851	17 256
Milestone revenues	-	11 331	-	11 331	-	2 866	-	2 866	14 197
Cost of goods sold	-856	-1 740	-	-2 596	-75	-	-	-75	-2 671
<b>Gross profit</b>	<b>6 368</b>	<b>18 772</b>	<b>-</b>	<b>25 140</b>	<b>865</b>	<b>2 777</b>	<b>-</b>	<b>3 642</b>	<b>28 782</b>
Gross profit of sales %	88 %	81 %		84 %	92 %	100 %		91 %	85 %
Operating expenses	-11 944	-8 653	-9 094	-29 691	-7 845	-30	-6 455	-14 331	-44 020
<b>Operating profit/loss (-)</b>	<b>-5 576</b>	<b>10 120</b>	<b>-9 094</b>	<b>-4 551</b>	<b>-6 980</b>	<b>2 746</b>	<b>-6 455</b>	<b>-10 689</b>	<b>-15 238</b>
Net finance									1 375
<b>Profit/loss (-) before tax</b>									<b>-13 863</b>

Q2.2011 <i>(Amounts in NOK 1 000)</i>	Cancer				Dermatology				Total
	Own sales	Partner	R&D	Sum	Own sales	Partner	R&D	Sum	
Sales Revenues	5 557	10 556	-	16 113	64	419	-	483	16 596
Milestone revenues	-	-	-	-	-	2 669	-	2 669	2 669
Cost of goods sold	-290	-1 921	-	-2 211	-11	-23	-	-34	-2 246
<b>Gross profit</b>	<b>5 267</b>	<b>8 635</b>	<b>-</b>	<b>13 902</b>	<b>53</b>	<b>3 065</b>	<b>-</b>	<b>3 118</b>	<b>17 019</b>
Gross profit of sales %	95 %	82 %		86 %	82 %	95 %		93 %	86 %
Operating expenses	-4 633	-2 976	-11 139	-18 748	-7 687	-29	-11 313	-19 029	-37 778
<b>Operating profit/loss (-)</b>	<b>634</b>	<b>5 659</b>	<b>-11 139</b>	<b>-4 846</b>	<b>-7 635</b>	<b>3 037</b>	<b>-11 313</b>	<b>-15 911</b>	<b>-20 758</b>
Net finance									2 261
<b>Profit/loss (-) before tax</b>									<b>-18 497</b>

# Summary and Outlook



# Executing Our Strategy

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

## Key Achievements 2Q 2012:

- ✓ Upgraded KSEA blue light cystoscopy approval in May allows for market expansion of Cysview in US
- ✓ Ipsen commercialization proceeding well as transfer of MAAs complete
- ✓ Third manufacturing transition milestone received from Ipsen, total up-fronts and milestones achieved to date EUR 6.5 million
- ✓ Positive phase 2b results on Visonac lay foundation for global registration phase 3 program
- ✓ Solid financial performance for the quarter

# Key Milestones 2012



2012

## First Half 2012 Highlights

- Successfully launched Cysview in US
- Continued to drive adoption of Allumera in US
- Ipsen secured strong start with Hexvix in EU
- Delivered Hexvix sales growth in US and Nordics
- Positive Visonac Phase 2b clinical trial results

## Second Half 2012 Focus

- Results from Cevira Phase 2b clinical trial available
- Drive growth of Cysview in the US
- Work closely in partnership with Ipsen to increase sales of Hexvix in Europe
- Prepare Visonac start of phase 3 program