



Second Quarter Report 2007

Highlights

- Revenues amounted to NOK 29.1 million (19.5), an increase of 49 %.
- Submitted application (sNDA) for approval of Aktelite in the US.
- Price/reimbursement for Hexvix approved in France and Italy.
- R&D expenses of NOK 31.9 million (10.7). The increased expenses are related to the Hexvix phase III study and the acne phase IIb study/development of a new acne lamp.
- Net loss amounted to NOK -17.3 million (-1.0).
- Liquid assets amounted to NOK 301.9 million at the end of the period.

Hexvix – price/reimbursement in France and Italy

The introduction of Hexvix in Europe is moving forward. Hexvix received price/reimbursement in Italy and France in the second quarter. This triggered milestone payments of Euro 1 million from GE Healthcare.

Sales revenue from Hexvix in the second quarter of 2007 was NOK 3.9 million compared to NOK 0.8 million in the second quarter 2006. Sales revenue from GE Healthcare was NOK 2.6 million in the second quarter 2007, compared to NOK 0.2 million in the second quarter 2006. Sales revenue in the Nordic region was NOK 1.3 million in the second quarter, compared to NOK 0.5 million in the second quarter 2006.

An agreement has been reached with FDA to submit an ongoing multi-center phase III study with app. 750 patients as documentation for regulatory approval. This study investigates detection and recurrence of bladder cancer lesions. Patient recruitment will be completed in 2007. FDA also requires results from 9 months follow-up, which is expected in 2008.

Metvix – Sales revenue increasing 21% compared to the second quarter 2006

Sales revenue from Metvix/Aktelite in the second quarter of 2007 was NOK 13.2 million compared to NOK 10.9 million in the second quarter 2006, an increase of 21%. Sales revenue from Galderma was NOK 8.1 million in the second quarter 2007, an increase of 12% above 2006. Sales revenue in the Nordic region was NOK 5.1 million in the second quarter 2007, an increase of 40% above the second quarter 2006. The increase in the Nordic region is due to price increases and inventory variations.

The application (sNDA) for Aktelite approval in the US was submitted to FDA in June 2007. The application is based on two phase III studies and has a solid scientific documentation. Photocure expect a response from FDA in the second quarter of 2008.

Progress in clinical development programs

Photocure has a strong technology platform with a portfolio of four pipeline projects; acne, cervix, colon and photocemical internalization (PCI). All projects have made progress in the second quarter:



Acne – treatment of moderate to severe acne

The acne project targets development of a novel treatment for moderate to severe acne based on Photocure's patented PDT technology. Photocure's placebo-controlled, multicenter phase IIb study for moderate to severe acne is progressing according to plan with 40 of 210 patients included. The study is scheduled to be completed in the first half of 2008. Development of a new acne lamp is on schedule, and the first prototype was produced in the second quarter.

Cervix – treatment of cervix cancer

The cervix project targets treatment of HPV-virus and precancerous-/cancer lesions in cervix. The first clinical phase I/II study is ongoing with 60 of 74 patients included. Plans have been made to extend the study with 24 patients using a different light dose. The study is scheduled to be completed in 2008. Development of light sources and catheter prototypes are in the initial phase.

Colon – diagnosis of colon cancer

The colon project targets development of an optical agent for diagnosis of colon cancer. It builds on Photocure's extensive knowledge of early detection of bladder cancer. The first clinical dose finding study has included 25 of 30 patients. The initial results from the study were published at a German Endoscopy conference (DGU-BV) showing excellent results with increased detection rate of approximately 30% compared to standard white light colonoscopy. Development of an oral formulation started in the third quarter 2007.

PCI Biotech

PCI is a patented technology that can be used to enhance the effect of drugs by targeted drug delivery. The goal is to develop a proprietary photosensitizer (Amphinex®) for enhancement and site-direction of therapy with anticancer agents. The plan is to start the first clinical study in 2008 to investigate the effects of a combination of Amphinex and a well known cytotoxic drug on head/neck and other cancers. The study will be done at the Radium Hospital, Norway.

Financial position

Total revenue was NOK 29.1 million for the quarter, compared to NOK 19.5 million in the second quarter of 2006. Milestone revenue included Euro 1 million in the second quarter 2007 and Euro 0.5 million in the second quarter 2006 from GE Healthcare related to price/reimbursement of Hexvix.

Sales revenues were NOK 17.1 million in the second quarter, compared to NOK 11.7 million in the second quarter of 2006, an increase of 47 %. The sales increase is due to NOK 3.1 million higher Hexvix sales and NOK 2.3 million higher Metvix/Aktelite sales.

Operating expenses, less contribution from other operating revenues, amounted to NOK 45.0 million in the second quarter 2007, compared to NOK 18.4 million in the second quarter of 2006. The main increase in operating expenses are R&D expenses increasing by NOK 21.2 million and marketing and sales expenses increasing by NOK 4.0 million. The increase in R&D expenses is due to increased activities for Hexvix, acne, cervix and colon. In addition, NOK 6.8 million is explained by regulatory fees. A regulatory payment of NOK 4.1 million was credited in the expenses in the second quarter 2006 after a waiver of the Hexvix NDA fee from FDA. In the second quarter 2007 Photocure made a regulatory payment of NOK 2.7 million for the Aktelite sNDA.

Net loss amounted to NOK -17.3 million compared to a net loss of NOK -1.0 million in the second quarter of 2006.



Total equity for the group was NOK 296.7 million at the end of June 2007 compared to NOK 326.9 million at the end of 2006. Liquid funds amounted to NOK 301.9 million at the end of June 2007, compared to NOK 335.1 million at the end of December 2006. The number of outstanding shares was 22,072,669 at the end of June 2007.

The accounting policies adopted in this report are consistent with those followed in the preparation of the Group's annual financial statements for 2006 and complies with IFRS and IAS 34, except that operating expenses are now reported according to their function, while it prior to 2007 has been reported according to the nature of expenses. The interim accounts below are unaudited.

15 August 2007
The Board of Directors of Photocure ASA

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Profit & Loss (group). All amounts in NOK 1,000 except per share data:

Q2 2007	Q2 2006		2007 1.1-30.06	2006 1.1-30.06	2006 1.1-31.12
17 094	11 653	Sales revenues	36 100	24 938	61 667
12 028	7 843	Signing fee and milestone revenues	15 937	68 382	148 653
29 123	19 496	Total revenues	52 037	93 320	210 320
-4 397	-3 845	Cost of products sold	-10 985	-7 409	-22 251
24 726	15 651	Gross profit	41 052	85 910	188 070
1 669	1 553	Other income	3 364	2 940	5 690
-1 944	-1 507	Indirect manufacturing expenses	-5 640	-3 088	-8 545
-31 903	-10 720	Research and development expenses	-54 547	-26 374	-64 740
-9 295	-5 251	Marketing and sales expenses	-18 061	-10 483	-25 396
-3 535	-2 429	General and administrative expenses	-6 859	-8 930	-16 738
-20 281	-2 703	Operating profit/loss(-)	-40 692	39 976	78 342
3 019	2 782	Financial income	6 272	3 821	11 867
6	-1 037	Financial expenses	-622	-1 785	-5 478
3 024	1 746	Net financial profit/loss(-)	5 651	2 036	6 389
-17 257	-958	Profit/loss(-) before tax	-35 041	42 012	84 730
0	0	Tax expenses	0	0	0
-17 257	-958	Net profit/loss(-)	-35 041	42 012	84 730
-171	-49	Incl. minority interests in the amount of	-322	-121	-352
-0.78	-0.21	Net income/loss(-) per share, basic	-1.59	2.04	3.98
-0.78	-0.20	Net income/loss(-) per share, diluted	-1.58	2.04	3.97

(1) Basic income/loss per share is calculation based on average weighted number of shares outstanding.

(2) Diluted income per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.


Balance Sheet (all amounts in NOK 1,000)

	30.06.2007	30.06.2006	31.12.2006
Non-current assets			
Intangible assets, software	1 581	0	780
Machinery & equipment	2 584	2 879	2 178
Total non-current assets	4 164	2 879	2 958
Current assets			
Inventory	11 478	11 037	9 784
Receivables	27 025	29 110	27 595
Cash & cash equivalents	301 890	282 864	335 085
Total current assets	340 392	323 011	372 464
Total assets	344 557	325 890	375 423
Equity and liabilities			
Equity			
Paid-in capital	260 901	259 422	259 619
Other paid-in capital	8 575	5 793	6 821
Retained earnings	27 174	18 568	60 495
Shareholders' equity	296 650	283 782	326 935
Minority interest	0	0	0
Total equity	296 650	283 782	326 935
Liabilities			
Long-term liabilities			
Other non-current liabilities	0	9 120	1 303
Total long-term liabilities	0	9 120	1 303
Current liabilities	47 907	32 988	47 185
Total liabilities	47 907	42 108	48 488
Total equity and liabilities	344 557	325 890	375 423

Changes in equity (all amounts in NOK 1,000)

Q2 2007	Q2 2006		2007 1.1-30.06	2006 1.1-30.06	2006 1.1-31.12
311 310	284 246	Equity at beginning of period	326 935	48 465	48 465
0	0	Share issue, employees	1 282	1 669	1 867
1 720	-20	Share issue	1 720	190 608	190 608
877	514	Share-based compensation	1 754	1 028	2 057
0	0	Investment in PCI Biotech	0	0	-792
-17 257	-958	Net income/loss(-) for the period	-35 041	42 012	84 730
296 650	283 782	Equity at end of period	296 650	283 782	326 935

Cash Flow Statement (all amounts in NOK 1,000)

Q2 2007	Q2 2006		2007 1.1-30.06	2006 1.1-30.06	2006 1.1-31.12
-17 257	-958	Income/loss(-) before tax	-35 041	42 012	84 730
-244	-14 553	Other operational items	-4 362	-25 351	-18 359
-17 501	-15 510	Net cash flow from operations	-39 403	16 661	66 371
2 567	1 625	Cash flow from investments	5 225	1 897	4 555
0	0	Cash flow from capital transactions	982	191 977	191 830
-14 933	-13 886	Net change in cash during the period	-33 196	210 535	262 757
316 823	296 750	Cash & cash equivalents at beginning of period	335 086	72 329	72 329
301 890	282 864	Cash & cash equivalents at end of period	301 890	282 864	335 085



Income statement - geographical distribution

(Amounts in NOK 1000)	2Q07				2Q06			
	Nordic	ROW	R&D*	Total	Nordic	ROW	R&D*	Total
Sales revenue	6 353	10 741	0	17 094	4 149	7 504	0	11 653
Milestone revenue	0	12 028	0	12 028	0	7 843	0	7 843
Total revenues	6 353	22 770	0	29 123	4 149	15 347	0	19 496
Cost of goods sold	636	3 761	0	4 397	429	3 416	0	3 845
Gross profit	5 718	19 009	0	24 726	3 720	11 931	0	15 651
Gross profit %	90 %	83 %		85 %	90 %	78 %		80 %
Operating expenses	7 518	3 275	34 214	45 007	4 081	2 675	11 599	18 354
Operating profit	-1 801	15 734	-34 214	-20 281	-360	9 256	-11 599	-2 703
Net finance	0	0	3 024	3 024	0	0	1 746	1 746
Profit before tax	-1 801	15 734	-31 190	-17 257	-360	9 256	-9 853	-958

* Including share of general and administrative expenses and net finance

Sales revenues - product split

(Amounts in NOK 1000)	2Q07			2Q06		
	Nordic	ROW	Total	Nordic	ROW	Total
Metvix/Aktilite	5 055	8 124	13 180	3 608	7 272	10 880
Hexvix	1 298	2 617	3 915	541	232	773
Total	6 353	10 741	17 094	4 149	7 504	11 653

ROW=Rest Of the World

Allocation of operating expenses to the geographical segments has been changed for 2006 in order to present a more accurate allocation. P&L split per quarter according to new classification from 2006:

	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2006 TOTAL
Sales revenues	13 285	11 653	14 575	22 154	61 667
Signing fee and milestone revenues	60 538	7 843	3 908	76 363	148 653
Total revenues	73 823	19 496	18 483	98 517	210 320
Cost of products sold	-3 564	-3 845	-4 053	-10 789	-22 251
Gross profit	70 259	15 651	14 431	87 729	188 070
Other income	1 388	1 553	1 617	1 132	5 690
Indirect manufacturing expenses	-1 581	-1 507	-2 101	-3 356	-8 545
Research and development expenses	-15 654	-10 720	-18 799	-19 567	-64 740
Marketing and sales expenses	-5 232	-5 251	-5 011	-9 902	-25 396
General and administrative expenses	-6 500	-2 429	-3 803	-4 005	-16 738
Operating profit/loss(-)	42 679	-2 703	-13 666	52 032	78 342
Financial income	1 039	2 782	2 683	5 363	11 867
Financial expenses	-749	-1 037	-831	-2 862	-5 478
Net financial profit/loss(-)	290	1 746	1 852	2 501	6 389
Profit/loss(-) before tax	42 970	-958	-11 815	54 533	84 730