



First Quarter Report 2008

Highlights

- **Sales revenues increase 13% to NOK 21.4 million (19.0)**
- **The net loss increased to NOK 20.0 million (17.8).**
- **Liquid assets amounted to NOK 237.0 million at the end of the period.**
- **Patient recruitment completed in phase IIb study for photodynamic treatment of moderate to severe acne.**
- **Presented first data from phase I/II study of Lumacan in the detection of colon cancer.**
- **The demerger of PCI Biotech, Photocure's cancer-focused drug delivery subsidiary was approved by the Company's General Assembly on April 9th, 2008.**

Hexvix – own sales increased 32 %, and sales from GE Healthcare increased 147 %

The work being done to introduce Hexvix bladder cancer diagnostic in Europe by Photocure and GE Healthcare, our commercial partner for Hexvix outside the Nordic region, is progressing very well. As of today, Hexvix is sold in 19 countries in Europe, with Germany and Denmark being the most advanced markets.

As a result of this increased activity and the growing acceptance of our photodynamic approach, sales revenue from Hexvix nearly doubled in the first quarter of 2008 to NOK 7.3 million compared to NOK 3.7 million in the first quarter 2007. Sales revenue from GE Healthcare was NOK 5.1 million in the first quarter of 2008, compared to NOK 2.1 million in the first quarter 2007. Hexvix sales in units from GE Healthcare increased from 912 in the first quarter 2007 to 3.463 units in the first quarter 2008. Sales of Hexvix by Photocure in the Nordic region was NOK 2.2 million in the first quarter of 2008, compared to NOK 1.6 million in the first quarter 2007. Hexvix sales in units from own sales increased from 411 in the first quarter 2007 to 652 units in the first quarter 2008.

Hexvix received excellent attention at the recent annual congress of the European Association of Urology in Milan, Italy (March 23-26, 2008) at which data on the effectiveness of Hexvix to detect bladder cancer lesions was presented.

Metvix – unit sale of Metvix increased 18 %

Sales revenue from Metvix/Aktilite, for the photodynamic treatment (PDT) of cancerous and precancerous skin lesions, in the first quarter of 2008 was NOK 14.1 million compared to NOK 15.3 million in the first quarter of 2007, a decrease of 8 %. Sales in the Nordic region by Photocure increased 5 % to NOK 5.6 million in the first quarter of 2008 compared to the same period in 2007, mainly as a result of price increase and an enlarged and more experienced commercial operation. Metvix sales in units from own sales decreased from 4.201 in the first quarter 2007 to 3.405 units in the first quarter 2008. Sales revenue from Galderma, our commercial partner for Metvix/Aktilite outside the Nordic region, was down 15% to NOK 8.5 million for the period, compared to the first quarter 2007. These decreased revenues were due to lower sales of Aktilite lamps to clinics, although sales of Metvix tubes itself increased 32 % to 14.229 units in the first quarter of 2008.



Photocure received an ISO 135485 certificate from the Canadian Recognized Registrar and is awaiting Canadian approval for Metvix/Aktelite in the second half 2008. Photocure also hosted an inspection by a representative of the US FDA during April 2008 as part of a supplemental NDA for Aktelite, which Photocure submitted in June 2007. The Company expects a response from FDA to its application for approval of Aktelite in combination with Metvix in the second quarter of 2008, and a positive response in this timeframe will enable Galderma to launch of Metvix/Aktelite in the US in the second half of 2008.

Progress in clinical development programs

Photocure has a strong platform based on photodynamic technologies with a portfolio of four pipeline projects: MAL PDT to treat moderate to severe acne; Cevira to treat cellular abnormalities of the cervix; Lumacan, our new fluorescence-based photodynamic diagnostic product for detection of precancerous lesions in colon; and preparations are underway for the first clinical trial of a light-directed therapy based on technology developed at PCI Biotech, our cancer-focused drug delivery subsidiary. All projects have made encouraging progress during the first quarter:

MAL PDT – treatment of moderate to severe acne

MAL PDT is a novel developmental topical treatment for moderate to severe acne based on Photocure's patented PDT technology and using the light-activated therapeutic compound methyl aminolevulinate. Photocure completed patient recruitment for a phase IIb placebo-controlled, multicenter study in this indication during the first quarter 2008. 190 patients have received MAL PDT or placebo and will be followed for three months in order to investigate the effect of the treatment. The study is scheduled to report in the fourth quarter of 2008.

The design and production of new acne lamps is progressing according to plan. The plan is to have lamps produced before the start of phase III trials. This project is on schedule, and Photocure will seek regulatory and scientific advice through meetings with regulatory authorities in Europe and the US in the second half of 2008 before commencing phase III.

Cevira™ – treatment of abnormalities in the cervix

Cevira is a new photodynamic treatment of HPV infection and precancerous and/or cancerous lesions in the cervix. Patient recruitment is completed for the first 67 patients in the ongoing phase I/II study. Additionally, 24 patients will be recruited in order to optimize the light doses. All patients will be followed for 12 months. The first report from the study is expected in the second half of 2008 after six months follow-up.

A pre-IND meeting was held with FDA in April to discuss the development program. FDA has supported a submission of the IND application and therefore Photocure plan to start a dose-finding phase II study in the second half of 2008 patients with CIN2/3 in the US/EU.

Lumacan™ – diagnosis of colon cancer

Lumacan is our new fluorescence-based photodynamic diagnostic (PDD) product for the detection of precancerous lesions in colon. It builds on Photocure's extensive knowledge of using PDD for the early detection of bladder cancer via Hexvix. The first phase I/II clinical dose-finding study recruited 38 patients and final results will be presented at the Digestive Disease Week in San Diego, California in May 2008. Preliminary results published in the February 2008 issue of *Endoscopy* showed excellent results: 52 of 53 (98%) premalignant/malignant lesions were positively detected using Lumacan while 38 of 53 (72%) lesions were detected using standard white light colonoscopy.

In April, Photocure was awarded NOK 9.1 million for the next three years from The Research Council of Norway for the project "Early detection of premalign conditions in colon when using



fluorescence colonoscopy". The grant will be used to develop an oral formulation of the hexylaminolevulinate, which is the active ingredient in Lumacan, and will fund clinical studies in the development program and development of an oral formulation.

PCI Biotech – demerger approved by the General Assembly

Photocure's General Assembly held on April 9, 2008 approved a demerger of PCI Biotech AS from Photocure, which was proposed in November 2007. PCI Biotech is Photocure's cancer-focused drug delivery subsidiary and is developing a patented technology, known as photochemical internalization (PCI), to enhance the effect of anticancer drugs by targeted, light-directed drug delivery into cancer cells.

Preparations for the first clinical study with PCI technology using bleomycin, a commonly used anticancer drug are going well. The phase I trial is expected to commence in the second half 2008.

Per Walday started as CEO of PCI Biotech in April 2008. He has more than 20 years of senior management experience in the pharmaceutical sector. Mr Walday's previous position was Global Head of Project Management at GE Healthcare and he brings deep insight in pharmaceutical development, ranging from preclinical research to registration and commercialization of new products.

Photocure had general and admin expenses of NOK 0.6 million and R&D expenses of NOK 3.5 million related to PCI Biotech Holding ASA/PCI Biotech AS in the first quarter of 2008.

Financial position

Sales revenues were NOK 21.4 million in the first quarter of 2008, compared to NOK 19.0 million in the first quarter of 2007, an increase of 13%. The sales increase is due to NOK 3.6 million higher Hexvix sales which were offset by NOK 1.2 million lower Metvix/Aktelite sales. The lower Metvix/Aktelite sale was due to sale of fewer Aktelite lamps in the first quarter 2008 as noted above.

Total revenue was NOK 22.7 million for the quarter, compared to NOK 22.9 million in same period last year. Milestone revenue for 2007 included NOK 3.9 million from Galderma related to signing of the agreement whereby Galderma became Photocure's commercial partner for Metvix/Aktelite outside the Nordic region. The accrual Metvix signing fee was completed in January 2008.

Operating loss amounted to NOK 22.5 million, compared to NOK 20.4 million in the first quarter of 2007. Research and development expenses decreased by NOK 1.6 million and the marketing and sales expenses increased by NOK 3.2 million compared to the first quarter of 2007. The increase in marketing and sales expenses is due to increased number of employees engaged in commercial activities for Photocure compared to the first quarter of 2007.

Net loss for the first quarter of 2008 amounted to NOK 20.0 million compared to a net loss of NOK 17.8 million in the first quarter of 2007.

Total equity for the group totalled NOK 241.1 million at the end of March 2008 compared to NOK 260.0 million at the end of 2007. Liquid funds amounted to NOK 237.0 million at the end of March 2008, compared to NOK 252.5 million at the end of 2007. The number of outstanding shares was 22,093,301 at the end of March 2008.

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



23 April 2008

The Board of Directors of Photocure ASA

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

Q1 2008	Q1 2007		2008 1.1-31.03	2007 1.1-31.03	2007 1.1-31.12
21 411	19 006	Sales revenues	21 411	19 006	75 252
1 303	3 908	Signing fee and milestone revenues	1 303	3 908	23 754
22 713	22 914	Total revenues	22 713	22 914	99 006
-4 501	-6 588	Cost of products sold	-4 501	-6 588	-17 326
18 212	16 326	Gross profit	18 212	16 326	81 679
1 954	1 694	Other income	1 954	1 694	7 625
-2 510	-3 696	Indirect manufacturing expenses	-2 510	-3 696	-8 512
-20 979	-22 644	Research and development expenses	-20 979	-22 644	-112 098
-12 009	-8 766	Marketing and sales expenses	-12 009	-8 766	-39 766
-7 140	-3 324	General and administrative expenses	-7 140	-3 324	-16 378
-22 473	-20 410	Operating profit/loss(-)	-22 473	-20 410	-87 450
2 969	3 254	Financial income	2 969	3 254	14 224
-520	-627	Financial expenses	-520	-627	-1 744
2 449	2 626	Net financial profit/loss(-)	2 449	2 626	12 480
-20 024	-17 784	Profit/loss(-) before tax	-20 024	-17 784	-74 970
0	0	Tax expenses	0	0	0
-20 024	-17 784	Net profit/loss(-)	-20 024	-17 784	-74 970
-289	-151	Incl. minority interests in the amount of	-289	-151	-773
-0,91	-0,81	Net income/loss(-) per share, basic	-0,91	-0,81	-3,40
-0,91	-0,80	Net income/loss(-) per share, diluted	-0,91	-0,80	-3,39

Income statement - own sales/partner sales

(Amounts in NOK 1000)	Q1 2008				1Q 2007			
	Own	Partner	R&D*	Total	Own	Partner	R&D*	Total
Sales revenue	7 872	13 538	0	21 411	7 024	11 982	0	19 006
Milestone revenue	0	1 303	0	1 303	0	3 908	0	3 908
Total revenues	7 872	14 841	0	22 713	7 024	15 890	0	22 914
Cost of goods sold	581	3 920	0	4 501	730	5 858	0	6 588
Gross profit	7 292	10 921	0	18 213	6 294	10 033	0	16 326
Gross profit %	93 %	74 %		80 %	90 %	63 %		71 %
Operating expenses	10 620	6 107	23 957	40 684	8 680	4 861	23 195	36 736
Operating profit	-3 328	4 814	-23 957	-22 472	-2 386	5 171	-23 195	-20 410
Net finance	0	0	0	2 449	0	0	2 626	2 626
Profit before tax	-3 328	4 814	-23 957	-20 023	-2 386	5 171	-20 569	-17 784

* Including share of general and administrative expenses

Sales revenues - product split

(Amounts in NOK 1000)	Q1 2008			Q1 2007		
	Own	Partner	Total	Own	Partner	Total
Metvix/Aktilite	5 640	8 450	14 090	5 391	9 924	15 315
Hexvix	2 233	5 088	7 321	1 632	2 058	3 690
Total	7 872	13 538	21 411	7 024	11 982	19 006



Balance Sheet (all amounts in NOK 1,000)

	31.03.2008	31.03.2007	31.12.2007
Non-current assets			
Intangible assets, software	760	766	779
Machinery & equipment	3 745	2 166	3 436
Total non-current assets	4 505	2 932	4 215
Current assets			
Inventory	11 353	10 249	12 504
Receivables	25 296	24 517	32 222
Cash & cash equivalents	236 978	316 823	252 452
Total current assets	273 627	351 588	297 179
Total assets	278 132	354 520	301 394
Equity and liabilities			
Equity			
Paid-in capital	11 047	260 901	11 047
Other paid-in capital	12 351	7 698	10 984
Retained earnings	217 939	42 712	237 963
Shareholders' equity	241 337	311 310	259 994
Minority interest	0	0	0
Total equity	241 337	311 310	259 994
Liabilities			
Long-term liabilities			
Other non-current liabilities	0	0	0
Total long-term liabilities	0	0	0
Current liabilities	36 795	43 210	41 400
Total liabilities	36 795	43 210	41 400
Total equity and liabilities	278 132	354 520	301 394

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

Q1 2008	Q1 2007		2008 1.1-31.03	2007 1.1-31.03	2007 1.1-31.12
259 994	326 935	Equity at beginning of period	259 994	326 935	326 935
0	1 283	Share issue, employees	0	1 283	2 165
0	0	Share issue	0	0	1 720
1 366	877	Share-based compensation	1 366	877	4 163
0	0	Investment in PCI Biotech/Holding	0	0	-20
-20 024	-17 784	Net income/loss(-) for the period	-20 024	-17 784	-74 970
241 336	311 310	Equity at end of period	241 336	311 310	259 994

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

Q1 2008	Q1 2007		2008 1.1-31.03	2007 1.1-31.03	2007 1.1-31.12
-20 024	-17 784	Income/loss(-) before tax	-20 024	-17 784	-74 970
1 757	-4 118	Other operational items	1 757	-4 118	-20 685
-18 267	-21 902	Net cash flow from operations	-18 267	-21 902	-95 655
2 794	2 658	Cash flow from investments	2 794	2 658	9 450
-3	982	Cash flow from capital transactions	-3	982	3 572
-15 475	-18 263	Net change in cash during the period	-15 475	-18 263	-82 633
252 452	335 085	Cash & cash equivalents at beginning of period	252 452	335 085	335 085
236 977	316 822	Cash & cash equivalents at end of period	236 977	316 822	252 452