



Results for the 3rd quarter 2011

Photocure ASA

Establishing a Specialty Pharma company

26 October 2011



Photocure Announces Results for the Third Quarter 2011

The main highlight in the third quarter was the creation of a new commercial strategy for Hexvix[®], Photocure's flagship product to aid in diagnosing bladder cancer. Photocure has entered into a strategic collaboration with Ipsen, a global specialty-driven biopharmaceutical company to commercialise Hexvix worldwide, excluding USA and Nordic region. Additionally, to capitalise on the untapped market opportunity in USA, Photocure plans to launch the product, approved as Cysview[™] in USA, through its own commercial operations. The new strategy will maximise the potential of Hexvix on a global basis.

Additional highlights include:

- Continued launch of Allumera[®] on the US market by Photocure's dedicated commercial organization
- Started recruitment in phase IIb study for Visonac[®], creating the platform for phase III
- Sales revenues growing 41% to NOK 20.6 million (NOK 14.6 million) in Q3 2011
- Net loss NOK 6.8 million (NOK 11.6 million) in Q3 2011
- Cash holding of NOK 336.1 million per 30 September 2011

Key figures

<i>Figures in NOK millions(unaudited)</i>	Q3 2011	Q3 2010	YTD2011	YTD2010	Full year 2010
Sales revenues	20.6	14.6	60.8	49.9	70.5
Signing fee & milestone revenues	11.7	0	11.7	83.4	106.8
Total revenues	32.3	14.6	72.5	133.4	177.4
Gross profit	30.4	13.1	64.1	127.8	168.2
Research and development expenses	13.8	13.0	45.0	52.3	90.2
Sales and marketing expenses	12.1	9.4	33.7	24.9	35.4
Operating result (EBIT)	-10.6	-15.9	-48.9	27.2	7.5
Net profit/loss	-6.8	-11.6	-41.2	34.8	18.1
Earnings per share, diluted (NOK)	-0.31	-0.52	-1.91	1.57	0.83



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

“Our strategy is to build Photocure into a specialty pharmaceutical company by maximising the potential of our Photodynamic Technology (PDT) platform. This can already be demonstrated in the achievement of two strategic milestones so far this year. The ongoing launch of Allumera in US has seen Photocure establish its own specialist dermatology sales force and we have now put in place a new commercial strategy for Hexvix, Photocure’s flagship product to aid in diagnosing bladder cancer. The strategy for Hexvix has three key pillars: first a strategic collaboration with Ipsen for Europe and rest of the world; second establishing Photocure’s own commercial operation in USA; third growing the profitable business in the Nordic region. There is a high demand in the urology market for innovative products, and Hexvix meets this demand with its excellent clinical data. We are confident this new strategy for Hexvix as well as our continued focus on leveraging our unique PDT platform will maximise the potential of our product pipeline globally and create long term value for our shareholders.”

Operational review

Photocure’s strategy is to build a specialty pharmaceutical company by maximising the potential of its PDT Platform within the two areas of dermatology and cancer.

Photocure develops innovative dermatology products, as well as cancer diagnostics and therapies, and markets and sells these products through its own sales force and in partnerships with other companies.

Photocure has two products on the market and a strong pipeline of innovative products in development.

Hexvix®

Photocure recently announced a new commercial strategy for Hexvix. One key part of this strategy was the signing of a strategic collaboration with Ipsen for Europe and rest of the world. Ipsen has a strong uro-oncology franchise and a well defined strategy to develop its strong market position within uro-oncology.

The agreement with Ipsen includes EUR 6.5 million in signing and transition milestones, double digit royalty on sales, and sales achievement milestones. Additionally, Photocure will manufacture all Hexvix products for Ipsen. Photocure will contribute EUR 3.0 million in marketing support in 2012/13 to accelerate Hexvix sales.

As part of the new commercial strategy for Hexvix, Photocure is planning to launch and establish the product (approved as Cysview™) in the US, through its own commercial operations. Cysview received approval from FDA in 2010.

Photocure will build a marketing and sales organization of approximately 15-20 people in the US. The plan is to establish this organization and start training in 2011 and launch Cysview in the first quarter of 2012.

**Revenues from Hexvix**

<i>figures in NOK million</i>	Q3 2011	Change	Q3 2010	YTD 2011	Change	YTD 2010	2010
Own sales	5.7	44 %	4.0	17.0	19 %	14.3	19.6
Partner sales	8.8	20 %	7.4	28.5	13 %	25.3	38.1
Total revenue	14.6	28 %	11.4	45.5	15 %	39.6	57.6

Sales revenues for Hexvix increased 28% to NOK 14.6 million (NOK 11.4 million) in the third quarter of 2011. Sales through GE Healthcare accounted for NOK 8.8 million (NOK 7.4 million), and Photocure's own sales in the Nordic region were NOK 5.7 million (NOK 4.0 million). Sales revenues for Hexvix year to date were NOK 45.5 million (NOK 39.6 million).

GE Healthcare increased the end-user sales of Hexvix by 5% to 7.369 units in the third quarter of 2011 and by 13 % to 24.894 units in the first nine months of 2011. In the Nordic region, Photocure increased end user sales to 1.629 units in the quarter, up by 41% from the corresponding quarter last year, and by 16% to 5.095 units in the first nine months of 2011.

Hexvix/Cysview is the first approved drug-device procedure for improved detection of bladder cancer. It is designed to induce fluorescence in the malignant cells in the bladder during a cystoscopic procedure, making it easier for the urologist to detect non muscle invasive bladder cancer, as an adjunct to white light cystoscopy. Clinical data show an up to 30% increase in detection of the malignant cells in the bladder as compared to the white light system, bringing the total detection rate to 96%.^{1,2} Hexvix also showed a 32% increase in detection of carcinomas in situ, where tumor cells have not yet penetrated in deep tissues, but carry high risk of progression.² It is the first product in a new diagnostic class known as photodynamic diagnostic (PDD) agents.

Allumera® - US Launch

Allumera, an innovative photodynamic cosmetic treatment formulated to improve the appearance of the skin, was launched by Photocure in the US in June 2011. Photocure's experienced specialist dermatology team in the US has continued the launch activities in the third quarter of 2011 and is building a strong network of key cosmetic dermatologists.

The focus has been to train customers in Allumera application and demonstrations. Photocure expects these activities to continue also during the fourth quarter of 2011 as the customer base expands across the US. The feedback on Allumera from dermatologists is positive, and they continue to comment on the good data already generated by this novel product. The sales revenue was NOK 0.7 million in the third quarter of 2011 and NOK 0.8 million year to date.

Allumera is a topical cream representing the first in a new class of photodynamic cosmetics which has been clinically shown to improve the overall appearance of skin, visibly reduce the outward signs of aging and reduce the appearance of pores. Treatment with Allumera is non invasive and requires minimal time away from daily activities compared to more aggressive cosmetic procedures.

1 Jichlinski P et al. J Urol 2003; 170: 226-9

2 Jocham D et al. J Urol 2005; 174: 862-6



Progress in the clinical development programs

Photocure is developing products based on Photocure's PDT technology platform.

	Indication	Status
Visonac®	Treatment of moderate to severe acne	Phase IIb
Cevira®	Treatment of HPV associated diseases of the cervix including precancerous lesions	Phase IIb
Lumacan®	Detection of colon cancer	Preclinical (Licensed to Salix)

Dermatology

Photocure's PDT platform is very well suited for the development of products that meet future needs in the dermatology field. PDT is an established procedure in dermatology, and Photocure has been a leader in developing effective PDT products.

Visonac® – treatment of moderate to severe acne

The multi-centre phase IIb study with 150 patients in the US/Canada is progressing as planned. The study is a randomized, placebo controlled study in patients aged 12–35 years with moderate to severe acne vulgaris. The study will measure safety and efficacy after four treatments with a convenient office based procedure as compared to light alone. To date, 55/150 patients are enrolled in the study. The results of the study are expected to be finalized in the second half 2012 and form the basis for start of the phase III program in 2013.

Photocure is developing Visonac for 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. 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 isotretinoin (retinoid; vitamin A derivative), Visonac has the potential to satisfy a high unmet medical need.

Cancer

One of the major advantages of the Photocure's PDT platform is its ability to treat and diagnose cancer precursors with a minimum of side effects. The products that are being developed meet future needs for early diagnosis and treatment of the diseases before they develop into more serious stages.

Cevira® - treatment of HPV associated diseases of the cervix including precancerous lesions

Cevira is a unique non-surgical photodynamic therapy for the treatment of HPV infection and pre-cancer cervical abnormalities.

The phase IIb clinical trial to evaluate the optimal dose and safety profile of Cevira with a novel integrated intravaginal drug-delivery device is progressing as planned. The study is a randomized, placebo controlled dose finding study in patients with low to moderate grade cervical intraepithelial neoplasia (CIN 1-2). The main end-point in the study is to assess the histological confirmed response of Cevira three months after treatment. The trial will also evaluate the safety profile of the new intravaginal drug-delivery device. The trial will enroll approximately 240 patients, at over 20 centers, across the US and Europe. To date, 119/240 patients are enrolled in the study. The study design and



outcome will form the platform for the phase III program. The results of the trial are anticipated in the second half of 2012. Photocure will continue the partnering discussions and select a commercial partner for Cevira.

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. Clinical proof of concept has previously been demonstrated, with an excellent safety profile and no patient down time.

Lumacan® - diagnosis of colon cancer

Photocure licensed the global rights for Lumacan to Salix in October 2010.

The current development is focused on developing an optimal oral formulation to be used in future clinical studies. Salix plans to test the formulation in phase I during first half of 2012.

Lumacan is being developed to increase the detection rate for polyps and colon cancer through fluorescence diagnosis. Colon 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 diagnosis of colon 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 colon cancer.

Salix Pharmaceuticals is a US based company that develops and markets prescription pharmaceutical products for the prevention and treatment of gastrointestinal diseases.

Financial review

(Numbers in brackets are for the third quarter and first nine months of 2010)

The financial report as per September 30, 2011 has been prepared in accordance with IAS 34 Interim Financial Reporting and follows the same principles as the Annual Report for 2010.

The sales revenues for the third quarter of 2011 amounted to NOK 20.6 million (NOK 14.6 million), up 41% from the corresponding period last year. Sales revenues for the first nine months of 2011 amounted to NOK 60.8 million (NOK 49.9 million), up 22% from the first nine months of 2010.

Total revenues, including the first milestone from Ipsen, for the third quarter of 2011 amounted to NOK 32.3 million (NOK 14.6 million), up 22% from the third quarter last year. Total revenues for the first nine months of 2011 amounted to NOK 72.5 million compared to total revenues of NOK 133.4 million for the first nine months of 2010. Total revenues in 2010 included milestones of NOK 83.4 million.

Other income amounted to NOK 0.7 million (NOK 1.3 million) in the third quarter. Deferred revenue of NOK 3.2 million in the third quarter of 2010 has been reclassified from Other income to Sales revenues. For the first nine months of 2011, Other income was NOK 2.0 million (NOK 5.6 million).

Research & development (R&D) costs amounted to NOK 13.8 million (NOK 13.0 million) and NOK 45.0 million (NOK 52.3 million) in the third quarter and first nine months of 2011 respectively. The ongoing phase IIb studies in EU/USA for Cevira and Visonac were the main R&D activities in the third quarter 2011.



Marketing and sales costs increased by 29% to NOK 12.1 million (NOK 9.4 million) in the third quarter. For the first nine months of 2011, marketing and sales costs were NOK 33.7 million (NOK 24.9 million), an increase of NOK 8.8 million. The increase is due to increased activities in dermatology in USA.

The Company had an operating loss of NOK 10.6 million (NOK 15.9 million) in the third quarter and an operating loss of NOK 48.9 million (NOK 27.2 million profit) for the first nine months of 2011. The decrease in profit is mainly related to the milestone revenue from GE Healthcare for the US approval of Cysview in 2010.

Net financial items were NOK 3.8 million (NOK 4.3 million) in the third quarter of 2011 and NOK 7.7 million (NOK 7.6 million) in the first nine months of 2011. Net financial items in the third quarter include currency gain of NOK 1.1 million.

Photocure recorded a net loss of NOK 6.8 million (NOK 11.6 million) in the third quarter of 2011 and net loss of NOK 41.2 million (NOK 34.8 million profit) in the first nine months of the year.

Photocure is the largest shareholder in PCI Biotech Holding ASA (PCI Biotech) with 19.35% of the shares. The market value of the shareholding was NOK 60.1 million at 30 September 2011, resulting in a market value adjustment of NOK -11.6 million in the third quarter of 2011 and NOK -9.8 million year to date.

Cash and cash equivalents were NOK 336.1 million at 30 September 2011 compared to NOK 389.2 million at the end of 2010. Shareholders' equity was NOK 407.8 million, or 89.8%, at the end of the period, down from NOK 458.9 million, or 89.3%, at the end of last year.

Photocure redeemed 700,000 own shares in the third quarter 2011 and owned 45,627 own shares per 30 September 2011.

Subsequent events after the end of the quarter

On 11 October 2011, Photocure announced that the company had achieved the first transition milestone related to the first production of Hexvix for Ipsen. This milestone triggered a payment of EUR 2.0 million from Ipsen.

Outlook

Photocure will start executing the new commercial strategy for Hexvix in the fourth quarter of 2011. This includes building a strong commercial partnership with Ipsen and establishing Photocure's own marketing and sales organization for Cysview in the US. Photocure will also continue the launch of Allumera in the US.

In R&D the main task in the fourth quarter of 2011 will be to continue the enrolment of patients in the two ongoing phase IIb clinical studies with Cevira and Visonac.

The Board of Directors and CEO
Photocure ASA

Oslo, 26 October, 2011



Photocure ASA – Statement of comprehensive income

Statement of comprehensive income

(all amounts in NOK 1,000 except per share data)

Q3 2011	Q3 2010		2011 1.1-30.9	2010 1.1-30.9	2010 1.1-31.12
20 583	14 594	Sales revenues (1)	60 788	49 944	70 517
11 739	0	Signing fee and milestone revenues	11 739	83 440	106 840
32 322	14 594	Total revenues	72 527	133 384	177 357
-1 951	-1 533	Cost of goods sold	-8 421	-5 595	-9 124
30 371	13 061	Gross profit	64 106	127 789	168 233
730	1 307	Other income (1)	1 964	5 642	7 392
-4 328	-1 924	Indirect manufacturing expenses	-8 498	-5 439	-8 675
-13 783	-12 999	Research and development expenses	-45 030	-52 260	-90 167
-12 122	-9 431	Marketing and sales expenses	-33 739	-24 859	-35 401
-11 473	-5 864	Business development and administrative expenses	-27 681	-23 687	-33 861
-10 605	-15 850	Operating profit/loss(-)	-48 878	27 186	7 521
2 691	4 492	Financial income	9 164	9 611	15 149
1 144	-210	Financial expenses	-1 484	-1 987	-4 578
3 835	4 282	Net financial profit/loss(-)	7 680	7 624	10 571
-6 770	-11 568	Profit/loss(-) before tax	-41 198	34 810	18 092
0	0	Tax expenses	0	0	0
-6 770	-11 568	Net profit/loss(-)	-41 198	34 810	18 092
-11 307	-23 882	Other comprehensive income (2)	-9 526	28 760	40 923
-18 077	-35 450	Total comprehensive income	-50 724	63 570	59 015
-0.32	-0.53	Net profit/loss(-) per share, undiluted (3)	-1.93	1.60	0.84
-0.31	-0.52	Net profit/loss(-) per share, diluted (4)	-1.91	1.57	0.83

(1) Q3/2010 Reclassified from Other income to Sales revenues by 3.231 kNOK.

(2) Include market value adjustment of shares in PCI Biotech Holding ASA of -11.570 kNOK in Q3/11 and -9.790 kNO YTD 2011 (+28.760 kNOK YTD 2010).

(3) Undiluted net profit/loss per share is calculation based on average weighted number of shares outstanding.

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



Photocure ASA – Balance sheet

Balance Sheet (all amounts in NOK 1,000)

	30.09.2011	30.09.2010	31.12.2010
Non-current assets			
Machinery & equipment	3 654	2 228	1 929
Other investments (1)	83 348	69 427	84 263
Total non-current assets	87 002	71 655	86 192
Current assets			
Inventory	13 003	19 168	18 191
Receivables	17 831	98 256	20 218
Cash & cash equivalents	336 144	310 886	389 241
Total current assets	366 978	428 310	427 651
Total assets	453 980	499 965	513 842
Equity and liabilities			
Equity			
Share capital	10 697	11 047	11 047
Other paid-in capital	71 332	81 249	72 145
Retained earnings	325 792	376 805	375 663
Shareholders' equity	407 821	469 101	458 854
Long-term liabilities			
Other non-current liabilities	989	600	690
Total long-term liabilities	989	600	690
Current liabilities	45 170	30 264	54 298
Total liabilities	46 159	30 864	54 988
Total equity and liabilities	453 980	499 965	513 842

(1) Including shares in PCI Biotech Holding ASA at market value kNOK 60 075 as of 30.9.11 (kNOK 57 701 as of 30.9.10)

Photocure ASA – Changes in equity

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

Q3 2011	Q3 2010		2011 1.1-30.9	2010 1.1-30.9	2010 1.1.-31.12
424 496	503 239	Equity at beginning of period	458 854	415 783	415 783
0	0	Share buy back, net	-6 339	-13 955	-21 497
1 725	1 312	Share-based compensation (share options employees)	6 029	3 703	5 480
-323		Currency translation			73
-18 077	-35 450	Comprehensive income	-50 724	63 570	59 015
407 821	469 101	Equity at end of period	407 821	469 101	458 854



Photocure ASA – Cash flow Statement

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

Q3 2011	Q3 2010		2011 1.1-30.9	2010 1.1-30.9	2010 1.1.-31.12
-6 770	-11 568	Profit/loss(-) before tax	-41 198	34 810	18 092
293	278	Depreciation and amortisation	863	821	1 316
2 037	1 313	Share-based compensation	6 029	3 703	5 480
-3 652	-3 252	Net interests	-7 715	-7 489	-10 123
-2 952	-5 755	Changes in working capital	16	-90 311	11 787
-4 300	-2 885	Other operational items	-9 817	-8 543	-10 956
-15 344	-21 869	Net cash flow from operations	-51 822	-67 008	15 596
1 894	1 905	Cash flow from investments	5 065	-11 654	-8 346
636	0	Cash flow from capital transactions	-6 340	-13 955	-21 512
-12 814	-19 964	Net change in cash during the period	-53 097	-92 617	-14 262
348 957	330 849	Cash & cash equivalents at beginning of period	389 241	403 502	403 502
336 144	310 885	Cash & cash equivalents at end of period	336 144	310 886	389 241

Photocure ASA – Segment information

Segment information							
Q3 2011 (Amounts in NOK 1000)							
	Cancer			Dermatology		Total	% vs. PY
	Own	Partner	R&D (1)	Own	R&D (1)		
Sales Revenues	5 744	8 838	0	759	5 242	20 583	41 %
Milestone revenues		11 739				11 739	
Cost of goods sold	-315	-1 507	0	-129	0	-1 951	27 %
Gross profit	5 429	19 070	0	630	5 242	30 371	133 %
Gross profit of sales %	95 %	83 %		83 %	100 %	91 %	
Operating expenses	-5 227	-8 918	-8 820	-8 704	-9 306	-40 975	42 %
Operating profit/loss (-)	202	10 152	-8 820	-8 074	-4 064	-10 605	33 %
Net finance						3 835	
Profit/loss (-) before tax						-6 770	41 %
Q3 2010 (Amounts in NOK 1000)							
	Cancer			Dermatology		Total	
	Own	Partner	R&D (1)	Own	R&D (1)		
Sales Revenues	4 002	7 361	0		3 232	14 595	
Milestone revenues		0				0	
Cost of goods sold	-327	-1 206	0			-1 533	
Gross profit	3 675	6 155	0	0	3 232	13 062	
Gross profit of sales %	92 %	84 %			100 %	89 %	
Operating expenses	-4 190	-3 250	-9 095		-12 377	-28 912	
Operating profit/loss (-)	-515	2 905	-9 095	0	-9 145	-15 850	
Net finance						4 282	
Profit/loss (-) before tax						-11 568	

(1) Including share of administrative expenses



Photocure ASA – Segment information

1.1 - 30.9.2011 (Amounts in NOK 1000)							
	Cancer			Dermatology		Total	% vs. PY
	Own	Partner	R&D (1)	Own	R&D (1)		
Sales Revenues	16 991	28 466	181	823	14 327	60 788	22 %
Milestone revenues		11 739				11 739	
Cost of goods sold	-993	-4 504	-158	-137	-2 629	-8 421	51 %
Gross profit	15 998	35 701	23	686	11 698	64 106	-50 %
Gross profit of sales %	94 %	84 %		83 %	82 %	86 %	
Operating expenses	-14 077	-17 150	-27 693	-23 295	-30 768	-112 983	12 %
Operating profit/loss (-)	1 921	18 551	-27 670	-22 609	-19 070	-48 878	
Net finance						7 680	
Profit/loss (-) before tax						-41 198	

1.1 - 30.9.2010 (Amounts in NOK 1000)							
	Cancer			Dermatology		Total	
	Own	Partner	R&D (1)	Own	R&D (1)		
Sales Revenues	14 284	25 284	0		10 376	49 944	
Milestone revenues		83 440				83 440	
Cost of goods sold	-975	-4 620	0			-5 595	
Gross profit	13 309	104 104	0	0	10 376	127 789	
Gross profit of sales %	93 %	82 %			100 %	89 %	
Operating expenses	-13 101	-11 059	-32 866		-43 577	-100 603	
Operating profit/loss (-)	208	93 045	-32 866	0	-33 201	27 186	
Net finance						7 624	
Profit/loss (-) before tax						34 810	

Dermatology Own is a new column of the segment after the market launch of Allumera in June 2011.

(1) Including share of administrative expenses

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