



Results for the 2nd quarter and first half year 2011

Photocure ASA

Establishing a Specialty Pharma company

18 August 2011



Photocure Announces Results For The Second Quarter and First Half of 2011

Allumera® *The First In A New Class Of Photodynamic Cosmetics, launched in the US*

Photocure, a Norwegian specialty pharmaceutical company focused in dermatology and cancer, today announces results for the second quarter and first half of 2011 and provides an update on key developments in its business.

One of the key developments was the launch of Allumera, the first photodynamic cosmetic for skin revitalisation, into the US market. The US commercial operation is in place with ten experienced and well trained sales representatives targeting approximately 1,500 dermatologists who perform the highest volumes of cosmetic procedures. Additionally, more than fifteen studies are in various stages and already generating data that will drive the adoption of Allumera.

Highlights include:

- Allumera launched in the US by Photocure's fully operational commercial organization
- Started recruitment in phase IIb study for Cevira®, setting the platform for phase III
- Sales revenues of NOK 19.3 million (NOK 18.0 million) in Q2 2011
- Net loss of NOK 18.5 million (NOK 60.2 million profit) in Q2 2011
- Cash holding of NOK 349.0 million per 30 June 2011
- Strengthened management team with appointment of Kathleen Deardorff as COO
- New Board of Directors with election of Åse Aulie Michelet as new chairman as well as Xavier Yon and Ingrid Wiik as new board members

Key figures

<i>Figures in NOK '000</i>	Q2 2011	Q2 2010	H12011	H1 2010	Full year 2010
Sales revenues	19 265	18 006	40 205	35 349	70 517
Signing fee & milestone revenues	0	73 900	0	83 440	106 840
Total revenues	19 265	97 306	40 205	118 789	177 357
Gross profit	17 016	94 878	33 735	114 727	168 233
Research and development expenses	18 219	19 996	31 247	39 261	90 167
Sales and marketing expenses	10 936	7 291	21 617	15 428	35 401
Operating result (EBIT)	-20 758	58 764	-38 273	43 036	7 521
Net profit/loss	-18 497	60 244	-34 428	46 379	18 092
Earnings per share, diluted (NOK)	-0.86	2.72	-1.59	2.10	0.83



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

“Our strategy is to build Photocure into a specialty pharmaceutical company. A key step in this direction was taken when Allumera was launched late June 2011 through Photocure’s own marketing and sales organization in the US. The initial reaction from the dermatologists and medical professionals has been positive. There is a consumer demand in the cosmetic dermatology market for innovative products. Allumera, by utilizing Photocure’s technology, fills that gap for dermatologists and consumers who want a non-invasive method for improving the overall appearance of their skin.”

Operational review

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

Photocure develops innovative dermatology products, 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 pipeline of innovative products in development.

Marketed products

Allumera® - USA

Allumera, a breakthrough cosmetic treatment formulated to improve the appearance of the skin, was launched by Photocure in the US in June 2011. The launch of Allumera took place nine months after Photocure established its subsidiary in the US. During these nine months Photocure has built an experienced team, led by Terry Conrad, finalized the clinical studies, initiated pre-launch activities and built a network of key cosmetic dermatologists in the US.

A large consumer study was completed in the US in the spring of 2011 to document the cosmetic benefits of Allumera. In a survey of study participants conducted three months after the last Allumera cosmetic treatment, the majority of women reported:

- Their skin looked and felt more radiant.
- Their skin felt better hydrated and smoother.
- Their skin felt revitalized, younger-looking and more beautiful.
- They would recommend Allumera to a friend.

Additionally, participants who received three Allumera cosmetic treatments experienced a 44% reduction in the appearance of pores, three months after the last treatment.

Through strategic targeting, Photocure has focused initially on ten key regions in US. Hiring and training of 10 highly experienced sales representatives took place in June 2011. The first sales calls were made late June generating sales revenue of NOK 0.1 million in the second quarter 2011.

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.



In the US, Allumera will compete in the growing market of cosmetic dermatology procedures, currently valued at an estimated \$4 billion. Allumera will be sold to aesthetic dermatology practices across the US.

Hexvix®

Revenues from sales of Hexvix

<i>figures in NOK '000</i>	Q2 2011	Change	Q2 2010	YTD 2011	Change	YTD 2010	2010
Own sales	5 557	24.5%	4 465	11 247	9.4%	10 282	19 553
Partner sales	10 557	7.9%	9 780	19 628	9.5%	17 923	38 085
Total revenue	16 114	13.1%	14 245	30 875	9.5%	28 205	57 618

Sales revenues for Hexvix amounted to NOK 16.1 million (NOK 14.2million) in the second quarter 2011. Sales through GE Healthcare accounted for NOK 10.6 million (NOK 9.8 million), and Photocure's own sales in the Nordic region were NOK 5.6 million (NOK 4.5 million). Sales revenues for Hexvix for the first half year were NOK 30.9 million (NOK 28.2 million).

GE Healthcare increased the end-user sales of Hexvix by 10% to 8.403 units in the second quarter 2011 and by 17% to 17.525 units in the first half of 2011. In the Nordic region, Photocure increased sales to 1.737 units in the quarter, by 10% from the corresponding quarter last year, and by 8% to 3.466 units in the first half of 2011.

The important goal in successful treatment of bladder cancer patients is to be able to detect cancer as early as possible and reduce the recurrence rate by optimal local resection at the time of cystoscopy, performing a Transurethral Resection of the Bladder (TURB). In May 2011, Photocure announced the clinical results from a 5.5 year follow up of recurrence in patients with Non Muscle Invasive Bladder Cancer showing a long term benefit of the use of Hexvix compared to patients who received white light cystoscopy alone, which is the traditional procedure. This clinical study includes retrospective follow up from 526 patients included in a prospective randomized Phase III trial in 28 centres in EU and North America. After a follow-up period of up to 5.5 years, patients receiving Hexvix-guided fluorescence cystoscopy and TURB showed significant ($p=0.04$) improvement in recurrence free survival compared to White Light cystoscopy and TURB. These results are important for providing new long term data on the patient benefit of Hexvix as well as supporting the health economics and reimbursement data of Hexvix.

Cysview™ (the brand name for Hexvix in the US) received approval from FDA on 28 May 2010. Photocure has licensed the rights for Cysview in the US to GE Healthcare. GE Healthcare has started to market Cysview to key customers together with the equipment manufacturer, Karl Storz.

Karl Storz has submitted a supplement to the approved PMA to the FDA for an improved blue light system. Consistent with FDA PDUFA timelines, it is estimated that a response to the application will be received in the fourth quarter 2011.

To date, GE Healthcare has focused activity on training of key urology centres in the US. Sales development of Cysview in the US has been disappointing, partly due to the lack of availability of blue light scopes from Karl Storz. As in the US, there is clearly a large untapped market potential in many countries, and Photocure is exploring options to realize the sales potential of Hexvix/Cysview.



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	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 the dermatology field, and Photocure has been a leader in developing effective PDT products.

Visonac® – treatment of moderate to severe acne

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.

Based on discussions with the regulatory authorities in Europe and USA, Photocure started a multi-centre phase IIb study with 150 patients in the US/Canada in July 2011. 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. 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.

Cancer

One of the major advantages of the Photocure Technology™ 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.

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.



In June 2011, Photocure initiated patient enrolment in a phase IIb clinical trial to evaluate the optimal dose and safety profile of Cevira with a novel integrated intravaginal drug-delivery device.

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 240 patients, at 21 centers, across the US and Europe. The study is designed to form the platform for the phase III program of Cevira, and the results of the trial are anticipated in the second half 2012. After finalization of this study the company plans to intensify partnering discussions and select a commercial partner for Cevira.

Lumacan® - Diagnosis of colon cancer

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.

Photocure licensed Lumacan to Salix in October 2010. The current development is focused on developing an optimal oral formulation to be used in future clinical studies.

Other important events in the first half year

Kathleen Dearnorff was appointed as Chief Operating Officer from May 1, 2011.

A new Board of Directors with Åse Aulie Michelet as new chairman as well as Xavier Yon and Ingrid Wiik as new board members was elected by the General Assembly in April 2011.

Financial review

(Numbers in brackets are for the second quarter and first half of 2010)

The financial report per 30th of June 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 second quarter 2011 amounted to NOK 19.3 million (NOK 18.0 million), up 7% from the corresponding period last year. Sales revenues for the first half 2011 amounted to NOK 40.2 million (NOK 35.3 million), up 14% from the first half 2010.

For the first half of 2011, total revenues were NOK 40.2 million (NOK 118.8 million). Total revenues in 2010 include milestones of NOK 83.4 million.

Other income amounted to NOK 0.7 million (NOK 1.8 million) in the second quarter. Deferred revenue of NOK 2.7 million in the second quarter 2010 has been reclassified from Other income to Sales revenues. For the first half year, Other income was NOK 1.2 million (NOK 4.3 million).



Research & development (R&D) costs amounted to NOK 18.2 million (NOK 20.0 million) and NOK 31.2 million (NOK 30.3 million) in the second quarter and first half of 2010 respectively.

For the first half year, Dermatology R&D costs related to Visonac and Allumera accounted for NOK 16.3 million, and Cancer R&D costs related to Hexvix, Lumacan and Cevira for NOK 14.3 million. NOK 0.5 million was spent on explorative research.

Marketing and sales costs increased by 50% to NOK 10.9 million (NOK 7.3 million) in the second quarter. For the first half year, marketing and sales costs were NOK 21.6 million (NOK 15.4 million), an increase of NOK 6.2 million. The increase is mainly due to increased activities in dermatology in the US.

The company had an operating loss of NOK 20.8 million (NOK 58.8 million profit) in the second quarter and an operating loss of NOK 38.3 million (NOK 43.0 million profit) for the first half 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 2.3 million (NOK 1.5 million) in the second quarter of 2011 and NOK 3.8 million (NOK 3.3 million) in the first half of the year.

Photocure thus recorded a net loss of NOK 18.5 million (NOK 60.2 million profit) in the second quarter this year and net loss of NOK 34.4 million (NOK 46.4 million profit) in the first half 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 71.6 million at 30 June 2011.

Cash and cash equivalents were NOK 349.0 million at the end of the first half of 2011 compared to NOK 389.2 million at the end of 2010. Shareholders' equity was NOK 424.5 million, or 89.4%, at the end of the period, down from NOK 458.9 million, or 89.3%, at the end of last year.

Photocure bought 15,428 shares under its share repurchase program in the second quarter of 2011, for an average of NOK 49.96 per share. Photocure owns 745,627 or 3.4% of the outstanding shares per 30 June 2011. Photocure general assembly decided to redeem 700,000 own shares in April 2011. The amortization will be executed in the third quarter 2011.

Risks and uncertainty factors for the next half year

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 the next half year of 2011 are associated with market development for Allumera and Hexvix/Cysview, progress and performance of the clinical development programs, 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 2010.



Outlook

Photocure will have a strong focus on increasing the sales of Allumera in the US. In addition, Photocure will continue to explore options to realize the global sales potential of Hexvix/Cysview.

In research and development the main task will be to carry out clinical studies and secure the progress in development of new therapies and treatment procedures within the core areas in dermatology and cancer. The company expects results from phase IIb studies with Cevira and Visonac in the second half 2012.

Responsibility Statement

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2011 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 interim management reports 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, 17 August, 2011



Photocure ASA – Statement of comprehensive income

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

Q2 2011	Q2 2010		2011 1.1-30.6	2010 1.1-30.6	2010 1.1-31.12
19 265	18 006	Sales revenues (1)	40 205	35 349	70 517
0	79 300	Signing fee and milestone revenues	0	83 440	106 840
19 265	97 306	Total revenues	40 205	118 789	177 357
-2 249	-2 428	Cost of goods sold	-6 470	-4 062	-9 124
17 016	94 878	Gross profit	33 735	114 727	168 233
687	1 808	Other income (1)	1 234	4 336	7 392
-1 912	-1 527	Indirect manufacturing expenses	-4 170	-3 515	-8 675
-18 219	-19 996	Research and development expenses	-31 247	-39 261	-90 167
-10 936	-7 291	Marketing and sales expenses	-21 617	-15 428	-35 401
-7 394	-9 109	Business development and administrative expenses	-16 208	-17 823	-33 861
-20 758	58 764	Operating profit/loss(-)	-38 273	43 036	7 521
3 657	2 362	Financial income	6 473	5 119	15 149
-1 396	-882	Financial expenses	-2 628	-1 777	-4 578
2 261	1 480	Net financial profit/loss(-)	3 845	3 342	10 571
-18 497	60 244	Profit/loss(-) before tax	-34 428	46 379	18 092
0	0	Tax expenses	0	0	0
-18 497	60 244	Net profit/loss(-)	-34 428	46 379	18 092
-297	23 298	Other comprehensive income	1 780	52 642	40 923
-18 794	83 542	Comprehensive income	-32 648	99 021	59 015
-0.87	2.76	Net profit/loss(-) per share, undiluted (2)	-1.61	2.13	0.84
-0.86	2.72	Net profit/loss(-) per share, diluted (3)	-1.59	2.10	0.83

(1) Q2/2010 Reclassified from Other income to Sales revenues by 3.761 kNOK

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

(3) 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

(all amounts in NOK 1,000)

	30.06.2011	30.06.2010	31.12.2010
Non-current assets			
Machinery & equipment	3 546	2 112	1 929
Other investments (1)	91 725	90 333	84 263
Total non-current assets	95 271	92 444	86 192
Current assets			
Inventory	13 653	14 697	18 191
Receivables	17 145	98 697	20 218
Cash & cash equivalents	348 957	330 849	389 241
Total current assets	379 755	444 243	427 651
Total assets	475 026	536 687	513 842
Equity and liabilities			
Equity			
Share capital	11 047	11 047	11 047
Other paid-in capital	69 257	81 249	72 145
Retained earnings	344 192	410 943	375 663
Shareholders' equity	424 496	503 239	458 854
Long-term liabilities			
Other non-current liabilities	877	510	690
Total long-term liabilities	877	510	690
Current liabilities	49 654	32 938	54 298
Total liabilities	50 531	33 448	54 988
Total equity and liabilities	475 026	536 687	513 842

(1) Including shares in PCI Biotech Holding ASA at market value kNOK 71 645 as of 30.6.11 (kNOK 81 583 as of 30.6.10)

Photocure ASA – Changes in equity

(all amounts in NOK 1,000)

Q2 2011	Q2 2010		2011 1.1-30.6	2010 1.1-30.6	2010 1.1.-31.12
441 871	424 347	Equity at beginning of period	458 854	415 783	415 783
-833	-5 845	Share buy back, net	-6 339	-13 954	-21 497
1 916	1 195	Share-based compensation	3 992	2 390	5 480
336		Currency translation	636		73
-18 794	83 542	Comprehensive income	-32 648	99 021	59 015
424 496	503 239	Equity at end of period	424 496	503 239	458 854



Photocure ASA – Cash flow Statement

(all amounts in NOK 1,000)

Q2 2011	Q2 2010		2011 1.1-30.6	2010 1.1-30.6	2010 1.1.-31.12
-18 497	60 244	Profit/loss(-) before tax	-34 428	46 379	18 092
299	268	Depreciation and amortisation	570	543	1 316
1 916	1 195	Share-based compensation	3 992	2 390	5 480
-1 984	-1 839	Net interests	-4 063	-4 237	-10 123
7 240	-74 772	Changes in working capital	2 968	-84 557	11 787
-2 733	-2 595	Other operational items	-5 517	-5 658	-10 956
-13 759	-17 498	Net cash flow from operations	-36 478	-45 140	15 596
2 201	-15 719	Cash flow from investments	3 171	-13 559	-8 346
-1 468	-5 846	Cash flow from capital transactions	-6 976	-13 955	-21 512
-13 026	-39 063	Net change in cash during the period	-40 283	-72 653	-14 262
361 985	369 911	Cash & cash equivalents at beginning of period	389 241	403 502	403 502
348 957	330 849	Cash & cash equivalents at end of period	348 957	330 849	389 241

Photocure ASA – Segment information

Q2 2011 (Amounts in NOK 1000)	Cancer			Dermatology		Total	% vs. PY
	Own	Partner	R&D (1)	Own	R&D (1)		
Sales Revenues	5 557	10 557	0	64	3 087	19 265	7 %
Milestone revenues						0	
Cost of goods sold	-294	-1 917	0	-8	-30	-2 249	-7 %
Gross profit	5 263	8 640	0	56	3 057	17 016	-82 %
Gross profit %	95 %	82 %		88 %	99 %	88 %	
Operating expenses	-4 290	-2 634	-11 276	-6 299	-13 275	-37 774	5 %
Operating profit/loss (-)	973	6 006	-11 276	-6 243	-10 218	-20 758	-135 %
Net finance						2 261	
Profit/loss (-) before tax						-18 497	-131 %
Q2 2010 (Amounts in NOK 1000)							
Q2 2010 (Amounts in NOK 1000)	Cancer			Dermatology		Total	
	Own	Partner	R&D (1)	Own	R&D (1)		
Sales Revenues	4 465	9 780	0		3 761	18 006	
Milestone revenues		79 300				79 300	
Cost of goods sold	-285	-2 143	0			-2 428	
Gross profit	4 180	86 937	0	0	3 761	94 878	
Gross profit %	94 %	889 %			100 %	527 %	
Other revenues	0	0	0		0	0	
Operating expenses	-3 772	-4 518	-11 737		-16 087	-36 114	
Operating profit/loss (-)	408	82 419	-11 737	0	-12 326	58 764	
Net finance						1 480	
Profit/loss (-) before tax						60 244	

(1) Including share of administrative expenses



Photocure ASA – Segment information

1.1 - 30.6.2011 (Amounts in NOK 1000)							
	Cancer			Dermatology		Total	% vs. PY
	Own	Partner	R&D (1)	Own	R&D (1)		
Sales Revenues	11 247	19 628	181	64	9 085	40 205	14 %
Milestone revenues						0	
Cost of goods sold	-678	-2 967	-158	-8	-2 659	-6 470	59 %
Gross profit	10 569	16 661	23	56	6 426	33 735	-71 %
Gross profit %	94 %	85 %	13 %	88 %	71 %	84 %	
Operating expenses	-8 850	-8 232	-18 873	-14 591	-21 462	-72 008	0 %
Operating profit/loss (-)	1 719	8 429	-18 850	-14 535	-15 036	-38 273	-189 %
Net finance						3 845	
Profit/loss (-) before tax						-34 428	-174 %
1.1 - 30.6.2010 (Amounts in NOK 1000)							
	Cancer			Dermatology		Total	
	Own	Partner	R&D (1)	Own	R&D (1)		
Sales Revenues	10 282	17 923	0		7 144	35 349	
Milestone revenues		83 440				83 440	
Cost of goods sold	-648	-3 414	0			-4 062	
Gross profit	9 634	97 949	0	0	7 144	114 727	
Gross profit %	94 %	546 %			100 %	325 %	
Operating expenses	-8 911	-7 809	-23 771		-31 199	-71 690	
Operating profit/loss (-)	723	90 140	-23 771	0	-24 055	43 037	
Net finance						3 342	
Profit/loss (-) before tax						46 379	

*Dermatology Own is a new column in the Dermatology segment after the launch of Allumera in June 2011. Dermatology Own operating expenses in Q1 2011 include pre-launch expenses of 8.292 kNOK that were reported as part of Dermatology R&D expenses in Q 1 2011.
(1) Including share of administrative expenses*

For more information, please contact:

Kjetil Hestdal, President and CEO

Mobile: +47 913 19 535

E-mail: kh@photocure.no

Christian Fekete, CFO

Mobile: +47 916 42 938

E-mail: cf@photocure.no

Photocure ASA
Hoffsveien 4
NO – 0275 Oslo
Norway

Telephone: +47 22 06 22 10

Fax: +47 22 06 22 18