



Results for the first quarter 2012

# Photocure Group



*Our mission is to improve patient care and quality of life by making solutions based on photodynamic technology accessible to patients and consumers worldwide*

26 April 2012



## Highlights for the first quarter 2012

Photocure (OSE: PHO), a Norwegian specialty pharmaceutical company focused on photodynamic technologies within selected therapeutic areas, today announces its results for the first quarter 2012.

### Highlights include:

(Numbers in brackets are for the corresponding period in 2011)

- Total revenues increased 63% to NOK 34.2 million (NOK 20.9 million) in 1Q 2012 which included milestone revenues of NOK 14.1 million
- Sales revenues increased 13% to NOK 20.1 million (NOK 17.9 million) in 1Q 2012
- Net loss NOK 11.7 million (net loss NOK 15.9 million) in 1Q 2012
- Cash & cash equivalents of NOK 326.1 million per 31 March 2012
- Photocure initiated commercialization of Cysview<sup>®</sup> in the US in January by its' dedicated commercial operation
- Allumera<sup>®</sup> sales in the US by Photocure's dedicated commercial organization are showing good growth and encouraging reorder rate
- Strategic collaboration with Ipsen is progressing well and the second manufacturing transition milestone of EUR 1.5 million was received in March
- Data on Hexvix<sup>®</sup>/Cysview<sup>®</sup> from a long term follow-up study in 551 patients were presented at the Annual European Association of Urology (EAU) Congress in Paris on 27 February 2012; demonstrates that Hexvix cystoscopy significantly improves bladder cancer recurrence-free-survival
- Completed patient enrollment in the phase 2b studies for Visonac<sup>®</sup> for treating acne and Cevira<sup>®</sup> for the treatment of human papilloma virus (HPV) associated diseases of the cervix; both studies are progressing according to plan with results expected in second half of 2012
- Encouraging first clinical data on safety, tolerability and efficacy for the compact, single-use disposable Cevira device were presented at the American Society of Colposcopy and Cervical Pathology (ASCCP) in San Francisco on 15 March 2012

### Post period end highlights:

- In April, Photocure achieved the first allotment of the third and final manufacturing transition milestone from Ipsen, EUR 750,000.

**Key figures:**

<i>Figures in NOK million</i>	<b>1Q 2012</b>	<b>1Q 2011</b>	<b>Change</b>	<b>Full year 2011</b>
Sales revenues	20.1	17.9	13%	82.9
Signing fee & milestone revenues	14.1	3.0	364%	32.7
<b>Total revenues</b>	<b>34.2</b>	<b>20.9</b>	<b>63%</b>	<b>115.6</b>
<b>Gross profit</b>	<b>32.1</b>	<b>16.7</b>	<b>92%</b>	<b>104.5</b>
Research and development expenses	14.0	13.0	8%	66.2
Sales and marketing expenses	19.0	10.7	78%	50.2
<b>Operating result (EBIT)</b>	<b>-14.5</b>	<b>-17.5</b>		<b>-57.4</b>
<b>Net profit/loss</b>	<b>-11.7</b>	<b>-15.9</b>		<b>-7.5</b>
Earnings per share, diluted (NOK)	-0.54	-0.74		-0.35

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

*“Photocure has made great progress in the first quarter and has been focused on executing its commercial strategy. Our commercial operations in both the US and Nordic regions have started the year with positive momentum. We have generated the first revenues for Cysview in the US and are making good progress with Allumera, sales of which are in line with our expectations. The strategic partnership with Ipsen is progressing well and we are confident that we will secure good sales growth for Hexvix going forward.*”

*We were very pleased that patient recruitment in the ongoing two phase 2b trials for Visonac and Cevira were completed on time and we look forward to reporting results for these exciting products in the second half of the year.*

*Overall a strong start to 2012 and we are convinced that we are positioned to deliver robust growth over the year.”*

## Operational review

Photocure's strategy is to:

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

Photocure develops innovative products and markets and sells these products through its own commercial teams and in partnerships with other companies. Photocure has two marketed products and a strong portfolio of innovative products in development.

## Commercial products

### Hexvix®/Cysview® – Execution of new commercial strategy on track

Photocure announced a new global commercial strategy for Hexvix/Cysview, the first approved drug-device procedure for improved detection of bladder cancer, in the third quarter 2011. Photocure has initiated the commercialization of Cysview directly in the US market and will continue to market and sell Hexvix in the Nordic region. Ipsen is commercializing Hexvix in the rest of the world.

Sales revenues for Hexvix/Cysview decreased 4% to NOK 14.2 million (NOK 14.8 million) in the first quarter of 2012 compared to the same period last year. Sales through Ipsen (and GE Healthcare) accounted for NOK 8.1 million (NOK 9.1 million), and Photocure's own sales in the Nordic region and the US were NOK 6.1 million (NOK 5.7 million).

The strategic collaboration with Ipsen is progressing according to plan. Ipsen has initiated commercialization in the major markets in Europe following approvals of the transfer of the MAAs.

### Revenues from Hexvix/Cysview

<i>Figures in NOK million</i>	1Q 2012	1Q 2011	Change	FY 2011
Own sales	6.1	5.7	7 %	24.1
Partner sales	8.1	9.1	-11 %	40.5
<b>Total revenue</b>	<b>14.2</b>	<b>14.8</b>	<b>-4 %</b>	<b>64.6</b>

This started in November 2011 with Germany and Italy, and with France in mid - February. Dedicated key account managers have been trained and deployed in the major markets to supplement the efforts of Ipsen's Uro-Oncology sales force to drive Hexvix sales. While the MAA transfers have been in transition, GE Healthcare has continued to ship and distribute product, with no active promotion. Consequently, during this period of MAA transition and inventory transfers, quarter on quarter comparison is difficult. Positive growth in end user sales was achieved in key markets where Ipsen was operable for the full quarter, such as Germany with +4% growth.

Photocure received the second transition milestone of EUR 1.5 million in March and the first allotment of the third and final transition milestone in April, bringing the total manufacturing milestones achieved to date of EUR 4.25 million. The last allotment of the final remaining manufacturing milestone is estimated to be completed by the second quarter of 2012.

The US launch is on track and in January 2012, Photocure started selling Cysview through its own commercial operations in the US.

Photocure is collaborating with Karl Storz in the US to expand the installed base of blue light cystoscopes. During the first quarter, a total of 17 blue light cystoscopes were in place across top tier academic institutions and hospitals across the US. Training programs and in-services were conducted to increase adoption and utilization at these centers of excellence. Plans are in place to work collaboratively together with Karl Storz to expand the installed base rapidly following regulatory approval of the pending variation of the cystoscope.

Karl Storz continues to actively interact with the US FDA to address the additional outstanding questions related to its application for approval of the new upgraded version of the blue light cystoscope and expects to have a resolution in the near future.

In the Nordic region where Photocure has achieved greater than 30% market share, the first quarter results showed 6% volume growth versus prior year. Sales growth was particularly strong in Sweden and Norway, with 19% and 18% growth rates respectively.

Data on Hexvix/Cysview from a long term follow-up study in 551 patients were presented at the Annual European Association of Urology (EAU) Congress in Paris on 27 February 2012. The data demonstrates that Hexvix/Cysview cystoscopy significantly improves bladder cancer recurrence free survival.

*Hexvix/Cysview (hexaminolevulinate hydrochloride) is the first approved drug-device combination 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. It is the first product in a new diagnostic class known as Photodynamic Diagnostic (PDD) agents.*

*Bladder cancer is the fourth most common type of cancer in men in the US. An estimated 73,500 new cases will be diagnosed with cancer of the bladder in 2012, with an estimated 15,000 people dying from the disease, according to the National Cancer Institute. In Europe, bladder cancer is the seventh most common type of cancer in men and the fourteenth in women. Each year in Europe, approximately 36,500 men and 13,000 women die due to bladder cancer (Ferlay et al., 2001). It is notoriously difficult to detect. The most common initial sign is blood in the urine, which calls for urine cytology and cystoscopy.*

### **Allumera® in the US – good growth and encouraging reorder rate**

Allumera is an innovative photodynamic cosmetic specially formulated to improve the appearance of the skin. Photocure’s experienced specialist dermatology team in the US has continued the marketing activities in the first quarter of 2012 and continues to strengthen the customer base and network of key cosmetic dermatologists.

First quarter sales of Allumera were NOK 1.2 million compared to NOK 0.7 million in the previous quarter. The reorder rate for Allumera is solid, which is indicative of increasing customer satisfaction. A comprehensive customer market research survey completed in the first quarter

validated the positioning of the product to be on target with overall level of high customer satisfaction.

*Allumera is a topical cream representing the first in a new class of Photodynamic Cosmetics (PDC) 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 noninvasive and requires minimal time away from daily activities compared to more aggressive cosmetic procedures.*

## **Pipeline**

### **Progress in the clinical development programs**

	<b>Indication</b>	<b>Status</b>
<b>Visonac®</b>	Treatment of moderate to severe acne	Phase 2b
<b>Cevira®</b>	Treatment of HPV associated diseases of the cervix including precancerous lesions	Phase 2b
<b>Lumacan®</b>	Detection of colon cancer	Phase 1/2 (Licensed to Salix)

### **Visonac® – treatment of moderate to severe acne**

The multi-centre phase 2b study targeting 150 patients in the US is progressing as planned. The patient enrolment was completed in January 2012. The results of the trial are anticipated in 3Q 2012. These results will support the design of the pivotal phase 3 registration studies in the US and Europe.

The phase 2b study is a randomized, placebo-controlled study in 150 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.

Photocure intends to commercialise Visonac through its own commercial organization in the US.

*Visonac is in development for the 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.*

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

Cevira is a unique, non-invasive photodynamic therapy for the treatment of HPV infection and pre-cancer cervical abnormalities. The phase 2b clinical trial to evaluate the optimal dose, efficacy and safety profile of Cevira with a novel integrated intravaginal drug-delivery device is progressing as planned. The patient enrollment was completed in January 2012; 23 centers in Europe and the US have recruited a total of 262 patients to this study. The first results are anticipated in second half 2012 and will support the design of the pivotal phase 3 registration program for the US and Europe.

The phase 2b 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, with follow-up of nine months. The trial will also evaluate the safety profile of the new intravaginal drug-delivery device.

The first clinical data for Cevira were presented at the American Society of Colposcopy and Cervical Pathology (ASCCP) in San Francisco by Dr. Mark Einstein, Montefiore Medical Center, NY on 15 March 2012. The feasibility study on safety, tolerability and efficacy for Cevira is very encouraging. These results will be verified in the on-going Phase 2b study in Europe and the US.

The market potential for Cevira is significant and Photocure's strategy is to secure a strategic partnership with a global leader in women's healthcare to assist with the late stage development and commercialization of the product.

*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 various formulation prototypes in the clinic during 2012.

*Lumacan is being developed to increase the detection rate of 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 corresponding period in 2011)

The financial report as of 31 March 2012 has been prepared in accordance with IAS 34 Interim Financial Reporting and follows the same principles as the Annual Report for 2011.

Total revenues for the first quarter of 2012 were NOK 34.2 million (NOK 20.9 million), up 63% from the first quarter last year. This includes the second manufacturing transition milestone from Ipsen and NOK 2.9 million in deferred milestone revenues from the Metvix deal.

The sales revenues for the first quarter of 2012 amounted to NOK 20.1 million (NOK 17.9 million), up 13% from the corresponding period last year.

Other income amounted to NOK 0.6 million (NOK 0.8 million) in the first quarter.

Research and development (R&D) costs were NOK 14.0 million (NOK 13.0 million) in the first quarter in 2012. The ongoing phase 2b studies in EU/USA for Cevira and Visonac were the main R&D activities in the first quarter 2012.

Marketing and sales costs increased by 78% to NOK 19.0 million (NOK 10.7 million) in the first quarter compared to the same quarter last year. The increase is due to increased commercial activities promoting Hexvix together with Ipsen in Europe and the new commercial activities for dermatology and cancer in USA. Photocure will contribute EUR 3.0 million in marketing and promotional support to Ipsen in 2012/2013 to accelerate Hexvix sales.

Photocure had an operating loss of NOK 14.5 million (loss of NOK 17.5 million) in the first quarter 2012. The improved result compared to the same period last year is mainly related to the milestone revenue from Ipsen for the second transition milestone, but reduced due to higher marketing and sales expenses.

Net financial items were NOK 2.8 million (NOK 1.6 million) in the first quarter of 2012.

Photocure recorded a net loss of NOK 11.7 million (net loss of NOK 15.9 million) in the first quarter of 2012.

Photocure is the largest shareholder in PCI Biotech Holding ASA with 19.35% of the shares.

The market value of the shareholding was NOK 62.2 million at 31 March 2012, resulting in a market value adjustment of NOK 4.6 million in the first quarter of 2012.

Cash and cash equivalents were NOK 326.1 million at 31 March 2012 compared to NOK 355.2 million at 31 December 2011. Shareholders' equity was NOK 430.1 million, or 87.5%. This is down from NOK 439.3 million, or 86.3%, at the end of 2011.

The change in cash flow is impacted by the prepayment of EUR 1.5 million by Ipsen in 4Q 2011 that was recognized in 1Q 2012 (see Other operational items in the cash flow statement).

Photocure held 78 424 own shares per 31 March 2012.

## Corporate Update

In the first quarter, Photocure participated at the JP Morgan conference and the Credit Suisse Healthcare Conferences.

As of March, Photocure has bought 136 726 (gross) since the Own shares buy back program started 5 December 2011.

## Outlook

The main tasks for Photocure during 2012 will be to drive sales of its two marketed products and ensure that the momentum in its R&D pipeline continues. Photocure expects to spend in the range of NOK 50 – 70 million on R&D activity in 2012. Key to driving the 2012 sales will be building upon the commercial partnership with Ipsen, strengthening Photocure's own marketing and sales organization for Cysview in the US and collaborating with Karl Storz to obtain the

approval of the new upgraded version of the blue light cystoscope. In 2012 and 2013 Photocure will invest with Ipsen in marketing and sales programs to drive momentum and accelerate the sales growth of Hexvix/Cysview. Photocure will also continue to drive sales of Allumera in the US, maximizing the potential of Photocure's marketed products. The company plans expenditures towards further building marketing and sales capabilities in the range of NOK 90 – 110 million for the coming year.

The Board of Directors and CEO  
Photocure ASA

Oslo, 25 April 2012



## Photocure Group – Accounts for first quarter 2012

### Photocure Group – Statement of comprehensive income

	Note	2012 1Q	2011 1Q	2011 Full year
<i>(all amounts in NOK 1 000 except per share data)</i>				
Sales revenues	2	20 135	17 906	71 525
Signing fee and milestone revenues	2	14 084	3 034	44 043
<b>Total revenues</b>		<b>34 219</b>	<b>20 940</b>	<b>115 568</b>
Cost of goods sold		-2 116	-4 221	-11 072
<b>Gross profit</b>		<b>32 103</b>	<b>16 719</b>	<b>104 496</b>
Other income		551	547	2 578
Indirect manufacturing expenses		-4 215	-2 258	-11 180
Research and development expenses		-14 037	-13 028	-66 192
Marketing and sales expenses		-19 006	-10 681	-50 178
Business development and administrative expenses		-9 897	-8 814	-36 897
<b>Operating profit/loss(-)</b>		<b>-14 501</b>	<b>-17 515</b>	<b>-57 373</b>
Financial income		4 225	2 816	12 274
Financial expenses		-1 380	-1 232	-2 364
<b>Net financial profit/loss(-)</b>		<b>2 845</b>	<b>1 584</b>	<b>9 910</b>
<b>Profit/loss(-) before tax</b>		<b>-11 656</b>	<b>-15 931</b>	<b>-47 462</b>
Tax expenses		0	0	39 950
<b>Net profit/loss(-)</b>		<b>-11 656</b>	<b>-15 931</b>	<b>-7 512</b>
Other comprehensive income	4	3 014	2 077	-12 245
<b>Total comprehensive income</b>		<b>-8 642</b>	<b>-13 854</b>	<b>-19 757</b>
Net profit/loss(-) per share, undiluted	5	-0,55	-0,75	-0,35
Net profit/loss(-) per share, diluted	5	-0,54	-0,74	-0,35

### Photocure Group – Balance sheet

	Note	31.03.2012	31.03.2011	31.12.2011
<i>(Amounts in NOK 1 000)</i>				
<b>Non-current assets</b>				
Machinery & equipment		4 246	3 181	4 414
Other investments	6	90 284	89 374	83 337
Deferred tax asset		39 950	0	39 950
<b>Total non-current assets</b>		<b>134 480</b>	<b>92 555</b>	<b>127 700</b>
<b>Current assets</b>				
Inventory		13 579	14 882	11 790
Receivables		17 380	16 608	14 518
Cash & cash equivalents		326 060	361 985	355 175
<b>Total current assets</b>		<b>357 019</b>	<b>393 475</b>	<b>381 483</b>
<b>Total assets</b>		<b>491 499</b>	<b>486 030</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		71 247	69 135	72 771
Retained earnings		348 113	361 689	355 869
<b>Shareholders' equity</b>		<b>430 057</b>	<b>441 871</b>	<b>439 337</b>
<b>Long-term liabilities</b>				
Other non-current liabilities		1 340	783	1 196
<b>Total long-term liabilities</b>		<b>1 340</b>	<b>783</b>	<b>1 196</b>
Current liabilities		60 102	43 376	68 650
<b>Total liabilities</b>		<b>61 442</b>	<b>44 159</b>	<b>69 846</b>
<b>Total equity and liabilities</b>		<b>491 499</b>	<b>486 030</b>	<b>509 183</b>



## Photocure Group – Changes in equity

	2012	2011	2011
(Amounts in NOK 1 000)	1Q	1Q	Full year
<b>Equity at beginning of period</b>	<b>439 337</b>	<b>458 854</b>	<b>458 854</b>
Share buy back, net	-2 272	-5 506	-6 645
Share-based compensation (share options employees)	1 635	2 076	6 921
Other items		300	-35
Comprehensive income	-8 642	-13 854	-19 757
<b>Equity at end of period</b>	<b>430 057</b>	<b>441 870</b>	<b>439 338</b>

## Photocure Group – Cash flow Statement

	2012	2011	2011
(Amounts in NOK 1 000)	1Q	1Q	Full year
Profit/loss(-) before tax	-11 656	-15 931	-47 462
Depreciation and amortisation	341	271	1 134
Share-based compensation	1 728	2 076	6 882
Net interests	-2 746	-2 079	-10 753
Changes in working capital	-1 578	-4 272	16 505
Other operational items	-14 344	-2 784	-772
<b>Net cash flow from operations</b>	<b>-28 256</b>	<b>-22 719</b>	<b>-34 466</b>
Cash flow from investments	2 507	970	7 048
Cash flow from capital transactions	-3 367	-5 508	-6 648
<b>Net change in cash during the period</b>	<b>-29 116</b>	<b>-27 257</b>	<b>-34 067</b>
Cash & cash equivalents at beginning of period	355 175	389 241	389 241
<b>Cash &amp; cash equivalents at end of period</b>	<b>326 060</b>	<b>361 984</b>	<b>355 174</b>

## Photocure Group – Segment information Q1

1.1 - 31.3.2012	Cancer				Dermatology				Total
(Amounts in NOK 1 000)	Own sales	Partner	R&D	Sum	Own sales	Partner	R&D	Sum	
Sales Revenues	6 105	8 082	-	14 187	1 230	4 719	-	5 949	20 136
Milestone revenues	-	11 219	-	11 219	-	2 864	-	2 864	14 083
Cost of goods sold	-564	-1 453	-	-2 017	-85	-14	-	-99	-2 116
<b>Gross profit</b>	<b>5 541</b>	<b>17 848</b>	<b>-</b>	<b>23 389</b>	<b>1 145</b>	<b>7 569</b>	<b>-</b>	<b>8 714</b>	<b>32 103</b>
Gross profit of sales %	91 %	82 %		86 %	93 %	100 %		98 %	89 %
Operating expenses	-8 476	-10 775	-9 676	-28 927	-8 382	-71	-9 224	-17 676	-46 603
<b>Operating profit/loss (-)</b>	<b>-2 935</b>	<b>7 073</b>	<b>-9 676</b>	<b>-5 538</b>	<b>-7 237</b>	<b>7 498</b>	<b>-9 224</b>	<b>-8 963</b>	<b>-14 501</b>
Net finance									2 845
<b>Profit/loss (-) before tax</b>									<b>-11 656</b>

1.1 - 31.3.2011	Cancer				Dermatology				Total
(Amounts in NOK 1 000)	Own sales	Partner	R&D	Sum	Own sales	Partner	R&D	Sum	
Sales Revenues	5 691	9 252	-	14 943	-	2 963	-	2 963	17 906
Milestone revenues	-	-	-	-	-	3 034	-	3 034	3 034
Cost of goods sold	-372	-1 220	-	-1 592	-	-2 629	-	-2 629	-4 221
<b>Gross profit</b>	<b>5 319</b>	<b>8 032</b>	<b>-</b>	<b>13 351</b>	<b>-</b>	<b>3 368</b>	<b>-</b>	<b>3 368</b>	<b>16 719</b>
Gross profit of sales %	93 %	87 %		89 %		11 %		11 %	76 %
Operating expenses	-5 035	-3 701	-8 178	-16 915	-7 094	-48	-10 177	-17 319	-34 234
<b>Operating profit/loss (-)</b>	<b>284</b>	<b>4 330</b>	<b>-8 178</b>	<b>-3 564</b>	<b>-7 094</b>	<b>3 320</b>	<b>-10 177</b>	<b>-13 951</b>	<b>-17 515</b>
Net finance									1 584
<b>Profit/loss (-) before tax</b>									<b>-15 931</b>

## Note 1 – General accounting principles

### General information

Photocure ASA is a public limited company domiciled in Norway. The business of the Group is associated with research, development, production, distribution, marketing and sales of pharmaceutical products and related technical medical equipment. The Company's shares are listed on the Oslo Stock Exchange. The Company's registered office is Hoffsvæien 4, NO-0275 Oslo, Norway.

Photocure Group (Photocure) comprises Photocure ASA and the wholly owned subsidiary Photocure Inc that is a US registered company.

### Basis of preparation

These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2011 (the Annual Financial Statements) as they provide an update of previously reported information. The accounting policies used are consistent with those used in the Annual Financial Statements. The presentation of the interim financial statements is consistent with the Annual Financial Statements. The interim report has not been subject to an audit. The Board of Directors approved the interim financial statements on 25 April 2012.

Photocure has NOK (Norwegian kroner) as its functional currency and presentation currency. In the absence of any statement to the contrary, all financial information is reported in whole thousands. As a result of rounding adjustments, the figures in the financial statements may not add up to the totals.

### Summary of significant accounting policies

The new and amended standards and interpretations from IFRS that were adopted by the EU with effect from 2012 are expected to have no significant impact to Photocure's interim financial statements. Photocure has not chosen an early implementation of any new or amended IFRS's or IFRIC interpretations.

### Important accounting valuations, estimates and assumptions

Preparation of the annual accounts in accordance with IFRS requires the use of judgement, estimates and assumptions that have consequences for recognition in the balance sheet of assets and liabilities, the estimation of contingent liabilities and recorded revenues and expenses. The use of estimates and assumptions is based on the best discretionary judgement of the Group management.

In the process of applying the principles of accounting, the Group management has made the following judgements and estimates that are of significance for recognised values in the interim financial statements for 2012:

- Received, non-refundable payments for licensing of the Hexvix product to Ipsen have been treated as payments associated with the transfer of rights for the product and manufacturing transition milestones achieved by Photocure. Amounts received are not subject to netting, and in the view of the Group no conditions or future obligations are associated with these payments. Received payments are therefore recognised as income when the conditions are achieved.
- In 2012 and 2013, Photocure will co-invest EUR 3.0 million with Ipsen in marketing and sales programs of Hexvix, conditional on Ipsen's own marketing and sales activities. Photocure's expenses will thus be recognised when incurred.

## Note 2 – Reclassification of revenue

Photocure has chosen to reclassify the accrual of the final settlement for the sale of the business area Metvix / Aktelite from sales revenue to milestone revenue. A total of EUR 7 million will be recognized as income over the period 30 September 2009 until settlement. For additional information, see details note 2 in the Annual Accounts 2011.

The table below shows the distribution of sales and milestone revenues from previous classification:

	2012	2011	2011
(Amounts in NOK 1 000)	1Q	1Q	Full year
Sales revenues	23 000	20 940	82 876
Signing fee and milestone revenues	11 219	0	32 692
<b>Total revenues</b>	<b>34 219</b>	<b>20 940</b>	<b>115 568</b>

### Note 3 – Income statement classified by nature

	2012	2011	2011
(Amounts in NOK 1 000)	1Q	1Q	Full year
Sales revenues	20 135	17 906	71 525
Signing fees and milestone revenues	14 084	3 034	44 043
Cost of goods sold	-2 116	-4 221	-11 072
<b>Gross profit</b>	<b>32 103</b>	<b>16 719</b>	<b>104 496</b>
Other income	551	547	2 578
Payroll expenses	-20 972	-18 107	-73 330
R&D costs excl. payroll expenses/other operating expenses	-7 463	-4 958	-36 181
Ordinary depreciation and amortisation	-341	-271	-1 134
Other operating expenses	-18 379	-11 445	-53 801
<b>Total operating revenue and operating expenses</b>	<b>-46 604</b>	<b>-34 234</b>	<b>-161 868</b>
<b>Operating profit</b>	<b>-14 501</b>	<b>-17 515</b>	<b>-57 372</b>
Net financial items	2 845	1 584	9 910
<b>Operating profit</b>	<b>-11 656</b>	<b>-15 931</b>	<b>-47 461</b>

### Note 4 – Other comprehensive income

	2012	2011	2011
(Amounts in NOK 1 000)	1Q	1Q	Full year
Market value adjustment PCI Biotech Holding ASA	4 598	2 077	-13 312
Currency translation	-1 584		67
<b>Total other comprehensive income</b>	<b>3 014</b>	<b>2 077</b>	<b>-13 245</b>

### Note 5 – Earnings per share

Earnings per share (EPS) are calculated on the basis of the profit/loss for the year after tax but excluding other comprehensive items. The result is divided by a weighted average number of outstanding shares over the year, reduced by acquisition of treasury shares. The diluted earnings per share is calculated by adjusting the average number of outstanding shares by the number of employee options that can be exercised. Anti-dilution effects are not taken into consideration.

	03.31.2012	03.31.2011	12.31.2011
<b>No. of shares</b>			
Ordinary shares 1 January	21 393 301	22 093 301	22 093 301
Write down of treasury shares	0	0	-700 000
Effect of treasury shares	-105 590	-757 545	-46 299
Effect of share options exercised	0	0	0
<b>Weighted average number of shares</b>	<b>21 287 711</b>	<b>21 335 756</b>	<b>21 347 002</b>
Effect of outstanding share options	115 033	282 600	197 164
<b>Weighted average number of diluted shares</b>	<b>21 402 744</b>	<b>21 618 356</b>	<b>21 544 166</b>
Earnings per share in NOK	-0.55	-0.75	-0.35
Earnings per share in NOK diluted	-0.54	-0.74	-0.35

### Note 6 – Other investments

	03.31.2012	03.31.2011	12.31.2011
(Amounts in NOK 1 000)			
Market value PCI Biotech Holding ASA	62 152	71 942	57 554
Booked part of final settlement (EUR 7 million) from sale of Metvix/Aktlite, ref. description in note 2	28 132	17 432	25 783
<b>Total other investments</b>	<b>90 284</b>	<b>89 374</b>	<b>83 337</b>



## Note 7 – Share capital

Registered share capital in Photocure ASA amounts to:

	No. of shares	Nominal value per share	Share capital in NOK
Share capital at 31 March 2012	21 393 301	NOK 0.50	10 696 651
Share capital at 31 December 2011	21 393 301	NOK 0.50	10 696 651
<b>Treasury shares:</b>			
<b>Holdings of treasury shares at 31 December 2011</b>	<b>52 314</b>		<b>26 157</b>
Buy-back of treasury shares	130 039	NOK 0.50	65 020
Sale of treasury shares	-103 929	NOK 0.50	-51 965
<b>Holdings of treasury shares at 31 March 2012</b>	<b>78 424</b>		<b>39 212</b>

The table below indicates the status of authorisations at 31 March 2012:

	Purchase, treasury shares	Ordinary share issue	Employee share issues
<i>(Figures indicate the number of shares)</i>			
Authorisation issued at the General Meeting on 27 April 2011	2 209 330	1 600 000	400 000
Share issues after the General Meeting on 27 April 2011		0	0
Purchase of treasury shares	-351 562		
<b>Remaining under authorisations at 31 March 2012</b>	<b>1 857 768</b>	<b>1 600 000</b>	<b>400 000</b>

Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of 31 March 2012:

Name	Position	No. of shares	No. of subscription rights
Åse Aulie Michelet	Chairman	9 500	
Jon Hindar	Board member	8 000	
Ingrid Wiik	Board member	4 000	
Xavier Yon	Board member	-	
Mats Pettersson	Board member	5 000	
Eva Steiness	Board member	-	
Kjetil Hestdal	President and CEO	62 873	139 000
Kathleen Deardorff	Chief Operating Officer	-	75 000
Grete Hogstad	Vice President Marketing and Sales	8 000	76 250
Inger Ferner Heglund	Vice President Research and Development	8 200	84 800
Gry Stensrud	Vice President Technical Development & Ope	6	61 196
Terry Conrad		-	77 500
Espen Njåstein		-	
Ambaw Bellele		-	

## Note 8 – Share options

At 31 March 2012, employees in Photocure had the following share option schemes:

Year of allocation	2011	2011	2010	2010	2009
Option programme	2011	2010-I	2010-II	2009	2008
Number	408 719	389 765	50 000	127 844	196 155
Exercise price (NOK)	50,75	44,00	38,00	20,30	32,00
Date of expiry (31 December)	2016	2015	2015	2014	2013

In addition, a conditional allocation of 700 000 options was made at price NOK 40.50. This allocation is dependent on the achievement of both personal and company goals. Allocation of these options will take place in February/March 2013 after an evaluation of the goals achieved for 2012.

The number of employee options and average exercise prices for Photocure, and developments during the year:

	2012		2011	
	Number	Average exercise price (NOK)	Number	Average exercise price (NOK)
Outstanding at start of year	975 094	36,23	710 365	27,49
Allocated during the year	321 219	50,75	500 490	45,18
Become invalid during the year	19 901	32,11	70 900	36,47
Exercised during the year	103 929	22,34	164 861	25,66
Expired during the year	-	-	-	-
Outstanding at end of period	1 172 483	41,51	975 094	36,23
Exercisable options at end of period	753 415	37,81	589 217	30,47

## Note 9 – Shareholders

Overview of the major shareholders at 31 March 2012:

Shareholder	Account		No. of shares	%
	type	Citizen		
RADIUMHOSPITALET FORSKNINGSSSTIFT.		NOR	3 129 000	14,63 %
JPMORGAN CHASE BANK	NOM	GBR	1 955 829	9,14 %
ODIN NORGE		NOR	1 688 231	7,89 %
GEZINA AS		NOR	1 320 055	6,17 %
SKAGEN VEKST		NOR	1 114 401	5,21 %
FONDSFINANS SPAR		NOR	950 000	4,44 %
KLP AKSJE NORGE VPF		NOR	880 409	4,12 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	855 000	4,00 %
MP PENSJON PK		NOR	500 000	2,34 %
HOLBERG NORGE		NOR	490 835	2,29 %
DANSKE INVEST NORSKE AKSJER INST		NOR	426 173	1,99 %
VICAMA AS		NOR	345 384	1,61 %
DANSKE INVEST NORSKE INSTIT. II.		NOR	341 707	1,60 %
BERGEN KOMMUNALE PENSJONSKASSE		NOR	300 000	1,40 %
ARENDALS FOSSEKOMPANI ASA		NOR	200 000	0,93 %
GOLDMAN SACHS & CO - EQUITY	NOM	USA	172 927	0,81 %
ELL LOEN AS		NOR	165 204	0,77 %
FONDSFINANS FARMASI-BIOTEKNOLOGI		NOR	155 000	0,72 %
A/S SKARV		NOR	150 000	0,70 %
FONDSFINANS ASA PENSJONSKASSE		NOR	142 186	0,66 %
<b>Total 20 largest shareholders</b>			<b>15 282 341</b>	<b>71,44 %</b>
Total other shareholders			6 110 960	28,56 %
<b>Total number of shares</b>			<b>21 393 301</b>	<b>100,00 %</b>



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