



Results for the third quarter and the first nine months 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 October 2012



Highlights for the third quarter and the first nine months of 2012

Photocure (OSE: PHO), a Norwegian specialty pharmaceutical company focused on photodynamic technologies in dermatology and cancer, today announces its results for the third quarter and the first nine months 2012, for the period ended 30 September 2012.

Highlights include:

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

- Sales revenues for the quarter increased 20% to NOK 20.9 million (NOK 17.4 million) in 3Q 2012. Sales revenues for the first nine months 2012 increased 12% totaling NOK 58.3 million (NOK 51.9 million).
- Total revenues for the quarter of NOK 23.8 million (NOK 32.3 million) reflect reduced milestone payments of NOK 2.9 million (NOK 14.9 million). Year to date total revenues increased 23% to NOK 89.5 million (NOK 72.5 million).
- Operating loss for the quarter of NOK 27.3 million (NOK 10.6 million), year to date at NOK 57.1 million (NOK 48.9 million) which reflects increased expenditures in building Photocure's commercial infrastructure in the US.
- Cash & cash equivalents of NOK 273.9 million on 30 September 2012.
- US sales of Cysview[®] gaining momentum with an additional 10 cystoscopes placed at key urology centers since May.
- Ipsen unit sales of Hexvix[®] up 7% in the quarter as compared to last year. Ipsen now selling in major markets following successful completion of all Marketing Approvals.
- The phase 2b study for Cevira[®] (treatment of human papilloma virus (HPV) associated diseases of the cervix) is progressing according to plan with results expected 4Q 2012.

Post-closing events:

- On 1 October the Company announced that it made the strategic decision to exit its Allumera[®] cosmetic dermatology business in the US. Total restructuring costs relating to the closure are estimated to be approximately NOK 4 million.



Key figures:

<i>Figures in NOK million</i>	3Q 2012	3Q 2011	Change	YTD 2012	YTD 2011	Full year 2011
Sales revenues	20.9	17.4	20 %	58.3	51.9	71.5
Signing fee & milestone revenues	2.9	14.9	-81 %	31.1	20.6	44.0
Total revenues	23.8	32.3	-26 %	89.5	72.5	115.6
Gross profit	20.5	30.4	-32 %	81.4	64.1	104.5
Research and development expenses	13.1	13.7	-5 %	36.8	45.0	66.2
Sales and marketing expenses	26.1	12.1	115 %	68.3	33.7	50.2
Operating result (EBIT)	-27.3	-10.6		-57.1	-48.9	-57.4
Net profit/loss	-25.7	-6.8		-51.2	-41.2	-7.5
Earnings per share, diluted (NOK)	-1.20	-0.31		-2.40	-1.91	-0.35

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

“We enter the fourth quarter with increasing sales and a lower cost base. We are pleased to report good progress with our lead product. Ipsen is gaining momentum with Hexvix in Europe and Cysview sales in the US are benefitting from the approval of the upgraded Karl Storz blue light cystoscope.

From a pipeline point of view we are looking forward to report results for the phase 2b Cevira study in the current quarter.”

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 markets Hexvix®/Cysview® and has a strong portfolio of innovative products in development, both internally and in collaboration with partners.

Commercial products

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

Hexvix/Cysview is the first approved drug-device procedure for improved detection of bladder cancer. Photocure initiated the commercialization of Cysview directly in the US market in January 2012 and continues to market and sell Hexvix in the Nordic region. Photocure has a strategic partnership with Ipsen which has rights to commercialize Hexvix in the rest of the world.

Total sales revenues for Hexvix/Cysview increased 22% to NOK 17.8 million (NOK 14.6 million) in the third quarter of 2012. For the first nine months sales revenues for Hexvix/Cysview were NOK 48.4 million, 6% above last year.

Photocure's own sales in the US and Nordic region continue with strong momentum growing 13% in the quarter and 17% year to date. In the US, Photocure is collaborating with Karl Storz to expand the installed base of blue light cystoscopes. Following the approval in May of the upgraded cystoscopy equipment, an additional 10 cystoscopes were installed in leading, high procedure volume urology centers across the US, bringing the total to 27 at the end of September.

Sales to Ipsen were NOK 11.3 million (NOK 8.9 million) in the quarter and NOK 28.6 million (NOK 28.5 million) year to date. The quarter number was impacted positively by both strong end user sales as well as a shipment moved from second to third quarter. Year to date growth was negatively impacted by currency translation to NOK, hence growth in local currency (mainly EUR) year to date was approximately 4%.

Ipsen has initiated commercialization in the major markets in Europe following approvals of the transfer of the MAAs. 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. In the third quarter end user sales increased 7% in the Ipsen territory as compared to last year, driven by growth in Germany and Austria.

Revenues from Hexvix/Cysview

<i>Figures in NOK million</i>	3Q 2012	3Q 2011	Change	YTD 2012	YTD 2011	FY 2011
Own sales	6.5	5.7	13 %	19.8	17.0	24.1
Partner sales	11.3	8.9	28 %	28.6	28.5	40.5
Total revenue	17.8	14.6	22 %	48.4	45.5	64.6



Hexvix/Cysview (hexaminolevulinate hydrochloride) is the first approved drug-device combination procedure for improved detection of bladder cancer. It is designed to induce fluorescence selectively in the malignant cells in the bladder during a cystoscopic procedure, enabling 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 fifth most common type of cancer in the US. An estimated 75,000 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 American Cancer Society. 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® - exited US market

On 1 October the company announced that it has made the strategic decision to exit its Allumera cosmetic dermatology business in the US.

Allumera was in a highly competitive market and despite the product being supported by an experienced dedicated dermatology team; it has not delivered the growth potential that the company had expected. Current Allumera customers will be supported through a customer service center for the remainder of the year. Third quarter sales were NOK 0.8 million, down from second quarter NOK 1.0 million.

Total restructuring costs relating to the closure are estimated to be approximately NOK 4 million, all of which will be charged in the fourth quarter.

Product pipeline

Progress in the clinical development programs

	Indication	Status
Visonac®	Treatment of moderate to severe acne	Phase 3 preparation
Cevira®	Treatment of HPV associated diseases of the cervix including precancerous lesions	Phase 2b
Lumacan®	Detection of colon cancer	Phase 1/2 (Licensed to Salix)

Visonac® – treatment of moderate to severe acne

Positive results of the phase 2b study in acne with Visonac, a novel topical acne treatment, were released in May. In this study, Visonac showed a statistically significant reduction in inflammatory lesions and overall improvement in acne severity. Visonac was well tolerated and no serious adverse events were reported in the study.

In third quarter Photocure initiated the preparations of the global phase 3 registration program. An End of Phase 2 meeting was held with the FDA. The input from FDA is currently being integrated and the clinical trial design is being finalized in preparation to submit a special protocol assessment (SPA) to the FDA. This regulatory process is important to secure alignment with the FDA. Therefore, Photocure anticipates that additional time will be required to obtain regulatory alignment before initiating the clinical phase 3 trials.

Visonac (methyl aminolevulinate 80mg/g) 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. The value of this segment globally is estimated at 900M US annually. 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 4Q 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 rate at three months after treatment, with follow-up after nine months. The trial will also evaluate the safety profile of the new intravaginal drug-delivery device.

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 and tolerability profile.

Lumacan® –diagnosis of colorectal cancer

Photocure licensed the global rights for Lumacan to Salix in October 2010. The current development is focused on developing an optimal formulation to be used in future clinical studies. In the third quarter Salix initiated a clinical Phase 1/2 study. This exploratory study is designed to evaluate fluorescence kinetics of HAL following enema administration for precancerous and cancerous lesions including the quality, onset and offset of fluorescence following administration of the enema. If the enema administration is

successful, Salix intends to proceed to orally administered test formulations.

Lumacan is being developed to increase the detection rate of polyps and colon cancer through fluorescence diagnosis. Colorectal 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 screening of colorectal 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 colorectal 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 30 September 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 third quarter of 2012 were NOK 23.8 million, down from third quarter last year of NOK 32.3 million. The decline is driven by reduced milestone revenues in the quarter as 3Q last year included Ipsen milestones. Total revenues for the first nine months were NOK 89.5 million which is 23% above the same period last year.

The sales revenues for the third quarter of 2012 amounted to NOK 20.9 million (NOK 17.4 million), up 20% from the corresponding period last year. Sales revenues for the first nine months were NOK 58.3 million or 12% higher than the same period in 2011.

Other income amounted to NOK 0.6 million (NOK 0.7 million) in the third quarter and NOK 1.7 million for the first nine months.

Research and development (R&D) costs were NOK 13.1 million (NOK 13.8 million) in the third quarter in 2012. For the first nine months R&D cost amounted to NOK 36.8 million (NOK 45.0 million). In terms of spending the ongoing phase 2b studies for Cevira was the main R&D activity

in the third quarter. Year to date 2012 spending is impacted by a release of an R&D accrual of NOK 3.2 million from earlier years.

Marketing and sales costs increased by 116% to NOK 26.1 million (NOK 12.1 million) in the third quarter compared to the same quarter last year. Marketing and sales cost for the first nine months were NOK 68.3 million (NOK 33.7 million), an increase of 102%. The increase is due to the commercial activities in the US and Photocure's commitment to support Ipsen with EUR 3.0 million in marketing and promotional support in 2012/2013 to accelerate Hexvix sales.

Photocure had an operating loss of NOK 27.3 million (loss of NOK 10.6 million) in the third quarter 2012 and an operating loss of NOK 57.1 million (NOK 48.9 million) for the first nine months of 2012. The main driver is increased marketing and sales spending in the US commercial organizations.

Net financial items were NOK 1.7 million (NOK 3.8 million) in the third quarter of 2012, and NOK 5.9 million (NOK 7.7 million) for the first nine months.

Photocure recorded a net loss of NOK 25.7 million (NOK 6.8 million) in the quarter, and NOK 51.2 million (NOK 41.2 million) for the first nine months.

Photocure is the largest shareholder in PCI Biotech Holding ASA with 19.35% of the shares. The market value of the shareholding was NOK 51.8 million at 30 September 2012, resulting in a market value adjustment of NOK -5.8 million year to date.

Cash and cash equivalents were NOK 273.9 million at 30 September 2012 compared to 297.5 million at 30 June 2012 and NOK 355.2 million at 31 December 2011. Shareholders' equity was NOK 381.4 million, an equity ratio of 88%. At the end of 2011 shareholders' equity was NOK 439.3 million (86%).

As of 30 September 2012, Photocure has bought 248,306 (gross) shares since the own shares buy back program started 5 December 2011. Photocure held 174,224 own shares per 30 September 2012.

Post-closing events

On 1 October the company announced that it has made the strategic decision to exit its Allumera cosmetic dermatology business in the US.

Total restructuring costs relating to the closure are estimated to be approximately NOK 4 million, all of which will be charged in the fourth quarter.

Risks and uncertainty factors for the fiscal 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 remainder of the year of 2012 are associated with market development for 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 2011.

Outlook

The main focus for Photocure during 2012 continues to be driving sales of its marketed product and to ensure that the momentum in its R&D pipeline continues. Photocure expects to spend in the range of NOK 50 – 60 million on R&D activities in 2012, mainly on the clinical development of Visonac and Cevira.

Key to driving the 2012 sales will be building upon the commercial partnership with Ipsen and strengthening Photocure's own marketing and sales organization for Cysview in the US. Photocure will invest with Ipsen in marketing and sales programs to drive momentum and accelerate the sales growth of Hexvix/Cysview. The company plans expenditures towards further building marketing and sales capabilities in the range of NOK 90 – 100 million for the current year.



The Board of Directors and CEO
Photocure ASA

Oslo, 25 October 2012

Åse Aulie Michelet
Chairman

Jon Hindar

Mats Pettersson

Eva Steiness

Xavier Yon

Ingrid Wiik

Kjetil Hestdal
President and CEO



Photocure Group – Accounts for third quarter and first nine months 2012

Photocure Group – Statement of comprehensive income

	Note	2012 3Q	2011 3Q	2012 1.1-30.9	2011 1.1-30.9	2011 Full year
<i>(all amounts in NOK 1 000 except per share data)</i>						
Sales revenues	2	20 914	17 411	58 307	51 913	71 492
Signing fee and milestone revenues	2	2 864	14 911	31 144	20 614	44 076
Total revenues		23 779	32 322	89 451	72 527	115 568
Cost of goods sold		-3 231	-1 951	-8 018	-8 421	-11 072
Gross profit		20 548	30 371	81 433	64 106	104 496
Other income		550	730	1 652	1 964	2 578
Indirect manufacturing expenses		-3 008	-4 328	-9 573	-8 498	-11 180
Research and development expenses		-13 061	-13 783	-36 799	-45 030	-66 192
Marketing and sales expenses		-26 081	-12 122	-68 255	-33 739	-50 178
Business development and administrative expenses		-6 295	-11 473	-25 544	-27 681	-36 897
Operating profit/loss(-)		-27 347	-10 605	-57 087	-48 878	-57 373
Financial income		3 409	2 691	10 197	9 164	12 274
Financial expenses		-1 749	1 144	-4 317	-1 484	-2 364
Net financial profit/loss(-)		1 660	3 835	5 880	7 680	9 910
Profit/loss(-) before tax		-25 687	-6 770	-51 207	-41 198	-47 462
Tax expenses		0	0	0	0	39 950
Net profit/loss(-)		-25 687	-6 770	-51 207	-41 198	-7 512
Other comprehensive income	4	-451	-11 307	-6 366	-9 527	-12 245
Total comprehensive income		-26 139	-18 077	-57 573	-50 725	-19 757
Net profit/loss(-) per share, undiluted	5	-1,21	-0,32	-2,41	-1,93	-0,35
Net profit/loss(-) per share, diluted	5	-1,20	-0,31	-2,40	-1,91	-0,35

Photocure Group – Balance sheet

	Note	30.09.2012	30.09.2011	31.12.2011
<i>(Amounts in NOK 1 000)</i>				
Non-current assets				
Machinery & equipment		4 122	3 654	4 414
Other investments	6	84 412	83 348	83 337
Deferred tax asset		39 950	0	39 950
Total non-current assets		128 484	87 002	127 700
Current assets				
Inventory		10 425	13 003	11 790
Receivables		19 679	17 831	14 518
Cash & cash equivalents		273 865	336 144	355 175
Total current assets		303 968	366 978	381 483
Total assets		432 452	453 980	509 183
Equity and liabilities				
Equity				
Share capital	7	10 697	10 697	10 697
Other paid-in capital		70 651	71 332	72 771
Retained earnings		300 035	325 792	355 869
Shareholders' equity		381 383	407 821	439 337
Long-term liabilities				
Other non-current liabilities		1 460	989	1 196
Total long-term liabilities		1 460	989	1 196
Current liabilities		49 609	45 170	68 650
Total liabilities		51 070	46 159	69 846
Total equity and liabilities		432 452	453 980	509 183



Photocure Group – Changes in equity

	2012	2011	2012	2011	2011
(Amounts in NOK 1 000)	3Q	3Q	1.1-30.9	1.1-30.9	Full year
Equity at beginning of period	407 388	424 496	439 337	458 854	458 854
Share buy back, net	-1 788	0	-6 115	-6 339	-6 645
Share-based compensation (share options employees)	1 922	1 726	5 759	6 030	6 921
Other items		-323	-26	0	-35
Comprehensive income	-26 139	-18 077	-57 573	-50 725	-19 757
Equity at end of period	381 383	407 821	381 383	407 821	439 338

Photocure Group – Cash flow Statement

	2012	2011	2012	2011	2011
(Amounts in NOK 1 000)	3Q	3Q	1.1-30.9	1.1-30.9	Full year
Profit/loss(-) before tax	-25 687	-6 770	-51 207	-41 198	-47 462
Depreciation and amortisation	385	293	1 137	863	1 134
Share-based compensation	1 922	2 037	5 759	6 029	6 882
Net interests	-2 152	-3 652	-6 514	-7 715	-10 753
Changes in working capital	7 349	-2 952	-2 895	16	16 505
Other operational items	-6 671	-4 300	-28 714	-9 818	-772
Net cash flow from operations	-24 855	-15 344	-82 434	-51 822	-34 466
Cash flow from investments	2 863	1 894	7 402	5 065	7 048
Cash flow from financing activities	-1 660	636	-6 277	-6 340	-6 648
Net change in cash during the period	-23 652	-12 814	-81 309	-53 097	-34 067
Cash & cash equivalents at beginning of period	297 517	348 957	355 174	389 241	389 241
Cash & cash equivalents at end of period	273 865	336 144	273 865	336 144	355 174

Photocure Group – Segment information Q3

Q3.2012	Cancer				Dermatology				Total
	Own sales	Partner	R&D	Sum	Own sales	Partner	R&D	Sum	
(Amounts in NOK 1 000)									
Sales Revenues	6 478	11 657	-	18 135	786	1 993	-	2 779	20 914
Milestone revenues	-	-	-	-	-	2 864	-	2 864	2 864
Cost of goods sold	-575	-2 465	-	-3 040	-191	-0	-	-191	-3 231
Gross profit	5 903	9 191	-	15 095	596	4 857	-	5 453	20 548
Gross profit of sales %	91 %	79 %		83 %	76 %	100 %		93 %	85 %
Operating expenses	-15 754	-8 302	-10 214	-34 270	-6 258	-50	-7 316	-13 624	-47 895
Operating profit/loss (-)	-9 851	889	-10 214	-19 176	-5 663	4 807	-7 316	-8 171	-27 347
Net finance									1 660
Profit/loss (-) before tax									-25 687

Q3.2011	Cancer				Dermatology				Total
	Own sales	Partner	R&D	Sum	Own sales	Partner	R&D	Sum	
(Amounts in NOK 1 000)									
Sales Revenues	5 743	8 838	-	14 581	759	2 071	-	2 830	17 411
Milestone revenues	-	11 739	-	11 739	-	3 172	-	3 172	14 911
Cost of goods sold	-356	-1 570	-	-1 926	-46	21	-	-25	-1 951
Gross profit	5 387	19 008	-	24 395	713	5 264	-	5 977	30 371
Gross profit of sales %	94 %	82 %		87 %	94 %	101 %		99 %	89 %
Operating expenses	-6 010	-7 413	-9 593	-23 016	-8 351	-42	-9 568	-17 961	-40 976
Operating profit/loss (-)	-623	11 595	-9 593	1 379	-7 638	5 222	-9 568	-11 984	-10 605
Net finance									3 835
Profit/loss (-) before tax									-6 770



Photocure Group – Segment information first nine months

1 Jan - 30 September 2012 <i>(Amounts in NOK 1 000)</i>	Cancer				Dermatology				Total
	Own sales	Partner	R&D	Sum	Own sales	Partner	R&D	Sum	
Sales Revenues	19 807	28 920	-	48 727	2 956	6 624	0	9 580	58 307
Milestone revenues	0	22 550	-	22 550	0	8 594	0	8 594	31 144
Cost of goods sold	-1 995	-5 658	-	-7 653	-350	-14	0	-365	-8 018
Gross profit	17 812	45 812	-	63 624	2 606	15 204	0	17 810	81 434
Gross profit of sales %	90 %	80 %		84 %	88 %	100 %		96 %	86 %
Operating expenses	-36 174	-27 730	-28 985	-92 889	-22 486	-153	-22 994	-45 632	-138 520
Operating profit/loss (-)	-18 362	18 082	-28 985	-29 265	-19 880	15 052	-22 994	-27 822	-57 087
Net finance									5 880
Profit/loss (-) before tax									-51 207

1 Jan - 30 September 2011 <i>(Amounts in NOK 1 000)</i>	Cancer				Dermatology				Total
	Own sales	Partner	R&D	Sum	Own sales	Partner	R&D	Sum	
Sales Revenues	16 991	28 646	-	45 637	823	5 453	0	6 276	51 913
Milestone revenues	0	11 739	-	11 739	0	8 875	0	8 875	20 614
Cost of goods sold	-1 018	-4 711	-	-5 729	-63	-2 629	0	-2 692	-8 421
Gross profit	15 973	35 674	-	51 647	760	11 699	0	12 459	64 106
Gross profit of sales %	94 %	84 %		87 %	92 %	52 %		57 %	84 %
Operating expenses	-15 677	-14 091	-28 881	-58 649	-23 157	-120	-31 058	-54 335	-112 984
Operating profit/loss (-)	295	21 583	-28 881	-7 002	-22 396	11 579	-31 058	-41 876	-48 878
Net finance									7 680
Profit/loss (-) before tax									-41 198

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 condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. 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 October 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 7.0 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	2012	2011	2011
	3Q	3Q	1.1-30.9	1.1-30.9	Full year
<i>(Amounts in NOK 1 000)</i>					
Sales revenues	23 779	20 583	66 901	60 788	82 876
Signing fee and milestone revenues	0	11 739	22 550	11 739	32 692
Total revenues	23 779	32 322	89 451	72 527	115 568



Note 3 – Income statement classified by nature

	2012	2011	2012	2011	2011
<i>(Amounts in NOK 1 000)</i>	3Q	3Q	1.1-30.9	1.1-30.9	Full year
Sales revenues	20 914	17 411	58 307	51 913	71 492
Signing fees and milestone revenues	2 864	14 911	31 144	20 614	44 076
Cost of goods sold	-3 231	-1 951	-8 018	-8 421	-11 072
Gross profit	20 548	30 371	81 433	64 106	104 496
Other income	550	730	1 652	1 964	2 578
Payroll expenses	-23 656	-20 173	-65 152	-52 128	-73 330
R&D costs excl. payroll expenses/other operating expenses	-5 701	-6 116	-17 555	-22 543	-36 181
Ordinary depreciation and amortisation	-385	-292	-1 137	-863	-1 134
Other operating expenses	-18 703	-15 125	-56 329	-39 414	-53 801
Total operating revenue and operating expenses	-47 895	-40 976	-138 520	-112 984	-161 868
Operating profit	-27 347	-10 605	-57 087	-48 878	-57 372
Net financial items	1 660	3 835	5 880	7 680	9 910
Operating profit	-25 688	-6 770	-51 207	-41 198	-47 461

Note 4 – Other comprehensive income

	2012	2011	2012	2011	2011
<i>(Amounts in NOK 1 000)</i>	3Q	3Q	1.1-30.9	1.1-30.9	Full year
Market value adjustment PCI Biotech Holding ASA	-148	-11 570	-5 785	-9 790	-12 312
Currency translation	-303	263	-581	264	67
Total other comprehensive income	-451	-11 307	-6 366	-9 526	-12 245

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.

<i>(Figures indicate the number of shares)</i>	30.09.2012	30.09.2011	31.12.2011
Ordinary shares 1 January	21 393 301	22 093 301	22 093 301
Write down of treasury shares	0	-700 000	-700 000
Effect of treasury shares	-118 186	-48 256	-46 299
Effect of share options exercised	0	0	0
Weighted average number of shares	21 275 115	21 345 045	21 347 002
Effect of outstanding share options	97 122	206 021	197 164
Weighted average number of diluted shares	21 372 237	21 551 066	21 544 166
Earnings per share in NOK	-2,41	-1,93	-0,35
Earnings per share in NOK diluted	-2,40	-1,91	-0,35



Note 6 – Other investments

<i>(Amounts in NOK 1 000)</i>	30.09.2012	30.09.2011	31.12.2011
Market value PCI Biotech Holding ASA	51 769	60 075	57 554
Booked part of final settlement (EUR 7 million) from sale of Metvix/Aktivate, ref. description in note 2	32 643	23 273	25 783
Total other investments	84 412	83 348	83 337

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 30 September 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
Treasury shares:			
Holdings of treasury shares at 31 December 2011	52 314		26 157
Buy-back of treasury shares	241 619	NOK 0.50	120 810
Share option exercise	-119 709	NOK 0.50	-59 855
Holdings of treasury shares at 30 September 2012	174 224		87 112

The table below indicates the status of authorisations at 30 September 2012:

<i>(Figures indicate the number of shares)</i>	Purchase, treasury shares	Ordinary share issue	Employee share issues
Authorisation issued at the General Meeting on 10 May 2012	2 139 330	2 139 330	800 000
Share issues after the General Meeting on 10 May 2012		0	0
Purchase of treasury shares	-241 619		
Remaining under authorisations at 30 June 2012	1 897 711	2 139 330	800 000

Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of 30 September 2012:

Name	Position	No. of shares	No. of subscription rights
Åse Aulie Michelet	Chairman	9 500	
Jon Hindar	Board member	8 000	
Mats Pettersson	Board member	5 000	
Eva Steiness	Board member	5 300	
Ingrid Wiik	Board member	4 000	
Xavier Yon	Board member	-	
Kjetil Hestdal	President and CEO	62 873	139 000
Ambaw Bellele	Head, US Cancer Commercial Operations	-	-
Terry Conrad	Head, US Dermatology Commercial Operation	-	77 500
Erik Dahl	Chief Financial Officer	-	30 000
Kathleen Deardorff	Chief Operating Officer	-	75 000
Inger Ferner Heglund	Vice President Research and Development	8 200	84 800
Grete Hogstad	Vice President Marketing and Sales	8 000	76 250
Espen Njåstein	Head, Nordic Cancer Commercial Operations	-	-
Gry Stensrud	Vice President Technical Development & Oper	6	61 196



Note 8 – Share options

Year of allocation	2012	2011	2011	2010	2010	2009	2008
Option programme	2012	2011	2010-I	2010-II	2009	2008	2007
Number	30 000	393 344	359 915	50 000	123 156	176 087	
Exercise price (NOK)	40,50	50,75	44,00	38,00	20,30	32,00	
Date of expiry (31 December)	2017	2016	2015	2015	2014	2013	

In addition, a conditional allocation of 670 000 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	
	No. of shares	Average exercise price (NOK)	No. of shares	Average exercise price (NOK)
Outstanding at start of year	975 094	36,23	710 365	27,49
Allocated during the year	351 219	49,87	500 490	45,18
Become invalid during the year	74 102	40,01	70 900	36,47
Exercised during the year	119 709	23,62	164 861	25,66
Expired during the year	-	-	-	-
Outstanding at end of period	1 132 502	41,54	975 094	36,23
Exercisable options at end of period	703 634	37,82	589 217	30,47

Note 9 – Shareholders

Overview of the major shareholders at 1 October 2012:

Shareholder	Account		No of shares	%
	type	Citizen		
RADIUMHOSPITALET'S FORSKNINGSSSTIFTELSE		NOR	3 129 000	14,63 %
JPMORGAN CHASE BANK NORDEA TREATY ACCOUNT	NOM	GBR	1 957 334	9,15 %
ODIN NORGE		NOR	1 672 011	7,82 %
FONDSFINANS SPAR		NOR	1 260 000	5,89 %
GEZINA AS		NOR	1 230 716	5,75 %
SKAGEN VEKST		NOR	1 109 401	5,19 %
KLP AKSJE NORGE VPF		NOR	880 409	4,12 %
KOMMUNAL LANDSPENSJONSKASSE		NOR	855 000	4,00 %
MP PENSJON PK		NOR	500 000	2,34 %
DANSKE INVEST NORSKE C/O DANSKE CAPITAL		NOR	402 107	1,88 %
DANSKE INVEST NORSKE		NOR	376 724	1,76 %
VICAMA AS		NOR	345 384	1,61 %
GOLDMAN SACHS & CO - SECURITY CLIENT	NOM	USA	325 667	1,52 %
BERGEN KOMMUNALE PENSJONSKASSE		NOR	300 000	1,40 %
HOLBERG NORGE VERDIPAPIRFONDET		NOR	271 699	1,27 %
ARENDALS FOSSEKOMPANI		NOR	200 000	0,93 %
PHOTOCURE ASA		NOR	173 205	0,81 %
ELL LOEN AS		NOR	165 204	0,77 %
A/S SKARV		NOR	150 000	0,70 %
FONDSFINANS FARMASI		NOR	150 000	0,70 %
Total 20 largest shareholders			15 453 861	72,24 %
Total other shareholders			5 939 440	27,76 %
Total number of shares			21 393 301	100,00 %



Note 10 – Post-closing events

On 1 October the company announced that it has made the strategic decision to exit its Allumera cosmetic dermatology business in the US.

Total restructuring costs relating to the closure are estimated to be approximately NOK 4 million. The restructuring is expected to be completed by end of 2012 and will be reported according to IFRS 5.

For further information about revenue and expenses related to the Allumera business in Photocure in 2012 and 2011, please refer to the segment reports in which the Allumera business correspond the segment Dermatology - own sales.

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