



Results for the fourth quarter and full year 2012

Photocure Group



27 February 2013



Highlights for the fourth quarter and full year 2012

Photocure (OSE:PHO), a Norwegian specialty pharmaceutical company focused on photodynamic technologies in cancer and dermatology, announces its results for the fourth quarter and full year 2012.

Highlights include:

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

- Positive initial results of the phase 2b study for Cevira[®], in development for the treatment of human papilloma virus (HPV) associated diseases of the cervix. Cevira demonstrated a statistically significant lesions response and HPV clearance in CIN2 patients.
- Total revenues increased 12% to NOK 47.3 million (NOK 42.4 million) in 4Q 2012 driven by milestone revenues and sales of Hexvix[®]/Cysview[®]. Total revenues for the full year increased 17% to NOK 133.8 million (NOK 114.1 million).
- Sales revenues increased 4% to NOK 19.7 million (NOK 18.9 million) in 4Q 2012. Sales revenues for the full year increased 7% totaling NOK 75.1 million (NOK 70.0 million).
- Sales revenues from Photocure's own sales of Hexvix/Cysview increased 37% to NOK 9.7 million (NOK 7.1 million) in 4Q 2012. Sales revenues from own sales increased 23% to NOK 24.0 million for the full year.
- Financial performance improved with operating results of NOK 2.5 million (NOK -1.8 million) in 4Q 2012. There was a net loss of NOK 30.1 million (NOK 19.3 million) for the full year which reflects increased expenditure in building Photocure's commercial infrastructure in the US.
- Cash and cash equivalents of NOK 302.8 million on 31 December 2012. Positive cash flow in fourth quarter driven by contractual payments from Galderma and Salix.
- With our current financial position and the prospects of securing future partnerships for our pipeline products, the Board proposes to distribute NOK 2.00 per share back to the shareholders in the form of dividend.

Key figures:

<i>Figures in NOK million</i>	4Q 2012	4Q 2011	Change	FY 2012	FY 2011	Change
Sales revenues	19.7	18.9	4 %	75.1	70.0	7 %
Signing fee & milestone revenues	27.6	23.5	18 %	58.7	44.1	33 %
Total revenues	47.3	42.4	12 %	133.8	114.1	17 %
Gross profit	45.6	39.8	15 %	124.4	103.2	21 %
Research and development expenses	13.3	20.9	-36 %	50.1	64.1	-22 %
Sales and marketing expenses	18.7	10.9	71 %	70.2	30.6	130 %
Operating result (EBIT)	2.5	-1.8		-39.2	-30.6	
Net profit/loss continued operations	5.7	40.3		-30.1	19.3	
Earnings per share, diluted (NOK)	0.07	1.56		-2.24	-0.35	

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

“2012 was an important year for Photocure as we delivered on significant milestones towards our goal of becoming a specialty pharma company. We successfully launched Cysview in the US, continued with strong growth of Hexvix in the Nordic region and our strategic partner, Ipsen, became fully operational across the major European markets. We continued to advance our pipeline and reported positive results of the phase 2b trials for both Cevira and Visonac and achieved a payment from Salix, our strategic partner for Lumacan. We are well positioned to drive sales of Hexvix/Cysview and to maximize the value of our pipeline.”

Operational review

Photocure’s strategy is to:

- Build a specialty pharma company, focused on cancer and dermatology
- 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 and management of bladder cancer. Photocure is commercializing Cysview directly in the US market and continues to market and sell Hexvix in the Nordic region. Photocure has a strategic partnership with Ipsen which is commercializing Hexvix in the rest of the world.

Total value of worldwide in-market sales of Hexvix/Cysview is NOK 128 million for 2012.

Total sales revenues for Hexvix/Cysview increased 4% to NOK 19.1 million (NOK 18.4 million) in the fourth quarter of 2012. For the full year sales revenues for Hexvix/Cysview were NOK 67.4 million, 6% above last year.

Photocure’s own sales in the US and Nordic region continue with strong momentum growing 37% in the quarter and 23% for the full year.

Photocure’s strategy in the US is to target leading, high procedure volume urology centers with influential key opinion leaders. It is working in collaboration with Karl Storz, which manufactures the blue light cystoscopes, to expand the installed base in these hospitals. In the quarter, an additional 13 cystoscopes were installed at centers across the US, bringing the total number to 40 at the end of December.

In US, the volume growth for the full year 2012 was 94% compared to last year, driven by solid momentum in the second half, following the approval of the upgraded cystoscopes.

Photocure’s sales in the Nordic region continue at a robust pace. A volume growth of 8% was achieved for the full year. Market share gains were achieved across all markets, resulting in a market share of 34% across the region.

Ipsen is now commercializing Hexvix 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. Revenue from partner sales was NOK 9.4 million (NOK 11.3 million) in the quarter and NOK 37.9 million (NOK 39.8 million) for the full year. As 2012 was the transition year for Ipsen, quarter and full year comparisons are not representative for the underlying development.

Further 4Q11 was impacted by discounted sales from inventory by the previous partner at the end of 2011. Additionally, full year growth was negatively impacted by currency translation to NOK.

Positive full year volume growth was achieved in Germany, Netherlands, Belgium and Switzerland.

Revenues from Hexvix/Cysview

Figures in NOK million	4Q 2012	4Q 2011	Change	FY 2012	FY 2011	Change
Own sales	9.7	7.1	37 %	29.5	24.0	23 %
Partner sales	9.4	11.3	-17 %	37.9	39.8	-5 %
Total revenue	19.1	18.4	4 %	67.4	63.8	6 %

Hexvix/Cysview (hexaminolevulinate hydrochloride) is the first approved drug-device combination procedure for improved detection and management 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.

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 3 preparation
Lumacan®	Detection of colorectal 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 the third quarter Photocure initiated the preparations for 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 phase 3 trials.

Following the exit of the Allumera commercial operation in the US, Photocure is evaluating various options for the continued development of Visonac including exploration of potential partnership for development and commercialization.

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 initial three month results of the phase 2b study of Cevira in patients with human papilloma virus (HPV) related disease of the cervix were released in December. Cevira demonstrated statistically significant efficacy in eradication of oncogenic HPV infections and precancerous lesions in CIN2 patients.

The phase 2b trial is a multicenter, randomized, double-blind placebo controlled trial in patients with histologically confirmed low to moderate grade cervical intraepithelial neoplasia (CIN1/2). The study enrolled 262 patients at 23 office or hospital based gynecology practices in the US and Europe. Patients were randomized to three different doses of hexylaminolevulinate to evaluate the optimal dose as compared to placebo. The treatment regimen consisted of up to two treatments, each three months apart. Efficacy, measured by histology, cytology and HPV DNA as well as safety, was assessed three months after the last treatment.

The optimal dose of Cevira, 5%, demonstrated a statistically significant lesion response compared to placebo in patients with precancerous CIN2 lesions, 95% vs. 57% respectively, ($p < 0.01$). This was further supported by significant clearance of HPV types 16 and 18, which carry high oncogenic risk, in the CIN2 cohort of 83% vs. 0%, ($p < 0.02$). In the overall CIN1 and CIN2 study population, Cevira, at the optimal dose, showed a higher response (73% vs. 60%, $p = 0.2$) and clearance of high oncogenic risk HPV16/18 (54% vs. 11%, $p = 0.07$) as compared to placebo.

Final results, including six month follow up data after last treatment, will be presented in the first half 2013.

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.

Lumacan® – diagnosis of colorectal cancer

Photocure licensed the global rights for Lumacan to Salix Pharmaceuticals, a US based company that develops and markets prescription pharmaceutical products for the prevention and treatment of gastrointestinal diseases, in October 2010.

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.

In December, Photocure received a payment of \$4.5M US from Salix, reflective of the development of Lumacan to date and the commitment to continue the development.

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.

Financial review

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

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

The result of the decision to exit the US Allumera business is reported as discontinued operations from fourth quarter of 2012 according to IFRS 5. All income statements have been restated to reflect this. Please refer note 10 for further information and restatement specifications.

Total revenues for the fourth quarter of 2012 were NOK 47.3 million, a 12% improvement from fourth quarter last year of NOK 42.4 million. This was driven by increased milestone revenues in the quarter as well as increased own sales of Hexvix/Cysview in the US and the Nordic region. Total revenues for the full year were NOK 133.8 million which is 17% above last year.

The sales revenues for the fourth quarter of 2012 amounted to NOK 19.7 million (NOK 18.9 million), up 4% from the corresponding period last year. Sales revenues for the full year were NOK 75.1 million, 7% higher than the same period in 2011.

Total operating costs net of other income amounted to NOK 43.1 million (NOK 41.7 million) in the fourth quarter and NOK 163.7 million (NOK 133.8 million) for the full year.

Research and development (R&D) costs were NOK 13.3 million (NOK 20.9 million) in the fourth quarter in 2012. For the full year R&D costs amounted to NOK 50.1 million (NOK 64.1 million). In terms of spending, the phase 2b trial for Cevira has been the primary R&D cost driver both in the fourth quarter as well as full year. Full year spending is also impacted by a release of an R&D accrual of NOK 3.2 million from earlier years.

Marketing and sales costs increased by 71% to NOK 18.7 million (NOK 10.9 million) in the fourth quarter compared to the same quarter last year. Marketing and sales costs for the full year were NOK 70.2 million (NOK 30.6 million), an increase of 130%. The increase is due to the commercial activities in the US and Photocure's contractual 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 profit of NOK 2.5 million (loss of NOK 1.8 million) in the fourth quarter 2012 and an operating loss of NOK 39.2 million (NOK 30.6 million) for the full year of 2012.

Net financial items were NOK 2.4 million (NOK 2.2 million) in the fourth quarter of 2012, and NOK 8.2 million (NOK 9.9 million) for the full year.

Photocure recorded a net profit from continued operations of NOK 5.7 million (NOK 40.3 million) in the fourth quarter. Last year profit was driven by an increase in the tax asset of NOK 40.0 million. For the full year Photocure had a net loss

from continued operations of NOK 30.1 million (profit of NOK 19.3 million).

Discontinued operations include Allumera net operating result and restructuring costs related to the exit. Restructuring costs amounted to NOK 3.2 million. No further spending is expected in 2013.

Photocure is the largest shareholder in PCI Biotech Holding ASA with 19.35% of the shares. The market value of the shareholding was NOK 46.7 million at 31 December 2012, resulting in a market value adjustment of NOK -10.8 million for the year.

Cash and cash equivalents were NOK 302.8 million at 31 December 2012 compared to 273.9 million at 30 September 2012 and NOK 355.2 million at 31 December 2011. The increase in the fourth quarter is driven by milestone payments from Galderma (Metvix) of EUR 3.0 million and Salix (Lumacan) of USD 4.5 million.

With our current financial position and the prospects of securing future partnerships for our pipeline products, the Board proposes to distribute NOK 2.00 per share back to the shareholders in the form of dividend.

Shareholders' equity was NOK 380.3 million, an equity ratio of 88%. At the end of 2011 shareholders' equity was NOK 439.3 million (87%).

As of 31 December 2012, Photocure held 178,255 own shares.

Post-closing events

According to the resolution made by the Annual General Meeting on 10 May 2012, the Board of Directors of Photocure ASA was given Power of Attorney to acquire own shares in connection with employee share purchase program. In accordance with the resolution, the Board of Directors of Photocure ASA decided to acquire up to 100,000 shares in addition to shares acquired in 2012. First purchase was done on 10 January 2013.

On 14 February 2013 the European health authorities approved an expansion of the indication for Hexvix to aid in the diagnosis and management of bladder cancer. The approved expanded indication recommends use of Hexvix blue light fluorescence cystoscopy as an adjunct to white light cystoscopy in the diagnosis and management of bladder cancer.

Risks and uncertainty factors for 2013

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 2013 are associated with market development for Hexvix/ Cysview, progress and performance of R&D 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 2013 continues to be driving sales of its marketed product and to ensure that the momentum in its R&D pipeline continues.

Key to driving the 2013 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.

With respect to the development of the R&D pipeline, the priorities in 2013 will be

- completion of the ongoing phase 2b study for Cevira and establish future partnership prior to initiate phase 3 clinical development,
- to obtain regulatory alignment for Visonac phase 3 as well as evaluate possible new strategic options for Visonac including exploration of possible partnership, and
- to support Salix in the development of Lumacan.

Given the focus on profitable growth, cost containment continues to be important. Photocure expects to spend in the range of NOK 75 – 85 million on marketing and sales in 2013.

The Board of Directors and CEO
Photocure ASA

Oslo, 27 February 2013

Åse Aulie Michelet
Chairman

Jon Hindar

Mats Pettersson

Eva Steiness

Xavier Yon

Ingrid Wiik

Kjetil Hestdal
President and CEO

Photocure Group – Accounts for fourth quarter and full year 2012

Photocure Group – Statement of comprehensive income

	Note	2012 4Q	2011 4Q	2012 1.1-31.12	2011 1.1-31.12
<i>(all amounts in NOK 1 000 except per share data)</i>					
Sales revenues	2	19 731	18 925	75 082	70 015
Signing fee and milestone revenues	2	27 597	23 462	58 741	44 076
Total revenues		47 328	42 386	133 823	114 091
Cost of goods sold		-1 737	-2 580	-9 405	-10 940
Gross profit		45 591	39 806	124 418	103 151
Other income		590	614	2 242	2 578
Indirect manufacturing expenses		-2 832	-2 633	-12 337	-10 712
Research and development expenses		-13 284	-20 886	-50 083	-64 062
Marketing and sales expenses		-18 679	-10 933	-70 188	-30 551
Business development and administrative expenses		-8 907	-7 815	-33 300	-31 008
Operating profit/loss(-)		2 480	-1 846	-39 248	-30 604
Financial income		2 569	3 110	12 766	12 274
Financial expenses		-213	-880	-4 530	-2 364
Net financial profit/loss(-)		2 356	2 230	8 236	9 910
Profit/loss(-) before tax		4 836	384	-31 012	-20 693
Tax expenses		890	39 950	890	39 950
Net profit/loss(-) continued operations		5 726	40 334	-30 122	19 257
Discontinued operations	1	-2 421	-6 649	-17 779	-26 769
Net profit/loss(-)		3 305	33 685	-47 901	-7 512
Other comprehensive income	4	-4 990	-2 718	-11 356	-12 245
Total comprehensive income		-1 685	30 968	-59 257	-19 757
Net profit/loss(-) per share, undiluted	5	0,07	1,58	-2,25	-0,35
Net profit/loss(-) per share, diluted	5	0,07	1,56	-2,24	-0,35

Photocure Group – Balance sheet

	Note	31.12.2012	31.12.2011
<i>(Amounts in NOK 1 000)</i>			
Non-current assets			
Machinery & equipment		4 111	4 414
Other investments	6	59 951	83 337
Deferred tax asset		40 840	39 950
Total non-current assets		104 902	127 700
Current assets			
Inventory		9 826	11 790
Receivables		15 432	14 518
Cash & cash equivalents		302 818	355 175
Total current assets		328 077	381 483
Total assets		432 978	509 183
Equity and liabilities			
Equity			
Share capital	7	10 697	10 697
Other paid-in capital		71 197	72 771
Retained earnings		298 374	355 869
Shareholders' equity		380 268	439 337
Long-term liabilities			
Other non-current liabilities		1 621	1 196
Total long-term liabilities		1 621	1 196
Current liabilities		51 089	68 650
Total liabilities		52 710	69 846
Total equity and liabilities		432 978	509 183



Photocure Group – Changes in equity

	2012 4Q	2011 4Q	2012 1.1-31.12	2011 1.1-31.12
<i>(Amounts in NOK 1 000)</i>				
Equity at beginning of period	381 383	407 821	439 337	458 854
Share buy back, net	-223	-304	-6 338	-6 645
Share-based compensation (share options employees)	768	853	6 527	6 921
Other items	25			-35
Comprehensive income	-1 685	30 968	-59 257	-19 757
Equity at end of period	380 268	439 337	380 268	439 337

Photocure Group – Cash flow Statement

	2012 4Q	2011 4Q	2012 1.1-31.12	2011 1.1-31.12
<i>(Amounts in NOK 1 000)</i>				
Profit/loss(-) before tax	2 415	-6 265	-48 791	-47 462
Depreciation and amortisation	399	271	1 535	1 134
Share-based compensation	768	853	6 527	6 882
Net interests	-2 387	-3 038	-8 901	-10 753
Changes in working capital	6 325	16 489	3 430	16 505
Other operational items	19 987	9 045	-8 727	-772
Net cash flow from operations	27 507	17 356	-54 928	-34 466
Cash flow from investments	1 670	1 984	9 071	7 049
Cash flow from financing activities	-223	-308	-6 500	-6 648
Net change in cash during the period	28 953	19 031	-52 357	-34 066
Cash & cash equivalents at beginning of period	273 865	336 144	355 175	389 241
Cash & cash equivalents at end of period	302 818	355 175	302 818	355 175

Photocure Group – Segment information Q4

4Q 2012	Cancer				Dermatology		
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum
<i>(Amounts in NOK 1 000)</i>							
Sales Revenues	9 718	9 385	-	19 103	628	-	628
Milestone revenues	-	25 160	-	25 160	2 437	-	2 437
Cost of goods sold	-1 010	-727	-	-1 737	-	-	-
Gross profit	8 708	33 818	-	42 526	3 065	-	3 065
Gross profit of sales %	90 %	92 %		91 %	100 %		100 %
Operating expenses	-17 049	-7 598	-10 241	-34 888	-51	-8 173	-8 224
Operating profit/loss (-)	-8 341	26 220	-10 241	7 639	3 014	-8 173	-5 159

4Q 2011	Cancer				Dermatology		
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum
<i>(Amounts in NOK 1 000)</i>							
Sales Revenues	7 057	11 868	-	18 925		-	-
Milestone revenues	-	20 953	-	20 953	2 509	-	2 509
Cost of goods sold	-488	-2 167	-	-2 655	75	-	75
Gross profit	6 569	30 654	-	37 223	2 584	-	2 584
Gross profit of sales %	93 %	82 %		86 %			
Operating expenses	-6 876	-5 216	-13 106	-25 197	-49	-16 408	-16 457
Operating profit/loss (-)	-307	25 438	-13 106	12 026	2 535	-16 408	-13 873



Photocure Group – Segment information full year

1 Jan - 31 December 2012 <i>(Amounts in NOK 1 000)</i>	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
Sales Revenues	29 525	38 305	-	67 830	7 252	-	7 252	75 082
Milestone revenues	0	47 710	-	47 710	11 031	-	11 031	58 741
Cost of goods sold	-3 006	-6 385	-	-9 391	-14	-	-14	-9 405
Gross profit	26 519	79 630	-	106 150	18 269	0	18 269	124 418
Gross profit of sales %	90 %	83 %		86 %	100 %		100 %	87 %
Operating expenses	-54 689	-35 328	-39 225	-129 243	-204	-34 219	-34 423	-163 666
Operating profit/loss (-)	-28 169	44 302	-39 225	-23 093	18 065	-34 219	-16 155	-39 248

1 Jan - 31 December 2011 <i>(Amounts in NOK 1 000)</i>	Cancer				Dermatology			Total
	Own sales	Partner	R&D	Sum	Partner	R&D	Sum	
Sales Revenues	24 048	40 514	-	64 562	5 453	-	5 453	70 015
Milestone revenues	0	32 692	-	32 692	11 384	-	11 384	44 076
Cost of goods sold	-1 481	-6 830	-	-8 311	-2 629	-	-2 629	-10 940
Gross profit	22 568	66 376	-	88 944	14 208	0	14 208	103 152
Gross profit of sales %	94 %	83 %		87 %	52 %		52 %	84 %
Operating expenses	-20 952	-22 367	-40 798	-84 117	-169	-49 470	-49 639	-133 756
Operating profit/loss (-)	1 616	44 009	-40 798	4 827	14 039	-49 470	-35 431	-30 604

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 27 February 2013.

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.

Exit Allumera operations

Photocure announced 1 October the strategic decision to exit its Allumera® cosmetic dermatology business in the US. The commercial organization was downsized immediately after the announcement, but Photocure continues to support the current Allumera customers through a customer service centre on a temporary basis. Restructuring costs of NOK 3.1 million were incurred in 4th quarter.

The Allumera segment is reported as discontinued operations from 4th quarter of 2012 according to IFRS 5. For further information about revenue and expenses related to the Allumera business in 2012 and 2011, please refer to the separate table in the Q4 financial statements.

Note 2 – Reclassification of revenue

Photocure has chosen to reclassify the accrual of the final settlement for the sale of the business area Metvix/Aktlite 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
	4Q	4Q	1.1-31.12	1.1-31.12
<i>(Amounts in NOK 1 000)</i>				
Sales revenues	22 168	21 434	86 113	81 399
Signing fee and milestone revenues	25 160	20 953	47 710	32 692
Total revenues	47 328	42 386	133 823	114 091

Note 3 – Income statement classified by nature

	2012	2011	2012	2011
	4Q	4Q	1.1-31.12	1.1-31.12
<i>(Amounts in NOK 1 000)</i>				
Sales revenues	19 731	18 925	75 082	70 015
Signing fees and milestone revenues	27 597	23 462	58 741	44 076
Cost of goods sold	-1 737	-2 580	-9 405	-10 940
Gross profit	45 591	39 806	124 418	103 151
Other income	590	614	2 242	2 578
Payroll expenses	-22 321	-15 727	-76 620	-61 555
R&D costs excl. payroll expenses/other operating expenses	-5 701	-6 116	-23 782	-36 181
Ordinary depreciation and amortisation	-385	-292	-1 545	-1 089
Other operating expenses	-15 568	-20 132	-63 961	-37 508
Total operating revenue and operating expenses	-43 385	-41 653	-163 666	-133 755
Operating profit	2 206	-1 846	-39 248	-30 604

Note 4 – Other comprehensive income

	2012	2011	2012	2011
	4Q	4Q	1.1-31.12	1.1-31.12
<i>(Amounts in NOK 1 000)</i>				
Market value adjustment PCI Biotech Holding ASA	-5 043	-2 522	-10 828	-12 312
Currency translation	53	-197	-528	67
Total other comprehensive income	-4 990	-2 718	-11 356	-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.

	Total	Continued	Discont.	
	12.31.2012	12.31.2012	12.31.2012	12.31.2011
<i>(Figures indicate the number of shares)</i>				
Ordinary shares 1 January	21 393 301	21 393 301	21 393 301	22 093 301
Write down of treasury shares	0	0	0	-700 000
Effect of treasury shares	-133 510	-133 510	-133 510	-46 299
Effect of share options exercised	0	0	0	0
Weighted average number of shares	21 259 792	21 259 792	21 259 792	21 347 002
Effect of outstanding share options	89 884	89 884	89 884	197 164
Weighted average number of diluted shares	21 349 676	21 349 676	21 349 676	21 544 166
Earnings per share in NOK	-2,25	-1,42	-0,84	-0,35
Earnings per share in NOK diluted	-2,24	-1,41	-0,83	-0,35



Note 6 – Other investments

<i>(Amounts in NOK 1 000)</i>	12.31.2012	12.31.2011
Market value PCI Biotech Holding ASA	46 725	57 554
Booked part of remaining settlement (EUR 4 million) from sale of Metvix/Aktelite	13 226	25 783
Total other investments	59 951	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 31 December 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	245 650	NOK 0.50	122 825
Share option exercise	-119 709	NOK 0.50	-59 855
Holdings of treasury shares at 31 December 2012	178 255		89 128

The table below indicates the status of authorisations at 31 December 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	-245 650		
Remaining under authorisations at 31 December 2012	1 893 680	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 31 December 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	
Kjetil Hestdal	President and CEO	62 873	139 000
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 Strategic Marketing	8 000	76 250
Gry Stensrud	Vice President Technical Development & Ope	6	61 196

Note 8 – Share options

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

Year of allocation	2012	2012	2011	2010	2010	2009
Option programme	2012	2011	2010-I	2010-II	2009	2008
Number	30 000	365 194	314 515	50 000	123 156	167 927
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 584 250 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	155 812	42,70	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	1 050 792	41,54	975 094	36,23
Exercisable options at end of period	672 491	37,44	589 217	30,47

Note 9 – Shareholders

Overview of the major shareholders at 1 January 2013:

Shareholder	Account		No of shares	%
	type	Citizen		
RADIUMHOSPITALETS FORSKNINGSSSTIFT.			3 129 000	14,63 %
JPMORGAN CHASE BANK	NOM	STORBRITA	1 957 334	9,15 %
ODIN NORGE			1 584 105	7,40 %
FONDSFINANS SPAR			1 350 000	6,31 %
GEZINA AS			1 230 716	5,75 %
SKAGEN VEKST			1 109 401	5,19 %
KLP AKSJE NORGE V/PF			891 768	4,17 %
KOMMUNAL LANDSPENSJONSKASSE			855 000	4,00 %
MP PENSJON PK			500 000	2,34 %
DANSKE INVEST NORSKE INSTIT. II.			403 807	1,89 %
DANSKE INVEST NORSKE AKSJER INST			372 624	1,74 %
VICAMA AS			345 384	1,61 %
GOLDMAN SACHS & CO - EQUITY	NOM	U.S.A.	325 667	1,52 %
BERGEN KOMMUNALE PENSJONSKASSE			300 000	1,40 %
HOLBERG NORGE			271 699	1,27 %
ARENDALS FOSSEKOMPANI ASA			200 000	0,93 %
PHOTOCURE ASA			178 255	0,83 %
ELL LOEN AS			165 204	0,77 %
A/S SKARV			150 000	0,70 %
FONDSFINANS FARMASI-BIOTEKNOLOGI			150 000	0,70 %
Total 20 largest shareholders			15 469 964	72,31 %
Total other shareholders			5 923 337	27,69 %
Total number of shares			21 393 301	100,00 %

Note 10 – Exit Allumera Business

Photocure announced 1 October the strategic decision to exit its Allumera[®] cosmetic dermatology business in the US. The commercial organization was downsized immediately after the announcement, but Photocure continues to support the current Allumera customers through a customer service centre on a temporary basis. Restructuring costs of NOK 3.1 million were incurred in 4th quarter.

The Allumera segment is reported as discontinued operations from 4th quarter of 2012 according to IFRS 5. The following table reconciles discontinued and continued operations. No adjustments are done to the balance sheet.

Total discontinued and continued

	2012	2011	2012	2011
<i>(all amounts in NOK 1 000 except per share data)</i>	4Q	4Q	1.1-31.12	1.1-31.12
Sales revenues	20 014	19 579	78 321	71 492
Signing fee and milestone revenues	27 597	23 462	58 741	44 076
Total revenues	47 611	43 041	137 062	115 568
Cost of goods sold	-1 864	-2 651	-9 882	-11 072
Gross profit	45 747	40 390	127 180	104 496
Operating expenses	-45 687	-48 885	-184 207	-161 869
Operating profit/loss(-)	60	-8 495	-57 027	-57 373

Discontinued operations

	2012	2011	2012	2011
<i>(all amounts in NOK 1 000 except per share data)</i>	4Q	4Q	1.1-31.12	1.1-31.12
Sales revenues	283	654	3 239	1 477
Signing fee and milestone revenues				
Total revenues	283	654	3 239	1 477
Cost of goods sold	-127	-71	-477	-132
Gross profit	156	583	2 762	1 345
Operating expenses	-2 577	-7 233	-20 541	-28 114
Operating profit/loss(-)	-2 421	-6 649	-17 779	-26 769

Continued operations

	2012	2011	2012	2011
<i>(all amounts in NOK 1 000 except per share data)</i>	4Q	4Q	1.1-31.12	1.1-31.12
Sales revenues	19 731	18 925	75 082	70 015
Signing fee and milestone revenues	27 597	23 462	58 741	44 076
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Gross profit	45 591	39 806	124 418	103 151
Operating expenses	-43 111	-41 652	-163 666	-133 755
Operating profit/loss(-)	2 480	-1 846	-39 248	-30 604



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