



Photocure ASA - Second Quarter Report 2008

Highlights

- Sales revenues increase 33% to NOK 22.7 million (17.1)
- Operating loss improved by NOK 2.6 million to NOK 17.7 million (20.3), but net loss increased to NOK 23.0 million (17.3) influenced by the demerger of PCI Biotech
- Metvix/Aktelite approved in the US
- Encouraging clinical data from the phase I/II study of Lumacan in the detection of colon cancer
- Demerger/IPO of PCI Biotech, Photocure's cancer-focused drug delivery subsidiary
- Liquid assets amounted to NOK 196.5 million at the end of the period

Hexvix – sales revenue increased 108 % compared to the second quarter of 2007

The work being done to introduce Hexvix bladder cancer diagnostic in Europe by Photocure and GE Healthcare, Photocure's commercial partner for Hexvix, is progressing very well with Germany and Denmark being the most advanced markets.

As a result of this increased activity and the growing acceptance of the photodynamic technology, sales revenue from Hexvix more than doubled in the second quarter of 2008 to NOK 8.2 million from NOK 3.9 million in the second quarter of 2007. Sales revenues from GE Healthcare were NOK 6.2 million in the second quarter of 2008, compared to NOK 2.6 million in the second quarter of 2007. Hexvix sales in units from GE Healthcare increased from 1,842 units in the second quarter of 2007 to 5,235 units in the second quarter of 2008. Photocure sales revenues from the Nordic countries were NOK 2.0 million in the second quarter of 2008, compared to NOK 1.3 million in the second quarter of 2007. Prescription of Hexvix was affected by a strike among nurses in Denmark and Sweden in the second quarter of 2008. Still, Hexvix sales in units from own sales nearly doubled from 336 in the second quarter of 2007 to 595 units in the second quarter of 2008.

Metvix/Aktelite – approval in the US

Photocure received a letter from FDA in June approving marketing and sale of Metvix/Aktelite in the US. Galderma, Photocure's commercial partner for Metvix/Aktelite, plan to launch Metvix/Aktelite in the US in the second half of 2008.

Sales revenues from Metvix/Aktelite in the second quarter of 2008 were NOK 14.5 million compared to NOK 13.2 million in the second quarter of 2007, an increase of 10 %. Photocure's own sales from the Nordic countries increased 15 % to NOK 5.8 million in the second quarter of 2008 compared to the same period in 2007. The increase is a result of price increases in Norway and Sweden in 2007, but was partly offset by strikes among nurses in Sweden and Denmark. Metvix sales in units from own sales decreased from 3,182 units in the second quarter of 2007 to 2,731 units in the second quarter of 2008. Sales revenues from Galderma were NOK 8.7 million, an increase of 7 % to compared to the second quarter of 2007. The increased sales revenues were due to a 29 % increase in prescription of Metvix to 14,897 units in the second quarter of 2008.



Progress in clinical development programs

Photocure has a strong platform based on photodynamic technologies with a portfolio of three pipeline projects: Visonac™ to treat moderate to severe acne; Cevira™ to treat cellular abnormalities of the cervix; and Lumacan™, a fluorescence-based photodynamic product for detection of precancerous lesions in colon. All projects have made encouraging progress during the second quarter:

Visonac™ – treatment of moderate to severe acne

Visonac is a novel topical treatment for moderate to severe acne based on Photocure's patented PDT technology and using the light-activated therapeutic compound methyl aminolevulinate. Photocure completed patient enrollment in a phase IIb placebo-controlled, multicenter study in this indication during the second quarter 2008. A total of 190 patients have received Visonac or placebo in order to investigate the effect of the treatment. The data is currently being analysed and the results will be reported in 2008.

The new acne lamp is ready for production, and 50 lamps will be produced before the start of phase III. Photocure plan to conduct meetings with the regulatory authorities in Europe and the US in order to seek regulatory and scientific advice before commencing phase III.

Cevira™ – treatment of abnormalities in the cervix

Cevira is a photodynamic treatment of HPV(human papilloma virus) infection and precancerous and/or cancerous lesions in the cervix. Patient recruitment is completed in the ongoing phase I/II study. Additionally, 24 patients will be recruited in order to optimize treatment conditions. All patients will be followed for 12 months. Preliminary data after six months follow-up will be published in the third quarter 2008. These data will give valuable input in the development of an optimal treatment for patients with abnormalities in the cervix.

A pre-IND meeting was held with FDA in April to discuss the development program. FDA has supported a submission of the IND application.

Lumacan™ – diagnosis of colon cancer

Lumacan is a fluorescence-based photodynamic product for the detection of precancerous lesions in colon. It builds on Photocure's extensive knowledge of early detection of bladder cancer via Hexvix. The first phase I/II clinical dose-finding study recruited 38 patients and the final results were presented at the Digestive Disease Week in San Diego, California, in May 2008. The study showed excellent results: 52 of 53 (98%) premalignant/malignant lesions were positively detected using Lumacan while only 38 of 53 (72%) lesions were detected using standard white light colonoscopy.

In April, Photocure was awarded a grant of NOK 9.1 million over a three year period from The Research Council of Norway for the Lumacan project. The grant will be used to fund clinical studies and development of an oral formulation.

PCI Biotech – demerger and IPO

The demerger of PCI Biotech Holding ASA from Photocure ASA was approved by the shareholders on the General Assembly held on April 9, 2008, and PCI Biotech Holding ASA was listed on Oslo Axess 18. June 2008. Pre-listing, PCI Biotech Holding ASA raised NOK 60 million in a share issue. Photocure owns 19.9% of PCI Biotech Holding ASA.

Photocure's consolidated results for the first six months of 2008 include expenses of NOK 4.8 million from PCI Biotech Holding ASA/PCI Biotech AS up to the demerger on June 17, 2008.



Photocure's shares in PCI Biotech Holding ASA were valued at NOK 12.4 million at June 30, 2008. This valuation comprises the investment at cost of NOK 21.6 million, less an adjustment to market value of NOK 9.2 million.

Second Quarter 2008 Financial Results (unaudited)

Sales revenues were NOK 22.7 million in the second quarter of 2008, compared to NOK 17.1 million in the second quarter of 2007, an increase of 33%. The sales increase is split on NOK 4.2 million higher Hexvix sales and NOK 1.3 million higher Metvix/Aktilite sales.

The gross margin, ex milestone revenues, increased from 74% in the second quarter of 2007 to 82% in the second quarter 2008. The increase is caused by higher royalty based sale from partners and effects of the Metvix price increase in Norway and Sweden late in 2007.

Operating loss amounted to NOK 17.7 million in the second quarter 2008, compared to NOK 20.3 million in the second quarter of 2007. Research and development expenses decreased by NOK 10.3 million and the marketing and sales expenses increased by NOK 2.6 million compared to the second quarter of 2007. The reduction in research and development expenses reflects completion of clinical studies in the second quarter of 2008. The increase in marketing and sales expenses is attributable to increased number of employees engaged in commercial activities compared to the second quarter of 2007.

The second quarter net financial loss for Photocure was NOK 5.3 million, including the adjustment to market value of Photocure's shares in PCI Biotech Holding ASA.

Net loss for the second quarter of 2008 was NOK 23.0 million versus a net loss of NOK 17.3 million in the second quarter of 2007.

Year-to-Date 2008 Financial Results (unaudited)

Sales revenues for the first six month period of 2008 were NOK 44.1 million, an increase of 22% compared to NOK 36.1 million in the first six months of 2007. The sales increase is mainly attributable to higher Hexvix sales.

The gross margin, ex milestone revenues, increased from 70% in the first six months of 2007 to 81% in the first six-months of 2008. The increase is due to higher royalty based sale from partners and effects of the Metvix price increase in Norway and Sweden late in 2007.

Operating loss amounted to NOK 40.2 million in the first six month period of 2008, compared to NOK 40.7 million in the first six months of 2007. Research and development expenses decreased by NOK 11.9 million and the marketing and sales expenses increased by NOK 5.8 million compared to the first six months of 2007. The reduction in research and development expenses reflects completion of clinical studies.

Net financial loss for the first six months of 2008 was NOK 2.9 million.

Net loss for the first six month period of 2008 amounted to NOK 43.0 million compared to a net loss of NOK 35.0 million in the first half of 2007.

Total equity for the group totaled NOK 219.3 million at the end of June 2008 compared to NOK 260.0 million at the end of 2007. Liquid funds amounted to NOK 196.5 million at the end of June 2008, compared to NOK 252.5 million at the end of 2007. The decrease in cash is influenced by the IPO of PCI Biotech Holding ASA where Photocure invested NOK 21.6 million. The number of outstanding shares was 22,093,301 at the end of June 2008.



Risks and uncertainty

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 as well as risks related to the shares.

The most important risks the Company is exposed to for the last six months of 2008 are associated with progress and performance of the clinical development programs, market development for Metvix/Aktelite and Hexvix as well as financial risks related to interest rates, liquidity and currency fluctuations.

Photocure does not have any significant changes in the uncertainties and risks compared to the descriptions in the Annual Report for 2007.

Transactions with related parties

Photocure has not been part of any transaction with related parties that has had significant impact on the Company's financial position in the first six month period of 2008, except for the demerger/IPO of PCI Biotech Holding ASA described above.

Responsibility Statement

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2008 which has been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management reports includes a fair review of the information required under the Norwegian Securities trading Act section 5-6 fourth paragraph.

The Board of Directors/President & CEO
Photocure ASA
Oslo, 14 August 2008

Erik Engebretsen
Chairman

Jon Hindar

Kari Krogstad

Mats Pettersson

Eva Steiness

Kjetil Hestdal
President & CEO

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Financial information

The unaudited financial information has been prepared in accordance with the same principles as the principles used for preparation of the Annual Report 2007 (all figures in NOK 1,000):

Unaudited Profit & Loss (group). All figures in NOK 1,000 except per share data:

Q2 2008	Q2 2007		2008 1.1-30.06	2007 1.1-30.06	2007 1.1-31.12
22 687	17 094	Sales revenues	44 098	36 100	75 252
0	12 028	Signing fee and milestone revenues	1 303	15 937	23 754
22 687	29 123	Total revenues	45 401	52 037	99 006
-4 087	-4 397	Cost of products sold	-8 588	-10 985	-17 326
18 600	24 726	Gross profit	36 813	41 052	81 679
2 257	1 669	Other income	4 211	3 364	7 625
-2 108	-1 944	Indirect manufacturing expenses	-4 619	-5 640	-8 512
-21 627	-31 903	Research and development expenses	-42 607	-54 547	-112 098
-11 871	-9 295	Marketing and sales expenses	-23 881	-18 061	-39 766
-2 933	-3 535	General and administrative expenses	-10 074	-6 859	-16 378
-17 683	-20 281	Operating profit/loss(-)	-40 156	-40 692	-87 450
4 151	3 019	Financial income	7 120	6 272	14 224
-9 490	6	Financial expenses	-10 010	-622	-1 744
-5 339	3 024	Net financial profit/loss(-)	-2 890	5 651	12 480
-23 022	-17 257	Net profit/loss(-)	-43 046	-35 041	-74 970
-86	-171	Incl. minority interests in the amount of	-375	-322	-773
-1,04	-0,78	Net income/loss(-) per share, undiluted (1)	-1,95	-1,59	-3,40
-1,04	-0,78	Net income/loss(-) per share, diluted (2)	-1,95	-1,58	-3,39

(1) Undiluted income/loss per share is calculation based on average weighted number of shares outstanding.

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



Income statement Second Quarter 2008 - own sales/partner sales (unaudited)

	2Q 2008				% vs. PY	2Q 2007			
	Own	Partner	R&D*	Total		Own	Partner	R&D*	Total
Sales revenue	7 807	14 881	0	22 687	33 %	6 353	10 741	0	17 094
Milestone revenue	0	0	0	0		0	12 028	0	12 028
Total revenues	7 807	14 881	0	22 687	-22 %	6 353	22 770	0	29 123
Cost of goods sold	547	3 540	0	4 087	-7 %	636	3 761	0	4 397
Gross profit	7 259	11 341	0	18 600	-25 %	5 718	19 008	0	24 726
Gross profit (ex milestones)	93 %	76 %		82 %		90 %	65 %		74 %
Operating expenses	9 410	3 427	23 446	36 283	-19 %	7 518	3 275	34 214	45 007
Operating profit	-2 151	7 914	-23 446	-17 683	-13 %	-1 801	15 734	-34 214	-20 281
Net finance	0	0	0	-5 339	-277 %	0	0	0	3 024
Profit before tax	-2 151	7 914	-23 446	-23 022	33 %	-1 801	15 734	-34 214	-17 257

* Including share of general and administrative expenses

Sales revenues - product split

	2Q 2008			% vs. PY	2Q 2007		
	Own	Partner	Total		Own	Partner	Total
Metvix/Aktelite	5 838	8 688	14 526	10 %	5 055	8 124	13 180
Hexvix	1 969	6 193	8 162	108 %	1 298	2 617	3 915
Total	7 807	14 881	22 687	33 %	6 353	10 741	17 094

Income statement First Half 2008 - own sales/partner sales (unaudited)

	1H 2008				% vs. PY	1H 2007			
	Own	Partner	R&D*	Total		Own	Partner	R&D*	Total
Sales revenue	15 679	28 419	0	44 098	22 %	13 377	22 723	0	36 100
Milestone revenue	0	1 303	0	1 303		0	15 937	0	15 937
Total revenues	15 679	29 722	0	45 401	-13 %	13 377	38 660	0	52 037
Cost of goods sold	1 128	7 460	0	8 588	-22 %	1 366	9 619	0	10 985
Gross profit	14 551	22 262	0	36 813	-10 %	12 011	29 041	0	41 052
Gross profit (ex milestones)	93 %	74 %		81 %		90 %	58 %		70 %
Operating expenses	20 031	9 534	47 404	76 968	-6 %	16 198	8 136	57 410	81 744
Operating profit	-5 480	12 728	-47 404	-40 156	-1 %	-4 187	20 905	-57 410	-40 692
Net finance	0	0	0	-2 890		0	0	0	5 650
Profit before tax	-5 480	12 728	-47 404	-43 046	23 %	-4 187	20 905	-57 410	-35 041

* Including share of general and administrative expenses

Sales revenues - product split

	1H 2008			% vs. PY	1H 2007		
	Own	Partner	Total		Own	Partner	Total
Metvix/Aktelite	11 477	17 138	28 615	0 %	10 447	18 048	28 495
Hexvix	4 202	11 281	15 483	104 %	2 930	4 675	7 605
Total	15 679	28 419	44 098	22 %	13 377	22 723	36 100



Balance Sheet (unaudited - all amounts in NOK 1,000)

	30.06.2008	30.06.2007	31.12.2007
Non-current assets			
Intangible assets, software	615	1 581	779
Machinery & equipment	4 021	2 584	3 436
Other investments	12 397		
Total non-current assets	17 033	4 164	4 215
Current assets			
Inventory	11 941	11 478	12 504
Receivables	25 000	27 025	32 222
Cash & cash equivalents	196 460	301 890	252 452
Total current assets	233 401	340 392	297 179
Total assets	250 434	344 557	301 394
Equity and liabilities			
Equity			
Paid-in capital	11 047	260 901	11 047
Other paid-in capital	13 719	8 575	10 984
Retained earnings	194 517	27 174	237 472
Shareholders' equity	219 282	296 650	259 503
Minority interest	0	0	491
Total equity	219 282	296 650	259 994
Liabilities			
Current liabilities	31 152	47 907	41 400
Total liabilities	31 152	47 907	41 400
Total equity and liabilities	250 434	344 557	301 394

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

Q2 2008	Q2 2007		2008 1.1-30.06	2007 1.1-30.06	2007 1.1-31.12
241 336	311 310	Equity at beginning of period	259 994	326 935	326 935
0	0	Share issue, employees	0	1 282	2 165
0	1 720	Share issue	0	1 720	1 720
1 368	877	Share-based compensation	2 735	1 754	4 163
-45 715	0	De-merger of PCI Biotech, capital decrease	-45 715	0	-20
45 315		Net gain de-consolidation PCI Biotech	45 315		
-23 022	-17 257	Net income/loss(-) for the period	-43 046	-35 041	-74 970
219 282	296 650	Equity at end of period	219 282	296 650	259 994

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

Q2 2008	Q2 2007		2008 1.1-30.06	2007 1.1-30.06	2007 1.1-31.12
-23 022	-17 257	Income/loss(-) before tax	-43 046	-35 041	-74 970
-12 556	-1 962	Other operational items	-10 799	-6 081	-20 685
-35 578	-19 219	Net cash flow from operations	-53 844	-41 122	-95 655
-8 034	2 567	Cash flow from investments	-5 240	5 225	9 450
3 095	1 720	Cash flow from capital transactions	3 092	2 702	3 572
-40 516	-14 931	Net change in cash during the period	-55 992	-33 195	-82 633
236 977	316 822	Cash & cash equivalents at beginning of period	252 452	335 085	335 085
196 460	301 890	Cash & cash equivalents at end of period	196 460	301 890	252 452