

METVIX[®] PDT ON THE MARKET IN GERMANY AND UK

PhotoCure ASA
First Quarter Report 2003

Highlights:

- **The launches of Metvix[®] PDT by Galderma in February in Germany and in May in the UK, have triggered milestone payments of Euro 2 million.**
- **Metvix[®] PDT approved in Australia for the treatment of actinic keratosis (AK)**
- **Second multi-centre phase III study highlights the clinical benefits of photo-diagnosis of bladder cancer with Hexvix[®]**
- **Sales revenues totalled NOK 10.4 million, compared to NOK 3.7 million in first quarter of 2002. Net loss amounted to NOK 18.5 million, compared to a net loss of NOK 29.5 million in first quarter of 2002. Cash balance NOK 215.6 as of 31 March 2003.**

The first quarter of 2003 has seen PhotoCure ASA continue to make significant progress towards its goal of being a company with a strong profitable business in the field of cancer therapy and diagnosis.

European Roll out of Metvix[®] PDT

Recently, Galderma hosted a launch symposium for selected opinion leaders in the UK for Metvix[®] PDT, PhotoCure's novel photodynamic therapy for the treatment of actinic keratosis and basal cell carcinoma. Galderma is PhotoCure's marketing partner for Metvix[®] PDT outside of the Nordic countries. The symposium was held in Seville, as part of the 2003 World Congress on Cancers of the Skin. Galderma also hosted a satellite symposium for Metvix[®] PDT at the Congress with almost 300 participants. Galderma has established several educational centres in the UK to ensure solid theoretical and practical training for clinicians who wish to start practising PDT. Another key element of ensuring the commercial success of Metvix[®] PDT is Galderma's programme of equipping clinical centres with the Aktelite™ light sources supplied by PhotoCure.

In February Metvix[®] PDT was launched in Germany. This was an important event as it was the product's first launch by Galderma. To mark the launch, Galderma hosted a symposium for Metvix[®] PDT in Berlin, which was attended by 150 key opinion leaders in the field of dermatology.

Marketing of Metvix[®] PDT in the Nordic countries is progressing. The acceptance among dermatologists is high, and at present, a total of 208 light sources have been installed at 134 clinical centres.

The launch of Metvix[®] PDT in Germany in addition to PhotoCure's own marketing efforts in the Nordic region has led to a significant increase in the product's revenues. In the first quarter of 2003 total revenues of Metvix[®] PDT amounted to NOK 10.4 million, compared to NOK 3.7 million in the same period in 2002.

Expanding the Commercial Opportunities for Metvix[®] PDT

The early part of 2003 has seen a number of developments that will be important to achieving the full commercial potential of Metvix[®] PDT. These events have included:

- the product's regulatory approval in Australia for the treatment of actinic keratosis (AK, pre-cancerous skin lesions). With the highest frequency of sun-induced skin diseases in the world, Australia constitutes a very important market for Metvix[®] PDT,
- the submission of a New Drug Application (NDA) to the US Food and Drug Administration (FDA) for Metvix[®] PDT for the treatment of nodular and superficial basal cell carcinoma (BCC, skin cancer). PhotoCure has already obtained an approvable letter from the US FDA for actinic keratosis,
- positive new clinical results with Metvix[®] PDT in the treatment of patients with early squamous cell carcinoma (SCC). SCC is a more aggressive non-melanoma skin cancer than BCC and Metvix[®] PDT shows superiority compared to standard treatments.

Hexvix[®] Improves Clinical Outcomes for Bladder Cancer Patients

In March 2003, PhotoCure announced that it had completed a second multi-centre phase III study with Hexvix[®] fluorescence cystoscopy. This study set out to determine whether improved detection of bladder cancer lesions with Hexvix[®] compared to standard white light cystoscopy would lead to better treatment outcomes for patients. The study took place at ten university clinics in Germany and the Netherlands and included 146 patients with known or suspected bladder cancer. Importantly, the investigators found that Hexvix[®] improved their ability to detect bladder tumours in 78% of the patients and was beneficial in deciding further patient treatment in 42% of the patients.

These are important results as they build on an earlier European multi-centre phase III study, which reported that Hexvix[®] fluorescence cystoscopy identifies approximately 30% more patients with aggressive bladder cancer (carcinoma *in situ*) compared to standard cystoscopy.

Recently, clinical data for Hexvix[®] was presented at the American Urology Association's annual congress in Chicago, a congress that gathered 12,000 urologists. Presentations were made at two plenary sessions, which were well received by urologists.

PhotoCure's first Marketing Authorisation Application (MAA) for Hexvix[®] was filed in Sweden in December 2002 as the first step in a European application process.

Financial Position

Sales revenues, including accrued signing fees from Galderma, totalled NOK 10.4 million for the first quarter of 2003, compared to NOK 3.7 million in the same period of 2002. Total operating expenses for the group amounted to NOK 34.3 million for the first quarter of 2003, compared to NOK 36.6 million during the same period of 2002. The decrease is primarily due to lower development costs for Metvix[®]. Net loss for the group totalled NOK 18.5 million for the three months ending 31 March 2003, compared to NOK 29.5 million in the same period in 2002.

Shareholders' equity totalled NOK 148.7 million as of 31 March 2003 compared to NOK 167.0 million as of 31 December 2002. Liquid funds amounted to NOK 215.6 million as of 31 March 2003, compared to NOK 249.5 million as of 31 December 2002. The funds are mainly invested in money market funds. The number of outstanding shares was 17,445,000 as of 31 March 2003.

Following the first commercial sale of Metvix[®] in Germany and UK, PhotoCure is now entitled to receive Euro 2 million in milestone payment from Galderma. This amount will be fully recognised as revenues in the second quarter of 2003.

Profit & Loss (Group)
(all amounts in NOK 1,000 except per share data)

Three month ended			2002
31.03.03	31.03.02		01.01 - 31.12
10 425	3 697	Sales revenues	25 222
1 045	124	Other operating revenues	3 486
11 470	3 821	Operating revenues	28 708
3 830	69	Cost of products sold	5 832
7 343	3 845	Payroll expenses	18 796
14 219	23 536	External R&D	77 300
437	232	Ordinary depreciation	1 269
8 490	8 902	Other operating expenses	35 039
34 318	36 584	Total operating expenses	138 235
-22 848	-32 763	Operating loss	-109 527
4 969	5 036	Financial income	20 271
599	1 783	Financial expense	6 750
4 370	3 253	Net financial income	13 521
-18 478	-29 510	Loss before tax	-96 006
-	-	Tax expenses	-
-18 478	-29 510	Net loss	-96 006
-72	-313	Minority interests	-906
-1.06	-1.70	Net loss per share (1)	-5.51

(1) Calculation based on average weighted number of shares outstanding.

Balance Sheet (all amounts in NOK 1,000)

	2003	2002	2002
	31.03	31.03	31.12
Fixed assets	12 166	4 075	12 421
Inventory	26 431		26 132
Receivables	17 208	18 445	10 950
Securities	197 687	241 556	215 414
Cash & cash equivalents	17 870	116 640	34 089
Total assets	271 361	380 716	299 006
Shareholders' equity	148 722	233 108	166 999
Long term liabilities	17 941	17 447	17 879
Current liabilities	104 698	130 161	114 127
Total equity and liabilities	271 361	380 716	299 006

Change in equity (all amounts in NOK 1,000)

	Three month ended		2002
	31.03.03	31.03.02	01.01-31.12
Equity at beginning of period	166 999	259 398	259 398
Accrued subscription rights	201	-	-273
Share issue employees		3 220	3 897
Share increase in subsidiary	-	-	1
Purchase of shares from minority		-	-19
Net loss for the period	-18 478	-29 510	-96 006
Equity at end of period	148 722	233 108	166 999

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

	Three month ended		2002
	31.03.03	31.03.02	01.01-31.12
Loss before tax	-18 478	-29 510	-96 006
Other operational items	-15 458	79 628	45 100
Net cash flow from operations	-33 936	50 119	-50 906
Net cash flow from investing activities	-10	-372	-8 906
Net cash flow from capital transactions	0	3 272	4 137
Net change in cash & cash equivalents	-33 946	53 018	-55 675
Cash & cash equivalents at beginning of period	249 503	305 178	305 178
Cash & cash equivalents at end of period	215 557	358 196	249 503