



Third Quarter Report 2004

Hexvix[®] Receives First Marketing Approval

Highlights

- Hexvix[®] is PhotoCure's second pharmaceutical product to receive marketing approval
- Metvix[®] approved in 8 new European countries, the product is now approved in a total of 29 countries
- Metvix sales amounted to 5975 units in the third quarter of 2004, up from 3055 units in third quarter of 2003 (+96%)
- Sales revenues increased to NOK 8.1 million in the third quarter 2004, compared to NOK 5.2 million in the corresponding quarter of 2003 (+56%).
- Net profit amounted to NOK 14.1 million compared to a net loss of NOK 14.8 in the third quarter of 2003. Adjusted for a one-off milestone revenue of NOK 25.3 million, net loss in the third quarter of 2004 totalled NOK 11.3 million. Liquid funds totalled NOK 153.5 million as of 30 September 2004.

First marketing approval for Hexvix®

In September, Hexvix gained marketing approval in Sweden. The product is approved for the detection of urinary bladder cancer in patients with known or suspected bladder cancer. Hexvix is PhotoCure's second pharmaceutical product to be approved.

Based on the positive Swedish assessment, PhotoCure will submit marketing authorisation applications in the majority of the remaining EU/EEA countries later this year. The filing will be made through the Mutual Recognition Procedure, by which each country must give its response within 90 days following the application date. Thereafter, in each country where approval is obtained, a national marketing authorisation will be issued following the approval of Hexvix product information for doctors and patients in the local language.

Bladder cancer is the sixth most common cancer worldwide. Approximately 5 million cystoscopies are performed globally every year. Hexvix imaging is an innovative and effective diagnostic method for all types of bladder cancer, in particular cancer lesions such as carcinoma in situ, which are difficult to see with normal white light cystoscopy. Hexvix is the first pharmaceutical product on the market that improves cystoscopic diagnosis of bladder cancer.

In a meeting with the US Food & Drug Administration, the clinical documentation for Hexvix was discussed and was considered sufficient for submission of a marketing application. A pre New Drug Application (NDA) meeting has been requested.

Preparations for launch are ongoing and PhotoCure continues to evaluate potential partners for the sales and marketing of this product.

Metvix® sales increases

Sales of Metvix continued to increase and sales to pharmacies totalled 5975 units in the third quarter, an increase of 96% compared to the corresponding quarter in 2003. Sales in the Nordic countries were 2317 units and sales in Galderma territory were 3658 units. Total sales revenues for Metvix and Aktelite on all markets amounted to NOK 8.1 million, compared to NOK 5.2 million in the third quarter in 2003, an increase of 56%.

Galderma continues to prepare Metvix launches in countries where the product is approved but not yet launched.

Metvix - now approved in 29 countries

In September Metvix received marketing approval for the treatment of actinic keratosis and basal cell carcinoma through the Mutual Recognition Procedure in 8 new European countries: the Netherlands, Portugal, Poland, the Czech Republic, Estonia, Latvia, Lithuania, and the Slovak Republic. National marketing authorisation in each country will be issued following the approval of Metvix product information for doctors and patients in the local language.

Metvix is now approved for marketing for precancerous skin lesions (aktinic keratosis) and skin cancer (basal cell carcinoma, BCC) in 26 European countries, Australia, New Zealand, and for precancerous skin lesions in the US.

Metvix received US approval for the treatment of actinic keratosis in July 2004. PhotoCure remains in continued discussions with the Food and Drug Administration in the US in order to obtain approval for Metvix for the treatment of BCC. An amendment to the BCC application was submitted in June and a response is expected by the end of 2004.

PhotoCure and Galderma continue their clinical trials of Metvix for the treatment of acne and organ transplant patients.

Intellectual property

PhotoCure continues to await a judgement in the Australian patent suit following the hearing in April this year. As previously disclosed, in August 2004, DUSA, Queens University, Galderma and PhotoCure entered into a Mediation agreement designed to facilitate resolution of the parties' patent disputes for the use of photodynamic therapy using 5-aminolevulinic acid.

Financial position

Sales revenues totalled NOK 8.1 million, compared to NOK 5.2 million in the third quarter in 2003. Signing fee and milestone revenues totalled NOK 29.2 million. This amount includes NOK 25.3 million from Galderma in milestone revenue linked to the approval of Metvix for aktinic keratosis in the US. Operating revenues for the group amounted to NOK 38.5 million in the third quarter, compared to operating revenues of NOK 10.2 million in the same period of 2003.

Operating expenses amounted to NOK 21.9 million, compared to NOK 24.3 million in the third quarter of 2003. The reduction was mainly due to lower patent attorney costs related to the dispute in Australia. Net profit amounted to NOK 14.1 million compared to a net loss of NOK 14.8 in the third quarter of 2003. Adjusted for the one-off milestone revenue of NOK 25.3 million, net loss in the third quarter of 2004 totalled NOK 11.3 million.

Shareholders' equity for the group totalled NOK 115.0 million as of 30 September 2004 compared to NOK 131.9 million as of 31 December 2003. Liquid funds amounted to NOK 153.5 million as of 30 September 2004, compared to NOK 185.8 million as of 31 December 2003. The number of outstanding shares was 17,582,704 as of 30 September 2004.

Accounting policies

The accounts for the quarter are based on the same accounting principles as stated in the annual report for 2003, and are in compliance with Norwegian GAAP requirements for quarterly reporting.

All companies listed on the Oslo Stock Exchange, shall from 1 January 2005 apply the IFRS (International Financial Reporting Standard) policies. PhotoCure has identified pension liability and employee share options as items that will be affected. However, for these items, IFRS is considered to not significantly alter PhotoCure's profit and loss accounts or equity.

Profit & Loss (Group)

(all amounts in NOK 1,000 except per share data)

Three months ended			2004	2003	2003
30.09.04	30.09.03		01.01 - 30.09.	01.01 - 30.09.	01.01 - 31.12.
8 134	5 248	Sales revenues	27 920	16 001	23 380
29 228	3 908	Signing fee and milestone revenues	37 045	27 865	31 774
1 089	1 045	Other operating revenues	3 535	3 135	5 150
38 452	10 202	Operating revenues	68 500	47 002	60 304
2 676	2 074	Cost of products sold	10 760	7 538	9 514
35 776	8 128	Gross profit	57 741	39 464	50 790
7 099	7 015	Payroll expenses	20 800	19 740	27 757
8 110	7 338	External R&D	22 242	25 856	38 377
366	416	Ordinary depreciation	1 132	1 276	1 677
6 327	9 559	Other operating expenses	32 495	27 788	36 635
21 901	24 327	Total operating expenses	76 669	74 660	104 446
13 875	-16 199	Operating income/-loss	-18 928	-35 196	-53 655
842	2 343	Financial income	3 533	11 937	14 014
656	920	Financial expense	1 854	2 434	3 126
185	1 423	Net financial income	1 679	9 503	10 888
14 060	-14 776	Income/-loss before tax	-17 249	-25 693	-42 767
-	-	Tax expenses	-	-	-
14 060	-14 776	Net income/-loss	-17 249	-25 693	-42 767
-56	-103	Incl. minority interests in the amount of	-219	-332	-441
0.80	-0.85	Net loss per share (1)	-0.98	-1.47	-2.44

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

Balance Sheet (all amounts in NOK 1,000)

	2004	2003	2003
	30.09	30.09	31.12
Machinery & equipment	2 155	3 548	3 222
Financial fixed assets	8 013	7 850	7 832
Total fixed assets	10 167	11 398	11 054
Current assets			
Inventory	19 172	24 816	23 167
Receivables	18 175	20 493	13 335
Securities	117 644	178 789	170 309
Cash & cash equivalents	35 815	15 724	15 536
Total current assets	190 806	239 822	222 348
Total assets	200 973	251 221	233 402
Paid in capital	70 187	69 772	69 866
Other equity	44 782	79 105	62 031
Shareholders' equity	114 968	148 877	131 897
Long term liabilities	13 219	17 723	13 519
Current liabilities	72 786	84 621	87 985
Total liabilities	86 005	102 344	101 504
Total equity and liabilities	200 973	251 221	233 402

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

	Nine months ended		2003
	30.09.04	30.09.03	01.01 - 31.12.
Equity at beginning of period	131 897	166 999	166 999
Accrued subscription rights	124	-1 004	-910
Share issue employees	197	5 883	5 883
Share increase in subsidiary	-	2 692	2 692
Net income/-loss for the period	-17 249	-25 693	-42 767
Equity at end of period	114 968	148 877	131 897

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

	Nine months ended		2003
	30.09.04	30.09.03	01.01 - 31.12.
Loss before taxes	-17 249	-25 693	-42 767
Other operational items	-15 269	-37 770	-27 740
Net cash flow from operations	-32 518	-63 463	-70 507
Cash flow from investments	-64	-101	-1 426
Cash flow from capital transactions	197	8 575	8 275
Net change in cash during the period	-32 385	-54 990	-63 658
Cash & cash equivalents at beginning of period	185 845	249 503	249 503
Cash & cash equivalents at end of period	153 459	194 513	185 845

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