



PhotoCure ASA - First Quarter Report 2005

Hexvix[®] approved in all EU/EEA countries

Highlights

- Hexvix approved in all EU/EEA countries.
- PhotoCure and Galderma free to market Metvix[®] in Australia after successfully defeating DUSA's claim of infringement.
- Galderma sales totalled 4991 Metvix units in the first quarter, compared to 2693 units in the first quarter 2004 (+85 %). Galderma launched Metvix in the Netherlands in the first quarter. Nordic Metvix sales totalled 3184 units in the first quarter of 2005, up from 2932 units in the first quarter of 2004 (+9%).
- Sales revenues amounted to NOK 8.8 million compared to NOK 10.2 million in the first quarter of 2004. Net loss amounted to NOK 13.1 million compared to NOK 16.4 million in the corresponding quarter of 2004. Liquid funds amounted to NOK 117.7 as of 31 March 2005.

Hexvix approved in all EU/EEA countries

Based on the Swedish approval in September 2004, applications were filed to all remaining EU/EEA member states through the European mutual recognition procedure. Following a 90-day approval process, the Hexvix marketing authorisation application was recognised by all EU/EEA member states. National marketing authorisations will be issued in each country following approval of the Hexvix product information for doctors and patients in the local language. In addition, price approval is a prerequisite for marketing drugs in certain countries.

Hexvix is approved for the detection of urinary bladder cancer in patients with known or suspected bladder cancer. It is the first product on the market that improves cystoscopy (telescopic inspection of the bladder).

Hexvix is an innovative and effective diagnostic method for all types of bladder cancer. The results are particularly good for CIS lesions, which are difficult to detect with white light cystoscopy. Hexvix, which is an adjunct procedure to standard cystoscopy, improves the overall tumour detection by introducing tumour fluorescence.

Each year, approximately four million cystoscopies are performed in the US and the EU to diagnose or rule out bladder cancer. Bladder cancer is the sixth most common cancer worldwide with approximately 200,000 new patients diagnosed every year.



Hexvix launch in Sweden in June

PhotoCure is currently preparing for the first launch of Hexvix, which is scheduled to take place at the 25th Congress of the Scandinavian Association of Urology in Gothenburg, Sweden, in June.

PhotoCure is actively continuing the evaluation of licensing partners for Hexvix in markets outside the Nordic region. Hexvix receives excellent attention from the potential licensing partners, and this confirms PhotoCure's view of its market potential.

Closer to Hexvix filing in the US

In a meeting with the US Food & Drug Administration (FDA), the clinical documentation for Hexvix was discussed and was considered sufficient for submission of a marketing application. Filing of a new drug application is planned for this year.

Increasing Metvix sales

Galderma sold 4991 units in the first quarter of 2005 compared to 2693 units in the corresponding quarter of 2004, an increase of 85%. Galderma has scheduled several Metvix launches in 2005, and the product was officially launched in the Netherlands in the first quarter. Launches in Spain and Portugal are under way.

Metvix is now offered at approximately 200 dermatology clinics in the Nordic region. PhotoCure is focussing on increased use of Metvix among existing clinics, and the company is working actively on reimbursement issues. Grete Hogstad was hired as vice president sales and marketing in February. The Nordic sales team has been through a full review, and initiatives to focus the resources are ongoing.

Regulatory status for Metvix

In the United States, PhotoCure continues its discussions with FDA regarding the documentation necessary for the approval of the new Aktelite lamp and the studies required for an approval of Metvix for BCC.

Exploring new uses of Metvix

PhotoCure and Galderma continue to explore possibilities for new uses of Metvix. Clinical studies with Metvix in organ transplant recipients and in patients with Bowen's disease have generated promising results. PhotoCure and Galderma plan to submit the clinical documentation on Bowen's disease to extend the current indication in the EU. Based on a preliminary review of the documentation, Swedish authorities have agreed that the package should be submitted to all countries in the EU for formal review.

Moreover, a proof-of-concept study with Metvix in patients with moderate to severe acne has been initiated. Results from this study are expected in the third quarter of 2005.



Galderma and PhotoCure free to market Metvix in Australia

In April, PhotoCure and Galderma successfully defeated the infringement claim made by DUSA Pharmaceuticals in Australia. The claim involved an Australian patent relating to a method for photodynamic therapy using 5-aminolevulinic acid (5-ALA). The Metvix cream contains methyl aminolevulinate, which is an ALA derivative. Whilst DUSA's patent was held to be valid, Australia's Federal Court found that the marketing and use of Metvix in Australia does not infringe the patent. This court decision proves the strong patent position of Metvix and that products based on derivatives of ALA are considered to be novel and independent of ALA products.

Financial position

Total revenues totalled NOK 12.7 million, compared to NOK 14.1 million in the first quarter of 2004. The sales increase in Metvix units are offset by a reduction of NOK 0.9 million in lower Aktelite sales and NOK 0.7 million in final reconciliation with Galderma for 2004.

Operating expenses amounted to NOK 23.4 million, compared to NOK 28.3 million in the first quarter of 2004. The reduction was mainly due to lower patent attorney costs related to the dispute in Australia. Net loss amounted to NOK 13.1 million compared to a net loss of NOK 16.4 in the first quarter of 2004.

Total equity for the group totalled NOK 72.8 million as of 31 March 2005 compared to NOK 85.6 million as of 31 December 2004. Liquid funds amounted to NOK 117.7 million as of 31 March 2005, compared to NOK 138.0 million as of 31 December 2004. The number of outstanding shares was 17,582,704 as of 31 March 2005.

Accounting policies

The accounts for the first quarter are prepared in accordance with the International Accounting Standard (IAS) 34 – Interim Financial Reporting. On 27 April 2005, PhotoCure issued a document that describes the changes from NGAAP to International Financial Reporting Standard (IFRS) on the transition date 1 January 2004 and for each quarter in 2004 and for the financial year 2004.

PhotoCure, the PhotoCure logo, Aktelite, Metvix and Hexvix are trademarks or registered trademarks of PhotoCure ASA.

3 May 2005

The Board of Directors of PhotoCure ASA



PhotoCure

Profit & Loss (Group)

(all amounts in NOK 1000 except per share data)

	Three month ended		2004
	31.03.05	31.03.04	01.01 - 31.12
Sales revenues	8 799	10 179	36 855
Signing fee and milestone revenues	3 908	3 909	40 954
Sales, signing fee and milestone revenues	12 707	14 087	77 809
Cost of products sold	-3 903	-3 999	-13 066
Gross profit	8 804	10 089	64 743
Other operating revenues	954	1 263	4 597
Payroll expenses	-8 286	-8 227	-35 282
External R&D	-7 885	-6 478	-31 718
Ordinary depreciation	-376	-389	-1 530
Other operating expenses	-6 896	-13 160	-41 671
Operating income/-loss	-13 684	-16 901	-40 861
Financial income	915	1 389	4 687
Financial expense	-325	-851	-9 149
Net financial income	590	538	-4 462
Income/-loss before tax	-13 094	-16 363	-45 323
Tax expenses	-	-	-
Net income/-loss	-13 094	-16 363	-45 323
Incl. minority interests in the amount of	-16	-113	-290
Net loss per share (1)	-0,74	-0,93	-2,58

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

Geographical distribution of sales revenues

Amounts in NOK 1000

	1Q05	1Q04	2004
The Nordic region	4 199	4 649	16 851
Outside the Nordic region	4 600	5 530	20 004
Total	8 799	10 179	36 855

Segment reporting

PhotoCure's segment reporting is based on geographical segments: the Nordic region and outside the Nordic region. These segments correspond to the markets served by PhotoCure itself (the Nordic region) and Galderma (outside the Nordic region), reflecting the differences in distribution systems and income structure for Metvix. Hexvix and other products do not yet contribute significantly to the PhotoCure sales and are therefore not reported as a segment.

PhotoCure's assets, liabilities and operating expenses are only to a small extent divided into these geographical segments.



Balance Sheet

(all amounts in NOK 1000)

	2005 31.03	2004 31.03	2004 31.12
Fixed assets			
Machinery & equipment	1 842	2 850	2 080
Financial fixed assets	-	6 250	0
Total fixed assets	1 842	9 100	2 080
Current assets			
Inventory	16 613	22 309	17 533
Receivables	15 023	16 519	16 146
Securities	97 839	147 336	111 219
Cash & cash equivalents	19 859	16 201	26 733
Total current assets	149 335	202 365	171 631
Total assets	151 177	211 465	173 711
Equity			
Paid in capital	67 093	67 093	67 093
Other paid-in capital	3 769	3 118	3 444
Retained earnings	1 782	43 642	14 860
Shareholders' equity	72 644	113 853	85 397
Minority interest	154	347	170
Total equity	72 797	114 200	85 566
Liabilities			
Long term liabilities			
Retirement benefit obligations	105	140	219
Other long term liabilities	12 919	13 519	13 219
Total long term liabilities	13 024	13 659	13 438
Current liabilities	65 356	83 606	74 707
Total liabilities	78 379	97 265	88 145
Total equity and liabilities	151 177	211 465	173 711

Change in Equity

(all amounts in NOK 1000)

	Three months ended		2004
	31.03.05	31.03.04	31.12
Equity at beginning of period	85 566	130 257	130 257
Accrued subscription rights	-	41	165
Share issue employees	-	197	197
Stock based compensation	325	68	270
Net income/-loss for the period	-13 094	-16 363	-45 323
Equity at end of period	72 797	114 200	85 566

Cash Flow Statement

(all amounts in NOK 1000)

	Three months ended		2004
	31.03.05	31.03.04	01.01 - 31.12
Loss before taxes	-13 094	-16 363	-45 323
Interest paid	-20	-31	-103
Other operational items	-7 449	-6 849	-4 822
Net cash flow from operations	-20 563	-23 243	-50 248
Cash flow from investments	609	1 038	2 758
Cash flow from capital transactions	-300	-103	-403
Net change in cash during the period	-20 254	-22 308	-47 893
Cash & cash equivalents at beginning of period	137 952	185 845	185 845
Cash & cash equivalents at end of period	117 698	163 537	137 952



Reconciliation of 1Q04 income statement and equity from NGAAP to IFRS

Income statement	01.01 - 31.03.04
NGAAP loss for 1Q 2004	-16 214
Pension cost	-82
Stock based compensation	-68
IFRS loss for 1Q 2004	-16 363
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Equity	31.03.2004
NGAAP Equity 31.03.04	115 922
Opening balance effect pensions	-1 640
Opening balance effect stock based compensation	-
Change in loss due to IFRS	-150
Stock based compensation	68
IFRS Equity 31.03.04	114 200