



## **PhotoCure ASA - Second Quarter Report 2005**

### **Highlights**

- Hexvix launch initiated in Sweden and NDA for Hexvix filed in the US.
- In the second quarter, Galderma's sales of Metvix increased by 118% to 6 233 units from 2 855 units in the second quarter of 2004. Galderma launched Metvix in Spain and Portugal during the quarter.
- Nordic Metvix sales increased by 21% to 3 129 units, compared to 2 582 units in the same period of 2004.
- Total revenues in the second quarter increased to NOK 24.2 million, from NOK 14.7 million in the same quarter of 2004. Other operating revenues were NOK 11.4 million, compared to NOK 1.2 million in the second quarter of 2004.
- Net loss amounted to NOK -7.2 million, compared to NOK -15.2 million in the second quarter of 2004.
- Liquid funds at 30 June 2005 amounted to NOK 100.1 million.



## **First Hexvix launch initiated in Sweden**

Following the European approval in March, the first Hexvix launch took place in Sweden in June at the 25th Congress of the Scandinavian Association of Urology. The product has attracted strong initial interest and for 2005, PhotoCure is aiming at building a deeper knowledge of the product at key clinics, thereby gaining acceptance for the benefits of Hexvix. Urologist training programs will start at the end of August.

Hexvix has been approved for the detection of urinary bladder cancer in patients with known or suspected bladder cancer. By introducing tumour fluorescence, Hexvix is the first product on the market that improves cystoscopy. It improves overall tumour detection, and the results are particularly good for carcinoma in situ, which is difficult to detect in white light. Hexvix is a supplement to standard cystoscopy, and requires that the clinics' cystoscope is equipped with blue light in addition to the currently used white light.

Approximately 4 million cystoscopies are performed in the US and Europe every year to diagnose or rule out bladder cancer. Bladder cancer is the sixth most common cancer worldwide with approximately 200 000 new patients diagnosed annually.

## **Hexvix filed in the US**

A new drug application (NDA) for Hexvix was submitted to the US regulatory authorities, the Food & Drug Administration (FDA) in June 2005, well ahead of schedule. The NDA is based on the same phase III studies that formed the basis for the European approval.

## **Hexvix licensing partner**

For markets outside the Nordic region, PhotoCure is continuing the evaluation of licensing partners.

## **Increasing Metvix sales**

Galderma's sales of Metvix in the second quarter increased by 118% to 6 233 units from 2 855 units in the corresponding quarter of 2004. Galderma, who holds the licence for Metvix outside the Nordic region, has scheduled several Metvix launches in 2005. In the second quarter, the product was launched in Spain and Portugal.

In the Nordic region, 3 129 units were sold to pharmacies, compared to 2 582 units in the second quarter of 2004, an increase of 21%. PhotoCure is focussing on increased use of Metvix among existing clinics. The company is working actively on reimbursement issues in Norway and Finland.

A total of 60 Aktelite lamps were sold in the second quarter of 2005, compared to 101 lamps in the second quarter of 2004. Total lamps sold to date are over 1 200, of which over 900 outside the Nordic region.

In June, an application was filed in the EU for marketing approval of Metvix for Bowen's disease, a superficial form of a malignant skin cancer known as squamous cell carcinoma.



## **Proof-of-concept study for Metvix in acne**

A proof-of-concept study for Metvix in patients with moderate to severe acne has been completed. Results from the study are expected to be presented in the first half of 2006. A follow-up study in acne patients will be initiated in the third quarter of 2005.

## **Financial position**

Total revenues amounted to NOK 24.2 million, compared to NOK 14.7 million in the second quarter of 2004. Total revenues include NOK 10.4 million in other revenues referring to the reclassification of an R&D contract with the state owned company Innovation Norway. It has previously been classified as a long-term liability. In addition, a provision for interest on this loan has been reversed, resulting in a financial income of NOK 1.9 million in the second quarter of 2005.

Total sales revenues decreased by 8% to NOK 8.9 million, compared to the second quarter of 2004. Sales revenues in the Nordic region increased by 7% to NOK 4.1 million. Sales outside the Nordic region decreased by 18% to NOK 4.8 million, due to a lower Metvix price per unit to Galderma as well as lower Aktelite sales.

Operating expenses totalled NOK 30.0 million, compared to NOK 26.8 million in the second quarter of 2004. R&D expenses increased to NOK 14.7 million compared to NOK 7.7 million in the second quarter of 2004. R&D expenses include more than NOK 6 million associated with the NDA filing for Hexvix in the US.

Net loss amounted to NOK -7.2 million compared to a net loss of NOK -15.2 in the second quarter of 2004.

Total equity for the group amounted to NOK 66.0 million as of 30 June 2005, compared to NOK 85.6 million as of 31 December 2004. Liquid funds amounted to NOK 100.1 million as of 30 June 2005, compared to NOK 138.0 million as of 31 December 2004. The number of outstanding shares was 17 582 704 as of 30 June 2005.

## **Accounting policies**

The accounts for the second 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 the International Financial Reporting Standard (IFRS) on the transition date 1 January 2004 and for each quarter in 2004 and for the financial year 2004.

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Results for the third quarter will be published on 28 October 2005.



PhotoCure

Profit & Loss (Group)

(Amounts in NOK 000s except per share data)

Three months ended			2005	2004	2004
30.06.2005	30.06.2004		01.01 - 30.06	01.01 - 30.06	01.01 - 31.12
8 874	9 607	Sales revenues	17 673	19 786	36 855
3 908	3 908	Signing fee and milestone revenues	7 817	7 817	40 954
<b>12 782</b>	<b>13 516</b>	<b>Sales, signing fee and milestone revenues</b>	<b>25 490</b>	<b>27 603</b>	<b>77 809</b>
-3 601	-4 085	Cost of products sold	-7 504	-8 083	-13 066
<b>9 181</b>	<b>9 431</b>	<b>Gross profit</b>	<b>17 986</b>	<b>19 520</b>	<b>64 743</b>
11 379	1 182	Other operating revenues	12 333	2 445	4 597
-5 657	-5 774	Payroll expenses	-13 943	-14 001	-35 282
-14 671	-7 655	External R&D expenses	-22 555	-14 132	-31 718
-316	-377	Ordinary depreciation	-692	-766	-1 530
-9 370	-13 009	Other operating expenses	-16 266	-26 168	-41 671
<b>-9 453</b>	<b>-16 201</b>	<b>Operating income/-loss</b>	<b>-23 137</b>	<b>-33 102</b>	<b>-40 861</b>
2 836	1 302	Financial income	3 751	2 691	4 687
-548	-347	Financial expenses	-873	-1 197	-9 149
<b>2 289</b>	<b>956</b>	<b>Net financial income</b>	<b>2 878</b>	<b>1 494</b>	<b>-4 462</b>
<b>-7 165</b>	<b>-15 245</b>	<b>Income/-loss before tax</b>	<b>-20 259</b>	<b>-31 608</b>	<b>-45 323</b>
-	-	Tax expenses	-	-	-
<b>-7 165</b>	<b>-15 245</b>	<b>Net income/-loss</b>	<b>-20 259</b>	<b>-31 608</b>	<b>-45 323</b>
-26	-54	Incl. minority interests in the amount of	-42	-167	-290
(0,41)	(0,87)	Net loss per share (1)	(1,15)	(1,80)	(2,58)

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

Geographical distribution of sales revenues

(Amounts in 000s)

	2Q05	1Q05	2Q04	1Q04	1H05	1H04	2004
The Nordic region	4 106	3 891	3 825	4 649	7 997	8 475	16 183
Outside the Nordic region	4 768	4 908	5 782	5 530	9 676	11 311	20 673
<b>Total</b>	<b>8 874</b>	<b>8 799</b>	<b>9 607</b>	<b>10 179</b>	<b>17 673</b>	<b>19 786</b>	<b>36 855</b>



**Balance Sheet (Amounts in NOK 000s)**

	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>30.06</b>	<b>30.06</b>	<b>31.12</b>
Machinery & equipment	1 906	2 474	2 080
Financial fixed assets	-	6 250	0
<b>Total fixed assets</b>	<b>1 906</b>	<b>8 724</b>	<b>2 080</b>
<b>Current assets</b>			
Inventory	13 950	20 251	17 533
Receivables	17 223	15 344	16 146
Securities	84 325	129 000	111 219
Cash & cash equivalents	15 777	15 819	26 733
<b>Total current assets</b>	<b>131 274</b>	<b>180 414</b>	<b>171 631</b>
<b>Total assets</b>	<b>133 180</b>	<b>189 138</b>	<b>173 711</b>
<b>Equity</b>			
Paid-in capital	67 093	67 093	67 093
Other paid-in capital	4 093	3 226	3 444
Retained earnings	-5 357	28 450	14 860
<b>Shareholders' equity</b>	<b>65 829</b>	<b>98 769</b>	<b>85 397</b>
Minority interest	128	293	170
<b>Total equity</b>	<b>65 957</b>	<b>99 063</b>	<b>85 566</b>
<b>Long-term liabilities</b>			
Retirement benefit obligations	105	42	219
Other long-term liabilities	300	13 519	13 219
<b>Total long-term liabilities</b>	<b>405</b>	<b>13 561</b>	<b>13 438</b>
<b>Current liabilities</b>	<b>66 818</b>	<b>76 514</b>	<b>74 707</b>
<b>Total liabilities</b>	<b>67 223</b>	<b>90 075</b>	<b>88 145</b>
<b>Total equity and liabilities</b>	<b>133 180</b>	<b>189 138</b>	<b>173 711</b>

**Shareholders' equity**

**Change in Equity (Amounts in NOK 000s)**

	<b>Six months ended</b>		<b>2004</b>
	<b>30.06.2005</b>	<b>30.06.2004</b>	<b>31.12</b>
<b>Equity at beginning of period</b>	<b>85 566</b>	<b>130 257</b>	<b>130 257</b>
Accrued subscription rights	-	83	165
Share issue employees	-	197	197
Stock-based compensation	649	135	270
Net income/loss(-) for the period	-20 259	-31 608	-45 323
<b>Equity at end of period</b>	<b>65 957</b>	<b>99 063</b>	<b>85 566</b>

**Cash Flow Statement (Amounts in NOK 000s)**

	<b>Six months ended</b>		<b>2004</b>
	<b>30.06.2005</b>	<b>30.06.2004</b>	<b>01.01 - 31.12</b>
Loss before taxes	-20 259	-31 608	-45 323
Interest paid	-32	-56	-103
Other operational items	-17 739	-11 280	-4 822
<b>Net cash flow from operations</b>	<b>-38 030</b>	<b>-42 944</b>	<b>-50 248</b>
Cash flow from investments	779	1 721	2 758
Cash flow from financing transactions	-600	197	-403
<b>Net change in cash during the period</b>	<b>-37 851</b>	<b>-41 026</b>	<b>-47 893</b>
Cash & cash equivalents at beginning of period	137 952	185 845	185 845
<b>Cash &amp; cash equivalents at end of period</b>	<b>100 102</b>	<b>144 819</b>	<b>137 952</b>



## PhotoCure ASA (group)

### Reconciliation of 2Q04 profit and equity from NGAAP to IFRS

<b>Profit and Loss</b>	<b>01.01 - 30.06.04</b>
<b>NGAAP loss for 2Q 2004</b>	<b>-31 309</b>
Pension cost	-164
Stock-based compensation	-135
<b>IFRS loss for 2Q 2004</b>	<b>-31 608</b>

  

<b>Equity</b>	<b>30.06.2004</b>
<b>NGAAP Equity 30.06.04</b>	<b>100 867</b>
Opening balance effect pensions	-1 640
Opening balance effect stock-based compensation	-
Change in loss due to IFRS	-299
Stock-based compensation	135
<b>IFRS Equity 30.06.04</b>	<b>99 063</b>