



# Third Quarter Report 2005

## PhotoCure ASA

### Highlights

- Galderma's sales of Metvix increased by 57 % to 5738 units (3658) in the third quarter. Nordic Metvix sales increased by 20 % to 2766 units (2298).
- First commercial sales of Hexvix in the Nordic region.
- Hexvix recommended in European guidelines for diagnosis of bladder cancer (carcinoma in situ, CIS).
- Following promising results in proof-of-concept study, development of product for treatment of acne initiated.
- Metvix approved in Brazil.
- Sales and milestone revenues in the third quarter totalled NOK 11.2 million (37.4). Net loss NOK -4.8 million (13.9). Earnings per share NOK -0.28 (NOK 0.79).
- Liquid funds at 30 September 2005 amounted to NOK 81 million.



## **PhotoCure's second product introduced in the third quarter**

Training of Nordic urologists started in August, and at the end of the third quarter, around 30 clinicians had been trained in the Hexvix procedure. The first commercial sales of Hexvix in the Nordic region were achieved during the quarter.

The price of Hexvix has been approved in all the Nordic countries. The price to pharmacies per kit is as follows: Sweden - SEK 3721, Norway - NOK 3355, Finland - EUR 422, and Denmark - DKK 3196.

Hexvix is approved in Europe for the diagnosis of patients with known or suspected bladder cancer. Currently, the product is marketed in the Nordic region.

PhotoCure is currently negotiating with potential licensing partners for marketing and sales of Hexvix outside the Nordic region.

## **Study shows that patients get better treatment with Hexvix**

A study, aiming to determine if improved tumour detection would lead to changes in treatment, was published in the September issue of the Journal of Urology. The study found that one of five patients received more adequate medical treatment when Hexvix blue light cystoscopy was used to diagnose tumours. The improved overall tumour detection changed the recommended treatment for 22 % of the patients.

A more accurate diagnosis at an early stage will give the patients a more adequate treatment, resulting in fewer recurrences and cystectomies (removal of the bladder) as well as a higher quality of life for the patients. Because dysplasia and CIS are predictive of recurrence, identification is crucial for prognosis.

## **New guidelines recommend Hexvix for diagnosis of bladder cancer**

The European Association of Urology recommends the use of blue light fluorescence cystoscopy, like with Hexvix, in their newly developed guidelines for diagnosis and treatment of urothelial CIS. The guidelines also recommend that CIS should be regarded as highly malignant, as CIS lesions may be a precursor of invasive cancer.

The guidelines were published in the September issue of the scientific journal European Urology, and represent state-of-the-art in diagnosis and treatment of CIS. Even though Hexvix is currently not available in markets outside the Nordic region, these guidelines underline the important role that Hexvix could play in the diagnosis of urothelial CIS.

## **Increasing sales of Metvix units**

In the third quarter, Galderma's sales of Metvix increased by 57 % to 5738 units, from 3658 units in the corresponding period of 2004.



During the quarter, Metvix received regulatory approval in Brazil, which is the fourth largest market for PhotoCure's partner Galderma.

In the Nordic region, sales to pharmacies increased by 20 % to 2766 units, from 2298 units.

A total of 43 (93) Aktelite lamps were sold in the third quarter. Of these, 42 (85) were sold outside the Nordic region. Total lamps sold to date exceed 1250, of which over 950 were sold outside the Nordic region.

The U.S. Food and Drug Administration (FDA) approved a development plan for the Aktelite lamp in the third quarter. The plan includes two phase III studies expected to be completed in 2006, and an NDA supplement is expected to be filed in the first half of 2007.

### **Development of new indication: acne**

A proof-of-concept study for Metvix in patients with moderate to severe acne was successfully completed, showing significant improvement compared to placebo. Results from the study are expected to be presented in the first half of 2006, and a follow-up study in acne patients will be initiated in the fourth quarter of 2005.

### **Financial position**

Sales and milestone revenues in the third quarter amounted to NOK 11.2 million, compared to NOK 37.4 million in the third quarter of 2004. In the third quarter of 2004, PhotoCure received a milestone payment of NOK 25.3 million.

Total sales revenues in the quarter decreased by 10 % to NOK 7.3 million compared to the same quarter of 2004. This was mainly due to lower Aktelite sales and a reduced unit price for Metvix to Galderma as a result of lower production costs. Sales in the Nordic region decreased by 7.9 % to NOK 3.2 million, and sales revenues outside the Nordic region decreased by 11.6 % to NOK 4.1 million.

Operating expenses totalled NOK 21.1 million, compared to NOK 22.1 million in the third quarter of 2004. Operating expenses include NOK 6.1 million (8.1) in R&D expenses.

The net result for the quarter amounted to a loss of NOK 4.8 million, compared to a positive net result of NOK 13.9 in the third quarter of 2004.

On 30 September 2005, liquid funds amounted to NOK 81 million, compared to NOK 138 million on 31 December 2004. The number of outstanding shares was 17 584 204.

### **Accounting policies**

The accounts for the third 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 of 2004.

Results for the fourth quarter will be published on 27 February 2006.

27 October 2005  
The Board of Directors of PhotoCure ASA

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**Profit & Loss (Group)**

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

Three months ended			2005	2004	2004
30.09.2005	30.09.2004		01.01 - 30.09	01.01 - 30.09	01.01 - 31.12
7 322	8 134	Sales revenues	24 994	27 920	36 855
3 908	29 228	Signing fee and milestone revenues	11 725	37 045	40 954
<b>11 230</b>	<b>37 362</b>	<b>Sales, signing fee and milestone revenues</b>	<b>36 720</b>	<b>64 965</b>	<b>77 809</b>
-2 392	-2 676	Cost of products sold	-9 896	-10 760	-13 066
<b>8 839</b>	<b>34 686</b>	<b>Gross profit</b>	<b>26 824</b>	<b>54 206</b>	<b>64 743</b>
1 870	1 089	Other operating revenues	14 203	3 535	4 597
-9 469	-7 248	Payroll expenses	-23 412	-21 249	-35 282
-6 074	-8 110	External R&D expenses	-28 630	-22 242	-31 718
-209	-366	Ordinary depreciation	-901	-1 132	-1 530
-5 310	-6 327	Other operating expenses	-21 575	-32 495	-41 671
<b>-10 354</b>	<b>13 725</b>	<b>Operating income/loss(-)</b>	<b>-33 491</b>	<b>-19 377</b>	<b>-40 861</b>
5 738	842	Financial income	9 489	3 533	4 687
-227	-656	Financial expenses	-1 100	-1 854	-9 149
<b>5 511</b>	<b>185</b>	<b>Net financial income</b>	<b>8 390</b>	<b>1 679</b>	<b>-4 462</b>
<b>-4 842</b>	<b>13 911</b>	<b>Income/loss(-) before tax</b>	<b>-25 101</b>	<b>-17 698</b>	<b>-45 323</b>
-	-	Tax expenses	-	-	-
<b>-4 842</b>	<b>13 911</b>	<b>Net income/loss(-)</b>	<b>-25 101</b>	<b>-17 698</b>	<b>-45 323</b>
-47	-57	Incl. minority interests in the amount of	-89	-224	-290
-0.28	0.79	Net income/loss(-) per share (1)	-1.43	-1.01	-2.58

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

**Balance Sheet (all amounts in NOK 1,000)**

	2005	2004	2004
	30.09	30.09	31.12
Machinery & equipment	2 273	2 155	2 080
Financial fixed assets	-	6 250	0
<b>Total fixed assets</b>	<b>2 273</b>	<b>8 405</b>	<b>2 080</b>
<b>Current assets</b>			
Inventory	14 591	19 172	17 533
Receivables	20 999	18 175	16 146
Securities	65 765	117 644	111 219
Cash & cash equivalents	15 210	35 815	26 733
<b>Total current assets</b>	<b>116 564</b>	<b>190 806</b>	<b>171 631</b>
<b>Total assets</b>	<b>118 837</b>	<b>199 211</b>	<b>173 711</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Paid-in capital	67 145	67 093	67 093
Other paid-in capital	4 427	3 335	3 444
Retained earnings	-10 152	42 418	14 860
<b>Shareholders' equity</b>	<b>61 420</b>	<b>112 846</b>	<b>85 397</b>
Minority interest	81	236	170
<b>Total equity</b>	<b>61 500</b>	<b>113 082</b>	<b>85 566</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Retirement benefit obligations	105	124	219
Other non-current liabilities	300	13 219	13 219
<b>Total long-term liabilities</b>	<b>405</b>	<b>13 343</b>	<b>13 438</b>
<b>Current liabilities</b>	<b>56 932</b>	<b>72 786</b>	<b>74 707</b>
<b>Total liabilities</b>	<b>57 337</b>	<b>86 129</b>	<b>88 145</b>
<b>Total equity and liabilities</b>	<b>118 837</b>	<b>199 211</b>	<b>173 711</b>



### Geographical distribution of sales revenues

(Amounts in NOK 000's)

	3Q05	3Q04	1-3Q05	1-3Q04	2004
The Nordic region	3 198	3 474	11 949	11 948	16 851
Outside the Nordic region	4 124	4 660	13 045	15 971	20 251
<b>Total</b>	<b>7 322</b>	<b>8 134</b>	<b>24 994</b>	<b>27 920</b>	<b>37 102</b>

### Shareholders' equity

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

Three months ended			Nine months ended		2004
30.09.2005	30.09.2004		30.09.2005	30.09.2004	31.12
65 957	99 063	<b>Equity at beginning of period</b>	85 566	130 257	130 257
-	41	Accrued subscription rights	-	124	165
52	-	Share issue employees	52	197	197
334	68	Stock-based compensation	983	203	270
-4 842	13 911	Net income/loss(-) for the period	-25 101	-17 698	-45 323
<b>61 500</b>	<b>113 082</b>	<b>Equity at end of period</b>	<b>61 500</b>	<b>113 082</b>	<b>85 566</b>

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

	Nine months ended		2004
	30.09.2005	30.09.2004	01.01 - 31.12
Loss before tax	-25 101	-17 698	-45 323
Interest paid	-50	-56	-103
Other operational items	-31 962	-11 130	-4 822
<b>Net cash flow from operations</b>	<b>-57 113</b>	<b>-28 884</b>	<b>-50 248</b>
Cash flow from investments	684	1 721	2 758
Cash flow from capital transactions	-548	197	-403
<b>Net change in cash during the period</b>	<b>-56 978</b>	<b>-26 966</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>80 975</b>	<b>158 879</b>	<b>137 952</b>

### Reconciliation of 3Q04 profit and equity from NGAAP to IFRS

<b>Profit and Loss</b>	<b>01.01 - 30.09.04</b>
NGAAP loss for 3Q 2004	-17 249
Pension cost	-246
Stock-based compensation	-203
<b>IFRS loss for 3Q 2004</b>	<b>-17 698</b>
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<b>Equity</b>	<b>30.09.2004</b>
NGAAP Equity 30.09.04	114 968
Opening balance effect pensions	-1 640
Opening balance effect stock-based compensation	-
Change in loss due to IFRS	-449
Stock-based compensation	203
<b>IFRS Equity 30.09.04</b>	<b>113 082</b>