



PhotoCure ASA - First Quarter Report 2006

Strong sales development of Metvix[®] in the first quarter.

Highlights

- Signed licencing agreement with GE Healthcare for Hexvix[®].
- Completed rights issue of 4.4 million new shares raising a total of NOK 191 million after transaction costs.
- Strong Metvix sales, with Galderma sales of 9,308 Metvix units in the first quarter, compared to 5,391 units in the first quarter 2005 (+73 %). Nordic Metvix sales totalled 4,299 units in the first quarter of 2006, up from 3,198 units in the first quarter of 2005 (+34%).
- Total revenue amounted to NOK 73.8 million compared to NOK 12.7 million in the first quarter of 2005. Net income amounted to NOK 43.0 million compared to net loss of NOK 13.1 million in the first quarter of 2005. Liquid funds amounted to NOK 296.8 million as of 31 March 2006.

Licencing agreement with GE Healthcare for Hexvix

Hexvix is an innovative and effective diagnostic method for all types of bladder cancer. The results are particularly good for *Carcinoma In Situ* (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.

In January GE Healthcare and PhotoCure, signed a licensing agreement that grants GE Healthcare exclusive global rights outside of the US and the Nordic region to market and distribute Hexvix. The agreement includes total milestones of EUR 28 million, of which EUR 7 million at signing, as well as royalties. PhotoCure will be responsible for manufacturing and retains Nordic distribution rights for the product. The agreement includes an exclusive option for GE Healthcare to market and distribute the product in the US. The licencing agreement includes access to other indications for the product currently under evaluation and testing by PhotoCure.

Regulatory status for Hexvix

Hexvix has received approval for the diagnosis of bladder cancer in 27 European countries through the European mutual recognition procedure. For the US, PhotoCure has received a non-approvable letter from the United States Food and Drug Administration (FDA) related to the Hexvix New Drug Application (NDA). FDA has requested additional analyses and information.

PhotoCure will, together with its US regulatory advisors, initiate a discussion with FDA to better understand the additional requirements necessary to obtain approval for Hexvix from the agency. This discussion will take place over the coming months.



Rights issue of 4.4 million new shares raising NOK 191 million in net proceeds

On 24 January 2006, PhotoCure held an extraordinary general meeting where an underwritten rights issue of 4,396,051 new shares was resolved. The subscription price was set to NOK 46 per share, giving a total of NOK 191 million after transaction costs. The subscription period ended on 20 February 2006 with substantial oversubscription. PhotoCure's liquid funds was NOK 296.8 million at 31 March 2006.

Strong sales development of Metvix

Galderma sold 9,308 units outside the Nordic countries in the first quarter of 2006 compared to 5,391 units in the corresponding quarter of 2005, an increase of 73%.

PhotoCure sold 4,299 units in the Nordic countries in the first quarter of 2006 compared to 3,198 units in the corresponding quarter of 2005, an increase of 34%.

Regulatory status for Metvix in the US

In the United States, PhotoCure has agreed with FDA regarding the clinical studies necessary to document safety and efficacy of the Metvix/Aktilite lamp for Actinic Keratosis. This includes two phase III studies. The studies were started in the first quarter and are scheduled to be completed in 2006. Filing of an NDA supplement is planned for 2007.

Financial position

Revenues totalled NOK 73.8 million for the quarter, compared to NOK 12.7 million in the first quarter of 2005. Total revenues includes a milestone payment of EUR 7 million from GE Healthcare. Sales revenues was NOK 13.3 million in the first quarter, compared to NOK 8.8 million in the first quarter of 2005, an increase of 51%. The sales increase is mainly due to strong sales of Metvix.

Operating expenses amounted to NOK 26.1 million, compared to NOK 23.4 million in the first quarter of 2005. The increase is mainly due to increased R&D expenses. Other operating expenses of NOK 10.9 million in the first quarter includes license fee to the holders of one of the patents for Hexvix. Net income amounted to NOK 43.0 million compared to a net loss of NOK 13.1 in the first quarter of 2005.

Total equity for the group totalled NOK 284.2 million as of 31 March 2006 compared to NOK 48.5 million as of 31 December 2005. Liquid funds amounted to NOK 296.8 million as of 31 March 2006, compared to NOK 72.3 million as of 31 December 2005. The number of outstanding shares was 22,029,227 as of 31 March 2006.

The accounts for the first quarter are prepared in accordance with the International Financial Reporting Standard (IFRS).

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Profit & Loss (Group)

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

	2006 01.01 - 31.03	2005 01.01 - 31.03	2005 01.01 - 31.12
Sales revenues	13 285	8 799	38 007
Milestone revenues	60 538	3 908	15 634
Sales and milestone revenues	73 823	12 707	53 641
Cost of products sold	-3 564	-3 903	-13 430
Gross profit	70 259	8 804	40 211
Other operating revenues	1 388	954	15 235
Payroll expenses	-8 719	-8 286	-29 369
External R&D expenses	-9 074	-7 885	-38 238
Ordinary depreciation	-262	-376	-1 125
Other operating expenses	-10 913	-6 896	-33 966
Operating income/loss(-)	42 679	-13 684	-47 252
Financial income	1 039	915	10 178
Financial expenses	-749	-325	-1 400
Net financial income	290	590	8 778
Income/loss(-) before tax	42 970	-13 094	-38 474
Tax expenses	-	-	-
Net income/loss(-)	42 970	-13 094	-38 474
Incl. minority interests in the amount of	-72	-16	-264
Net income/loss(-) per share, basic (1)	2.25	-0.74	-2.19
Net income/loss(-) per share, (anti-)diluted (2)	2.24	-0.74	-2.19

(1) Basic income/loss per share is calculation based on average weighted number of shares outstanding.

(2) Diluted income per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Income statement - geographical distribution

(Amounts in NOK 1000)	1Q06			1Q05				
	Nordic	ROW	Un-allocated	Total	Nordic	ROW	Un-allocated	Total
Sales revenue	5 710	7 575	0	13 285	3 891	4 908	0	8 799
Milestone revenue	0	60 538	0	60 538	0	3 908	0	3 908
Total revenues	5 710	68 113	0	73 823	3 891	8 816	0	12 707
Cost of goods sold	621	2 943	0	3 564	722	3 181	0	3 903
Gross profit	5 088	65 171	0	70 259	3 168	8 816	-3 181	8 804
Gross profit %	89 %	96 %		95 %	81 %			69 %
Operating expenses	5 158	2 832	19 590	27 580	3 195	0	19 293	22 488
Operating profit	-70	62 339	-19 590	42 679	-26	8 816	-22 474	-13 684
Net finance	0	0	290	290	0	0	590	590
Profit before tax	-70	62 339	-19 300	42 970	-26	8 816	-21 884	-13 094

Sales revenues - product split

(Amounts in NOK 1000)	1Q06			1Q05		
	Nordic	ROW	Total	Nordic	ROW	Total
Metvix/Aktelite	5 414	7 443	12 857	3 853	4 745	8 599
Hexvix	296	132	429	38	162	200
Total	5 710	7 575	13 285	3 891	4 908	8 799

ROW=Rest Of the World



Balance Sheet (all amounts in NOK 1,000)

	2006	2005	2005
	31.03	31.03	31.12
Machinery & equipment	2 844	1 842	2 708
Financial fixed assets	-	-	-
Total fixed assets	2 844	1 842	2 708
Current assets			
Inventory	11 044	16 613	12 943
Receivables	21 981	15 023	17 725
Cash & cash equivalents	296 771	117 698	72 329
Total current assets	329 795	149 335	102 996
Total assets	332 640	151 177	105 704
Equity and liabilities			
Equity			
Paid-in capital	259 442	67 093	67 145
Other paid-in capital	5 278	3 769	4 764
Retained earnings	19 526	1 782	-23 444
Shareholders' equity	284 246	72 644	48 465
Minority interest	-	154	-
Total equity	284 246	72 797	48 465
Liabilities			
Long-term liabilities			
Retirement benefit obligations	-	105	-
Other non-current liabilities	-	12 919	300
Total long-term liabilities	-	13 024	300
Current liabilities	48 393	65 356	56 939
Total liabilities	48 393	78 379	57 239
Total equity and liabilities	332 640	151 177	105 704

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

	Three months ended		2005
	31.03.2006	31.03.2005	31.12
Equity at beginning of period	48 465	85 566	85 566
Share issue, employees	1 669	-	52
Share issue	190 628	-	-
Share-based compensation	514	325	1 320
Net income/loss(-) for the period	42 970	-13 094	-38 474
Equity at end of period	284 246	72 797	48 465

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

	Three months ended		2005
	31.03.2006	31.03.2005	01.01 - 31.12
Income/loss(-) before tax	42 970	-13 094	-38 474
Interest paid	-9	-20	-63
Other operational items	-10 789	-7 449	-32 004
Net cash flow from operations	32 171	-20 563	-70 540
Cash flow from investments	273	609	5 464
Cash flow from capital transactions	191 997	-300	-548
Net change in cash during the period	224 442	-20 254	-65 624
Cash & cash equivalents at beginning of period	72 329	137 952	137 953
Cash & cash equivalents at end of period	296 771	117 698	72 329