



Third Quarter Report 2007

Highlights

- Sales revenues in the quarter amounted to NOK 15.6 million (14.6), an increase of 7 %.
- Sales revenues YTD amounted to NOK 51.7 million (39.5), an increase of 31 %.
- All R&D projects are on schedule. The R&D expenses were NOK 28.7 million (18.8).
- Net loss amounted to NOK -23.6 million (-11.8).
- Liquid assets amounted to NOK 271.7 million at the end of the period.

Hexvix – high activity level in Europe

The introduction of Hexvix in Europe is moving forward. Sales revenue from Hexvix in third quarter 2007 was NOK 4.6 million compared to NOK 3.6 million in third quarter 2006. GE Healthcare and Photocure are actively marketing Hexvix and expanding the customer base. Sales revenue from GE Healthcare was NOK 3.5 million in third quarter 2007, compared to NOK 2.8 million in third quarter 2006. Sales revenue in the Nordic region was NOK 1.1 million in third quarter 2007, compared to NOK 0.8 million in third quarter 2006.

Hexvix – regulatory progress in the US

An agreement has been reached with the FDA regarding the changes required to expand the multi-center phase III study with 780 patients as documentation for regulatory approval. This study investigates detection and recurrence of bladder cancer lesions and patient recruitment was completed in third quarter 2007. However, the FDA requires 12 months recurrence data which is expected in 2008.

Metvix – Strong increase in the Nordic region compared to the third quarter 2006

Sales revenue from Metvix/Aktelite in third quarter of 2007 was NOK 10.9 million the same as in third quarter 2006. Sales revenue from Galderma was NOK 6.0 million in third quarter of 2007, down from NOK 7.2 million in third quarter 2006. Underlying sales volume of Metvix increased, but was offset by lower sales of Aktelite lamps. Sales revenue in the Nordic region was NOK 5.0 million in third quarter 2007, an increase of 33% above third quarter 2006. The increase in the Nordic region is partly due to inventory increases.

Organisation – strengthening marketing and sales

Photocure is making deliberate efforts to increase the value of its marketed products. Both Metvix and Hexvix are in an early phase of the life cycle. To increase momentum in the Nordic countries as well as supporting the licensing partners, Photocure has hired new employees in marketing and sales during 2007. The effect of this investment is not yet reflected in the revenues.



Progress in clinical development programs

Photocure has a strong technology platform with a portfolio of four pipeline projects; acne, cervix, colon and photochemical internalization (PCI Biotech). All projects have made progress in the third quarter:

Acne – treatment of moderate to severe acne

The acne project targets development of a novel treatment for moderate to severe acne based on Photocure's patented PDT technology. Photocure's placebo-controlled, US multicenter phase IIb study for moderate to severe acne are progressing according to plan with 87 of 190 patients included. The study is scheduled to be completed in the first half of 2008. Development of a new acne lamp is on schedule, and the first prototypes are now being tested.

Cervix – treatment of HPV infection and precancerous-/cancer lesions in cervix

The cervix project targets treatment of HPV-virus and precancerous-/cancer lesions in cervix. The first clinical phase I/II study is ongoing with 65 of 68 patients included. Plans have been made to extend the study with 24 patients using a different light dose. The study is scheduled to be completed in 2008. Development of light sources and catheter prototypes are in the initial phase.

Colon – diagnosis of colon cancer

The colon project targets development of an optical agent for diagnosis of colon cancer. It builds on Photocure's extensive knowledge of early detection of bladder cancer. The first clinical dose finding study has included 33 of 37 patients. The initial results from the study were published at a German Endoscopy conference (DGU-BV) showing excellent results with increased detection rate of approximately 30% compared to standard white light colonoscopy. Development of an oral formulation started in third quarter 2007.

PCI Biotech – light directed drug delivery

PCI is a patented technology that can be used to enhance the effect of drugs by targeted drug delivery. PCI Biotech has a proprietary photosensitizer (Amphinex®) for enhancement and site-direction of therapy with anticancer agents. Preparation for the first clinical study is ongoing. To start clinical studies additional toxicological documentation is required. The plan is to start the first clinical study in 2008 to investigate the effects of a combination of Amphinex and a well known cytotoxic drug for head/neck and other cancers. The study will be done at the Norwegian Radium Hospital, Norway.

Financial position

Total revenue was NOK 19.5 million in third quarter 2007, compared to NOK 18.5 million in third quarter 2006.

Sales revenues were NOK 15.6 million in the third quarter, compared to NOK 14.6 million in third quarter 2006, an increase of 7 %. The sales increase is due to NOK 1.0 million higher Hexvix sales. Sale of Aktelite was NOK 1.4 higher in third quarter 2006 than in third quarter 2007. Gross profit has increased from NOK 14.4 million to NOK 16.1 million due to higher royalty revenues and decreasing direct production cost for Metvix and Hexvix.

Operating expenses, less contribution from other operating revenues, amounted to NOK 42.6 million in third quarter 2007, compared to NOK 28.1 million in third quarter 2006. The main increase in operating expenses are R&D expenses increasing by NOK 9.9 million and marketing and sales expenses increasing by NOK 5.3 million. The increase in R&D expenses is due to increased activities for Hexvix in addition to the ongoing clinical studies in acne, cervix and colon.

Net loss amounted to NOK -23.6 million in third quarter 2007 compared to a net loss of NOK -11.8 million in third quarter 2006.



Total equity for the group was NOK 274.8 million at the end of September 2007 compared to NOK 326.9 million at the end of 2006. Liquid funds amounted to NOK 271.7 million at the end of September 2007, compared to NOK 335.1 million at the end of December 2006. The number of outstanding shares was 22,093,301 at the end of September 2007.

The accounting policies adopted in this report are consistent with those followed in the preparation of the Group's annual financial statements for 2006 and complies with IFRS and IAS 34, except that operating expenses are now reported according to their function, while it prior to 2007 has been reported according to the nature of expenses. The interim accounts below are unaudited.

25 October 2007
The Board of Directors of Photocure ASA

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Profit & Loss (group). All amounts in NOK 1,000 except per share data:

Q3 2007	Q3 2006		2007 1.1-30.09	2006 1.1-30.09	2006 1.1-31.12
15 565	14 575	Sales revenues	51 665	39 513	61 667
3 908	3 908	Signing fee and milestone revenues	19 845	72 290	148 653
19 474	18 483	Total revenues	71 511	111 803	210 320
-3 374	-4 053	Cost of products sold	-14 359	-11 462	-22 251
16 100	14 431	Gross profit	57 152	100 341	188 070
1 074	1 617	Other income	4 437	4 558	5 690
-1 274	-2 101	Indirect manufacturing expenses	-6 914	-5 189	-8 545
-28 677	-18 799	Research and development expenses	-83 225	-45 173	-64 740
-10 276	-5 011	Marketing and sales expenses	-28 337	-15 494	-25 396
-3 405	-3 803	General and administrative expenses	-10 264	-12 732	-16 738
-26 458	-13 666	Operating profit/loss(-)	-67 150	26 310	78 342
3 299	2 683	Financial income	9 572	6 504	11 867
-462	-831	Financial expenses	-1 083	-2 617	-5 478
2 838	1 852	Net financial profit/loss(-)	8 488	3 887	6 389
-23 621	-11 815	Profit/loss(-) before tax	-58 662	30 197	84 730
0	0	Tax expenses	0	0	0
-23 621	-11 815	Net profit/loss(-)	-58 662	30 197	84 730
-406	-153	Incl. minority interests in the amount of	-728	-274	-352
-1.07	-0.61	Net income/loss(-) per share, basic	-2.66	1.43	3.98
-1.07	-0.61	Net income/loss(-) per share, diluted	-2.65	1.43	3.97

(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.



Balance Sheet (all amounts in NOK 1,000)

	30.09.2007	30.09.2006	31.12.2006
Non-current assets			
Intangible assets, software	1 921	0	780
Machinery & equipment	2 617	3 594	2 178
Total non-current assets	4 538	3 594	2 958
Current assets			
Inventory	10 872	13 524	9 784
Receivables	27 917	31 533	27 595
Cash & cash equivalents	271 682	271 474	335 085
Total current assets	310 470	316 531	372 464
Total assets	315 009	320 125	375 423
Equity and liabilities			
Equity			
Paid-in capital	261 785	259 619	259 619
Other paid-in capital	9 452	6 307	6 821
Retained earnings	3 554	5 114	60 495
Shareholders' equity	274 790	271 040	326 935
Minority interest	0	0	0
Total equity	274 790	271 040	326 935
Liabilities			
Long-term liabilities			
Other non-current liabilities	0	5 211	1 303
Total long-term liabilities	0	5 211	1 303
Current liabilities	40 219	43 874	47 185
Total liabilities	40 219	49 085	48 488
Total equity and liabilities	315 009	320 125	375 423

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

Q3 2007	Q3 2006		2007 1.1-30.09	2006 1.1-30.09	2006 1.1-31.12
296 650	283 782	Equity at beginning of period	326 935	48 465	48 465
884	197	Share issue, employees	2 165	1 867	1 867
0	0	Share issue	1 720	190 608	190 608
877	514	Share-based compensation	2 631	1 542	2 057
0	-1 639	Fair value gains/losses(-)	0	-1 639	
		Investment in PCI Biotech			-792
-23 621	-11 815	Net income/loss(-) for the period	-58 662	30 197	84 730
274 790	271 040	Equity at end of period	274 790	271 040	326 935

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

Q3 2007	Q3 2006		2007 1.1-30.09	2006 1.1-30.09	2006 1.1-31.12
-23 621	-11 815	Income/loss(-) before tax	-58 662	30 197	84 730
-7 271	-715	Other operational items	-13 353	-26 066	-18 359
-30 892	-12 530	Net cash flow from operations	-72 015	4 131	66 371
-189	942	Cash flow from investments	5 036	2 840	4 555
873	197	Cash flow from capital transactions	3 575	192 174	191 830
-30 208	-11 390	Net change in cash during the period	-63 404	199 145	262 757
301 890	282 863	Cash & cash equivalents at beginning of period	335 086	72 329	72 329
271 682	271 474	Cash & cash equivalents at end of period	271 682	271 474	335 085



Income statement - geographical distribution

(Amounts in NOK 1000)	Q3 2007				Q3 2006			
	Nordic	ROW	R&D*	Total	Nordic	ROW	R&D*	Total
Sales revenue	6 061	9 504	0	15 565	4 549	10 025	0	14 575
Milestone revenue	0	3 908	0	3 908	0	3 908	0	3 908
Total revenues	6 061	13 412	0	19 474	4 549	13 933	0	18 483
Cost of goods sold	559	2 815	0	3 374	425	3 628	0	4 053
Gross profit	5 503	10 597	0	16 100	4 125	10 305	0	14 430
Gross profit %	91 %	79 %		83 %	91 %	74 %		78 %
Operating expenses	8 563	2 577	31 418	42 559	5 262	3 684	19 151	28 097
Operating profit	-3 061	8 020	-31 418	-26 459	-1 138	6 621	-19 151	-13 667
Net finance	0	0	2 838	2 838	0	0	1 852	1 852
Profit before tax	-3 061	8 020	-28 580	-23 621	-1 138	6 621	-17 299	-11 815

* Including share of general and administrative expenses and net finance

Sales revenues - product split

(Amounts in NOK 1000)	Q3 2007			Q3 2006		
	Nordic	ROW	Total	Nordic	ROW	Total
Metvix/Aktlite	4 964	5 970	10 935	3 740	7 207	10 947
Hexvix	1 097	3 533	4 631	809	2 819	3 628
Total	6 061	9 504	15 565	4 549	10 026	14 575

Income statement - geographical distribution

(Amounts in NOK 1000)	01.01-30.09.07				01.01-30.09.06			
	Nordic	ROW	R&D*	Total	Nordic	ROW	R&D*	Total
Sales revenue	19 439	32 227	0	51 665	14 409	25 104	0	39 513
Milestone revenue	0	19 845	0	19 845	0	72 289	0	72 289
Total revenues	19 439	52 072	0	71 511	14 409	97 393	0	111 802
Cost of goods sold	1 925	12 434	0	14 359	1 475	9 987	0	11 462
Gross profit	17 514	39 638	0	57 152	12 934	87 406	0	100 340
Gross profit %	90 %	76 %		80 %	90 %	90 %		90 %
Operating expenses	24 761	10 713	88 827	124 302	15 242	11 929	46 859	74 031
Operating profit	-7 248	28 925	-88 827	-67 150	-2 309	75 477	-46 859	26 309
Net finance	0	0	8 488	8 488	0	0	3 888	3 888
Profit before tax	-7 248	28 925	-80 339	-58 662	-2 309	75 477	-42 972	30 197

* Including share of general and administrative expenses and net finance

Sales revenues - product split

(Amounts in NOK 1000)	01.01-30.09.07			01.01-30.09.06		
	Nordic	ROW	Total	Nordic	ROW	Total
Metvix/Aktlite	15 411	24 018	39 429	12 763	21 921	34 684
Hexvix	4 027	8 208	12 236	1 646	3 183	4 829
Total	19 438	32 227	51 665	14 409	25 104	39 513