PhotoCure ASA

Second quarter - 2006

August 15th 2006

Highlights Second Quarter 2006

- GE Healthcare exercised an option to market and distribute Hexvix® in the US in July. This triggered a milestone payment of EUR 9 million.
- PhotoCure settled the patent dispute with DUSA pharmaceuticals.
- Sales revenue in second quarter amounted to NOK 11.7 million (8.9), or + 31 %.
- The net loss in second quarter amounted to NOK -1.0 million (-7.2).
- Liquid assets amounted to NOK 282.9 million (100.1) at the end of the period.

Financial statements

Financial Statements
- Profit & Loss (group)

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

Three months ended 30.06.2006	30.06.2005		2006 01.01 - 30.06	2005 01.01 - 30.06	2005 01.01 - 31.12
11 653	8 874	Sales revenues	24 938	17 673	38 007
7 843	3 908	Signing fee and milestone revenues	68 382	7 817	15 634
19 496	**12 782**	**Sales, signing fee and milestone revenues**	**93 320**	**25 490**	**53 641**
-3 845	-3 601	Cost of products sold	-7 409	-7 504	-13 430
15 651	**9 181**	**Gross profit**	**85 910**	**17 986**	**40 211**
1 553	11 379	Other operating revenues	2 940	12 333	15 235
-5 448	-5 657	Payroll expenses	-14 167	-13 943	-29 369
-5 571	-14 671	External R&D expenses	-14 645	-22 555	-38 238
-278	-316	Ordinary depreciation	-540	-692	-1 125
-8 609	-9 370	Other operating expenses	-19 522	-16 266	-33 966
-2 703	**-9 453**	**Operating income/loss(-)**	**39 976**	**-23 137**	**-47 252**
2 782	2 836	Financial income	3 821	3 751	10 178
-1 037	-548	Financial expenses	-1 785	-873	-1 400
1 746	**2 289**	**Net financial income**	**2 036**	**2 878**	**8 778**
-958	**-7 165**	**Income/loss(-) before tax**	**42 012**	**-20 259**	**-38 474**
-	-	Tax expenses	-	-	-
-958	**-7 165**	**Net income/loss(-)**	**42 012**	**-20 259**	**-38 474**
-49	-26	Incl. minority interests in the amount of	-121	-42	-264
-0.05	-0.41	Net income/loss(-) per share, basic (1)	2.04	-1.15	-2.19
-0.05	-0.41	Net income/loss(-) per share, diluted	2.04	-1.15	-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 shares outstanding to assume conversion of all dilutive potential ordinary shares.

- Total revenue + 53 % in Q2 and + 226 % in 1H.
- Signing fee includes MEURO 0.5 for national approval in Spain.
- Operating expenses includes FDA waiver for Hexvix.
- Operating Income MNOK -2.7 in Q2 and MNOK 40 in 1H.
- Net Income MNOK -1 in Q2 and MNOK 42 in 1H.

Financial Statements
- Segment Information (group)

Income statement - geographical distribution

(Amounts in NOK 1000)	2Q06				2Q05			
	Nordic	ROW	Un-allocated	Total	Nordic	ROW	Un-allocated	Total
Sales revenue	4 149	7 504		11 653	4 106	4 768	0	8 874
Milestone revenue	0	7 843		7 843	0	3 908	0	3 908
Total revenues	**4 149**	**15 347**	**0**	**19 496**	**4 106**	**8 676**	**0**	**12 782**
Cost of goods sold	429	3 416	0	3 845	700	2 229	672	3 601
Gross profit	**3 720**	**11 931**	**0**	**15 651**	**3 406**	**6 446**	**-672**	**9 181**
Gross profit %	90 %	78 %		80 %	83 %	74 %		72 %
Operating expenses	3 729	197	14 428	18 354	3 946	0	14 689	18 635
Operating profit	**-9**	**11 734**	**-14 429**	**-2 703**	**-539**	**6 446**	**-15 361**	**-9 454**
Net finance	0	0	1 746	1 746	0	0	2 289	2 289
Profit before tax	**-9**	**11 734**	**-12 683**	**-958**	**-539**	**6 446**	**-13 072**	**-7 165**

Sales revenues - product split

(Amounts in NOK 1000)	2Q06			2Q05		
	Nordic	ROW	Total	Nordic	ROW	Total
Metvix/Aktilite	3 608	7 272	10 880	4 102	4 632	8 734
Hexvix	541	232	773	5	135	140
Total	**4 149**	**7 504**	**11 653**	**4 106**	**4 768**	**8 874**

ROW=Rest Of the World

- Nordic revenue + 1 % in Q2 due to inventory variations.
- Nordic operating profit NOK -9 vs NOK -539 in Q205.
- ROW revenue + 77 % in Q2 due to milestone and sales growth.
- ROW operating profit MNOK 8.9 vs MNOK 6.4 in Q205.

Financial statements
- Balance Sheet (group)

Balance Sheet (all amounts in NOK 1,000)

	2006 30.06	2005 30.06	2005 31.12
Machinery & equipment	2 879	1 906	2 708
Total fixed assets	**2 879**	**1 906**	**2 708**
Currrent assets			
Inventory	11 037	13 950	12 943
Receivables	29 110	17 223	17 725
Cash & cash equivalents	282 864	100 102	72 329
Total current assets	**323 011**	**131 274**	**102 996**
Total assets	**325 890**	**133 180**	**105 704**
Equity and liabilities			
Equity			
Paid-in capital	259 422	67 093	67 145
Other paid-in capital	5 793	4 093	4 764
Retained earnings	18 568	-5 357	-23 444
Shareholders' equity	**283 782**	**65 829**	**48 465**
Total equity	**283 782**	**65 957**	**48 465**
Liabilities			
Long-term liabilities			
Total long-term liabilities	**-**	**405**	**300**
Current liabilities	**42 108**	**66 818**	**56 939**
Total liabilities	**42 108**	**67 223**	**57 239**
Total equity and liabilities	**325 890**	**133 180**	**105 704**

- Cash and cash equivalents MNOK 282.9 per 30.6.06.
- Total assets MNOK 325.9 per 30.6.06.

Financial statements
- Cash Flow Statement (group)

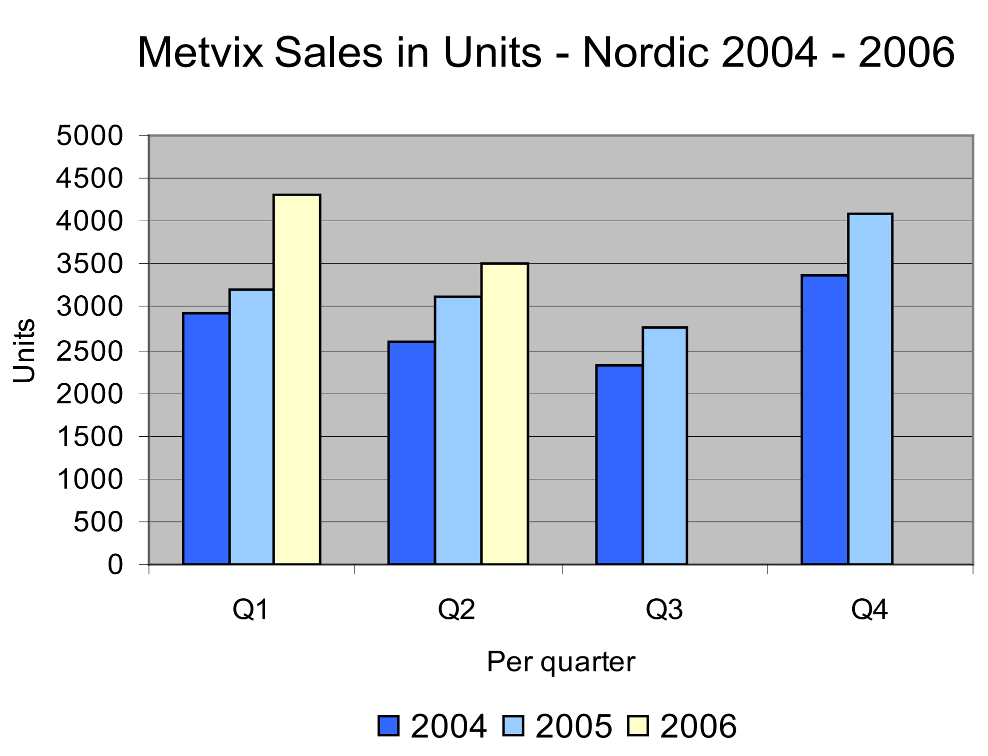
Cash Flow Statement (all amounts in NOK 1,000)

Three months ended 30.06.2006	Three months ended 30.06.2005		Six months ended 30.06.2006	Six months ended 30.06.2005	2005 01.01 - 31.12
-958	-7 165	Income/loss(-) before tax	42 012	-20 259	-38 474
-9	-12	Interest paid	-18	-32	-63
-14 544	-10 291	Other operational items	-25 333	-17 739	-32 004
-15 510	**-17 467**	**Net cash flow from operations**	**16 661**	**-38 030**	**-70 540**
1 624	171	Cash flow from investments	1 897	779	5 464
-20	-300	Cash flow from capital transactions	191 977	-600	-548
-13 907	**-17 597**	**Net change in cash during the period**	**210 535**	**-37 851**	**-65 624**
296 771	117 698	Cash & cash equivalents at beginning of period	72 329	137 952	137 953
282 864	**100 102**	**Cash & cash equivalents at end of period**	**282 864**	**100 102**	**72 329**

- Net cash flow from operations MNOK -15.5 in Q2 and MNOK 16.7 in 1H.

Metvix® and Aktilite™
- treatment of skin cancer without scarring

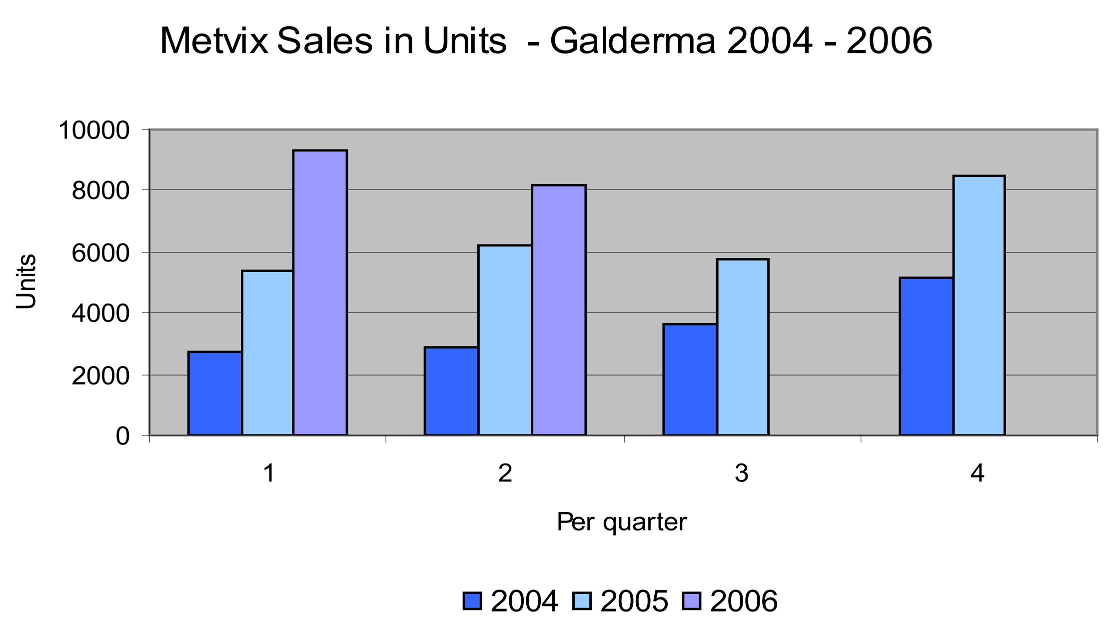
Metvix - Nordic sales increase of 13 % in units in Q2



Highlights:

- Sales revenues for Metvix/Aktilite was MNOK 3.6 in Q206 down from NOK 4.1 million in Q205.
- Sales increase in Metvix units to end-user of 13 % in Q206 vs Q205 (3,509 vs 3,119)
- 2 Aktilite lamps sold in Q206 vs 3 sold in Q205.

Metvix - Galderma sales increase of 31 % in units in Q2



Highlights:

- Sales revenues for Metvix/Aktilite was NOK 7.3 million in Q206, vs NOK 4.6 million in Q205, an increase of 57 %.
- Sales increase in units of 31 % in Q206 vs Q205 (8,144 vs 6,233)
- 83 Aktilite lamps sold in Q206 vs 57 sold on Q205.

Expanding the Metvix market opportunity

- Preparing the US launch for Metvix
  - Settled the patent dispute with DUSA pharmaceuticals
  - Two phase III studies for Aktilite ongoing in EU/US
- Working closely with Galderma on sales and marketing programs
  - Galderma plan to introduce Metvix/Aktilite in Brazil in September
  - Galderma has 6 phase IV studies ongoing
- Published the Bowen's study – Metvix approved for Bowen's in EU
- Ongoing phase III study on Metvix for treatment of skin dysplasia in organ transplant patients.

"Light treatment may outperform other treatment options" Washington Post 4.7.06

PHOTO CURE

Hexvix®
– a breakthrough in bladder cancer

Research & Development
- exploring PhotoCure technology

Progress in clinical development programs

- **MAL PDT in acne**

  Goal: A new topical treatment of moderate to sever acne

  Market: Current prescription market: 1.4 billion USD/year

  Status: Proof-of-concept (POC) study showed efficacy in target group and one ongoing phase I/II study to be completed in 3Q06
  Regulatory advice on development plan obtained from EU Regulatory Authority and FDA in the US

- **Detection of colorectal cancer**

  Goal: Develop optical imaging to improve detection in persons with suspected colon cancer referred to endoscopy

  Market: New screening guidelines in EU and USA for persons above 50 years.
  Current number of colonoscopies in US: > 4 million procedures

  Status: First patients enrolled in POC study with blue light colonoscopy

Progress in clinical development programs

- **Treatment of cervical dysplasia and associated HPV infections**

  Goal: A new topical treatment of cervical dysplasia with persistent HPV infections

  Status: First POC showed approximately that malignant lesions and HPV infections were treated in 70% of the women

  Phase II study initiated

- **PCI Biotech AS**

  Goal: Use PCI Biotech's patented technology to enhance the efficacy of standard chemotherapy

  Status: Obtained patent of PCI Biotech's proprietary photosensitiser

  Established a reproducible synthesis protocol for the photosensitiser

  Preparation of first clinical study in 1H2007

Goals and milestones

Significant progress made in second quarter

- **Settled patent dispute with DUSA pharmaceuticals**
  - Signed a licensing agreement related to Metvix, Hexvix and future products based on ALA derivatives
- **New milestones achieved**
  - National regulatory and price approval for Hexvix in Spain
  - GE Healthcare exercised the US option with 9 mill Euro in milestone payment
- **Marketing and sales of Hexvix**
  - First shipment of Hexvix shipped to GE Healthcare
- **R&D results**
  - Discussed the acne development plan with EU and US regulatory agencies
  - Included the first patients in clinical study for detection of colon cancer
  - PCI Biotech granted patent on photosensitiser

Strategic and operational goals

- **Continue investing in Metvix and Aktilite**
  - Support Galderma in strengthening Metvix/Aktilite in dermatology
  - Seek Aktilite approval in the US
- **Commercialize Hexvix**
  - Support GE Healthcare in launching Hexvix
  - Follow-up FDA and secure approval in the US
- **Secure progress in clinical studies**