



Quarterly Report

Q3 2021

PHOTOCURE.COM/INVESTOR/REPORTS-AND-PRESENTATIONS/



THE
BLADDER CANCER
COMPANY



Highlights for third quarter 2021

(Numbers in parentheses and comparisons are for the corresponding period in 2020.)

- Hexvix®/Cysview® revenue increased 75% YoY in the third quarter (81% excluding foreign exchange impact) driven mainly by consolidation of revenues from the acquisition of the former Ipsen territories as well as growth in our U.S. segment compared to the third quarter of 2020.
- Unit sales in the U.S. increased 6% YoY for the third quarter. The installed base of blue light cystoscopes in the U.S. was 302 (253) at the end of the third quarter, an increase of 49 installed cystoscopes or 19% from the same period last year. The installed base includes 45 flexible cystoscopes.
- Continued successful transition of European Hexvix operations. The acquired operation generated revenue of NOK 48.4 million in the third quarter.
- Restricted access to healthcare in both the U.S. and Europe due to the ongoing effects of Covid-19, as well as negative foreign exchange adversely impacted Q3 2021 revenue. Foreign exchange negatively impacted total revenue by 4%.
- EBITDA before restructuring for the third quarter was NOK -0.2 million (NOK -5.4 million), impacted by commercial investments in the quarter.
- Cash balance at the end of the third quarter of 2021 was NOK 330.1 million (NOK 321.8 million). Net cash used in the third quarter was NOK 10.0 million, of which repayment of long-term debt was NOK 6.3 million.
- During the third quarter of 2021, Photocure's partner, Genotests SpA ("Genotests") announced that Hexvix was approved for commercial use in Chile. Additionally, Photocure agreed to reacquire the commercial rights to Cysview in Canada from BioSyent Pharma.

Key Figures:

Figures in NOK million	Q3 2021	Q3 2020	Change	YTD 2021	YTD 2020	Change	FY 2020
Hexvix/Cysview revenues	86.7	49.6	75 %	257.1	157.5	63 %	255.2
Other revenues	0.7	0.3		8.9	1.1		1.3
Total revenues	87.4	49.9	75 %	266.0	158.6	68 %	256.5
Operating expenses	-82.2	-51.9	59 %	-225.7	-166.1	36 %	-241.9
EBITDA before restructuring	-0.2	-5.4		23.8	-19.1		-3.9
EBITDA commercial franchise	1.1	-3.7		27.9	-13.7		4.2
EBITDA development portfolio	-1.3	-1.7		-4.1	-5.4		-8.1
EBIT	-6.3	-16.4		5.7	-41.1		-36.1
Net Earnings	-7.3	-6.2		-2.7	-32.6		-22.4
Cash & cash equivalents				330.1	321.8		334.9

President & CEO Daniel Schneider comments:

"Photocure continued to grow its business during the third quarter of 2021, despite the challenges that arose from the surge of Covid-19 Delta which impacted medical procedures around the world. We delivered Hexvix/Cysview revenue of NOK 86.7 million, up 75% compared to the third quarter of 2020 (81% excluding the impact of foreign exchange). These results were primarily driven by our reacquisition of the Hexvix business in continental Europe and our focus on territories where healthcare access improved in the third quarter.

We continued to increase our penetration into the bladder cancer treatment market with U.S. unit volume increasing 6% compared to the third quarter of last year. A recovery when the pandemic first appeared to be



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subsiding in Q3 2020, as well as the surge in the Delta variant this year, impacted the year-over-year performance. These same factors, as well as inventory build ahead of last year's transition of the Hexvix business from Ipsen, impacted our performance in Europe where in-market unit volume fell 8% compared to the prior-year period.

Importantly, demand for blue light cystoscopy (BLC®) equipment remains strong with 14 towers placed in the U.S. during the third quarter. We remain conservative on the number of towers that we expect to place over the next couple of quarters, given Karl Storz's planned transition to a new high-definition system in 2022. Nevertheless, customer demand remains high and our pipeline of anticipated BLC tower placements continues to be very strong. We believe that launch of the upgraded BLC system is an exciting opportunity with the potential to significantly increase the installed base of BLC towers in the U.S. next year and beyond.

We continue to maintain a strong financial position with NOK 330 million in cash and minimal debt. We reported break-even EBITDA in the third quarter, as we continue to manage through what appears to be the tail end of the pandemic and have begun to invest more aggressively in initiatives to regain growth in our direct markets. We also reacquired the commercial rights to Cysview in Canada and are preparing to begin growing that business in January.

We are optimistic that the challenging conditions of the pandemic that have persisted for nearly two years will improve going forward. Our teams are energized to deliver patient value and revenue growth in 2022, with the expectation of new enhanced BLC equipment and focus from Karl Storz, expansion of our business into Canada, the ability of our strengthened European commercial team to have broader access to our new customers and territories, the potential to execute on enriching our portfolio through partnerships or M&A opportunities, and anticipated progress on the ongoing Phase 3 trial for Cevira. With the impact of Covid-19 expected to abate in H1 2022, Photocure remains in a strong position to get back to the growth rates that we were delivering pre-pandemic, and to capitalize on other opportunities that can enhance our growth and path toward sustainable profitability.”

Operational review

Photocure ASA (Photocure) delivers transformative solutions to improve the lives of bladder cancer patients.

Photocure manufactures and commercializes Hexvix/Cysview, its flagship product, for more precise detection and resection of non-muscle invasive bladder cancer (NMIBC), reduction of disease recurrence and progression rates, and improved and cost-effective patient outcomes.

With established specialty commercial and medical teams in the U.S. and Europe focused exclusively on the uro-oncology segment, Photocure has a solid foundation for the future growth of its breakthrough bladder cancer product, as well as the potential to expand its portfolio of solutions within the same bladder cancer domain. Despite the significant business challenges of Covid-19, Photocure successfully transitioned the European Hexvix business in October 2020 from Ipsen to its own European Operations.

Photocure continues to strive for ethical business operations, transparency and accountability in line

with stakeholder expectations. In May 2021, the Company joined the UN Global Compact and published its sustainability (ESG) report for the year 2020, which can be accessed on the Company's website.

Commercial segment update

Our third quarter 2021 results showed strong YoY growth, however, the global Covid-19 pandemic continues to inhibit a full recovery of our business, with the “fourth wave” of the Covid-19 Delta variant continuing to cause access restrictions in parts of the U.S. and Europe.

Third quarter results were positively impacted by YoY unit volume growth in Photocure's U.S. segment, as well as the revenue contribution from the successful transition of the Ipsen territories that began in Q4 2020.

Revenues from the U.S. segment were up 6%, with a 6% increase in unit sales. Revenues in USD were up 11%. The revenue increase was primarily driven by growth in unit sales and pricing, partially offset by negative foreign exchange. Additionally, the surge of



the Covid-19 Delta variant in the third quarter of 2021 pressured the Company's U.S. sales performance.

Revenues from the Company's European segment rose 189% YoY during the quarter, driven primarily by new sales from the acquisition of the Ipsen territories and a partial recovery in key priority markets. However, certain territories remain challenged by the impact of Covid-19 Delta and negative foreign exchange also weighed on the Company's sales results in Europe.

The consolidated currency impact was negative by approximately 4%. In constant currencies, Hexvix/Cysview revenue in Q3 2021 would have been NOK 90.1 million, an increase of 81% YoY.

Income statement - Commercial Franchise

MNOK	Q3 '21	Q3 '20	YTD '21	YTD '20
US revenues	32.0	30.3	90.6	72.1
Europe revenues	54.5	18.9	166.4	85.0
Partner revenues	0.1	0.5	0.1	0.5
Hexvix/Cysview total	86.7	49.6	257.1	157.5
YoY growth	75 %		63 %	
Other revenues	0.2	0.3	7.0	0.8
Total revenues	86.9	49.9	264.2	158.3
YoY growth	74 %		67 %	
Gross profit	81.7	46.5	248.6	146.9
Operating expenses	-80.5	-50.2	-220.7	-160.6
EBITDA before restr.	1.1	-3.7	27.9	-13.7
EBITDA margin	1 %	-7 %	11 %	-9 %

Total Hexvix/Cysview revenue in Q3 2021 increased by 75% to NOK 86.7 million (NOK 49.6 million) compared to the same period in 2020. The increase was mainly driven by higher U.S. volumes and increased European segment revenues from the transition of the Hexvix business from Ipsen, partially offset by the impact of Covid-19 and negative foreign exchange.

Other revenues included sales from license partners and revenue from Hivec sales associated with our distribution agreement with Combat Medical in the Nordic region.

Operating expenses, excluding depreciation and amortization, increased 60% to NOK 80.5 million (NOK 50.2 million) in the third quarter. The increase was mainly driven by investments to expand the Company's European commercial operations as well as investment in U.S. sales and marketing activities to take advantage of access to healthcare re-opening in certain regions.

Third quarter 2021 EBITDA was NOK 1.1 million, an increase of NOK 4.8 million (NOK -3.7 million). The increase was driven by higher YoY revenues, including additional EBITDA contribution from new direct European revenue.

Hexvix/Cysview

Global in-market volume declined 6% in the third quarter of 2021 YoY. This was due to the surge in Covid-19 Delta cases, as well as the comparison to the third quarter of 2020, which experienced a significant rebound in unit volume when the pandemic appeared to be subsiding and shelter-in-place restrictions were temporarily relaxed and a backlog of procedures from Q2 2020 were rescheduled in Q3 2020.

U.S. Cysview Segment

U.S. unit volume in the third quarter of 2021 increased by 6% compared to the same period in 2020, and revenues also increased 6% YoY to NOK 32.0 million (NOK 30.3 million). Photocure's U.S. business continued to grow despite ongoing Covid-19 challenges. Foreign exchange negatively impacted U.S. revenue by 4% in the third quarter of 2021. While access to healthcare remains closed or restricted in certain areas of the U.S., access restrictions in other regions have become less restrictive.

Growth in U.S. unit volume is being driven by focused sales resources and the penetration of Cysview in the surgical and surveillance settings. Photocure continues to expect the U.S. to be the fastest growing segment of its business over the next several years.

The introduction of Cysview in the surveillance market together with improved reimbursement has resulted in growth of the installed base of blue light cystoscopes. At the end of the third quarter of 2021, the total installed base of blue light cystoscopes in the U.S. was 302, an increase of 19% or 49 units since the third quarter of 2020 (253). Blue Light Cystoscopy (BLC™) in the surveillance setting remains a strategic priority for Photocure in the U.S. market. By the end of the third quarter of 2021, 45 flexible cystoscopes for the surveillance cystoscopy setting had been installed, an increase of 12 or 36% compared to the same period last year (33).

European Hexvix Segment

In the third quarter of 2021, revenues in the Company's European segment increased 189% to NOK 54.5 million (NOK 18.9 million). Consolidation of revenue from the acquired Ipsen territories



outweighed a year-over-year decline in Germany and Nordic country sales. This was primarily due to challenging market conditions associated with Covid-19 Delta. Additionally, a strong volume rebound in Q3 2020 impacted the year-over-year comparison. In-market unit sales in Europe in the third quarter of 2021 declined 8%, compared to the same period last year. The decline was mainly due to the surge of Covid-19 Delta, an unfavorable comparison to the prior-year period which included customers building safety stock ahead of the European business transition to Photocure as well as the temporary rebound in hospital access as the pandemic appeared to be subsiding and shelter-in-place restrictions were relaxed. Notably, priority growth markets, France and the UK continued to exhibit good recovery trends in Q3 2021, driven by the Company's renewed efforts in these territories. Foreign exchange negatively impacted European segment sales by 3% in the third quarter of 2021.

Hexvix/Cysview partner sales

Photocure currently has market access through its partners in Canada (BioSyent) and New Zealand/Australia (Juno). Due to reimbursement challenges and restrictive pandemic conditions, partnership revenues in the third quarter of 2021 were limited. Furthermore, Photocure has signed agreements with Genotests SpA ("Genotests") for Chile and Asieris MediTech Co. Ltd. ("Asieris") for mainland China and Taiwan. The Company also announced in August 2021 that it has regained commercial rights to Cysview from BioSyent in Canada. Photocure plans to begin booking full revenue for Cysview in Canada in January 2022, subject to regulatory approvals and transfers.

In August 2020, Photocure appointed Genotests as the exclusive distributor of Hexvix in Chile. Under the terms of the agreement, Genotests will cover all costs to secure regulatory approval, as well as the launch and the commercialization of Hexvix in Chile. Photocure will manufacture the product and support Genotests with the regulatory filing, training and promotional materials. There are approximately 1,500 new bladder cancer cases annually in Chile, an estimated 5,000 TURBT procedures and nearly 3,000 surveillance cystoscopies. In August 2021, Photocure was informed by Genotests that the Marketing Authorization for Hexvix was granted in Chile, and that Genotests is preparing for commercialization of the product.

In January 2021, Photocure entered into a partnership agreement with Asieris, a division of

Jiangsu Yahong Meditech Co., Ltd., whereby Asieris obtained exclusive rights to register and commercialize Hexvix in Mainland China and Taiwan. The Company received an upfront payment of USD 750,000 from Asieris for the rights to Hexvix in the designated territories and has potential to receive additional payments of up to USD 1.4 million for the achievement of certain regulatory milestones including market approvals in Mainland China and Taiwan. Photocure will manufacture and supply Hexvix and receive a transfer price from Asieris representing a markup on product provided under the agreement, and will also receive royalties on any product sales.

Hexvix/Cysview publications and presentations

At the Annual European Association of Urology Congress (EAU 2021) in July 2021, new study data were presented comparing the use of white light cystoscopy (WLC) and BLC and their respective detection rates in patients with tumors that are refractory to BCG therapy. Eight weeks after BCG treatment, all patients had follow-up procedures with WLC and BLC (PDD) to assess the presence of bladder cancer. Results of the study showed that bladder cancer was diagnosed in 32 out of 136 patients (24%). In those patients, 13 BCG-refractory tumors were detected with WLC, and 14 additional BCG-refractory tumors were detected with PDD, which lead to a change in management of their bladder cancer. The authors concluded that systematic use of PDD with BLC after BCG induction increased the detection of BCG-refractory tumors and lead to significant modification in the treatment of high-risk NMIBC.

<https://resource-centre.uroweb.org/resource-centre/EAU21/221514/Abstract/>

On September 13, 2021, at the American Urological Association Annual Congress (AUA2021), Dr. Sanam Ladi Seyedian, University of Southern California, presented results from a study entitled: *Utility of Blue Light Flexible Cystoscopy for Bladder Cancer Surveillance After Intravesical Therapy*. Based on the study results, out of 52 office-based biopsies, 23 (44%) were confirmed as malignant. Blue Light Flexible Cystoscopy (BLFC) identified all 23 malignancies, demonstrating 100% sensitivity for cancer detection in this cohort, whereas analysis by cytology identified only 3 of the 23 confirmed malignancies. Additionally, of the total office-based examinations, BLFC identified 9 of 16 cancerous cases (56%) that would have been missed by using

WLC alone, supporting the benefits of using BLFC in the surveillance setting.

<https://www.auajournals.org/doi/abs/10.1097/JU.0000000002107.03>

Also in September 2021 at the AUA2021 Congress, Dr. Yair Lotan, UT Southwestern Medical Center, gave a plenary presentation on surgical techniques for the treatment of bladder cancer. The presentation entitled: *Advances in Endoscopic Treatment of Bladder Tumors* emphasized the importance of using BLC with Cysview to accurately detect NMIBC, stratify bladder tumors, and aid in performing a complete TURBT in the operating room. Dr. Lotan also provided an expert perspective on how biopsy and fulguration in the surveillance setting can positively impact patient outcomes using BLC with Cysview in the office-based setting.

Development portfolio update

The Company's development portfolio mainly consists of projects related to the development of Hexvix/Cysview and activities related to the agreement with Asieris for Cevira®.

Income statement - Development Portfolio

MNOK	Q3 '21	Q3 '20	YTD '21	YTD '20
Total revenues	0.5	-	1.8	0.3
Gross profit	0.4	-	0.9	0.1
Operating expenses	-1.7	-1.7	-5.0	-5.5
EBITDA before restr.	-1.3	-1.7	-4.1	-5.4

Cevira® – for the treatment of HPV (human papillomavirus) and precancerous lesions of the cervix

Cevira is a photodynamic drug-device combination product for non-surgical treatment of high-grade cervical dysplasia.

In July of 2019, the Company entered into a License Agreement providing Asieris with a world-wide license to develop and commercialize Cevira for the treatment of HPV-induced cervical precancerous lesions.

Subsequently, Asieris launched a global clinical development program initially focused on the Chinese market, based on Photocure's Phase 2b data for patients diagnosed with high grade lesions and Phase 3 study design elements agreed upon with the U.S. FDA. Patient enrolment in an ongoing Phase 3 study was initiated in China in late 2020, with the majority of patients being enrolled in China and the remainder

anticipated to be enrolled in Europe. Further development in Europe and a plan for the U.S. will follow if clinical results from the Chinese-focused Phase 3 study confirms the safety and efficacy of Cevira. Further information about the ongoing Phase 3 trial for Cevira can be found by clicking the following link:

<https://clinicaltrials.gov/ct2/show/NCT04484415?term=Asieris&draw=2&rank=1>

In July 2020, Asieris announced that it had received Clinical Trial Approval (CTA) from China's National Medical Products Administration (NMPA) for the global, multi-centered Phase III clinical trial of Cevira (APL-1702), which is being developed for the non-surgical treatment of high-grade cervical dysplasia (HSIL).

In October 2020, Photocure announced that the European Patent Office (EPO) granted patent EP 2983780 covering the commercial Cevira device in Europe until 2034, adding to the patent portfolio for Cevira.

In November 2020, Asieris announced initial dosing of the first patient in its Global Phase III clinical trial for Cevira, which triggered a USD 1.5 million payment to Photocure. In June 2021, Asieris announced initial dosing of the first European patient in the same trial.

Under the License Agreement with Asieris, Photocure received a signing fee of USD 5 million in 2019 and two milestones totaling USD 3 million in 2020. In addition, the Company may receive a total of USD 16.5 million based upon the achievement of certain clinical and regulatory milestones in China, and up to USD 36 million for certain clinical and regulatory milestones in the U.S. and the EU. The approval of a second indication in China, the U.S. and Europe would result in payments of up to USD 14 million. Sales milestones and royalties of 10% up to 20% will apply in all markets.

Financial review

(Numbers in parentheses are for the corresponding period in 2020; references to the prior year refer to a comparison to the same period 2020, unless otherwise stated).

MNOK	Q3 '21	Q3 '20	YTD '21	YTD '20
Hexvix / Cysview revenues	86.7	49.6	257.1	157.5
Total other revenues	0.7	0.3	8.9	1.1
Total revenues	87.4	49.9	266.0	158.6
Gross profit	82.1	46.5	249.5	147.0
Operating expenses	-82.2	-51.9	-225.7	-166.1
EBITDA before restrict.	-0.2	-5.4	23.8	-19.1
Depreciation & amortization	-6.2	-3.8	-18.1	-11.6
EBIT before restrict.	-6.3	-9.2	5.7	-30.7
Restructuring expenses	-	-7.2	-	-10.4
EBIT	-6.3	-16.4	5.7	-41.1
Net financial items	-5.1	2.2	-4.3	8.2
Earnings before tax	-11.4	-14.2	1.4	-32.8
Tax expenses	4.1	8.0	-4.1	0.2
Net earnings	-7.3	-6.2	-2.7	-32.6

Photocure decided to maintain its commercial resources during the Covid-19 pandemic to position the company for a rapid recovery as the situation improves. In line with its commercial market opportunities and strategic objectives, the Company has deployed resources in its commercial organizations, while taking into consideration the Covid-19 pandemic.

With the inclusion of the European business from Ipsen, Photocure has significantly increased its sales revenue, established its commercial presence throughout Europe, and has improved its potential to increase profitability.

Revenues

Total revenues in the third quarter of 2021 increased 75% to NOK 87.4 million (NOK 49.9 million). Year to date revenues were NOK 266.0 million (NOK 158.6 million), an increase of 68%.

Hexvix/Cysview revenues in the third quarter of 2021 were NOK 86.7 million, an increase of 75% from the third quarter of 2020 (NOK 49.6 million). The increase was mainly driven by the inclusion of the European revenues from Ipsen and the continued growth of the U.S. sales. However, the comparison to last year was also impacted from one-off reduced purchase of inventory and transfer of inventory from Ipsen in Q3 2020. The revenue impact from transfer of inventory and reduced purchasing by Ipsen in the third quarter was approximately NOK 8.9 million. The strengthening of the Norwegian currency in the quarter had a negative revenue impact of 4%. Year to date Hexvix/Cysview revenues were NOK 257.1 million (NOK 157.5 million), an increase of 63%. The Covid-19 pandemic continues to have a negative impact on revenue.

Other revenues were NOK 0.7 million (NOK 0.3 million) in the third quarter of 2021 and year to date

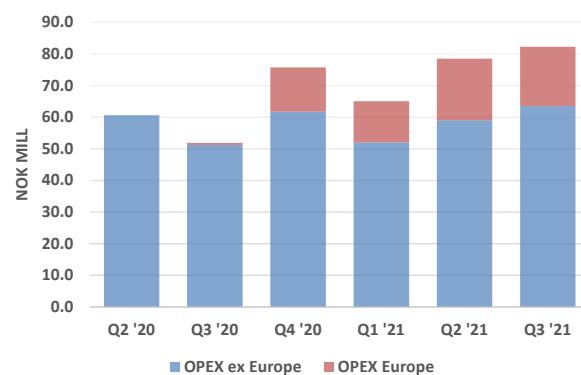
NOK 8.9 million (NOK 1.1 million). These revenues included in the first quarter signing fees from Asieris totaling NOK 6.4 million, as per the partnership agreement with Asieris whereby Asieris obtained exclusive rights to register and commercialize Hexvix in Mainland China and Taiwan. Furthermore, year to date other revenues included sale of API to Asieris totaling NOK 1.8 million.

Cost of goods sold (COGS)

Third quarter 2021 COGS was NOK 5.3 million (NOK 3.5 million). Year to date 2021 COGS was NOK 16.5 million (NOK 11.6 million). COGS for the quarter as well as year to date 2021 is higher than that of 2020 due to COGS related to sales of API and due to lower purchase of goods by Ipsen before the transfer of the European business to Photocure October 2020. In addition, due to the transfer of the European business, the Company incurs distribution costs in the region.

Operating expenses

Total operating expenses, before restructuring and excluding depreciation and amortization, were NOK 82.2 million (NOK 51.9 million) in the third quarter and year to date NOK 225.7 million (166.1 million). The main contributor to the YoY increases in 2021 operating expenses was the inclusion of the European business from Ipsen in terms of local commercial organization. In the third quarter the Company has also added investments in the U.S. commercial operation reflecting the gradual but slow improvement of access.



Third quarter 2021 research and development (R&D) costs were NOK 0.9 million (NOK 1.4 million). R&D costs year to date were NOK 3.1 million (NOK 2.9 million). The R&D costs relate mainly to regulatory work and the maintenance and expansion of Photocure's intellectual property.



Sales and marketing costs increased by 58% to NOK 61.8 million (NOK 39.0 million) in the third quarter of 2021. Sales and marketing costs year to date were NOK 171.6 million (NOK 125.3 million). The expense increase was mainly driven by investments in the European commercial organization following the inclusion of the European business from Ipsen.

Third quarter 2021 other operating expenses, which include supply chain, business development, and general/administration costs, were NOK 19.6 million, compared to NOK 11.5 million in the same quarter of 2020. Year to date other operating expenses were NOK 51.0 million (NOK 38.0 million).

Photocure took measures to contain its expenses in prior quarters during the pandemic, and for the second half of 2021, the Company is increasing costs to take advantage of the improvement in healthcare access assuming that this trend continues.

Financial results

EBITDA before restructuring was NOK -0.2 million (NOK -5.4 million) for the third quarter of 2021. Year to date EBITDA before restructuring was NOK 23.8 million (NOK -19.1 million). The improved EBITDA was mainly driven by the inclusion of the European business from Ipsen, volume growth in the U.S. despite the pandemic, as well as lower than expected spending in response to the pandemic. In addition, the sign-on revenue from Asieris improved the results accordingly.

EBITDA before restructuring year to date 2021 for the Company's commercial segment was NOK 27.9 million (NOK -13.7 million). Development portfolio EBITDA before restructuring year to date 2021 was NOK -4.1 million (NOK -5.4 million).

Year to date 2021 depreciation and amortization was NOK 18.1 million (NOK 11.6 million). The main cost item was the amortization of intangible assets related to the return of Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen (see note 6 to the accounts).

Restructuring expenses year to date 2020 were NOK 10.4 million and relate to work performed in connection with the agreement with Ipsen for the return of Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen.

Net financial items in the third quarter of 2021 were NOK -5.1 million (NOK 2.2 million). Year to date 2021 financial items were NOK -4.3 million (NOK 8.2 million). Year to date net financial items were driven by interest on long-term loan as well as accrued interest costs included for the deferred earnout liability (see note 6 to the accounts). These items were partly offset by net currency gains and interest income from financial assets.

Photocure experienced a net loss before tax of NOK 11.4 million in the third quarter of 2021 (net loss of NOK 14.2 million). Net earnings were a loss of NOK 7.3 million for the third quarter of 2021 (net loss of NOK 6.2 million). Year to date Photocure had a profit before tax of NOK 1.4 million (net loss of NOK 32.8 million) and net loss after tax of NOK 2.7 million (net loss of NOK 32.6 million).

Cash flow and statement of financial position

Net cash flow from operations was NOK 5.5 million in the third quarter of 2021 (NOK -9.9 million). Year to date net cash flow from operations was NOK 17.6 million (NOK 4.5 million). The positive cash flow from operations was driven mainly by EBITDA, partly offset by increased working capital.

Third quarter 2021 net cash flow from investments was NOK -2.5 million (NOK -166.4 million). Year to date net cash flow from investments was NOK -2.0 million (NOK -166.5 million). Net cash flow from investments in 2020 was driven by the payment to Ipsen of EUR 15 million for return of marketing rights in Europe.

Third quarter 2021 cash flow from financing was NOK 13.0 million (NOK -1.2 million). Year to date cash flow from financing was NOK -20.3 million (NOK 358.5 million). Quarter and year to date cash flow from financing included repayment of long-term debt (Nordea) of NOK 6.3 million and paid earnout of NOK 21.0 million. Year to date 2020 cash flow from financing was driven by private placements and bank financing.

Net change in cash was for the third quarter of 2021 NOK -10.0 million (NOK -177.6 million) and year to date NOK -4.7 million (NOK 196.5 million). Cash and cash equivalents were NOK 330.1 million at the end of the third quarter 2021.

Shareholders' equity was NOK 522.7 million at the end of the third quarter of 2021, representing an equity ratio of 67%.

Long term liabilities were NOK 176.2 million at the end of the third quarter of 2021, including NOK 25.0 million bank loan and capitalized value of expected future earn-out payments to Ipsen totaling NOK 126.6 million. The bank loan is secured under the State Guarantee Scheme for Loans to SMEs as a buffer to Covid-19 impacts.

As of September 30, 2021, Photocure held 13,884 of its own shares.

Risks and uncertainty factors

Photocure is exposed to risk and uncertainty factors, which may affect some or all of the Company's activities. Photocure has commercial risk, financial risk, market risk, legal and regulatory risk, as well as operational risk and risk related to the development of new products.

The Company is exposed to risks associated with market development for Hexvix/Cysview, progress of partnering activities, as well as financial risks related to interest rates, liquidity and currency fluctuations.

As described in the Company's Annual Report for 2020, the Covid-19 pandemic's global impact is still significant and is subject to ongoing attention by Company Management and the Board of Directors.

There are no significant changes in the risks and uncertainty factors compared to the descriptions in the Annual Report for 2020.

Covid-19 pandemic update

Current business conditions continue to be affected by the Covid-19 pandemic. (See Oslo Stock Exchange notification of April 7, 2020 for an in-depth analysis of the risks and effects of the Covid-19 pandemic situation). While healthcare access has reopened in parts of the world and significant vaccinations have been administered in the first nine months of 2021 to combat the spread of viral infection, declines in Covid-19 cases continue to be met with pandemic resurgences, particularly due to variants of the Covid-19 virus such as Covid-19 Delta, in certain regions leading to renewed travel restrictions and healthcare access closures. In Europe and parts of the U.S., hospitals are continuing to deal with Covid-19 Delta variant cases. As a result, key markets in the U.S. and Europe are expected to continue to be impacted by the Covid-19 pandemic through the end of 2021 and potentially into the first half of 2022.

Photocure believes that the treatment of bladder cancer consists of procedures that are prioritized by healthcare systems. However, in the second quarter of 2020, the Company was impacted by short-term postponements of treatments due to shelter in place mandates and lockdowns, which were loosened in the third quarter of 2020, enabling a recovery in treatments and sales. However, the fourth quarter 2020 surge in Covid-19 cases in Europe and the U.S. caused another wave of restrictions and cautious behavior, which impacted the latter part of the fourth quarter and the first quarter of 2021 especially in the low and medium risk-patient category. Key factors driving the recent lower utilization of healthcare include restricted access to hospitals and physicians in certain regions throughout Europe and the U.S., and fewer patients seeking treatment to avoid the risk of Covid-19 infection. In addition to the impact on treatment volumes, new account openings and cystoscope installations have been affected. However, the Company has continued to grow the base of BLC installations throughout the pandemic, including in the first nine months of 2021.

Photocure's main priority is the health and welfare of all Photocure employees and stakeholders. The Company continues to offer partial remote work arrangements across its locations and functions and is fully operational.

Where access to hospitals and clinics is still restricted because of the situation in certain regions in which Photocure does business, Photocure's sales force has been trained to maintain contact as needed through digital channels in those regions in order to provide continuous optimal service and support.

Regarding the supply chain, the inventory levels of Hexvix and Cysview kits in the distribution chain remain satisfactory for both Photocure and its partners. Production remains at full capacity and on schedule, and international distribution lines remain uninterrupted.

Photocure retained its full commercial organization during the Covid-19 pandemic to ensure a rapid recovery as the situation improves. Cost-saving measures were implemented by the Company in 2020 and the first half of 2021 in order to reduce the financial impact of the Covid-19 pandemic. As access to care has opened up since last year, Photocure has been, and plans to continue to increase its investment in its commercial operations to fund the growth of its business.



Overall, Photocure has experienced a temporary impact from the Covid-19 pandemic, but the Company believes that its financial position and long-term business outlook remain strong.

Outlook

Photocure delivers transformative solutions that improve the lives of bladder cancer patients. Based on benefits of our breakthrough product for the treatment of bladder cancer, Hexvix/Cysview, Photocure has embarked on a stepwise approach for continued growth. Photocure sees significant long-term potential in the global bladder cancer treatment market and employs the following growth strategy:

- Acceleration – Drive the breadth and depth of Hexvix/Cysview usage in key accounts
- Expansion – Generate sales in new geographies and product enhancements
- Acquisition – Find and acquire or partner additional products used in the management of bladder cancer patients
- Transformation – Acquire assets to strengthen our bladder cancer product portfolio

The global Covid-19 pandemic has had a negative impact on patient visits, BLC procedures, account access, and capital equipment installations since March 2020. The ongoing Covid-19 pandemic and surge of the Covid-19 Delta variant that began in 2021's second quarter adds continued uncertainty to Photocure's near-term business forecast, which impacts the reliability of financial estimates. The Company believes that the benefits of Blue Light Cystoscopy with Hexvix/Cysview offering superior detection and management of bladder cancer will continue to be adopted and become the standard of care. In places where procedures have been postponed due to the fear of exposure to Covid-19, the pace of procedures is expected to rebound back to pre-Covid-19 growth rates in the U.S. with positive growth in the Company's European markets that were acquired in October 2020. Indicators of a potential rebound are: (1) continued growth in the Company's U.S. business throughout 2020 and in the first nine months of 2021, (2) Photocure's strong pipeline of anticipated BLC tower placements in the U.S., and (3) early stabilization and rising kit orders driven in priority growth markets in Europe such as France and the U.K. Photocure plans to continue supporting these efforts with additional clinical publications in scientific journals and data

presentations at medical conferences to underscore the clinical benefits and cost-effectiveness of using BLC with Hexvix/Cysview.

The Company's pipeline of anticipated BLC tower installations in the U.S. remains robust given the demand by physicians and facilities to offer the benefits of BLC with Cysview in their practices. However, Photocure anticipates an impact on the number of installations in the fourth quarter of 2021, as its only U.S. capital equipment supplier Karl Storz is preparing to launch a new BLC system that could cause some customers to delay installations until the anticipated next generation BLC equipment becomes available. Notably, BLC installations in the U.S. during the third quarter of 2021 were above average due to the high demand for BLC with Cysview. During this transition period, the Company expects to continue growing Cysview unit sales in the U.S. by increasing throughput on the current installed base of BLC equipment and any new tower installations in the fourth quarter of 2021.

While quarantine and lockdown measures are necessary to slow the spread of Covid-19, unfortunately, cancer continues to progress, and patients, particularly those that are highly symptomatic, are driven to take action to receive treatment. This provides a health care opportunity and one in which Photocure believes Hexvix/Cysview can ensure the best outcomes for patients who may have postponed treatment and physician visits. Photocure expects to see an increased global focus on health, creating an environment conducive to improved discussions with healthcare authorities and enhanced public awareness about bladder cancer.

The procedure carried out in the office setting using a flexible blue light cystoscope is expected to become an increasingly attractive proposition, given its less restrictive nature (procedure location, no general anesthesia needed), which can free up hospital inpatient capacity.

The U.S. and Europe are Photocure's primary markets for growth, given the Company's two direct sales forces, and a majority of the market still to be penetrated by Hexvix/Cysview with BLC. Photocure regained the sales and marketing rights to Hexvix in continental Europe in the fourth quarter of 2020, and is positioned to take advantage of the growth opportunity throughout Europe. With the acquisition of these additional territories, the Company's European sales segment is expected to be EBITDA accretive in 2021 and beyond.



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Photocure – Results for third quarter and first nine months 2021

While Photocure delivered revenue growth in 2020 and in the first nine months of 2021 during the Covid-19 pandemic, the Company's prior high-growth trajectory was interrupted by the difficult operating environment in all of its commercial territories. The timing of a full recovery from the pandemic remains unclear, and the emergence and rapid spread of the new Covid-19 Delta variant has again raised uncertainty regarding the Company's business trends and its ability to determine when procedure volumes and customer orders will stabilize. As a result, Photocure is not issuing financial guidance at this time due to the inability to forecast healthcare access trends across its direct markets.

After regaining sales and marketing rights in the fourth quarter of 2020 to European markets that were previously out-licensed, the Company has established a strong commercial presence in the largest markets of the world and believes that it is well-positioned to accelerate revenues in a post Covid-19 environment. Assuming that the effects of Covid-19 and its variants can be appropriately managed, Photocure plans to increase spending back to normalized business levels in the fourth quarter of 2021, increasing investment primarily in commercial activities to grow Hexvix/Cysview unit sales.

The Board of Directors and CEO
Photocure ASA

Oslo, November 16, 2021

Jan Hendrik Egberts
Chairperson

Johanna Holldack
Director

Grannum R. Sant
Director

Anders Tuv
Director

Anne Worsøe
Director

Daniel Schneider
President and CEO



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Photocure – Results for third quarter and first nine months 2021

Photocure Group

Accounts for third quarter and first nine months 2021

Photocure Group – Statement of comprehensive income

(all amounts in NOK 1,000 except per share data)	Note	2021	2020	2021	2020	2020
		Q3	Q3	1.1 - 30.09	1.1 - 30.09	1.1 - 31.12
Sales revenues		87 404	49 939	259 600	158 586	256 482
Signing fees and milestone revenues	8	-	-	6 416	-	-
Total revenues		87 404	49 939	266 016	158 586	256 482
Cost of goods sold		-5 333	-3 469	-16 519	-11 570	-18 511
Gross profit		82 071	46 470	249 497	147 016	237 971
Indirect manufacturing expenses	3	-4 056	-3 109	-10 725	-9 546	-12 751
Research and development expenses	3	-942	-3 886	-3 087	-10 350	-13 838
Marketing and sales expenses	3	-65 987	-39 072	-184 308	-125 458	-187 811
Other operating expenses	3	-17 431	-9 626	-45 704	-32 332	-46 775
Total operating expenses		-88 415	-55 693	-243 823	-177 686	-261 175
EBIT before restructuring		-6 344	-9 223	5 673	-30 670	-23 204
Restructuring	6	-	-7 151	-	-10 386	-12 854
EBIT including restructuring		-6 344	-16 374	5 673	-41 056	-36 058
Financial income	6	3 066	10 397	20 247	22 126	26 439
Financial expenses	6	-8 120	-8 192	-24 545	-13 895	-23 607
Net financial profit/loss(-)		-5 055	2 205	-4 297	8 231	2 832
Profit/loss(-) before tax		-11 399	-14 170	1 376	-32 825	-33 226
Tax expenses	4	4 098	7 983	-4 123	194	10 823
Net profit/loss(-)		-7 301	-6 187	-2 746	-32 632	-22 403
Other comprehensive income		-1 049	-436	-2 180	583	-681
Total comprehensive income		-8 350	-6 623	-4 927	-32 049	-23 084
Net profit/loss(-) per share, undiluted	5	-0.27	-0.23	-0.10	-1.19	-0.91
Net profit/loss(-) per share, diluted	5	-0.27	-0.23	-0.10	-1.19	-0.91

Photocure Group – Statement of financial position

(Amounts in NOK 1,000)	Note	30.09.2021	30.09.2020	31.12.2020
Non-current assets				
Customer relationship	6	150 049	166 721	162 552
Goodwill	6	144 000	-	144 000
Fixed assets	7	25 575	10 845	7 370
Deferred tax asset	4	45 999	38 538	49 879
Long term receivables	8	-	10 617	-
Total non-current assets		365 622	226 720	363 801
Current assets				
Inventories		28 285	27 589	29 678
Accounts receivable		44 857	20 630	43 097
Other receivables		10 963	11 612	4 584
Cash and short term deposits	9	330 143	321 842	334 887
Total current assets		414 248	381 673	412 245
Total assets		779 870	608 392	776 047
Equity and liabilities				
Equity				
Share capital	11	13 472	13 314	13 359
Other paid-in capital		401 628	374 560	384 005
Retained earnings		107 580	103 895	110 769
Shareholders' equity		522 680	491 768	508 133
Long-term liabilities				
Earnout liability	6	126 624	-	143 668
Long term loan financial institution	10	25 000	37 500	37 500
Other long-term liabilities	7	24 585	7 955	6 966
Total long-term liabilities		176 209	45 455	188 134
Accounts payable		20 187	13 457	23 316
Short term part of longterm liability	7	18 750	12 500	12 500
Other short-term liabilities		42 044	45 212	43 965
Total liabilities		257 190	116 624	267 914
Total equity and liabilities		779 870	608 392	776 047

Photocure Group – Changes in equity

(Amounts in NOK 1,000)	2021 Q3	2020 Q3	2021 1.1 - 30.09	2020 1.1 - 30.09	2020 1.1 - 31.12
Equity at end of prior period	525 692	496 907	508 133	208 590	208 590
Capital increase	1 431	712	11 549	311 004	314 704
Share-based compensation (share options employees)	3 721	772	7 792	4 222	7 922
Own shares	186	-	133	-	-
Comprehensive income	-8 350	-6 623	-4 927	-32 049	-23 084
Equity at end of period	522 680	491 768	508 133	208 590	208 590



Photocure Group – Cash flow statement

(Amounts in NOK 1,000)	2021	2020	2021	2020	2020
	Q3	Q3	1.1 - 30.09	1.1 - 30.09	1.1 - 31.12
Profit/loss(-) before tax	-11 399	-14 170	1 376	-32 825	-33 226
Depreciation and amortisation	6 168	3 819	18 106	11 581	19 292
Share-based compensation	3 721	1 731	7 792	4 222	7 881
Interest income	-380	-442	-1 639	-1 600	-2 116
Interest costs	6 097	-	17 921	-	6 364
Unrealized currency (- gains) / losses	-280	582	-12 070	128	815
Changes in contract receivable	-	-	-	12 339	22 956
Changes in working capital	1 509	-4 195	-11 796	10 191	-5 887
Other operational items	71	2 765	-2 101	478	-494
Net cash flow from operations	5 508	-9 910	17 589	4 514	15 585
Net investments in fixed assets	-2 925	-144	-3 674	-1 356	-1 605
Payment return of market rights Europe	-	-166 721	-	-166 721	-166 721
Received interest payments	380	442	1 639	1 600	2 116
Cash flow from investments	-2 545	-166 423	-2 036	-166 476	-166 209
Share capital increase employees	1 431	1 029	11 549	9 301	13 001
Private placements	-	-1 276	-	301 703	301 703
Paid earnout	-6 882	-	-21 046	-	-
Payment of lease liability	-1 018	-998	-3 675	-2 519	-3 618
Long term loan	-6 250	-	-6 250	50 000	50 000
Other financial payments and transactions	-271	-	-876	-	-895
Cash flow from financing activities	-12 991	-1 246	-20 297	358 485	360 191
Net change in cash during the period	-10 028	-177 578	-4 744	196 523	209 567
Cash & cash equivalents at beginning of period	340 171	499 421	334 887	125 320	125 320
Cash & cash equivalents at end of period	330 143	321 842	330 143	321 842	334 887

Notes to the accounts for third quarter and first nine months 2021

Note 1 – General accounting principles

General information

Photocure ASA is a public limited company domiciled in Norway. The business of the Company is associated with development, production, distribution, marketing and sales of pharmaceutical products and related technical medical equipment. The Company's shares are listed on the Oslo Stock Exchange (OSE: PHO). The Company's registered office is Hoffsveien 4, NO-0275 Oslo, Norway.

Photocure Group (Photocure) comprises Photocure ASA and three wholly owned subsidiaries; Photocure Inc. registered in U.S, Photocure GmbH registered in Germany and Photocure SAS registered in France.

Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020 (the Annual Financial Statements) as they provide an update of previously reported information.

The interim report has not been subject to an audit. The Board of Directors approved the interim financial statements on November 16, 2021.

Photocure performs the sales and distribution of Hexvix in the Nordic markets and from October 1, 2020 in the other European markets. Photocure has established wholly owned subsidiaries in Germany (Photocure GmbH) and France (Photocure SAS) that provide marketing services. These entities have Euro (EUR) as functional currency. The sales and distribution in the U.S. are performed through Photocure's wholly owned subsidiary Photocure Inc. under the trade name Cysview. Photocure Inc. has U.S. dollars (USD) as functional currency.

Photocure ASA has Norwegian kroner (NOK) as its functional currency and presentation currency. In the absence of any statement to the contrary, all financial information is reported in whole thousands. As a result of rounding adjustments, the figures in the financial statements may not add up to the totals.

Important accounting valuations, estimates and assumptions

IFRS 3

Photocure and Ipsen Pharma SAS (Ipsen) entered into a final agreement June 11, 2020 for a return of Hexvix sales, marketing and distribution rights in Europe and other markets controlled by Ipsen. Photocure has with the agreement obtained the market approval for the product Hexvix in all European countries previously served by Ipsen.

According to IFRS 3 the transaction can be regarded as a business combination using the acquisition method if the acquired set of activities and assets meets the definition of a business and control is transferred. In determining that the activities and assets is a business, Photocure has assessed that the set of assets and activities acquired includes input and substantive processes that has the ability to produce outputs. Based on the agreement including the transfer of distribution contracts, employees and inventory, the transaction has been defined as a business combination and is thus accounted for in accordance with IFRS 3.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The residual value in the acquisition constitutes goodwill and is tested annually for impairment. The contingent consideration is measured at fair value at the date of acquisition and remeasured at fair value at each reporting date and subsequent changes in the fair value are recognized in profit or loss. The consideration



transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Customer relationships meet the contractual legal criterion for identification as intangible assets for an entity that has a practice of establishing contracts with its customers, regardless of whether a contract exist at the date of the acquisition. A customer relationship may also arise through means other than contracts, such as through regular contact by sales or service representatives. Furthermore, IFRS 3's illustrative examples on "customer-related intangible assets" sets forth that customer relationships meet the criteria of an intangible asset if the company has recurring customers, even if the company does not have any open purchase orders or contracts with those.

Preparation of the accounts in accordance with IFRS requires the use of judgment, estimates and assumptions that have consequences for recognition in the balance sheet of assets and liabilities, the estimation of contingent liabilities and recorded revenues and expenses. The use of estimates and assumptions is based on the best discretionary judgement of the Group management.

Note 2 - Photocure Group – Segment information

Photocure has two segments: Commercial Franchise and Development Portfolio. Commercial Franchise includes Hexvix/Cysview by geography (U.S. and Europe) and other sales (partners and other products including sales revenues for Hivec). Development Portfolio includes development of pipeline products.

1.1-30.9 2021	Hexvix Europe	Cysview US	Other Sales	Total Sales	Total R&D	Grand Total
(Amounts in NOK 1 000)						
Sales revenues	166 393	90 631	741	257 765	1 836	259 600
Milestone revenues	-	-	6 416	6 416	-	6 416
Cost of goods sold	-12 263	-2 841	-478	-15 582	-937	-16 519
Gross profit	154 131	87 790	6 678	248 598	899	249 497
Gross profit of sales %	93 %	97 %	35 %	94 %	49 %	94 %
R&D	-750	-227	-	-977	-2 110	-3 087
Sales & marketing	-72 325	-96 047	-2 879	-171 251	-375	-171 626
Other & allocations	-26 823	-17 941	-3 744	-48 508	-2 505	-51 014
Operating expenses	-99 898	-114 215	-6 623	-220 736	-4 991	-225 727
EBITDA	54 232	-26 425	55	27 862	-4 092	23 770



1.1-30.9 2020

(Amounts in NOK 1 000)	Hexvix Europe	Cysview US	Other Sales	Total Sales	Total R&D	Grand Total
Sales revenues	84 981	72 083	1 233	158 296	290	158 586
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-6 904	-3 993	-467	-11 363	-207	-11 570
Gross profit	78 077	68 090	766	146 933	83	147 016
Gross profit of sales %	92 %	94 %	62 %	93 %	29 %	93 %
R&D	-741	-224	-	-965	-1 884	-2 849
Sales & marketing	-27 355	-95 237	-1 013	-123 606	-1 683	-125 289
Other & allocations	-18 395	-13 840	-3 814	-36 050	-1 918	-37 967
Operating expenses	-46 491	-109 302	-4 827	-160 620	-5 485	-166 105
EBITDA	31 586	-41 212	-4 062	-13 687	-5 402	-19 089

Q3 2021

(Amounts in NOK 1 000)	Hexvix Europe	Cysview US	Other Sales	Total Sales	Total R&D	Grand Total
Sales revenues	54 529	32 021	304	86 854	550	87 403
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-3 769	-1 172	-263	-5 203	-130	-5 333
Gross profit	50 760	30 849	41	81 651	420	82 071
Gross profit of sales %	93 %	96 %	13 %	94 %	76 %	94 %
R&D	-268	-81	-	-349	-593	-942
Sales & marketing	-26 839	-33 696	-1 100	-61 636	-126	-61 761
Other & allocations	-10 121	-6 846	-1 579	-18 546	-994	-19 540
Operating expenses	-37 228	-40 624	-2 679	-80 531	-1 712	-82 243
EBITDA	13 532	-9 774	-2 638	1 120	-1 292	-173

Q3 2020

(Amounts in NOK 1 000)	Hexvix Europe	Cysview US	Other Sales	Total Sales	Total R&D	Grand Total
Sales revenues	18 867	30 316	756	49 939	-	49 939
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-1 545	-1 648	-276	-3 469	-	-3 469
Gross profit	17 322	28 668	480	46 470	-	46 470
Gross profit of sales %	92 %	95 %	64 %	93 %		93 %
R&D	-403	-122	-	-524	-861	-1 385
Sales & marketing	-8 665	-29 296	-768	-38 729	-283	-39 013
Other & allocations	-5 310	-4 252	-1 389	-10 951	-524	-11 475
Operating expenses	-14 378	-33 670	-2 157	-50 205	-1 669	-51 873
EBITDA	2 945	-5 002	-1 677	-3 734	-1 669	-5 403



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Photocure – Results for third quarter and first nine months 2021

1.1-31.12 2020

(Amounts in NOK 1 000)	Hexvix Europe	Cysview US	Other Sales	Total Sales	Total R&D	Grand Total
Sales revenues	141 579	113 166	1 447	256 192	290	256 482
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-12 224	-5 485	-595	-18 304	-207	-18 511
Gross profit	129 354	107 681	852	237 887	83	237 970
Gross profit of sales %	91 %	95 %	59 %	93 %	29 %	93 %
R&D	-970	-293	-	-1 263	-2 947	-4 210
Sales & marketing	-52 350	-127 452	-1 184	-180 985	-2 431	-183 417
Other & allocations	-27 664	-18 007	-5 735	-51 406	-2 849	-54 256
Operating expenses	-80 984	-145 752	-6 919	-233 654	-8 228	-241 882
EBITDA	48 370	-38 071	-6 067	4 233	-8 145	-3 912

Note 3 – Income statement classified by nature

(Amounts in NOK 1 000)	2021	2020	2020
	1.1-30.09	1.1-30.09	1.1-31.12
Sales revenues	259 600	158 586	256 482
Signing fees and milestone revenues	6 416	-	-
Cost of goods sold	-16 519	-11 570	-18 511
Gross profit	249 497	147 016	237 971
Payroll expenses	-153 617	-114 784	-165 748
R&D costs excl. payroll expenses/other operating exp.	-2 110	-1 798	-2 924
Ordinary depreciation and amortisation	-18 106	-11 617	-19 294
Other operating expenses	-69 990	-49 487	-73 209
Total operating expenses recurring	-243 823	-177 686	-261 175
EBIT recurring	5 673	-30 670	-23 204

Note 4 – Tax

(Amounts in NOK 1 000)	30.09.2021	31.12.2020
Income tax expense		
Tax payable	-242	-712
Changes in deferred tax	-3 880	11 535
Total income tax expense	-4 123	10 823
Tax base calculation		
Profit before income tax	17 010	-29 470
Permanent differences	1 215	-20 892
Temporary differences	-22 493	-15 885
Change in tax loss carried forward	5 171	65 810
Tax base	904	-437
Temporary differences:		
Total	-142 988	-120 464
Tax loss carried forward	352 075	347 188
Net temporary differences	209 087	226 724
Deferred tax benefit	209 087	226 724
Deferred tax asset	45 999	49 879

Temporary differences are recognized for the parent company only and the note disclosure for the Group is of this reason identical to the disclosure for parent company. The calculation of deferred tax asset September 30, 2021 and December 31, 2020 is based on a tax rate of 22%.

The parent company has recognized a deferred tax asset regarding net temporary differences. Accumulated tax asset in the parent company at the end of September 2021 is NOK 46.0 million compared to NOK 49.9 million at end of 2020. There is no expiry on losses to be carried forward in Norway. The basis for recognition of a tax asset in Norway is the predicted future profit according to the business plan for all major markets and that temporary differences for the coming years will be reversed. The basis for the recognition of the tax asset is the assessment that there is convincing evidence that the deferred tax benefit will be utilized.

For further information refer to the consolidated financial statements for the year ended December 31, 2020, note 11.

Note 5 – Earnings per share

Earnings per share are calculated on the basis of the profit/loss for the year after tax but excluding other comprehensive items. The result is divided by the weighted average number of outstanding shares over the year, reduced by acquired treasury shares. The diluted earnings per share is calculated by adjusting the average number of outstanding shares by the number of employee options that can be exercised. Antidilution effects are not taken into consideration.

(Figures indicate the number of shares)	2021	2020
	1.1-30.09	1.1-31.12
Issued ordinary shares 1 January	26 717 536	21 796 387
Effects of share options excercised	112 139	141 971
Effect of treasury shares	-17 689	-16 572
Effect of shares issued		2 699 476
Weighted average number of shares	26 811 986	24 621 488
Effect of outstanding share options	295 868	173 933
Weighted average number of diluted shares	27 107 854	24 795 421
Earnings per share in NOK	-0.10	-0.91
Earnings per share in NOK diluted	-0.10	-0.91

Note 6 – Marketing rights Europe and restructuring

Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen Pharma SAS (Ipsen) were acquired by Photocure October 1, 2020. The parties had entered into a final agreement where Photocure paid Ipsen EUR 15 million upon transfer on October 1, 2020. Ipsen reported sales up until this date and Photocure thereafter. Ipsen receives in addition earnout payments in the range of 10-15% of sales (years 1-7 post-transfer) and 7.5% of sales (years 8-10 post transfer) in the previous Ipsen major markets. The deferred consideration is paid as quarterly earnout payments in EUR currency after the close of the quarter.

To arrive at the earnout present value of NOK 144 million (EUR 12.9 million), Photocure has discounted the estimated earnout payments by an IRR according to the investment project. This IRR has been deemed appropriate as a discount rate for the earnout payments as the level of the payments will be subject to the same risk factors as the cash flow prognosis for the acquisition as a whole. The agreement with Ipsen determined a floor revenue for the earn-out from 2022 to the end of the forecast period and there is no upper cap for the revenue. The total undiscounted amount of the earnout may be in the interval of NOK 255-336 million depending on revenue and according to our sensitivity analysis the corresponding net present value of the liability may decrease or increase by NOK 18 million.

As the earnout liability is in Euro, it will fluctuate with the NOK/EUR currency rate. As of end of September 2021 Photocure reports an unrealized currency gain of NOK 13.5 million related to the liability, an increase of NOK 0.2 million in the third quarter.

The costs directly related to this transaction and related costs incurred by Photocure in 2020 have been considered as infrequent and of unusual nature and specified in the statement of comprehensive income. These costs amount to NOK 12.4 million for 2020.

Following the transaction, Photocure management has performed a purchase price allocation related to the acquisition by assistance of external advisors. The acquisition has been defined as a business combination and thus reported in accordance with IFRS 3 – Business Combinations. One intangible asset has been identified: Customer relationships. The customer relationships relate to existing customers in Europe which have previously been served by Ipsen. Customer relationships has been valued using a multiperiod excess earnings method and the corresponding value at transaction date was NOK 166.7 million. Photocure has evaluated this asset to have an estimated value for 10 years from transaction date and the intangible asset is depreciated on a straight-line basis over this period.

Goodwill amounts to NOK 144 million including assembled workforce in Germany. This item is not depreciated but will be tested yearly against impairment.

Market rights Europe (Amounts in NOK 1 000)	30.09.2021 Book value	31.12.2020 Book value	01.10.2020 Book value
Customer relations	150 049	162 552	166 720
Goodwill	144 000	144 000	144 000
Fair value	294 049	306 552	310 720
Deferred payment	-126 624	-143 668	-144 000
Earnout incurred	20 413		
Cash payment			166 720

Note 7 – Fixed Assets and Right of Use Assets

(Amounts in NOK 1 000)	Machinery &				Total assets
	equipment	Intangibles	Right of use		
Net book value 31.12.2020	1 939	1 576	3 855	7 370	
Net investments and revaluation 30.09.21	2 357	527	20 942	23 826	
Depreciation and amortization	-873	-687	-4 062	-5 622	
Net book value 30.09.2021	3 423	1 416	20 735	25 574	

The right of use assets includes mainly the office rental agreements in Oslo, Dusseldorf and Princeton. The related lease liability is measured at the present value of the lease payments that are not paid at the commencement, discounted using the Groups incremental borrowing rate as the discount rate. The lease liability as of September 30, 2021 was NOK 20.7 million compared to NOK 3.9 million December 31, 2020 reflecting new office rental agreements.

Note 8 – Contract revenue and receivable

Photocure entered January 2021 into a partnership agreement with Asieris MediTech Co., Ltd. (Asieris), a division of Jiangsu Yahong Meditech Co., Ltd., whereby Asieris has obtained exclusive rights to register and commercialize Hexvix in Mainland China and Taiwan. Based on the agreement, Photocure received an upfront payment of USD 750,000 from Asieris for the rights to Hexvix in the designated territories. Photocure will in addition receive payments of up to USD 1.4 million for the achievement of certain regulatory milestones including market approvals in Mainland China and Taiwan. Asieris will fund all costs to secure regulatory approvals of Hexvix in Mainland China and Taiwan.

Photocure has entered into a license agreement with Asieris Meditech Co., Ltd with a world-wide license to develop and commercialize the pipeline product Cevira. Cevira is a photodynamic drug-device combination product that is being developed for non-surgical treatment of high-grade cervical dysplasia. Under the agreement Photocure has received signing fees of USD 5 million in 2019 and two milestones in 2020 of USD 1.5 million each. Photocure will receive additional development- and approval milestones depending on the outcome of the ongoing study. Based on IFRS 15 Photocure recognized a distinct right to use license for Asieris as of July 2019 of USD 8 million.



Note 9 – Fair value financial assets

The table below analyses financial assets recognized in the balance sheet at fair value according to the valuation method. The different levels have been defined as follows:

Level 1: Noted prices in active markets for corresponding assets or liabilities

Level 2: Available value measurements other than the noted prices classified as Level 1, either directly observable in the form of agreed prices or indirectly as derived from the price of equivalent.

Level 3: Value measurements of assets or liabilities that are not based on observed market values

Market value hierarchy <i>(Amounts in NOK 1 000)</i>	Level 1	Level 2	Level 3	Total
Financial assets available for sale:				
- Money market funds	259 887	-	-	259 887
Total	259 887	-	-	259 887

Note 10 – Long term loan

Photocure received a loan of NOK 50 million from Nordea in the second quarter 2020. The loan is secured under the State Guarantee Scheme for Loans to SME's (Covid-19 related). The loan carries a floating interest rate, and the effective interest rate at the end of the quarter was 2.7%. The loan is a three-year term loan, first year interest only, thereafter, from September 2021, quarterly repayments of NOK 6.25 million.

Note 11 – Share capital

Registered share capital in Photocure ASA amounts to:

	No. of shares	Nominal value per share	Share capital in NOK
Share capital at December 31, 2020	26 717 536	NOK 0.50	13 358 768
Share capital at September 30, 2021	26 943 820	NOK 0.50	13 471 910
Treasury shares:			
Holdings of treasury shares at December 31, 2020	15 666		7 833
Buy-back of shares	-	NOK 0.50	-
Sale(-)/Buy-back of restricted shares	-1 782	NOK 0.50	-891
Holdings of treasury shares at September 30, 2021	13 884		6 942



The table below indicates the status of authorizations as of September 30, 2021:

<i>(Figures indicate the number of shares)</i>	Purchase, treasury shares	Ordinary share issue	Employee share issues
Authorisation issued at the General Meeting on 20 May 2021	2 682 000	4 023 000	750 000
Share issues after the General Meeting on 20 May 2021	-	-	123 751
Purchase of treasury shares after 20 May 2021	-	-	-
Remaining under authorisations at 30 September 2021	2 682 000	4 023 000	626 249

Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of September 30, 2021:

Name	Position	No. of shares	No. of restricted shares	No. of subscription rights
Daniel Schneider	President & CEO	51 901	18 353	295 000
Erik Dahl	Chief Financial Officer	19 730	7 133	122 500
Geoffrey Coy	VP and General Manager U.S. Operations	15 207	-	80 000
Grete Hogstad	VP Global Strategic Marketing & Business Development	25 153	5 566	77 500
Patricia Kelly	VP Global Human Resources	-	-	80 000
Anders Neijber	VP Global Medical Affairs and Clinical Development			28 000
Susanne Strauss	VP and General Manager of Europe	-	-	157 500
Jan H. Egbert	Chairperson of the board	14 500	-	-
Anders Tuv *	Board member	679 619	-	-

* Anders Tuv represents Radforsk Investeringsstiftelse

The restricted shares have a three-year lock-up period and are subject to customary terms and conditions for employee incentive programs.

Note 12 – Share options

On September 30, 2021, employees in Photocure had the following share option schemes:

Year of allocation	2021	2020	2020
Option program	2021	2020	2019
Number	743 000	431 500	234 500
Exercise price (NOK)	87.39 - 145.27	78.65 - 81.41	50.72 - 56.83
Year of expiry	2026	2025	2024



The number of employee options, including conditional grants, and average exercise prices for Photocure, and development during the year:

	30.09.2021		31.12.2020	
	No. of shares	Average exercise price (NOK)	No. of shares	Average exercise price (NOK)
Outstanding at start of year	981 534	66.28	231 700	39.76
Allocated during the year	748 000	142.77	988 500	66.44
Become invalid during the year	94 250	73.65	7 400	49.78
Exercised during the year	226 284	51.04	231 266	40.91
Expired during the year	-	-	-	-
Outstanding at end of period	1 409 000	108.70	981 534	66.28
Exercisable options at end of period	119 750	78.21	120 034	50.17

Note 13 – Shareholders

Overview of the major shareholders as of September 30, 2021:

Major Shareholders	Citizen	Type	# Shares	%
Morgan Stanley & Co. LLC	United States	Nominee	2 533 785	9.4 %
Nordnet Bank AB	Sweden	Nominee	1 153 073	4.3 %
Carnegie Investment Bank AB	Sweden	Nominee	839 101	3.1 %
The Bank of New York Mellon SA/NV	United Kingdom	Nominee	814 007	3.0 %
Skandinaviska Enskilda Banken AB	Ireland	Nominee	703 620	2.6 %
Radforsk Investeringsstiftelse	Norway	Ordinary	679 619	2.5 %
RBC Investor Services Bank S.A.	Luxembourg	Nominee	660 000	2.4 %
Avanza Bank AB	Sweden	Nominee	649 124	2.4 %
Danske Bank A/S	Denmark	Nominee	600 000	2.2 %
JPMorgan Chase Bank, N.A., London	United Kingdom	Nominee	514 476	1.9 %
MP Pensjon PK	Norway	Ordinary	510 178	1.9 %
Skandinaviska Enskilda Banken AB	Sweden	Nominee	437 749	1.6 %
Skandinaviska Enskilda Banken AB	Finland	Nominee	436 000	1.6 %
Verdipapirfondet KLP AksjeNorge	Norway	Ordinary	375 630	1.4 %
Verdipapirfondet Pareto Investment	Norway	Ordinary	349 000	1.3 %
Skandinaviska Enskilda Banken AB	Sweden	Nominee	344 000	1.3 %
Myrlid AS	Norway	Ordinary	320 000	1.2 %
BNP Paribas	France	Nominee	286 671	1.1 %
Nordnet Livsforsikring AS	Norway	Ordinary	270 784	1.0 %
Verdipapirfondet DNB Norden	Norway	Ordinary	260 374	1.0 %
Total 20 largest shareholders			12 737 191	47.3 %
Total other shareholders			14 206 629	52.7 %
Total number of shares			26 943 820	100.0 %



Photocure Group – Alternative Performance Measures

(Information provided based on Guidelines on Alternative Performance Measures (APMs) for listed issuers by The European Securities and Markets Authority - ESMA)

Photocure reports certain performance measures that are not defined under IFRS, but which represent additional measures used by the Board and management in assessing performance as well as for reporting both internally and to shareholders. Photocure believes that the presentation of these non-IFRS performance measures provides useful information which provides readers with a more meaningful understanding of the underlying financial and operating performance of the Company when viewed in conjunction with the IFRS financial information.

Photocure uses the following alternative performance measures.

EBITDA & EBIT

Photocure regards EBITDA as the best approximation to pre-tax operating cash flow and reflects cash generation before working capital changes and capex. EBITDA is widely used by investors when evaluating and comparing businesses and provides an analysis of the operating results excluding depreciation and amortization. The non-cash elements depreciation and amortization may vary significantly between companies depending on the value and type of assets.

The definition of EBITDA is "Earnings Before Interest, Tax, Depreciation and Amortization."

The reconciliation to the IFRS accounts is as follows:

(all amounts in NOK 1 000)	2021 Q3	2020 Q3	2021 YTD Sep.	2020 YTD Sep.	2020 Full Year
Gross profit	82 071	46 470	249 497	147 016	237 971
Operating expenses excl depreciation & amortization	-82 248	-51 875	-225 718	-166 105	-241 883
EBITDA before restructuring	-177	-5 405	23 778	-19 089	-3 912
Depreciation & amortization	-6 167	-3 818	-18 105	-11 581	-19 292
EBIT before restructuring	-6 344	-9 223	5 673	-30 670	-23 204

Full year 2020, Photocure incurred NOK 12.9 million in restructuring costs. Photocure chooses to measure before restructuring costs because adjustments of these items give a better basis for an evaluation of future results.

Revenue growth in constant currency

Photocure's business is conducted internationally and in respective local currency. Less than 5% of the revenue is conducted in Norwegian kroner, Photocure's functional currency. Fluctuations in foreign exchange rates may have a significant impact on reported revenue in Norwegian kroner. To eliminate the translational effect of foreign exchange and to better understand the revenue development in the various regions, Photocure provides calculated revenue growth information by region and in total for the Company. The average exchange rates used to translate revenues as per the reporting dates were as follows:

	2021 Q3	2020 Q3	2021 YTD Sep.	2020 YTD Sep.	2020 Full Year
USD (NOK per 1 USD)	8.76	9.13	8.55	9.55	9.41
EUR (NOK per 1 EUR)	10.33	10.67	10.23	10.72	10.73
DKK (NOK per 100 DKK)	138.87	143.33	137.52	143.67	143.89
SEK (NOK per 100 SEK)	101.54	102.96	100.83	101.44	102.27

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