



THE
BLADDER CANCER
COMPANY™



Q1

First quarter
report 2020



Highlights for first quarter 2020

(Numbers in brackets and comparisons are for the corresponding period in 2019.)

- First quarter Hexvix/Cysview revenue increased 6% to NOK 54.4 million (NOK 51.2 million)
- 33% U.S. Cysview revenue growth in the first quarter
- The installed base of blue light cystoscopes in the U.S. was 238 at the end of the first quarter, an increase of 67 or 39% from the same quarter last year. The installed base includes 27 flexible cystoscopes at the end of the quarter
- EBITDA for the first quarter was NOK -4.8 million (NOK -1.5 million) before restructuring costs incurred in connection with the agreement with Ipsen Pharma SAS
- Milestone payment of NOK 16 million (USD 1.5 million) received from Asieris for the world-wide license to develop and commercialize Cevira for the treatment of HPV induced cervical precancerous lesions
- In February 2020, Photocure was granted a U.S. Patent covering the use of Blue Light Cystoscopy (BLC®) with Hexvix/Cysview as neoadjuvant therapy in the treatment of bladder cancer in patients scheduled for radical cystectomy
- Photocure is experiencing Covid-19 impact in the short-term but the long-term outlook remains strong
- On 27 April 2020 Photocure reached an agreement with Ipsen Pharma SAS on the key terms for the return of Hexvix sales, marketing and distribution rights in Europe and other markets currently controlled by Ipsen. To finance the acquisition the company issued NOK 143 million in equity the same day

Key figures:

Figures in NOK million	Q1 2020	Q1 2019	Change	FY 2019
Hexvix/Cysview revenues	54.4	51.2	6 %	213.2
Other revenues	0.6	1.0		68.3
Total revenues	55.0	52.2	5 %	281.6
Operating expenses	-53.6	-48.3	11 %	-200.1
EBITDA before restructuring	-4.8	-1.5		58.9
EBITDA commercial franchise	-3.5	1.7		7.3
EBITDA development portfolio	-1.2	-3.2		51.6
EBIT	-10.5	-5.8		42.7
Net Earnings	-17.7	-4.9		31.8
Cash & cash equivalents	127.6	91.4		125.3

President & CEO Daniel Schneider comments:

“We had a strong first quarter in spite of the impact from Covid-19. The continued strong U.S. sales momentum was the driver behind the positive development. While most procedures began being postponed in March, we are expecting the backlog of patients to return to the hospitals and clinics throughout Q2 and Q3. This catch-up period is particularly important for patients in the high and intermediate risk categories. We believe that BLC with Hexvix/Cysview can play an integral role in assuring that the first TURBT after postponement is complete and thorough reducing the risks for repeat TURBT, reoccurrence and progression.

Just recently we have agreed terms with Ipsen for the return of Hexvix. The return of these rights is consistent with our strategy of building a strong and profitable global business within bladder cancer. We have built a successful commercial organization for Hexvix/Cysview in the U.S. and the Nordics, with a solid underlying growth potential post the Covid-19 pandemic. We aim to apply lessons learned in Nordic and U.S. and sees significant growth and



expansion opportunities in Europe and other markets currently not served by Ipsen. The agreement will provide a platform for growth and we see the terms as financially highly attractive. The agreement is expected to be EBITDA accretive from full-year 2021 and beyond.”

Operational review

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

Photocure is leveraging its flagship brand Hexvix/Cysview for improved detection of non-muscle invasive bladder cancer, reduction of disease recurrence and progression rates to improve cost-effective health outcomes for bladder cancer patients.

With its established specialist commercial and medical teams in the U.S. and Nordics Photocure has a solid foundation for future growth of its breakthrough bladder cancer product, as well as exploring expansion of its product portfolio. In addition, Photocure has agreed to terms with Ipsen to regain commercialization rights to Hexvix in Europe and other territories around the world. Photocure will begin direct sales and marketing activities in Europe beginning in Q4, 2020.

Update commercial segment

The commercial segment continued its positive momentum from previous quarters although negatively impacted by Covid-19.

First quarter total revenue increased 5% to NOK 54.7 million (NOK 51.2 million) compared to last year, mainly driven by significant improvements in sales performance in U.S.

First quarter total Hexvix/Cysview revenue increased 6% to NOK 54.4 million (NOK 51.2 million) compared to the same quarter in 2019. The increase was driven by U.S. revenue increasing by 33% (21% measured in USD) compared to first quarter last year.

Operating expenses, excluding depreciation and amortization, increased 16% to NOK 52.3 million (NOK 45.1 million) in the first quarter. The increase was mainly driven by approximately 9% currency impact and to some extent planned increases in U.S commercial efforts.

First quarter EBITDA was NOK -3.5 million (NOK 1.7 million).

MNOK	Q1 '20	Q1 '19	FY '19
Nordic - Hexvix	12.2	13.1	48.2
US - Cysview	28.2	21.2	98.7
Partners	14.0	17.0	66.3
Hexvix/Cysview total	54.4	51.2	213.2
<i>YoY growth</i>	6 %		
Other revenues	0.3	1.0	0.0
Total revenues	54.7	52.2	216.4
<i>YoY growth</i>	5 %		
Gross profit	48.8	46.8	193.9
Operating expenses	-52.3	-45.1	-186.6
EBITDA before restr.	-3.5	1.7	7.3

Hexvix®/Cysview®

Global in-market unit sales declined 1% in the first quarter. Estimated first quarter in-market sales value was NOK 88 million (NOK 80 million).

U.S. Cysview sales

First quarter revenue in U.S. increased 33% to NOK 28.2 million (NOK 21.2 million) compared to the prior year, driven by volume growth, positive foreign exchange impact and price increase. Covid-19 had a negative impact on sales the last three weeks of March. In USD, first quarter revenue grew 21% compared to last year. In-market unit sales in the U.S. increased 17% in the first quarter. This improvement reflects productivity improvements as well as expanded sales resources.

U.S. is the largest and fastest growing region for Photocure and 52% of total Hexvix/Cysview revenue was generated in U.S. in first quarter 2020 as compared to 41% first quarter 2019. The growth was driven by added sales resources, approval of new indications, launch of the product in the bladder cancer flexible cystoscopy surveillance setting and improved reimbursement.

The introduction of Cysview in the surveillance market together with improved reimbursement has resulted in significant growth in the installed base of blue light cystoscopes. At the end of the first quarter the total installed base of cystoscopes were 238, an increase of 39% or 67 units since end of first quarter last year. Blue Light Cystoscopy (BLCTM) in the surveillance setting is a key priority for Photocure in



the U.S. market. By the end of the first quarter 27 flexible cystoscopes for the surveillance cystoscopy setting have been installed.

In November 2019, The United States Centers for Medicare and Medicaid Services (CMS) released its Final Rule for 2020 maintaining the reimbursement code (A Code) for Cysview when used in the hospital outpatient and other sites of care and the complexity adjustment code. The rule includes improved reimbursement for certain Blue Light Cystoscopy procedures that became effective 1 January 2020.

Nordic Hexvix sales

Nordic revenues decreased 7% to NOK 12.2 million (NOK 13.1 million) in the first quarter. Photocure's in-market unit sales in the Nordic region in first quarter decreased with 10% from first quarter last year, impacted by large deliveries to hospitals in Denmark at the end of the fourth quarter last year as well as some impact from Covid-19 at the end of the quarter.

Hexvix/Cysview partner sales

Partner revenue decreased 18% to NOK 14.0 million (NOK 17.0 million) in the first quarter. The decrease was mainly driven by billing of COGS to partner (Ipsen). In-market unit sales decreased 2% for the quarter, reflecting increase in Germany, however more than offset by decreases in other countries.

Hexvix/Cysview publications and presentations

Hexvix/Cysview and BLC got more media coverage in first quarter 2020 in a news program on Fox News channel Fox 11 LA in January on Blue Light Technology in Bladder Cancer. Dr. Sia Daneshmand, M.D., Associate Professor of Urology (Clinical Scholar) and Director of Urologic Oncology at the University of Southern California/Norris Comprehensive Cancer Center, explained the benefits of Blue Light technology in the detection of Bladder Cancer in detail and discussed the advantages of Blue Light to other technologies during cystoscopies for Bladder Cancer diagnosis and surveillance.

In February 2020, Photocure announced that the United States Patent and Trademark Office (USPTO) granted US Patent No. 10,556,010 covering the use of Blue Light Cystoscopy (BLC®) with Hexvix/Cysview as neoadjuvant therapy in the treatment of bladder cancer in patients who are scheduled for a cystectomy. Photocure intends to further investigate Hexvix for its therapeutic effect and the patent is a result of Photocure's continued focus on securing intellectual property rights. This patent expires in December 2036.

Update development portfolio

Cevira® – for treatment of HPV (HUMAN PAPILLOMA VIRUS) 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 2019, the Company announced that it had entered into a License Agreement providing Asieris Meditech Co., Ltd (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 with the initial focus on the Chinese market based on Photocure's Phase 2b data and the Phase 3 study design elements agreed with the U.S. FDA. The development for the U.S. and EU markets will follow when clinical data from the Chinese focused Phase 3 study confirms the safety and efficacy, estimated to be finished in 2022. Asieris will assume responsibility for the manufacturing of the Cevira product while Photocure retains responsibility for the manufacturing of the active pharmaceutical ingredient (API).

Under the License Agreement, Photocure has received a total signing fee of USD 5 million in 2019 and a first milestone payment of USD 1.5 million in first quarter 2020. These amounts were included in 2019 full year other revenues. The fees from Asieris is accounted for according to IFRS 15. Revenue recognition was based on contract value for USD 8 million based on currency exchange rates at time of executed contract. In addition, the company may receive a total of USD 16.5 million based upon 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 EU. Approval of a second indication in China, the U.S. and the EU would result in payments of up to USD 14 million. Sales milestones and royalties of 10% to 20% will apply in all markets.

Financial review

(Numbers in brackets are for the corresponding period in 2019; references to the prior year refer to a comparison to the same period 2019, unless otherwise stated).

MNOK	Q1 '20	Q1 '19	FY '19
Hexvix / Cysview revenues	54.4	51.2	213.2
Other revenues	0.6	1.0	68.3
Total revenues	55.0	52.2	281.6
Gross profit	48.8	46.8	259.0
Operating expenses	-53.6	-48.3	-200.1
EBITDA before restruct.	-4.8	-1.5	58.9
Depreciation & amortization	-3.9	-4.2	-16.2
EBIT before restruct.	-8.6	-5.8	42.7
Restructuring expenses	-1.9	-	-
Net financial items	5.7	-0.2	3.2
Earnings before tax	-4.8	-6.0	45.9
Tax expenses	-12.9	1.0	-14.1
Net earnings	-17.7	-4.9	31.8

Photocure has transformed itself from a technology-based company to a therapeutic area-focused commercial stage pharmaceutical company with a focus on bladder cancer. The allocation of resources, and hence expenses, have shifted from R&D to sales and marketing. Photocure's strategy is to maximize its commercial presence and the opportunity of its flagship brand Hexvix/Cysview in bladder cancer. In addition, the Company will continue to explore alone or in partnership with others new product opportunities that are complementary to the Company's commercial activities and expertise in bladder cancer.

The company continues to balance resources in its U.S. commercial organization, in line with its commercial market opportunities and strategic objectives and taking into consideration the Covid-19 situation. These resources have driven revenue growth, as well as increased sales and marketing costs.

Revenues

Total revenues in the first quarter were NOK 55.0 million, an increase of 5% from the first quarter last year (NOK 52.2 million).

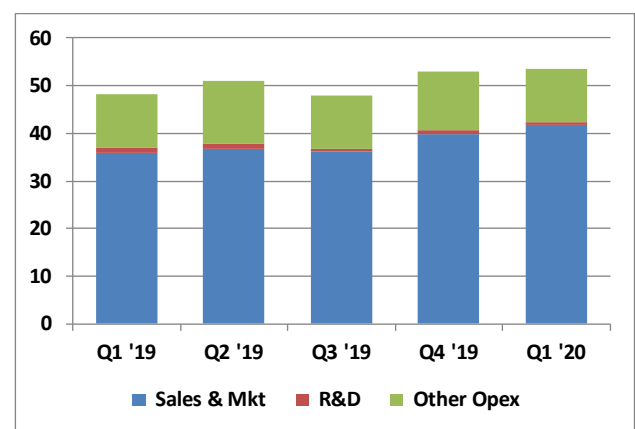
Hexvix/Cysview revenues for the first quarter were NOK 54.4 million, an increase of 6% from the first quarter of 2019 (NOK 51.2 million). The increase was mainly driven by strong sales in U.S, partly offset by reductions in Nordic and for partner sales.

Operating expenses

Total operating expenses, excluding restructuring costs, depreciation and amortization, were NOK 53.6 million (NOK 48.3 million) in the first quarter, an increase of 11% from first quarter last year.

The increase from fourth quarter 2019 was 1%, reflecting a decline of approximately 3% in constant currencies.

The YoY increase in operating expenses was mainly driven by approximately 8% currency impact.



First quarter research and development (R&D) costs were NOK 0.5 million (NOK 1.0 million), a reduction of 46%. The remaining R&D costs relate mainly to regulatory activities and maintenance and expansion of Photocure's intellectual property.

Sales and marketing costs increased 16% to NOK 41.8 million (NOK 36.0 million) in the first quarter. The increase was driven by foreign exchange impact as well as activities in U.S in line with Photocure's strategic plans. Compared to fourth quarter 2019 the increase was 5% and driven by currency impact.

First quarter other operating expenses, which include supply chain, business development, and general/administration, were NOK 11.3 million and in line with first quarter 2019. In constant currencies the costs declined.

Financial results

EBITDA before restructuring was negative NOK 4.8 million (NOK -1.5 million) for the first quarter. Currency translation had a limited impact on the EBITDA compared to last year.

EBITDA before restructuring in the commercial segment was NOK -3.5 million for the first quarter (NOK 1.7 million). The development portfolio EBITDA

for the first quarter was NOK -1.2 million (NOK -3.2 million).

First quarter depreciation and amortization were NOK 3.9 million (NOK 4.2 million). The main cost item was the amortization on the investments in intangible assets related to the Phase 3 market expansion trial for Cysview. Depreciation and amortization include the impacts from the adoption of IFRS 16 as the amortization of the right-of-use assets replace office rental costs as reported operating lease (see note 8 to the accounts).

Restructuring expenses, NOK 1.9 million, relates to work performed in connection with the agreement with Ipsen Pharma SAS on key terms for the return of Hexvix sales, marketing and distribution rights in Europe and other markets currently controlled by Ipsen.

Net financial items were NOK 5.7 million (NOK -0.2 million) for the first quarter. Current year financial items are driven by foreign exchange income.

Photocure had a net loss before tax of NOK 4.8 million in the first quarter (net loss of NOK 6.0 million). Tax expenses, NOK 12.9 million, was driven by foreign exchange income for the parent company reducing the tax asset (see note 4 to the accounts). Net loss after tax was NOK 17.7 million (net loss of NOK 4.9 million).

Cash flow and statement of financial position

Net cash flow from operations was positive NOK 3.0 million in the first quarter (negative NOK 15.7 million). The improvement was mainly driven by less outflow from working capital and a milestone payment from Asieris of USD 1.5 million. The impact from changes to working capital for the quarter was negative NOK 6.6 million (negative NOK 12.5 million).

Net cash flow from investments was negative NOK 0.4 million in the first quarter (positive NOK 0.5 million).

First quarter cash flow from financing was negative NOK 0.4 million (negative NOK 0.2 million).

First quarter net change in cash was positive NOK 2.2 million (negative NOK 15.4 million). Cash and cash equivalents were NOK 127.6 million at the end of the first quarter.

Shareholders' equity was NOK 190.4 million at the end of the first quarter, an equity ratio of 79%.

As of 31 March 2020, Photocure held 16,624 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 development of new products.

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

There are no significant changes in the risks and uncertainty factors compared to the descriptions in the Annual Report for 2019.

Compared to the descriptions in the Annual Report for 2019 of risks and uncertainty factors the Covid-19 global impact has materialized as more significant and is subject to ongoing attention by company management and the Board of Directors.

Update on Covid-19

Current market conditions have been affected by the Covid-19 virus outbreak. (See OSE notification of 7 April 2020 for an in-depth analysis of risk and effects of the Covid-19 situation).

Photocure has been informing the markets early on, adopting the SEC framework for reporting of Covid-19 impact.

The company sees that bladder cancer treatments are prioritized procedures but that there have been short-term postponements of procedures and temporarily slowed cystoscopy installations. Hospitals are reallocating health care providers and resources. The long-term outlook remains strong, but the visibility, especially in the U.S. remains limited.

Photocure's main priority is the health and welfare of all Photocure employees and stakeholders. The company has implemented remote work arrangements across its locations and functions and is fully operational. Business and travel policies which supported work from home and social distancing were implemented prior to governmental orders.

Where access to hospitals and clinics is restricted because of the situation, Photocure's sales force maintains contact as needed through remote channels in order to guarantee optimal service and support.

Regarding supply chain, Photocure has increased the inventory of Hexvix®/Cysview® to accommodate the estimated procedures through the first quarter of 2021 and production remains at full capacity and on schedule. The international distribution lines are uninterrupted and the inventory levels of kits at partners and hospitals remain satisfactory.

Regarding the financial situation, cost saving measures are being taken during the second quarter to counteract Covid-19 impact.

Overall, Photocure is experiencing Covid-19 impact in the short-term but its long-term outlook remains strong.

Subsequent events

On 27 April 2020 Photocure reached an agreement with Ipsen Pharma SAS on key terms for the return of Hexvix sales, marketing and distribution rights in Europe and other markets currently controlled by Ipsen. With taking direct control over Photocure's own Hexvix/Cysview product in key regions, the company supports the ambition of becoming a global leader in bladder cancer with a solid basis for expansion and further growth opportunities. Following a final agreement, Photocure will commence the Hexvix commercialization in Europe from the fourth quarter of 2020 and expects the potential Ipsen agreement to be EBITDA accretive from full-year 2021 and beyond.

Photocure entered into a global commercialization agreement with Ipsen in 2011 for the sales, marketing and distribution of Hexvix outside the Nordic region and the U.S. Ipsen has served as strategic partner and has built a solid position for the brand in select key European markets. Photocure announced on April 27 that the company has agreed terms with Ipsen to regain the global commercialization rights for Hexvix following the company's pure-play bladder cancer focus, solid track-record from other markets and a commercial opportunity provided by Ipsen's strategic priorities.

The parties have entered into a term sheet setting out the key terms and conditions for an agreement. Pursuant to the term sheet, Photocure will, by the fourth quarter of 2020, pay Ipsen EUR 15 million and at the same date regain all Hexvix marketing rights from Ipsen subject to satisfaction of closing conditions. Ipsen will book sales up until these dates. Ipsen will in addition receive earn-out payments in the range of 10-15% of sales (years 1-7 post-termination) and 7.5% of sales (years 8-10) in the current Ipsen markets.

On 27 April 2020 Photocure through a private placement of new shares in the company placed 2,179,638 shares at a subscription price of NOK 65.50 per share, raising gross proceeds of approximately NOK 143 million. The subscription price was determined through an accelerated bookbuilding process after close of trading on 27 April 2020. The private placement attracted very strong interest from existing shareholders, as well as from new high quality institutional investors. The private placement was multiple times oversubscribed.

Outlook

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

- Accelerating – Drive the breadth and depth of Hexvix/Cysview usage in key accounts
- Expanding – Generate sales in new geographies and product enhancements
- Acquiring – Products used in the management of bladder cancer patients
- Transforming – Partner and in-license assets to strengthen the bladder cancer portfolio

Photocure predicts that the Covid-19 situation will have an impact on short-or-mid-term number of procedures and thus sales. However, Blue Light Cystoscopy with Hexvix®/Cysview® offers superior detection and management. Where procedures have been postponed due to unavailability of hospitals or fear of exposure, the procedure should become the standard of care, as cancer progression has not stopped because of quarantine measures.

Photocure expects an increased global focus on health, creating a positive environment for improved discussions with healthcare authorities and enhancing public awareness about bladder cancer.

The procedure in the office setting using a flexible cystoscope will also become an increasingly attractive alternative because it is less restrictive (location, no general anesthesia needed) and frees up hospital inpatient capacity.

The primary growth geographies for Photocure are the U.S. and European markets with large untapped market opportunities. The company will regain the sales and marketing rights from Ipsen in the fourth



quarter of 2020 and sees significant growth opportunities in Europe. The agreement is expected to be EBITDA accretive from full-year 2021 and beyond.

Based on the outlook and strategic opportunities, Photocure aims to increase its group revenue

ambitions for 2023 in the range of NOK 1 billion with EBITDA margins of approximately 40%, following the completion of the potential transaction.

The Board of Directors and CEO
Photocure ASA

Oslo, 6 May 2020

Jan Hendrik Egberts
Chairperson

Johanna Holldack
Director

Gwen Melincoff
Director

Tom Pike
Director

Tove Lied Ringvold
Director

Grannum R. Sant
Director

Daniel Schneider
President and CEO

Photocure Group

Accounts for first quarter 2020

Photocure Group – Statement of comprehensive income

<i>(all amounts in NOK 1,000 except per share data)</i>	Note	2020 Q1	2019 Q1	2019 1.1 - 31.12
Sales revenues		54 974	51 353	213 908
Signing fees and milestone revenues	7	-	845	67 648
Total revenues		54 974	52 198	281 556
Cost of goods sold		-6 135	-5 430	-22 512
Gross profit		48 839	46 768	259 045
Indirect manufacturing expenses	3	-2 691	-2 779	-10 965
Research and development expenses	3	-3 025	-3 472	-13 644
Marketing and sales expenses	3	-41 792	-36 067	-148 738
Other operating expenses	3	-9 947	-10 213	-42 961
Total operating expenses recurring		-57 455	-52 531	-216 308
EBIT before restructuring		-8 616	-5 764	42 737
Restructuring		-1 894	-	-
EBIT including restructuring		-10 510	-5 764	42 737
Financial income		7 094	1 449	7 978
Financial expenses		-1 395	-1 646	-4 813
Net financial profit/loss(-)		5 699	-197	3 165
Profit/loss(-) before tax		-4 810	-5 960	45 901
Tax expenses	4	-12 897	1 049	-14 070
Net profit/loss(-)		-17 707	-4 911	31 831
Other comprehensive income		-492	-247	-197
Total comprehensive income		-18 199	-5 158	31 634
Net profit/loss(-) per share, undiluted	5	-0.81	-0.23	1.46
Net profit/loss(-) per share, diluted	5	-0.81	-0.23	1.46

Photocure Group – Statement of financial position

<i>(Amounts in NOK 1,000)</i>	Note	31.03.2020	31.03.2019	31.12.2019
Non-current assets				
Intangible assets	6	9 168	19 569	11 605
Machinery & equipment	6	2 155	1 940	2 040
Right-of-use assets	8	7 168	9 499	7 008
Deferred tax asset	4	25 448	53 426	38 345
Long term receivables	7	10 617	-	11 478
Contract costs		-	498	-
Total non-current assets		54 555	84 932	70 476
Current assets				
Inventories		16 905	18 630	16 410
Accounts receivable	8	30 472	26 584	24 206
Other receivables		10 430	10 852	20 940
Cash and short term deposits	9	127 570	91 405	125 320
Total current assets		185 377	147 472	186 876
Total assets		239 932	232 404	257 352
Equity and liabilities				
Equity				
Share capital	10	10 898	10 898	10 898
Other paid-in capital		64 261	64 261	64 261
Retained earnings		115 232	96 639	133 431
Shareholders' equity		190 391	171 798	208 590
Long-term liabilities				
Pension liability		2 648	2 566	3 088
Lease liability	3	7 137	9 490	6 948
Total long-term liabilities		9 784	12 056	10 036
Current liabilities		39 756	39 453	38 725
Contract liabilities		-	9 098	-
Total liabilities		49 541	60 607	48 762
Total equity and liabilities		239 932	232 404	257 352

Photocure Group – Changes in equity

<i>(Amounts in NOK 1,000)</i>	2020 Q1	2019 Q1	2019 1.1 - 31.12
Equity at end of prior period	208 590	176 342	176 342
Capital increase		614	614
Comprehensive income	-18 199	-5 158	31 634
Equity at end of period	190 391	171 798	208 590



Photocure Group – Cash flow statement

	2020	2019	2019
	Q1	Q1	1.1 - 31.12
<i>(Amounts in NOK 1,000)</i>			
Profit/loss(-) before tax	-4 810	-5 960	45 901
Depreciation and amortisation	3 859	4 230	16 213
Net interest income	-572	-543	-1 696
Changes in contract receivable	12 339	-	-22 956
Changes in working capital	-6 599	-12 229	-7 086
Other operational items	-1 223	-1 205	-9 723
Net cash flow from operations	2 995	-15 707	20 654
Net investments in fixed assets	-692	-17	-770
Intangible asset expenditures	-257	-	-316
Received interest payments	572	543	1 696
Cash flow from investments	-377	526	610
Share capital increase employees	-	614	614
Payment lease liability	-368	-861	-3 391
Cash flow from financing activities	-368	-247	-2 777
Net change in cash during the period	2 250	-15 428	18 487
Cash & cash equivalents at beginning of period	125 320	106 833	106 833
Cash & cash equivalents at end of period	127 570	91 405	125 320

Notes to the accounts for first quarter 2020

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 Hoffsvveien 4, NO-0275 Oslo, Norway.

Photocure Group (Photocure) comprises Photocure ASA and the wholly owned subsidiary Photocure Inc. that is a US registered company.

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 31 December 2019 (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 6 May 2020.

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 15

For the current contract with Ipsen Pharma, the only identified distinct performance obligation is delivery of goods. The contract term was estimated to be equal to the expiry date of the patents in the relevant market areas that was medio September 2019 for main countries. Received up-front payment related to this contract has been deferred and has been recognized as revenue in line with transfer of control of the goods.

For the contract with Asieris MediTech Co. Ltd signed in July 2019, two performance obligations are identified; a license for Cevira and delivery of active substance. The license is a right to use Photocure's intellectual property as it existed at the contract date. The total transaction price is allocated between the two performance obligations based on the relative stand-alone selling price. The transaction price allocated to the license consist of signing fee, different milestone payments and potential sales-based royalty payments. The part of the transaction price related to milestone payments are estimated as the most likely amount but constrained which currently means that these revenues will be recognized if and when the relevant milestone are achieved. Sales based royalty is recognized when the subsequent sales occur. Revenue for the sale of goods is recognized when the customer takes control of the goods, which is at the time of shipment.

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 sales channel, own sales and partner sales, and other sales, currently including milestone and royalties from a licence partner. Development Portfolio includes development of commercial products and pipeline products.

1 Jan - 31 March 2020	Commercial Franchise				Development	
	Hexvix/Cysview					
(Amounts in NOK 1 000)	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales	Total Sales	Total Development	Grand Total
Sales revenues	40 450	13 963	271	54 684	290	54 974
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-2 212	-3 608	-108	-5 928	-207	-6 135
Gross profit	38 238	10 355	163	48 756	83	48 839
Gross profit of sales %	95 %	74 %	60 %	89 %	29 %	89 %
R&D	-69	-121	-	-191	-334	-525
Sales & marketing	-38 746	-2 548	-	-41 293	-481	-41 774
Other & allocations	-6 194	-4 070	-530	-10 794	-505	-11 298
Operating expenses	-45 009	-6 739	-530	-52 279	-1 319	-53 597
EBITDA	-6 771	3 616	-367	-3 523	-1 236	-4 758

1 Jan - 31 March 2019	Commercial Franchise				Development	
	Hexvix/Cysview					
(Amounts in NOK 1 000)	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales	Total Sales	Total Development	Grand Total
Sales revenues	34 248	16 977	128	51 353	-	51 353
Milestone revenues	-	845	-	845	-	845
Cost of goods sold	-2 298	-3 056	-76	-5 430	-	-5 430
Gross profit	31 950	14 766	53	46 768	-	46 768
Gross profit of sales %	93 %	82 %	41 %	89 %	-	89 %
R&D	-	-	-	-	-972	-972
Sales & marketing	-33 202	-2 262	-	-35 464	-564	-36 029
Other & allocations	-4 675	-4 289	-686	-9 650	-1 650	-11 301
Operating expenses	-37 877	-6 551	-686	-45 114	-3 187	-48 301
EBITDA	-5 927	8 214	-633	1 654	-3 187	-1 533



1 Jan - 31 December 2019	Commercial Products				Development	
	Hexvix/Cysview		Other Sales	Total Sales	Total Development	Grand Total
	Hex/Cys Own Sales	Hex/Cys Partner				
(Amounts in NOK 1 000)						
Sales revenues	146 877	66 337	694	213 909	-	213 909
Milestone revenues	-	2 534	-	2 534	65 115	67 648
Cost of goods sold	-9 089	-13 086	-337	-22 512	-	-22 512
Gross profit	137 788	55 785	357	193 930	65 115	259 045
Gross profit of sales %	94 %	80 %	51 %	89 %		89 %
R&D	-	-	-	-	-3 644	-3 644
Sales & marketing	-136 411	-9 269	-	-145 679	-2 891	-148 570
Other & allocations	-19 221	-19 176	-2 516	-40 913	-6 968	-47 882
Operating expenses	-155 631	-28 445	-2 516	-186 593	-13 503	-200 096
EBITDA	-17 844	27 340	-2 159	7 337	51 612	58 949

Note 3 – Income statement classified by nature

	2020	2019	2019
(Amounts in NOK 1 000)	1.1-31.03	1.1-31.03	1.1-31.12
Sales revenues	54 974	51 353	213 908
Signing fees and milestone revenues	-	845	67 648
Cost of goods sold	-6 135	-5 430	-22 512
Gross profit	48 839	46 768	259 045
Payroll expenses	-35 034	-31 197	-123 109
R&D costs excl. payroll expenses/other opera	-286	-532	-1 761
Ordinary depreciation and amortisation	-3 859	-4 230	-16 213
Other operating expenses	-20 170	-16 571	-75 225
Total operating expenses recurring	-59 349	-52 531	-216 308
EBIT	-10 510	-5 764	42 737

Note 4 – Tax

<i>(Amounts in NOK 1 000)</i>	31.03.2020	31.12.2019
Income tax expense		
Tax payable	-	-
Changes in deferred tax	-12 897	-14 032
Total income tax expense	-12 897	-14 032
Tax base calculation		
Profit before income tax	61 344	61 375
Permanent differences	-1 200	1 988
Temporary differences	-63 548	-6 145
Change in tax loss carried forward	3 404	-57 218
Tax base	-	-
Temporary differences:		
Total	-168 803	-104 110
Tax loss carried forward	284 473	278 404
Net temporary differences	115 670	174 293
Deferred tax benefit	115 670	174 293
Deferred tax asset	25 448	38 345

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 31 March 2020 and 31 December 2019 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 March 2020 is NOK 25.4 million compared to NOK 38.3 million at end of 2019. There is no expiry on losses to be carried forward in Norway. The basis for recognition of a tax asset in Norway are 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 Photocure refer to the consolidated financial statements for the year ended 31 December 2019 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 a 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.

	2020	2019
<i>(Figures indicate the number of shares)</i>	1.1-31.03	1.1-31.12
Issued ordinary shares 1 January	21 796 387	21 779 008
Effects of share options exercised	-	-
Effect of treasury shares	-16 624	-15 839
Effect of shares issued	-	14 855
Weighted average number of shares	21 779 763	21 778 024
Effect of outstanding share options	115 140	56 784
Weighted average number of diluted shares	21 894 903	21 834 808
Earnings per share in NOK	-0.81	1.46
Earnings per share in NOK diluted	-0.81	1.46

Note 6 – Fixed Assets

<i>(Amounts in NOK 1 000)</i>	Machinery & equipment	Intangibles
Net book value 31.12.2019	2 040	11 605
Net investments 31.03.2020	534	1 003
Depreciation and amortization	-419	-3 440
Net book value 31.03.2020	2 155	9 168

Photocure has carried out a clinical study in US for the approved product Cysview in order to file a supplemental NDA. Related to this study Photocure has capitalized, net after amortization, NOK 7.1 million as of 31 March 2020 and NOK 9.6 million as of 31 December 2019. The investment is amortized on a straight-line basis in the profit and loss from the start of the project and over the remaining patent period for the approved product and indication.

The remaining intangible assets consist of capitalized software and project costs related to new homepages.

Note 7 – Contract revenue and receivable

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® for the treatment of HPV. Under the agreement Photocure has received signing fees of USD 5 million in 2019 and a milestone in 2020 of USD 1.5 million. Photocure will receive additional development- and approval milestones. Based on IFRS 15 Photocure has recognized a distinct right to use license for Asieris as of July 2019 of USD 8 million. The net present value of the unpaid part of the recognized contract revenue as of 31 March is NOK 10.6 million.

Note 8 – Right of use assets

The Group has adopted IFRS 16 “Leases” from 1 January 2019 and the effect of initially applying this standard is mainly attributed to the following:

The 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 is due within the end of 2022.

Impacts		31.03.2020	31.12.2019
<i>(all amounts in NOK 1 000)</i>		Value	Value
	Discount rate		
Right-of-use assets Norway	2,60 %	3 891	3 996
Right-of-use assets US	5,20 %	3 277	3 013
Total Lease Assets		7 168	7 008
Lease liability		-7 137	-6 948
Total non-current liabilities		-7 137	-6 948
Amortisation of assets		940	3 429
Interest expenses		54	236
Costs IFRS 16		994	3 664

Note 9 – Fair value

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		Level 1	Level 2	Level 3	Total
<i>(Amounts in NOK 1 000)</i>					
Financial assets available for sale:					
- Money market funds		88 940	-	-	88 940
Total		88 940	-	-	88 940

Note 10 – Share capital

Registered share capital in Photocure ASA amounts to:

	No. of shares	Nominal value per share	Share capital in NOK
Share capital at 31 December 2019	21 796 387	NOK 0.50	10 898 194
Share capital at 31 March 2020	21 796 387	NOK 0.50	10 898 194
Treasury shares:			
Holdings of treasury shares at 31 December 2019	16 624		8 312
Buy-back of shares	-	NOK 0.50	-
Buy-back of restricted shares	-	NOK 0.50	-
Holdings of treasury shares at 31 March 2020	16 624		8 312



The table below indicates the status of authorizations at 31 March 2020:

	Purchase, treasury shares	Ordinary share issue	Employee share issues
<i>(Figures indicate the number of shares)</i>			
Authorisation issued at the General Meeting on 9 May 2019	2 179 638	2 179 638	500 000
Share issues after the General Meeting on 9 May 2019	-	-	-
Purchase of treasury shares	-1 694	-	-
Remaining under authorisations at 31 March 2020	2 177 944	2 179 638	500 000

Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of 31 March 2020:

Name	Position	No. of shares	No. of restricted shares	No. of subscription rights
Daniel Schneider	President & CEO	15 000	18 353	-
Erik Dahl	Chief Financial Officer	3 500	7 133	25 500
Grete Hogstad	Vice President Strategic Marketing	13 878	5 566	21 000
Kari Myren	Head of Global Medical Affairs and Clin. Dev.	-	2 021	-
Gry Stensrud	Vice President Tech. Dev. & Operations	1 845	5 344	26 300
Jan H. Egbert	Chairperson of the board	14 500	-	-
Einar Antonsen	Board member	13 500	-	-
Gwen Melincoff	Board member	1 000	-	-
Tom Pike	Board member	3 400	-	-

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

Note 11 – Share options

At 31 March 2020, employees in Photocure had the following share option schemes:

Year of allocation	2017	2016
Option programme	2017	2016
Number	43 000	188 700
Exercise price (NOK)	38,06	40,15
Date of expiry (31	2021	2020



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

	31.03.2020		31.12.2019	
	No. of shares	Average exercise price (NOK)	No. of shares	Average exercise price (NOK)
Outstanding at start of year	231 700	39,76	381 868	37,02
Allocated during the year	-	-	-	-
Become invalid during the year	-	-	-	-
Exercised during the year	-	-	150 168	32,78
Expired during the year	-	-	-	-
Outstanding at end of period	231 700	39,76	231 700	39,76
Exercisable options at end of period	231 700	39,76	231 700	39,76

Note 12 – Shareholders

Overview of the major shareholders at 31 March 2020:

Major Shareholders	Citizen	Type	# Shares	%
RADIUMHOSPITALET FORSKNINGSSTIFTELSE	Norway	Ordinary	653 319	3.0 %
VERDIPAPIRFONDET KLP AKSJENORGE	Norway	Ordinary	557 979	2.6 %
VERDIPAPIRFONDET FONDSFINANS NORGE	Norway	Ordinary	430 000	2.0 %
DANSKE BANK AS	Denmark	Nominee	395 727	1.8 %
NORDNET BANK AB	Sweden	Nominee	374 693	1.7 %
NORDNET LIVSFORSIKRING AS	Norway	Ordinary	373 279	1.7 %
KOMMUNAL LANDSPENSJONSKASSE	Norway	Ordinary	368 319	1.7 %
THE BANK OF NEW YORK MELLON SA/NV	Belgium	Nominee	365 848	1.7 %
MORGAN STANLEY & CO INTERNATIONAL	UK	Ordinary	363 077	1.7 %
JP MORGAN SECURITIES PLC	UK	Ordinary	361 490	1.7 %
VICAMA AS	Norway	Ordinary	329 530	1.5 %
MP PENSJON PK	Norway	Ordinary	269 008	1.2 %
VERDIPAPIRFONDET DNB NORDEN	Norway	Ordinary	234 423	1.1 %
KRISTIANRO AS	Norway	Ordinary	232 129	1.1 %
APOLLO ASSET LIMITED	Cayman Isl	Ordinary	225 000	1.0 %
BNP PARIBAS SECURITIES SERVICES	Australia	Nominee	222 309	1.0 %
SOCIETE GENERALE PARIS	France	Ordinary	212 792	1.0 %
KLP AKSJENORGE INDEKS	Norway	Ordinary	203 644	0.9 %
BEELINE AS	Norway	Ordinary	189 894	0.9 %
THE BANK OF NEW YORK MELLON SA/NV	UK	Nominee	189 155	0.9 %
Total 20 largest shareholders			6 551 615	30.1 %
Total other shareholders			15 244 772	69.9 %
Total number of shares			21 796 387	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 amortisation. 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:

	2020	2019	2019
<i>(all amounts in NOK 1 000)</i>	1.1-31.3	1.1-31.3	1.1-31.12
Gross profit	48 839	46 768	259 045
Operating expenses excl amortization & depreciation	-53 597	-48 299	-200 095
EBITDA before restructuring	-4 758	-1 532	58 950
Amortization & depreciation	-3 858	-4 232	-16 213
EBIT before restructuring	-8 616	-5 764	42 737

First quarter 2020 Photocure incurred NOK 1.9 million in restructuring costs. Photocure choose 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 10% 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 total for the Company.

The average exchange rates used to translate revenues as per the reporting dates were as follows:



	2020	2019	2019
	1.1-31.3	1.1-31.3	1.1-31.12
USD (NOK per 1 USD)	9,49	8,58	8,80
EUR (NOK per 1 EUR)	10,46	9,74	9,85
DKK (NOK per 100 DKK)	139,93	130,53	131,93
SEK (NOK per 100 SEK)	97,94	93,48	93,05

Photocure Group – Other Measures

In-market sales

A significant share of Photocure's sales of Hexvix/Cysview, i.e. all sales classified as partner sales and all sales in the Nordic region, goes through partners and distributors. These partners and distributors carry inventory of Hexvix/Cysview. Photocure's billing and revenue therefore does not necessarily reflect the demand from end users / hospitals at a given point in time as inventory levels may vary over time.

Furthermore, Photocure's revenue does not reflect the full value of the product in the market, as partners pay a royalty or a purchase price for the product below the price charged the end user.

To capture end user demand the Company's partners and distributors report their revenue to end users in terms of number of units invoiced and in terms of revenue achieved. Photocure collects this data and consolidate to get the group total in-market sales, in units and in Norwegian kroner.

	2020	2019	2019
<i>(all amounts in NOK 1 000)</i>	1.1-31.3	1.1-31.3	1.1-31.12
In-market sales	88 197	80 424	330 261



THE
BLADDER CANCER
COMPANY™

Photocure ASA

| Hoffsvæien 4 | 0275 Oslo, Norway
| +47 22 06 22 10
| info@photocure.no

Photocure INC

| 104 Carnegie Center, suite 303
| Princeton, NJ 08540 USA | +1609 7596500
| info@photocure.com

www.photocure.com