



THE  
BLADDER CANCER  
COMPANY™



Q2

Second quarter  
report 2020



## Highlights for second quarter and first half year 2020

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

- Second quarter Hexvix/Cysview revenue increased 3% to NOK 53.5 million (NOK 52.1 million), impacted by the Covid-19 pandemic. Year to date revenue NOK 107.9 million, an increase of 4%
- The installed base of blue light cystoscopes in the U.S. was 246 at the end of the second quarter, an increase of 58 units or 31% from the same quarter last year. The installed base included 30 flexible cystoscopes.
- EBITDA for the second quarter was NOK -8.9 million (NOK -2.6 million) before restructuring costs incurred in connection with the agreement with Ipsen Pharma SAS. Year to date EBITDA before restructuring was NOK -13.7 million (NOK -4.1 million).
- On 11 June Photocure entered into a final agreement with Ipsen Pharma SAS regarding the return of Hexvix sales, marketing and distribution rights in Europe and other markets currently controlled by Ipsen. Commercial rights will be transferred to Photocure on 1 October 2020. Transition activities are on track.
- Private placements conducted, raising a total gross of 333 million NOK. In addition, Photocure was granted a Covid-19 related loan of NOK 50 million guaranteed by the Norwegian government. Cash balance at the end of second quarter was NOK 499 million.
- Photocure's partner Asieris received China NMPA's Approval on 8 July 2020 to start a global phase III clinical trial for Cevira (APL-1702).

### Key figures:

Figures in NOK million	Q2 2020	Q2 2019	Change	YTD 2020	YTD 2019	Change	FY 2019
Hexvix/Cysview revenues	53.5	52.1	3 %	107.9	103.3	4 %	213.2
Other revenues	0.2	0.9		0.8	1.9		68.3
<b>Total revenues</b>	<b>53.7</b>	<b>53.0</b>	<b>1 %</b>	<b>108.6</b>	<b>105.2</b>	<b>3 %</b>	<b>281.6</b>
Operating expenses	-60.6	-51.0	19 %	-114.2	-99.3	15 %	-200.1
<b>EBITDA before restructuring</b>	<b>-8.9</b>	<b>-2.6</b>		<b>-13.7</b>	<b>-4.1</b>		<b>58.9</b>
EBITDA commercial franchise	-6.4	1.5		-10.0	3.2		7.3
EBITDA development portfolio	-2.5	-4.1		-3.7	-7.3		51.6
<b>EBIT</b>	<b>-14.2</b>	<b>-6.8</b>		<b>-24.7</b>	<b>-12.6</b>		<b>42.7</b>
<b>Net Earnings</b>	<b>-8.7</b>	<b>-5.2</b>		<b>-26.4</b>	<b>-10.1</b>		<b>31.8</b>
<b>Cash &amp; cash equivalents</b>	<b>499.4</b>	<b>86.7</b>		<b>499.4</b>	<b>86.7</b>		<b>125.3</b>

### President & CEO Daniel Schneider comments:

*“Our second quarter results were negatively impacted by the Covid-19 pandemic with a significant decline in revenue at the beginning of the quarter but a strong recovery towards the end of the quarter. We are confident that we will return to strong growth rates with continued growth year over year once the Covid-19 epidemic subsides.*

*We believe that BLC with Hexvix/Cysview can play an integral role in assuring that the first TURBT in a patient after postponement of procedures due to Covid-19 will be complete and thorough reducing the risks for repeat TURBT, reoccurrence and progression in that patient.*

*In June, we signed the final agreement with Ipsen for the return of the marketing and sales rights for Hexvix in various European countries. This transaction further supports our strategy of building a strong and profitable global business within bladder cancer. We plan to leverage the extensive experience we have built in the U.S. and the Nordics to the markets that were previously controlled by Ipsen. We believe there is tremendous growth and expansion opportunities in all markets previously controlled by Ipsen. In addition, there are many markets where Ipsen never commercialized our products and we plan to address many of these markets in the future. In the*



second quarter, we successfully raised the necessary capital to fund the required milestone payments, training of people and working capital to transition the European business from Ipsen to Photocure.

In addition, we issued our first sustainability report (ESG report) which will be incorporated into our future Annual Reports. I believe responsibility, transparency and sustainability must be integrated in our business model and strategy. Photocure's mission is to deliver transformative solutions to improve the lives of bladder cancer patients. We seek to do so in a responsible way, and we will continue to build a high performance corporate culture based on the foundation of diversity, equality, respect and inclusion."

## 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. We are, however, also exploring expansion opportunities within the same bladder cancer domain. In addition, Photocure has signed a final agreement with Ipsen to regain commercialization rights to Hexvix in Europe and other territories around the world currently not served by Ipsen. Photocure will begin direct sales and marketing activities in Europe beginning in Q4, 2020.

Photocure continues to strive for ethical business operations, transparency and accountability in line with stakeholders' expectations. In June 2020 the company published its first sustainability report (ESG report) for the year 2019.

## Update commercial segment

The second quarter results were impacted by the Covid-19 pandemic with a significant decline in revenue at the beginning of the quarter but a strong recovery towards the end of the quarter.

Total Hexvix/Cysview revenue increased 3% to NOK 53.5 million (NOK 52.1 million) in the second quarter. Year to date Hexvix/Cysview revenue increased 4% to NOK 107.9 million (NOK 103.3 million). The consolidated currency impact was positive approximately 10%.

Operating expenses, excluding depreciation and amortization, increased 24% to NOK 58.1 million

(NOK 46.9 million) in the second quarter. Year to date operating expenses, excluding depreciation and amortization, increased 20% to NOK 110.4 million (NOK 92.0 million) mainly driven by currency impact of approximately 10%, costs related to share based compensation and scaling of the group activities within regulatory and marketing. These latter expenses are to a large extent related to preparations of the European business previously controlled by Ipsen. Photocure has maintained its sales resources and adapted its customer related activities during the Covid-19 pandemic. The benefit of this decision became apparent with the rapid sales rebound in May and June.

Second quarter EBITDA before restructuring was NOK -6.4 million (NOK 1.5 million). Year to date EBITDA before restructuring was NOK -10.0 million (NOK 3.2 million). The decline in EBITDA before restructuring was driven by the impact from Covid-19 pandemic.

### Adjusted income statement - Commercial Franchise

MNOK	Q2 '20	Q2 '19	YTD '20	YTD '19
US - Cysview	21.5	24.5	49.8	45.6
Nordic - Hexvix	13.9	10.7	26.1	23.8
Partners	20.4	16.9	34.3	33.9
Revenue adjustments (*)	-2.3	-	-2.3	-
<b>Hexvix/Cysview total</b>	<b>53.5</b>	<b>52.1</b>	<b>107.9</b>	<b>103.3</b>
YoY growth	3%		4%	
Other revenues	0.2	0.9	0.5	1.9
<b>Total revenues</b>	<b>53.7</b>	<b>53.0</b>	<b>108.4</b>	<b>105.2</b>
YoY growth	1%		3%	
<b>Gross profit</b>	<b>51.7</b>	<b>48.5</b>	<b>100.5</b>	<b>95.2</b>
Operating expenses	-58.1	-46.9	-110.4	-92.0
<b>EBITDA before restr.</b>	<b>-6.4</b>	<b>1.5</b>	<b>-10.0</b>	<b>3.2</b>
EBITDA margin	-12%	3%	-9%	3%

(\*) Revenue items for previous periods accounted for this period

### Hexvix®/Cysview®

Global in-market unit sales decreased 19% in the second quarter and 10% year to date. Year to date in-market sales value was NOK 155 million (NOK 161 million).

### U.S. Cysview sales

Second quarter adjusted revenues in the U.S. decreased 12% to NOK 21.5 million (NOK 24.5



million). In-market unit sales decreased 18% in the quarter, driven by Covid-19 pandemic. Sales development improved towards the end of the quarter with in-market unit sales for June 7% above June last year.

Year to date adjusted U.S. revenues increased 9% to NOK 49.8 million (NOK 45.6 million), with in-market unit sales decline of 2%. In constant currency the decline in adjusted revenue was approximately 2%.

The Covid-19 pandemic had a negative impact on sales from March onwards. In-market unit sales in March were 7% below last year, April in-market unit sales were 51% below last year. In May in-market unit sales were back at March level of 7% below last year, while June in-market unit sales were 7% above last year.

Photocure has terminated a rebate program with Medicaid effective 1 October. The company has so far not paid any rebates under the program but expect to reach agreements with eligible customers during the third quarter. The year to date accounts include a one-off accrual based on a conservative estimate of outstanding rebates, in total an accrual of NOK 8.0 million relating to previous years and NOK 2.7 million relating to current year has been included. In the adjusted income statement for the commercial franchise, the part of the accrual relating to previous years is classified as “Revenue adjustments”.

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. The growth slowed down in the second quarter due to Covid-19 pandemic. At the end of the second quarter the total installed base of cystoscopes were 246, an increase of 31% or 58 units since end of second quarter last year. Blue Light Cystoscopy (BLC) in the surveillance setting is a key priority for Photocure in the U.S. market. By the end of the second quarter 30 flexible cystoscopes for the surveillance cystoscopy setting have been installed.

#### *Nordic Hexvix sales*

Nordic revenues increased 30% to NOK 13.9 million (NOK 10.7 million) in the second quarter. The increase was driven by an extraordinary Covid-19 related safety stock ordered by Danish authorities on top of ordinary sales, as well as by currency impact.

Year to date Nordic revenues increased 10% to NOK 26.1 million (NOK 23.8 million). In constant currencies the increase was 1%. In-market unit sales were at level with last year, impacted by Covid-19 pandemic, but offset by the safety stock in Denmark.

#### *Hexvix/Cysview partner sales*

Adjusted partner revenue increased 21% to NOK 20.4 million (NOK 16.9 million) in the second quarter. The increase was driven by royalty adjustment for the first quarter partly offset by impact of Covid-19 pandemic.

Year to date adjusted partner revenue was at NOK 34.3 million (NOK 33.9 million), an increase of 1%. Currency impact was positive 10%. In-market unit sales decreased 14%, for Germany the decrease was 8%.

Photocure has received adjustments on royalty payments from Ipsen for fourth quarter 2019 and first quarter 2020, in total NOK 13.5 million. In the adjusted income statement the part of the adjustment relating to last year is classified as “Revenue adjustments” with a total of NOK 5.6 million..

#### *Hexvix/Cysview publications and presentations*

In May, key data was published by the 2020 American Urological Association (AUA) Annual Virtual Meeting. Three abstracts featured Blue Light Cystoscopy with Cysview, further supporting the role for Cysview in the office setting:

(1) “Role of blue light cystoscopy in detecting invasive bladder tumor: Data from a multi-institutional registry” showed that in the registry enrolled patients, a considerable proportion of invasive bladder tumors were detected by BLC alone: A total of 55 invasive lesions, of the 494 invasive lesions detected, were detected only by blue light cystoscopy. The benefit of using BLC in earlier detection of invasive bladder tumors could have an effect on the treatment approach and potentially lead to improved survival in the high-risk population. The study included 3514 lesions (1257 unique patients), from 9 sites in the U.S.

(2) “Gender based Variations in the Detection of Bladder Cancer with Blue Light Cystoscopy: Insights from a Multicenter Registry” showed that similar to existing evidence, BLC-alone was significantly more sensitive than WLC-alone in males (91.1% vs 80.0%,  $p < 0.001$ ) and in females (86.7% vs 79.5%,  $p = 0.036$ ). Furthermore, the sensitivity with BLC between the genders was significantly greater in males than in females (91.1% vs 86.7%,  $p = 0.035$ ). Additionally, the false-positive rate in females was significantly higher than in males in BLC (35.9% vs 28.5%,  $p = 0.008$ ) and WLC (33.8% vs 27.4%,  $p = 0.029$ ). These findings highlight the differences in detection rates of NMIBC between genders, an area that warrants further investigation, and they continue to validate the existing evidence of increased



sensitivity of BLC with Cysview in the detection of NMIBC

(3) “Malignant urinary cytology of unknown origin-blue light flexible cystoscopy at the outpatient clinic may be a valuable diagnostic tool”, a Nordic prospective multicenter registry study, showed that the majority of patients, 93% (27/29), stated that they preferred to have BLC with Cysview performed with a flexible cystoscope at the outpatient clinic versus the operating room under general anesthesia. It was concluded that using BLC with Cysview with a flexible cystoscope at the office may be a simple way to solve unclear cases with malignant or suspicious urinary cytology.

On 27 June, BLC with Cysview was also included in a virtual educational session of the AUA program: “Surgical Techniques: Tips & Tricks Oncology: Bladder Cancer Blue Light” with Anne Schuckman, MD, Assistant Professor, Director LAC+USC Urologic Oncology.

## Update development portfolio

The development portfolio includes mainly projects related to development of Hexvix/Cysview and activities related to the agreement with Asieris for Cevira.

### Adjusted income statement - Development Portfolio

MNOK	Q2 '20	Q2 '19	YTD '20	YTD '19
Total revenues	-	-	0.3	-
Gross profit	-	-	0.1	-
Operating expenses	-2.5	-4.1	-3.8	-7.3
EBITDA before restr.	-2.5	-4.1	-3.7	-7.3

## Cevira® – for treatment of HPV (HUMAN PAPILOMA 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).

On 8 July, Asieris announced that it has 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 addition to China, Asieris has concurrently initiated this global pivotal trial in the United States, Germany, Romania, Hungary, Russia, Ukraine and other European countries. Data from this trial will support the market approval applications in China, the United States, the European Union, and other countries.

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	Q2 '20	Q2 '19	YTD '20	YTD '19
Hexvix / Cysview revenues	53.5	52.1	107.9	103.3
Other revenues	0.2	0.9	0.8	1.9
<b>Total revenues</b>	<b>53.7</b>	<b>53.0</b>	<b>108.6</b>	<b>105.2</b>
<b>Gross profit</b>	<b>51.7</b>	<b>48.5</b>	<b>100.5</b>	<b>95.2</b>
<b>Operating expenses</b>	<b>-60.6</b>	<b>-51.0</b>	<b>-114.2</b>	<b>-99.3</b>
<b>EBITDA before restruct.</b>	<b>-8.9</b>	<b>-2.6</b>	<b>-13.7</b>	<b>-4.1</b>
Depreciation & amortization	-3.9	-4.2	-7.8	-8.5
<b>EBIT before restruct.</b>	<b>-12.8</b>	<b>-6.8</b>	<b>-21.4</b>	<b>-12.6</b>
Restructuring expenses	-1.3	-	-3.2	-
Net financial items	0.3	0.1	6.0	-0.1
<b>Earnings before tax</b>	<b>-13.8</b>	<b>-6.7</b>	<b>-18.7</b>	<b>-12.6</b>
Tax expenses	5.1	1.5	-7.8	2.6
<b>Earnings contd ops</b>	<b>-8.7</b>	<b>-5.2</b>	<b>-26.4</b>	<b>-10.1</b>
Discontinued operations	-	-	-	-
<b>Net earnings</b>	<b>-8.7</b>	<b>-5.2</b>	<b>-26.4</b>	<b>-10.1</b>

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 pandemic. These resources have driven revenue growth, as well as increased sales and marketing costs.

Photocure has decided to maintain its commercial resources during the Covid-19 pandemic to ensure a rapid recovery as the situation improves.

### Revenues

Total revenues in the second quarter were NOK 53.7 million, at level with the second quarter last year (NOK 53.0 million). Year to date revenues were NOK 108.4 million (NOK 105.2 million), an increase of 3%.

Hexvix/Cysview revenues for the second quarter were NOK 53.5 million, an increase of 3% from the second quarter of 2019 (NOK 52.1 million). The decline in growth rate from previous quarters are driven by the impact from Covid-19 pandemic. Year to date Hexvix/Cysview revenues were NOK 107.9 million (NOK 103.3 million), an increase of 4%. In constant currencies, Hexvix/Cysview revenues declined 6% year to date.

### Operating expenses

Total operating expenses, before restructuring and excluding depreciation and amortization, were NOK 60.6 million (NOK 51.0 million) in the second quarter. Year to date, the operating expenses increased 15% to NOK 114.2 million (NOK 99.3 million). The main contributor to the YoY increase in operating expenses was currency impact of approximately 10%. The remaining NOK 5 million was mainly driven by costs related to share based compensation and scaling of the group activities within regulatory and marketing, to a large extent related to preparations for the inclusion of the European business.

Second quarter research and development (R&D) costs were NOK 0.9 million (NOK 1.1 million), a reduction of 13%. R&D costs year to date were NOK 1.5 million (NOK 2.1 million), a reduction of 29%. The remaining R&D costs relate mainly to regulatory work and maintenance and expansion of Photocure's intellectual property.

Sales and marketing costs increased 21% to NOK 44.5 million (NOK 36.7 million) in the second quarter. Sales and marketing costs year to date were NOK 86.3 million (NOK 72.7 million). The year to date increase of 19% was mainly driven by currency impact, costs related to share based compensation and scaling of the group organization before the inclusion of the European business.

Second quarter other operating expenses, which include supply chain, business development, and general/administration, were NOK 15.2 million compared to NOK 13.2 million in the same quarter in 2019. Year to date other operating expenses increased 8% to NOK 26.5 million (NOK 24.5 million), mainly driven by currency impact.

### Financial results

EBITDA before restructuring was negative NOK 8.9 million (NOK -2.6 million) for the second quarter. Year to date EBITDA before restructuring was negative NOK 13.7 million (NOK -4.1 million). Currency translation had a limited impact on second quarter and year to date EBITDA before restructuring.

EBITDA before restructuring in the commercial segment was year to date NOK -10.0 million (NOK 3.2 million). The development portfolio EBITDA before restructuring year to date was negative NOK 3.7 million (NOK -7.3 million).

Year to date depreciation and amortization was NOK 7.8 million (NOK 8.5 million). The main cost item was the amortization on the investments in intangible assets related to the Phase 3 market expansion trial for Cysview.



Restructuring expenses, year to date NOK 3.2 million, relates to work performed in connection with the agreement with Ipsen Pharma SAS for the return of Hexvix sales, marketing and distribution rights in Europe and other markets currently controlled by Ipsen.

Net financial items year to date were NOK 6.0 million (NOK -0.1 million). The net income is driven by net currency gain.

Photocure had a net loss before tax of NOK 13.8 million in the second quarter (net loss of NOK 6.7 million) and a net loss before tax of NOK 18.7 million year to date (net loss of NOK 12.6 million). Net loss after tax was NOK 8.7 million for the second quarter (net loss of NOK 5.2 million) and year to date NOK 26.4 million (net loss of NOK 10.1 million).

#### *Cash flow and statement of financial position*

Net cash flow from operations was positive NOK 11.4 million in the second quarter (negative NOK 4.0 million) and year to date positive NOK 14.4 million (negative NOK 19.7 million). The improvement was mainly driven by working capital and a milestone payment from Asieris of USD 1.5 million.

Net cash flow from investments year to date was negative NOK 0.1 million (positive NOK 0.7 million).

Year to date cash flow from financing was positive NOK 359.7 million, driven by private placements and bank financing.

Photocure had two private placements on 27 April and 24 June, raising a total gross of NOK 333 million. The private placements attracted very strong interest from existing shareholders, as well as from new high-quality institutional investors and were multiple times oversubscribed. The Company intends to use the net proceeds from the private placements to (1) create and scale up a world-class marketing, sales, and distribution infrastructure after transfer of the business previously owned and managed by Ipsen, (2) finance growth and working capital, including expansion in underserved countries and new geographies currently not served by Photocure or Ipsen, (3) explore new product opportunities / development, and new geographies for Hexvix/Cysview to expand and secure its market position; and (4) general corporate purposes.

Photocure has also secured bank financing of NOK 50 million from Nordea during the second quarter.

Second quarter net change in cash was positive NOK 371.9 million (negative NOK 4.7 million). Year to date

net change in cash was positive NOK 374.1 million (negative NOK 20.2 million). Cash and cash equivalents were NOK 499.4 million at the end of the second quarter.

Shareholders' equity was NOK 496.9 million at the end of the second quarter, an equity ratio of 81%.

As of 30 June 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 pandemic

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

Key markets like the U.S. are likely to continue to be impacted by the Covid-19 pandemic for some time. The company sees that bladder cancer treatments are prioritized procedures for the healthcare systems, but Photocure has experienced short-term postponements in the second quarter, especially in the low and medium risk patient category, as resources have been reallocated to the treatment of COVID-19 patients. In addition, the opening of new accounts and cystoscopy installations have been affected.

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, the inventory levels of kits in the distribution chain for both Photocure and our partners remain satisfactory. Production remains at full capacity and on schedule and the international distribution lines are uninterrupted.

Regarding the financial situation, cost saving measures have been taken during the second quarter to counteract Covid-19 impact. Photocure has decided to maintain its commercial resources during the Covid-19 pandemic to ensure a rapid recovery as the situation improves. However, activity driven expenses such as travel has been reduced.

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

## Expansion in Europe

On 11 June Photocure entered into a final agreement with Ipsen Pharma SAS regarding the return of Hexvix® sales, marketing and distribution rights in Europe and other markets currently controlled by Ipsen, in which commercial rights will be transferred to Photocure on 1 October 2020.

Photocure will pay Ipsen EUR 15 million upon transfer on 1 October 2020. Ipsen will book sales until this date. Ipsen will in addition receive earn-out payments in the range of 10-15% of sales (years 1-7 post-transfer) and 7.5% of sales (years 8-10) in the current Ipsen markets.

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. 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.

To execute on this opportunity and its global strategy, Photocure is establishing its commercial operations in Europe, with key leads already hired both at

country level and in the global functions to support the European organization, On 1 July, Photocure appointed its Vice President and General Manager of Europe, who, together with these key leaders are part of the ongoing comprehensive transition activities in collaboration with Ipsen teams.

The transition activities are on track and Photocure is in the process of establishing a distribution and third-party logistics network, confident that the company will be operationally and commercially ready for a smooth handover on 1 October. The ongoing transition activities are being facilitated by Photocure's deep knowledge of the disease state and the Hexvix product. The company intends to leverage its expertise by applying the commercial success and strong growth in the Nordic and the U.S. markets to the European region.

## Expansion rest of the world

In August Photocure has appointed Genotests SpA, a privately held company founded in 2014 specializing in genetic tests for cancer targeting cancer specialists, as the exclusive distributor of Hexvix in Chile. Under the terms of the agreement, Genotests will fund all costs to secure regulatory approval and the launch and commercialization of Hexvix in Chile. Photocure will manufacture the product and support Genotests with the regulatory file, training and promotional materials. There are approximately 1500 new bladder cancer cases annually in Chile, an estimated 5000 TURBT procedures and nearly 3000 surveillance cystoscopies.

## 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





The Covid-19 pandemic has had a negative impact on patient visits and BLC procedures as well as equipment installations during the second quarter. However, Photocure has seen a positive trend towards the end of the quarter and expects this trend to continue during the second half of the year. The uncertain progression of the Covid-19 pandemic continues to add uncertainty to our forecast making full year financial estimates highly unreliable. However, we believe that the benefits of Blue Light Cystoscopy with Hexvix®/Cysview® offering superior detection and management will continue to be recognized. In places where procedures have been postponed due to fear of exposure to Covid-19, the number of procedures are expected to rebound. 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 maintain its group revenue ambitions for 2023 in the range of NOK 1 billion with EBITDA margins of approximately 40%, following the completion of the transaction with Ipsen.

## Responsibility statement

We confirm that, to the best of our knowledge, the unaudited condensed set of financial statements for the first half year of 2020 which has been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the first half 2020 report includes a fair review of the information required under the Norwegian Securities trading Act section 5-6 fourth paragraph.

The Board of Directors and CEO  
Photocure ASA

Oslo, 17 August 2020

Jan Hendrik Egberts  
Chairperson

Johanna Holldack  
Director

Grannum R. Sant  
Director

Anders Tuv  
Director

Anne Worsøe  
Director

Daniel Schneider  
President and CEO



## Photocure Group

### Accounts for second quarter and first half year 2020

#### Photocure Group – Statement of comprehensive income

<i>(all amounts in NOK 1,000 except per share data)</i>	Note	2020 Q2	2019 Q2	2020 1.1 - 30.06	2019 1.1 - 30.06	2019 1.1 - 31.12
Sales revenues		53 673	52 156	108 647	103 509	213 908
Signing fees and milestone revenues	7	-	845	-	1 689	67 648
<b>Total revenues</b>		<b>53 673</b>	<b>53 001</b>	<b>108 647</b>	<b>105 198</b>	<b>281 556</b>
Cost of goods sold		-1 966	-4 546	-8 101	-9 976	-22 512
<b>Gross profit</b>		<b>51 707</b>	<b>48 455</b>	<b>100 546</b>	<b>95 222</b>	<b>259 045</b>
Indirect manufacturing expenses	3	-3 746	-2 611	-6 437	-5 390	-10 965
Research and development expenses	3	-3 439	-3 583	-6 464	-7 055	-13 644
Marketing and sales expenses	3	-44 694	-36 752	-86 386	-72 819	-148 738
Other operating expenses	3	-12 659	-12 326	-22 706	-22 539	-42 961
<b>Total operating expenses</b>		<b>-64 538</b>	<b>-55 271</b>	<b>-121 993</b>	<b>-107 802</b>	<b>-216 308</b>
<b>EBIT before restructuring</b>		<b>-12 831</b>	<b>-6 817</b>	<b>-21 447</b>	<b>-12 580</b>	<b>42 737</b>
Restructuring		-1 341		-3 235		
<b>EBIT including restructuring</b>		<b>-14 172</b>	<b>-6 817</b>	<b>-24 682</b>	<b>-12 580</b>	<b>42 737</b>
Financial income		4 635	172	11 729	1 621	7 978
Financial expenses		-4 308	-34	-5 703	-1 680	-4 813
<b>Net financial profit/loss(-)</b>		<b>327</b>	<b>138</b>	<b>6 026</b>	<b>-59</b>	<b>3 165</b>
<b>Profit/loss(-) before tax</b>		<b>-13 845</b>	<b>-6 679</b>	<b>-18 656</b>	<b>-12 639</b>	<b>45 901</b>
Tax expenses	4	5 108	1 521	-7 789	2 569	-14 070
<b>Net profit/loss(-)</b>		<b>-8 738</b>	<b>-5 158</b>	<b>-26 445</b>	<b>-10 070</b>	<b>31 831</b>
Other comprehensive income		1 511	103	1 019	-144	-197
<b>Total comprehensive income</b>		<b>-7 227</b>	<b>-5 055</b>	<b>-25 426</b>	<b>-10 213</b>	<b>31 634</b>
Net profit/loss(-) per share, undiluted	5	-0.37	-0.24	-1.17	-0.46	1.46
Net profit/loss(-) per share, diluted	5	-0.37	-0.24	-1.17	-0.46	1.46



## Photocure Group – Statement of financial position

<i>(Amounts in NOK 1,000)</i>	Note	30.06.2020	30.06.2019	31.12.2019
<b>Non-current assets</b>				
Intangible assets	6	6 627	16 636	11 605
Machinery & equipment	6	2 101	1 935	2 040
Right-of-use assets	8	5 990	8 601	7 008
Deferred tax asset	4	30 610	54 983	38 345
Long term receivables	7	10 617	-	11 478
Contract costs		-	249	-
<b>Total non-current assets</b>		<b>55 945</b>	<b>82 404</b>	<b>70 476</b>
<b>Current assets</b>				
Inventories		22 674	20 209	16 410
Accounts receivable		24 241	20 107	24 206
Other receivables		9 984	11 606	20 940
Cash and short term deposits	9	499 421	86 664	125 320
<b>Total current assets</b>		<b>556 320</b>	<b>138 586</b>	<b>186 876</b>
<b>Total assets</b>		<b>612 265</b>	<b>220 989</b>	<b>257 352</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	11	13 305	10 898	10 898
Other paid-in capital		373 106	64 261	64 261
Retained earnings		110 496	91 583	133 431
<b>Shareholders' equity</b>		<b>496 907</b>	<b>166 743</b>	<b>208 590</b>
<b>Long-term liabilities</b>				
Pension liability		2 815	2 714	3 088
Long term loan	10	50 000	-	-
Lease liability	8	5 984	8 578	6 948
<b>Total long-term liabilities</b>		<b>58 800</b>	<b>11 293</b>	<b>10 036</b>
Current liabilities		56 558	35 579	38 725
Contract liabilities		-	7 375	-
<b>Total liabilities</b>		<b>115 358</b>	<b>54 247</b>	<b>48 762</b>
<b>Total equity and liabilities</b>		<b>612 265</b>	<b>220 989</b>	<b>257 352</b>

## Photocure Group – Changes in equity

<i>(Amounts in NOK 1,000)</i>	2020 Q2	2019 Q2	2020 1.1 - 30.06	2019 1.1 - 30.06	2019 1.1 - 31.12
<b>Equity at end of prior period</b>	<b>190 391</b>	<b>171 798</b>	<b>208 590</b>	<b>176 342</b>	<b>176 342</b>
Capital increase	311 252	-	311 252	614	614
Share-based compensation (share options employees)	2 491	-	2 491		
Comprehensive income	-7 227	-5 055	-25 426	-10 213	31 634
<b>Equity at end of period</b>	<b>496 907</b>	<b>166 743</b>	<b>496 907</b>	<b>166 743</b>	<b>208 590</b>



## Photocure Group – Cash flow statement

	2020	2019	2020	2019	2019
<i>(Amounts in NOK 1,000)</i>	Q2	Q2	1.1 - 30.06	1.1 - 30.06	1.1 - 31.12
Profit/loss(-) before tax	-13 845	-6 679	-18 656	-12 639	45 901
Depreciation and amortisation	3 904	4 233	7 762	8 464	16 213
Share-based compensation	2 491	-	2 491	-	-
Net interest income	-587	-369	-1 158	-912	-1 696
Changes in contract receivable	-	-	12 339	-	-22 956
Changes in working capital	20 984	272	14 386	-11 957	-7 086
Other operational items	-1 518	-1 427	-2 741	-2 632	-9 723
<b>Net cash flow from operations</b>	<b>11 429</b>	<b>-3 969</b>	<b>14 424</b>	<b>-19 676</b>	<b>20 654</b>
Net investments in fixed assets	-100	-241	-792	-258	-770
Intangible asset expenditures	-164	-	-420	-	-316
Received interest payments	587	369	1 158	912	1 696
<b>Cash flow from investments</b>	<b>323</b>	<b>128</b>	<b>-54</b>	<b>654</b>	<b>610</b>
Share capital increase employees	8 273	-	8 273	614	614
Private placements	302 979	-	302 979	-	-
Payment lease liability	-1 153	-899	-1 521	-1 760	-3 391
Long term loan	50 000	-	50 000	-	-
<b>Cash flow from financing activities</b>	<b>360 099</b>	<b>-899</b>	<b>359 731</b>	<b>-1 146</b>	<b>-2 777</b>
<b>Net change in cash during the period</b>	<b>371 851</b>	<b>-4 741</b>	<b>374 101</b>	<b>-20 169</b>	<b>18 487</b>
Cash & cash equivalents at beginning of period	127 570	91 405	125 320	106 833	106 833
<b>Cash &amp; cash equivalents at end of period</b>	<b>499 421</b>	<b>86 664</b>	<b>499 421</b>	<b>86 664</b>	<b>125 320</b>

## Notes to the accounts for second quarter and first half year 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 17 August 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

##### Ipsen Pharma SAS

Photocure announced on 27 April 2020 that the company had agreed main financial terms for a return of Hexvix sales, marketing and distribution rights in Europe and other markets currently controlled by Ipsen Pharma SAS (Ipsen). The parties entered into a final agreement 11 June 2020 in which commercial rights will be transferred to Photocure on 1 October 2020.

According to the final agreement Photocure will pay Ipsen EUR 15 million upon transfer on 1 October 2020. Ipsen will book sales until this date. Ipsen will in addition receive earn-out payments in the range of 10-15% of sales (years 1-7 post-transfer) and 7.5% of sales (years 8-10) in the current Ipsen markets.

##### 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 revenues from a licence partner. Development Portfolio includes development of pipeline products.

1 Jan - 30 June 2020 (Amounts in NOK 1 000)	Commercial Products			Total Sales	Total Development	Grand Total
	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales			
Sales revenues	67 893	39 987	477	108 357	290	108 647
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-3 585	-4 118	-191	-7 894	-207	-8 101
<b>Gross profit</b>	<b>64 308</b>	<b>35 869</b>	<b>286</b>	<b>100 463</b>	<b>83</b>	<b>100 546</b>
Gross profit of sales %	95 %	90 %	60 %	93 %	29 %	93 %
R&D	-160	-280	-	-441	-1 023	-1 464
Sales & marketing	-78 811	-6 066	-	-84 876	-1 400	-86 276
Other & allocations	-13 486	-10 124	-1 489	-25 099	-1 393	-26 492
<b>Operating expenses</b>	<b>-92 457</b>	<b>-16 470</b>	<b>-1 489</b>	<b>-110 416</b>	<b>-3 816</b>	<b>-114 232</b>
<b>EBITDA</b>	<b>-28 149</b>	<b>19 399</b>	<b>-1 203</b>	<b>-9 953</b>	<b>-3 733</b>	<b>-13 686</b>

1 Jan - 30 June 2019 (Amounts in NOK 1 000)	Commercial Products			Total Sales	Total Development	Grand Total
	Hex/Cys Own Sales	Hex/Cys Partner	Other Sales			
Sales revenues	69 441	33 864	204	103 509	-	103 509
Milestone revenues	-	1 689	-	1 689	-	1 689
Cost of goods sold	-4 191	-5 681	-104	-9 976	-	-9 976
<b>Gross profit</b>	<b>65 250</b>	<b>29 872</b>	<b>100</b>	<b>95 222</b>	<b>-</b>	<b>95 222</b>
Gross profit of sales %	94 %	83 %	49 %	90 %	-	90 %
R&D	-	-	-	-	-2 055	-2 055
Sales & marketing	-67 463	-4 106	-	-71 569	-1 176	-72 745
Other & allocations	-9 044	-10 160	-1 269	-20 473	-4 066	-24 539
<b>Operating expenses</b>	<b>-76 507</b>	<b>-14 266</b>	<b>-1 269</b>	<b>-92 042</b>	<b>-7 297</b>	<b>-99 339</b>
<b>EBITDA</b>	<b>-11 257</b>	<b>15 606</b>	<b>-1 168</b>	<b>3 180</b>	<b>-7 297</b>	<b>-4 116</b>



Photocure – Results for second quarter and first half year 2020

Q2 2020 (Amounts in NOK 1 000)	Commercial Products					
	Hex/Cys	Hex/Cys	Other	Total	Total	Grand
	Own Sales	Partner	Sales	Sales	Development	Total
Sales revenues	27 443	26 024	206	53 673	-	53 673
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-1 373	-510	-83	-1 966	-	-1 966
<b>Gross profit</b>	<b>26 070</b>	<b>25 515</b>	<b>123</b>	<b>51 707</b>	<b>-</b>	<b>51 707</b>
Gross profit of sales %	95 %	98 %	60 %	96 %		96 %
R&D	-91	-159	-	-250	-689	-939
Sales & marketing	-40 065	-3 518	-	-43 583	-919	-44 502
Other & allocations	-7 291	-6 054	-959	-14 304	-888	-15 194
<b>Operating expenses</b>	<b>-47 447</b>	<b>-9 731</b>	<b>-959</b>	<b>-58 137</b>	<b>-2 497</b>	<b>-60 635</b>
<b>EBITDA</b>	<b>-21 378</b>	<b>15 784</b>	<b>-836</b>	<b>-6 430</b>	<b>-2 497</b>	<b>-8 928</b>

Q2 2019 (Amounts in NOK 1 000)	Commercial Products					
	Hex/Cys	Hex/Cys	Other	Total	Total	Grand
	Own Sales	Partner	Sales	Sales	Development	Total
Sales revenues	35 193	16 887	76	52 156	-	52 156
Milestone revenues	-	845	-	845	-	845
Cost of goods sold	-1 892	-2 625	-29	-4 546	-	-4 546
<b>Gross profit</b>	<b>33 300</b>	<b>15 106</b>	<b>48</b>	<b>48 454</b>	<b>-</b>	<b>48 454</b>
Gross profit of sales %	95 %	84 %	63 %	91 %		91 %
R&D	-	-	-	-	-1 083	-1 083
Sales & marketing	-34 261	-1 843	-	-36 105	-611	-36 716
Other & allocations	-4 369	-5 871	-583	-10 823	-2 416	-13 239
<b>Operating expenses</b>	<b>-38 630</b>	<b>-7 715</b>	<b>-583</b>	<b>-46 928</b>	<b>-4 110</b>	<b>-51 038</b>
<b>EBITDA</b>	<b>-5 330</b>	<b>7 391</b>	<b>-535</b>	<b>1 526</b>	<b>-4 110</b>	<b>-2 583</b>

1 Jan - 31 December 2019 (Amounts in NOK 1 000)	Commercial Products					
	Hex/Cys	Hex/Cys	Other	Total	Total	Grand
	Own Sales	Partner	Sales	Sales	Development	Total
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
<b>Gross profit</b>	<b>137 788</b>	<b>55 785</b>	<b>357</b>	<b>193 930</b>	<b>65 115</b>	<b>259 045</b>
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
<b>Operating expenses</b>	<b>-155 631</b>	<b>-28 445</b>	<b>-2 516</b>	<b>-186 593</b>	<b>-13 503</b>	<b>-200 096</b>
<b>EBITDA</b>	<b>-17 844</b>	<b>27 340</b>	<b>-2 159</b>	<b>7 337</b>	<b>51 612</b>	<b>58 949</b>

### Note 3 – Income statement classified by nature

	<b>2020</b>	<b>2019</b>	<b>2019</b>
<i>(Amounts in NOK 1 000)</i>	<b>1.1-30.06</b>	<b>1.1-30.06</b>	<b>1.1-31.12</b>
Sales revenues	108 647	103 509	213 908
Signing fees and milestone revenues	-	1 689	67 648
Cost of goods sold	-8 101	-9 976	-22 512
<b>Gross profit</b>	<b>100 546</b>	<b>95 222</b>	<b>259 045</b>
Payroll expenses	-78 084	-60 657	-123 109
R&D costs excl. payroll expenses/other operating exp.	-980	-961	-1 761
Ordinary depreciation and amortisation	-7 762	-8 464	-16 213
Other operating expenses	-35 167	-37 721	-75 225
<b>Total operating expenses recurring</b>	<b>-121 993</b>	<b>-107 802</b>	<b>-216 308</b>
<b>EBIT recurring</b>	<b>-21 447</b>	<b>-12 580</b>	<b>42 737</b>

### Note 4 – Tax

<i>(Amounts in NOK 1 000)</i>	<b>30.06.2020</b>	<b>31.12.2019</b>
<b>Income tax expense</b>		
Tax payable	-	-
Changes in deferred tax	-7 771	-14 032
<b>Total income tax expense</b>	<b>-7 771</b>	<b>-14 032</b>
<b>Tax base calculation</b>		
Profit before income tax	38 669	61 375
Permanent differences	-907	1 988
Temporary differences	-38 652	-6 145
Change in tax loss carried forward	890	-57 218
<b>Tax base</b>	<b>-</b>	<b>-</b>
<b>Temporary differences:</b>		
<b>Total</b>	<b>-143 322</b>	<b>-104 110</b>
Tax loss carried forward	282 457	278 404
<b>Net temporary differences</b>	<b>139 135</b>	<b>174 293</b>
<b>Deferred tax benefit</b>	<b>139 135</b>	<b>174 293</b>
<b>Deferred tax asset</b>	<b>30 610</b>	<b>38 345</b>

Temporary differences are recognized for the parent company only and the note disclosure for the Group is of this reason identic to the disclosure for parent company. The calculation of deferred tax asset 30 June 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 June 2020 is NOK 30.6 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 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.

	<b>2020</b>	<b>2019</b>
<i>(Figures indicate the number of shares)</i>	<b>1.1-30.06</b>	<b>1.1-31.12</b>
Issued ordinary shares 1 January	21 796 387	21 779 008
Effects of share options exercised	25 380	-
Effect of treasury shares	-16 624	-15 839
Effect of shares issued	786 424	14 855
<b>Weighted average number of shares</b>	<b>22 591 567</b>	<b>21 778 024</b>
Effect of outstanding share options	206 135	56 784
<b>Weighted average number of diluted shares</b>	<b>22 797 702</b>	<b>21 834 808</b>
Earnings per share in NOK	-1.17	1.46
Earnings per share in NOK diluted	-1.17	1.46

## Note 6 – Fixed Assets

	<b>Machinery &amp; equipment</b>	<b>Intangibles</b>
<i>(Amounts in NOK 1 000)</i>		
<b>Net book value 31.12.2019</b>	<b>2 040</b>	<b>11 605</b>
Net investments 30.06.2020	529	420
Depreciation and amortization	-468	-5 398
<b>Net book value 30.06.2020</b>	<b>2 101</b>	<b>6 627</b>

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 4.6 million as of 30 June 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 30 June is NOK 10.6 million.

## Note 8 – Right of use assets

The Group has adopted IFRS 16 “Leases” from 1 January 2019. 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		30.06.2020	31.12.2019
<i>(all amounts in NOK 1 000)</i>		Value	Value
	<b>Discount rate</b>		
Right-of-use assets Norway	2.60 %	3 229	3 996
Right-of-use assets US	5.20 %	2 761	3 013
<b>Total Lease Assets</b>		<b>5 990</b>	<b>7 008</b>
Lease liability		-5 984	-6 948
<b>Total non-current liabilities</b>		<b>-5 984</b>	<b>-6 948</b>
Amortisation of assets		1 896	3 429
Interest expenses		106	236
<b>Costs IFRS 16</b>		<b>2 002</b>	<b>3 664</b>

## 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		87 692	-	-	87 692
<b>Total</b>		<b>87 692</b>	-	-	<b>87 692</b>

## Note 10 – Long term loan

Photocure received in the second quarter a loan of NOK 50 million from Nordea. The loan is secured under the State Guarantee Scheme for Loans to SME's (Covid-19 related). The loan carries a floating interest, effective interest rate at end of the second quarter is 2.67%. The loan is a three-year term loan, first year interest only, thereafter 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 31 December 2019	21 796 387	NOK 0.50	10 898 194
Share capital at 30 June 2020	26 610 020	NOK 0.50	13 305 010
<b>Treasury shares:</b>			
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	-
<b>Holdings of treasury shares at 30 June 2020</b>	<b>16 624</b>		<b>8 312</b>

The table below indicates the status of authorizations at 30 June 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 10 June 2020	2 397 603	3 596 403	500 000
Share issues after the General Meeting on 10 June 2020	-	2 401 700	98 300
Purchase of treasury shares	-	-	-
<b>Remaining under authorisations at 30 June 2020</b>	<b>2 397 603</b>	<b>1 194 703</b>	<b>401 700</b>

Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of 30 June 2020:

Name	Position	No. of shares	No. of restricted shares	No. of subscription rights
Daniel Schneider	President & CEO	15 000	18 353	200 000
Erik Dahl	Chief Financial Officer	5 900	7 133	65 500
Geoffrey Coy	Head, US Cancer Commercial Operations	-	-	90 000
Grete Hogstad	Vice President Strategic Marketing	16 278	5 566	46 000
Kari Myren	Head of Global Medical Affairs and Clin. Dev.	-	2 021	25 000
Gry Stensrud	Vice President Tech. Dev. & Operations	4 545	5 344	51 300
Jan H. Egbert	Chairperson of the board	14 500	-	-
Anders Tuv *	Board member	679 619	-	-

\* Anders Tuv represents Radiumhospitalets Forskningsstiftelse

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

## Note 12 – Share options

At 30 June 2020, employees in Photocure had the following share option schemes:

Year of allocation	2020	2020	2017	2016
Option programme	2019	2019	2017	2016
Number	399 250	90 000	22 500	90 800
Exercise price (NOK)	50.72	56.83	38.06	40.15
Date of expiry	09.05.2024	20.08.2024	31.12.2021	31.12.2020

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

	30.06.2020		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	500 000	51.82	-	-
Become invalid during the year	5 400	38.06	-	-
Exercised during the year	123 750	40.81	150 168	32.78
Expired during the year	-	-	-	-
Outstanding at end of period	602 550	49.57	231 700	39.76
Exercisable options at end of period	205 050	44.65	231 700	39.76

## Note 13 – Shareholders

Overview of the major shareholders at 30 June 2020:

Major Shareholders	Citizen	Type	# Shares	%
VERDIPAPIRFONDET PARETO INVESTMENT	Norway	Ordinary	761 920	2.9 %
NORDNET BANK AB	Sweden	Nominee	738 405	2.8 %
RADIUMHOSPITALET FORSKNINGSSTIFT.	Norway	Ordinary	679 619	2.6 %
VERDIPAPIRFONDET KLP AKSJENORGE	Norway	Ordinary	645 630	2.4 %
VERDIPAPIRFONDET DNB NORDEN	Norway	Ordinary	556 091	2.1 %
SEB LIFE INTERN ASSUR COMPANY DAC	Ireland	Ordinary	550 000	2.1 %
J.P. MORGAN BANK LUXEMBOURG S.A.	Luxembourg	Nominee	511 218	1.9 %
THE BANK OF NEW YORK MELLON	United States	Nominee	478 575	1.8 %
VERDIPAPIRFONDET DNB SMB	Norway	Ordinary	450 466	1.7 %
KOMMUNAL LANDSPENSJONSKASSE	Norway	Ordinary	443 948	1.7 %
MORGAN STANLEY & CO. LLC	United States	Nominee	440 184	1.7 %
SEB PRIME SOLUTIONS SISSENER CANOP	Luxembourg	Ordinary	400 000	1.5 %
VERDIPAPIRFONDET DELPHI NORDIC	Norway	Ordinary	399 700	1.5 %
NORDNET LIVSFORSIKRING AS	Norway	Ordinary	350 502	1.3 %
AVANZA BANK AB	Sweden	Nominee	349 092	1.3 %
MP PENSJON PK	Norway	Ordinary	345 178	1.3 %
DANSKE BANK AS	Denmark	Nominee	336 687	1.3 %
EQUINOR PENSJON	Norway	Ordinary	336 200	1.3 %
VICAMA AS	Norway	Ordinary	329 530	1.2 %
VERDIPAPIRFONDET FONDSFINANS NORGE	Norway	Ordinary	309 412	1.2 %
<b>Total 20 largest shareholders</b>			<b>9 412 357</b>	<b>35.4 %</b>
Total other shareholders			17 197 663	64.6 %
<b>Total number of shares</b>			<b>26 610 020</b>	<b>100.0 %</b>

## 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>	<b>1.1-30.6</b>	<b>1.1-30.6</b>	<b>1.1-31.12</b>
<b>Gross profit</b>	<b>111 287</b>	<b>95 222</b>	<b>259 045</b>
Operating expenses excl amortization & depreciation	-114 230	-99 338	-200 095
<b>EBITDA before restructuring</b>	<b>-2 943</b>	<b>-4 116</b>	<b>58 950</b>
Amortization & depreciation	-7 763	-8 464	-16 213
<b>EBIT before restructuring</b>	<b>-10 706</b>	<b>-12 580</b>	<b>42 737</b>

Year to date 30 June 2020 Photocure incurred NOK 3.2 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:



	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>1.1-30.6</b>	<b>1.1-30.6</b>	<b>1.1-31.12</b>
USD (NOK per 1 USD)	9.75	8.61	8.80
EUR (NOK per 1 EUR)	10.74	9.73	9.85
DKK (NOK per 100 DKK)	143.85	130.33	131.93
SEK (NOK per 100 SEK)	100.67	92.50	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.

	<b>2020</b>	<b>2019</b>	<b>2019</b>
<i>(all amounts in NOK 1 000)</i>	<b>1.1-30.6</b>	<b>1.1-30.6</b>	<b>1.1-31.12</b>
<b>In-market sales</b>	<b>165 835</b>	<b>161 501</b>	<b>330 261</b>



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[www.hexvix.com](http://www.hexvix.com)  
[www.cysview.com](http://www.cysview.com)