



# Quarterly Report

Q3 2020

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THE  
BLADDER CANCER  
COMPANY



## Highlights for third quarter and first nine months 2020

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

- Hexvix/Cysview revenue increased 14% YoY in the third quarter adjusted for one-off revenue impacts from the transfer of the European Hexvix operations totaling NOK 8.9 million.
- Unit sales in the U.S. increased 17% YoY for the third quarter. The installed base of blue light cystoscopes in the U.S. was 253 (211) at the end of the third quarter, an increase of 42 units or 20% from the same quarter last year. The installed base included 33 flexible cystoscopes.
- Successful transition and launch of European Hexvix operations. Photocure paid EUR 15 million to Ipsen Pharma SAS. Commercial rights were transferred to Photocure on October 1, 2020.
- EBITDA before restructuring costs for the third quarter was NOK -5.4 million (NOK 8.3 million). EBITDA was negatively impacted by the transfer of the European Hexvix operations, estimated to NOK 7.9 million for the third quarter.
- Cash balance at the end of the third quarter was NOK 322 million.
- Photocure's partner Asieris received China NMPA's approval on July 8 to start a global phase III clinical trial for Cevira (APL-1702).

### Key figures:

Figures in NOK million	Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change	FY 2019
Hexvix/Cysview revenues	49.6	51.1	-3 %	157.5	154.4	2 %	213.2
Other revenues	0.3	9.7		1.1	11.5		68.3
<b>Total revenues</b>	<b>49.9</b>	<b>60.8</b>	<b>-18 %</b>	<b>158.6</b>	<b>166.0</b>	<b>-4 %</b>	<b>281.6</b>
Operating expenses	-51.9	-47.8	8 %	-166.1	-147.2	13 %	-200.1
<b>EBITDA before restructuring</b>	<b>-5.4</b>	<b>8.3</b>		<b>-19.1</b>	<b>4.2</b>		<b>58.9</b>
EBITDA commercial franchise	-3.7	2.6		-13.7	5.7		7.3
EBITDA development portfolio	-1.7	5.7		-5.4	-1.6		51.6
<b>EBIT</b>	<b>-16.4</b>	<b>4.3</b>		<b>-41.1</b>	<b>-8.3</b>		<b>42.7</b>
<b>Net Earnings</b>	<b>-6.2</b>	<b>-0.6</b>		<b>-32.6</b>	<b>-10.7</b>		<b>31.8</b>
<b>Cash &amp; cash equivalents</b>				<b>321.8</b>	<b>95.9</b>		<b>125.3</b>

### President & CEO Daniel Schneider comments:

*"The important U.S. market continued to rebound in the third quarter with a 17% increase in YOY unit sales as fewer procedures were postponed and business disruptions eased. We have deliberately maintained our full commercial capabilities throughout the uncertainty of the COVID pandemic in order to maximize the agility and flexibility necessary to engage our customers personally, virtually and digitally. Photocure expects continued changes in business conditions, but we are well positioned to capitalize on opportunities through various methods. For this reason, we are confident that we will weather the disruptions well and business will return to the pre-COVID-19 strong growth rates once the pandemic resolves.*

*We also concluded a successful transition of Ipsen's European operations to Photocure and launched our European commercial operations on October 1. We have invested in our European commercial organization, establishing an efficient distribution and third-party logistics network throughout Europe. The entire European team has worked tirelessly to ensure we hit the ground running, and I am very pleased with the seamless transition. We are deploying our full commercial capabilities to grow and expand these new markets."*



## 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 (NMIBC), 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 the future growth of its breakthrough bladder cancer product. The company is, however, also exploring expansion opportunities within the same bladder cancer domain. In addition, Photocure has regained from Ipsen the commercialization rights to Hexvix in Europe and other territories around the world. Photocure has begun commercial and medical 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.

## Commercial segment update

The year-to-date results were impacted by the global Covid-19 pandemic with a significant decline in revenue at the beginning of the second quarter, followed by a strong recovery towards the end of the quarter and further improvements in the third quarter.

The third quarter was also impacted by the transition of European activities. This includes added resources, transfer costs and the revenue impact from reduced purchase of inventory and the transfer of inventory from Ipsen. The revenue impact from those inventory changes in the third quarter was approximately NOK 8.9 million, with a corresponding reduction of COGS of NOK 2.5 million. The net impact from the transition on EBITDA before restructuring was NOK 7.9 million in the third quarter and NOK 8.2 million year to date.

### Adjusted income statement - Commercial Franchise

MNOK	Q3 '20	Q3 '19	YTD '20	YTD '19
US - Cysview	30.3	25.2	80.1	70.9
Nordic - Hexvix	9.7	9.9	35.8	33.7
Partners	9.7	16.0	44.0	49.9
Revenue adjustments (*)	-	-	-2.3	-
<b>Hexvix/Cysview total</b>	<b>49.6</b>	<b>51.1</b>	<b>157.5</b>	<b>154.4</b>
YoY growth	-3 %		2 %	
Other revenues	0.3	1.0	0.8	2.9
<b>Total revenues</b>	<b>49.9</b>	<b>52.1</b>	<b>158.3</b>	<b>157.3</b>
YoY growth	-4 %		1 %	
<b>Gross profit</b>	<b>46.5</b>	<b>47.4</b>	<b>146.9</b>	<b>142.7</b>
Operating expenses	-50.2	-44.9	-160.6	-136.9
<b>EBITDA before restr.</b>	<b>-3.7</b>	<b>2.6</b>	<b>-13.7</b>	<b>5.7</b>
EBITDA margin	-7 %	5 %	-9 %	4 %

(\*) Revenue items for previous years accounted for this year. Year to date, Photocure has a negative revenue adjustment of NOK -2.3 million, consisting of a negative revenue adjustment of NOK 8 million from Medicaid rebates, and a positive revenue adjustment of NOK 5.6 million due to Ipsen royalty payments.

Hexvix/Cysview's total revenue decreased 3% to NOK 49.6 million (NOK 51.1 million) in the third quarter. Hexvix/Cysview's year-to-date revenue increased 2% to NOK 157.5 million (NOK 154.4 million). The consolidated currency impact was positive by approximately 9%. Adjusting for the one-off revenue impact from the transfer of inventory and reduced purchasing by Ipsen in the third quarter, the YoY growth was 14% in the third quarter and 8% year to date.

Operating expenses, excluding depreciation and amortization, increased by 12% to NOK 50.2 million (NOK 44.9 million) in the third quarter. Year-to-date operating expenses, excluding depreciation and amortization, increased by 17% to reach NOK 160.6 million (NOK 136.9 million), mainly driven by a currency impact of approximately 9%, costs related to share-based compensation and the scaling of regulatory and marketing activities. The latter expenses are predominantly related to preparations of operations in European markets 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 from the end of second quarter through the third quarter.

The third quarter EBITDA before restructuring was NOK -3.7 million (NOK 2.6 million). Year-to-date EBITDA before restructuring was NOK -13.7 million (NOK 5.7 million). The decline in EBITDA before restructuring was driven by the impact from the Covid-19 pandemic as well as the transition of the European business regained from Ipsen.



## Hexvix®/Cysview®

Global in-market unit sales increased 7% in the third quarter and decreased 4% year to date. Year to date in-market sales were NOK 248 million (NOK 243 million).

### *U.S. Cysview sales*

Third quarter revenues in the U.S. increased by 20% to NOK 30.3 million (NOK 25.2 million). Unit sales increased 17% in the quarter, continuing the rebound from the first wave of the Covid-19 pandemic. The sales development improved towards the end of the second quarter and growth accelerated in the third quarter.

Year-to-date adjusted U.S. revenues increased 13% to reach NOK 80.1 million (NOK 70.9 million), with in-market unit sales increasing by 5%. In constant currency, the increase in adjusted revenue was approximately 6%.

Photocure has terminated a rebate program with Medicaid effective October 1. Photocure expects to reach agreements with eligible customers before the end of the fourth 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 the current year has been included. In the adjusted income statement for the commercial franchise, the portion of the accrual related to previous years is classified in "Revenue adjustments."

Photocure has had significant growth in the installed base of blue light cystoscopes. A number of factors have contributed to this growth, including the introduction of Cysview in the surveillance market, improved reimbursement and increased commercial investments. The growth slowed down in the second quarter due to the Covid-19 pandemic. At the end of the third quarter the total installed base of cystoscopes stood at 253, an increase of 20%, or 42 units, since the end of the third quarter of 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 third quarter, 33 flexible cystoscopes for surveillance have been installed, an increase of 11 units (+50%) from the end of third quarter of last year.

### *Nordic Hexvix sales*

Nordic revenues decreased 3% to NOK 9.7 million (NOK 9.9 million) in the third quarter. The decrease was driven by sales from the extraordinary Covid-19

related safety stock purchased by Danish authorities in the second quarter. Adjusting for that impact, the revenue increased 10% in the third quarter.

Year to date, Nordic revenues increased 6% to NOK 35.8 million (NOK 33.7 million). The revenue decreased 2% in constant currencies. In-market unit sales decreased 4% compared to last year, impacted by the Covid-19 pandemic, but partly offset by the safety stock purchases in Denmark.

### *Hexvix/Cysview partner sales*

Partner revenue decreased by 40% to NOK 9.7 million (NOK 16.0 million) in the third quarter. The decrease was driven by the impact of the Covid-19 pandemic as well as the transition of the European activities, specifically the one-off Ipsen inventory impact which reduced third quarter sales by approximately NOK 8.9 million.

Year-to-date adjusted partner revenue stood at NOK 44.0 million (NOK 49.9 million), a decline of 12%, including the one-off Ipsen inventory impact of NOK 8.9 million. The currency impact was positive at approximately 9%. Year to date, in-market unit sales decreased 7%; Germany outperformed, with an increase of 1%.

Photocure has received adjustments on royalty payments from Ipsen for the fourth quarter of 2019, in total NOK 5.6 million. In the adjusted income statement this amount is classified as a positive "Revenue adjustment".

### *Hexvix/Cysview publications and presentations*

At the October BLADDR 2020 Congress, Photocure presented a poster based on new findings from the Nordic Flexible BLC registry, an ongoing prospective multicenter study. The data showed that flexible Blue Light Cystoscopy helped resolve a substantial amount of cases by complete removal on-site or direct referral to intravesical treatment, providing increased efficacy to manage non-muscle-invasive bladder cancer (NMIBC) in the office setting. The BLADDR congress is solely focused on bladder cancer and attracts the interest of experts from all over the world.

The Nordic Flexible BLC registry is an ongoing prospective multicenter study initiated to observe the clinical use and explore possible benefits of blue light cystoscopy in the surveillance setting. From five participating sites, 354 patients being followed up for NMIBC have been included in the study. Data from



462 blue light procedures were included in the poster presentation.

## Development portfolio update

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

### Adjusted income statement - Development Portfolio

MNOK	Q3 '20	Q3 '19	YTD '20	YTD '19
Sales revenues	-	-	0.3	-
Signing fee & milestones	-	8.7	-	8.7
<b>Total revenues</b>	-	<b>8.7</b>	<b>0.3</b>	<b>8.7</b>
Cost of goods sold	-	-	-0.2	-
<b>Gross profit</b>	-	<b>8.7</b>	<b>0.1</b>	<b>8.7</b>
Operating expenses	-1.7	-2.9	-5.5	-10.2
<b>EBITDA before restr.</b>	<b>-1.7</b>	<b>5.7</b>	<b>-5.4</b>	<b>-1.6</b>

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

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

In July of 2019, the Company entered into a License Agreement providing Asieris 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, initially focused on the Chinese market, based on Photocure's Phase 2b data and the Phase 3 study design elements agreed upon with the U.S. FDA. 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 of Cevira. The program is estimated to be completed 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 July 8, 2020, and ahead of plan, Asieris announced that it had received Clinical Trial Approval (CTA) from China's National Medical Products Administration (NMPA) for the global, multi-centered Phase III clinical trial of Cevira (APL-1702), which is being developed for the non-surgical treatment of high-grade cervical dysplasia (HSIL).

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

Under the License Agreement with Asieris, Photocure has received a total signing fee of USD 5 million in 2019 and a first milestone payment of USD 1.5 million in the first quarter of 2020. These amounts were included in 2019 full year other revenues. The fees from Asieris are accounted for according to IFRS 15. Revenue recognition was based on a contract value of USD 8 million based on currency exchange rates at the time the contract was executed. In addition, the Company may receive a total of USD 16.5 million based upon the achievement of certain clinical and regulatory milestones in China, and up to USD 36 million for certain clinical and regulatory milestones in the U.S. and the EU. The approval of a second indication in China, the U.S. and the EU would result in payments of up to USD 14 million. Sales milestones and royalties of 10% up to 20% will apply in all markets.

## Financial review

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

MNOK	Q3 '20	Q3 '19	YTD '20	YTD '19
Hexvix / Cysview revenues	49.6	51.1	157.5	154.4
Other revenues	0.3	9.7	1.1	11.5
<b>Total revenues</b>	<b>49.9</b>	<b>60.8</b>	<b>158.6</b>	<b>166.0</b>
<b>Gross profit</b>	<b>46.5</b>	<b>56.1</b>	<b>147.0</b>	<b>151.3</b>
<b>Operating expenses</b>	<b>-51.9</b>	<b>-47.8</b>	<b>-166.1</b>	<b>-147.2</b>
<b>EBITDA before restruct.</b>	<b>-5.4</b>	<b>8.3</b>	<b>-19.1</b>	<b>4.2</b>
Depreciation & amortization	-3.8	-4.0	-11.6	-12.4
<b>EBIT before restruct.</b>	<b>-9.2</b>	<b>4.3</b>	<b>-30.7</b>	<b>-8.3</b>
Restructuring expenses	-7.2	-	-10.4	-
Net financial items	2.2	1.0	8.2	0.9
<b>Earnings before tax</b>	<b>-14.2</b>	<b>5.3</b>	<b>-32.8</b>	<b>-7.4</b>
Tax expenses	8.0	-5.9	0.2	-3.3
<b>Net earnings</b>	<b>-6.2</b>	<b>-0.6</b>	<b>-32.6</b>	<b>-10.7</b>

Photocure's strategy is to maximize its commercial presence and the opportunity for its flagship brand Hexvix/Cysview in bladder cancer. The Company will also continue to, alone or in partnerships, explore new product opportunities that are complementary to the Company's commercial activities and expertise in bladder cancer.

In line with its commercial market opportunities and strategic objectives, the Company continues to balance resources in its U.S. commercial



organization, while 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.

In third quarter preparations for the transfer of the European activities from Ipsen October 1, Photocure has added resources in Europe as well as in the global support organization.

### *Revenues*

The total revenues in the third quarter were NOK 49.9 million (NOK 60.8 million). Year-to-date revenues were NOK 158.6 million (NOK 166.0 million), corresponding to a decline of 4%.

Hexvix/Cysview revenues for the third quarter were NOK 49.6 million, a decline of 3% from the third quarter of 2019 (NOK 51.1 million). The decline was driven by the impact of the Covid-19 pandemic as well as the transition of the European activities including revenue impact from one-off reduced purchase of inventory and transfer of inventory from Ipsen. The revenue impact from transfer of inventory and reduced purchasing by Ipsen in the third quarter was approximately NOK 8.9 million. Year-to-date Hexvix/Cysview revenues were NOK 157.5 million (NOK 154.4 million), an increase of 2%. In constant currencies, Hexvix/Cysview revenues declined approximately 7% year to date.

Other revenues in the third quarter were NOK 0.3 million (NOK 9.7 million). The prior year period included a signing fee payment from Asieris totaling USD 1.0 million, corresponding to NOK 8.7 million, as per the license agreement for Cevira.

### *Operating expenses*

Total operating expenses, before restructuring and excluding depreciation and amortization, were NOK 51.9 million (NOK 47.8 million) in the third quarter. Year to date, the operating expenses increased 13% to NOK 166.1 million (NOK 147.2 million). The main contributor to the YoY increase in operating expenses was the currency impact of approximately 7%. The remaining increase was mainly driven by costs related to share-based compensation and the scaling of regulatory and marketing group activities. The latter is primarily related to preparations for the inclusion of the European business.

Third quarter research and development (R&D) costs stood at NOK 1.4 million (NOK 0.6 million). R&D costs year to date were NOK 2.9 million (NOK 2.6 million). The remaining R&D costs relate mainly to regulatory work and the maintenance and expansion of Photocure's intellectual property.

Sales and marketing costs increased by 8% to NOK 39.0 million (NOK 36.1 million) in the third quarter. Sales and marketing costs year to date were NOK 125.3 million (NOK 108.9 million).

The third quarter other operating expenses, which include supply chain, business development, and general/administration costs, were NOK 11.5 million, compared to NOK 11.1 million in the same quarter of 2019. Year to date, other operating expenses increased by 7% to NOK 38.0 million (NOK 35.6 million), mainly driven by currency impact.

### *Financial results*

EBITDA before restructuring was negative NOK 5.4 million (NOK 8.3 million) for the third quarter. Year to date EBITDA before restructuring was negative NOK 19.1 million (NOK 4.2 million). Currency translation had a limited impact on the third quarter and YTD EBITDA before restructuring. Lower EBITDA before restructuring was driven by the impact from the Covid-19 pandemic as well as the transition of the European business.

EBITDA before restructuring in the commercial segment was year to date NOK -13.7 million (NOK 5.7 million). The development portfolio EBITDA before restructuring year to date was negative NOK 5.4 million (NOK -1.6 million).

Year-to-date depreciation and amortization was NOK 11.6 million (NOK 12.4 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 10.4 million, relate 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 previously controlled by Ipsen.

Net financial items year to date were NOK 8.2 million (NOK 0.9 million). The net income is driven by a net currency gain.



Photocure experienced a net loss before tax of NOK 14.2 million in the third quarter (net profit of NOK 5.3 million) and a net loss before tax of NOK 32.8 million year to date (net loss of NOK 7.4 million). Net loss after tax was NOK 6.2 million for the third quarter (net loss of NOK 0.6 million), and year to date NOK 32.6 million (net loss of NOK 10.7 million).

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

Net cash flow from operations was negative NOK 9.9 million in the third quarter (positive NOK 9.9 million) and year to date positive NOK 4.5 million (negative NOK 9.8 million). The YTD improvement was mainly driven by working capital and a milestone payment from Asieris of USD 1.5 million, partly offset by the impact from the Covid-19 pandemic during the year.

Net cash flow from investments year to date was negative NOK 166.5 million (positive NOK 0.6 million). The net outflow reflects the payment to Ipsen of EUR 15 million.

Year to date, cash flow from financing was a positive NOK 358.5 million, driven by new equity and bank financing.

Photocure had two private placements on April 27 and June 24, raising total net proceeds of NOK 302 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 the 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 also secured bank financing of NOK 50 million from Nordea during the second quarter.

The third quarter net change in cash was negative NOK 177.6 million (positive NOK 9.2 million). Year to date, net change in cash was positive NOK 196.5 million (negative NOK 10.9 million). Cash and cash equivalents were NOK 321.8 million at the end of the third quarter.

Shareholders' equity was NOK 491.8 million at the end of the third quarter, representing an equity ratio of 81%.

As of September 30, 2020, Photocure held 15,666 of its own shares.

## Risks and uncertainty factors

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

The 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.

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

### Covid-19 pandemic update

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

Key markets like the U.S. and Europe are likely to continue to be impacted by the Covid-19 pandemic for some time. The Company experiences that bladder cancer treatments are procedures prioritized by healthcare systems. However, Photocure did see short-term postponements in the second quarter and to lesser extent in the third 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 continuous optimal service and support.

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

Photocure has decided to maintain its commercial resources during the Covid-19 pandemic to ensure a rapid recovery as the situation improves. However, cost-saving measures have been introduced during the last two quarters in order to counteract the impact of Covid-19 pandemic, and activity driven expenses, such as travel and program related costs within medical and marketing, have been reduced.

Overall, Photocure is experiencing an impact from Covid-19 pandemic, but the Company's long-term outlook remains strong.

## Expansion in Europe

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

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

By taking direct control of Photocure's own Hexvix/Cysview product in key regions, the Company is supporting its ambition to become a global leader in combating bladder cancer, with a solid basis for expansion and further growth opportunities. Photocure has commenced the Hexvix commercialization in Europe in the fourth quarter of 2020 and expects the Ipsen agreement to be EBITDA accretive from full-year 2021 and beyond.

To execute on this opportunity and our global strategy, Photocure has established its commercial operations in Europe, with key leads hired both at the country level and in the global functions to support the European organization. On July 1, 2020, Photocure appointed a Vice President and General Manager of Europe.

The successful transition and launch of European Hexvix operations creates a robust platform for accelerated growth and expansion for Photocure. The Company will leverage its expertise by applying in the European region the approach that ensured commercial success and strong growth in the Nordic and the U.S. markets.

## Expansion in rest of the world

In August, Photocure 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 cover all costs to secure regulatory approval, as well as the launch and the commercialization of Hexvix in Chile. Photocure will manufacture the product and support Genotests with the regulatory 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 employs the following 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 – Find products used in the management of bladder cancer patients





- Transforming – Find partner and in-license assets to strengthen the bladder cancer portfolio

The global Covid-19 pandemic has had a negative impact on patient visits and BLC procedures, as well as equipment installations since March 2020. However, Photocure did see a positive trend towards the end of the second quarter that continued through the third quarter: Photocure expects this development to continue going forward but finds the recent development of the Covid-19 pandemic to be concerning. The uncertain progression of the Covid-19 pandemic adds continued uncertainty to company forecast, negatively impacting the reliability of full year financial estimates. However, the company believes 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 the fear of exposure to Covid-19, the number of procedures is expected to rebound. Cancer progression has not stopped because of quarantine measures.

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

The procedure carried out in the office setting using a flexible cystoscope will, moreover, become an increasingly attractive proposition, given its less restrictive nature (location, no general anesthesia needed), which frees up hospital inpatient capacity.

The U.S. and Europe are Photocure's main growth markets, with large untapped opportunities. The Company has regained 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 the 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.

The Board of Directors and CEO  
Photocure ASA

Oslo, November 9, 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 third quarter and first nine months 2020

#### Photocure Group – Statement of comprehensive income

<i>(all amounts in NOK 1,000 except per share data)</i>	Note	2020 Q3	2019 Q3	2020 YTD Sep.	2019 YTD Sep.	2019 Full year
Sales revenues		49 939	51 284	158 586	154 793	213 908
Signing fees and milestone revenues	8	-	9 510	-	11 199	67 648
<b>Total revenues</b>		<b>49 939</b>	<b>60 794</b>	<b>158 586</b>	<b>165 992</b>	<b>281 556</b>
Cost of goods sold		-3 469	-4 691	-11 570	-14 667	-22 512
<b>Gross profit</b>		<b>46 470</b>	<b>56 103</b>	<b>147 016</b>	<b>151 325</b>	<b>259 045</b>
Indirect manufacturing expenses	3	-3 109	-2 774	-9 546	-8 164	-10 965
Research and development expenses	3	-3 886	-3 069	-10 350	-10 124	-13 644
Marketing and sales expenses	3	-39 072	-36 181	-125 458	-109 000	-148 738
Other operating expenses	3	-9 626	-9 772	-32 332	-32 312	-42 961
<b>Total operating expenses</b>		<b>-55 693</b>	<b>-51 797</b>	<b>-177 686</b>	<b>-159 599</b>	<b>-216 308</b>
<b>EBIT before restructuring</b>		<b>-9 223</b>	<b>4 306</b>	<b>-30 670</b>	<b>-8 274</b>	<b>42 737</b>
Restructuring	6	-7 151		-10 386		
<b>EBIT including restructuring</b>		<b>-16 374</b>	<b>4 306</b>	<b>-41 056</b>	<b>-8 274</b>	<b>42 737</b>
Financial income		10 397	1 886	22 126	3 507	7 978
Financial expenses		-8 192	-917	-13 895	-2 596	-4 813
<b>Net financial profit/loss(-)</b>		<b>2 205</b>	<b>970</b>	<b>8 231</b>	<b>911</b>	<b>3 165</b>
<b>Profit/loss(-) before tax</b>		<b>-14 170</b>	<b>5 275</b>	<b>-32 826</b>	<b>-7 363</b>	<b>45 901</b>
Tax expenses	4	7 983	-5 915	194	-3 346	-14 070
<b>Net profit/loss(-)</b>		<b>-6 187</b>	<b>-639</b>	<b>-32 632</b>	<b>-10 709</b>	<b>31 831</b>
Other comprehensive income		-436	250	583	106	-197
<b>Total comprehensive income</b>		<b>-6 623</b>	<b>-390</b>	<b>-32 049</b>	<b>-10 603</b>	<b>31 634</b>
Net profit/loss(-) per share, undiluted	5	-0.23	-0.03	-1.36	-0.49	1.46
Net profit/loss(-) per share, diluted	5	-0.23	-0.03	-1.36	-0.49	1.46



## Photocure Group – Statement of financial position

<i>(Amounts in NOK 1,000)</i>	Note	2020 Sep. 30	2019 Sep. 30	2019 Dec. 31
<b>Non-current assets</b>				
Intangible assets	7	3 923	14 056	11 605
Marketing rights	6	166 721		
Machinery & equipment	7	1 951	2 049	2 040
Right-of-use assets	9	4 971	7 964	7 008
Deferred tax asset	4	38 538	49 069	38 345
Long term receivables	8	10 617	-	11 478
<b>Total non-current assets</b>		<b>226 720</b>	<b>73 137</b>	<b>70 476</b>
<b>Current assets</b>				
Inventories		27 589	18 059	16 410
Accounts receivable		20 630	20 071	24 206
Other receivables		11 612	9 434	20 940
Cash and short term deposits	10	321 842	95 906	125 320
<b>Total current assets</b>		<b>381 673</b>	<b>143 470</b>	<b>186 876</b>
<b>Total assets</b>		<b>608 392</b>	<b>216 606</b>	<b>257 352</b>
<b>Equity</b>				
Share capital	12	13 314	10 898	10 898
Other paid-in capital		374 560	64 261	64 261
Retained earnings		103 895	91 194	133 431
<b>Shareholders' equity</b>		<b>491 768</b>	<b>166 353</b>	<b>208 590</b>
<b>Long-term liabilities</b>				
Pension liability		2 969	2 866	3 088
Long term loan	11	50 000	-	-
Lease liability	9	4 986	7 924	6 948
<b>Total long-term liabilities</b>		<b>57 955</b>	<b>10 790</b>	<b>10 036</b>
Current liabilities		58 669	32 983	38 725
Contract liabilities		-	6 481	-
<b>Total liabilities</b>		<b>116 624</b>	<b>50 253</b>	<b>48 762</b>
<b>Total equity and liabilities</b>		<b>608 392</b>	<b>216 606</b>	<b>257 352</b>

## Photocure Group – Changes in equity

<i>(Amounts in NOK 1,000)</i>	2020 Q3	2019 Q3	2020 YTD Sep.	2019 YTD Sep.	2019 Full year
<b>Equity at end of prior period</b>	<b>496 907</b>	<b>166 743</b>	<b>208 590</b>	<b>176 342</b>	<b>176 342</b>
Capital increase	712	-	311 004	614	614
Share-based compensation (share options employees)	772	-	4 222		
Comprehensive income	-6 623	-390	-32 049	-10 603	31 634
<b>Equity at end of period</b>	<b>491 768</b>	<b>166 353</b>	<b>491 768</b>	<b>166 353</b>	<b>208 590</b>



## Photocure Group – Cash flow statement

	2020	2019	2020	2019	2019
	Q3	Q3	YTD Sep.	YTD Sep.	Full year
<i>(Amounts in NOK 1,000)</i>					
Profit/loss(-) before tax	-14 170	5 275	-32 826	-7 363	45 901
Depreciation and amortization	3 819	3 978	11 581	12 442	16 213
Share-based compensation	1 731	-	4 222	-	-
Net interest income	-442	-409	-1 600	-1 321	-1 696
Changes in contract receivable	-	-	12 339	-	-22 956
Changes in working capital	-4 195	1 762	10 191	-10 196	-7 086
Other operational items	3 347	-697	606	-3 329	-9 723
<b>Net cash flow from operations</b>	<b>-9 910</b>	<b>9 910</b>	<b>4 514</b>	<b>-9 767</b>	<b>20 654</b>
Net investments in fixed assets	-144	-339	-936	-597	-770
Intangible asset expenditures	-	-83	-420	-83	-316
Payment, return of marketing rights	-166 721	-	-166 721	-	-
Received interest payments	442	409	1 600	1 321	1 696
<b>Cash flow from investments</b>	<b>-166 423</b>	<b>-13</b>	<b>-166 476</b>	<b>641</b>	<b>610</b>
Share capital increase employees	1 029	-	9 301	614	614
Private placements	-1 276	-	301 703	-	-
Payment lease liability	-998	-655	-2 519	-2 415	-3 391
Long term loan	-	-	50 000	-	-
<b>Cash flow from financing activities</b>	<b>-1 246</b>	<b>-655</b>	<b>358 485</b>	<b>-1 801</b>	<b>-2 777</b>
<b>Net change in cash during the period</b>	<b>-177 578</b>	<b>9 242</b>	<b>196 523</b>	<b>-10 927</b>	<b>18 487</b>
Cash & cash equivalents at beginning of period	499 421	86 664	125 320	106 833	106 833
<b>Cash &amp; cash equivalents at end of period</b>	<b>321 843</b>	<b>95 906</b>	<b>321 843</b>	<b>95 906</b>	<b>125 320</b>

## Notes to the accounts for third quarter and first nine months 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 U.S. 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 December 31, 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 November 9, 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 3

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

According to the final agreement Photocure paid Ipsen EUR 15 million upon transfer on October 1, 2020. Ipsen booked 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 former Ipsen markets.

According to IFRS 3 the transaction may be regarded as a business combination using the acquisition method if the acquired set of activities and assets meets the definition of a business and control is transferred. In determining whether a particular set of activities and assets is a business, Photocure will assess whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

Photocure is currently analyzing the transaction in regard to financial presentation and disclosures. The results of the work will let Photocure do the allocation of the total purchase price for the rights for financial statement reporting purposes according to IFRS 3. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

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



## IFRS 15

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 consists of the signing fee, different milestone payments and potential sales-based royalty payments. The part of the transaction price related to milestone payments is 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 revenues, including sales revenues for Hivec. Development Portfolio includes development of pipeline products.

<b>1 Jan - 30 September 2020</b>						
(Amounts in NOK 1 000)	<b>Hex/Cys Own Sales</b>	<b>Hex/Cys Partner</b>	<b>Other Sales</b>	<b>Total Sales</b>	<b>Total Development</b>	<b>Grand Total</b>
Sales revenues	107 864	49 652	781	158 296	290	158 586
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-6 358	-4 679	-326	-11 363	-207	-11 570
<b>Gross profit</b>	<b>101 506</b>	<b>44 973</b>	<b>455</b>	<b>146 933</b>	<b>83</b>	<b>147 016</b>
Gross profit of sales %	94 %	91 %	58 %	93 %	29 %	93 %
R&D	-351	-614	-	-965	-1 884	-2 849
Sales & marketing	-114 428	-9 177	-	-123 606	-1 683	-125 289
Other & allocations	-19 682	-14 313	-2 055	-36 050	-1 918	-37 967
<b>Operating expenses</b>	<b>-134 461</b>	<b>-24 105</b>	<b>-2 055</b>	<b>-160 620</b>	<b>-5 485</b>	<b>-166 105</b>
<b>EBITDA</b>	<b>-32 955</b>	<b>20 868</b>	<b>-1 600</b>	<b>-13 687</b>	<b>-5 402</b>	<b>-19 089</b>



## Photocure – Results for third quarter 2020

**1 Jan - 30 September 2019**

(Amounts in NOK 1 000)

	<b>Hex/Cys Own Sales</b>	<b>Hex/Cys Partner</b>	<b>Other Sales</b>	<b>Total Sales</b>	<b>Total Development</b>	<b>Grand Total</b>
Sales revenues	104 576	49 869	348	154 793	-	154 793
Milestone revenues	-	2 534	-	2 534	8 665	11 199
Cost of goods sold	-6 023	-8 471	-172	-14 667	-	-14 667
<b>Gross profit</b>	<b>98 553</b>	<b>43 931</b>	<b>176</b>	<b>142 660</b>	<b>8 665</b>	<b>151 325</b>
Gross profit of sales %	94 %	83 %	51 %	91 %		91 %
R&D	-	-	-	-	-2 624	-2 624
Sales & marketing	-100 524	-6 308	-	-106 832	-2 054	-108 886
Other & allocations	-13 689	-14 510	-1 890	-30 089	-5 559	-35 648
<b>Operating expenses</b>	<b>-114 213</b>	<b>-20 818</b>	<b>-1 890</b>	<b>-136 921</b>	<b>-10 237</b>	<b>-147 158</b>
<b>EBITDA</b>	<b>-15 660</b>	<b>23 113</b>	<b>-1 714</b>	<b>5 739</b>	<b>-1 571</b>	<b>4 167</b>

**Q3 2020**

(Amounts in NOK 1 000)

	<b>Hex/Cys Own Sales</b>	<b>Hex/Cys Partner</b>	<b>Other Sales</b>	<b>Total Sales</b>	<b>Total Development</b>	<b>Grand Total</b>
Sales revenues	39 971	9 665	304	49 939	-	49 939
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-2 773	-561	-135	-3 469	-	-3 469
<b>Gross profit</b>	<b>37 198</b>	<b>9 103</b>	<b>169</b>	<b>46 470</b>	<b>-</b>	<b>46 470</b>
Gross profit of sales %	93 %	94 %	56 %	93 %		93 %
R&D	-191	-334	-	-524	-861	-1 385
Sales & marketing	-35 618	-3 112	-	-38 729	-283	-39 013
Other & allocations	-6 196	-4 189	-566	-10 951	-524	-11 475
<b>Operating expenses</b>	<b>-42 004</b>	<b>-7 635</b>	<b>-566</b>	<b>-50 205</b>	<b>-1 669</b>	<b>-51 873</b>
<b>EBITDA</b>	<b>-4 806</b>	<b>1 469</b>	<b>-397</b>	<b>-3 734</b>	<b>-1 669</b>	<b>-5 403</b>

**Q3 2019**

(Amounts in NOK 1 000)

	<b>Hex/Cys Own Sales</b>	<b>Hex/Cys Partner</b>	<b>Other Sales</b>	<b>Total Sales</b>	<b>Total Development</b>	<b>Grand Total</b>
Sales revenues	35 135	16 005	144	51 284	-	51 284
Milestone revenues	-	845	-	845	8 665	9 510
Cost of goods sold	-1 833	-2 790	-68	-4 691	-	-4 691
<b>Gross profit</b>	<b>33 302</b>	<b>14 059</b>	<b>76</b>	<b>47 437</b>	<b>8 665</b>	<b>56 103</b>
Gross profit of sales %	95 %	83 %	53 %	91 %		91 %
R&D	-	-	-	-	-569	-569
Sales & marketing	-33 061	-2 203	-	-35 263	-878	-36 141
Other & allocations	-4 645	-4 349	-621	-9 616	-1 493	-11 109
<b>Operating expenses</b>	<b>-37 706</b>	<b>-6 552</b>	<b>-621</b>	<b>-44 879</b>	<b>-2 940</b>	<b>-47 819</b>
<b>EBITDA</b>	<b>-4 403</b>	<b>7 507</b>	<b>-546</b>	<b>2 558</b>	<b>5 725</b>	<b>8 283</b>



<b>1 Jan - 31 December 2019</b>						
(Amounts in NOK 1 000)	<b>Hex/Cys Own Sales</b>	<b>Hex/Cys Partner</b>	<b>Other Sales</b>	<b>Total Sales</b>	<b>Total Development</b>	<b>Grand Total</b>
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

(Amounts in NOK 1 000)	<b>2020 YTD Sep.</b>	<b>2019 YTD Sep.</b>	<b>2020 Full year</b>
Sales revenues	158 586	154 793	213 908
Signing fees and milestone revenues	-	11 199	67 648
Cost of goods sold	-11 570	-14 667	-22 512
<b>Gross profit</b>	<b>147 016</b>	<b>151 325</b>	<b>259 045</b>
Payroll expenses	-114 784	-92 977	-123 109
R&D costs excl. payroll expenses/other operating exp.	-1 798	-1 361	-1 761
Ordinary depreciation and amortization	-11 617	-12 442	-16 213
Other operating expenses	-49 487	-52 820	-75 225
<b>Total operating expenses recurring</b>	<b>-177 686</b>	<b>-159 599</b>	<b>-216 308</b>
<b>EBIT recurring</b>	<b>-30 670</b>	<b>-8 274</b>	<b>42 737</b>



## Note 4 – Tax

	<b>2020</b>	<b>2019</b>
<i>(Amounts in NOK 1 000)</i>	<b>Sep. 30</b>	<b>Dec. 31</b>
<b>Income tax expense</b>		
Tax payable	-	-
Changes in deferred tax	194	-14 032
<b>Total income tax expense</b>	<b>194</b>	<b>-14 032</b>
<b>Tax base calculation</b>		
Profit before income tax	4 891	61 375
Permanent differences	513	1 988
Temporary differences	-34 116	-6 145
Change in tax loss carried forward	28 712	-57 218
<b>Tax base</b>	<b>-</b>	<b>-</b>
<b>Temporary differences:</b>		
<b>Total</b>	<b>-138 787</b>	<b>-104 110</b>
Tax loss carried forward	313 957	278 404
<b>Net temporary differences</b>	<b>175 170</b>	<b>174 293</b>
<b>Deferred tax benefit</b>	<b>175 170</b>	<b>174 293</b>
<b>Deferred tax asset</b>	<b>38 538</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 identical to the disclosure for parent company. The calculation of deferred tax asset September 30, 2020 and December 31, 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 September 2020 is NOK 38.5 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 is the predicted future profit according to the business plan for all major markets and that temporary differences for the coming years will be reversed. The basis for the recognition of the tax asset is the assessment that there is convincing evidence that the deferred tax benefit will be utilized.

For further information refer to the consolidated financial statements for the year ended December 31, 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
(Figures indicate the number of shares)	YTD Sep.	Full year
Issued ordinary shares January 1	21 796 387	21 779 008
Effects of share options exercised	97 322	-
Effect of treasury shares	-16 572	-15 839
Effect of shares issued	2 074 478	14 855
<b>Weighted average number of shares</b>	<b>23 951 615</b>	<b>21 778 024</b>
Effect of outstanding share options	206 702	56 784
<b>Weighted average number of diluted shares</b>	<b>24 158 318</b>	<b>21 834 808</b>
Earnings per share in NOK	-1.36	1.46
Earnings per share in NOK diluted	-1.36	1.46

## Note 6 – Marketing rights Europe and restructuring

Photocure announced in April the return of Hexvix sales, marketing and distribution rights in Europe and other markets controlled by Ipsen Pharma SAS (Ipsen). On June 11, the parties entered into a final agreement where Photocure 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. The contingent consideration to Ipsen is not included in the third quarter financial position. The purchase price allocation is currently under evaluation and will not be finalized before end of current year.

The costs related directly to this transactions and related costs incurred by Photocure in 2020 have been considered as infrequent and of unusual nature and specified in the statement of comprehensive income as restructuring costs.

## Note 7 – Fixed Assets

(Amounts in NOK 1 000)	Machinery & equipment	Intangibles
<b>Net book value December 31, 2019</b>	<b>2 040</b>	<b>11 605</b>
Net investments YTD Sep. 30, 2020	600	420
Depreciation and amortization YTD Sep. 2020	-689	-8 103
<b>Net book value September 30, 2020</b>	<b>1 951</b>	<b>3 923</b>

Photocure has carried out a clinical study in U.S. for the approved product Cysview in order to file a supplemental NDA. Related to this study Photocure has capitalized, net after amortization, NOK 2.1 million as of September 30, 2020 and NOK 9.6 million as of December 31, 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 8 – 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 September 30, 2020 is NOK 10.6 million.

## Note 9 – Right of use assets

The Group has adopted IFRS 16 “Leases” from January 1, 2019. The lease liability is measured at the present value of the lease payments that are not paid at the commencement, discounted using the Group’s incremental borrowing rate as the discount rate. The lease liability is due by the end of 2022.

Impacts <i>(all amounts in NOK 1 000)</i>	2020		
	Sep. 30	Dec. 31	
	<b>Discount rate</b>	<b>Value</b>	<b>Value</b>
Right-of-use assets Norway	2.60 %	2 567	3 996
Right-of-use assets US	5.20 %	2 404	3 013
<b>Total Lease Assets</b>		<b>4 971</b>	<b>7 008</b>
Lease liability		-4 986	-6 948
<b>Total non-current liabilities</b>		<b>-4 986</b>	<b>-6 948</b>
Amortization of assets		2 825	3 429
Interest expenses		151	236
<b>Costs IFRS 16</b>		<b>2 976</b>	<b>3 664</b>

## Note 10 – 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				
<i>(Amounts in NOK 1 000)</i>	Level 1	Level 2	Level 3	Total
Financial assets available for sale:				
- Money market funds	275 134	-	-	275 134
<b>Total</b>	<b>275 134</b>	<b>-</b>	<b>-</b>	<b>275 134</b>



## Note 11 – Long term loan

Photocure received a loan of NOK 50 million from Nordea in the second quarter. The loan is secured under the State Guarantee Scheme for Loans to SME's (Covid-19 related). The loan carries a floating interest rate, and the effective interest rate at the end of the third quarter was 2.67%. The loan is a three-year term loan, first year interest only, thereafter quarterly repayments of NOK 6.25 million.

## Note 12 – Share capital

Registered share capital in Photocure ASA amounts to:

	No. of shares	Nominal value per share	Share capital in NOK
Share capital at December 31, 2019	21 796 387	NOK 0.50	10 898 194
Share capital at September 30, 2020	26 627 386	NOK 0.50	13 313 693
<b>Treasury shares:</b>			
Holdings of treasury shares at December 31, 2019	16 624		8 312
Buy-back of shares	-	NOK 0.50	-
Sale(-)/Buy-back of restricted shares	-958	NOK 0.50	-479
<b>Holdings of treasury shares at September 30, 2020</b>	<b>15 666</b>		<b>7 833</b>

The table below indicates the status of authorizations as of September 30, 2020:

	Purchase, treasury shares	Ordinary share issue	Employee share issues
<i>(Figures indicate the number of shares)</i>			
Authorization issued at the General Meeting on June 10, 2020	2 397 603	3 596 403	500 000
Share issues after the General Meeting on June 10, 2020	-	2 401 700	115 666
Purchase of treasury shares	-	-	-
<b>Remaining under authorizations at September 30, 2020</b>	<b>2 397 603</b>	<b>1 194 703</b>	<b>384 334</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 September 30, 2020:

Name	Position	No. of shares	No. of restricted shares	No. of subscription rights	No. of conditional sub. rights
Daniel Schneider	President & CEO	15 000	18 353	200 000	60 000
Erik Dahl	Chief Financial Officer	5 900	7 133	65 500	35 000
Geoffrey Coy	Head, US Cancer Commercial Operations	-	-	90 000	35 000
Grete Hogstad	Vice President Strategic Marketing	16 278	5 566	46 000	25 000
Patricia Kelly	Vice President Global Human Resources	-	-	40 000	-
Kari Myren	Head of Global Medical Affairs and Clin. Dev.	-	2 021	25 000	25 000
Gry Stensrud	Vice President Tech. Dev. & Operations	4 545	5 344	51 300	25 000
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. Conditional subscription rights are subject to company and individual performance in 2020.

## Note 13 – Share options

On September 30, 2020, employees in Photocure had the following share option schemes:

Year of allocation	2020*	2020	2020	2020	2017	2016
Option program	2020	2020	2019	2019	2017	2016
Number	335 000	130 000	396 750	90 000	16 734	81 700
Exercise price (NOK)	81.41	81.41	50.72	56.83	38.06	40.15
Date of expiry	Sep. 15, 2025	Sep. 15, 2025	May 9, 2024	Aug. 20, 2024	Dec. 31, 2021	Dec. 31, 2020

\* Conditional grant. Final grant subject to company and individual performance of 2020.

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

	Sep. 30, 2020		Dec. 31, 2019	
	No. of options	Average exercise price (NOK)	No. of options	Average exercise price (NOK)
Outstanding at start of year	231 700	39.76	381 868	37.02
Allocated during the year*	965 000	66.08	-	-
Become invalid during the year	5 400	38.06	-	-
Exercised during the year	141 116	10.83	150 168	32.78
Expired during the year	-	-	-	-
Outstanding at end of period	1 050 184	63.81	231 700	39.76
Exercisable options at end of period	210 184	46.26	231 700	39.76

\* Including conditional grant



## Note 14 – Shareholders

Overview of the major shareholders as of September 30, 2020:

Major Shareholders	Citizen	Type	# Shares	%
MORGAN STANLEY & CO. LLC	US	Nominee	737 353	2.8 %
NORDNET BANK AB	Sweden	Nominee	719 408	2.7 %
RADIUMHOSPITALET FORSKNINGSSTIFT.	Norway	Ordinary	679 619	2.6 %
MORGAN STANLEY & CO INTL PLC	UK	Ordinary	621 633	2.3 %
VERDIPAPIRFONDET PARETO INVESTMENT	Norway	Ordinary	578 000	2.2 %
THE BANK OF NEW YORK MELLON	US	Nominee	576 991	2.2 %
VERDIPAPIRFONDET KLP AKSJENORGE	Norway	Ordinary	525 630	2.0 %
VERDIPAPIRFONDET DNB SMB	Norway	Ordinary	450 466	1.7 %
J.P. MORGAN BANK LUXEMBOURG S.A.	Luxembourg	Nominee	439 830	1.7 %
VERDIPAPIRFONDET DNB NORDEN	Norway	Ordinary	411 300	1.5 %
VERDIPAPIRFONDET DELPHI NORDIC	Norway	Ordinary	399 700	1.5 %
NORDNET LIVSFORSIKRING AS	Norway	Ordinary	362 963	1.4 %
SEB PRIME SOLUTIONS SISSENER CANOP	Luxembourg	Ordinary	360 493	1.4 %
MP PENSJON PK	Norway	Ordinary	345 178	1.3 %
Euroclear Bank S.A./N.V.	Belgium	Nominee	343 626	1.3 %
JP MORGAN CHASE BANK, LONDON	UK	Nominee	341 351	1.3 %
EQUINOR PENSJON	Norway	Ordinary	336 200	1.3 %
VICAMA AS	Norway	Ordinary	329 530	1.2 %
SKANDINAVISKA ENSKILDA BANKEN AB	Sweden	Nominee	300 000	1.1 %
MYRLID AS	Norway	Ordinary	300 000	1.1 %
<b>Total 20 largest shareholders</b>			<b>9 159 271</b>	<b>34.4 %</b>
Total other shareholders			17 468 115	65.6 %
<b>Total number of shares</b>			<b>26 627 386</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 amortization. The non-cash elements depreciation and amortization may vary significantly between companies depending on the value and type of assets.

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

The reconciliation to the IFRS accounts is as follows:

	2020	2019	2020	2019	2019
<i>(all amounts in NOK 1 000)</i>	Q3	Q3	YTD Sep.	YTD Sep.	Full Year
<b>Gross profit</b>	<b>46 470</b>	<b>56 103</b>	<b>147 016</b>	<b>151 325</b>	<b>259 045</b>
Operating expenses excl depreciation & amortization	-54 677	-47 819	-168 906	-147 157	-200 095
<b>EBITDA before restructuring</b>	<b>-8 207</b>	<b>8 284</b>	<b>-21 890</b>	<b>4 168</b>	<b>58 950</b>
Depreciation & amortization	-3 818	-3 978	-11 581	-12 442	-16 213
<b>EBIT before restructuring</b>	<b>-12 025</b>	<b>4 306</b>	<b>-33 471</b>	<b>-8 274</b>	<b>42 737</b>

Year to date September 30, 2020, Photocure incurred NOK 10.4 million in restructuring costs. Photocure chooses to measure before restructuring costs because adjustments of these items give a better basis for an evaluation of future results.

### Revenue growth in constant currency

Photocure’s business is conducted internationally and in respective local currency. Less than 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 in total for the Company.

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



	2020 Q3	2019 Q3	2020 YTD Sep.	2019 YTD Sep.	2019 Full Year
USD (NOK per 1 USD)	9.13	8.86	9.55	8.70	8.80
EUR (NOK per 1 EUR)	10.67	9.85	10.72	9.77	9.85
DKK (NOK per 100 DKK)	143.33	132.00	143.67	130.89	131.93
SEK (NOK per 100 SEK)	102.96	92.37	101.44	92.46	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 to 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 consolidates it to get the group total in-market sales, in units and in Norwegian kroner.

	2020 Q3	2019 Q3	2020 YTD Sep.	2019 YTD Sep.	2019 Full Year
<i>(all amounts in NOK 1 000)</i>					
<b>In-market sales</b>	<b>93 396</b>	<b>81 677</b>	<b>248 490</b>	<b>243 178</b>	<b>330 261</b>





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

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



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