



Quarterly Report

Q2 2021

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THE
BLADDER CANCER
COMPANY



Highlights for second quarter 2021

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

- Hexvix®/Cysview® revenue increased 66% YoY in the second quarter driven mainly by strong growth in our U.S. and European segments compared to the second quarter of 2020, as well as consolidation of revenues from the acquisition of the Ipsen territories.
- Unit sales in the U.S. increased 53% YoY for the second quarter. The installed base of blue light cystoscopes in the U.S. was 288 (246) at the end of the second quarter, an increase of 42 installed cystoscopes or 17% from the same period last year. The installed base included 42 flexible cystoscopes.
- Continued successful transition of European Hexvix operations. The acquired operation generated revenue of NOK 48.9 million in the second quarter.
- Restricted access to healthcare in both the U.S. and Europe due to the ongoing effects of Covid-19, as well as negative foreign exchange adversely impacted Q2 2021 revenue. Foreign exchange negatively impacted total revenue by 11%.
- EBITDA before restructuring for the second quarter was NOK 5.8 million (NOK -8.9 million).
- Cash balance at the end of the second quarter of 2021 was NOK 340.2 million (NOK 499.4 million). Second quarter net cash increase was NOK 10.8 million.
- During the second quarter of 2021, Photocure's partner, Genotests SpA ("Genotests") announced that it had been notified by regulators in Chile that its Marketing Authorization Application (MAA) for Hexvix was accepted for review.

Key Figures:

Figures in NOK million	Q2 2021	Q2 2020	Change	YTD 2021	YTD 2020	Change	FY 2020
Hexvix/Cysview revenues	88.9	53.5	66 %	170.5	107.9	58 %	255.2
Other revenues	1.5	0.2		8.1	0.8		1.3
Total revenues	90.4	53.7	68 %	178.6	108.6	64 %	256.5
Operating expenses	-78.5	-60.6	29 %	-143.5	-114.2	26 %	-241.9
EBITDA before restructuring	5.8	-8.9		24.0	-13.7		-3.9
EBITDA commercial franchise	7.6	-6.4		26.7	-10.0		4.2
EBITDA development portfolio	-1.8	-2.5		-2.8	-3.7		-8.1
EBIT	-0.2	-14.2		12.0	-24.7		-36.1
Net Earnings	-10.6	-8.7		4.6	-26.4		-22.4
Cash & cash equivalents				340.2	499.4		334.9

President & CEO Daniel Schneider comments:

"Photocure achieved year over year Hexvix/Cysview revenue growth of 66% in the second quarter of 2021. This performance was driven by a recovery from the comparable period in 2020 when Covid-19 first surged, our reacquisition of the Hexvix business in continental Europe, and our ability to capitalize on improving healthcare access in several of our commercial territories. Excluding the impact of negative foreign exchange, Hexvix/Cysview revenue was up 87% over the second quarter last year. We continued to increase our penetration into the bladder cancer treatment market, with U.S. unit volume rising 18.6% sequentially, from the first quarter to the second quarter of this year. In May, we achieved the highest number of units ever sold per month in our U.S. business, and in Europe, unit volume in the second quarter nearly returned to the same level seen in the 2019 period, with renewed sales activity in priority growth markets such as France and the UK.



The installed base of BLC equipment in the U.S. increased by 8 towers during the second quarter of 2021. Component backorders from our capital equipment supplier delayed the final activation of 4 additional towers for which installation was completed in July. Karl Storz is preparing to launch a new enhanced BLC system. While our pipeline for new tower placements remains robust, we anticipate an impact on the number of installations in H2 2021 given the potential for additional component backorders and our expectation that some customers may wait to order the anticipated next generation BLC equipment in H1 2022. Our primary objective during this period is to continue to grow unit sales by leveraging the current installed base of BLC equipment and any new tower installations in H2 2021.

Positive EBITDA in the second quarter was driven by our strong revenue performance, as well as constrained spending levels as the pandemic continued to restrict some of our commercial and corporate activities. As a result, our cash balance increased during the quarter by NOK 10.8 million to NOK 340.2 million. For the second half of 2021, Photocure plans to increase investment in commercial activities to capitalize on improving access to care and to further penetrate the large potential market opportunity for Hexvix/Cysview in our direct global markets.

Despite the ongoing effects of Covid-19 and its variants, I am pleased with the Company's performance in the first half of 2021. I believe that the rebound in kit volume that we saw in the second quarter is a good indication of our ability to return to strong organic growth rates once the pandemic is better controlled and global access to healthcare stabilizes. For now, the environment for revenue development remains less clear given the latest surge in new Covid-19 Delta cases. We remain focused on our priorities to help more patients suffering from bladder cancer benefit from our proven solution, and to create value for our shareholders as we pursue our vision to become a leader in the bladder cancer treatment segment."

Operational review

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

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

With established specialty commercial and medical teams in the U.S. and Europe focused exclusively on the uro-oncology segment, Photocure has a solid foundation for the future growth of its breakthrough bladder cancer product, as well as the potential to expand its portfolio of solutions within the same bladder cancer domain. Despite the significant business challenges of Covid-19, Photocure successfully transitioned the European Hexvix business from Ipsen to its newly launched European Operations, which began on October 1, 2020.

Photocure continues to strive for ethical business operations, transparency and accountability in line with stakeholder expectations. In May 2021, the Company joined the UN Global Compact and published its sustainability (ESG) report for the year

2020, which can be accessed on the Company's website.

Commercial segment update

Our second quarter 2021 results showed strong YoY growth and as well as sequential improvement compared to the first quarter of 2021, as healthcare access reopened in certain parts of the U.S. and Europe. However, the global Covid-19 pandemic continues to inhibit a full recovery of our business, and an expected "fourth wave" of the Covid-19 Delta variant is causing some access closures, particularly in parts of Europe.

Second quarter results were positively impacted by YoY growth in both of Photocure's direct territories, as well as the revenue contribution from the successful transition of the Ipsen territories that began in Q4 2020. Revenues from the U.S. segment were up 131%, with a 53% increase in unit sales. The significant revenue increase above unit volume growth was driven by the 340b accrual of NOK 11 million taken in Q2 2020. The 340b Program is a drug discount program that is sponsored by the U.S. Government. Photocure no longer participates in this program. Negative foreign exchange impacted U.S. sales by 16%, as the Norwegian Kroner continues to strengthen versus the U.S. Dollar. Revenues from the Company's European segment rose 44% YoY during



the quarter, aided by new sales from the acquisition of the Ipsen territories and a partial recovery in some countries. However, certain territories remain challenged by the impact of Covid-19 and negative foreign exchange also weighed on the Company's sales results in Europe.

The consolidated currency impact was negative by approximately 11%. In constant currencies, Hexvix/Cysview revenue in Q2 2021 would have been NOK 99.8 million, an increase of 87% YoY.

Income statement - Commercial Franchise

<i>MNOK</i>	Q2 '21	Q2 '20	YTD '21	YTD '20
US revenues	31.4	13.6	58.6	41.8
Europe revenues	57.6	39.9	111.9	66.1
Partner revenues	0.0	0.0	0.0	0.0
Hexvix/Cysview total	88.9	53.5	170.5	107.9
<i>YoY growth</i>	66 %		58 %	
Other revenues	0.2	0.2	6.8	0.5
Total revenues	89.2	53.7	177.3	108.4
<i>YoY growth</i>	66 %		64 %	
Gross profit	83.8	51.7	166.9	100.5
Operating expenses	-76.2	-58.1	-140.2	-110.4
EBITDA before restr.	7.6	-6.4	26.7	-10.0
<i>EBITDA margin</i>	9 %	-12 %	15 %	-9 %

Total Hexvix/Cysview revenue in Q2 2021 increased by 66% to NOK 88.9 million (NOK 53.5 million) compared to the same period in 2020. The increase was driven by higher U.S. and European segment sales, partially offset by the impact of Covid-19 and negative foreign exchange.

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

Operating expenses, excluding depreciation and amortization, increased 31% to NOK 76.2 million (NOK 58.1 million) in the second quarter. The increase was mainly driven by investments to strengthen the Company's European commercial capabilities. Excluding incremental costs from the European organization, operating expenses were higher than the prior-year period in constant currencies, as access to care has improved and as a result, the Company has resumed spending on prioritized commercial and corporate activities.

Second quarter 2021 EBITDA was NOK 7.6 million, an increase of NOK 14.0 million (NOK -6.4 million). The increase was driven by higher YoY revenues, additional EBITDA contribution from new direct European revenue, continued lower spending due to

the ongoing Covid-19 pandemic, partially offset by a negative impact from foreign exchange.

Hexvix/Cysview

Global in-market volume increased 29% in the second quarter of 2021 YoY, due to improved healthcare access compared to the surge in Covid-19 cases and shelter in place restrictions imposed in the prior-year period.

U.S. Cysview Segment

The Company grew U.S. unit volume in the second quarter of 2021 by 53% compared to the same period in 2020, and revenues increased 131% YoY to NOK 31.4 million (NOK 13.6 million), with the pandemic having a lower impact in 2021 compared to the 2020 period, and as the U.S. business continues to grow despite Covid-19. U.S. revenue growth was also positively impacted by an accrual taken in the second quarter of 2020 associated with potential 340B discounts. Foreign exchange partially offset this growth, negatively impacting U.S. sales by 16% in the second quarter of 2021. While access to healthcare remains closed or restricted in certain areas of the U.S., access restrictions in other regions have lifted and procedural volumes are increasing. As a result, Photocure expects business improvement in the U.S. to continue during the remainder of 2021, subject to the ability of the healthcare system to successfully manage the surge of the Covid-19 Delta variant and the willingness of patients to seek care.

Growth in U.S. unit volume is being driven by focused sales resources and the ongoing launch of Cysview in the bladder cancer flexible cystoscopy surveillance setting. We expect the U.S. to be the fastest growing segment for Photocure over the next several years.

The introduction of Cysview in the surveillance market together with improved reimbursement has resulted in growth of the installed base of blue light cystoscopes. At the end of the second quarter of 2021, the total installed base of rigid cystoscopes was 288, an increase of 17% or 42 units since the second quarter of 2020 (246). Blue Light Cystoscopy (BLC™) in the surveillance setting remains a strategic priority for Photocure in the U.S. market. By the end of the second quarter of 2021, 42 flexible cystoscopes for the surveillance cystoscopy setting had been installed, an increase of 12 or 40% compared to the same period last year (30).

European Hexvix Segment

In the second quarter of 2021, revenues in the Company's European segment increased 44% to NOK



57.6 million (NOK 39.9 million). Consolidation of revenue and unit volume growth from the acquired Ipsen territories outweighed a year over year decline in Nordic country sales due to challenging market conditions associated with the Covid-19 pandemic. Additionally, European segment sales growth reflects a royalty true-up in the second quarter of 2020 including adjustments for fourth quarter 2019 and first quarter 2020 totaling NOK 13 million. In-market unit sales in Europe in the second quarter of 2021 increased 24%, compared to the same period last year, due to a favorable comparison to the prior-year period which was impacted by the initial surge of Covid-19, and new resources from Photocure deployed into the European business. In particular, priority growth markets, France and the UK exhibited strong unit growth in Q2 2021, driven by the Company's renewed efforts in these territories. Foreign exchange partially offset this growth, negatively impacting European segment sales by 8% in the second quarter of 2021.

Hexvix/Cysview partner sales

Photocure currently has market access through partners in Canada (BioSyent) and New Zealand/Australia (Juno). Due to reimbursement challenges and highly restrictive pandemic conditions, revenues in the second quarter of 2021 were limited. Furthermore, Photocure has signed agreements with Genotests SpA ("Genotests") for Chile and Asieris MediTech Co. Ltd. ("Asieris") for mainland China and Taiwan.

In August 2020, Photocure appointed Genotests as the exclusive distributor of Hexvix in Chile. Under the terms of the agreement, Genotests will cover all costs to secure regulatory approval, as well as the launch and the commercialization of Hexvix in Chile. Photocure will manufacture the product and support Genotests with the regulatory filing, training and promotional materials. There are approximately 1,500 new bladder cancer cases annually in Chile, an estimated 5,000 TURBT procedures and nearly 3,000 surveillance cystoscopies. In May 2021, we were informed by Genotests that the Instituto de Salud Pública de Chile accepted submission of the Marketing Authorization Application (MAA) for Hexvix, and that the application will be reviewed under new fast-track procedures.

In January 2021, Photocure entered into a partnership agreement with Asieris, a division of Jiangsu Yahong Meditech Co., Ltd., whereby Asieris obtained exclusive rights to register and commercialize Hexvix in Mainland China and Taiwan.

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

Hexvix/Cysview publications and presentations

On May 28, 2021, an article in the journal, *Urologic Oncology: Seminars and Original Investigations*, was published on-line featuring results from a study conducted as part of the *Blue Light Cystoscopy with Cysview® Registry*. Results from this study reported on the relationship between smoking status and risk of recurrence in patients with non-muscle invasive bladder cancer (NMIBC). Smoking has a strong causal association with bladder cancer occurrence, but the relationship with recurrence of the disease is not well established. This analysis of more than 700 patients demonstrated that smoking status was not significantly associated with recurrence in patients with predominantly high-risk recurrent NMIBC managed with photodynamic enhanced cystoscopy.

<https://www.sciencedirect.com/science/article/abs/pii/S107814392100185X?via%3Dihub>

On June 9, 2021, results from a retrospective study designed to compare the use of white light and blue light cystoscopy for the detection of BCG-refractory bladder tumors, were published in the *Journal of Endourology*. In the study, all patients underwent initial BLC trans-urethral bladder tumor resection (TURBT) and restaging TURBT if needed, followed by full-dose BCG. Bladder cancer was found in 33 out of the 136 patients in the study, and in 16 of the 33 patients, bladder tumors were only detected with BLC. In addition, 18 patients had concomitant carcinoma in situ, of which 12 cases (67%) were detected solely by BLC. The study authors concluded that systematic use of BLC after BCG induction increases the detection of BCG-refractory tumors and leads to significant modification in the treatment of high-risk NMIBC.

<https://pubmed.ncbi.nlm.nih.gov/34107773/>

On June 20, 2021, study results in a paper entitled *Macro and microeconomics of blue light cystoscopy with Cysview® in non-muscle invasive bladder cancer*



were published on-line in the journal, *Urologic Oncology: Seminars and Original Investigations*. The study objective was to determine the estimated budget impact to practices that incorporate blue light cystoscopy (BLC) with Cysview for the surveillance of NMIBC in the clinic setting. In a simulated facility with 50 newly diagnosed bladder cancer patients, the results illustrate that the additional use of BLC in surveillance identified 9 additional recurrences over two years compared to WLC alone. Use of flexible BLC for surveillance marginally increased costs to the practice, with a net difference of \$0.76 per cystoscopy over 2 years.

<https://www.sciencedirect.com/science/article/pii/S1078143921002313?dgcid=author>

Development portfolio update

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

Income statement - Development Portfolio

MNOK	Q2 '21	Q2 '20	YTD '21	YTD '20
Total revenues	1.3	-	1.3	0.3
Gross profit	0.5	-	0.5	0.1
Operating expenses	-2.2	-2.5	-3.3	-3.8
EBITDA before restr.	-1.8	-2.5	-2.8	-3.7

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 with a world-wide license to develop and commercialize Cevira for the treatment of HPV induced cervical precancerous lesions.

Subsequently, Asieris launched a global clinical development program, initially focused on the Chinese market, based on Photocure's Phase 2b data for patients diagnosed with high grade lesions and the Phase 3 study design elements agreed upon with the U.S. FDA. Patient enrolment in the initial Phase 3 study was initiated in China in late 2020, with the majority of patients being enrolled in China and the remainder anticipated to be enrolled in Europe. Further development in Europe and a plan for the U.S. will follow when clinical results from the Chinese-focused Phase 3 study confirms the safety and

efficacy of Cevira. Further information about the ongoing Phase 3 trial for Cevira can be found at the following link:

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

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

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

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

Under the License Agreement with Asieris, Photocure has received a total signing fee of USD 5 million in 2019 and two milestones totaling USD 3 million in 2020. In addition, the Company may receive a total of USD 16.5 million based upon the achievement of certain clinical and regulatory milestones in China, and up to USD 36 million for certain clinical and regulatory milestones in the U.S. and the EU. The approval of a second indication in China, the U.S. and 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 2020; references to the prior year refer to a comparison to the same period 2020, unless otherwise stated).



MNOK	Q2 '21	Q2 '20	YTD '21	YTD '20
Hexvix / Cysview revenues	88.9	53.5	170.5	107.9
Total other revenues	1.5	0.2	8.1	0.8
Total revenues	90.4	53.7	178.6	108.6
Gross profit	84.3	51.7	167.4	100.5
Operating expenses	-78.5	-60.6	-143.5	-114.2
EBITDA before restruct.	5.8	-8.9	24.0	-13.7
Depreciation & amortization	-6.1	-3.9	-11.9	-7.8
EBIT before restruct.	-0.2	-12.8	12.0	-21.4
Restructuring expenses	-	-1.3	-	-3.2
EBIT	-0.2	-14.2	12.0	-24.7
Net financial items	-9.6	0.3	-1.5	6.0
Earnings before tax	-9.9	-13.8	10.5	-18.7
Tax expenses	-2.5	5.1	-7.7	-7.8
Net earnings	-12.4	-8.7	2.8	-26.4

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

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

Revenues

Total revenues in the second quarter of 2021 increased 68% to NOK 90.4 million (NOK 53.7 million). Year to date revenues were NOK 178.6 million (NOK 108.6 million), an increase of 64%.

Hexvix/Cysview revenues in the second quarter of 2021 were NOK 88.9 million, an increase of 66% from the second quarter of 2020 (NOK 53.5 million). The increase was driven by the reduced impact of Covid-19, the inclusion of the European revenues from Ipsen and the continued growth of the U.S. sales, however partly offset by the strengthening of the Norwegian currency. Year to date Hexvix/Cysview revenues were NOK 170.5 million (NOK 107.9 million), an increase of 58%. The Covid-19 pandemic continues to have a negative impact on revenue.

Other revenues were NOK 1.5 million (NOK 0.2 million) in the second quarter of 2021 and year to date NOK 8.1 million (NOK 0.8 million). These revenues included in the first quarter signing fees from Asieris totaling NOK 6.4 million, as per the partnership agreement with Asieris whereby Asieris obtained exclusive rights to register and commercialize Hexvix in Mainland China and Taiwan.

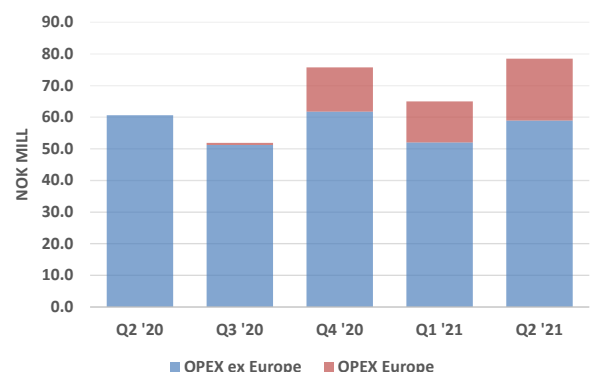
Second quarter other revenues included sale of API to Asieris totaling NOK 1.3 million.

Cost of goods sold (COGS)

Second quarter 2021 COGS was NOK 6.1 million (NOK 2.0 million). Excluding COGS related to sales of API, the second quarter COGS was NOK 5.3 million, in line with first quarter. COGS for the second quarter of 2020 was significantly lower than average run-rate due to lower purchase of goods by Ipsen before the transfer of the European business to Photocure. Year to date 2021 COGS was NOK 11.2 million (NOK 8.1 million).

Operating expenses

Total operating expenses, before restructuring and excluding depreciation and amortization, were NOK 78.5 million (NOK 60.6 million) in the second quarter and year to date NOK 143.5 million (114.2 million). The main contributor to the YoY increase in 2021 operating expenses was the inclusion of the European business from Ipsen in terms of local commercial organization.



Excluding incremental costs driven by the European business, total operating expenses were level with first quarter prior year.

Second quarter 2021 research and development (R&D) costs stood at NOK 1.5 million (NOK 0.9 million). R&D costs year to date were NOK 2.1 million (NOK 1.5 million). The R&D costs relate mainly to regulatory work and the maintenance and expansion of Photocure's intellectual property.

Sales and marketing costs increased by 34% to NOK 59.7 million (NOK 44.5 million) in the second quarter of 2021. Sales and marketing costs year to date were NOK 109.9 million (NOK 86.3 million). The expense increase was mainly driven by investments in the European commercial organization following the inclusion of the European business from Ipsen.



Second quarter 2021 other operating expenses, which include supply chain, business development, and general/administration costs, were NOK 17.4 million, compared to NOK 15.2 million in the same quarter of 2020. Year to date other operating expenses were NOK 31.5 million (NOK 26.5 million).

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

Financial results

EBITDA before restructuring was NOK 5.8 million (NOK -8.9 million) for the second quarter of 2021. Year to date EBITDA before restructuring was NOK 24.0 million (NOK -13.7 million). The improved EBITDA was mainly driven by the inclusion of the European business from Ipsen, volume growth in U.S despite the pandemic, as well as cost containment in response to the pandemic. In addition, the sign-on revenue from Asieris improved the results accordingly.

EBITDA before restructuring year to date 2021 for the Company's commercial segment was NOK 26.7 million (NOK -10.0 million). Development portfolio EBITDA before restructuring year to date 2021 was NOK -2.8 million (NOK -3.7 million).

Year to date 2021 depreciation and amortization was NOK 11.9 million (NOK 7.8 million). The main cost item was the amortization of intangible assets related to the return of Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen (see note 6 to the accounts). Year to date 2020, the main cost item was amortization of the investments in intangible assets related to the Phase III market expansion trial for Cysview. This asset was fully amortized by the end of 2020.

Restructuring expenses year to date 2020 were NOK 3.2 million and relate to work performed in connection with the agreement with Ipsen for the return of Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen.

Net financial items second quarter of 2021 were NOK -7.3 million (NOK 0.3 million). Year to date 2021 financial items were NOK 0.8 million (NOK 6.0 million). Year to date net financial items were driven by net

currency gain on the deferred earnout liability related to the return of Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen. This gain was offset by accrued interest costs included for this deferred earnout liability (see note 6 to the accounts).

Photocure experienced a net loss before tax of NOK 7.6 million in the second quarter of 2021 (net loss of NOK 13.8 million). Net earnings after tax were a loss of NOK 10.6 million for the second quarter of 2021 (net loss of NOK 8.7 million). Year to date Photocure had a profit before tax of NOK 12.8 million (net loss of NOK 18.7 million) and net earnings after tax of NOK 4.6 million (net loss of NOK 26.4 million).

Cash flow and statement of financial position

Net cash flow from operations was NOK 8.4 million in the second quarter of 2021 (NOK 11.4 million). The positive cash flow from operations was driven mainly by working capital. Year to date net cash flow from operations was NOK 0.2 million (NOK 14.4 million).

Second quarter 2021 net cash flow from investments was NOK -6.9 million (NOK 0.3 million) including capitalized value of lease contracts. Year to date net cash flow from investments was NOK -7.3 million (NOK -0.1 million).

Second quarter 2021 cash flow from financing was NOK 9.3 million (NOK 360.1 million). Year to date cash flow from financing was NOK 12.3 million (NOK 359.7 million). Second quarter and year to date 2020 cash flow from financing was driven by private placements and bank financing.

Net change in cash was for the second quarter of 2021 NOK 10.8 million (NOK 371.9 million) and year to date NOK 5.3 million (NOK 374.1 million). Cash and cash equivalents were NOK 340.2 million at the end of the second quarter 2021.

Shareholders' equity was NOK 525.7 million at the end of the second quarter of 2021, representing an equity ratio of 68%.

Long term liabilities were NOK 165.2 million at the end of second quarter of 2021, including NOK 25.0 million bank loan and capitalized value of expected future earn-out payments to Ipsen totaling NOK 128.00 million. The bank loan is secured under the State Guarantee Scheme for Loans to SMEs as a buffer to Covid-19 impacts.



As of June 30, 2021, Photocure held 21,010 of its own shares.

Risks and uncertainty factors

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

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

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

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

Covid-19 pandemic update

Current 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 the risks and effects of the Covid-19 pandemic situation). While healthcare access reopened in parts of the world and significant vaccinations were administered in H1 2021 to combat the spread of viral infection, declines in Covid-19 cases continue to be met with pandemic resurgences in certain regions leading to renewed travel restrictions and healthcare access closures. In Europe and parts of the U.S., hospitals are preparing for the recent surge in Covid-19 Delta variant cases, referred to as the "fourth wave". As a result, key markets in the U.S. and Europe are likely to continue to be impacted by the Covid-19 pandemic for some time.

Photocure believes that the treatment of bladder cancer consists of procedures that are prioritized by healthcare systems. However, in the second quarter of 2020, we were impacted by short-term postponements of treatments due to shelter in place mandates and lockdowns, which were loosened in the third quarter of 2020, enabling a recovery in treatments and sales. However, the fourth quarter 2020 surge in Covid-19 cases in Europe and the U.S.

caused another wave of restrictions and cautious behavior, which impacted the latter part of the fourth quarter and the first quarter of 2021 especially in the low and medium risk patient category. Key factors driving the recent lower utilization of healthcare include restricted access to hospitals and physicians in certain regions throughout Europe and the U.S., and fewer patients seeking treatment to avoid the risk of Covid-19 infection. In addition to the impact on treatment volumes, new account openings and cystoscope installations have been affected. However, the Company has continued to significantly grow the base of BLC installations throughout the pandemic, including in the first half of 2021.

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 and remain in place today.

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

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

Photocure has decided to retain its full commercial organization during the Covid-19 pandemic to ensure a rapid recovery as the situation improves. However, cost-saving measures have been introduced during the last four quarters in order to reduce the financial impact of the Covid-19 pandemic, with lower expenses related to travel and program costs within medical and marketing, such as exhibitions at medical conferences.

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



Outlook

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

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

The global Covid-19 pandemic has had a negative impact on patient visits 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 in 2020 that continued through the third quarter and the beginning of the fourth quarter up until the pandemic resurgence in late 2020. Unfortunately, another wave of Covid-19 that began in the fourth quarter of 2020 reversed this positive trend in late 2020 and into the first quarter of 2021. The ongoing Covid-19 pandemic and recent surge of the Covid-19 Delta variant add continued uncertainty to Photocure's near-term business forecast, which impacts the reliability of financial estimates. The Company believes that the benefits of Blue Light Cystoscopy with Hexvix/Cysview offering superior detection and management of bladder cancer will continue to be adopted and become the standard of care. In places where procedures have been postponed due to the fear of exposure to Covid-19, the number of procedures is expected to rebound back to pre-Covid-19 growth rates in the U.S. and positive growth in the Company's European markets that were acquired in October 2020. Indicators of a potential rebound are: (1) continued growth in the Company's U.S. business throughout 2020 and in the first half of 2021 (2) YoY unit volume growth in the acquired Ipsen territories resulting from new resources deployed by Photocure to penetrate those markets in Europe, and (3) the Company's strong pipeline of potential BLC tower placements in the U.S. Photocure plans to continue supporting these efforts with additional clinical publications in scientific

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

Photocure's pipeline of potential BLC tower installations in the U.S. remains robust given the demand by physicians and facilities to offer the benefits of BLC with Cysview in their practices. However, the Company anticipates an impact on the number of installations in the second half of 2021, as its capital equipment supplier Karl Storz is preparing to launch a new BLC system that could cause some customers to wait to order the anticipated next generation BLC equipment. Karl Storz is offering an obsolescence protection program (OPP) to facilitate customer upgrades to the new system. While installations of BLC capital equipment are expected to track below Photocure's normalized run rate of placements during this transition period, the Company expects to continue growing Cysview unit sales in the U.S. by increasing throughput on the current installed base of BLC equipment and initiating BLC procedures with new tower installations in the second half of 2021.

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

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

The U.S. and Europe are Photocure's primary markets for growth given the Company's two direct sales forces, and with much of the market left to be penetrated by Hexvix/Cysview with BLC. Photocure regained the sales and marketing rights to Hexvix in continental Europe in the fourth quarter of 2020 and is now able to take advantage of the growth opportunity throughout Europe. With the acquisition of these additional territories, the Company's



European sales segment is expected to be EBITDA accretive in 2021 and beyond.

While Photocure delivered revenue growth in 2020 and in H1 2021 during the Covid-19 pandemic, the Company's prior high-growth trajectory was interrupted by the difficult operating environment in all of its commercial territories. The timing of a full recovery from the pandemic remains unclear, and the emergence and rapid spread of the new Covid-19 Delta variant has again raised uncertainty regarding the Company's business trends and its ability to determine when procedure volumes and customer orders will stabilize. As a result, Photocure is not issuing financial guidance at this time due to the inability to forecast healthcare access trends across its direct markets.

After regaining sales and marketing rights in the fourth quarter of 2020 to European markets that were previously out-licensed, the Company has established a strong commercial presence in the largest markets of the world and believes that it is

well-positioned to accelerate revenues in a post Covid-19 environment. Assuming that the effects of Covid-19 and its variants can be appropriately managed, Photocure plans to increase spending back to normalized business levels in the second half of 2021, increasing investment primarily in commercial activities to grow Hexvix/Cysview unit sales.

Responsibility statement

We confirm that, to the best of our knowledge, the unaudited condensed set of financial statements for the first half year of 2021 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 2021 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, August 10, 2021

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 2021

Photocure Group – Statement of comprehensive income

		2021	2020	2021	2020	2020
	Note	Q2	Q2	1.1 - 30.06	1.1 - 30.06	1.1 - 31.12
<i>(all amounts in NOK 1,000 except per share data)</i>						
Sales revenues		90 436	53 673	172 196	108 647	256 482
Signing fees and milestone revenues	8	-	-	6 416	-	-
Total revenues		90 436	53 673	178 612	108 647	256 482
Cost of goods sold		-6 121	-1 966	-11 186	-8 101	-18 511
Gross profit		84 315	51 707	167 425	100 546	237 971
Indirect manufacturing expenses	3	-2 941	-3 746	-6 669	-6 437	-12 751
Research and development expenses	3	-1 471	-3 439	-2 145	-6 464	-13 838
Marketing and sales expenses	3	-63 889	-44 694	-118 321	-86 386	-187 811
Other operating expenses	3	-16 262	-12 659	-28 273	-22 706	-46 775
Total operating expenses		-84 563	-64 538	-155 408	-121 993	-261 175
EBIT before restructuring		-248	-12 831	12 018	-21 447	-23 204
Restructuring	6	-	-1 341	-	-3 235	-12 854
EBIT including restructuring		-248	-14 172	12 018	-24 682	-36 058
Financial income	6	-431	4 635	17 182	11 729	26 439
Financial expenses	6	-6 886	-4 308	-16 424	-5 703	-23 607
Net financial profit/loss(-)		-7 317	327	757	6 026	2 832
Profit/loss(-) before tax		-7 565	-13 845	12 775	-18 656	-33 226
Tax expenses	4	-3 049	5 108	-8 220	-7 789	10 823
Net profit/loss(-)		-10 614	-8 738	4 555	-26 445	-22 403
Other comprehensive income		-1 533	1 511	-1 132	1 019	-681
Total comprehensive income		-12 146	-7 227	3 423	-25 426	-23 084
Net profit/loss(-) per share, undiluted	5	-0.40	-0.37	0.17	-1.19	-0.91
Net profit/loss(-) per share, diluted	5	-0.40	-0.37	0.17	-1.19	-0.91



Photocure Group – Statement of financial position

(Amounts in NOK 1,000)	Note	30.06.2021	30.06.2020	31.12.2020
Non-current assets				
Customer relationship	6	154 217	-	162 552
Goodwill	6	144 000	-	144 000
Fixed assets	7	12 314	14 719	7 370
Deferred tax asset	4	41 814	30 610	49 879
Long term receivables	8	-	10 617	-
Total non-current assets		352 344	55 945	363 801
Current assets				
Inventories		26 991	22 674	29 678
Accounts receivable		49 720	24 241	43 097
Other receivables		8 022	9 984	4 584
Cash and short term deposits	9	340 171	499 421	334 887
Total current assets		424 904	556 320	412 245
Total assets		777 248	612 265	776 047
Equity and liabilities				
Equity				
Share capital	11	13 459	13 305	13 359
Other paid-in capital		397 194	373 106	384 005
Retained earnings		115 040	110 496	110 769
Shareholders' equity		525 692	496 907	508 133
Long-term liabilities				
Earnout liability	6	128 034	-	143 668
Long term loan financial institution	10	25 000	50 000	37 500
Other long-term liabilities	7	12 161	8 800	6 966
Total long-term liabilities		165 195	58 800	188 134
Accountys payable		19 082	9 482	23 316
Other short-term liabilities		67 278	47 076	56 465
Total liabilities		251 555	115 358	267 914
Total equity and liabilities		777 248	612 265	776 047

Photocure Group – Changes in equity

(Amounts in NOK 1,000)	2021 Q2	2020 Q2	2021 1.1 - 30.06	2020 1.1 - 30.06	2020 1.1 - 31.12
Equity at end of prior period	530 042	190 391	508 133	208 590	208 590
Capital increase	4 863	311 252	10 118	311 252	314 704
Share-based compensation (share options employees)	2 986	2 491	4 071	2 491	7 922
Own shares	-53	-	-53	-	-
Comprehensive income	-12 146	-7 227	3 423	-25 426	-23 084
Equity at end of period	525 692	496 907	525 692	496 907	508 133



Photocure Group – Cash flow statement

	2021	2020	2021	2020	2020
<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	-7 565	-13 845	12 775	-18 656	-33 226
Depreciation and amortisation	6 069	3 904	11 938	7 762	19 292
Share-based compensation	2 986	2 491	4 071	2 491	7 881
Interest income	-494	-587	-1 259	-1 158	-2 116
Interest costs	5 933	-	11 824	-	6 364
Unrealized currency (- gains) / losses	2 230	151	-11 790	-454	815
Changes in contract receivable	-	-	-	12 339	22 956
Changes in working capital	7 171	20 984	-13 305	14 386	-5 887
Paid earnout interest	-5 599	-	-11 872	-	-
Other operational items	-2 339	-1 669	-2 171	-2 287	-494
Net cash flow from operations	8 391	11 429	209	14 424	15 585
Net investments in fixed assets	-7 409	-264	-8 510	-1 212	-1 605
Payment return of market rights Europe	-	-	-	-	-166 721
Received interest payments	494	587	1 259	1 158	2 116
Cash flow from investments	-6 915	323	-7 251	-54	-166 209
Share capital increase employees	4 810	8 273	10 065	8 273	13 001
Private placements	-	302 979	-	302 979	301 703
Payment earnout liability	-1 438	-	-2 292	-	-
Change lease liability	6 212	-1 153	5 104	-1 521	-3 618
Long term loan	-	50 000	-	50 000	50 000
Other financial payments and transactions	-277	-	-552	-	-895
Cash flow from financing activities	9 307	360 099	12 325	359 731	360 191
Net change in cash during the period	10 783	371 851	5 284	374 101	209 567
Cash & cash equivalents at beginning of period	329 388	127 570	334 887	125 320	125 320
Cash & cash equivalents at end of period	340 171	499 421	340 171	499 421	334 887

Notes to the accounts for second quarter and first half year 2021

Note 1 – General accounting principles

General information

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

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

Basis of preparation

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

The interim report has not been subject to an audit. The Board of Directors approved the interim financial statements on August 10, 2021.

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

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

Important accounting valuations, estimates and assumptions

IFRS 3

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

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

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



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

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

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

Note 2 - Photocure Group – Segment information

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

1.1-30.6 2021						
	Hexvix	Cysview	Other	Total	Total	Grand
(Amounts in NOK 1 000)	Europe	US	Sales	Sales	R&D	Total
Sales revenues	111 864	58 610	437	170 911	1 286	172 197
Milestone revenues	-	-	6 416	6 416	-	6 416
Cost of goods sold	-8 494	-1 670	-215	-10 379	-807	-11 186
Gross profit	103 370	56 940	6 637	166 948	479	167 427
Gross profit of sales %	92 %	97 %	51 %	94 %	37 %	94 %
R&D	-482	-146	-	-627	-1 518	-2 145
Sales & marketing	-45 486	-62 351	-1 779	-109 616	-249	-109 865
Other & allocations	-16 702	-11 095	-2 165	-29 962	-1 512	-31 474
Operating expenses	-62 670	-73 591	-3 944	-140 205	-3 279	-143 484
EBITDA	40 700	-16 651	2 694	26 742	-2 800	23 943

**1.1-30.6 2020**

(Amounts in NOK 1 000)	Hexvix Europe	Cysview US	Other Sales	Total Sales	Total R&D	Grand Total
Sales revenues	66 114	41 766	477	108 357	290	108 647
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-5 358	-2 344	-191	-7 894	-207	-8 101
Gross profit	60 755	39 422	286	100 463	83	100 546
Gross profit of sales %	92 %	94 %	60 %	93 %	29 %	93 %
R&D	-339	-102	-	-441	-1 023	-1 464
Sales & marketing	-18 690	-65 941	-245	-84 876	-1 400	-86 276
Other & allocations	-13 085	-9 588	-2 426	-25 099	-1 393	-26 492
Operating expenses	-32 114	-75 631	-2 671	-110 416	-3 816	-114 232
EBITDA	28 641	-36 209	-2 385	-9 953	-3 733	-13 686

Q2 2021

(Amounts in NOK 1 000)	Hexvix Europe	Cysview US	Other Sales	Total Sales	Total R&D	Grand Total
Sales revenues	57 572	31 355	225	89 151	1 286	90 437
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-4 168	-1 027	-118	-5 314	-807	-6 121
Gross profit	53 404	30 327	106	83 837	479	84 316
Gross profit of sales %	93 %	97 %	47 %	94 %	37 %	93 %
R&D	-232	-70	-	-303	-1 168	-1 471
Sales & marketing	-26 434	-32 079	-1 011	-59 524	-135	-59 659
Other & allocations	-9 052	-6 063	-1 303	-16 419	-945	-17 364
Operating expenses	-35 719	-38 213	-2 314	-76 245	-2 249	-78 494
EBITDA	17 685	-7 885	-2 208	7 592	-1 770	5 822

Q2 2020

(Amounts in NOK 1 000)	Hexvix Europe	Cysview US	Other Sales	Total Sales	Total R&D	Grand Total
Sales revenues	39 914	13 553	206	53 673	-	53 673
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-1 040	-843	-83	-1 966	-	-1 966
Gross profit	38 875	12 710	123	51 707	-	51 707
Gross profit of sales %	97 %	94 %	60 %	96 %	-	96 %
R&D	-192	-58	-	-250	-689	-939
Sales & marketing	-10 389	-33 052	-142	-43 583	-919	-44 502
Other & allocations	-8 005	-4 766	-1 533	-14 304	-888	-15 193
Operating expenses	-18 585	-37 876	-1 676	-58 137	-2 497	-60 634
EBITDA	20 289	-25 166	-1 553	-6 430	-2 497	-8 927

**1.1-31.12 2020**

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

Note 3 – Income statement classified by nature

(Amounts in NOK 1 000)	2021 1.1-30.06	2020 1.1-30.06	2020 1.1-31.12
Sales revenues	172 196	108 647	256 482
Signing fees and milestone revenues	6 416	-	-
Cost of goods sold	-11 186	-8 101	-18 511
Gross profit	167 425	100 546	237 971
Payroll expenses	-98 612	-78 084	-165 748
R&D costs excl. payroll expenses/other operating exp.	-975	-980	-2 924
Ordinary depreciation and amortisation	-11 938	-7 762	-19 294
Other operating expenses	-43 883	-35 167	-73 209
Total operating expenses recurring	-155 408	-121 993	-261 175
EBIT recurring	12 018	-21 447	-23 204

Note 4 – Tax

<i>(Amounts in NOK 1 000)</i>	30.06.2021	31.12.2020
Income tax expense		
Tax payable	-155	-712
Changes in deferred tax	-8 066	11 535
Total income tax expense	-8 220	10 823
Tax base calculation		
Profit before income tax	16 752	-29 470
Permanent differences	993	-20 892
Temporary differences	-9 705	-15 885
Change in tax loss carried forward	-7 420	65 810
Tax base	620	-437
Temporary differences:		
Total	-130 200	-120 464
Tax loss carried forward	320 262	347 188
Net temporary differences	190 062	226 724
Deferred tax benefit	190 062	226 724
Deferred tax asset	41 814	49 879

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

The parent company has recognized a deferred tax asset regarding net temporary differences. Accumulated tax asset in the parent company at the end of June 2021 is NOK 41.8 million compared to NOK 49.9 million at end of 2020. There is no expiry on losses to be carried forward in Norway. The basis for recognition of a tax asset in Norway is the predicted future profit according to the business plan for all major markets and that temporary differences for the coming years will be reversed. The basis for the recognition of the tax asset is the assessment that there is convincing evidence that the deferred tax benefit will be utilized.

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

Note 5 – Earnings per share

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



	2021	2020
<i>(Figures indicate the number of shares)</i>	1.1-30.06	1.1-31.12
Issued ordinary shares 1 January	26 717 536	21 796 387
Effects of share options exercised	62 996	141 971
Effect of treasury shares	-17 142	-16 572
Effect of shares issued		2 699 476
Weighted average number of shares	26 763 390	24 621 488
Effect of outstanding share options	333 329	173 933
Weighted average number of diluted shares	27 096 719	24 795 421
Earnings per share in NOK	0.17	-0.91
Earnings per share in NOK diluted	0.17	-0.91

Note 6 – Marketing rights Europe and restructuring

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

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

As the earnout liability is in Euro, it will fluctuate with the NOK/EUR currency rate. As of end of June 2021 Photocure had a net currency gain of NOK 13.3 million related to the liability, a decrease of NOK 2.5 million in the second quarter.

The costs directly related to this transaction and related costs incurred by Photocure in 2020 have been considered as infrequent and of unusual nature and specified in the statement of comprehensive income. These costs amount to NOK 12.9 million for 2020.

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

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



Market rights Europe	30.06.2021	31.12.2020	01.10.2020
<i>(Amounts in NOK 1 000)</i>	Book value	Book value	Book value
Customer relations	154 217	162 552	166 720
Goodwill	144 000	144 000	144 000
Fair value	298 217	306 552	310 720
Deferred payment	-128 034	-143 668	-144 000
Earnout incurred	13 563		
Cash payment			166 720

Note 7 – Fixed Assets and Right of Use Assets

<i>(Amounts in NOK 1 000)</i>	Machinery & equipment	Intangibles	Right of use	Total assets
Net book value 31.12.2020	1 939	1 576	3 855	7 370
Net investments and revaluation 30.06.2021	547	40	7 958	8 545
Depreciation and amortization	-526	-454	-2 622	-3 601
Net book value 31.03.2021	1 961	1 162	9 191	12 314

The right of use assets includes the office rental agreements as well as leased company cars for the sales organization. The related lease liability is measured at the present value of the lease payments that are not paid at the commencement, discounted using the Groups incremental borrowing rate as the discount rate. The lease liability as of June 30, 2021 was NOK 9.0 million compared to NOK 3.8 million December 31, 2020. The amortization of the assets as of June 30, 2021 was NOK 2.6 million and the interest expense was NOK 0.1 million.

Note 8 – Contract revenue and receivable

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

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

Note 9 – Fair value

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	265 508	-	-	265 508
Total	265 508	-	-	265 508

Note 10 – Long term loan

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

Note 11 – Share capital

Registered share capital in Photocure ASA amounts to:

	No. of shares	Nominal value per share	Share capital in NOK
Share capital at December 31, 2020	26 717 536	NOK 0.50	13 358 768
Share capital at June 30, 2021	26 918 320	NOK 0.50	13 459 160
Treasury shares:			
Holdings of treasury shares at December 31, 2020	15 666		7 833
Buy-back of shares	-	NOK 0.50	-
Sale(-)/Buy-back of restricted shares	5 344	NOK 0.50	2 672
Holdings of treasury shares at June 30, 2021	21 010		10 505



Photocure – Results for second quarter and first half year 2021

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

<i>(Figures indicate the number of shares)</i>	Purchase, treasury shares	Ordinary share issue	Employee share issues
Authorisation issued at the General Meeting on May 20, 2021	2 682 000	4 023 000	750 000
Share issues after the General Meeting on May 20, 2021	-	-	98 251
Purchase of treasury shares after May 20, 2021	-	-	-
Remaining under authorisations at June 30, 2021	2 682 000	4 023 000	651 749

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

Name	Position	No. of shares	No. of restricted shares	No. of subscription rights
Daniel Schneider	President & CEO	51 901	18 353	160 000
Erik Dahl	Chief Financial Officer	19 730	7 133	55 000
Geoffrey Coy	VP and General Manager of U.S. Operations	8 081	-	102 500
Grete Hogstad	VP Global Strategic Marketing & Business Development	25 153	5 566	37 500
Patricia Kelly	VP Global Human Resources	-	-	40 000
Kari Myren	VP Global Medical Affairs and Clinical Development	3 843	2 021	37 500
Susanne Strauss	VP and General Manager of Europe	-	-	90 000
Jan H. Egbert	Chairperson of the board	14 500	-	-
Anders Tuv *	Board member	679 619	-	-

* Anders Tuv represents Radforsk Investeringsstiftelse

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

Note 12 – Share options

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

Year of allocation	2020	2020	2020
Option program	2020	2019	2019
Number	500 000	208 000	67 500
Exercise price (NOK)	82.58	50.72	56.83
Date of expiry	15.09.2025	09.05.2024	20.08.2024



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

	30.06.2021		31.12.2020	
	No. of shares	Average exercise price (NOK)	No. of shares	Average exercise price (NOK)
Outstanding at start of year	981 534	66.28	231 700	39.76
Allocated during the year	38 500	96.78	988 500	66.44
Become invalid during the year	43 750	68.26	7 400	49.78
Exercised during the year	200 784	50.39	231 266	40.91
Expired during the year	-	-	-	-
Outstanding at end of period	775 500	71.79	981 534	66.28
Exercisable options at end of period	153 375	74.69	120 034	50.17

Note 13 – Shareholders

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

Major Shareholders	Citizen	Type	# Shares	%
Morgan Stanley & Co. LLC	United States	Nominee	2 702 956	10.0 %
Nordnet Bank AB	Sweden	Nominee	862 404	3.2 %
Carnegie Investment Bank AB	Sweden	Nominee	839 201	3.1 %
Danske Bank A/S	Denmark	Nominee	740 000	2.7 %
Radforsk Investeringsstiftelse	Norway	Ordinary	679 619	2.5 %
Avanza Bank AB	Sweden	Nominee	647 814	2.4 %
Goldman Sachs International	United Kingdom	Nominee	573 440	2.1 %
MP Pensjon PK	Norway	Ordinary	520 178	1.9 %
JPMorgan Chase Bank, N.A., London	United Kingdom	Nominee	463 772	1.7 %
Skandinaviska Enskilda Banken AB	Sweden	Nominee	437 749	1.6 %
Skandinaviska Enskilda Banken AB	Ireland	Nominee	403 147	1.5 %
RBC Investor Services Bank S.A.	Luxembourg	Nominee	399 346	1.5 %
Verdipapirfondet Pareto Investment	Norway	Ordinary	379 000	1.4 %
Verdipapirfondet KLP AksjeNorge	Norway	Ordinary	375 630	1.4 %
Verdipapirfondet DNB Norden	Norway	Ordinary	349 812	1.3 %
Myrlid AS	Norway	Ordinary	320 000	1.2 %
Verdipapirfondet DNB Grønt Norden	Norway	Ordinary	310 036	1.2 %
Vicama AS	Norway	Ordinary	290 000	1.1 %
BNP Paribas	France	Nominee	287 935	1.1 %
Verdipapirfondet KLP AksjeNorge IN	Norway	Ordinary	276 103	1.0 %
Total 20 largest shareholders			11 858 142	44.1 %
Total other shareholders			15 060 178	55.9 %
Total number of shares			26 918 320	100.0 %



Photocure Group – Alternative Performance Measures

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

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

Photocure uses the following alternative performance measures.

EBITDA & EBIT

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

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

The reconciliation to the IFRS accounts is as follows:

	2021 Q2	2020 Q2	2021 YTD Jun.	2020 YTD Jun.	2020 Full Year
<i>(all amounts in NOK 1 000)</i>					
Gross profit	84 315	51 707	167 425	100 546	237 971
Operating expenses excl depreciation & amortization	-78 481	-60 633	-143 470	-114 230	-241 883
EBITDA before restructuring	5 834	-8 926	23 956	-13 684	-3 912
Depreciation & amortization	-6 083	-3 905	-11 939	-7 763	-19 292
EBIT before restructuring	-249	-12 831	12 017	-21 447	-23 204

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

Revenue growth in constant currency

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

	2021 Q2	2020 Q2	2021 YTD Jun.	2020 YTD Jun.	2020 Full Year
USD (NOK per 1 USD)	8.37	10.02	8.44	9.75	9.41
EUR (NOK per 1 EUR)	10.09	11.02	10.18	10.74	10.73
DKK (NOK per 100 DKK)	135.68	147.76	136.84	143.85	143.89
SEK (NOK per 100 SEK)	99.51	103.40	100.48	100.67	102.27



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