Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	967 598 593
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	PHOTOCURE ASA
Forretningsadresse:	Hoffsveien 4 0275 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Kjell Halstvedt
Dato for fastsettelse av årsregnskapet:	28.04.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 04.08.2023

Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	1 - 3	**242 796 000**	**150 875 000**
Kostnad solgte varer	5	23 012 000	17 640 000
Brutto resultat		**219 784 000**	**133 235 000**
Kostnader			
Distribusjonskosnader	6	**177 264 000**	**94 009 000**
Administrative kostnader	6	**44 161 000**	**60 612 000**
Driftsresultat		**-1 641 000**	**-21 386 000**
Finansposter			
Annen finansinntekt	10	36 813 000	26 439 000
Annen finanskostnad	10	40 902 000	34 523 000
Verdiendringer av finansielle instrumenter vurdert til virkelig verdi	4	-17 220 000	
Netto finans		**-21 309 000**	**-8 084 000**
Ordinært resultat før skattekostand		**-22 950 000**	**-29 470 000**
Skattekostand på ordinært resultat	11	-3 103 000	-11 512 000
Ordinært resultat etter skattekostnad		**-19 847 000**	**-17 958 000**
Årsresultat		**-19 847 000**	**-17 958 000**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-19 847 000	-17 958 000
Sum overføringer og disponeringer		**-19 847 000**	**-17 958 000**

Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter	4	145 881 000	162 552 000
Utsatt skattefordel	11	53 003 000	49 879 000
Goodwill	4	144 000 000	144 000 000
Sum immaterielle eiendeler		**342 884 000**	**356 431 000**
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	13	15 575 000	4 410 000
Sum varige driftsmidler		**15 575 000**	**4 410 000**
Finansielle anleggsmidler			
Investeringer i datterselskap	14	11 902 000	8 697 000
Lån til foretak i samme konsern	24	302 131 000	291 865 000
Sum finansielle anleggsmidler		**314 033 000**	**300 562 000**
Sum anleggsmidler		**672 492 000**	**661 403 000**
Omløpsmidler			
Varer			
Varer	15	26 660 000	28 470 000
Sum varer		**26 660 000**	**28 470 000**
Fordringer			
Kundefordringer	16, 18	29 610 000	29 341 000
Andre fordringer	16, 18	5 209 000	1 251 000
Konsernfordringer			543 000
Sum fordringer		**34 819 000**	**31 135 000**
Investeringer			
Andre markedsbaserte finansielle instrumenter	19	260 055 000	274 248 000
Sum investeringer		**260 055 000**	**274 248 000**
Bankinnskudd, kontanter og lignende			

Balanse

Beløp i: NOK	Note	2021	2020
Bankinnskudd, kontanter og lignende	19	54 762 000	51 928 000
Sum Bankinnskudd, kontanter og lignende		**54 762 000**	**51 928 000**
Sum omløpsmidler		**376 296 000**	**385 781 000**
SUM EIENDELER		**1 048 788 000**	**1 047 184 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	20	13 487 000	13 359 000
Beholdning av egne aksjer		-310 000	-408 000
Overkurs		340 477 000	326 660 000
Annen innskutt egenkapital		70 567 000	57 752 000
Sum innskutt egenkapital		**424 221 000**	**397 363 000**
Opptjent egenkapital			
Annen egenkapital		377 468 000	398 997 000
Sum opptjent egenkapital		**377 468 000**	**398 997 000**
Sum egenkapital		**801 689 000**	**796 360 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	8	2 180 000	2 361 000
Andre avsetninger for forpliktelser	4	133 600 000	143 668 000
Sum avsetninger for forpliktelser		**135 780 000**	**146 029 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	21	12 500 000	37 500 000
Øvrig langsiktig gjeld	21	10 653 000	1 970 000
Sum annen langsiktig gjeld		**23 153 000**	**39 470 000**
Sum langsiktig gjeld		**158 933 000**	**185 499 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	21	25 000 000	12 500 000
Leverandørgjeld	16, 22	15 574 000	19 434 000

Balanse

Beløp i: NOK	Note	2021	2020
Skyldige offentlige avgifter		1 837 000	4 880 000
Kortsiktig konserngjeld	22	7 202 000	5 016 000
Annen kortsiktig gjeld	22	38 553 000	23 495 000
Sum kortsiktig gjeld		**88 166 000**	**65 325 000**
Sum gjeld		**247 099 000**	**250 824 000**
SUM EGENKAPITAL OG GJELD		**1 048 788 000**	**1 047 184 000**
POSTER UTENOM BALANSEN			
Garantistillelser	24	2 298 000	2 220 000

Konsernets resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	1 - 3	**360 540 000**	**256 482 000**
Kostnad solgte varer	5	24 050 000	18 511 000
Brutto resultat		**336 490 000**	**237 971 000**
Kostnader			
Distribusjonskosnader	6	**279 017 000**	**214 400 000**
Administrative kostnader	6	**63 299 000**	**59 629 000**
Driftsresultat		**-5 826 000**	**-36 058 000**
Finansposter			
Annen finansinntekt	10	26 212 000	26 439 000
Annen finanskostnad	10	34 822 000	23 607 000
Verdiendringer av finansielle instrumenter vurdert til virkelig verdi	4	-17 220 000	0
Netto finans		**-25 830 000**	**2 832 000**
Ordinært resultat før skattekostand		**-31 656 000**	**-33 226 000**
Skattekostand på ordinært resultat	11	-759 000	-10 823 000
Ordinært resultat etter skattekostnad		**-30 897 000**	**-22 403 000**
Årsresultat		**-30 897 000**	**-22 403 000**
Andre resultatkomponenter for IFRS-foretak		-1 311 000	-681 000
Totalresultat		**-32 208 000**	**-23 084 000**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-32 208 000	-23 084 000
Sum overføringer og disponeringer		**-32 208 000**	**-23 084 000**

Konsernets balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter	4	145 881 000	162 552 000
Utsatt skattefordel	11	53 003 000	49 879 000
Goodwill	4	144 000 000	144 000 000
Sum immaterielle eiendeler		**342 884 000**	**356 431 000**
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	13	33 575 000	7 370 000
Sum varige driftsmidler		**33 575 000**	**7 370 000**
Sum anleggsmidler		**376 459 000**	**363 801 000**
Omløpsmidler			
Varer			
Varer	15	27 534 000	29 678 000
Sum varer		**27 534 000**	**29 678 000**
Fordringer			
Kundefordringer	16, 18	47 980 000	43 097 000
Andre fordringer	16, 18	14 780 000	4 584 000
Sum fordringer		**62 760 000**	**47 681 000**
Investeringer			
Andre markedsbaserte finansielle instrumenter	19	260 055 000	274 248 000
Sum investeringer		**260 055 000**	**274 248 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	19	62 840 000	60 639 000
Sum Bankinnskudd, kontanter og lignende		**62 840 000**	**60 639 000**
Sum omløpsmidler		**413 189 000**	**412 246 000**
SUM EIENDELER		**789 648 000**	**776 047 000**

Konsernets balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	20	13 487 000	13 359 000
Beholdning av egne aksjer		-310 000	-408 000
Overkurs		340 477 000	326 660 000
Annen innskutt egenkapital		70 567 000	57 753 000
Sum innskutt egenkapital		**424 221 000**	**397 364 000**
Opptjent egenkapital			
Annen egenkapital		78 412 000	110 768 000
Sum opptjent egenkapital		**78 412 000**	**110 768 000**
Sum egenkapital		**502 633 000**	**508 132 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	8	3 520 000	3 079 000
Andre avsetninger for forpliktelser	4	133 600 000	143 668 000
Sum avsetninger for forpliktelser		**137 120 000**	**146 747 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	21	12 500 000	37 500 000
Øvrig langsiktig gjeld	21	23 813 000	3 887 000
Sum annen langsiktig gjeld		**36 313 000**	**41 387 000**
Sum langsiktig gjeld		**173 433 000**	**188 134 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner		25 000 000	12 500 000
Leverandørgjeld	16, 22	23 648 000	23 316 000
Skyldige offentlige avgifter		3 001 000	5 356 000
Annen kortsiktig gjeld		61 934 000	38 609 000
Sum kortsiktig gjeld		**113 583 000**	**79 781 000**
Sum gjeld		**287 016 000**	**267 915 000**

Konsernets balanse

Beløp i: NOK	Note	2021	2020
SUM EGENKAPITAL OG GJELD		**789 649 000**	**776 047 000**
POSTER UTENOM BALANSEN			
Garantistillelser	24	2 298 000	2 220 000

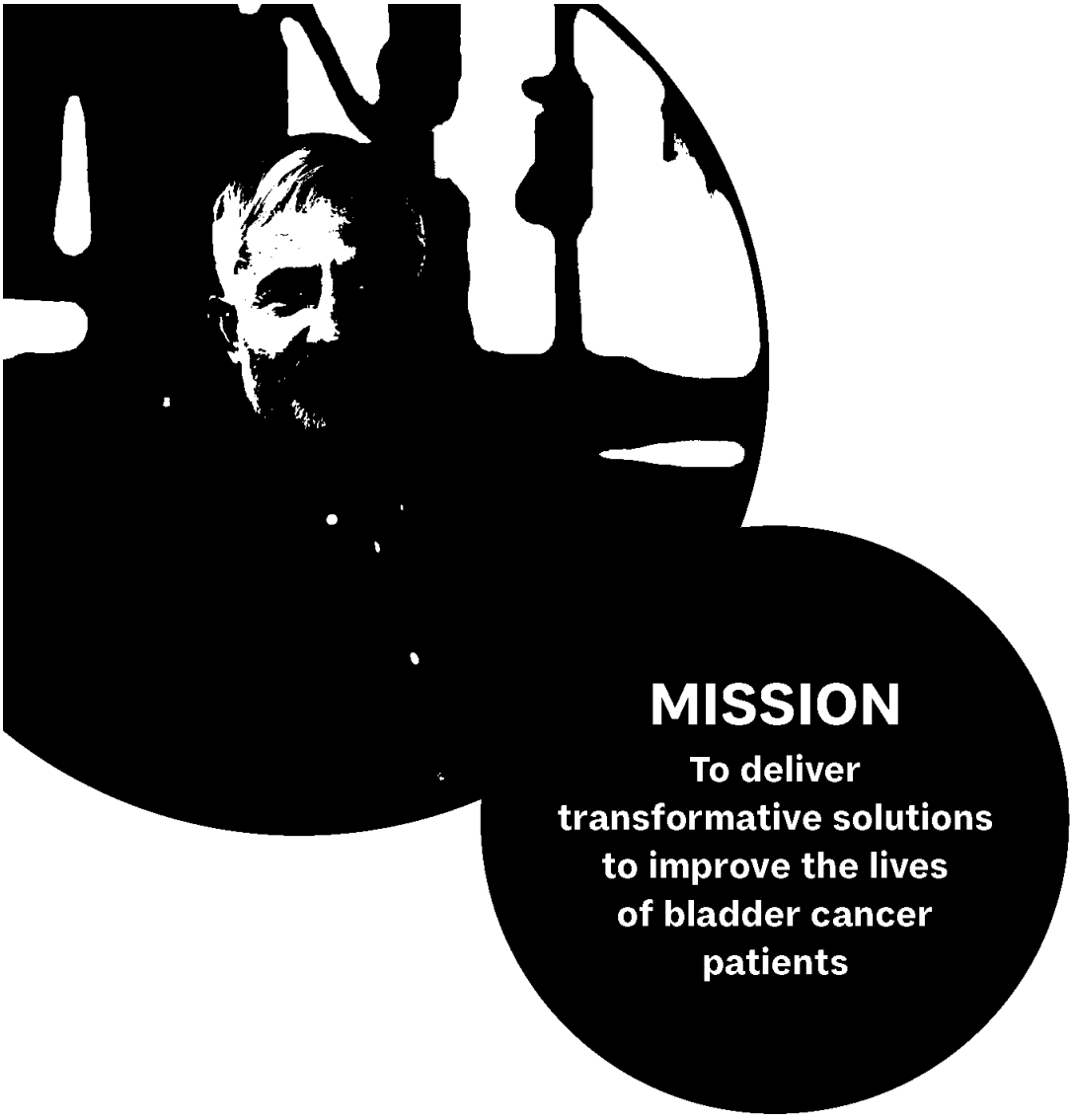
Annual Report

2021

WWW.PHOTOCURE.COM

PHOTOCURE®

THE BLADDER CANCER COMPANY



VISION
Leading change in bladder cancer

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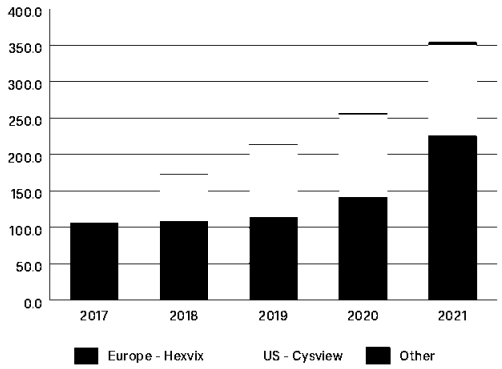
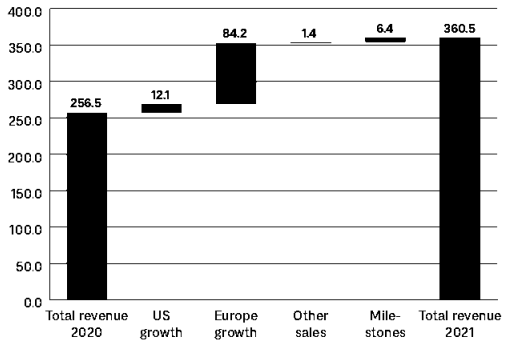
2021 in brief

SALES REVENUE 2017-2021
(NOK million)



REVENUE 2020-2021
(NOK million)



FINANCIAL HEADLINES
(NOK million)

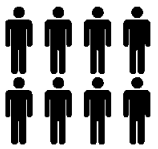
Commercial Franchise	**2021 FY**	**2020 FY**
Europe revenues	225.8	141.6
US revenues	125.2	113.2
Other sales revenues	3.1	1.7
Total sales revenues	**354.1**	**256.5**
Signing fee and milestones	6.4	-
Total revenues	**360.5**	**256.5**
Gross profit	**336.5**	**238.0**
Operating expenses	-318.2	-241.9
EBITDA before restructuring	**18.3**	**-3.9**
Restructuring expenses	-	-12.9
Depreciation & Amortization	-24.1	-19.3
EBIT	**-5.8**	**-36.1**
Net financial items	-25.8	2.8
Profit/loss(-) before tax	**-31.7**	**-33.2**
Tax expenses	0.8	10.8
Net profit/loss(-)	**-30.9**	**-22.4**
Cash balance	322.9	334.9
Total assets	789.6	776.0
Total equity	502.6	508.1
Equity ratio	64%	65%

Post-period **Regaining Rights to Cysview® in Canada** consolidating its North America Bladder Cancer Franchise

43

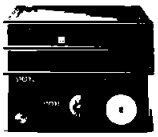
Blue Light Cystoscopes installed in the U.S. during 2021

Successful first full year of operations in Europe with early traction in priority growth markets

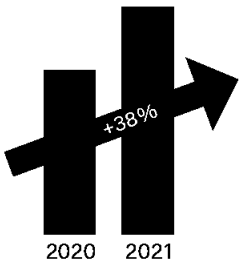


2200+

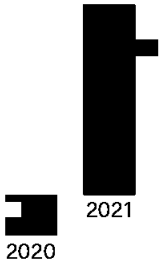
patients enrolled by year-end in U.S. "Blue Light Cystoscopy with Cysview®" Registry, initial study publications in 2021



Post-period **FDA approval of Karl Storz's new Blue Light system**



Hexvix®/Cysview® REVENUE **NOK 351.4 MILL in 2021, up 38% from 2020**



EBITDA of NOK 18.3 MILL in 2021, up from NOK -3.9 MILL in prior year

Expanding geographic footprint with **Hexvix® partnerships signed for mainland China & Taiwan**

Board of Directors Report 2021

In 2021, Photocure continued to grow its U.S. business and successfully completed its first full year of operations in continental Europe while continuing to adapt to varying pandemic situations. Demand for blue light cystoscopy (BLC) equipment remained strong, and the Company increased the base of BLC towers in the U.S. by 16% during 2021. Hexvix/Cysview revenue increased 38% to NOK 351.4 million in 2021, with global unit volume up 6% and U.S. unit volume up 16% compared to 2020. The Covid-19 pandemic is expected to be largely resolved by the middle of 2022, and Photocure is well-positioned to take advantage of improving healthcare access and increasing focus on cancer care after postponed procedures, as well as the launch of Karl Storz's new and improved BLC equipment in 2022.

Despite the pandemic challenges throughout 2021 including several surges of Covid-19, Photocure delivered on key corporate objectives during the year; completing the first full year of operations in continental Europe with favorable results, continuing to grow its U.S. business, and expanding the territories in which Hexvix is available through commercial partnerships.

The Company reported total revenues of NOK 360.5 million in 2021, an increase of 41% from 2020. Hexvix/Cysview revenue increased 38% to NOK 351.4 million with global unit volume up 6% and U.S. unit volume up 16% compared to 2020. The Company's acquisition of the broader European territories and its ability to add new accounts and increase use of Hexvix/Cysview in areas where healthcare access was open during the pandemic were the primary drivers of growth.

Operating loss before restructuring for 2021 was NOK 5.8 million, an improvement from the NOK 23.2 million loss reported in 2020. The 2021 operating result includes the license fee received from Asieris for the exclusive rights to commercialize Hexvix in China. Net loss for 2021 was NOK 30.9 million compared to a net loss of NOK 22.4 million in 2020.

Photocure continues to execute on expanding its global commercial footprint. In January 2021, the Company announced that it had entered into a partnership agreement with Asieris MediTech Co., Ltd. (Asieris), a division of Jiangsu Yahong Meditech Co., Ltd., whereby Asieris obtained exclusive rights to register and commercialize Hexvix in Mainland China and Taiwan. Photocure received an upfront payment of USD 750,000 from Asieris under the agreement, and may receive payments of up to USD 1.4 million for the achievement of certain regulatory milestones including market approvals in Mainland China and Taiwan. The Company will manufacture and supply Hexvix, and receive a transfer price from Asieris representing a markup on product provided under the agreement. Photocure will also receive royalties on product sales.

In August 2021, Photocure announced that it will regain the marketing and distribution rights to Cysview in Canada from its prior partner, BioSyent Pharma Inc. (BioSyent). Post period, in January 2022, the Company announced that it had launched its Canadian commercial operations. This action enables Photocure to directly manage the Cysview brand in Canada and consolidates the territory into Photocure's existing U.S. business to form the Company's North America sales segment.

About Photocure

Photocure ASA ("Photocure", "the Company" or "the Group"), the Bladder Cancer Company, delivers transformative solutions to improve the lives of bladder cancer patients. Photocure's unique product, sold under the brand names Cysview® (U.S. and Canada) and Hexvix® (all other markets), which make bladder cancer cells glow

bright pink under blue light cystoscopy, has led to better health outcomes for patients worldwide. Photocure is headquartered in Oslo, Norway and listed on the Oslo Stock Exchange (OSE: PHO).

Strategic direction – developing a specialty pharmaceutical company

Photocure's strategy is to maximize its commercial presence and the opportunity of its flagship brands Hexvix/Cysview in bladder cancer. In addition, the Company will continue to explore, alone or in partnership with others, new product opportunities that are complementary to Photocure's commercial activities and expertise in bladder cancer.

Commercial Segment

Hexvix®/Cysview® – the innovative product for improved detection and management of bladder cancer

Bladder cancer ranks as the eighth most common cancer worldwide with 1,720,000 prevalent cases (5-year prevalence rate), 573,000 new cases and more than 200,000 deaths annually in 2020 (Globocan. Incidence/mortality by population: Available at: https://gco.iarc.fr/today, accessed January 2022). Bladder cancer has the highest lifetime treatment costs per patient of all cancers (Sievert KD et al. World J Urol 2009;27:295–300). Patients often must undergo multiple cystoscopies due to the high risk of recurrence. There is an urgent need to improve both the diagnosis and the management of bladder cancer for the benefit of patients and healthcare systems alike. Bladder cancer is classified into two types, non-muscle invasive bladder cancer (NMIBC) and muscle-invasive bladder cancer (MIBC), depending on the depth of carcinoma invasion in the bladder wall. NMIBC is the most common type of bladder cancer cases (75%). In MIBC, the cancer has grown into deeper layers of the bladder wall, is more likely to spread, and is harder to treat (Bladder Cancer. American Cancer Society. https://www.cancer.org/cancer/bladder-cancer.html).

Photocure is leveraging its flagship brands Hexvix/Cysview to improve detection of NMIBC and reduce disease recurrence and progression rates to improve cost-effective health outcomes for bladder cancer patients. Hexvix/Cysview is marketed in the U.S., Canada, and Europe by Photocure's own specialist commercial and medical teams and through partnerships in Chile, China, and Australia/New Zealand. In 2021 Photocure's revenues from Hexvix/Cysview totaled NOK 351.4 million, compared to NOK 255.2 million in 2020.

The Company continues to see significant growth opportunities in its markets and believes that it has a solid foundation for future growth of its breakthrough bladder cancer product. Furthermore, Photocure is exploring expansion of its product portfolio through internal product development and the potential acquisition of new technologies or products.

The Company has continued to invest in its U.S. commercial organization, in line with its commercial market opportunities and strategic objectives. The added resources have driven growth in the number of blue light cystoscopes installed at leading U.S. hospitals/urology centers, as well as growth in unit sales and revenue. The availability of Blue Light Cystoscopy (BLC®) with Cysview, for rigid and flexible cystoscopy means that Cysview can now be used for both bladder cancer surgery and follow-up surveillance cystoscopy, allowing physicians to detect patients with the disease earlier and manage them more appropriately. Revenue in the U.S. segment increased 10.6% in 2021 to NOK 125.2 million (growth of 21% in USD) while the installed base of rigid and flexible blue light cystoscopes increased by 43 to a total of 311 at end of the year.

In addition to investments in the commercial capacity, growth has been fueled by inclusion of Blue Light Cystoscopy with Cysview in prominent national guidelines for the management of bladder cancer and by improved reimbursement. Following previous positive rulings, in November 2019, the United States Centers for Medicare and Medicaid Services (CMS) released its Final Rule for 2020 maintaining the reimbursement code (A Code) for Cysview when used in the hospital outpatient and other sites of care and the complexity adjustment code. The rule includes improved reimbursement for certain Blue Light Cystoscopy procedures effective 1 January 2020. Additional rules were announced in December 2020, solidifying the code changes made in the prior year by making certain complexity adjustment codes permanent and thus easier for provider billing, effective January 2021.

In February 2020, Photocure announced that the United States Patent and Trademark Office (USPTO) had granted U.S. Patent No. 10,556,010 covering the use of Blue Light Cystoscopy with Hexvix/ Cysview as neoadjuvant therapy in the treatment of bladder cancer in patients who are scheduled for a cystectomy. The '010 patent expires in December 2036. In July 2021, the USPTO granted U.S. Patent No. 11,066,478 which covers a method to treat bladder cancer including the intravesical instillation of composition comprising Hexvix/Cysview and anti-PD-L1 and/

or anti-PD-1 antibodies followed by exposure of the inside of the bladder to light. The '478 patent expires in December 2036. Post period, in February 2022, Photocure was granted U.S. Patent No. 11,235,168 covering the use of Blue Light Cystoscopy with Hexvix/Cysview in the treatment of bladder cancer. The '168 patent will expire in January 2038.

In line with Photocure's ambition to significantly penetrate the U.S. market, Cysview is well on its way to becoming the standard of care for bladder cancer patients. Keys to success are in place and include:

- Approval – Broader U.S. indication into the 2.5 times larger surveillance market
- Acceptance – Recommended use of Hexvix/Cysview by the American Urological Association (AUA), the European Association of Urology (EAU), the Society of Urologic Oncology (SUO) and many regional and local guidelines as well as the newly published Expert Consensus Guidelines for surveillance with flexible cystoscopes
- Access – Permanent and favorable reimbursement as of January 2019 and new permanent codes authorized in 2020 and 2021
- Activated Awareness – Demand via advocacy groups, clinics' advertising and media
- Acceleration – Commercial investment in the U.S. to optimize the opportunity

Photocure plans to maximize the return on our commercial investment by executing our plans in the largely untapped U.S. market, as well as in our recently consolidated territories in Europe where we expect to see great returns in the form of significant and sustainable growth in revenue and profitability. Reacquisition of the broader European commercial rights has given Photocure global control of the Hexvix/Cysview brand, and the opportunity to generate sales in major countries in Europe where blue light cystoscopy is underpenetrated or not yet introduced.

On June 11, 2020, Photocure entered into an agreement with Ipsen Pharma SAS (Ipsen) regarding the return of Hexvix sales, marketing and distribution rights in Europe and other markets previously 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, and Ipsen booked sales until this date. In addition, Ipsen will receive earn-out payments in the previous Ipsen markets in the range of 10-15% of sales for the years 1-7 post-transfer and 7.5% of sales for the 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 the treatment and management of bladder cancer, with a solid commercial foundation for expansion and further growth opportunities.

Full year European segment revenues increased 59% to NOK 225.8 million from NOK 141.6 million in 2020. The increase was mainly driven by the consolidation of revenues from the acquisition of the Ipsen territories and a turnaround in priority growth markets such as France, the UK, and Italy, despite limited access to accounts due to Covid-19 and negative foreign exchange. Unit sales in the Company's European segment increased 3% in 2021 year-over-year.

During 2021, several scientific publications highlighted and confirmed key benefits of Blue Light Cystoscopy (BLC®) with Hexvix/Cysview. Main publications, presentations and media coverage were:

- 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.
- 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.
- At the Annual European Association of Urology Congress (EAU 2021) in July 2021, new study data were presented comparing the use of white light cystoscopy (WLC) and BLC and their respective detection rates in patients with tumors that are refractory to BCG therapy. Eight weeks after BCG treatment, all patients had follow-up procedures

with WLC and BLC (PDD) to assess the presence of bladder cancer. Results of the study showed that bladder cancer was diagnosed in 32 out of 136 patients (24%). In those patients, 13 BCG-refractory tumors were detected with WLC, and 14 additional BCG-refractory tumors were detected with PDD, which lead to a change in management of their bladder cancer.

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

- On October 12, 2021, an article by Hamed Ahmadi et al. was published in the British Journal of Urology entitled "Role of Blue Light Cystoscopy in Detecting Invasive Bladder Tumor: Data from Multi-Institutional Registry." The study results are part of the Company's U.S. Registry, which has enrolled over 2,000 patients to date. Results showed that of the 3,514 cancerous lesions, 818 (23.2%) were only detected under blue light cystoscopy (BLC). Of those detected, 55 lesions were invasive including 28/55 (51%) newly diagnosed invasive lesions.

- In late October 2021, an article by Meera R. Chappidi, et al. entitled "Utility of Blue Light Cystoscopy for Post-BCG Bladder Cancer Recurrence Detection: Implications for Clinical Trial Recruitment and Study Comparisons" was published in the Journal of Urology. The study results are part of the Company's U.S. Registry. The study objective was to determine if BLC improves recurrence detection in non-muscle invasive bladder cancer (NMIBC) patients undergoing BCG treatment. Key study results included: The overall recurrence rate was 45% (detection with BLC). Detection of recurrences with white light only in the same patients would have been 39.4% (n=111/282) instead of 45.0% (n=127/282) with BLC. Furthermore, without BLC, 12.6% (n=16/127) of the total recurrences would not have been detected, which is important in a population that had undergone standard of care treatment within one year.

- In December 2021, a Cochrane systematic review was published on assessing the impact of blue light-enhanced TURBT compared to white light-TURBT in the treatment of non-muscle invasive bladder cancer (NMIBC) in order to provide a stronger basis for decision-making, both for healthcare professionals and researchers. Key findings of the publication show that use of blue light-enhanced TURBT in the diagnosis and treatment of non-muscle invasive bladder cancer compared to white light-TURBT reduces the risk of disease recurrence (34% reduction in the likelihood of disease recurrence based on 15 trials), and disease progression (35% reduction in the likelihood of progression based on 9 trials). Cochrane is an international network with headquarters in the UK, a registered not-for-profit organization, and a member of the UK National Council for Voluntary Organizations.

Development Portfolio

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

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

In July 2019, the Company announced that it had entered into a License Agreement providing Asieris MediTech Co., Ltd (Asieris) with a world-wide license to develop and commercialize Cevira for the treatment of HPV induced cervical precancerous lesions.

Subsequently, Asieris launched a global clinical development program initially focused on the Chinese market, based on Photocure's Phase 2b data for patients diagnosed with high grade lesions and Phase 3 study design elements agreed upon with the U.S. FDA. Patient enrolment in an ongoing Phase 3 study was initiated in China in late 2020, with the majority of patients being enrolled in China and the remainder anticipated to be enrolled in Europe. Further development in Europe and a plan for the U.S. will follow if clinical results from the Chinese-focused Phase 3 study confirms the safety and efficacy of Cevira, estimated to be available in 2022. Asieris will assume responsibility for the manufacturing of the Cevira product, while Photocure retains responsibility for the manufacturing of the active pharmaceutical ingredient (API).

Under the License Agreement, Photocure has so far received a signing fee of USD 5.0 million in 2019, and two milestone payments totaling USD 3.0 million in 2020. Under the Agreement, the Company may receive a total of USD 18 million based upon achievement of certain clinical and regulatory milestones in China and up to a total of USD 36 million for certain clinical and regulatory milestones in the U.S. and EU. Approval of a second indication in China, the U.S. and the EU would result in payments of up to USD 14 million. Sales milestones and royalties of 10% to 20% will apply in all markets.

Financial review

The Photocure annual accounts have been prepared in accordance with IFRS requirements as adopted by EU.

Total revenue was NOK 360.5 million in 2021, an increase from the NOK 256.5 million reported in 2020. The year over year increase includes the NOK 6.4 million signing fee generated by Asieris to the Company in 2021.

Sales revenues reached NOK 354.1 million in 2021, an increase of NOK 97.6 million from NOK 256.5 million in 2020. Sales revenues comprise the Company's own sales of Hexvix in Europe and Cysview in the U.S. and income from product sales and royalties from Photocure's license partners on sales of Hexvix/Cysview to hospitals and pharmacies in other regions. The increase in revenues was mainly driven by Photocure's acquisition of the broader European territories and the Company's ability to add new accounts and increase use of Hexvix/Cysview in areas where healthcare access was open, partially offset by Covid-19 pressures and negative foreign exchange.

The Company had signing revenues in 2021 of NOK 6.4 million compared to no signing or milestone revenues in 2020. Signing revenues in 2021 were from the Asieris license fee for the exclusive commercial rights to Hexvix in mainland China and Taiwan.

Operating expenses excluding restructuring expenses increased from NOK 261.2 million in 2020 to NOK 342.3 million in 2021. The main cost drivers were operating expenses associated with the build-out of the commercial infrastructure in Europe and higher sales and marketing expenses in the U.S., partly offset by reduced expenses related to travel and other items deemed non-essential during the Covid-19 pandemic. Operating expenses include a total of NOK 4.2 million amortization of intangible assets related to the return on October 1, 2020, of Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen.

Photocure's operating result before restructuring expenses was NOK -5.8 million in 2021, compared to an operating result before restructuring expenses of NOK -23.2 million in 2020. The improved operating result is primarily attributable to the inclusion of the European business from Ipsen, volume growth in the U.S. despite the pandemic, as well as lower than expected expenses in response to the pandemic. In addition, the sign-on revenue from Asieris improved the results accordingly.

There were no restructuring expenses in 2021. Restructuring expenses in 2020 were NOK 12.9 million related 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 loss in 2021 totaled NOK 25.8 million in 2021, compared to net financial income of NOK 2.8 million in 2020. The loss in 2021 was driven mainly by the Ipsen earnout payment and a non-cash valuation adjustment of the earnout liability due to higher expected future sales in Europe, partly offset by currency gain.

Result before tax was a loss of NOK 31.7 million in 2021, compared to a loss of NOK 33.2 million in 2020.

Tax expense was an income of NOK 0.8 million in 2021 and income of NOK 10.8 million in 2020. The calculation of deferred tax at year end was based on a tax rate of 22% for both 2021 and 2020.

The Group's net result after tax was NOK -30.9 million in 2021, compared to NOK -22.4 million in 2020.

Net cash flow from operations was NOK 23.9 million in 2021 compared to NOK 15.6 million in 2020. The positive cash flow from operations in 2021 was mainly driven by the positive EBITDA including the milestone payment from Asieris. Net cash flow from investments was NOK -1.9 million in 2021, compared to NOK -166.2 million in 2020. The net outflow in 2020 reflects the payment to Ipsen of EUR 15 million. Net cash flow from financing was NOK -34.0 million in 2021 and included 12.5 million in term loan principal payments. This compares to net cash flow from financing in 2020 of NOK 360.2 million, associated with equity and bank financings.

Photocure had two private placements on April 27 and June 24, 2020, raising total net proceeds of NOK 302 million. The private placements attracted strong interest from existing shareholders, as well as from new, high-quality international 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 previously, (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 during the second quarter of 2020, and paid down NOK 12.5 million of the principle in 2021. The bank loan is secured under the State Guarantee Scheme for Loans to SME's as a buffer to Covid-19 impacts.

Photocure follows a low risk investment strategy for its liquid funds. The return on the liquid funds depends on the rate of interest in the money markets and will therefore vary over time. Liquid

funds amounted to NOK 322.9 million at December 31, 2021 and NOK 334.9 million at December 31, 2020.

Shareholder equity was NOK 502.6 million at December 31, 2021, an equity ratio of 64%. At the end of 2020, shareholder equity was NOK 508.1 million (65%).

Dividend

The Board does not propose a dividend payment for 2021. Photocure is focusing its resources on building a therapeutic area-focused commercial stage pharmaceutical company with a focus on bladder cancer. The Board of Directors will recommend payment of dividends in line with the Company's results, financial position, product and market development plans, and outlook. Photocure does not expect to pay dividends in the near future.

Parent company

In 2021, Photocure ASA (Parent company) had a loss after tax of NOK 19.8 million, compared to a loss after tax of NOK 18.0 million in 2020. The equity in Photocure ASA totaled NOK 801.7 million at December 31, 2021. The equity ratio of the Parent company was 76%.

Share capital and board mandates

At December 31, 2021, 26,973,820 shares were registered in Photocure. At the Ordinary General Meeting in May 20, 2021, the Board of Directors was granted authorization to purchase up to 10% of its own shares. At December 31, 2021, Photocure held 14,846 own shares.

Going concern

Pursuant to § 3.3 (a) of the Norwegian Accounting Act, it is confirmed that the conditions for assuming that the Group is a going concern are present, and that the financial statements have been prepared on the basis of this assumption. No events have occurred since the end of 2021, except those which are stated in this report that are of major significance for the assessment of the Company's financial position and results.

Risk factors and risk management

Photocure is subject to several operational and financial risk factors and uncertainties which may affect parts or all of the activities in the Group. The Company proactively manages

such risks, and management and the Board of Directors regularly analyze operations and potential risk factors to take measures to reduce risk exposure.

Operational risk

Photocure develops innovative products and markets and sells these products through its own commercial teams and in partnerships with other companies. These activities entail exposure to various risks. The Board of Directors and management monitor and analyze the Company's operations and potential risk factors, and actively take risk reduction measures.

Commercial risk

Photocure is commercializing Hexvix/Cysview directly in the U.S. and Europe and from 2022 in Canada, and has strategic partnerships with Genotests SpA in Chile, Asieris MediTech Co. Ltd. in China and from 2022 Endotherapeutics Group in Australia/New Zealand.

Any significant event that adversely affects revenues from Hexvix/Cysview could have a material and negative impact on Photocure's results and cash flows. Key commercial risks include:

- Reimbursement may be limited or unavailable in certain markets, which could make it more difficult to achieve profitability in these markets. Changes in reimbursement in Europe and the U.S. may have a material impact on Photocure's results and cash flows.
- Hospitals may restrict access for our staff which will make the sales and support activities more challenging and therefore may have a negative impact on Photocure's results and cash flows.
- Use of Hexvix/Cysview requires installation of Blue Light Cystoscopes which are manufactured and sold by other companies, only one of which is approved with Cysview in the U.S. These companies' ability and willingness to develop and promote these products may affect Photocure's results and cash flows.
- Partners ability to support the brand in key markets.
- The expiration or loss of patent protection may adversely affect Photocure's future results and cash flows. Third parties may challenge or seek to invalidate or circumvent Photocure's patents and patent applications. The patent for Hexvix expired in the main European countries in 2019 and the patent for Cysview in the U.S. expired in the fourth quarter 2020.
- Competitive products or technologies may emerge at any time, and changes in the competitive landscape may have a material impact on Photocure's results and cash flows.

Manufacturing risk

Photocure relies on third-party suppliers for manufacturing and assembly. Delays or interruptions and quality issues at the production facilities as well as improper transport, handling and delivery may impair supply of Hexvix/Cysview to the market and hence revenues, results and cash flows.

Development and regulatory risk

Photocure's partner Asieris will need approval from regulatory authorities to market Cevira®. Efficacy or safety issues could arise, and approval may be denied, delayed or limited.

In general, successful launches and sales for pipeline products may not be achieved inter alia due to changes in market dynamics or competition, unsuccessful marketing, and/or pricing pressure due to limitations on healthcare budgets.

As with any drug intended for diagnostic or therapeutic use, adverse clinical reactions are always a possibility.

Financial risk

Photocure has an international business operation and is exposed to liquidity and funding risk, credit risk, currency risk and interest rate risk. At the end of 2021, the Company had no derivatives or other financial instruments to reduce the currency risk and interest rate risk. Responsibility for managing financial risk is placed with the management of the Company. Financial risk is also monitored by the Board of Directors.

Liquidity and funding risk

The Company monitors its cash flows from both long and short-term perspectives through planning and reporting. Photocure does not have any loan agreements that involve covenants or other restrictions. Photocure uses a multi-currency consolidated accounts system that provides flexibility in relation to drawing on multiple currencies. The company may require new capital in the future. Adequate sources of capital funding may not be available when needed or may not be available on favorable terms.

Credit risk

Photocure is primarily exposed to credit risk associated with accounts receivable and other short-term receivables. Photocure's sales are mainly to hospitals and pharmaceutical wholesalers. The credit risk is limited as the counterparties are mainly large and non-affiliated companies/hospitals. Photocure's credit risk is considered moderate and the Company does not use credit insurance.

Currency risk

As NOK is the Company's presentation currency, Photocure is exposed to translation risk associated with the Company's net exposure in foreign

currency. Photocure's revenues and costs are accrued in different currencies and the Company is therefore exposed to exchange rate fluctuations. The Company monitors the need for hedging of large transactions on an ongoing basis. Photocure did not have outstanding hedging of future transactions at December 31, 2021 and December 31, 2020.

Interest rate risk

In the second quarter of 2020, Photocure received a loan of NOK 50 million, which 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 2021 was 2.5%. The loan is a three-year term loan, first year interest only with quarterly repayments of NOK 6.25 million thereafter. Interest rate risk is also associated with the Company's holdings of cash and cash equivalents. The main strategy is to diversify the risk and invest in money market funds and bond funds with low risk, high liquidity and short duration. The investments are denominated in NOK.

The Covid-19 pandemic

Photocure continues to operate during the Covid-19 pandemic and is monitoring the situation. The Company maintains strict measures to ensure the safety of patients, customers, employees and business partners while maintaining an uninterrupted level of service and supply. Additional measures are continuously considered.

As of the date of this report, Photocure's revenues are directly impacted by access as well as staffing problems and reduced capacity in the hospitals. The Company does however continue to manage expenses in line with opportunity to generate returns.

While there have been no major disruptions to Photocure's production of Hexvix®/Cysview® during the previous surges of Covid-19 and its variants, it is possible that the ongoing pandemic could affect transport and supply chain services, and Photocure's services and support could be restricted by government and healthcare organizations in the future. Should Photocure experience a temporary disruption, the Company has sufficient inventory of Hexvix/Cysview. Furthermore, Photocure has a strong cash position to support its ongoing business and carries limited interest-bearing debt. Short- and long-term business development and operations may also be affected by the Covid-19 situation in various ways. It is currently not possible to quantify all such effects given the ongoing pandemic conditions. The Company will update the market if there are relevant changes to operations.

Organization

The Group's Leadership Team at year-end consisted of Daniel Schneider, President and Chief Executive Officer; Erik Dahl, Chief Financial Officer; Geoffrey Coy, Vice President and General Manager of U.S. Operations; Susanne Strauss, Vice President and General Manager of Europe; Grete Hogstad, Vice President Global Strategic Marketing and Business Development; Patricia Kelly, Vice President Global Human Resources and Anders Neijber, Vice President Global Medical Affairs and Clinical Development.

The Board of Directors held 18 meetings in 2021. All members of the Board of Directors are shareholder-elected. The members of the Board of Directors were at the end of 2021; Jan H. Egberts (Chairperson), Johanna Holldack, Grannum R. Sant, Anders Tuv, and Anne Worsøe.

Photocure ASA has offices in Oslo, Norway, in Princeton, New Jersey, U.S. and in Düsseldorf, Germany.

Corporate social responsibility

Photocure's corporate social responsibility guidelines are available at www.photocure.com.

Sustainability has been part of Photocure's business approach since its origin. The company believes that creating value for patients, customers and society strengthens the Company's business and provides value for shareholders. Beyond the business impact, Photocure has implemented further metrics and operating procedures linked to the UN Global Compact, the globally recognized framework for advancing sustainability in the public and private sectors, and to foster strong relationships with a variety of stakeholders through its commitment to corporate social responsibility. Comprehensive ESG reporting for the Company is available at www.photocure.com.

As a healthcare company, improving the lives of bladder cancer patients is itself, a strong commitment to society. Photocure's commitment to corporate social responsibility is driven by the Company values. Photocure's core values comprise important standards for the company, both internally and externally, and guide what we believe and how we will succeed. They exist under the principle that We Care, about all that we do and all who we touch. Our values guide the behavior of employees and form the basis for Photocure's ethical guidelines: Take Ownership, Be Passionate, Be Courageous, Be Agile, Be Curious and Work Together. The values are reflected in the focus on the following priority areas: Patients access to health and quality of life, talent & workplace, environment, governance and ethics. For more information regarding Photocure's focus on these material topics, please refer to the ESG report.

Patients access to health and quality of life

Photocure's mission is to deliver transformative solutions to improve the lives of bladder cancer patients.

Photocure's employees take pride in this mission, and consistently aim to create innovative drugs, procedures and medical devices that help urology providers deliver improved bladder cancer outcomes to their patients, regardless of the setting of care.

"Delivering transformative solutions to improve the lives of bladder cancer patients" encompasses all activities from developing products, gaining approval by relevant authorities, working with patient organizations and hospitals, and finally getting products to the market either through Photocure's own sales organization or by partners.

Through efforts made by Photocure and its partners, more bladder cancer patients gained access to Hexvix/ Cysview, enabling a positive impact on the management of care for these patients.

The Company is also continuously supporting clinical research activities and training a growing number of physicians in using the blue light cystoscopy procedure. Photocure is also taking part in community involvement activities and is partnering with prominent patient associations to enhance the access to care and awareness of bladder cancer in general.

Documented clinical benefits for bladder cancer patients using Hexvix/ Cysview is regularly published in publications as Nature Reviews in Urology, World Journal of Urology and Urology, as well as at major international Urology congresses. Since launch over 600,000 procedures have been conducted with Hexvix/ Cysview worldwide.

Talent & workplace

The Photocure organization was comprised of 98 employees at the end of 2021.

In addition, the Company has a strong network of consultants to support the operations and development. The Company's policy is to outsource non-core operations and highly specialized services.

The work environment within the Company is considered to be a very good, positive environment measured through regular employee surveys. No accidents or injuries resulting in absence were registered in 2021. Absence due to illness in the Company was 1.9% of total hours in Countries that track illness in 2021, compared to 1.1% in 2020. The increase was due to one long-term illness during the year.

Photocure aims to be a workplace with equal opportunities in all areas. The Company has traditionally recruited from environments where the number of women and men is relatively equally represented. In terms of gender equality within the Company, 40% of board members are women, as are 43% of the senior management team at the end of 2021. Globally Photocure employs 49% women and 51% men. Working time arrangements at the Company, independent of gender, strive to enhance the individual work-life balance.

Photocure's policy is to promote equal rights and opportunities and prevent any kind of discrimination based on gender, ethnicity, nationality, sexual orientation, ancestry or religion.

Photocure is working actively to promote the Equality and Anti-Discrimination Act. These activities include recruitment, salary and working conditions, promotion, professional development and protection against harassment. Furthermore, Photocure aims to be a workplace where there is no discrimination on the basis of disability. A diverse and inclusive workplace supports innovation and contributes to a positive work environment in which people can grow both professionally and personally.

Environment

The Company does not pollute the external environment to a greater extent than is normal for this type of industry as all production and distribution is outsourced. However, Photocure makes it its priority in supplier selection and monitoring to evaluate and document its suppliers' business code of conduct including environment, health and safety policy and their Corporate Social Responsibility practices.

Governance and ethics

Ensuring good governance practices and "doing things the right way" involves all people in Photocure. This includes governance as documented in the guidelines for corporate governance, local and industry specific guidelines like good pharmacovigilance practice as well as ethical conduct and anticorruption based on the Photocure values and respect for human rights. Photocure's supplier requirements in terms of adherence to Company practices, guidelines and values are an integral part of all stages of the procurement process including selection and auditing. With regard to its outsourced manufacturing activities, Photocure ensures that everything is produced and controlled according to quality standards such as current good manufacturing practice (GMP).

Photocure's values set out the expectation that everyone behaves ethically in everything they do. The annual performance appraisal for Photocure employees and management includes an assessment of the performance in relation to the Company values. In addition, the Company strives to always enhance its processes through gap-analysis and regular Standard Operating Procedure reviews. In 2021 more than 50% of the Company's procedures have been revised and updated to ensure business ethics, compliance with GxP and good governance practice.

Photocure considers solid corporate governance as a prerequisite to creating value for shareholders and gaining the confidence of investors. Photocure will strive to comply with the generally accepted principles of good corporate governance through its internal controls and management structure. Photocure believes that its current guidelines for corporate governance are in line with the latest version of the Norwegian Code of Practice for Corporate Governance, and a description of this is given in the annual report. A complete description of the recommendation is available at the Norwegian Corporate Governance Board (NCGB) web pages (www.nues.no).

The directors and officers of Photocure ASA are covered under a Group Director & Officer's Liability Insurance (D&O). The insurance covers personal legal liabilities including defense and legal costs. The officers and directors of the parent company and subsidiaries are covered by the insurance. The cover also includes employees in managerial positions or employees who become named in a claim or investigation.

Comprehensive ESG reporting for the Company is available in the ESG section of the present report and on www. photocure.com.

Subsequent events

In January 2022, Photocure announced that it had launched its direct commercial operations in Canada after regaining rights to Cysview from its former partner, BioSyent Pharma, Inc. The reacquisition of Canadian marketing and distribution rights enables Photocure's direct management of the Cysview brand in Canada and consolidates the territory into the Company's existing U.S. business to form its North America sales segment.

In March 2022, Photocure announced that it had entered into an agreement with Endotherapeutics Group as its new partner to commercialize Hexvix in Australia and New Zealand. Photocure simultaneously terminated its previous agreement for the territories with Juno Pharmaceuticals. Under the new agreement, Endotherapeutics will hold the Marketing Authorization for Hexvix and will re-launch the product in the two territories.

Outlook

Photocure delivers transformative solutions that improve the lives of bladder cancer patients. Based on benefits of our breakthrough product for the treatment of bladder cancer, Hexvix®/Cysview®, Photocure has embarked on a stepwise approach for continued growth. Photocure sees significant long-term potential in the global bladder cancer 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 to leverage the Company's global commercial infrastructure
- Transformation - Acquire assets to strengthen the 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 continued to grow sales in its US segment, significantly increasing Cysview's market penetration over the 2-year pandemic period. The Company's pipeline of anticipated BLC tower installations in the U.S. remains robust given the demand by physicians and facilities to offer the benefits of BLC with Cysview in their practices. Despite this pent-up demand, the Covid-19 pandemic and Karl Storz's planned transition to launch an upgraded version of its blue light system in the U. S. limited the Company's ability to significantly expand the installed base of BLC capital equipment in the back half of 2021. With the new Karl Storz blue light system anticipated to launch in the U.S. in the second quarter of 2022, Photocure expects that the placements of new blue light rigid towers will accelerate in the second half of 2022.

Additionally, the Company successfully completed its first full year of commercial operations in Europe after acquiring the Hexvix business from Ipsen in October 2020. Despite limited access to the majority of accounts due to Covid-19 in 2021, the Company's European commercial team captured all of the expected annual sales from the acquisition, revitalized the Hexvix brand and usage in priority growth markets, and is well-positioned to grow the Hexvix franchise as the pandemic resolves.

The timing of a full recovery from the pandemic remains unclear, due to the continued spread of the Covid-19 Delta and Omicron variants. As a result, Photocure has not issued financial guidance due to the inability to reliably forecast healthcare access trends across its direct markets. The Company anticipates that it will issue guidance later this year. While lingering Covid-19 conditions add uncertainty to Photocure's near-term business forecast, 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.

Oslo, 6 April 2022
Photocure ASA

Jan Hendrik Egberts
Chairperson

Anders Tuv
Director

Johanna Holldack
Director

Anne Worsøe
Director

Grannum R. Sant
Director

Daniel Schneider
President and CEO

Confirmation from the Board of Directors and CEO 2021

We confirm that, to the best of our knowledge, that the financial statements for the period from January 1 to December 31, 2021 have been prepared in accordance with IFRS adopted by EU and gives a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations, and that the Report of the Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company together with a description of the key risks and uncertainty factors that the Company is facing.

Oslo, 6 April 2022
Photocure ASA

Jan Hendrik Egberts
Chairperson

Johanna Hollqack
Director

Grannum R. Sant
Director

Anders Tuv
Director

Anne Worsøe
Director

Daniel Schneider
President and CEO

Jan H. Egberts

Chairperson of the Board / Member of Compensation Committee

Attendance: Board meetings: 18/18
Compensation Committee: 3/3

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Jan H. Egberts holds 14,500 shares and no share options in Photocure.

Dr. Egberts has over 30 years of experience in the pharmaceutical and medical devices sector. Currently, Dr. Egberts serves as the Managing Partner of Veritas Investments, his private investment company focused on investments in the healthcare industry. Previous positions include strategic consultant at McKinsey & Co. in New York and other locations, various business development and general management positions of increasing responsibilities in the USA at Merck & Co. Johnson & Johnson and MoInlycke Health Care, CEO of NovaDel, a NASDAQ listed drug delivery company, Senior Industry Advisor, Healthcare Investments for 3i, CEO of OctoPlus, a publicly listed specialty pharmaceutical company in the Netherlands, and interim CEO of Agendia, a molecular diagnostics company.

- Elected year 2017
- Position: Managing Partner of Veritas Investments
- Education: MD and MBA
- Other assignments: Chairman at Nordic Nanovector, Viroclinics, SigmaScreening, NLC Investments and Mellon Medical and Board member at LeadPharma, Cassini Medical and Pallas / NRG group

Johanna Holldack

Director / Chairperson of the Compensation Committee

Attendance: Board meetings: 18/18
Compensation Committee: 3/3

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Johanna Holldack holds no shares and no share options in Photocure.

Dr. Holldack has international operational experience from pharma companies, including clinical trials, drug approvals, IPOs and licensing. She has also managed several mergers and acquisitions. In addition, Dr. Holldack has venture capital experience from Swiss-based Aravis Venture where she was a partner for 5 years. Her industry career spans over 20 years including management and executive positions at Behringwerke, Chiron, MediGene, Borean Pharma, Telormedix and Trethera Corporation.

- Elected year 2017
- Position: CEO Kupando GmbH
- Education: MD
- Other assignments: Advisor to Spark at Charite, Berlin

Grannum R. Sant

Director / Member of the Audit Committee

Attendance: Board meetings: 18/18
Audit Committee: 6/6

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Grannum R. Sant holds no shares and no share options in Photocure.

Dr. Sant has a broad and deep international experience in pharma and academia. From 2003 to 2013 he held senior leadership roles including Vice President and Head of Medical Affairs for urology and oncology at Sanofi US. His last pharma position (2010-2013) was as Vice President, Head of Global Medical Affairs Rare Genetic Diseases at Genzyme. Dr. Sant is a board-certified urologist in the U.S. and prior to 2003 was Professor and Chair of the Urology at Tufts University School of Medicine.

- Elected year 2016
- Position: Independent consultant and Professor of Urology at Tufts University School of Medicine in Boston, USA
- Education: MD (Dublin University), FRCS, FACS
- Other assignments: Board Member Cellanyx and Enlivity, Scientific Advisory Board Cellanyx, EmpiraMed and Alessa Therapeutics

Anders Tuv

Director / Chairperson of the Audit Committee

Attendance: Board meetings: 18/18
Audit Committee: 6/6

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Anders Tuv represents Radforsk, holding 679,619 shares and no share options in Photocure.

Anders Tuv is Chief Investment Officer at life science investment company Radforsk with a focus on immunotherapies and precision medicines. He is an experienced investment and business development professional with broad experience from the health care and biotech industry covering founding and building biotech companies, strategy and business development, R&D collaborations, licensing deals, due diligences, private placements, M&As and IPOs. He holds a MBE degree. Anders holds several board positions in biotech companies.

- Elected year 2020
- Position: Chief Investment Officer at Radforsk, Norway
- Education: MBE
- Other assignments: Non-executive director at Nykode Therapeutics, Zelluna Immunotherapy, Nextera, NucliGen and OnDosis AB and member of the Nomination Committee of Targovax. He also holds several advisory roles in biotech and tech companies and VC/investment funds.

Anne Worsøe

Director / Member of the Audit Committee / Advisor for ESG matters

Attendance: Board meetings: 18/18
Audit Committee: 6/6

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Anne Worsøe holds no shares and no share options in Photocure

Anne Worsøe is Head of Investment Relations and Communications at Ultimovacs ASA, a clinical stage immunotherapy company listed at OSE. Anne has 20+ years of experience within strategy, business development, and communication from the investment industry, and served on the boards of several early-stage companies, venture capital funds, private and public limited companies. She is Venture Partner at Antler, a global early-stage venture capital firm and Partner and co-founder at Farmhouse Capital, an Oslo-based investment company. Previously, she was a Partner at Bakken & Bæck, a digital studio specialized in product design, development, and artificial intelligence, and the Director of Innovation Norway in San Francisco, where she initiated and co-founded Nordic Innovation House in Silicon Valley. Prior to moving abroad, she held the position as Head of New Business at Statkraft, and she was the first CEO of the Norwegian Venture Capital & Private Equity Association.

- Elected year 2020
- Position: Head of Investor Relations & Communication at Ultimovacs ASA, Norway
- Education: M.Sc.
- Other assignments: Chair of the Board at First Seed foundation, Board Member at Kron AS and SINTEF TTO AS

Corporate Governance Policy and Annual Review

Review of policy adopted by the Board 6 April 2022

Photocure is committed to Good Corporate Governance

Photocure ASA ("**Photocure**" or the "**Company**") has made a strong commitment to ensure trust in the Company and to enhance shareholder value through effective decision-making and improved communication between the management, the board of directors and the shareholders. The Company's framework for corporate governance is intended to decrease business risk, maximize value and utilize the Company's resources in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large.

The Company will seek to comply with the Norwegian Code of Practice for Corporate Governance (the "**Corporate Governance Code**"), last revised on 14 October 2021 and available at the Norwegian Corporate Governance Board's web site www.nues.no, to the extent not considered unreasonable due to the Company size and stage of development. The principal purpose of the Corporate Governance Code is (i) to ensure that listed companies implement corporate governance that clarifies the respective roles of shareholders, the board of directors and senior management more comprehensively than what is required by legislation and (ii) to ensure effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other parties concerned.

The Company is subject to reporting requirements for corporate governance under the Accounting Act section 3-3b as well as Oslo Børs "Continuing obligations of stock exchange listed companies" section 7. The board of directors will include a report on the Company's corporate governance in each annual report including an explanation of any deviations from the Corporate Governance Code. The corporate governance framework of the Company is subject to annual reviews and discussions by the board of directors.

The following provides a discussion of the Company's corporate governance in relation to each section of the Corporate Governance Code for the financial year 2021. Photocure's compliance with the Code is detailed in this report and section numbers refer to the Corporate Governance Code:

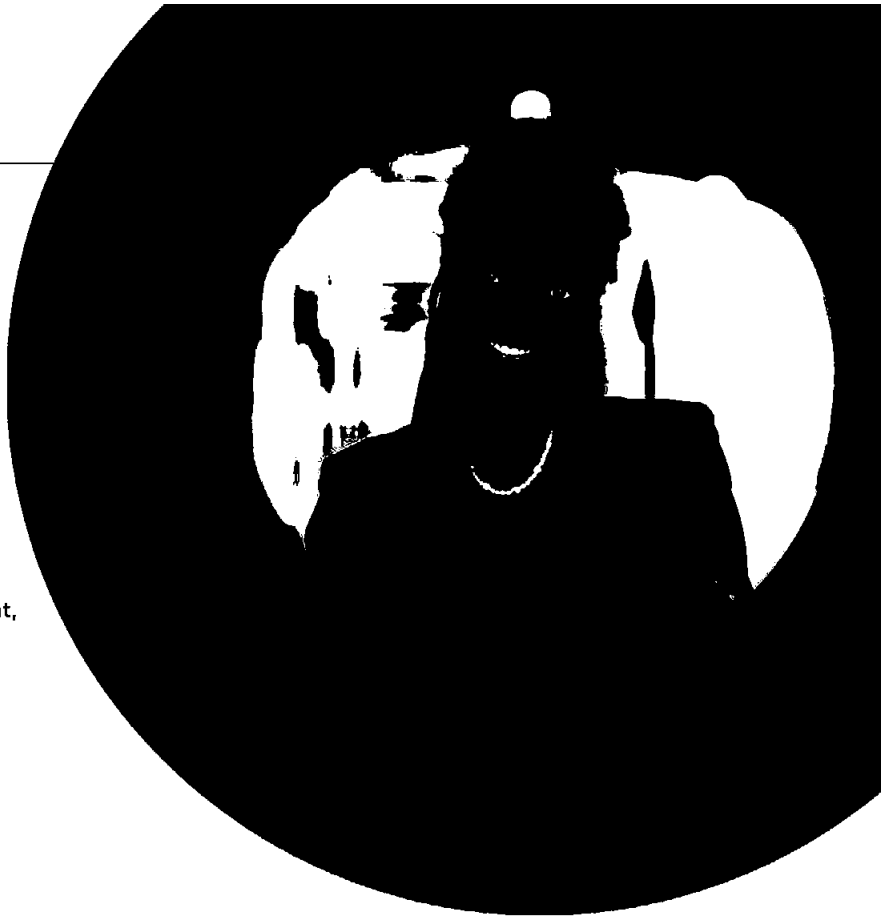
1. Implementation and reporting on Corporate Governance

The Company will seek to comply with the Corporate Governance Code. The board of directors shall include a report on the Company's corporate governance in its annual report, including an explanation of any deviations from the Corporate Governance Code.

Non-conformance with the recommendation: None

2. Business

Photocure's business is clearly defined in the Company's articles of association (the "**Articles of Association**"). The Company's objectives, strategies and risk profiles should be evaluated at least annually to create value for shareholders. Objectives and strategies are presented in the annual report and the Company's website www.photocure.com.



The Company's business is defined in the following manner in the Articles of Association section 3:

"The purpose and main business of the Company is to operate business related to medical use of photodynamic technology and other medical methods of treatment, and anything thereby connected."

The board of directors of the Company has adopted several corporate governance guidelines, including rules of procedure for the board of directors, instructions for the audit committee, instructions for the compensation committee, insider manuals, manual on disclosure of information and guidelines for corporate social responsibility.

The board of directors is responsible for defining the Company's strategies, primary objectives and risk profile and to support the Company's value creation to shareholders in a sustainable way. The board of directors has taken into account financial, social and environmental factors when defining the Company's strategies, primary objectives and risk profile.

The Company's strategies, primary objectives and risk profile are evaluated by the board of directors on an annual basis and are further described in the annual report, ESG report and on the Company's website www.photocure.com.

Non-conformance with the recommendation: None

3. Equity and dividends

Capital Structure

At 31 December 2021, the Company's consolidated equity was NOK 502.6 million, an equity ratio of 64%. The board of directors considers this equity level to be satisfactory. The Company had at 31 December 2021 interest-bearing debt totaling NOK 173.4 million. The Company's capital structure and financial strength is continuously considered in light of its objectives, strategy and risk profile.

Dividend Policy

Photocure is focusing its resources on building a specialty pharma company and the board of directors will recommend payment of dividends in line with the Company's results, financial position and outlook. The Company has, due to its level of development, uneven revenue streams and net cash flows, and does not expect to pay recurring dividends until justified by recurring cash flows. The dividend policy is disclosed in the annual report.

The ordinary general meeting resolves the annual dividend, based on the proposal by the board of directors. The amount proposed sets an upper limit for the general meeting's resolution.

Capital Increases and Issuance of Shares

The board of directors is authorized by the general meeting to resolve increases of the Company's share capital. The authorization is restricted to defined purposes, and does not last longer than to the Company's next annual general meeting.

Purchase of own Shares

The board of directors is authorized by the general meeting to purchase the Company's own shares on behalf of the Company. The authorization is restricted to defined purposes, and does not last longer than to the Company's next annual general meeting.

Non-conformance with the recommendation: None

4. Equal treatment of shareholders

Pre-Emption rights to Subscribe

According to the Norwegian Public Limited Liability Companies Act, the Company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may however be set aside, either by the general meeting or by the board of directors if the general meeting has granted a board authorization which allows for this. Any resolution to set aside pre-emption rights will be justified by the common interests of the Company and the shareholders, and such justification will be publicly disclosed through a stock exchange notice from the Company.

Trading in own shares

Photocure owns a total of 14,846 own shares. Photocure has during 2021 sold net 820 own shares to employees.

In the event of a future share buy-back program, the board of directors will aim to ensure that all transactions pursuant to such program will be carried out either through the trading system at Oslo Børs or at prevailing prices at Oslo Børs. In the event of such program, the board of directors will take the Company's and shareholders' interests into consideration and aim to maintain transparency and equal treatment of all shareholders. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

Non-conformance with the recommendation: None

5. Shares and negotiability

The shares of the Company are freely transferable. There are no restrictions on ownership, trading and voting for shares in the Company pursuant to the Articles of Association.

Non-conformance with the recommendation: None

6. General meetings

The board of directors will make its best efforts with respect to the timing and facilitation of general meetings to ensure that as many shareholders as possible may exercise their rights by participating in general meetings, thereby making the general meeting an effective forum for the views of shareholders and the board of directors.

Notification

The notice for a general meeting, with reference to or attached support information on the resolutions to be considered at the general meeting, shall as a principal rule be sent to shareholders individually, or to their depository banks, no later than 21 days prior to the date of the general meeting. The notice of meeting includes information regarding shareholders' rights, guidelines for registering and voting at the meeting.

The board of directors will seek to ensure that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting. The notice and support information, as well as a proxy voting form, will normally be made available on the Company's website www.photocure.com no later than 21 days prior to the date of the general meeting.

Participation and Execution

Pursuant to the Articles of Association section 9 shareholders who want to participate at the general meeting shall notify the Company thereof within five days prior to the general meeting. Shareholders may participate at the general meeting electronically.

To the extent deemed appropriate or necessary, the board of directors will seek to arrange for the general meeting to vote separately on each candidate nominated for election to the Company's corporate bodies.

The chairperson of the board, the chief executive officer and the chief financial officer shall, as a general rule, be present at the annual general meeting. The board of directors and the chairperson of the nomination committee shall, as a general rule, be present at general meetings. The auditor should attend the ordinary general meeting and any extraordinary general meetings to the extent required by the agenda items or other relevant circumstances.

The chairperson of the board will normally be chairing the general meetings. The board of directors will seek to ensure that an independent chairperson is appointed if considered necessary based on the agenda items or other relevant circumstances.

The Company will aim to prepare and facilitate the use of proxy forms which allow separate voting instructions to be given for each item on the agenda, and nominate a person who will be available to vote on behalf of shareholders as their proxy.

Non-conformance with the recommendation: Photocure has carried out general meetings during 2021 where some of the board members have not been able to participate. The board has nevertheless been represented at all general meetings, including by the chairperson of the board of directors.

7. Nomination Committee

The nomination committee is governed by the Articles of Association section 7. In addition, the Company's general meeting adopts instructions for the nomination committee.

The nomination committee shall consist of two or three members who shall be shareholders or shareholder representatives. The members shall be elected by the general meeting for a term of one year. The nomination committee shall give its recommendation to the general meeting on election of and compensation to members of the board of directors and members of the nomination committee. The proposals shall be justified.

Shareholders are encouraged to submit proposals to the nomination committee for candidates for election to the board of directors. Such proposals must be in writing and justified and be submitted minimum 2 months before the general meeting if they are to be considered by the nomination committee.

The nomination committee currently consists of the following three members: Hans Peter Bøhn (chairperson), Lars Viksmoen and Robert Blatt. The current members have been elected by the general meeting with a term until the Company's ordinary general meeting in 2022. All members are independent of the board of directors and senior management.

Non-conformance with the recommendation: None

8. Composition and independence of the Board of Directors

Pursuant to the Articles of Association section 5, the Company's board of directors shall consist of three to seven members. The board of directors currently consists of the following five members: Jan H Egberts (chairperson), Johanna Holldack, Grannum R. Sant, Anders Tuv and Anne Worsøe. The chairperson of the board has been elected by the general meeting. The term of office for members of the board of directors is one year at a time.

All members of the board are considered independent of the Company's senior management, material business contacts and the Company's main shareholders.

The Company's annual report provides information to illustrate the expertise of the members of the board of directors and their record of attendance at board meetings. Board members are encouraged to own shares in the Company.

Non-conformance with the recommendation: None

9. The work of the Board of Directors

The Rules of Procedure for The Board of Directors

The board of directors is responsible for the over-all management of the Company, and shall supervise the Company's day-to-day management and the Company's activities in general.

The Norwegian Public Limited Liability Companies Act regulates the duties and procedures of the board of directors. In addition, the board of directors has adopted supplementary rules of procedures, which provides further regulation on inter alia the duties of the board of directors and the chief executive officer, the division of work between the board of directors and the chief executive officer, the annual plan for the board of directors, notices of board proceedings, administrative procedures, minutes, board committees, transactions between the Company and the shareholders and confidentiality.

The board shall produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The chief executive officer shall at least once a month, by attendance or in writing, inform the board of directors about the Company's activities, position and profit trend.

The board of directors' consideration of material matters in which the chair-person of the board is, or has been, personally involved, shall be chaired by some other member of the board.

The board of directors shall evaluate its performance and expertise annually, and make the evaluation available to the nomination committee.

The board of directors has adopted rules of procedures for the board of directors, which inter alia include guidelines for notification by members of the board of directors and senior management if they have any material direct or indirect interest in any transaction entered into by the Company.

The rules of procedures for the board of directors also includes a statement on how the board of directors and the senior management shall handle agreements with related parties, including whether an independent valuation shall be obtained. The board of directors shall include a report on such agreements in the annual report.

The Audit Committee

The Company's audit committee is governed by the Norwegian Public Limited Liability Companies Act and a separate instruction adopted by the board of directors.

The members of the audit committee are appointed by and among the members of the board of directors. A majority of the members shall be independent of the Company's senior management, and at least one member shall have qualifications within accounting or auditing. Board members who are also members of the senior management cannot be members of the audit committee.

The principal tasks of the audit committee are to:

- prepare the board of directors' supervision of the Company's financial reporting process;
- monitor the systems for internal control and risk management;
- have continuous contact with the Company's auditor regarding the audit of the annual accounts; and
- review and monitor the independence of the Company's auditor, including in particular the extent to which services other than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor.

The audit committee currently consists of the following three members: Anders Tuv (chairperson), Anne Worsøe and Grannum R. Sant.

The Compensation Committee

The Company's compensation committee is governed by a separate instruction adopted by the board of directors. The members of the compensation committee are appointed by and among the members of the board of directors, and shall be independent of the Company's senior management.

The principal tasks of the compensation committee are to prepare:

- proposals for guidelines for remuneration of senior executives and board of directors in accordance with the Norwegian Public Limited Liability Companies Act section 6-16a;
- report on remuneration to senior executives in accordance with the Norwegian Public Limited Liability Companies Act section 6-16b; and
- other matters relating to remuneration and other material employment issues in respect of the senior management.

The compensation committee currently consists of the following two members: Johanna Holldack (chairperson) and Jan H. Egberts.

Non-conformance with the recommendation: None

10. Risk management and internal control

The board of directors should on an ongoing basis assess the Company's risks. Each year, as a minimum, the board of directors has a thorough assessment of the significant parts

of the Group's business and outlook, in order to identify risks and potential risks, and remedy any incident that have occurred. The board of directors may engage external expertise if necessary. The objective is to have the best possible basis for, and control of, the Company's situation at any given time.

In addition to the annual risk assessment, the management should present quarterly financial statements that will inform the board and shareholders on current business performance, including risk. These reports should be subject to review at the board meetings.

Significant risks include strategic risks, financial risks, liquidity risks and operational risks. The Company's significant risks are assessed on an ongoing basis and at least once a year by the board.

The Company's finance function is responsible for the preparation of the financial statements and to ensure that these are prepared and reported according to applicable laws and regulations and in accordance with IFRS. The audit committee performs reviews of the quarterly and annual financial statements with special focus on transaction types which includes judgments, estimates or issues with major impact on the financial statement. In addition to the quarterly and annual reporting, the board of directors receives monthly financial updates.

Management controls are performed at a senior level in the Company.

Non-conformance with the recommendation: None

11. Remuneration of the Board of Directors

The remuneration of the board of directors shall be decided at the Company's general meeting, and should reflect the board of directors' responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration is not linked to the Company's performance.

The nomination committee shall give a recommendation as to the size of the remuneration to the board of directors. Pursuant to the instructions for the nomination committee, the recommendation should normally be published on the Company's website at least 21 days prior to the general meeting that will decide on the remuneration.

The Company has not granted share options to board members.

Any remuneration in addition to normal fees to the members of the board of directors should be specifically identified in the annual report.

Members of the board of directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the board unless approved by the board of directors. The remuneration for such additional duties should be approved by the board of directors.

Non-conformance with the recommendation: None

12. Remuneration of the senior management

The Company has in accordance with the Norwegian Public Limited Liability Companies Act established guidelines for the remuneration of the senior executives in the Company. The remuneration guidelines have been approved by the general meeting. The remuneration guidelines shall be clear and understandable, and shall contribute to the Company's business strategy, long-term interests and financial sustainability. The arrangements for salary and other remuneration shall be simple and shall ensure convergence of the financial interests of the senior management and the shareholders.

Performance-related remuneration should be subject to an absolute limit. Furthermore, the Company aims to ensure that such arrangements are based on quantifiable factors which the employee in question can influence.

The remuneration guidelines are published on the Company's website www.photocure.com. The compensation scheme for the Company´s senior management is based on a fixed salary, performance related bonus (capped based on fixed salary), a share incentive scheme, pension benefits and certain other benefits. Performance-related remuneration is linked to value creation for the shareholders over time, and is based on quantifiable factors which the employees in question can influence.

Non-conformance with the recommendation: None

13. Information and communications

General

The Company has targeted investor relation activities with the aim to consistently provide the market with timely and accurate information.

The Company's reporting of financial and other information is based on openness and takes into account requirements for equal treatment of all investors.

The board of directors has adopted a separate manual on disclosure of information, which sets forth the Company's disclosure obligations and procedures. The board of directors will seek to ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner, taking into account the requirement for equal treatment of all participants in the securities market.

The Company will each year publish a financial calendar, providing an overview of the dates for major events such as its ordinary general meeting and publication of interim reports.

Information to Shareholders

The Company shall have procedures for establishing discussions with important shareholders to enable the board of directors to develop a balanced understanding of the circumstances and focus of such shareholders. Such discussions shall be done in compliance with the provisions of applicable laws and regulations.

All information distributed to the Company's shareholders will be published on the Company's web site at the same time as it is sent to shareholders. The chairperson of the board and the chief executive officer are authorized to speak on behalf of the Company, and delegate such authority as is appropriate in relevant cases.

Non-conformance with the recommendation: None

14. Take-overs

In the event the Company becomes the subject of a take-over offer, the board of directors shall ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The board of directors shall also ensure that the shareholders have sufficient information and time to assess the offer.

The board of directors will not attempt to influence, hinder or complicate the submission of bids for the acquisition of the Company's operations or shares, or prevent the execution thereof. There are no defense mechanisms against take-over bids in the Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the Company. The board of directors has not established written guiding principles for how it will act in the event of a take-over bid, as such situations are normally characterized by concrete and one-off situations which make a guideline challenging to prepare.

In the event a take-over was to occur, the board of directors will consider the relevant recommendations in the Corporate Governance Code and whether the concrete situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

Non-conformance with the recommendation: The Company has not established separate principles for how to act in a take-over situation as described.

15. Auditor

The Company's external auditor is KPMG AS.

On an annual basis, the board of directors reviews with the auditor the Company's internal control procedures, including identified risk areas and proposals for improvement, as well as the main features of the plan for the audit of the Company.

Furthermore, the auditor participates in meetings of the board of directors that deal with the annual accounts and, at least once a year, carries out a review of the Company's procedures for internal control in collaboration with the audit committee. At least one board meeting with the auditor shall be held each year in which no member of the senior management is present.

The board of directors has established guidelines in respect of the use of the auditor by the senior management for services other than the audit.

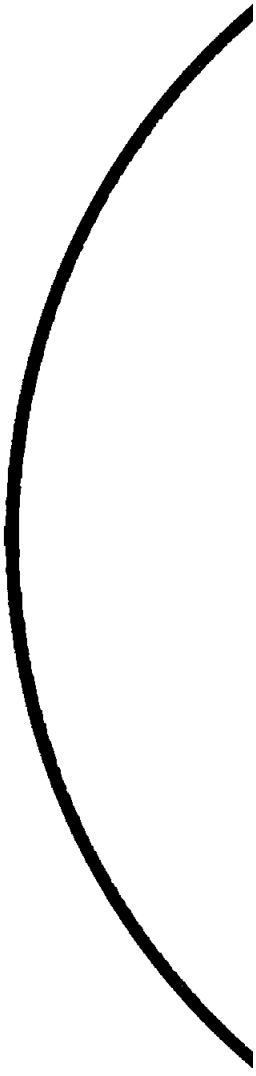
The remuneration to the auditor will be approved by the ordinary general meeting. The board of directors will report to the general meeting details of fees for audit work and any fees for other specific assignments.

Non-conformance with the recommendation: None

Financial Statements

Photocure ASA

STATEMENT OF COMPREHENSIVE INCOME
STATEMENT OF FINANCIAL POSITION as of 31 December
STATEMENT OF CASH FLOWS
STATEMENT OF CHANGES IN EQUITY



STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Parent				Group	
2021	**2020**	Amounts in NOK 1,000	**Notes**	**2021**	**2020**
236,380	150,875	Revenues from contract with customers	1,2,3	354,124	256,482
6,416	0	Signing fees and milestone revenues	1,2,3	6,416	0
242,796	**150,875**	**Total revenues**		**360,540**	**256,482**
-23,012	-17,640	Cost of goods sold	5	-24,050	-18,511
219,784	**133,235**	**Gross profit**		**336,490**	**237,971**
999	829	Other income		-	-
-14,828	-12,751	Indirect manufacturing expenses	6	-14,828	-12,751
-4,322	-13,838	Research and development expenses	6	-4,322	-13,838
-159,113	-68,249	Marketing and sales expenses	6	-259,867	-187,811
-44,161	-47,758	Other operating expenses	6	-63,299	-46,775
-221,425	**-141,767**	**Total other income and expenses recurring**		**-342,316**	**-261,175**
-1,641	**-8,532**	**Operating profit/loss(-) before restructuring**		**-5,826**	**-23,204**
0	-12,854	Restructuring	4	0	-12,854
-1,641	**-21,386**	**Operating profit/loss(-)**		**-5,826**	**-36,058**
36,813	26,439	Financial income	10	26,212	26,439
-40,902	-34,523	Financial expenses	10	-34,822	-23,607
-17,220	0	Remeasured earnout liability	4	-17,220	0
-21,309	**-8,084**	**Net financial profit/loss(-)**		**-25,830**	**2,832**
-22,950	**-29,470**	**Profit/loss(-) before tax**		**-31,656**	**-33,226**
3,102	11,512	Tax expense	11	759	10,823
-19,847	**-17,958**	**Net profit/loss(-)**		**-30,897**	**-22,403**
		Currency translation		-1,311	-681
0	**0**	**Total other comprehensive income items**			
		that may be reclassified to profit & loss		-1,311	-681
-19,847	**-17,958**				
		Comprehensive income		-32,208	-23,084
		Earnings per share (Amounts in NOK):	12		
		Basic		-1.15	-0.91
		Diluted		-1.15	-0.91

STATEMENT OF FINANCIAL POSITION as of 31 December - ASSETS

Parent				Group	
2021	**2020**	Amounts in NOK 1,000	**Notes**	**2021**	**2020**
		ASSETS			
145,881	162,552	Customer relations	4	145,881	162,552
144,000	144,000	Goodwill	4	144,000	144,000
15,575	4,410	Property, plant, equipment and other assets	13	33,575	7,370
302,131	291,865	Loan to group company	24	-	-
11,902	8,697	Shares in subsidiaries	14	-	-
53,003	49,879	Deferred tax asset	11	53,003	49,879
672,492	**661,403**	**Total non-current assets**		**376,459**	**363,801**
26,660	28,470	Inventories	15	27,534	29,678
29,610	29,884	Accounts receivable	16, 18	47,980	43,097
5,209	1,251	Other receivables	16, 18	14,780	4,584
314,817	326,176	Cash and short term deposits	17, 19	322,895	334,887
376,296	**385,781**	**Total current assets**		**413,189**	**412,246**
1,048,788	**1,047,184**	**Total assets**		**789,648**	**776,047**

STATEMENT OF FINANCIAL POSITION as of 31 December - EQUITY AND LIABILITIES

Parent				Group	
2021	**2020**	Amounts in NOK 1,000	**Notes**	**2021**	**2020**
		EQUITY AND LIABILITIES			
13,487	13,359	Share capital	20	13,487	13,359
410,734	384,004	Other paid-in capital		410,734	384,005
377,468	398,997	Retained earnings		78,412	110,768
801,689	**796,360**	**Total equity**		**502,633**	**508,132**
133,600	143,668	Earnout liability	4	133,600	143,668
12,500	37,500	Long term loan financial institution	21	12,500	37,500
2,180	2,361	Pension liabilities	8	3,520	3,079
10,652	1,970	Lease liabilities	21	23,813	3,887
158,933	**185,499**	**Total non-current liabilities**		**173,433**	**188,134**
17,018	19,434	Accounts payable	16, 22	23,648	23,316
1,837	4,880	Employee withholding taxes, social security tax and vat		3,001	5,356
33,150	12,500	Short term part non-current liabilities	21	36,580	12,500
36,161	28,511	Other current liabilities	16, 22	50,354	38,609
88,166	**65,325**	**Total current liabilities**		**113,583**	**79,781**
247,099	**250,824**	**Total liabilities**		**287,016**	**267,915**
1,048,788	**1,047,184**	**Total equity and liabilities**		**789,648**	**776,047**

Oslo, 6 April 2022
Photocure ASA

Jan Henrik Egberts
Chairperson

Johanna Holldack
Director

Grannum R. Sant
Director

Anders Tuv
Director

Anne Worsøe
Director

Daniel Schneider
President and CEO

STATEMENT OF CASH FLOWS

Parent				Group	
2021	**2020**	Amounts in NOK 1,000	**Notes**	**2021**	**2020**
-22,950	**-29,470**	**Profit/loss(-) before tax**		**-31,656**	**-33,226**
20,753	17,711	Ordinary depreciation & amortisation	6	24,127	19,292
9,670	4,662	Share-based payments expense	7	12,665	7,881
295	377	Pension costs	8	921	696
-1,807	-2,116	Interest income	10	-1,807	-2,116
23,646	6,364	Interest expenses incrued	10	23,826	6,364
17,220	-	Remeasured earnout	4	17,220	-
-10,601	11,015	Unrealized currency (gain)/loss loan subsidiary	10	-	-
-14,870	815	Unrealized currency (gain)/loss other		-14,870	815
-2,528	-363	Other items		-2,528	-387
		Changes in			
1,810	-13,448	- inventories		2,144	-13,269
-2,941	-16,414	- trade and other receivables		-15,080	-14,013
0	22,956	- contract receivable		0	22,956
-5,459	21,163	- trade and other payables		-1,954	18,788
6,908	2,575	- provisons and other accruals		11,668	2,606
6,259	0	Loss allowance internal loan		-	-
-476	-254	Settlement employee benefits		-476	-709
-21	-22	Tax paid	11	-314	-94
24,907	**25,552**	**Net cash flow from operating activities**		**23,886**	**15,584**
1,807	2,116	Interest received		1,807	2,116
-5,350	-16,968	Loan to subsidiary	24	-	-
0	-166,721	Investment Ipsen market	4	0	-166,721
-62	-330	New subsidiary capital		-	-
-2,194	-967	Investments in machinery and equipment	13	-3,703	-1,185
0	-420	Development expenditures and Intangible assets	13	0	-420
-5,799	**-183,290**	**Net cash flow from investing activities**		**-1,896**	**-166,210**
-1,970	-2,556	Lease offices and company cars	13, 21	-5,306	-3,618
-12,500	50,000	Loan financial institution	21	-12,500	50,000
-1,222	-562	Interest paid financial loans		-1,401	-562
-28,818	-332	Earnout liability	4	-28,818	-332
0	301,703	Privat placements		0	301,703
14,042	13,001	Employee options excercised		14,042	13,001
-30,468	**361,254**	**Net cash flow from financing activities**		**-33,983**	**360,191**
-11,360	**203,515**	**Net change in cash during the year**		**-11,993**	**209,567**
326,176	**122,660**	**Cash and cash equivalents as of 01 January**		**334,887**	**125,320**
314,817	**326,176**	**Cash and cash equivalents as of 31 December**		**322,895**	**334,887**

STATEMENT OF CHANGES IN EQUITY - Parent Company

Parent company

(Amounts in NOK 1 000)	Issued capital	Treasury shares	Other paid-in equity	Translation reserve	Retained earnings	Total equity
Equity as of 31 December 2019	**10,898**	**-408**	**64,670**	**0**	**416,954**	**492,114**
Comprehensive income:						
Net profit for the year					-17,958	-17,958
Other comprehensive income that may be reclassified to p&l			-	-	-	0
Total comprehensive income	0	0	0	0	-17,958	-17,958
Transaction with owners:						
Capital increase	2,461		312,243			314,704
Buy back own shares						0
Employees' options			7,499			7,499
Total transaction with owners	2,461	0	319,742	0	0	322,203
Equity as of 31 December 2020	**13,359**	**-408**	**384,413**	**0**	**398,996**	**796,360**
Comprehensive income:						
Net profit for the year					-19,847	-19,847
Adjustment previous year					-1,680	-1,680
Other comprehensive income that may be reclassified to p&l			-	-	-	0
Total comprehensive income	0	0	0	0	-21,527	-21,527
Transaction with owners:						
Capital increase						0
Sale own shares		186				186
Buy back own shares		-89				-89
Employees' options	128		26,632			26,760
Total transaction with owners	128	97	26,632	0	0	26,857
Equity as of 31 December 2021	**13,487**	**-311**	**411,045**	**0**	**377,469**	**801,690**

STATEMENT OF CHANGES IN EQUITY - Group

Group

(Amounts in NOK 1 000)	Issued capital	Treasury shares	Other paid-in equity	Translation reserve	Retained earnings	Total equity
Equity as of 31 December 2019	**10,898**	**-408**	**64,669**	**-92**	**133,524**	**208,590**
Comprehensive income:						
Net profit for the year					-22,403	-22,403
Other comprehensive income that may be reclassified to p&l			-	-681	-	-681
Total comprehensive income	0	0	0	-681	-22,403	-23,084
Transaction with owners:						
Capital increase	2,461		312,243			314,704
Buy back own shares						0
Employees' options			7,922			7,922
Total transaction with owners	2,461	0	320,165	0	0	322,626
Equity as of 31 December 2020	**13,359**	**-408**	**384,834**	**-773**	**111,121**	**508,132**
Comprehensive income:						
Net profit for the year					-30,897	-30,897
Other comprehensive income that may be reclassified to p&l			-	-1,311	-	-1,311
Total comprehensive income	0	0	0	-1,311	-30,896	-32,208
Transaction with owners:						
Capital increase						0
Sale own shares		186				186
Buy back own shares		-89				-89
Employees' options	128		26,211		271	26,610
Total transaction with owners	128	97	26,211	0	271	26,708
Equity as of 31 December 2021	**13,487**	**-311**	**411,045**	**-2,084**	**80,496**	**502,633**

Accounting principles 2021

I. General information

The annual accounts for 2021 for Photocure Group (Photocure) comprises Photocure ASA and the three wholly owned subsidiaries; Photocure Inc. registered in U.S, Photocure GmbH registered in Germany and Photocure SAS registered in France. The annual accounts for Photocure were approved for publication by the Board of Directors on 6 April 2022..

Photocure ASA is a public limited company domiciled in Norway. The business of the Group is associated with research, development, production, distribution, marketing and sales of pharmaceutical products. The Company's shares are listed on the Oslo Stock Exchange. The Parent Company's registered office is Hoffsveien 4, NO-0275 Oslo, Norway.

II. Basis for preparation of the annual accounts

The annual accounts for the Group and the Parent Company have been prepared on the basis of historical cost, with the exception of money market funds and earnout liability that are valued at fair value.

The Group and the Parent Company's annual accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as specified by the International Accounting Standards Board as adopted by the European Comission (EU) as per 31 December 2021.

Photocure ASA has NOK (Norwegian kroner) 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.

The parent company performs the sales and distribution of Hexvix in the Nordic market and from October 2020 also in the remaining European market. Photocure wholly owned subsidiaries in Germany (Photocure GmbH) and France (Photocure SAS) provide marketing and promotion services. These entities have EUR as their functional currency.

The sales and distribution in the US are performed through the wholly owned subsidiary Photocure Inc. Photocure Inc has USD (US dollars) as its functional currency.

III. Changes in significant accounting policies

There are no significant new IFRS standards made effective in 2021 that effect the group accounts for Photocure.

IV. Disclosures regarding new standards not yet effective

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group. The new and amended standards and interpretations from IFRS that were adopted by the EU with effect from 2021 did not have any significant impact on the reporting in 2021.

V. Use of judgements and estimates

In preparation of these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized, and information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment in the financial statements as of 31 December 2021, are included in the following notes:

- Note 3 Revenue: the assumptions in the application of IFRS 15 for the license contracts and various considerations in the five-step model.
- Note 4 Acquired business Europe: the assumptions in the application of IFRS 36 of the annual goodwill impairment analysis, and the remeasurement of the fair value of the earnout liability according to IFRS 9.
- Note 11 Recognition of deferred tax asset: available future taxable profit against which tax losses carried forward can be used.
- Note 10 and 24 Long term loan subsidiary: impairment and key assumptions underlying the balance sheet value in Parent company.

VI. Summary of important guidelines for accounting for the Group

A. Classification

Assets/liabilities are classified as current assets/current liabilities when they meet one of the following criteria:

- They are expected to be realized in the Group's ordinary operating cycle or are kept for sale or consumption;
- They are expected to be realized within 12 months of the balance sheet date; or
- They are in the form of cash or a cash equivalent.
- All other assets/liabilities are classified as fixed assets/long-term liabilities

B. Currency

Monetary items in foreign currencies are converted at closing rate of exchange. In the absence of any statement to the contrary, realized and unrealized exchange rate gains and losses are included in financial income or expenses. Transactions in foreign currencies are recorded at the exchange rate on the date of transaction. Assets and liabilities in foreign currencies are translated into NOK at the exchange rate applicable on the balance sheet date.

Income and expenses in foreign subsidiaries are translated into NOK at the average exchange rate for the financial statement period. The assets and liabilities of the foreign subsidiaries are translated to NOK at exchange rates at the reporting date

C. Property, plant and equipment

Property, plant and equipment (PPE) are recognized at cost less deductions for accumulated depreciation and accumulated impairment losses. PPE are depreciated over the expected useful life of the assets taking any residual value into consideration. Costs incurred for major replacements and upgrades of PPE are added to cost if it is probable that the costs will generate future economic benefits for the Group and if the costs can be reliably measured. Ordinary maintenance is expensed as incurred.

PPE are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Production and test equipment	5 years
Furniture and office equipment	3–5 years

D. Intangible Assets, Goodwill and Customer Relations

Capitalized development expenditures are recognized at cost less accumulated amortization and accumulated impairment losses. The expenditure capitalized includes the costs of services and materials rendered by external suppliers and own pharmaceutical ingredients and devices directly attributable to the development of the product. Internal personal and overhead costs are not capitalized.

Intangible development expenditures are amortized on a straight-line basis in the profit and loss over the remaining patent period for the approved product and indication as follows:

Product development	4 - 10 years
Customer relations	10 years

E. Impairment

Non-current & intangible assets that are recognized in the balance sheet, are tested for impairment if there are indications of a loss in value. If the book value of an asset is higher than the recoverable value of the asset, the loss in value is recognized in profit and loss. The recoverable value is the highest of net sales value and the value in use of the asset. Assets are grouped and measured at the lowest level for determining loss in value.

Previous impairment losses are reversed to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized or taken place.

Goodwill is tested annually for impairment. For impairment testing, assets are grouped that generate cash inflows from continuing use that are largely independent from the cash inflows from other assets or cash generating units (CGU). Goodwill that are arising from a business combination is allocated to CGUs or group of CGUs that are expected to benefit from the synergies of the combination. The recoverable value of the asset is the greater of value in use and its fair value less cost of disposal. Value in use is based on estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is allocated first to reduce the book value of the goodwill related to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

F. Research and development costs

Research costs are expensed as incurred. Development costs are recognized in the balance sheet as intangible assets only if there is an identifiable asset that is expected to generate future financial benefits, and when the costs of such an asset can be reliably measured. Development costs are recognized in the balance sheet as intangible assets if all the following criteria are fulfilled:

- It is technically possible to complete the asset so that it can be available for use or for sale;
- The purpose is to complete the asset for use or for sale;
- The Group is able to use or sell the asset;
- The asset will provide future financial benefits, a market exists for the asset or the output of the asset or that the asset is useful if it is to be used internally.
- Sufficient technical, financial or other resources are available to carry out the development and to use or sell it, and
- The opportunity exists to reliably measure costs associated with the intangible asset.

When all the criteria listed above have been met, costs related to development are to be recognized in the balance sheet. Development costs that have been expensed in previous accounting periods cannot be recognized in the balance sheet at a later date. Cost-sharing of research and development expenses with license partners is booked as a reduction in costs.

The work of the regulatory function and services provided are related to both market expansion and product development. Photocure classifies for this reason the regulatory function into the following two categories:

- Regulatory work and services related to new products or product development based on new clinical trials up to and including phase 3, are classified as R&D costs
- Regulatory work and services for new markets based on existing clinical data are classified as marketing costs

G. Investment in subsidiary companies

Shares and investments with the aim of long-term ownership are booked in the balance sheet as long-term investments and are valued at the lower of cost and fair value. Write-downs for permanent declines in value are made on the basis of individual evaluations. Any realized and unrealized profits/losses and any write-downs related to these investments will be booked in the income statement as financial items.

H. Inventories

Raw materials are valued at the lower of cost and net sales value in accordance with the first-in, first-out principle (FIFO). Semi-finished and finished goods are valued at production cost including a mark-up for their share of the indirect production costs based on the FIFO principle.

I. Financial assets and liabilities

Recognition and measurement
Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A trade receivable without a significant financing component is initially measured at the transaction price. All other financial assets are initially measured at fair value plus, for an item not at fair value through, transaction costs that are directly attributable.

A financial asset is subsequently measured at amortized cost if it meets both of the following criteria and is not designated as at Fair Value Through Profit and Loss (FVTPL):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade receivables, loan to group companies, and other receivables meet both of these criteria and are measured at amortized cost using effective interest rate method.

All financial assets not classified as measured at amortized cost or FVOCI as described above are subsequently measured at FVTPL. Photocure's investments in money market funds are measured at FVTPL.

The earnout liability 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. Interest bearing liabilities are recognized at fair value at the time of recognition. In subsequent periods, interest-bearing liabilities are booked at amortized cost according to the effective interest rate method.

Financial income consists of interest income on bank balances and money market fund as well as exchange rate gains from currency items. Financial expense consists of interest expense on borrowing and exchange rate losses from currency items.

Impairment
The Group recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. The Group uses an allowance matrix based on historical losses adjusted for forward-looking information. For other financial assets measured at amortized cost the ECLs

are probability-weighted estimates of credit losses discounted at the effective interest rate of the financial asset.

J. Revenue recognition

The core principle in that framework is that revenue should be recognized dependent on the transfer of promised goods or services to the customer for an amount that reflects the consideration which should be received in exchange for those goods or services. The objective is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations, and recognizing revenue when or as performance obligations are satisfied.

In Photocure's customer contracts which are regarded to be within the scope of IFRS 15, the up-front fees not related to a separate performance obligation will be recognized over the term of the contract upon the delivery of goods.

If the promise to grant the license is distinct from other promised goods or services in the contract, the promise to grant the license is a separate performance obligation. A license contract with a customer is a right to use Photocure's intellectual property as it exists at the point in time at which the license is granted.

The total transaction price is allocated between the performance obligations based on the relative stand-alone selling price. The transaction price allocated to the license may consist of up-front fee, different milestone payments and sales based royalty payments. The part of the transaction price related to variable milestone payments are estimated as the most likely amount, but constrained which currently means that these revenues will be recognized if and when the relevant milestone are achieved. Sales based royalty is recognized when the subsequent sales occur.

Revenues for the sale of products are recorded on the date of delivery, when both control and risk essentially have been transferred to the buyer.

License agreements that give the right to a guaranteed minimum royalty are booked as revenue at the time the prerequisite is fulfilled. Royalty revenue is booked as Sales revenue in line with the licensee's sale of licensed products.

K. Government grants

Government grants are booked at the same time as the income that it shall generate or the cost that it shall reduce. Grants received for product development or manufacture are first booked as reduction of costs when the conditions for the grant in question have been met and the applications are granted. Grants received for product development that are capitalized, are reported as reduction of gross expenditures and the net expenditures are regarded as the intangible assets.

L. License costs

The Group have entered into agreements with external parties concerning access to technology in the form of license agreements and agreements that allow the use of patented technology. Royalty-based payments on products have been booked as an expense in line with the sale of the licensed products, and booked in the income statement as "Cost of goods sold". License payments associated with signing fees and milestone payments concerning regulatory approval and product launches have been booked as an expense when they occur and are reported as "Other operating expenses" in the income statement.

M. Pensions

The Company's payment of contributions is expensed in the period it is accrued. Any prepayments made to the contribution fund are recognized in the balance sheet.

Employees residing in the United States participate in a 401(k), a tax-qualified, defined-contribution pension account defined in subsection 401(k) of the Internal Revenue Code The 401k plan is not interest-bearing, the employee chooses from an investment line up of diversified mutual funds, which can generate gains or losses.

Employees in Germany that were part of the acquisition from Ipsen have a defined benefit pension plan that has been transferred to Photocure GmbH as part of the TUPE regulations. Photocure GmbH has entered a re-assurance agreement with an assurance company that balance the pension liability. New employees in Germany are offered a defined contribution pension plan.

Salary to senior management employees in Photocure ASA above 12 x G is subject to agreements concerning operational coverage of pensions for salary above this level in the form of contribution-based pensions. The calculated contribution constitutes 16% of the employee's salary above 12 x G. Photocure Inc has established an additional unfunded pension coverage for senior managers accruing annually an amount equal to 4% of salary and earned bonus.

The calculated pension obligation pursuant to these schemes are interest-bearing.

N. Share remuneration and other benefits related to share based remuneration

Employees have been offered share options to the Company's shares as an element of the Group's employee incentive policy. If the Group has own shares, the Group may allot own shares instead of issuing new shares when share options are exercised. All share options are offered at strike prices that reflect the market price +10% of the shares at the time of allotment of the rights.

The fair value is expensed over the share options vesting period and the Company's equity is increased correspondingly. The fair value of share options is calculated according to the Black-Scholes model. Each program is calculated separately with the actual strike price and duration of the program. The share options cease to be valid when the employee's is leaving the Company.

Employer's social security contributions on outstanding share options are accrued as personnel costs based on the intrinsic value of the rights.

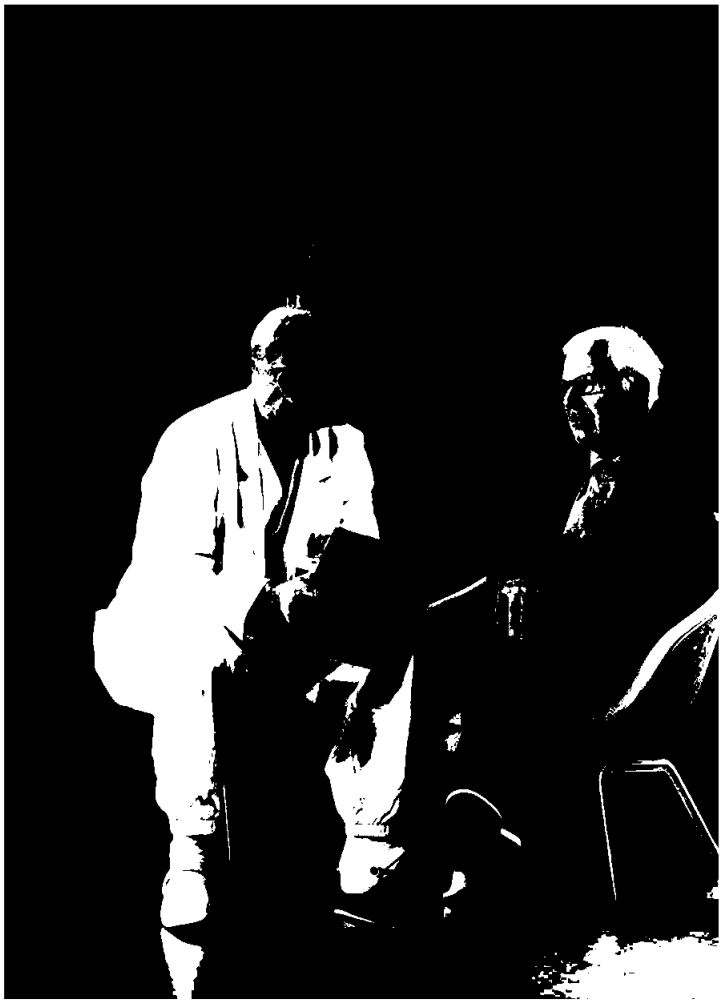
Employees did receive an award related to annual base salary at the time of granting with which the employees where obliged to buy shares at fair value in the Company. The award was offered to the employees according to the Board's discretion. The participant received the shares in the Company ("Restricted Shares"), that is subject to a three years' lock up period.

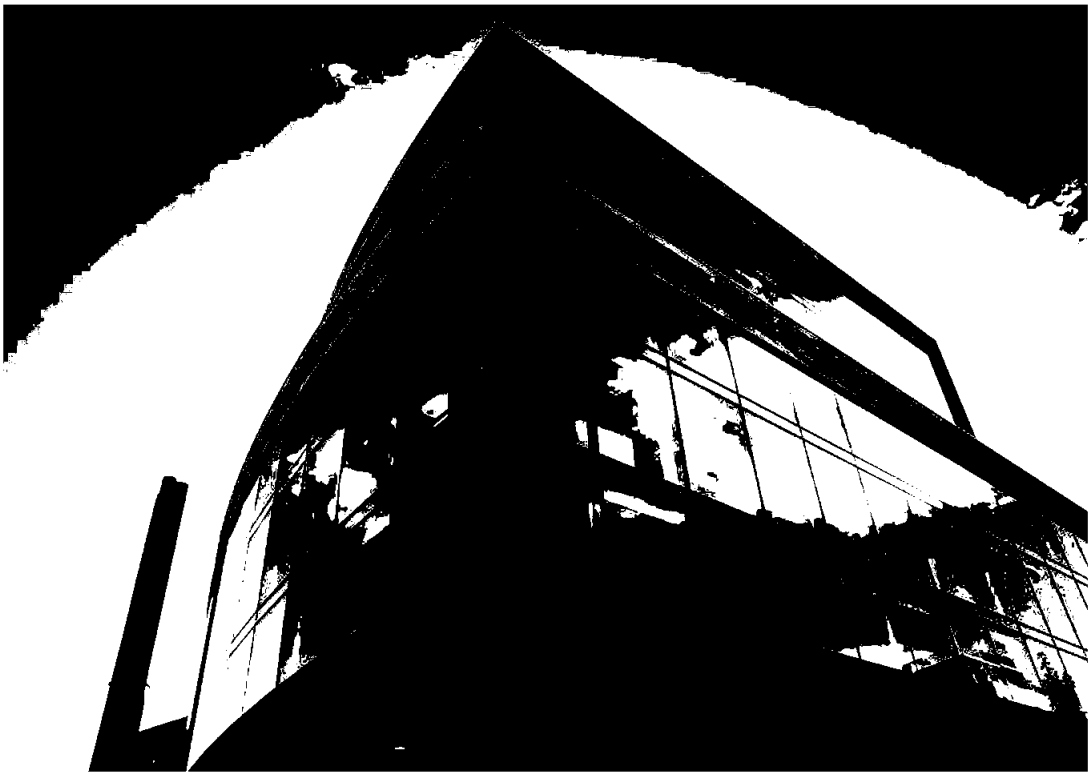
O. Tax

The tax expense in the income statement includes both the income tax payable for the period and changes in deferred tax. Deferred tax in Norway is calculated at rate of 22% and in the USA at a total rate of 28% on the basis of the temporary differences that exist between the tax value of the assets and liabilities, and their book value.

Liabilities for deferred tax are included for all temporary differences that increase tax, except when the asset in connection with deferred tax arises as a result of the first-time inclusion of an asset or liability in a transaction that is not in a business combination and affects neither the accounting nor the taxable profit or loss at the time of the transaction.

Assets in connection with deferred tax are included for all tax-reducing temporary differences, carry forward of tax deductions and tax losses in the extent that there is objective proof that there will be sufficient taxable profits against which to offset tax-reducing temporary differences, and carry forward of unused tax deductions and tax losses.





In the US the tax years 2017 and prior, businesses were able to offset current taxable income by claiming net operating losses (NOLs), generally eligible for a two-year carryback and 20-year carryforward. Starting in tax year 2018, NOLs cannot be carried back, but can be indefinitely carried forward. In addition, NOLs for tax years beginning in 2018 will be subject to an 80-percent limitation. The 80 percent limitation on NOL deductions applies to losses generated in tax years beginning after December 31, 2017. NOLs generated in 2017 and earlier would retain their 20-year life and be available to offset 100 percent of taxable income, subject to certain limitations. Companies will have to track their NOLs in different buckets based on date (pre and post December 31, 2017). The Coronavirus Aid, Relief, and Economic Security ("CARES ") Act changed those rules temporarily by permitting NOLs incurred in 2018, 2019, or 2020 to be carried back for five years to the earliest year first and suspending the 80% taxable income limitation through 2020.

The book value of assets in connection with deferred tax is reviewed on every balance sheet date and is reduced to the degree that there is no longer any objective proof that there will be sufficient taxable profits to utilize all or parts of assets in connection with deferred tax. Non-recognized assets in connection with deferred tax are reviewed every balance sheet date and are included to the degree that it is probable that future taxable profits will allow the recovery of assets in connection with deferred tax. Each taxable entity in the Group are treated separately.

P. Earnings per share

Earnings per share is calculated on the basis of the profits for the period after tax but before "Other comprehensive income", divided by a weighted average number of outstanding shares in the period and adjusted for the treasury shares.

The diluted earnings per share are calculated by adjusting the denominator for amounts outstanding on option programs. Anti-dilution effects are not taken into consideration.

Q. Provisions

Provisions are booked when the Group has a liability associated with an event, when it is probable that the liability will have to be settled and when the liability can be measured or estimated.

When the Group expects that all or parts of the liability can be charged on to another party, this recharge will be recorded as an account receivable if there is virtual certain that the other party will pay. The cost associated with a provision will be recorded net in the income statement after deduction for the recharge.

R. Contingent liabilities and assets

Contingent liabilities are defined as:

- Possible liabilities as a result of earlier events where their existence depends on future events;
- Liabilities that are not included because it is not probable that they will lead to an outflow of resources from the Group;
- Liabilities that cannot be measured with sufficient reliability.

Contingent liabilities are not included in the annual accounts. Notes on significant contingent liabilities are provided, with the exception of contingent liabilities with little probability of occurring.

Contingent assets are not included in the annual accounts, but are reported in cases in which there is a certain likelihood of their resulting in a benefit to the Group.

S. Events after the balance sheet date

New information regarding the Group's financial position on the balance sheet date has been taken into account in the annual accounts. Events after the balance sheet date that do not affect the Group's financial position on the balance sheet date, but which will affect the Group's financial position in the future, are reported if they are significant.

T. Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method. Cash and cash equivalents consist of cash, bank deposits and other current investments like money market funds.

U. Equity

Amounts that are distributed to or contributed by shareholders are included directly in the equity. The Group's equity is increased in direct relation to the cost of share-based remuneration for employees.

1. The nominal value of treasury shares is presented in the balance sheet as a negative equity element. The net purchase price is entered as a reduction of other paid-in equity. Profits or losses on transactions in treasury shares are not included in the income statement.

2. Transaction charges in connection with equity transactions are included directly in equity after deduction for tax. Only transaction charges that are directly attributable to the equity transaction are included directly in equity.

V. Lease agreements

The main rule is that the leased assets are recognized in the balance sheet as a fixed asset or in a disclosure note for fixed assets. Leased assets are shown separately from other fixed assets owned by the company as "Right of use assets" in the related disclosure note. Although a lease is a right to use an asset and not a purchase of an asset, the classification in the balance sheet follows the leased asset.

The net present value of the lease liability is calculated by discounting the rental payments with the implicit interest rate of the lease, or the business's marginal borrowing rate if the implicit interest rate is unknown.

According to IFRS 16 depreciation is calculated for the right of use assets. Depreciation is presented together with other depreciation, while interest cost is included in financial expenses in the income statement.

The leased assets are depreciated over their useful lives. This is the shorter of the rental period and the assets economic life.

W. Segment reporting

Segments are reported similarly as the internal reporting to the Group's Chief Operating Decision Makers (CODM). CODM are defined as the Group's management group.

X. Business combinations

A business acquisition can be regarded as a business combination using the acquisition method when 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 assessed 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.

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. Any 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 as financial income or cost.

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.

Notes to the Financial Statements for 2021

Photocure ASA

1 PARTNERSHIPS
2 OPERATING SEGMENTS
3 REVENUES FROM CONTRACT WITH CUSTOMERS
4 ACQUISITION FROM IPSEN
5 COST OF GOODS SOLD
6 INCOME STATEMENT CLASSIFIED BY NATURE
7 PERSONNEL EXPENSES
8 PENSION COSTS
9 AUDITING FEES
10 FINANCIAL INCOME AND EXPENSE
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1. PARTNERSHIPS

Photocure entered in July 2019 into a license agreement providing Asieris MediTech Co with a world-wide license to develop and commercialize Cevira® for the treatment of HPV induced cervical precancerous lesions. Under the agreement, Photocure will receive signing fees, development- and approval milestones, in addition to sales royalties.

Photocure entered in January 2021 into a license agreement providing Asieris MediTech Co with a license to commercialize Hexvix in mainland China and Taiwan. Under this agreement, Photocure will receive signing fees and approval milestones, in addition to sales royalties.

2. OPERATING SEGMENTS

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.

Sales revenue Europe in the Commercial segment consists of Hexvix sales to pharmaceutical wholesalers in Nordic markets and sales through partner up to 1 October 2020. From 1 October 2020 sales Europe include direct sale to hospitals, wholesalers and pharmacies. Sales through partner in Europe before 1 October include royalties from sales by Ipsen to end users.

Other Sales in the Commercial segment consists of the resale of the HIVEC product from Combat.

The Development segment is split by development of commercial products that from 2020 is Cevira and pipeline products.

Operating costs are charged directly to the respective segment involved if directly related. Indirect manufacturing costs are allocated based on sales within the commercial segment and other indirect costs are allocated based on time and resources utilized within the different subsegments.

Government research grants are offset against operating expenses.

Assets and liabilities are not reported to the CODM and therefore not allocated to reportable segments.

1 Jan - 31 December 2021	**Commercial Franchise**				**Development Portfolio**			
(Amounts in NOK 1,000)	**U.S. Cysview**	**Europe Hexvix**	**Other Sales**	**Total Sales**	**Cevira**	**PDT & Explorativ**	**Total R&D**	**Grand Total**
Revenues from contract with customers	125,232	225,751	1,306	352,289	1,836	-	1,836	354,125
Signing fees and milestone revenues	-	-	6,416	6,416	-	-	-	6,416
Cost of goods sold	-3,901	-18,454	-521	-22,876	-1,175	-	-1,175	-24,051
Gross profit	**121,331**	**207,297**	**7,201**	**335,829**	**661**	**-**	**661**	**336,490**
Gross profit of sales %	97%	92%	60%	94%	36%		36%	93%
R&D	-386	-1,279	-	-1,665	-390	-2,267	-2,657	-4,322
Sales & marketing	-131,251	-105,127	-5,976	-242,354	-612	-	-612	-242,966
Other & allocations	-24,920	-37,083	-5,317	-67,320	-1,141	-2,440	-3,581	-70,901
Operating expenses	**-156,557**	**-143,489**	**-11,293**	**-311,339**	**-2,143**	**-4,707**	**-6,850**	**-318,189**
EBITDA before restructuring	**-35,226**	**63,808**	**-4,092**	**24,490**	**-1,482**	**-4,707**	**-6,189**	**18,301**
Depreciation and Amortization				**-23,889**			**-238**	**-24,127**
EBIT before restructuring				**601**			**-6,427**	**-5,826**

1 Jan - 31 December 2020	Commercial Franchise				Development Portfolio			
(Amounts in NOK 1,000)	U.S. Cysview	Europe Hexvix	Other Sales	Total Sales	Cevira	PDT & Explorativ	Total R&D	Grand Total
Revenues from contract with customers	113,166	141,579	1,447	256,192	290	-	290	256,482
Signing fees and milestone revenues	-	-	-	-	-	-	-	-
Cost of goods sold	-5,485	-12,224	-595	-18,304	-207	-	-207	-18,511
Gross profit	**107,681**	**129,355**	**852**	**237,888**	**83**	**-**	**83**	**237,971**
Gross profit of sales %	95%	91%	59%	93%	29%		29%	93%
R&D	-293	-970	-	-1,263	-1,465	-1,483	-2,947	-4,210
Sales & marketing	-127,452	-52,350	-1,184	-180,986	-2,135	-296	-2,431	-183,417
Other & allocations	-18,007	-27,664	-5,735	-51,406	-1,425	-1,425	-2,849	-54,255
Operating expenses	**-145,752**	**-80,984**	**-6,919**	**-233,655**	**-5,025**	**-3,203**	**-8,228**	**-241,883**
EBITDA before restructuring	**-38,071**	**48,371**	**-6,067**	**4,233**	**-4,941**	**-3,203**	**-8,145**	**-3,912**
Depreciation and Amortization				**-9,457**			**-9,835**	**-19,292**
EBIT before restructuring				**-5,224**			**-17,979**	**-23,204**

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

3. REVENUES FROM CONTRACT WITH CUSTOMERS

Performance obligation product deliveries

The previous agreement with Ipsen represented both a performance obligation for the delivery of license and an obligation to supply of the Hexvix product. These performance obligations were not related to specific deliveries but to the running supply of products to Ipsen until the agreement was terminated. Ipsen paid quarterly royalty based on net sales in the markets less prepayment of products delivered.

For the general supply of products Photocure satisfy the contractual performance obligation upon delivery of products according to the delivery terms agreed. Invoices are issued at that point in time and the payment term is usually within 30 days. No discounts were provided to the customers and no return of products were accepted within the expiry of the products.

Performance obligation license

Photocure entered a license agreement with Asieris for the pipeline product Cevira in July 2019. The agreement is based on a "ready for Phase 3 study" concept and this study will be carried out by Asieris in China from 2020.

Photocure has in the agreement with Asieris promised to transfer the rights for Cevira (license) and deliver the active substance for the phase 3 study and later potential commercialization. Asieris will be responsible for the remaining development of Cevira and pay all the costs. The license is a right to use Photocure's intellectual property as it existed at the contract date. The active substance will not be further developed or changed by Photocure for use by Asieris. The transfer of the license and the delivery of the active substance are by Photocure regarded as two separate performance obligations.

Asieris has in 2020 paid two milestones of USD 1.5 million each related to the phase 3 study and accumulated paid USD 8 million in milestones for Cevira. The agreement include additional milestones and potential sales royalty if a commercial product is approved, this will depend on the outcome of the ongoing phase 3 study. The total transaction price is allocated between the two performance obligations based on the relative stand-alone selling price. The transaction price allocated to the license consist of signing fee, different milestone payments and sales based royalty payments. The part of the transaction price related to milestone payments are estimated as the most likely amount, but constrained which currently means that these revenues will be recognized if and when the relevant milestone are achieved.

Photocure has in January 2021 entered into a partnership agreement with Asieris 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 as a non-refundable payment. Asieris will fund all costs to secure required clinical studies and to regulatory approvals of Hexvix in Mainland China and Taiwan.

The license of the Groups intellectual property are under all current licensing agreement considered distinct from the delivery of goods and thus a separate performance obligation. Furthermore the licenses are considered to be a right to use the company's intellectual property as is, and therefore revenue allocated to the license is recognized at point in time taking into consideration the variable constraint for milestone payments that have not yet occurred and sales based royalty. Milestone payments related to future events and sales based royalties are recognized when the events and sales actually occur.

Geographical information

(Amounts in NOK 1,000)

Group revenues from contract with customers	**2021**	**2020**
Nordic countries	31,882	46,137
Germany	141,920	33,791
France	29,021	5,767
Austria	8,983	2,470
UK	3,448	1,473
Netherlands	5,672	1,076
Italy	1,700	485
Other European countries	4,033	1,941
United States	125,232	113,166
Own sales	**351,891**	**206,306**
Partner countries Europe	0	49,436
Partner countries rest of world	2,233	740
	354,125	**256,482**

The geographical revenue in all countries except United States are in the parent company. The geographical revenue information is based on the location of the end customers.

The signing fees and milestone revenue are not included in the table above.

Revenue recognition by segments

1 Jan - 31 December 2021	**Commercial Franchise**				**Development Portfolio**		
	Hexvix/Cysview						**Grand Total**
(Amounts in NOK 1,000)	**Own sales**	**Partner**	**Other Sales**	**Total Sales**	**Pipeline**	**Total R&D**	
Contract revenue at point in time				**-**	1,832	1,832	**1,832**
Contract revenue over time		397		**397**		0	**397**
Signing fees and milestone revenues at point in time		6,416		**6,416**		0	**6,416**
Sales order revenue at point in time	350,983		913	**351,896**		0	**351,896**
	350,983	**6,813**	**913**	**358,709**	**1,832**	**1,832**	**360,540**

Revenue recognition by segments

1 Jan - 31 December 2020	**Commercial Franchise**				**Development Portfolio**		
	Hexvix/Cysview						**Grand Total**
(Amounts in NOK 1,000)	**Own sales**	**Partner**	**Other Sales**	**Total Sales**	**Pipeline**	**Total R&D**	
Contract revenue at point in time				**-**	290	290	**290**
Contract revenue over time		49,870		**49,870**		0	**49,870**
Sales order revenue at point in time	205,019		1,303	**206,322**		0	**206,322**
	205,019	**49,870**	**1,303**	**256,192**	**290**	**290**	**256,482**

4. ACQUIRED BUSINESS EUROPE

Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen Pharma SAS (Ipsen) were acquired by Photocure 1 October 2020. The parties had entered into a final agreement were Photocure paid Ipsen EUR 15 million upon transfer on 1 October 2020. Ipsen reported sales up until this date and Photocure thereafter.

Ipsen receives in addition a deferred consideration of 15% of sales (years 1-7 post-transfer) and 7.5% of sales (years 8-10) in the previous Ipsen major markets. The deferred consideration is paid as quarterly earnout payments in EURO after the close of the quarter. The fair value of the deferred consideration is driven by future expected sales and is remeasured on a yearly basis. Photocure performed a remeasurement as of 31 December 2021. The remeasurement resulted in a fair value of NOK 139.5 reflecting an increase of fair value of NOK 17.2 million. The increased fair value has been recognized in profit or loss as a financial cost. To arrive at the remeasured fair value of NOK 139.5 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 since 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 increased accrued earn-out liability relates to the future sales driven earn-out due to Ipsen. Future sales, given performance in 2021 and growth opportunities going forward, are expected to exceed forecasts prepared in connection with the transaction, and as a result the revenue based earnout will increase as well.

The agreement with Ipsen determined a floor revenue for the earnout from 2022 to the end of the forecast period and there is no upper cap of revenue.

The total undiscounted amount of the earnout may be in the interval of NOK 202 - 331 million depending on revenue and development of the currency exchange rate between EUR and NOK. According to our sensitivity analysis the corresponding net present value of the liability may decrease or increase by NOK 33 million.

Photocure has experienced an increase of the NOK currency vs EUR after October 2020. As of end December 2021 Photocure reports an unrealized currency gain of NOK 15.9 million for the earnout liability, an increase of NOK 2.4 million last quarter.

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. The costs amount to NOK 12.4 million for 2020.

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 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 and this item is not depreciated, but is tested against impairment as of end December 2021. The impairment analysis carried out confirms the goodwill value given the performance in 2021 and future growth opportunities that are expected to exceed forecasts prepared in connection with the transaction.

Group and parent

(Amounts in NOK 1,000)	Customer relations	Goodwill
Accumulated cost at 31 December 2019	0	0
Additions	166,720	144,000
Accumulated cost at 31 December 2020	**166,720**	**144,000**
Additions	0	0
Accumulated cost at 31 December 2021	**166,720**	**144,000**
Accumulated depreciation at 31 December 2019	0	0
Amortization and impairment	4,168	0
Accumulated depreciation at 31 December 2020	**4,168**	**0**
Amortization and impairment	16,672	0
Accumulated depreciation at 31 December 2021	**20,840**	**0**
Book value at 31 December 2021	**145,880**	**144,000**
Book value at 31 December 2020	**162,552**	**144,000**

Carrying amount of goodwill is allocated to the acquired business in Europe by NOK 144 million. The recoverable amount has been determind as value in use.

The impairment test is based on cash flow projections for the business related to the investment. The cash flow projections is based on most recent financial forecast for the business.

Main assumptions are:

• Sales growth and related expenses is based on current penetration and future growth potential as per management assessment. When assessing future growth and related expenses management has taken into consideration experiences from high growth markets as well as more mature markets within the company portfolio.

• With minor exceptions sales are in Euro. Assumed exchange rate NOK/EUR is 10.20, at level with average rate 2021.

• The impairment test is based on a 10 year cash flow projection. 10 year is applied as this reflects the change in hospital practices driven by the product as well as the low churn experienced in other markets.

• The applied discount rate is 18.6% post tax. An increase of discount rate with 2% or 4% will not change the conclusion of the impairment test. Terminal growth is estimated to 4%. This percent reflects the expected inflation and the growth in the aged population that has the highest prevalence of bladder cancer. A reduction of terminal growth to 2% or zero will not have a material impact on fair value of investment.

• Applied tax rate is 22%.

5. COST OF GOODS SOLD

Total cost of goods sold include direct materials, services provided by contract manufactures and packaging suppliers, products freights and distribution costs.

In addition are royalties for in licensing of technology and rights from other parties included.

6. INCOME STATEMENT CLASSIFIED BY NATURE

(Amounts in NOK 1,000)		Group		Parent	
	Note	**2021**	**2020**	**2021**	**2020**
Revenues from contract with customers	2	354,124	256,482	236,380	150,875
Signing fees and milestone revenues	2	6,416	0	6,416	0
Cost of goods sold		-24,050	-18,511	-23,012	-17,640
Gross profit		**336,490**	**237,971**	**219,784**	**133,235**
Other income		0	0	999	829
Payroll expenses	7	-210,552	-165,748	-86,906	-65,366
R&D costs excluding payroll expenses/other operating expenses		-2,657	-2,924	-2,657	-2,924
Ordinary depreciation and amortisation	13	-24,127	-19,294	-20,753	-17,711
Other operating expenses		-104,979	-73,209	-112,108	-56,595
Total operating expenses recurring		**-342,315**	**-261,175**	**-221,425**	**-141,767**
Operating profit / loss (-) before restructuring		**-5,825**	**-23,204**	**-1,641**	**-8,532**

Specification of Other operating expenses:	**2021**	**2020**	**2021**	**2020**
Marketing expenses	33,140	19,239	15,908	8,108
Profit split coverage US	-	-	7,269	12,970
Sales and marketing costs Europe	-	-	48,060	7,572
Travel expenses	10,522	10,631	1,724	1,492
Patent costs, legal and other fees	38,938	26,623	25,854	16,360
Other expenses	22,380	16,716	13,294	10,093
Total other operating expenses	**104,979**	**73,209**	**112,108**	**56,595**

7. PERSONNEL EXPENSES

(Amounts in NOK 1,000)		Group		Parent	
	Note	2021	2020	2021	2020
Salaries		156,914	131,971	60,780	50,787
Employer's social security contributions on salaries, etc.		18,736	14,984	8,297	7,983
Option costs incl employer's social security contributions		13,225	6,638	10,229	3,421
Pension costs	8	11,372	7,151	4,902	3,886
Other benefits		10,305	9,864	2,699	4,149
Hereof restructuring		0	-4,860	0	-4,860
Total payroll expenses		**210,552**	**165,748**	**86,906**	**65,366**
No. of full-time equivalent positions		98	89	32	30

Share-based remuneration

As part of the company's incentive policy, employees have been offered share options to the company's shares (the term 'options' is also used). Allocated share options are vested over three years, 25%, 25% and 50% respectively. The rights are no longer valid after five years or on termination of the employee. No share options are allocated to members of the Board of Directors.

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

	2021		2020	
	Number	Average exercise price (NOK)	Number	Average exercise price (NOK)
Outstanding at start of year	981,534	66.28	231,700	39.76
Granted during the year	756,000	142.57	988,500	66.44
Become invalid during the year	125,500	81.99	7,400	49.78
Exercised during the year	256,284	54.41	231,266	40.91
Expired during the year	-	0.00	-	0.00
Outstanding at end of year	1,355,750	109.61	981,534	66.28
Exercisable options as per 31 December	90,375	77.66	120,034	50.17

The average weighted life of outstanding share options was 4.0 years at 31 December 2021 and 4.0 years at 31 December 2020.

The exercise prices and the average life of outstanding share options as per 31 December 2021 were as follows:

Average remaining life	No. of options	Exercise price NOK
2 year	228,000	50.72-56.83
4 year	391,750	78.65-81.41
5 year	736,000	87.39-145.27
Total	**1,355,750**	

Calculation method for market value of employee share options:

The market value of share options is calculated according to the Black-Scholes method. Volatility is calculated on the basis of the development in the historical share price equal to the lifetime of the options. This assumes that historical volatility indicates future volatility, which is not necessarily the case. Strike prices are set as the listed price plus 10% at the time of allocation. Risk-free interest is based on the interest for Norwegian government bonds. Each option program is calculated separately with the actual exercise price and duration of the program. The exercise date for the options is calculated on the basis of historical experience in the company and is differentiated between senior management and other employees. The interest advantage is insignificant and has not been included in the accounts. The table below shows the values that have been used in the model.

	2021*	2020*
Dividends (NOK)	0.00	0.00
Expected volatility (%)	57.63	58.18
Historical volatility (%)	57.63	58.18
Risk-free interest (%)	0.92	0.76
Expected life of options (years)	3.25	3.27

*Weighted average parameters at grant of instrument

8. PENSION COSTS

Photocure ASA has an agreement with a life assurance company concerning contribution-based pensions for Photocure's employees in Norway. The contribution plan match the revised national regulations for pension. The contributions are 6% of the employee's ordinary salary up to 7.1 times the basic amount (G) of the Norwegian National Insurance scheme, and thereafter 16% up to 12 x G. The national insurance cover pension for salaries to 7.1 G. Pension contributions are paid into the employee's contribution account with the life assurance company. As of 31 December 2021 and 31 December 2020, the company had no deposits in the premium and the contribution fund.

Photocure ASA employees in other European countries have individual defined contribution pension plans according to local regulations and their employment agreements.

Photocure Inc matches its employee's contribution to the 401(k) plan dollar for dollar up to 4% of salary for the employees that elect to join the plan. There is a salary maximum set by the IRS, which was $290,000 in 2021.

Employees in Photocure GmbH in Germany coming from Ipsen have defined benefit pension plans through the TUPE regulations in Germany. Photocure GmbH has a re-assurance agreement with an assurance company in Germany that balance the pension liability. New employees in Photocure GmbH are offered a defined contribution plan.

Photocure has entered into pension agreements with senior management in the form of un-funded pensions for salaries exceeding coverage by insurance. This un-funded pension liability is interest-bearing.

The pension cost for the year is calculated as follows:

(Amounts in NOK 1,000)	Group		Parent	
	2021	2020	2021	2020
Total pension costs, contribution scheme in life assurance	10,496	6,338	4,607	3,405
Total pension costs, company scheme	876	813	295	481
Total	**11,372**	**7,151**	**4,902**	**3,886**

9. AUDITING FEES

(Amounts in NOK 1,000 ex VAT)	Group and parent	
	2021	**2020**
Statutory auditing	488	345
Other attestation services	22	15
Other services excluding auditing	0	186
Tax advice	126	775
Total	**636**	**1,321**

10. FINANCIAL INCOME AND EXPENSE

(Amounts in NOK 1,000)	Group		Parent	
	2021	**2020**	**2021**	**2020**
Interest income	1,810	2,260	1,810	2,260
Interest income contract receivable	0	3,397	0	3,397
Foreign exchange gains	23,778	20,782	34,379	20,782
Other financial gains	624		624	0
Total financial income	**26,212**	**26,439**	**36,813**	**26,439**
Interest costs long term liabilities and lease	1,401	6,836	1,222	655
Interest costs earnout	22,425	192	22,425	6,273
Foreign exchange losses	10,472	15,813	10,472	26,829
Other financial expense	524	766	524	766
Loss allowance internal loan	-	-	6,259	-
Total financial expense	**34,822**	**23,607**	**40,902**	**34,523**

The foreign exchange gain in the parent company 2021 include unrealised exchange gain of the long term loan to the subsidiary that is nominated in USD.

The exchange rate NOK/USD increased to 8.84 as of December 31, 2021 compared to exchange rate of 8.54 at end of previous year. This is resulting in an unrealised gain of NOK 10.6 million in 2021 compared to a loss of NOK 11.0 million in 2020. In the consolidated accounts the unrealised gain/loss is eliminated against the change in equity as part of other comprehensive income.

Information regarding the remeasured value of the earnout liability is provided in note 4.

A loss allowance in the parent company loan to the US subsidiary has been recognized according to IFRS as a probability weighted estimate of future loan repayments as of December 31, 2021. The NOK 6.3 million allowance is based on a probability weighted scenario that the loan will not be paid back in full.

The parent company is anyhow committed to secure the operations in the US.

11. TAX

(Amounts in NOK 1,000)	Parent & Group	
	2021	**2020**
Income tax expense		
Tax payable	2,365	712
Changes in deferred tax	-3,124	-11,535
Total income tax expense	**-759**	**-10,823**
Tax base calculation parent		
Profit(-loss) before income tax	-22,950	-29,470
Permanent differences *)	8,346	-20,892
Change in temporary differences	10,050	-15,885
(Utilized)/Increased tax loss carried forward	4,554	65,810
Tax base	**0**	**-437**
Temporary differences		
Receivables	-551	-427
Inventories	4,489	4,013
Non current assets	29,763	27,823
Long term currency loans	77,622	67,927
Earnout liability	-17,220	-
Provisions	-1,525	-1,681
Pensions	-2,180	-2,361
Gains and loss account	20,136	25,170
Total	**110,533**	**120,464**
Tax loss carried forward	-351,456	-347,188
Net temporary differences	**-240,923**	**-226,724**
Deferred tax liability (asset)	**-53,003**	**-49,879**

	Parent & Group	
	2021	**2020**
Reconciliation of effective tax rate		
Expected income taxes at statutory tax rate	-5,049	-6,483
Permanent differences	1,836	-4,596
Prior year adjustment	111	-455
Income tax expense	**-3,102**	**-11,534**
Effective tax rate in % **)	13.5%	39.1%

Temporary differences are recognized for the Parent company only and the note disclosure for the Group is of this reason identic to the disclosure for the Parent company. The tax payable is related to the new subsidiaries in Europe that received a residual share of profit in Germany and France or a minimum mark up of the costs incurred.

*) Permanent differences consist of non deductible costs, non taxable income and deduction for development cost through the SkatteFunn concept.
**) Tax expense related to profit before tax.

The parent company has a taxable loss in 2021 of NOK 4.6 million compared to a loss in 2020 of NOK 67.9 million. The deferred tax asset is of this reason and movements in other temporary differences increased to NOK 53.0 million compared to NOK 49.9 million as of 31 December 2020. Photocure apply a profit/loss split method for the business in US and a share of the US related revenue and expenses are included in the parent company. For the operations in Europe Photocure apply a residual profit share for Germany and France through our subsidiaries. The basis for recognition of a tax asset in Norway are the predicted future profit according to the business plan for all major markets and that temporary differences for the coming years will be reversed. The remaining deferred tax asset is of this reason maintained as of 31 December 2021.

European business will contribute to Photocure profitability from 2022 and forward. The parent company is the selling entity of the Hexvix product in both the Nordic countries and in the new European countries after the acquisition of the Ipsen rights 1 October 2020. The marketing and promotion activities in Germany and France are carried out through the new subsidiaries.

It is Photocure's judgment that the operation in the US will be profitable and this will contribute to the pre-tax result in the parent company through the profit/loss split method. This is based on a cash flow model taking into account a balanced view of the market share for Cysview in the US compared to sales of Hexvix in Europe. The expansion of the US sales and marketing force enable Photocure Inc to cover larger parts of the US market in order to gain further market shares. The installed base of blue light cystoscopes in US at the end of 2021 has increased apr 17% compared to last year end.

Photocure continues to see growth opportunities in the European countries, not at least in the surveillance market with flexible cystoscopes which is 2-3 times bigger than the rigid cystoscopy market. With Photocure's own dedicated sales force in Europe, we believe this will further strengthen the sales. Several studies have been published highlighting and verifying key clinical benefits including the positive impact of Hexvix/Cysview on reduced disease progression, bladder cancer detection and the safety of repeated use of Hexvix/Cysview. The basis for the recognition of the tax asset is the assessment that there are convincing evidence that the deferred tax benefit will be utilized.

There is no expiry on losses to be carried forward in Norway while it expires after 20 years in US according to tax legislation valid to end of 2017. The new US tax legislation valid for taxable years from 2018 have no expiry of loss carried forward but a 80% limit in utilization.

Deferred tax assets have not been recognised in respect of the following items in the US subsidiary due to no history of pre-tax profit at this point in time:

(Amounts in NOK 1,000)	2021		2020	
Unrecognised deferred tax assets	**Amount**	**Tax effect**	**Amount**	**Tax effect**
Net deductible temporary differences	-6,215	-1,747	-2,179	-612
Tax losses	158,734	44,620	148,943	41,868
Net unrecognised deferred tax asset US	**152,519**	**42,873**	**146,764**	**41,256**

Tax losses for which no deferred tax asset was recognized, expire as follows:

(Amounts in NOK 1,000)	2021		2020	
	Amount	**Expiry date**	**Amount**	**Expiry date**
Expire Federal	20,599	2030 - 2037	19,900	2030 - 2037
Expire State	13,727	2030 - 2041	12,440	2030 - 2037
Never expire	8,547		8,146	
Total	**42,873**		**40,486**	

12. 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 acquisition of treasury shares. The diluted earnings per share is calculated by adjusting the average number of outstanding shares by the number of employee share options that can be exercised. Antidilution effects are not taken into consideration.

	2021	2020
Figures indicate the number of shares		
Ordinary shares 1 January	26,717,536	21,796,387
Effect of treasury shares	-16,919	-16,346
Effect of share options exercised	142,718	141,971
Effect of shares issued	0	2,699,476
Weighted average number of shares, 31 December	**26,843,335**	**24,621,488**
Effect of outstanding share options	264,553	173,933
Weighted average number of diluted shares, 31 December	**27,107,888**	**24,795,421**

Net profit/loss(-)	**-30,897**	**-22,403**

(Amounts in NOK 1 000)

Earnings per share	**2021**	**2020**
Earnings per share in NOK basic	-1.15	-0.91
Earnings per share in NOK diluted	-1.15	-0.91

13. PROPERTY, PLANT, EQUIPMENT AND OTHER ASSETS

(Amounts in NOK 1,000)

Group	**Intangible assets**		**Right-of-use**	**Machinery and Equipment**		
	Product Development	**Software Systems**	**Office Lease**	**Medical & manufacture**	**Office**	**Total**
Accumulated cost at 31 December 2019	51,069	3,986	10,439	432	6,363	**72,289**
Additions		420	462	182	1,016	**2,080**
Disposals and scrapping					-374	**-374**
Accumulated cost at 31 December 2020	51,069	4,406	10,900	613	7,006	**73,995**
Additions		527	31,062	163	2,342	**34,095**
Disposals and lease expiry	-51,069		-10,900			**-61,969**
Accumulated cost at 31 December 2021	0	4,934	31,062	777	9,348	**46,120**
Accumulated depreciation at 31 December 2019	41,441	2,009	3,430	108	4,647	**51,635**
Amortization and depreciation	9,628	822	3,616	192	869	**15,126**
Disposals and scrapping				-28	-109	**-137**
Accumulated depreciation at 31 December 2020	51,069	2,831	7,046	272	5,407	**66,625**
Amortization and depreciation		947	5,392	170	946	**7,455**
Disposals and lease expiry	-51,069		-10,067		-399	**-61,535**
Accumulated depreciation at 31 December 2021	0	3,777	2,371	442	5,954	**12,544**
Book value at 31 December 2021	0	1,156	28,691	335	3,393	**33,576**
Book value at 31 December 2020	0	1,576	3,854	342	1,598	**7,370**

The note for the Parent company has immaterial differences to the Group and is not disclosed of this reason.
Intangible assets identified as part of the analysis of the Ipsen acquisition are not included.

The Group cannot render probable future earnings large enough to justify recognizing development costs for pharmaceuticals and medical equipment in the balance sheet before marketing approval has been obtained. Own development costs are therefore recognized as an expense until national market approval for the product and indication has been granted. Development expenditures for the product after marketing approval has been obtained and market launch is completed, may be recognized in the balance sheet. The premise of this presentation is based on development that involves significant changes to the product, which is considered likely to generate future financial benefits.

Right-of-use assets (Lease)

(Amounts in NOK 1,000)	Discount rate	31-Dec-20 Value	Expiry	New contracts	31-Dec-21 Value
Right-of-use assets Norway	2.60%	1,938	(1,938)		-
Right-of-use assets US	5.20%	1,917	(1,917)		-
Right-of-use assets Norway	3.15%			13,008	12,329
Right-of-use assets US	3.70%			10,269	10,269
Right-of-use assets Germany	1.40%			6,624	5,630
Right-of-use assets Germany	1.40%			1,162	463
Total lease assets		**3,855**	**(3,855)**	**31,062**	**28,691**
Lease liability		(3,887)	3,887	(31,062)	(29,643)
Total non-current liabilities		**(3,887)**	**3,887**	**(31,062)**	**(29,643)**

The Right-of-use assets comprise the office lease contracts covered by IFRS 16. In addition. In addition are the lease contracts for the company car fleet in the Germany included.

The calculation of the lease asset is excluding utility services shared by the tenants.

The Parent company has a new 6-year rental agreement for office premises at Hoffsveien 4 in Oslo starting 1 September 2021 and ending 31 August 2027. The agreement give Photocure an option to expand the rent period by 4 years. The rent amounts to NOK 2.5 million for the period 1 January 2022 through 31 December 2022. The rent for the remaining period until the expiry of the agreement amounts to NOK 11.9 million.

Photocure Inc rents office premises at Carnegie Center, Princeton, New Jersey from 1 April 2011 through 10 December 2022. On December 13, 2021, Photocure Inc. signed a lease amendment to move to a new office of 5,212 square fee in Carnegie Center and to extend the lease term by six years with an expiration date of December 31, 2028. The lease commitment is NOK 10.3 million (USD 1.2 million) at 3.7% discount rate. The rent commitment for the period 1 January 2022 to 31 December 2022 is NOK 1.5 million while the rent for the remaining period until the expiry of the agreement amounts to NOK 10.4 million.

Photocure GmbH rents office premises in Düsseldorf, Marc-Chagall-Straße 2 from 1 April 2021 through 31 March 2026. The rent commitment for the period 1 January 2022 to 31 December 2022 is EUR 142.3 thousand while the rent for the remaining period until the expiry of the agreement amounts to EUR 462.5 thousand. The standard lease period for the car fleet in Germany is 36 months. As of 31.12.2021 Photocure GmbH had 8 lease agreements with an average remaining lease term of 8 months.

14. SUBSIDIARIES

Company	Country	Ownership		Book value	
		31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Photocure Inc.	USA	100%	100%	11,018	8,367
Photocure GmbH	Germany	100%	100%	748	330
Photocure SAS	France	100%	100%	136	-
Photocure Canada Inc.	Canada	100%		-	
				11,902	**8,697**

15. INVENTORIES

(Amounts in NOK 1,000)	Group		Parent	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Raw materials	1,485	1,991	1,485	1,991
Resale products	176	88	176	88
Semi-finished and finished goods	25,874	27,599	25,000	26,391
Total inventories	**27,534**	**29,678**	**26,660**	**28,470**

The raw materials inventory consists of active substances for the pharmaceutical products. Raw materials are valued at cost. Finished and semi-finished goods are valued at full manufacturing cost. Consumption is carried out in accordance with the FIFO principle. Obsolete goods are written down to net realisable value. Provisions and write-downs of inventories are included in cost of goods sold in the income statement.

Stock of resale products comprises medical disposable equipment according to the distribution agreement with Combat Medical for the bladder chemotherapy business.

16. FINANCIAL RISK

The note describes the Company's various financial risks and the management of same. In addition, numerical presentations of risk associated with financial risks are included.

(I) Organisation of financial risk management

Photocure has an international business operation and is exposed to currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. Responsibility for managing financial risk is placed with the management of the company, including financing, interest rate and currency management as well as risk within the business areas and the risk associated with the company's business processes. Financial risk is also monitored by the Board of Directors.

Centralised risk management

Photocure has a centralised finance department. This department ensures the company's financial freedom to act both long and short term, and to monitor and manage financial risk in collaboration with the individual business units within the company. The finance department maintains communication with the company's bank connections, and carries out hedging transactions regarding interest and currency. Required authorisations for borrowing and entering into derivative agreements are to be granted by the Board of Directors. All transactions involving financial instruments are backed by an underlying commercial hedging requirement.

Commercial operations – production, sales and marketing

Photocure manufactures, markets and sells the company's products through own sales organization in Europe and US and through license partners in other countries. Revenues from license partners consist of two elements: sales of products to license partners and milestone revenues. Photocure manufactures the company's products by renowned contract manufacturers in Italy, Spain, Netherland and Austria. Prices of raw materials is a risk factor. Photocure's commercial operations in the US expose Photocure for currency risk against USD as both revenues and expenses are in USD. The same applies for commercial operations in Europe which are mostly in Euros. Currency risks are partly naturally hedged by purchasing goods and services in EUR and USD.

(II) Classes of financial risk

Interest rate risk

Photocure has an interest bearing earnout liability from 2020 with interest rate equal to the internal rate of return for theinvestment project. In addition Photocure have interest bearing bank loan, leasing liability and pension liability. The long-term bank loan has a floating interest and 90% of the loan has a state guarantee. The company's risk related to interest income is mainly associated with the company's holdings of cash and cash equivalents. The main strategy is to diversify the risk and invest in money market funds and bond funds with low risk, high liquidity and short duration. More than 90% of the investments are denominated in NOK and are not hedged.

Liquidity and funding risk

The Company monitors its cash flows from both long and short-term perspectives through planning and reporting. Photocure does not have any loan agreements that involve covenants or other restrictions. Photocure uses a multi-currency consolidated accounts system that provides flexibility in relation to drawing on multiple currencies. The company may require new capital in the future. Adequate sources of capital funding may not be available when needed or may not be available on favorable terms.

A main objective of Photocure's financial policy is to ensure that the company has the financial freedom to act both short and long term to achieve strategic and operational goals. Photocure's policy is to have sufficient funds to cover known capital requirements during the forthcoming 12 months in addition to a strategic reserve. Photocure follows a low risk investment strategy for its liquid funds. The return on the liquid funds depends on the rate of interest in the money markets and will therefore vary over time.

The following table presents an overview of the maturity structure of the Group's financial obligations, based on non-discounted contractual payments:

	Remaining period				
(Amounts in NOK 1,000)	**Less than 1 month**	**1–3 months**	**3–12 months**	**1–5 years**	**Total**
31-Dec-21					
Accounts payable	19,748	3,900			**23,648**
Withholding tax and social securities	771	2,230			**3,001**
Other current liabilities	3,500	28,000	18,854		**50,354**
Loan and lease liabilities			36,580	169,913	**206,493**
31-Dec-20					
Accounts payable	17,500	5,816			**23,316**
Withholding tax and social securities	4,100	650	607		**5,357**
Other current liabilities	2,200	13,800	35,109		**51,109**
Loan and lease liabilities			19,500	178,055	**197,555**

Credit risk

Management of credit risk associated with accounts receivable and other operational receivables is dealt with as a part of the commercial risk and is followed up continuously as a part of normal operations. Photocure is primarily exposed to credit risk associated with accounts receivable and other short-term receivables. Photocure's sales is a mix of sales directly to hospitals, pharmacies and wholesalers in Europe and the US. The credit risk is limited as the customers are hospitals which are either publicly owned or financed by public funds or insurance companies. The same applies for the wholesalers customers. Photocure's credit risk is considered moderate and the Company does not use credit insurance.

Currency risk

As NOK is the Company's presentation currency, Photocure is exposed to translation risk associated with the company's foreign net exposure. Photocure's revenues and costs are incurred in different currencies, primarily EUR, USD, GBP, SEK and DKK. Photocure is therefore exposed to exchange rate fluctuations. The company regularly monitors the need for hedging of large transactions. Bank accounts in foreign currencies are used actively to reduce exposure to all the main currencies, and currency risk is to some degree naturally hedged in EUR, USD, SEK and DKK by having both revenues and costs in the same currency. However Photocure have in both 2021 and 2020 cash surplus in EUR and a cash deficit in USD. The Company has not entered into any currency hedging contracts during 2021.

The following table shows the Company's sensitivity for potential changes in the NOK exchange rate with all other factors constant. The calculation is based on the same change in relation to all relevant currencies. The effect in the income statement comes from changes in the value of monetary items.

(Amounts in NOK 1,000)	Change in the NOK exchange rate	Effect on operating profit/loss
2021	+ 10%	-7,187
2021	- 10%	7,187
2020	+ 10%	-4,568
2020	- 10%	4,568

17. FAIR VALUE

The table below analyses financial assets recognised 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.

(Amounts in NOK 1,000)

Market value hierarchy	Level 1	Level 2	Level 3	Total
Money market funds	260,055			260,055
Earnout liability, ref note 4			(139,350)	(139,350)
Total	**260,055**	**-**	**(139,350)**	**120,705**

18. RECEIVABLES

Maximum credit risk

The company's maximum credit risk associated with financial instruments corresponds to gross receivables. In a hypothetical situations, where no receivables are actually paid, this would correspond to:

(Amounts in NOK 1,000)	Group		Parent	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Accounts receivable	47,980	43,097	29,610	29,341
Accounts receivable intercompany	-	-	0	543
Total	**47,980**	**43,097**	**29,610**	**29,884**
Prepaid expenses	9,852	3,846	4,697	972
Other receivables and deposits	4,928	738	512	279
Total other receivables	**14,780**	**4,584**	**5,209**	**1,251**

Loan to the subsidiary is disclosed in Note 24.

Age breakdown of group accounts receivable	Not yet due	0–30 days	30–60 days	60–90 days	Over 90 days	Total
31 December 2021	37,641	4,661	4,705	630	342	**47,980**
31 December 2020	30,099	9,013	2,770	1,215		**43,097**

Photocure's sales are mainly hospitals and pharmacies and wholesalers in Europe and the U.S.

Photocure has implemented the expected loss model under IFRS 9 on trade receivables. The expected loss as of December 31, 2021 amounts to NOK 1.0 million. Realised bad debt loss' in 2021 and 2020 has been immaterial. Credit risk and foreign exchange risk in regard to trade accounts receivable are dealt with in more detail in Note 16.

19. CASH AND SHORT TERM DEPOSITS

(Amounts in NOK 1,000)	Group		Parent	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Cash and cash equivalents, restricted	3,856	5,361	3,856	5,361
Cash and cash equivalents, non-restricted	58,984	55,278	50,906	46,567
Money market funds, non-restricted	260,055	274,248	260,055	274,248
Total	**322,895**	**334,887**	**314,817**	**326,176**

Money market funds are considered as cash equivalents because they are readily convertible to known amounts of cash and are held for the purpose of meeting short-term cash commitments. Restricted cash and cash equivalents at 31 December 2021 include security for employees' withholding tax in of NOK 1.4 million, while the remaining amount refers to deposit for rent of office.

20. SHARE CAPITAL

Registered share capital in Photocure ASA amounted to:

	No. of shares	Nominal value per share NOK	Share capital in NOK
Share capital at 31 December 2020	**26,717,536**	**0.50**	**13,358,768**
Share capital at 31 December 2021	**26,973,820**	**0.50**	**13,486,910**
Treasury shares:			
Holdings of treasury shares at 31 December 2019	**16,624**		**8,312**
Buy-back of treasury shares	0	0.50	0
Buy-back of restricted shares	-958	0.50	-479
Holdings of treasury shares at 31 December 2020	**15,666**		**7,833**
Buy-back of treasury shares	0	0.50	0
Buy-back of restricted shares	-820	0.50	-410
Holdings of treasury shares at 31 December 2021	**14,846**		**7,423**

All shares have the same voting rights and otherwise the same rights in the Company. Ordinary shares are classified as equity. Expenses that are directly attributable to the issue of ordinary shares are included as a reduction of equity.

At the General Meeting 20 May 2021, the Board of Directors of Photocure ASA was granted authorisation to issue up to 4.8 million shares. Of this authorisation, (a) 4.0 million shares are linked to financing of the Company's development, while (b) 0.75 million shares are associated with the issue of shares to the Company's employees. Subscription of shares under the incentive program shall be subscribed at the market price with an addition of 10% at the time of allocation of the employee share options. At the General Meeting the Board of Directors was granted authorisation to purchase treasury shares to 2.7 million shares. The basis for this authorisation to purchase treasury shares is the desire by the Board of Directors to increase the liquidity of the Company's shares and in connection with the incentive schemes.

All authorisations are valid up until the Ordinary General Meeting in 2022. Previously issued authorisations have expired.

The table below indicates the status of authorisations at 31 December 2021:

	Purchase, treasury shares	Ordinary share issue	Employee share issues
(Figures indicate the number of shares)			
Authorisation issued at the General Meeting on 20 May 2021	2,682,000	4,023,000	750,000
Share issues after the General Meeting on 20 May 2021	0	0	153,751
Purchase of treasury shares after the General Meeting 20 May 2021	0	0	0
Remaining under authorisations at 31 December 2021	**2,682,000**	**4,023,000**	**596,249**

1 355 750 share options have been allocated to employees 31 December 2021 (see note 7).

Ownership structure

The major shareholders in Photocure as of 31 December 2021 were:

	Shares	Shareholding
Morgan Stanley & Co. LLC	2,586,368	9.6%
Skandinaviska Enskilda Banken AB	1,169,106	4.3%
The Bank of New York Mellon SA/NV	771,150	2.9%
Nordnet Bank AB	726,545	2.7%
RADFORSK INVESTERINGSSTIFTELSE	679,619	2.5%
RBC Investor services bank S.A.	572,944	2.1%
Avanza Bank AB	539,835	2.0%
The Bank of New York Mellon SA/NV	515,000	1.9%
MP PENSJON PK	513,878	1.9%
Skandinaviska Enskilda Banken AB	450,658	1.7%
Skandinaviska Enskilda Banken AB	450,000	1.7%
JPMorgan Chase Bank, N.A., London	449,428	1.7%
Skandinaviska Enskilda Banken AB	437,749	1.6%
Skandinaviska Enskilda Banken AB	436,000	1.6%
The Bank of New York Mellon SA/NV	400,000	1.5%
VERDIPAPIRFONDET KLP AKSJENORGE	375,630	1.4%
VERDIPAPIRFONDET PARETO INVESTMENT	365,000	1.4%
The Northern Trust Comp, London Br	310,943	1.2%
JPMorgan Chase Bank, N.A., London	304,865	1.1%
The Bank of New York Mellon	303,732	1.1%
Total of 20 largest shareholders	**12,358,450**	**45.8%**
Treasury shares	14,846	0.1%
Total other shareholders	14,600,524	54.1%
Total number of shares	**26,973,820**	**100.0%**

Shares owned, directly or indirectly, by members of the Board of Directors, the President and CEO and senior management and their closely related associates as of 31 December 2021:

Name	Position	No. of shares	No. of restricted shares	No. of share options**
Daniel Schneider	President & CEO	51,901	18,353	295,000
Erik Dahl	Chief Financial Officer	19,730	7,133	122,500
Geoffrey Coy	VP and General Manager US Operations	15,207	-	147,500
Susanne Strauss	VP and General Manager Europe	1,392	-	135,000
Grete Hogstad	VP Global Strategic Marketing & BD	25,153	5,566	77,500
Patricia Kelly	VP Global Human Resources	-	-	80,000
Anders Neijber	VP Global Medical Affairs and Clinical Development	-	-	28,000
Susanne Strauss	VP & General Manager of Europe	1,392	-	135,000
Jan H. Egbert	Chairperson of the board	14,500	-	-
Anders Tuv*	Board member	679,619	-	-

* Anders Tuv represents RADFORSK Investeringsstiftelse.

** See note 7 for additional information about the share options.

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

21. LOAN TERMS AND REPAYMENT

(Amounts in NOK 1,000)	Currency	Nominell interest rate	Year of maturity	Loan amount	Instal-ments paid	Book value 31-Dec-21	1th year instal-ments
Bank loan secured through governmental guarantee due to Covid-19	NOK	2.45 %	2023	50,000	-12,500	37,500	25,000
Deferred consideration (Earnout)	EUR	*	2030	144,000	-5,964	139,350	5,750
Right-of-use office contract Norway	NOK	2.60 %	2021	-		0	-
Right-of-use office contract US	USD	5.20 %	2021	-		0	-
Right-of-use office contract Norway	NOK	3.15 %	2027	13,008	0	13,052	2,400
Right-of-use office contract US	USD	3.70 %	2028	10,269	0	10,269	1,549
Right-of-use office contract Germany	EUR	1.40 %	2026	6,463	-602	5,861	1,422
Right-of-use office company car fleet Germany	EUR	1.40 %	**	850	-390	460	460
Short term part non-current liabilities							**36,580**

* Instalments depend upon sales in major markets in Europe. The earnout liability expire at end of 3rd quarter 2030 applying the Internal Rate of Return (IRR) for the liability. See additional information in note 4.

** There are seperate lease agreements for each lease subject.

Group

	Earnout liability	Financial loan bank	Office Lease Oslo	Office Lease Princeton	Office and car Lease Germany	Total
Accumulated 1 January 2020	0	0	3,935	3,013	0	6,948
Proceeds from loans and borrowing		50,000				50,000
Payment of lease liabilities	0		-1,965	-1,096	0	-3,061
Total changes from financing	**0**	**50,000**	**1,970**	**1,917**	**0**	**53,887**
Deferred consideration (Earnout)	144,000					144,000
Accrued Earnout payment	-332					-332
New lease liability						0
Interest expense	6,273	562	92	100		7,027
Interest paid	0	-562	-92	-100		-754
Total liability related changes	**149,941**	**0**	**0**	**0**	**0**	**149,941**
Accumulated 31 December 2020	**149,941**	**50,000**	**1,970**	**1,917**	**0**	**203,828**
Proceeds from loans and borrowing						0
Loan repayment and earnout	-3,834	-12,500				-16,334
Payment of lease liabilities			-1,970	-839	-1,134	-3,943
Total changes from financing	**-3,834**	**-12,500**	**-1,970**	**-839**	**-1,134**	**-20,277**
Change in fair value currency	-15,906			82		-15,824
Remeasured liability	17,220					17,220
New lease liability			13,053	9,110	7,455	29,617
Interest expense	22,425	1,065	157	91	88	23,826
Interest paid	-24,985	-1,065	-157	-91	-88	-26,386
Total liability related changes	**-1,246**	**0**	**13,053**	**9,192**	**7,455**	**28,453**
Incrued interest expense and 1th year instalments	-11,262	-25,000	-2,400	-1,549	-1,882	-42,093
Accumulated 31 December 2021	**133,600**	**12,500**	**10,653**	**8,720**	**4,439**	**169,912**

22. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

(Amounts in NOK 1,000)	Group		Parent	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Accounts payable	23,648	23,316	15,574	19,434
Accounts payable intercompany	-	-	1,444	0
Total	**23,648**	**23,316**	**17,018**	**19,434**
Accrued bonus, holiday pay, salaries	27,426	17,331	13,625	8,479
Incurred earnout liability	7,463	8,397	7,463	8,397
Short-term payable, intercompany	-	-	5,758	5,016
Miscellaneous other accrued costs	15,465	12,881	9,315	6,619
Total other current liabilities	**50,354**	**38,609**	**36,161**	**28,511**

The incurred earnout liability cover for net sales in last quarter.

Accrued bonus, holiday pay, salaries include accrual for estimated annual bonus as of 31 December 2021. Final annual bonus for the Group is to be decided by the Board of Directors.

23. REMUNERATION OF MANAGEMENT AND BOARD OF DIRECTORS

(Amounts in NOK 1,000)	Directors' fees paid	Salaries paid	Bonuses accrued	Benefits in kind	Pension cost	Total
Senior management 2021						
President and CEO		4,760	2,571	177	382	7,889
Chief Financial Officer		2,007	513	18	284	2,822
VP and General Manager US Operations		2,989	877	287	258	4,410
VP and General Manager Europe		2,807	661	150	250	3,868
VP Global Strategic Marketing & BD		1,694	219	88	231	2,232
VP Technical Development and Operations to April		916	-	5	56	976
VP Global Medical Affairs and Clinical Development from September		647	104		113	864
VP Global Medical to August		1,275	-	14	151	1,440
VP Global Human Resources		2,353	320	6	186	2,865
Total senior management		**19,448**	**5,265**	**743**	**1,910**	**27,365**
Board of Directors 2021						
Chairperson of the Board	620					620
Members of the Board	1,440					1,440
Total remuneration	**2,060**	**19,448**	**5,265**	**743**	**1,910**	**29,425**

(Amounts in NOK 1,000)	Directors' fees paid	Salaries paid	Bonuses accrued	Benefits in kind	Pension cost	Total
Senior management 2020						
President and CEO		3,628	1,357	148	271	5,403
Chief Financial Officer		1,939	342	15	259	2,554
VP and General Manager of US Operations		2,807	884	276	203	4,170
VP and General Manager of Europe Operations from July		1,313	413	-	-	1,726
VP Strategic Marketing		1,656	292	85	212	2,245
VP Technical Development and Operations		1,524	266	19	175	1,983
VP Medical		1,640	291	20	192	2,143
VP Global Human Resources from September		737	133	-	51	920
Total senior management		**15,243**	**3,977**	**562**	**1,363**	**21,145**
Board of Directors 2020						
Chairperson of the Board	520					520
Members of the Board	1,800					1,800
Total remuneration	**2,320**	**15,243**	**3,977**	**562**	**1,363**	**23,465**

Share options senior management

Senior managers' holdings of shares in Photocure ASA are stated in the note concerning share capital. Allocation and exercise of share options and holdings of share options for senior managers are presented in the following overview:

Share options for senior management 2021	Share options awarded	Expired share options	Share options exercised	Holding of share options at 31 December 2021	Average exercise price
President & CEO	135,000	-	100,000	295,000	100.23
Chief Financial Officer	67,500	-	20,000	122,500	111.59
VP and General Manager US Operations	67,500	-	45,000	147,500	103.14
VP and General Manager Europe	67,500	-	22,500	95,000	113.34
VP Global Strategic Marketing & Business Development	40,000	-	12,500	77,500	109.42
VP Global Human Resources	40,000	-	-	80,000	113.34
VP Global Medical Affairs and Clinical Development	28,000	-	-	28,000	139.00
Total	**445,500**	**-**	**200,000**	**845,500**	

Share options for senior management 2020	Share options awarded	Expired share options	Share options exercised	Holding of share options at 31 December 2020	Average exercise price
President & CEO	260,000	-	-	260,000	57.80
Chief Financial Officer	75,000	-	25,500	75,000	65.04
Head, US Cancer Commercial Operations	125,000	-	-	125,000	63.71
VP Global Strategic Marketing & Business Development	50,000	-	21,000	50,000	66.07
VP Global Human Resources	40,000	-	-	40,000	81.41
Head of Global Medical Affairs and Clin. Dev.	50,000	-	-	50,000	66.07
VP Tech. Dev. & Operations	50,000	-	32,550	43,750	68.26
VP and General Manager of Europe	90,000	-	-	90,000	81.41
Total	**740,000**	**-**	**79,050**	**733,750**	

24. RELATED PARTIES - COMPANIES

Subsidiaries

The transfer price method implemented is the profit & loss split method (PSM) for the sales in US and a residual profit model (RPM) for the sales in Germany and France from October 2020. Both the PSM and the RPM divides the combined profit or loss between the transacting related entities based on what would be anticipated if the entities had been transacting at arm's length.
A contribution analysis for sale of Cysview in US and sale of Hexvix in Germany and France compares the split of profit or loss between the subsidiaries and Photocure ASA based on the value of the functions performed by each of the related parties, taking account of assets used and the risks assumed by both parties.

Photocure has established a wholly owned subsidiary in the US, Photocure Inc, in order to carry out the sales and the marketing-, selling- and distribution activities for the Cysview product. Photocure ASA has the ownership to the patent rights and the trade mark and is responsible in the Group for development and manufacturing of the product. Photocure Inc purchases the completed product from the parent company and distributes in the United States. Photocure Inc has established its own marketing organization that is funded by a loan from its parent company in addition to its own revenues. The transactions between Photocure ASA and Photocure Inc are on terms at arm's length, except for the loan that is interest free until further notice.

It is Photocure's judgment that the operation in the US will be profitable. This is based on a cash flow model taking into account a balanced view of the market share for Cysview in the US compared to sales of Hexvix in Europe. The expanded US sales and marketing force has been kept during the Covid pandemic and enables Photocure Inc to access the US market again when the pandemic come to and end and again to further develop market shares.

Photocure has established wholly owned subsidiaries in Germany and France. Photocure ASA carries out the sales and distribution in Europe for the Hexvix product. The marketing- and promotion activities for the Hexvix product in Continental Europe are carried out by Photocure GmbH and Photocure SAS. The residual profit in Germany and France are allocated to the subsidiaries. Mark up is assumed on fully loaded local costs for the services rendered to parent company.

Transactions and intercompany balances:

	2021	2020
Sales of products	7,488	7,559
Sales of services	999	829
Intercompany sales	**8,487**	**8,388**
Purchase of marketing and promotion services	**-48,060**	**-7,298**

	31-Dec-21	31-Dec-20
Accounts receivables and other storm-term receivables	0	543
Long term loan given	308,390	291,865
Accounts payables and other short-term liabilities	-7,203	-5,016
Total subsidiary	**301,187**	**287,392**

Guarantees to bank in favor of subsidiary for requested security	**2,298**	**2,220**

These are for licenses with the States of Maryland, Mississippi, Nevada and California to sell Cysview and for the office lease deposit.

25. SUBSEQUENT EVENTS

In January 2022, Photocure announced that it had launched its direct commercial operations in Canada after regaining rights to Cysview from its former partner, BioSyent Pharma, Inc. The reacquisition of Canadian marketing and distribution rights enables Photocure's direct management of the Cysview brand in Canada and consolidates the territory into the Company's existing U.S. business to form its North America sales segment.

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To the General Meeting of Photocure ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Photocure ASA, which comprise:

- The financial statements of the parent company Photocure ASA (the Company), which comprise the statement of financial position as at 31 December 2021, statement of profit or loss and comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Photocure ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2021, statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 13 years from the election by the general meeting of the shareholders on 29 April 2009 for the accounting year 2009.

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:
Oslo, Alta, Arendal, Bergen, Bodø, Drammen, Elverum, Finnsnes, Hamar, Haugesund, Knarvik, Kristiansand, Mo i Rana, Molde, Skien, Sandefjord, Sandnessjøen, Stavanger, Stord, Straume, Tromsø, Trondheim, Tynset, Ålesund

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. *Deferred tax asset*

Reference is made to Note 11 Tax in the financial statements

The Key Audit Matter	*How the matter was addressed in our audit*
The Group has recognized a deferred tax asset of NOK 53.0 million in the Company and Group's financial statements as of 31 December 2021. The recognized deferred tax asset relates to deductible temporary differences and unused tax losses in the Company in Norway. Management has assessed that there is convincing evidence that it is probable that taxable profits from the product Hexvix®/Cysview ®, will be available in the future, against which unused tax losses in Norway can be utilized. Due to the application of the profit/loss split method for the business in the US, future taxable profits in Norway are not only dependent on the development for Hexvix® in Europe, but also the market development for Cysview ® in the US. We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount of future taxable profits.	Our audit procedures included, among others: • Evaluating the appropriateness of key assumptions in the estimated future taxable profit analysis prepared by management, including revenue and cash flow growth, the impact of the expiry of patents and the reversal of significant temporary differences • Comparing financial performance with the original forecasts, to evaluate the reliability of management's prognoses related to future taxable profit • Evaluating management's sensitivity analysis to assess the impact of reasonable changes in key assumptions including future sales for Hexvix®/Cysview ® • Evaluating the adequacy of the disclosures in the financial statements.

2. *Loan to Group subsidiary*

Reference is made Note 24 Related Parties – Companies in the financial statements

The Key Audit Matter	*How the matter was addressed in our audit*
Photocure ASAs subsidiary, Photocure Inc, was established in order to carry out the marketing-, selling- and distribution activities for the Cysview ® product in the US. Photocure ASA has a long-term loan to Photocure Inc. that is recognized at NOK 302.1 million in the Company's financial statement as of 31 December 2021. We have determined risk of impairment of the loan to be a key audit matter, due to the inherent risk related to future cash flow estimates and the Group's ability to successfully commercialize the individual product concerned.	Our audit procedures in this area included, among others: • Challenging management and applying our own knowledge of the business and the industry to identify any indicators of impairment of the loan • Assessing the impairment documentation prepared by management • Evaluating the appropriateness of key assumptions in the impairment documentation, including revenue and cash flow growth, the impact of the expiry of patents and agree these with the relevant key assumptions used in determining the expected credit loss • Comparing historical cash flow development in mature markets in Europe with expected future cash flows in the US market • Evaluating management's sensitivity analysis to assess the impact of reasonable changes in key assumptions like future sales in the US for Cysview ® • Evaluating the adequacy of the financial statement disclosures in the Company's financial statement

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other accompanying information otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name [filnavn] have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities
Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 6 April 2022
KPMG AS

Geir Moen
State Authorised Public Accountant
(This document is signed electronically)

Alternative Performance Measures

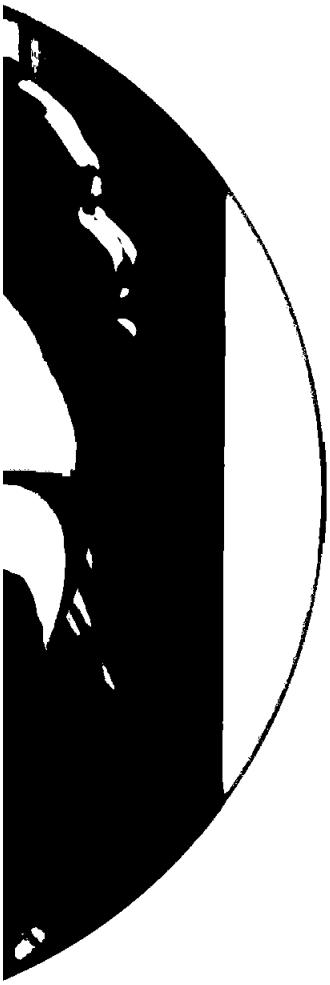
(Information provided based on Guidelines on Alternative Performance Measures (APMs) for listed issuers by The European Securities and Markets Authority - ESMA)

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

Photocure uses the following alternative performance measures:

EBITDA & EBIT

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



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

The reconciliation to the IFRS accounts is as follows:

All amounts in NOK 1,000	2021 1.1-31.12	2020 1.1-31.12
Gross profit	**336,490**	**237,971**
Operating expenses excl depreciation & amortization	-318,188	-241,883
EBITDA before restructuring	**18,302**	**-3,912**
Depreciation & amortizaation	-24,127	-19,292
EBIT before restructuring	**-5,826**	**-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 1.1-31.12	2020 1.1-31.12
USD (NOK per 1 USD)	8.59	9.41
EUR (NOK per 1 EUR)	10.16	10.73
DKK (NOK per 100 DKK)	136.66	143.89
SEK (NOK per 100 SEK)	100.25	102.27

Financial Calendar

Follow us at our quarterly financial presentations and annual general meeting.

Annual General Meeting: April 28, 2022

The dates are subject to change. The time and location of the presentations will be announced in due time.

HTTPS://PHOTOCURE.COM/INVESTORS-HUB/INVESTORS-EVENTS-AND-PRESENTATIONS

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ESG Report

2021

PHOTOCURE®
THE BLADDER CANCER COMPANY

About this report

This is Photocure's third sustainability report and is applicable for the period January 1st - December 31st, 2021. The report will be conducted annually.

This report is prepared by a cross-functional team within the company and in accordance with GRI Standards Core option. The report complies with Euronext guidelines for ESG reporting. For GRI index, please see page 27 or the online GRI Database.

The achievements and goals are followed up quarterly with the leadership team, tracked and documented with the oversight from the Global Head of Regulatory, Quality & Compliance Lise Borgen Carlson.

This Photocure sustainability report has been reviewed and approved by the Board of Directors. Anne Worsøe, an assigned member of the Board, provided guidance to the internal ESG task force on behalf of the Board. The claims and data in this report have not been audited by a third party.

For information about this report and its content, please contact Photocure ASA and CFO Erik Dahl or Corporate Communications Director Maja Bergmann.

Photocure's ESG reporting journey

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CEO letter

At Photocure, we focus all our efforts and resources on delivering transformative solutions to improve the lives of bladder cancer patients. We are proud of our unique technology, making bladder cancer cells glow bright pink, which to date has helped treat more than half a million patients worldwide.

In 2021, as in the year before, the company had to deal with business volatility due to the global Covid-19 pandemic. I am pleased with how we managed through these unprecedented times and proud of our employees for adapting to changing working conditions and continuing to serve our patients and customers. The pandemic has brought global attention to health and health systems worldwide. It has also affected cancer care with restrictions on hospital access and postponements of diagnostic procedures. Intervals between surveillance visits have increased due to Covid-19, making a thorough diagnostic procedure even more crucial. At Photocure, we aim to support many more patients to benefit from the procedure.

This year, we deliver Photocure's third sustainability report according to the GRI Standards core option. As assessed for the previous ESG reports, we continue to report on the same material topics, identified through stakeholder dialogue. The materiality assessment will ensure that our reporting is aligned with our business objectives, supports our strategy, and minimizes risks.

Our highly regulated business has an economic, social and environmental impact on our surroundings and stakeholders. The most important impact is the positive contribution to the patients' lives, the economies and the societies in which we operate.

However, we also need to assess and address potentially negative aspects and consequences of our operations and business relations such as potential environmental impacts and human rights risks in our supply chain, potential quality and safety issues and the risk of corruption. In 2021, Photocure became a signatory of the United Nations Global Compact (UNGC); the world's largest corporate sustainability initiative. This commitment means we are part of a global movement, striving to become a more sustainable and responsible company. As a signatory we must adhere to the ten principles of the UNGC within human rights, labor, environment, and anti-corruption.

In the past couple of years, we have also experienced an increased attention to responsible business and high ESG (Environmental, Social and Governance) standards from our shareholders. For Photocure, sustainability is about both the quality products we make and the way we run our operations. Being part of the solution rather than the problem is anchored in our DNA as we strive to give bladder cancer patients access to care in a sustainable way, while working to create value for our shareholders.

Guided by the Euronext ESG guidelines and GRI Standards, we have implemented a process based on stakeholder inclusiveness and materiality to ensure that Photocure reports on the most material topics for our company and our industry. We also reference our attention to industry standards and regulations, which helps us implement our responsibilities across our value chain in a systematic manner.

These material topics are focused on key topics for our company and our industry, taking into account the interests of stakeholders and the wider society. They include the quality and safety of our products, how they are produced and sourced, standards followed by our suppliers, as well as the working environment of our employees.

As for our business and risk minimization, the material topics include ethical conduct in our business relationships, in research and development and when working with personal data.

As a pharmaceutical company, we believe responsibility, transparency and sustainability must be integrated in Photocure's business model and strategy. For us, efficient, high-quality products produced, sold and used in a responsible manner is what makes us a successful company, in addition to our people and culture. Photocure's core values comprise important standards for the company, both internally and

externally. Together with the key behaviors, our values guide what we believe and how we will succeed. They exist under the principle that We Care, about all that we do and all who we touch. Our core values – Take Ownership, Be Passionate, Be Courageous, Be Agile, Be Curious and Work Together– have been established from within our teams. They guide our behaviors and form the basis for Photocure's ethical guidelines.

In the present report, we follow up on the targets and progress for each material topic, as defined in last year's ESG report and we continue to set goals for how to improve our work in the future. In addition, this report includes some new features detailing the corporate governance structure and our environmental and value chain responsibilities. Going forward, we will work systematically on implementing sustainability targets in our purchasing and supply chain activities. We will also continue to strengthen the focus on a safe, healthy, productive and inclusive working environment and ensure the appropriate channels for reporting concerns are well known.

Photocure's mission is to deliver transformative solutions to improve the lives of bladder cancer patients. We seek to do so in a responsible way. We will continue to build a high-performance corporate culture based on a foundation that values diversity, equality, respect and inclusion, and operates with the highest level of integrity. I hope this report will provide insights about our response to the sustainability challenges and opportunities for our business and society.

"The most important impact is the positive contribution to the patients' lives, the economies and the societies in which we operate."

Daniel Schneider

President and CEO of Photocure

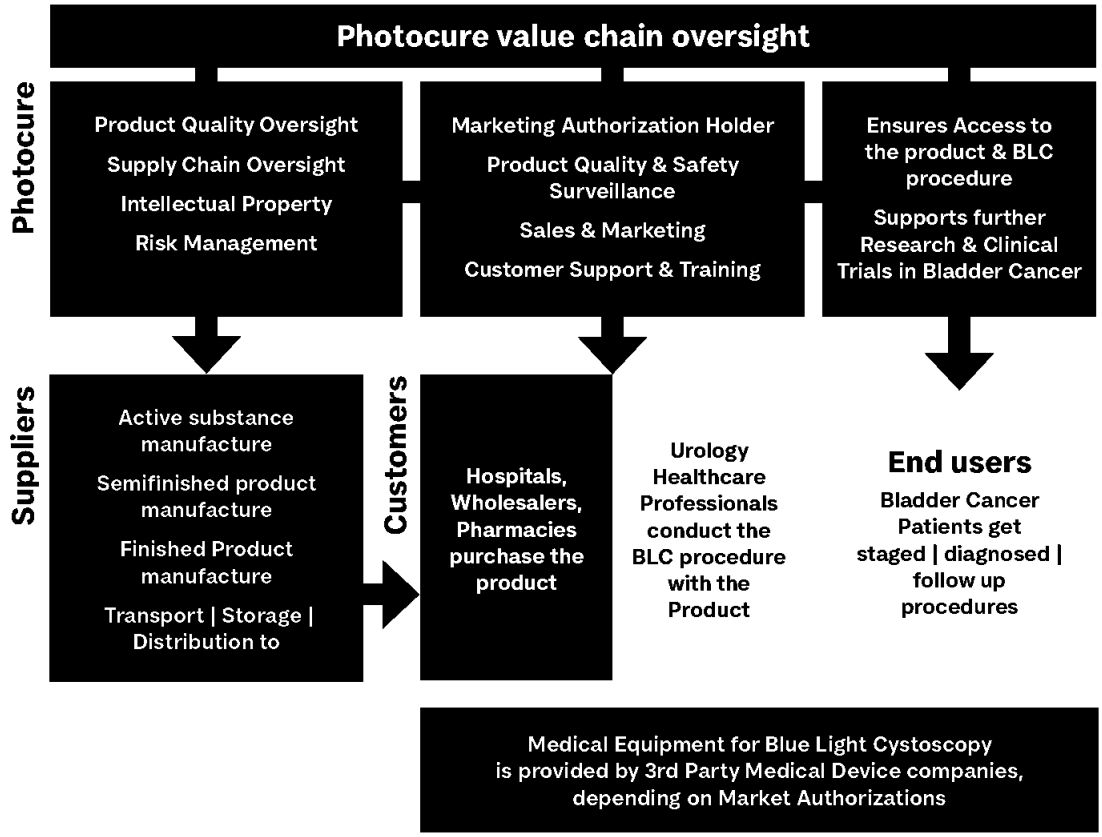
About Photocure

Photocure was founded by the Norwegian Radium Hospital to develop and commercialize a promising photodynamic non-melanoma skin cancer product with a vision to become a global leader in photodynamic technology.

Photocure has since transformed from a technology-based focus and being a global leader in photodynamic therapy to a valued player in the bladder cancer area. Based on its experience, solid foundation and the growth of its breakthrough bladder cancer product, the company has a stepwise approach to further developing its products and services for the benefit of patients, urology care providers and the health care community.

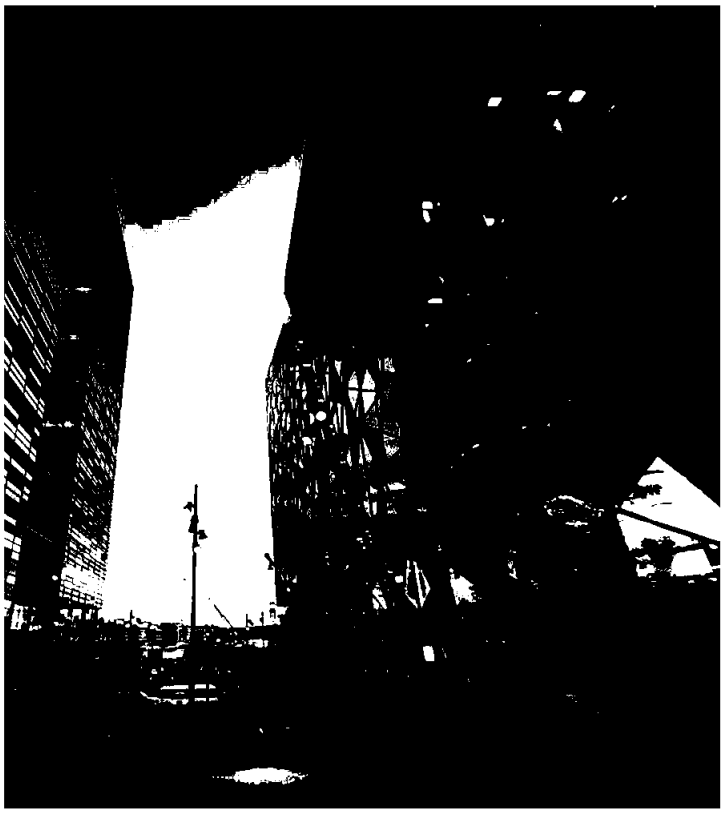
Photocure has a strong track record of developing and commercializing pharmaceutical products based on photodynamic technology. The company has brought two first-in-class products to the market; Metvix sold by Galderma and indicated for non-melanoma skin cancer, and Hexvix®/ Cysview® indicated for the better detection and management of bladder cancer. Photocure has also developed Cevira® through completion of Phase II studies. Cevira is a photodynamic drug-device combination product, for non-surgical treatment of high-grade cervical dysplasia. Cevira was outlicensed to Asieris Meditech Co., Ltd in 2019.

Additionally, Photocure distributes Combat BRS and Combat BRS kits for the HivecTM procedure in the Nordics, an innovative recirculation system for the delivery of hyperthermic intra-vesical chemotherapy in the treatment of non-muscle invasive bladder cancer (NMIBC).



Photocure has evolved into a therapeutic area-focused commercial stage pharmaceutical company with a focus on bladder cancer. The company is exploring expansion opportunities within the bladder cancer domain. In 2020, Photocure regained the commercialization rights to Hexvix in Europe and other territories around the world from Ipsen Pharmaceuticals. Photocure started commercial and medical activities in these new European territories on October 1, 2020. In 2021 Photocure continued its growth and business expansion: in January Photocure announced to partner with Asieris MediTech Co. Ltd for the commercialization of Hexvix® in Mainland China and Taiwan. The company also reacquired the marketing and distribution rights to Cysview® in Canada, taking effect post-period on January 1, 2022.

Today, the company's vision is driving change in bladder cancer and its mission is to deliver transformative solutions to improve the lives of bladder cancer patients.



Locations

Photocure is located in Oslo, Norway (Global headquarter), in Princeton, New Jersey (North America office) and in Düsseldorf, Germany (Europe office, opened in May 2021). In addition, Photocure has fully owned affiliates in France and Canada. Photocure ASA is listed on the Oslo Stock Exchange (ticker: PHO).

Key figures 2021

- Photocure's total revenues in 2021 were NOK 360.5 million
- Photocure's net loss in 2021 was NOK 30.9 million
- At 31 December 2021, the company's consolidated equity was NOK 502.6 million, an equity ratio of 64%
- Photocure's cash balance at the end of 2021 was NOK 322.9 million

Employees per region:

Location	Total
Oslo / Global functions	22
Europe commercial	30
Princeton / Global functions	8
U.S. commercial	38
Total	98

Corporate governance

Photocure has made a strong commitment to ensure trust in the company and to enhance shareholder value through effective decision-making and improved communication between the management, the Board of Directors and the shareholders. The company's framework for corporate governance is intended to decrease business risk, maximize value and utilize the company's resources in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large. The Company will seek to comply with the Norwegian Code of Practice for Corporate Governance (the "Corporate Governance Code"), last revised on 14 October 2021 and available at the Norwegian Corporate Governance Board's website www.nues.no, to the extent not considered unreasonable due to the Company size and stage of development.

The Board of Directors is responsible for the overall management of the company and shall supervise the company's day-to-day management and the company's activities in general.

The Annual General Meeting (AGM) is Photocure's supreme governing body at which shareholders can influence how sustainability is practiced. Photocure's Board of Directors bears the ultimate responsibility for the company's sustainability approach and the ESG report is discussed and approved by the board.

The company discloses board and governance guidelines annually in the annual report and on photocure.com (Corporate Governance Policy and Annual Review). For more information about Corporate Governance, Nomination Committee, Audit Committee and ESG Board Advisor, please see the Photocure corporate governance policy in the 2021 annual report on pages 22-28.

Board composition, including independence, gender split, professional and committee roles can be found in the Leadership section of the company website. Information regarding remuneration is published on the Photocure website in the Management Remuneration Policy (Our Impact – ESG section). In addition, the Nomination Committee report, also available on the company website (Investors – Events & Presentations section), provides details on the Nomination Committee mandate, membership and remuneration.

Photocure's Core Values

Photocure's core values set important standards for the company, both internally and externally. Our values guide what we believe and how we will succeed. These standards ensure that we always act in a responsible way. They exist under the principle that We Care - about all that we do and all who we touch. We value diversity and are

respectful, inclusive and operate at the highest level of integrity. Our values guide the behavior of employees and form the basis for Photocure's ethical guidelines:

- **Take Ownership:** Take initiative and responsibility
- **Be Passionate:** Care deeply about what we do
- **Be Courageous:** Take action in the face of obstacles
- **Be Agile:** Move quickly, act decisively
- **Be Curious:** Have the desire and interest to learn new things, grow and develop
- **Work Together:** Think individually, act as One Team to achieve more

Care & Respect Council:

As a result of the work on company values, Photocure set up a Care and Respect Council in 2021, in which employees serve as ambassadors helping to bring to life our Culture and Core Values. The Care and Respect Council's charter is to fosters ideas and actions that creates an inclusive work environment that values the contributions of all colleagues and supports a workforce that reflects and embraces the wide range of diversity that each of us brings to the company. The council acts as an advisory body that provides insight and recommendations on matters regarding our Core Values, Diversity & Inclusion, and the engagement of our colleagues, which could include:

- **Intercultural and interpersonal communication in the workplace**
- **Awareness and appreciation of diversity and inclusion**
- **Healthy and sustainable work life balance**

The care & respect council is composed of 8 employees from different functions and regions. Membership is on a voluntary basis and for the duration of 12 months. In 2021, the council has already developed the Council's Charter, participated in an external diversity training 'Unconscious bias' and supported the development of additional value-oriented questions for the employee pulse survey.

Photocure's approach to sustainability

Stakeholder dialogue and materiality assessment at Photocure

This report covers sustainability topics that are of importance to Photocure and the company's stakeholders. Photocure's approach to sustainability reporting is based on the stakeholder dialogue and materiality assessment was first undertaken in April 2020 and continued in 2021 to include several new topics and an updated supply chain impact, risk and opportunity mapping.

The prioritization of Photocure's stakeholders as well as the stakeholder dialogue and materiality assessment, were undertaken by an interdisciplinary working group consisting of Photocure employees representing medical affairs, finance, operations, HR, communications, IT, compliance and quality management. The work consisted in a series of phone interviews and digital workshops, while the stakeholder dialogue was conducted through semi-structured interviews with key stakeholders. In 2021 the team did an extended supplier review and dialogue concerning human rights, environmental, social and compliance topics. In addition, an Employee Pulse Survey was used to collect data on topics concerning employee engagement and the working environment at Photocure.

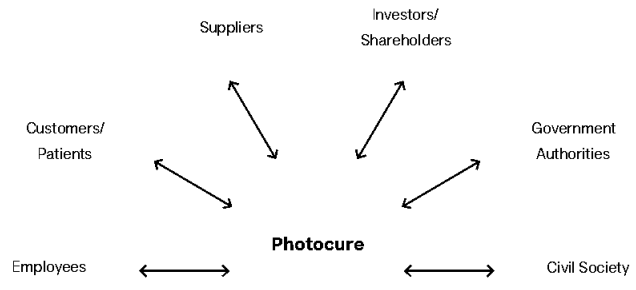
The updated materiality process in 2021 also takes into account industry level ESG topic overviews as well as Photocure's score on third-party ESG ratings and updated legal requirements for ESG reporting.

Due to the ongoing Covid-19 pandemic, impacting business priorities in all sectors, only a limited number of external stakeholders were interviewed as part of this process. As to avoid further strain on healthcare providers during the pandemic, Photocure representatives were interviewed about the interests of their specific external stakeholder groups such as customers, government and suppliers.

Consequently, the company will update the stakeholder dialogue and materiality assessment as applicable in future ESG reports.

All stakeholders consulted pointed out the impact of Photocure's product on society: patients' access to healthcare as well as comprehensive support to healthcare providers. Another topic frequently mentioned was the importance of a good working environment, diversity and gender equity in the workplace. Financial stakeholders also emphasized the importance of business ethics, as well as openness and transparency regarding products, production and research.

Photocure's stakeholders



Stakeholder descriptions: see appendix p. 26

Identified Sustainability and ESG topics

In 2021 a mapping of Photocure's value chain resulted in a list of key topics that Photocure is directly or indirectly exposed to through its value chain and business environment. The following topics are therefore included in the present report:

E

Responsible Supply Chain: Supplier Assessment on Environmental Criteria and Certifications, Scope 1 and 2 Emissions, Energy Consumption, Risk Assessment on Water

S

Product Safety, Societal and Community Impact, Access to Healthcare, Ethical R&D & Marketing, Labor Standards, Human Rights, Health & Safety in the Workplace, Photocure Office Facilities

Human Resource Management, Turnover rates, Diversity, Equality & Inclusion, Employee Engagement & Training, Privacy & Data Management, IT Security

G

Business Ethics & Transparency, ESG Reporting, Anti-corruption, Stakeholder Relationship Management, Global Quality Management System

Board Composition, Board Structure, Audits & RiskManagement, Corporate Governance Policies, Remuneration, Board Independence, Accounting Transparency

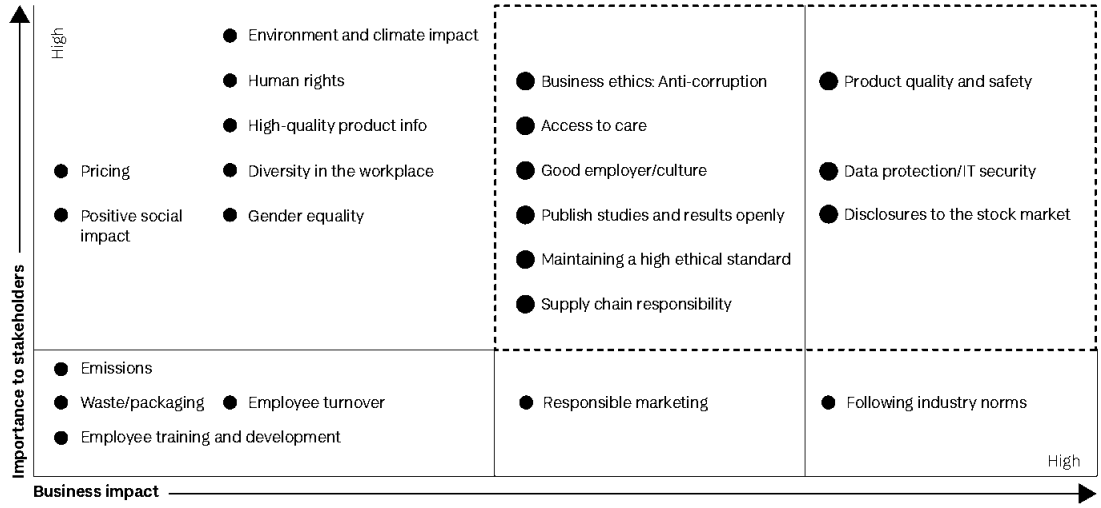
Photocure's materiality assessment

Based on stakeholder input and priorities, as well as an assessment of the company's business impact, the materiality of each suggested sustainability topic was considered. The results are presented in the materiality matrix below, with topics considered material for Photocure in the upper right section. The materiality assessment was first created in 2020 and updated with new topics in 2021.

These topics are summarized in the following over-arching material themes:

- Human Rights
- Product Quality & Safety
- Supply Chain Responsibility
- Environment & Climate Impact
- Working Environment
- Business Ethics & Transparency
- Data Protection & IT Security

Materiality assessment for Photocure



Reporting on material topics

In this chapter, the company's management approach, activities, goals and performance for the reporting period is described for each of the material topics.

Human rights

As a signatory of the United Nations Global Compact, Photocure upholds the Ten Principles which are derived from: the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. Committing to these principles means supporting and respecting the protection of human rights in all aspects of our business operations and making sure we encourage our suppliers and partners to do the same.

We report on aspects of human rights related to labor, safety, diversity & inclusion in the "**Working environment**" chapter.

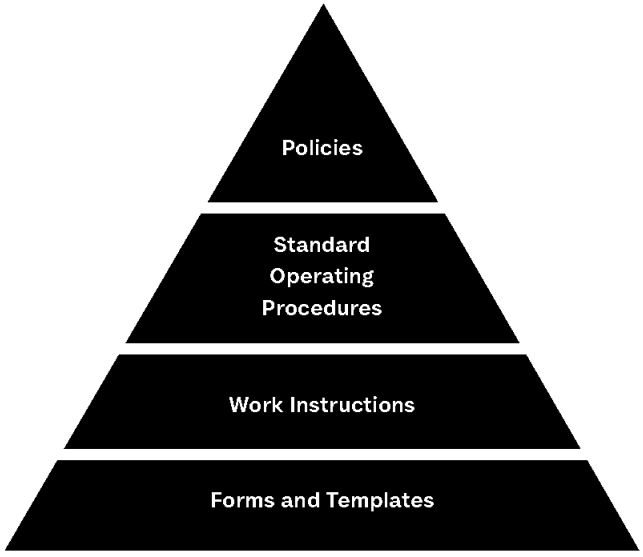
In the "**Supply chain responsibility**" chapter we report on human rights-related topics and dialogue with our suppliers.

Product quality and safety

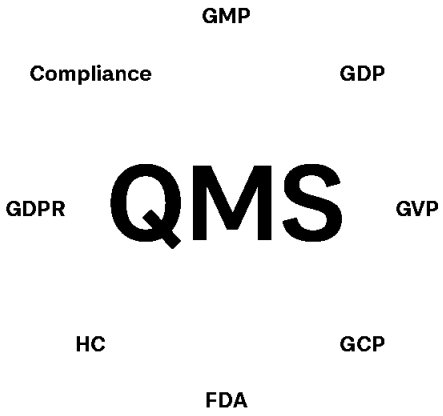
Photocure's high quality products and processes are a prerequisite for the company's contribution to value creation for both owners and society and for future growth. Photocure's product Hexvix®/Cysview® is available in over 30 countries, with its established specialist commercial and medical teams in North America and Europe.

The quality policy and the quality and compliance manual are the overarching documents describing the company's quality goals and quality system.

Photocure has a quality management system (QMS) which is compliant with Norwegian, European and North American Health Authorities' rules and regulations for drug manufacturing, drug distribution, research activities and surveillance of drug safety and drug quality. The QMS also covers Norwegian and European rules and regulations for distribution of medical devices. The QMS is set of written policies, standard operating procedures, work instructions and forms managed in a validated computer system.



Abbreviations:
GMP = Good Manufacturing Practice
GDP = Good Distribution Practice
GVP = Good Pharmacovigilance Practice
GCP = Good Clinical Practice
FDA = Food & Drug Agency
HC = Health Canada
GDPR = General Data Protection Regulations



"For the year 2021 there were no quality and/or safety incidents that led to any market actions"

Photocure holds a manufacturing license and a good manufacturing practice certificate issued by the Norwegian Medicine Agency and available on the EudraGMDP public database. Photocure follows the EU directive for medical devices with respect to distribution of medical devices.

An annual review of all aspects of the quality system, product quality and safety are conducted with the management team.

All reports of adverse events and/or product complaints are promptly investigated and assessed. Adverse events are reported to applicable health authorities according to procedures. All complaints are investigated to identify if the root cause is linked to the manufacturing process and if there is a potential quality issue/defect with the product.

Safety feature:

All Photocure products sold in Europe have a unique identifier (2D barcode) as a safety feature. In addition, all product packs have tamper evidence in the form of glued cartons.

For the year 2021 there were no quality and/or safety incidents that led to any market actions or need for reporting to health authorities e.g. product recall or healthcare information letter.

At Photocure we aim to be accessible to any healthcare provider who needs information or wants to submit feedback regarding our product. In 2021 Photocure improved the phone service for medical information, adverse event and product complaint reporting in Europe.

Photocure's medicinal product complies with the European Falsified Medicines Directive which came into force February 9th, 2019.

Goals and targets for 2022

- Maintain Photocure's track record of no quality and/or safety incidents leading to any market actions e.g. product recall or healthcare information letter.
- Improving the phone service for medical information, adverse event reporting and product quality complaints for North America.

Supply chain responsibility

As a business with outsourced manufacturing and logistics, Photocure relies on suppliers, individuals or organizations who provide goods and services to the company. Photocure is thereby directly and indirectly exposed to risks and opportunities in its business relations and supply chain.

Photocure has procedures in place for the interaction with suppliers, including qualification and follow-up, risk assessment, auditing and procurement. As a part of the initial and ongoing evaluation of suppliers, Photocure obtains confidence that the supplier is able to deliver the materials/ services as requested with the required quality, and that the supplier complies with all applicable laws relating to ethical and responsible standards of behavior in accordance with the United Nations Global Compact or similar. The company performs risk assessments (measures and analyzes potential risks) in its supply chain on a regular basis.

All new and revised supplier contracts include a claim that the supplier shall materially comply with all Applicable Laws relating to ethical and responsible standards of behavior, including, without limitation, those dealing with human rights, labor, environmental protection, sustainable development and bribery and corruption in accordance with the Ten Principles of the UN Global Compact.

Suppliers Business Conduct and responsible business practice is part of the agenda on business review meetings with the suppliers. In 2021, all suppliers received our Supplier and Partner Code of Conduct ("Code"). In addition, all Photocure's critical* suppliers were assessed for presence of a Code of conduct / corporate responsibility policy. Photocure has not terminated or discontinued contracts with any suppliers due to sustainability breaches.

Critical supplier screening; manufacturing and supply chain	2021
Number of critical suppliers	11
Location of the critical suppliers	Europe and North-America
Critical suppliers with Code of conduct / corporate responsibility policy available on website or shared with Photocure	9 (82%)
Critical supplier with clear statements for adherence and respecting human rights available on website or shared with Photocure	9 (82%)

Within Supply Chain several notable achievements can be reported for 2021:

- Distributed the Supplier and Partner code of conduct to all suppliers in the supply chain.
- All new or revised supplier agreements signed in 2021 included a claim that the supplier shall materially comply with all Applicable Laws and work in accordance with the principles in the United Nations Global Compact.

Goals and targets for 2022

- Include following up on environmental, social and governance topics in regular business review meetings.
- Assess the status of ESG topics-related policies from all critical suppliers.
- Encourage and support critical suppliers to implement policies in line with UN Global Compact

*Critical suppliers are defined according to internal procedure and risk matrix.

Environment and climate impact

In Photocure, we focus all our efforts and resources to improve the lives of bladder cancer patients and we recognize that we do have an economic, social, and environmental impact on our surroundings.

As a Signatory to the United Nations Global Compact and committed to the Ten Principles, Photocure supports a precautionary approach to environmental challenges; the company shall undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies. This commitment is also part of the Photocure Supplier Code of Conduct.

Photocure's business locations contribute to environmental and climate impact directly through energy use in our offices (see table to the right), waste generated at our offices, and employee business travel.

Photocure's headquarter is located in an office building in Oslo that is certified by the BREEAM Code for a sustainable built environment. It obtained "very good" in the asset performance and building management categories. The office building in Princeton, USA, has the "Energy Star" designation and the office building in Düsseldorf has a Gold Certificate from the DGNB System. The group will continue to broaden its focus on ESG criteria regarding its locations.

However, the largest impact on the environment and climate is found in Photocure's indirect impact through suppliers and raw materials.

In 2021, all Photocure's critical suppliers were screened for environmental criteria, such as the existence of an Environmental Policy and the location of their operations in high water-stress areas (see below). All 11 suppliers are in either a low or low-medium water risk area. None are located in a high-water stress area.

Goals and targets for 2022

- Include environmental topics in the monitoring of real estate providers for Photocure locations
- Continue stakeholder dialogue to assess evolving environmental and climate reporting needs

Energy use (electricity) from Photocure locations:
Scope 1: Not applicable
Scope 2: Indirect emissions from energy use (electricity & heating) from Photocure locations:

Photocure Location	Electricity 2021 [kWh]	District heating 2021 [kWh]	GHG Emissions (Scope 2, location based) [kgCO2e]
Headquarter (Oslo)	75,560	32,416	1,091 kg CO2e
Europe (Düsseldorf)	5,214*	-	1,630 kg CO2e
North America (Princeton)	48,148	-	18,631 kg CO2e

*May-Dec 2021

Greenhouse gas (GHG) emissions (in CO2-equivalents) from Photocure locations.
Calculated and validated by Variable AS (https://variable.co), in accordance with the GHG Protocol.

Critical supplier screening; manufacturing and supply chain	2021
Total number of critical suppliers in Photocure's manufacturing and supply chain	11
Critical suppliers with Environmental policy available on website or shared otherwise with Photocure	9 (82%)
Critical suppliers located in high-water stress area	0 (0%)

Suppliers screened for Environmental criteria – Source: Aqueduct Water Risk Atlas

Working environment

The ability to attract and retain a skilled workforce as well as maintaining a safe and healthy working environment are key interests of both the company and its stakeholders. Photocure can directly impact the working environment through its policies and agreements, and by keeping an active dialogue with colleagues. Working in an office environment or remotely with sales without any inhouse production, the company and its employees are mainly exposed to risk related to the working environment, such as the psychological well-being of employees and physical risks related to the working environment, e.g. ergonomics and sedentary work and risk associated with business travel.

Photocure Location	Oslo	Düsseldorf	Princeton
Ergonomic desk (as needed)	✓	✓	(✓)
2 screens (as needed)	✓	✓	(✓)
Hybrid office home/work	✓	✓	✓
Flexible worktime	✓	✓	✓
HSE handbook	✓	✓	✓
HSE risk assessment	✓	✓	-

The company continued with hybrid remote work arrangements across its locations in Norway, Germany and the U.S. for its non-sales employees which represents approximately 42% of its global team which allowed the company to remain fully operational during the Covid-19 pandemic. All functions were designed to accommodate remote work, primarily through the use of technology. The Company was successful in effectively maintaining a positive work environment and engaged workforce in spite of virtual working and had continuous employment for all colleagues. No major disruptions were observed. The main priority of the organization is the health

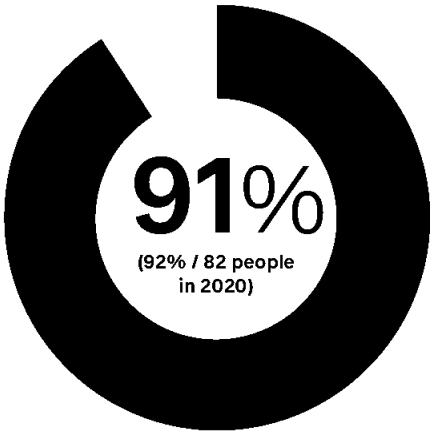
and welfare of all Photocure employees and stakeholders. Business and travel policies which supported work from home and social distance were implemented prior to governmental orders.

The Company implemented a mandatory vaccination policy in 2021 for all current employees and new hires, where allowed by local laws. This further ensures the health and safety of all colleagues and patients, and removes any potential barrier to accessing urologists, clinics, hospitals who may have implemented a vaccination requirement.

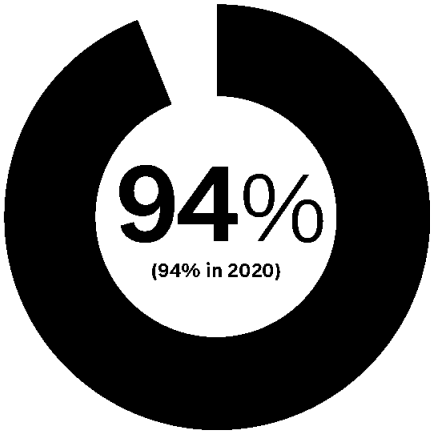
The working environment within the company is considered to be very good, measured through regular employee surveys. All global colleagues are included in this process. Participation in the 2021 survey was once again very strong with 90% of employees providing feedback. The overall results of the survey continued to be very high maintaining an overall score above 80%. Focus groups will follow up on the results and look for ways to continue to improve. The employee engagement survey will continue to be administered fully anonymously and on an annual basis.

Photocure strives to ensure a good working environment for all employees and aims to be a workplace with equal opportunities in all areas. The company's policy is to ensure and provide equal employment rights and opportunities for all persons employed by, or seeking employment with Photocure without regard to race, age, color, religion, sexual orientation, citizenship, gender, marital status, pregnancy, national origin, disability or other non-work-related criteria as may be protected by local or country law. This extends to the employment relationship and all other areas of personnel activity, such as recruiting, selection, job assignment, supervision, training, promotions, performance evaluations, transfers, terminations, compensation, benefits, educational opportunities, recreational activities and work facilities.

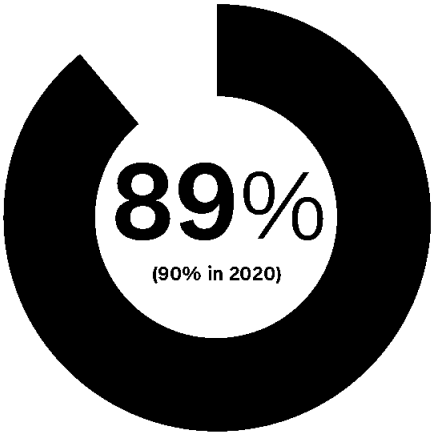
Participation rate (88 people)



Do you feel proud to work for Photocure?



Would you recommend Photocure as a great place to work?



Photocure 2021 Global Employee Survey

Photocure recognizes its obligation to actively promote such opportunities for all qualified persons and will take reasonable and necessary action to ensure that these objectives are met.

The company has implemented separate processes for talent acquisition, compensation, training and development, performance management and communications that ensure a non-discriminating, secure work-environment, follow local labor law regulations and that are compliant with the Norwegian Working Environment Act, the European Directive 89/381-OSH and the U.S. employment law and standards, as well as following industry best practices. The company does not have employee representatives on the board. The number of employees covered by collective bargaining agreements in 2021 was 0%.

At the end of 2021, the organization comprised of 98 employees of which 97 were full-time employees.

In addition, Photocure continues to successfully utilize a strong network of consultants to support the operations and development, and the company's practice is to outsource non-core operations and highly specialized services where it makes sense. This practice allows for the Company to manage its resources in an effective and practical way.

The mid-year as well as the year-end performance appraisal for Photocure employees and management includes an assessment of the performance in relation to the company's values in addition to goal achievement.

No accidents or injuries resulting in absence were registered in 2021. Absence due to illness in the company was 1.9% of total hours (2021 reporting includes new Photocure markets in Europe). One long term illness was reported during the year. Photocure has not been in any legal proceedings regarding working environment in 2021.

Gender equality and diversity

Traditionally, Photocure has recruited from environments where the number of women and men is relatively equally represented. In terms of gender equality, 40% of Photocure's board members are women, as is 43% of the senior management team at the end of 2021. Globally, Photocure employs 51% men and 49% women. Working time arrangements at the company, independent of gender, strive to enhance the individual work-life balance.

The company is reporting the following employee data:

Part-time employees, turnover, and parental leave:

	2020 (as per 31.12)			2021 (as per 31.12)		
Organisation	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Number of FTE	46	41	87	50	47	97
Part time employees	0	2	2	0	1	1
Temporarily hired	0	0	0	0	0	0
Total of employees	46	43	89	50	48	98
Newly hired						
Total number of newly hired employees in 2020 & 2021	22	15	37	11	9	20
Employee turnover						
Number of employees who have left the company	3	4	7	8	5	13
Parental leave						
Number of employees on parental leave	0	1	1	0	0	0

Breakdown of employees and board members by gender:

	2020		2021	
	Men	**Women**	**Men**	**Women**
Organisation total	46	43	50	48
Board of Directors	3	2	3	2
Executive level management	3	4	4	3
Non-executive level management	7	10	10	11

Within working environment several notable achievements can be reported for 2021.

- All colleagues on-boarded have received the on-boarding training needed.
- 90% response rate in Pulse Survey
- Leadership training program initiated
- Succession planning for key functions implemented
- Care & Respect council established
- Vaccination Policy implemented

Goals and targets for 2022:

- Maintain a high employee engagement score in employee survey (>80% overall score)
- Maintain comprehensive succession plans for key functions and establish and implement detailed development plans for key successors
- Ensure all HR functions are fully backed with policies and processes to assure consistency and overall governance
- Utilize focus groups to identify improvement points for the Photocure working environment based on the Pulse Survey
- Leverage our Care & Respect Council to support our "We Care" Culture and maximize our efforts in diversity, equality and inclusion
- LEAD program: implement development programs designed to enhance the skillset of employees

Business ethics and transparency

Being part of a global value chain, Photocure is directly and indirectly exposed to ethical risks through its business operations. Therefore, Photocure has high focus on conducting the business in the most ethical and transparent way. This includes good corporate governance, commitment to local and industry specific business ethics norms, such as pharma industry associations ethical codes, ethical research, as well as anti-corruption and adherence to Photocure's core values and respect for human rights.

In 2021 Photocure become a signatory of the UN Global Compact which commit the company to respect the ten principles related to human rights, environment, labour, and anti-corruption.

The company's CEO and management team are responsible for following up business ethics and anti- corruption work at Photocure.

Each year, the Board of Directors conducts a thorough risk assessment of the significant parts of the company's business and outlook in order to identify risks and potential risks and remedy any incident that may have occurred. This company risk assessment includes areas relating to corruption and business ethics.

New Board members receive a general introduction training from management and the legal counsel. The training includes an introduction to business ethics and insider rules, as well as a review of the company's corporate governance and CSR strategy.
In addition, new Board Members receive an introduction to Quality and Compliance.

Photocure's framework for corporate governance is intended to decrease business risk, maximize value and utilize the company's resources in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large. The company seeks to comply with the Norwegian Code of Practice for corporate governance (NUES).

Compliance Program

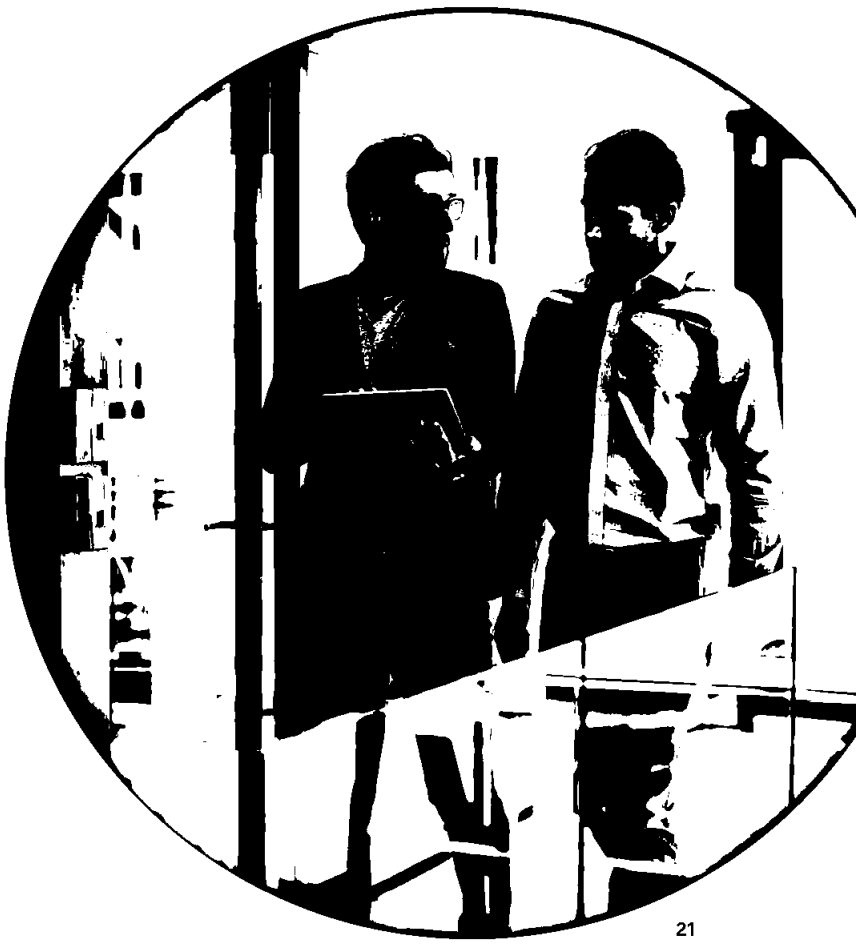
Photocure has established a compliance program in line with the US "OIG Compliance Program Guidance for Pharmaceutical Manufacturers". The program has the following pillars: risk assessment, policies & procedures, training, supplier management, monitoring, and reporting and investigations.

The following policies set the frame for business ethics and compliance:

- Code of Conduct
- Anti-corruption policy
- Supplier & Partner Code of Conduct
- Quality and Compliance policy
- Quality and compliance manual

The above policies are periodically reviewed, and all employees are trained. All new employees are introduced to the content of the documents as part of their onboarding.

Annually a detailed risk assessment for compliance is conducted, the latest in June 2021. No significant business ethics risks were identified.



Ethical marketing and disclosure

Photocure's overarching goal is to comply with industry codes in all markets where we promote our product and interact with health care professionals and health care organizations. In Europe, the company follows the European Federation of Pharmaceutical Industries and Association's (EFPIA) code of practice, while for the U.S. market, Photocure follows the Pharma Code. Written procedures are established to ensure promotional materials are reviewed and approved and that promotional and medical activities are conducted responsibly and according to industry standards.

A transparent disclosure regarding payments and transfers of value between the medical community and the pharmaceutical industry is important to keep a trustworthy and healthy relationship with patients, health care professionals, government officials and the public, and it also strengthens the company's commitment to keeping a high ethical business standard.

Therefore, Photocure publish annual disclosure reports describing these payments and transfers on its website or applicable external websites. Photocure is equally disclosing its support for research.

Suppliers and Partners

Our Supplier and Partner code of conduct was introduced in 2021. The code was shared with all key suppliers. As our suppliers are seen as an extension of Photocure, we require our suppliers and partners, to comply with this Code which is the same as The Ten principles of the UN Global Compact. Photocure also expects its

Suppliers and Partners to require their own suppliers and subcontractors to follow these principles. In contracts with business partners and suppliers, Photocure has included statements that both parties are obliged to follow all applicable laws, rules and regulations, and this general statement also includes anti-corruption laws. To strengthen the internal awareness of the importance of oversight and follow up on suppliers, a written procedure applicable for all supplier's engagement was introduced in 2021.

There have not been any cases of terminations or contracts not being renewed due to suspected business ethics breaches or corruption in the reporting period, nor has Photocure been involved in any legal proceedings regarding business ethics or corruption.

Reporting & Monitoring

Employees can report suspected cases of business ethics breaches or corruption through an anonymous whistleblowing channel established in October 2020.

All employees have been introduced to the channel, both in meetings and in writing. There have been no reported incidents of corruption in the reporting period.

As part of a compliance program monitoring the effectiveness is a key activity. During the period Photocure conducted two such monitoring activities to assess the compliance towards internal procedures. The outcome of these activities was good.

Research activities

As part of its quality management system, Photocure has established a full set of standard operating procedures for all research and development related areas, including research on animals. The procedures ensure activities are conducted in compliance with applicable laws and regulations and are subject to regular review and internal audits.

No clinical studies were ongoing in the reporting period.

One pre-clinical exploratory trial was performed in the reporting period. Animal care protocols were used in accordance with the guidelines of the European Communities Council Directive on the approximation of laws, regulations, and administrative provisions of the Member States regarding the protection of animals used for scientific purposes, the National Institutes of Health Guide for the care and use of laboratory animals, and the ASAB Ethical Committee. The studies received approval from the French Ministry of Higher Education and Research. Animal supervision was performed daily. All efforts were made to prevent animal suffering.

One non-interventional Photocure sponsored study (Blue Light Cystoscopy with Cysview® registry: Clinicaltrials NCT02660645) was ongoing in the reporting period.

Photocure has also supported investigator-initiated trials. During 2021, several studies were published highlighting and confirming key benefits of Blue Light Cystoscopy with Hexvix/Cysview.

Main publications and presentations can be found in the Annual Report 2021 on pages 8-10.

Within Business ethics and transparency several notable achievements can be reported for 2021:

- Photocure became signatory of UN Global Compact.
- The scope of the written procedure for supplier management was expanded and communicated to all partners.
- Two compliance monitoring activities was conducted.
- The Quality and Compliance manual was updated.
- The Code of Conduct was updated.
- All employees were trained in the revised documents.

Goals and targets for 2022

- Maintain the compliance breaches with severity "critical" to zero. Maintain employee awareness including training on compliance and execution of the activities as outlined in the compliance program.
- Review the current supplier procedures to ensure correct assessment of risk for corruption, based on location, and risk for human rights breaches
- Strengthen the code of conduct with clearer statement for human rights.

Data protection and IT security

As a company in the pharmaceutical sector working with research and development and cooperating with physicians and patient advocacy groups, Photocure and/or its research partners may need to gather and store personal data as part of its research and development practices or business operations. Also, as a listed company on the Oslo Stock Exchange, information security and data protection are also an important part of the company's obligations to its shareholders and the marketplace.

Data and information security is a priority for Photocure and described in the company's quality manual. IT activities and security is evaluated, and if necessary new risk analyses are performed. Management is informed about the result of the evaluations and approves corrective and preventive actions.

Photocure has invested in an extensive security and information security platform based on international standards ISAE3402 and ISAE3000. Furthermore, Photocure's IT-provider Intility has a Security Operations Centre (SOC) which is responsible for managing all suspected and confirmed cyber security incidents 24/7/365. This is performed in close collaboration with other operational departments and renowned external security partners. Known security vulnerabilities like Windows Print Spooler and Apache Log4j have been closely monitored by Intility and risk-reducing measures have been implemented. Photocure servers have not been attacked.

The procedures and processes that Photocure has established for personal data protection are based on the Norwegian Personal Data Act and the General Data Protection Regulation (GDPR), EU 2016/679. A personal data protection group has been established and a procedure is in place to describe the responsibility and process for data protection issues. Photocure has a dedicated personal data contact person with delegated responsibility from the board and management.

Photocure's quality manual describes the overall responsibility for both data protection and IT security. To ensure appropriate management and documentation of electronic files critical for Photocure's activities in a GxP environment, Photocure has a number of standard operating procedures. For instance, Photocure has established processing of personal data, that is governed by applicable laws and regulations, and in particular the Personal Data Act and The General Data Protection Regulation (GDPR) where applicable. In addition, there are several Photocure procedures that describe the personal data process for a specific task. These procedures include work instructions for relevant roles such as employees, contractors, job candidates and board members.

The security platform is supported by an industrialized information security and compliance service that simplifies work to ensure compliance with internal and external audits.

This security and compliance service also acts as a compliance hub when leveraging public cloud services.

Photocure's security platform is audited annually according to ISEA3402 and ISAE3000 by PWC. The ISAE reports are also mapped up to the Cloud Control Matrix framework to fit industry standards defined by the Cloud Security Alliance. Photocure keeps a live dashboard on all security incidents.

Notable achievements in Data protection and IT security in 2021:

- Kept security tickets with severity "critical" to zero.
- Held a GDPR refresher training to make sure every employee gets a better understanding on how to handle personal data in their daily work.

Goals and targets for 2022:

- Strive to enhance IT-security in our international organization. E.g. implement multi-factor authentication to access all Intility-based IT services
- Keep security tickets with severity "critical" to zero.
- Continue to increase awareness of the security situation and reporting of suspicious e-mails by annual reminders to all employees.
- Hold an annual GDPR refresher training to make sure every employee gets a better understanding on how to handle personal data in their daily work.

Security tickets and breaches

Security tickets and breaches	2019	2020	2021
Number of moderate security tickets registered	13	42	9
Number of critical security tickets registered	0	0	0
Number of personal data breaches	0	0	0

APPENDIX:

Goals & Targets 2021

Area	Goals and Target 2021		Action and progress in 2021
Product quality & safety	Maintain Photocure's track record of no quality and/ or safety incidents that led to any market actions e.g. product recall or healthcare information letter.	●	No quality and/or safety incidents with any market actions reported.
	+800 helpdesk service for medical information, adverse event reporting and product quality complaints to be implemented for Europe.	●	The 800-number helpdesk service for Europe went live in February 2021.
Supply chain	Ensure that supplier agreements to be revised/updated in 2021 include a claim that the supplier shall materially comply with all Applicable Laws relating to ethical and responsible standards of behavior, including, without limitation, those dealing with human rights, labor, environmental protection, sustainable development and bribery and corruption in accordance with the principles in the United Nations Global Compact.	●	All new supplier agreements signed or updated in 2021 have the applicable text included.
	Distribute to all suppliers the Supplier and Partner code of conduct.	●	The Supplier and Partner Code of Conduct was approved in April 2021 and distributed to key suppliers during May/ June 2021.
Working environment	Report share of employees/new employees who have participated in company on-boarding process.	●	All colleagues on-boarded in 2021 have received the on-boarding training needed.
	Maintain or improve employee engagement score.	●	First half of the year sessions were conducted to better understand and act on the feedback received in Pulse Survey 2020. Second half the 2021 global Pulse Survey was conducted. The results garnered an 89% response rate.
	Continue to report on employee turnover rate.	●	Turnover tracked and monitored throughout the year and ended lower than 2020.
	Create and implement leadership training program.	●	Designed and delivered 3 training programs for people leaders during Q4.
Business ethics & transparency	Update quality and compliance manual with more focus on responsible business.	●	The quality and compliance manual were updated with a section on sustainability in December 2021.
	Implement compliance monitoring activities	●	Two compliance reviews (monitoring) activities done in 2021 with no major issues identified
Data protection & IT security	Keep security tickets with severity "critical" to zero.	●	No critical security tickets reported in 2021.
	Continue to awareness of the security situation and reporting suspicious emails by annual reminders to all employees. The success of this goal will be measured by increased number of security tickets with severity "moderate" reported by Photocure employees.	●	Number of Normal security tickets is reduced from 42 in 2020 to 9 in 2021
	Hold an annual GDPR refresher training to make sure every employee gets a better understanding on how to handle personal data in their daily work.	●	Annual GDPR training was done January 2022

● Complete Work in progress ● Not started

Photocure's stakeholders

Employees

Photocure's employees are directly affected by the company's internal policies and activities, and directly affect the company through their performance and actions.

Customers/Patients

Photocure's customers consist of urologists, hospitals, clinics and the bladder cancer patients they treat. Customers are directly affected by the quality and safety of Photocure products. Customers directly affect the company economically and customer expectations also impact Photocure's sustainability priorities.

Suppliers

Photocure's suppliers are economically affected by the company and their responsibility is indirectly affected by Photocure's focus on responsible practices and the expectations placed on them by the company. Suppliers directly affect the company through the quality and pricing of their products and services.

Investors/Shareholders

Photocure's investors and owners are primary stakeholders and directly affect the company's priorities and strategic direction. Photocure's economic and business performance may affect the priorities of investors and shareholders.

Government authorities

Government and regulatory authorities affect the company's operating conditions directly and indirectly.

Civil society

Civil society affect the company's operating conditions directly and indirectly. Local communities are indirectly socially, environmentally and economically affected by Photocure's activities in terms of job creation, contribution to local value creation and environmental impact.

Reporting on material topics

In this chapter, the company's management approach, activities, goals and performance for the reporting period is described for each of the material topics.

GRI content index

GRI STANDARD		DISCLOSURE	PAGE NUMBER(S) AND / OR URL(S)
		GRI 101: FOUNDATION 2016	
		ORGANIZATIONAL PROFILE	
	102-1	Name of the organization	6
	102-2	Activities, brands, products, and services	6
	102-3	Location of headquarters	7
	102-4	Location of operations	7
	102-5	Ownership and legal form	7
	102-6	Markets served	7
	102-7	Scale of the organization	7
	102-8	Information on employees and other workers	7
	102-9	Supply chain	6
	102-10	Significant changes to the organization and its supply chain	–
	102-11	Precautionary Principle or approach	4
	102-12	External initiatives	4
	102-13	Membership of associations	22
		STRATEGY	
	102-14	Statement from senior decision-maker	4,5
		ETHICS AND INTEGRITY	
	102-16	Values, principles, standards, and norms of behavior	8,9
	102-17	Mechanisms for advice and concerns about ethics	23
GRI 102: GENERAL DISCLOSURES 2016		**GOVERNANCE**	
	102-18	Governance structure	8
	102-20	Executive-level responsibility for economic, environmental, and social topics	8
	102-21	Consulting stakeholders on economic, environmental, and social topics	10
	102-22	Composition of the highest governance body and its committees	8
	102-29	Identifying and managing economic, environmental, and social impacts	10,11,12
		STAKEHOLDER ENGAGEMENT	
	102-40	List of stakeholder groups	10,26
	102-41	Collective bargaining agreements	18
	102-42	Identifying and selecting stakeholders	10
	102-43	Approach to stakeholder engagement	10
	102-44	Key topics and concerns raised	10,11,12,26
		REPORTING PRACTICE	
	102-45	Entities included in the consolidated financial statements	7
	102-46	Defining report content and topic Boundaries	10,11,12
	102-47	List of material topics	11
	102-48	Restatements of information	–
	102-49	Changes in reporting	2
	102-50	Reporting period: 2021	2

GRI STANDARD		DISCLOSURE	PAGE NUMBER(S) AND / OR URL(S)
		REPORTING PRACTICE	
GRI 102: GENERAL DISCLOSURES 2016	102-51	Date of most recent report	2
	102-52	Reporting cycle	Annually
	102-53	Contact point for questions regarding the report	2
	102-54	Claims of reporting in accordance with the GRI Standards	2
	102-55	GRI content index	27,28,29
	102-56	External assurance	2
		MATERIAL TOPICS	
		200 SERIES (ECONOMIC TOPICS)	
		ANTI-CORRUPTION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	21
	103-2	The management approach and its components	21
	103-3	Evaluation of the management approach	21
GRI 205: ANTI-CORRUPTION 2016	205-1	Operations assessed for risks related to corruption	21
	205-2	Communication and training about anti-corruption policies and procedures	21,23
	205-3	Confirmed incidents of corruption and actions taken	23
		300 SERIES (ENVIRONMENTAL TOPICS)	
		EMISSIONS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	16
	103-2	The management approach and its components	16
	103-3	Evaluation of the management approach	21
GRI 305: EMISSIONS 2016	305-1	Direct (Scope 1) GHG emissions	16
	305-2	Energy indirect (Scope 2) GHG emissions	16
		400 SERIES (SOCIAL TOPICS)	
		OCCUPATIONAL HEALTH AND SAFETY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	17
	103-2	The management approach and its components	17,18,19
	103-3	Evaluation of the management approach	17
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016	403-1	Workers representation in formal joint management–worker health and safety committees	The company does not have a joint management-worker HSE committee
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	19
	403-3	Workers with high incidence or high risk of diseases related to their occupation	17
	403-4	Health and safety topics covered in formal agreements with trade unions	–

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND / OR URL(S)
	SASB BIOTECHNOLOGY AND PHARMACEUTICALS SUSTAINABILITY ACCOUNTING STANDARD	
	Safety of clinical trial participants	
HC-BP-210a.1	Management process for ensuring quality and patient safety during clinical trials	13,14,23
	Drug safety	
HC-BP-250a.3	Number of recalls issued, total units recalled	14
	Conterfeit drugs	
HC-BP-260a.1	Description of methods and technologies used to maintain traceability of products throughout the supply chain and prevent counterfeiting	14
	Employee Recruitment, Development & Retention	
HC-BP-330a.1	Discussion of talent recruitment and retention efforts for scientists and research and development personnel	18, 19
HC-BP-330a.2	(1) Voluntary and (2) involuntary turnover rate for: (a) executives/ senior managers, (b) mid-level managers, (c) professionals, and (d) all others	19
	Business ethics	
HC-BP-510a.1	Total amount of monetary losses as a result of legal proceedings associated with corruption and bribery	23
HC-BP-510a.2	Description of code of ethics governing discussion and interactions with health care professionals	22

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To the General Meeting of Photocure ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Photocure ASA, which comprise:

- The financial statements of the parent company Photocure ASA (the Company), which comprise the statement of financial position as at 31 December 2021, statement of profit or loss and comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Photocure ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2021, statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 13 years from the election by the general meeting of the shareholders on 29 April 2009 for the accounting year 2009.

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. *Deferred tax asset*

Reference is made to Note 11 Tax in the financial statements

The Key Audit Matter	*How the matter was addressed in our audit*
The Group has recognized a deferred tax asset of NOK 53.0 million in the Company and Group's financial statements as of 31 December 2021. The recognized deferred tax asset relates to deductible temporary differences and unused tax losses in the Company in Norway. Management has assessed that there is convincing evidence that it is probable that taxable profits from the product Hexvix®/Cysview ®, will be available in the future, against which unused tax losses in Norway can be utilized. Due to the application of the profit/loss split method for the business in the US, future taxable profits in Norway are not only dependent on the development for Hexvix® in Europe, but also the market development for Cysview ® in the US. We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount of future taxable profits.	Our audit procedures included, among others: • Evaluating the appropriateness of key assumptions in the estimated future taxable profit analysis prepared by management, including revenue and cash flow growth, the impact of the expiry of patents and the reversal of significant temporary differences • Comparing financial performance with the original forecasts, to evaluate the reliability of management's prognoses related to future taxable profit • Evaluating management's sensitivity analysis to assess the impact of reasonable changes in key assumptions including future sales for Hexvix®/Cysview ® • Evaluating the adequacy of the disclosures in the financial statements.

2. *Loan to Group subsidiary*

Reference is made Note 24 Related Parties – Companies in the financial statements

The Key Audit Matter	*How the matter was addressed in our audit*
Photocure ASAs subsidiary, Photocure Inc, was established in order to carry out the marketing-, selling- and distribution activities for the Cysview ® product in the US. Photocure ASA has a long-term loan to Photocure Inc. that is recognized at NOK 302.1 million in the Company's financial statement as of 31 December 2021. We have determined risk of impairment of the loan to be a key audit matter, due to the inherent risk related to future cash flow estimates and the Group's ability to successfully commercialize the individual product concerned.	Our audit procedures in this area included, among others: • Challenging management and applying our own knowledge of the business and the industry to identify any indicators of impairment of the loan • Assessing the impairment documentation prepared by management • Evaluating the appropriateness of key assumptions in the impairment documentation, including revenue and cash flow growth, the impact of the expiry of patents and agree these with the relevant key assumptions used in determining the expected credit loss • Comparing historical cash flow development in mature markets in Europe with expected future cash flows in the US market • Evaluating management's sensitivity analysis to assess the impact of reasonable changes in key assumptions like future sales in the US for Cysview ® • Evaluating the adequacy of the financial statement disclosures in the Company's financial statement

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other accompanying information otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name [filnavn] have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities
Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 6 April 2022
KPMG AS

Geir Moen
State Authorised Public Accountant
(This document is signed electronically)

Skattedirektoratet

5 NOV 2014

Saksbehandler	Deres dato	Vår dato
Rune Tystad	22.10.2014	03.11.2014
Telefon	Deres referanse	Vår referanse
977 59 464	Kjell Halstvedt	2014/777771

PHOTOCURE ASA
Hoffsveien 4
0275 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Photocure ASA, org.nr. 967 598 593

Vi viser til deres brev av 22. oktober 2014 der dere søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Photocure ASA.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Photocure ASA dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn
Photocure ASA er notert på Oslo Børs fra år 2000 og har dispensasjon fra språkkravet i verdipapirhandelloven § 5-13. Selskapets virksomhet er knyttet til forskning og utvikling, produksjon, distribusjon og salg av farmasøytiske produkter og tilhørende medisinsk teknisk utstyr. En vesentlig del av virksomheten foregår utenfor Norge og salg i USA skjer gjennom datterselskapet Photocure Inc. Ca. 40% av de ansatte i konsernet er bosatt utenfor Norge hvorav de fleste i USA. To medlemmer av ledergruppen er amerikanske statsborgere og to av i alt fire styremedlemmer er utenlandske statsborgere. En vesentlig andel av selskapets forretningspartnere, kunder og leverandører er lokalisert utenfor Norge. Selskapets ledelse og administrasjon benytter engelsk i utførelsen av sine daglige arbeidsoppgaver og gjøremål.

Skattedirektoratets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at flere av styremedlemmene og medlemmene i ledergruppen er utenlandske statsborgere. Videre er det vektlagt at engelsk er arbeidsspråket i selskapet og at en vesentlig del av virksomheten foregår utenfor Norge.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Rune Tystad

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer