Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022

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:	03.05.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert

År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

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, 23.08.2024

Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	1, 2, 3	**255 208 000**	**242 796 000**
Kostnad solgte varer	4	23 269 000	23 012 000
Brutto resultat		**231 939 000**	**219 784 000**
Kostnader			
Distribusjonskosnader	5	**210 355 000**	**177 264 000**
Administrative kostnader	5 - 8	**70 937 000**	**44 161 000**
Driftsresultat		**-49 353 000**	**-1 641 000**
Finansposter			
Annen finansinntekt	9, 10	48 137 000	36 813 000
Annen finanskostnad	9, 10	30 240 000	34 643 000
Verdiendringer av finansielle instrumenter vurdert til virkelig verdi	9, 10	-29 565 000	-23 479 000
Netto finans		**-11 668 000**	**-21 309 000**
Ordinært resultat før skattekostand		**-61 021 000**	**-22 950 000**
Skattekostand på ordinært resultat	11	-2 166 000	-3 103 000
Ordinært resultat etter skattekostnad		**-58 855 000**	**-19 847 000**
Årsresultat		**-58 855 000**	**-19 847 000**
Minoritetsinteresser		0	0
Årsresultat etter minoritetsinteresser		**-58 855 000**	**-19 847 000**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-58 855 000	-19 847 000
Sum overføringer og disponeringer		**-58 855 000**	**-19 847 000**

Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter	13	129 209 000	145 881 000
Utsatt skattefordel	11	55 120 000	53 003 000
Goodwill	13	144 000 000	144 000 000
Sum immaterielle eiendeler		**328 329 000**	**342 884 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom		10 736 000	12 330 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende		3 312 000	3 245 000
Sum varige driftsmidler		**14 048 000**	**15 575 000**
Finansielle anleggsmidler			
Investeringer i datterselskap	15	17 171 000	11 902 000
Lån til foretak i samme konsern	10, 11	315 006 000	302 131 000
Sum finansielle anleggsmidler		**332 177 000**	**314 033 000**
Sum anleggsmidler		**674 554 000**	**672 492 000**
Omløpsmidler			
Varer			
Varer	16	24 412 000	26 660 000
Sum varer		**24 412 000**	**26 660 000**
Fordringer			
Kundefordringer	17, 19	27 005 000	29 610 000
Andre fordringer	17, 19	6 517 000	5 209 000
Konsernfordringer	17, 19	4 733 000	0
Sum fordringer		**38 255 000**	**34 819 000**
Investeringer			
Andre markedsbaserte finansielle instrumenter	18, 20	234 202 000	260 055 000
Sum investeringer		**234 202 000**	**260 055 000**

Balanse

Beløp i: NOK	Note	2022	2021
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	18, 20	24 856 000	54 762 000
Sum Bankinnskudd, kontanter og lignende		**24 856 000**	**54 762 000**
Sum omløpsmidler		**321 725 000**	**376 296 000**
SUM EIENDELER		**996 279 000**	**1 048 788 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	21	13 560 000	13 487 000
Beholdning av egne aksjer		-300 000	-310 000
Overkurs		347 973 000	340 477 000
Annen innskutt egenkapital		92 742 000	70 567 000
Sum innskutt egenkapital		**453 975 000**	**424 221 000**
Opptjent egenkapital			
Annen egenkapital		320 296 000	377 468 000
Sum opptjent egenkapital		**320 296 000**	**377 468 000**
Sum egenkapital		**774 271 000**	**801 689 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	7	2 523 000	2 180 000
Sum avsetninger for forpliktelser		**2 523 000**	**2 180 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	22	0	12 500 000
Øvrig langsiktig gjeld	22	135 365 000	144 253 000
Sum annen langsiktig gjeld		**135 365 000**	**156 753 000**
Sum langsiktig gjeld		**137 888 000**	**158 933 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	22	12 500 000	25 000 000
Leverandørgjeld	17, 23	12 479 000	15 574 000

Balanse

Beløp i: NOK	Note	2022	2021
Skyldige offentlige avgifter		2 344 000	1 837 000
Kortsiktig konserngjeld	17, 23	3 388 000	1 444 000
Annen kortsiktig gjeld		53 409 000	44 311 000
Sum kortsiktig gjeld		**84 120 000**	**88 166 000**
Sum gjeld		**222 008 000**	**247 099 000**
SUM EGENKAPITAL OG GJELD		**996 279 000**	**1 048 788 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	1, 2, 3	**393 132 000**	**360 540 000**
Kostnad solgte varer	4	22 697 000	24 050 000
Brutto resultat		**370 435 000**	**336 490 000**
Kostnader			
Distribusjonskosnader	5	**322 148 000**	**279 017 000**
Administrative kostnader	5 - 8	**97 290 000**	**63 299 000**
Driftsresultat		**-49 003 000**	**-5 826 000**
Finansposter			
Annen finansinntekt	9, 10	9 218 000	26 212 000
Annen finanskostnad	9, 10	30 591 000	34 822 000
Verdiendringer av finansielle instrumenter vurdert til virkelig verdi	9, 10	-758 000	-17 220 000
Netto finans		**-22 131 000**	**-25 830 000**
Ordinært resultat før skattekostand		**-71 134 000**	**-31 656 000**
Skattekostand på ordinært resultat	11	723 000	-759 000
Ordinært resultat etter skattekostnad		**-71 857 000**	**-30 897 000**
Årsresultat		**-71 857 000**	**-30 897 000**
Minoritetsinteresser		0	0
Årsresultat etter minoritetsinteresser		**-71 857 000**	**-30 897 000**
Andre resultatkomponenter for IFRS-foretak		2 203 000	-1 311 000
Totalresultat		**-69 654 000**	**-32 208 000**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-69 654 000	-32 208 000
Sum overføringer og disponeringer		**-69 654 000**	**-32 208 000**

Konsernets balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter	13	129 209 000	145 881 000
Utsatt skattefordel	11	55 120 000	53 003 000
Goodwill	13	144 000 000	144 000 000
Sum immaterielle eiendeler		**328 329 000**	**342 884 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	14	26 091 000	28 691 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	14	6 388 000	4 884 000
Sum varige driftsmidler		**32 479 000**	**33 575 000**
Sum anleggsmidler		**360 808 000**	**376 459 000**
Omløpsmidler			
Varer			
Varer	16	26 534 000	27 534 000
Sum varer		**26 534 000**	**27 534 000**
Fordringer			
Kundefordringer	17, 19	47 164 000	47 980 000
Andre fordringer	17, 19	16 455 000	14 780 000
Sum fordringer		**63 619 000**	**62 760 000**
Investeringer			
Andre markedsbaserte finansielle instrumenter	18, 20	234 202 000	260 055 000
Sum investeringer		**234 202 000**	**260 055 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	18, 20	33 871 000	62 840 000
Sum Bankinnskudd, kontanter og lignende		**33 871 000**	**62 840 000**
Sum omløpsmidler		**358 226 000**	**413 189 000**

Konsernets balanse

Beløp i: NOK	Note	2022	2021
SUM EIENDELER		**719 034 000**	**789 648 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	21	13 560 000	13 487 000
Beholdning av egne aksjer		-300 000	-310 000
Overkurs		347 973 000	340 477 000
Annen innskutt egenkapital		92 742 000	70 567 000
Sum innskutt egenkapital		**453 975 000**	**424 221 000**
Opptjent egenkapital			
Annen egenkapital		8 758 000	78 412 000
Sum opptjent egenkapital		**8 758 000**	**78 412 000**
Sum egenkapital		**462 733 000**	**502 633 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	7	4 756 000	3 520 000
Sum avsetninger for forpliktelser		**4 756 000**	**3 520 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	22	0	12 500 000
Øvrig langsiktig gjeld	22	147 489 000	157 413 000
Sum annen langsiktig gjeld		**147 489 000**	**169 913 000**
Sum langsiktig gjeld		**152 245 000**	**173 433 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	22	12 500 000	25 000 000
Leverandørgjeld	17, 23	21 281 000	23 648 000
Skyldige offentlige avgifter		4 587 000	3 001 000
Annen kortsiktig gjeld		65 688 000	61 933 000
Sum kortsiktig gjeld		**104 056 000**	**113 582 000**
Sum gjeld		**256 301 000**	**287 015 000**

Konsernets balanse

Beløp i: NOK	Note	2022	2021
SUM EGENKAPITAL OG GJELD		**719 034 000**	**789 648 000**

5 NOV 2014

Skattedirektoratet

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

Confirmation from the Board of Directors and CEO 2022

We confirm that, to the best of our knowledge, that the financial statements for the period from January 1 to December 31, 2022 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, 11 April 2023
Photocure ASA

Jan Hendrik Egberts
Chairperson

Johanna Holdack
Director

Neal Shore
Director

Anders Tuv
Director

Anne Worsøe
Director

Daniel Schneider
President and CEO

Board of Directors Report 2022

Photocure executed on its business plan throughout 2022, while residual effects from the global Covid-19 pandemic and a pause in the availability of rigid blue light cystoscopy (BLC®) capital equipment in the U.S. presented unique challenges. The Company believes that the launch of Karl Storz's new Saphira™ BLC system in the U.S. in late 2022 and the normalized access to hospitals, clinics and physician offices in 2023, address these temporary challenges and provide more favorable conditions for the coming year. In 2022, demand for BLC capital equipment remained strong, and the Company increased the installed base of BLC towers in the U.S. by 19%, with the majority of those tower installations taking place late in the fourth quarter of 2022. Total revenue for the Company increased 9% to NOK 393.1 million in 2022, and Hexvix®/Cysview® revenue grew 6% to NOK 373.0 million. Global unit sales in 2022 increased 1% compared to 2021.

Operating loss before restructuring in 2022 was NOK 49.0 million, an increase from the NOK 5.8 million loss reported in 2021. The 2022 operating result includes milestone payments received from Asieris MediTech Co., Ltd. (Asieris) for the Phase 3 clinical trial advancement of Cevira®, in development as a non-surgical treatment of high-grade squamous intraepithelial lesions (HSIL), including all human papilloma virus (HPV) sub-types. Furthermore the 2022 operating results includes NOK 19.8 million non-recurring business development costs related to the objective to increase the Company's product offering. Net loss for 2022 was NOK 69.7 million compared to a net loss of NOK 32.2 million in 2021.

Despite the challenges in 2022. Photocure delivered on key corporate objectives during the year; continuing to grow its business in North America; facilitating the highly successful launch of Karl Storz's Saphira™ BLC system in the U.S. market; preparing its European operations for growth with healthcare access open for the first time since the Pandemic; presenting and publishing several new data sets demonstrating the benefits of BLC with Hexvix/Cysview; and supporting the expansion of territories in which Hexvix is available through the Company's commercial partnerships. The achievement of these activities is expected to position the Company for significant and sustainable growth in 2023 and beyond.

In January 2022, Photocure announced that it had launched commercial operations in Canada after reacquiring the rights to Cysview in the territory from the Company's former partner, BioSyent Pharma, Inc. Operations in the U.S. and Canada were combined to form Photocure's North American business segment.

In February 2022, Karl Storz's new high-definition blue light system received market clearance from the U.S. Food and Drug Administration. Karl Storz discontinued the manufacture of its older standard definition systems prior to the market authorization, leaving a limited the number of rigid BLC systems available for sale in the U.S. market until September 28th, 2022 when Karl Storz's new high definition system – Saphira™ became commercially available. Photocure reported that 57 new BLC towers were installed in the

fourth quarter of 2022, the highest number of placements ever in a single quarter. This record number of installs is further bolstered by an extremely strong pipeline for new BLC and replacement BLC demand heading into 2023.

In October 2022, Karl Storz filed a Citizen's Petition with the U.S. Food & Drug Administration (FDA) to reclassify its BLC capital equipment to Class II from Class III. If approved by the FDA, Photocure believes that several manufacturers would enter the U.S. market with BLC systems, enabling use of Cysview to expand significantly given the anticipated new resources and account access that new capital equipment providers could facilitate.

In early November, Photocure announced that the United States Centers for Medicare & Medicaid Services (CMS) issued a final ruling to increase payment rates for Blue Light Cystoscopy (BLC) with Cysview in the hospital outpatient (HOPD) and ambulatory surgical center (ASC) settings. The resulting payment increases, effective January 1, 2023, provide an opportunity to expand the use of BLC in outpatient bladder cancer surveillance procedures.

Photocure continues to invest in its clinical and medical activities to support Hexvix/Cysview in the market. The Company attended major urology congresses during 2022 such as the American Urological Association (AUA), European Association of Urology (EAU), and the Society of Urologic Oncology (SUO) annual meetings, as well as national and regional conferences. Throughout 2022, the Company announced results from seven new data sets demonstrating the benefits of BLC with Hexvix/Cysview. These results were published in various medical journals and/or presented at medical conferences. The data sets include study results from the Company's Cysview registry in the United States evaluating over 2,700 patients across 21 sites, the Danish population study with data collected from nearly 10,000 patients, and pre-clinical study results supporting the anti-tumor effect of Hexaminolevulinate with Blue Light in a bladder cancer model.

Announcements related to the Company's partnerships and license agreements included; Photocure's entry into an exclusive agreement with Endotherapeutics to market and distribute Hexvix in Australia/New Zealand (March 2022); the signing of an exclusive agreement with IGL Medical, Ltd. for the marketing and distribution of Hexvix in Israel (June 2022), the completion of enrollment in Asieris' Phase III clinical trial for Cevira®, in development as a non-surgical treatment of high-grade squamous intraepithelial lesions (HSIL), including all HPV sub-types (August 2022); and the first patient dosed in Asieris' Phase III clinical trial evaluating the use of BLC with Hexvix for the management of bladder cancer in China (November 2022).

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 – Photocure's strategy is to maximize the efforts of its commercial infrastructure and the market opportunity for its flagship brands Hexvix/Cysview in the management of bladder cancer. In addition, the Company will continue to explore new product and business opportunities that are complementary to Photocure's commercial activities and expertise in uro-oncology.

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 – the 5th most common in men – 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 March 2023). 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 the 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, Australia/New Zealand, and Israel. In 2022 Photocure's revenues from Hexvix/Cysview totaled NOK 373.0 million, compared to NOK 351.4 million in 2021.

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 to acquire new technologies, products or businesses.

The Company has continued to invest in its North American 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 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 Company's North America segment increased

20.0% in 2022 to NOK 150.8 million (U.S. growth of 6% in USD) while the installed base of rigid and flexible blue light cystoscopes in U.S. increased by 59 to a total of 370 at end of the year.

In addition to investments in the commercial capacity, growth has been supported by inclusion of Blue Light Cystoscopy with Cysview in prominent national guidelines for the management of bladder cancer and by improved reimbursement.

In November 2022, the United States Centers for Medicare & Medicaid Services (CMS) released final payment rates in connection with approved Medicare reimbursement changes for BLC with Cysview in the hospital outpatient (HOPD) and ambulatory surgical center (ASC) settings. The new complexity adjustments and resulting payment increases provide an opportunity to expand the use of BLC in outpatient bladder cancer surveillance procedures. The new reimbursement rates from CMS went into effect January 1, 2023.

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.

In February 2022, Photocure was granted U.S. Patent No. 11,235,168 covering the use of Blue Light Cystoscopy with Hexvix/Cysview as an adjuvant or neoadjuvant therapy 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 on its way to becoming the standard of care for bladder cancer patients. Keys to success are in place and include:

- Approvals – Market authorizations for use in both trans-urethral bladder tumor resection (TURBT) procedures as well as the larger surveillance cystoscopy market
- Acceptance – Recommended use of Hexvix/Cysview by the AUA, EAU, SUO, and many regional and local guidelines, as well as the published Expert Consensus Guidelines for surveillance with flexible blue light cystoscopes
- Access – Permanent codes authorized in 2020 and 2021 for the use of BLC in TURBT procedures, and improved Medicare reimbursement in surveillance settings as of January 2023.
- 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 its commercial investment by growing its business in the largely untapped U.S. market, as well as in Europe where the Company expects to see strong returns in the form of revenue growth and improved 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 to the Company. 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 is entitled to receive earn-out payments in the reacquired 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 post-transfer.

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 2022 European segment revenues decreased 2% to NOK 221.8 million from NOK 225.8 million in 2021. The decrease was mainly driven by Covid-19 surges at various times during 2022, staffing shortages and hospital budget tightening in Germany and priority growth markets such as the UK, France, and Italy, as well as negative foreign exchange during the year. Unit sales in the Company's European segment increased 1% in 2022, year-over-year.

During 2022, several scientific publications highlighted and confirmed key benefits of BLC with Hexvix/Cysview. Main publications, presentations and media coverage were:

- In February 2022, an article by Laureline Lamy et al. entitled "Antitumor Effect and Induced Immune Response Following Exposure of Hexaminolevulinate (HAL) and Blue Light in an Orthotopic Model of Rat Bladder Cancer" was published in the journal, Biomedicines. The study authors concluded that "the anti-tumor effect is most probably pertaining to stimulation of the immune system as evident by tumor infiltration of CD3+ and CD8+ T-cells. These results support Photocure's hypothesis that the positive impact on patient outcomes observed in patients who had undergone BLC prior to cystectomy could be explained by systemic immune activation induced by HAL and blue light. Combination of HAL and blue light with intravesical anti-PD-L1 resulted in increased anti-tumor effects. Intriguingly is the idea that local treatment with HAL and blue light can prime an immune response with potential additional effect of checkpoint inhibitors." https://www.mdpi.com/2227-9059/10/3/548

- In June 2022, results from a Danish population registry study featuring nearly 10,000 patients were presented at the Nordisk Urologisk Forening (NUF) congress in Helsinki Finland. The study abstract entitled "*Use of photodynamic diagnosis (PDD) at primary TURB: Potential influence on recurrence and progression rates in NMIBC in a registry-based study using a country cohort*" showed a beneficial impact on bladder cancer

recurrence and progression in patients treated at clinics that have a higher level of use of BLC in primary patients. Study investigator Jørgen Bjerggaard Jensen, MD, DMSc, Professor, Consultant in Urology, Chairman of the Danish Bladder Cancer Group and the Nordic Urothelial Cancer Research Group, Department of Urology Aarhus University Hospital stated "These real world data results show the true potential of adding better visual diagnostic methods in endoscopy compared to the old standard with conventional white light". Following the NUF Congress, the study data were published in the Scandinavian Journal of Urology.
http://www.nuf2021.fi/abstracts/

- In August 2022, results from a study entitled *Safety of repeat blue light cystoscopy with hexaminolevulinate (HAL) in the management of bladder cancer: Results from a phase III, comparative multi-center study,* was published in the journal *Urologic Oncology.* Authors of the study concluded that "repeat use of HAL is safe even when administered within a few weeks of receiving a dose of intravesical therapy."
https://www.sciencedirect.com/science/article/abs/pii/S1078143922001442

- In September 2022, first results from the Laser III clinical study were published in the medical journal, European Urology. The study is part of a systematic program aimed at verifying the safe treatment of bladder tumors in the outpatient setting. The results demonstrate the non-inferiority of outpatient laser-mediated destruction of bladder tumors in conjunction with blue light cystoscopy (BLC®) and Hexvix® versus inpatient BLC TURBT under general anesthesia. Lead study investigator, Gregers G Hermann, M.D., Herlev/Gentofte hospital in Denmark noted that "our team found that blue light cystoscopy with Hexvix in the outpatient clinic support the identification of small bladder tumors which therefore safely can be removed with laser before they become too large for outpatient treatment."
https://www.sciencedirect.com/science/article/abs/pii/S0302283822025647

- In October 2022, clinical data on BLC was presented in the Scientific Program at the International Bladder Cancer Network Meeting held September 29th-October 2nd in Barcelona, Spain. Dr. Steven Williams, of University of Texas-Medical Branch, Galveston, presented the study abstract *"The Impact of Blue Light Cystoscopy Use Among Non-Muscle Invasive Bladder Cancer Patients in an Equal Access Setting: Implications on Recurrence and Time to Recurrence Stratified by Race".* Dr. Williams noted that "the study found a significant decrease in the risk of recurrence following BLC utilization compared to white light cystoscopy (WLC) alone, a longer time interval to recurrence, and that equal access to health care can achieve equitable outcomes by race."
https://photocure.com/news/data-presented-at-the-international-bladder-cancer-network-ibcn-meeting-demonstrate-a-reduction-in-the-risk-of-recurrence-with-the-use-of-blc-4365929

- Photocure announced on December 5th that new evidence was presented at the 22nd Annual Society of Urologic Oncology (SUO) Meeting demonstrating that Blue Light Cystoscopy (BLC) decreases the risk and prolongs time to recurrence based on Real World Evidence from the U.S. multi-institutional Blue Light Cystoscopy with Cysview Registry database.
https://suo-abstracts.secure-platform.com/a/gallery/rounds/15/details/2721

- On December 22, 2022, results from a study entitled *"Clinical and Economic Impact of Blue Light Cystoscopy in the Management of NMIBC at U.S. Ambulatory Surgical Centers: What is the Site-of-Service Disparity?"* was published on-line in the journal Urologic Oncology. The paper highlights the benefits of blue light cystoscopy when patients with bladder cancer receive this option in ASCs. The paper also reinforces the need for fair and equitable reimbursement in all sites of care, with Medicare payment rates increasing in January 2023, but favoring use of blue light in hospital outpatient departments (HOPDs) over ASCs.
  https://www.sciencedirect.com/science/article/abs/pii/S1078143922004756?dgcid=author

Development Portfolio

Cevira® – in development for the non-surgical treatment of high-grade squamous intraepithelial lesions, including all HPV sub-types

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 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 IIb data for patients diagnosed with high grade lesions and Phase III study design elements agreed upon with the U.S. FDA. In July 2020, Asieris announced that it had received Clinical Trial Approval (CTA) from China's National Medical Products Administration (NMPA) for the global, multi-centered Phase III clinical trial of Cevira (APL-1702). In late 2020, patient enrollment was initiated and in August 2022, Asieris announced the completion of enrollment in this trial, with a total of 402 patients enrolled. The majority of patients in the study were enrolled in China, with the remainder enrolled in Europe. Further development in Europe and a plan for the U.S. will follow if clinical results from the Chinese-focused Phase III study confirms the safety and efficacy of Cevira. Additional information about the ongoing Phase III trial for Cevira can be found by clicking the following link:
https://clinicaltrials.gov/ct2/show/NCT04484415?draw=2

In October 2020, Photocure announced that the European Patent Office (EPO) granted patent EP 2983780 covering the commercial Cevira device in Europe until 2034, adding to the patent portfolio for Cevira. In November 2020, Asieris announced initial dosing of the first patient in its Global Phase III clinical trial for Cevira, which triggered a USD 1.5 million payment to Photocure. In June 2021, Asieris announced initial dosing of the first European patient in the same trial.

Under the License Agreement with Asieris, Photocure previously received a signing fee of USD 5.0 million in 2019, two milestones totaling USD 3.0 million in 2020 and two milestones totaling USD 2.0 million in 2022. In addition, the Company may receive a total of USD 16.5 million based upon the achievement of certain clinical and regulatory milestones

in China, and up to USD 36.0 million for certain clinical and regulatory milestones in the U.S. and the EU. The approval of a second indication in China, the U.S. and Europe would result in payments of up to USD 14.0 million. Sales milestones and royalties of 10% up 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 393.1 million in 2022, an increase from the NOK 360.5 million reported in 2021. Total revenue includes signing fees and milestones of NOK 18.7 million in 2022 and NOK 6.4 million in 2021.

Sales revenues reached NOK 374.5 million in 2022, an increase of 6% from NOK 354.1 million in 2021. Sales revenues comprise the Company's own sales of Hexvix in Europe and Cysview in the U.S. and from 2022 Canada 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 added volume, price increases and impact from foreign exchange.

The Company had signing and milestone revenues in 2022 of NOK 18.7 million compared to signing revenues of NOK 6.4 million in 2021.. The 2022 revenue included milestones totaling NOK 18.5 from Asieris related to Cevira and in 2021 signing revenues of NOK 6.4 million from Asieris for the exclusive commercial rights to Hexvix in mainland China and Taiwan.

Operating expenses increased from NOK 342.3 million in 2021 to NOK 419.4 million in 2022. 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.. Operating expenses include a total of NOK 16.7 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 was NOK -49.0 million in 2022, compared to an operating result of NOK -5.8 million in 2021. The increased loss is primarily attributable to the build-out of the commercial infrastructure in Europe, business development expenses and impact from foreign exchange. The business development expenses were driven by activities related to the objective to increase the Company's product offering.

Net financial loss totaled NOK 22.1 million in 2022, compared to net financial loss of NOK 25.8 million in 2021. The losses were driven mainly by the Ipsen earnout payment and non-cash valuation adjustments of the earnout liability due to higher expected future sales in Europe

Result before tax was a loss of NOK 71.1 million in 2022, compared to a loss of NOK 31.7 million in 2021.

Tax expense was NOK 0.7 million in 2022 and income of NOK 0.8 million in 2021. The

calculation of deferred tax at year end was based on a tax rate of 22% for both 2022 and 2021.

The Group's net result after tax was NOK -71.9 million in 2022, compared to NOK -30.9 million in 2021.

Net cash flow from operating activities was NOK -2.0 million in 2022 compared to NOK 23.9 million in 2021. The negative cash flow from operating activities in 2022 was mainly driven by negative operating results. Net cash flow from investing activities was NOK -1.5 million in 2022, compared to NOK -1.9 million in 2021. Net cash flow from financing activities was NOK -51.3 million in 2022 and included 25.0 million in term loan principal payments. This compares to net cash flow from financing activities in 2021 of NOK -34.0 million including 12.5 million in term loan principal payments.

Photocure also secured bank financing of NOK 50 million during the second quarter of 2020 and has paid down NOK 37.5 million of the principle. The remaining NOK 12.5 million will be paid down in 2023. 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 268.1 million at December 31, 2022 and NOK 322.9 million at December 31, 2021.

Shareholder equity was NOK 462.7 million on December 31, 2022, an equity ratio of 64%. At the end of 2021, shareholder equity was NOK 502.6 million (64%).

Dividend

The Board does not propose a dividend payment for 2022. 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 2022, Photocure ASA (Parent company) had a loss after tax of NOK 58.9 million, compared to a loss after tax of NOK 19.8 million in 2021. The equity in Photocure ASA totaled NOK 774.5 million at December 31, 2022. The equity ratio of the Parent company was 78%.

Share capital and board mandates

At December 31, 2022, 27,120,820 shares were registered in Photocure. At the Ordinary

General Meeting on April 28, 2022, the Board of Directors was granted authorization to purchase up to 10% of its own shares. On December 31, 2022, Photocure held 15,122 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 2022, 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., Canada and Europe, and has strategic partnerships with Genotests SpA in Chile, Asieris in China, Endotherapeutics in Australia/New Zealand, and IGL Medical in Israel.

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.

- Inflationary pressures in the economy and budget tightening may inhibit the hospitals' ability to invest in equipment. This may have a negative impact on the Company's revenues, results and cash flows.

- Hospitals and other medical institutions 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.

- Hospitals and other medical institutions may find limited availability of nursing and other staff. This may impact the demand for Photocure's products and therefore may have a negative impact on the Company's revenues, 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 2022, 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 on December 31, 2022 and December 31, 2021.

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 nominal interest rate at the end of 2022 was 4.8%. 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.

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 North America; Susanne Strauss, Vice President and General Manager Europe; Grete Hogstad, Vice President Global Strategic Marketing and Business

Development; Patricia Kelly, Vice President Global Human Resources and Anders Neijber, M.D., Chief Medical Officer, Global Medical Affairs and Clinical Development and R&D.

The Board of Directors held 19 meetings in 2022. All members of the Board of Directors are shareholder- elected. The members of the Board of Directors were at the end of 2022; Jan H. Egberts, M.D. (Chairperson), Johanna Holldack, M.D., Neal Shore, M.D., 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 mission is to deliver transformative solutions to improve the lives of bladder cancer patients. It is about patient access to healthcare and quality of life.
This mission in society 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. 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.

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 dialogue on material topics and through its commitment to corporate social responsibility.

Comprehensive ESG reporting for the Company is available at page XX in this annual report.

The Norwegian Transparency Act has been implemented with written procedures. See further details on page XX in the ESG section of this annual report.

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

Subsequent events

Post-period, on March 21, 2023, Photocure announced that Karl Storz due to component supply issues will discontinue the production of its current flexible BLC equipment in the U.S. Karl Storz plans to service existing customers through the remainder of the year. Karl

Storz also stated that they remain fully committed to broadening access to its high-definition blue light system Saphira™, allocating the appropriate commercial, regulatory and engineering resources to support this Class III device. Karl Storz will explore the development of a next generation state-of-the-art flexible blue light system pending a positive reclassification decision by the U.S. Food & Drug Administration (FDA). The impact from a lack of new flexible BLC installations in FY 2023 is estimated to be less than 2% of Photocure's total revenue.

Outlook

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

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

North America and Europe are Photocure's primary markets for growth, given the Company's two direct sales forces and a majority of the market still to be penetrated by Hexvix/Cysview with BLC. Photocure regained the sales and marketing rights to Hexvix in continental Europe in the fourth quarter of 2020 and regained the rights to Cysview in Canada in January 2022. As a result, the Company remains positioned to take advantage of the growth opportunity throughout these regions.

Photocure 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. Indicators of an anticipated rebound in growth of the Company's business are: (1) The record number of BLC tower installations in Q4 2022 in North America, (2) the remaining robust pipeline of future tower placements by new account prospects, and (3) a rebound back to growth in unit sales in early 2023 in both the North American and European business segments. Photocure plans to continue supporting its commercial efforts with additional clinical publications in scientific journals and data presentations at medical conferences to underscore the clinical benefits and cost-effectiveness of using BLC with Hexvix/Cysview.

Ongoing healthcare staffing shortages and inflationary pressures leading to hospital budget tightening, as well as the current lack of new flexible BLC tower availability present challenges in 2023 for Photocure's business. Considering these challenges, Photocure has issued the following guidance: In 2023, the Company expects new Saphira™ blue light tower installations in the range of 65 to 75, consolidated product revenue growth above 20%, and positive EBITDA (ex-business development spending).

Oslo, 11 April 2023
Photocure ASA

Jan Hendrik Egberts Chairperson	Johanna Holldack Director	Neal Shore Director
Anders Tuv Director	Anne Worsøe Director	Daniel Schneider President and CEO

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	
2022	**2021**	Amounts in NOK 1,000	**Notes**	**2022**	**2021**
236 550	236 380	Revenues from contract with customers	1,2,3	374 474	354 124
18 658	6 416	Signing fees and milestone revenues	1,2,3	18 658	6 416
255 208	**242 796**	**Total revenues**		**393 132**	**360 540**
-23 269	-23 012	Cost of goods sold	4	-22 697	-24 050
231 939	**219 784**	**Gross profit**		**370 434**	**336 490**
899	999	Other income		-	-
-15 371	-14 828	Indirect manufacturing expenses	5	-15 371	-14 828
-3 342	-4 322	Research and development expenses	5	-3 342	-4 322
-192 542	-159 113	Marketing and sales expenses	5	-303 434	-259 867
-70 937	-44 161	Other operating expenses	5,6,7,8	-97 290	-63 299
-281 292	**-221 425**	**Total other income and expenses recurring**		**-419 437**	**-342 316**
-49 353	**-1 641**	**Operating profit/loss(-)**		**-49 003**	**-5 826**
48 137	36 813	Financial income	9,10	9 218	26 212
-30 240	-34 643	Financial expenses	9,10	-30 591	-34 822
-29 565	-23 479	Remeasure financial balances	9,10	-758	-17 220
-11 668	**-21 309**	**Net financial profit/loss(-)**		**-22 131**	**-25 830**
-61 021	**-22 950**	**Profit/loss(-) before tax**		**-71 134**	**-31 656**
2 166	3 102	Tax expense	11	-723	759
-58 856	**-19 847**	**Net profit/loss(-)**		**-71 857**	**-30 897**
		Currency translation		2 202	-1 311
		Total other comprehensive income items			
0	**0**	**that may be reclassified to profit & loss**		**2 202**	**-1 311**
-58 856	**-19 847**	**Comprehensive income**		**-69 654**	**-32 208**
		Earnings per share (Amounts in NOK):	12		
		Basic		-2,66	-1,15
		Diluted		-2,66	-1,15

STATEMENT OF FINANCIAL POSITION as of 31 December - ASSETS

Parent				Group	
2022	**2021**	Amounts in NOK 1,000	**Notes**	**2022**	**2021**
		ASSETS			
129 209	145 881	Customer relations	13	129 209	145 881
144 000	144 000	Goodwill	13	144 000	144 000
14 048	15 575	Property, plant, equipment and other assets	14	32 479	33 575
315 006	302 131	Loan to group company	10,11	-	-
17 171	11 902	Shares in subsidiaries	15	-	-
55 120	53 003	Deferred tax asset	11	55 120	53 003
674 554	**672 492**	**Total non-current assets**		**360 808**	**376 459**
24 412	26 660	Inventories	16	26 534	27 534
31 738	29 610	Accounts receivable	17, 19	47 164	47 980
6 517	5 209	Other receivables	17, 19	16 455	14 780
259 058	314 817	Cash and short term deposits	18, 20	268 073	322 895
321 725	**376 296**	**Total current assets**		**358 226**	**413 189**
996 279	**1 048 788**	**Total assets**		**719 034**	**789 648**

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

Parent				Group	
2022	**2021**	Amounts in NOK 1,000	**Notes**	**2022**	**2021**
		EQUITY AND LIABILITIES			
13 560	13 487	Share capital	21	13 560	13 487
440 415	410 734	Other paid-in capital		440 415	410 734
320 296	377 468	Retained earnings		8 758	78 412
774 271	**801 689**	**Total equity**		**462 733**	**502 633**
126 233	133 600	Earnout liability	22	126 233	133 600
0	12 500	Long term loan financial institution	22	0	12 500
2 523	2 180	Pension liabilities	7	4 755	3 520
9 132	10 652	Lease liabilities	22	21 256	23 813
137 888	**158 933**	**Total non-current liabilities**		**152 245**	**173 433**
15 867	17 018	Accounts payable	17, 23	21 281	23 648
2 344	1 837	Employee withholding taxes, social security tax and vat		4 587	3 001
23 902	33 150	Short term part non-current liabilities	22	27 382	36 580
42 007	36 161	Other current liabilities	17, 23	50 807	50 354
84 120	**88 166**	**Total current liabilities**		**104 056**	**113 583**
222 008	**247 099**	**Total liabilities**		**256 301**	**287 016**
996 279	**1 048 788**	**Total equity and liabilities**		**719 034**	**789 648**

Oslo, 11 April 2023

Photocure ASA

Jan Hendrik Egberts
Chairperson

Neal Shore
Director

Johanna Hollaack
Director

Anders Tuv
Director

Anne Worsøe
Director

Daniel Schneider
President and CEO

STATEMENT OF CASH FLOWS

Parent				Group	
2022	**2021**	Amounts in NOK 1,000	**Notes**	**2022**	**2021**
-61 021	**-22 950**	**Profit/loss(-) before tax**		**-71 134**	**-31 656**
20 051	20 753	Ordinary depreciation & amortisation	13,14	24 378	24 127
16 907	9 670	Share-based payments expense	6	22 176	12 665
343	295	Pension costs	8	1 235	921
-2 147	-1 807	Interest income	9	-2 147	-1 807
25 477	23 646	Interest expenses	9	25 804	23 826
758	17 220	Remeasured earnout	13,22	758	17 220
-38 971	-10 601	Unrealized currency (gain)/loss loan subsidiary	9	-	-
763	-14 870	Unrealized currency (gain)/loss other		763	-14 870
574	-2 528	Other items		-893	-2 528
		Changes in			
2 248	1 810	- inventories		1 000	2 144
-3 437	-2 941	- trade and other receivables		-859	-15 080
7 647	-5 459	- trade and other payables		-782	-1 954
-2 443	6 908	- provisons and other accruals		460	11 668
28 807	6 259	Loss allowance internal loan		-	-
0	-476	Settlement employee benefits		0	-476
49	-21	Tax paid	11	-2 777	-314
-4 395	**24 907**	**Net cash flow from operating activities**		**-2 018**	**23 886**
2 147	1 807	Interest received		2 147	1 807
-2 710	-5 350	Loan to subsidiary	10	-	-
0	-62	New subsidiary capital		-	-
-1 278	-2 194	Investments in machinery and equipment	14	-3 609	-3 703
-1 841	**-5 799**	**Net cash flow from investing activities**		**-1 462**	**-1 896**
-1 619	-1 970	Lease offices and company cars	14, 22	-3 164	-5 306
-25 000	-12 500	Loan financial institution	22	-25 000	-12 500
-1 095	-1 222	Interest paid financial loans		-1 368	-1 401
-29 390	-28 818	Earnout liability	22	-29 390	-28 818
7 580	14 042	Employee options exercised		7 580	14 042
-49 524	**-30 468**	**Net cash flow from financing activities**		**-51 342**	**-33 983**
-55 760	**-11 360**	**Net change in cash during the year**		**-54 822**	**-11 993**
314 817	**326 176**	**Cash and cash equivalents as of 01 January**		**322 895**	**334 887**
259 058	**314 817**	**Cash and cash equivalents as of 31 December**		**268 073**	**322 895**

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	**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**
Comprehensive income:						
Net profit for the year					-58 856	-58 856
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	-57 176	-57 176
Transaction with owners:						
Capital increase						0
Sale own shares						0
Buy back own shares		-3 685				-3 685
Employees' options	74	3 695	29 671			33 440
Total transaction with owners	74	10	29 671	0	0	29 755
Equity as of 31 December 2022	**13 560**	**-301**	**440 718**	**0**	**320 293**	**774 271**

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 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	-30 897	-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	26 611
Total transaction with owners	128	98	26 211	0	271	26 709
Equity as of 31 December 2021	**13 487**	**-310**	**411 045**	**-2 084**	**80 495**	**502 633**
Comprehensive income:						
Net profit for the year					-71 857	-71 857
Other comprehensive income that may be reclassified to p&l			-	2 202		2 202
Total comprehensive income	0	0	0	2 202	-71 857	-69 654
Transaction with owners:						
Capital increase						0
Sale own shares						0
Buy back own shares		-3 685				-3 685
Employees' options	74	3 695	29 671			33 440
Total transaction with owners	74	10	29 671	0	0	29 755
Equity as of 31 December 2022	**13 560**	**-300**	**440 717**	**118**	**8 638**	**462 733**

Accounting principles 2022

I. General information

The annual accounts for 2022 for Photocure Group (Photocure) comprises Photocure ASA and the four wholly owned subsidiaries; Photocure Inc. registered in U.S, Photocure GmbH registered in Germany, Photocure SAS registered in France and Photocure Canada Inc. registered in Canada. The annual accounts for Photocure were approved for publication by the Board of Directors on 11 April 2023.

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 Union (EU) as per 31 December 2022.

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.

Photocure performs the sales and distribution of Hexvix in the European markets. Photocure has established wholly owned subsidiaries in Germany (Photocure GmbH) and France (Photocure SAS) that provide marketing and promotion services. These entities have Euro (EUR) as functional currency. The sales, marketing and distribution in North America is in U.S. performed through Photocure's wholly owned subsidiary Photocure Inc. and in Canada though Photocure's wholly owned subsidiary Photocure Canada Inc., in both countries under the trade name Cysview. Photocure Inc. has U.S. dollars (USD) as functional currency while Photocure Canada Inc. has Canadian dollars (CAD) as functional currency.

Photocure applies the NOK as its functional currency because the majority of its headquarter's expenses is in NOK. The major operations are in the EUR and USD since last quarter of 2020. However, the NOK currency is regarded as a common currency between the EUR and USD and will reflect the development in these currencies.

III. Changes in significant accounting policies

There are no significant new IFRS standards made effective in 2022 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 2022 did not have any significant impact on the reporting in 2022.

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 2022, are included in the following notes:

- Note 13 and 22 Goodwill and customer relations: 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 9 and 10 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, equipment and intangible assets

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

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

D. 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.

E. 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 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

F. 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.

G. 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.

H. 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

I. Revenue recognition

The core principle in IFRS 15 is 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.

J. 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.

K. 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.

L. 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.

M. 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.

N. 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

O. 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.

P. 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.

Q. 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.

R. 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.

S. Segment reporting

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

T. 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 2022

Photocure ASA

1 PARTNERSHIPS
2 OPERATING SEGMENTS
3 REVENUES FROM CONTRACT WITH CUSTOMERS
4 COST OF GOODS SOLD
5 INCOME STATEMENT CLASSIFIED BY NATURE
6 PERSONNEL EXPENSES
7 REMUNERATION OF MANAGEMENT AND BOARD OF DIRECTORS
8 PENSION COSTS
9 FINANCIAL INCOME AND EXPENSE
10 RELATED PARTY
11 TAX
12 EARNINGS PER SHARE
13 GOODWILL AND CUSTOMER RELATIONS
14 PROPERTY, PLANT, EQUIPMENT AND OTHER ASSETS
15 SUBSIDIARIES
16 INVENTORIES
17 FINANCIAL RISK
18 FAIR VALUE
19 RECEIVABLES
20 CASH AND SHORT TERM DEPOSITS
21 SHARE CAPITAL
22 LOAN TERMS AND REPAYMENT
23 ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES
24 SUBSEQUENT EVENTS

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 oroviding 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 (North America and Europe) and other sales (partners and other products including sales revenues for Hivec). Development Portfolio includes development of pipeline products. North America 2022 results includes U.S. and Canada while 2021 and earlier results include U.S. only as sales in Canada were through a partner. Total 2021 revenue for Photocure from this partner was NOK 0.4 million. Sales revenue Europe in the Commercial segment consists of Hexvix direct sale to hospitals, wholesalers and pharmacies

The Development segment is split by development of Cevira and other 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

Segment assets and liabilities are not reported to the Chief Operating Decision Makers (CODM) and therefore not allocated to reportable segments.

1 Jan - 31 December 2022	Commercial Franchise				Development Portfolio			
(Amounts in NOK 1,000)	North Am. Cysview	Europe Hexvix	Other Sales	Total Sales	Cevira	PDT & Explorativ	Total R&D	Grand Total
Revenues from contract with customers	150 784	221 826	1 863	374 474	-	-	-	374 474
Signing fees and milestone revenues	-	-	152	152	18 506	-	18 506	18 658
Cost of goods sold	-4 835	-16 810	-1 052	-22 697	-	-	-	-22 697
Gross profit	**145 950**	**205 016**	**963**	**351 929**	**18 506**	**-**	**18 506**	**370 435**
Gross profit of sales %	97 %	92 %	44 %	94 %				94 %
R&D	-322	-1 211	-	-1 533	-739	-1 070	-1 809	-3 342
Sales & marketing	-163 706	-118 563	-3 619	-285 888	-645	-	-645	-286 533
Other & allocations	-38 214	-52 758	-8 177	-99 149	-1 933	-4 106	-6 038	-105 187
Operating expenses	**-202 242**	**-172 532**	**-11 795**	**-386 570**	**-3 317**	**-5 176**	**-8 492**	**-395 062**
EBITDA before restructuring	**-56 292**	**32 484**	**-10 832**	**-34 641**	**15 189**	**-5 176**	**10 013**	**-24 627**
Depreciation and Amortization				**-24 231**			**-147**	**-24 378**
EBIT before restructuring				**-58 872**			**9 866**	**-49 005**

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**

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

3. REVENUES FROM CONTRACT WITH CUSTOMERS

Performance obligation product deliveries

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 2022 paid one milestone of USD 2.0 million related to the phase 3 study and accumulated paid USD 10 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 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

Revenue for the sale of active substance is recognized when the customer takes control of the goods, which is at the time of shipment

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	2022	2021
Nordic countries	22 647	31 882
Germany	148 936	141 920
France	27 032	29 021
Austria	9 500	8 983
UK	2 147	3 448
BeNeLux	4 597	6 927
Italy	4 368	1 700
Other European countries	3 905	2 778
United States	149 045	125 232
Canada	1 740	
Own sales	**373 917**	**351 891**
Partner countries rest of world	557	2 233
	374 474	**354 124**

The geographical revenue in all countries except North America 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 2022	Commercial Franchise				Development Portfolio		
(Amounts in NOK 1,000)	Hexvix/Cysview Own sales	Partner	Other Sales	Total Sales	Pipeline	Total R&D	Grand Total
Contract revenue at point in time		430	128	**558**	0	0	**558**
Contract revenue over time				**0**		0	**0**
Signing fees and milestone revenues at point in time		152		**152**	18 506	18 506	**18 658**
Sales order revenue at point in time	372 611		1 306	**373 917**		0	**373 917**
	372 611	**582**	**1 434**	**374 627**	**18 506**	**18 506**	**393 132**

Revenue recognition by segments

1 Jan - 31 December 2021	Commercial Franchise				Development Portfolio		
(Amounts in NOK 1,000)	Hexvix/Cysview Own sales	Partner	Other Sales	Total Sales	Pipeline	Total R&D	Grand Total
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**

4. COST OF GOODS SOLD

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

5. INCOME STATEMENT CLASSIFIED BY NATURE

(Amounts in NOK 1,000)		Group		Parent	
	Note	2022	2021	2022	2021
Revenues from contract with customers	2	374 474	354 124	236 550	236 380
Signing fees and milestone revenues	2	18 658	6 416	18 658	6 416
Cost of goods sold		-22 697	-24 050	-23 269	-23 012
Gross profit		**370 435**	**336 490**	**231 939**	**219 784**
Other income		0	0	899	999
Payroll expenses	6, 7	-244 881	-210 552	-102 315	-86 906
R&D costs excluding payroll expenses/other operating expenses		-1 809	-2 657	-1 809	-2 657
Ordinary depreciation and amortisation	13, 14	-24 378	-24 127	-20 051	-20 753
Other operating expenses		-148 370	-104 979	-158 016	-112 108
Total operating expenses		**-419 438**	**-342 315**	**-281 292**	**-221 425**
Operating profit / loss (-)		**-49 003**	**-5 825**	**-49 353**	**-1 641**

Specification of Other operating expenses:	**2022**	**2021**	**2022**	**2021**
Marketing expenses	45 162	33 140	16 087	15 908
Profit split coverage US	-	-	17 888	7 269
Sales and marketing costs Europe	-	-	54 719	48 060
Travel expenses	19 108	10 522	5 308	1 724
Patent costs, legal and other fees	55 848	38 938	41 317	25 854
Other expenses	28 253	22 380	22 698	13 294
Total other operating expenses	**148 370**	**104 979**	**158 016**	**112 108**

6. PERSONNEL EXPENSES

(Amounts in NOK 1,000)		Group		Parent	
	Note	2022	2021	2022	2021
Salaries		175 991	156 914	66 879	60 780
Employer's social security contributions on salaries, etc		20 855	18 736	8 144	8 297
Option costs incl employer's social security contributions		21 674	13 225	16 406	10 229
Pension costs	8	13 101	11 372	5 682	4 902
Other benefits		13 260	10 305	5 205	2 699
Total payroll expenses		**244 881**	**210 552**	**102 315**	**86 906**
No of full-time equivalent positions		106	98	37	32

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% after first year, 25% second year and 50% third year. The rights are no longer valid after five years or on termination of the employee.

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

	2022		2021	
	Number	Average exercise price (NOK)	Number	Average exercise price (NOK)
Outstanding at start of year	1 355 750	109.61	981 534	66.28
Granted during the year	716 028	114.90	756 000	142.57
Become invalid during the year	2 000	87.39	125 500	81.99
Exercised during the year	147 000	51.49	256 284	54.41
Expired during the year	-	0.00	-	0.00
Outstanding at end of year	1 922 778	116.04	1 355 750	109.61
Exercisable options as per 31 December	448 000	101.30	90 375	77.66

The average weighted life of outstanding share options was 3.7 years at 31 December 2022 and 4.0 years at 31 December 2021

The exercise prices and the average life of outstanding share options as per 31 December 2022 were as follows:

Average remaining life	No. of options	Exercise price NOK
1 year	84 500	50.72-56.83
3 year	424 750	78.65-139.41
4 year	697 500	123.34-145.27
5 year	716 028	114.89-115.70
Total	**1 922 778**	

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.

	2022*	2021*
Dividends (NOK)	0.00	0.00
Expected volatility (%)	50.98	57.63
Historical volatility (%)	50.98	57.63
Risk-free interest (%)	2.89	0.92
Expected life of options (years)	3.24	3.25

*Weighted average parameters at grant of instrument

7. 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 2022						
President and CEO		6 013	2 812	754	494	10 073
Chief Financial Officer		2 629	595	18	343	3 585
VP and General Manager North America		3 848	857	419	319	5 444
VP and General Manager Europe		2 935	586	427		3 948
VP Global Strategic Marketing & BD		1 754	196	88	221	2 259
VP Global Medical Affairs and Clinical Development		2 071	431	91	360	2 952
VP Global Human Resources		2 672	310	7	242	3 232
Total senior management		**21 921**	**5 788**	**1 803**	**1 979**	**31 491**
Board of Directors 2022						
Chairperson of the Board	620					620
Members of the Board	1 440					1 440
Total remuneration	**2 060**	**21 921**	**5 788**	**1 803**	**1 979**	**33 551**

(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 2020						
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**

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 2022	Share options awarded	Expired share options	Share options exercised	Holding of share options at 31 December 2022	Average exercise price
President & CEO	130 000	-	100 000	325 000	121.33
Chief Financial Officer	90 000	-	20 000	192 500	119.46
VP and General Manager North America	65 000	-	-	212 500	106.73
VP and General Manager Europe	65 000	-	-	200 000	113.84
VP Global Strategic Marketing & Business Development	35 000	-	-	112 500	111.12
VP Global Human Resources	-	-	-	80 000	113.34
VP Global Medical Affairs and Clinical Development	60 000		-	88 000	122.56
Total	**445 000**	**-**	**120 000**	**1 210 500**	

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	135 000	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**	**885 500**	

Auditing fees

(Amounts in NOK 1,000)	Group and parent	
	2022	**2021**
Statutory auditing	972	488
Other attestation services	138	22
Other services excluding auditing	42	0
Tax advice	132	126
Total	**1 284**	**636**

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 2022 and 31 December 2021, 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 $305 000 in 2022.

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	
	2022	**2021**	**2022**	**2021**
Total pension costs, contribution scheme in life assurance	11 866	10 496	5 339	4 607
Total pension costs, company scheme	1 235	876	343	295
Total	**13 101**	**11 372**	**5 682**	**4 902**

9. FINANCIAL INCOME AND EXPENSE

(Amounts in NOK 1,000)	Group		Parent	
	2022	**2021**	**2022**	**2021**
Interest income	2 336	1 810	2 287	1 810
Foreign exchange gains	6 882	23 778	45 850	34 379
Other financial gains	0	624	0	624
Total financial income	**9 218**	**26 212**	**48 137**	**36 813**
Interest costs long term liabilities and lease	1 421	1 401	1 095	1 222
Interest costs earnout	24 383	22 425	24 383	22 425
Foreign exchange losses	4 588	10 472	4 564	10 472
Other financial expense	199	524	199	524
Loss allowance internal loan	-	-		
Total financial expense	**30 591**	**34 822**	**30 240**	**34 643**
Remeasure financial balances	**758**	**17 720**	**29 565**	**23 479**

The foreign exchange gain in the parent company 2022 include unrealised exchange gain of the long term loan to the subsidiary that is nominated in USD.
The exchange rate NOK/USD increased to 9.90 as of December 31, 2022 compared to exchange rate of 8.84 at end of previous year. This is resulting in an unrealised gain of NOK 38.9 million in 2022 compared to a gain of NOK 10.6 million in 2021.
In the consolidated accounts the unrealised gain/loss is eliminated against the change in equity as part of other comprehensive income.

Remeasure financial balances

Information regarding the remeasured value of the earnout liability is provided in note 22.

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, 2022. A loss allowance increase of NOK 28.8 million has been estimated in a downside scenario as of 31, December 2022 compared the NOK 6.3 million allowance as of 31, December 2021. The total allowance on 31, December 2022 is NOK 31 million and the estimate is based on a probability weighted scenario in case the loan will not be paid back in full

The parent company is committed to securing the operations in the U.S.

10. 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.

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 into account the 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 US sales and marketing force has been kept during the Covid pandemic and enables Photocure Inc to access the US market again after the pandemic has ended.

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.

Photocure established from January 2022 a sales subsidiary in Canada to carry out the sales, marketing and distribution of Cysview in Canada.

Transactions and intercompany balances:

	2022	2021
Sales of products	12 986	7 488
Sales of services	899	999
Intercompany sales	**13 885**	**8 487**
Purchase of marketing and promotion services	**-54 719**	**-48 060**

	31-Dec-22	31-Dec-21
Accounts receivables and other storm-term receivables	4 733	0
Long term loan given	350 072	308 390
Accounts payables and other short-term liabilities	-17 436	-7 203
Total subsidiaries	**337 369**	**301 187**

Guarantees to bank in favor of subsidiary for requested security	**2 724**	**2 220**

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

11. TAX

(Amounts in NOK 1,000)	Parent & Group	
	2022	**2021**
Income tax expense		
Tax payable	2 840	2 365
Changes in deferred tax	-2 117	-3 124
Total income tax expense	**723**	**-759**
Tax base calculation parent		
Profit(-loss) before income tax	-61 021	-22 950
Permanent differences *)	49 534	8 346
Change in temporary differences	-35 757	10 050
(Utilized)/Increased tax loss carried forward	47 244	4 554
Tax base	**-0**	**0**
Temporary differences		
Receivables	-551	-551
Inventories	4 003	4 489
Non current assets	32 041	29 763
Long term currency loans	116 280	77 622
Earnout liability	-17 978	-17 220
Provisions	-1 024	-1 525
Pensions	-2 523	-2 180
Gains and loss account	16 109	20 136
Total	**146 356**	**110 533**
Tax loss carried forward	-396 901	351 456
Net temporary differences	**-250 545**	**-240 923**
Deferred tax liability (asset)	**-55 120**	**-53 003**

	Parent & Group	
	2022	**2021**
Reconciliation of effective tax rate		
Expected income taxes at statutory tax rate	-13 425	-5 049
Permanent differences	10 897	1 836
Change in temporary differences	-7 867	
Prior year adjustment		111
Income tax expense	**-10 394**	**-3 102**
Effective tax rate in % **)	17.0 %	13.5 %

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 however due 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 2022 of NOK 47.2 million compared to a loss in 2021 of NOK 4.6 million. The deferred tax asset is of this reason and movements in other temporary differences increased to NOK 551 million compared to NOK 530 million as of 31 December 2021. 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 2022.

European business contributes to Photocure profitability in 2022 and will continue to contribute going forward. The parent company is the selling entity of the Hexvix product in all the European countries. The marketing and promotion activities in Germany and France are performed through the subsidiaries in those countries.

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 expanded US sales and marketing force has enabled 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 2022 has increased 19% compared to last year end.

Photocure continues to see growth opportunities in the European countries and particulary in several large untapped markets. With Photocure's own dedicated sales force in place 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)	2022		2021	
Unrecognised deferred tax assets	**Amount**	**Tax effect**	**Amount**	**Tax effect**
Net deductible temporary differences	-6 996	-1 969	-6 215	-1 747
Tax losses	183 930	51 700	158 734	44 620
Net unrecognised deferred tax asset US	**176 933**	**49 731**	**152 519**	**42 873**

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

(Amounts in NOK 1,000)	2022		2021	
	Amount	**Expiry date**	**Amount**	**Expiry date**
Expire Federal	23 092	2030 - 2037	20 599	2030 - 2037
Expire State	15 923	2030 - 20412	13 727	2030 - 2041
Never expire	10 718		8 547	
Total	**49 733**		**42 873**	

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

	2022	2021
Figures indicate the number of shares		
Ordinary shares 1 January	26 970 320	26 717 536
Effect of treasury shares	20 961	-16 919
Effect of share options exercised	83 017	142 718
Weighted average number of shares, 31 December	**27 034 976**	**26 843 335**
Effect of outstanding share options	113 759	264 553
Weighted average number of diluted shares, 31 December	**27 148 735**	**27 107 888**
Net profit/loss(-)	**-71 857**	**-30 897**
(Amounts in NOK 1 000)		

Earnings per share	**2022**	**2021**
Earnings per share in NOK basic	-2.66	-1.15
Earnings per share in NOK diluted	-2.66	-1.15

13. GOODWILL AND CUSTOMER RELATIONS

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 entered into a final agreement were Photocure paid Ipsen EUR 15 million upon transfer on 1 October 2020. Ipsen receives in addition a deferred consideration 15% of sales (years 1-7 post-transfer) and 7.5% of sales (years 8-10) in the previous Ipsen major markets.

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. The net book value of the customer relations as of 31 December 2022 is NOK 129.2 million.

Goodwill amounts to NOK 144 million and this asset is not depreciated, but is tested against impairment as of end December 2022. The impairment analysis carried out confirms the goodwill value given the performance in 2022 and future growth opportunities that are expected to in line with forecasts prepared in connection with the transaction.

Group and parent

(Amounts in NOK 1,000)	Customer relations	Goodwill
Accumulated cost at 31 December 2020	166 720	144 000
Additions	0	0
Accumulated cost at 31 December 2021	**166 720**	**144 000**
Additions	0	0
Accumulated cost at 31 December 2022	**166 720**	**144 000**
Accumulated depreciation at 31 December 2020	4 168	0
Amortization and impairment	16 672	0
Accumulated depreciation at 31 December 2021	**20 840**	**0**
Amortization and impairment	16 672	0
Accumulated depreciation at 31 December 2022	**37 512**	**0**
Book value at 31 December 2021	**145 880**	**144 000**
Book value at 31 December 2022	**129 209**	**144 000**

Carrying amount of goodwill is allocated to the acquired business in Europe by NOK 144 million. The recoverable amount has been determined 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 the sales are in Euro. Assumed exchange rate in the forecast projection NOK/EUR is 10.20, this is at same level as the average rate for 2022.
- The impairment test is based on a 8 year cash flow projection including the terminal year. 8 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 18.0% post tax. An increase of discount rate with 2% or 4% will not change the conclusion of the impairment test. Terminal growth rate is in the projection estimated to zero as a conservative approach. An increase of the terminal growth rate to 4% will have a positive impact on the fair value of the investment with NOK 40 million. This percent reflects the expected inflation and the growth in the aged population that has the highest prevalence of bladder cancer.
- Applied tax rate is 22%.

14. PROPERTY, PLANT, EQUIPMENT AND LEASE ASSETS

(Amounts in NOK 1,000)

Group	Intangible assets		Right-of-use	Machinery and Equipment		
	Product Development	Software Systems	Office Lease	Medical & manu-facture	Office	Total
Accumulated cost at 31 December 2020	51 069	4 406	10 900	613	7 006	**73 994**
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	4 933	31 062	776	9 348	**46 120**
Additions		1 133	3 498	78	3 532	**8 240**
Disposals and lease expiry			-83		-1 797	**-1 880**
Accumulated cost at 31 December 2022	0	6 066	34 477	854	11 083	**52 479**
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	3 778	2 371	442	5 954	**12 545**
Amortization and depreciation		615	5 779	161	1 151	**7 706**
Disposals and lease expiry			236		-486	**-250**
Accumulated depreciation at 31 December 2022	0	4 393	8 386	603	6 619	**20 001**
Book value at 31 December 2021	0	1 156	28 691	334	3 394	**33 575**
Book value at 31 December 2022	0	1 673	26 091	251	4 464	**32 479**

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

	Patent period	3 - 5 years	Contract period	3 - 5 years	3 - 5 years

The note for the Parent company has immaterial differences to the Group and is not disclosed of this reason

Right-of-use assets (Lease)		**31-Dec-21**				**31-Dec-22**
(Amounts in NOK 1,000)	Discount rate	Contract value	Expiry	New/ increase contracts	Remeasure	Contract value
Right-of-use office contract Norway	3,15 %	13 008	-	574		13 582
Right-of-use office contract US	3,70 %	10 269			920	11 189
Right-of-use office contract Germany	1,40 %	6 624	-	298	387	7 309
Right-of-use office company car fleet Germany	1,40 %	1 162	(83)	1 120	198	2 397
Total lease assets		**31 063**				**34 477**

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 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 2.8 million for the period 1 January 2023 through 31 December 2023. The rent for the remaining period until the expiry of the agreement amounts to NOK 10.1 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 11.2 million (USD 1.1 million) at 3.7% discount rate. The rent commitment for the period 1 January 2023 to 31 December 2023 is NOK 1.9 million while the rent for the remaining period until the expiry of the agreement amounts to NOK 9.3 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 2023 to 31 December 2023 is EUR 151.1 thousand while the rent for the remaining period until the expiry of the agreement amounts to EUR 340.1 thousand.

The standard lease period for the car fleet in Germany is 36 months. As of 31.12.2022 Photocure GmbH had 6 lease agreements with an average remaining lease term of 21.5 months.

15. SUBSIDIARIES

Company	Country	Ownership		Book value	
		31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Photocure Inc	USA	100 %	100 %	15 353	11 018
Photocure GmbH	Germany	100 %	100 %	1 532	748
Photocure SAS	France	100 %	100 %	285	136
Photocure Canada Inc.	Canada	100 %	100 %	-	-
Total subsidiaries				**17 170**	**11 902**

16. INVENTORIES

(Amounts in NOK 1,000)	Group		Parent	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Raw materials	3 026	1 485	3 026	1 485
Resale products	48	176	48	176
Semi-finished and finished goods	23 461	25 874	21 339	25 000
Total inventories	**26 534**	**27 534**	**24 412**	**26 660**

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 accounted 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.

17. 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 North America 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 North America expose Photocure for currency risk against USD/CAD as both revenues and expenses are in USD/CAD. 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 the investment project. In addition Photocure has 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 bank 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.

	Remaining period				
(Amounts in NOK 1,000)	**Less than 1 month**	**1–3 months**	**3–12 months**	**1–5 years**	**Total**
31-Dec-22					
Accounts payable	18 091	3 190			**21 281**
Withholding tax and social securities	2 440	1 500	647		**4 587**
Other current liabilities	20 630	13 000	17 177		**50 807**
Loan and lease liabilities		7 250	18 750	151 370	**177 370**
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**

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 North America. 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 and SEK. 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 and SEK by having both revenues and costs in the same currency. However, Photocure have in both 2022 and 2021 cash surplus in EUR and a cash deficit in USD. The Company has not entered into any currency hedging contracts during 2022.

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
2022	+ 10 %	-2 270
2022	- 10 %	2 270
2021	+ 10 %	-7 187
2021	- 10 %	7 187

18. 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	234 202			234 202
Earnout liability, ref note 22			(135 333)	(135 333)
Total	**234 202**	**-**	**(135 333)**	**98 869**

19. 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-22	31-Dec-21	31-Dec-22	31-Dec-21
Accounts receivable	47 164	47 980	27 005	29 610
Accounts receivable intercompany	-	-	4 733	0
Total	**47 164**	**47 980**	**31 738**	**29 610**
Prepaid expenses	9 113	9 852	5 516	4 697
Other receivables and deposits	7 342	4 928	1 001	512
Total other receivables	**16 455**	**14 780**	**6 517**	**5 209**

Loan to the subsidiary is disclosed in Note 10.

Age breakdown of group accounts receivable	Not yet due	0–30 days	30–60 days	60–90 days	Over 90 days	Total
31 December 2022	33 106	8 340	3 679	1 552	487	**47 164**
31 December 2021	37 641	4 661	4 705	630	342	**47 980**

Photocure's sales are mainly hospitals and pharmacies and wholesalers in Europe and North America.

Photocure has implemented the expected loss model under IFRS 9 on trade receivables. The expected loss as of December 31, 2022 amounts to NOK 1.0 million. Realised bad debt loss' in 2022 and 2021 has been immaterial. Credit risk and foreign exchange risk in regard to trade accounts receivable are dealt with in more detail in Note 17.

20. CASH AND SHORT TERM DEPOSITS

(Amounts in NOK 1,000)	Group		Parent	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Cash and cash equivalents, restricted	3 422	3 856	3 422	3 856
Cash and cash equivalents, non-restricted	30 449	58 984	21 434	50 906
Money market funds, non-restricted	234 202	260 055	234 202	260 055
Total	**268 073**	**322 895**	**259 058**	**314 817**

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 2022 include security for employees' withholding tax in of NOK 1 7 million, while the remaining amount refers to deposit for rent of office

21. SHARE CAPITAL

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.

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 2021	**26 973 820**	**0.50**	**13 486 910**
Share capital at 31 December 2022	**27 120 820**	**0.50**	**13 560 410**
Treasury shares:			
Holdings of treasury shares at 31 December 2020	**15 666**		**7 833**
Buy-back of restricted shares	6 306	0.50	3 153
Share options exercised from treasury shares	-7 126	0.50	-3 563
Holdings of treasury shares at 31 December 2021	**14 846**		**7 423**
Buy-back of restricted shares	481	0.50	241
Buy-back of treasury shares	36 000	0.50	18 000
Share options exercised from treasury shares	-36 205	0.50	-18 103
Holdings of treasury shares at 31 December 2022	**15 122**		**7 561**

Restricted shares were offered to the employees according to the Board's discretion
The participant received the shares in the Company that have been subject to a three years' lock up period

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 28 April 2022, the Board of Directors of Photocure ASA was granted authorisation to issue up to 6.1 million shares. Of this authorisation, (a) 5 4 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 2023. Previously issued authorisations have expired.

The table below indicates the status of authorisations at 31 December 2022:

	Purchase, treasury shares	Ordinary share issue	Employee share issues
(Figures indicate the number of shares)			
Authorisation issued at the General Meeting on 28 April 2022	2 697 657	5 395 314	750 000
Share issues after the General Meeting on 28 April 2022	0	0	144 250
Purchase of treasury shares after the General Meeting 28 April 2022	-36 000	0	0
Remaining under authorisations at 31 December 2022	**2 661 657**	**5 395 314**	**605 750**

1 922 778 share options have been allocated to employees 31 December 2022 (see note 6).
Photocure initiated a buyback of up to 36,000 of its own shares at 1 June 2022. The purpose of the buyback program was to acquire shares which was used as settlement in the Company's share-based incentive scheme.

Ownership structure

The major shareholders in Photocure as of 31 December 2022 were:

	Shares	Shareholding
Morgan Stanley & Co. LLC	4 160 945	15.3 %
Skandinaviska Enskilda Banken AB	1 138 000	4.2 %
Skandinaviska Enskilda Banken AB	1 117 101	4.1 %
Skandinaviska Enskilda Banken AB	720 644	2.7 %
RADFORSK INVESTERINGSSTIFTELSE	679 619	2.5 %
The Bank of New York Mellon SA/NV	581 018	2.1 %
The Bank of New York Mellon SA/NV	515 000	1.9 %
Nordnet Bank AB	511 441	1.9 %
RBC Investor services bank S.A.	477 179	1.8 %
The Bank of New York Mellon	473 494	1.7 %
MP PENSJON PK	440 178	1.6 %
The Northern Trust Comp, London Br	439 420	1.6 %
Skandinaviska Enskilda Banken AB	417 940	1.5 %
Skandinaviska Enskilda Banken AB	412 990	1.5 %
The Bank of New York Mellon SA/NV	400 000	1.5 %
JPMorgan Chase Bank, N.A., London	390 226	1.4 %
VERDIPAPIRFONDET EQUINOR AKSJER NO	375 872	1.4 %
VERDIPAPIRFONDET KLP AKSJENORGE	375 630	1.4 %
Avanza Bank AB	372 126	1.4 %
The Bank of New York Mellon	329 888	1.2 %
Total of 20 largest shareholders	**14 328 711**	**52.8 %**
Treasury shares	15 122	0.1 %
Total other shareholders	12 776 987	47.1 %
Total number of shares	**27 120 820**	**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 2022:

Name	Position	No. of shares	No. of share options**
Daniel Schneider	President & CEO	99 689	325 000
Erik Dahl	Chief Financial Officer	32 750	192 500
Geoffrey Coy	VP and General Manager North America	15 207	212 500
Susanne Strauss	VP and General Manager Europe	1 392	200 000
Grete Hogstad	VP Global Strategic Marketing & BD	30 719	112 500
Patricia Kelly	VP Global Human Resources		80 000
Anders Neijber	VP Global Medical Affairs and Clinical Development		88 000
Jan H. Egbert	Chairperson of the board	14 500	1 312
Anders Tuv *	Board member	679 619	804
Anne Worsøe	Board member		804
Johanna Holldack	Board member		804
Neal Shore	Board member		804

* Anders Tuv represents RADFORSK Investeringsstiftelse.

** See note 6 for additional information about the share options.

22. LOAN TERMS AND REPAYMENT

(Amounts in NOK 1,000)	Currency	Nominell interest rate	Year of maturity	Loan amount 01.01	Instal-ments paid	Book value 31-Dec-22	1st year instal-ments
Bank loan secured through governmental guarantee due to Covid-19	NOK	4.80 %	2023	37 500	-25 000	12 500	12 500
Deferred consideration (Earnout)	NOK/EUR		2030	139 350	-5 714	135 333	9 100
Right-of-use office contract Norway	NOK	3.15 %	2027	13 052	-2 193	11 434	2 302
Right-of-use office contract US	USD	3.70 %	2028	10 269	-1 548	9 591	1 598
Right-of-use office contract Germany	EUR	1.40 %	2026	5 861	-1 317	5 064	1 422
Right-of-use office company car fleet Germany *	EUR	1.40 %	2024	460	-708	949	460
Total non-current liabilities						**174 871**	**27 382**

* There are seperate lease agreements for each lease subject

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 entered into a final agreement were Photocure paid Ipsen EUR 15 million upon transfer on 1 October 2020. Ipsen receives in addition a deferred consideration 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 new remeasurement as of 31 December 2022. The remeasurement resulted in a fair value of NOK 135.3 reflecting an increase of fair value of NOK 0.8 million compared to remeasurement adjustment of NOK 17.2 in 2021. The increased fair value has been recognized in profit or loss as a financial cost. To arrive at the remeasured fair value of NOK 135.3 million, Photocure has discounted the estimated earnout payments by an IRR at level with 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. Future sales, given performance in 2022 and growth opportunities going forward, are expected to be in line with forecasts prepared in connection with the transaction.

Photocure has made the remeasurement of the earnout liability in NOK currency and based the forecasted cashflow on a fixed exchange rate EUR/NOK of 10.2 and this is in line with the prior year remeasurement.

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 187 - 306 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.

Group

	Earnout liability	Financial loan bank	Office Lease Oslo	Office Lease Princeton	Office and car Lease Germany	Total
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
Remeasurerd 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**
1th year instalments	-5 750	25 000	-2 400	-1 549	-1 882	-36 581
Accumulated 31 December 2021	139 350	37 500	13 052	10 269	6 322	206 492
Proceeds from loans and borrowing						0
Loan repayment and earnout instalments	-5 714	-25 000				-30 714
Payment of lease liabilities			-2 193	-1 548	-1 889	-5 630
Total changes from financing	**-5 714**	**-25 000**	**-2 193**	**-1 548**	**-1 889**	**-36 344**
Remeasurerd liability	758		574	1 245	410	2 988
New lease liability				-324	1 170	846
Interest expense	24 383	846	249	248	79	25 804
Interest paid	-23 444	-846	-249	-298	-79	-24 915
Total liability related changes	**1 697**	**0**	**574**	**871**	**1 580**	**4 723**
Accumulated 31 December 2022	**135 333**	**12 500**	**11 433**	**9 591**	**6 014**	**174 871**
1th year instalments	-9 100	12 500	-2 302	-1 598	-1 882	-27 382

23. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

(Amounts in NOK 1,000)	Group		Parent	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Accounts payable	21 281	23 648	12 479	15 574
Accounts payable intercompany	-	-	3 388	1 444
Total	**21 281**	**23 648**	**15 867**	**17 018**
Accrued bonus, holiday pay, salaries	30 782	27 426	12 442	13 625
Incurred earnout liability	7 376	7 463	7 376	7 463
Short-term payable, intercompany	-	-	14 048	5 758
Miscellaneous other accrued costs	12 649	15 465	8 142	9 315
Total other current liabilities	**50 807**	**50 354**	**42 008**	**36 161**

The incured earnout liability is for net sales in last quarter.

Accrued bonus, holiday pay, salaries include accrual for estimated annual bonus as of 31 December 2022. Final annual bonus for the Group is to be decided by the Board of Directors.

24. SUBSEQUENT EVENTS

Post period, on March 21, 2023, Photocure announced that Karl Storz due to component supply issues will discontinue the production of its current flexible BLC equipment in the U.S. Karl Storz plans to service existing customers through the remainder of the year. Karl Storz will explore the development of a next generation state-of-the-art flexible blue light system pending a positive reclassification decision by the U.S. Food & Drug Administration (FDA). The impact from a lack of new flexible BLC installations in FY 2023 is estimated to be less than 2% of Photocure's total revenue.

KPMG AS
Sørkedalsveien 6
P.O. Box 7000 Majorstuen
N-0306 Oslo

Telephone +47 45 40 40 63
Internet www.kpmg.no
Enterprise 935 174 627 MVA

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 2022, the 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, and

- the consolidated financial statements of Photocure ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2022, the 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 2022, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including

Penneo Dokumentnøkkel: PDT52-0A6P8-BV7YJ-XK8TA-ILI56-PIMPK

© KPMG AS, a Norwegian limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

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, Sandefjord, Stavanger, Stord, Straume, Tromsø, Trondheim, Tynset, Ulsteinvik, Ålesund

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 14 years from the election by the general meeting of the shareholders on 29 April 2009 for the accounting year 2009.

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 10 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 55.1 million in the Company and Group's financial statements as of 31 December 2022. 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.

Penneo Dokumentnøkkel: PDT52-0A6P8-BV7YJ-XK8TA-ILI56-PIMPK

KPMG

2. *Loan to 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 313.8 million in the Company's financial statement as of 31 December 2022. 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

Penneo Dokumentnøkkel: PDT52-0A6P8-BV7YJ-XK8TA-ILI56-PIMPK

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 information accompanying the financial statements otherwise appear 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 statutory requirements.

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

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 and 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's 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

Penneo Dokumentnøkkel: PDT52-0A6P8-BV7YJ-XK8TA-ILI56-PIMPK

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 Requirement on European Single Electronic Format (ESEF)

Opinion
As part of the audit of the financial statements of Photocure ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name 5967007LIEEXZXG8OW35-2022-12-31-en, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities
Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities
Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance 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 about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our procedures include reconciliation of the iXBRL tagged data 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.

Penneo Dokumentnøkkel: PDT52-0A6P8-BV7YJ-XK8TA-ILIS6-PIMPK

KPMG

Oslo, 11 April 2023
KPMG AS

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

Penneo Dokumentnøkkel: PDT52-0A6P8-BV7YJ-XK8TA-ILIS6-PIMPK

PENNEO

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Geir Moen
Statsautorisert revisor
On behalf of: KPMG AS
Serial number: 9578-5999-4-2322213
IP: 80.232.xxx.xxx
2023-04-11 11:33:45 UTC

bankID

Penneo document key: PDT52-0A6P8-BV7YJ-XK8TA-ILI56-PIMPK

This document is digitally signed using Penneo.com. The digital signature data within the document is secured and validated by the computed hash value of the original document. The document is locked and timestamped with a certificate from a trusted third party. All cryptographic evidence is embedded within this PDF, for future validation if necessary.

How to verify the originality of this document
This document is protected by an Adobe CDS certificate. When you open the document in Adobe Reader, you should see, that the document is certified by **Penneo e-signature service <penneo@penneo.com>**. This guarantees that the contents of the document have not been changed.

You can verify the cryptographic evidence within this document using the Penneo validator, which can be found at **https://penneo.com/validator**