



Quarterly Report

Q4 2022

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THE
BLADDER CANCER
COMPANY



Highlights for fourth quarter 2022

(Numbers in parentheses and comparisons are for the corresponding period in 2021.)

- Hexvix®/Cysview® revenue in the fourth quarter of 2022 NOK 94.9 million increased 1% compared to the same period last year (NOK 94.2 million). Total revenue increased 10% in Q4 YoY to NOK 104.2 million (NOK 94.5 million).
- A record number of Blue light cystoscope (BLC®) installations was achieved in Q4'22 with 57 installs including OPP towers. During the quarter, 31 new blue light towers were installed; 24 new Saphira™ cystoscopes and 7 flexible units. The installed base of blue light cystoscopes in the U.S. was 370 (311) at the end of the fourth quarter, a 19% increase from the same period last year. This includes 69 flexible cystoscopes, an increase of 44% YoY.
- North America unit sales in Q4 2022 decreased 11% YoY, impacted by staffing shortages, lower procedure volumes in the urology segment, and the Company's focus on the significant Saphira™ tower placements in new accounts. Unit sales in North America have exhibited a return to YoY growth in Q1 2023 to date.
- European unit sales decreased by 8% YoY in the fourth quarter, impacted by the phasing of hospital orders in Germany, hospital budget tightening in Q4 2022, and continued staffing shortages. Unit sales in Europe have exhibited a return to YoY growth in February 2023 to date.
- EBITDA for the fourth quarter of 2022 was NOK -16.9 million (NOK -5.5 million). The YoY decrease in EBITDA was primarily driven by NOK 9 million in business development costs, negative foreign exchange and higher operating expenses, partially offset by a NOK 9.3 million Asieris milestone payment received in Q4 2022.
- In October 2022, Karl Storz filed a Citizen's Petition with the U.S. Food & Drug Administration to reclassify its BLC systems to Class II from Class III, which if approved, would enable a simplified and more rapid process for additional blue light capital equipment manufacturers to enter the U.S. market.
- In November 2022, the U.S. Centers for Medicare and Medicaid Services (CMS) increased payment rates on BLC procedures performed in outpatient surveillance settings. The higher payment rates went into effect Jan. 1, 2023.
- Post-period, Photocure and Karl Storz are in the process of assessing all options to resolve component supply issues with flexible BLC capital equipment. Karl Storz recently informed Photocure that these issues will halt sales of new flexible BLC towers for some time. Photocure plans to provide an update on the situation as progress is made on the multiple strategies that Photocure is undertaking to resolve the issue. 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.
- In 2023, Photocure 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).

Key Figures:

<i>Figures in NOK million</i>	Q4 2022	Q4 2021	Change	FY 2022	FY 2021	Change
Hexvix/Cysview revenues	94.9	94.2	1 %	373.0	351.4	6 %
Other revenues	9.3	0.3		20.1	9.2	
Total revenues	104.2	94.5	10 %	393.1	360.5	9 %
Operating expenses	-115.4	-92.5	25 %	-395.1	-318.2	24 %
EBITDA	-16.9	-5.5		-24.6	18.3	
EBITDA commercial franchise	-23.7	-3.4		-34.6	24.5	
EBITDA development portfolio	6.9	-2.1		10.0	-6.2	
EBIT	-23.1	-11.5		-49.0	-5.8	
Net Earnings	-21.5	-28.2		-71.9	-30.9	
Cash & cash equivalents	268.1	322.9		268.1	322.9	



President & CEO Daniel Schneider comments:

“The fourth quarter of 2022 was highlighted by a record number of Saphira™ tower installations in the U.S., demonstrating ongoing high demand for blue light capital equipment and serving as a leading indicator of the growth opportunity ahead for Hexvix®/Cysview®. The fourth quarter also had its challenges as did the full year of 2022, including a multi-quarter delay in the launch of Saphira™, healthcare worker staffing shortages which pressured urology procedure volumes industry-wide, and hospital budget tightening as staffing shortages exacerbated broader inflationary pressures. Additionally, the phasing of hospital ordering in Germany negatively impacted performance in our European segment toward the end of 2022. While both of our sales regions showed YoY declines in unit sales in Q4, we grew our business in 2022 and the market penetration of Hexvix/Cysview continues to increase globally.

I am proud of our commercial team's ability to facilitate the placement of the highest number of towers ever recorded by Photocure in a single quarter, 57 installations of BLC towers. This figure includes 26 obsolescence protection program (OPP) tower installations during Q4. The logistics of placing this many systems in one quarter, with most new account installations occurring toward the end of Q4, required our commercial team to commit the majority of their time and focus on customer relations and training. Even with the unprecedented number of new Saphira™ and flexible BLC installations in the fourth quarter, the pipeline for new blue light capital equipment remains strong. Importantly, legacy accounts that did not take advantage of the OPP are now expressing interest in upgrading to the new Saphira™ system, with some planning to operate both standard and high-definition cystoscopes in their hospital system to increase access to blue light technology.

In the fourth quarter, 31 new BLC towers were installed, including 7 flexible cystoscopy units. The strong flexible tower performance demonstrates the high demand by large urology group practice associations (LUGPAs) and hospital outpatient facilities (HOPDs) to use BLC in the surveillance setting. While it is unfortunate that Karl Storz is not expected to ship additional flexible BLC equipment in the near-term, we expect that the higher Medicare reimbursement rates for blue light surveillance procedures will help us increase the throughput on existing flexible towers. Given these new circumstances, we will now focus on marketing Saphira™ rigid towers to ASC clinics so they can treat patients in their facilities with positive economics.

Despite the challenges last year and the recent situation with flexible BLC equipment, we expect to deliver Hexvix/Cysview revenue growth of 20%+ and generate positive EBITDA in 2023 excluding business development spending, given the large number of new accounts that have recently activated blue light equipment in their facility, as well as the strong pipeline for anticipated Saphira™ tower installations. We are already seeing signs of positive sales trends in our North American business in early 2023, and in Europe, German hospital ordering patterns appear to be phasing back to normalized growth. With Karl Storz's Saphira™ system also now available in Europe, we are focused on increasing usage in each account by upgrading old systems as well as opening new accounts and installing new towers in 2023. A key strategy is to upgrade older neglected equipment to new high-definition systems from Karl Storz, Richard Wolf, Olympus and potentially other new equipment manufacturers.

In 2022, we encountered a series of external business challenges but were able to navigate through and make progress in broadening the access and use of blue light cystoscopy. We generated positive sales growth for the year, successfully worked with Karl Storz to execute a major capital equipment launch after several quarters of delay, and strengthened our European commercial readiness for a normalized healthcare delivery environment. With account access now open in our major markets, the Saphira™ system now in position to create critical mass for BLC, and the potential for reclassification of blue light capital equipment in the U.S. market, we believe that 2023 will be an exciting year for Photocure.”



Operational review

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

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

With established specialty commercial and medical teams in North America (U.S. and Canada) and Europe focused exclusively on the uro-oncology segment, Photocure has a solid foundation for the future growth of its breakthrough bladder cancer product, as well as the potential to expand its portfolio of solutions within the same uro-oncology domain.

Photocure continues to strive for ethical business operations, transparency and accountability in line with stakeholder expectations. In April 2021, the Company became signatory of the UN Global Compact and in April 2022, Photocure published its sustainability (ESG) report for the year 2021, which can be accessed on the Company's website.

Commercial segment update

Photocure's fourth quarter and full year 2022 results were impacted by delays in the launch of Saphira™, Karl Storz's upgraded BLC system, in addition to the residual effects from the Pandemic. With the new Karl Storz capital equipment becoming available in late September 2022, quarterly BLC tower installations were the highest ever in the Company's history in Q4 2022.

Fourth quarter 2022 was also impacted by staffing shortages and hospital budget tightening, which led to a YoY decline in urology procedure volumes. Despite these challenges, the Company expects to deliver continued improvement in its Hexvix/Cysview business as the significant number of new accounts installing BLC towers in Q4 2022 and the ongoing high demand for this capital equipment are expected to drive growth in 2023.

Revenues from Photocure's North American segment increased 12% in the fourth quarter of 2022, with unit sales down 11% YoY. The increase in revenue

was due to favorable foreign exchange and a higher average sales price per unit in the period. Full year revenues in North America increased 20% to NOK 150.8 million (NOK 125.2 million), with unit growth of 1%. In USD, the revenue growth was 6% YoY.

Revenues from the Company's European segment in the fourth quarter of 2022 decreased by 5% YoY, with in-market unit sales down 8% compared to the fourth quarter of 2021. Unit sales were negatively impacted by the phasing of orders in Germany driven in part by a slow-down in procedure volumes due to staffing shortages, as well as hospital budget tightening in Q4 2022. Sell-through of remaining inventory related to Hexvix stocking in German hospitals due to a price increase in Q2 2022 also took place in the fourth quarter of 2022. For full year 2022, European segment revenues decreased 2% to NOK 221.8 million (NOK 225.8 million), with unit growth of 1%. Negative foreign exchange impacted full year 2022 sales results in Europe.

The net consolidated currency impact on sales revenue was a benefit of approximately NOK 7 million for the fourth quarter of 2022 as well as a benefit of NOK 14 million for the full year 2022.

Income statement - Commercial Franchise

<i>MNOK</i>	Q4 '22	Q4 '21	FY '22	FY '21
North America revenues	38.7	34.6	150.8	125.2
Europe revenues	56.2	59.4	221.8	225.8
Partner revenues	0.0	0.3	0.4	0.4
Hexvix/Cysview total	94.9	94.2	373.0	351.4
<i>YoY growth</i>	1 %		6 %	
Other revenues	0.1	0.3	1.6	7.3
Total revenues	94.9	94.5	374.6	358.7
<i>YoY growth</i>	0 %		4 %	
Gross profit	89.3	87.2	351.9	335.8
Operating expenses	-113.1	-90.6	-386.6	-311.3
EBITDA	-23.7	-3.4	-34.6	24.5
<i>EBITDA margin</i>	-25 %	-4 %	-9 %	7 %

Total Hexvix/Cysview revenue in Q4 2022 increased 1% to NOK 94.9 million (NOK 94.2 million) compared to the same period in 2021. Favorable foreign exchange offset YoY unit sales declines during the fourth quarter. Total Hexvix/Cysview revenue in 2022 increased 6% to NOK 373.0 million (NOK 351.4 million), with unit growth of 1%.

Other revenues included sales to license partners and revenue from Hivec sales associated with the Company's distribution agreement with Combat Medical in the Nordic region.



Hexvix/Cysview

Global in-market unit sales declined 8% in the fourth quarter of 2022 YoY. Ongoing staffing shortages and hospital budget tightening in Q4 2022 impacted fourth quarter performance. The priority to focus on facilitating installations of a record number of 57 new blue light towers in the U.S. including those for Karl Storz's obsolescence protection program (OPP), as well as the phasing of German Hexvix orders were additional factors leading to lower YoY unit sales in Q4 2022. For the full year 2022, global in-market unit sales increased 1%, impacted by weakness in Q1 2022 due to the surge of Covid-19 Omicron and the lower unit sales in Q4 2022.

North America Cysview Segment

Fourth quarter Cysview revenues in North America increased 12% YoY to NOK 38.7 million (NOK 34.6 million). The increase in sales was primarily driven by favorable foreign exchange on revenues in North America as well as price increases. North American unit sales in the fourth quarter of 2022 decreased by 11%, compared to the same period in 2021.

Full year 2022 revenues in North America increased 20% to NOK 150.8 million (NOK 125.2 million). Photocure continues to increase Cysview's penetration of TURBT procedures in its North American business.

The new Karl Storz BLC system, Saphira™ became commercially available in late September 2022. Despite the later-than-expected launch, Photocure and Karl Storz placed 31 new BLC towers in Q4 2022 (24 rigid and 7 flexible). Additionally, 26 OPP towers were placed during the fourth quarter of 2022, totaling 57 new tower installations in the period. The number of BLC tower placements represents the most ever delivered in North America in a single quarter and is anticipated to yield an acceleration in unit sales growth in 2023. Demand for new BLC equipment remains high, and Photocure expects that the pace of new tower installations in 2023 will outperform prior years.

Going forward, growth in U.S. unit volume is anticipated to be driven by focused sales resources and further penetration of Cysview in the surgical and surveillance settings. Photocure continues to expect the U.S. to be the fastest growing segment of its business over the next several years.

At the end of the fourth quarter of 2022, the total installed base of blue light cystoscopes in the U.S. was 370, an increase of 19% or 59 units since the

fourth quarter of 2021. Blue Light Cystoscopy in the surveillance setting remains a strategic priority for Photocure in the U.S. market. While new flexible BLC towers are not expected to be available for installation for some time, the Company will focus on leveraging its contracting strategy and the improved Medicare reimbursement to grow the throughput of Cysview usage across the currently installed base of flexible BLC equipment. In the fourth quarter of 2022, 7 flexible BLC towers were installed driven by rising demand by large urology group practice associations (LUGPAs). By the end of the fourth quarter of 2022, 69 flexible cystoscopes for the surveillance cystoscopy setting had been installed, an increase of 21 or 44% compared to the same period last year (48).

European Hexvix Segment

In the fourth quarter of 2022, revenues in the Company's European segment decreased by 5% to NOK 56.2 million (NOK 59.4 million), while unit sales declined by 8% YoY. Revenue for the European segment was favorably impacted by foreign exchange. Unit sales were negatively impacted by the phasing of German hospital orders, staffing shortages leading to a tightening of hospital spending in the fourth quarter, and the sell-through of remaining Hexvix inventory that was purchased in advance of a price increase during the second quarter of 2022. The Company believes that all of the remaining excess inventory was completely worked down at the end of FY 2022. For full year 2022, European Hexvix revenues decreased 2% to NOK 221.8 million (NOK 225.8 million).

Since Photocure's reacquisition of the European territories outside of the Nordic countries in October 2020, the Company has focused on a strategy to re-engage with physicians, key opinion leaders, and capital equipment manufacturers to rebuild or enter major markets in continental Europe. Germany is the largest market for Hexvix/Cysview and is continuing to recover from the Pandemic and its residual effects. Returning Germany to meaningful growth is a key initiative for the Company's European commercial organization, as is the strategy to drive significantly higher growth rates in large, underpenetrated countries such as the U.K., France and Italy, referred to as Photocure's "priority growth markets". In addition to returning these priority markets to growth, Photocure intends to enter other large unpenetrated European countries such as Spain and Poland.



Hexvix/Cysview partner sales

Due to reimbursement and ongoing staffing challenges, as well as partner transitions, partnership revenues in the fourth quarter of 2022 were limited. In March 2022, the Company announced that it had terminated its distribution agreement with Juno Pharmaceuticals and simultaneously entered into an exclusive distribution agreement with Endotherapeutics Group to commercialize Hexvix in Australia and New Zealand. Endotherapeutics focuses on serving the urology market. In August 2021, Photocure announced that it regained commercial rights to Cysview in Canada from its licensee BioSyent. On January 3, 2022, Photocure announced that it had launched its own commercial operations in Canada combining this territory with its U.S. business to form the Company's North American business segment. The Company believes that these changes, coupled with the lifting of Covid-19 restrictions will begin to yield positive results in 2023 and beyond. Additionally, Photocure has signed agreements with Genotests SpA ("Genotests") for Chile, Asieris for mainland China and Taiwan, and IGL Medical Ltd. for Israel.

In August 2020, Photocure appointed Genotests as the exclusive distributor of Hexvix in Chile. Under the terms of the agreement, Genotests will cover all costs to secure regulatory approval, as well as the launch and commercialization of Hexvix in Chile. Photocure will manufacture the product and support Genotests with the regulatory filing, training and promotional materials. There are approximately 1,500 new bladder cancer cases annually in Chile, an estimated 5,000 TURBT procedures and nearly 3,000 surveillance cystoscopies. In August 2021, Photocure was informed by Genotests that the Marketing Authorization for Hexvix was granted in Chile.

In January 2021, Photocure entered into a partnership agreement with Asieris, a division of Jiangsu Yahong Meditech Co., Ltd., whereby Asieris obtained exclusive rights to register and commercialize Hexvix in Mainland China and Taiwan. The Company received an upfront payment of USD 750,000 from Asieris for the rights to Hexvix in the designated territories and has potential to receive additional payments of up to USD 1.4 million for the achievement of certain regulatory milestones including market approvals in Mainland China and Taiwan. Photocure will manufacture and supply Hexvix and receive a transfer price from Asieris representing a markup on product provided under the agreement, and will also receive royalties on any product sales.

In December 2021, Asieris announced that Hexvix was put into pilot use in the Boao Lecheng International Medical Tourism Pilot Zone in Hainan Province with several patients receiving the procedure to date.

In February 2022, Asieris informed Photocure that it had obtained clinical trial application (CTA) approval from the National Medical Products Administration (NMPA) of China, enabling a clinical trial with Hexvix to be conducted in the region. Chinese regulators have required the successful results of this trial to be obtained before granting regulatory approval of the product.

In March 2022, Asieris announced that it had obtained approval from the National Medical Products Administration (NMPA) to conduct a real-world evidence (RWE) study for Hexvix in Hainan, China. This study is expected to enable Asieris to capture real-world Hexvix data from the Hainan Pilot Study in order to augment the Phase III data package and expedite data collection, review and approval in China. On December 12, 2022, Asieris announced that the first patient was dosed in its RWE study.

Hexvix/Cysview publications and presentations

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>

In November 2022, the United States Centers for Medicare & Medicaid Services (CMS) released final payment rates in connection with approved Medicare reimbursement changes for Blue Light Cystoscopy (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.

[CMS Final Rule Press Release](#)

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 favouring use of blue light in hospital outpatient departments (HOPDs) over ASCs.

<https://www.sciencedirect.com/science/article/abs/pii/S1078143922004756?dgcid=author>

Development portfolio update

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

Income statement - Development Portfolio

MNOK	Q4 '22	Q4 '21	FY '22	FY '21
Total revenues	9.3	-	18.5	1.8
Gross profit	9.3	-0.2	18.5	0.7
Operating expenses	-2.4	-1.9	-8.5	-6.8
EBITDA	6.9	-2.1	10.0	-6.2

Cevira®: Candidate for the treatment of HPV (human papillomavirus) & precancerous lesions of the cervix
Cevira is a photodynamic drug-device combination product for non-surgical treatment of high-grade cervical dysplasia.

In July of 2019, the Company entered into a License Agreement providing Asieris with a world-wide license to develop and commercialize Cevira for the treatment of HPV-induced cervical precancerous lesions.

Subsequently, Asieris launched a global clinical development program initially focused on the Chinese market, based on Photocure’s Phase 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), which is being developed for the non-surgical treatment of high-grade cervical dysplasia (HSIL).

In late 2020, patient enrollment was initiated in Asieris’ Phase III study in China. 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?term=Asieris&draw=2&rank=1>

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.

In August 2022, Photocure announced that it had received a USD 1.0 million milestone payment from



Asieris related to the clinical development of Cevira. In the fourth quarter of 2022, Photocure received an additional USD 1.0 million milestone payment from Asieris related to Cevira's ongoing clinical development.

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

(Numbers in parentheses are for the corresponding period in 2021; references to the prior year refer to a comparison to the same period 2021, unless otherwise stated).

<i>MNOK</i>	Q4 '22	Q4 '21	FY '22	FY '21
Hexvix / Cysview revenues	94.9	94.2	373.0	351.4
Total other revenues	9.3	0.3	20.1	9.2
Total revenues	104.2	94.5	393.1	360.5
Gross profit	98.6	87.0	370.4	336.5
Operating expenses	-115.4	-92.5	-395.1	-318.2
EBITDA	-16.9	-5.5	-24.6	18.3
Depreciation & amortization	-6.2	-6.0	-24.4	-24.1
EBIT	-23.1	-11.5	-49.0	-5.8
Net financial items	-5.5	-21.5	-22.1	-25.8
Earnings before tax	-28.6	-33.0	-71.1	-31.7
Tax expenses	7.1	4.9	-0.7	0.8
Net earnings	-21.5	-28.2	-71.9	-30.9

Revenues

Total revenues in the fourth quarter of 2022 increased 10% to NOK 104.2 million (NOK 94.5 million). Full year total revenues were NOK 393.1 million (NOK 360.5 million), an increase of 9%. Photocure received in the fourth quarter 2022 NOK 9.3 million (USD 1.0 million) as milestone payment from Asieris related to the ongoing clinical development of Cevira. For the full year 2022 Photocure has received NOK 18.5 million in milestone payments from Asieris. Full year revenues in 2021 included a signing fee from Asieris of NOK 6.4 million as per the partnership agreement with Asieris whereby Asieris obtained exclusive rights to register and commercialize Hexvix in Mainland China and Taiwan.

Hexvix/Cysview revenues in the fourth quarter of 2022 were NOK 94.9 million (NOK 94.2 million), an increase of 1% from fourth quarter 2021. The increase is driven by the strengthening of the USD as well as price increases in US and Europe, partly offset by reduced unit sales. Full year Hexvix/Cysview revenues were NOK 373.0 million (NOK 351.4 million), an increase of 6%. Unit sales increased 1% for the full year. The staffing shortages in the health care sector continue to have a negative impact on revenue.

Cost of goods sold (COGS)

Fourth quarter 2022 COGS was NOK 5.6 million (NOK 7.5 million). Full year COGS was NOK 22.7 million (NOK 24.1 million). As a percentage of sales revenue COGS was 6% for the year.

Operating expenses

Total operating expenses, excluding depreciation and amortization, were NOK 115.4 million (NOK 92.5 million) in the fourth quarter, an increase of NOK 22.9 million. NOK 9 million of the year over year increase was driven by business development activities related to the objective to increase the Company's product offering. An additional NOK 9 million of the increase was due to the strengthening of the USD and EUR. The remaining increase of NOK 5 million (5-6 %) was mainly due to inflation and higher sales and medical expenses, as Photocure continues to invest in anticipated value-creating opportunities.

Full year total operating expenses, excluding depreciation and amortization, were NOK 395.1 million (NOK 318.2 million). The main contributor to the YoY increases in operating expenses was the inclusion of the European business from Ipsen in terms of local commercial organization and scaling of regulatory and marketing group activities. In the second half of 2021, the Company also added investments in the U.S. commercial operation reflecting the anticipated gradual improvement of healthcare market access. Furthermore, expenses were impacted by business development activities related to the objective to increase the Company's product offering, as well as inflation and the strengthening of the USD

Fourth quarter 2022 research and development (R&D) costs were NOK 0.5 million (NOK 1.2 million). Full year R&D costs were NOK 3.3 million (NOK 4.3 million). The R&D costs relate mainly to regulatory work and the maintenance and expansion of Photocure's intellectual property.



Sales and marketing costs increased by 15% to NOK 81.8 million (NOK 71.3 million) in the fourth quarter of 2022. The expense increase was mainly driven by investments in the European commercial organization following the re-acquisition of the Hexvix commercial rights in continental Europe from Ipsen. Sales and marketing costs for the full year were NOK 286.3 million (NOK 243.0 million).

Fourth quarter 2022 Other operating expenses, which include supply chain, business development, and general/administration costs, were NOK 33.1 million, compared to NOK 19.9 million in the same quarter of 2021. The increase was mainly driven by business development activities as well as the inclusion of the European business from Ipsen. Full year Other operating expenses were NOK 105.4 million (NOK 70.9 million).

Photocure took measures to contain its expenses during the earlier pandemic surges, and from the second half of 2021, the Company has increased investment in its operations to take advantage of the anticipated improvement in healthcare access and procedure volumes.

Financial results

EBITDA was NOK -16.9 million (NOK -5.5 million) for the fourth quarter of 2022. The fourth quarter EBITDA was negatively impacted by costs associated with business development activities and by the impact from foreign exchange, a total of approximately NOK 11 million. Full year EBITDA was NOK -24.6 million (NOK 18.3 million). The full year reduction in EBITDA was mainly due to expenses associated with business development activities and the impact from foreign exchange, a total of approximately NOK 25 million. Furthermore, revenue development continues to be affected by staffing shortages, combined with increased investments preparing for future reduced impact from the Pandemic.

Fourth quarter 2022 depreciation and amortization was NOK 6.2 million (NOK 6.0 million). The main cost item was the amortization of intangible assets related to the return of Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen. Full year depreciation and amortization was NOK 24.4 million (NOK 24.1 million).

Net financial items in the fourth quarter of 2022 were NOK -5.5 million (NOK -21.5 million). Financial costs

were mainly driven by incurred interest costs included for the deferred earnout liability due to Ipsen. Full year Net financial items were NOK -22.1 million (NOK -25.8 million). Net financial items in the first quarter of 2021 were impacted by unrealized currency gains totaling NOK 14.0 million. In the fourth quarter of 2021, Net financial items were impacted by a NOK 17.2 million increased in accrued earn-out liability related to the future earn-out on the Ipsen territories.

Photocure experienced a net loss before tax of NOK 28.6 million in the fourth quarter of 2022 (net loss of NOK 33.0 million). Net earnings after tax were a loss of NOK 21.5 million for the fourth quarter of 2022 (net loss of NOK 28.2 million). For the full year Photocure had a net loss before tax of NOK 71.1 million (net loss of NOK 31.7 million) and net earnings after tax of NOK -71.9 million (NOK -30.9 million).

Cash flow and statement of financial position

Net cash flow from operations was NOK 0.7 million in the fourth quarter of 2022 (NOK 6.3 million). The positive cash flow from operations in the fourth quarter of 2022 was mainly driven by the milestone payment from Asieris and the positive working capital development. Full year net cash flow from operations was NOK -2.0 million (NOK 23.9 million).

Full year 2022 net cash flow from investments was NOK -1.5 million (NOK -1.9 million).

Full year 2022 cash flow from financing was NOK -51.3 million (NOK -34.0 million). Full year cash flow from financing included repayment of long-term debt (Nordea) of NOK 25.0 million and paid earnout of NOK 29.4 million.

For the fourth quarter of 2022, Net change in cash was NOK -15.8 million (NOK -7.2 million). Full year, Net change in cash was NOK -54.8 million (NOK -12.0 million). Cash and cash equivalents were NOK 268.1 million at the end of 2022.

Shareholders' equity was NOK 462.7 million at the end of 2022, representing an equity ratio of 64%.

Long term liabilities were NOK 167.1 million at the end of 2022, including capitalized value of expected future earn-out payments to Ipsen totaling NOK 135.3 million.

As of December 31, 2022, Photocure held 15,122 of its own shares.



Risks and uncertainty factors

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

The Company is exposed to risks associated with market development for Hexvix/Cysview, progress of partnering activities, the availability and operating condition of capital equipment supplied by third-party companies, as well as financial risks related to inflation, interest rates, liquidity and currency fluctuations.

As described in the Company's Annual Report for 2021, the Covid-19 pandemic is still having residual impact and is subject to ongoing attention by Company Management and the Board of Directors.

There are no significant changes in the risks and uncertainty factors compared to the descriptions in the Annual Report for 2021.

Subsequent events

On February 13, 2023, Karl Storz informed Photocure of supply issues with components of its flexible BLC capital equipment, which are not expected to be resolved in the near term. Photocure and Karl Storz are in the process of assessing all options for flexible BLC. The revenue impact from a lack of new flexible BLC installations in 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 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).



The Board of Directors and CEO
Photocure ASA

Oslo, February 22, 2023

Jan Hendrik Egberts
Chairperson

Johanna Holldack
Director

Neal Shore
Director

Anders Tuv
Director

Anne Worsøe
Director

Daniel Schneider
President and CEO



Photocure Group

Accounts for fourth quarter and preliminary full year 2022

Photocure Group – Statement of comprehensive income

		2022	2021	2022	2021
	Note	Q4	Q4	1.1 - 31.12	1.1 - 31.12
<i>(all amounts in NOK 1,000 except per share data)</i>					
Sales revenues		94 937	94 524	374 474	354 124
Signing fees and milestone revenues	7	9 253	-	18 658	6 416
Total revenues		104 190	94 524	393 132	360 540
Cost of goods sold		-5 605	-7 531	-22 697	-24 050
Gross profit		98 584	86 993	370 434	336 490
Indirect manufacturing expenses	3	-5 405	-4 103	-15 371	-14 828
Research and development expenses	3	-542	-1 235	-3 342	-4 322
Marketing and sales expenses	3	-86 114	-75 560	-303 434	-259 867
Other operating expenses	3	-29 619	-17 594	-97 290	-63 298
Total operating expenses		-121 680	-98 492	-419 437	-342 315
EBIT		-23 096	-11 499	-49 003	-5 826
Financial income		3 630	5 965	9 218	26 212
Financial expenses		-9 098	-27 498	-31 349	-52 042
Net financial profit/loss(-)		-5 467	-21 533	-22 131	-25 830
Profit/loss(-) before tax		-28 563	-33 032	-71 134	-31 656
Tax expenses	4	7 079	4 881	-723	759
Net profit/loss(-)		-21 484	-28 150	-71 857	-30 897
Other comprehensive income		-1 856	869	2 202	-1 311
Total comprehensive income		-23 340	-27 281	-69 654	-32 208
Net profit/loss(-) per share, undiluted	5	-0.79	-1.05	-2.66	-1.15
Net profit/loss(-) per share, diluted	5	-0.79	-1.05	-2.66	-1.15



Photocure Group – Statement of financial position

(Amounts in NOK 1,000)	Note	31.12.2022	31.12.2021
Non-current assets			
Customer relationship	6	129 209	145 881
Goodwill	6	144 000	144 000
Fixed assets	6	32 479	33 575
Deferred tax asset	4	55 120	53 003
Total non-current assets		360 808	376 459
Current assets			
Inventories		26 534	27 534
Accounts receivable		47 164	47 980
Other receivables		16 455	14 780
Cash and short term deposits	9	268 073	322 895
Total current assets		358 226	413 189
Total assets		719 034	789 648
Equity and liabilities			
Equity			
Share capital	11	13 560	13 487
Other paid-in capital		440 415	410 734
Retained earnings		8 758	78 412
Shareholders' equity		462 733	502 632
Long-term liabilities			
Earnout liability	8, 9	135 333	139 350
Long term loan financial institution	10	-	12 500
Other long-term liabilities		31 794	33 163
Total long-term liabilities		167 127	185 013
Accounts payable		21 281	23 648
Short-term part of longterm liability	10	12 500	25 000
Other short-term liabilities		55 394	53 355
Total liabilities		256 301	287 015
Total equity and liabilities		719 034	789 648

Photocure Group – Changes in equity

(Amounts in NOK 1,000)	2022 Q4	2021 Q4	2022 1.1 - 31.12	2021 1.1 - 31.12
Equity at end of prior period	479 563	522 680	502 632	508 133
Capital increase	-	2 396	7 569	13 945
Share-based compensation (share options employees)	6 510	4 873	22 176	12 665
Own shares	-	-36	11	97
Comprehensive income	-23 340	-27 281	-69 654	-32 208
Equity at end of period	462 733	502 632	462 733	502 632



Photocure Group – Cash flow statement

	2022	2021	2022	2021
<i>(Amounts in NOK 1,000)</i>	Q4	Q4	1.1 - 31.12	1.1 - 31.12
Profit/loss(-) before tax	-28 563	-33 032	-71 134	-31 656
Depreciation and amortisation	6 233	6 022	24 378	24 127
Share-based compensation	6 200	4 874	22 176	12 665
Interest income	-3 161	-169	-2 147	-1 807
Interest costs	6 557	5 905	25 804	23 826
Remeasured earnout	758	17 220	758	17 220
Unrealized currency (- gains) / losses	2 397	-2 799	763	-14 869
Changes in working capital	14 376	8 574	-180	-3 222
Other operational items	-4 084	-297	-2 435	-2 398
Net cash flow from operations	713	6 298	-2 018	23 886
Net investments in fixed assets	-2 356	-29	-3 609	-3 703
Received interest payments	3 161	169	2 147	1 807
Cash flow from investments	804	140	-1 462	-1 896
Share capital increase employees	-	2 396	7 570	13 945
Paid earnout	-7 300	-7 772	-29 390	-28 818
Payment of lease liability	-3 398	-1 631	-3 164	-5 306
Long term loan	-6 250	-6 250	-25 000	-12 500
Other financial payments and transactions	-367	-428	-1 358	-1 304
Cash flow from financing activities	-17 316	-13 686	-51 342	-33 983
Net change in cash during the period	-15 799	-7 248	-54 822	-11 992
Cash & cash equivalents at beginning of period	283 872	330 143	322 895	334 887
Cash & cash equivalents at end of period	268 073	322 895	268 073	322 895



Notes to the accounts for fourth quarter and preliminary full year 2022

Note 1 – General accounting principles

General information

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

Photocure Group (Photocure) comprises Photocure ASA and 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.

Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021 (the Annual Financial Statements) as they provide an update of previously reported information.

The interim report has not been subject to an audit. The Board of Directors approved the interim financial statements on February 22, 2023.

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

Important accounting valuations, estimates and assumptions

IFRS 3

Photocure has in 2020 acquired back the Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen Pharma SAS. The residual value in the acquisition constituted goodwill and is tested at end of 2022 for impairment. The contingent consideration was measured at fair value at the date of acquisition and is remeasured at fair value as of December 31, 2022. The changes in the fair value are recognized in profit or loss as financial income or expense

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



Note 2 - Photocure Group – Segment information

Photocure has two segments: Commercial Franchise and Development Portfolio. Commercial Franchise includes Hexvix/Cysview by geography (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.

1.1-31.12 2022

(Amounts in NOK 1 000)	Hexvix Europe	Cysview North Am	Other Sales	Total Sales	Total R&D	Grand Total
Sales revenues	221 826	150 784	1 863	374 474	-	374 474
Milestone revenues	-	-	152	152	18 506	18 658
Cost of goods sold	-16 810	-4 835	-1 052	-22 697	-	-22 697
Gross profit	205 016	145 950	963	351 929	18 506	370 435
Gross profit of sales %	92 %	97 %	44 %	94 %		94 %
R&D	-1 211	-322	-	-1 533	-1 809	-3 342
Sales & marketing	-118 563	-163 565	-3 619	-285 747	-645	-286 392
Other & allocations	-52 758	-38 355	-8 177	-99 290	-6 038	-105 328
Operating expenses	-172 532	-202 242	-11 795	-386 570	-8 492	-395 062
EBITDA	32 484	-56 292	-10 832	-34 641	10 013	-24 627

1.1-31.12 2021

(Amounts in NOK 1 000)	Hexvix Europe	Cysview North Am	Other Sales	Total Sales	Total R&D	Grand Total
Sales revenues	225 751	125 232	1 306	352 289	1 836	354 124
Milestone revenues	-	-	6 416	6 416	-	6 416
Cost of goods sold	-18 454	-3 901	-521	-22 876	-1 175	-24 051
Gross profit	207 297	121 331	7 200	335 828	661	336 489
Gross profit of sales %	92 %	97 %	60 %	94 %	36 %	93 %
R&D	-1 279	-386	-	-1 665	-2 657	-4 322
Sales & marketing	-105 127	-131 251	-5 976	-242 354	-612	-242 965
Other & allocations	-37 083	-24 920	-5 317	-67 321	-3 581	-70 901
Operating expenses	-143 489	-156 557	-11 293	-311 339	-6 849	-318 188
EBITDA	63 808	-35 226	-4 093	24 489	-6 188	18 301



Photocure – Results for fourth quarter and preliminary full year 2022

Q4 2022

(Amounts in NOK 1 000)	Hexvix Europe	Cysview North Am	Other Sales	Total Sales	Total R&D	Grand Total
Sales revenues	56 219	38 659	59	94 937	-	94 937
Milestone revenues	-	-	-	-	9 253	9 253
Cost of goods sold	-4 139	-1 180	-285	-5 605	-	-5 605
Gross profit	52 080	37 479	-227	89 332	9 253	98 585
Gross profit of sales %	93 %	97 %	-387 %	94 %		94 %
R&D	-118	-31	-	-149	-393	-542
Sales & marketing	-34 426	-45 916	-1 378	-81 720	-182	-81 902
Other & allocations	-16 386	-12 233	-2 565	-31 184	-1 823	-33 007
Operating expenses	-50 930	-58 181	-3 942	-113 053	-2 398	-115 451
EBITDA	1 150	-20 702	-4 169	-23 721	6 854	-16 867

Q4 2021

(Amounts in NOK 1 000)	Hexvix Europe	Cysview North Am	Other Sales	Total Sales	Total R&D	Grand Total
Sales revenues	59 358	34 601	565	94 524	-	94 524
Milestone revenues	-	-	-	-	-	-
Cost of goods sold	-6 191	-1 060	-43	-7 294	-238	-7 532
Gross profit	53 166	33 541	522	87 230	-238	86 992
Gross profit of sales %	90 %	97 %	92 %	92 %		92 %
R&D	-529	-160	-	-688	-547	-1 235
Sales & marketing	-32 802	-35 204	-3 097	-71 102	-237	-71 339
Other & allocations	-10 260	-6 979	-1 573	-18 812	-1 075	-19 887
Operating expenses	-43 591	-42 342	-4 670	-90 603	-1 858	-92 461
EBITDA	9 576	-8 801	-4 148	-3 373	-2 096	-5 469

Note 3 – Income statement classified by nature

(Amounts in NOK 1 000)	2022 1.1-31.12	2021 1.1-31.12
Sales revenues	374 474	354 124
Signing fees and milestone revenues	18 658	6 416
Cost of goods sold	-22 697	-24 050
Gross profit	370 434	336 490
Payroll expenses	-244 881	-210 552
R&D costs excl. payroll expenses/other operating exp.	-1 809	-2 657
Ordinary depreciation and amortisation	-24 378	-24 127
Other operating expenses	-148 370	-104 979
Total operating expenses	-419 437	-342 315
EBIT	-49 003	-5 826

Note 4 – Tax

<i>(Amounts in NOK 1 000)</i>	31.12.2022	31.12.2021
Income tax expense		
Tax payable	-2 840	-2 365
Changes in deferred tax	2 117	3 124
Total income tax expense(-)/income	-723	759
Tax base calculation		
Profit before income tax	-61 021	-22 950
Permanent differences	49 534	8 346
Temporary differences	-35 757	10 050
Change in tax loss carried forward	47 244	4 554
Tax base	-0	-
Temporary differences:		
Total	-146 356	-110 533
Tax loss carried forward	396 901	351 456
Net temporary differences	250 545	240 923
Deferred tax benefit	250 545	240 923
Deferred tax asset	55 120	53 003

Temporary differences are recognized for the parent company only and the note disclosure for the Group is of this reason identical to the disclosure for parent company.

The calculation of deferred tax asset December 31, 2022 and December 31, 2021 is based on a tax rate of 22%. The deferred tax asset is increased to NOK 55.1 million due to movements in tax loss in the period. The deferred tax asset was NOK 53.0 million as of December 31, 2021. There is no expiry on losses to be carried forward in Norway. The basis for recognition of a tax asset in Norway are the expected future profit according to the business plan for all major markets and that temporary differences for the coming years will be reversed. The basis for the recognition of the tax asset is the assessment that there is convincing evidence that the deferred tax benefit will be utilized.

For further information Photocure refer to the consolidated financial statements for the year ended December 31, 2021 Note 11.

Note 5 – Earnings per share

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



	2022	2021
<i>(Figures indicate the number of shares)</i>	1.1-31.12	1.1-31.12
Issued ordinary shares 1 January	26 973 820	26 717 536
Effects of share options exercised	82 017	142 718
Effect of treasury shares	-20 861	-16 919
Effect of shares issued	-	-
Weighted average number of shares	27 034 976	26 843 335
Effect of outstanding share options	113 759	264 553
Weighted average number of diluted shares	27 148 735	27 107 888
Earnings per share in NOK	-2.66	-1.15
Earnings per share in NOK diluted	-2.66	-1.15

Note 6 – Intangible and Fixed Assets

<i>(Amounts in NOK 1 000)</i>	Customer		Fixed assets			Total fixed assets
	Goodwill	relations	Right of use	Equipment	Intangibles	
Net book value 31.12.2021	144 000	145 881	28 691	3 728	1 156	33 575
Net investments and revaluation 2022	-	-	3 180	2 307	1 134	6 621
Depreciation and amortization	-	-16 672	-5 779	-1 321	-616	-7 716
Net book value 31.12.2022	144 000	129 209	26 092	4 714	1 674	32 480

Goodwill amounts to NOK 144 million and relate to the Hexvix sales, marketing and distribution rights in Europe previously controlled by Ipsen Pharma SAS (Ipsen) that were acquired by Photocure on October 1, 2020. The goodwill 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 exceed forecasts prepared in connection with the transaction.

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 October 1, 2020 was NOK 166.7 million. Photocure has evaluated this asset to have an estimated value for 10 years and the intangible asset is depreciated on a straight-line basis over this period.

The right of use assets includes the office rental agreements for Norway, US and Germany. In addition, a company car fleet related to the sales organization in Germany is included. The related lease liability is measured at the present value of the lease payments that are not paid at the commencement, discounted using the Groups incremental borrowing rate as the discount rate. The lease liabilities as of December 31, 2022 are NOK 27.0 million compared to NOK 29.6 million as of December 31, 2021 and the interest expense is NOK 576 thousand.

Note 7 – Signing fee

Photocure received in Q3 a milestone payment of USD 1 million / NOK 9.3 million from Asieris related to the ongoing clinical development of Cevira. Photocure received an additional milestone payment in Q4 of USD 1 million / NOK 9.3 million from Asieris related to the ongoing clinical development of Cevira giving Photocure total milestone revenue from Asieris of USD 2 million in 2022.

Note 8 – Earnout

Ipsen receives a deferred consideration with 15% of net sales (years 1-7 post-transfer) and 7.5% of net 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. Photocure has in 2022 paid earnout installments with NOK 5.7 million compared to NOK 5.6 million in 2021. There are limited currency exchange rate impacts in 2022 of EUR compared to NOK. The fair value of the deferred consideration is driven by future expected sales and is remeasured on a yearly basis. Photocure has carried out a remeasurement as of December 31, 2022. The remeasurement resulted in a fair value of NOK 135.3 million reflecting an increase of fair value of NOK 0.8 million. The increased fair value has been recognized in the profit or loss statement 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 IRR of 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. Future sales, given performance in 2022 and growth opportunities going forward, are expected to confirm forecasts prepared in connection with the transaction.

Note 9 – Fair value financial assets

The table below analyses financial assets recognized in the balance sheet at fair value according to the valuation method. The different levels have been defined as follows:

Level 1: Noted prices in active markets for corresponding assets or liabilities

Level 2: Available value measurements other than the noted prices classified as Level 1, either directly observable in the form of agreed prices or indirectly as derived from the price of equivalent.

Level 3: Value measurements of assets or liabilities that are not based on observed market values

Market value hierarchy <i>(Amounts in NOK 1 000)</i>	Level 1	Level 2	Level 3	Total
- Money market funds	234 202	-	-	234 202
- Earnout liability			-135 333	-135 333
Total	234 202	-	-135 333	

Note 10 – Long term loan

Photocure received a loan of NOK 50 million from Nordea in the second quarter 2020. The loan is secured under the State Guarantee Scheme for Loans to SME's (Covid-19 related). The loan carries a floating interest rate, and the effective interest rate at the end of the quarter was 4.89%. The loan is a three-year term loan, first year interest only, thereafter, from September 2021, quarterly repayments of NOK 6.25 million. The loan balance as of end December 2022, was NOK 12.5 million of which all is due within next 6 months.



Note 11 – Share capital

Registered share capital in Photocure ASA amounts to:

	No. of shares	Nominal value per share	Share capital in NOK
Share capital at December 31, 2021	26 973 820	NOK 0.50	13 486 910
Share capital at December 31, 2022	27 120 820	NOK 0.50	13 560 410
Treasury shares:			
Holdings of treasury shares at December 31, 2021	14 846		7 833
Sale/Buy-back of shares	-205	NOK 0.50	-103
Sale(-)/Buy-back of restricted shares	481	NOK 0.50	241
Holdings of treasury shares at December 31, 2022	15 122		7 971

The table below indicates the status of authorizations as of December 31, 2022:

	Purchase, treasury shares	Ordinary share issue	Employee share issues
<i>(Figures indicate the number of shares)</i>			
Authorisation issued at the General Meeting on April 28, 2022	2 697 657	5 395 314	750 000
Share issues after the General Meeting on April 28, 2022	-	-	144 250
Purchase of treasury shares after April 28, 2022	-205	-	-
Remaining under authorisations at December 31, 2022	2 697 452	5 395 314	605 750

Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of December 31, 2022:

Name	Position	No. of shares	No. of subscription rights
Daniel Schneider	President & CEO	99 689	325 000
Erik Dahl	Chief Financial Officer	32 750	192 500
Geoffrey Coy	VP & General Manager North America	15 207	212 500
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 Deve	-	88 000
Susanne Strauss	VP & General Manager Europe	1 392	200 000
Jan H. Egbert	Chairperson of the board	14 500	1 312
Johanna Holldack	Board member	-	804
Neal Shore	Board member	-	804
Anders Tuv*	Board member	679 619	804
Anne Worsøe	Board member	-	804

* Anders Tuv represents RADFORSK Investeringsstiftelse



Note 12 – Share options

As of December 31, 2022, employees in Photocure had the following share option schemes:

Year of allocation	2022	2021	2020	2020
Option program	2022	2021	2020	2019
Number	716 028	733 000	389 250	84 500
Exercise price (NOK)	114.89-115.70	87.39 - 145.27	78.65 - 81.41	50.72 - 56.83
Year of expiry	2027	2026	2025	2024

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

	31.12.2022		31.12.2021	
	No. of shares	Average exercise price (NOK)	No. of shares	Average exercise price (NOK)
Outstanding at start of year	1 355 750	109.61	981 534	66.28
Allocated 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	-	-	-	-
Outstanding at end of period	1 922 778	116.04	1 355 750	109.61
Exercisable options at end of period	448 000	101.30	90 375	77.66



Note 13 – Shareholders

Overview of the major shareholders as of December 31, 2022:

Major Shareholders	Citizen	Type	# Shares	%
Morgan Stanley & Co. LLC	United States	Nominee	4 160 945	15.3 %
Skandinaviska Enskilda Banken AB	Sweden	Nominee	1 138 000	4.2 %
Skandinaviska Enskilda Banken AB	Ireland	Nominee	1 117 101	4.1 %
Skandinaviska Enskilda Banken AB	Sweden	Nominee	720 644	2.7 %
Radforsk Investeringsstiftelse	Norway	Ordinary	679 619	2.5 %
The Bank of New York Mellon SA/NV	United Kingdom	Nominee	581 018	2.1 %
The Bank of New York Mellon SA/NV	Ireland	Nominee	515 000	1.9 %
Nordnet Bank AB	Sweden	Nominee	511 441	1.9 %
RBC Investor services bank S.A.	Luxembourg	Nominee	477 179	1.8 %
The Bank of New York Mellon	United States	Nominee	473 494	1.7 %
MP Pensjon PK	Norway	Ordinary	440 178	1.6 %
The Northern Trust Comp, London Br	United Kingdom	Nominee	439 420	1.6 %
Skandinaviska Enskilda Banken AB	Finland	Nominee	417 940	1.5 %
Skandinaviska Enskilda Banken AB	Sweden	Nominee	412 990	1.5 %
The Bank of New York Mellon SA/NV	Denmark	Nominee	400 000	1.5 %
JPMorgan Chase Bank, N.A., London	United Kingdom	Nominee	390 226	1.4 %
Verdipapirfondet Equinor Aksjer Norge	Norway	Ordinary	375 872	1.4 %
Verdipapirfondet KLP AksjeNorge	Norway	Ordinary	375 630	1.4 %
Avanza Bank AB	Sweden	Nominee	372 126	1.4 %
The Bank of New York Mellon	United States	Nominee	329 888	1.2 %
Total 20 largest shareholders			14 328 711	52.8 %
Total other shareholders			12 792 109	47.2 %
Total number of shares			27 120 820	100.0 %



Photocure Group – Alternative Performance Measures

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

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

Photocure uses the following alternative performance measures.

EBITDA & EBIT

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

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

The reconciliation to the IFRS accounts is as follows:

	2022	2021	2022	2021
	Q4	Q4	Full Year	Full Year
<i>(All amounts in NOK 1 000)</i>				
Gross profit	98 584	86 993	370 434	336 490
Operating expenses excl depreciation & amortization	-115 449	-92 470	-395 061	-318 188
EBITDA	-16 865	-5 477	-24 627	18 302
Depreciation & amortization	-6 231	-6 022	-24 376	-24 127
EBIT	-23 096	-11 499	-49 003	-5 826

Revenue growth in constant currency

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

	2022	2021	2022	2021
	Q4	Q4	Full Year	Full Year
USD (NOK per 1 USD)	10.19	8.72	9.61	8.59
EUR (NOK per 1 EUR)	10.39	9.97	10.10	10.16



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