

Annual Report

2022





MISSION

**To deliver
transformative solutions
to improve the lives
of bladder cancer
patients**

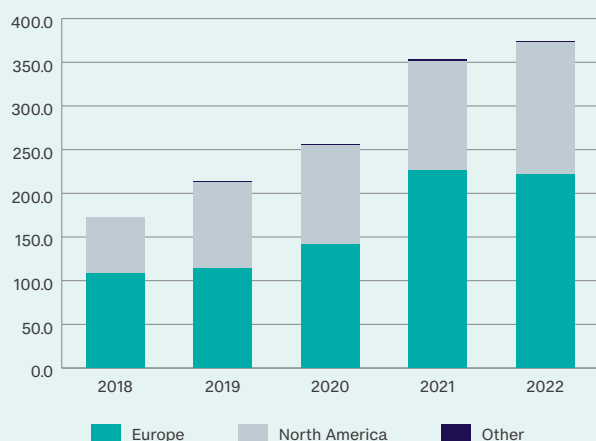
VISION
**Leading
change in
bladder
cancer**

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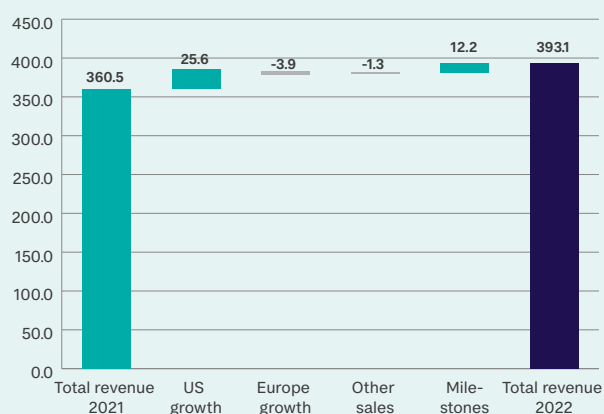
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2022 in brief

SALES REVENUE 2018-2022 (NOK million)

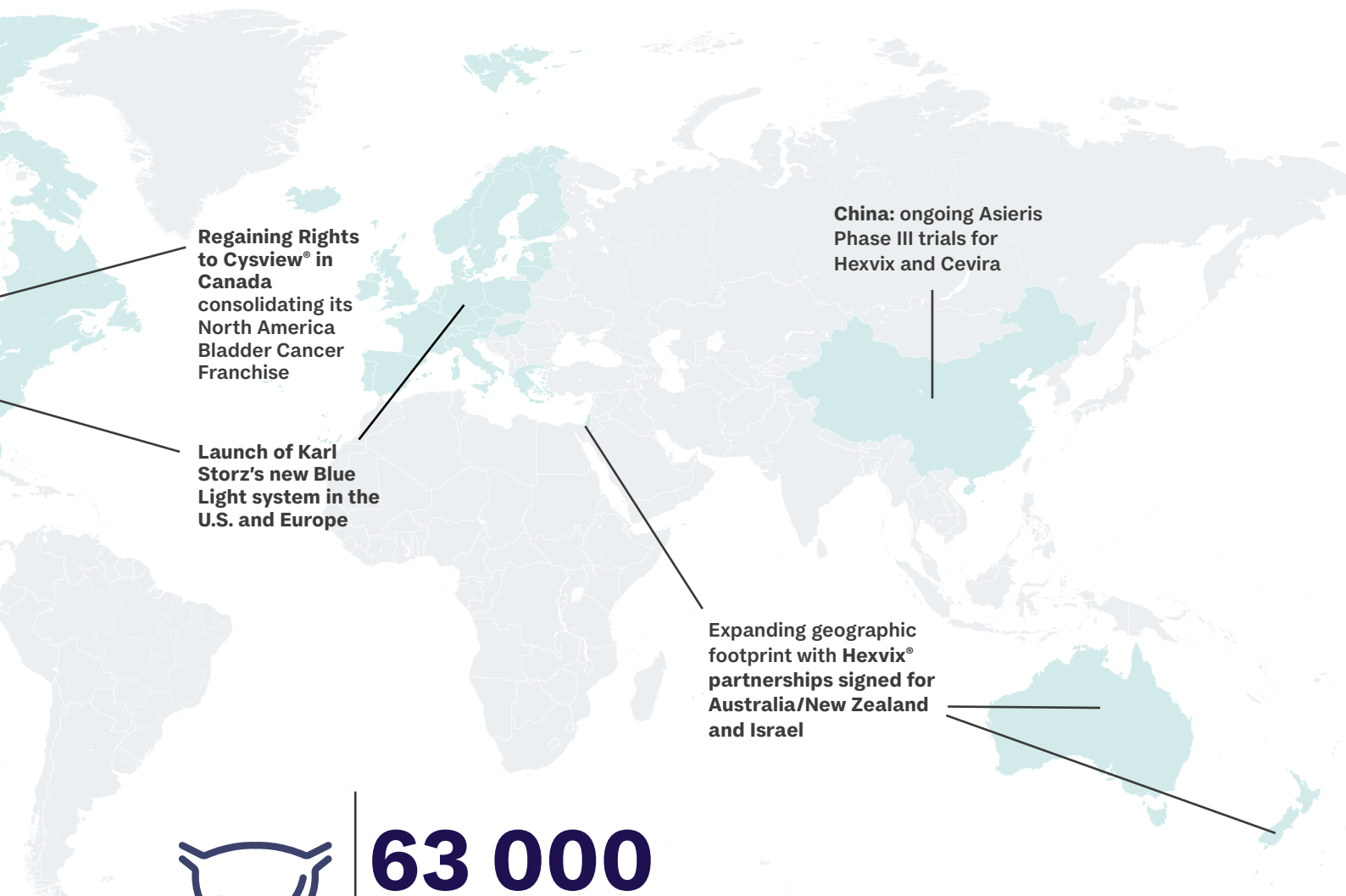


REVENUE 2021-2022 (NOK million)



FINANCIAL HEADLINES (NOK million)

Commercial Franchise	2022 FY	2021 FY
Europe revenues	221,8	225,8
North America revenues	150,8	125,2
Other sales revenues	1,9	3,1
Total sales revenues	374,5	354,1
Signing fee and milestones	18,7	6,4
Total revenues	393,1	360,5
Gross profit	370,4	336,5
Operating expenses	-395,1	-318,2
EBITDA	-24,6	18,3
Depreciation & Amortization	-24,4	-24,1
EBIT	-49,0	-5,8
Net financial items	-22,1	-25,8
Profit/loss(-) before tax	-71,1	-31,7
Tax expenses	-0,7	0,8
Net profit/loss(-)	-71,9	-30,9
Cash balance	268,1	322,9
Total assets	719,0	789,6
Total equity	462,7	502,6
Equity ratio	64 %	64 %



Regaining Rights to Cysview® in Canada
consolidating its North America Bladder Cancer Franchise

Launch of Karl Storz's new Blue Light system in the U.S. and Europe

China: ongoing Asieris Phase III trials for Hexvix and Cevira

Expanding geographic footprint with Hexvix® partnerships signed for Australia/New Zealand and Israel



63 000

Blue Light Cystoscopy procedures were conducted in 2022

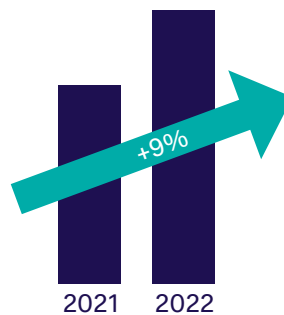


2 700+

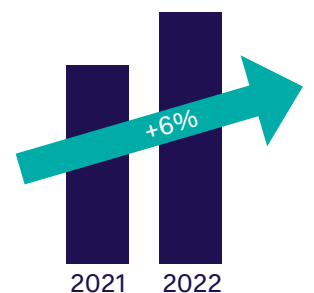
Patients enrolled in U.S. "Blue Light Cystoscopy with Cysview®" Registry at year-end 2022

59

New Blue Light Cystoscopes installed in the U.S. during 2022



Total company revenue increased 9% to NOK 393.1 million



Hexvix®/Cysview® revenue grew 6% to NOK 373.0 million

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 2021, 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 III 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 and in Europe; 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 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 (31 new BLC towers installed in Q4 + 26 "OPP" upgrade replacements). 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 Hexaminolevulinic acid 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's Phase III clinical trial for Cevira®, in development as a non-surgical treatment of high-grade squamous intraepithelial lesions (HSIL), including all HPV subtypes (August 2022); and the first patient dosed in Asieris's 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 8th 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 for 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 Hexaminolevulinat (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 hexaminolevulinat (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 3931 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 for Covid-19 impacts.

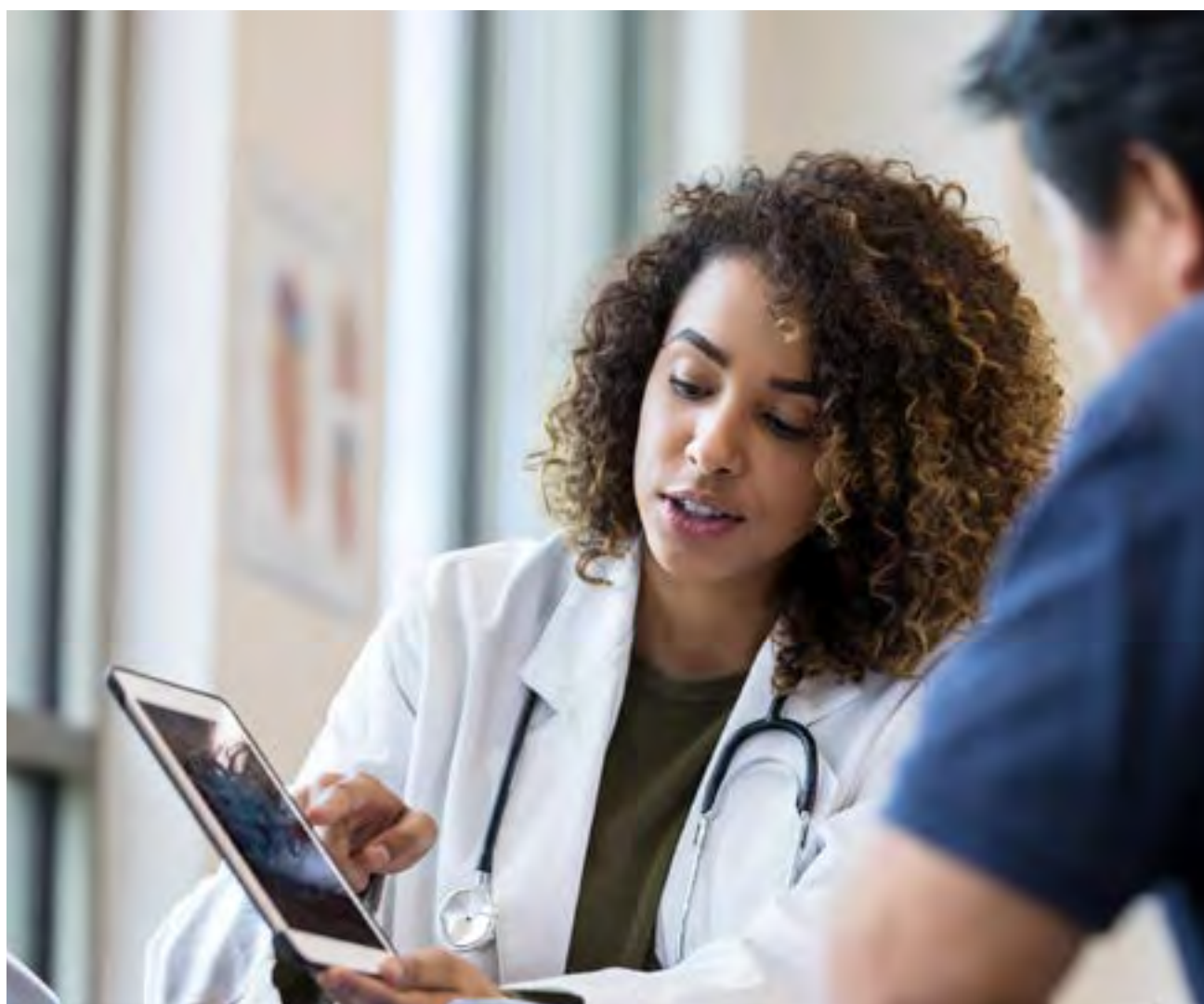
Photocure follows a low risk investment

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

Dividend

The Board of Directors 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 was 78%.

Share capital and board mandates

At December 31, 2022, 27,120,820 Photocure shares were registered. 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. Company management is responsible for managing the financial risk. 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

Because the Norwegian Kroner 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 Dan 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 81 in this annual report.

The Norwegian Transparency Act has been implemented with written procedures. See further details on page 94 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

Dan Schneider
President and CEO



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 Holldack
Director

Neal Shore
Director

Anders Tuv
Director

Anne Worsøe
Director

Dan Schneider
President and CEO

Jan H. Egberts

Chairperson of the Board / Member of
Compensation Committee



Attendance: Board meetings: 19/19
Compensation Committee: 4/4

Jan H. Egberts holds 14,500 shares
and 1,312 share options in Photocure.

Johanna Holldack

Director / Chairperson of the Compensation
Committee



Attendance: Board meetings: 19/19
Compensation Committee: 4/4

Johanna Holldack holds no shares
and 804 share options in Photocure.

Dr. Egberts has over 30 years of experience in the pharmaceutical and medical devices sector. Currently, Dr. Egberts serves as the Managing Partner of Veritas Investments, a private investment company focused on minority and controlling investments in healthcare companies. Dr. Egberts gained his medical degree from Erasmus University Medical School in the Netherlands and pursued the clinical part of his medical training at Harvard Medical School. Dr. Egberts also obtained an MBA from Stanford University. After Stanford, he joined McKinsey & Co. as a strategic consultant in New York. Dr. Egberts subsequently held various business development and general management positions of increasing responsibility in the USA at Merck & Co. and Johnson & Johnson. Thereafter, he served as Senior Advisor, Healthcare Investments for 3i, the private equity firm. Dr. Egberts then became CEO of OctoPlus, a publicly traded specialty pharmaceutical company in the Netherlands. OctoPlus was subsequently acquired by Dr. Reddy Laboratories. After this, Dr. Egberts joined Agendia, a molecular diagnostics company, initially as board member and subsequently full time as interim CEO. Dr. Egberts also has held over 15 executive and non-executive supervisory board positions in the U.S. and various European countries.

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

Dr. Holldack has international operational experience from pharma companies, including clinical trials, drug approvals, IPOs and licensing. She has also managed several mergers and acquisitions. In addition, Dr. Holldack has venture capital experience from Swiss-based Aravis Venture where she was a partner for 5 years. Her industry career spans over 20 years, during which she held key positions in both start-up and large pharma companies. Her experience includes management and executive positions at Behringwerke, Chiron, MediGene, Borean Pharma, Telormedix and Trethera Corporation. She is chairperson of Amal Therapeutics. Dr. Holldack has a medical degree from Georg-August-University in Göttingen, Germany and is a board certified pediatrician. In addition, she has held positions as an assistant professor at the University of Essen, research fellow for the Deutsche Krebshilfe and a research associate at Harvard Medical School.

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

Neal Shore

Director



Attendance: Board meetings: 11/11

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Neal Shore holds no shares and 804 share options in Photocure.

Anders Tuv

Director / Chairperson of the Audit Committee



Attendance: Board meetings: 19/19
Audit Committee: 8/8

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Anders Tuv holds no shares and 804 share options in Photocure. He represents Radforsk, holding 679,619 shares and no share options in Photocure.

Dr. Shore is Medical Director for the Carolina Urologic Research Center and is a Fellow of the American College of Surgeons. He has conducted more than 400 clinical trials focusing mainly on genitourinary oncology.

Dr. Shore performs peer reviews for Lancet Oncology, New England Journal of Medicine, European Urology, the Journal of Urology, Urology, BJUI, PCPD, and other high-impact scientific journals. He serves on the executive boards of the Society of Urologic Oncology, the Bladder Cancer Advocacy Network (BCAN), and as the National Urology Research Director for GenesisCare. From 2016 to 2018 Dr. Shore was the President of the Large Urology Group Practice Association. In addition, he has served on numerous Committees, Editorial and Review boards, such as the AUA Research and Innovations Committees, Health and Data Committees, the SITC Task Force for Prostate Cancer and Bladder Cancer, the Editorial Boards of Review in Urology, Urology Times, Chemotherapy Advisor, OncLive, PLOS ONE, Urology Practice, and the World Journal of Urology.

- Elected year 2022
- Position: CMO (Urology/Surgical Oncology) GenesisCare,US; Medical Director for the Carolina Urologic Research Center, USA
- Education: MD, FACS
- Other assignments: Fellow of the American College of Surgeons, serves on the executive boards of the Society of Urologic Oncology, the Bladder Cancer Advocacy Network (BCAN), and as the National Urology Research Director for GenesisCare

Anders Tuv is Chief Investment Officer at life science investment company Radforsk with a focus on immunotherapies and precision medicines.

He is an experienced investment and business development professional with broad experience from the healthcare and biotech industry covering founding and building biotech companies, strategy and business development, R&D collaborations, licensing deals, due diligences, private placements, M&As and IPOs. Anders holds a MBE degree.

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

Anne Worsøe

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



Attendance: Board meetings: 19/19
Audit Committee: 8/8

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Anne Worsøe holds no shares and
804 share options in Photocure.

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

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

Corporate Governance Policy and Annual Review

Review of policy adopted by the Board 11 April 2023

Photocure is committed to Good Corporate Governance

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

The Company will seek to comply with the Norwegian Code of Practice for Corporate Governance (the "**Corporate Governance Code**"), last revised on 14 October 2021 and available at the Norwegian Corporate Governance Board's web site www.nues.no, to the extent not considered unreasonable due to the Company's size and stage of development. The principal purpose of the Corporate Governance Code is (i) to ensure that listed companies implement corporate

governance that clarifies the respective roles of shareholders, the board of directors and senior management more comprehensively than what is required by legislation and (ii) to ensure effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other parties concerned.

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

The following provides a discussion of the Company's corporate governance in relation to each section of the Corporate Governance Code for the financial year 2022. Photocure's

compliance with the Corporate Governance Code is detailed in this report and section numbers refer to the Corporate Governance Code:

1. Implementation and reporting on Corporate Governance

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

Non-conformance with the recommendation: None

2. Business

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

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

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

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

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

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

Non-conformance with the recommendation: None

3. Equity and dividends

Capital Structure

On 31 December 2022, the Company's consolidated equity was NOK 462.7

million, an equity ratio of 64%. The board of directors considers this equity level to be satisfactory. The Company had at 31 December 2022 interest-bearing debt totaling NOK 174.9 million. The Company's capital structure and financial strength is continuously considered in light of its objectives, strategy and risk profile.

Dividend Policy

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

The ordinary general meeting resolves the annual dividend, based on the proposal by the board of directors. The

amount proposed sets an upper limit for the general meeting's resolution.

Capital Increases and Issuance of Shares

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

Purchase of own Shares

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

Non-conformance with the recommendation: None



4. Equal treatment of shareholders

Pre-Emption rights to Subscribe

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

Trading in own shares

Photocure owns a total of 15,122 own shares. Photocure has acquired 36,000 own shares during 2022 and sold 36,250 own shares to employees.

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

Non-conformance with the recommendation: None

5. Shares and negotiability

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

Non-conformance with the recommendation: None

6. General meetings

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



Notification

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

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

Participation and Execution

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

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

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

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

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

Non-conformance with the recommendation: Photocure has carried out general meetings during 2022 where some of the board members have not been able to participate. The board has nevertheless been represented at all general meetings, including by the chairperson of the board of directors.

7. Nomination Committee

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

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

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

meeting if they are to be considered by the nomination committee.

The nomination committee currently consists of the following three members: Hans Peter Bøhn (chairperson), Lars Viksmoen and Robert Blatt. The current members have been elected by the general meeting with a term until the Company's ordinary general meeting in 2023. All members are independent of the board of directors and senior management.

Non-conformance with the recommendation: None

8. Composition and independence of the Board of Directors

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

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

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

Non-conformance with the recommendation: None

9. The work of the Board of Directors

The Rules of Procedure for The Board of Directors

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

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

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

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

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

The board of directors has adopted rules of procedures for the board of directors, which inter alia include guidelines for notification by members of the board of directors and senior

management if they have any material direct or indirect interest in any transaction entered into by the Company.

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

The Audit Committee

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

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

The principal tasks of the audit committee are to:

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

The audit committee currently consists of the following two members: Anders Tuv (chairperson) and Anne Worsøe.

The Compensation Committee

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

The principal tasks of the compensation committee are to prepare:

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

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

Non-conformance with the recommendation: None

10. Risk management and internal control

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

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

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

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

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

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

Non-conformance with the recommendation: None

11. Remuneration of the Board of Directors

The remuneration of the board of directors shall be decided at the Company's general meeting, and should reflect the board of directors' responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration

is not linked to the Company's performance.

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

The Company has implemented a board option remuneration in accordance with the approval by the annual general meeting in 2022, under which the board members of the Company have received options to acquire shares in the Company. According to the general meeting resolution on 19 July 2022, each board member received 804 options and the chairperson received 1,312 options. Further details regarding the board option remuneration, inter alia information on pricing, vesting and exercise, can be found in the nomination committee's report and recommendations to the annual general meeting in 2022.

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

Members of the board of directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the board unless approved by the board of directors. The remuneration for such additional duties should be approved by the board of directors. The Company has entered into a consultancy agreement with board member Neal D. Shore pursuant to which Mr. Shore may provide certain medical expert services to the Company. The agreement is dealt with and approved by the board. In 2022 no remuneration has been payable by the Company pursuant to the consultancy agreement with Mr. Shore.

Non-conformance with the recommendation: The Company has granted options to the members of the board of directors. The board option remuneration has been presented to and approved by the general meeting of the Company. Other than this, the Company acts in compliance with the Corporate Governance Code with regards to remuneration of the board of directors.

12. Remuneration of the senior management

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

The Company aims to ensure that performance-related remuneration is based on quantifiable factors which the employee in question can influence.

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

Non-conformance with the recommendation: The maximum pay-out under the option program is not subject to an absolute limit. Other than this, the Company acts in compliance with the Corporate Governance Code with regards to remuneration of the senior management.

13. Information and communications

General

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

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

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

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

Information to Shareholders

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

applicable laws and regulations.

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

Non-conformance with the recommendation: None

14. Take-overs

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

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

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

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

15. Auditor

The Company's external auditor is KPMG AS.

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

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

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

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

Non-conformance with the recommendation: None

Financial Statements

Photocure ASA

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF FINANCIAL POSITION as of 31 December

STATEMENT OF CASH FLOWS

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Parent		Amounts in NOK 1,000	Notes	Group	
2022	2021			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
0	0	Total other comprehensive income items 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		Amounts in NOK 1,000	Notes	Group	
2022	2021			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		Amounts in NOK 1,000	Notes	Group	
2022	2021			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

Johanna Holldack
Director

Neal Shore
Director

Anders Tuv
Director

Anne Worsøe
Director

Dan Schneider
President and CEO

STATEMENT OF CASH FLOWS

Parent		Amounts in NOK 1,000	Notes	Group	
2022	2021			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	- provisions 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 Hoffsvøien 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 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.



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 to 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

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1. PARTNERSHIPS

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

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

2. OPERATING SEGMENTS

Photocure has two segments: Commercial Franchise and Development Portfolio. Commercial Franchise includes Hexvix/Cysview by geography (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			Grand Total
(Amounts in NOK 1,000)	North Am. Cysview	Europe Hexvix	Other Sales	Total Sales	Cevira	PDT & Explorativ	Total R&D	
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 development and commercialization of 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 agreed to transfer the rights for the development and commercialization of Cevira (license) and to deliver the active substance for the phase 3 study. 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.

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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		Grand Total	
(Amounts in NOK 1,000)	Hexvix/Cysview		Total Sales	Pipeline	Total R&D		
	Own sales	Partner				Other Sales	
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		Grand Total	
(Amounts in NOK 1,000)	Hexvix/Cysview		Total Sales	Pipeline	Total R&D		
	Own sales	Partner				Other Sales	
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)

	Note	Group		Parent	
		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)

	Note	Group		Parent	
		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.

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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 55.1 million compared to NOK 53.0 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 particularly 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	26 973 820	26 717 536
Effect of treasury shares	-20 861	-16 919
Effect of share options exercised	82 017	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 where 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 be 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		Total
	Product Development	Software Systems	Office Lease	Medical & manufacture	Office	
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
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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 feet 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.

(Amounts in NOK 1,000)	Remaining period				Total
	Less than 1 month	1–3 months	3–12 months	1–5 years	
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.

- 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.
- 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.

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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	Instalments paid	Book value 31-Dec-22	1st year instalments
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 separate 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 where 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.

Annual Report Photocure – Results 2022

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
Remeasured liability	17 220					17 220
New lease liability			13 053	9 110	7 455	29 617
Interest expense	22 425	1 065	157	91	88	23 826
Interest paid	-24 985	-1 065	-157	-91	-88	-26 386
Total liability related changes	-1 246	0	13 053	9 192	7 455	28 453
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
Remeasured 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 incurred 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.



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To the General Meeting of Photocure ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- the financial statements of the parent company Photocure ASA (the Company), which comprise the statement of financial position as at 31 December 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

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Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

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

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

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>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.</p> <p>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.</p> <p>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.</p> <p>We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount of future taxable profits.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of key assumptions in the estimated future taxable profit analysis prepared by management, including revenue and cash flow growth, the impact of the expiry of patents and the reversal of significant temporary differences • Comparing financial performance with the original forecasts, to evaluate the reliability of management's prognoses related to future taxable profit • Evaluating management's sensitivity analysis to assess the impact of reasonable changes in key assumptions including future sales for Hexvix®/Cysview ® • Evaluating the adequacy of the disclosures in the financial statements.

2. Loan to subsidiary

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

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>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.</p> <p>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.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • Challenging management and applying our own knowledge of the business and the industry to identify any indicators of impairment of the loan • Assessing the impairment documentation prepared by management • Evaluating the appropriateness of key assumptions in the impairment documentation, including revenue and cash flow growth, the impact of the expiry of patents and agree these with the relevant key assumptions used in determining the expected credit loss • Comparing historical cash flow development in mature markets in Europe with expected future cash flows in the US market • Evaluating management's sensitivity analysis to assess the impact of reasonable changes in key assumptions like future sales in the US for Cysview ® • Evaluating the adequacy of the financial statement disclosures in the Company's financial statement

Other Information

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

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other 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



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 5967007LIEEXZYG8OW35-2022-12-31-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.

Oslo, 11 April 2023
KPMG AS

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

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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

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Alternative Performance Measures

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

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

Photocure uses the following alternative performance measures:

EBITDA & EBIT

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



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

The reconciliation to the IFRS accounts is as follows:

All amounts in NOK 1,000	2022 1.1-31.12	2021 1.1-31.12
Gross profit	370 434	336 490
Operating expenses excl depreciation & amortization	-395 061	-318 188
EBITDA	-24 627	18 302
Depreciation & amortization	-24 376	-24 127
EBIT	-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 1.1-31.12	2021 1.1-31.12
USD (NOK per 1 USD)	9.61	8.59
EUR (NOK per 1 EUR)	10.10	10.16


Financial Calendar

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



**Annual
General
Meeting:
May 3,
2023**

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



RESULTS
1st quarter
2023: May 10
2nd quarter
2023: August 9
3rd quarter
2023: November 8

[HTTPS://PHOTOCURE.COM/INVESTORS-HUB/INVESTORS-EVENTS-AND-PRESENTATIONS](https://photocure.com/investors-hub/investors-events-and-presentations)



ESG Report

2022



THE
BLADDER CANCER
COMPANY

About this report

This is Photocure's fourth sustainability report and is applicable for the period January 1st - December 31st, 2022, in line with the company's financial reporting period. The report will be conducted annually.

This report is prepared by a cross-functional team within the company and in accordance with the 2021 GRI Standards. The report complies with Euronext guidelines for ESG reporting. For GRI index, please see page 110 or the online GRI Database. Minor restatements are mentioned in the text. No significant restatements have been made from previous reporting periods.

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

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

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

Photocure's ESG reporting journey



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CEO letter

At Photocure, we focus all our efforts and resources on delivering transformative solutions to improve the lives of bladder cancer patients. Our medicinal product makes cancer cells visible for physicians so they can optimize the diagnoses, staging and treatments for cancer patients. More than 750 000 diagnostic procedures have been conducted around the world to date.

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

Our highly regulated business has an economic, social and environmental impact on our surroundings and stakeholders. The most important impact is the positive contribution to the patients' lives, the economies and the societies in which we operate. However, we also need to assess and address potentially negative aspects and consequences of our operations and business relations such as hidden environmental impacts and human rights risks in our supply chain, potential quality and safety issues and the risk

of corruption. The pandemic and the changing geopolitical situations have proven to us that today's business environment is defined by unforeseen challenges and potential disruption. It is our responsibility to ensure that our robust corporate governance supports ethical business operations while retaining the agility to adjust to the changing business and societal challenges of the future.

Since 2021, Photocure has been a signatory of the United Nations Global Compact (UNGC); the world's largest corporate sustainability initiative. This commitment means we are part of a global movement, striving to become a more sustainable and responsible company. As a signatory we must adhere to the ten principles of the UNGC within human rights, labor, environment, and anti-corruption. In the past years, we have also experienced an increased attention to responsible business and high ESG (Environmental, Social and Governance) standards from our shareholders. For Photocure, sustainability is about both the quality products we make and the way we run our operations: we strive to give bladder cancer patients access to care in a sustainable way, while working to create value for our shareholders.

This year, we deliver Photocure's fourth sustainability report guided by the Euronext ESG guidelines and according to the GRI Standards. We have implemented a process based on stakeholder dialogue and materiality assessment to ensure that Photocure reviews and reports on the most material topics for our company and our industry and that our reporting is aligned with our business objectives, supports our strategy, and minimizes risks. We also reference our attention to industry standards and regulations, which helps us implement our responsibilities across our value chain in a systematic manner.

The material topics are key focus areas for our company and our industry, taking into account the interests of stakeholders and the wider society. They include the quality and safety of our products, how they are produced and sourced, standards followed by our suppliers, as well as the working environment of our employees. As for our business and risk minimization, the material topics include ethical conduct in our business relationships, in research and development and when working with personal data. As a pharmaceutical company, we believe responsibility, transparency and sustainability must be integrated in Photocure's business model and strategy, and that efficient, high-quality products manufactured, sold and used in a responsible manner is what makes us a successful company. The backbone for this success is our people and company culture.

Photocure's core values comprise important standards for the company, both internally and externally, guiding our behavior, what we believe and how

we will succeed. They exist under the principle that We Care about all that we do and all who we touch. Our core values – Take Ownership, Be Passionate, Be Courageous, Be Agile, Be Curious and Work Together – have been established from within our teams.

In this year's report, we follow up on the targets and progress for each material topic, as defined in last year's ESG report and we continue to set goals for how to improve our work in the future. In addition, this report includes some new features within our environmental and value chain responsibilities. Going

forward, we will work systematically on implementing sustainability targets in our purchasing and supply chain activities. We will also continue to strengthen the focus on a safe, healthy, productive and inclusive working environment and ensure the appropriate channels for reporting concerns are well known.

Photocure's mission is to deliver transformative solutions to improve the lives of bladder cancer patients. We seek to do so in a responsible way. We will continue to build a high-performance corporate culture based

on a foundation that values diversity, equality, respect and inclusion, and operates with the highest level of integrity. I hope this report will highlight our commitment to sustainability as well as provide insights about our approach to its challenges and opportunities for our business and society.



“Our highly regulated business has an economic, social and environmental impact on our surroundings and stakeholders. It is our responsibility to ensure that our robust corporate governance supports ethical business operations while retaining the agility to adjust to the changing business and societal challenges of the future.”

A handwritten signature in dark ink, appearing to be 'Dan Schneider', written in a cursive style.

Dan Schneider

President and CEO of Photocure

About Photocure

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

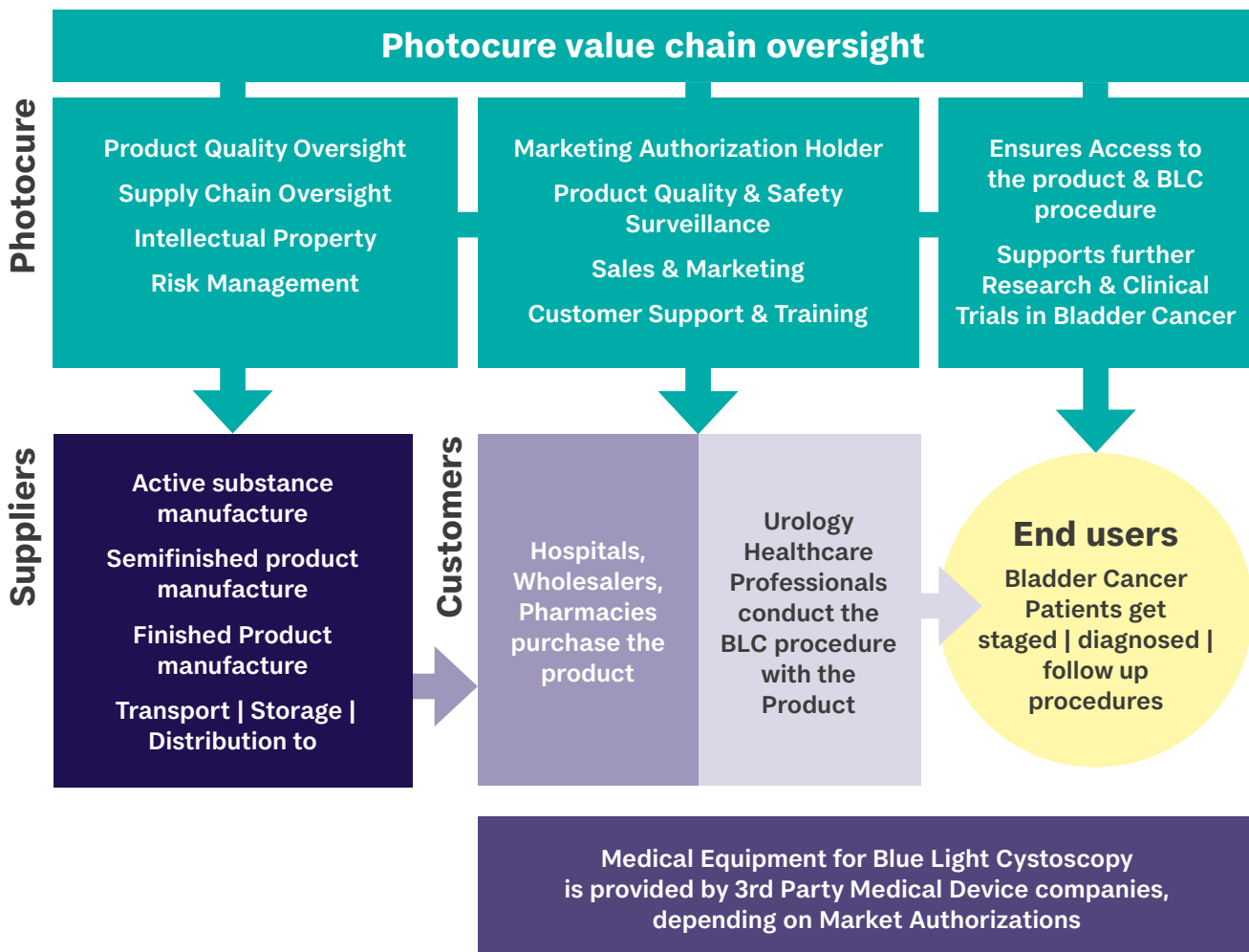
Photocure has since transformed from a technology-based focus and being a global leader in photodynamic therapy to a valued player in the bladder cancer area. Based on its experience,

solid foundation and the growth of its breakthrough bladder cancer product, the company has a stepwise approach to further developing its products and services for the benefit of patients, urology care providers and the health care community.

Photocure has a strong track record of developing and commercializing pharmaceutical products based on photodynamic technology. The company has brought two first-in-

class products to the market; Metvix® sold by Galderma and indicated for nonmelanoma skin cancer, and Hexvix®/ Cysview® indicated for the better detection and management of bladder cancer. Photocure has also developed Cevira® through completion of Phase II studies. Cevira is a photodynamic drug-device combination product, for non-surgical treatment of high-grade cervical dysplasia. Cevira was outlicensed to Asieris Meditech Co., Ltd in 2019.

Value Chain Oversight



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

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

Today, the company's vision is driving change in bladder cancer and its mission is to deliver transformative solutions to improve the lives of bladder cancer patients. There have been no significant changes to the sectors in which Photocure is active, the company's value chain or other relevant business relationships compared to the previous reporting period.

Photocure is member of NHO (The Confederation of Norwegian Enterprise) and the Oslo Cancer Cluster.



Locations

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

Employees per region:

Location	Total
Oslo / Global functions	24
Europe commercial	34
Princeton / Global functions	10
North America commercial	38
Total	106

Corporate governance

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

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

and the company's activities in general.

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

The company discloses board and governance guidelines annually in the annual report and on photocure.com (Corporate Governance Policy and Annual Review). For more information about Corporate Governance, Nomination Committee, Audit Committee and ESG Board Advisor, please see the Photocure corporate governance policy in the 2022 annual report on pages 22-28.

Board composition, including independence, gender split, professional and committee roles can be found in the Leadership section of the company website. Information regarding remuneration is published on the Photocure website in the

Management Remuneration Policy (Our Impact – ESG section). In addition, the Nomination Committee report, also available on the company website (Investors – Events & Presentations section), provides details on the Nomination Committee mandate, membership and remuneration. The board has delegated responsibility for managing sustainability impacts to the CEO and operational responsibility is delegated to Finance, Quality/Regulatory/Compliance and Corporate Communications functions. The process and frequency to report back to the board is through the quarterly ESG goal tracking and the annual sustainability report which is approved by the board.

Photocure's Core Values

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





Take Ownership

Be accountable for your actions
Drive for results
Act Professionally
Make an impact



Work Together

Be inclusive and respectful
Work collaboratively
Have fun doing what you do
Build trust



Be Curious

Have a learning mindset
Think innovatively
Be resourceful
Be inquisitive

We Care...
about all that we do and
all who we touch. We
value diversity and are
respectful, inclusive and
operate with the highest
level of integrity.



Be Passionate

Care about the people we serve
Inspire your colleagues
Be enthusiastic about what we do
Be spirited in our interactions



Be Courageous

Exhibit determination
Have integrity in all interactions
Challenge the status quo
Be open in our communications



Be Agile

Adapt to changes
Demonstrate flexibility
Be responsive
Be quick

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

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

Care & Respect Council:

As a result of the work on company values, Photocure has a Care and Respect Council composed of 8 employees from different functions and regions. Membership is on a voluntary basis and for the duration of 12 months.

The Care and Respect Council's charter is to foster ideas and actions that create an inclusive work environment that values the contributions of all colleagues and supports a workforce that reflects and embraces the wide range of diversity that each of us brings to the company. The council shall act as an advisory body that provides insight and recommendations on matters regarding our Core Values, Diversity & Inclusion, and the engagement of our colleagues, which could include:

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

Photocure's approach to sustainability

Stakeholder prioritization and dialogue

This report covers sustainability topics that are of importance to Photocure and the company's stakeholders. The identification of priority stakeholders for the company was done by an interdisciplinary working group consisting of Photocure employees representing medical affairs, finance, operations, HR, communications, IT, compliance, and quality management.

In April 2020, the group conducted a series of semi-structured phone

interviews with key stakeholders, including investors, employees, customers and suppliers. Due to new regulations being introduced (such as the Norwegian Transparency Act), the team did an extended supplier review and dialogue in 2021 and 2022, which resulted in an updated supply chain impact, risk, and opportunity mapping. New interviews with selected stakeholders were conducted this year, to make sure that the company is still reporting on relevant topics. Photocure is continuously engaging with stakeholders regarding the material topics defined, and provides an update on the

company's progress on each of the material topics through the annual sustainability reports.

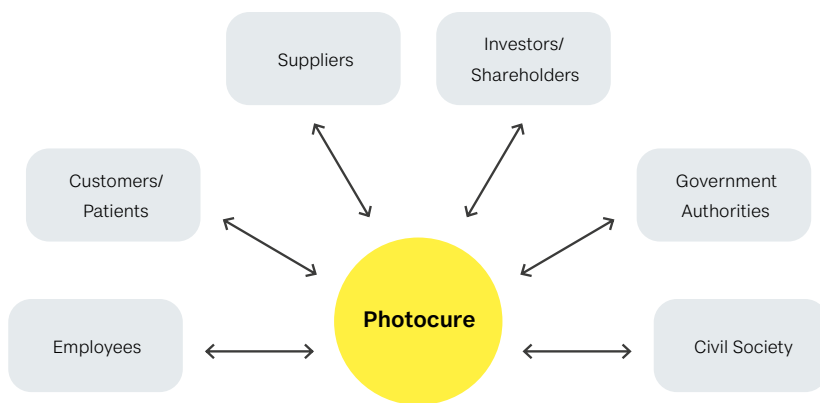
In addition to speaking with stakeholders directly, the company is also reviewing relevant documents, such as the annual employee survey, sustainability ratings and industry level ESG topics/reports.

Materiality assessment

After conducting the stakeholder interviews, the findings have been structured for discussion with Photocure's ESG working group. Taking a double-materiality approach, Photocure's working group considered the sustainability topics mentioned both on the basis of their importance for and impact on the company's business (so called 'inward' impact), and on how Photocure's business can impact a sustainability topic ('outward' impact). There have been no significant changes to the material topics compared to the previous reporting period. Some topics were given a higher focus due to changing legislation or societal attention.

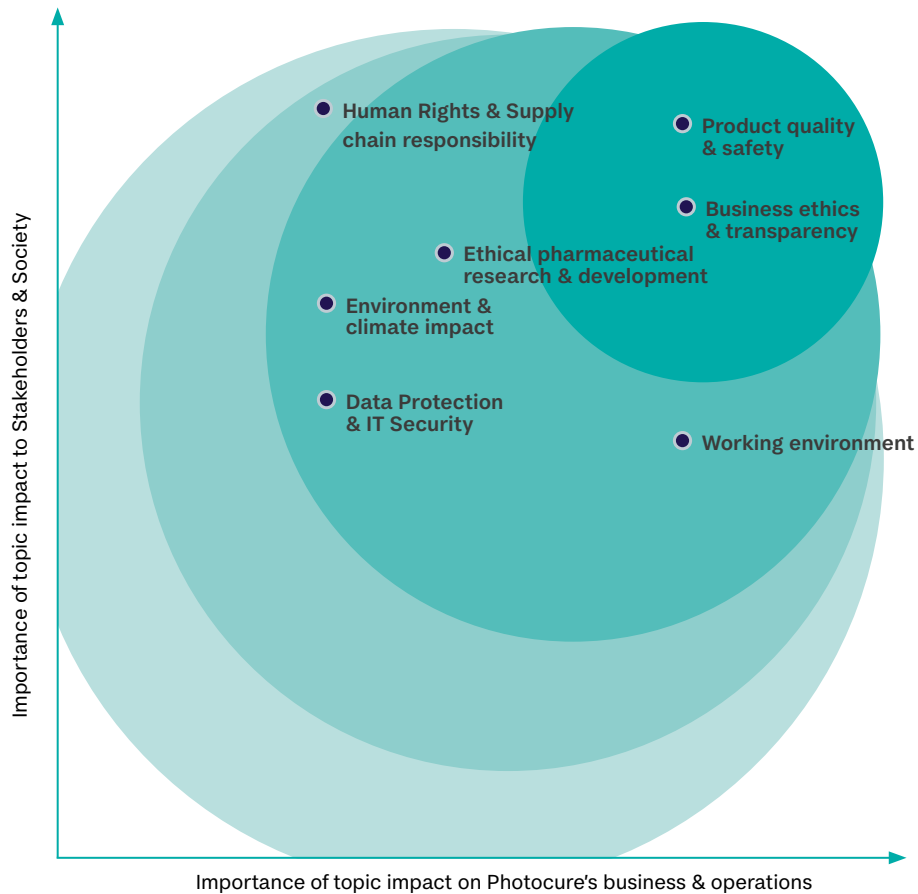
Photocure's materiality assessment concluded with the following over-arching material themes, which are also presented in the materiality matrix next page:

Photocure's stakeholders



Stakeholder descriptions: see appendix p. 108

Materiality matrix



Material Topics

● Product quality & safety

- Global Quality Management System
- Product Safety Surveillance

● Human Rights & Supply chain responsibility

- Respect for UNGC Human Rights standards
- Societal and Community Impact
- Access to Healthcare
- Labor Standards
- Responsible Supply Chain: Supplier Assessment on Environmental Criteria & Certifications
- Energy Consumption
- Risk Assessment on Water scarcity areas

● Environment & climate impact

- Photocure Office Facilities
- Scope 1 and 2 Emissions
- Transportation, waste and packaging
- Pharmaceutical residuals in water

● Working environment

- Health & Safety in the Workplace
- Human Resources & Talent Management
- Employee turnover
- Gender Equality, Diversity & Inclusion
- Employee Engagement
- Employee training and development

● Data Protection & IT Security

- Privacy & Data Management
- IT / Cybersecurity

● Ethical pharmaceutical research & development

- Publication of studies and results openly
- Ethical R&D & Animal Welfare

● Business ethics & transparency

- Compliance program
- Anti-corruption
- GRI-standard ESG Reporting
- Stakeholder Relationship Management
- Board Composition & Structure
- Audits & Risk Management
- Corporate Governance Policies
- Remuneration
- Board Independence
- Accounting transparency
- Responsible/ethical marketing and disclosure



Reporting on material topics

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

Product quality and safety

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

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

Photocure has a quality management system (QMS) which is compliant with Norwegian, European and North American Health Authorities' rules and regulations for drug manufacturing, drug distribution, research activities and surveillance of drug safety and drug quality. The QMS also covers Norwegian and European rules and regulations for distribution of medical devices.

The QMS is a set of written policies, standard operating procedures, work instructions and forms managed in a validated computer system.

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

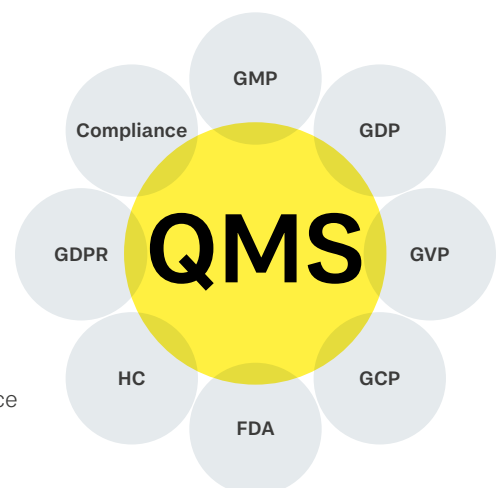
An annual review of all aspects of the quality system, product quality and safety are conducted with the management team.

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

For the commercially distributed product in year 2022 there were no quality and/or safety incidents that led to any market actions or need for reporting to health authorities e.g. product recall or healthcare information letter. In one production lot for a clinical study, a technical error was

Abbreviations:

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



identified, not related to the product itself, however the lot was replaced with a new one. The root cause for the error was identified and actions taken to correct it.

At Photocure we aim to be accessible to any healthcare provider who needs information or wants to submit feedback regarding our product. In 2022 Photocure improved the phone service for medical information, adverse event and product complaint reporting in the U.S.

Goals and targets for 2023

- Maintain Photocure's track record of no quality and/or safety incidents leading to any market actions e.g. product recall or healthcare information letter.

Human rights & Supply chain responsibility

Human rights

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

Norwegian Transparency Act

In 2022 we increased our focus on Human Rights and decent working

Safety feature:

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



conditions in our upstream supply chain. Written procedures are in place to ensure compliance with the Norwegian Transparency Act; which include e.g. due diligence when engaging new suppliers and yearly risk assessment for potential breaches of human rights.

Our supply chain relies on outsourcing and a human rights-related risk assessment was conducted based on the geographic location of our contract manufactures as well as their sub-contractors for raw materials. Out of 15 suppliers contributing to our product 2 were rated as "medium risk" and 13 as "low risk". The two rated as medium risk are subcontractors of one of our suppliers. Within the supply chain no new contracts were signed in the reporting period. Business partners were not included in the risk assessment as limited

goods are purchased outside of the supply chain. Services purchased from business partners are mainly consultants and experts with special skills.

We also report on aspects of human rights in the "Business ethics and transparency" chapter.

Goals and targets for 2023

- Discuss the "medium risk" rated sub-contractors in business review meetings with the supplier
- Review the procedures to identify further improvement of the oversight of human rights and indecent working conditions risks.



Supply chain responsibility

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

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

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

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

Critical supplier screening; manufacturing and supply chain	2021	2022
Number of critical suppliers	11	11
Location of the critical suppliers	Europe and North-America	Europe and North-America
Critical suppliers with Code of conduct / corporate responsibility policy available on website or shared with Photocure	9 (82%)	10 (91%)
Critical supplier with clear statements for adherence and respecting human rights available on website or shared with Photocure	9 (82%)	10 (91%)

Within Supply Chain several notable achievements can be reported for 2022:

- Environmental, social and governance topics were followed up in regular business review meetings.
- The status of ESG topics related policies from all critical suppliers was assessed.
- The two critical suppliers not having formal policies in line with UN Global Compact, were encouraged to implement this. One of them did provide evidence of such a policy during 2022.

Goals and targets for 2023

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



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

Environment and climate impact

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

As a Signatory to the United Nations Global Compact and committed to the Ten Principles, Photocure supports a precautionary approach to environmental challenges; the company shall undertake initiatives to promote

greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.

This commitment is also part of the Photocure Supplier Code of Conduct.

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

In addition, the manufacture, transport and use of pharmaceutical products and their disposal can lead to impacts on the environment.



Energy use (electricity) from Photocure locations:

Scope 1: Not applicable

Scope 2: Indirect emissions from energy use (electricity & heating) from Photocure locations:

Photocure Location	kWh electricity		kWh district heating		Total Kg CO ₂ e	
	2021	2022	2021	2022	2021	2022
Headquarter (Oslo)	75 560	68 818	32 416	57 284	1 980 kg CO ₂ e*	1 410 – kg CO ₂ e
Europe (Düsseldorf)	5,214**	11 097***	NA	26 077	1 630 – kg CO ₂ e	13 530 – kg CO ₂ e
North America (Princeton)****	48 148	37 958	-	-	10 740 kg CO ₂ e	8 460 kg CO ₂ e

*Oslo headquarter: the reported emissions for 2021 have been corrected from last year's report.

**Period May-Dec 2021

***Period May 2021-May 2022

****North America office: electricity & heating consumption are reported together. The reported emissions for 2021 have been restated with specific (New Jersey electricity factor) information.

Oslo headquarters: Emissions from heating in the Oslo office building increased significantly from 2021 to 2022 as offices were closed several months during 2021 due to the Covid-19 pandemic, causing lower than expected energy use for heating and electricity.

Düsseldorf office: data reported from latest available 12-month period (13.05.2021 - 12.05.2022).

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

Office locations & emissions

- Photocure’s headquarter is located in an office building in Oslo that is certified by the BREEAM Code for a sustainable built environment. The certificate is renewed annually, and the building obtained “very good” in the asset performance and building management categories. In addition, a best-in-class approach (100%) to waste was highlighted in the April 2022 BREEAM assessment, analyzing that the real estate “assets have adequate space for waste stream separation on site, allowing for recycling to take place and thus reduce waste being sent to landfill or for incineration.”
- The office building in Princeton, USA, had its “Energy Star” certification renewed in 2021 and the commercial real estate company is included in theGRESB: The Global Real Estate Sustainability Benchmark, the worldwide portfolio-level standard for environmental, social and governance (ESG) benchmarking for real estate Corporate Level Disclosure. The real estate company also earned the BOMA 360 label for operational best practices of its building management. In response

to growing focus on occupant health during the Covid-19 pandemic, the “Fitwel Viral Response Module” was created in order to set the global standard for safeguarding occupant health and wellness—offering the premier evidence-based, third-party certification to mitigate viral transmission in buildings.

- The office building in Düsseldorf was built in 2015 and it has a Gold Certificate from the DGNB System. Environmentally relevant upgrades in 2022 include the set-up of nesting boxes for local birds around the building and the installation of 14 charging stations for electric vehicles in the garage. More initiatives are planned for 2023.

The group will continue to broaden its focus on monitoring ESG criteria regarding its existing and future locations.

Supply chain monitoring, packaging & transportation

As a business with outsourced manufacturing and logistics, Photocure relies on suppliers, individuals or organizations who provide goods and services to the company (see p. 95 “Supply Chain Responsibility”). Beyond

resource consumption at its office locations, Photocure acknowledges that an impact on the environment and climate is found in the company’s indirect impact through suppliers and raw materials.

Photocure aims to minimize the carbon footprint caused by transportation, by utilizing as much of the pallet and vehicle capacities as possible. In addition, when selecting primary containers and secondary packaging of our product, Photocure takes into consideration the environmental impact of the different options available.

In 2021 and 2022, all Photocure’s critical suppliers within the supply chain were screened for environmental criteria, such as the existence of an Environmental Policy and the location of their operations in high water-stress areas (see below). All 11 suppliers are in either a low or low-medium water risk area. None are located in a high-water stress area.

Critical supplier screening: manufacturing and supply chain	2021	2022
Total number of critical suppliers in Photocure’s manufacturing and supply chain	11	11
Critical suppliers with Environmental policy available on website or shared otherwise with Photocure	9 (82%)	9 (82%)
Critical suppliers located in high-water stress area	0 (0%)	0 (0%)

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

Environmental risk related to Photocure's medicinal product:

Pharmaceuticals can be considered as a class of environmental contaminants when they are responsible for bioaccumulation and toxic effects in aquatic and terrestrial ecosystems. The active ingredient in Photocure's Hexvix/Cysview product, Hexaminolevulinat hydrochloride (HAL), is instilled in the patient's bladder and after ca 1 hour the bladder is emptied, so that the urologist can look for bladder tumors, highlighted by the product's fluorescence. The risk for residuals in nature has been evaluated.

HAL has very limited stability in biological tissues and fluids and is readily biodegradable. The products of hydrolysis are two substances; one which is a natural compound found in all living cells and it will readily be biodegraded or metabolized in a natural environment and the second one is a fatty alcohol, which is derived from natural fats and oils, and it can be found in fruits, animal, vegetable, and marine sources.

The Hexvix/Cysview product is non-reactive under normal conditions of use, storage and transport and chemically stable under normal conditions. The product is not considered toxic or harmful to aquatic organisms nor to cause long-term adverse effects in the environment. The product contains no REACH substances as per the EU regulations*.

In conclusion:

- Environmental risk: Use of HAL has been considered to result in insignificant environmental risk.
- Degradation: The predicted environmental concentration of HAL is so low that it did not reach the prespecified action limit for further risk investigations at time of approval (2010).
- Bioaccumulation: HAL has low potential for bioaccumulation.

Goals and targets for 2023

- Draft & implement a group environmental policy.
- Continue annual environmental topics monitoring of real estate providers for Photocure locations and include them in any new real estate searches.
- Continue stakeholder dialogue to assess evolving environmental and climate reporting needs.

* REACH is a European Regulation and is an acronym for the Registration, Evaluation, Authorization and Restriction of Chemicals



Working environment

We strive to create a great place - for great people - to do great work. It is based on this desire that we build our working environment. The ability to attract, engage and retain a skilled workforce as well as maintaining a safe and healthy working environment are key interests of both the company and its stakeholders.

Photocure directly impacts the working environment through its strong "We Care" Culture, policies and agreements, and by keeping an active and regular dialogue with colleagues across the globe. To ensure our colleagues understand the importance of respect in the workplace, all employees were required to attend an online harassment prevention training session in 2022. Working in an office environment or remotely as part of our sales team, the company and its employees are mainly exposed to risk related to the working environment, such as the psychological well-being of employees and physical risks related to an office setting, e.g. ergonomics and sedentary work and risk associated with business travel.

Coming out of the Covid-19 pandemic, the Company continued with hybrid remote work arrangements across its locations in Norway, Germany and the U.S. for its non-customer facing employees which represents approximately 42% of its global

team. All functions were designed to accommodate remote work, primarily through the use of technology. As Covid restrictions were lifted, employees have again started to report to their offices on an average of 3 days per week and we once again held other regular in person meetings, as needed. Colleagues were genuinely happy to once again be able to be together, and in some cases, personally meet for the first time. This personal interaction has been very beneficial for the overall well-being and spirit of the team after the long Covid-19 period of constraints.

Employee engagement

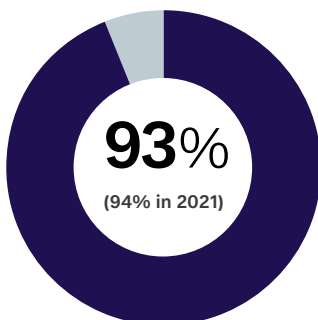
The Company was successful in effectively maintaining a positive work environment and engaged workforce during 2022, despite part of the year still having some Covid restrictions. The main priority of the organization is the health and welfare of all Photocure employees and stakeholders.

The working environment within the company continues to be very good. We take the "pulse" of our global colleagues on an annual basis, as well as regularly receiving feedback from colleagues through a variety of individual, small and large group sessions. As we have created a trustful organization, our employees are very open to provide their thoughts and ideas. Participation in the 2022 employee engagement survey was once again very strong with 92% of

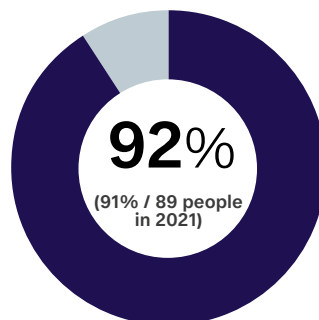
employees providing their feedback. The overall results of the survey continued to be very high. Both our participation rate and responses to critical questions such as 'feeling proud to work for the Company' and 'recommending the Company as a great place to work', fare very well, relative to critical metrics around employee surveys. We will once again, organize focus group sessions to further understand the results and input we received in an effort to improve where we can, implement new ideas and maintain a positive work environment. The employee engagement survey will continue to be administered annually and is fully anonymous.

Photocure employees also have the chance to actively engage in shaping our company culture through the Care & Respect Council. In 2022, the Care and Respect Council took the further step of better understanding their role as advisory body by participating in the external diversity training "Unconscious Bias". This is a prelude to a future, broader effort of awareness for the whole organization. As a follow up to our mandatory, company-wide Harassment Prevention and Awareness training, the course explored the potential effects of a lack of cultural competency which includes a better understanding of one's own cultural views, creating awareness around stereotypes, microaggressions and the self-awareness around acceptance, receptiveness and respect.

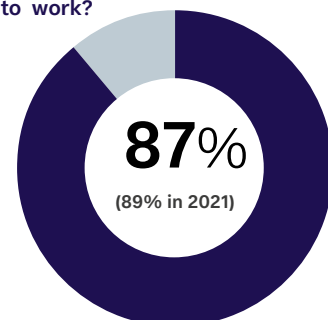
Do you feel proud to work for Photocure?



Participation rate (91 people)



Would you recommend Photocure as a great place to work?



Policies & workplace key figures

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

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

The company has implemented separate processes for talent acquisition, compensation, training and development, performance management and communications. These processes ensure a non-

discriminating, secure work-environment, follow local labor law regulations and are compliant with the Norwegian Working Environment Act, the European Directive 89/381- OSH and the U.S. employment law and standards, as well as aligning to industry best practices. The company does not have employee representatives on the Board due to the size of the company. The number of employees covered by collective bargaining agreements in 2022 was 0%. Working conditions are being determined through local industry benchmark data and employee feedback through the global annual employee survey.

At the end of 2022, the organization comprised of 106 employees of which 105 were full-time employees. In addition, Photocure continues to successfully utilize a strong network of consultants to support the operations and development as needed, and the company's practice is to outsource non-core operations and highly specialized skills and services where it makes sense. This practice allows the Company to manage its resources in an effective, efficient, and practical way.

The mid-year as well as the year-end performance appraisal for Photocure employees and management includes an assessment of the performance in relation to the company's values in addition to goal achievement. Participation and execution rate is >95%.

The Company had a low incidence of accidents and absences due to illness in the Countries where this is actively tracked. There was one on-the-job accident reported globally that resulted in an absence from work. Absences due to illness in the reporting countries of Germany and Norway, was 5.8% of total hours, including two long term illnesses during the year. While in the U.S., absences due to illness are not tracked due to its paid time-off policy (PTO), there were no on-the-job accidents reported in 2022 in the U.S.. In total, three colleagues took maternity/parental leave: two women and one man. Photocure has not been in any legal proceedings regarding working environment in 2022.

Turnover

Turnover at Photocure is monitored on a rolling 12-month basis. We feel that turnover in a company is very natural and that the "right" amount of change in the organization is healthy to promote a growing and developing environment. Longstanding ways and new thoughts come together in a way that keeps the organization fresh, combining consistency with new ideas. We track and report overall turnover as well as turnover deemed regrettable. We further establish goals to help to ensure that senior leaders and HR partners work together to remain highly conscious of engaging and motivating colleagues.

Employees by Region

Location	Total (2020)	Total (2021)	Total (2022)	Men (2022)	Women (2022)
Oslo / Global functions	19	22	24	11	13
Europe commercial	21	30	34	18	16
Princeton / Global functions	9	8	10	4	6
North America commercial	40	38	38	26	12
Total	89	98	106	59	47

Gender equality and diversity

Traditionally, Photocure has recruited from environments where the number of women and men is relatively equally represented. In terms of gender equality, 40% of Photocure's five board members are women, as is 43% of the 7-member Executive Leadership Team (ELT) and 50% of the 16-member Global Leadership Team (GLT) at the end of 2022. Globally, Photocure employs 54% men and 46% women. Working time arrangements at the company, independent of gender, strive to enhance the individual work-life balance.

Compensation equity

To support growth and fulfil our ambitious strategy and targets, we need highly qualified professionals. Thus, reward and recognition are key parts of our HR strategy to attract, engage, motivate and retain great talent at Photocure.

We are proud to actively work on our compensation philosophy to offer fair, attractive, equitable pay based on experience, knowledge, and position responsibilities. We consider both internal pay guidelines and external market competitive financials when developing our remuneration package, independent of age, gender, origin, nationality, or any other. This is further communicated in our Code of Conduct.

Photocure is a small organization of 106 employee who are based in 11 countries. Due to the size, geographic diversity, and the fact that 60% of the roles in the organization are unique, we are unable to make general compensation comparisons that are meaningful. This is specifically challenging due to the uniqueness of the roles, confidentiality of the data, and overall data privacy.

Where we have larger populations of similar roles, as in our customer-facing positions, we report that we fare well in terms of our gender comparisons as it relates to salaries:

- US sales force women earn 99.88% of men
- Europe sales force women earn 102.41% of men

Breakdown of employees

Organisation	2020 (as per 31.12)			2021 (as per 31.12)			2022 (as per 31.12)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of FTE	46	41	87	50	47	97	59	46	105
Part time employees	0	2	2	0	1	1	0	1	0
Temporarily hired	0	0	0	0	0	0	0	0	0
Total of employees	46	43	89	50	48	98	59	47	106
Newly hired									
Total number of newly hired employees in 2020-2022	22	15	37	11	9	20	12	8	20
Employee turnover									
Number of employees who have left the company	3	4	7	8	5	13	4	8	12
Parental leave									
Number of employees on parental leave	0	1	1	0	0	0	1	2	3

Regions as listed on p.100, all numbers are provided in FTE and at the end of the reporting period.

Turnover

Dec-22	Headcount Dec '22	New Hires (last 12 month)	Terms last 12 month	Turnover % last 12 month	Regret. Turnover (last 12 month)
TOTAL	106	20	12	12.04%	4.0%

Breakdown of employees and board members by gender:

	2020		2021		2022	
	Men	Women	Men	Women	Men	Women
Organisation total	46	43	50	48	59	47
Board of Directors	3	2	3	2	3	2
Executive level management	3	4	4	3	4	3
Non-executive level management	7	10	10	11	10	13

Within working environment several notable achievements can be reported for 2022:

- All colleagues on-boarded have received the on-boarding training needed
- 92% response rate in Pulse Survey with over 80% indicating satisfaction with the Company
- Leadership training program continued – 8 sessions offered, 385 participants and 78% attendance of those invited
- Succession planning for key functions implemented with development plans being established for key talent and successors
- Conducted a mandatory harassment prevention training for all colleagues across the globe
- A paid parental leave policy was implemented for U.S.-based employees in September 2022.



Goals and targets for 2023:

- Maintain engagement to be measured by low regrettable turnover, high participation (>80%) and high overall score in the employee survey (>75%).
- Build a pipeline of talent that can meet the future needs of the organization driving towards a strong, diverse pool of successors to key positions in the organization.
- Continue to build a strong performance driven Culture where all colleagues feel respected and are motivated to do their best work.
- Encourage and support our colleagues to have a learning mindset and to think innovatively by providing opportunities for training and development and through experiential projects.

Business ethics and transparency

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

In 2021 Photocure became a signatory of the UN Global Compact which commit the company to respect the ten principles related to human rights, environment, labor, and anticorruption.

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

Each year, the Board of Directors conducts a thorough risk assessment of the significant parts of the company's business and outlook in order to identify risks and potential risks and remedy any incident that may have occurred. This company risk assessment includes areas relating to corruption and business ethics. In May 2022, 27 suppliers were subject to a human rights review. This review included the risk of corruption.

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

mitigated has been established. The topic is included in all board agendas: Board members need to confirm that there are no conflicts of interest related to any agenda items. Furthermore, the "Board rules of procedure" states that "Members of the Board shall notify the Board if they hold a material direct or indirect interest in any agreement or transaction entered into by the Company". Conflicts of interest are not disclosed to stakeholders.

Photocure's framework for corporate governance is intended to decrease business risk, maximize value and utilize the company's resources in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large. The company seeks to comply with the Norwegian Code of Practice for corporate governance (NUES). Critical concerns are being communicated to the Board. The Leadership team has reported no critical concerns to the board in 2022. There have been no significant instances of non-compliance with laws and regulations in the reporting period, and no fines or non-monetary sanctions were incurred or paid.

Compliance Program

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

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

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

The Code of Conduct, Anti-corruption policy and the Supplier & Partner Code of Conduct are available on Photocure's website and have been approved by senior leadership. All policies above are periodically reviewed, and all employees are trained. All new employees are introduced to the content of the documents as part of their onboarding.



Ethical marketing and disclosure

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

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

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

Suppliers and Partners

Our Supplier and Partner code of conduct was introduced in 2021. As our suppliers are seen as an extension of Photocure, we require our suppliers and partners, to comply with this Code which is the same as The Ten principles of the UN Global Compact. Photocure also expects its Suppliers and Partners to require their own suppliers and subcontractors to follow these principles. In contracts with business partners and suppliers, Photocure has included statements that both parties are obliged to follow all applicable laws, rules and regulations, and this general statement also includes anti-corruption laws. To strengthen the internal awareness of the importance



of oversight and follow up on suppliers, a written procedure applicable for all supplier's engagement is in place

There have been no confirmed incidents of corruption in the reporting period, nor has any Photocure employee been dismissed or disciplined for corruption. There have been no cases of terminations or contracts not being renewed due to suspected business ethics breaches in 2022, nor has Photocure been involved in any legal proceedings regarding business ethics or corruption.

Reporting & Monitoring

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

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

Within Business ethics and transparency several notable achievements can be reported for 2022:

- The Code of Conduct was updated with clearer statement for human rights.
- Supplier procedures updated to ensure correct assessment of risk for corruption, based on location, and risk for human rights breaches in line with the Norwegian Transparency Act.
- All new employees were trained in business ethics and compliance. All employees training in the revised documents.

Goals and targets for 2023

- Maintain the compliance breaches with severity "critical" to zero. Maintain employee awareness including training on compliance and execution of the activities as outlined in the compliance program.

Research activities:

As part of its quality management system, Photocure has established a full set of standard operating procedures for all research and development related areas, including pre-clinical research on animals. The procedures ensure research activities are conducted in compliance with applicable laws and regulations and are subject to regular review and internal audits. Photocure is currently a sponsor of one clinical trial, registered at clinicaltrials.gov: NCT05600322. This study compares Hexvix Blue light cystoscopy with standard White light cystoscopy in the detection of bladder cancer in a Chinese population and is conducted as part of the upcoming marketing authorization approval in China. The study is a collaboration with Photocure's partner Asieris. An experimental bladder cancer model study in animals was initiated in 2022.

Photocure is dedicated to advancing bladder cancer care. Our commitment is to bridge the gap between randomized clinical trials (RCTs) and real-world outcomes in bladder cancer care. The company has established partnerships with different organizations to help generate the long-term real-world data (RWD) needed in bladder cancer treatment across diverse and otherwise underserved sub-groups of patients. Due to factors including a restricted patient pool defined by comprehensive eligibility criteria, controlled trial settings, as

well as set trial durations, randomized clinical trial outcomes may have gaps that need to be addressed by other means to progress therapy options. To bridge the knowledge gap that exists in bladder cancer care, Photocure has supported and worked closely with several patient registries to benefit from RWD. One non-interventional Photocure sponsored study (Blue Light Cystoscopy with Cysview® registry in the U.S.: Clinicaltrials NCT02660645) was ongoing in the reporting period.

Photocure has also provided multiple research grants, supported investigator-initiated trials and research collaborations. During 2022, several studies were published highlighting and confirming key benefits of Blue Light Cystoscopy with Hexvix/Cysview.

Main publications and presentations can be found in the Annual Report 2022 on pages 9/10.

Data protection and IT security

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

Data and information security is a priority for Photocure and described in the company's quality manual. IT activities and security are evaluated, and if necessary new risk analyses are performed. Management is informed about the result of the evaluations and approves corrective and preventive actions. The Company has received no substantiated complaints concerning breaches of customer privacy in 2022, nor has it reported any leaks, loss or theft of customer data in the reporting period.

Photocure has invested in an extensive security and information security platform based on international standards ISAE3402 and ISAE3000. Furthermore, Photocure's IT-provider Intility has a Security Operations Centre (SOC) which is responsible for managing all suspected and confirmed cyber security incidents 24/7/365. This is performed in close collaboration with other operational departments and renowned external security partners.

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

dedicated personal data contact person with delegated responsibility from the board and management.

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

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

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

Photocure's security platform is audited annually according to ISE3402 and ISAE3000 by PWC. The ISAE reports are also mapped up to the Cloud Control Matrix framework to fit industry standards defined by the Cloud Security Alliance. Photocure keeps a live dashboard on all security incidents.

Notable achievements in Data protection and IT security in 2022:

- Kept security tickets with severity "critical" to zero.
- Held a GDPR refresher training to make sure every employee gets a better understanding on how to handle personal data in their daily work.
- Implemented multi-factor authentication to access all Intility-based IT services to improve IT-security in our international organization.

Goals and targets for 2023:

- Keep security tickets with severity "critical" to zero
- Improve e-mail security by increasing the impersonation protection, security checks of links and e-mail attachments and surveillance of attempts to compromise e-mail accounts
- Continue to increase awareness of the security situation and reporting of suspicious e-mails by annual reminders to all employees
- Hold an annual GDPR refresher training and IT awareness training for employees
- Attend network for data privacy to stay compliance with the data protection legislation

Security tickets and breaches

Security tickets and breaches	2020	2021	2022
Number of moderate security tickets registered	13	42	9
Number of critical security tickets registered	0	0	0
Number of personal data breaches	0	0	0

APPENDIX:

Goals & Targets 2022

Area	Goals and Target 2022	Action and progress in 2022
Product quality & safety	Maintain Photocure's track record of no quality and/or safety incidents leading to any market actions e.g. product recall or healthcare information letter.	● No quality and/or safety incidents with any market actions reported. One technical error identified in one lot
	Improving the phone service for medical information, adverse event reporting and product quality complaints for North America.	● Helpdesk service for US went live in July 2022
Supply chain	Include following up on environmental, social and governance topics in regular business review meetings.	● Monthly business meetings conducted throughout the year with critical suppliers Formal business review meetings conducted with 5 suppliers in Q3, Q4 2022 and Q1 2023.
	Assess the status of ESG topics-related policies from all critical suppliers.	● Done throughout the year as part of regular supplier re-evaluations and qualifications as well as business review meetings.
	Encourage and support critical suppliers to implement policies in line with UN Global Compact	● All critical suppliers, except one have such policies formally implemented.
Environment and climate impact	Include environmental topics in the monitoring of real estate providers for Photocure locations	● ESG reports from our office landlords received and reviewed.
	Continue stakeholder dialogue to assess evolving environmental and climate reporting needs	● Semi-structure interviews were conducted by a third party with stakeholders in related to material topics including environmental and climate. The outcome is included in the materiality assessment for the upcoming 2022 report.
Working environment	Maintain a high employee engagement score in employee survey (>80% overall score)	● Pulse survey done in November 2022 Participation: 92% Overall satisfaction: 91% - high satisfaction 74%
	Maintain solid succession plans for key functions and establish and implement detailed development plans for key successors	● Succession plan presented to the Board in Q4.
	Ensure all HR functions are fully backed with policies and processes to assure consistency and overall solid governance	● All processes have been calendarized and are in place
	Utilise focus groups to identify improvement points for the Photocure working environment based on the Pulse Survey	● Focus groups established to discuss action from Pulse Survey.
	Leverage our Care & Respect Council to support our "We Care" Culture and maximize our efforts in diversity, equality and inclusion	● Care & Respect Council has met to develop the unconscious biases training for the entire company. Roll out planned for 2023.
Business ethics & transparency	Maintain the compliance breaches with severity "critical" to zero. Maintain employee awareness including training on compliance and execution of the activities as outlined in the compliance program.	● No critical compliance breached reported in 2022. All new employees trained in compliance as part of their onboarding and reminder trainings held throughout the year.
	Review the current supplier procedures to ensure correct assessment of risk for corruption, based on location, and risk for human rights breaches	● Procedure updated by year and as well as a new procedure describing the ESG work.
	Strengthen the code of conduct with clearer statement for human rights.	● Revised Code of Conduct per December 2022

● Complete ● Work in progress / partly achieved ● Not started

Goals & Targets 2022

Area	Goals and Target 2022	Action and progress in 2022
Data protection & IT security	Strive to enhance IT-security in our international organization. E.g. implement multi-factor authentication to access all Intility-based IT services	● Multi-factor authentication to access all Intility-based IT services implemented. A third-party did a Cyber risk assessment of Photocure;
	Keep security tickets with severity "critical" to zero.	● No critical security tickets reported in 2022
	Continue to increase awareness of the security situation and reporting suspicious e-mails by annual reminders to all employees	● IT security awareness training was done February 2023
	Hold an annual GDPR refresher training to make sure every employee gets a better understanding on how to handle personal data in their daily work.	● Annual GDPR training was done February 2023

● Complete ● Work in progress / partly achieved ● Not started

Photocure's stakeholders

Employees

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

Customers/Patients

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

Suppliers

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

Investors/Shareholders

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

Government authorities

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

Civil society

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



GRI content index

Photocure has reported in accordance with the 2021 GRI Standards for the reporting period January 1st to December 31st, 2022.

Disclosure	Disclosure description	Reference	Omission
GRI 2 - GENERAL DISCLOSURES 2021			
2-1	Organizational details	Accounting principles 2022 (General information) + About Photocure (Locations)	
2-2	Entities included in the organization's sustainability reporting	Accounting principles 2022 (General information)	
2-3	Reporting period, frequency and contact point	About this report + Front page	
2-4	Restatements of information	About this report	
2-5	External assurance	Independent auditor's report + Corporate Governance Policy and Annual Review (Auditor) + About this report	
2. ACTIVITY AND WORKERS			
2-6	Activities, value chain and other business relationships	Board of Directors Report 2022 (About Photocure) + Accounting principles 2022 (General information) + Notes to the Financial Statements for 2022 (Operating segments + Partnerships) + About Photocure	
2-7	Employees	Employees by region (table) + Breakdown of employees (table) + Policies & workplace key figures + Turnover	
2-8	Workers who are not employees		Information unavailable: The company did not manage to gather information about workers who are not employees for the 2022 report, but will strengthen data gathering and plans to obtain the information in 2023.
3. GOVERNANCE			
2-9	Governance structure and composition	Corporate Governance Policy and Annual Review (composition and independence of the board of directors) + About Photocure (Corporate governance)	
2-10	Nomination and selection of the highest governance body	Corporate Governance Policy and Annual Review (Nomination committee)	
2-11	Chair of the highest governance body	Corporate Governance Policy and Annual Review (composition and independence of the board of directors) + Confirmation from the Board of Directors and CEO (2022)	

Disclosure	Disclosure description	Reference	Omission
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance Policy and Annual Review (Business + The work of the Board of Directors) + About this report + About Photocure (Corporate governance)	Information unavailable: The company did not manage to gather all of the information for 2022, but will improve data gathering processes and plans to obtain the information in 2023.
2-13	Delegation of responsibility for managing impacts	About Photocure (Corporate governance)	
2-14	Role of the highest governance body in sustainability reporting	About this report	
2-15	Conflict of interest	Business ethics and transparency	
2-16	Communication of critical concerns	Business ethics and transparency	
2-17	Collective knowledge of the highest governance body		Information unavailable: The company did not manage to gather this information for 2022, but will improve data gathering processes and plans to obtain the information in 2023.
2-18	Evaluation of the performance of the highest governance body	Corporate Governance Policy and Annual Review (Business + The work of the Board of Directors)	The Board conducts self assessments, but not specifically linked to their role in overseeing sustainability impacts.
2-19	Remuneration policies	Guidelines for remuneration of senior executives and Board of Directors (website)	The disclosure is met with two minor exceptions: Our remuneration policy does not include information about clawbacks or retirement benefits. Remuneration is not linked to Board members or senior executive performance in managing sustainability impacts.
2-20	Process to determine remuneration	Corporate Governance Policy and Annual Review (The compensation committee + remuneration of the Board of Directors + Remuneration of the senior management) + Guidelines for remuneration of senior executives and Board of Directors (website)	The disclosure is met with one minor exception: We do not report on the views or votes of stakeholders.
2-21	Annual total compensation ratio	Remuneration of the management and Board of Directors (table) + Compensation equity	We do not report the median annual total compensation / percentage increase for employees.
4. STRATEGY, POLICIES AND PRACTICES			
2-22	Statement on sustainable development strategy	CEO letter	
2-23	Policy commitments	Business ethics and transparency + Compliance Program + Human rights + Norwegian Transparency Act	
2-24	Embedding policy commitments	Business ethics and transparency + Compliance Program + Human rights + Norwegian Transparency Act	Information unavailable: all of the information could not be obtained for the 2022 report. We will improve data gathering processes, and plan to obtain the information in 2023.

Disclosure	Disclosure description	Reference	Omission
2-25	Processes to remediate negative impacts	Corporate governance policy and annual review (risk management and internal control) + Business ethics and transparency (Reporting & monitoring)	Information unavailable: all of the information could not be obtained for the 2022 report. We will improve data gathering processes, and plan to obtain the information in 2023.
2-26	"Mechanisms for seeking advice and raising concerns"	Business ethics and transparency (Reporting & monitoring)	
2-27	Compliance with laws and regulations	Business ethics and transparency (Reporting & monitoring)	
2-28	Membership associations	Board of Directors Report (Corporate Social Responsibility) + About Photocure	
5. STAKEHOLDER ENGAGEMENT			
2-29	Approach to stakeholder engagement	Stakeholder prioritization and dialogue	
2-30	Collective bargaining agreements	Policies and workplace key figures	
MATERIAL TOPCIS			
GRI 3: MATERIAL TOPCIS 2021			
3-1	Process to determine material topcis	Stakeholder prioritization and dialogue + Materiality assessment	
3-2	List of material topics	Stakeholder prioritization and dialogue + Materiality assessment + CEO letter	
HUMAN RIGHTS + SUPPLY CHAIN RESPONSIBILITY			
3-3	Management of material topics	Human Rights + Norwegian Transparency Act + Supply chain responsibility + Stakeholder prioritization and dialogue	
GRI 412: HUMAN RIGHTS ASSESSMENT 2016			
412-1	Operations that have been subject to human rights reviews or impact assessments	Norwegian Transparency Act	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Norwegian Transparency Act	

Disclosure	Disclosure description	Reference	Omission
OWN KPI			
KPI	Location	Critical supplier screening; manufacturing and supply chain (table)	
KPI	Code of Conduct / CSR policy	Critical supplier screening; manufacturing and supply chain (table)	
KPI	Policy commitment	Critical supplier screening; manufacturing and supply chain (table)	
PRODUCT QUALITY AND SAFETY			
3-3	Management of material topics	Product quality and safety + Stakeholder prioritization and dialogue	
GRI 416: CUSTOMER HEALTH AND SAFETY 2016			
416-2	Incidents of non-compliance concerning the health and safety impacts of product and services	Product quality and safety	
ENVIRONMENT AND CLIMATE IMPACT			
3-3	Management of material topics	Environment and climate impact + Supply chain monitoring, packaging and transportation + Environmental risk related to Photocure's medicinal product + Critical supplier screening; manufacturing and supply chain (table) + Stakeholder prioritization and dialogue	
GRI 305: EMISSIONS 2016			
305-2	Energy indirect (scope 2) GHG emissions	Environment and climate impact (Energy use (electricity) from Photocure locations)	
OWN KPI			
KPI	Environmental Policy	Critical supplier screening; manufacturing and supply chain (table)	
KPI	Water-stress	Critical supplier screening; manufacturing and supply chain (table)	
WORKING ENVIRONMENT			
3-3	Management of material topics	Working environment + Policies and workplace key figures + Stakeholder prioritization and dialogue	
GRI 401: EMPLOYMENT 2016			
401-1	New employee hires and employee turnover	Breakdown of employees (table) + Turnover (table)	Disclosure is met with one minor exception: The company did not manage to obtain information about age group in 2022. We will improve data gathering processes and plan to report the information in 2023.

Disclosure	Disclosure description	Reference	Omission
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016			
405-1	Diversity of governance bodies and employees	Breakdown of employees and board members by gender (table)	The company is not reporting age group for Board members or employees. We also do not provide a breakdown of employees per employee category.
OWN KPI			
KPI	Absence due to illness	Policies & workplace key figures	
KPI	Parental leave	Policies & workplace key figures + Breakdown of employees (table)	
KPI	Employee survey	Employee engagement	
DATA PROTECTION & IT SECURITY			
3-3	Management of material topics	Data Protection and IT security + Stakeholder prioritization and dialogue	
GRI 418: CUSTOMER PRIVACY 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data Protection and IT security	
OWN KPI			
KPI	Moderate security tickets	Security tickets and breaches	
KPI	Critical security tickets	Security tickets and breaches	
KPI	Personal data breaches	Security tickets and breaches	
RESEARCH ACTIVITIES			
3-3	Management of material topics	Research activities + Stakeholder prioritization and dialogue	
BUSINESS ETHICS AND TRANSPARENCY			
3-3	Management of material topics	Business ethics and transparency + Ethical marketing and disclosure + Suppliers and partners + Stakeholder prioritization and dialogue	
GRI 205: ANTI-CORRUPTION 2016			
205-3	Confirmed incidents of corruption and actions taken	Suppliers and Partners	



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