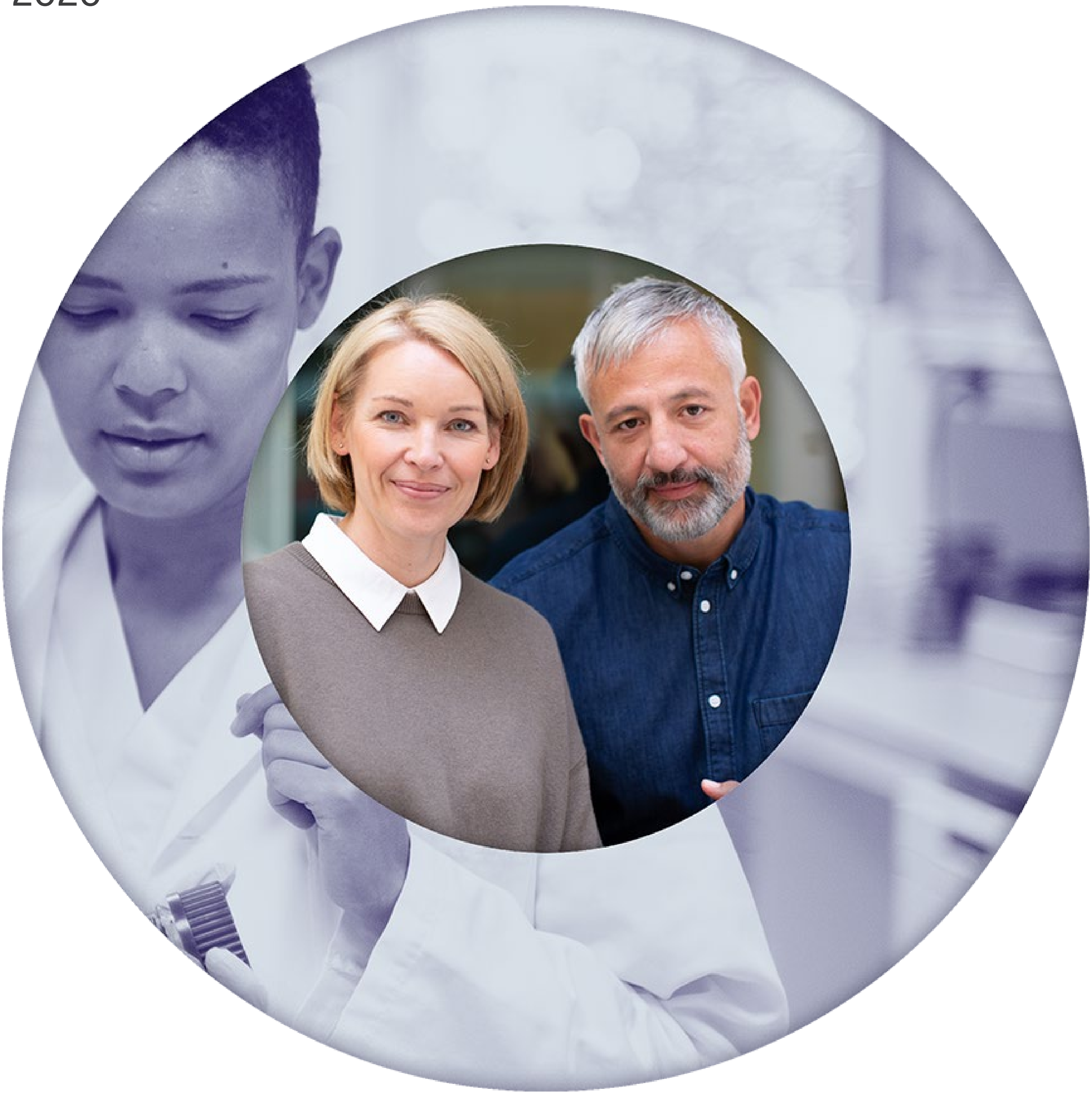
Annual Report
2020



PHOTOCURE®

THE BLADDER CANCER COMPANY

PHOTOCURE.COM/CAREERS

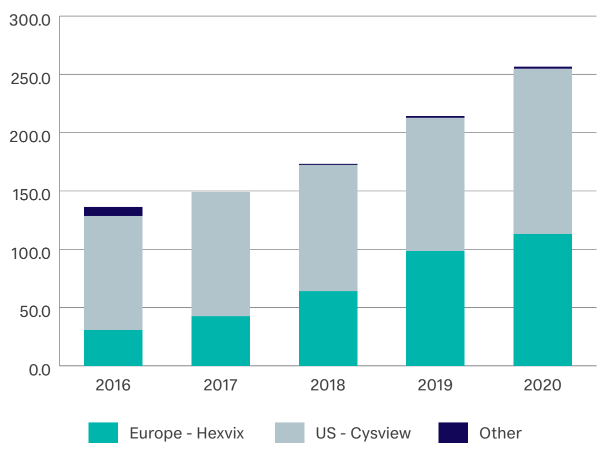
MISSION
To deliver transformative solutions to improve the lives of bladder cancer patients

VISION
Leading change in bladder cancer

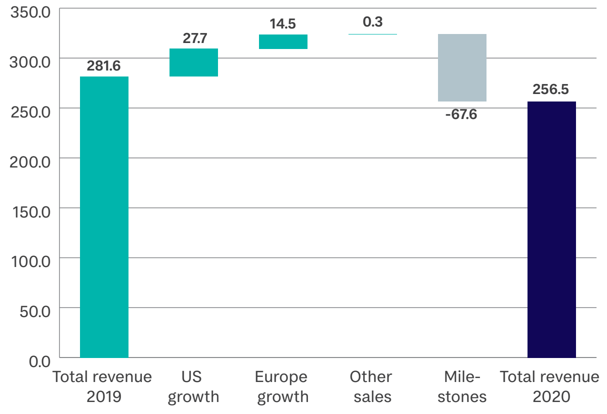
Contents

2020 in brief

SALES REVENUE 2016-2020
(NOK million)



TOTAL REVENUE 2019-2020
(NOK million)



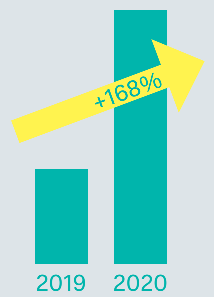
INCOME STATEMENT
(NOK million)

Commercial Franchise	FY '20	FY '19
U.S. revenue	113.2	98.7
Europe revenue	141.6	113.9
Other sales revenue	1.4	1.4
Sales revenue	**256.2**	**213.9**
Signing fee & milestones	-	2.5
Total revenue	**256.2**	**216.4**
Gross profit	**237.9**	**193.9**
EBITDA before restructuring	**4.2**	**7.3**

Development Portfolio	FY '20	FY '19
Sales revenue	0.3	-
Signing fee & milestones	-	65.1
Total revenue	**0.3**	**65.1**
Gross profit	**0.1**	**65.1**
EBITDA before restructuring	**-8.1**	**51.6**

Consolidated	FY '20	FY '19
Sales revenue	256.5	213.9
Signing fee & milestones	-	67.6
Total revenue	**256.5**	**281.6**
Gross profit	**238.0**	**259.0**
EBITDA before restructuring	**-3.9**	**58.9**
Depreciation & amortization	-19.3	-16.2
Restructuring expenses	-12.9	-
EBIT	**-36.1**	**42.7**
Net financial items	**2.8**	**3.2**
Earnings before tax	**-33.2**	**45.9**
Tax expenses	10.8	-14.1
Net earnings	**-22.4**	**31.8**

Hexvix®/Cysview® revenue NOK 255.2 MILL in 2020, up 20% from 2019 despite Covid-19 disruptions

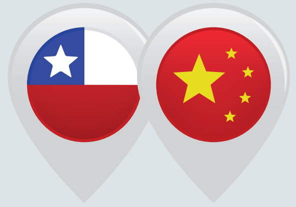


Cash balance NOK 335 MILL year-end 2020, up from NOK 125 MILL in 2019

Consolidated product franchise globally with the re-acquisition and successful integration of the European Hexvix® business

45

Blue Light Cystoscopes installed in the U.S. during 2020



Expanding geographic footprint with Hexvix® partnerships signed in Chile (2020) and China (post-period)

~30

Hexvix®/Cysview® is now approved for use in ~30 countries

PHASE III

First patient dosed in Phase III clinical trial for Cevira® (HPV induced cervical precancerous lesions) by Asieris, $3.0 MILL in milestone payments received in 2020

Board of Directors Report 2020

In 2020, Photocure continued to strengthen its commercial activities within the bladder cancer treatment market. The Covid-19 pandemic posed a major challenge during the year, however, the Company continued to focus its resources on commercial activities in the U.S., enabling growth in both revenue and volume in that territory. Photocure launched the Hexvix European operations after acquiring the rights and transitioning the business back from Ipsen Pharmaceuticals on October 1, 2020. Consolidating European sales of the Hexvix®/Cysview® franchise increases the Company's global commercial footprint. As a result, Photocure grew Hexvix/Cysview product sales by 20% in 2020.

Despite the challenging pandemic environment, Photocure delivered on key corporate objectives during the year; integrating the Hexvix acquisition from Ipsen, expanding the Hexvix/ Cysview franchise globally and securing funding by raising NOK 302 million net in addition to a NOK 50 million low-interest loan guaranteed by the Norwegian government.

Photocure reported total revenues of NOK 256.5 million in 2020, a decrease of 9% from 2019. The year over year decline reflects the absence of the NOK 65.1 million signing fee and milestone revenue generated by Asieris to the Company in 2019. Global full year Hexvix/Cysview in-market unit sales decreased by 5% in 2020, with 7% growth in the U.S., outweighed by an 8% decline in unit volume in Europe.

Operating loss before restructuring for 2020 was NOK 23.2 million, a decrease from the NOK 42.7 million profit reported in 2019, also reflecting the absence of the revenues generated by Asieris in the prior year. Net loss for 2020 was NOK 22.4 million compared to a net profit of NOK 31.8 million in 2019.

The clinical development of Cevira® for the treatment of Human Papilloma Virus (HPV) induced cervical precancerous lesions is progressing ahead of initial expectations as outlined in the agreement with Asieris MediTech Co., Ltd (Asieris). In the fourth quarter of 2020, Photocure received a USD 1.5 million milestone for the first patient dosed in Asieris' global Phase III clinical trial for Cevira. With up to USD 250 million in potential milestones in addition to royalties on Cevira sales, this license agreement offers an opportunity for significant shareholder value creation while the Company focuses its resources on solutions for the bladder cancer treatment market. Photocure recently announced a second license agreement with Asieris, whereby Asieris has obtained the exclusive rights to market Hexvix in mainland China and Taiwan.

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

Strategic direction – developing a specialty pharmaceutical company

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

Commercial Segment

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

Bladder cancer ranks as the sixth most common cancer worldwide with 1,650,000 prevalent cases (5-year prevalence rate), 550,000 new cases and almost 200,000 deaths annually in 2018.[1] Bladder cancer has the highest lifetime treatment costs per patient of all cancers.[2] 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.[3]

Photocure is leveraging its flagship brand Hexvix/Cysview to improve detection of NMIBC and reduce disease recurrence and progression rates to improve cost-effective health outcomes for bladder cancer patients. Hexvix/Cysview is marketed in the U.S. and Europe by Photocure's own specialist commercial and medical teams and through partnerships in Canada, Chile, China, and Australia/New Zealand. In 2020 the in-market sales of Hexvix/Cysview totaled approximately NOK 345 million, compared to approximately NOK 330 million in 2019.

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 explores expansion of its product portfolio through internal product development and potential acquisition of new technologies or products.

The company has continued to invest in its U.S. commercial organization, in line with its commercial market opportunities and strategic objectives. The added resources have driven growth in the number of blue light cystoscopes installed at leading U.S. hospitals/urology centers, as well as growth in unit sales and revenue. The availability of Blue Light Cystoscopy (BLC®) with Cysview, for rigid and flexible cystoscopy means that Cysview can now be used for both bladder cancer surgery and follow-up cystoscopy, allowing physicians to detect patients with the disease earlier and manage them more appropriately. Revenue in the U.S. segment increased 15% in 2020 to NOK 113.2 million (growth of 7% in USD) while the installed base of rigid and flexible blue light cystoscopes increased by 45 to a total of 268 at end of the year.

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

In February 2020, Photocure announced that the United States Patent and Trademark Office (USPTO) had granted U.S. Patent No. 10,556,010 covering the use of Blue Light Cystoscopy with Hexvix/ Cysview as neoadjuvant therapy in the treatment of bladder cancer in patients who are scheduled for a cystectomy. Photocure intends to further investigate Hexvix/ Cysview for its therapeutic effect as result of Photocure's continued focus on securing intellectual property rights. This patent expires in December 2036.

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

- Approval – Broader U.S. indication into the 2.5 times larger surveillance market
- Acceptance – The American Urological Association (AUA), the European Association of Urology (EAU), the Society of Urologic Oncology (SUO) and many regional and local guidelines as well as the newly published Expert Consensus

[1] Globocan. Incidence/mortality by population. Available at: http://globocan.iarc.fr/Pages/bar_pop_sel.aspx
[2] Sievert KD et al. World J Urol 2009;27:295–300
[3] Bladder Cancer. American Cancer Society. https://www.cancer.org/cancer/bladder-cancer.html

Guidelines for surveillance with flexible cystoscopes

- Access – Permanent and favorable reimbursement as of January 2019 and new permanent codes authorized in 2020 and 2021
- Activated Awareness – Demand via advocacy groups, clinics' advertising and media
- Acceleration – Commercial investment in the U.S. to optimize the opportunity

Photocure plans to maximize the return on our commercial investment by executing our plans in the largely untapped U.S. market, as well as in our recently reacquired territories in Europe where we expect to see great returns in the form of significant and sustainable growth in revenue and profitability. The inclusion of the European market has given Photocure global control of the Hexvix/Cysview brand performance.

On June 11, 2020, Photocure entered into an agreement with Ipsen Pharma SAS (Ipsen) regarding the return of Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen. Commercial rights were transferred to Photocure on October 1, 2020. Photocure paid Ipsen EUR 15 million upon transfer on October 1, 2020, and Ipsen booked sales until this date. In addition, Ipsen will receive earn-out payments in the previous Ipsen markets in the range of 10-15% of sales for the years 1-7 post-transfer and 7.5% of sales for the years 8-10.

By taking direct control of Photocure's own Hexvix/Cysview product in key regions, the Company is supporting its ambition to become a global leader in the treatment and management of bladder cancer, with a solid commercial foundation for expansion and further growth opportunities.

Full year European segment revenues, including Nordic, increased 24% to NOK 141.6 million from NOK 113.9 million in 2019. The increase was mainly driven by the consolidation of revenues from the acquisition of the Ipsen territories and currency fluctuations. Full year revenue included royalties from Ipsen for the first three quarters and in-market revenue for the fourth quarter. In-market unit sales declined 8% from last year, as the Company worked through the pandemic conditions including national lockdowns, reduced bladder cancer procedures and interrupted access to hospitals and physicians.

During 2020, several scientific publications highlighted and confirmed key benefits of Blue Light Cystoscopy (BLC®) with Hexvix/Cysview. Main publications, presentations and media coverage were:

- Hexvix/Cysview and BLC® received media coverage in the first quarter 2020 in a news program on a Fox News channel (Fox 11 LA) in January on Blue Light Technology in Bladder Cancer. Dr. Sia Daneshmand, M.D., Associate Professor of Urology (Clinical Scholar) and Director of Urologic Oncology at the University of Southern California/Norris Comprehensive Cancer Center, explained the benefits of Blue Light technology in the detection of Bladder Cancer in detail and discussed the advantages of Blue Light compared to other technologies during cystoscopies for Bladder Cancer diagnosis and surveillance.

- In February 2020, Photocure announced that the United States Patent and Trademark Office (USPTO) granted US Patent No. 10,556,010 covering the use of Blue Light Cystoscopy (BLC®) with Hexvix/Cysview as neoadjuvant therapy in the treatment of bladder cancer in patients who are scheduled for a cystectomy. Photocure intends to further investigate Hexvix/Cysview for its therapeutic effect and the patent is a result of Photocure's continued focus on securing intellectual property rights. This patent expires in December 2036.
- In May, key data was published at the 2020 American Urological Association (AUA) Annual Virtual Meeting. Three abstracts featured Blue Light Cystoscopy with Cysview, further supporting the role for Cysview: (1) "Role of blue light cystoscopy in detecting invasive bladder tumor: Data from a multi-institutional registry" showed that in the registry enrolled patients, a considerable proportion of invasive bladder tumors were detected by BLC® alone: A total of 55 invasive lesions out, of the 494 invasive lesions detected, were detected only by blue light cystoscopy. The benefit of using BLC® in earlier detection of invasive bladder tumors could have an effect on the treatment approach and potentially lead to improved survival in the high-risk population. The study included 3514 lesions (1257 unique patients), from 9 sites in the U.S. (2) "Gender based Variations in the Detection of Bladder Cancer with Blue Light Cystoscopy: Insights from a Multicenter Registry" showed that similar to existing evidence, BLC®-alone was significantly more sensitive than WLC-alone in males (91.1% vs 80.0%, $p<0.001$) and in females (86.7% vs 79.5%, $p = 0.036$). Furthermore, the sensitivity with BLC® between the genders was significantly greater in males than in females (91.1% vs 86.7%, $p = 0.035$). Additionally, the false-positive rate in females was significantly higher than in males in BLC® (35.9% vs 28.5%, $p=0.008$) and WLC (33.8% vs 27.4%, $p=0.029$). These findings highlight the differences in detection rates of NMIBC between genders, an area that warrants further investigation, and they continue to validate the existing evidence of increased sensitivity of BLC® with Cysview in the detection of NMIBC. (3) "Malignant urinary cytology of unknown origin - blue light flexible cystoscopy at the outpatient clinic may be a valuable diagnostic tool", a Nordic prospective multi-center registry study, showed that the majority of patients, 93% (27/29), stated that they preferred to have BLC® with Cysview performed with a flexible cystoscope at the outpatient clinic versus the operating room under general anesthesia. It was concluded that using BLC® with Cysview with a flexible cystoscope in the office may be a simple way to solve unclear cases with malignant or suspicious urinary cytology.
- On 27 June, BLC® with Cysview was also included in a virtual educational session of the AUA program: "Surgical Techniques: Tips & Tricks Oncology: Bladder Cancer Blue Light" with Anne Schuckman, MD, Assistant Professor, Director LAC+USC Urologic Oncology.
- At the October International BLADDR 2020 Congress, Photocure presented a poster based on new findings from the Nordic Flexible BLC® registry, an ongoing prospective multi-center study. The data showed that flexible Blue Light Cystoscopy helped resolve a substantial amount of cases by complete removal on-site or direct referral to intravesical treatment, providing increased efficacy to manage non-muscle-invasive bladder cancer (NMIBC) in the office setting. The Nordic Flexible BLC® registry is an ongoing prospective multi-center study initiated to observe the clinical use and explore possible benefits of blue light cystoscopy in the surveillance setting. From five participating sites, 354 patients being followed up for NMIBC have been included in the study. Data from 462 blue light procedures were included in the poster presentation.
- At the 21st Annual Meeting of the Society of Urologic Oncology (SUO), in December 2020, new data and analyses were presented, highlighting the use of Blue Light Cystoscopy with Cysview, in particular the positive impact on patient outcomes in the surveillance setting without a significant impact on the cost of care, as well as the benefits of identifying early recurrences in high-risk NMIBC patients undergoing BCG treatment. Based on the study conducted by Steven B. Williams, et. al., University of Texas Medical Branch, a Budget Impact Model was developed based on standard protocols for the treatment and surveillance of NMIBC. Inputs were based on a simulated facility with 50 newly diagnosed bladder cancer patients. BLC® with Cysview was utilized for all surveillance cystoscopies. In the office setting, the additional use of flexible BLC® for surveillance did not substantially impact cost and resulted in the identification of 9 recurrences over the course of two years that would otherwise be missed.

Development Portfolio

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

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

In July 2019, the Company announced that it had entered into a License Agreement providing Asieris MediTech Co., Ltd (Asieris) with a world-wide license to develop and commercialize Cevira for the treatment of HPV induced cervical precancerous lesions. Subsequently, Asieris launched a global clinical development program with an initial focus on the Chinese market based on Photocure's Phase 2b clinical data. The development for the U.S. and EU markets will follow when clinical data from the Chinese focused Phase 3 study confirms the safety and efficacy, estimated to be available in 2022. Asieris will assume responsibility for the manufacturing of the Cevira product, while Photocure retains responsibility for the manufacturing of the active pharmaceutical ingredient (API).

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

Financial review

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

Total revenue was NOK 256.5 million in 2020, a decrease from the NOK 281.6 million reported in 2019. The year over year decline reflects the absence of the NOK 65.1 million signing fee and milestone revenues generated by Asieris to the Company in 2019.

Sales revenues reached NOK 256.5 million in 2020, an increase of NOK 42.6 million from NOK 213.9 million in 2019. Sales revenues comprise the Company's own sales of Hexvix® in Europe and Cysview® in the U.S. and income from product sales and royalties from Photocure's license partners on sales of Hexvix/Cysview to hospitals and pharmacies in other regions. While the COVID-19 pandemic negatively impacted commercial activities globally, the increase in revenues was mainly driven by growth in our U.S. segment and the addition of revenues from the acquisition of the Ipsen territories in Europe.

The Company had no signing and milestone revenues in 2020 compared to NOK 67.6 million in 2019. Signing and milestone revenues include signing fee and committed milestones from Asieris for Cevira of NOK 65.1 million in 2019.

Operating expenses excluding restructuring expenses increased from NOK 216.3 million in 2019 to NOK 261.2 million in 2020. The main cost drivers were increased sales and marketing expenses in the U.S. and operating expenses associated with the acquisition of the Ipsen territories in Europe, partly offset by reduced expenses related to travel and other items deemed non-essential during the Covid-19 pandemic. Photocure has expensed all research and development costs except for development costs related to the Phase 3 clinical study for Cysview which have been capitalized as intangible assets. This asset was fully amortized by year-end 2020. Operating expenses include a total of NOK 4.2 million amortization of intangible assets related to the return on October 1, 2020, of Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen.

Photocure's operating result before restructuring expenses was NOK -23.2 million in 2020, compared to an operating result of NOK 42.7 million in 2019. The decline in the operating result is primarily attributable to the absence of the signing fee and milestone revenue generated by Asieris to the Company in 2019.

Restructuring expenses in 2020 were NOK 12.9 million and relate to work performed in connection with the agreement with Ipsen for the return of Hexvix sales, marketing and distribution rights in Europe and other markets previously controlled by Ipsen.

Net financial income totaled NOK 2.8 million in 2020, compared to NOK 3.2 million in 2019.

In the fourth quarter, due to the inclusion of the Ipsen business, a total of NOK 6.4 million accrued interest costs was included for the deferred consideration to Ipsen (earn-out).

Result before tax was a loss of NOK 33.2 million in 2020, compared to a profit of NOK 45.9 million in 2019.

Tax expense was an income of NOK 10.8 million in 2020 and a cost NOK 14.1 million in 2019. The calculation of deferred tax at year end was based on a tax rate of 22% for both 2020 and 2019.

The Group's net result after tax was NOK -22.4 million in 2020 compared to NOK 31.8 million in 2019.

Net cash flow from operations was NOK 15.6 million in 2020 compared to NOK 20.7 million in 2019. The positive cash flow from operations in 2020 and 2019 was mainly driven by milestone payments from Asieris. Net cash flow from investments was negative NOK 166.8 million in 2020 compared to positive NOK 0.6 million in 2019. The net outflow reflects the payment to Ipsen of EUR 15 million. Net cash flow from financing was positive NOK 360.8 million in 2020, driven by new equity and bank financing.

Photocure had two private placements on April 27 and June 24, 2020, raising total net proceeds of NOK 302 million. The private placements attracted strong interest from existing shareholders, as well as from new, high-quality international institutional investors, and were multiple times oversubscribed. The Company intends to use the net proceeds from the private placements to (1) create and scale up a world-class marketing, sales, and distribution infrastructure after the transfer of the business previously owned and managed by Ipsen, (2) finance growth and working capital, including expansion in underserved countries and new geographies currently not served by Photocure or Ipsen previously, (3) explore new product opportunities/ development, and new geographies for Hexvix/Cysview to expand and secure its market position; and (4) general corporate purposes.

Photocure also secured bank financing of NOK 50 million during the second quarter. The bank loan is secured under the State Guarantee Scheme for Loans to SME's as a buffer to Covid-19 impacts.

Photocure follows a low risk investment strategy for its liquid funds. The return on the liquid funds depends on the rate of interest in the money markets and will therefore vary over time. Liquid funds amounted to NOK 334.9 million at December 31, 2020 and NOK 125.3 million at December 31, 2019.

Shareholder equity was NOK 508.1 million at December 31, 2020, an equity ratio of 65%. At the end of 2019, shareholder equity was NOK 208.6 million (81%).

Dividend

The Board does not propose a dividend payment for 2020. Photocure is focusing its resources on building a therapeutic area-focused commercial stage pharmaceutical company with focus on bladder cancer and 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

Photocure ASA (Parent company) had in 2020 a loss after tax of NOK 18.0 million, compared to a profit after tax of NOK 47.3 million in 2019. The equity in Photocure ASA totaled NOK 796.4 million at December 31, 2020. The equity ratio of the Parent company was 76%.

Share capital and board mandates

At December 31, 2020, 26,717, 536 shares were registered in Photocure. At the Ordinary General Meeting June 10, 2020, the Board of Directors was granted authorization to purchase up to 10% of its own shares. At December 31, 2020, Photocure held 15,666 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 2020, except those which are stated in this report that are of major significance for the assessment of the Company's financial position and results.

Risk factors and risk management

Photocure is subject to several operational and financial risk factors and uncertainties which may affect parts or all of the activities in the Group. The Company proactively manages such risks, and management and the Board of Directors regularly analyze operations and potential risk factors to take measures to reduce risk exposure.

Operational risk

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

Commercial risk

Photocure is commercializing Hexvix®/Cysview® directly in the U.S. and Europe and has strategic partnerships with BioSyent Pharma in Canada, Genotests SpA in Chile, Asieris MediTech Co. Ltd. in China and Juno Pharmaceuticals in Australia/New Zealand.

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

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

Manufacturing risk

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

Development and regulatory risk

- Photocure's partner Asieris will need approval from regulatory authorities to market Cevira® Efficacy 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 2020, the Company had no derivatives or other financial instruments to reduce the currency risk and interest rate risk. Responsibility for managing financial risk is placed with the management of the Company. Financial risk is also monitored by the Board of Directors.

Liquidity and funding risk

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

Credit risk

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

Currency risk

As NOK is the Company's presentation currency, Photocure is exposed to translation risk associated with the Company's net exposure in foreign currency. Photocure's revenues and costs are accrued in different currencies and the Company is therefore exposed to exchange rate fluctuations. The Company monitors the need for hedging of large transactions on an ongoing basis. Photocure did not have outstanding hedging of future transactions at December 31, 2020 and December 31, 2019.

Interest rate risk

In the second quarter of 2020, Photocure received a loan of NOK 50 million, which is secured under the State Guarantee Scheme for Loans to SME's (Covid-19 related). The loan carries a floating interest rate, and the effective interest rate at the end of 2020 was 2.7%. The loan is a three-year term loan, first year interest only with quarterly repayments of NOK 6.25 million thereafter. Interest rate risk is also associated with the Company's holdings of cash and cash equivalents. The main strategy is to diversify the risk and invest in money market funds and bond funds with low risk, high liquidity and short duration. The investments are denominated in NOK.

The Covid-19 pandemic

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

As of the date of this report, the direct impact on Photocure's business from the Covid-19 pandemic has been limited as impact on revenues to a large extent has been offset by cost measures.

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

Organization

The Group's Leadership Team at year-end consisted of Daniel Schneider, President and Chief Executive Officer; Erik Dahl, Chief Financial Officer; Geoffrey Coy, Vice President and General Manager of U.S. Operations; Susanne Strauss, Vice President and General Manager of Europe; Grete Hogstad, Vice President Global Strategic Marketing and Business Development; Kari Myren, Head of Global Medical Affairs and Clinical Development and Gry Stensrud, Vice President Technical Development and Operations. Inger Ferner Heglund acts as an Advisor for Research and Development to Photocure's Leadership Team.

The Board of Directors held 28 meetings in 2020. All members of the Board of Directors are shareholder-elected. The members of the Board of Directors were at the end of 2020; Jan H. Egberts (Chairperson), Johanna Holldack, Grannum R. Sant, Anders Tuv, and Anne Worsøe.

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

Corporate social responsibility

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

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

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

Patients access to health and quality of life

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

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

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

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

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

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

Talent & workplace

The Photocure organization comprised of 89 employees at the end of 2020. In addition, the Company has a strong network of consultants to support the operations and development. The Company's policy is to outsource non-core operations and highly specialized services.

The work environment within the Company is considered to be a very good, positive environment measured through regular employee surveys. No accidents or injuries resulting in absence were registered in 2020. Absence due to illness in the Company was 1.1% of total hours in 2020, compared to 1.6% in 2019.

Photocure aims to be a workplace with equal opportunities in all areas. The Company has traditionally recruited from environments where the number of women and men is relatively equally represented. In terms of gender equality within the Company, 40% of board members are women, as are 63% of the senior management team at the end of 2020. Globally Photocure employs 47% women and 53% men. Working time arrangements at the Company, independent of gender, strive to enhance the individual work-life balance.

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

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

Environment

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

Governance and ethics

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

Photocure's values set out the expectation that everyone behaves ethically in everything they do. The annual performance appraisal for Photocure employees and management includes an assessment of the performance in relation to the Company values. In addition, the company strives to always enhance its processes through gap-analysis and regular Standard Operating Procedure reviews. In 2020 more than 50% of the Company's procedures have been revised and updated to ensure business ethics, compliance with GxP and good governance practice. The company also named a Chief Compliance Officer and launched a compliance program in 2020.

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

Subsequent events

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

Outlook

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

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

The global Covid-19 pandemic has had a negative impact on patient visits and BLC® procedures, as well as equipment installations since March 2020. However, Photocure did see a positive trend towards the end of the second quarter that continued through the third quarter and the beginning of the fourth quarter up until the pandemic resurgence in late 2020. The ongoing Covid-19 pandemic adds continued uncertainty to Photocure's near-term business forecast, which impacts the reliability of financial estimates. However, the Company believes that the benefits of Blue Light Cystoscopy with Hexvix/Cysview offering superior detection and management of bladder cancer will continue to be adopted and become the standard of care. In places where procedures have been postponed due to the fear of exposure to Covid-19, the number of procedures is expected to rebound back to pre-Covid-19 growth rates in the U.S. and positive growth in the Company's newly acquired European markets.

While quarantine and lockdown measures are necessary to slow the spread of Covid-19, unfortunately, cancer continues to progress, and patients, particularly those that are highly symptomatic, are driven to take action to receive treatment. This provides a health care opportunity and one in which we believe Hexvix/Cysview can ensure the best outcomes for patients who may have postponed treatment and physician visits.

Oslo, 29 April 2021
Photocure ASA

Jan H. Egberts Chairperson	Grannum R. Sant Director	Johanna Holldack Director
Anders Tuv Director	Anne Worsøe Director	Daniel Schneider President and CEO

Confirmation from the Board of Directors and CEO 2020

We confirm that, to the best of our knowledge, that the financial statements for the period from January 1 to December 31, 2020 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, 29 April 2021
Photocure ASA

Jan H. Egberts Chairperson	Grannum R. Sant Director	Johanna Holldack Director
Anders Tuv Director	Anne Worsøe Director	Daniel Schneider President and CEO

Jan H. Egberts

Chairperson of the Board / Member of Compensation Committee

Attendance: Board meetings: 28/28
Compensation Committee: 6/6

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

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

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

Johanna Holldack

Director / Chairperson of the Compensation Committee

Attendance: Board meetings: 28/28
Compensation Committee: 6/6

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

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

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

Grannum R. Sant

Director / Member of the Audit Committee

Attendance: Board meetings: 28/28
Compensation Committee: 6/6

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

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

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

Anders Tuv

Director / Chairperson of the Audit Committee

Attendance: Board meetings: 12/12
Compensation Committee: 4/4

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

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

- Elected year 2020
- Position: Chief Investment Officer at Radforsk, Norway
- Education: MBE
- Other assignments: Chairperson of the Board at Vaccibody, non-executive director Zelluna Immunotherapy, non-executive director Nextera, non-executive director NucliGen, member of the Nomination Committee of Targovax. He also holds several advisory roles in biotechs and VC/investment funds.

Anne Worsøe

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

Attendance: Board meetings: 12/12
Compensation Committee: 4/4

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Anne Worsøe holds no shares and no share options in Photocure

Anne Worsøe is Managing Partner and co-founder at Farmhouse Capital, an Oslo-based investment company, and Venture Partner at Antler, a global early-stage venture capital firm. Previously, she was a partner at Bakken & Bæck, a digital studio specialized in product design and machine learning, while the company scaled from 16 to 60+ people in Norway, Netherlands and Germany. As Director of Innovation Norway in San Francisco, Anne initiated and co-founded Nordic Innovation House in Silicon Valley, and launched a startup program for validating product-market fit in the USA. 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: Managing Partner and co-founder at Farmhouse Capital, Norway
- Education: M.Sc.
- Other assignments: Chair of the Board at First Seed foundation and Kron, Board Member at Formuesforvaltning and OwnersRoom, and an expert jury member at European Commission's Horizon Europe

Corporate Governance Policy and Annual Review

Review of policy adopted by the Board of Directors April 29, 2021

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 October 17, 2018 and available at the Norwegian Corporate Governance Board's web site www.nues.no, to the extent not considered unreasonable due to the Company size and stage of development. The principal purpose of the Corporate Governance Code is (i) to ensure that listed companies implement corporate governance that clarifies the respective roles of shareholders, the Board of Directors and senior management more comprehensively than what is required by legislation and (ii) to ensure effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other parties concerned.

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

The following provides a discussion of the Company's corporate governance in relation to each section of the Corporate Governance Code for the financial year 2020. Photocure's compliance with the Code is detailed in this report and section numbers refer to the Corporate Governance Code:

1. Implementation and reporting on Corporate Governance

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

Non-conformance with the recommendation: None

2. Business

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

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

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

The Board of Directors of the Company has adopted several corporate governance guidelines, including code of conduct, anti-corruption policy, 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.

Non-conformance with the recommendation: None

3. Equity and dividends

Capital structure

At December 31, 2020, the Company's consolidated equity was NOK 508.1 million, an equity ratio of 65%. The Board of Directors considers this equity level to be satisfactory. The company had at December 31, 2020 long term liabilities totaling NOK 200.6 million, including NOK 50.0 million bank loan and capitalized value of expected future earn-out payments to Ipsen totaling NOK 143.7 million. The bank loan is secured under the State Guarantee Scheme for Loans to SME's as a buffer to Covid-19 impacts. 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 and transactions with related parties

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.

The Company completed two private placements in 2020 where the shareholders pre-emption rights was set aside pursuant to authorizations granted to the Board of Directors by the general meeting. In both transactions the Board of Directors carefully considered equal treatment and concluded that it was in the common interest of the Company and its shareholders to raise equity through a private placement setting aside the pre-emptive rights of the shareholders. The transactions were dealt with in accordance with the principles of the Corporate Governance Code, inter alia by public disclosure through a stock exchange notice of the Board of Directors' justifications for setting aside the pre-emptive rights.

Trading in own shares

Photocure owns a total of 15,666 own shares. Photocure has net divested 958 own shares during 2020.

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.

Transactions with close associates

The Board of Directors aim to ensure that any not immaterial future transactions between the Company and shareholders, a shareholder's Parent company, members of the Board of Directors, executive personnel or close associates of any such parties are entered into on arms-length terms. For any such transactions which do not require approval by the general meeting pursuant to the Norwegian Public Limited Liability Companies Act, the Board of Directors will on a case-by-case basis assess whether a fairness opinion from an independent third party should be obtained.

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 of Directors, 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 of Directors 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 is a small company and with directors living abroad, the Company has so far not required directors´ attendance in general meetings. As a result of the Covid-19 pandemic, physical attendance at the annual general meeting in 2020 was limited. It is expected that physical attendance may also be limited on the annual general meeting in 2021.

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), Jónas Einarsson, and Lars Viksmoen. The current members have been elected by the general meeting with a term until the Company's ordinary general meeting in 2021. All members are independent of the Board of Directors and senior management.

Non-conformance with the recommendation: None

8. Composition and independence of the Board of Directors

Pursuant to the Articles of Association section 5, the Company's Board of Directors shall consist of three to seven members. The Board of Directors currently consists of the following five members: Jan H Egberts (chairperson), Johanna Holldack, Grannum R. Sant, Anders Tuv and Anne Worsøe. The chairperson of the Board of Directors 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 of Directors are considered independent of the Company's senior management and material business contacts. A majority of the members of the Board of Directors is independent of 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 of Directors 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 of Directors is, or has been, personally involved, shall be chaired by some other member of the Board of Directors.

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 Board of Directors shall provide details in the annual report of any Board committee's appointed.

The audit committee

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

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

The principal tasks of the audit committee are to:

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

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

- the Board of Directors' declaration on determination of salaries and other remuneration for senior management in accordance with the Norwegian Public Limited Liability Companies Act section 6-16a; 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 of Directors 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 of Directors.

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

Non-conformance with the recommendation: None

11. Remuneration of the Board of Directors

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

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

The Company has not granted share options to Board members.

Any remuneration in addition to normal fees to the members of the Board 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 of Directors unless approved by the Board of Directors. The remuneration for such additional duties should be approved by the Board of Directors.

Non-conformance with the recommendation: None

12. Remuneration of the senior management

The Board of Directors shall in accordance with the Norwegian Public Limited Liability Companies Act prepare separate guidelines for the stipulation of salary and other remuneration to the chief executive officer and other senior executives, as well as Board members who are employees. The guidelines shall include the main principles applied in determining the salary and other remuneration of the chief executive officer and other senior executives, and shall ensure convergence of the financial interests of the senior management and the shareholders.

The Board of Directors aims to ensure that performance-related remuneration of the chief executive officer and other senior executives in the form of equity-based compensation, annual bonus programs or the like, if used, are linked to value creation for shareholders or the Company's earnings performance over time. Performance- related remuneration should be subject to an absolute limit. Furthermore, the Company aims to ensure that such arrangements are based on quantifiable factors which the employee in question can influence.

The Board of Directors has established guidelines for remuneration of the key employees of the Company, and the guidelines will be presented to the annual general meeting in 2021. The remuneration guidelines are included in note 23 to the annual accounts. The compensation scheme for the Company´s senior management is based on a fixed salary, performance related bonus (capped based on fixed salary) and a share option program. Performance-related remuneration is linked to value creation for the shareholders over time, and is based on quantifiable factors which the employees in question can influence.

Non-conformance with the recommendation: None

13. Information and communications

General

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

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

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

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

Information to shareholders

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

All information distributed to the Company's shareholders will be published on the Company's web site at the same time as it is sent to shareholders. The chairperson of the Board of Directors 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

Parent				Group	
2020	2019	Amounts in NOK 1,000	Notes	2020	2019
150,875	124,357	Sales revenues	1,2,3	256,482	213,908
-	67,648	Signing fees and milestone revenues	1,2,3	-	67,648
150,875	**192,005**	**Total revenues**		**256,482**	**281,556**
-17,640	-22,584	Cost of goods sold	5	-18,511	-22,512
133,235	**169,422**	**Gross profit**		**237,971**	**259,044**
829	785	Other income		-	-
-12,751	-10,965	Indirect manufacturing expenses	6	-12,751	-10,965
-13,838	-13,644	Research and development expenses	6	-13,838	-13,644
-68,249	-44,182	Marketing and sales expenses	6	-187,811	-148,738
-47,758	-45,510	Other operating expenses	6	-46,775	-42,960
-141,767	**-113,517**	**Total other income and expenses recurring**		**-261,175**	**-216,307**
-8,532	**55,905**	**Operating profit/loss(-) before restructuring**		**-23,204**	**42,737**
-12,854	-	Restructuring	4	-12,854	-
-21,386	**55,905**	**Operating profit/loss(-)**		**-36,058**	**42,737**
26,439	10,190	Financial income	10	26,439	7,978
-34,523	-4,720	Financial expenses	10	-23,607	-4,813
-8,084	**5,470**	**Net financial profit/loss(-)**		**2,832**	**3,165**
-29,470	**61,375**	**Profit/loss(-) before tax**		**-33,226**	**45,902**
11,512	-14,032	Tax expense	11	10,823	-14,070
-17,958	**47,343**	**Net profit/loss(-)**		**-22,403**	**31,832**
		Currency translation		-681	-197
0	**0**	**Total other comprehensive income items that may be reclassified to profit & loss**		**-681**	**-197**
-17,958	**47,343**	**Comprehensive income**		**-23,084**	**31,635**
		Earnings per share (Amounts in NOK):	12		
		Basic		-0.91	1.46
		Diluted		-0.91	1.46

STATEMENT OF FINANCIAL POSITION as of 31 December - ASSETS

Parent				Group	
2020	2019	Amounts in NOK 1,000	Notes	2020	2019
		ASSETS			
162,552	-	Customer relations	4	162,552	-
144,000	-	Goodwill	4	144,000	-
4,410	16,566	Fixed and other intangible assets	13	7,370	20,653
-	11,478	Contract receivable	3	-	11,478
291,865	291,576	Loan to group company	24	-	-
8,697	5,528	Shares in subsidiaries	14	-	-
49,879	38,345	Deferred tax asset	11	49,879	38,345
661,403	**363,492**	**Total non-current assets**		**363,801**	**70,476**
28,470	15,022	Inventories	15	29,678	16,410
29,884	11,128	Accounts receivable	16, 18	43,097	24,665
1,251	15,072	Other receivables	16, 18	4,584	20,481
326,176	122,660	Cash and short term deposits	17, 19	334,887	125,320
385,781	**163,882**	**Total current assets**		**412,246**	**186,876**
1,047,184	**527,375**	**Total assets**		**776,047**	**257,352**

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

Parent				Group	
2020	**2019**	Amounts in NOK 1,000	**Notes**	**2020**	**2019**
		EQUITY AND LIABILITIES			
13,359	10,898	Share capital	20	13,359	10,898
384,005	64,261	Other paid-in capital		384,005	64,261
398,997	416,954	Retained earnings		110,768	133,431
796,360	**492,114**	**Total equity**		**508,132**	**208,590**
143,668	-	Earn-out liability	4	143,668	-
37,500	-	Long term loan financial institution	21	37,500	-
2,361	2,238	Pension liabilities	8	3,079	3,088
1,970	3,935	Lease liabilities	21	3,887	6,948
185,499	**6,174**	**Total non-current liabilities**		**188,134**	**10,036**
24,450	4,283	Accounts payable	16, 22	23,316	5,121
4,880	3,884	Employee withholding taxes, social security tax and VAT		5,356	3,884
35,995	20,920	Other current liabilities	16, 22	51,109	29,721
65,325	**29,088**	**Total current liabilities**		**79,781**	**38,725**
250,824	**35,261**	**Total liabilities**		**267,915**	**48,762**
1,047,184	**527,375**	**Total equity and liabilities**		**776,047**	**257,352**

Oslo, 29 April 2021
Photocure ASA

Jan H. Egberts
Chairperson

Grannum R. Sant
Director

Johanna Holldack
Director

Anders Tuv
Director

Anne Worsøe
Director

Daniel Schneider
President and CEO

STATEMENT OF CASH FLOWS

Parent				Group	
2020	**2019**	Amounts in NOK 1,000	**Notes**	**2020**	**2019**
-29,470	**61,375**	**Profit/loss(-) before tax**		**-33,226**	**45,902**
17,711	14,780	Ordinary depreciation & amortisation	4	19,292	16,213
-	-2,534	Deferred income milestones		-	-2,534
4,662	-	Share-based payments expense	7	7,881	-
377	392	Pension costs	8	696	687
-2,116	-1,696	Interest income	10	-2,116	-1,696
6,364	-	Interest expenses accrued	10	6,364	-
11,015	-2,212	Unrealized currency (gain)/loss loan subsidiary	10	-	-
815	-486	Unrealized currency (gain)/loss other		815	-486
-363	523	Other items		-387	237
		Changes in			
-13,448	2,825	- inventories		-13,269	2,173
-16,414	1,901	- trade and other receivables		-14,013	-5,654
22,956	-22,956	- contract receivable		22,956	-22,956
21,163	-4,699	- trade and other payables		18,788	-5,062
2,575	482	- provisons and other accruals		2,606	1,576
-	-4,530	Changes in contract liabilities		-	-4,530
-254	-3,057	Settlement employee benefits		-709	-3,179
-22	-	Tax cost/(refunded)	11	-94	-37
25,552	**40,109**	**Net cash flow from operating activities**		**15,585**	**20,655**
2,116	1,696	Interest received		2,116	1,696
-16,968	-22,400	Loan to subsidiary	24	-	-
-166,721	-	Investment Ipsen market		-166,721	-
-330	-	New subsidiary capital		-	-
-967	-694	Net investments in machinery and equipment	13	-1,185	-770
-	151	Sale of assets		-	-
-420	-316	Development expenditures and Intangible assets	13	-420	-316
-183,290	**-21,564**	**Net cash flow from investing activities**		**-166,209**	**610**
-2,556	-2,458	Instalments non-current lease liability	21	-3,618	-3,391
50,000	-	Loan financial institution	21	50,000	-
-562	-	Interest paid financial loan		-562	-
-332	-	Earnout liability	4	-332	-
301,703	-	Privat placements		301,703	-
13,001	614	Employee options excercised		13,001	614
361,254	**-1,844**	**Net cash flow from financing activities**		**360,191**	**-2,777**
203,515	**16,701**	**Net change in cash during the year**		**209,567**	**18,487**
122,660	**105,960**	**Cash and cash equivalents as of 01 January**		**125,320**	**106,833**
326,176	**122,660**	**Cash and cash equivalents as of 31 December**		**334,887**	**125,320**

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 2018	**10,890**	**-408**	**64,063**	**0**	**369,611**	**444,157**
Adjustments initial applications of IFRS 16					0	0
Adjusted equity beginning of period	**10,890**	**-408**	**64,063**	**0**	**369,611**	**444,156**
Comprehensive income:						
Net profit for the year					47,343	47,343
Other comprehensive income						
that may be reclassified to p&l			-	-	-	0
Total comprehensive income	0	0	0	0	47,343	47,343
Transaction with owners:						
Capital increase	9		605			614
Buy back own shares						0
Employees' options						0
Total transaction with owners	9	0	605	0	0	614
Equity as of 31 December 2019	**10,898**	**-408**	**64,670**	**0**	**416,954**	**492,114**
Comprehensive income:						
Net profit for the year					-17,958	-17,958
Other comprehensive income						
that may be reclassified to p&l			-	-	-	0
Total comprehensive income	0	0	0	0	-17,958	-17,958
Transaction with owners:						
Capital increase	2,461		312,243			314,704
Buy back own shares						0
Employees' options			7,499			7,499
Total transaction with owners	2,461	0	319,742	0	0	322,203
Equity as of 31 December 2020	**13,359**	**-408**	**384,413**	**0**	**398,996**	**796,360**

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 2018	**10,890**	**-408**	**64,064**	**105**	**101,692**	**176,342**
Adjustments initial applications of IFRS 16					0	0
Adjusted equity beginning of period	**10,890**	**-408**	**64,064**	**105**	**101,692**	**176,342**
Comprehensive income:						
Net profit for the year					31,832	31,832
Other comprehensive income						
that may be reclassified to p&l			-	-197	-	-197
Total comprehensive income	0	0	0	-197	31,832	31,635
Transaction with owners:						
Capital increase	9		605			614
Buy back own shares						0
Employees' options			0			0
Total transaction with owners	9	0	605	0	0	614
Equity as of 31 December 2019	**10,898**	**-408**	**64,669**	**-92**	**133,524**	**208,590**
Comprehensive income:						
Net profit for the year					-22,403	-22,403
Other comprehensive income						
that may be reclassified to p&l			-	-681	-	-681
Total comprehensive income	0	0	0	-681	-22,403	-23,084
Transaction with owners:						
Capital increase	2,461		312,243			314,704
Buy back own shares						0
Employees' options			7,922			7,922
Total transaction with owners	2,461	0	320,165	0	0	322,626
Equity as of 31 December 2020	**13,359**	**-408**	**384,834**	**-773**	**111,121**	**508,132**

Accounting principles 2020

I. General information

The annual accounts for 2020 for Photocure Group (Photocure) comprises Photocure ASA and the three wholly owned subsidiaries; Photocure Inc. registered in U.S, Photocure GmbH registered in Germany and Photocure SAS registered in France. The annual accounts for Photocure were approved for publication by the Board of Directors on 29 April 2021.

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

II. Basis for preparation of the annual accounts

The annual accounts for the Group and the Parent Company have been prepared on the basis of historical cost, with the exception of money market funds that is 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 and implemented by the EU as per 31 December 2020.

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 Nordic market and from October 2020 also in the remaining European market. Photocure has established wholly owned subsidiaries in Germany (Photocure GmbH) and France (Photocure SAS) that provide marketing services. These entities have EUR as their functional currency.

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

III. Changes in significant accounting policies

The Group has initially adopted Definition of a Business (Amendments to IFRS 3) from 1 January 2020. A number of other new standards are also effective from 1 January 2020 but they do not have a material effect on the Group's financial statements. The Group applied Definition of a Business (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in VI.X. See also Note 4 for details of the Group's acquisition during the year.

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 2020 did not have any significant impact on the reporting in 2020.

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 2020, are included in the following notes:

- Note 3 Revenue: the assumptions in the application of IFRS 15 for the license contracts and various considerations in the five-step model.
- Note 4 Acquisition from Ipsen: the assumptions in the application of IFRS 3 for the analysis of the purchase agreement
- Note 11 Recognition of deferred tax asset: available future taxable profit against which tax losses carried forward can be used.
- Note 24 Long term loan subsidiary: impairment and key assumptions underlying the balance sheet value in Parent company.

VI. Summary of important guidelines for accounting for the Group

A. Classification

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

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

B. Currency

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

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

C. Property, plant and equipment

Tangible fixed assets are recognized at cost less deductions for accumulated depreciation and accumulated impairment losses. Tangible fixed assets are depreciated over the expected useful life of the assets taking any residual value into consideration. Costs incurred for major replacements and upgrades of tangible fixed assets 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.

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

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

D. Intangible assets

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

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

Product development	4 - 10 years

E. Impairment

Financial assets and tangible & intangible fixed assets that are recognized in the balance sheet, are tested for impairment if there are indications of a permanent 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. Tangible fixed 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.

F. Research and development costs

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

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

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

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

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

G. Investment in subsidiary companies

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

H. Inventories

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

I. Financial assets and liabilities

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

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

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

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

A debt investment is subsequently measured at Fair Value through Other Comprehensive Income (FVOCI) if it meets both of the following criteria and is not designated as at FVTPL:

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

Photocure has no financial asset that meet both of these criteria.

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

Interest bearing liabilities are recognized at fair value at the time of recognition. In subsequent periods, interest-bearing liabilities are booked at amortised 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 recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised 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 amortised cost the ECLs are probability-weighted estimates of credit losses discounted at the effective interest rate of the financial asset.

J. Revenue recognition and IFRS 15

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

In the customer contracts in Photocure 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. The contract term has to be determined and in Photocure this is regarded to be equal to the expiry date of the patents in the relevant market areas.

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

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

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

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

K. Government grants

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

L. License costs

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

M. Pensions

Photocure ASA has an agreement with a life assurance company concerning contribution-based pensions for Photocure's employees in Norway. Pension contributions are paid into the employee's contribution account with the life assurance company. 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 in Photocure ASA living outside Norway have individual pension contribution plans that are reflecting local pension systems and according to their employment agreements.

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 401(k) plan is not interest-bearing, the employee chooses from an investment line up of diversified mutual funds, which can generate gains or losses.

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

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

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

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

Employees have been offered share options to the Company's shares as an element of the Group's employee incentive policy up to 2017. The share options have been decided to be reintroduced as part of the long-term incentive from 2019. 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 immediately on the employee's resignation from the Company.

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

Employees may receive an award related to annual base salary at the time of granting with which the employees are obliged to buy shares at fair value in the Company. The award is offered to the employees according to the Board's discretion. The plan is a performance base remuneration element reflecting the underlying long-term value creation of the company. The participant receiving the grant is required to invest the net amount after tax into shares in the Company ("Restricted Stocks"), that will be subject to a three years' lock up period. The Company will, on behalf of the employee, seek to facilitate the share purchase with the use of treasury shares or share capital increases. The Board of Directors has decided further terms and conditions for the Restricted Stock plan including lock-up and termination of employment.

The fair value of the amount payable to employees in respect of restricted shares, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the liability are recognized in profit or loss.

O. Tax

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

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

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

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

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

P. Earnings per share

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

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

Q. Provisions

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

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

R. Contingent liabilities and assets

Contingent liabilities are defined as:

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

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

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

S. Events after the balance sheet date

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

T. Cash flow statement

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

U. Equity

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

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

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

directly attributable to the equity transaction are included directly in equity.

V. Lease agreements

IFRS 16 introduced a single, on-balance sheet accounting model for lessees from 1 January 2019.

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 and interest on the lease liability. 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. If we look at an isolated agreement, the cost will be higher in the beginning of the rental period because the interest element is then large. In later rental periods, interest costs fall in line with a reduction in the rental obligation.

W. Segment reporting

Segments are reported similarly as the internal reporting to the Group's senior decision makers. Senior decision makers are defined as the Group's management group.

X. Business combinations

A business acquisition can be regarded as a business combination using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred. In determining whether a particular set of activities and assets is a business, Photocure will assessed whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

Based on the agreement including the transfer of distribution contracts, employees and inventory, the transaction has been defined as a business combination and is thus accounted for in accordance with IFRS 3.

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

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 2020

Photocure ASA

1. PARTNERSHIPS

In August 2015 Photocure appointed BioSyent Pharma Inc. as our exclusive distributor for the commercialization of Cysview in Canada.

In May 2015 Photocure appointed Juno Pharmaceuticals as our exclusive distributor for the registration and commercialization of Hexvix in Australia and New Zealand.

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.

2. OPERATING SEGMENTS

The operating segments follow the current business model for Photocure which consists of two segments: Commercial Franchise and Development Portfolio. The Commercial segment include the Hexvix/Cysview products and is broken down into own sales and partner sales by market segments and other sales. The Development segment is split by development of commercial products that from 2020 is Cevira and pipeline products. Sales revenue from own sales in Commercial segment consists of Hexvix sales to pharmaceutical wholesalers in Nordic markets and sales of Cysview to hospitals in the US up to 1 October 2020. From 1 October 2020 own sales include sale to hospitals, wholesalers and pharmacies in Europe. Sales through partners comprise mainly sales of Hexvix to Ipsen in Europe outside the Nordic region up to 1 October 2020 and related royalties from sales by Ipsen to end users. Milestone revenue within partner subsegment include deferred milestone payments in accordance with implementation of IFRS 15.

Other Sales in the Commercial segment consists of the resale of the HIVEC product from Combat and Allumera royalties from Bellus.

The contract revenue from the Asieris licence agreement achieved in 2019 is classified as milestone revenues under the Development portfolio, cf. note 3.

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

Government research grants are offset against operating expenses.

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

1 Jan - 31 December 2019	**Commercial Franchise**				**Development Portfolio**			
Restated								
(Amounts in NOK 1,000)	**U.S. Cysview**	**Europe Hexvix**	**Other Sales**	**Total Sales**	**Hex/Cys Develop.**	**Cevira & Pipeline**	**Total R&D**	**Grand Total**
Sales Revenues	98,653	113,865	1,390	213,908	-	-	-	213,908
Milestone revenues	-	2,534	-	2,534	-	65,115	65,115	67,648
Cost of goods sold	-5,476	-16,523	-513	-22,512	-	-	-	-22,512
Gross profit	**93,177**	**99,876**	**877**	**193,930**	**-**	**65,115**	**65,115**	**259,044**
Gross profit of sales %	94%	85%	63%	89%				89%
R&D	-	-	-	-	-1,822	-1,822	-3,644	-3,644
Sales & marketing	-110,087	-35,109	-483	-145,679	-903	-1,988	-2,891	-148,570
Other & allocations	-13,931	-23,075	-3,908	-40,914	-2,423	-4,545	-6,968	-47,882
Operating expenses	**-124,018**	**-58,184**	**-4,391**	**-186,593**	**-5,148**	**-8,355**	**-13,503**	**-200,096**
EBITDA before restructuring	**-30,841**	**41,692**	**-3,514**	**7,337**	**-5,148**	**56,759**	**51,612**	**58,948**
Depreciation and Amortization				**-6,015**			**-10,198**	**-16,213**
EBIT before restructuring				**1,322**			**41,414**	**42,735**

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

3. CONTRACT REVENUE

Performance obligation product deliveries

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

Sales revenue recognized under IFRS 15 for product delivery to Ipsen was deferred to the point in time the products are delivered from Ipsen to their customers in markets protected by patent. In markets without patent the revenue was recognized at the point in time the goods is delivered to Ipsen.

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 lisence agreement with Asieris for the pipeline product Cevira in July 2019. The agreement is based on a "ready for Phase 3 study" concept and this study will be carried out by Asieris in China from 2020.
Photocure has in the agreement with Asieris promised to transfer the rights for Cevira (license) and deliver the active substance for the phase 3 study and later potential commercialization. Asieris will be responsible for the remaining development of Cevira and pay all the costs.The license is a right to use Photocure's intellectual property as it existed at the contract date. The active substance will not be further developed or changed by Photocure for use by Asieris. The transfer of the license and the delivery of the active substance are by Photocure regarded as two separate performance obligations.

Asieris has in 2020 paid two milestones of USD 1.5 million each related to the phase 3 study and in 2019 Asieris paid up-front fee of USD 5 million. The agreement include additional milestones and potential sales royalty if a commercial product is approved, this will depend on the outcome of the ongoing phase 3 study. The total transaction price is allocated between the two performance obligations based on the relative stand-alone selling price. The transaction price allocated to the license consist of signing fee, different milestone payments and sales based royalty payments. The part of the transaction price related to milestone payments are estimated as the most likely amount, but constrained which currently means that these revenues will be recognized if and when the relevant milestone are achieved. Milestone revenues include USD 5 million of signing fees and USD 3 million of committed and timed development milestones. Revenue recognition is based on contract value in USD based on currency rates at time of executed contract and discounted. Revenue for the sale of active substance is recognized when the customer takes control of the goods, which is at the time of shipment.

Contract balances Asieris

The contract revenue receivable from Asieris was estimated to USD 8 million at signing of the agreement and this correspond to NOK 65.1 million. There is no remaining contract receivable as of 31 December 2020 as the USD 3 million in committed development milestones were paid in 2020. The net present value of the contract receivable as of 31 December 2019 was USD 2.6 millon corresponding to NOK 22.9 million based on currency rates at end of 2019. The contract receivable was split in a current and an equal non-current balance of NOK 11.5 million.

(Amounts in NOK 1,000)

Group sales revenues

Geographical information	**2020**	**2019**
Nordic countries	46,137	48,868
Germany	33,791	
France	5,767	
Austria	2,470	
UK	1,473	
Netherlands	1,076	
Other European countries	2,426	
United States	113,166	98,704
Own sales	**206,306**	**147,572**
Partner countries Europe	**49,436**	**65,641**
Partner countries rest of world	**740**	**695**
	256,482	**213,908**

The geographical revenue information is based on the location of the end customers.

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

Revenue recognition by segments

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

1 Jan - 31 December 2019	**Commercial Franchise**				**Development Portfolio**		
	Hexvix/Cysview						**Grand Total**
(Amounts in NOK 1,000)	**Own sales**	**Partner**	**Other Sales**	**Total Sales**	**Pipeline**	**Total R&D**	
Contract revenue at point in time				-	65,115	65,115	**65,115**
Contract revenue over time		61,807		**61,807**		0	**61,807**
Reverse of deferred revenue		7,064		**7,064**		0	**7,064**
Sales order revenue	146,877		694	**147,571**		0	**147,571**
	146,877	**68,871**	**694**	**216,442**	**65,115**	**65,115**	**281,557**

4. ACQUISITION FROM IPSEN

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

Ipsen receive in addition earnout payments in the range of 10 - 15% of sales (years 1-7 post-transfer) and 7.5% of sales (years 8-10) in the previous Ipsen major markets. The deferred consideration is paid as quarterly earnout payments in EUR currency after the close of the quarter. The consideration transferred does not include amounts related to the settlement of pre-existing relationships.

To arrive at the earnout value of NOK 144 million, Photocure has discounted the estimated earnout payments by an IRR according to the investment project. This IRR has been deemed appropriate as a discount rate for the earnout payments since the level of the payments will be subject to the same risk factors as the cash flow prognosis for the acquisition as a whole. The agreement with Ipsen determind 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 amout of the earnout may be in the interval of NOK 255 - 336 million depending of revenue and according to our sensitivity analysis the corresponding net present value of the liability may decrease or increase by NOK 18 million.

Photocure has accrued NOK 6.2 million as interest expenses for the earnout liability in 4th quarter 2020.

The costs related directly to this transactions and related costs incurred by Photocure in 2020 have been considered as infrequent and of unusual nature and specified in the statement of comprehensive income. The costs amount to NOK 12.4 million for 2020.

Following the transaction, Photocure management have performed a purchase price allocation related to the acquisition by assistance of external advisors.

The acquisition has been defined as a business combination and thus reported in accordance with IFRS 3 – Business Combinations.

One intangible asset has been identified; Customer relationships. The customer relationships relate to existing customers in Europe which have previously been served by Ipsen. Customer relationships has been valued using a multiperiod excess earnings method and the 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 depreciation costs in 2020 from transaction date is NOK 4.2 million.

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

Ipsen acquisition analysis

(Amounts in NOK 1,000)	**Book value**
Customer relations	166,720
Goodwill	144,000
Fair value at acquisition date	**310,720**
Deferred payment	-144,000
Cash payment	**166,720**

5. COST OF GOODS SOLD

Total cost of goods sold include direct materials, services provided by contract manufactures and packaging suppliers, products freights and distribution costs. In addition are royalties for in licensing of technology and rights from other parties included.

6. INCOME STATEMENT CLASSIFIED BY NATURE

(Amounts in NOK 1,000)		Group		Parent	
	Note	2020	2019	2020	2019
Sales revenues	2	256,482	213,908	150,875	124,357
Signing fees and milestone revenues	2	0	67,648	0	67,648
Cost of goods sold		-18,511	-22,512	-17,640	-22,584
Gross profit		**237,971**	**259,044**	**133,235**	**169,421**
Other income		0	0	829	785
Payroll expenses	7	-165,748	-123,109	-65,366	-50,245
R&D costs excluding payroll expenses/other operating expenses		-2,924	-1,761	-2,924	-1,761
Ordinary depreciation and amortisation	13	-19,294	-16,213	-17,711	-14,780
Other operating expenses		-73,209	-75,224	-56,595	-47,516
Total operating expenses recurring		**-261,175**	**-216,307**	**-141,767**	**-113,517**
Operating profit / loss (-) before restructuring		**-23,204**	**42,737**	**-8,532**	**55,905**

Specification of Other operating expenses:	2020	2019	2020	2019
Marketing expenses	19,239	18,167	8,108	5,493
Profit split coverage US	-	-	12,970	10,324
Sales and marketing costs Europe	-	-	7,572	-
Travel expenses	10,631	20,748	1,492	4,713
Patent costs, legal and other fees	26,623	22,932	16,360	17,544
Other expenses	16,716	13,377	10,093	9,443
Total other operating expenses	**73,209**	**75,224**	**56,595**	**47,516**

7. PERSONNEL EXPENSES

(Amounts in NOK 1,000)		Group		Parent	
	Note	2020	2019	2020	2019
Salaries		131,971	96,727	50,787	36,511
Employer's social security contributions on salaries, etc.		14,984	10,361	7,983	5,247
Option costs incl employer's social security contributions		6,638	1,975	3,421	1,975
Pension costs	8	7,151	5,070	3,886	3,144
Other benefits		9,864	8,977	4,149	3,368
Hereoff restructuring		-4,860	-	-4,860	-
Total payroll expenses		**165,748**	**123,109**	**65,366**	**50,245**
No. of full-time equivalent positions		89	67	30	26

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, one third each year. The rights are no longer valid after five years or immediately on resignation of the employee. No share options are allocated to members of the Board of Directors.

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

	2020		2019	
	Number	Average exercise price (NOK)	Number	Average exercise price (NOK)
Outstanding at start of year	231,700	39.76	381,868	37.02
Granted during the year	988,500	66.44	-	0.00
Forfeited during the year	7,400	49.78	-	0.00
Exercised during the year	231,266	40.91	150,168	32.78
Expired during the year	-	0.00	-	0.00
Outstanding at end of year	981,534	66.28	231,700	39.76
Vested options as per 31 December	120,034	50.17	231,700	39.76

The average weighted life of outstanding share options was 4.0 years at 31 December 2020 and 1.2 years at 31 December 2019.

The exercise prices and the average life of outstanding share options as per 31 December 2020 were as follows:

Average remaining life	No. of options	Exercise price NOK
1 year	16,034	38.06
4 year	389,000	50.72
4 year	90,000	56.83
5 year	486,500	81.41
Total	**981,534**	

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 programme is calculated separately with the actual exercise price and duration of the programme. 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.

	2020*	2017
Dividends (NOK)	0.00	0.00
Expected volatility (%)	58.18	48.33
Historical volatility (%)	58.18	48.33
Risk-free interest (%)	0.76	0.87
Expected life of options (years)	3.27	3.50

*Weighted average parameters at grant of instrument

8. PENSION COSTS

Photocure ASA has an agreement with a life assurance company concerning contribution-based pensions for Photocure's employees in Norway. The contribution plan match the revised national regulations for pension. The contributions are 6% of the employee's ordinary salary up to 7.1 times the basic amount (G) of the Norwegian National Insurance scheme, and thereafter 16% up to 12 x G. The national insurance cover pension for salaries to 7.1 G. Pension contributions are paid into the employee's contribution account with the life assurance company. As of 31 December 2020 and 31 December 2019, 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 USD 285,000 in 2020.

Employees in Photocure GmbH in Germany coming from Ipsen as part of the acquisition 1 October have defined benefit pension plans through the 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	
	2020	**2019**	**2020**	**2019**
Total pension costs, contribution scheme in life assurance	6,338	4,387	3,405	2,752
Total pension costs, company scheme	813	683	481	392
Total	**7,151**	**5,070**	**3,886**	**3,144**

9. AUDITING FEES

(Amounts in NOK 1,000)	Group and parent	
	2020	**2019**
Statutory auditing	345	325
Other attestation services	15	24
Other services excluding auditing	186	45
Tax advice	775	78
Total	**1,321**	**473**

10. FINANCIAL INCOME AND EXPENSE

(Amounts in NOK 1,000)	Group		Parent	
	2020	**2019**	**2020**	**2019**
Interest income	2,260	1,696	2,260	1,696
Interest income contract receivable	3,397	-	3,397	-
Foreign exchange gains	20,782	6,282	20,782	8,494
Total financial income	**26,439**	**7,978**	**26,439**	**10,190**
Interest costs long term liabilities	6,836	-	6,836	-
Interest costs leasing liability	192	236	92	142
Foreign exchange losses	15,813	4,078	26,828	4,078
Other financial expense	766	499	766	500
Total financial expense	**23,607**	**4,813**	**34,522**	**4,720**

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

The exchange rate NOK/USD decreased to 8.54 as of December 31, 2020 compared to exchange rate of 8.82 at end of previous year.

This is resulting in an unrealised loss of NOK 11.0 million in 2020 compared to a gain of NOK 2.2 million in 2019.

In the consolidated accounts the unrealised gain/loss is eliminated against the change in equity as part of other comprehensive income.

11. TAX

(Amounts in NOK 1,000)	Parent & Group	
	2020	**2019**
Income tax expense		
Tax payable	712	-
Changes in deferred tax	-11,535	14,032
Total income tax expense	**-10,823**	**14,032**
Tax base calculation		
Profit(-loss) before income tax	-29,470	61,375
Permanent differences *)	-20,892	1,988
Change in temporary differences	-15,885	-6,145
(Utilized)/Increased tax loss carried forward	65,810	-57,218
Tax base	**-437**	**-**
Temporary differences		
Receivables	-427	-568
Inventories	4,013	1,122
Non current assets	27,823	-1,436
Long term currency loans	67,927	58,890
Contract revenue	-	22,956
Provisions	-1,681	-6,077
Pensions	-2,361	-2,238
Gains and loss account	25,170	31,462
Total	**120,464**	**104,110**
Tax loss carried forward	-347,118	-278,404
Net temporary differences	**-226,556**	**-174,294**
Deferred tax liability (asset)	**-49,879**	**-38,345**

	Parent & Group	
	2020	**2019**
Reconciliation of effective tax rate		
Expected income taxes at statutory tax rate	-6,483	13,503
Permanent differences	-4,596	437
Prior year adjustment	-455	91
Income tax expense	**-11,535**	**14,032**
Effective tax rate in % **)	39.1%	22.9%

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 residiual share of profit in Germany and France.

*) 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 2020 of NOK 67.9 million compared to a profit in 2019 of NOK 57.1 million. The deferred tax asset is of this reason increased to NOK 49.8 million compared to NOK 38.3 million as of 31 December 2019. 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 new 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 2020.

European business will contribute to Photocure profitability from 2021 and forward. The parent company is the selling entity of the Hexvix product in both the Nordic countries and in the new European countries after the acquisition of the Ipsen rights 1 October 2020. The marketing and promotion activities in Germany and France are done through the new subsidiaries.

It is Photocure's judgement that the operation in the US will be profitable and this will contribute to the pre-tax result in the parent company through the profit/loss split method. This is based on a cash flow model taking into account a balanced view of the market share for Cysview in the US compared to sales of Hexvix in Europe. The expansion of the US sales and marketing force has continued in 2020 and 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 2020 has increased approximately 17% compared to last year-end.

Photocure continues to see growth opportunities in the European countries, not at least in the surveillance market with flexible cystoscopes which are 2-3 times bigger than the rigid cystoscopy market. With Photocure's own dedicated sales force in Europe, we believe this will further strengthen the sales. Several studies have been published highlighting and verifying key clinical benefits including the positive impact of Hexvix/Cysview on reduced disease progression, bladder cancer detection and the safety of repeated use of Hexvix/Cysview. The basis for the recognition of the tax asset is the assessment that there is 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)	2020		2019	
Unrecognised deferred tax assets	**Amount**	**Tax effect**	**Amount**	**Tax effect**
Net deductible temporary differences	-2,179	-612	-1,185	-333
Tax losses	148,943	41,868	141,221	39,697
Total	**146,764**	**41,256**	**140,036**	**39,364**

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

(Amounts in NOK 1,000)	2020		2019	
	Amount	**Expiry date**	**Amount**	**Expiry date**
Expire Federal	19,900	2030 - 2037	20,551	2030 - 2037
Expire State	12,440	2030 - 2037	12,603	2030 - 2037
Never expire	8,146		6,208	
Total	**40,486**		**39,362**	

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.

	2020	2019
Figures indicate the number of shares		
Ordinary shares 1 January	21,796,387	21,779,008
Effect of treasury shares	-16,346	-15,839
Effect of share options exercised	141,971	
Effect of shares issued	2,699,476	14,855
Weighted average number of shares, 31 December	**24,621,488**	**21,778,024**
Effect of outstanding share options	173,933	56,784
Weighted average number of diluted shares, 31 December	**24,795,421**	**21,834,808**
Net profit/loss (-)	**-22,403**	**31,832**
(Amounts in NOK 1,000)		

Earnings per share	**2020**	**2019**
Earnings per share in NOK basic	-0.91	1.46
Earnings per share in NOK diluted	-0.91	1.46

13. FIXED AND OTHER INTANGIBLE ASSETS

(Amounts in NOK 1,000)

Group	Intangible assets		Right-of-use	Machinery and Equipment		
	Product Development	Software Systems	Office Lease	Produc-tion	Office	Total
Accumulated cost at 31 December 2018	51,069	3,670	-	228	6,475	**61,442**
Additions		316	10,439	204	717	**11,676**
Disposals and scrapping					-829	**-829**
Accumulated cost at 31 December 2019	51,069	3,986	10,439	432	6,363	**72,289**
Additions		420	462	182	1,016	**2,080**
Disposals and scrapping					-374	**-374**
Accumulated cost at 31 December 2020	51,069	4,406	10,900	613	7,006	**73,995**
Accumulated depreciation at 31 December 2018	30,962	1,274	-	13	4,549	**36,798**
Amortization and depreciation	10,479	735	3,430	95	1,475	**16,215**
Disposals and scrapping					-1,377	**-1,377**
Accumulated depreciation at 31 December 2019	41,441	2,009	3,430	108	4,647	**51,635**
Amortization and depreciation	9,628	822	3,616	192	869	**15,126**
Disposals and scrapping				-28	-109	**-137**
Accumulated depreciation at 31 December 2020	51,069	2,831	7,046	272	5,407	**66,625**
Book value at 31 December 2020	0	1,576	3,854	342	1,598	**7,370**
Book value at 31 December 2019	9,628	1,977	7,008	324	1,716	**20,654**

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

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

Photocure has carried out a clinical study in US for the approved product Cysview and based on the study obtained a marketing approval for repeated use and use in combination with flexible cystoscopies in US. Photocure has capitalized accumulated study costs NOK 46.2 million as of 31 December 2020 for these development expenditures. The development expenditures have been amortized on a straight-line basis in the profit and loss from the start of the expenditure project over the remaining patent period for the approved product and indication that expired in November 2020.

The Right-of-use assets comprise the office lease contracts covered by IFRS 16 from January 1, 2019. The office lease asset for the Parent company covers the part of the rental in use by the company excluding subrented space. The calculation of the leased asset is excluding utility services shared by the tenants. The Group applied IFRS 16 only to contracts that were previously identified as office rental agreements. Other contracts in the Group related to rental and use of assets were not reassessed because those contracts were of low-value items or the contracts are of short term.

The Parent company has a rental agreement for premises at Hoffsveien 4 in Oslo ending August 2021. The agreement includes a right to sublease part of the premises and this right has been utilized. The net rent amounts to NOK 1.9 million for the period 1 January 2020 through 31 August 2021. The office rent for the parent company from September 2021 has not been decided yet.

Photocure Inc rents office premises at Carnegie Center, Princeton, New Jersey from 1 April 2011 through 10 December 2022. Photocure Inc utilized in 2017 an option to increase the space leased by 551 square feet and to extend the agreement until 10 December 2022. The rent commitment for the period 1 January 2021 to 31 December 2021 is NOK 1.3 million while the rent for the remaining period until the expiry of the agreement amounts to NOK 1.2 million.

LEASE (Amounts in NOK 1,000)	Discount rate	31-Dec-20 Value	31-Dec-19 Value
Right-of-use assets Norway	2.60%	1,938	3,996
Right-of-use assets US	5.20%	1,917	3,013
Total lease assets		**3,855**	**7,008**
Lease liability		(3,887)	(6,948)
Total non-current liabilities		**(3,887)**	**(6,948)**

14. SUBSIDIARIES

Company	Country	Ownership	Book value	
			31-Dec-20	31-Dec-19
Photocure Inc.	USA	100%	8,367	5,528
Photocure GmbH	Germany	100%	330	-
Photocure SAS	France	100%	-	-
			8,697	**5,528**

15. INVENTORIES

(Amounts in NOK 1,000)	Group		Parent	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Raw materials	1,991	1,231	1,991	1,231
Resale products	88	44	88	44
Semi-finished and finished goods	27,599	15,135	26,391	13,747
Total inventories	**29,678**	**16,410**	**28,470**	**15,022**

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

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

16. FINANCIAL RISK

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

(I) Organisation of financial risk management

Photocure has an international business operation and is exposed to currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk.

Responsibility for managing financial risk is placed with the management of the company, including financing, interest rate and currency management as well as risk within the business areas and the risk associated with the company's business processes. Financial risk is also monitored by the Board of Directors.

Centralised risk management

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

Commercial operations – production, sales and marketing

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

(II) Classes of financial risk

Interest rate risk

Photocure has interest bearing loans from 2020. In addition we have interest bearing leasing liability and pension liability. Our bank loan has a floating interest and 90% of the loan is state guaranteed.
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 risk

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. The Company monitors the cash flows on long and short term through planning and reporting. Photocure does not have any loan agreements that involve covenants or other financial requirements.

Photocure uses a multi-currency consolidated bank accounts system that provides flexibility in relation to drawing on multiple currencies.

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

	Remaining period				
(Amounts in NOK 1,000)	Less than 1 month	1–3 months	3–12 months	1–5 years	Total
31-Dec-20					
Accounts payable	17,500	5,816			**23,316**
Withholding tax, social securities and VAT	4,100	650	607		**5,357**
Other current liabilities	2,200	13,800	35,109	0	**51,109**
31-Dec-19					
Accounts payable	4,871	250			**5,121**
Withholding tax, social securities and VAT	2,220	1,664			**3,884**
Other current liabilities	3,990	7,515	18,216	0	**29,721**

Credit risk

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

Currency risk

As NOK is the Company's presentation currency, Photocure is exposed to translation risk associated with the company's foreign net exposure. Photocure's revenues and costs are incurred in different currencies, primarily EUR, USD, GBP, SEK and DKK. Photocure is therefore exposed to exchange rate fluctuations. The company regularly monitors the need for hedging of large transactions. Bank accounts in foreign currencies are used actively to reduce exposure to all the main currencies, and currency risk is to some degree naturally hedged in EUR, USD, SEK and DKK by having both revenues and costs in the same currency. However Photocure have in 2020 a cash surplus in EUR and a cash deficit in USD.

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
2020	+ 10%	-4,568
2020	- 10%	4,568
2019	+ 10%	-10,975
2019	- 10%	10,975

17. FAIR VALUE

The table below analyses financial assets recognised in the balance sheet at fair value according to the valuation method.

The different levels have been defined as follows:

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

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

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

(Amounts in NOK 1,000)

Market value hierarchy	Level 1	Level 2	Level 3	Total
Money market funds	274,248			274,248
Total	**274,248**	**-**	**-**	**274,248**

18. RECEIVABLES

Maximum credit risk

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

(Amounts in NOK 1,000)	Group		Parent	
	31-Dec-20	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Accounts receivable	43,097	24,665	29,341	10,992
Accounts receivable intercompany	-	-	543	135
Total	**43,097**	**24,665**	**29,884**	**11,128**
Royalty	0	3,080	0	3,080
Contract receivable, short term cf note 3	0	11,019	0	11,019
Other receivables	4,584	6,382	1,251	972
Total other receivables	**4,584**	**20,481**	**1,251**	**15,072**

Loan to the subsidiary is disclosed in Note 24.

Age breakdown of group accounts receivable	Not yet due	0–30 days	30–60 days	60–90 days	Over 90 days	Total
31 December 2020	29,551	9,013	2,770	1,215	548	**43,097**
31 December 2019	16,991	6,292	885	496		**24,665**

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

Photocure has implemented the expected loss model under IFRS 9 on trade receivables. The expected loss as of December 31, 2020 amounts to NOK 0.8 million. Realised bad debt loss' in 2020 and 2019 has been immaterial. Credit risk and foreign exchange risk in regard to trade accounts receivable are dealt with in more detail in Note 16.

19. CASH AND SHORT TERM DEPOSITS

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-20	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Cash and cash equivalents, restricted [1]	5,361	4,118	5,361	4,118
Cash and cash equivalents, non-restricted	55,278	31,531	46,567	28,871
Money market funds, non-restricted	274,248	89,671	274,248	89,671
Total	**334,887**	**125,320**	**326,176**	**122,660**

[1] Restricted cash and cash equivalents at 31 December 2020 include security for employees' withholding tax of NOK 2.9 million, while the remaining amount refers to deposit for rent of office.

20. SHARE CAPITAL

Registered share capital in Photocure ASA amounted to:

	No. of shares	Nominal value per share NOK	Share capital in NOK
Share capital at 31 December 2019	**21,796,387**	**0.50**	**10,898,194**
Share capital at 31 December 2020	**26,717,536**	**0.50**	**13,358,768**
Treasury shares:			
Holdings of treasury shares at 31 December 2018	**14,930**		**7,465**
Buy-back of treasury shares	0	0.50	0
Buy-back of restricted shares	1,694	0.50	847
Holdings of treasury shares at 31 December 2019	**16,624**		**8,312**
Buy-back of treasury shares	0	0.50	0
Buy-back of restricted shares	-958	0.50	-479
Holdings of treasury shares at 31 December 2020	**15,666**		**7,833**

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 10 June 2020, the Board of Directors of Photocure ASA was granted authorisation to issue up to 4.1 million shares. Of this authorisation, (a) 3.6 million shares are linked to financing of the Company's development, while (b) 0.5 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 up to 2.4 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 2021. Previously issued authorisations have expired.

The table below indicates the status of authorisations at 31 December 2020:

	Purchase, treasury shares	Ordinary share issue	Employee share issues
(Figures indicate the number of shares)			
Authorisation issued at the General Meeting on 10 June 2020	2,397,603	3,596,403	500,000
Share issues after the General Meeting on 10 June 2020	0	2,401,700	205,816
Purchase of treasury shares after the General Meeting 10 June 2020	0	0	0
Remaining under authorisations at 31 December 2020	**2,397,603**	**1,194,703**	**294,184**

981 534 share options have been allocated to employees 31 December 2020 (see note 7).

Ownership structure

The major shareholders in Photocure as of 31 December 2020 were:

	Shares	Shareholding
Morgan Stanley & Co. LLC	926,503	3.5%
Nordnet Bank AB	883,759	3.3%
Radforsk Investeringsstiftelse	679,619	2.5%
Skandinaviska Enskilda Banken AB	655,000	2.5%
Carnegie Investment Bank AB	636,621	2.4%
Avanza Bank AB	631,301	2.4%
The Bank of New York Mellon	579,111	2.2%
Euroclear Bank S.A./N.V.	453,716	1.7%
Verdipapirfondet Pareto Investment	453,000	1.7%
Verdipapirfondet DNB Norden	411,300	1.5%
JPMorgan Chase Bank, N.A., London	396,847	1.5%
Verdipapirfondet KLP Aksjenorge	375,630	1.4%
MP Pensjon PK	345,178	1.3%
RBC Investor Services Bank S.A.	339,842	1.3%
Skandinaviska Enskilda Banken AB	333,000	1.2%
Equinor Pensjon	320,200	1.2%
Vicama AS	300,000	1.1%
Myrlid AS	300,000	1.1%
Nordnet Livsforsikring AS	294,589	1.1%
BNP Paribas	283,976	1.1%
Total of 20 largest shareholders	**9,599,192**	**35.9%**
Treasury shares	15,666	0.1%
Total other shareholders	17,102,678	64.0%
Total number of shares	**26,717,536**	**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 2020:

Name	Position	No. of shares	No. of restricted shares	No. of share options**	Conditional share options
Daniel Schneider	President & CEO	15,000	18,353	200,000	60,000
Erik Dahl	Chief Financial Officer	13,089	7,133	40,000	35,000
Geoffrey Coy	VP and General Manager of US Operations	-	-	90,000	35,000
Grete Hogstad	VP Global Strategic Marketing and Business Development	21,310	5,566	25,000	25,000
Patricia Kelly	VP Global Human Resources	-	-	40,000	-
Kari Myren	VP Global Medical Affairs and Clinical Development	-	2,021	25,000	25,000
Gry Stensrud	VP Technical Development and Operations	17,098	5,344	18,750	25,000
Susanne Strauss	VP and General Manager of Europe	-	-	90,000	-
Jan H. Egbert	Chairperson of the board	14,500	-	-	-
Anders Tuv *	Board member	679,619	-	-	-

* Anders Tuv represents Radforsk Investeringsstiftelse

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

21. LOAN TERMS AND REPAYMENT

(Amounts in NOK 1,000)		Currency	Nominell interest rate	Year of maturity	New loan amount	Book value 31-Dec-20	1th year instalments
Bank loan secured through governmental guarantee due to Covid-19		NOK	2.20%	2023	50,000	50,000	12,500
Deferred consideration (Earnout)	Ref note 4	EUR	-	2030	144,000	143,668	-
Lease liability		NOK	2.60%	2021	-	1,970	1,970
Lease liability		USD	5.20%	2022	-	1,917	1,203

22. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

(Amounts in NOK 1,000)	Group		Parent	
	31-Dec-20	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Accounts payable	23,316	5,121	19,434	3,410
Short-term payable, intercompany	-	-	5,016	873
Total	**23,316**	**5,121**	**24,450**	**4,283**
Accrued bonus, holiday pay, salaries	17,331	18,613	8,479	11,949
Accrued royalty and earnout liability	8,397	1,037	8,397	1,037
Short term portion of loan liability	12,500	0	12,500	0
Miscellaneous other accrued costs	12,881	10,070	6,619	7,934
Total other current liabilities	**51,109**	**29,721**	**35,995**	**20,920**

Accrued earnout liability concerns the deferred consideration in the Ipsen agreement. The liability is calculated as earnout on sales of product net sales accrued in 4Q 2020 applying the Internal Rate of Return (IRR) for the liability.

Accrued bonus, holiday pay, salaries include accrual for estimated annual bonus as of 31 December 2020. Final annual bonus for the Group is to be decided by the Board of Directors.

23. REMUNERATION OF MANAGEMENT AND BOARD OF DIRECTORS

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

(Amounts in NOK 1,000)	Directors' fees paid	Salaries paid	Bonuses accrued	Benefits in kind	Pension cost	Total
Senior management 2019						
President and CEO		3,717	1,425	8	250	**5,400**
Chief Financial Officer		1,823	306	16	257	**2,402**
Head, US Cancer Commercial Operations until June		2,040	-	170	119	**2,328**
VP and General Manager of US Operations from September		834	204	70	134	**1,242**
Head, Nordic Cancer Commercial Operations		1,594	-	27	174	**1,795**
VP Global Strategic Marketing and Business Development		1,599	192	85	205	**2,081**
VP Technical Development and Operations		1,426	240	20	167	**1,852**
VP Global Medical Affairs and Clinical Development		1,553	258	21	187	**2,019**
Total senior management		**14,586**	**2,625**	**417**	**1,492**	**19,120**
Board of Directors 2019						
Chairperson of the Board	503					**503**
Members of the Board	1,450					**1,450**
Total remuneration	**1,953**	**14,586**	**2,625**	**417**	**1,492**	**21,073**

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES AND BOARD OF DIRECTORS

These guidelines are prepared by the board of directors in Photocure ASA ("Photocure" or the "Company") in accordance with the Norwegian Public Limited Liability Companies Act (the "Companies Act") section 6-16a, and to align with the amended EU Shareholder Rights Directive. The guidelines are for consideration at the annual general meeting on May 20, 2021, according to the Companies Act section 5-6 (3).

These guidelines apply to the board of directors, CEO and other members of the Executive Leadership Team who report directly to the CEO, currently a total of 7 employees including the CEO ("Senior Executives"). The guidelines apply to the financial year 2021 and until new guidelines are adopted by the general meeting.

1. How the guidelines advance the Company's business strategy, long-term interests and sustainability

Photocure is a global leader in photodynamic technology and in treatment and diagnosis of bladder cancer. The Company's mission is to deliver transformative solutions to improve the lives of bladder cancer patients. To achieve this, Photocure's strategy is to maximize its commercial presence and the opportunity of its flagship brand Hexvix®/Cysview® in bladder cancer. In addition, the Company will continue to explore alone or in partnership with others new product opportunities that is complementary to the Company's commercial activities and expertise. More information regarding the Company's strategic priorities can be found in the Company's annual report and on the Company's website (www.photocure.com).

To successfully implement the Company's strategy and safeguard the long-term interests of the Company, the Company must be able to recruit, develop and retain Senior Executives with relevant competence, expertise and advanced leadership skills. It is therefore important that the Company offers its Senior Executives terms that provide motivation and are in line with the market level, and that are also well balanced and based on the Senior Executives' competence, responsibility and performance. At the same time, it is fundamental for the Company that the policies for the executive remuneration ensures financial sustainability and that the overall level of remuneration does not entail an unreasonable burden on the Company's liquidity and equity.

The remuneration guidelines seek to provide a clear framework for remuneration for Senior Executives, so that an environment that promote the Company's strategy and long-term goals can be developed and contribute to increased shareholder value.

1.1 Peer group

In order to ensure market competitiveness of the remuneration the board aims that the level of total remuneration of Senior Executives is consistent with the position of the Company relative to the peer group that is relevant to the Company. The peer group of the Company will each time consist of a group of European and U.S. commercial stage listed companies active in Life Sciences, taking into account inter alia commercial status, products, number of employees and revenue. This peer group reflects the Company's operating areas and the markets most relevant in relation to the recruitment and retention of top talent. The companies in the peer group will be reviewed annually or more frequent as needed and will be disclosed in the annual remuneration report.

2. Main principles for executive management policy

Senior Executives' remuneration in Photocure and group companies shall be determined based on the following main principles:

2.1 Remuneration shall be market competitive, but not leading

Senior Executives' remuneration shall, as a general guideline, be suited to attract and retain skilled leaders in order to enhance value creation in the Company and support the alignment of interests between management and shareholders. Total remuneration should, as a general rule, be at level with remuneration for Senior Executives in comparable industries, businesses and positions in the country in which the individual manager resides.

2.2 Remuneration shall be motivational and drive value creation for shareholders

Senior Executives' remuneration shall be structured to drive motivation and encourage improvements in results and shareholder value.

2.3 Remuneration shall be transparent and acceptable both internally and externally

The remuneration system shall not be unduly difficult to explain to the general public and should not involve disproportional complexity for the administration.

2.4 Remuneration shall be flexible, allowing adjustments over time

To be able to offer competitive remuneration, the Company must have a flexible system that can accommodate changes as the Company and markets evolve.

3. Types of remuneration and principles regarding benefits offered in addition to base salary

In general, the remuneration consists of six elements:

- base salary,
- short term incentives,
- long term incentives,
- pension benefits,
- benefits in kind and other benefits.

3.1 Base Salary

The base salary is the main element of the Senior Executives' remuneration. The base salary is reviewed at least annually. Factors considered include the individual's skills, performance, and experience, the responsibilities of the job role, general salary adjustment in the company, external market data amongst peers in relevant countries and regions, Company performance and external economic environment.

3.2 Variable remuneration

The variable remuneration, short term and long term, is linked to value generation for shareholders over time. The variable remuneration is determined by the achievement of individual and companywide key performance indicators and goals. Instrumental is that Senior

Executives, both individually and as a team, can influence achievement of the key performance indicators and goals.

The long term incentives are tied to the development of the share price of the Company.

3.2.1 Short term incentive / cash bonus scheme

The Company has established a cash bonus scheme for Senior Executives. These schemes are reviewed at least annually. Bonus schemes are tied to the achievement of strategic, operational and financial goals for the Company as determined by the board of directors, adherence to compliance matters as well as achievement of personal goals. The relevant Senior Executive has a possibility to influence the goals of which the bonus shall be tied to. Through such a structure, the incentives in the bonus scheme contribute to advance the long-term goals for the Company. The goals for Senior Executives are approved by the board of directors at the start of the year.

The Chief Executive Officer of the Company has a bonus agreement of up to 40% of base salary, while other members of the Senior Executives team have bonus agreements from 20% to 35% of their base salary. Target and maximum awards are equal.

The following applies for the Senior Executives team:

- At least 70% of the bonus is tied to Company key performance indicators at company level. Included in this are goals related to revenue growth and earnings, strategic business development and ESG. The CEO is measured on Company performance only.
- 30% of the bonus is tied to individual key performance indicators for the business area relevant for the individual executive, that are considered to contribute to long-term growth in shareholder value.

3.2.2 Long term incentive / share incentive scheme

The Company operates an equity-settled, performance-based compensation plan (option program) for its Senior Executives and selected personnel. Skilled employees are Photocure's most important resource for success. The Company is dependent on recruiting and retaining competent employees to promote the Company's business strategy, long-term interests and sustainability. The option program has been established as a contribution to achieving this.

The option program is designed to create an ownership culture to ensure alignment between shareholders and senior employees of the Company. In particular, the Company needs to adjust compensation structure to the regions where it operates, mainly continental Europe and U.S. Less than 3% of total Company revenues is generated in Norway and approximately 20% of total Company employees are residing in Norway.

Senior Executives and selected employees will be eligible for option awards, including new hires, as decided by the board of directors. Awards will be on a discretionary basis taking into account performance, organizational level and position, importance of retention, and location. The option program has a performance-based remuneration element reflecting the underlying long term value creation of the Company. The board of directors shall, amongst others, take into consideration the Company's goals, strategies and performance as well as targeted individual performance for each participant.

Company goals are mainly financial and related to growth and profitability, as are individual goals designed for the specific position. Company goals are related to revenue growth and EBITDA, strategic business development and ESG. Individual performance goals are position specific and designed to support achievement of Company goals.

Senior Executives are measured as follows:

- CEO: Company goals 100%
- Other Senior Executives: Company goals 70% / Individual goals 30%

The terms for the options for each individual, including any limits, are determined by the board of directors within the board of director's authorizations as resolved by the Company's general meeting. The board of directors will exercise discretion as to who will receive an equity award in any given year. This decision is based on recommendations made by the compensation committee. Awards will normally be granted on an annual basis based on Company performance and within the authorization approved at the Company's annual general meeting. The number of outstanding options shall not exceed 9 % of the Company's total outstanding shares at any point in time.

Options are granted annually with a strike price based on the weighted average share price 30 trading days after the annual general meeting with an additional premium of 10% on top of the calculated average price. Grants may also be made in connection with new recruitments. The share options shall vest over three years, with 25% vesting after one year, 25% after two years, and the remaining 50% after three years. Any non-exercised options expire five years after grant. In the event of a change of control, all unvested options shall become fully vested and exercisable.

To avoid the risk of extreme payouts, the options shall have a cap on the maximum pay out of the share option. This cap shall equal 7 times the stock price at the time of grant.

To ensure long term ownership, shares following exercise of options by Senior Executives shall be held for at least 2 years after exercise, except shares to be sold to cover costs including purchase amount and tax. In the event of a change of control, all shares may be sold.

In case of termination of employment, all options unvested as well as vested but not exercised at the time of expiry of employment will lapse. If the option holder is dismissed, unvested options as well as vested but not exercised options will lapse upon dismissal, unless the board of directors decides otherwise.

The option strike price may be subject to adjustments in the event of share split, combination of shares, dividend payment and/or other distribution. In the event of change of control or a merger the options may vest in full.

The board of directors may alter, reduce or eliminate the granting of any new options as well as exercise of any issued options in accordance with its terms, including to decide on cash compensation as replacement for any cancelled options, based on the overall situation of the Company or other special circumstances.

The board of directors shall decide the further terms and conditions for the share options.

3.3 Pension benefits

Photocure has a defined contribution pension scheme according to the mandatory requirements in Norway. The pension scheme applies to all Norwegian employees. 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 times G. The national insurance cover pension for salaries to 7.1 G.

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 USD 285,000 in 2020.

Photocure has entered into pension agreements with Senior Executives in the form of un-funded pensions for salaries exceeding coverage by insurance. For Norwegian based Senior Executives Photocure has established a contribution based operating pension scheme with provisions corresponding to 16% of salary above 12 times G. In the event of resignation, full pension rights are conditional upon at least five years' employment, while less than 3-years' employment carries no rights. The pension schemes also cover in the event of disability.

3.4 Benefits in kind and other benefits

Senior Executives will normally be given the benefits in kind that are common market practice, i.e., telephone expenses, a laptop, free broadband connection, newspapers and car allowance if applicable. There are no special restrictions on the type of other benefits that can be agreed on, but costs related to such benefits shall not normally exceed 5% of the employee's base salary.

It may be used other variable elements in the remuneration or awarded other special benefits than those mentioned above, provided that this is considered expedient for attracting and/or retaining a manager. No special limitations have been placed on the type of benefits that can be agreed, but costs related to such benefits shall not normally exceed 5% of the employee's base salary.

4. Conditions for dismissal and severance schemes

The Chief Executive Officer has a period of notice of thirty (30) days. In addition, and in accordance with detailed regulations, the Chief Executive Officer is entitled to a lump sum amount equal to 12 months of his base salary and prorated performance bonus adjusted for degree of bonus-objectives achieved at time of termination and also a lump sum related to a health care premium calculated for 12 months of coverage. Vice President and General Manager of US Operations has a period of notice of 30 (thirty) days and is under certain conditions entitled to a lump sum amount equal to 6 months of his base salary. Other Senior Executives has a period of notice between 3 and 12 months.

Severance schemes shall in general be sought to be formulated in a way that they are acceptable internally and externally. The Company's CEO shall normally have an agreement that enables the Company to request that the CEO resign immediately if this is considered to be in the Company's interest.

An agreement on severance pay shall, if this is relevant, normally be entered into when establishing employment relationships, but may in special cases also be agreed upon termination of employment. Agreements on severance pay may be entered into where it is deemed necessary to meet the Company's needs in order to ensure that the composition of Senior Executives at all times is in accordance with the Company's needs.

5. Loans and guarantees

No loans are granted, nor are any securities provided for members of the Senior Executives' team, the board of directors, employees or other persons in elected corporate bodies.

6. Remuneration to Senior Executives in other Photocure companies

All companies in the Photocure group are to follow the main principles for the determination of Senior Executives' salaries and remuneration as set out in these guidelines. Photocure aims at coordinating management remuneration policy and the schemes used for variable benefits throughout the group.

7. Preparation and decision-making process for establishing, reviewing and implementing the guidelines

The board of directors has established a compensation committee. The compensation committee shall monitor and evaluate the application of the guidelines, variable remuneration programs for Senior Executives that are ongoing and those that were concluded during the year, as well as remuneration structures and levels within the Company and the group. For each financial year, the board of directors shall prepare a remuneration report and make this available to shareholders on the Company's website at least three weeks prior to the annual general meeting.

The duties of the compensation committee include preparing the board of directors' resolution on proposed guidelines for remuneration of Senior Executives. The board is to prepare proposed new guidelines at least every four years and submit the proposal for decision at the annual general meeting. The guidelines shall apply until new guidelines have been adopted by the annual general meeting.

Remuneration to the CEO, CFO, Vice President of U.S. Operations and Vice President of Europe Operations shall be decided by the board of directors in line with approved policies following preparation and recommendation by the compensation committee. Remuneration to other Senior Executives shall be decided by the CEO in line with approved policies and after consultation with the compensation committee if deemed necessary.

The members of the compensation committee are independent in relation to the management. The CEO and other members of the management shall not participate in the board of directors' discussions on matters related to remuneration that concerns them.

8. Consideration of salary and terms of employment for other employees

In preparing the board of directors' proposal for these guidelines for remuneration, the board of directors and the compensation committee also has considered the remuneration arrangements in place for the Company's wider workforce.

Compensation for employees follows the same principles and performance measures applied to Senior Executives. The Company offers local market-based compensation and career opportunities to attract the best talent. When determining compensation, managers consider how the employee's pay compares to local market levels alongside other factors such as the individual's experience and sustained performance. For all levels below Senior Executive level, employees are in addition to base salary entitled benefits, and may also receive a bonus, pension and other allowances depending on employment law and market practice. Option awards may also be granted to other employees.

Information on payment and employment conditions in the group forms part of the compensation committee's and the board of directors' basis for decision when assessing whether the guidelines and restrictions set out in these are reasonable.

9. Board of directors' remuneration

The general meeting determines each year the remuneration of the board of directors based on the nomination committee's proposal. The board of directors' remuneration shall reflect the responsibilities, expertise, use of time and the complexity of the business.

The chairperson and each member of the board of directors receives a fixed annual fee. Board members not domiciled in Norway are also entitled to compensation for travelling time to and from board meetings.

Remuneration is not dependent on Company results and no share options are issued to Board members.

10. Annual remuneration report

Pursuant to Section 6-16b of the Norwegian Public Limited Liability Companies Act, a report on salaries and other remuneration to Senior Executive personnel and the Board will be presented at the Annual General Meeting, first time at the Annual General Meeting in 2022. The report shall be made available on the Company's website.

11. Reclaiming performance-related pay

The Company shall have the right to demand the repayment of any performance-related remuneration that has been paid on the basis of information that were self-evidently incorrect, or as the result of misleading information supplied by the individual in question.

12. Deviation from these guidelines

The principles in these guidelines are binding for the Company from the time they are adopted by the general meeting.

The board of directors may nevertheless decide to deviate from the guidelines in individual cases, provided that special circumstances are considered to make it necessary to deviate from the guidelines in order to satisfy the Company's long-term interests including its sustainability, or to ensure the Company's financial viability. The compensation committee prepares the board of directors' assessments of matters concerning remuneration, including deviations from these guidelines.

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

Share options for senior management 2019	Share options awarded	Expired share options	Share options exercised	Holding of share options at 31 December 2019	Average exercise price
President and CEO	-	-	-	-	-
Chief Financial Officer	-	-	24,000	25,500	40.15
VP Global Strategic Marketing and Business Development	-	-	24,000	21,000	40.15
VP Technical Development and Operations	-	-	27,000	26,300	40.15
VP Global Medical Affairs and Clinical Development	-	-	-	-	-
VP and General Manager of US Operations	-	-	-	22,500	40.15
Head, Nordic Cancer Commercial Operations	-	-	23,300	27,800	40.15
Total	**-**	**-**	**98,300**	**123,100**	

24. RELATED PARTIES - COMPANIES

Subsidiaries

The transfer price method implemented is the profit & loss split method (PSM) for the sales in US and a residual profit model (RPM) for the sales in Europe from October 2020.

Both the PSM and the RPM divides the combined profit or loss between the transacting related entities based on what would be anticipated if the entities had been transacting at arm's length.

A contribution analysis for sale of Cysview in US and sale of Hexvix in Germany and France compares the split of profit or loss between the subsidiaries and Photocure ASA based on the value of the functions performed by each of the related parties, taking account of assets used and the risks assumed by both parties.

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

It is Photocure's judgment that the operation in the US will be profitable. This is based on a cash flow model taking into account a balanced view of the market share for Cysview in the US compared to sales of Hexvix in Europe and Photocure's own sales in the Nordic region. The enhanced US sales and marketing force has continued in 2020 and enables Photocure Inc to cover larger parts of the US market in order to gain further market shares.

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

Transactions and intercompany balances:

	2020	2019
Sales of products	7,559	9,102
Sales of services	829	785
Intercompany sales	**8,388**	**9,886**
Purchase of marketing and promotion services	**-7,298**	**-**
	31-Dec-20	**31-Dec-19**
Accounts receivables and other storm-term receivables	543	135
Long term loan given	291,865	291,576
Accounts payables and other short-term liabilities	-5,016	-873
Total intercompany	**287,392**	**290,838**
Guarantees to bank in favor of subsidiary for requested security	**2,220**	**2,072**

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

25. SUBSEQUENT EVENTS

On 26 January 2021, the Company entered into a partnership agreement with Asieris MediTech Co., Ltd. ("Asieris"), a division of Jiangsu Yahong Meditech Co., Ltd., whereby Asieris obtained exclusive rights to register and commercialize Hexvix in Mainland China and Taiwan.

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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 2020, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Photocure ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2020, the statement of 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 are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, 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.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and 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.

Key Audit Matters

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

1. Deferred tax asset

Reference is made to Note 11 Tax in the financial statements

The Key Audit Matter	*How the matter was addressed in our audit*
The Group has recognized a deferred tax asset of NOK 49,9 million in the Company and Group's financial statements as of 31 December 2020. The recognized deferred tax asset relates to deductible temporary differences and unused tax losses in the Company in Norway. Management has assessed that there is convincing evidence that it is probable that taxable profits from the product Hexvix®/Cysview ®, will be available in the future, against which unused tax losses in Norway can be utilized. Due to the application of the profit/loss split method for the business in the US, future taxable profits in Norway are not only dependent on the development for Hexvix® in Europe, but also the market development for Cysview ® in the US. We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount of future taxable profits.	Our audit procedures included, among others: • Comparing historical cash flow development in mature markets with expected future cash flows in new markets for Hexvix®/Cysview ® • 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. From the evidence obtained, we consider management's assessment of the value of the deferred tax assets to be acceptable.

2. *Business Combination*

Reference is made to Note 4 Acquisition from Ipsen in the financial statements

The Key Audit Matter	*How the matter was addressed in our audit*
Photocure announced in April 2020 the return of Hexvix sales, marketing and distribution rights in Europe and other markets controlled by Ipsen Pharma SAS (Ipsen). The parties have entered into a final agreement where Photocure pay Ipsen EUR 15 million upon transfer of the rights on 1 October 2020. Ipsen booked sales up until this date. Ipsen will in addition receive earn-out payments in the range of 10 -15% of sales (years 1-7 post-transfer) and 7.5% of sales (years 8-10 post-transfer) in the previous Ipsen markets. Management identified the acquired assets and estimated their fair value. As a result of the allocation of the acquisition price, the Company and the Group recognized an intangible asset relating to customer relations of NOK 166.7 million and goodwill of NOK 144 million. A liability of NOK 144 million was estimated for the deferred payment. We identified the accounting for the business combination, including the associated contingent consideration, as a key audit matter because of the significant impact on the consolidated and parent financial statements. The valuation of assets and liabilities acquired and forecast of the earn-out payment can be inherently subjective and requires significant judgement and estimation which increases the risk of error or potential management bias.	Our audit procedures in this area included, among others: • Obtained the signed contractual agreement relating to the acquisition and read significant contract terms relevant to the accounting. • Obtaining the transaction documents and tracing payments to bank statements • Assessing the competence, objectivity and capabilities of the external valuation expert engaged by management to assess the purchase price allocation. • Engaging our own internal valuation specialists to assess the valuation methodologies used by management and its external valuation expert in determining the fair value of the assets acquired and liabilities assumed. • Challenging the key assumptions adopted in the assessment of the fair value of the contingent consideration, including the assumptions relating to future sales volumes and the related revenue growth rates. • Discussing with the CFO and Group Chief Accountant and their external valuation expert whether other intangible assets may exist that are not included in the valuation report. • Assessing and validating the adequacy and appropriateness of the disclosures made in the financial statements. From the evidence obtained, we consider management's purchase price allocation to be acceptable.

3. *Loan to Group company*

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

The Key Audit Matter	*How the matter was addressed in our audit*
Photocure ASA has one subsidiary, Photocure Inc, that 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 291.9 million in the Company's financial statement as of 31 December 2020. We have determined risk of impairment of the loan to be a key audit matter, due to the inherent risk related to future cash flow estimates and the Group's ability to successfully commercialize the individual product concerned.	Our audit procedures in this area included, among others: • Challenging management and applying our own knowledge of the business and the industry to identify any indicators of impairment of the loan • Assessing the impairment documentation prepared by management • Evaluating the appropriateness of key assumptions in the impairment documentation, including revenue and cash flow growth, the impact of the expiry of patents and agree these with the relevant key assumptions used in valuation of deferred tax asset • 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 From the evidence obtained, we consider management's assessment of the carrying value of the loan to Photocure Inc. to be acceptable.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide the Board of Directors 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

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 29 April 2021
KPMG AS

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

(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 of Directors 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.

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 amortisation. 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	2020 1.1-31.12	2019 1.1-31.12
Gross profit	**237,971**	**259,045**
Operating expenses excl depreciation & amortization	-241,883	-200,095
EBITDA before restructuring	**-3,912**	**58,950**
Depreciation & amortizaation	-19,292	-16,213
EBIT before restructuring	**-23,204**	**42,737**

Recurring EBITDA equals EBITDA before restructuring. In 2020 Photocure incurred NOK 12.9 million in restructuring costs. Photocure choose to measure before restructuring costs because adjustments of these items give a better basis for an evaluation of future results.

Revenue growth in constant currency

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

The average exchange rates used to translate revenues as per the reporting dates were as follows:

	2020 1.1-31.12	2019 1.1-31.12
USD (NOK per 1 USD)	9.41	8.80
EUR (NOK per 1 EUR)	10.73	9.85
DKK (NOK per 100 DKK)	143.89	131.93
SEK (NOK per 100 SEK)	102.27	93.05

Other Measures

In-market sales

A significant share of Photocure's sales of Hexvix/Cysview, i.e. all sales classified as partner sales and all sales in the Nordic region, goes through partners and distributors. These partners and distributors carry inventory of Hexvix/Cysview. Photocure's billing and revenue therefore does not necessarily reflect the demand from end users / hospitals at a given point in time as inventory levels may vary over time.

Furthermore, Photocure's revenue does not reflect the full value of the product in the market, as partners pay a royalty or a purchase price for the product below the price charged the end user.

To capture end user demand the Company's partners and distributors report their revenue to end users in terms of number of units invoiced and in terms of revenue achieved. Photocure collects this data and consolidate to get the group total in-market sales, in units and in Norwegian kroner.

All amounts in NOK 1,000	2020 1.1-31.12	2019 1.1-31.12
In-markets sales	**345,751**	**330,261**

Financial Calendar

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

Annual General Meeting:
May 20, 2021

RESULTS

1st quarter
2021: May 19

2nd quarter
2021: August 11

3rd quarter
2021: November 17

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

PHOTOCURE® | THE BLADDER CANCER COMPANY

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ESG Report

2020

PHOTOCURE® | THE BLADDER CANCER COMPANY

For information about this report and its content, please contact Photocure ASA and CFO Erik Dahl or Corporate Communications Director Maja Bergmann. This is Photocure's second sustainability report for the period January 1st - December 31st 2020. The report will be conducted annually.

This report is prepared by a cross-functional team within the company and in accordance with GRI Standards Core option. The report complies with Euronext guidelines for ESG reporting. For GRI index, please see page 18/19 or the GRI Database.
The achievements and goals are followed up quarterly with the leadership team, tracked and documented with the oversight from the Corporate Quality & Compliance Director Lise Borgen Carlson.

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

Contents

CEO letter

At Photocure, we focus all our efforts and resources on delivering transformative solutions to improve the lives of bladder cancer patients. We are proud of our unique technology, making bladder cancer cells glow bright pink, which to date has helped treat over 500,000 patients worldwide. The real growth is ahead of us however, as we expand our global reach. And we believe many more patients should benefit from the procedure.

In 2020, the company had to deal with business volatility due to the global Covid-19 pandemic and 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.

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

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

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

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

These material topics are focused around key topics for our company and our industry, taking into account the interests of stakeholders and the wider society. They include the quality and safety of our products, how they are produced and purchased, 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, I believe responsibility, transparency and sustainability must be integrated in Photocure's business model and strategy. For us, efficient, high-quality products produced, sold and used in a responsible manner is what makes us a successful company, in addition to our people and culture. Photocure's core values comprise important standards for the company, both internally and externally. Together with the key behaviors, our values guide what we believe and how we will succeed. They exist under the principle that We Care… about all that we do and all who we touch. Our newly refreshed values – Take Ownership, Be Passionate, Be Courageous, Be Agile, Be Curious and Work Together– guide our behaviors and form the basis for Photocure's ethical guidelines.

In the present report, we follow up on the targets and progress for each material topic, as defined in last year's ESG report and we continue to set goals for how to improve our work in the future. Going forward, we will work systematically on implementing sustainability targets in our purchasing and supply chain activities. We will also strengthen the focus on a good 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, and inclusion, and is respectful and operates with the highest level of integrity.

I hope this report will provide new insights for our stakeholders and provide the information you need about our response to the sustainability challenges and opportunities for our business and society.

Daniel Schneider

President and CEO of Photocure

About Photocure

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

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

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

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

Photocure has evolved into a therapeutic area-focused commercial stage pharmaceutical company with a focus on bladder cancer. The company is exploring expansion opportunities within the bladder cancer domain. In addition, Photocure has regained from Ipsen the commercialization rights to Hexvix in Europe and other territories around the world. Photocure has begun commercial and medical activities in these new European territories on October 1, 2020.

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

Locations

Photocure is located in Oslo, Norway (headquarter), in Princeton, New Jersey (U.S. office) and in Düsseldorf, Germany (Europe office, second quarter 2021).

Photocure ASA is listed on the Oslo Stock Exchange (ticker: PHO).

Key figures 2020

- Photocure's total revenues in 2020 were NOK 256.5 million
- Photocure's net loss in 2020 was NOK -22.4 million
- At 31 December 2020, the company's consolidated equity was NOK 508,1 million, an equity ratio of 65%

Employees per region:

Location	Total
Oslo / Global functions	19
Europe commercial	21
Princeton / Global functions	9
U.S. commercial	40
Total	89

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. Photocure seeks to comply with the Norwegian Code of Practice for Corporate Governance to an appropriate extent considered reasonable 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 sustainability report is discussed and approved by the board.

For more information about Corporate Governance, Nomination Committee, Audit Committee and ESG Board Advisor, please see the Photocure corporate governance policy in the 2020 annual report on pages 22-28.

Photocure's Core Values

Photocure's values constitute key premises for the company, both internally and externally. The company's values were refreshed in 2020 with the involvement of over 60% of our employee population in order to bring full alignment. Our Core Values and Key Behaviors guide what we believe and how we will succeed. They exist under the principle that We Care ... about all that we do and all who we touch. We value diversity and are respectful, inclusive and operate at the highest level of integrity. Our refreshed 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

Photocure's approach to sustainability

This report covers sustainability topics that are of importance to Photocure and the company's stakeholders. The report covers the period between 1 January 2020 and 31 December 2020. Photocure's approach to sustainability reporting is based on the stakeholder dialogue and materiality assessment undertaken in April 2020.

The prioritization of Photocure's stakeholders as well as the stakeholder dialogue and materiality assessment, were undertaken by an interdisciplinary working group consisting of Photocure employees representing medical affairs, finance, operations, HR, communications, IT, compliance and quality management. The work was undertaken as a series of phone interviews and digital workshops, while the stakeholder dialogue was undertaken through semi-structured interviews with key stakeholders.

In early 2020, a third party, Corporate Communications in Oslo, facilitated the stakeholder dialogue on behalf of Photocure, speaking to representatives from key stakeholder groups. Internal and external stakeholder representatives were invited to share their thoughts and perceptions on Photocure's sustainability performance through semi-structured interviews. The stakeholder dialogue process also included document review and industry level ESG topic overviews, as well as reviewing the ESG reports of Photocure's peers.

Due to the Covid-19 pandemic, impacting business priorities in all sectors, only a limited number of external stakeholders were interviewed as part of this process. As to avoid further strain on healthcare providers during the pandemic, Photocure representatives were interviewed about the interests of their specific external stakeholder groups such as customers, government and suppliers. Photocure is in regular contact with stakeholder groups and will resume a more active stakeholder dialogue as soon as the situation improves. Consequently, the company will update the stakeholder dialogue and materiality assessment as applicable in future ESG reports.

All stakeholders consulted pointed out the social aspects of Photocure's product and access to healthcare being an integral part of the company's business model. Another topic frequently mentioned was the importance of a good working environment and diversity and gender equality in the workplace. Financial stakeholders also emphasized the importance of business ethics, as well as openness and transparency regarding products, production and research.

Photocure's stakeholders

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.

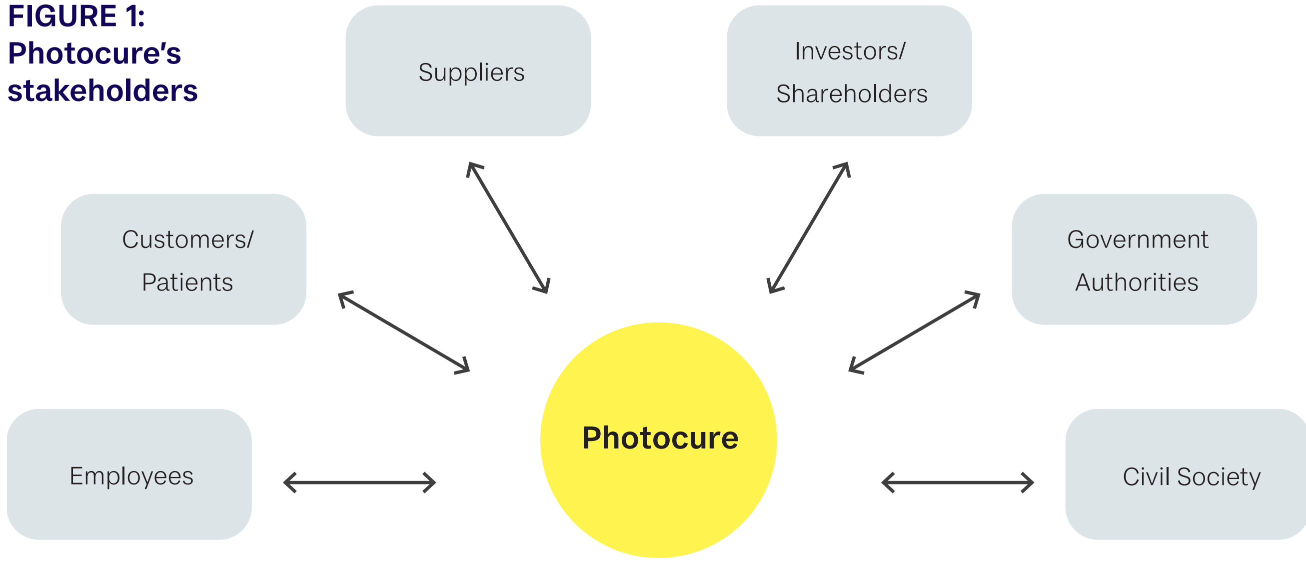
Government authorities

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.

FIGURE 1: Photocure's stakeholders



Photocure's materiality assessment

Based on stakeholder input and priorities, as well as an assessment of the company's business impact, the materiality of each suggested sustainability topic was considered.

The results are presented in the materiality matrix below, with topics considered material for Photocure in the upper right section.

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

- Product quality and safety
- Supply chain responsibility
- Working environment
- Business ethics and transparency
- Data protection and IT security

FIGURE 2: Materiality assessment for Photocure

Reporting on material topics

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

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 the U.S. and Europe. In addition, to broaden the access to the product, Photocure has strategic partnerships for Hexvix/Cysview in China, Canada, Chile, Australia and New Zealand.

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 U.S. Health Authorities rules and regulations for drug manufacturing, research activities and surveillance of drug safety and quality. The QMS also covers Norwegian and European rules and regulations for distribution of medical devices.

The QMS consists of a set of policies, standard operating procedures, forms and work instructions. Photocure follows the GMP standard for manufacturing, the GDP standard for distribution, the GCP standard for clinical research and the GVP standard for safety surveillance for Photocure's products. Photocure holds a manufacturing license and a GMP certificate issued by the Norwegian Medicine Agency. Photocure follows the EU directive for medical devices with respect to distribution of medical devices.

An annual review of the quality system, product quality and safety are done 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. This is done for all of Photocure's products. For the year 2020 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.

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

Goals and targets for 2021

- 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.
- 0800 phone service for medical information, adverse event reporting and product quality complaints to be implemented for Europe.

Supply chain responsibility

Photocure is strongly committed to conducting its business in a lawful and ethical manner, including engaging with suppliers that are committed to the same principles. Our suppliers are viewed as an extension of Photocure, and therefore are expected to adhere to guidelines for ethical business practices.

As a business with outsourced production, the main effects from Photocure's operations occur outside the organization's boundaries. This means that Photocure has an impact on the indirect environmental and climate emissions, human rights and anti-corruption through its procurement practices and the follow-up of suppliers.

Photocure relies on third-party contract manufacturers based in Europe and is thereby directly and indirectly exposed to risks and opportunities in its business relations and supply chain. 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. Additionally, other parts of the company's supply chain may have direct and indirect effect on delivery, environmental risk, product and process risk.

We require suppliers, defined as individuals or organizations who provide goods and services to Photocure, to comply with our new Supplier and Partner Code of Conduct ("Code"); The suppliers are expected to support the ten principles of the UN Global Compact. Photocure also expects its suppliers to require their own suppliers and subcontractors to follow the same standards and principles.

All new 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.

Photocure follows several standard operating procedures for the interaction with suppliers, including qualification and follow-up, quality risk assessment, auditing and supplier re-qualification. Photocure has detailed SOPs describing GxP operational procurement. As a part of the initial and ongoing evaluation of suppliers, Photocure obtains confidence that the supplier materially complies with all applicable laws relating to ethical and responsible standards of behavior in accordance with the United Nations Global Compact or similar. Suppliers Business Conduct and responsible business practice is part of the agenda on business review meetings with the suppliers.

Annually, the company measures and analyzes potential risks in its supply chain and performs risk assessment of its GxP suppliers, which includes quality and ability to supply. Photocure has not terminated or discontinued contracts with any suppliers due to sustainability breaches in the reporting period.

Goals and targets for 2021

- Ensure that supplier agreements to be revised/updated in 2021 include a claim that the supplier shall materially comply with all Applicable Laws relating to ethical and responsible standards of behavior, including, without limitation, those dealing with human rights, labor, environmental protection, sustainable development and bribery and corruption in accordance with the principles in the United Nations Global Compact

- Distribute to all suppliers the Supplier and Partner code of conduct

Working environment

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

In 2020 the company implemented remote work arrangements across its locations and remained fully operational during the Covid-19 pandemic. All functions were designed to accommodate remote work, primarily through the use of technology. The Company was successful in effectively maintaining a positive work environment in spite of virtual working and had continuous employment for all colleagues. No major disruptions were observed. The main priority of the organization is the health and welfare of all Photocure employees and stakeholders. Business and travel policies which supported work from home and social distance were implemented prior to governmental orders.

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

The company has implemented separate processes for talent acquisition, compensation, training and development, performance management and communications that ensure a non-discriminating, secure work-environment follow local labor law regulations and that are compliant with the Norwegian Working Environment Act, the European Directive 89/381-OSH and the U.S. employment law and standards, as well as following industry best practices. The company does not have employee representatives on the board. The number of employees covered by collective bargaining agreements in 2020 was 0%.

At the end of 2020, the organization comprised of 89 employees of which 87 were full-time employees.

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

Traditionally, Photocure has recruited from environments where the number of women and men is relatively equally represented. In terms of gender equality, 40% of Photocure's board members are women, as is 63% of the senior management team at the end of 2020. Globally, Photocure employs 52% men and 48% women. Working time arrangements at the company, independent of gender, strive to enhance the individual work-life balance.

The working environment within the company is considered to be very good, measured through regular employee surveys. With the 2020 European expansion, Photocure broadened the scope of the employee survey to include all global employees. This was launched ahead of the originally planned 2021 date. The results of the December 2020 global Pulse Survey were overall better than the previous local surveys with over 92% of the employee population participating. The employee engagement survey will continue to be administered on an annual basis.

The annual performance appraisal for Photocure employees and management includes an assessment of the performance in relation to the company's values.

No accidents or injuries resulting in absence were registered in 2020. Absence due to illness in the company was 1.1% of total hours in 2020, compared 1.6% in 2019. Photocure has not been in any legal proceedings regarding working environment in 2020.

Goals and targets for 2021

- Report share of employees/new employees who have participated in company on-boarding process.
- Maintain or improve employee engagement score.
- Continue to report on employee turnover.
- Create and implement leadership training program.

TABLE 1: Photocure's workforce in 2020

Photocure`s workforce 31.12.2020	Men		Women		Total	
	2019	2020	2019	2020	2019	2020
Total workforce (part-time and full-time employees)	33	46	35	43	67	89
Total workforce full-time employees	31	46	33	41	64	87
Total workforce part-time employees	1	0	2	2	3	2
Number of contractors/consultants	1	7	3	5	4	12

Business ethics and transparency

Being part of a global value chain, Photocure is directly and indirectly exposed to ethical risks through its business operations. This includes good corporate governance, local and industry specific business ethics norms, such as good pharmacovigilance practices, ethical research and development activities, as well as anti-corruption and adherence to Photocure's core values and respect for human rights.

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), and the Code of Conduct and Anti-corruption policy sets the frame for business ethics and compliance. The quality and compliance manual describes the scope and structure of the company's quality system and compliance program.

Photocure's overarching goal is to comply with industry code of conduct in all markets for how 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. Procedures are established to ensure promotional materials and activities are conducted responsibly and according to industry standards. The company's CEO and management team are responsible for following up business ethics and anti-corruption work at Photocure.

Photocure develops and manufactures 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 relating to manufacturing, product quality, regulatory requirements and the like. Each year, the Board of Directors conducts a thorough 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 addition, a detailed risk assessment for compliance was conducted in 2020. No significant business ethics risks were identified in the reporting period.

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

Employees can report suspected cases of business ethics breaches or corruption through an anonymous whistleblowing channel established in October 2020. All employees have been introduced to the channel, both in meetings and in writing. There have been no reported incidents of corruption in the reporting period.

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

Within Business ethics and transparency several notable achievements can be reported for 2020. Photocure appointed its Compliance officer in March. A compliance program for business ethics with focus on pharma industry guidelines was established. In October, the company established a Code of Conduct and Anti-corruption policy. All employees received a training on these topics. Photocure also established an anonymous whistleblowing channel.

Furthermore, a detailed risk assessment for compliance was implemented and the general company risk assessment was updated with more focus on responsible business.

Research activities

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

No clinical studies were ongoing in the reporting period. One pre-clinical exploratory trial was performed in the reporting period. The study was approved by the Ethical Committee for Animal Experiments. One non-interventional Photocure sponsored study (Blue Light Cystoscopy with Cysview registry) was ongoing in the reporting period.

Photocure has also supported three investigator-initiated trials. During 2020, 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 2020 on page 8/9.

Goals and targets for 2021

- Update quality and compliance manual with more focus on responsible business.
- Implement compliance monitoring activities

Data protection and IT security

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

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

Photocure has invested in an extensive security and information security platform based on international standards ISAE3402 and ISAE3000. The procedures and processes that Photocure has established for personal data protection are based on the Norwegian Personal Data Act and the EU Directive 95/46/EC. 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 "Personopplysningsloven" and The General Data Protection Regulation (GDPR) where applicable. In addition, there are several Photocure procedures that describe the personal data process for a specific task. These procedures include work instructions for relevant roles such as employees, contractors, job candidates and board members.

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

This security and compliance service also acts as a compliance hub when leveraging public cloud services. Photocure's security platform is audited annually according to ISEA3402 and ISAE3000 by PWC. The ISAE reports are also mapped up to the Cloud Control Matrix framework to fit industry standards defined by the Cloud Security Alliance. Photocure keeps a live dashboard on all security incidents.

The goal for 2020 was to create more awareness amongst the employees about security and potential security breaches. Employees received e-mail communications on how to detect and be aware of suspicious activities. A new feature in Outlook was implemented in Outlook to enable employees to easily report suspicious e-mails.

An external GDPR consultant reviewed the GDPR status in Photocure in 2019 and the overall work was considered high quality. Tasks recommended by the GDPR consultant for improvement and work on updating procedures, work instructions and employee training are implemented.

Goals and targets for 2021

- Keep security tickets with severity "critical" to zero.
- Continue to increase awareness of the security situation and reporting suspicious e-mails by annual reminders to all employees. The success of this goal will be measured by increased number of security tickets with severity "moderate" reported by Photocure employees.
- 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.

TABLE 2: security tickets and breaches

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

Goals & Targets 2020

Area	Goals & Target 2020	Progress and Achievements 2020
Product quality & safety	Maintain Photocure's track record of no quality and/or safety incidents that lead to any market actions e.g. product recall or healthcare information letter.	No quality nor safety incidents which led to market actions reported.
Supply chain responsibility	Create and implement a supplier code of conduct outlining the suppliers' responsibility for upholding Photocure's standards for ethics and responsible business practices, which should be signed off by suppliers, both GxP and non-GxP.	Q4 2020: All new contracts include wording and reference to the ten principles of the United Nations Global Compact. Supplier Code of Conduct in progress.
	Update applicable supplier related procedures and processes to further increase the focus on responsible business practices.	Procedures updated.
Working environment	Report share of employees/new employees who have participated in company on-boarding process.	All employees hired to date have been on-boarded. New hire and on-boarding process to be revised in H1 2021.
	Maintain or improve employee engagement score.	Employee Engagement survey conducted in December. Comparison of previous scores show higher engagement with 92% of the global population participating.
	Report on employee turnover rate.	Implemented. Monthly turnover will continue to be reported. Overall regrettable turnover declined to under 9.1%.
	Create and implement leadership training program.	Have provided initial leadership training to the U.S. Sales leaders. Will be a priority in 2021.
Business ethics & transparency	Appoint a compliance officer for the company.	Compliance officer appointed March 2020.
	Update quality and compliance manual with more focus on responsible business.	Ongoing, to be completed in 2021.
	Implement a general risk assessment for compliance and update the company risk assessment with more focus on responsible business.	Risk assessment for compliance done June 2020. Company corporate risk assessment updated for Board Meeting Dec 2020.
	Establish a compliance program for business ethics with focus on pharma industry guidelines and anti-corruption.	Code of Conduct and Anti-corruption policy implemented. All employees trained. Some SOPs to be updated.
	Establish an anonymous whistleblowing channel.	Whistleblowing channel established, e-mail or phone option. Only the phone option is anonymous. All employees trained as part of the code of conduct training.
Data protection & IT security	Keep security tickets with severity "critical" to zero.	Zero
	Increase number of Photocure users being increasingly aware of the security situation and reporting suspicious emails and software.	Communication to all employees in June and November 2020. "Mail Risk" functionality implemented in outlook September 2020. 45 security tickets 2020 (13 – 2019).
	Implement a refresher GDPR training in the quality and compliance training program for 2020 to make sure every employee gets a better understanding on how to handle personal data in their daily work.	GDPR training held in June 2020.

Complete · Work in progress · Not started

APPENDIX: GRI CONTENT INDEX

GRI STANDARD		DISCLOSURE	PAGE NUMBER(S) AND / OR URL(S)
		GRI 101: FOUNDATION 2016	
		GENERAL DISCLOSURES	
GRI 102: GENERAL DISCLOSURES 2016		ORGANIZATIONAL PROFILE	
	102-1	Name of the organization	2
	102-2	Activities, brands, products, and services	6
	102-3	Location of headquarters	6
	102-4	Location of operations	6
	102-5	Ownership and legal form	6
	102-6	Markets served	6
	102-7	Scale of the organization	6
	102-8	Information on employees and other workers	6
	102-9	Supply chain	11
	102-10	Significant changes to the organization and its supply chain	1
	102-11	Precautionary Principle or approach	8
	102-12	External initiatives	14
	102-13	Membership of associations	8
		STRATEGY	
	102-14	Statement from senior decision-maker	4, 5
		ETHICS AND INTEGRITY	
	102-16	Values, principles, standards, and norms of behavior	7
		GOVERNANCE	
	102-18	Governance structure	6, 7
		STAKEHOLDER ENGAGEMENT	
	102-40	List of stakeholder groups	8, 9
	102-41	Collective bargaining agreements	13
	102-42	Identifying and selecting stakeholders	8,
	102-43	Approach to stakeholder engagement	8
	102-44	Key topics and concerns raised	9
		REPORTING PRACTICE	
	102-45	Entities included in the consolidated financial statements	6
	102-46	Defining report content and topic Boundaries	9
	102-47	List of material topics	9
	102-48	Restatements of information	2
	102-49	Changes in reporting	2
	102-50	Reporting period	2
	102-51	Date of most recent report	2
	102-52	Reporting cycle	2
	102-53	Contact point for questions regarding the report	2
	102-54	Claims of reporting in accordance with the GRI Standards	2
	102-55	GRI content index	18, 19
	102-56	External assurance	2

GRI STANDARD		DISCLOSURE	PAGE NUMBER(S) AND / OR URL(S)
		MATERIAL TOPICS	
		200 SERIES (ECONOMIC TOPICS)	
		ANTI-CORRUPTION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	14
	103-2	The management approach and its components	14
	103-3	Evaluation of the management approach	14
GRI 205: ANTI-CORRUPTION 2016	205-1	Operations assessed for risk related to corruption	14
	205-2	Communication and training about anti-corruption policies and procedures	14, 15
	205-3	Confirmed incidents of corruption and actions taken	14

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