



THE
BLADDER CANCER
COMPANY™



Q3

Third quarter
report 2019



Highlights for the third quarter 2019

(Numbers in brackets and comparisons are for the corresponding period in 2018.)

- Third quarter Hexvix/Cysview revenue increased 18% to NOK 51.1 million (NOK 43.5 million)
- Continued strong U.S. Cysview revenue growth with a third quarter increase of 42% in USD
- The installed base of blue light cystoscopes was 211 at the end of the third quarter, an increase of 74 or 54% since the same quarter last year. The installed base included 22 flexible cystoscopes at the end of the quarter
- EBITDA for the third quarter was NOK 8.3 million (NOK -3.1 million)
- License agreement with Asieris Meditech Co., Ltd. providing Asieris with a world-wide license to develop and commercialize Cevira for the treatment of HPV induced cervical precancerous lesions. Significant milestone and royalty opportunity. Signing fee of USD 1.0 million received third quarter, remaining USD 4 million due in fourth quarter of which USD 2.0 million was received in October
- In October, two abstracts on Hexvix were presented at the BLADDER 2019 congress in Paris, France including the first published data from a pre-clinical study investigating potential treatment effects of Blue Light Cystoscopy with Hexvix. The results of the study indicate for the first time that a treatment effect may be related to immunogenic cell death responses and anti-tumor immune cell activation

Key figures:

| <i>Figures in NOK million</i> | Q3 2019 | Q3 2018 | Change | YTD 2019 | YTD 2018 | Change | FY 2018 |
|------------------------------------|-------------|-------------|-------------|--------------|--------------|-------------|--------------|
| Hexvix/Cysview revenues | 51.1 | 43.5 | 18 % | 154.4 | 126.6 | 22 % | 172.9 |
| Total revenues | 60.8 | 44.4 | 37 % | 166.0 | 131.6 | 26 % | 181.5 |
| Operating expenses | -47.8 | -43.4 | 10 % | -147.2 | -125.9 | 17 % | -174.9 |
| EBITDA excl restructuring | 8.3 | -3.1 | | 4.2 | -6.4 | | -10.5 |
| EBITDA commercial franchise | 2.6 | 1.3 | | 5.7 | 7.1 | | 8.4 |
| EBITDA development portfolio | 5.7 | -4.4 | | -1.6 | -13.5 | | -18.9 |
| EBIT excl restructuring | 4.3 | -6.4 | | -8.3 | -16.2 | | -23.7 |
| Restructuring expenses | | | | | -13.1 | | -14.2 |
| Net Earnings | -0.6 | -4.8 | | -10.7 | -24.7 | | -36.7 |
| Cash & cash equivalents | 95.9 | 92.8 | | 95.9 | 92.8 | | 106.8 |

President & CEO Daniel Schneider comments:

“The third quarter was a busy period for Photocure with continued strong growth in the important U.S. market and an increase in the installed base of blue light cystoscopes of 54 from the beginning of the year to 211 at the end of the quarter. This development provides a solid platform for further growth in 2020 and beyond, as we see a large untapped potential in the U.S. We will continue to develop the significant commercial opportunities in the U.S. in order to achieve our ambition to make Cysview the standard of care for bladder cancer patients.”

In addition, we were proud to announce the agreement with Asieris during the quarter. Asieris will have the 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, and potentially development and approval milestones and sales milestones in total up to USD 250 million, in addition to sales royalties. The Cevira deal is in line with our strategy to divest products that do not fit our strategic focus.”



Operational review

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

Photocure is leveraging its flagship brand Hexvix/Cysview for improved detection of non-muscle invasive bladder cancer, reduce disease recurrence and progression rates to improve cost-effective health outcomes for bladder cancer patients.

With its established specialist commercial and medical teams in the U.S. and Nordics, Photocure has a solid foundation for future growth of its breakthrough bladder cancer product, as well as exploring expansion of its product portfolio.

Update commercial segment

Total Hexvix/Cysview revenue increased 18% to NOK 51.1 million (NOK 43.5 million) in the third quarter. The increase was driven by U.S. sales increasing by 53% compared to third quarter of last year. Year to date Hexvix/Cysview revenue increased 22% to NOK 154.4 million (NOK 126.6 million).

Other revenues include IFRS 15 adjustments of NOK 0.8 million in the third quarter and NOK 2.5 million year to date for 2019 and 2018. YTD 2018 revenues include milestone payments from Bellus Medical for Allumera totaling NOK 2.4 million, which the company received in the second quarter of 2018. 2019 revenues include revenues from sales of Hivec, following the distribution agreement with Combat Medical.

Operating expenses, excluding depreciation and amortization, increased 15% to NOK 44.9 million (NOK 39.0 million) in the third quarter. Year to date operating expenses, excluding depreciation and amortization, increased 22% to NOK 136.9 million (NOK 112.4 million) mainly driven by the increase in U.S. commercial efforts.

Third quarter EBITDA increased 100% to NOK 2.6 million (NOK 1.3 million). Year to date EBITDA decreased 20% to NOK 5.7 million (NOK 7.1 million). The YTD decline in EBITDA was expected and driven by reduction of milestone revenues from Bellus Medical of NOK 2.4 million as well as the increased investment in commercial activities in the U.S. Third quarter EBITDA margin was 5%.

| <i>MNOK</i> | <u>Q3 '19</u> | <u>Q3 '18</u> | <u>YTD '19</u> | <u>YTD '18</u> |
|-----------------------------|---------------|---------------|----------------|----------------|
| Nordic - Hexvix | 9.9 | 10.6 | 33.7 | 33.5 |
| US - Cysview | 25.2 | 16.5 | 70.9 | 45.3 |
| Partners | 16.0 | 16.4 | 49.9 | 47.8 |
| Hexvix/Cysview total | 51.1 | 43.5 | 154.4 | 126.6 |
| <i>YoY growth</i> | 18 % | | 22 % | |
| Other revenues | 1.0 | 0.9 | 2.9 | 5.1 |
| Total revenues | 52.1 | 44.4 | 157.3 | 131.6 |
| <i>YoY growth</i> | 17 % | | 20 % | |
| Cost of goods sold | -4.7 | -4.0 | -14.7 | -12.2 |
| Gross profit | 47.4 | 40.4 | 142.7 | 119.5 |
| Operating expenses | -44.9 | -39.0 | -136.9 | -112.4 |
| EBITDA | 2.6 | 1.3 | 5.7 | 7.1 |
| <i>EBITDA margin</i> | 5 % | 3 % | 4 % | 5 % |

Hexvix®/Cysview®

Global in-market unit sales increased 6% in the third quarter and year to date. Estimated year to date in-market sales value was NOK 243 million (NOK 211 million).

U.S. Cysview sales

Third quarter revenues in the U.S. increased 53% to NOK 25.2 million (NOK 16.5 million), driven by volume growth, weakening of the NOK against USD and price increases. In constant currency, the quarter revenue growth was 42%. In-market unit growth in the third quarter was 34%.

Year to date U.S. revenues increased 57% to NOK 70.9 million (NOK 45.3 million), with unit growth of 37%. In constant currency the revenue growth was 45%.

U.S. is the largest and fastest growing region for Photocure, with a growth driven by added sales resources, approval of new indications, launch of the product in the bladder cancer surveillance setting and by improved reimbursement.

The introduction of Cysview in the surveillance market together with the improved reimbursement have resulted in a significant growth in the installed base of permanent blue light cystoscopes. At the end of the third quarter the total installed base of rigid cystoscopes was 189, an increase of 44% or 58 units since the same quarter last year. Since year-end 2018 the increase is 40 units. Blue Light Cystoscopy (BLC™) in the surveillance setting is a key priority for Photocure in the U.S. market. By the end of the third quarter 22 flexible cystoscopes for the surveillance setting have been installed.

In November, 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 hospital outpatient and other sites of care and the complexity adjustment code. The rule includes improved



reimbursement for certain Blue Light Cystoscopy procedures effective January 1st, 2020.

Nordic Hexvix sales

Year to date Nordic revenues increased 1% to NOK 33.7 million (NOK 33.5 million). In constant currencies the revenue was at the same level as last year. In-market unit sales were 3% lower than last year. A number of initiatives have been launched to improve Nordic sales performance.

Nordic revenues declined 7% to NOK 9.9 million (NOK 10.6 million) in the third quarter. The decline was driven by lower in-market volumes.

Hexvix/Cysview partner sales

Year to date partner revenue increased 4% to NOK 49.9 million (NOK 47.8 million). In constant currencies, revenue increased 2%. In-market unit sales increased 3%. As for the quarter, the year to date increase is driven by Germany and France.

Partner revenue decreased 2% to NOK 16.0 million (NOK 16.4 million) in the third quarter. The decline was driven by IFRS 15 adjustments. In-market unit sales increased 4% in the third quarter, reflecting increases in both of Ipsen's main markets, Germany and France.

Hexvix/Cysview publications and presentations

The following publications and presentations occurred in the third and the beginning of the fourth quarter 2019:

In July, a review paper on Blue Light Cystoscopy with Hexvix/Cysview with focus on the use in the office setting with flexible cystoscopes was published in the peer reviewed European Medical Journal. With emerging data confirming similar clinical benefits for flexible BLC in the surveillance of non-muscle invasive bladder cancer to its current use in rigid cystoscopy, the authors stated that there is a clear opportunity for flexible BLC to assert a central role in the treatment paradigm.

In October a study with BLC with Hexvix was presented at the 39th Congress of the Société Internationale d'Urologie held in Athens, Greece. The study objective was to evaluate the feasibility of using Blue Light flexible cystoscopy with biopsy and tumor destruction by diode laser using local anesthesia in the outpatient clinic. The authors concluded that non-muscle invasive bladder cancer can be diagnosed and treated with diode laser with local anesthesia using flexible blue light cystoscopy.

In October, two abstracts on Hexvix were presented at the BLADDER 2019 congress in Paris, France. The

presentations included the first published data from a pre-clinical study investigating potential treatment effects of Blue Light Cystoscopy with Hexvix. The results of the study indicate for the first time that a treatment effect could be related to immunogenic cell death responses and anti-tumor immune cell activation.

Update development portfolio

Cevira® – for treatment of HPV 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, the Company announced that it has 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.

Asieris plans to launch a global clinical development program with an initial focus on the Chinese market based on Photocure's Phase 2b data and the Phase 3 study design elements agreed with the U.S. FDA. The development for the U.S. and EU markets will follow when clinical data from the China focused Phase 3 study confirms the safety and efficacy, estimated to be finished in 2022. Asieris will assume responsibility for the manufacture of the Cevira product while Photocure retains responsibility for the manufacture of the active pharmaceutical ingredient.

Under the License Agreement, Photocure will receive a total signing fee of USD 5.0 million within 6 months after signing. USD 1.0 million was received from Asieris in the third quarter. The remaining USD 4.0 million is expected in the fourth quarter, of which USD 2.0 million was received in October. In addition, the company may receive a total of USD 18 million based upon achievement of certain clinical and regulatory milestones in China and up to 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.

Organizational update

Ambaw Bellete, head of U.S. commercial operation, left the company in the third quarter. Geoffrey Coy joined Photocure on October 1, as Vice President and General Manager of U.S. Operations. Mr. Coy has nearly 25 years of experience in the life sciences industry including sales, marketing, sales operations



and market access in the biopharmaceuticals and medical device areas. Prior to joining Photocure he was the Commercial Vice President of Sales and Marketing for BTG International (Boston Scientific) .

Financial review

(Numbers in brackets are for the corresponding period in 2018; references to the prior year refer to a comparison to the same period 2018, unless otherwise stated).

| MNOK | Q3 '19 | Q3 '18 | YTD '19 | YTD '18 |
|------------------------------------|--------------|--------------|---------------|---------------|
| Hexvix / Cysview revenues | 51.1 | 43.5 | 154.4 | 126.6 |
| Other revenues | 9.7 | 0.9 | 11.5 | 5.1 |
| Total revenues | 60.8 | 44.4 | 166.0 | 131.6 |
| Gross profit | 56.1 | 40.4 | 151.3 | 119.5 |
| Operating expenses | -47.8 | -43.4 | -147.2 | -125.9 |
| EBITDA before restructuring | 8.3 | -3.1 | 4.2 | -6.4 |
| Depreciation & amortization | -4.0 | -3.3 | -12.4 | -9.8 |
| Restructuring expenses | - | - | - | -13.1 |
| EBIT | 4.3 | -6.4 | -8.3 | -29.3 |
| Net financial items | 1.0 | 0.0 | 0.9 | -0.0 |
| Earnings before tax | 5.3 | -6.3 | -7.4 | -29.4 |
| Tax expenses | -5.9 | 1.5 | -3.3 | 4.6 |
| Net earnings | -0.6 | -4.8 | -10.7 | -24.7 |

Photocure has transformed itself from a technology-based company to a therapeutic area-focused commercial stage pharmaceutical company with a focus on bladder cancer. The allocation of resources, and hence expenses, have shifted from R&D to sales and marketing. 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 the Company's commercial activities and expertise.

The company has continued to add strategic resources to its U.S. commercial organization, in line with its commercial market opportunities and strategic objectives. These resources have driven revenue growth, as well as increased sales and marketing costs.

Revenues

Total revenues in the third quarter were NOK 60.8 million, an increase of 37% from the third quarter last year (NOK 44.4 million). Year to date revenues were NOK 166.0 million (NOK 131.6 million), an increase of 26%.

Hexvix/Cysview revenues for the third quarter were NOK 51.1 million, an increase of 18% from the third quarter of 2018 (NOK 43.5 million). The increase was driven by strong sales in U.S. Year to date Hexvix/Cysview revenues were NOK 154.4 million

(NOK 126.6 million), an increase of 22%. In constant currencies, Hexvix/Cysview revenues grew 17% year to date.

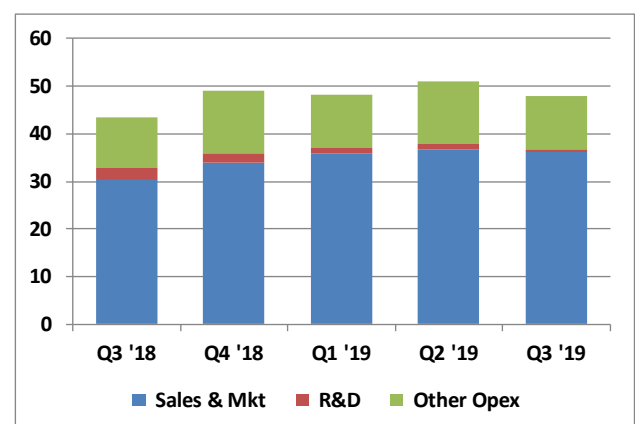
Other revenues in the third quarter were NOK 9.7 million (NOK 0.9 million). Other revenues are mainly impacted by a signing fee payment from Asieris as per the license agreement for Cevira. USD 1.0 million, corresponding to NOK 8.7 million, was received by Asieris in the quarter. The remaining USD 4.0 million is expected in the fourth quarter, of which USD 2.0 million was received in October.

Additionally, other revenues include IFRS 15 adjustments of NOK 0.8 million third quarter and NOK 2.5 million year to date for 2019 and 2018. YTD 2018 revenues include milestone payments from Bellus Medical for Allumera totaling NOK 2.4 million, which the company received in the second quarter of 2018. 2019 revenues include revenues from sales of Hivec, following the distribution agreement with Combat Medical.

Operating expenses

Total operating expenses, before restructuring and excluding depreciation and amortization, were NOK 47.8 million (NOK 43.4 million) in the third quarter, an increase of 10%. Year to date, the operating expenses increased 17% to NOK 147.2 million (NOK 125.9 million).

The YoY increase in operating expenses was driven by planned investments in U.S. commercial operations. Furthermore, the company has had business development expenses during the year, particularly related to Cevira.



Third quarter research and development (R&D) costs were NOK 0.6 million (NOK 2.4 million), a reduction of 76%. R&D costs year to date were NOK 2.6 million (NOK 7.3 million), a reduction of 64%. The remaining R&D costs relate mainly to regulatory work and

maintenance and expansion of Photocure's intellectual property.

Sales and marketing costs increased 19% to NOK 36.1 million (NOK 30.4 million) in the third quarter. Sales and marketing costs year to date were NOK 108.9 million (NOK 87.3 million). The increase of 25% was in line with Photocure's strategic plan and was driven by activities in U.S.

Third quarter other operating expenses, which include supply chain, business development, and general/administration, increased 5% to NOK 11.1 million (NOK 10.6 million). Year to date other operating expenses increased 14% to NOK 35.6 million (NOK 31.2 million). The main reason for the increase was business development expenses particularly related to Cevira.

Financial results

EBITDA before restructuring was NOK 8.3 million (NOK -3.1 million) for the third quarter. Year to date EBITDA before restructuring was NOK 4.2 million (NOK -6.4 million). Currency translation had a limited impact both on the third quarter and year to date results with EBITDA impact of less than NOK 1 million compared to prior year.

EBITDA before restructuring in the commercial segment was year to date NOK 5.7 million (NOK 7.1 million). The development portfolio EBITDA before restructuring year to date was negative NOK 1.6 million (NOK -13.5 million).

Year to date depreciation and amortization was NOK 12.4 million (NOK 9.8 million). The main cost item was the amortization on the investments in intangible assets related to the Phase 3 market expansion trial for Cysview. The increase from prior year was mainly driven by the adoption of IFRS 16 as the amortization of the right-of-use assets replace office rental costs as reported operating lease (see note 3 to the accounts).

Net financial items year to date were NOK 0.9 million (NOK 0.0 million).

Photocure had a net profit before tax of NOK 5.3 million in the third quarter (net loss of NOK 6.3 million) and a net loss before tax of NOK 7.4 million year to date (net loss of NOK 29.4 million). Net loss after tax was NOK 0.6 million for the third quarter (net loss of NOK 4.8 million) and NOK 10.7 million year to date (net loss of NOK 24.7 million).

Cash flow and statement of financial position

Net cash flow from operations was positive NOK 9.9 million in the third quarter (negative NOK 5.3 million)

and year to date negative NOK 9.8 million (negative NOK 35.3 million). The improvement was mainly driven by improved operating results as well as the signing fee paid by Asieris. The impact from changes to the working capital year to date was negative NOK 10.2 million (negative NOK 10.5 million). Payments of NOK 3.2 million in the first quarter of 2019 related to the 2018 restructuring, is included in the cash flow from operations.

Net cash flow from investments year to date was positive NOK 0.6 million (negative NOK 0.7 million).

Year to date cash flow from financing was negative NOK 1.8 million, driven by payment of lease liability (IFRS 16, see note 3).

Third quarter net change in cash was positive NOK 9.2 million (negative NOK 5.1 million). Year to date net change in cash was negative NOK 10.9 million (negative NOK 36.5 million). Cash and cash equivalents were NOK 95.9 million at the end of the third quarter.

Shareholders' equity was NOK 166.4 million at the end of the third quarter, an equity ratio of 77%.

As of 30 September 2019, Photocure held 16,624 own shares.

Risks and uncertainty factors

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

The most important risks the company is exposed to are associated with market development for Hexvix/Cysview, progress of partnering activities, as well as financial risks related to interest rates, liquidity and currency fluctuations.

There are no significant changes in the risks and uncertainty factors compared to the descriptions in the Annual Report for 2018.

Outlook

Photocure has built considerable experience in the bladder cancer market through its Hexvix/Cysview franchise and sees significant long-term value creation potential in this market segment. The company aims to capitalize on a number of factors including inclusion in the American Urological Association (AUA) and Society of Urologic Oncology



(SUO) guidelines, increased patient awareness and the improved reimbursement of Cysview. These drivers should significantly increase penetration in the U.S. market. Furthermore, with the approval of Cysview to be used with flexible cystoscopes, a significant market opportunity has opened in the surveillance segment.

Given the large untapped market opportunities, the company will continue to develop the U.S. commercial and medical infrastructure in 2019. Photocure is fully funded for this market strategy.

The company has a 2020 forecasted revenue range of USD 20-25 million in the U.S., up from USD 7.8 million in 2018, and sees significant continued revenue growth and profit opportunities in the U.S. market beyond 2020.

Along with our partner KARL STORZ, we have more than doubled the number of installed blue light cystoscopes in the U.S. since 2016. We believe the continued strong installation growth rates will drive future revenue growth for Cysview. Key to our continued success is the acceleration and adoption of the newly approved flexible Blue Light Surveillance Cystoscopy with Cysview performed in the larger surveillance market.

We have expanded the number of customer facing roles in U.S. by 50% since the beginning of 2018. This will help drive blue light cystoscope installations in coordination with our partner KARL STORZ and increase the number of patients treated with Cysview per installed scope in all settings of care. The increase in commercial footprint has to a large extent been achieved by re-purposing existing headcount to sales and thereby limiting the overall increase in headcount.

The improved permanent reimbursement rates in the U.S. which went into effect 1 January 2019 will provide physicians the ability to use Cysview in Blue Light Cystoscopy procedures on the majority of their patients without negatively affecting their practice economics.

Recent bladder cancer patient survey data confirms that there is growing awareness and patient demand for Blue Light Cystoscopy with Cysview. Patients are now actively seeking treatment centers who offer Cysview and Blue Light Cystoscopy.

Our future growth rates will also be significant and sustainable through continued investment and focused execution.

The Board of Directors and CEO
Photocure ASA

Oslo, 6 November 2019

Jan Hendrik Egberts
Chairperson

Einar Antonsen
Director

Johanna Holldack
Director

Gwen Melincoff
Director

Tom Pike
Director

Tove Lied Ringvold
Director

Grannum R. Sant
Director

Daniel Schneider
President and CEO



Photocure Group

Accounts for third quarter and first nine months 2019

Photocure Group – Statement of comprehensive income

| | | 2019 | 2018 | 2019 | 2018 | 2018 |
|---|------|----------------|----------------|-----------------|-----------------|-----------------|
| | Note | Q3 | Q3 | 1.1 - 30.9 | 1.1 - 30.9 | 1.1-31.12 |
| <i>(all amounts in NOK 1,000 except per share data)</i> | | | | | | |
| Sales revenues | | 51,284 | 43,558 | 154,793 | 126,711 | 173,237 |
| Signing fees and milestone revenues | | 9,510 | 845 | 11,199 | 4,934 | 8,273 |
| Total revenues | | 60,794 | 44,403 | 165,992 | 131,645 | 181,510 |
| Cost of goods sold | | -4,691 | -4,045 | -14,667 | -12,183 | -17,147 |
| Gross profit | | 56,103 | 40,358 | 151,325 | 119,462 | 164,363 |
| Indirect manufacturing expenses | 4 | -2,774 | -3,114 | -8,164 | -8,626 | -10,252 |
| Research and development expenses | 4 | -3,069 | -4,872 | -10,124 | -14,678 | -19,145 |
| Marketing and sales expenses | 4 | -36,181 | -30,394 | -109,000 | -87,373 | -121,301 |
| Other operating expenses | 4 | -9,772 | -8,336 | -32,312 | -24,980 | -37,370 |
| Total operating expenses recurring | | -51,797 | -46,716 | -159,599 | -135,657 | -188,066 |
| EBIT before restructuring | | 4,306 | -6,359 | -8,274 | -16,195 | -23,703 |
| Restructuring | | - | - | - | -13,133 | -14,199 |
| EBIT including restructuring | | 4,306 | -6,359 | -8,274 | -29,328 | -37,902 |
| Financial income | | 1,886 | 728 | 3,507 | 2,061 | 3,652 |
| Financial expenses | | -917 | -689 | -2,596 | -2,108 | -2,464 |
| Net financial profit/loss(-) | | 970 | 39 | 911 | -47 | 1,188 |
| Profit/loss(-) before tax | | 5,275 | -6,320 | -7,363 | -29,375 | -36,715 |
| Tax expenses | 5 | -5,915 | 1,548 | -3,346 | 4,636 | 6 |
| Net profit/loss(-) | | -639 | -4,772 | -10,709 | -24,739 | -36,709 |
| Other comprehensive income | | 250 | -2,465 | 106 | -414 | -308 |
| Total comprehensive income | | -390 | -7,236 | -10,603 | -25,153 | -37,017 |
| Net profit/loss(-) per share, undiluted | 6 | -0.03 | -0.22 | -0.49 | -1.15 | -1.70 |
| Net profit/loss(-) per share, diluted | 6 | -0.03 | -0.22 | -0.49 | -1.15 | -1.70 |

Photocure Group – Statement of financial position

| <i>(Amounts in NOK 1,000)</i> | Note | 30.09.2019 | 30.09.2018 | 31.12.2018 |
|-------------------------------------|------|----------------|----------------|----------------|
| Non-current assets | | | | |
| Intangible assets | 7 | 14,056 | 25,414 | 22,502 |
| Machinery & equipment | | 2,049 | 1,811 | 2,141 |
| Right-of-use assets | 3 | 7,964 | - | - |
| Deferred tax asset | 5 | 49,069 | 57,539 | 52,377 |
| Contract costs | | 0 | 996 | 747 |
| Total non-current assets | | 73,137 | 85,760 | 77,767 |
| Current assets | | | | |
| Inventories | | 18,059 | 17,025 | 18,582 |
| Accounts receivable | | 20,071 | 20,048 | 20,371 |
| Other receivables | | 9,434 | 12,868 | 7,643 |
| Cash and short term deposits | 8 | 95,906 | 92,828 | 106,833 |
| Total current assets | | 143,470 | 142,769 | 153,429 |
| Total assets | | 216,606 | 228,530 | 231,196 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | 9 | 10,898 | 10,797 | 10,890 |
| Other paid-in capital | | 64,261 | 58,193 | 63,656 |
| Retained earnings | | 91,194 | 113,632 | 101,797 |
| Shareholders' equity | | 166,353 | 182,621 | 176,342 |
| Long-term liabilities | | | | |
| Pension liability | | 2,866 | 5,179 | 2,401 |
| Lease liability | 3 | 7,924 | - | - |
| Total long-term liabilities | | 10,790 | 5,179 | 2,401 |
| Current liabilities | | 32,983 | 33,648 | 45,389 |
| Contract liabilities | | 6,481 | 7,081 | 7,064 |
| Total liabilities | | 50,253 | 45,908 | 54,854 |
| Total equity and liabilities | | 216,606 | 228,530 | 231,196 |

Photocure Group – Changes in equity

| <i>(Amounts in NOK 1,000)</i> | 2019 Q3 | 2018 Q3 | 2019 1.1 - 30.9 | 2018 1.1 - 30.9 | 2018 1.1-31.12 |
|---|----------------|----------------|--------------------|--------------------|-------------------|
| Equity at end of prior period | | | 176,342 | 218,080 | 218,080 |
| Adjustments initial applications of IFRS 16, 9 and 15 | | | 0 | -10,746 | -10,746 |
| Adjusted equity beginning of period | 166,743 | 189,083 | 176,342 | 207,334 | 207,334 |
| Capital increase | | 742 | 614 | 742 | 6,339 |
| Share-based compensation (share options employees) | - | 32 | - | 75 | 63 |
| Own shares | - | | - | -377 | -377 |
| Comprehensive income | -390 | -7,236 | -10,603 | -25,153 | -37,017 |
| Equity at end of period | 166,353 | 182,621 | 166,353 | 182,621 | 176,342 |



Photocure Group – Cash flow statement

| | 2019 | 2018 | 2019 | 2018 | 2018 |
|---|---------------|---------------|----------------|----------------|----------------|
| <i>(Amounts in NOK 1,000)</i> | Q3 | Q3 | 1.1 - 30.9 | 1.1 - 30.9 | 1.1-31.12 |
| Profit/loss(-) before tax | 5,275 | -6,320 | -7,363 | -29,375 | -36,715 |
| Depreciation and amortisation | 3,978 | 3,305 | 12,442 | 9,780 | 13,211 |
| Share-based compensation | - | 33 | - | 75 | 63 |
| Net interest income | -409 | -253 | -1,321 | -976 | -1,125 |
| Changes in working capital | 1,762 | 470 | -10,196 | -10,495 | 1,416 |
| Other operational items | -697 | -2,537 | -3,329 | -4,315 | -976 |
| Net cash flow from operations | 9,910 | -5,302 | -9,767 | -35,305 | -24,124 |
| Net investments in fixed assets | -339 | -57 | -597 | -1,102 | -1,630 |
| Intangible asset expenditures | -83 | - | -83 | -559 | -559 |
| Received interest payments | 409 | 253 | 1,321 | 976 | 1,125 |
| Cash flow from investments | -13 | 196 | 641 | -685 | -1,063 |
| Share capital increase employees | - | - | 614 | - | 6,339 |
| Reclassification and paid long-term liability | - | - | - | -174 | -3,310 |
| Payment lease liability | -655 | - | -2,415 | - | - |
| Buy back own shares | - | - | - | -377 | -377 |
| Cash flow from financing activities | -655 | - | -1,801 | -551 | 2,652 |
| Net change in cash during the period | 9,242 | -5,106 | -10,927 | -36,540 | -22,535 |
| Cash & cash equivalents at beginning of period | 86,664 | 97,934 | 106,833 | 129,368 | 129,368 |
| Cash & cash equivalents at end of period | 95,906 | 92,828 | 95,906 | 92,828 | 106,833 |

Notes to the accounts for third quarter and first nine months 2019

Note 1 – General accounting principles

General information

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

Photocure Group (Photocure) comprises Photocure ASA and the wholly owned subsidiary Photocure Inc. that is a US registered company.

Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018 (the Annual Financial Statements) as they provide an update of previously reported information.

The Group's financial statements include from 2019 the principles and presentation related to the implementation of IFRS 16. Changes to significant accounting policies are described below and in Note 3.

The interim report has not been subject to an audit. The Board of Directors approved the interim financial statements on 6 November 2019.

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

Changes in significant accounting policies

IFRS 16

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. The standard is effective for annual period beginning on or after 1 January 2019. The adoption of IFRS 16 does not have a significant impact on Photocure's statement of financial position as future lease payments under existing office lease contracts are limited, ref. note 14 to the 2018 annual financial statements. The initial calculation of the Right-of-use assets and corresponding leasing liabilities as per 1 January 2019 related to office lease contracts amounts to NOK 10.4 million.

Important accounting valuations, estimates and assumptions

IFRS 15

For the current contract with Ipsen Pharma, the only identified distinct performance obligation is delivery of goods. The contract term is estimated to be equal to the expiry date of the patents in the relevant market areas. Received up-front payment related to this contract has been deferred and is recognized as revenue in line with transfer of control of the goods.

For the contract with Asieris MediTech Co. Ltd entered into in July 2019, two performance obligations are identified; a license for Cevira and delivery of active substance. The license is a right to use Photocure's intellectual property as it existed at the contract date. 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. Sales based royalty is recognized when the subsequent sales occur. Revenue for the sale of goods is recognized when the customer takes control of the goods, which is at the time of shipment.

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

Note 2 - Photocure Group – Segment information

Photocure has two segments; Commercial Franchise and Development Portfolio. Commercial Franchise includes Hexvix/Cysview by sales channel, own sales and partner sales, and other sales, currently including milestone and royalties from a licence partner. Development Portfolio includes development of commercial products and pipeline products.

| 1 Jan - 30 September 2019 (Amounts in NOK 1 000) | Commercial Products | | | | Development Products | | | Grand Total |
|---|---------------------|-----------------|---------------|-----------------|----------------------|---------------|----------------|-----------------|
| | Hex/Cys Own Sales | Hex/Cys Partner | Other Sales | Total Sales | Hex/Cys Develop. | Pipeline | Total R&D | |
| Sales revenues | 104,576 | 49,869 | 348 | 154,793 | - | - | - | 154,793 |
| Milestone revenues | - | 2,534 | - | 2,534 | - | 8,665 | 8,665 | 11,199 |
| Cost of goods sold | -6,023 | -8,471 | -172 | -14,667 | - | - | - | -14,667 |
| Gross profit | 98,553 | 43,931 | 176 | 142,660 | - | 8,665 | 8,665 | 151,325 |
| Gross profit of sales % | 94 % | 83 % | 51 % | 91 % | | | | 91 % |
| R&D | - | - | - | - | -1,290 | -1,334 | -2,624 | -2,624 |
| Sales & marketing | -100,524 | -6,308 | - | -106,832 | -664 | -1,390 | -2,054 | -108,886 |
| Other & allocations | -13,689 | -14,510 | -1,890 | -30,089 | -1,822 | -3,737 | -5,559 | -35,648 |
| Operating expenses | -114,213 | -20,818 | -1,890 | -136,921 | -3,776 | -6,461 | -10,237 | -147,158 |
| EBITDA | -15,660 | 23,113 | -1,714 | 5,739 | -3,776 | 2,204 | -1,571 | 4,167 |

| 1 Jan - 30 September 2018 (Amounts in NOK 1 000) | Commercial Products | | | | Development Products | | | Grand Total |
|---|---------------------|-----------------|--------------|-----------------|----------------------|----------------|----------------|-----------------|
| | Hex/Cys Own Sales | Hex/Cys Partner | Other Sales | Total Sales | Hex/Cys Develop. | Pipeline | Total R&D | |
| Sales revenues | 78,766 | 47,824 | 121 | 126,711 | - | - | - | 126,711 |
| Milestone revenues | - | 2,533 | 2,400 | 4,933 | - | - | - | 4,933 |
| Cost of goods sold | -4,539 | -7,460 | -183 | -12,183 | - | - | - | -12,183 |
| Gross profit | 74,227 | 42,897 | 2,338 | 119,461 | - | - | - | 119,461 |
| Gross profit of sales % | 94 % | 84 % | -52 % | 90 % | | | | 90 % |
| R&D | - | - | - | - | -1,694 | -5,620 | -7,313 | -7,313 |
| Sales & marketing | -81,749 | -4,858 | - | -86,606 | - | -710 | -710 | -87,316 |
| Other & allocations | -13,077 | -12,684 | - | -25,761 | -861 | -4,625 | -5,485 | -31,246 |
| Operating expenses | -94,825 | -17,542 | - | -112,367 | -2,554 | -10,955 | -13,509 | -125,876 |
| EBITDA | -20,599 | 25,355 | 2,338 | 7,094 | -2,554 | -10,955 | -13,509 | -6,415 |



Photocure – Results for third quarter 2019

| Q3 2019 (Amounts in NOK 1 000) | Commercial Products | | | | Development Products | | | Grand Total |
|-----------------------------------|----------------------|--------------------|----------------|----------------|----------------------|---------------|---------------|----------------|
| | Hex/Cys Own Sales | Hex/Cys Partner | Other Sales | Total Sales | Hex/Cys Develop. | Pipeline | Total R&D | |
| Sales revenues | 35,135 | 16,005 | 144 | 51,284 | - | - | - | 51,284 |
| Milestone revenues | - | 845 | - | 845 | - | 8,665 | 8,665 | 9,510 |
| Cost of goods sold | -1,833 | -2,790 | -68 | -4,691 | - | - | - | -4,691 |
| Gross profit | 33,302 | 14,059 | 76 | 47,437 | - | 8,665 | 8,665 | 56,103 |
| Gross profit of sales % | 95 % | 83 % | 53 % | 91 % | | | | 91 % |
| R&D | - | - | - | - | -169 | -400 | -569 | -569 |
| Sales & marketing | -33,061 | -2,203 | - | -35,263 | -321 | -557 | -878 | -36,141 |
| Other & allocations | -4,645 | -4,349 | -621 | -9,616 | -588 | -905 | -1,493 | -11,109 |
| Operating expenses | -37,706 | -6,552 | -621 | -44,879 | -1,078 | -1,862 | -2,940 | -47,819 |
| EBITDA | -4,403 | 7,507 | -546 | 2,558 | -1,078 | 6,804 | 5,725 | 8,283 |

| Q3 2018 (Amounts in NOK 1 000) | Commercial Products | | | | Development Products | | | Grand Total |
|-----------------------------------|----------------------|--------------------|----------------|----------------|----------------------|---------------|---------------|----------------|
| | Hex/Cys Own Sales | Hex/Cys Partner | Other Sales | Total Sales | Hex/Cys Develop. | Pipeline | Total R&D | |
| Sales revenues | 27,107 | 16,384 | 68 | 43,559 | - | - | - | 43,559 |
| Milestone revenues | - | 844 | - | 844 | - | - | - | 844 |
| Cost of goods sold | -1,510 | -2,368 | -168 | -4,045 | - | - | - | -4,045 |
| Gross profit | 25,597 | 14,860 | -100 | 40,358 | - | - | - | 40,358 |
| Gross profit of sales % | 94 % | 86 % | -147 % | 91 % | | | | 91 % |
| R&D | - | - | - | - | -788 | -1,629 | -2,417 | -2,417 |
| Sales & marketing | -28,539 | -1,620 | - | -30,159 | - | -215 | -215 | -30,374 |
| Other & allocations | -4,721 | -4,132 | - | -8,853 | -287 | -1,481 | -1,768 | -10,621 |
| Operating expenses | -33,259 | -5,753 | - | -39,012 | -1,075 | -3,325 | -4,400 | -43,413 |
| EBITDA | -7,662 | 9,108 | -100 | 1,346 | -1,075 | -3,325 | -4,400 | -3,055 |

| 1 Jan - 31 December 2018 (Amounts in NOK 1 000) | Commercial Products | | | | Development Products | | | Grand Total |
|--|----------------------|--------------------|----------------|-----------------|----------------------|----------------|----------------|-----------------|
| | Hex/Cys Own Sales | Hex/Cys Partner | Other Sales | Total Sales | Hex/Cys Develop. | Pipeline | Total R&D | |
| Sales revenues | 110,725 | 62,209 | 303 | 173,237 | - | - | - | 173,237 |
| Milestone revenues | - | 3,378 | 4,895 | 8,273 | - | - | - | 8,273 |
| Cost of goods sold | -6,562 | -10,514 | -71 | -17,147 | - | - | - | -17,147 |
| Gross profit | 104,163 | 55,073 | 5,127 | 164,363 | - | - | - | 164,363 |
| Gross profit of sales % | 94 % | 83 % | 77 % | 90 % | | | | 90 % |
| R&D | - | - | - | - | -2,363 | -6,962 | -9,325 | -9,325 |
| Sales & marketing | -113,961 | -6,258 | - | -120,219 | - | -994 | -994 | -121,213 |
| Other & allocations | -18,123 | -17,630 | - | -35,753 | -1,357 | -7,206 | -8,563 | -44,317 |
| Operating expenses | -132,084 | -23,888 | - | -155,972 | -3,721 | -15,162 | -18,883 | -174,855 |
| EBITDA | -27,921 | 31,185 | 5,127 | 8,391 | -3,721 | -15,162 | -18,883 | -10,492 |

Note 3 – Changes in significant accounting policies

The Group adopted IFRS 16 “Leases” from 1 January 2019. The effect of initially applying this standard is mainly attributed to the following:

- The adoption of IFRS 16 have an impact on Photocure's recognition of operating expenses as the amortization of the right-of-use assets replace office rental costs as reported operating lease.



- The lease liability is measured at the present value of the lease payments that are not paid at the commencement, discounted using the Groups incremental borrowing rate as the discount rate.

The Group has adopted IFRS 16 using the cumulative effect method and accordingly, the information presented for 2018 has not been restated.

The following table summarizes the impacts of transition to IFRS 16 at 1 January 2019 and 30 September 2019.

| Impacts on transition | Discount | 01.01.2019 | 30.09.2019 |
|--------------------------------------|-----------------|-------------------|-------------------|
| <i>(Amounts in NOK 1 000)</i> | rate | Value | Value |
| Right-of-use assets Norway | 2.60 % | 6,393 | 4,595 |
| Right-of-use assets US | 5.20 % | 3,958 | 3,368 |
| Total Lease Assets | | 10,351 | 7,964 |
| Lease liability | | -10,351 | -7,924 |
| Total non-current liabilities | - | -10,351 | -7,924 |

| Impacts for the period | 01.01.- 30.09.19 |
|-------------------------------|-------------------------|
| <i>(Amounts in NOK 1 000)</i> | Value |
| Amortisation of assets | 2,562 |
| Interest expenses | 182 |
| Costs IFRS 16 | 2,744 |

Note 4 – Income statement classified by nature

| | 2019 | 2018 | 2018 |
|---|------------------|------------------|------------------|
| <i>(Amounts in NOK 1 000)</i> | 1.1-30.09 | 1.1-30.09 | 1.1-31.12 |
| Sales revenues | 154,793 | 126,711 | 173,237 |
| Signing fees and milestone revenues | 11,199 | 4,934 | 8,273 |
| Cost of goods sold | -14,667 | -12,183 | -17,147 |
| Gross profit | 151,325 | 119,462 | 164,363 |
| Payroll expenses | -92,977 | -84,967 | -99,369 |
| R&D costs excl. payroll expenses/other operating exp. | -1,361 | -2,696 | -3,742 |
| Ordinary depreciation and amortisation | -12,442 | -9,780 | -13,211 |
| Other operating expenses | -52,820 | -38,214 | -71,744 |
| Total operating expenses recurring | -159,599 | -135,657 | -188,066 |
| EBIT before restructuring | -8,274 | -16,195 | -23,703 |

Note 5 – Tax

| <i>(Amounts in NOK 1 000)</i> | 30.09.2019 | 31.12.2018 |
|------------------------------------|-------------------|-------------------|
| Income tax expense | | |
| Tax payable | -37 | 533 |
| Changes in deferred tax | -3,308 | -526 |
| Total income tax expense | -3,345 | 6 |
| Tax base calculation | | |
| Profit before income tax | 17,240 | 1,654 |
| Permanent differences | -2,623 | 801 |
| Temporary differences | 10,052 | -8,063 |
| Change in tax loss carried forward | -24,669 | 5,609 |
| Tax base | 0 | 0 |
| Temporary differences: | | |
| Total | -87,913 | -97,966 |
| Tax loss carried forward | 310,952 | 336,041 |
| Net temporary differences | 223,039 | 238,075 |
| Deferred tax benefit | 223,039 | 238,075 |
| Deferred tax asset | 49,069 | 52,377 |

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

The calculation of deferred tax asset 30 September 2019 and 31 December 2018 is based on a tax rate of 22%.

The parent company has recognized a deferred tax asset regarding net temporary differences. Accumulated tax asset in the parent company at the end of September 2019 is NOK 49.1 million compared to NOK 52.4 million at end of 2018. There is no expiry on losses to be carried forward in Norway. 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 basis for the recognition of the tax asset is the assessment that there is convincing evidence that the deferred tax benefit will be utilized.

For further information Photocure refer to the consolidated financial statements for the year ended 31 December 2018 note 12.

Note 6 – 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 acquired treasury shares. The diluted earnings per share is calculated by adjusting the average number of outstanding shares by the number of employee options that can be exercised. Antidilution effects are not taken into consideration.

| | 2019 | 2018 |
|--|-------------------|-------------------|
| <i>(Figures indicate the number of shares)</i> | 1.1-30.09 | 1.1-31.12 |
| Issued ordinary shares 1 January | 21,779,008 | 21,557,910 |
| Effects of share options exercised | - | 17,781 |
| Effect of treasury shares | -15,575 | -9,616 |
| Effect of shares issued | 14,005 | 16,905 |
| Weighted average number of shares | 21,777,438 | 21,582,980 |
| Effect of outstanding share options | 87,929 | 47,512 |
| Weighted average number of diluted shares | 21,865,367 | 21,630,492 |
| | | |
| Earnings per share in NOK | -0.49 | -1.70 |
| Earnings per share in NOK diluted | -0.49 | -1.70 |

Note 7 – Fixed Assets

| | Machinery & equipment | Intangibles |
|--------------------------------|--------------------------------------|--------------------|
| <i>(Amounts in NOK 1 000)</i> | | |
| Net book value 31.12.18 | 2,141 | 22,502 |
| Net investments 30.09.19 | 510 | 83 |
| Depreciation and amortization | -602 | -8,530 |
| Net book value 30.09.19 | 2,049 | 14,056 |

Photocure has from 2015 carried out a clinical study in US for the approved product Cysview in order to file a supplemental NDA. Related to this study Photocure has capitalized, net after amortization, NOK 19.6 million as of end December 2018 and NOK 12.1 million as of 30 September 2019. The investment is amortized on a straight-line basis in the profit and loss from the start of the project and over the remaining patent period for the approved product and indication.

The remaining intangible assets consist of capitalized software and project for new homepage.

Note 8 – Fair value

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

The different levels have been defined as follows:

- Level 1: Noted prices in active markets for corresponding assets or liabilities
- Level 2: Available value measurements other than the noted prices classified as Level 1, either directly observable in the form of agreed prices or indirectly as derived from the price of equivalent.
- Level 3: Value measurements of assets or liabilities that are not based on observed market values

| Market value hierarchy | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|----------------|----------------|----------------|---------------|
| <i>(Amounts in NOK 1 000)</i> | | | | |
| Financial assets available for sale: | | | | |
| - Money market funds | 62,375 | - | - | 62,375 |
| Total | 62,375 | - | - | 62,375 |



Note 9 – Share capital

Registered share capital in Photocure ASA amounts to:

| | No. of shares | Nominal value per share | Share capital in NOK |
|---|---------------|-------------------------|----------------------|
| Share capital at 31 December 2018 | 21,779,008 | NOK 0.50 | 10,889,504 |
| Share capital at 30 September 2019 | 21,796,387 | NOK 0.50 | 10,898,194 |
| Treasury shares: | | | |
| Holdings of treasury shares at 31 December 2018 | 14,930 | | 7,465 |
| Buy-back of shares | 1,694 | NOK 0.50 | 847 |
| Buy-back of restricted shares | - | NOK 0.50 | - |
| Holdings of treasury shares at 30 September 2019 | 16,624 | | 8,312 |

The table below indicates the status of authorizations at 30 September 2019:

| | Purchase, treasury shares | Ordinary share issue | Employee share issues |
|--|---------------------------|----------------------|-----------------------|
| <i>(Figures indicate the number of shares)</i> | | | |
| Authorisation issued at the General Meeting on 9 May 2019 | 2,179,638 | 2,179,638 | 500,000 |
| Share issues after the General Meeting on 9 May 2019 | - | - | - |
| Purchase of treasury shares | -1,694 | - | - |
| Remaining under authorisations at 30 September 2019 | 2,177,944 | 2,179,638 | 500,000 |

Shares owned, directly or indirectly, by members of the board, the President and CEO and senior management and their closely related associates as of 30 September 2019:

| Name | Position | No. of shares | No. of restricted shares | No. of subscription rights |
|------------------|---|---------------|--------------------------|----------------------------|
| Daniel Schneider | President & CEO | 15,000 | 18,353 | - |
| Erik Dahl | Chief Financial Officer | 3,500 | 7,133 | 49,500 |
| Grete Hogstad | Vice President Strategic Marketing | 13,878 | 5,566 | 45,000 |
| Kari Myren | Head of Global Medical Affairs and Clin. Dev. | - | 962 | - |
| Espen Njåstein | Head, Nordic Cancer Commercial Operations | 8,378 | 3,649 | 51,100 |
| Gry Stensrud | Vice President Tech. Dev. & Operations | 1,845 | 5,344 | 53,300 |
| Jan H. Egberts | Chairperson of the board | 14,500 | - | - |
| Einar Antonsen | Board member | 13,500 | - | - |
| Gwen Melincoff | Board member | 1,000 | - | - |
| Tom Pike | Board member | 3,400 | - | - |

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

Note 10 – Share options

At 30 September 2019, employees in Photocure had the following share option schemes:

| Year of allocation | 2017 | 2016 | 2015 |
|------------------------------|-------------|-------------|-------------|
| Option programme | 2017 | 2016 | 2015 |
| Number | 43,000 | 188,700 | 150,168 |
| Exercise price (NOK) | 38.06 | 40.15 | 32.78 |
| Date of expiry (31 December) | 2021 | 2020 | 2019 |

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

| | 30.09.2019 | | 31.12.2018 | |
|--------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|
| | No. of shares | Average exercise price (NOK) | No. of shares | Average exercise price (NOK) |
| Outstanding at start of year | 381,868 | 37.02 | 737,669 | 35.53 |
| Allocated during the year | - | - | - | - |
| Become invalid during the year | - | - | 170,367 | 38.02 |
| Exercised during the year | - | - | 185,434 | 30.18 |
| Expired during the year | - | - | - | - |
| Outstanding at end of period | 381,868 | 37.02 | 381,868 | 37.02 |
| Exercisable options at end of period | 381,868 | 37.02 | 367,533 | 36.98 |



Note 11 – Shareholders

Overview of the major shareholders at 30 September 2019:

| Major Shareholders | Citizen | Type | # Shares | % |
|--|-----------|----------|-------------------|----------------|
| HIGH SEAS AS | Norway | Ordinary | 2,220,000 | 10.2 % |
| FONDSFINANS NORGE | Norway | Ordinary | 911,082 | 4.2 % |
| KLP AKSJENORGE | Norway | Ordinary | 881,608 | 4.0 % |
| RADIUMHOSPITALET'S FORSKNINGSSTIFTELSE | Norway | Ordinary | 653,319 | 3.0 % |
| KOMMUNAL LANDSPENSJONSKASSE | Norway | Ordinary | 640,000 | 2.9 % |
| MYRLID AS | Norway | Ordinary | 522,000 | 2.4 % |
| NORDNET LIVSFORSIKRING AS | Norway | Ordinary | 496,423 | 2.3 % |
| MP PENSJON PK | Norway | Ordinary | 464,211 | 2.1 % |
| VICAMA AS | Norway | Ordinary | 329,530 | 1.5 % |
| DANSKE BANK AS | Denmark | Nominee | 328,446 | 1.5 % |
| BNP PARIBAS SECURITIES SERVICES | Australia | Nominee | 309,748 | 1.4 % |
| FONDSFINANS GLOBAL HELSE | Norway | Ordinary | 245,612 | 1.1 % |
| BEELINE AS | Norway | Ordinary | 239,894 | 1.1 % |
| LEHRE HOLDING AS | Norway | Ordinary | 207,731 | 1.0 % |
| EGELAND HOLDING AS | Norway | Ordinary | 194,000 | 0.9 % |
| BILLINGTON ERIK | Norway | Ordinary | 186,000 | 0.9 % |
| NORDNET BANK AS | Sweden | Nominee | 172,592 | 0.8 % |
| JP MORGAN CHASE BANK LONDON | UK | Nominee | 157,440 | 0.7 % |
| A/S SKARV | Norway | Ordinary | 150,000 | 0.7 % |
| PIBCO AS | Norway | Ordinary | 140,000 | 0.6 % |
| Total 20 largest shareholders | | | 9,449,636 | 43.4 % |
| Total other shareholders | | | 12,346,751 | 56.6 % |
| Total number of shares | | | 21,796,387 | 100.0 % |

Photocure Group – Alternative Performance Measures

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

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

Photocure uses the following alternative performance measures.

EBITDA & EBIT

Photocure regards EBITDA as the best approximation to pre-tax operating cash flow and reflects cash generation before working capital changes and capex. EBITDA is widely used by investors when evaluating and comparing businesses and provides an analysis of the operating results excluding depreciation and 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:

| | 2019 | 2018 | 2019 | 2018 | 2018 |
|---|---------------|---------------|----------------|----------------|----------------|
| <i>(all amounts in NOK 1 000)</i> | Q3 | Q3 | 1.1-30.9 | 1.1-30.9 | 1.1-31.12 |
| Gross profit | 56,103 | 40,358 | 151,325 | 119,462 | 164,363 |
| Operating expenses excl amortization & depreciation | -47,819 | -43,412 | -147,157 | -125,877 | -174,855 |
| EBITDA before restructuring | 8,284 | -3,054 | 4,168 | -6,415 | -10,492 |
| Amortization & depreciation | -3,978 | -3,304 | -12,442 | -9,780 | -13,211 |
| EBIT before restructuring | 4,306 | -6,359 | -8,274 | -16,195 | -23,703 |

Recurring EBITDA equals EBITDA before restructuring. In 2018 Photocure incurred NOK 14.2 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 10% 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:



| | 2019 | 2018 | 2019 | 2018 | 2018 |
|-----------------------|--------|--------|----------|----------|-----------|
| | Q3 | Q3 | 1.1-30.9 | 1.1-30.9 | 1.1-31.12 |
| USD (NOK per 1 USD) | 8.86 | 8.24 | 8.70 | 8.03 | 8.13 |
| EUR (NOK per 1 EUR) | 9.85 | 9.58 | 9.77 | 9.59 | 9.60 |
| DKK (NOK per 100 DKK) | 132.00 | 128.47 | 130.89 | 128.70 | 128.80 |
| SEK (NOK per 100 SEK) | 92.37 | 92.05 | 92.46 | 93.71 | 93.63 |

Photocure Group – 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.

| | 2019 | 2018 | 2019 | 2018 | 2018 |
|-----------------------------------|---------------|---------------|----------------|----------------|----------------|
| | Q3 | Q3 | 1.1-30.9 | 1.1-30.9 | 1.1-31.12 |
| <i>(all amounts in NOK 1 000)</i> | | | | | |
| In-market sales | 81,677 | 71,198 | 243,178 | 211,620 | 284,809 |



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Please visit our websites for information about our products:

www.photocure.com

www.hexvix.com (Currently under construction)

www.cysview.com