PHOTOCURE ASA

REPORT ON REMUNERATION TO SENIOR EXECUTIVES FOR 2021

Prepared for annual general meeting 28 April 2022

1 INTRODUCTION

This report on remuneration to Senior Executives (the "Report") is prepared by the board of directors of Photocure ASA ("**Photocure**" or the "**Company**" and together with its subsidiaries the "**Group**"). The Report has been prepared in accordance with the Norwegian Public Limited Liability Companies Act 1997 section 6-16 b, the Norwegian Regulation on Guidelines and Report on Remuneration of Leading Employees of 2020 (Nw.: *Forskrift om retningslinjer og rapport om godtgjørelse for ledende personer*) section 6 and the Norwegian Accounting Act section 7-31b.

The Report comprises remuneration to the Company's CEO, CFO and other members of the management who report directly to the CEO ("Senior Executives") for the financial year 2021. The purpose of the Report is to provide a comprehensive, clear and understandable overview over awarded and due gross salary and remuneration to Senior Executives for the last financial year and how the remuneration is in accordance with the guidelines for remuneration of Senior Executives adopted by the annual general meeting 2021 of the Company (the "Remuneration Guidelines") and to what extent the remuneration is linked to the performance of the Company. The Report provides details, both in total and individualised, on the remuneration of the Company's Senior Executives.

2 COMPANY HIGHLIGHTS IN 2021

<u>Overall company performance in 2021</u>

Despite the pandemic challenges throughout 2021 including several surges of Covid-19, Photocure delivered on key corporate objectives during the year; completing the first full year of operations in continental Europe with favourable results, continuing to grow its U.S. business, and expanding the territories in which Hexvix is available through commercial partnerships.

The Company reported total revenues of NOK 360.5 million in 2021, an increase of 41% from 2020. Hexvix/Cysview revenue increased 38% to NOK 351.4 million with global unit volume up 6% and U.S. unit volume up 16% compared to 2020. The Company’s acquisition of the broader European territories and its ability to add new accounts and increase use of Hexvix/Cysview in areas where healthcare access was open during the pandemic were the primary drivers of growth.

Photocure’s operating result before restructuring expenses was NOK -5.8 million in 2021, compared to an operating result before restructuring expenses of NOK -23.2 million in 2020. The increase in the operating result is primarily attributable to the inclusion of the European business from Ipsen, volume growth in the U.S. despite the pandemic, as well as lower than expected expenses in response to the pandemic. In addition, the sign-on revenue from Asieris improved the results accordingly.

For further details on the Company's performance in 2021, reference is made to the Company's consolidated annual accounts for 2021.

Overview of the application of the remuneration guidelines in 2021

Under the Remuneration Guidelines, remuneration of Senior Executives shall be competitive but not leading, motivational, transparent and flexible, and may consist of the following components: regular pay, bonus scheme, equity-based long term investment program, pension benefits, and other benefits.

The Remuneration Guidelines, adopted by the annual general meeting 2021, can be found on the Company's website https://photocure.com/investors-hub. The Company's report regarding the Company's compliance with the Remuneration Guidelines, which is controlled and reviewed by the auditor, is available on https://photocure.com/investors-hub.

As further described in Section 6, remuneration in the amount of approx. NOK 88,656 has been reclaimed during the reported financial year.

3 TOTAL REMUNERATION OF SENIOR EXECUTIVES IN THE COMPANY

Table 1 below sets out total remuneration, split by component, paid and due to each current or previous Senior Executive in the Company for the last financial year.

Table 1 – Total remuneration of Senior Executives in the Company in 2021
(Amounts in NOK 1,000)

Name of Senior Executive Position (start/end date)	Reported financial year	Fixed remuneration			Variable remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
		Base salary	Fees	Other benefits	One-year variable	Multi-year variable[1]				
Daniel Schneider CEO	2021	4,760	0	177	2,571	1,906	-	382	9,795	54%/46%
Erik Dahl CFO	2021	2,007	0	18	513	581	-	284	3,403	68%/32%

[1] IFRS cost of all vested, but not exercised, options as of 31.12.2021 including vested options from previous years.

Name of Senior Executive Position (start/end date)	Reported financial year	Fixed remuneration			Variable remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
		Base salary	Fees	Other benefits	One-year variable	Multi-year variable[1]				
Geoffrey Coy Vice President & General Manager of U.S. Operations	2021	2,989	0	287	877	1,182	-	258	5,592	63%/37%
Susanne Strauss Vice President & General Manager of Europe	2021	2,807	0	150	661	781	-	250	4,648	69%/31%
Grete Hogstad Vice President Global Strategic Marketing & Business Development	2021	1,694	0	88	219	390	-	231	2,622	77%/23%
Patricia Kelly Vice President Global Human Resources	2021	2,353	0	6	320	347	-	186	3,212	79%/21%
Anders Neijber Vice President Global Medical Affairs and Clinical Development (from 1 September 2021)	2021 (from September)	647	0	0	104	0	-	113	864	88%/12%
Kari Myren VP Global Medical Affairs and Clinical Development (until 31 August 2021)	2021	1,275	0	14	0	390	-	151	1,830	79%/21%

* Multi-year variable: IFRS cost of all vested, but not exercised, options as of 31.12.2021 including vested options from previous years

4 SHARE BASED REMUNERATION

The Company has implemented an equity-settled, performance-based compensation plan (the "Option Program") for its Senior Executives and selected personnel. Under the Option Program Senior Executives and selected employees has been awarded option awards at the discretion of the board of directors based on recommendations made by the compensation committee. The allocation of option awards is based on performance, organisational level and position, importance of retention, and location. The board of directors has, among other things, upon allocation of option awards for the year 2021 taken 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 for 2021 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, have been determined by the board of directors within the board of directors' authorizations as resolved by the Company's general meeting.

The options for 2021 are granted with a strike price based on the weighted average share price the last 30 trading days before the grant date with an additional premium of 10% on top of the calculated average price. 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.

The options granted for 2021 have a cap on the maximum pay out of the share option, which equal 7 times the stock price at the time of grant.

The 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 exercise of the options issued for 2021 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.

Table 2 – Share options awarded or due to the Senior Executives for the financial year 2021

Name of Director, position	The main condition of the option plan			Information regarding the reported financial year					
				Opening balance					Closing balance
	Specification on plan	Award date*	Strike price of the share	Share options awarded at the beginning of the year	Share options awarded: Awarded remaining at 31.12	Share options vested: Awards vested	Share option exercised:	Share options terminated:	Share options awarded and unvested
Dan Schneider, CEO	Plan 2020 - 2020 September grant	15.09.2020	81.41	60,000	-	15,000	-		45,000
Dan Schneider, CEO	Plan 2021 - 2021 August grant - Conditional Mgmt	16.08.2021	145.27	-	135,000	-	-		135,000
Dan Schneider, CEO	Plan 2019 - 2019 - Management	01.01.2020	50.72	80,000	-	20,000	40,000		40,000
Dan Schneider, CEO	Plan 2019 - Sign on - Management	01.01.2020	50.72	120,000	-	30,000	60,000		60,000
Erik Dahl, CFO	Plan 2020 - 2020 September grant	15.09.2020	81.41	35,000	-	8,750	-		26,250
Erik Dahl, CFO	Plan 2021 - 2021 August grant - Conditional Mgmt	16.08.2021	145.27	-	67,500	-	-		67,500
Erik Dahl, CFO	Plan 2019 - 2019 - Management	01.01.2020	50.72	40,000	-	10,000	20,000		20,000
Geoffrey Coy, VP & GM of U.S. Operations	Plan 2020 - 2020 September grant	15.09.2020	81.41	35,000	-	8,750	-		26,250

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Geoffrey Coy, VP & GM of U.S. Operations	Plan 2021 - 2021 August grant - Conditional Mgmt	16.08.2021	145.27	-	67,500	-	-		67,500
Geoffrey Coy, VP & GM of U.S. Operations	Plan 2019 - Sign on - Management	01.01.2020	56.83	90,000	-	22,500	45,000		45,000
Susanne Strauss, VP & GM of Europe	Plan 2020 - 2020 September grant	15.09.2020	81.41	90,000	-	22,500	22,500		67,500
Susanne Strauss, VP & GM of Europe	Plan 2021 - 2021 August grant - Conditional Mgmt	16.08.2021	145.27	-	67,500	-	-		67,500
Grete Hogstad, VP Global Strategic Marketing &BD	Plan 2020 - 2020 September grant	15.09.2020	81.41	25,000	-	6,250			18,750
Grete Hogstad, VP Global Strategic Marketing &BD	Plan 2021 - 2021 August grant - Conditional Mgmt	16.08.2021	145.27	-	40,000	-			40,000
Grete Hogstad, VP Global Strategic Marketing &BD	Plan 2019 - 2019 - Management	01.01.2020	50.72	25,000	-	6,250	12,500		12,500
Patti Kelly, VP of HR	Plan 2020 - 2020 September grant	15.09.2020	81.41	40,000	-	10,000	-		30,000
Patti Kelly, VP of HR	Plan 2021 - 2021 August grant - Conditional Mgmt	16.08.2021	145.27	-	40,000	-	-		40,000
Anders Neijber, VP Global Medical Affairs and Clinical Development	Plan 2021 - 2021 August grant	16.08.2021	145.27	-	20,000	-	-		20,000

Name of Director, position	The main condition of the option plan			Information regarding the reported financial year					
				Opening balance					Closing balance
	Specification on plan	Award date*	Strike price of the share	Share options awarded at the beginning of the year	Share options awarded: Awarded remaining at 31.12	Share options vested: Awards vested	Share option exercised:	Share options terminated:	Share options awarded and unvested
Anders Neijber, VP Global Medical Affairs and Clinical Development	Plan 2021 - 2021 October grant	01.10.2021	123.34	-	8,000	-	-		8,000
Gry Stensrud, former VP Technical and Development	Plan 2020 - 2020 September grant	15.09.2020	81.41	25,000	-	6,250	-	25,000	-
Gry Stensrud, former VP Technical and Development	Plan 2019 - 2019 - Management	01.01.2020	50.72	18,750	-	6,250	-	18,750	-
Kari Myren, former Head of Global Medical Affairs	Plan 2020 - 2020 September grant	15.09.2020	81.41	25,000	-	6,250	-	25,000	-
Kari Myren, former Head of Global Medical Affairs	Plan 2019 - 2019 - Management	01.01.2020	50.72	25,000	-	6,250	12,500	12,500	-

*Allocated share options are vested over three years after award date, 25%, 25% and 50% respectively. The options are no longer valid after five years or on termination of the employee.

5 COMPLIANCE WITH THE REMUNERATION GUIDELINES AND APPLICATION OF PERFORMANCE CRITERIA

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company can recruit and retain qualified personnel. The Company must therefore offer a competitive total remuneration, and the Company's Remuneration Guidelines must enable the Company to offer Senior Executives such competitive total remuneration. Under the Remuneration Guidelines of the Company, remuneration of Senior Executives shall be competitive but not leading, motivational and flexible, and may consist of the following components: regular pay, bonus scheme, equity-based long term investment program, pension benefits, and other benefits.

The performance measures for the Senior Executive's variable remuneration for 2021 have been selected to promote the Company's strategy and to encourage behaviour which is in the long-term interest of the Company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for

2021 have been taken into account. In accordance with the Remuneration Guidelines, the variable remuneration for 2021 has been determined by the achievement of key performance indicators (KPIs) and goals at both individual and company level. The Senior Executives of the Company have, both individually and as a group, been given the opportunity to influence the attainment of the KPI's and the goals which have formed the basis for the assessment of the variable remuneration in 2021.

The CEO is measured 100% on Company goals, while other Senior Executives are measured 70% on Company goals and 30% on Individual goals which will depend on position.

Company goals for 2021 were as follows:

#	Goal / Target	Weight	Achieved - weighted
1	Revenue growth in constant currencies	50%	
2	EBITDA growth in constant currencies	25%	
3	Strategic Business Development goal	20%	
4	Strengthening of Photocure's ESG reporting	5%	
	TOTAL	**100%**	**67.5%**

In accordance with the Remuneration Guidelines, the Company has paid out bonuses for the reported financial year pursuant to a bonus scheme for Senior Executives which is based on the Company's achievement of strategic, operational and financial goals.

Table 3 - Performance of Senior Executives in the reported financial year

Name & Position	Criteria related to the remuneration component	Relative weighting	Measured performance[2]	Actual award NOK '000
Dan Schneider, CEO	Company goals	100%	67.50%	2,571
Erik Dahl, CFO	Company goals	70%	77.25%	513
	Personal goals	30%		
Geoffrey Coy, VP & GM of U.S. Operations	Company goals	70%	68.55%	877

[2] Measured performance is calculated on the basis of the weighted average of company goals and personal goals.

Name & Position	Criteria related to the remuneration component	Relative weighting	Measured performance[2]	Actual award NOK '000
	Personal goals	30%		
Susanne Strauss, VP & GM of Europe	Company goals	70%	73.65%	661
	Personal goals	30%		
Grete Hogstad, VP Global Strategic Marketing and Business Development	Company goals	70%	74.70%	219
	Personal goals	30%		
Patricia Kelly, VP of Human Resources	Company goals	70%	76.80%	319
	Personal goals	30%		
Anders Neijber, VP Global Medical Affairs and Clinical Development (5 months)	Company goals	70%	77.25%	104
	Personal goals	30%		

6 USE OF THE RIGHT TO RECLAIM

During the reported financial year, the Company has reclaimed remuneration from Gry Stensrud, former VP Technical Development and Operations, in the amount of 68.733 by repurchase of restricted shares for a discounted price in two rounds. An amount of 3,803 restricted shares, each worth NOK 20.81 was acquired by the Company for a price of NOK 13.94 per share (corresponding to 67% of the net worth of the restricted shares). An amount of 1,541 restricted shares, each worth NOK 30.91 was acquired by the Company for a price of NOK 10.20 per share (corresponding to 33% of the net worth of the restricted shares).

Further, during the reported financial year, the Company has reclaimed remuneration from Kari Myren, former VP Global Medical Affairs and Clinical Development, in the amount of 19.923 by repurchase of restricted shares for a discounted price. An amount of 962 restricted shares, each worth NOK 30.91 was acquired by the Company for a price of NOK 20.71 per share (corresponding to 67% of the net worth of the restricted shares).

7 DEROGATIONS AND DEVIATIONS FROM THE REMUNERATION GUIDELINES AND FROM THE PROCEDURE OF IMPLEMENTATION

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company can recruit and retain qualified personnel. The Company must therefore offer a competitive total remuneration, and the Company's Remuneration Guidelines must enable the Company to offer Senior Executives such competitive total remuneration. During 2021, the Company has engaged Pearl Meyer, a leading advisor in executive compensation, in order for the Company to get insight into the current practices of comparable companies with which the Company compete for talent when making compensation decisions. Pearl Meyer advised the Company solely on the matter of executive compensation strategy and practices in European and US peer companies.

Pearl Meyer identified two peer groups, one for US and one for Europe, and performed analyses of competitive performance and compensation levels for the groups. The peer groups consist of companies similar to Photocure in size, therapeutic area and development stage.

Based on Photocure’s compensation policy and with input from the peer analysis performed by Pearl Meyer, the board of directors of the Company have considered it necessary to make certain adjustments in base pay as well as target bonus for certain Senior Executives. Consequently, target bonus for the Company's Senior Executives has been adjusted to the following:

- For the CEO, it has been added stretch bonus with target 50% of base pay. Stretch bonus is paid assuming overachievement of plans. After this adjustment the CEO has a total target bonus maximized to 100% of base pay.
- For the CFO, the bonus has been adjusted and it has been added stretch bonus, in total 25%. After the adjustment the CFO has a total target bonus maximized to 55% of base pay.
- For Vice Presidents and General Managers of US and Europe the target bonus has been adjusted to 40%.

8 COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

Table 4: Comparative table on the change of remuneration and company performance over the last five reported financial years (RFY)

Annual change[3] Absolute amounts are in TNOK	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	Information regarding 2021
Director's remuneration						
Daniel Schneider, CEO[4]	2.80% 66,461	9.9% 294,000	3.0% 105,636	3.6% 139,806	46.4% 1,703,650	5,525,000
Erik Dahl, CFO	2.90% 48,246	0.00% 0	7.63% 130,703	3.10% 57,567	3.00% 57,005	1,957,170
Geoffrey Coy, Vice President & General Manager of U.S. Operations[5]	2,50% 65,820	7.30% 193,646	-9,85% -206,474	1.60% 49,015	3.00% 85,162	3,006,537
Susanne Strauss, Vice President & General Manager of Europe[6]	-	-	-	-	3.00% 76,298	2,569,810
Grete Hogstad, Vice President Global Strategic Marketing & Business Development	2.80% 40,209	3.80% 56,098	4.30% 65,891	1.60% 25,572	2.50% 40,630	1,664,450
Patricia Kelly, Vice President Global Human Resources[7]	-	-	-	-	3.00% 66,988	2,367,352
Anders Neijber, Vice President Global Medical Affairs and Clinical Development[8]	-	-	-	-	-	1,940,004
Company's performance						
Revenues 000 NOK	+7,284 +5%	+30,599 +20%	+100,046 +55%	-25,074 -9%	+104,058 +41%	
EBITDA 000 NOK	-25,087	+22,603	+69,441	-62,861	+22,213	
Year end share price	27.3 vs 42.0 -35%	48.0 vs 27.3 +76%	89.5 vs 48.0 +86%	106.6 vs 89.5 +19%	102.7 vs 106.6 -4%	
Average remuneration on a full-time equivalent basis of employees[9]						
Employees of the company (Parent)	1.9%	1.4%	4.7%	3.0%	3.3%	1,125,718

Note: The table is based base pay and base pay comparisons

[3] The columns 2021 vs 2020, 2020 vs 2019 etc. represent the change in the senior executive's remuneration between the preceding financial years over which the comparative information in the table should be provided. The annual change should be presented in a percentage showing this difference, and in absolute numbers reflecting the total amount of the remuneration of the senior executive corresponding the two financial years which are compared as included in the table(s) 1 of the report. The information regarding the total remuneration for the relevant financial year should is presented in the last column.

[4] Daniel Schneider was appointed as CEO with effect from November 2018. Numbers prior to this is based on the remuneration to the previous CEO.

[5] Geoffrey Coy was appointed as Vice President & General Manager US Operations with effect from 16 September 2019. Numbers prior to this is based on the remuneration to the person holding the similar position previously.

[6] Susanne Strauss was appointed as Vice President & General Manager of Europe with effect from 1 July 2020. There was no one holding the equivalent position prior to the appointment of Susanne Strauss.

[7] Patricia Kelly was appointed as Vice President Global Human Resources with effect from 1 September 2020. There was no one holding the equivalent position prior to the appointment of Patricia Kelly.

[8] Anders Neijber was appointed as Vice President Global Medical Affairs and Clinical Development with effect from September 2021. There was no one holding the equivalent position prior to the appointment of Anders Neijber.

[9] Information in this section includes information about all employees except for senior executives