

VISTIN PHARMA

VISTIN PHARMA ASA THIRD QUARTER AND YEAR TO DATE 2020 RESULTS PUBLISHED 30 OCTOBER 2020

HIGHLIGHTS

- Revenue of MNOK 55 for the quarter compared to MNOK 68 in third quarter 2019, driven by less volume available for sale due to the installation of a new 2nd reactor.
- Revenue of MNOK 189 YTD in 2020, compared to MNOK 171 YTD in 2019, a growth of 11%.
- EBITDA of MNOK 9.5 in third quarter 2020 versus MNOK 11.8 in third quarter 2019. EBITDA unfavorable affected by MNOK 2 in bonus accrual in the quarter (Q3'19: MNOK 1).
- YTD 2020 EBITDA of MNOK 44.3 versus MNOK 23.6 YTD in 2019, an 88% increase.
- In September a new 2nd reactor was successfully installed which will increase the annual capacity by approx. 300MT. The new reactor is expected to be fully operative from mid Q4.
- Metformin capacity expansion project (MEP) on track and expected to be commercially operational from Q2 2022.
- Cash balance as of September 30 of MNOK 97.5 and no interest-bearing debt.

3RD QUARTER REPORT AND YTD FINANCIALS FOR 2020

The financial report as per September 2020 has been prepared according to the IFRS (International Financial Reporting Standard) and follows IAS 34 for interim financial reporting, as do the comparable numbers for 2019.

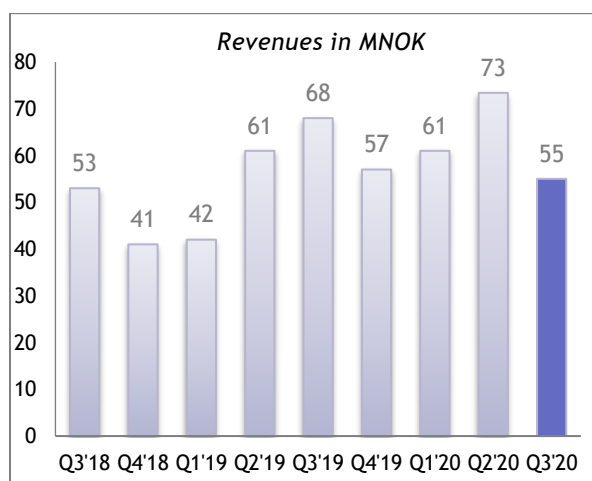
FINANCIAL DEVELOPMENT

(Comparative numbers for 2019 in parenthesis)

REVENUE

Revenue in the third quarter of MNOK 55 (MNOK 68), 19% lower than Q3 2019. The sales reduction was driven by less volume available for sale 770MT (930MT) versus Q3 2019, due to a planned production stop in September for installation of a new 2nd reactor.

YTD 2020 revenue was MNOK 189, compared to MNOK 171 YTD in 2019, an increase of 11%.



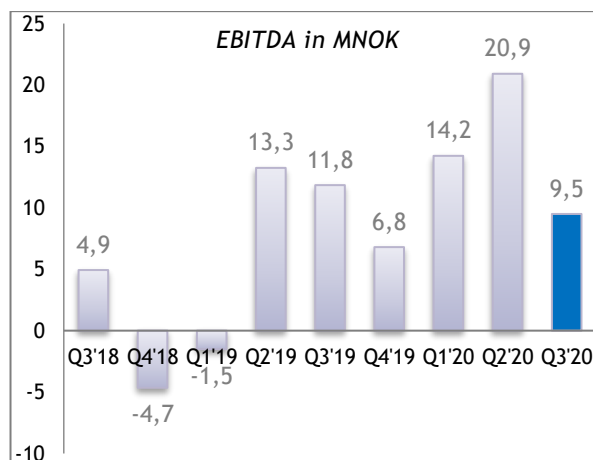
Cost of goods sold

Cost of goods sold (COGS) in the quarter ended at MNOK 46.6 (MNOK 57.4), a decrease of 19%. The reduced COGS was mainly driven by lower raw material cost due to less production volume, lower purchase prices and a favourable one-time effect of MNOK 2 in quarter.

EARNINGS

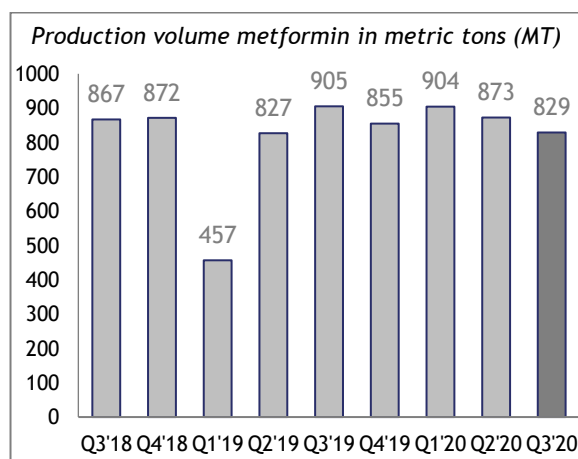
Pharmaceuticals achieved an EBITDA of MNOK 9.5 (MNOK 11.8) for the quarter, including bonus accrual of MNOK 2, MNOK 1 accrued in Q3 2019. Earnings before tax (EBT) ended at MNOK 6.4 (MNOK 10).

YTD 2020 EBITDA ended at MNOK 44.3 compared to MNOK 23.6 YTD in 2019, an increase of 88%. Earnings before tax (EBT) ended at MNOK 28.3 (MNOK 17.8).



PRODUCTION

The Fikkjebakke plant has been operating at full capacity and with high efficiency and productivity throughout the quarter except for the planned stop for installing the new 2nd reactor. Both weekly yield and output have increased versus last year as a result of the efficiency improvement program (creep) initiated in the beginning of 2019. The 2nd reactor was installed in September and will further increase the manufacturing capacity by approx. 300MT annually. Third quarter 2020 production volume was 829 MT versus 905 MT in third quarter of 2019, a decline of 8% due to the installation of the new 2nd reactor. YTD 2020 production volume equalled 2 606 MT compared to 2 189 MT YTD in 2019, an increase of 19%. The total available production volume for Q4 2020 has been allocated to customers.



Energy Trading

All activities in the energy business segment has stopped as of Q1 2020.

Other (HQ)

HQ and other Group activities had EBT of negative MNOK 0.6 for the third quarter, compared to negative MNOK 0.5 in the same quarter last year. The consolidated EBT for the Group, excluding Energy Trading, ended at MNOK 5.8 (MNOK 9.5), in the third quarter, and YTD EBT was MNOK 26.7 (MNOK 16.6).

Financial items

Net finance ended negative with MNOK 0.3 for the third quarter 2020, compared to positive of MNOK 1.4 in third quarter 2019 (excluding Energy Trading). Net finance cost in Q3 was mainly related to realized and unrealized gains or losses related to currency hedging contracts in EUR for customer receivables.

CASH FLOW

Net cash flow from operating activities in the third quarter from pharmaceuticals was MNOK 8.6, while HQ & other, was negative MNOK 1. The total positive operating cash flow for the quarter was MNOK 7.6. Net cash flow from operating activities in the third quarter 2019 from pharmaceuticals was MNOK 16.5, while HQ & other, was negative MNOK 1.

Net cash flow from investing activities was negative MNOK 19, which represents capital expenditure for the quarter, mainly first instalment for the expansion project. Net cash flow from investing activities in the same quarter last year was negative MNOK 0.8.

Net cash flow from financing activities was negative MNOK 0.3, driven by payment of lease liabilities. Net cash flow from financing activities in the same quarter last year was negative MNOK 0.2.

Net decrease in cash and cash equivalents amounted to MNOK 11.5 in Q3 2020. In the same quarter last year, there was a net increase in cash and cash equivalents of MNOK 14.5.

YTD 2020 the net decrease in cash and cash equivalents amounted to MNOK 222, driven by the realized loss from closing of the oil derivatives in Energy Trading and dividend payout in June.

BALANCE SHEET

Assets

Vistin Pharma had total assets of MNOK 316.2 as of 30 September 2020. Cash and cash equivalents amounted to MNOK 97.5.

The company has a deferred tax asset of MNOK 33.7 (MNOK 6.2). Based on the financial forecasts for the company the deferred tax asset is expected to be fully utilized, and thus the full amount has been included as carrying value in the balance sheet.

Equity

Equity by the end of June was MNOK 263.5. This equals an equity ratio of 83%.

Liabilities

The company had no interest-bearing debt as of 30 September. MNOK 1.9 (MNOK 2.9) in obligations related to lease contracts are recognized in the balance sheet according to IFRS 16.

Fair market value of the EUR cash flow hedges as of 30. September 2020 are negative by MNOK 3.6. This unrealized loss is booked as part of other short term liabilities.

OPERATIONAL STATUS

MARKET

In September a new 2nd reactor was successfully installed, which will increase the capacity by approx. 300MT annually. The new reactor is expected to be fully operative from mid Q4. The current installed production capacity, after the reactor installation, at Vistin's manufacturing plant at Fikkjebakke, Norway is approximately 3,800MT (3.300MT). The Company is working to further stretch the current capacity up to >3,850MT through an efficiency program ('creep'), by year end.

It is a strong underlying global demand metformin and the product is the standard first-line treatment for Type 2 Diabetes. The majority of Vistin Pharma's key customers are pharmaceutical companies that sell new and innovative metformin products, and the demand for the Company's metformin will therefore be dependent on the performance of these products in the market. Key drivers for future growth are the number of diabetes patients diagnosed and treated with metformin containing products, continued growth in sales volume from existing multinational customers, as well as adding new customers to its portfolio. The company is currently experiencing strong demand for its products.

STRATEGY

In April Vistin announced that the Board of Directors had approved a Metformin Capacity Expansion Project (MEP). The objective is to build a 2nd parallel production line and establish a capacity of approx. 7000MT metformin HCl annually. Products from the new line is expected to be commercialized by Q2 2022. The estimated CAPEX is MNOK 100, approx. 15% has been paid as of 30 September. Activities to secure long lead equipment has started. Business development activities to acquire new accounts and to secure increased volumes from existing customers to fill the additional MEP capacity is ongoing.

RESEARCH AND DEVELOPMENT (R&D)

Vistin has positioned itself as a premium supplier of metformin. To keep the position in the market, Vistin is committed to invest in process

development and take advantage of Best Available Techniques (BAT) in its production environment. Vistin has a separate department consisting of four highly competent individuals that is dedicated to work with productivity improvements, in addition to process and technology development.

THE COVID-19 PANDEMIC

The demand in the market for metformin is still high and is not affected by the corona epidemic. Vistin has taken actions to secure the supply of critical raw materials and to build additional security stocks. There are no reported corona infected employees in Vistin Pharma as of today and the company are strictly following the guidelines from the authorities and have successfully taken active measures to reduce the risk of virus spread in the factory.

RISKS AND UNCERTAINTIES

As a pharmaceutical manufacturing company, Vistin Pharma is exposed to several types of risks. Fluctuations in the price and availability of raw materials and the development in foreign exchange (USD and EUR) are among the most prominent. Most of the sales is done in EUR, while its primary raw material purchases are in USD. In addition, risk related to potential regulatory changes, new medications for the treatment of diabetes II, environmental issues connected to emission permits at the Company's plant represent central risk factors to the Company.

BASIS OF PRESENTATION

This financial information should be read together with the financial statements for the year ended 31 December 2019, prepared in accordance with International Financial Reporting Standards ("IFRS"). The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements. Additional disclosures supplementing the financial statements are included in this report on pages 2-5. The figures are unaudited.

EVENTS AFTER THE REPORTING DATE

There has not been any events after the reporting date that affect the financials.

GENERAL MARKET OUTLOOK

Diabetes is one of the largest global health crises of the 21st century, and the metformin business is expected to continue to grow by 5-6% annually, as it remains the gold-standard treatment of type 2 diabetes. The majority of Vistin Pharma's key customers are pharmaceutical companies that sell new and innovative metformin products, and the demand for the Company's metformin will be partially dependent on the market performance of these products.

The demand in the market for metformin is still high and is currently not affected by the corona epidemic. The vulnerability for drug supplies during the corona epidemic has been an 'eye opener' for the authorities and the need for 'short travelled medicines' will be high on the agenda going forward. Vistin is strategically well positioned to benefit from the expected increase in local supplies going forward.

SHAREHOLDER INFORMATION

The Company had 44 344 592 issued shares as of 30 September 2020. The five largest shareholders were Intertrade Shipping AS with 10,926,539 shares, Pactum AS with 3,519,733 shares, Holmen Spesialfond with 3,250,000 shares, Øystein Stray Spetalen and associated companies with 2,632,636 shares and MP Pensjon PK with 1,752,913 shares.

The share price has increased from NOK 10.50 per share at year end 2019, and to NOK 17.05 at the end of the third quarter, equal to an increase of 62%.

Number of adults (20–79 years) with diabetes worldwide

North America & Caribbean

2045 63 million
2030 56 million
2019 48 million

↑ 33% increase

- 1 in 6 adults in this Region is at risk of type 2 diabetes
- 43% of global diabetes-related health expenditure occurs in this Region

South & Central America

2045 49 million
2030 40 million
2019 32 million

↑ 55% increase

- 2 in 5 people with diabetes were undiagnosed
- Only 9% of global diabetes-related health expenditure for diabetes is spent in this Region

Africa

2045 47 million
2030 29 million
2019 19 million

↑ 143% increase

- 3 in 5 people with diabetes are undiagnosed
- 3 in 4 deaths due to diabetes were in people under the age of 60

Middle East & North Africa

2045 108 million
2030 76 million
2019 55 million

↑ 96% increase

- 1 in 8 people have diabetes
- 1 in 2 deaths due to diabetes were in people under the age of 60

South-East Asia

2045 153 million
2030 115 million
2019 88 million

↑ 74% increase

- 1 in 5 adults with diabetes lives in this Region
- 1 in 4 live births are affected by hyperglycaemia in pregnancy

WORLD

2045 700 million
2030 578 million
2019 463 million

↑ 51% increase

Europe

2045 68 million
2030 66 million
2019 59 million

↑ 15% increase

- 1 in 6 live births are affected by hyperglycaemia in pregnancy
- The Region has the highest number of children and adolescents (0–19 years) with type 1 diabetes – 297,000 in total

Western Pacific

2045 212 million
2030 197 million
2019 163 million

↑ 31% increase

- 1 in 3 adults with diabetes lives in this Region
- 1 in 3 deaths due to diabetes occur in this Region

Number of people living with diabetes

Source International Diabetes Federation, IDF Diabetes Atlas, seventh edition, 2019

VISTIN PHARMA ASA - THIRD QUARTER REPORT 2020

Condensed financial statement (P&L)	3. quarter 2020	3. quarter 2019	30.09.2020	30.09.2019	FY 2019
All numbers in NOK 1000					
Total revenue and income	55 056	68 025	189 484	171 362	228 130
Cost of materials	16 735	26 242	58 548	65 508	84 113
Salary and sosial expenses	18 205	18 388	52 631	50 550	69 582
Other operating expenses	11 709	12 741	36 335	35 316	48 708
Total operating expenses	46 649	57 371	147 514	151 374	202 403
Opr. res.before. depr. and write offs (EBITDA)	8 407	10 655	41 970	19 987	25 727
<i>Opr.res before depr and write off %</i>	<i>15,3 %</i>	<i>15,7 %</i>	<i>22,1 %</i>	<i>11,7 %</i>	<i>11,3 %</i>
Depreciation	2 340	2 304	7 252	6 300	8 956
Operating result	6 067	8 351	34 718	13 687	16 771
<i>Operating result in %</i>	<i>11,0 %</i>	<i>12,3 %</i>	<i>18,3 %</i>	<i>8,0 %</i>	<i>7,4 %</i>
Financial income	2 228	2 267	12 541	5 295	8 284
Financial expenses	2 488	-65 835	182 615	-60 566	-58 989
Net finance	-259	68 102	-170 074	65 861	67 272
Pre tax profit	5 808	76 454	-135 357	79 548	84 043
Tax	1 278	16 820	-29 789	17 501	17 968
Result from continuing operations	4 530	59 634	-105 567	62 048	66 075
Result period from discontinued operations	-	-	-	-	127
Result	4 530	59 634	-105 567	62 048	66 202
Comprehensive income					
Result after tax	4 530	59 634	-105 567	62 048	66 075
Other comprehensive income	-	-	-	-	1 246
Total comprehensive income	4 530	59 634	-105 567	62 048	67 321
Dividend	-	-	44 345	-	-
Key figures					
	3. quarter 2020	3. quarter 2019	30.09.2020	30.09.2019	FY 2019
Equity share	83 %	82 %	83 %	82 %	82 %
Earnings per share	kr 0,10	kr 1,34	kr -2,38	kr 1,40	kr 1,49
Earnings per share diluted	kr 0,10	kr 1,34	kr -2,38	kr 1,40	kr 1,49
Average shares outstanding in 1000	44 345	44 345	44 345	44 345	44 345
Average shares outstanding in 1000	44 345	44 345	44 345	44 345	44 345

VISTIN PHARMA ASA - THIRD QUARTER REPORT 2020

Condensed financial statement (balance sheet)	30.09.2020	30.09.2019	31.12.2019
All numbers in NOK 1000			
Assets			
Fixed assets	117 924	100 825	101 802
Deferred tax assets	33 726	6 195	7 733
Total tangible and fixed assets	151 650	107 020	109 535
Inventory	27 970	27 689	24 107
Trade receivables	30 081	44 896	38 277
Other receivables	8 934	10 074	12 573
Cash	97 543	305 235	319 672
Total current assets	164 528	387 894	394 629
Total assets	316 179	494 914	504 166
Equity and liability			
Share capital	44 345	44 345	44 345
Share premium reserve	229 056	273 402	273 401
Retained earnings	-9 918	90 377	95 650
Total equity	263 484	408 124	413 396
Pension liabilities	16 309	20 067	16 309
Other non-current liabilities	2 277	2 599	1 222
Total long term liabilities	18 586	22 667	17 531
Total short term liabilities	34 109	64 124	73 239
Total equity and liability	316 179	494 914	504 166
Net interest bearing debt	-	-	-
Change in equity	30.09.2020	30.09.2019	31.12.2019
All numbers in NOK 1000 Equity start of			
Equity start of period	413 396	348 852	348 852
Result for the period	-105 567	62 048	66 202
Other comprehensive income	-	-	1 119
Share based payments	-	-2 777	-2 777
Dividend	-44 345	-	-
Equity end of period	263 484	408 124	413 396
Cash flow analysis YTD	30.09.2020	30.09.2019	31.12.2019
All numbers in NOK 1000			
Result for the period	-135 357	79 548	84 170
Cash flow from operation	-18 780	-81 649	-65 235
Cash flow from operation	-154 136	-2 100	18 935
Cash flow from investments	-22 591	-12 586	-18 355
Cash flow finance activities	-1 036	-813	-1 641
Change in cash for the period	-222 129	-15 500	-1 061
Cash at start of period	319 672	320 733	320 733
Cash by the end of period	97 543	305 234	319 672

VISTIN PHARMA ASA - THIRD QUARTER REPORT 2020

Segment reporting (P&L)	3. quarter 2020	3. quarter 2019	30.09.2020	30.09.2019	FY 2019
All numbers in NOK 1000					
<i>Total revenue and income</i>					
Pharmaceuticals	55 056	68 025	189 484	171 361	228 130
Energy Trading	-	-	-	-	-
HQ & Other	-	-	-	-	-
Total revenue and income	55 056	68 025	189 484	171 361	228 130
<i>EBITDA</i>					
Pharmaceuticals	9 527	11 846	44 267	23 559	30 358
Energy Trading	-	-311	-139	-1 313	-1 611
HQ & Other	-1 120	-879	-2 158	-2 258	-3 020
EBITDA	8 407	10 655	41 970	19 988	25 726
<i>EBT</i>					
Pharmaceuticals	6 358	9 985	28 257	17 772	21 493
Energy Trading	-	66 990	-162 069	62 945	63 752
HQ & Other	-550	-521	-1 595	-1 169	-1 203
EBT	5 808	76 454	-135 407	79 549	84 043

Segment reporting (balance sheet)	30.09.2020	30.09.2019	31.12.2019
All numbers in NOK 1000			
<i>Operating assets</i>			
Pharmaceuticals	175 976	168 691	164 187
Energy Trading	-	-	123 530
HQ & Other	106 477	320 026	208 715
Total segments	282 454	488 717	496 432
<i>Operating liabilities</i>			
Pharmaceuticals	35 930	26 274	38 124
Energy Trading	-	22 078	31 907
HQ & Other	16 765	38 439	16 942
Total segments	52 695	86 790	86 973
<i>Reconciliation of assets</i>			
Segment operating assets	282 454	488 717	496 431
Deferred tax assets	33 726	6 195	7 733
Total operating assets	316 179	494 913	504 165
<i>Reconciliation of liabilities</i>			
Segment operating liabilities	52 695	86 790	86 973
Tax payable	-	-	3 796
Total operating liabilities	52 695	86 790	90 769