

# Q4

**and 2022  
preliminary  
results**



**Vistin Pharma**

# Highlights

- Revenue and other income of MNOK 111 compared to MNOK 78 in fourth quarter 2021, a 42% increase
- Revenue and other income increase driven by increased sales volume and higher sales price. In addition, we received a liquidated damage (LD) compensation of MNOK 13 due to delayed ramp-up of the MEP volume compared to agreed milestones in the contract
- 2022 revenue and other income of MNOK 305 compared to MNOK 279 in 2021, a 9% increase
- EBITDA MNOK 23 vs. MNOK 11 in Q4 2021, a 100% increase. EBITDA positively affected by increased sales volume and sales prices, in addition to the positive effect of the LD booked in the quarter
- Electricity prices in the quarter continued to be extraordinarily high compared to historical prices. In December Vistin entered into a long-term renewable energy supply agreement with Statkraft, that will secure a significant part of Vistin's electricity demand on competitive terms from 1<sup>st</sup> of January 2023 and until 2032
- 2022 EBITDA of MNOK 6 compared to MNOK 44 in 2021
- Continued capacity improvements in Q4, resulted in 1200MT produced metformin HCl volume, which is a new manufacturing record for a quarter
- Started to see economies of scale from the second half of Q4 with MEP volume materializing. As volume output increases going forward, leverage on semi-variable overhead costs will be substantiate
- Annual capacity at the end of Q4 is approx. 5500MT. The manufacturing capacity is expected to continue to improve gradually during 2023 and reach close to 7000MT by year end

*MEP: Metformin Expansion Project*

**4TH QUARTER REPORT AND PRELIMINARY FINANCIALS FOR 2022**

The financial report as per December 2022 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 2021. From 2022 and onwards Vistin will only report and show comparable figures for one segment.

**FINANCIAL DEVELOPMENT**

(Comparative numbers for 2021 in parenthesis)

**REVENUE**

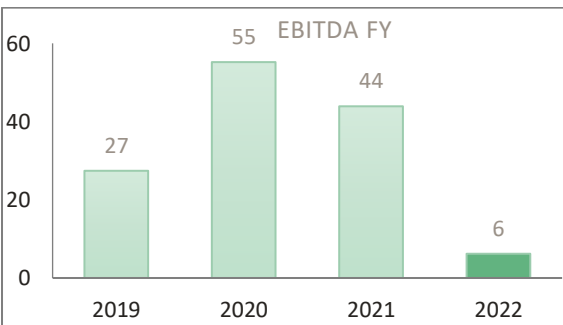
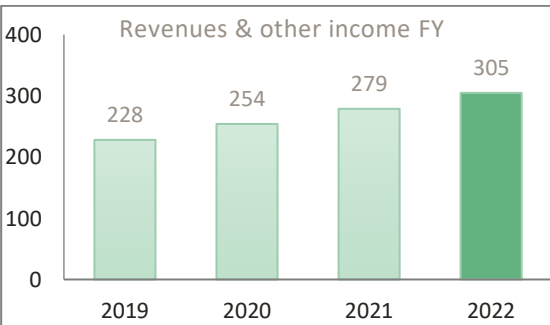
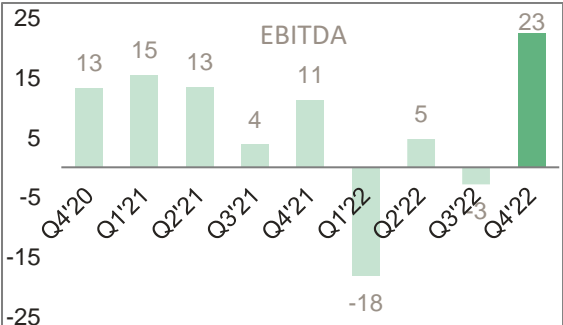
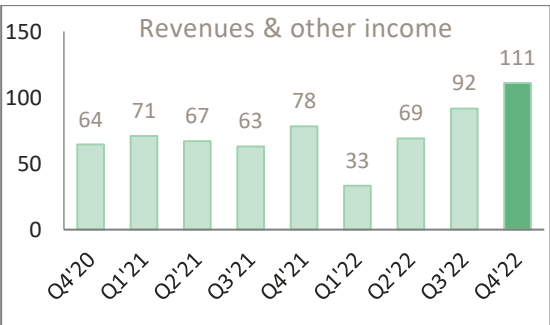
Revenue and other income in the quarter of MNOK 110.9 (MNOK 78.1), a 42% increase compared to Q4 2021. Revenue increase driven by significant increased sales prices and sales volume (+11%) compared to the same quarter last year. In addition, MNOK 13 has been booked in the quarter, to other income, as liquidated damage (LD) in relation to delayed ramp-up of MEP volume. The amount was part of the final settlement agreement with Afry agreed in December.

*Cost of goods sold*

Cost of goods sold (COGS) in the quarter ended at MNOK 88.4 (MNOK 66.8). Part of the increase is reflecting the 11% higher volume, however the main reason caused by significant higher raw material, freight and energy costs compared to the same quarter last year. Raw materials and freight are paid in USD, which has significantly strengthened compared to the NOK in 2022. Volume leverage on COGS is expected as volume from the new production continue to materialize. Semi-variable overhead costs as supply, tools & patterns, services, and energy consumption are not expected to increase linearly with increased production volume.

**EARNINGS**

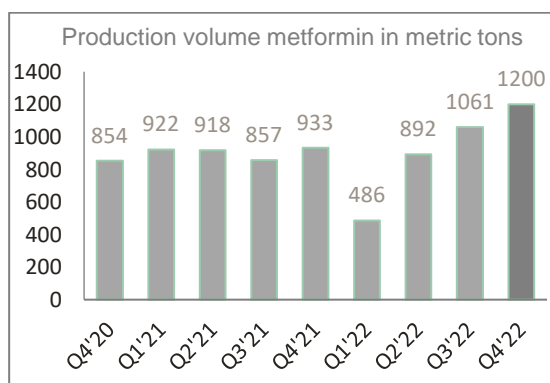
EBITDA ended at MNOK 22.5 (MNOK 11.3) for the quarter. EBITDA positively affected by the increased sales volume and sales prices (ASP) that partly compensate the increased raw material and freight prices. In addition to the positive effect of the LD booked in the quarter (MNOK 13). However historical strong USD and electricity prices during the three-month period negatively impacted the result.



Figures in MNOK

## PRODUCTION

Production output has continued to improve in the quarter, resulting in 1200MT produced metformin HCl volume in Q4. This is the highest volume ever produced in a single quarter at the Fikkjebakke plant. A planned maintenance stop in October negatively affected volume output by approx. 110MT. Annual capacity at the end of Q4 is approx. 5500MT. The manufacturing capacity is expected to continue to ramp-up gradually during 2023 and reach an installed capacity of close to 7000MT by end 2023. Vistin’s current organization is capable of handling this additional capacity.



### Financial items

Net finance ended positive with MNOK 3.1 for the fourth quarter of 2022, compared to negative MNOK 0.1 in fourth quarter 2021. Finance income and loss is generally related to realized and unrealized losses from customers receivables, currency hedging contracts in EUR and interest expense from short term loan. Net finance income in Q4 2022 was mainly related to unrealized gain from customers receivables.

## CASH FLOW

YTD net cash flow from operating activities was negative with MNOK 8.9. Net cash flow from operating activities in the same period 2021 was MNOK 13.7.

Net cash flow from investing activities YTD was negative with MNOK 64.3 compared to negative with MNOK 31.7 for Q4'21. Both represents capital expenditures (~70% MEP).

Net cash flow from financing activities YTD was positive with MNOK 38.8. Net cash flow from financing activities in the same period last year was negative MNOK 23.3, driven by dividend payment of MNOK ~22.

Net decrease in cash and cash equivalents YTD 2022 amounted to MNOK 34.3. In the same period last year, there was a net decrease in cash and cash equivalents of MNOK 41.3. Cash flow YTD is affected by the production stop in Q1 due to the planned MEP installation, as well as CAPEX and increased working capital requirements due to the MEP volume ramp-up. Operational cash flow is expected to improve going forward.

## BALANCE SHEET

### Assets

Vistin Pharma had total assets of MNOK 402.1 as of 31 December 2022.

The company has a deferred tax asset of MNOK 28.5. 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 December was MNOK 273.4 This equals an equity ratio of 68%.

### Liabilities

The company had interest-bearing debt of MNOK 45.1 as of end December 2022. Net debt was MNOK 43.7. MNOK 4 (MNOK 1.4) in obligations related to lease contracts are recognized in the balance sheet according to IFRS 16.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES IN QUARTER

### *Long-term renewable energy supply agreement with Statkraft*

In December 2022 Vistin entered into a long-term renewable energy supply agreement with Statkraft. There has been conducted a thorough consideration on how to handle the accounting of the agreement. The agreement can either be treated as a Power Purchase Agreement («PPA») or a Virtual PPA («VPPA»). The agreement with Statkraft is physical delivery of electricity, based on a fixed baseload every hour, every day, throughout the year. Vistin operates its manufacturing plant continuously throughout day and night (24/7) and is expected to utilize mainly all the physical baseload of electricity delivered by Statkraft, with limited ability to settle in cash. Based on interpretation of IFRS 9 and other considerations it has been concluded that the energy supply agreement with Statkraft is entered, with the goal of purchase electricity, only for own use. This means that the agreement should be treated as a PPA, meaning a sales and purchase agreement were Vistin book the electricity cost and any potential sales of the electricity, monthly and on a running base.

### *Liquidated damages in relation to final settlement agreement with Afry for MEP*

In April 2020 Vistin entered into a turn-key contract with Afry for engineering and installation of a new parallel production line for Metformin HCl, at its current manufacturing Plant at Fikkjebakke in Kragerø. The new production line was assumed to have approximately the same technical set-up and capacity as the existing production line. The project (MEP) has experienced delay in ramp-up of the production volume from the new production line, compared to milestones in the contract. As part of the closure of the contract and final settlement, there was agreed a

Liquidated Damages compensation of approx. MNOK 13. There has been considered two different alternatives for how to treat the accounting of the LD; either as reducing the value of the fixed assets in relation to MEP or book it to other income. For the first alternative it was concluded that the assets for the new manufacturing line are delivered according to specifications in the contract and with similar performance as existing production line. Simultaneously it is clear from the contract and the settlement agreement that the LD is based on a true loss of revenue and margin loss, driven by less volume available for sale in 2022 compared to agreed milestones in the contract. Based on this conclusion and interpretation of IAS 16, the LD was booked to other income in the quarter.

### *Long-term renewable energy supply agreement with Statkraft*

Vistin has received compensation for electricity costs in Q4 of total MNOK 2.3. The compensation is part of the 'strømsstøtte ordningen' that the government launched in November 2022, to support electricity intense businesses. The amount of MNOK 2.3 has been booked as reduction of costs in the quarter based on that it is reasonable sure that the requirements is met to fulfil the full compensation.

## OPERATIONAL STATUS

### MARKET

It is a strong underlying global demand in the metformin market. The market is expected to grow by 5-6% annually in the foreseeable future. Metformin is the standard first-line treatment of Type 2 Diabetes, which contributes to 90% of the patient population suffering from diabetes. The majority of Vistin Pharma's key customers are pharmaceutical companies that sell new and innovative metformin products to end users. The product demand 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 the portfolio. Vistin is currently experiencing strong demand for its products.

### STRATEGY / MEP

In April 2020, Vistin announced that the Board of Directors had approved a Metformin Capacity Expansion Project (MEP). The objective was to build a 2nd parallel production line and establish a total capacity of approx. 7 000MT metformin HCl annually. In relation to the MEP installation, the production was closed down in January 2020 as planned. Both existing production line #1 and new line #2 started up production at the end of Q1. Capacity is expected to continue to ramp-up gradually, until an annual capacity of close to 7 000MT is expected to be reached by 2023. The turn-key contract with the engineering company for the project was settled in December 2022. The total project cost ended at MNOK <90, well below the MNOK 100 budget. Business development activities to acquire new accounts and to secure increased volumes from existing customers to fill the additional MEP capacity are ongoing. Implementation of MEP has

resulted in less volumes available for sale in 2022. Higher manufacturing and sales volumes going forward lead to increased working capital requirements. In addition, Vistin's further growth ambitions will require additional CAPEX to support the growth, increased production productivity and sustainability.

### RESEARCH AND DEVELOPMENT (R&D)

Vistin has positioned itself as a premium supplier in the market. To strengthen the position, Vistin is committed to invest in process and product quality development and take advantage of Best Available Techniques (BAT) in its production environment. Vistin has a separate department of four highly competent engineers dedicated to work with process, productivity, and quality improvements.

### THE COVID-19 EPIDEMIC AND WAR IN UKRAINE

The demand in the market for metformin is still high and is not significantly affected by the corona epidemic or the current situation in Ukraine. Vistin has built additional safety stock of critical raw materials locally, to secure future supply and support the MEP ramp-up plan. The safety stock will mitigate the uncertainties around delivery lead times of raw materials from Asia and/or any negative effects from the ongoing war in Ukraine. The raw material and freight costs have increased significantly in 2022. However, there are positive signs on decreasing freight and raw material prices in 2023. Electricity prices have been extraordinarily high in 2022, compared to historical price levels. Electricity costs are expected to be significantly reduced from Q1'23, with the new long-term supply agreement signed with Statkraft in December 2022.

# No harm vision

- Our vision is to have no negative impact on environment, people, and local community by our presence
- Vistin is a green and environmentally friendly pharmaceutical company with a no harm vision and front runner ambition
- Our goal is to increase our manufacturing capacity without increased environmental impact on water, air, and soil



## CORPORATE SOCIAL RESPONSIBILITY, THE ENVIRONMENT AND EMPLOYEES

Vistin Pharma vision is to achieve sustainable operations by having a good balance between financial results, value creation, sustainability, and Corporate, Social & Responsibility (CSR). The statement of Corporate Social & Responsibility is partly based upon requirements under section 3-3c of the Norwegian Accounting Act and follows below.

### Corporate social responsibility

Vistin Pharma is committed to conduct its business in a manner that adheres to the highest industry standards within the pharmaceutical industry, and strictly in accordance with international and local laws and regulations. Vistin Pharma is a socially responsible company dedicated to promoting decent working and environmental conditions in the supply chains. Vistin Pharma has adopted the general principles of UN Global Compact with universally accepted principles for human rights, working conditions, environment, and anti-corruption. In pursuit of this the Group has developed a *NO HARM VISION* consisting of:

- ***A vision to have no negative impact on environment, people, and local community by our presence***
- ***A green and environmentally friendly pharmaceutical company with a no harm vision and front runner ambition***
- ***A goal to increase our manufacturing capacity without increased environmental impact on water, air, and soil***

### ESG achievements and initiatives

Vistin Pharma has during the last years invested in, completed, and implemented several projects that significantly reduce the environmental footprint. Building on this success, Vistin Pharma has several ESG initiatives ongoing:

- Vistin continues to use only hydro powered energy to minimize carbon footprint
- Vistin is completing a project in '23 with aim to reduce the water consumption in the plant by >80% through recycling, incl. reusing the hot water for heating of plant
- Vistin is working on a technology project where distillation will be fractionated into components that can be used as raw materials for other companies
- Vistin has, since 2017, been part of a national program for surveillance of industrial impact on fjords and effluents. Surveillance program and ecotoxicology test confirm that Vistin do not impact the effluent negatively
- Vistin has invested MNOK 10 in a cooling system to condense hydrocarbons. This has reduced emissions to air with more than 98%, resulting in a reduction of the total emission of more than 95% compared to previous levels. This project was finalized in Q2'22



**RISKS AND UNCERTAINTIES**

As a pharmaceutical manufacturing company, Vistin Pharma is exposed to several types of risk. Fluctuations in the price and availability of raw materials and the development in foreign exchange (USD and EUR) are among the most prominent. Majority of the sales are done in EUR, while all primary raw material purchases are in USD. In addition, risk related to potential regulatory changes, new medications for the treatment of diabetes II, and 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 2021, 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.

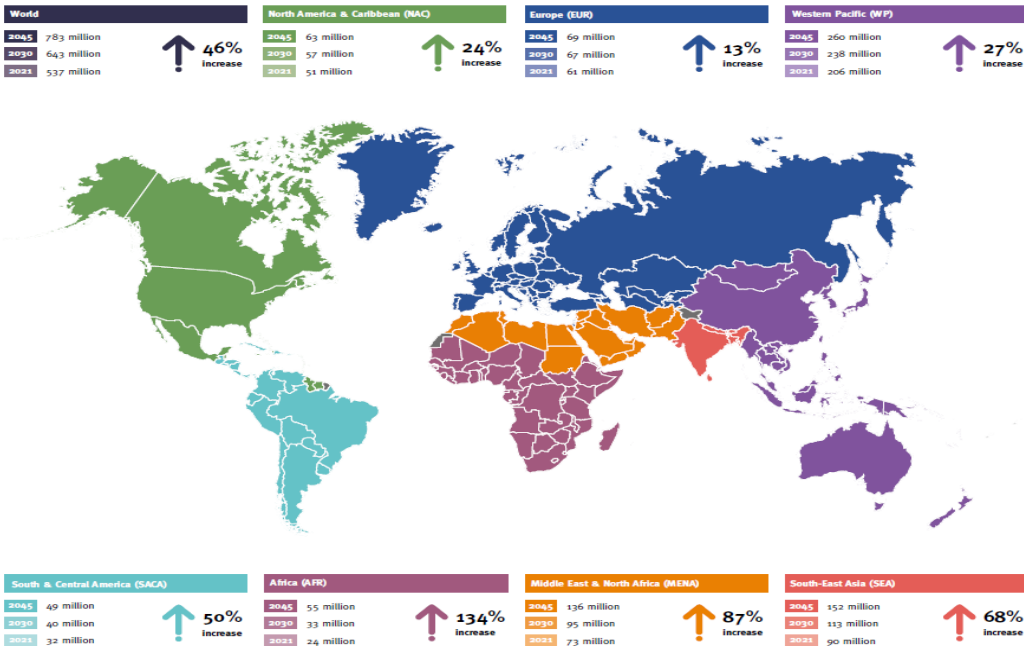
**EVENTS AFTER THE REPORTING DATE**

There have not been events after the reporting date that affect the Company’s financials.

**GENERAL MARKET OUTLOOK**

Diabetes is one of the largest global health crises of the 21st century, and the metformin market 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 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 or the situation in Ukraine. The vulnerability for drug supplies during these events has been an eye opener for the authorities and companies, 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 31 December 2022. The five largest shareholders were Intertrade Shipping AS with 12,575,000 shares, Holmen Spesialfond with 3,520,243 shares, Pactum AS with 3,519,733 shares, MP Pensjon PK with 1,719,848 shares, and Ferncliff Listed DAI AS with 784,280 shares.

The share price has moved from NOK 11.6 per share at 30 of September 2022, to NOK 15.8 as of 31 December 2022.

### *Dividend policy*

The company has an ambition to pay out 50 percent of net annual profit as dividend. However, the size of the dividend will be dependent on the company's' financial capability and capital requirements for future growth.

## VISTIN PHARMA ASA – FOURTH QUARTER AND PRELIMINARY 2022 FINANCIAL RESULTS

Condensed financial statement (P&L)	QTR 4. quarter 2022	QTR 4. quarter 2021	YTD 31.12.2022	YTD 31.12.2021
All numbers in NOK 1000				
Revenue	95 048	77 799	287 675	275 812
Other income	15 883	320	17 177	2 811
<b>Total revenue &amp; other income</b>	<b>110 931</b>	<b>78 119</b>	<b>304 852</b>	<b>278 623</b>
Cost of materials	45 882	24 996	138 064	96 097
Salary and social expenses	21 136	21 875	78 972	73 426
Other operating expenses	21 391	19 923	81 632	65 241
Total operating expenses	88 409	66 795	298 668	234 765
<b>Opr. res.before. depr. and write offs (EBITDA)</b>	<b>22 522</b>	<b>11 324</b>	<b>6 184</b>	<b>43 858</b>
<i>Opr.res before depr and write off %</i>	<i>20,3 %</i>	<i>14,5 %</i>	<i>2,0 %</i>	<i>15,7 %</i>
Depreciation	3 923	2 087	12 280	10 609
<b>Operating result</b>	<b>18 599</b>	<b>9 238</b>	<b>-6 096</b>	<b>33 249</b>
<i>Operating result in %</i>	<i>16,8 %</i>	<i>11,8 %</i>	<i>-2,0 %</i>	<i>11,9 %</i>
Financial income	5 850	2 195	9 554	6 067
Financial expenses	2 748	2 257	9 466	7 322
<b>Net finance</b>	<b>3 102</b>	<b>-61</b>	<b>87</b>	<b>-1 255</b>
<b>Pre tax profit</b>	<b>21 701</b>	<b>9 177</b>	<b>-6 009</b>	<b>31 994</b>
Tax	4 774	2 019	-1 322	7 039
<b>Result</b>	<b>16 927</b>	<b>7 158</b>	<b>-4 687</b>	<b>24 956</b>
<b>Comprehensive income</b>				
Result after tax	16 927	7 158	-4 687	24 956
Other comprehensive income	-	605	2 288	605
<b>Total comprehensive income</b>	<b>16 927</b>	<b>7 763</b>	<b>-2 399</b>	<b>25 561</b>
<b>Dividend</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22 172</b>
<hr/>				
Condensed financial statement (P&L)	4. quarter 2022	4. quarter 2021	31.12.2022	31.12.2021
Equity share	68 %	83 %	68 %	83 %
Earnings per share	0,38	0,16	-0,11	0,56
Earnings per share diluted	0,38	0,16	-0,11	0,56
Average shares outstanding in 1000	44 345	44 345	44 345	44 345
Average shares outstanding in 1000 diluted	44 345	44 345	44 345	44 345

<b>Condensed financial statement (balance sheet)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
All numbers in NOK 1000		
<b>Assets</b>		
Fixed assets	219 469	167 457
Deferred tax assets	28 535	27 890
<b>Total tangible and fixed assets</b>	<b>248 004</b>	<b>195 348</b>
Inventory	83 446	42 907
Trade receivables	66 155	40 245
Other receivables	3 077	18 901
Cash	1 435	35 746
<b>Total current assets</b>	<b>154 113</b>	<b>137 799</b>
<b>Total assets</b>	<b>402 117</b>	<b>333 147</b>
<b>Equity and liability</b>		
Share capital	44 345	44 345
Share premium reserve	206 885	206 885
Retained earnings	22 140	24 657
<b>Total equity</b>	<b>273 370</b>	<b>275 887</b>
Pension liabilities	13 199	15 831
Other non-current liabilities	3 876	512
<b>Total long-term liabilities</b>	<b>17 075</b>	<b>16 344</b>
Trade payables	41 428	20 808
Short term debt	45 141	-
Other current liabilities	25 103	20 108
<b>Total short-term liabilities</b>	<b>111 671</b>	<b>40 916</b>
<b>Total equity and liability</b>	<b>402 117</b>	<b>333 147</b>
<b>Change in equity</b>		
All numbers in NOK 1000 Equity start of period		
<b>Equity start of period</b>	<b>275 768</b>	<b>272 405</b>
Result for the period	-4 687	24 930
Other comprehensive income	2 288	605
Dividend	-	-22 172
<b>Equity end of period</b>	<b>273 369</b>	<b>275 768</b>

<b>Cash flow analysis YTD</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
All numbers in NOK 1000		
Profits before tax	-6 009	31 994
Depreciations	12 280	10 609
Working capital changes	-15 139	-28 923
<b>Cash flow from operation</b>	<b>-8 868</b>	<b>13 681</b>
Purchase of equipment and intangibles	-64 292	-31 675
<b>Cash flow from investments</b>	<b>-64 292</b>	<b>-31 675</b>
Dividend paid	-	-22 173
Finance Activities	38 846	-1 125
<b>Cash flow finance activities</b>	<b>38 846</b>	<b>-23 298</b>
Change in cash for the period	-34 313	-41 292
Cash at start of period	35 746	77 036
<b>Cash by the end of period</b>	<b>1 433</b>	<b>35 746</b>



# Vistin Pharma

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