

Q2

**and first
half 2022
results**



Published 19 August 2022

Vistin Pharma

Highlights

- Revenue of MNOK 69 compared to MNOK 67 in second quarter 2021, a 3% increase. Due to MEP ramp-up activities there has been limitations on volume available for sale in quarter
- MNOK 102 in revenue YTD 2022 compared to MNOK 138 YTD last year
- EBITDA MNOK 4.7 vs. MNOK 13.4 in Q2 2021. EBITDA unfavorably affected by limited sales volume available, start-up costs for new line, FX and record high electricity prices in quarter
- Start-up costs driven by onboarding of new operators & quality control FTE's not fully utilized yet, and semi-variable overhead costs
- EBITDA of negative MNOK 13.5 YTD 2022 versus MNOK 28.8 YTD 2021
- Existing production line #1 producing according to plan, however at slightly reduced capacity due to normal maintenance stop and optimization of production with two lines. New line #2 is producing at reduced capacity as part of volume ramp-up phase
- Capacity is expected to ramp-up gradually during Q3 and Q4 and reach an annual capacity rate of >5 500MT by end 2022. Annual capacity of approx. 7000MT expected to be reached during 2023
- Approximately 80% of the total MEP investment of MNOK 100 paid as of end June. Project cost according to budget
- Increased working capital requirements in Q2'22 driven by raw material stock and time from production start of line #2 to payment from customers. Cash flow expected to improve from Q4
- Revolving credit facility established to handle planned liquidity effects from ongoing expansion and investments

2ND QUARTER REPORT AND YTD FINANCIALS FOR 2022

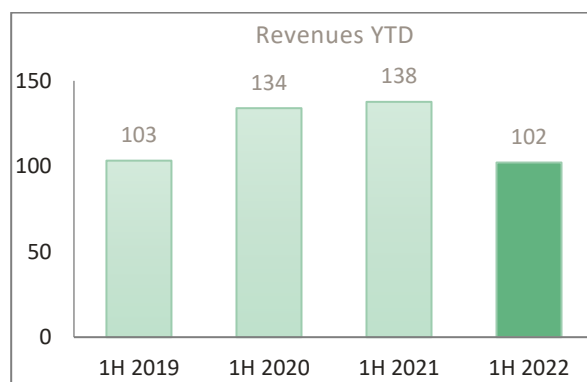
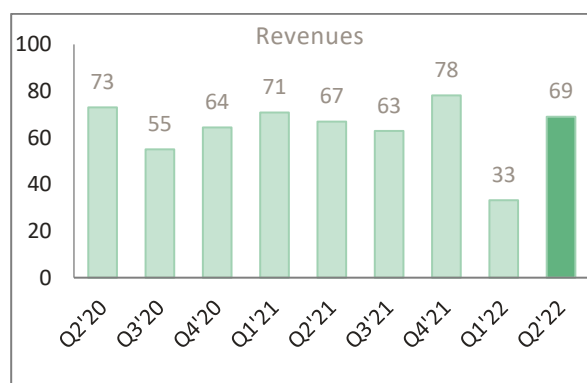
The financial report as per June 2022 has been prepared according to the IFRS (International Financial Reporting Standard) and follows IAS 34 for interim financial reporting, as do the comparable numbers for 2021. From 2022 and onwards Vistin will only report and show comparable figures for one segment.

FINANCIAL DEVELOPMENT

(Comparative numbers for 2021 in parenthesis)

REVENUE

Revenue in the quarter of MNOK 69 (MNOK 66.8), a 3% increase compared to Q2 2021. Revenue increase driven by increased sales prices compared to same quarter last year. Sales volume down by approx. 11% compared to Q2'21, due to limited sales volume available driven by a planned maintenance stop and MEP activities.



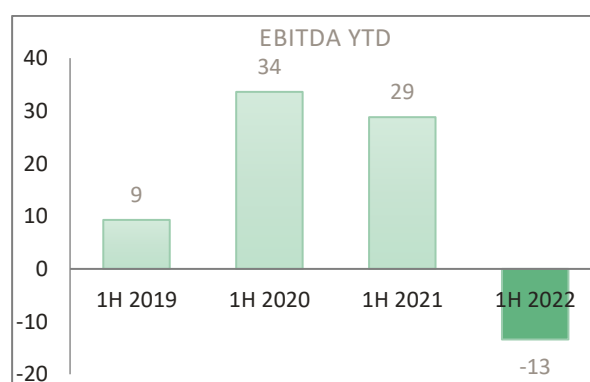
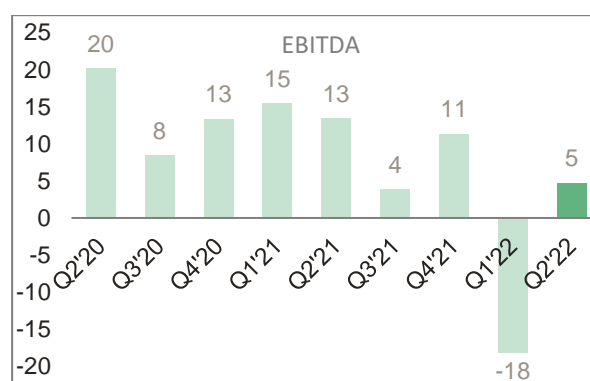
Figures in MNOK

Cost of goods sold

Cost of goods sold (COGS) in the quarter ended at MNOK 64.3 (MNOK 53.4). Increased production costs reflect significant higher raw material, freight and energy prices compared to same quarter last year. In addition, raw materials and freight is paid in USD, which has strengthened compared to the NOK in 2022. Volume leverage expected following volume increase on the new line – planned from 2H'22. Semi-variable overhead costs like supply, tools & patterns, purchased services and energy consumption not expected to increase linearly with production volume.

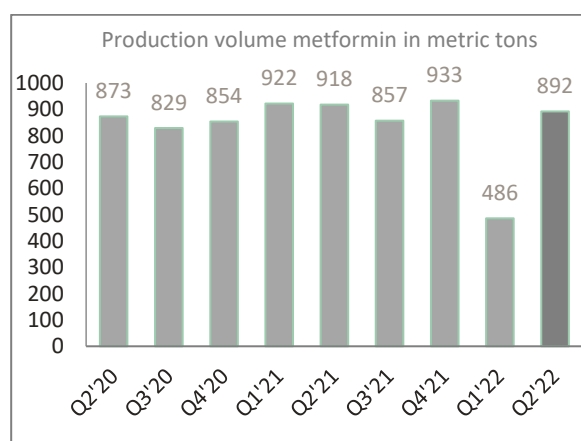
EARNINGS

EBITDA of MNOK 4.7 (MNOK 13.4) for the quarter. EBITDA unfavourably affected by limited sales volume available, start-up costs for new line, FX and record high electricity prices in quarter. Financial result expected to continue to improve for next quarters, with more volumes available for sale.



PRODUCTION

Production line #1 has been producing according to plan, however at slightly reduced capacity due to a 5-day planned maintenance stop and optimization of production with two lines. New line #2 has been producing at reduced capacity as part of volume ramp-up phase. Capacity is expected to ramp-up gradually during Q3 and Q4 and reach an annual capacity rate of >5 500MT by end 2022. Annual capacity of approx. 7 000MT expected to be reached during 2023. Current organization is capable of handling expected 2022 volumes without adding additional FTE's.



Financial items

Net finance ended negative with MNOK 1.8 for the second quarter of 2022, compared to positive MNOK 0.1 in second quarter 2021. Net finance loss in Q2 2022 was mainly related to realized and unrealized losses related to customers receivables and currency hedging contracts in EUR. Vistin has in Q2 sold EUR hedging contracts for part of 2023 sales at favourable exchange rates compared to current level.

CASH FLOW

YTD net cash flow from operating activities was negative with MNOK 36.7. Net cash flow from operating activities in same period of 2021 was MNOK 31.

Net cash flow from investing activities YTD was negative with MNOK 32.3 compared to negative with MNOK 21.5 for 2H'21. Both represents capital expenditures, mainly MEP.

Net cash flow from financing activities YTD was positive with MNOK 37.5. Net cash flow from financing activities in the same period last year was negative MNOK 26.6, driven by dividend payment of MNOK ~23.

Net decrease in cash and cash equivalents in 1H 2022 amounted to MNOK 31.5. In the same period last year, there was a net decrease in cash and cash equivalents of MNOK 17.1. Cash flow YTD is affected by the production stop in Q1 due to the planned MEP installation, CAPEX and increased working capital requirements driven by raw material stock and time from production start of line #2 to payment from customers. Cash flow is expected to improve from Q4.

BALANCE SHEET

Assets

Vistin Pharma had total assets of MNOK 370.7 as of 30 June 2022.

The company has a deferred tax asset of MNOK 32.1. 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 March was MNOK 260.9. This equals an equity ratio of 70%.

Liabilities

The company had interest-bearing debt of MNOK 39.4 as of end June 2022. Net debt was MNOK 35.1. MNOK 0.8 (MNOK 2.1) in obligations related to lease contracts are recognized in the balance sheet according to IFRS 16.

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 contribute 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 the 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 its portfolio. The company 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 (+ 3500MT). In relation to the MEP installation, the production was closed down in beginning of January as planned. Both existing production line #1 and new line #2 started up production at end of Q1. Capacity is expected to continue to ramp-up gradually during Q3 and Q4.

The estimated CAPEX is MNOK <100, whereof approx. 80% has been paid as of 30 June. 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 been leading to less volumes available for sale in both Q1 and Q2, and the financial result YTD is untraditionally weak. The financial results are expected to continue to improve in Q3 and Q4, with more volume available for sale and leverage from the new capacity. Vistin expects significant increased working capital requirements to support the volume ramp-up. In addition, Vistin has an ambitious CAPEX plan in 2022 to support the volume growth, future production productivity and sustainability. Based on this a short-term credit facility has been secured with Nordea.

RESEARCH AND DEVELOPMENT (R&D)

Vistin has positioned itself as a premium supplier. To strengthen the position in the market, 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 consisting of four highly competent engineers who are dedicated to work with process, productivity, and quality improvements.

THE COVID-19 PANDEMIC AND WAR IN UKRAINE

The demand in the market for metformin is still high and is not 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 MEP ramp-up plan, to mitigate the uncertainties around delivery lead times of raw materials from Asia. Due to the increased global import from China and India leading to supply chain constraints and port congestions around the world, this has led to significantly increased freight cost (across all global businesses and for all goods). Vistin is also experiencing significant increased raw material and energy prices, driven by inflation pressure in the world and the constraints in the European energy/gas market.

“Financial results are expected to improve in 2H 2022, with more volume available for sale and leverage from the new capacity”

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 aspires to achieve sustainable development by having a good balance between financial results, value creation, sustainability, and 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 Q1'23 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 the emission with more than 98%, resulting in a reduction of the total emission to air with more than 95% compared to previous levels. 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

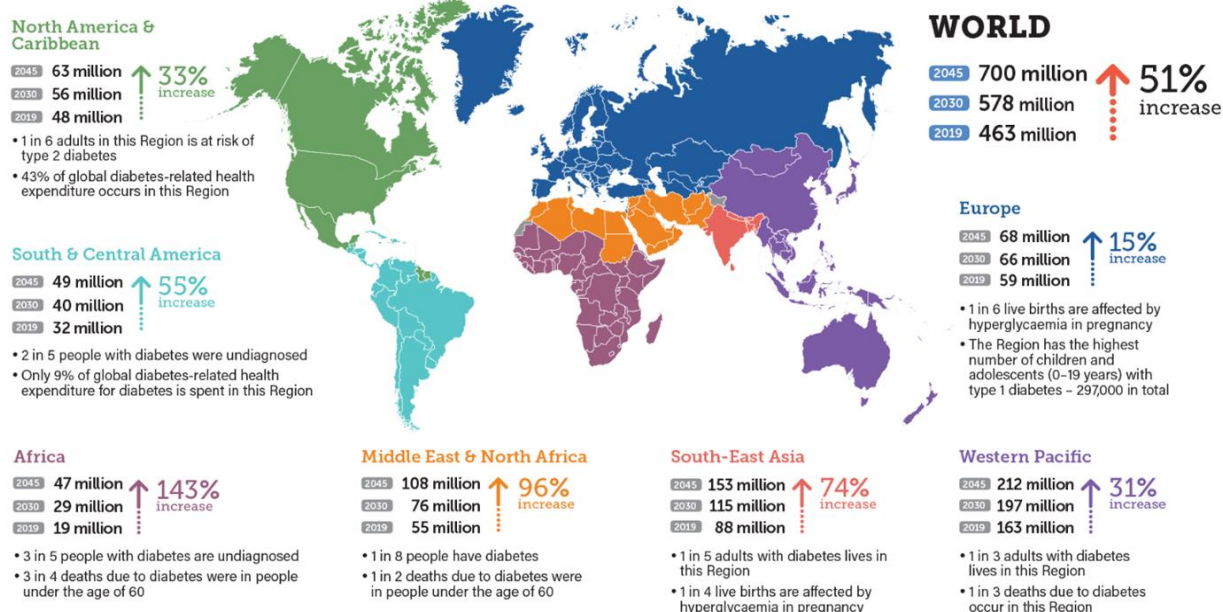
There have not been events after the reporting date that affect the Company's financials.

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.

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



The Company had 44 344 592 issued shares as of 30 June 2022. The five largest shareholders were Intertrade Shipping AS with 12,575,000 shares, Pactum AS with 3,519,733 shares, Holmen Spesialfond with 3,250,000 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 17.5 per share at 31 of March 2022, and to NOK 16.2 as of 30 June 2022.

Condensed financial statement (P&L)	QTR 2. quarter 2022	QTR 2. quarter 2021	YTD 30.06.2022	YTD 30.06.2021	FY FY 2021
All numbers in NOK 1000					
Total revenue and income	68 989	66 847	102 208	137 650	278 623
Cost of materials	24 686	21 371	42 436	44 163	96 097
Salary and sosial expenses	19 010	16 397	37 691	33 997	73 426
Other operating expenses	20 573	15 667	35 555	30 720	65 241
Total operating expenses	64 269	53 435	115 681	108 880	234 765
Opr. res.before. depr. and write offs (EBITDA)	4 720	13 412	-13 474	28 769	43 858
<i>Opr.res before depr and write off %</i>	<i>6,8 %</i>	<i>20,1 %</i>	<i>-13,2 %</i>	<i>20,9 %</i>	<i>15,7 %</i>
Depreciation	2 633	3 209	5 382	6 080	10 609
Operating result	2 087	10 203	-18 856	22 689	33 249
<i>Operating result in %</i>	<i>3,0 %</i>	<i>15,3 %</i>	<i>-18,4 %</i>	<i>16,5 %</i>	<i>11,9 %</i>
Financial income	-19	2 161	2 904	5 328	6 067
Financial expenses	1 758	2 025	3 162	6 414	7 322
Net finance	-1 777	136	-258	-1 086	-1 255
Pre tax profit	310	10 339	-19 114	21 603	31 994
Tax	68	2 275	-4 205	4 753	7 129
Result	242	8 064	-14 909	16 851	24 867
Comprehensive income					
Result after tax	242	8 064	-14 909	16 851	24 867
Other comrehensive income	-	-	-	-	605
Total comprehensive income	242	8 064	-14 909	16 851	25 472

Key figures	2. quarter 2022	2. quarter 2021	30.06.2022	30.06.2021	31.12.2021
Equity share	70 %	83 %	70 %	83 %	83 %
Earnings per share	0,01	0,18	-0,34	0,38	0,56
Earnings per share diluted	0,01	0,18	-0,34	0,38	0,56
Average shares outstanding in 1000	44 345	44 345	44 345	44 345	44 345
Average shares outstanding in 1000 diluted	44 345	44 345	44 345	44 345	44 345

**Condensed financial statement
(balance sheet)****30.06.2022****30.06.2021****31.12.2021**

All numbers in NOK 1000

Assets

Fixed assets	194 358	160 642	167 457
Deferred tax assets	32 063	30 347	27 859
Total tangible and fixed assets	226 422	190 989	195 316
Inventory	62 903	28 330	42 907
Trade receivables	45 141	34 609	40 245
Other receivables	31 948	6 158	18 934
Cash	4 256	59 939	35 746
Total current assets	144 248	129 037	137 831
Total assets	370 670	320 027	333 147

Equity and liability

Share capital	44 345	44 308	44 345
Share premium reserve	206 885	206 885	206 885
Retained earnings	9 629	15 894	24 538
Total equity	260 859	267 086	275 768
Pension liabilities	15 831	16 330	15 831
Other non-current liabilities	133	1 217	512
Total long term liabilities	15 965	17 547	16 343
Trade payables	42 866	24 849	20 808
Short term debt	39 384	-	-
Other current liabilities	11 597	10 545	20 227
Total short term liabilities	93 846	35 393	41 035
Total equity and liability	370 670	320 027	333 147

Change in equity**30.06.2022****30.06.2021****31.12.2021**

All numbers in NOK 1000

Equity start of period

Equity start of period	275 768	272 405	272 405
Result for the period	-14 909	16 851	24 930
Other comprehensive income	-	-	605
Dividend	-	-22 172	-22 172
Equity end of period	260 859	267 084	275 768

Cash flow analysis YTD	30.06.2022	30.06.2021	31.12.2021
All numbers in NOK 1000			
Result for the period	-19 114	21 604	31 994
Depreciations	5 382	6 080	10 609
Working capital changes	-22 949	3 325	-28 922
Cash flow from operation	-36 681	31 008	13 681
Purchase of equipment and intangibles	-32 283	-21 461	-31 675
Cash flow from investments	-32 283	-21 461	-31 675
Dividend paid		-22 173	-22 173
Finance activities	37 474	-4 469	-1 125
Cash flow finance activities	37 474	-26 642	-23 298
Change in cash for the period	-31 491	-17 096	-41 292
Cash at start of period	35 746	77 036	77 036
Cash by the end of period	4 256	59 939	35 744

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the condensed set of financial statements for the first half year of 2022, which has been prepared in accordance with IAS 34 – Interim Financial Reporting, gives a true and fair view of the Company's assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

The Board of Directors for Vistin Pharma ASA

Oslo, 18 August 2022

Øyvind A. Brøymer
Chairman

Espen Marcussen
Board member

Bettina Banoun
Board member

Kari Krogstad
Board member

Øystein Stray Spetalen
Board member

Espen Lia Gregoriussen
Board member

Åse Musum
Board member

Kjell-Erik Nordby
CEO

Responsibility statement is signed electronically.



Vistin Pharma

Vistin Pharma ASA

Østensjøveien 27

NO-0661 Oslo

Norway

Tel: +47 35 98 42 00

E-mail: vistin@vistin.com

www.vistin.com