

Q3

and YTD
results

2023



Vistin Pharma

Published 25 October 2023

Highlights

- MNOK 120 in revenue vs. MNOK 92 in Q3 2022 (+31%). Increased volume from new production line compared to same quarter last year has resulted in more volumes available for sale
- MNOK 27 in EBITDA vs. negative MNOK 3 in Q3 2022. EBITDA positively affected by increased sales volume, competitive electricity prices and a stronger EUR vs NOK, partly offset by a stronger USD vs NOK. Bonus accrual of MNOK 2.7 booked in quarter (0 in Q3'22)
- Positive economies of scale effects as the MEP volume continue to ramp-up
- MNOK 328 in revenue YTD 2023 compared to MNOK 194 YTD last year, a 69% increase
- EBITDA of MNOK 61 YTD 2023 compared to negative MNOK 16 YTD 2022
- Net profit positively affected with MNOK 10 in quarter by fair value of future FX cash flow hedging contracts (unrealized gain - no cash effect in quarter)
- Strong balance sheet with equity ratio of 78% and no interest-bearing debt
- Magnus Tolleshaug appointed as the new CEO of Vistin Pharma from 1st of January 2024

3RD QUARTER REPORT AND YTD FINANCIALS FOR 2023

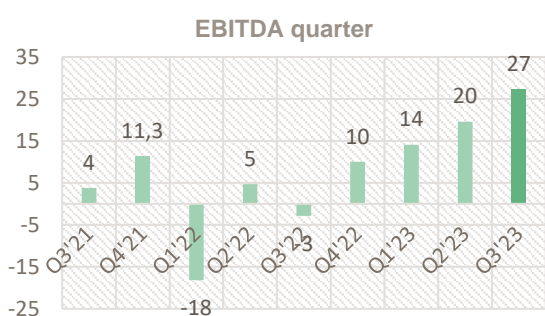
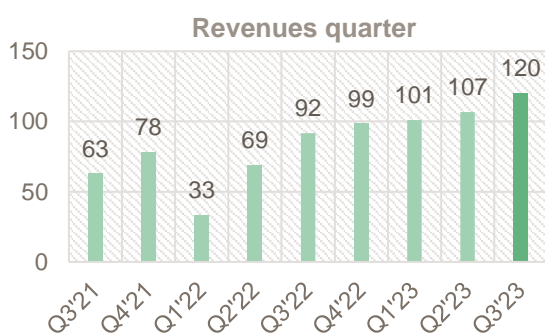
The financial report as per September 2023 has been prepared according to the IFRS (International Financial Reporting Standard) and follows IAS 34 for interim financial reporting, as do the comparable numbers for 2022.

Financial development

(Comparative numbers for 2022 in parenthesis)

Revenue

Revenue in the quarter of MNOK 119.9 (MNOK 91.7), a 31% increase. The revenue increase has been driven by increased production volume and thus more volumes available for sale. Revenues are also positively affected by a stronger EUR vs NOK. Currency neutral revenue increased by approx. 20% compared to Q3'22. YTD 2023 the revenue is MNOK 328 compared to MNOK 194 last year, a 69% increase.

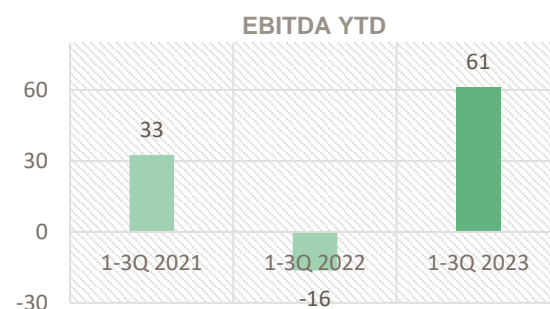
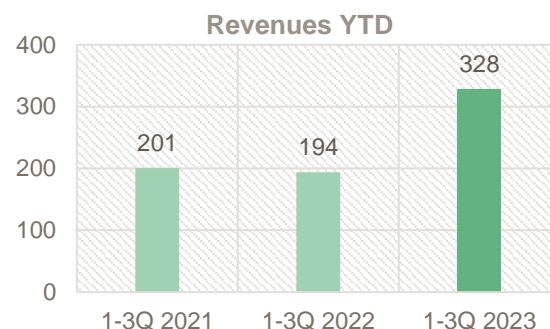


Cost of goods sold

Cost of goods sold (COGS) in the quarter ended at MNOK 92.7 (MNOK 94.6). The decreased COGS, despite significant higher volume, are driven by lower raw material, freight, and energy costs. Raw material and freight prices have started to stabilize after a steep decline in 1-3Q 2023. The current raw material at inventory for Q4 has a lower purchase price than raw materials consumed in Q3. Volume leverage on costs is expected to continue with increasing production volume.

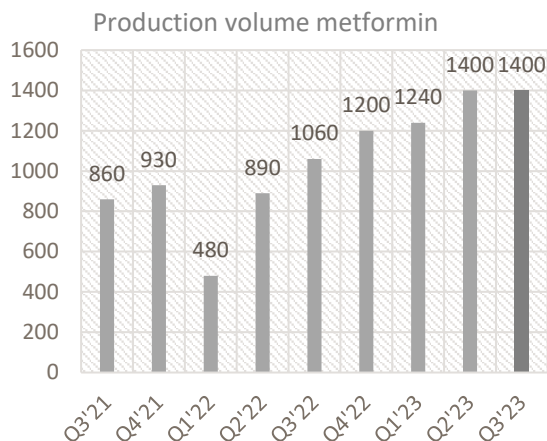
Earnings

EBITDA of MNOK 27.3 (MNOK -2.9) for the quarter. EBITDA was positively affected by increased sales volume, decreased raw material and freight prices and the positive effect from the long-term energy supply agreement with Statkraft. Bonus accrual of MNOK 2.7 booked in quarter. The strong EUR vs NOK in the quarter has a positive effect on the business and is only partly offset by a strong USD vs NOK. EBITDA of MNOK 60.9 YTD 2023 compared to negative MNOK 16.3 YTD 2022.



Production

Production output in the quarter ended at 1400MT produced metformin. Current capacity is approx. 6000 MT. The manufacturing capacity is expected to continue to ramp-up during 2023 and 2024. Vistin's current organization is capable of handling this capacity.



Financial items

Net finance ended positive with MNOK 7.3 for the third quarter of 2023, compared to negative with MNOK 2.8 in same quarter of 2022. 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 Q3 2023 was mainly related to unrealized gain on FX hedging contracts, partly offset by realized loss on FX hedging contracts for the quarter. The unrealized gain is driven by partly reversal of previously booked unrealized loss for EUR FX hedging contracts in Q4'23 and 2024.

Cash flow

YTD net cash flow from operating activities was positive with MNOK 56.1. Net cash flow from operating activities in same period of 2022 was negative with MNOK 31.7.

Net cash flow from investing activities YTD 2023 was negative with MNOK 10, which represents capital expenditure and leasing repayments. Net cash flow from investing activities in the same period last year was negative with MNOK 36.3 (mainly MEP).

Net cash flow from financing activities YTD 2023 was negative with MNOK 45.1, which are mainly related to down payments of the bank overdraft. Net cash flow from financing activities in the same period last year was positive with MNOK 36.1.

Change in cash and cash equivalents YTD 2023 was positive with MNOK 1. In the same period last year, there was a net decrease in cash and cash equivalents of MNOK 31.9.

Balance sheet

Assets

Vistin Pharma had total assets of MNOK 386.5 as of 30 September 2023 (MNOK 362.7). The company has a deferred tax asset of MNOK 20.8 (MNOK 33.9). 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 September was MNOK 301.1. This equals an equity ratio of 78%.

Liabilities

The Company had no net interest-bearing debt as of end September 2023, compared to net debt of MNOK 42.1 as of end Q3 2022. Net cash was MNOK 2.4. MNOK 3.6 (MNOK 0.5) 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 by industry experts expected to grow by 5-6% annually in the foreseeable future. The additional demand for metformin HCl is forecasted to grow by approx. 23.000MT to 87.000MT by 2028. Metformin is the standard first-line treatment of Type 2 Diabetes, which represents around 90% of the global diabetes cases. 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 Vistin's portfolio. The company is currently experiencing strong demand for its products.

Strategy

After the installation of the new second parallel production line (MEP) in Q1 2022, the company has been focusing on ramping up the volume from the two production lines. A significant part of the company's resources is involved in optimizing output and building efficient and robust processes to achieve 7000MT of annual HCl Metformin output in the future. Current capacity is approx. 6000 MT. Driven by a successful volume ramp-up, Vistin has achieved a significant volume increase in 2023 and the increase is expected to continue in 2024.

The turn-key contract with the engineering company for the MEP 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.

Higher manufacturing and sales volumes going forward are leading 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.

Current unstable political landscape

The demand in the market for metformin is still high and was not significantly affected by the corona epidemic or the current situation in Ukraine. Vistin has additional safety stock of critical raw materials, to secure future supply and support the MEP ramp-up plan. The safety stock will mitigate potential uncertainties or delays 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 prices increased significantly during 2022. However, both the raw material and freight costs have decreased YTD in 2023. Prices have seemingly started to stabilize. Electricity prices were extraordinarily high in 2022, compared to historical price levels. With the long-term supply agreement with Statkraft for renewable power, electricity costs are significantly reduced in 2023, compared to previous year.



WHO:

Diabetes is a chronic, metabolic disease characterized by elevated levels of blood glucose (or blood sugar), which leads over time to serious damage to the heart, blood vessels, eyes, kidneys and nerves. The most common is type 2 diabetes, usually in adults, which occurs when the body becomes resistant to insulin or doesn't make enough insulin. In the past 3 decades the prevalence of type 2 diabetes has risen dramatically in countries of all income levels. For people living with diabetes, access to affordable treatment is critical to their survival.

Source: [Diabetes \(who.int\)](https://www.who.int)

Vistin:

Metformin is the 1st-line treatment for type 2 diabetes and is expected to continue to be so in the foreseeable future, due to the cost-efficient treatment with limited side effects and long-term safety profile. Today Vistin contributes to deliver Metformin diabetes type 2 medication to more than 50 million patients every day.



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 Board of Directors have the overall responsibility for aligning Vistin’s strategy and sustainability considerations, while the day-to-day responsibility lies with the CEO, supported by the Leadership Team. The statement of corporate social responsibility required under the Norwegian Accounting Act 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 Company 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

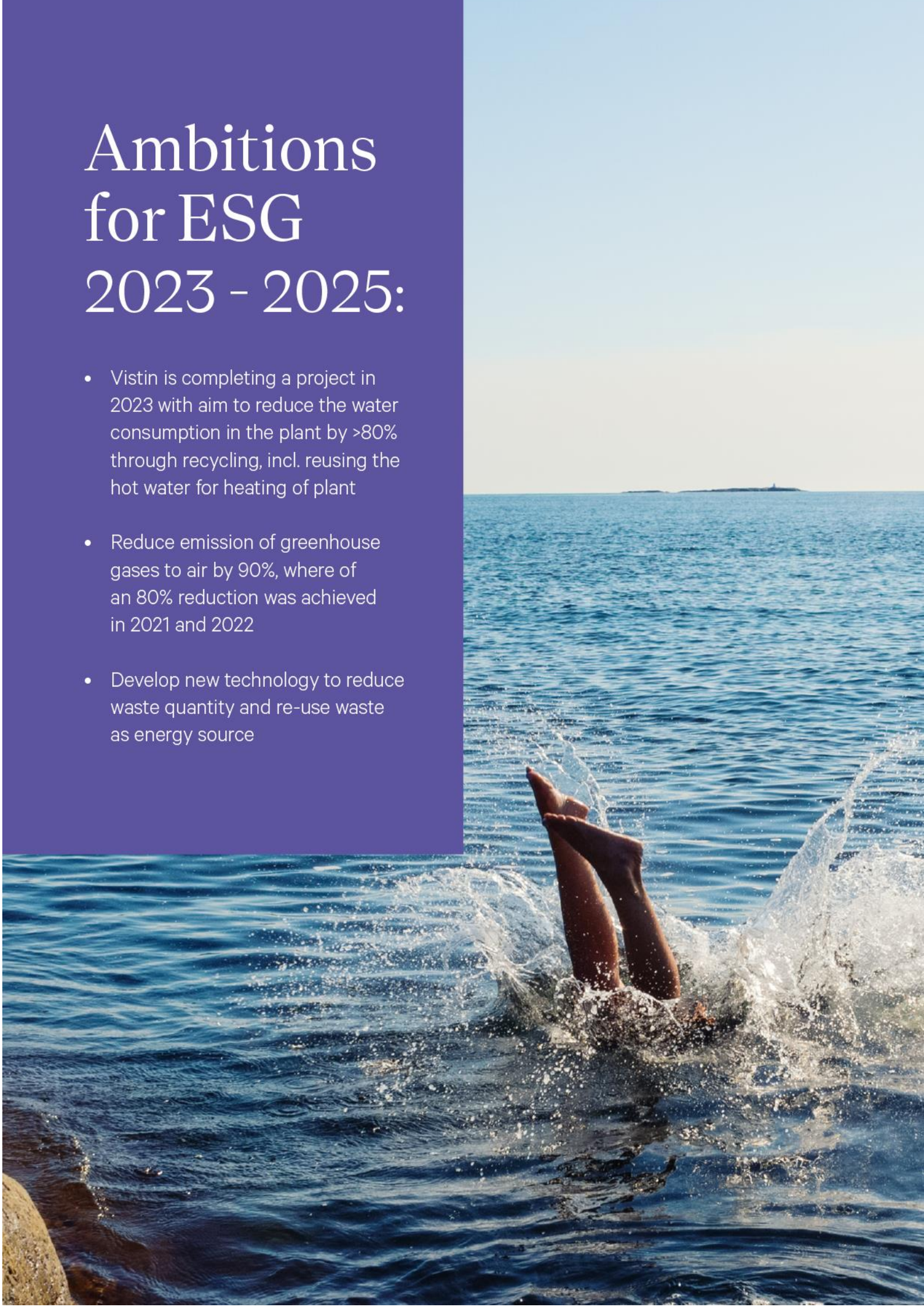
Vistin Pharma has during the last years invested in, completed, and implemented several projects that significantly reduce the environmental footprint. Building on this success, Vistin Pharma has several ESG initiatives ongoing:

- Vistin continues to use only hydro powered energy to minimize carbon footprint.
- Vistin is completing an investment project in 2023 with the aim of reducing 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 to air with more than 98%, resulting in a reduction of the total emission with more than 90 % compared to historical levels.

Vistin complies to the new Transparency Act (‘Åpenhetsloven’) introduced by the Norwegian Government in 2022. The Company published a detailed due diligence assessment of its raw-material and service suppliers according to the principles in June. The report is available on the company’s homepage: www.vistin.com.

Ambitions for ESG 2023 - 2025:

- Vistin is completing a project in 2023 with aim to reduce the water consumption in the plant by >80% through recycling, incl. reusing the hot water for heating of plant
- Reduce emission of greenhouse gases to air by 90%, where of an 80% reduction was achieved in 2021 and 2022
- Develop new technology to reduce waste quantity and re-use waste as energy source



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

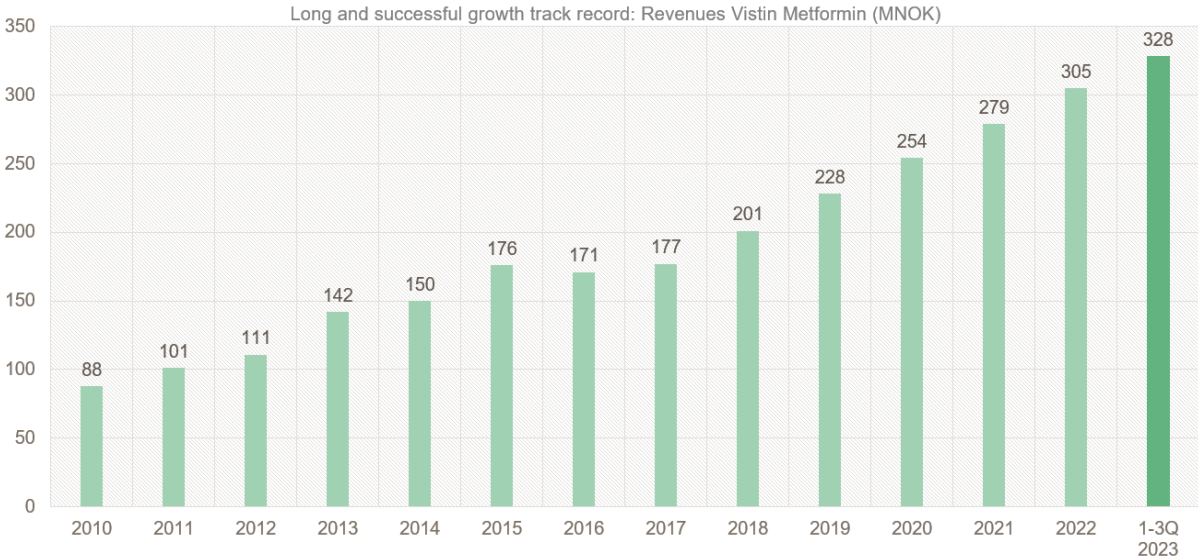
This financial information should be read together with the financial statements for the year ended 31 December 2022, prepared in accordance with International Financial Reporting Standards (“IFRS”). The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements. 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 business is expected to continue to grow by 5-6% annually, as it remains the gold-standard treatment of type 2 diabetes. The additional demand of metformin HCl is forecasted to grow by approx. 23.000MT to 87.000MT by 2028. Most 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 has not been affected by the corona epidemic or the current situation in Ukraine. The vulnerability for drug supplies during both the corona epidemic and the Ukraine situation 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 2023. The five largest shareholders were Intertrade Shipping AS with 12,575,000 shares, Holmen Spesialfond with 3,763 055 shares, Pactum AS with 3,519,733 shares, MP Pensjon PK with 1,719,848 shares, and Ferncliff Listed DAI AS with 1,234,280 shares.

The share price has moved from NOK 22.3 per share at 30 of June 2023, to NOK 24.2 as of 30 September 2023, an increase of 9%.

Management share purchase

On the 30 June 2023 Vistin Pharma ASA launched an offer to all shareholders in the Company to buy back up to 250,000 shares in the Company in connection with its Long Term Incentive Plan (LTIP) for the executive management. The executive management can in accordance with the LTIP purchase shares for up to MNOK 6, at a 25% discount, with three years of binding time. The buyback will be conducted as a reverse book-building process in which shareholders can submit sales offers.

Following shares were purchased:

Shared purchased in Juli 2023 through Long Term Incentive Plan for Executive Management	Number of shares	Share price	Cost of shares (before discount)	Discount (25%)	Vesting period to achieve 25% discount
Vegard Heggem (VP Operations)	50 000	23	1 150 000	287 500	3 years
Hilde Hagen (VP Quality)	40 000	23	920 000	230 000	3 years
Alexander Karlsen (CFO)	50 000	23	1 150 000	287 500	3 years
Kjell-Erik Nordby (CEO)	40 000	23	920 000	230 000	3 years
Magnus Tolleshaug (COO)	40 000	23	920 000	230 000	3 years

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.

The Board of Directors received a power of attorney from the Annual General Meeting in May 2023 to pay up to NOK 0.75 per share in dividend. The power of attorney is valid until the 2024 AGM.

VISTIN PHARMA ASA – THIRD QUARTER AND YTD 2023 FINANCIAL RESULTS

Condensed financial statement (P&L)	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
All numbers in NOK 1000					
Total revenue and income	119 938	91 714	327 607	193 921	304 853
Cost of materials	48 936	49 746	138 287	92 182	138 064
Salary and social expenses	25 311	20 145	66 965	57 836	78 972
Other operating expenses	18 441	24 686	61 417	60 241	81 632
Total operating expenses	92 687	94 577	266 669	210 259	298 668
Operating result before depr. (EBITDA)	27 251	-2 864	60 938	-16 338	6 184
<i>Operating result before depr. %</i>	<i>22,7 %</i>	<i>-3,1 %</i>	<i>18,6 %</i>	<i>-8,4 %</i>	<i>2,0 %</i>
Depreciation	4 427	2 975	12 859	8 357	12 280
Operating result	22 824	-5 838	48 079	-24 694	-6 096
<i>Operating result in %</i>	<i>19,0 %</i>	<i>-6,4 %</i>	<i>14,7 %</i>	<i>-12,7 %</i>	<i>-2,0 %</i>
Financial income	8 095	800	13 421	3 704	9 554
Financial expenses	799	3 556	26 103	6 719	9 466
Net finance	7 295	-2 757	-12 682	-3 015	87
Pre tax profit	30 120	-8 595	35 397	-27 709	-6 009
Tax	6 626	-1 891	7 787	-6 096	-1 322
Result	23 493	-6 704	27 610	-21 613	-4 687
Comprehensive income					
Result after tax	23 493	-6 704	27 610	-21 613	-4 687
Other comprehensive income	-	-	-	-	2 288
Total comprehensive income	23 493	-6 704	27 610	-21 613	-2 399

Key figures	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Equity share	78 %	70 %	78 %	70 %	68 %
Earnings per share	0,53	-0,15	0,62	-0,49	-0,11
Average shares outstanding in 1000	44 345	44 345	44 345	44 345	44 345

**Condensed financial statement
(balance sheet)**

30.09.2023 30.09.2022 31.12.2022

All numbers in NOK 1000

Assets

Fixed assets	216 608	195 389	219 430
Deferred tax assets	20 814	33 955	28 601
Total tangible and fixed assets	237 423	229 344	248 031

Inventory	85 088	67 844	83 446
Trade receivables	55 319	56 401	66 155
Other receivables	6 294	5 303	8 146
Cash	2 416	3 816	1 435
Total current assets	149 117	133 363	159 182

Total assets	386 539	362 707	407 213
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Equity and liability

Share capital	44 345	44 345	44 345
Share premium reserve	206 885	206 885	206 885
Retained earnings	49 865	2 926	22 033
Total equity	301 095	254 156	273 263

Pension liabilities	13 199	15 831	13 199
Other non-current liabilities	2 584	3 614	2 956
Total long term liabilities	15 782	19 446	16 155

Trade payables	47 931	30 411	25 906
Short term debt	-	42 114	45 141
Other current liabilities	21 730	16 581	46 748
Total short term liabilities	69 660	89 106	117 795

Total equity and liability	386 538	362 707	407 213
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Change in equity

30.09.2023 30.09.2022 31.12.2022

All numbers in NOK 1000

Equity start of period

Equity start of period	273 485	275 768	275 768
Result for the period	27 610	-21 613	-4 716
Other comprehensive income	-	-	2 211
Equity end of period	301 095	254 155	273 263

Cash flow analysis YTD	30.09.2023	30.09.2022	31.12.2022
All numbers in NOK 1000			
Result for the period	35 397	-27 709	-6 009
Depreciations	12 859	8 357	12 280
Working capital changes	7 863	-12 372	-15 139
Cash flow from operation	56 120	-31 724	-8 868
Purchase of equipment and intangibles	-9 999	-36 289	-64 292
Cash flow from investments	-9 999	-36 289	-64 292
Finance Activities	-45 141	36 081	38 846
Cash flow finance activities	-45 141	36 081	38 846
Change in cash for the period	981	-31 932	-34 312
Cash at start of period	1 435	35 746	35 746
Cash by the end of period	2 416	3 814	1 434



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