VISTIN PHARMA

ANNUAL REPORT 2018

(This page intentionally left blank)

DIRECTORS' REPORT FOR 2018

OPERATING PERFORMANCE

During 2018, Vistin Pharma ASA and its subsidiaries ("Vistin Pharma" or the "Group") had two business segments; pharmaceuticals and energy trading.

In the pharmaceutical segment the strategy is to become the leading supplier of metformin products to customers in the premium finished product segments. Vistin Pharma believes that the quality of its metformin products, and its service and delivery performance, are competitive advantages and drivers for increased sales.

The Group's production plant in Kragerø, Norway, was running at full capacity for the whole year, producing an all-time high of 3,300 metric tons (MT) of metformin HCl, which is approximately 100MT more than last year.

Vistin Pharma is experiencing a strong underlying volume demand, and the Group is currently working to stretch the capacity by approximately 200 - 300MT through an efficiency program, to meet the expected short term increase in demand from its customers.

The long-term objective for the business segment is to ensure that it can meet the increasing demand from existing customers, and secure volumes from new customers, which will allow Vistin Pharma to re-start the 3,000MT metformin expansion project. When sufficient volumes are secured, an additional production line can be installed within 18 months, which would increase the total installed production capacity to at least 6,000MT

Vistin Pharma does not currently have any dedicated research and development (R&D) resources. However, the Group has considerable focus on process improvement projects related to optimising existing manufacturing processes, as well as projects aimed to improve product quality and cost. This work is mainly carried out by the operational staff and in collaboration with selected contract research organisations (CROs).

Following the Group's sale of the CMO and opioids business in October 2017, the pharmaceutical business became a pure play metformin supplier, and is of a limited size. As a result, the Group is evaluating different future strategic alternatives for the pharmaceutical division.

During 2018, the Group established a new business area within energy trading. To finance the new business area, Vistin Pharma raised NOK 305 million in gross proceeds through a private placement and subsequent repair issue.

To establish a sustainable business unit based on energy trading proved to be demanding. The international energy markets have been challenging during 2018, and the trading positions taken by the Group did not develop positively. The market conditions also made it difficult to raise external capital for closed-end funds, which was part of the strategy for the new business segment.

Vistin Pharma has continuously monitored and evaluated the development of the Energy Trading business and subsequent to year-end, on 7 January 2019, the Board of Directors decided to close this activity. Consequently, no new energy trading investments will be made going forward. However, Vistin Pharma will continue to manage the outstanding financial derivative contracts, and some or all of these may be closed when the Group believes this to be in the best interest of its shareholders.

PRESENTATION OF FINANCIAL RESULTS FOR THE GROUP

For 2018, total revenue and income for Vistin Pharma amounted to NOK 200.5 million (NOK 185.9 million). The revenue and income for 2018 related exclusively to the Group's pharmaceutical segment.

The operating loss for 2018 was NOK 4.6 million (profit NOK 14.0 million), and the Group had net loss from continuing operations of NOK 67.7 million (profit NOK 5.5 million), after net finance costs of NOK 80.7 million (NOK 6.7 million), and income tax expense of negative NOK 17.6 million (NOK 1.9 million). The finance costs for 2018 includes an unrealised loss on oil derivatives of NOK 85.0 million (no oil derivatives in 2017). The net loss from discontinued operations was NOK 5.9 million (net profit NOK 64.9 million), which includes a settlement of a warranty claim of NOK 5.5 million (before tax) relating to the sale of the CMO and opioids business in 2017.The net gain last year included the gain on sale of the CMO and opioids business.

Liquidity, financial position and investments

Vistin Pharma's net cash flow from operating activities in 2018 amounted to negative NOK 39.5 million (positive NOK 9.5 million).

The net cash flow from investing activities for 2018 amounted to negative NOK 22.8 million (positive NOK 122.9 million), of which NOK 18.1 million represents capital expenditure for the year. The large cash inflow last year was mainly due to the net proceeds received from the sale of the CMO and opioids business of NOK 158.4 million.

The net cash flow from financing activities for 2018 was NOK 297.7 million (NOK -136.5 million), following a private placement and subsequent repair issue in 2018 of NOK 305.6 million in gross proceeds. In 2017, Vistin Pharma paid a dividend of NOK 136.4 million. No dividend was paid in 2018, and no dividend will be proposed for 2019.

At 31 December 2018, total assets amounted to NOK 500.1 million (NOK 231.7 million), and the Group had no interest bearing debt. Cash and cash equivalents amounted to NOK 320.7 million (NOK 85.3 million) at 31 December 2018.

As of 31 December 2018, total equity amounted to NOK 348.9 million (NOK 120.2 million), and the equity ratio at year-end was 69.8% (51.9%).

Vistin Pharma expects that cash from operations, together with its liquidity reserves, will be sufficient to cover planned capital expenditures and operational requirements in 2019.

The Financial Statements of Vistin Pharma ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and are valid on or after 1 January 2018.

In accordance with the Norwegian accounting act § 3-3a, the Board of Directors confirm that the Financial Statements have been prepared under the assumption of going concern and that this assumption is valid based on the Group's budgets and financial projections.

EVENTS AFTER THE BALANCE SHEET DATE

On 8 January 2019, Vistin Pharma announced that it would close down the energy trading business. Vistin Pharma will continue to manage the outstanding financial derivative contracts, and some or all of these may be closed when the Vistin Pharma believes this to be in the best interest of its shareholders.

ORGANISATIONAL MATTERS

Organisation

At the end of 2018, the Group had 74 employees.

Board of Directors

The former Board member Ingrid Elvira stepped down from the Board of Vistin Pharma ASA during 2018. To strengthen the company's competence within trading activities and regulatory framework following the establishment of the energy trading business, Bettina Banoun and Finn Bjørn Ruyter were elected as new Board members at the annual general meeting held on 8 May 2018. The Board consists of Ole Enger (chairman), Bettina Banoun, Mimi K. Berdal, Finn Bjørn Ruyter, Øystein Stray Spetalen, Espen Lia Gregoriussen (employee representative) and Åse Musum (employee representative).

CORPORATE SOCIAL RESPONSIBILITY, THE ENVIRONMENT AND EMPLOYEES

Vistin Pharma aspires to achieve sustainable development by striking a good balance between financial results, value creation, sustainability and CSR. The statement of corporate social responsibility required under Section 3-3c of 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 in the countries where the Group operates.

The Group believes in social responsible business, and promoting decent working and environmental conditions in our supply chains is part of Vistin Pharma's strategy and efforts to act responsible. In pursuit of this aim the Group cooperates with its suppliers and business partners. Vistin Pharma has adopted the general principles of UN Global Compact with universally accepted principles for human rights, working conditions, environment and anti-corruption.

Vistin Pharma expects its suppliers and business partners to make efforts to ensure compliance to the above principles and national laws and regulations, and to ensure similar compliance by their sub-suppliers.

Vistin Pharma does not accept violence to laws against corruption, bribery and fraud. Suppliers and business partners shall under no circumstance be involved in business practice which hinders free competition. Suppliers and business partners shall not offer Vistin Pharma employees gifts or favourable conditions. Vistin Pharma seeks to form long term relationship with business partners, who share our values and focus on promoting decent working and environmental conditions in the supply chain.

Vistin Pharma's Code of Conduct is built on Vistin Pharma's values and provides a framework for what the Group considers responsible conduct. The document has been approved by the Board of Directors, and applies to all employees, as well as to board members of Vistin Pharma, and can be found at www.vistin.com.

Equal opportunities

The Group has established practices to ensure equal opportunities between female and male employees, as well as between different races. The Group had 74 employees at year-end 2018, of which 23 are female. The Executive Management group consists of five members, of which two members are female. The Board of Directors currently has three female members out of seven. The Board does not consider it necessary to take further measures to ensure equal opportunities.

Health, safety and environment

Vistin Pharma has established a formal code of conduct, as well a set of policies and procedures for handling quality, health, safety and environment. The Group is committed to a work environment where all employees feel safe and are valued for the diversity they bring to the business. Vistin Pharma honours domestic and internationally accepted labour standards and support the protection of human rights. The Group does not tolerate any harassment or any act of violence of threatening behaviour in the workplace, including any sexual, age-related or racial harassment.

The people employed at Vistin Pharma are our most important resource for success, and the Group strives to create a healthy and safe environment for all employees and contractors. For Vistin Pharma AS, where 72 of the employees in the Group are employed, QHSE (quality, health, safety and environment) is an integral element of its business, and an electronic system is in place to monitor and follow-up any accident incidents. Key safety indicators, such as total recordable incidents (TRIs), are continuously monitored, and reported and reviewed on a monthly basis. Vistin Pharma AS reported one (1) TRI, which resulted in restricted work (RWC) during 2018 (2017: 0). The total sick leave for the Group for 2018 was 5.4% (2017: 5.3%) of the total working hours.

The Group's manufacturing plant for metformin is located in Kragerø, Norway, and its head office is located at Østensjøveien 27, Oslo, Norway.

Vistin Pharma has dedicated considerable resources to identify, analyse, control and reduce the emission levels at its manufacturing plant. During 2017, Vistin Pharma established a system in which all process water is being collected and analysed, and only discharged if the water quality is within approved levels. The system has been fully operational during 2018. Vistin Pharma has been operating within existing discharge permits, and has had no reported incidents relating to the environment during 2018.

Following the Group's initiatives, the risk for unwanted interruption or reduction of activity in the factory due to emissions issues is considered to be moderate to low.

RISK EXPOSURE AND RISK MANAGEMENT

Vistin Pharma's regular business activities entail exposure to various types of risk. The Group proactively manages such risks, and the Board regularly analyses its operations and potential risk factors and takes measures to reduce risk exposure. Vistin Pharma places a strong emphasis on Quality Assurance and has quality systems implemented, in line with the requirements for the pharmaceutical industry.

Operational risk

Vistin Pharma faces risks and uncertainties within its business operations and in the domestic and international market place. The Group's products are sold world-wide, and are primarily commodities, which are available from a large number of international suppliers. The Group has only one major production line and any extended stop in the production at this line, due to technical or other issues, would have a negative impact on sales volumes and thus the financial results of Vistin Pharma. The four largest customers of the Group account for approximately 80% of total sales revenue, and any significant reduction in the volumes purchased by some or all of these customers would have material negative impact on the financial results of the Group.

In addition, risk related to potential regulatory changes, new medications for the treatment of diabetes II, environmental issues connected to emission permits at the Group's production plant represent central risk factors to Vistin Pharma.

Financial risk

During 2018, the Group has invested in certain financial oil derivatives, which are outstanding as of 31 December 2018. Under these contracts, Vistin Pharma is financially exposed to the difference in USD price per metric ton between the two oil products ICE Gasoil and Sing380. The total contract volume is 150,000 metric tons.

The derivative contracts do not result in physical delivery of the oil products, but the market-to-market value of the derivatives is settled when the contracts are terminated by the Group. A margin call of approximately 20% of the total contract exposure, plus any unrealised losses on the contracts, is deposited with the counter party, as security for any potential losses. The Group had deposited NOK 158.3 million in margin-call as of 31 December 2018.

Derivative transactions by their nature entail exposure to adverse changes in commodity prices, and risks related to derivatives could be exacerbated by volatility in the commodity, financial and other markets. There can be no assurance that the Group will be able to successfully manage the derivative contracts held. Losses may be substantial, and this would have a material adverse effect Vistin Pharma's financial results and condition.

In addition to the financial risk related to the oil derivative contracts, the financial risk of the Group is principally related to liquidity risk, credit and risk foreign currency risk.

The Group's main strategy to manage liquidity risk is to maintain a strong balance sheet. Vistin Pharma had cash and cash equivalents of NOK 320.7 million (NOK 85.3 million), and no interest bearing debt at 31 December 2018, and the Group's liquidity is considered solid.

Vistin Pharma has no major financial assets other than cash and cash equivalents and trade receivables. The trade receivables relate to customers of Vistin Pharma AS, and the Group is tightly managing these receivables. The Group's overall credit risk is considered moderate to low.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to Vistin Pharma's operating activities.

Vistin Pharma offers metformin to the global pharmaceutical market and the Group is exposed to currency exchange fluctuations, as most sales are in EUR, while raw-material purchases are mainly denominated in USD. The Group also have foreign currency denominated cash deposits. The Group may enter into currency hedging contracts to reduce the foreign exchange risk.

Further details on financial risk, including the sensitivity analysis required by IFRS, can be found in Note 15 to the Consolidated Financial Statements.

SHAREHOLDER RELATIONS AND CORPORATE GOVERNANCE

Corporate governance

The Board of Directors and Executive Management are committed to complying with rules and regulations that apply to Vistin Pharma's business. Vistin Pharma's corporate governance guidelines, (the "CCGP"), have been prepared to comply with the current Norwegian Code of Practice for Corporate Governance (the "Code"). The CCGPs has been prepared in accordance with Section 3-3b of the Norwegian Accounting Act, and are available on Vistin Pharma's website. A report on Vistin Pharma's corporate governance is provided in a separate section of the annual report for 2018.

Dividend policy

It is Vistin Pharma's objective to generate returns to the shareholders in the form of dividends and/or share appreciation, which is at least on the same level as other investment possibilities with comparable risk.

Investor relations

The Board of Directors and the Executive Management of Vistin Pharma place considerable importance on providing the shareholders and the financial market in general with timely, relevant and current information regarding the Group and its activities, in accordance with the laws and regulations imposed by the Norwegian Securities Trading Act and the Oslo Stock Exchange.

OUTLOOK

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

Vistin Pharma has invested in energy related financial instruments, and the performance of these investments will be dependent on the development in the international energy market.

VISTIN PHARMA ASA (PARENT COMPANY)

The parent company, Vistin Pharma ASA (the "Company"), is a holding company, with financial activities, but no operating activities. The Company had a net loss of NOK 76.8 million (profit NOK 85.8 million) in 2018. Total assets as of 31 December 2018 were NOK 344.4 million (NOK 132.5 million), and the long-term intercompany receivables were NOK 186.0 million (NOK 72.0 million) at year-end 2018. The Company's cash balance at year-end 2018 was NOK 141.4 million (NOK 41.4 million). Total shareholders' equity at 31 December 2018 was NOK 338.5 million (NOK 112.9 million), and the equity ratio at 31 December 2018 was 98.3% (85.2%).

The Board of Directors will not propose a dividend for 2019.

Oslo, 24 April 2019

Ole Enger
Chairman

Bettina Banoun
Board member

Mimi K. Berdal
Board member

Finn Bjørn Ruyter
Board member

Øystein Stray Spetalen
Board member

Espen Lia Gregoriussen
Board member

Åse Musum
Board member

Kjell-Erik Nordby
CEO

Responsibility Statement

We confirm that, to the best of our knowledge, the Financial Statements 2018, which have been prepared in accordance with IFRS as adopted by EU, gives a true and fair view of the Company's assets, liabilities, financial position and results of operations, and that the management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-5.

Oslo, 24 April 2019

Ole Enger
Chairman

Bettina Banoun
Board member

Mimi K. Berdal
Board member

Finn Bjørn Ruyter
Board member

Øystein Stray Spetalen
Board member

Espen Lia Gregoriussen
Board member

Åse Musum
Board member

Kjell-Erik Nordby
CEO

CORPORATE GOVERNANCE POLICY AND ANNUAL REVIEW

1. IMPLEMENTATION AND REPORTING OF CORPORATE GOVERNANCE

In accordance with the Norwegian Code of Practice for Corporate Governance (the "Code of Practice), cf. the latest version dated 17 October 2018, the Board of Directors of Vistin Pharma ASA ("Vistin Pharma" or the "Company") has prepared a Corporate Governance policy document. Vistin Pharma aspires to follow the Code of Practice as closely as possible and in situations where the Company's practice might diverge from the code, an explanation or comment will be provided.

The Board reviews the overall position of the Company in relation to the latest version of the Code of Practice annually and reports thereon in the Company's annual report in accordance with the requirements of the continuing obligations of stock exchange listed companies and the Code of Practice.

The Company's compliance with the Code of Practice is detailed in this section of the Annual Report and section numbers refer to the Code of Practice's articles. Vistin Pharma' Corporate Governance guidelines are published in full at the Company's website (www.vistin.com).

2. BUSINESS

Vistin Pharma ASA is a holding company for the two subsidiaries, Vistin Pharma AS and Vistin Trading AS.

Vistin Pharma AS is a pharmaceutical company producing Active Pharmaceutical Ingredients (APIs).

Vistin Trading AS was established in May 2018 to carry out investments in energy related financial instruments and other energy related investment opportunities. Vistin Pharma announced on 8 January 2019 that it would close this activity.

Vistin Pharma's business purpose is included in the Company's Articles of Association.

The Board evaluates the Company's strategy annually. The strategy process is followed by the approval of the budgets and key operating indicators for the following year, which is used as an important tool in evaluating the continuous performance of the Company. Vistin Pharma's strategy, objectives and risk management is further described in the Directors' Report.

3. EQUITY AND DIVIDENDS

Equity

The Company's consolidated equity at 31 December 2018 was NOK 348.9 million, representing an equity ratio of 69.8%. The Board aims to maintain an equity ratio that remains satisfactory in light of the Company's goals, strategy and risk profile.

Increases in share capital

The Board will only propose increases in the share capital when this is beneficial over the long term for the shareholders of the Company. At the Annual General Meeting held in May 2018, the Company received a general authority to increase the share capital by up to NOK 9,660,987 (representing up to 22% of the existing share capital) through the issue of new shares for general corporate purposes, including financing of investments, mergers and acquisitions and employee incentive plans. The Company's strategy is to grow its business organically, and potentially through acquisitions, and the Board believes that a general authority, without a specific purpose, is necessary to give the Company the required flexibility to secure the necessary financing, at the lowest possible costs, and that this is in the best interest of the Company's shareholders. The authority is limited in time to the annual general meeting in 2019.

Vistin Pharma has been given an authorisation to purchase its own shares, for a number of shares limited to 10% of the total issued shares of the Company. The authority was given at the Annual

General Meeting held in May 2018, and is limited in time to the Annual General Meeting in 2019.

Dividend policy

It is the Company's objective to generate returns to the shareholders in the form of dividends and share appreciation, which is at least on the same level as other investment possibilities with comparable risk. The Board will not propose a dividend at the 2019 annual general meeting.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company has only one class of shares. Each share entitles the holder to one vote and there are no voting restrictions. Each share has a nominal value of NOK 1.00. Any potential purchase of own shares shall be carried out via a stock exchange at market prices. There were no purchases of own shares during 2018.

Where the Board resolves to carry out an increase in share capital on the basis of an authority given to the Board, and waive the pre-emption rights of existing shareholders, the justification will be publically disclosed in connection with the increase in share capital.

Transactions with related parties shall be at arm's length and at fair value which, in the absence of any other pertinent factors, shall be at market value. All not immaterial transactions with related parties shall be valued by an independent third party, unless assessed and resolved upon by the General Meeting. Transactions with related parties are described in Note 25 to the Consolidated Financial Statements.

5. FREELY NEGOTIABLE SHARES

There are no limitations on trading of shares and voting rights in the Company, and each share gives the right to one vote at the Company's General Meeting.

6. GENERAL MEETING

Annual General Meeting

The General Meeting is the Company's supreme body and elects the members of the Board.

The call for the General Meeting

The Company observes the minimum notice period set out in the Norwegian Public Limited Companies Act, i.e. providing 21 days minimum notice period. The call for the General Meeting is issued in writing via mail, or electronically through VPS, to all shareholders with registered addresses. Transmitted with the summons are documents, which have sufficient detail for the shareholders to take a position on all the cases to be considered. Documents relating to matters which shall be considered at a General Meeting need not be sent to the shareholders if the documents have been made available to the shareholders on the Company's website. This also includes documents that according to law shall be incorporated into or be attached to the notice of the General Meeting. A shareholder may require that documents, which shall be considered at a General Meeting, are sent to the shareholder.

The summons also addresses the shareholder's right to propose resolutions to the matters to be resolved upon at the General Meeting, and gives information regarding the required steps necessary to exercise the shareholder's rights. The summons and the said documents are made available on the Company's web-site at least 21 days prior to the relevant General Meeting.

To register for the General Meeting, a shareholder is requested to submit a confirmation in writing via mail or fax, or by electronic registration directly through VPS.

The 2019 Annual General Meeting is scheduled for 22 May in Oslo, Norway.

Voting at the General Meeting

Any shareholder is entitled to vote at the General Meeting, and to cast a vote, a shareholder must attend, or give a proxy, to someone who is attending. The proxy form will be distributed with the summons to the General Meeting. A proxy will only be accepted if submitted by mail, fax, or e-mail (provided the proxy is a scanned document with signature), or registered directly through VPS. It is not possible to vote via the Internet, or in any other way. For shareholders who cannot attend the General Meeting, the Board will nominate the Chairman or the CEO to vote on behalf of shareholders as their proxy. To the extent possible, the Company uses a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

The attendance at the General Meeting

The Board and the management of the Company seek to facilitate the largest possible attendance at the General Meeting. The chairman of the Board and the CEO will always attend the Annual General Meeting. In addition, the chairman of the Election Committee may also attended the Annual General Meeting, and other members of the Board and the Election Committee will attend whenever practical. The Code of Practice recommends that all Board members and the chairman of the Election Committee are present at the annual general meeting.

Chairman of the meeting and minutes

The chairman of the Board, or another person nominated by the Board, will declare the General Meeting for open. The Code of Practice recommends that an independent person is appointed to chair the General Meeting. Considering the Company's organisation and shareholder structure the Company considers it unnecessary to appoint an independent chairman for the General Meeting, and this task will for practical purposes normally be performed by the chairman of the Board. However, the need for an independent chairman is evaluated in advance of each General Meeting based on the items to be considered at the General Meeting. The minutes from the General Meeting are made available at the Company's website on the day of the General Meeting.

7. ELECTION COMMITTEE

The Company's Election Committee is regulated by article 11 if the articles of association. The Election Committee is elected by the General Meeting, which also appoints the chairman of the Election Committee. The members of the Election Committee should be selected to ensure there is a broad representation of shareholders' interests.

The work

The Election Committee's task is to propose candidates for election to the Board of Directors and to suggest remuneration for the Board. The election Committee usually have direct contact with the largest shareholders, existing Board members and the CEO of the Company as part of their proposal for Board members at the annual general meeting. Shareholders may propose board members through the chairman of the Election Committee. Any proposals to the Election Committee should be submitted in writing to the chairman of the Election Committee no later than 15 April. The recommendations by the Election Committee shall be justified.

The Election Committee currently consists of two members, who shall be shareholders or representatives of the shareholders, and no more than one member of the Election Committee shall be a member of the Board. The members of the Election Committee are elected for a period of two years at a time. Further information on the duties of the Election Committee can be found in the Instructions to the Election Committee, which has been approved by the General Meeting and made available on the Company's website.

The Election Committee's composition is designed to maintain its independence from the Company's administration.

The Election Committee currently consists of the following members:

Martin Nes, Chairman (member since 2015; up for election in 2019)

Nils Erling Ødegaard, (member since 2017; up for election in 2019)

Further information on the membership is available on the Company's webpage.

8. THE BOARD OF DIRECTORS - COMPOSITION AND INDEPENDENCE

The chairman and the other members of the Board are elected for a period of two years at a time, and the Board currently consists of five shareholder elected members. In addition, two members are elected by the employees of the Group. All members of the Board may be re-elected for a period of up to two years at a time. The Company's Executive Management is not represented on the Board of Directors. All the current members of the Board are independent of the Company's Executive Management. The Board member Øystein Stray Spetalen controls directly, or indirectly, approx. 18.4% of the shares in the Company.

In electing members to the Board, it is

emphasised that the Board has the required competence to independently evaluate the cases presented by the Executive Management as well as the Company's operations. It is also considered important that the Board functions well as a body of colleagues.

The current composition of the Board, including Board members' shareholding in Vistin Pharma per the date of this annual report, is detailed below.

Name	Position in the Board	Member since (year)	Up for election (year)	Committee membership	Shareholding in Vistin Pharma*
Ole Enger	Chairman	2015	2019	Rem. Comm.	141,471
Bettina Banoun	Member	2018	2020		-
Mimi K. Berdal	Member	2017	2019	Rem. Comm.	-
Finn Bjørn Ruyter	Member	2018	2020		-
Øystein Stray Spetalen	Member	2015	2019		8,147,929 (1)
Espen Lia Gregoriussen	Member	2017	2019		-
Åse Musum	Member	2015	2019		2,201

* At the date of the Annual Report

1. Shares owned by Øystein Stray Spetalen, or companies controlled by, or associated with him, (Saga Tankers AS, AS Ferncliff, Ferncliff Listed DAI AS)

Brief biographies on the Board members can be found on the Company's web page.

9. THE WORK OF THE BOARD

The Board's work follows an annual plan for its work. The annual plan is generally revised in December each year, and includes the number of meetings to be held and specific tasks to be handled at the meetings. Typical tasks that are handled by the Board during the year includes an annual strategic review, review and approval of the following year's budget, evaluation of management and competence required, and continuous financial, operational and risk reviews based on budget or prognosis. The Board has held eight meetings since the Annual General Meeting in 2018, and to the date of this report. The Board members attended all the Board meetings, either in person or by phone, with the exception of Mimi K. Berdal and Øystein Stray Spetalen, whom were present at seven meetings.

The instructions to the Board of Directors' are available on the Company's website.

Remuneration Committee

The Remuneration Committee, appointed by the Board, makes proposals to the Board on the employment terms and conditions and total remuneration of the CEO, and other members of Executive Management, as well as the details of any bonus plan for the employees. These proposals are also relevant for other management entitled to variable salary payments. The Board's instructions to the Remuneration Committee are available on the Company's website. The Remuneration Committee currently consists of Ole Enger (Chairman) and Mimi K. Berdal.

Audit Committee

The Company may have an Audit Committee appointed by the Board, however for practical purposes the full Board constitutes the Audit Committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the Executive Management shall at all times see to that the Company has adequate systems and internal control routines to handle any risks relevant to the Company and its business, hereunder that the Company's ethical guidelines, corporate values and guidelines for corporate social responsibility are maintained and safeguarded.

The Board carries out regular reviews of the Company's most important areas of exposure to risk and its internal control systems. The risk areas, changes in risk levels and how the risk is being managed, are regularly reviewed at Board meetings.

Vistin Pharma manufactures and sells pharmaceutical products through its subsidiary Vistin Pharma AS. These products are produced and sold in compliance with relevant international and local laws and regulations governing the pharmaceutical industry. Accordingly, the Company has implemented risk management systems in accordance with e.g. GMP and EHS guidelines.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration of Board members shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the business. The remuneration needs to be sufficient to attract both Norwegian and foreign Board members with the right expertise and competence. The compensation shall be a fixed annual amount and shall be determined by the Annual General Meeting based on a proposal from the Election Committee. At the Annual General Meeting on 8 May 2018, a resolution was passed approving the following fees for the period from the Annual General Meeting and until the Annual General Meeting in 2019: Chairman NOK 250,000, shareholder elected Board members NOK 150,000 each, employee elected shareholders NOK 75,000 each.

For more information on remuneration of the Board see note 24 to the Consolidated Financial Statements.

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board sets out the guidelines for remuneration of Executive Management and determines the salary and other compensation of the CEO, pursuant to relevant laws and regulations.

The statement regarding the determination of salary and other remuneration to Executive Management are presented as a separate agenda item at the Annual General Meeting, and any proposals for equity-based compensation (i.e. share option or share purchase plan) would usually be included as a separate agenda item. The statement regarding the determination of salary and other remuneration to Executive Management has been included in Note 13 to the Financial Statements for Vistin Pharma ASA.

For more information on remuneration of the CEO and other members of Executive Management see Note 24 to the Consolidated Financial Statements.

13. INFORMATION AND COMMUNICATION

The Board of Directors and the Executive Management of the Company assign considerable importance to giving the shareholders and the financial market in general timely, relevant and current information about the Company and its activities, while maintaining sound commercial judgement in respect of any information which, if revealed to competitors, could adversely influence the value of the Company.

Regular information is published in the form of Annual Reports and interim reports and presentations. It is the Company's aim to publish these reports within four weeks of the end of the relevant period in at least three of the four financial quarters. Vistin Pharma distributes all information relevant to the share price to the Oslo Stock Exchange in accordance with applicable laws and regulations.

The Company publishes all information concerning the Annual General Meeting, interim reports and presentations and other presentations on the Company website, as soon as they are made publically available.

The CEO and CFO hold a presentation each quarter in connection with the release of the interim reports, which is open to all interested parties. The Executive Management also holds regular meetings with shareholders and other interested investors.

14. TAKE-OVERS

The Board shall not without specific reasons attempt to hinder or exacerbate any attempt to submit a takeover bid for the Company's activities or shares, hereunder make use of any proxy for the issue of new shares in the Company. In situations of takeover or restructuring, it is the Board's particular responsibility to ascertain that all shareholders' values and interests are protected. If a take-over offer is made, the Board will issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board will arrange a valuation from an independent expert that shall be made public no later than the disclosure of the Board's recommendation.

15. AUDITOR

The Company's external Auditor is Ernst & Young AS. The Auditor participates in the Board meeting that approves the annual financial statements, and otherwise when required. The Auditor meets with the Board, without the Company's Executive Management being present, at least once a year.

The Auditor each year presents a plan for the implementation of the audit work, and following the annual statutory audit presents a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement.

The full Corporate Governance Policy is published on Vistin Pharma' home page: www.vistin.com.

(This page intentionally left blank)

VISTIN PHARMA GROUP- FINANCIAL STATEMENTS AND NOTES

Consolidated Statement of Comprehensive Income

For the year ended 31 December

(NOK 000's)	Note	2018	2017
Revenue	4	198 990	176 691
Other income	5	1 523	9 168
Total revenue and other income		**200 514**	**185 859**
Cost of materials	16	73 157	62 341
Payroll expenses	6	69 578	58 191
Depreciation, amortisation and impairment	13	5 332	2 702
Other operating expenses	8	57 053	48 606
Operating profit (EBIT)		**-4 606**	**14 020**
Finance income	9	4 878	107
Finance costs	9	85 576	6 766
Profit/(loss) before tax from continuing operations		**-85 304**	**7 360**
Income tax expense	10	-17 611	1 908
Profit/(loss) for the period from continuing operations		**-67 693**	**5 452**
Profit/(Loss) for the period from discontinued operations	11	**-5 933**	**64 948**
Profit/(Loss) for the period		**-73 626**	**70 400**
Profit/(Loss) for the period attributable to:			
Equity holders of the parent company		-73 626	70 400
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial losses on defined benefit plan	7	**95**	**535**
Income tax effect		**-21**	**-123**
Total comprehensive income for the period		**-73 700**	**69 988**
Comprehensive income attributable to:			
Equity holders of the parent company		-73 700	69 988
Earnings per share (NOK):			
Basic, profit attributable to equity holders of the parent	12	-2,09	4,13
Diluted attributable to equity holders of the parent	12	-2,09	4,13
Earnings per share for continuing operations (NOK):			
Basic, profit attributable to equity holders of the parent	12	-1,92	0,32
Diluted attributable to equity holders of the parent	12	-1,92	0,32

Consolidated Statement of Financial Position

As at 31 December

(NOK 000's)	Note	2018	2017
ASSETS			
Non-current assets			
Property, plant & equipment	13	88 550	71 686
Total non-current assets		**88 550**	**71 686**
Current assets			
Inventories	16	29 071	22 655
Trade receivables	17	27 363	30 003
Other receivables	17	12 126	20 042
Deferred tax assets	10	22 219	2 027
Cash and cash equivalents	18	320 733	85 336
Total current assets		**411 512**	**160 063**
Total assets		**500 062**	**231 749**
EQUITY AND LIABILITIES			
Equity			
Share capital	19	44 345	17 055
Share premium		273 401	1 074
Other paid in capital		2 777	
Retained earnings		28 329	102 028
Total equity		**348 852**	**120 157**
Non-current liabilities			
Pension liabilities	7	16 877	14 736
Total non-current liabilities		**16 877**	**14 736**
Current liabilities			
Trade payables	14	29 469	48 790
Income tax payable	10	-	1 032
Derivative financial instruments	14	84 971	-
Other current liabilities	21	19 893	47 032
Total current liabilities		**134 333**	**96 854**
Total liabilities		**151 210**	**111 590**
Total equity and liabilities		**500 062**	**231 749**

Oslo, 24 April 2019

Ole Enger
Chairman

Bettina Banoun
Board member

Mimi K. Berdal
Board member

Finn Bjørn Ruyter
Board member

Øystein Stray Spetalen
Board member

Espen Lia Gregoriussen
Board member

Åse Musum
Board member

Kjell-Erik Nordby
CEO

Consolidated Statement of Changes in Equity

For the year ended 31 December

		Attributable to equity holders of the parent				
(NOK 000's)	Note	Share capital	Share premium	Other paid in capital	Retained earnings	Total
Equity as at 01.01.2017		17 055	137 514	-	32 040	186 609
Profit (loss) for the period					70 400	70 400
Other Comprehensive income					-412	-412
Total comprehensive income					69 988	69 988
Dividend paid			-136 440			-136 440
Equity as at 31.12.2017		**17 055**	**1 074**	**-**	**102 028**	**120 157**
Equity as at 01.01.2018		17 055	1 074		102 028	120 157
Profit (loss) for the period					-73 626	
Other comprehensive income					-74	
Total comprehensive income					-73 700	-73 700
Private placement		26 786	278 355			305 140
Subsequent repair issue		504				504
Transactions costs share issue			-6 028			-6 028
Share-based payments				2 777		2 777
Equity as at 31.12.2018	19	**44 345**	**273 401**	**2 777**	**28 329**	**348 852**

Consolidated Statement of Cash flows

For the year ended 31 December

(NOK 000's)	Note	2018	2017
Cash flow from operating activities			
Net profit/(loss) before income tax from continuing operations		-85 304	7 360
Net profit/(loss) before income tax from discontinued operations	11	-6 062	62 045
Net profit/(loss) before income tax		**-91 366**	**69 405**
Adjustments to reconcile profit before tax to net cash flow:			
Income tax paid		-1 684	-4 221
Net interest (income)/expense	9	-634	1
Gain on sale of subsidiary		5 500	-71 142
Non-cash adjustment to reconcile profit before tax to cash flow:			
Depreciation, amortisation and impairment	13	5 346	4 527
Share-based payments		2 777	-
Unrealised foreign currency (gains)/losses		-	8 610
Unrealised financial derivatives (gains)/losses		84 971	-
Changes in working capital:			
Changes in trade receivables and trade creditors		-20 817	21 534
Changes in inventories		-6 416	-9 858
Changes in other accruals and prepayments		-17 161	-9 348
Net cash flow from operating activities		**-39 480**	**9 508**
Cash flow from investing activities			
Purchase of equipment and intangibles	13	-18 074	-35 550
Net proceeds from sale of subsidiary	11	-5 500	158 374
Interest received	9	799	107
Net cash flow from investing activities		**-22 775**	**122 931**
Cash flow from financing activities			
Proceeds from share issue		305 644	-
Transaction costs on the issue of shares		-7 828	-
Repayment of capital		-	-136 440
Interest paid	9	-165	-106
		297 651	**-136 546**
Net change in cash and cash equivalents		235 397	-4 104
Cash and cash equivalents beginning period		85 336	89 440
Cash and cash equivalents end period	18	**320 733**	**85 336**

Notes to the Financial Statement

Note 1 Corporate information

Vistin Pharma ASA ("Vistin Pharma" or the "Company") is a limited liability company, with its registered office at Østensjøveien 27, Oslo, Norway. Vistin Pharma's shares are listed on Oslo Børs in Norway under the ticker VISTIN. The Company was incorporated on 6 March 2015.

The consolidated financial statements of Vistin Pharma and its subsidiaries (collectively, the Group) for the year ended 31 December 2018 were approved for release by the Board of Directors on 24 April 2019.

The Group is principally engaged in the production and sale of metformin active pharmaceutical ingredient (API) and direct compressive granulate (DC) for the international pharmaceutical industry, as well as trading in energy related financial instruments.

Note 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements and directors' report are prepared in English only.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union, and are mandatory for fiscal years beginning on or after 1 January 2018, their interpretations adopted by the International Accounting Standards Board (IASB) and Norwegian disclosure requirements listed in the Norwegian Accounting Act. Furthermore, the consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. Any change in the fair value of these instruments is recognised in the statement of profit or loss as a finance income or cost.

The functional currency of Vistin Pharma ASA is the Norwegian krone (NOK), and the Group's presentation currency is NOK. All values are rounded to the nearest thousand (NOK 000), except when otherwise indicated.

2.2 Basis for consolidation

The Group's consolidated financial statements comprise Vistin Pharma ASA, and entities in which Vistin Pharma ASA has a controlling interest. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Non-controlling interest are included in the Group's equity.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Companies which have been bought or sold during the year are included in the consolidated financial statements from the date when control is achieved and until the date when control ceases. Acquisition-related costs are expensed as incurred and included in operating expenses.

When the Group acquires a business, it assesses the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and relevant conditions as at the acquisition date.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale and recognised at fair value less cost to sell, and deferred tax assets and liabilities which are recognised at nominal value.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in the income statement as financial income or expense. If the contingent consideration is classified as equity, it will not be remeasured and subsequent settlement will be accounted for within equity.

Note 2 Summary of significant accounting policies (continued)

If the business combination is achieved in stages, the fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is recognised at fair value and the difference between the consideration and the carrying amount of the asset is recognised at the equity attributable to the parent.

In cases where changes in the ownership interest of a subsidiary lead to loss of control, the consideration is measured at fair value. Assets and liabilities of the subsidiary and non-controlling interest at their carrying amounts are derecognised at the date when the control is lost. Differences between the consideration and the carrying amount of the asset are recognised as a gain or loss in profit or loss. Investments retained, if any, are recognised at fair value, and surplus or deficits, if any, are recognised in profit and loss as a part of gain/loss on subsidiary disposal. Amounts included in other comprehensive income are recognised in profit or loss or directly as equity.

2.3 Segment reporting

For management purposes the Group has organised its activities in two operating units; Pharmaceuticals and Energy Trading. The internal reporting provided to the Board of Directors of Vistin Pharma, which is the Group's chief operating decision maker, is in accordance with this structure. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. However, the Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis and are not allocated to operating segments.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met, as described below.

Revenue from contract with customers

The Group recognises its revenue according to IFRS 15 Revenue from Contracts with Customers. The revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group exercises judgement and take all relevant facts and circumstances into consideration when recognising revenue from contracts with customers.

The Group's revenue is principally from the sale of metformin API. The sale of metformin API will be recognised at a point in time when the customer obtains control of the goods, which is usually when the metformin has been shipped from the Group's warehouse, or the metformin is loaded on-board in departing ships at port.

Government grants

Government grants, including SkatteFunn, are recognised when it is reasonable certain that the grant will be received and all conditions have been complied with. When the grant relates to actual

Note 2 Summary of significant accounting policies (continued)

expenses incurred, it is recognised as income over the period necessary to match the grant on a systematic basis to the cost that is intended to compensate. Grants are recognised in Other Income in the consolidated statement for profit and loss.

Other income

Transactions resulting in income from activities other than normal sale of pharmaceutical products are classified as Other Income. This includes e.g. sale of analytical services, government grants, sales of subsidiaries and insurance compensation.

2.5 Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency (NOK) of the entity by applying the rate of exchange as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the balance sheet date. Foreign exchange gain or losses resulting from the settlement of such transactions, as well as unrealised gain or losses on monetary assets and liabilities, are recognised as financial income/cost in the consolidated statement of profit and loss.

2.6 Discontinued operations

A disposal of a business unit qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 11. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2.7 Balance sheet classification

The Group presents assets and liabilities in consolidated statement of financial position on current/non-current classification. An asset is current when it is expected to be realised or intended to sold or consumed in normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current. A liability is current when it is expected to settle in normal operating cycle, it is held for primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

2.8 Property, plant and equipment

Land, buildings and fixtures comprise mainly of the metformin production facility in Kragerø. The production facility is used in production of pharmaceutical products sold by Vistin Pharma. Other equipment is mainly made up of machines used in production, as well as office related equipment and vehicles.

Property, plant and equipment is stated at historical cost, less depreciation and/or impairment losses, if any. Such cost includes expenditures that are directly attributable to the acquisition of the items.

Note 2 Summary of significant accounting policies (continued)

Costs accrued for major replacements and upgrades to equipment are added to cost if it is probable that the costs will generate future economic benefits and if the costs can be reliably measured, and assets replaced are retired.

Expenditures for maintenance and repairs applicable to production facilities and production equipment are capitalised in accordance with IAS 16 Property, Plant and Equipment when such costs are incurred on a scheduled basis with a time interval of greater than one year. Expenditures that regularly occur at shorter intervals are expensed as incurred.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings and fixtures: 20 - 25 years

Other equipment: 3 - 10 years

The residual values, useful lives and methods of depreciation of production and lab equipment and other equipment are reviewed at each financial year end and adjusted, if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's net sales value and its value in use.

An item of equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out (FIFO) method. The cost of finished goods comprises materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less variable selling expenses.

2.10 Financial assets

IFRS 9 contains three principal classification categories for financial assets; measured at amortised cost, fair value through Other Comprehensive Income and fair value through profit or loss.

The classification of financial assets of the Group at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Note 2 Summary of significant accounting policies (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and other short-term deposit. Accounts receivable that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers (see further information on trade receivables below).

Financial assets at fair value through OCI

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Impairment of financial assets

Other than trade receivables, the Group has limited financial assets subject to IFRS 9's new expected credit loss model (ECL). For trade receivables, the Group applies a simplified approach to provide for expected credit losses as prescribed by IFRS 9. The new model did not result in any changes to allowance for doubtful receivables as at 1 January 2018.

Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand and other short-term highly liquid investments with original maturities of three months or less. In the consolidated balance sheet, any bank overdrafts are shown within borrowings in current liabilities.

Note 2 Summary of significant accounting policies (continued)

Trade receivables and other receivables

Trade and other receivables are classified at amortised cost and recognised at the original invoiced amount less an allowance for doubtful receivables. The Group applies a simplified approach to provide for lifetime Expected Credit Losses (ECL) in accordance with IFRS 9. The invoiced amount is considered to be approximately equal to the value which would be derived under the amortised cost method.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

a. the Group has transferred substantially all the risks and rewards of the asset, or

b. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The loss is recognised in the consolidated income statement.

2.11 Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities principally include trade and other payables, loans and borrowings including bank overdrafts.

Trade and other payables

Trade payables are recognised at the original invoiced amount. Other payables are recognised initially at fair value. Trade and other payables are valued at amortised cost using the effective interest rate method. The interest rate element is disregarded if it is insignificant, which is the case for the majority of the group's trade payables.

Interest bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest rate (EIR) method. Gains and losses

Note 2 Summary of significant accounting policies (continued)

are recognised in profit and loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium and costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the consolidated statement of profit and loss.

2.12 Financial derivatives

The Group uses forward currency contracts to hedge its foreign currency risks, and invests in energy related derivative financial instruments. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any change in the fair value of these instruments is recognised in the statement of profit or loss as a finance income or cost. None of the forward contracts used by the Group are designated as hedging instruments.

2.13 Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Current and deferred income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognised to the extent that is probable that future taxable profit will be available against for which unused tax losses and unused tax credits can be utilised. A deferred tax assets arising from unused tax losses or tax credit are only recognised to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence supporting the utilisation of the tax losses and tax credits. The carrying amount of deferred tax asset is reviewed at the end of each reporting period. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity or taxation authority.

Note 2 Summary of significant accounting policies (continued)

2.15 Employee benefits

The Group has a mandatory defined contribution plan for all employees. In addition, the Group has an unfunded defined benefit plan for the CEO.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to pension insurance plans. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Defined benefit plans typically defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. As the Group operates an unfunded defined benefit plan, they have no plan assets. The pension obligation is funded through the Group's operations.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes and curtailments and settlements. Past-service costs are recognised immediately in income.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

2.16 Share-based compensation

The Group operates an equity-settled compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the option is recognises as an expense (payroll expenses) over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (e.g., an entity's share price).
- Excluding the impact of any service and non-market performance vesting conditions.
- Including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. If options are forfeited, the expenses relating to those options are reversed. The fair value of the options have been estimated at grant date and is not subsequently changed.

When the options are exercised, and the Company elects to issue new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Note 2 Summary of significant accounting policies (continued)

2.17 Provisions and contingent liabilities

General
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of the money and the risks specific to the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Events after the balance sheet date

New information on the Group's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the Group's position at the balance sheet date, but which will affect the Group's position in the future, are stated if significant.

Changes in accounting policies and disclosures

The Group applied for the first time certain new standards or amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any standards, interpretations or amendments that have been issued but are yet not effective. The nature and the impact of each amendment is described below:

IFRS 9 Financial instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 was effective from 1 January 2018. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group has applied IFRS 9 with effect from 1 January 2018 retrospectively. The Group has not had any significant impact on the balance sheet or equity implementing the new standard.

No signidcant changes were made for the Group's expected loss recognition process to satisfy IFRS 9's financial asset impairment requirements. The credit risk related to the Group's financial assets measured at amortised cost is immaterial.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard supersedes all current revenue recognition requirements under IFRS. The standard was effective for annual periods beginning on or after 1 January 2018 and either a full retrospective application or a modified retrospective application is required.

The Group has applied IFRS 15 with effect from 1 January 2018, and has used the modified retrospective transition method. The revenue recognition principles already used by the Group are in line with IFRS 15, and the new Standard has thus not had an impact on the financial results of the Group.

Standards issued but not yet effective

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 and SIC 15 and 27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for financial leases under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard introduces two exemptions for lessees – leases of "low-value assets" and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date the lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Group has in 2018 reviewed its lease agreements and assessed the potential effects of IFRS 16 on its consolidated financial statements. The Group will implement IFRS 16 using the modified retrospective method for all lease agreements existing on the implementation date. Comparative figures will not be restated when using the modified retrospective method. The Group will apply transition reliefs where the lease asset will be equal to the lease liability at the transition date. The Group will apply the two recognition exemptions in the standard, for low value items and short-term leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group's assessment has identified a potential increase on the Group's balance sheet (assets and liabilities) in the range of NOK 3.8 million to NOK 3.9 million, with no effect on the book value of total equity (Right of Use Asset equal to Lease Liability).

This implies a reduction of the equity ratio as of 31 December 2018 of approximately 0.6 percentage points (i.e. equity ratio of 69.2%).

The total cost over the lease term will remain unchanged after the implementation of IFRS 16. However, IFRS 16 will result in a front-loading of expenses and reclassification of costs from operating profit before interest and tax (EBIT) to net financial items. In the Consolidated Statement of Comprehensive Income, operating lease costs (included in other operating expenses) will be replaced by depreciation and interest expenses. As a result, the Group expects the EBIT to increase by approximately NOK 0.1 million, when compared to what EBIT would have been if IFRS 16 was not implemented.

In the cash flow statement, the part of lease payments that relates to repayment of the lease liability will be reclassified from cash flows from operations to cash flows from financing.

Note 2 Summary of significant accounting policies (continued)

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Note 3 Critical accounting estimates and judgements in terms of accounting policies

The preparation of the Group's consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Discontinued operations

The Group's CMO and opioids businesses were sold in October 2017, and the financial results of these activities for 2018 and 2017 have been classified as discontinued operations. Some of the business functions in the Group have prior to this sale been shared between the metformin, CMO and opioids businesses, and the costs relating to these functions have been split between these businesses based on predefined allocation principles. These allocation principles have also been used when measuring the Group's segment performance prior to the sale, and the same principles have been applied in measuring the results of continuing and discontinued operations. Some of the costs allocated to the CMO and opioids businesses prior to October 2017, and thus included in discontinued operations, have still been incurred by the Group after the sale, and are thus included within continuing operations from October 2017. Using a different approach to the allocation of the shared business functions could have a material impact on how the Group's financial results are split between continuing and discontinued operations.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment the carrying amounts of assets and liabilities within the next financial year, are described below.

Inventories

Inventories include finished goods and work-in-progress produced by the Group. The cost of finished goods comprises materials, direct labour, other direct costs and related production overheads. The allocation of labour costs and other direct and indirect production costs are estimated based on a standard cost model assuming normal operating capacity and production volumes, and any changes in these assumptions could result in adjustments to the carrying amount of inventories.

Note 3 Critical accounting estimates and judgements in terms of accounting policies (continued)

Financial derivatives

The Group has invested in financial oil derivatives with a commercial bank as a counterparty. The value of these oil derivatives are obtained from the commercial bank. The derivatives are valued by the commercial bank based on the prices of the underlying financial instruments, which our quoted in regular markets. The valuation is based on an assumptions that the financial instruments can be sold at the quoted market price. However, some of these financial instruments may not be widely traded, and poor liquidity in the market for these financial instruments may have resulted in a lower price, should the financial instruments have been sold at the balance sheet date, and thus resulted in a materially different loss or gain on these financial oil derivatives. Additional disclosures are provided in Note 14 and 15.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the options at the date at which they are granted. Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including expected life of the share option and volatility and making assumptions about them. The assumptions and model used for estimating fair value for share-based payment transaction are disclosed in Note 20.

Fixed Assets

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The management has performed a value in use calculation at an aggregate level for the fixed assets at 31 December 2018. The value in use calculation was based on a discounted cash flow model, and requires the use of estimates. The cash flows are derived from the budgets and forecasts for the next 10 years, including any future capital investments. The recoverable amount is most sensitive to the forecasted sales volumes, and the timing of these, as well as the discount rate used for the discounted cash flow model. Additional disclosures are provided in Note 13.

Note 4 Segment Information

Following the establishment of the energy trading business during 2018, the Group has two operating segment, which is the production and sale of metformin products and energy trading. Subsequent to year-end, the Group has decided to close down the energy trading business.

Total revenue and other income

(NOK 000's)	2018	2017
Pharmaceuticals	200 513	185 859
Energy Trading	-	-
HQ & other	-	-
Total revenue and other income	**200 513**	**185 859**

EBITDA

(NOK 000's)	2018	2017
Pharmaceuticals	11 523	19 523
Energy Trading	-6 969	-
HQ & other	-3 828	-2 802
EBITDA	**726**	**16 722**

EBT

(NOK 000's)	2018	2017
Pharmaceuticals	9 574	10 130
Energy Trading	-91 401	0
HQ & other	-3 476	-2 770
EBT	**-85 303**	**7 360**

Operating assets

(NOK 000's)	2018	2017
Pharmaceuticals	122 764	122 317
Energy Trading	-	-
HQ & Other	355 078	107 405
Total operating assets	**477 842**	**229 722**

Operating liabilities

(NOK 000's)	2018	2017
Pharmaceuticals	26 996	43 371
Energy Trading	84 982	-
HQ & Other	39 232	67 187
Total operating liabilities	**151 210**	**110 559**

Reconciliation of assets

(NOK 000's)	2018	2017
Segment operating assets	477 842	229 722
Deferred tax assets	22 219	2 027
Total operating assets	**500 062**	**231 749**

Reconciliation of liabilities

(NOK 000's)	2018	2017
Segment operating liabilities	151 210	110 559
Tax payable	-	1 032
Total operating liabilities	**151 210**	**111 590**

Note 4 Segment Information (continued)

Geographic information

Revenue and other income

(NOK 000's)	2018	2017
Revenue from contracts with customers:		
Germany	61 600	69 664
Switzerland	37 287	46 992
Algeria	52 971	37 148
Japan	8 741	-
Mexico	5 689	8 992
Italy	4 097	5 888
Polen	20 535	-
Norway	2 135	694
Other countries	5 935	7 313
Total revenue from contracts with customers	**198 990**	**176 691**
Other income:		
Norway	1 523	9 168
Total other income	**1 523**	**9 168**

The information above is based on the location of the customers.

The Group has four customers with sales that amount to 10% or more of the Group's revenue:

(NOK 000's)	2018	2017
Customer A	52 971	52 056
Customer B	50 789	37 148
Customer C	36 597	34 287
Customer D	20 535	-

Non-current operating assets

(NOK 000's)	2018	2017
Norway	88 550	71 686
Non-current operating assets	**88 550**	**71 686**

Note 5 Other income

(NOK 000's)	2018	2017
Tax credit scheme (Skattefunn)	440	-
Other income	1 083	9 168
Total	**1 523**	**9 168**

Other income for 2018 relates principally to sundry services rendered to customers. In 2017, Vistin Pharma received NOK 10.8 million in insurance proceeds relating to a reactor failure in 2016.

Note 6 Payroll expenses

(NOK 000's)	2018	2017
Salaries	51 413	90 109
Payroll tax	8 003	13 439
Pension costs - defined contribution plans	3 064	5 484
Pension costs - defined benefit plan	2 046	1 912
Estimated value of share options granted to employees	2 777	-
Other payroll costs	2 249	4 032
Total payroll and payroll related costs	**69 553**	**114 975**
Total payroll and payroll related costs continuing operations	69 578	58 191
Total payroll and payroll related costs discontinued operations	-25	56 784
Total payroll and payroll related costs	**69 553**	**114 975**
Average number of man-years	**74,5**	**132,1**

Vistin Pharma AS and Vistin Trading AS are required to have an occupational pension plan ("tjenestepensjon"), and the Group has a plan that meets the Norwegian requirements for mandatory occupational pension ("obligatorisk tjenestepensjon"). The Group also has a defined benefit plan for the CEO of Vistin Pharma. Further information on the pension costs related to the defined benefit plan can be found in Note 7.

Note 7 Post-employment benefits

The Group operates an unfunded defined benefit early retirement plan for the CEO. The plan is a pension plan, which provides benefits in the form of a certain level of pension payable from the age of 62. The pension plan is funded through the Group's operations, which means that the Group meets the benefit payment obligation as it falls due. Additional disclosure is provided in Note 24.

The amounts recognised in the balance sheet are determined as follows:

(NOK 000's)	2018	2017
Fair value of plan assets		**-**
Present value of unfunded obligations	16 877	**14 736**
Liability in the balance sheet (including local tax)	**16 877**	**14 736**

The movement in the defined benefit liability over the year is as follows:

(NOK 000's)	2018	2017
At 1 January*	14 736	12 288
Current service cost	1 483	1 396
Local tax	253	236
Interest expense/(income)	310	280
	16 782	**14 200**
Remeasurements:		
(Gain)/Loss from changes	95	535
	95	**535**
Payments from plans:		
Benefit payments	-	-
Settlements	-	-
At 31 December	**16 877**	**14 735**
Net expense recognised in the Income Statement	**2 046**	**1 912**

Note 7 Post-employment benefits (continued)

The significant actuarial assumptions were as follows:

	31.12.2018	31.12.2017
Discount rate	2,60 %	2,40 %
Inflation	1,50 %	1,50 %
Salary growth rate	2,75 %	2,50 %
Pension growth rate	2,50 %	2,25 %

Nordea has issued a guarantee of NOK 14.2 million to cover future pension payments under the defined befit plan for the CEO. The guarantee is covered by a pledge over the fixed assets of the Group.

Note 8 Other operating expenses

(NOK 000's)	2018	2017
Production costs	35 373	34 761
Sales costs	7 846	6 509
General & admin. expenses	13 834	7 336
Other operating expenses	**57 053**	**48 606**

Remuneration to the Auditors

(NOK 000's)	2018	2017
Statutory audit	330	387
Other attestation services	-	83
Tax advisory services	75	72
Total remuneration to auditors	**404**	**542**

All fees are exclusive of VAT.

Note 9 Financial items

(NOK 000's)	2018	2017
Interest income from bank deposits, money-market funds etc.	799	107
Other financial income	9	-
Net foreign exchange gain	4 070	-
Total finance income	**4 878**	**107**
Interest expenses	165	106
Other financial expenses	440	533
Losses on derivative financial instruments	84 971	-
Net foreign exchange loss	-	6 127
Total finance costs	**85 576**	**6 766**
Net finance	**-80 698**	**-6 659**

Note 9 Financial items (continued)

During 2018, the Group entered into financial oil derivatives with a commercial bank as counterparty. These derivatives are valued based on the prices of the underlying oil products, which are quoted in regular markets. Under these contracts, the Group is financially exposed to the difference in USD price (spread) per metric ton between ICE low sulphur Gasoil and Sing380. The total contract volume is 150,000 metric tons, and the contracts held on 31 December 2018 expire on 31 December 2020. As of 31 December 2018, the market-to-market value of these contracts was negative NOK 85.0 million, which has been included as a financial liability in the statement of financial position. A margin call of approximately 20% of the total contract exposure, plus the unrealised losses on the contracts, is deposited with the counter party, as security for any potential losses. The actual minimum margin requirement as of 31 December 2018 was NOK 158.3 million.

Refer to Note 15 for information on currency risk and risk and risk related to the derivative financial instruments.

Note 10 Tax

(NOK 000's)	2018	2017
Profit/(loss) before tax from continuing operations	-85 304	7 360
Profit/(loss) before tax from discontinued operations	-6 062	62 045
Profit/(loss) before taxes	**-91 366**	**69 405**
Permanent differences (1)	7 926	-73 916
Permanent differences recognised to equity	-7 828	9 050
Changes in temporary differences	79 987	6 090
Non-deductible interest expense	-	2 723
Basis for income tax	**-11 280**	**13 352**

Income tax payable	-	1 033
Tax effect of change in net deferred income tax liability/asset	-20 992	-2 027
Tax effect on permanent differences recognised to equity	1 800	-
Tax effect tax rate reduction	1 010	-
Prior year adjustments	441	-
Income tax expense	**-17 740**	**-994**
Income tax expense reported in the statement of comprehensive income	-17 611	1 908
Income tax attributable to discontinued operations	-129	-2 904
	-17 740	-996

Reconciliation of income tax

(NOK 000's)	2018	2017
Profit before tax	-91 366	69 405
Tax assessed at the expected tax rate (23%)	-21 014	16 657
Tax effect permanent differences, profit & loss	1 823	-17 740
Tax effect tax rate reduction (from 23% to 22%)	1 010	88
Prior year adjustments	441	-
Income tax	**-17 740**	**-995**

Note 10 Tax (continued)

Recognised deferred tax assets & liabilities

(NOK 000's)	2018	2017
Fixed assets	11 652	11 429
Current assets	1 019	731
Pension liabilities	-14 898	-10 778
Derivatives	-84 930	-7 444
Non-deductible interest expense carried forward (2)	-1 902	-2 723
Tax losses carried forward	-11 279	-
Other (3)	-659	-30
Net income tax reduction/increase	**-100 997**	**-8 815**
Net deferred tax asset/-liability	**22 219**	**2 027**
Tax rate applied	**22 %**	**23 %**

Based on the financial forecasts for the Group the deferred tax asset at 31 December 2018 is expected to be fully utilised, and thus the full amount has been included as carrying value in the balance sheet at year-end.

(1) The permanent differences for 2017 relate primarily to the sale of the CMO and opioids businesses, which was carried out through a demerger and subsequent sale of shares in subsidiary. The demerger was carried out using tax related continuity, and the sale of shares is taxable under the exemption method.

(2) The carry-forward of non-deductible interest expense is limited to five years.

(3) Other items mainly relate to pension costs recognised directly through equity.

Note 11 Discontinued operations

On 2 October 2017 the Group sold its CMO and opioids business to TPI Enterprises Limited ("TPI") for a final purchase consideration of NOK 165.8 million. The transaction was structured through a demerger of these businesses from the wholly owned subsidiary Vistin Pharma AS, into a newly established subsidiary, TPI Norway AS, which shares were sold to TPI. The net financial gain for the Group from this sale is shown in other income for 2017 in the results for the CMO and opioids business presented as discontinued operations below. The negative other income in 2018 of NOK 5.5 million represents the settlement of a warranty claim from TPI relating to the sale. The operating expenses for discontinued operations in 2018 represent other sundry costs incurred in early 2018 relating to the CMO and opioids business sold.

Note 11 Discontinued operations (continued)

(NOK '000's)	2018	2017
Revenue	-	153 747
Other income	-5 500	76 532
Total operating income	**-5 500**	**230 279**
Cost of materials	(69)	85 056
Payroll expenses	(25)	56 784
Other operating expenses	643	24 570
Depreciation, amortisation and impairment	14	1 825
Profit/(loss) before tax from discontinued operations	**-6 062**	**62 045**
Income tax expense	-129	-2 903
Profit/(loss) for the period from discontinued operations	**-5 933**	**64 948**

The net cash flows incurred by the discontinued operations are, as follows:

(NOK '000's)	2018	2017
Net cash flow from operating activities	-549	-18 782
Net cash flow from investing activities	-5 500	155 308
Net cash flow from financing activities	-	-
Net cash flow	**-6 049**	**136 526**

Details on the accounting policies applied for discontinued operations are provided in Note 2.

Note 12 Earnings per share

Basic earnings per share (EPS) are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

(NOK 000's)	2018	2017
Profit attributable to owners of the parent	-67 693	5 452
Profit/loss from discontinued operations attributable to owners of the parent	-5 933	64 948
Total	**-73 626**	**70 400**
Weighted average number of ordinary shares (in thousands)	35 248	17 055
Effects of dilution from share options	2 200	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**37 448**	**17 055**
Basic earnings per share (NOK)	-2,09	4,13
Diluted earnings per share (NOK)	-2,09	4,13
Basic earnings per share from continuing operations (NOK)	-1,92	0,32
Diluted earnings per share from continuing operations (NOK)	-1,92	0,32

Note 13 Property, plant and equipment

(NOK 000's)	Property and plants	Constructions in progess	Machines and equipment etc.	Total
Cost				
At 1 January 2017	29 550	4 566	25 057	59 173
Additions	288	16 586	18 675	35 549
Sales of subsidiary	-3 880	-449	-11 890	-16 219
At 31 December 2017	25 958	20 703	31 842	78 502
Additions	958	15 022	6 231	22 211
Sales of subsidiary				-
At 31 December 2018	26 916	35 725	38 070	100 712
Depreciation and impairment				
At 1 January 2017	2 190	-	3 431	5 621
Depreciation charge for the year	1 581	-	2 946	4 527
Sales of subsidiary	-865	-	-2 465	-3 330
At 31 December 2017	2 906	-	3 912	6 818
Depreciation charge for the year	1 273	-	4 073	5 346
At 31 December 2018	4 179	-	7 985	12 164
Net book value				
At 31 December 2018	22 738	35 725	30 085	88 550
At 31 December 2017	23 052	20 703	27 930	71 686
Useful life	20-25 years		3-10 years	

Construction in progress represents the costs incurred on a new production line and a new packaging line at the Group's production plant at Fikkjebakke, Norway. The installation of the new packaging line will be completed in the first quarter of 2019, while the completion of the new production line has been temporarily postponed until additional sales volumes have been secured from customers. The management has performed a value in use calculation on the Group's total property, plant and equipment as of 31 December 2018. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budgets and forecasts for the next 10 years, including any further capital investments required. Based on this assessment the value in use exceeds the carrying value of these assets at 31 December 2018.

Note 14 Financial assets and liabilities

Set out below is a comparison by class of carrying amounts and fair values of all financial instruments that are carried in the financial statements.

The financial assets principally consist of trade receivables and cash and cash equivalents obtained through the operating business. The financial liabilities principally consist of trade and other payables arising directly from its operations. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Note 14 Financial assets and liabilities (continued)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As of 31 December 2018

(NOK 000's)	Fair value level	Fair value through profit and loss	Loans and receivables at amortised cost	Other financial liabilities at amortised cost	Total book value	Fair value
Financial assets						
Trade receivables	3	-	27 363	-	27 363	27 363
Other receivables	3	-	12 126	-	12 126	12 126
Cash at bank	3	-	250 678	-	250 678	250 678
Money-market funds	2	70 055	-	-	70 055	70 055
Total		**70 055**	**290 167**	**-**	**360 222**	**360 222**
Financial liabilities						
Trade payables	3			29 469	29 469	29 469
Derivative financial instruments - currency	2	-41	-	-	-41	-41
Derivative financial instruments - energy	2	84 971	-	-	84 971	84 971
Other payables	3		-	19 934	19 934	19 934
Total		**84 930**	**-**	**49 403**	**134 333**	**134 333**

As of 31 December 2017

(NOK 000's)	Fair value level	Fair value through profit and loss	Loans and receivables at amortised cost	Other financial liabilities at amortised cost	Total book value	Fair value
Financial assets						
Trade receivables	3	-	30 003	-	30 003	30 003
Other receivables	3	-	18 864	-	18 864	18 864
Cash at bank	3	-	85 336	-	85 336	85 336
Money-market funds	2	-	-	-	-	-
Total		**-**	**134 203**	**-**	**134 203**	**134 203**
Financial liabilities						
Trade payables	3			48 790	48 790	48 790
Derivative financial instruments - currency	2	7 444	-	-	7 444	7 444
Derivative financial instruments - energy	2	-	-	-	-	-
Other payables	3		-	38 588	38 588	38 588
Total		**7 444**	**-**	**87 378**	**94 822**	**94 822**

Note 14 Financial assets and liabilities (continued)

For trade receivables, accounts payable and other short-term items, fair values are considered to be equal to carrying values due to their short-term nature.

The following methods and assumptions were used to estimate the fair values:

The Group has entered into derivative financial instruments with commercial banks, principally with Nordea, for currency forward contracts, and with DNB, for energy related derivative financial instruments. The fair value of forward contracts are derived from the EUR/NOK forward market rate at the end of the reporting period. The energy related financial instruments represent the price difference between different oil products, for settlement on a future date, and the fair value of these instruments are derived from the market value of these oil products at the end of the reporting period, which are quoted in regular markets. Details on these instruments below:

Type of instrument	Volume	Maturity	Book value 2018	Book value 2017
ICE low sulphur vs. Sing380	150,000 metric tons (2017: 0)	December 2020	-84 971	-

A margin call of approximately 20% of the total contract exposure, plus any unrealised losses on the contracts, must be deposited with DNB, as security for any potential losses on realisation for the contracts. The amount is subject to daily adjustments. The actual minimum margin requirement as of 31 December 2018 was NOK 158.3 million, which is the amount that could not be withdrawn at that date without reducing the number of derivative contracts outstanding. The amount is included in the Group's cash and cash equivalents.

The fair-value of money-market funds is based on published market prices by the fund manager, and market prices are published daily.

Note 15 Financial risk management

The Group is exposed to a variety of financial risks, principally credit, currency, price and liquidity risks, which are summarised below. The Group's senior management oversees the management of these risks, which is being reviewed by the Board of Directors on a regular basis.

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing and financing activities, principally deposits with banks and financial institutions and derivative financial instruments.

Customer credit risk

Customer credit risk is managed by the subsidiary Vistin Pharma AS, which is responsible for the pharmaceutical business, subject to established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed on an individual basis, and outstanding trade receivables are regularly monitored. Sales to customers with an unacceptable credit risk are covered by letter of credits, and all sales are settled in cash. For trade receivables the Group applies a simplified approach to provide for expected credit losses as prescribed by IFRS 9. There are no provisions for losses on trade receivables as of 31 December 2018, and there are no historic losses of significance. The risk of counterparties not meeting their contractual obligations will normally be related to the quality of the goods supplied.

Note 15 Financial risk management (continued)

Year ended 31.12	2018	2017
Trade receivables (NOK 000's)	27 363	30 003
Number of customers	14	32
Top 5 customers as a % of total trade receivables	94 %	82 %

Financial instruments and derivative credit risk

Surplus funds as only placed with, and derivatives are only traded through, major commercial banks. Cash deposits and money market funds and currency contracts are principally with Nordea and DNB, and the energy derivative contracts are with DNB. The counterparties for money market funds are (indirectly) entities with a credit rating of BBB and above.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily the Group's pharmaceutical business (when revenue or expense is denominated in a different currency from the Group's presentation currency), and the Group's foreign currency denominated cash deposits.

The Group's sales and raw material purchases are mainly denominated in EUR and USD respectively. The Group monitors its foreign currency exposure, both related to outstanding financial assets and liabilities and to future foreign currency denominated operating cash flow, on an ongoing basis. The Group utilises foreign currency denominated bank accounts to match sales and purchases in the same currency, and thus providing a natural hedge. The Group may enter into currency hedging contracts to reduce the foreign exchange risk. At 31 December 2018, the Group had outstanding forward contracts to sell EUR 1.5 million in January 2018, at a EUR/NOK rate of 9.99.

A sensitivity calculation have been carried out showing the Group's exposure based on the foreign currency items as of 31.12.2018:

Year ended 31.12	2018		2017	
(Currency 000's)	EUR	USD	EUR	USD
Trade Receivables	2 265	130	2 339	565
Bank accounts	-79	-47	378	245
Trade Payables	-837	-1 232	-98	-3 013
Other payables	-10	-26	-500	-204
Net assets in EUR / USD	**1 339**	**-1 174**	**2 119**	**-2 407**
Currency rates 31.12	9,95	8,69	9,84	8,21
Net assets/liabilities in NOK	**13 318**	**-10 205**	**20 847**	**-19 752**
Assuming the foreign currency to be reduced/increased by 5%:				
Foreign currency (reduction)/increase	-5 %	5 %	-5 %	5 %
Foreign currency rate	9,45	9,12	9,35	8,62
Net assets in NOK	**12 652**	**-10 715**	**19 805**	**-20 740**
Potential gain/(loss) NOK	**-666**	**-510**	**-1 042**	**-988**

The Group's exposure to foreign currency changes for all other currencies is not material.

Price risk - derivative financial instruments

During 2018, the Group has invested in financial oil derivatives with DNB as counterparty. These derivatives are valued based on the prices of the underlying oil products. Under these contracts, the Group is financially exposed to the difference in USD price per metric ton between ICE Gasoil and Sing380. An increase in the price of ICE Gasoil will increase the value of the contracts, assuming that all other variables remain constant. An increase in the price of Sing380 will reduce the value of the

Note 15 Financial risk management (continued)

contracts, assuming that all other variables remain constant. The total contract volume is 150,000 metric tons, and the contracts held as of 31 December 2018 expire on 31 December 2020. A sensitivity calculation have been carried out showing the Group's exposure based on the contracts outstanding at period end (2017: 0):

Year ended 31.12.18	ICE Gasoil Dec2020	Sing 380 Dec2020
Price per metric ton as of 31.12.18 (USD)	539	267
Increase/(decrease) in the USD price per metric ton of the underlying oil product (%)	-5 %	5 %
Potential goain/loss (NOK 000's)	**-35 140**	**-17 392**

Liquidity risk

Liquidity risk is the potential loss arising from the Group's inability to meet its contractual obligations when due. The Group monitors its risk to a shortage of funds using rolling monthly cash flow forecasts. The Group had cash and cash equivalents of NOK 320.7 million at 31 December 2018 (2017: NOK 85.3 million). Based on the current cash position, the Group assesses the liquidity risk to be low.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Year ended 31.12.2018 (NOK 000's)	Less than 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Trade Payables	29 469	-	-	-	29 469
Other Payables	19 893	84 971		-	104 864
Total	**49 362**	**84 971**	**-**	**-**	**134 333**

Year ended 31.12.2017 (NOK 000's)	Less than 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Trade Payables	48 790	-	-	-	48 790
Other Payables	47 032	-	-	-	47 032
Total	**95 822**	**-**	**-**	**-**	**95 822**

Capital Management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in the financial performance and development of the Group. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, sell assets or issue new shares.

Note 16 Inventories

(NOK 000's)	2018	2017
Raw materials in transit	8 643	4 736
Raw materials	3 967	6 837
Work in progress	945	972
Produced finished goods	15 941	10 450
Provision for obsolescence	-425	-340
Total inventories	**29 071**	**22 655**
Cost of materials	**73 157**	**62 341**

Cost of material included in the statement of comprehensive income consists of purchase of raw materials for production, purchase of finished goods for sale, net movements in inventory, and any inventory write-offs or adjustments.

Note 17 Trade receivables and other receivables

Trade receivables

(NOK 000's)	2018	2017
Trade receivables	27 363	30 003
Trade receivables (net)	**27 363**	**30 003**

Trade recievables are non-interestbearing and are generally on terms of 30 to 60 days.

As at 31 December 2018, the ageing analysis of trade receivabels is, as follows:

Aging			**Past due not impaired**			
(NOK 000's)	**Total**	**Current**	**< 30 days**	**30-60 days**	**60- 90 days**	**> 90 days**
2018	27 363	23 725	2 744	1 060	987	-1 152
2017	30 003	21 454	6 826	45	0	1 678

See Note 15 on credit risk of trade receivables, which explains how the Group manages credit risk.

Other receivables

(NOK 000's)	2018	2017
VAT receivable	3 261	5 495
Prepayments	7 923	13 923
Other	942	624
Total other receivables	**12 126**	**20 042**

Note 18 Cash and cash equivalents

(NOK 000's)	2018	2017
Cash at banks	87 152	69 383
Restricted cash	-	15 953
Money market funds	70 055	-
Deposit margin-call	163 526	-
Cash and cash equivalents	**320 733**	**85 336**

Note 18 Cash and cash equivalents (continued)

The deposit for margin-call relates to the outstanding derivate contracts as of 31 December 2018. A margin call of approximately 20% of the total contract exposure, plus any unrealised losses on the contracts, is required to be deposited with the counter party (DNB), as security for any potential losses. The actual minimum margin requirement as of 31 December 2018 was NOK 158.3 million, which is the amount that could not be withdrawn at that date without reducing the number of derivative contracts outstanding. The deposit earns interest at a floating rate.

The money market funds represent an investment of surplus cash in Nordea Kort Obligasjon III. This money market fund invests in fixed-income and floating rate debt securities, predominantly Norwegian, with a low credit and interest risk, and can be converted to cash on short notice. The redemption value is based on a net asset value of the fund, rather than a fixed amount of cash, and hence is not necessarily consistent with the definition of cash equivalents. However, the value of the fund is subject to a very low risk of change, and in substance satisfies the definition of cash and cash equivalents.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Note 19 Issued shares and share capital

The Company's registered share capital is NOK 44,344,592 divided into 44,344,592 shares. The share capital is fully paid. All shares have the same rights.

	Number of shares (thousands)	Share capital (NOK 000's)
At 1 Januar 2017	17 055	17 055
At 31 December 2017	**17 055**	**17 055**
At 1 Januar 2018	17 055	17 055
Private placement	26 786	26 786
Subsequent repair issue	504	504
At 31 December 2018	**44 345**	**44 345**

Each share has a par value of NOK 1 per share.

Note 19 Issued shares and share capital (continued)

20 largest shareholders as registered as of 31 December 2018:

Name	Note	Total no of shares	Ownership share
Strata Marine & Offshore AS	1	5 515 943	12,4 %
Pactum AS		2 678 572	6,0 %
Holmen Spesialfond		2 000 000	4,5 %
Awilco AS		1 785 714	4,0 %
MP Pensjon		1 770 727	4,0 %
Ferncliff Listed DAI AS	1	1 764 424	4,0 %
State Street Bank		1 682 320	3,8 %
Sundt AS		1 632 416	3,7 %
Solan Capital AS		1 600 000	3,6 %
Apollo Asset Limited		1 600 000	3,6 %
Tvenge Torstein		1 232 268	2,8 %
Camaca AS		930 447	2,1 %
Norda ASA		880 000	2,0 %
KM Holding AS		669 642	1,5 %
Storebrand Vekst		594 721	1,3 %
Bergen Kommunale Pensjonskasse		495 000	1,1 %
Grant Invest AS		474 585	1,1 %
Storfjell AS		461 499	1,0 %
Cipriano AS		450 000	1,0 %
Sæther Halvard		406 330	0,9 %
Other shareholders		15 719 984	35,4 %
		44 344 592	**100,0 %**

Shares owned by the Board of Directors and management as of 31 December 2018:

Strata Marine & Offshore AS (1)	5 515 943
Ferncliff Listed DAI AS (1)	1 764 424
Spetalen Øystein Stray (2)	323 650
Nordby Kjell-Erik (3)	200 000
Enger Ole (4)	141 471
Manum Gunnar (5)	104 887
Vold Valborg Godal (6)	50 000
AS Ferncliff (1)	99 225
Heggem Vegard (7)	27 360
Hagen Hilde Merete (8)	15 000
Åse Musum (2)	2 201

1. Controlled by board member Øystein Stray Spetalen
2. Member of the Board of Directors
3. Chief Executive Officer
4. Chairman of the Board of Directors
5. Chief Financial Officer
6. Chief Operating Officer
7. VP Operations
8. VP Quality & Regulatory Affairs

Note 20 Share-based payments

In connection with the establishment of the energy trading business Vistin Pharma granted share options to key employees to subscribe for shares in the Company. The share options have an exercise price of NOK 11.20 per share, which is equal to the subscription price in the private placement completed on 22 March 2018 to finance the new business area. The share options are exercisable with 1/3 or 1/4 after 12, 24, 36 and 48 months.

Employee share options are not subject to any performance-based vesting conditions. The Company has the option to settle the share options in cash, however they have no legal or constructive obligation to repurchase or offer cash-settlements for options granted. Non-vested share options are cancelled when the employee has given notice of termination, and are treated as forfeited.

The total expense recognised for allotment of share options to employees, and arising from the Group's equity-settled share based payment plan was approximately NOK 2.8 million for the year ended 31 December 2018 (2017: 0).

A total of 4,000,000 options were granted in 2018 at average exercise price of NOK 11.20. The following table illustrates the numbers of options granted and their weighted average exercise price:

	2018		2017	
	Number of options	WAEP (NOK)	Number of options	WAEP (NOK)
Outstanding at the beginning of the year	-	-	-	-
Granted	4 000 000	11,20	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at the end of period	**4 000 000**	**11,20**	**-**	**-**
Exercisable at the end of period	**-**	**-**	**-**	**-**

The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The weighted average fair value of share options granted to employees during the period was NOK 2.13 per option (2017: 0). The following table lists the key inputs to the model used for the year ended 31 December 2018 and 2017:

The weighted average assumptions used	2018	2017
Expected volatility (%)*	21,36	-
Risk-free interest rate (%)	1,24	-
Expected life of options (year)	4,0	-
Weighted average share price (NOK)	11,20	-

* The expected volatility has changed significantly as the Group have changed its operations to also to include an energy trading business. The expected volatility for 2018 is based on historical volatility from the announcement of the new business unit in March 2018 and until the options were granted. The historical volatility is calculated based on the daily closing share price during this period.

Note 21 Other payables

(NOK 000's)	2018	2017
Withholding tax	3 055	2 331
Social security taxes	1 597	1 476
Allowance for holiday pay	7 638	15 228
Accrued expenses	6 049	16 904
Provision for warranty claim	-	1 000
Other liabilities	1 554	10 093
Total other payables	**19 893**	**47 032**

Note 22 Borrowings

The Company had no interest bearing debt as of 31 December 2018 (2017: 0).

Nordea has issued a guarantee of NOK 14.2 million to cover future pension payments under the defined benefit plan for the CEO, as well as a guarantee for income tax deducted salaries of NOK 6.5 million. The guarantees are covered by a pledge over the fixed assets of the Group.

Note 23 Commitments

Operating lease commitments

The Group leases premises and vehicles under non-cancellable operating lease agreements. The lease terms are between 3 and 5 years, and the majority of lease agreements are renewable at the end of the lease period. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Lease commitments at 31 December 2018	(NOK 000's)
Next 1 year	1 540
1 to 5 years	2 505
After 5 years	46
Future minimum lease payments	**4 091**

Lease commitments at 31 December 2017	(NOK 000's)
Next 1 year	1 095
1 to 5 years	385
After 5 years	-
Future minimum lease payments	**1 480**

Total lease payments recognised as an expense in 2018 amounted to NOK 1.4 million.

Note 24 Board of Directors and Executive Management compensation

Board of Directors remuneration

(NOK 000's)	2018 Board fees	Other*	2017 Board fees	Other*
Ole Enger, Chairman	250	500	250	1 000
Kathrine Gamborg Andreassen (former Board member)	-	-	150	-
Einar J. Greve (former Board member)	-	-	150	-
Mimi K. Berdal (appointed May 2017)	150	-	-	-
Ingrid Elvira Leisner	150	-	150	-
Øystein Stray Spetalen	150	-	150	-
Espen Lia Gregoriussen (appointed October 2017)	70	-	-	-
Jørn Henning Isaksen (former Board member)	5	-	75	-
Åse Musum	75	-	75	-
Total	**850**	**500**	**1 000**	**1 000**

*In 2018, the Chairman received a consultancy fee of NOK 0.3 million (NOK 25k per month), and bonus of NOK 0.2 million relating to the sale of the CMO and opioids business. In 2017, these amounts were NOK 0.6 million (NOK 50k per month) and NOK 0.4 million respectively.

Executive Management remuneration

2018

(NOK 000's)	Salary	Bonus earned	Pension	Other	Total
Kjell Erik Nordby, CEO	2 361	-	1 925	224	**4 510**
Gunnar Manum, CFO	1 583	-	136	128	**1 847**
Hilde Merethe Hagen, VP Quality	1 316	-	142	115	**1 573**
Valborg Godal Vold, COO	1 380	-	132	204	**1 716**
Vegard Heggem	1 526	-	131	128	**1 785**
Torbjørn Kjus (July-Dec)	849		65	2	**915**
Total Executive Management	**9 016**	**-**	**2 529**	**801**	**12 346**

2017

(NOK 000's)	Salary	Bonus earned	Pension	Other	Total
Kjell Erik Nordby, CEO	2 344	910*	1 811	223	**5 287**
Gunnar Manum, CFO	1 559	490*	139	128	**2 316**
Hilde Merethe Hagen, VP Quality (Jan-Sep)	1 183	-	103	102	**1 387**
Liesl Hellstrand, VP HR (left Dec)	1 392	-	135	128	**1 655**
Valborg Godal Vold, COO	1 297	-	135	189	**1 622**
Vegard Heggem (Oct-Dec)	375	-	44	42	**461**
Erik Løkke-Øwre, VP Operations (Jan-Sep)	1 372	362	125	6	**1 865**
Total Executive Management	**9 522**	**1 762**	**2 492**	**818**	**14 594**

* Bonus earned in relation to the sale of the CMO and opioids business.

The CEO, Kjell-Erik Nordby is tied up to the Company's defined contribution plan. In addition he has the right to retire at the age of 62, and is entitled to a salary equal to 60% of his salary at date of retirement and until he reaches the age of 67, less any public pension entitlements. In addition, he has the right to a certain level of pension from the age of 67. Refer to Note 7 for further details. Mr Nordby has a 24 months termination benefit in the case of involuntary termination of his employment.

According to the Norwegian Public Limited Companies Act section 6-16a, the Board of Directors have prepared a statement on the establishment of wages and other remuneration for the CEO and other senior employees.

Note 25 Transactions with related parties

Related party relationships are those involving control, joint control or significant influence. Related parties are in a position to enter into transactions with the Company that would not be undertaken between unrelated parties. All transactions within the Group have been based on arm's length principle.

The Group's ultimate parent is Vistin Pharma ASA. The shares of Vistin Pharma are listed on Oslo Børs. The subsidiaries are listed in note 24. Any transactions between the parent company and the subsidiaries are shown line by line in the separate statements of the parent company, and are eliminated in the group financial statements

In 2018, Vistin Trading AS entered into an agreement with Tycoon Industrier AS to rent office space for the Energy Trading business. Tycoon Industrier AS is controlled by Øystein Stray Spetalen, a board member of Vistin Pharma. The agreement has a six month termination period, and was entered into on terms equivalent to those that prevail in arm's length transactions. The agreement was terminated subsequent to year-end. NOK 0.2 million in rental costs relating to this agreement was incurred in 2018.

See note 24 for more information on remuneration to executive management and the board.

Note 26 Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Country of incorporation	Main operations	Ownership interest 2018	Voting power 2018	Ownership interest 2017	Voting power 2017
Vistin Pharma AS	Norway	Pharmacautical products	100 %	100 %	100 %	100 %
Vistin Trading AS	Norway	Energy Trading	100 %	100 %	-	-

The financial figures of Vistin Pharma AS and Vistin Trading AS have been included in the consolidated financial statements of the Group.

Note 27 Events after the reporting date

On 8 January 2019, the Board of Directors of Vistin Pharma decided to close down the Energy Trading business. Vistin Pharma will continue to manage the outstanding financial derivative contracts, and some or all of these may be closed when the Company believes this to be in the best interest of its shareholders. Termination agreements were entered into with the two employees subsequent to year-end, and as a result the employee share options granted in 2018 will be terminated (forfeited) in Q1 2019. The close down of the Energy Trading business will not have material negative effect on the profit and loss for the Group.

(This page intentionally left blank)

VISTIN PHARMA ASA - FINANCIAL STATEMENTS AND NOTES

Statement of Comprehensive Income

For the year ended 31 December

(NOK 000's)	Note	2018	2017
Other income	3	-5 500	83 117
Total operating income		**-5 500**	**83 117**
Payroll and payroll related costs	4	1 614	1 816
Other operating costs	5	2 215	964
Operating profit/(loss)		**-9 329**	**80 337**
Finance income	6,8	7 246	6 261
Finance costs	6	73 949	4
Profit/(loss) before tax		**-76 032**	**86 594**
Income tax expense	7	799	834
Profit/(loss) for the year		**-76 831**	**85 760**
Total comprehensive income		-76 831	85 760

Statement of Financial Position

As at 31 December

(NOK 000's)	Note	2018	2017
ASSETS			
Non-current assets			
Investment in subsidiaries	8	7 602	7 601
Group interest-bearing receivables	8	186 024	72 024
Deferred tax assets	7	1 001	-
Total non-current assets		**194 627**	**79 625**
Current assets			
Intercompany receivables	8	3 320	4 431
Other receivables		5 086	7 118
Cash and cash equivalents	10	141 363	41 365
Total current assets		**149 769**	**52 914**
Total assets		**344 396**	**132 539**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	44 345	17 055
Share premium		273 401	1 074
Other paid in capital		2 777	-
Retained earnings		17 972	94 803
Total equity		**338 495**	**112 932**
Non-current liabilities			
Total non-current liabilities		**-**	**-**
Current liabilities			
Intercompany payables	8	-	7 577
Income tax payable	7	-	-
Other current liabilities		5 902	12 032
Total current liabilities		**5 902**	**19 609**
Total liabilities		**5 902**	**19 609**
Total equity and liabilities		**344 396**	**132 540**

Oslo, 24 April 2019

Ole Enger
Chairman

Bettina Banoun
Board member

Mimi K. Berdal
Board member

Finn Bjørn Ruyter
Board member

Øystein Stray Spetalen
Board member

Espen Lia Gregoriussen
Board member

Åse Musum
Board member

Kjell-Erik Nordby
CEO

Statement of Changes in Equity

For the year ended 31 December

		Attributable to equity holders of the parent				
(NOK 000's)	Note	Share capital	Share premium	Other capital reserves	Retained earnings	Total
Equity as at 01.01.2017		**17 055**	**137 514**		**9 043**	**163 612**
Profit (loss) for the year					85 760	85 760
Total comprehensive income					85 760	85 760
Distribution of paid-in capital			-136 440			-136 440
Equity as at 31.12.2017		**17 055**	**1 074**	**-**	**94 803**	**112 932**
Equity as at 01.01.2018		**17 055**	**1 074**	**-**	**94 803**	**112 932**
Profit (loss) for the year					-76 831	-76 831
Total comprehensive income					-76 831	-76 831
Private placement	11	26 786	273 214			300 000
Subsequent repair issue	11	504	5 141			5 645
Transactions costs share issue (net of tax effect)			-6 028			-6 028
Share-based payments				2 777		2 777
Equity as at 31.12.2018		**44 345**	**273 401**	**2 777**	**17 972**	**338 495**

Statement of Cash flows

For the year ended 31 December

(NOK 000's)	Note	2018	2017
Cash flow from operating activities			
Profit before income tax		-76 032	86 594
Adjustments to reconcile profit before tax to net cash flow:			
(Gain)/loss on sale of subsidiary		5 500	-83 117
Write-down of investment in subsidiary		2 807	-
Provision for loss on loan to subsidiary		71 000	-
Net interest (income)/expense	6	-7 104	-6 257
Income tax paid		-	-1 098
Changes in working capital:			
Changes in other payables, receivables, accruals		-10 564	-3 077
Net cash flow from operating activities		**-14 393**	**-6 955**
Cash flow from investing activities			
Investment in subsidiaries		-31	-15
Net proceeds from sale of subsidiary	8	-5 500	89 590
Loan to subsidiary	8	-185 000	68 726
Interest received	6	7 246	6 261
Net cash flow from investing activities		**-183 285**	**164 562**
Cash flow from financing activities			
Net proceeds from share issue		305 645	-
Transaction costs on issue of shares		-7 828	-
Repayment of capital		-	-136 440
Interest paid	6	-142	-4
Net cash flow from financing activities		**297 675**	**-136 444**
Net change in cash and cash equivalents		99 998	21 163
Cash and cash equivalents beginning period		41 365	20 203
Cash and cash equivalents end period	10	**141 364**	**41 365**

Notes to the Financial Statement

Note 1 Corporate information

Vistin Pharma ASA is a limited liability company and its registered office is Østensjøveien 27, Oslo, Norway. The Company's shares are listed on Oslo Børs in Norway under the ticker VISTIN.

The financial statements were approved for release by the Board of Directors on 24 April 2019.

Reference is made to note 1 in the consolidated statement of Vistin Pharma ASA.

Note 2 Summary of significant accounting policies

Vistin Pharma ASA's ("Vistin Pharma" or "the Company") financial statements and directors' report are prepared in English only.

Basis of preparation

The financial statement has been prepared in accordance with the Norwegian Accounting Act § 3-9 and regulations regarding simplified application of IFRS issued by the Ministry of Finance in 2014.

The functional currency of Vistin Pharma is the Norwegian krone (NOK). All values are rounded to the nearest thousand (NOK000), except when otherwise indicated."

Vistin Pharma's principles are consistent to the accounting principles for the Group, as described in Note 2 of the consolidated financial statements. Where the note for the parent company are substantially different from the note for the Group, these are shown separately. Otherwise refer to the note in the consolidated financial statement.

Investments in subsidiaries

Investments in subsidiaries and associates are accounted for using the cost method in the parent company accounts. The investments are valued at cost less impairment losses. Write-down to fair value is recognised under impairment in the income statement.

Segment reporting

Vistin Pharma's activities are currently organised as one operating unit for internal reporting purposes, thus no segment information is presented in these financial statements.

Recognition for group contributions

Group contributions from wholly owned subsidiaries are recorded as financial income as long as the contributions do not exceed the accumulated results from the date of acquiring the subsidiary. The income is recorded net of tax. Group contributions relating to the result prior the date of acquisition are recorded as a reduction against the investment (net of tax). If Group contributions exceeds accumulated profits in the subsidiary after the acquisition, the payment is treated as a reduction of the carrying value of the investment.

Note 3 Other income

(NOK 000's)	2018	2017
Other income	-5 500	83 117
Total	-5 500	83 117

In October 2017 the CMO and opioids business was sold, which resulted in a net gain of NOK 83.1 million. In 2018, a warranty claim relating to the sale was settled resulting in a loss of NOK 5.5 million.

Note 4 Payroll and payroll related expenses

(NOK 000's)	2018	2017
Other payroll costs	1 614	1 816
Total payroll and payroll related costs	**1 614**	**1 816**
Average number of man-years:	**-**	**-**

The Company had no employees as at 31 December 2018 (2017: 0). Other payroll costs relate to board fees and a monthly consultant fee to the Chairman of the Board (consultancy agreement for NOK 25k per month).

Note 5 Other operating expenses

(NOK 000's)	2018	2017
External fees	889	151
Other operating expenses	1 326	813
Other operating expenses	**2 215**	**964**

Remuneration to the Auditors

(NOK 000's)	2018	2017
Statutory audit	127	151
Other assurance services	60	57
Tax advisory services	-	-

All fees are exclusive of VAT.

Note 6 Financial items

(NOK 000's)	2018	2017
Interest income from bank deposits and money market funds	494	14
Interest income from Group companies	6 752	6 247
Group contribution received	-	-
Total finance income	**7 246**	**6 261**
Other interest expenses	142	4
Write-down of investment in subsidiary	2 807	-
Provision for write-down of Group loans	71 000	-
Total finance costs	**73 949**	**4**
Net finance	**-66 703**	**6 257**

In 2018, the Company has made a written-down of the investment in the subsidiary Vistin Trading AS of NOK 2.8 million, and made a provision of NOK 71.0 million for a potential loss on an interest bearing loan to the same company. The write-down and the provision made reflect the negative equity value in Vistin Trading AS as of 31.12.18.

Note 7 Tax

Income tax calculation:

(NOK 000's)	2018	2017
Profit before taxes	-76 032	86 594
Permanent differences	79 307	-83 117
Changes in temporary differences	-	-
Permanent differences recognised to equity	-7 828	-
Basis for income tax	**-4 553**	**3 477**
Income tax payable	-	834
Tax effect of change in net deferred income tax liability/asset	-1 047	-
Tax effect permanent differences recognised to equity	1 800	-
Tax effect tax rate reduction	46	-
Income tax expense	**799**	**834**

Reconciliation of income tax

(NOK 000's)	2018	2017
Tax assessed at the expected tax rate	-17 487	20 783
Tax effect permanent differences, profit & loss	18 241	-19 948
Tax effect tax rate reduction	46	-
Income tax	**799**	**834**

Temporary differences

(NOK 000's)	2018	2017
Losses carried forward	-4 552	-
Net income tax reduction temporary differences	-4 553	-
Net deferred tax asset	1 001	-

Note 8 Investments in group companies

2018 (NOK 000's)	Registered office	Share capital	Ownership interest 2018	Voting rights 2018	Carrying amount	Result 2018	Equity 2018
Vistin Pharma AS	Oslo, Norway	NOK	100 %	100 %	7 602	3 550	17 857
Vistin Trading AS	Oslo, Norway	NOK	100 %	100 %	0	-73 706	-70 899
Total					**7 602**		

2017 (NOK 000's)	Registered office	Share capital	Ownership interest 2017	Voting rights 2017	Carrying amount	Result 2017	Equity 2017
Vistin Pharma AS	Oslo, Norway	NOK	100 %	100 %	7 601	-6 758	14 379
Total					**7 601**		

In 2018, the Company has made a written-down of the investment in the subsidiary Vistin Trading AS of NOK 2.8 million to reflect the negative equity value in Vistin Trading AS as of 31.12.18.

Transactions between related parties

2018 (NOK 000's)	Long term receivables to subsidiaries	Short term receivables to subsidiaries	Interest income from subsidiaries	Short term payables to subsidiaries	Group contribution receivable	Group contribution payable
Vistin Pharma AS	92 024	1 010	4 442	-	-	-
Vistin Trading AS	165 000	2 310	2 310	-	-	-
Provision for write-downs	-71 000					
Total	**186 024**	**3 320**	**6 752**	**-**	**-**	**-**

2017 (NOK 000's)	Long term receivables to subsidiaries	Short term receivables to subsidiaries	Interest income from subsidiaries	Short term payables to subsidiaries	Group contribution receivable	Group contribution payable
Vistin Pharma AS	72 024	4 431	8 247	-7 577	-	-
Total	**72 024**	**4 431**	**8 247**	**-7 577**	**-**	**-**

The loan to Vistin Pharma AS carries an annual interest rate of 3 months NIBOR + 4%, to be paid quarterly in arrears.

The loan to Vistin Trading AS carries an annual interest rate of 3 months NIBOR + 1.25%, to be paid quarterly in arrears. A provision for a potential write-down of NOK 71 million was made as of 31.12.18, to reflect the negative equity value in the company as of 31.12.18. Subsequent to year-end NOK 75.0 million of the total loan outstanding has been converted to equity in Vistin Trading AS.

The Chairman of the Board has a consultant agreement with the Company, which entitles him to NOK 50k per month. However, only NOK 25k per month has been paid in 2018 (Note 4).

Note 9 Financial assets and liabilities

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Set out below is a comparison by class of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

As of 31 December 2018

(NOK 000's)	Fair value level	Fair value through profit and loss	Loans and receivables at amortised cost	Other financial liabilities at amortised cost	Total book value	Fair value
Financial assets						
Group interest-bearing receivables	3	-	186 024	-	186 024	186 024
Intercompany receivables	3	-	3 320	-	3 320	3 320
Other receivables	3	-	5 086	-	5 086	5 086
Money-market funds	2	70 055	-	-	70 055	70 055
Cash and cash deposits	3	-	71 308	-	71 308	71 308
Total		**70 055**	**265 738**	**-**	**335 793**	**335 793**
Financial liabilities						
Intercompany payables	3	-	-	-	-	-
Trade payables	3	-	-	-	-	-
Other payables	3	-	-	5 902	5 902	5 902
Total		**-**	**-**	**5 902**	**5 902**	**5 902**

As of 31 December 2017:

(NOK 000's)	Fair value level	Fair value through profit and loss	Loans and receivables at amortised cost	Other financial liabilities at amortised cost	Total book value	Fair value
Financial assets						
Group interest-bearing receivables	3	-	72 024	-	72 024	72 024
Intercompany receivables	3	-	4 431	-	4 431	4 431
Other receivables	3	-	7 118	-	7 118	7 118
Money-market funds	2	-	-	-	-	-
Cash and cash deposits	3	-	41 365	-	41 365	41 365
Total		**-**	**124 938**	**-**	**124 938**	**124 938**
Financial liabilities						
Intercompany payables	3	-	-	7 577	-	7 577
Trade payables	3	-	-	-	-	-
Other payables	3	-	-	12 032	12 032	12 032
Total		**-**	**-**	**19 609**	**12 032**	**19 609**

For trade receivables, accounts payable and other short-term items, fair values are considered to be equal to carrying values due to their short-term nature.

The fair-value of money-market funds is based on published market prices by the fund manager, and market prices are published daily.

Note 10 Cash and cash equivalents

(NOK 000's)	2018	2017
Cash at banks	71 308	25 412
Restricted cash	-	15 953
Money market funds	70 055	-
Total	**141 363**	**41 365**

The money market funds represent an investment of surplus cash in Nordea Kort Obligasjon III. This money market fund invests in fixed-income and floating rate debt securities, predominantly Norwegian, with a low credit and interest risk, and can be converted to cash on short notice. The redemption value is based on a net asset value of the fund, rather than a fixed amount of cash, and hence is not necessarily consistent with the definition of cash equivalents. However, the value of the fund is subject to a very low risk of change, and in substance satisfies the definition of cash and cash equivalents.

Cash at banks earns interest at floating rates based on daily bank deposit rates. All bank accounts is nominated in NOK.

Note 11 Issued shares and share capital

The Company's registered share capital is NOK 44,344,592 divided into 44,344,592 shares. The share capital is fully paid. All shares have the same rights.

	Number of shares (thousands)	Share capital (NOK 000's)
At 1 Januar 2017	17 055	17 055
At 31 December 2017	**17 055**	**17 055**
At 1 Januar 2018	17 055	17 055
Private placement	26 786	26 786
Subsequent repair issue	504	504
At 31 December 2018	**44 345**	**44 345**

Each share has a par value of NOK 1 per share.

20 largest shareholders as registered as of 31 December 2018:

Name	Note	Total no of shares	Ownership share
Strata Marine & Offshore AS	1	5 515 943	12,4 %
Pactum AS		2 678 572	6,0 %
Holmen Spesialfond		2 000 000	4,5 %
Awilco AS		1 785 714	4,0 %
MP Pensjon		1 770 727	4,0 %
Ferncliff Listed DAI AS	1	1 764 424	4,0 %
State Street Bank		1 682 320	3,8 %
Sundt AS		1 632 416	3,7 %
Solan Capital AS		1 600 000	3,6 %
Apollo Asset Limited		1 600 000	3,6 %
Tvenge Torstein		1 232 268	2,8 %
Camaca AS		930 447	2,1 %
Norda ASA		880 000	2,0 %
KM Holding AS		669 642	1,5 %
Storebrand Vekst		594 721	1,3 %
Bergen Kommunale Pensjonskasse		495 000	1,1 %
Grant Invest AS		474 585	1,1 %
Storfjell AS		461 499	1,0 %
Cipriano AS		450 000	1,0 %
Sæther Halvard		406 330	0,9 %
Other shareholders		15 719 984	35,4 %
		44 344 592	**100,0 %**

Shares owned by the Board of Directors and management as of 31 December 2018:

Strata Marine & Offshore AS (1)	5 515 943
Ferncliff Listed DAI AS (1)	1 764 424
Spetalen Øystein Stray (2)	323 650
Nordby Kjell-Erik (3)	200 000
Enger Ole (4)	141 471
Manum Gunnar (5)	104 887
Vold Valborg Godal (6)	50 000
AS Ferncliff (1)	99 225
Heggem Vegard (7)	27 360
Hagen Hilde Merete (8)	15 000
Åse Musum (2)	2 201

1. Controlled by board member Øystein Stray Spetalen
2. Member of the Board of Directors
3. Chief Executive Officer
4. Chairman of the Board of Directors
5. Chief Financial Officer
6. Chief Operating Officer
7. VP Operations
8. VP Quality & Regulatory Affairs

Note 12 Events after the reporting period

On 8 January 2018, the Company decided to close down the Energy Trading business, which has been carried out through the wholly owned subsidiary Vistin Trading AS. Termination agreements were entered into with the two employees subsequent to year-end, and as a result the employee share options granted in 2018 will be terminated (forfeited) in Q1 2019.

Subsequent to year-end, NOK 75.0 million of the interest bearing loan to the subsidiary, Vistin Trading AS, was converted to equity in that company. Refer to Note 8 for further details.

Note 13 Statement regarding the determination of salary and other remuneration to Executive Management

According to the Norwegian Public Limited Companies Act (section 6-16a), the Board of Directors shall prepare a statement regarding the establishment of wages and other remuneration for the Chief Executive Officer and other senior management.

The Company's salary policy for the executive management – main principles

The purpose of the Company's remuneration policy is to attract and retain personnel with the competence that the Group requires with a view to achieve Vistin Pharma's goal of becoming a leading and a profitable producer of selected API's for the international pharmaceutical market and for the new energy trading business to be established. The general policy is to pay fixed salaries and pensions, while at the same time offering bonuses, or other types of remuneration, which aligns the interest of senior management and the shareholders of the Company.

The Company has a separate remuneration committee appointed by the Board of Directors. The present remuneration committee consists of Ole Enger (Chairman) and Mimi K. Berdal. The CEO, and other representatives of the senior management, regularly participates in the remuneration committee's meetings.

The remuneration committee functions as an advisory body for the Board of Directors and its main duties and responsibilities are to:

i. Review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate the performance of the CEO in light of those goals and objectives and set the compensation level for the CEO based on this evaluation. In determining the long-term incentive component of the CEO compensation, if any, the Committee may consider the Company's performance and relative shareholder return, the value of similar incentive awards given to CEO's at comparable companies and the awards given to the CEO in past years.

ii. Make recommendations to the Board with respect to incentive-compensation plans and equity-based plans.

iii. Assist the Board in developing and evaluating potential candidates for executive positions, including the CEO, and oversee the development of executive succession plans.

iv. Review and approve Senior Executive employment agreements, severance arrangements and change in control agreements and provisions when, and if, appropriate, as well as any special supplemental benefits.

v. Review major organisational and staffing matters.

Further information on the function of the remuneration committee can be found in the instructions to the remuneration committee, included on the Company's website: www.vistin.com.

Salaries and other remuneration

Fixed salary

It is the Company's policy that salaries to the CEO and senior management primarily shall take the form of a fixed monthly salary, reflecting the level of the position and experience of the person concerned and the results achieved.

Bonuses

The Group has a system of annual performance-based bonuses for all employees. The maximum bonus payable to the CEO is 100% the annual salary. The maximum bonus payable to other members of the Executive Management team is between 20% - 50% of the annual salary, depending on individual employment contracts. The Board of Directors evaluates and determines annually the bonus system for Vistin Pharma, based on recommendations from the Remuneration Committee. The bonuses are linked to the achievement of certain targets for financial results, as well other performance targets which are defined at the beginning of the financial year. The bonus targets shall reflect both short-term financial parameters, and operational and strategic performance targets that are expected to give a positive long-term financial effect.

Pension plan

Principally, pension plan shall be the same for senior management as what is generally agreed for other employees. The Group has a defined contribution plan for all employees. Under this plan the Group contributes 5.5% of the salary between 1G and 7.1G, and 15%, for the salary between 7.1G and 12G. The CEO has an additional "top-hat" to cover salary above 12G, as well as an early retirement plan from the age of 62.

Share based incentive plans

In 2018, the Company established a share option plan for the employees of the energy trading business, and 4 million share options were issued in 2018 as part of this incentive plan. Following the closure of this business unit in January 2019, the share options issued have been cancelled. There are currently no plans for any further share options to be issued.

Remuneration policy in the preceding financial year (2018)

The management remuneration policy in the preceding financial year has been conducted in accordance with the prevailing principles for 2019, with the exception of any items noted above.

EY
Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Vistin Pharma ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Vistin Pharma ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, statement of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2018, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Building a better working world

Valuation of derivative financial instruments - energy

At 31 December 2018 derivate financial instruments amounted to a liability of NOK 85 million, 17% of total equity and liabilities. Under these derivative contracts the Group is financially exposed to the difference (spread) in the USD price per metric ton between ICE Gasoil (low Sulphur oil product) and Sing380 (high Sulphur oil product). The total contract volume at 31 December was 150,000 metric tons. The derivative financial instruments are measured both at initial recognition and subsequently at fair value. Due to the risk exposure and its significance, valuation of derivate financial instruments is a key audit matter.

We obtained the Board of Directors approval on the underlaying volume of the derivative financial instruments. We compared the recognized values of the instruments, including the underlaying volumes, to the mark-to-market ("MTM") valuation report received from the counterparty. Furthermore, we verified the prices of the low and high Sulphur oil products against quoted prices, assessed the discount factor used and recomputed the MTM valuation report.

We refer to note 14 and 15 in the consolidated financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better working world

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility] concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 24 April 2019
ERNST & YOUNG AS

Erik Søreng
State Authorised Public Accountant (Norway)

(This page intentionally left blank)

Vistin Pharma ASA
Østensjøveien 27
NO-0661 Oslo
Norway

Tel: +47 35 98 42 00
E-mail: vistin@vistin.com

www.vistin.com