

Q2

**and half
year 2023
financial
results**

2023



Vistin Pharma

Published 23 August 2023

Highlights

- MNOK 107 in revenue vs. MNOK 69 in Q2 2022. Increased volume from new production line compared to same quarter last year has resulted in more volumes available for sale
- MNOK 20 in EBITDA vs. MNOK 5 in Q2 2022 (+300%). EBITDA positively affected by increased sales volume, competitive energy costs and a stronger EUR vs NOK, partly offset by a stronger USD vs NOK
- Economies of scale is materializing as the MEP volume ramps up
- MNOK 208 in revenue YTD 2023 compared to MNOK 102 YTD last year, a 103% increase
- EBITDA of MNOK 34 YTD 2023 compared to negative MNOK 13 YTD 2022
- Net profit negatively affected with MNOK 3 in quarter by fair value of future FX cash flow hedging contracts (unrealized loss - no cash effect in quarter)
- Improved cash flow in the first half of 2023 (MNOK 47). Net debt of MNOK 44 at year end 2022 versus net cash of MNOK 3 by end of June

2ND QUARTER REPORT AND YTD FINANCIALS FOR 2023

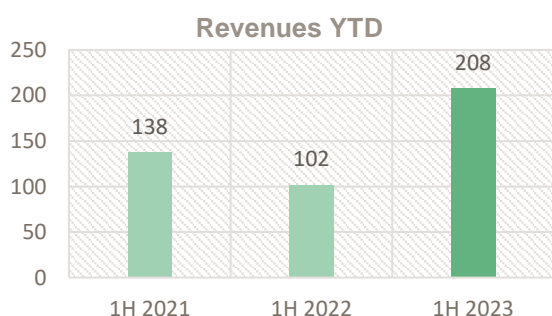
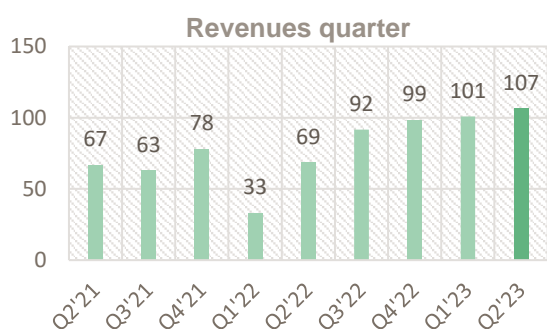
The financial report as per June 2023 has been prepared according to the IFRS (International Financial Reporting Standard) and follows IAS 34 for interim financial reporting, as do the comparable numbers for 2022.

Financial development

(Comparative numbers for 2022 in parenthesis)

Revenue

Revenue in the quarter of MNOK 106.7 (MNOK 69), a 55% increase. The revenue increase has been driven by increased production volumes and thus more volumes available for sale. Revenues are also positively affected by a stronger EUR vs NOK. YTD 2023 the revenue is MNOK 208 compared to MNOK 102 last year, a 103% increase. Sales volumes are expected to increase going forward as the volume ramp-up continues.

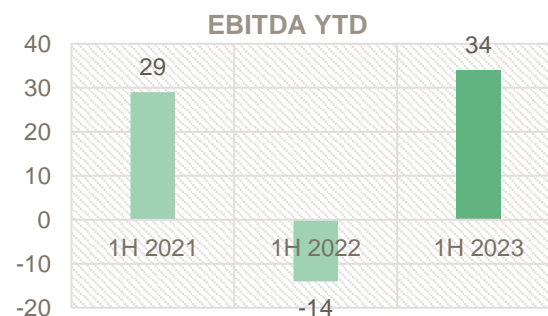
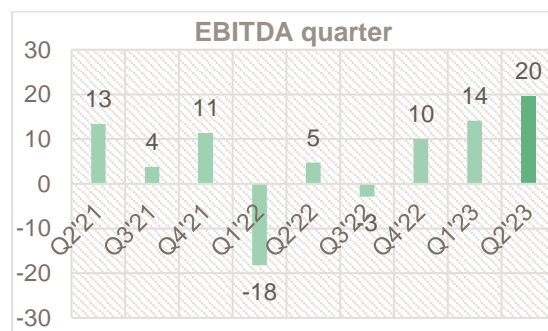


Cost of goods sold

Cost of goods sold (COGS) in the quarter ended at MNOK 87.2 (MNOK 64.3). The increase was mainly caused by more volume produced and sold. Q2 2022 was affected by onboarding and start-up costs for the new production line and high electricity costs. Current raw material at hand (for Q3) and purchases for Q4 and onwards at reduced prices. Volume leverage on costs expected to continue with increasing production volume.

Earnings

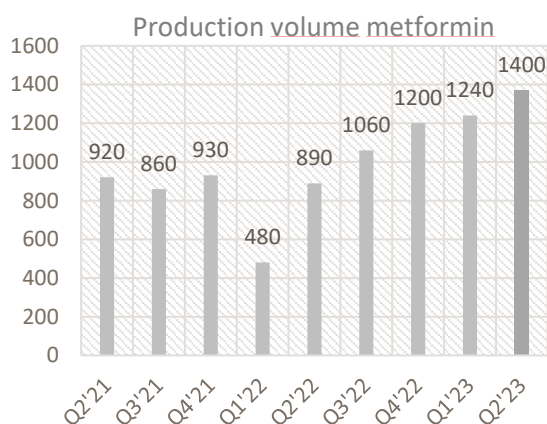
EBITDA of MNOK 19.6 (MNOK -13.5) for the quarter. EBITDA was positively affected by increased sales volume and the positive effect from the long-term energy supply agreement signed with Statkraft in December 2022. The strong EUR vs NOK in the quarter has been positive to the business and is only partly offset by a strong USD vs NOK. EBITDA of MNOK 33.7 YTD 2023 compared to negative MNOK 13.5 YTD 2022.



All figures in MNOK

Production

Production output has continued to increase in the quarter, resulting in close to 1400MT produced metformin HCl volume in the second quarter. This is the highest volume ever produced in a single quarter at the Fikkjebakke plant. There was a planned bi-annual maintenance stop in April of 5 days. The manufacturing capacity is expected to continue to ramp up gradually during 2023 and reach an installed annual capacity of close to 7000MT by end 2023. Vistin's current organization can handle this additional capacity.



Financial items

Net finance ended negative with MNOK 6.2 for the second quarter of 2023, compared to negative with MNOK 1.8 in same quarter of 2022. Finance income and loss is generally related to realized and unrealized losses from customers receivables, currency hedging contracts in EUR and interest expense from short term loan. Net finance expense in Q2 2023 was mainly related to realized (MNOK -3) and unrealized loss (MNOK -3) on FX hedging contracts.

Cash flow

YTD net cash flow from operating activities was positive with MNOK 54. Net cash flow from operating activities in same period of 2022 was negative with MNOK 36.7.

Net cash flow from investing activities YTD 2023 was negative with MNOK 7.4, which represents capital expenditure and leasing repayments. Net cash flow from investing activities in the same period last year was negative with MNOK 36.7 (mainly MEP).

Net cash flow from financing activities YTD 2023 was negative with MNOK 45.1, which mainly relates to down payments of the bank overdraft. Net cash flow from financing activities in the same period last year was positive with MNOK 37.5.

Change in cash and cash equivalents YTD 2023 was positive with MNOK 1.5. In the same period last year, there was a net decrease in cash and cash equivalents of MNOK 31.5.

Balance sheet

Assets

Vistin Pharma had total assets of MNOK 383.1 as of 30 June 2023 (MNOK 370.7). The company has a deferred tax asset of MNOK 27.4 (MNOK 32.1). Based on the financial forecasts for the company the deferred tax asset is expected to be fully utilized, and thus the full amount has been included as carrying value in the balance sheet.

Equity

Equity by the end of June was MNOK 277.6 This equals an equity ratio of 72%.

Liabilities

The Company had no net interest-bearing debt as of end June 2023, compared to net debt of MNOK 35.1 as of end Q2 2022. Net cash was MNOK 3. MNOK 3.4 (MNOK 0.8) in obligations related to lease contracts are recognized in the balance sheet according to IFRS 16.

Operational status

Market

It is a strong underlying global demand in the metformin market. The market is by industry experts expected to grow by 5-6% annually in the foreseeable future. Metformin is the standard first-line treatment of Type 2 Diabetes, which represents around 90% of the global diabetes cases. Vistin Pharma's key customers are pharmaceutical companies that sell new and innovative metformin products to the end users. The product demand will therefore be dependent on the performance of these products in the market. Key drivers for future growth are the number of diabetes patients diagnosed and treated with metformin containing products, continued growth in sales volume from existing multinational customers, as well as adding new customers to Vistin's portfolio. The company is currently experiencing strong demand for its products.

Strategy / MEP

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

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

Research and Development (R&D)

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

The COVID-19 pandemic and war in Ukraine

The demand in the market for metformin is still high and was not significantly affected by the corona epidemic or the current situation in Ukraine. Vistin has additional safety stock of critical raw materials, to secure future supply and support the MEP ramp-up plan. The safety stock will mitigate the uncertainties around delivery lead times of raw materials from Asia and/or any negative effects from the ongoing war in Ukraine. The raw material and freight costs increased significantly during 2022. However, the raw material and freight prices have decreased in 2023 and based on the trend in the market, it is expected that this decrease will continue going forward. Electricity prices were extraordinarily high in 2022, compared to historical price levels. With the long-term supply agreement with Statkraft for renewable power, electricity costs are significantly reduced in 2023, compared to previous year.



WHO:

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

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

Vistin:

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



No harm vision

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



Corporate social responsibility, the environment and employees

Vistin Pharma aspires to achieve sustainable development by having a good balance between financial results, value creation, sustainability, and CSR. The Board of Directors have the overall responsibility for aligning Vistin’s strategy and sustainability considerations, while the day-to-day responsibility lies with the CEO, supported by the Leadership Team. The statement of corporate social responsibility required under the Norwegian Accounting Act follows below.

Corporate social responsibility

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

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

ESG achievements and initiatives

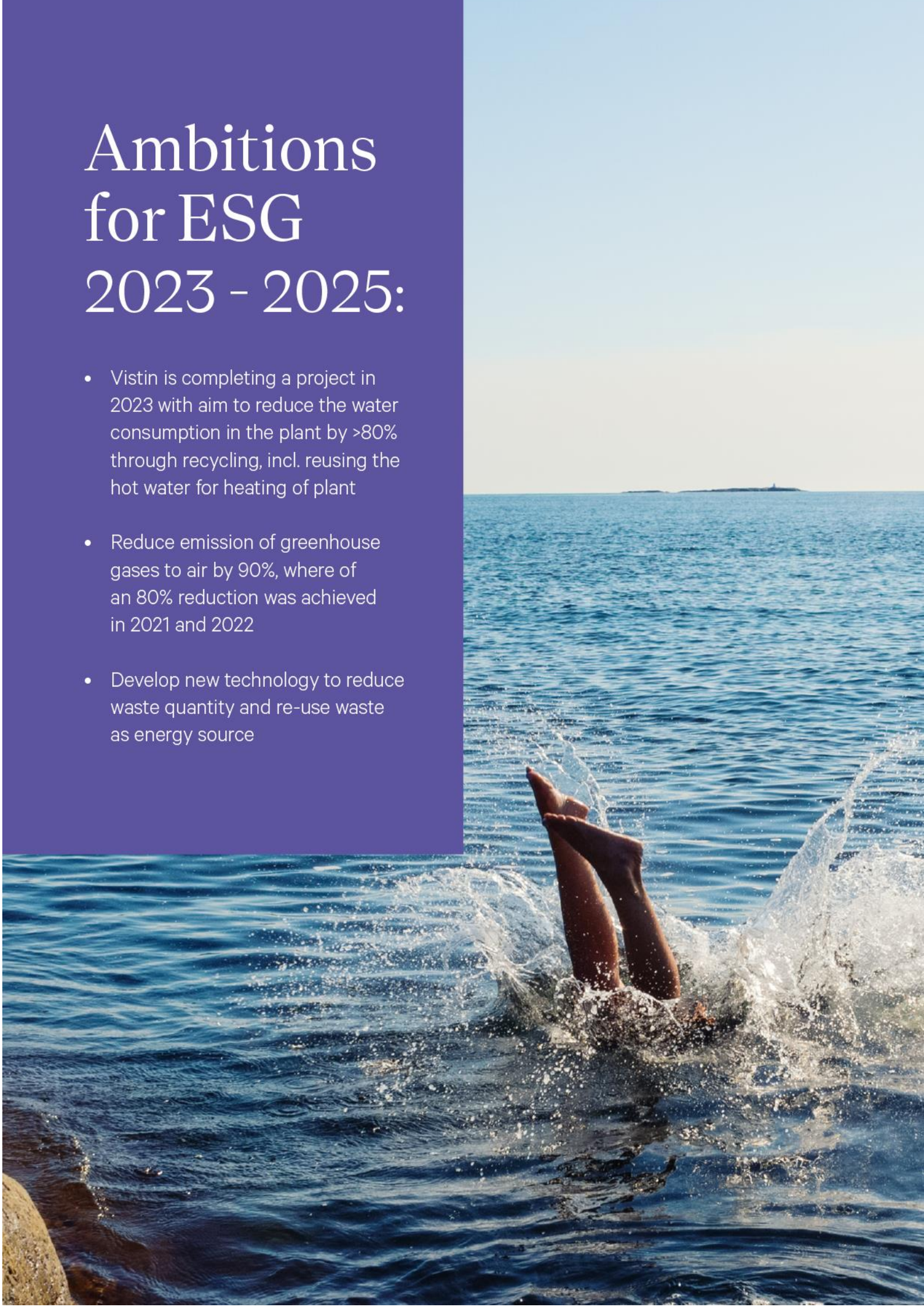
Vistin Pharma has during the last years invested in, completed, and implemented several projects that significantly reduce the environmental footprint. Building on this success, Vistin Pharma has several ESG initiatives ongoing:

- Vistin continues to use only hydro powered energy to minimize carbon footprint
- Vistin is completing a project in 2023 with aim to reduce the water consumption in the plant by >80% through recycling, incl. reusing the hot water for heating of plant.
- Vistin is working on a technology project where distillation will be fractionated into components that can be used as raw materials for other companies.
- Vistin has, since 2017, been part of a national program for surveillance of industrial impact on fjords and effluents. Surveillance program and ecotoxicology test confirm that Vistin do not impact the effluent negatively.
- Vistin has invested MNOK >10 in a cooling system to condense hydrocarbons. This has reduced the emission to air with more than 98%, resulting in a reduction of the total emission with more than 90 % compared to historical levels.

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

Ambitions for ESG 2023 - 2025:

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



Risks and uncertainties

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

Basis of presentation

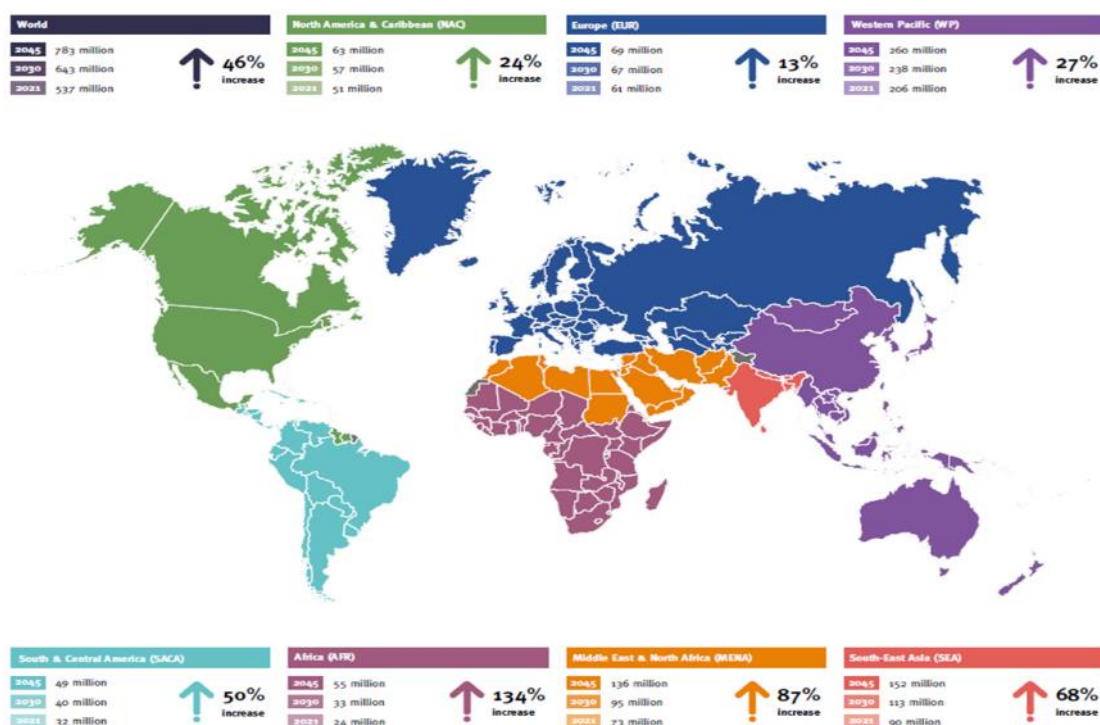
This financial information should be read together with the financial statements for the year ended 31 December 2022, prepared in accordance with International Financial Reporting Standards (“IFRS”). The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements. Additional disclosures supplementing the financial statements are included in this report on pages 2–5. The figures are unaudited.

Events after the reporting date

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

General market outlook

Diabetes is one of the largest global health crises of the 21st century, and the metformin business is expected to continue to grow by 5-6% annually, as it remains the gold-standard treatment of type 2 diabetes. The majority of Vistin Pharma’s key customers are pharmaceutical companies that sell new and innovative metformin products, and the demand for the Company’s metformin will be dependent on the market performance of these products. The demand in the market for metformin is still high and has not been affected by the corona epidemic or the current situation in Ukraine. The vulnerability for drug supplies during the both the corona epidemic and the Ukraine situation has been an ‘eye opener’ for the authorities and the need for ‘short travelled medicines’ will be high on the agenda going forward. Vistin is strategically well positioned to benefit from the expected increase in local supplies going forward.



Shareholder information

The Company had 44 344 592 issued shares as of 30 June 2023. The five largest shareholders were Intertrade Shipping AS with 12,575,000 shares, Holmen Spesialfond with 3,520,243 shares, Pactum AS with 3,519,733 shares, MP Pensjon PK with 1,719,848 shares, and Ferncliff Listed DAI AS with 1,034,280 shares.

The share price has moved from NOK 18.5 per share at 31 of March 2023, to NOK 22.3 as of 30 June 2023, an increase of 20%.

Dividend policy

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

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

Condensed financial statement (P&L)

All numbers in NOK 1000

	Q2 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
Total revenue and income	106 729	68 989	207 669	102 208	304 852
Cost of materials	44 270	24 686	89 351	42 436	138 064
Salary and social expenses	21 213	19 010	41 655	37 691	78 972
Other operating expenses	21 700	20 573	42 976	35 555	81 632
Total operating expenses	87 183	64 269	173 982	115 681	298 668
Opr. res.before. depr. and write offs (EBITDA)	19 546	4 720	33 688	-13 474	6 184
<i>Opr.res before depr and write off %</i>	<i>18,3 %</i>	<i>6,8 %</i>	<i>16,2 %</i>	<i>-13,2 %</i>	<i>2,0 %</i>
Depreciation	4 233	2 633	8 433	5 382	12 280
Operating result	15 313	2 087	25 255	-18 856	-6 096
<i>Operating result in %</i>	<i>14,3 %</i>	<i>3,0 %</i>	<i>12,2 %</i>	<i>-18,4 %</i>	<i>-2,0 %</i>
Financial income	3 658	-19	9 955	2 904	9 554
Financial expenses	9 872	1 758	29 932	3 162	9 466
Net finance	-6 214	-1 777	-19 977	-258	87
Pre tax profit	9 099	310	5 278	-19 114	-6 009
Tax	2 002	68	1 161	-4 205	-1 322
Result	7 097	242	4 117	-14 909	-4 687
Comprehensive income					
Result after tax	7 097	242	4 117	-14 909	-4 687
Other comprehensive income	-	-	-	-	2 288
Total comprehensive income	7 097	242	4 117	-14 909	-2 399

Key figures

	Q2 2023	Q2 2022	YTD 2023	YTD 2022	FY 2022
Equity share	72 %	70 %	72 %	70 %	68 %
Earnings per share	0,16	0,01	0,09	-0,34	-0,11
Earnings per share diluted	0,16	0,01	0,09	-0,34	-0,11
Average shares outstanding in 1000	44 345	44 345	44 345	44 345	44 345
Average shares outstanding in 1000 diluted	44 345	44 345	44 345	44 345	44 345

**Condensed financial statement
(balance sheet)****30.06.2023 30.06.2022 31.12.2022**

All numbers in NOK 1000

Assets

Fixed assets	218 433	194 358	219 430
Deferred tax assets	27 440	32 063	28 601

Total tangible and fixed assets	245 873	226 422	248 031
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Inventory	80 579	62 903	83 446
Trade receivables	52 373	45 141	66 155
Other receivables	1 356	31 948	8 146
Cash	2 920	4 256	1 435

Total current assets	137 229	144 248	159 182
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Total assets	383 103	370 670	407 213
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Equity and liability

Share capital	44 345	44 345	44 345
Share premium reserve	206 885	206 885	206 885
Retained earnings	26 372	9 629	22 033

Total equity	277 602	260 859	273 263
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Pension liabilities	13 199	15 831	13 199
Other non-current liabilities	2 489	133	2 956

Total long term liabilities	15 687	15 965	16 155
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Trade payables	33 940	42 866	25 906
Short term debt	-	39 384	45 141
Other current liabilities	55 873	11 597	46 748

Total short term liabilities	89 814	93 846	117 795
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Total equity and liability	383 103	370 670	407 213
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Change in equity**30.06.2023 30.06.2022 31.12.2022**

All numbers in NOK 1000

Equity start of period

Equity start of period	270 505	275 768	275 768
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Result for the period	7 097	-14 909	-4 716
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Other comprehensive income	-	-	2 211
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Equity end of period	277 602	260 859	273 263
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Cash flow analysis YTD	30.06.2023	30.06.2022	31.12.2022
All numbers in NOK 1000			
Result for the period	5 278	-19 114	-6 009
Depreciations	8 433	5 382	12 280
Working capital changes	40 313	-22 949	-15 139
Cash flow from operation	54 024	-36 681	-8 868
Purchase of equipment and intangibles	-7 396	-32 283	-64 292
Cash flow from investments	-7 396	-32 283	-64 292
Finance Activities	-45 141	37 474	38 846
Cash flow finance activities	-45 141	37 474	38 846
Change in cash for the period	1 487	-31 491	-34 312
Cash at start of period	1 435	35 746	35 746
Cash by the end of period	2 922	4 255	1 434

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the condensed set of financial statements for the first half year of 2023, which has been prepared in accordance with IAS 34 – Interim Financial Reporting, gives a true and fair view of the Company’s assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

The Board of Directors for Vistin Pharma ASA

Oslo, 22 August 2023

Øyvind A. Brøymer
Chairman

Espen Marcussen
Board member

Bettina Banoun
Board member

Kari Krogstad
Board member

Øystein Stray Spetalen
Board member

Espen Lia Gregoriussen
Board member

Åse Musum
Board member

Kjell-Erik Nordby
CEO

Responsibility statement is signed electronically.



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