

# VISTIN

# PHARMA

VISTIN PHARMA ASA

## FOURTH QUARTER 2019 RESULTS

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## Vistin Pharma in brief

Vistin Pharma ASA is a holding company for the two subsidiaries, Vistin Pharma AS and Vistin Trading AS (collectively, the Company, the Group or Vistin Pharma).

Vistin Pharma AS is a Norwegian pharmaceutical company producing metformin Active Pharmaceutical Ingredient (API) and direct compressible granulate (DC).

The company was established in 2015 when Vistin Pharma AS acquired the metformin and opioids business and tablet production assets from Weifa AS.

In October 2017 the CMO and opioids businesses were sold to TPI Enterprises Limited. Following the sale, Vistin Pharma AS is a dedicated metformin producer, with a strong position in the global metformin market and clear ambitions for continued growth. Metformin is used as the

first-line treatment of diabetes 2. The disease is expected to grow by 50 per cent towards 2045 affecting more than 500 million people. The global metformin market is expected to grow by four to five per cent per annum, and the company is attractively positioned to capture part of this growth.

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, but will continue to manage the financial instruments relating to IMO 2020 already entered into.

The Company's head office is located in Østensjøveien 27, 0609 Oslo, Norway. The shares of Vistin Pharma ASA are listed on Oslo Børs.

# Overview

## Fourth quarter highlights


- Pharmaceuticals: 40% increase in revenue
  - Revenue of NOK 56,8 million for the quarter vs. NOK 40,6 million in Q4 2018
  - Sales volumes 36% higher than Q4 2018, however the Q4 2018 volumes were negatively affected by a planned plant closure in December to install the new packaging line
  - Volume growth contributed to the higher revenue
  - EBITDA NOK 7.8 million for Q4 2019 before bonus provisions vs. negative NOK 4.7 for Q4 2018
- Energy Trading: There was a minor net change of 0.6 million in market to market value in the fourth quarter compared to the third quarter this year
  - EBITDA negative NOK 0.3 million for Q4 vs. negative NOK 3.9 million for Q4 2018
  - The net financial effect (realised and unrealised) from the portfolio of oil derivatives in Q4 19 was a gain of 0.6 million
  - Contracts for 15000 MT were closed in Q4, with a net gain of 2.6 millions for the portfolio of contracts
  - Subsequent to the closing date, the energy markets have weakened which has negatively affected the company's position in oil derivatives. To reduce the risk under the current market conditions the company closed a further 30,000MT of the exposure in February, while 15,000MT expired in January. The combined portfolio loss from this was 43 millions.
  - In addition, in order to further manage the risk in the current market the company has reduced its position in ICE low sulphur Gasoil with 30,000MT. The transaction resulted in a loss of 46.5 million.
- Other financials
  - Cash balance at of 31 Desember of NOK 319.7 million, and no interest-bearing debt (excluding lease liabilities)

## Key figures

### Key financial information for continuing operations for Vistin Pharma ASA

(NOK 1 000)	Q4 2019	Q4 2018	FY 2019	FY 2018
Total revenue and income	56 767	40 556	228 129	200 514
EBITDA	5 738	(9 757)	25 726	726
Profit/(loss) before tax from continuing operations (EBT)	4 494	(73 268)	84 042	(85 305)
Earnings per share for continuing operations (NOK): diluted	0,09	(1,21)	1,49	(1,92)
Total Assets	504 164	474 094	504 164	500 062
Cash & cash equivalents	319 672	330 575	319 672	320 733

### Key figures per segment

(NOK 1 000)	Q4 2019	Q4 2018	FY 2019	FY 2018
<i>Total revenue and income</i>				
Pharmaceuticals	56 767	40 556	228 129	200 514
Total revenue and income	56 767	40 556	228 129	200 514
<i>EBITDA</i>				
Pharmaceuticals	6 799 	(4 654)	30 358	11 523
Energy Trading	(298)	(3 878)	(1 611)	(6 969)
HQ & other	(762)	(1 225)	(3 020)	(3 828)
EBITDA	5 738	(9 757)	25 726	726
<i>EBT</i>				
Pharmaceuticals	3 721	(3 530)	21 493	9 574
Energy Trading	807	(68 727)	63 752	(91 401)
HQ & other	(34)	(1 011)	(1 203)	(3 477)
EBT	4 494	(73 268)	84 042	(85 305)

# Financial review

## Profit and loss

### Pharmaceuticals

The pharmaceutical business unit had total revenues and other income of NOK 56.8 million in the fourth quarter 2019, compared to NOK 40.6 million in the same quarter last year.

EBITDA from Pharmaceuticals came to NOK 7.8 million for the fourth quarter, before a provision for employee bonuses of NOK 1.0 million, compared to NOK negative 4.7 million for the same quarter last year. The higher EBITDA is primarily due to higher sales volume, but favourable exchange rates contributed as well. The metformin manufacturing plant was closed in December 2018 due to a planned installation of a new fully automated packaging line, resulting in lower volumes available for sale in Q4 last year.

Depreciation and amortisation for the segment were NOK 2.7 million for the fourth quarter, compared to NOK 1.4 million for the same quarter in 2018.

### Energy Trading

Energy Trading had no revenues or other income in the fourth quarter this year or last year. The EBITDA came to negative NOK 0.3 million, compared to negative NOK 3.9 million in the fourth quarter of 2018.

### Other

HQ and other Group activities had EBITDA of negative NOK 0.8 million for the fourth quarter, compared to negative NOK 1.2 million in the same quarter last year.

### Finance

Net financial gain for the fourth quarter was NOK 1.4 million, compared to a net loss of NOK 62.1 million in the same quarter of 2018. The overall net financial result for the company is driven by the fluctuations in the oil derivatives. However, both currency losses and interest income contributed to the net financial result this quarter.

### Tax

Vistin Pharma had an income tax expense of NOK

0.5 million in the fourth quarter, compared to NOK 14.8 million in the corresponding quarter of 2018.

### Consolidated earnings

Net profit for the fourth quarter was NOK 4.2 million, corresponding to earnings per share of NOK 0.09, compared to net loss of NOK 64.0 million and earnings per share of negative NOK 1.32 for the same quarter in 2018.

## Cash Flow

Net cash flow from operating activities in the fourth quarter was positive NOK 20.6 million. Net cash flow from operating activities in the fourth quarter last year was negative NOK 5.0 million.

Net cash flow from investing activities was negative NOK 5.8 million, which represents capital expenditure for the quarter. Net cash flow from investing activities in the same quarter last year was negative NOK 4.8 million of which 6.3 was capital expenditure.

Net cash flow from financing activities was negative NOK 0.4 million. Net cash flow from financing activities in the same quarter last year was NOK 0.0 million.

Net increase in cash and cash equivalents amounted to NOK 14.4 million. In the same quarter last year, there was a net decrease in cash and cash equivalents of NOK 9.8 million.

## Financial position

Vistin Pharma had total assets of NOK 504.2 million as of 31 December 2019. Cash and cash equivalents amounted to NOK 319.7 million. The figures as of 31 December 2018 were NOK 500.1 million and NOK 320.7 million, respectively.

Total equity as of 31 December 2019 was NOK 413.4 million, compared to NOK 348.9 million as of 31 December 2018. This corresponds to an equity ratio of 82.0 percent (69.8 percent).

Vistin Pharma had no interest-bearing debt as of close date, with the exception of lease liabilities recognised under IFRS 16 of NOK 2.5 million.

## Operational review

### Pharmaceuticals

Total sales revenue in the third quarter was NOK 56.7 million, compared to NOK 40.6 million in the same quarter of 2018. Metformin API volumes sold were 815MT, compared to 598MT in the same quarter last year.

The higher revenue per MT sold during the fourth quarter, compared to last year, is caused by product mix, prices and higher EUR/NOK exchange rates.

Vistin Pharma is producing approximately 3,100MT of metformin HCl annually at its manufacturing plant at Fikkjebakke, Norway, which is the plant's current maximum capacity. The Company is working to stretch the current capacity up to 3,500MT - 3,800MT through an efficiency program. The installed manufacturing capacity by the end of 2019 is approximately 3,300MT. A second reactor will be installed in H2 2020, which should increase the annual production capacity by another 300MT.

There is a strong underlying global metformin demand and the product is the standard first-line treatment for 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 therefore be dependent on the performance of these products in the market. Key drivers for future growth are the number of diabetes patients diagnosed and treated with metformin containing products, continued growth in sales volume from existing multinational customers, as well as adding new customers to its portfolio. The company is currently experiencing strong demand for its products.

The Company has completed the engineering work for a potential new 3,000MT production line, and key suppliers have been selected. When the market conditions and demand from customers are sufficiently attractive, the Company will be able to have the 3,000MT production capacity installed within approximately 18 months.

The Board is continuously evaluating different strategic alternatives for the pharmaceutical division to maximise shareholder value.

### Energy Trading

The Company has financial derivative contracts outstanding with the idea to take advantage of the global change in the sulphur specifications for marine fuel in the global shipping industry in 2020. Under these contracts, the Company is financially exposed to the difference in USD price (spread) per metric ton between ICE low sulphur Gasoil and Sing380. The total contract volume was 150,000MT. 15,000MT of the total contract volume expired 31. December 2019, with an additional 15,000MT expiring each month from January 2020 to April 2020, while the remaining 75,000MT expire in December 2020.

The total market-to-market value of the contract portfolio was negative NOK 21.5 million as of 31 December 2019 including the contracts with expire date 31 December (31.12.18: negative NOK 85.0 million), a net positive change of NOK 0.6 million compared to the previous quarter. Please refer to Note 5 to the condensed interim financial statements for further details of the positions at 31.12. Subsequent to the closing date, the company has entered into opposite positions for 30,000 MT, effectively closing the positions. The transaction resulted in a financial loss. In addition, positions for 15,000MT expired in January 2020. The results of these two transactions will yield a loss of approximately NOK 43 million for the portfolio. Moreover, to further manage the risk in the current market the exposure to ICE low Sulphure Gasoil was reduced with 30,000MT. This resulted in a loss of 46.5 million.

Depending on general market developments the Company may decide to close some or all of these contracts at an earlier date, if the Company believes this to be in the best interest of its shareholders.

## Risks and uncertainties

As a pharmaceutical manufacturing company, Vistin Pharma is exposed to several types of risks. Fluctuations in the price and availability of raw materials and the development in foreign exchange (USD and EUR) are among the most prominent.

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

Investments in energy derivatives and similar objects are associated with material risks. 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 Company will be able to successfully manage the derivative contracts held. Losses may be substantial, and this would have a material adverse effect on Vistin Pharma's business, prospects, financial condition or results of operations.

For further information, please refer to Vistin Pharma's 2018 Annual Report, available on the Company's website [www.vistin.com](http://www.vistin.com).

## Outlook

Diabetes is one of the largest global health crises of the 21st century, and the metformin business is expected continue to grow by 4-5% 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 partially dependent on the market performance of these 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.

## Share information

The Company had 44 344 592 issued shares as of 31 Desember 2019. The 20 largest shareholders control 66.9 percent of the total number of outstanding shares.

### Largest shareholders as of 31 December 2019:

NAME	SHAREHOLDING	% SHARE
SAGA TANKERS ASA*	6 284 280	14,17 %
PACTUM AS	2 678 572	6,04 %
HOLMEN SPESIALFOND	2 471 521	5,57 %
AWILCO AS	1 785 714	4,03 %
FERNCLIFF LISTED DAI AS*	1 764 424	3,98 %
MP PENSJON PK	1 748 779	3,94 %
STATE STREET BANK AND TRUST COMP	1 682 320	3,79 %
SUNDT AS	1 632 416	3,68 %
SOLAN CAPITAL AS	1 600 000	3,61 %
APOLLO ASSET LIMITED	1 600 000	3,61 %
TVENGE	1 232 268	2,78 %
CAMACA AS	940 447	2,12 %
NORDA ASA	880 000	1,98 %
KM HOLDING AS	669 642	1,51 %
NORDNET LIVSFORSIKRING AS	588 121	1,33 %
BERGEN KOMMUNALE PENSJONSKASSE	495 000	1,12 %
GRANT INVEST AS	474 585	1,07 %
HJELLEGJERDE INVEST AS	400 000	0,90 %
BORGEN INVESTMENT GROUP NORWAY AS	400 000	0,90 %
SKANDINAVISKA ENSKILDA BANKEN	334 551	0,75 %
TOTAL 20 LARGEST SHAREHOLDERS	29 662 640	66,9%
OTHER SHAREHOLDERS	14 681 952	33,1%
TOTAL NUMBER OF SHARES	44 344 592	100,0%

\* Board members of Vistin Pharma, or companies controlled by Board members



# Condensed Interim Financial Statements

## Consolidated Statement of Comprehensive Income

(NOK 1 000)	Note	Q4 2019	Q4 2018	FY 2019	FY 2018
Revenue		56 574	40 145	227 186	198 990
Other income		193	411	943	1 523
Total revenue and income	2	56 767	40 556	228 129	200 514
Cost of materials		18 605	12 474	84 113	73 157
Payroll expenses		19 032	19 048	69 582	69 578
Other operating expenses		13 391	18 790	48 708	57 053
Depreciation, amortisation and impairment		2 656	1 387	8 956	5 333
Operating profit/(loss)		3 083	(11 144)	16 770	(4 607)
Net financial items	4	1 411	(62 124)	67 273	(80 697)
Profit/(loss) before tax from continuing operations		4 494	(73 268)	84 043	(85 305)
Income tax expense		467	(14 843)	17 968	(17 612)
Profit/(loss) for the period from continuing operations		4 027	(58 425)	66 075	(67 693)
Profit/(loss) for the period from discontinued operations		127	(5 550)	127	(5 933)
Profit/(loss) for the period		4 154	(63 974)	66 201	(73 626)
<i>Other comprehensive income not to be reclassified to profit and loss in subsequent periods:</i>					
Actuarial losses on defined benefit plan		(1 435)	95	(1 435)	95
Income tax effect		316	(21)	316	(21)
Total comprehensive income for the period		5 273	(64 048)	67 321	(73 700)
Earnings per share (NOK): basic		0,09	(1,44)	1,49	(2,09)
Earnings per share (NOK): diluted		0,09	(1,32)	1,49	(2,09)
Earnings per share for continuing operations (NOK): basic		0,09	(1,32)	1,49	(1,92)
Earnings per share for continuing operations (NOK): diluted		0,09	(1,21)	1,49	(1,92)

# Condensed Interim Financial Statements

## Consolidated Statement of Financial Position

(NOK 1 000)	Note	31.12.2019	31.12.2018
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>7 733</b>	<b>-</b>
Property, plant & equipment		101 802	88 550
<b>Total non-current assets</b>		<b>109 535</b>	<b>88 550</b>
<b>Current assets</b>			
Inventory		24 107	29 071
Trade receivables		38 277	27 363
Other receivables		12 573	12 126
Deferred tax assets		-	22 219
Cash & cash equivalents	6	319 672	320 733
<b>Total current assets</b>		<b>394 629</b>	<b>411 512</b>
<b>Total Assets</b>		<b>504 164</b>	<b>500 062</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	44 344	44 344
Share premium		273 402	273 401
Other paid-in capital		-	2 777
Retained earnings		95 649	28 329
<b>Total equity</b>		<b>413 395</b>	<b>348 852</b>
<b>Non-current liabilities</b>			
Lease liabilities		1 033	-
Other long-term liabilities		16 309	16 877
<b>Total non-current liabilities</b>		<b>17 342</b>	<b>16 877</b>
<b>Current liabilities</b>			
Trade payables		23 612	29 469
Lease liabilities		1 487	-
Income tax payable		3 796	-
Other current liabilities		44 534	104 864
<b>Total current liabilities</b>		<b>73 429</b>	<b>134 333</b>
<b>Total liabilities</b>		<b>90 771</b>	<b>151 210</b>
<b>Total Equity and Liabilities</b>		<b>504 164</b>	<b>500 062</b>

# Condensed Interim Financial Statements

## Statement of Changes in Equity

(NOK 1 000)	Note	Share capital	Share premium	capital reserves	Retained earnings	Total equity
Equity as at 01.01.2018		17 055	1 074		102 028	120 157
Profit ( loss ) for the period					(73 625)	
Other Comprehensive income					(74)	
Total comprehensive income		-	-	-	(73 699)	(73 699)
Private placement		26 786	278 355	-	-	305 140
Transactions costs share issue		-	(6 028)	-	-	(6 028)
Share-based payment	9	-	-	2 777	-	2 777
Subsequent repair issue		503	-	-	-	504
Equity as at 31.12.2018	7	44 344	273 401	2 777	28 330	348 852
Equity as at 01.01.2019		44 344	273 401	2 777	28 330	348 852
Total comprehensive income		-	-		67 321	67 321
Share-based payment				(2 777)		(2 777)
Equity as at 30.09.2019		44 344	273 401	(0)	95 651	413 395

# Condensed Interim Financial Statements

## Cash Flow Statement

(NOK 1 000)	Note	Q4 2019	Q4 2018	FY 2019	FY 2018
<b>Cash flow from operating activities</b>					
Net profit/(loss) before income tax from continuing operations		4 494	(73 268)	84 043	(85 305)
Net profit/(loss) before income tax from discontinued operations		127	(5 565)	127	(6 062)
<b>Net profit/(loss) before income tax</b>		<b>4 621</b>	<b>(78 833)</b>	<b>84 169</b>	<b>(91 366)</b>
Adjustments to reconcile profit before tax to net cash flow:					
Income tax paid		1 477	2 460	-	(1 684)
(Gain)/loss on sale of subsidiary		-	5 500	-	5 500
Non-cash adjustment to reconcile profit before tax to cash flow:					
Depreciation, amortisation and impairment		2 656	1 401	8 957	5 346
Share-based payment	10	-	1 193	(2 777)	2 777
Unrealised foreign currency (gains)/losses		-	(41)	(807)	-
Unrealised financial derivatives (gains)/losses		(591)	65 212	(63 485)	84 971
Changes in working capital:					
Changes in trade receivables and trade creditors		4 975	13 185	(16 771)	(20 817)
Changes in inventory		3 582	(10 615)	4 965	(6 416)
Changes in other accruals and prepayments		3 739	(4 490)	4 234	(17 157)
<b>Net cash flow from operating activities</b>		<b>20 586</b>	<b>(5 028)</b>	<b>18 485</b>	<b>(38 846)</b>
<b>Cash flow from investing activities</b>					
Net proceeds from sale of subsidiary		-	1 459	-	(5 500)
Purchase of equipment and intangibles		(5 790)	(6 274)	(18 376)	(18 074)
<b>Net cash flow from investing activities</b>		<b>(5 790)</b>	<b>(4 815)</b>	<b>(18 376)</b>	<b>(23 574)</b>
<b>Cash flow from financing activities</b>					
Proceeds from share issue		-	-	-	305 644
Payment of lease liabilities		(358)	-	(1 171)	-
Dividende paid		-	-	-	(7 828)
<b>Net cash flow from financing activities</b>		<b>(358)</b>	<b>-</b>	<b>(1 171)</b>	<b>297 816</b>
<b>Net change in cash and cash equivalents</b>		<b>14 438</b>	<b>(9 843)</b>	<b>(1 062)</b>	<b>235 396</b>
<b>Cash and cash equivalents beginning period</b>		<b>305 234</b>	<b>330 575</b>	<b>320 733</b>	<b>85 336</b>
<b>Cash and cash equivalents end period</b>		<b>319 672</b>	<b>320 732</b>	<b>319 672</b>	<b>320 733</b>

# Notes to the Condensed Interim Financial Statements

## 1. Corporate information

Vistin Pharma ASA 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.

Vistin Pharma ASA, and its subsidiaries, (collectively, Vistin Pharma or the Group), are principally engaged in the production and sale of metformin APIs (active pharmaceutical ingredient) for the international pharmaceutical market, and the investment in energy related investment opportunities.

## 2. Basis of presentation and changes to the Group's accounting policies

The financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). This financial information should be read together with the financial statements for the year ended 31 December 2018, prepared in accordance with International Financial Reporting Standards ("IFRS"). The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements. The figures are unaudited.

### ***New standards, interpretations and amendments adopted by the Group***

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

The Group has adopted IFRS 16 from 1 January 2019 using the modified retrospective method for all lease agreements existing on the implementation date. Comparative figures have not been restated, as permitted under the modified retrospective method. The Group has applied transition reliefs where the lease asset is 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.

### ***The Group's leasing activities and how these are accounted for:***

The Group leases offices in Oslo, and some equipment, cars and trucks. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. The Group did not have any finance leases as of 31 December 2018.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

## 2. Basis of presentation and changes to the Group's accounting policies (continued)

- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under any residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise any leased IT-equipment and other small items with a value of less than NOK 50k.

### Financial impact on adoption of IFRS 16

Following is a reconciliation of the operating lease commitment as of 31 December 2018, and the lease liability as of 1 January 2019:

(NOK 1 000)	01.01.2019
Operating lease commitments at 31 December 2018	4 091
Low-value leases	-16
Discounted at applicable interest rate	-223
<b>Lease liability recognised as at 1 January 2019</b>	<b>3 853</b>
Of which are:	
Current lease liabilities	1 467
Non-current lease liabilities	2 386
	<u>3 853</u>

The change in accounting policy affected the balance sheet at 1 January 2019 as follows:

- Right of use assets - increased by NOK 3.9 million
- Lease liability - increased by NOK 3.9 million

The change in accounting policy affected the profit and loss for the fourth quarter 2019 as follows:

- Operating expenses - decreased by NOK 0.2 million
- Depreciation - increased by NOK 0.4 million
- Interest expense - increased by NOK 0.020 million

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

### 3. Segment reporting

Following the establishment of an energy trading business in the second quarter 2018, the Group has two operating segment, which is the production and sale of metformin products and energy trading. In January 2019, the Company decided to close down the energy trading business.

(NOK 1 000)	Q4 2019	Q4 2018	FY 2019	FY 2018
Total revenue and income				
Pharmaceuticals	56 767	40 556	228 129	200 512
Energy Trading	-	-	-	-
HQ & Other	-	-	-	-
Total revenue and income	56 767	40 556	228 129	200 513
EBT				
Pharmaceuticals	3 721	(3 530)	21 493	9 574
Energy Trading	807	(68 727)	63 752	(91 401)
HQ & Other	(34)	(1 011)	(1 076)	(3 477)
EBT	4 494	(73 268)	84 169	(85 304)
Operating assets				
(NOK 1 000)			31.12.2019	31.12.2018
Pharmaceuticals			164 187	122 765
Energy Trading			10 130	-
HQ & Other			322 115	355 077
Total segments			496 432	477 843
Operating liabilities				
(NOK 1 000)			31.12.2019	31.12.2018
Pharmaceuticals			38 124	26 996
Energy Trading			31 907	84 982
HQ & Other			16 944	39 232
Total segments			86 975	151 210
Reconciliation of assets				
(NOK 1 000)			31.12.2019	31.12.2018
Segment operating assets			496 432	477 843
Deferred tax assets			7 733	22 219
Total operating assets			504 165	500 062
Reconciliation of liabilities				
(NOK 1 000)			31.12.2019	31.12.2018
Segment operating liabilities			86 975	151 210
Tax payable			3 796	-
Total operating liabilities			90 771	151 210

#### 4. Financial items

(NOK 1 000)	Q4 2019	Q4 2018	YTD 2019	FY 2018
Gains (losses) on net foreign exchange	(357)	2 638	607	4 070
Interest income and other financial items	1 372	632	3 872	807
Gains (losses) on derivative financial instruments	592	(65 212)	63 486	(84 972)
Interest and other financial expenses	(194)	(182)	(690)	(603)
Net financial items	1 411	(62 124)	67 273	(80 697)

#### 5. Financial derivatives

During the second quarter 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 Company is financially exposed to the difference in USD price (spread) per metric ton between ICE low sulphur Gasoil and Sing380. The open derivatives are shown in the table below.

Type of instrument	Volume (mt)	Maturity date	Weighted average spread at contract date (USD/mt)	Spread as of 31.12.19 (USD/mt)	Market-to-market (MTM) as of 31.12.19 (NOK 1 000)
ICE low sulphur vs Sing380	15 000	Jan2020	345,10	335,62	n.a
ICE low sulphur vs Sing380	15 000	Feb2020	345,10	341,39	n.a
ICE low sulphur vs Sing380	15 000	Mar2020	345,10	340,89	n.a
ICE low sulphur vs Sing380	15 000	Apr2020	345,10	337,37	n.a
ICE low sulphur vs Sing380	75 000	Dec2020	337,00	308,70	n.a
Total	135 000				(31 616)

As of 31 December 2019, the market-to-market value ("MTM") of these contracts was negative NOK 31.6 million, which has been included as a financial liability in the statement of financial position.

In addition, the market value of the contracts expiring on December 31 2019 is booked as other short term receivables awaiting its settlement in January 2020. As of December 31, NOK 10.1 is booked as short term receivables.

The net market-to-market value of the portfolio at December 31 is negative NOK 21.5 million.

The net change in market value of the portfolio of contracts in Q4 was a gain of NOK 0.6 million and has been recognised as a financial gain in the statement of comprehensive income for the fourth quarter 2019, to reflect the decrease in the negative MTM during the quarter.

Subsequent to the balance sheet date, a further 30,000MT of the spreadpositions have been closed January positions expire, and the position in ICE Gasoil have been reduced with 30,000MT. After the transactions up including February 28, the remaining open positions are long in the spread between ICE low sulphur Gasoil versus Sing380 with 47,600MT and short on Sing380 with 30,000MT.

Any increase/decrease in the spread between the prices of the underlying oil products by 1% would increase/decrease the MTM of the contracts outstanding by approximately NOK 4 million as at 31 December.

The derivative contracts do not result in physical delivery of the oil products, but the 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 (DNB), as security for any potential losses. The required value of the margin account as of 31 December 2019 was NOK 90.3 million, while NOK 113.3 was actually deposited with DNB. The amount has been included in cash and cash equivalents in the statement of financial position.



**6. Cash and cash equivalents**

(NOK 1 000)	31.12.2019	31.12.2018
Cash at bank	135 239	79 574
Money market funds	71 184	70 055
Restricted cash	113 250	171 104
Cash and cash equivalents	319 672	320 733

Restricted cash mainly represents cash deposited with DNB as security for the outstanding derivate contracts. Please refer to Note 5 for additional information.

**7. Share capital**

	Number of shares (1 000)	Share capital (NOK 1 000)
At 1 Januar 2018	17 055	17 055
At 31 Desember 2018	44 345	44 345
At 1 January 2019	44 345	44 345
At 31 Desember 2019	44 345	44 345

**8. Property, plant & equipment**

Following the implementation of IFRS 16, right-of-use assets amounting to NOK 2.3 million are included as property, plant & equipment in the condensed consolidated statement of financial position as of 31 Desember, 2019.

**9. Interest-bearing debt**

The Group had interest-bearing debt of NOK 2.5 million as of 31 December 2019, relating to rental and leasing obligations recognised under IFRS 16 (31.12.18: 0).

**10. Employee share options**

In 2018, 4 million share options were issued to employees of the energy trading business. As a result of the resignation and/or termination of these employees, these share options were forfeited, as defined by IFRS 2, during the first quarter 2019. The Company has no share options outstanding as of 31 December 2019 (31.12.18: 4.0 million).