

# VISTIN PHARMA

## VISTIN PHARMA ASA FIRST QUARTER 2021 RESULTS PUBLISHED 23 April 2021

### HIGHLIGHTS

- Revenue of MNOK 70.8 for the quarter compared to MNOK 61.4 in first quarter 2020 (+15%). Revenue positively affected by product mix and slightly favorable EURNOK compared to last year
- EBITDA of MNOK 16.3 in first quarter 2021 compared to MNOK 14.2 in first quarter 2020 (+15%). EBITDA favorably affected by product mix and FX, partly offset by record high transportation cost and electricity prices in the quarter
- All time high production volume in the quarter driven by full effect of the 2nd reactor installed in Q3/Q4'20
- Metformin capacity expansion project (MEP) on track and expected to be commercially operational from Q2 2022. Approximately 35% of the total investment of MNOK 100 paid as of end March.
- Cash balance of MNOK 85 as of 31 March and no interest-bearing debt
- Dividend proposal for the AGM (20.05.2021) NOK 0.5 per share for 2020

## 1<sup>ST</sup> QUARTER REPORT

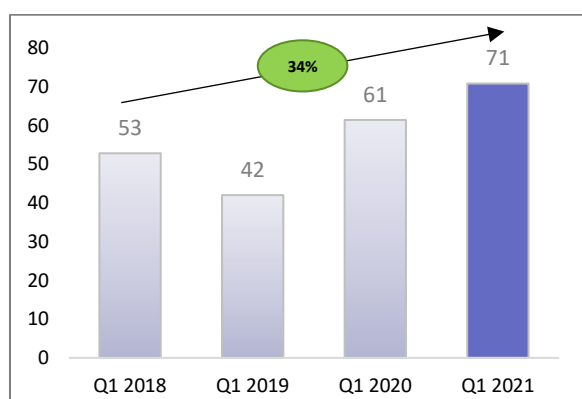
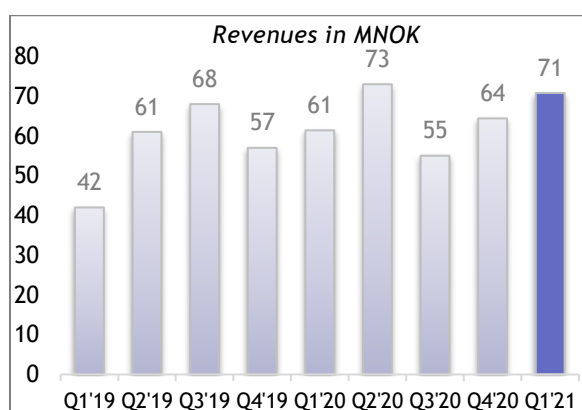
The financial report as per March 2021 has been prepared according to the IFRS (International Financial Reporting Standard) and follows IAS 34 for interim financial reporting, as do the comparable numbers for 2020.

### FINANCIAL DEVELOPMENT

(Comparative numbers for 2020 in parenthesis)

#### REVENUE

Revenue in the quarter of MNOK 70.8 (MNOK 61.4), a 15% increase compared to Q1 2020. The sales increase was driven by favourable product mix and EURNOK.



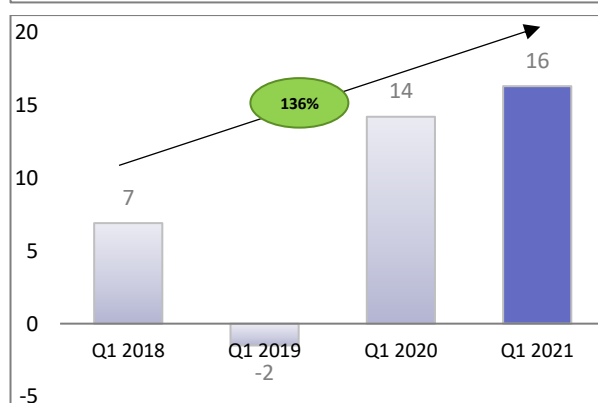
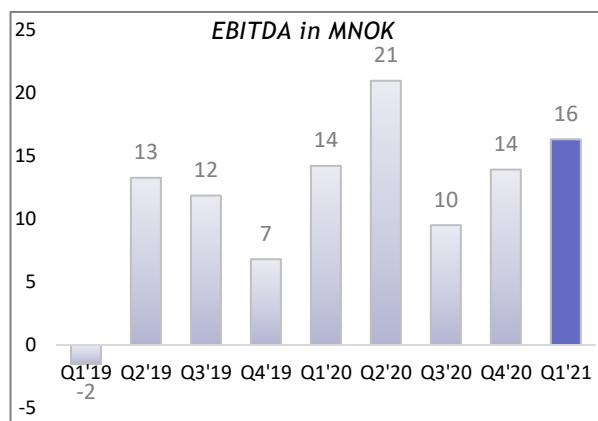
#### Cost of goods sold

Cost of goods sold (COGS) in the quarter ended at MNOK 55.5 (MNOK 47.8), an increase of 16%. The main driver behind the increase is higher production volume, in addition to record high transportation costs and increased electricity and water prices compared to last year.

#### EARNINGS

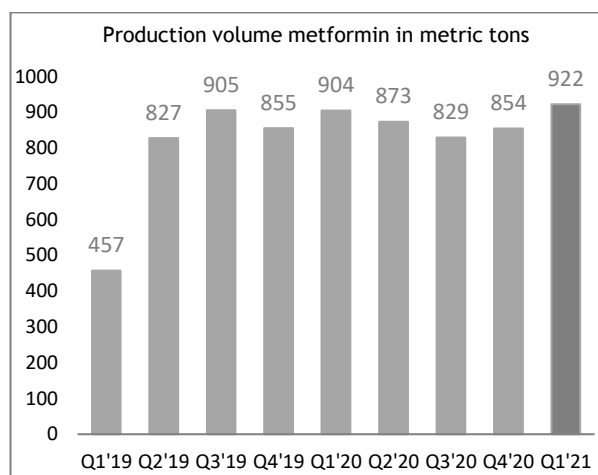
Pharmaceuticals achieved an EBITDA of MNOK 16.3 (MNOK 14.2) for the quarter. Earnings

before tax (EBT) ended at MNOK 11.7 (negative MNOK 1).



### PRODUCTION

The Fikkjebakke plant has been operating at full capacity and with high efficiency and productivity throughout the quarter. Driven by installation of the new 2<sup>nd</sup> reactor in Q3/Q4'20 and optimization in Q1'21 a record high production volume of 922MT HCl has been produced in quarter. The total available production volume for Q2 2021 has been allocated to customers.



### *Energy Trading*

During Q1 Vistin Trading AS has been merged into Vistin Pharma AS.

### *Other (HQ)*

HQ and other Group activities had EBT of negative MNOK 0.4 for the first quarter, compared to negative MNOK 0.8 in the same quarter last year. The consolidated EBT for the Group, excluding Energy Trading, ended at MNOK 11.3 (negative MNOK 1.9), in the first quarter. Negative EBT in Q1'20 was driven by unrealized loss on EUR hedging contracts entered into in beginning of 2020.

### *Financial items*

Net finance ended negative with MNOK 1.2 for the first quarter 2021, compared to negative of MNOK 12.5 in fourth quarter 2020 (excluding Energy Trading). Net finance loss in Q1 was mainly related to realized and unrealized gains or losses related to customer receivables in EUR, partly offset by interest on cash balance.

### *CASH FLOW*

Net cash flow from operating activities in the first quarter was MNOK 15.7. Net cash flow from operating activities in the first quarter 2020 was negative MNOK 0.9. The increase in operating cash flow compared to similar quarter last year was mainly driven by strong operational result and positive working capital development.

Net cash flow from investing activities was negative MNOK 5.3 which represents capital expenditure for the quarter. Net cash flow from investing activities in the same quarter last year was negative MNOK 1.7.

Net cash flow from financing activities was negative MNOK 2.4, driven by payment of lease liabilities. Net cash flow from financing activities in the same quarter last year was negative MNOK 0.3.

Net increase in cash and cash equivalents amounted to MNOK 8 in Q1 2021. In the same quarter last year, there was a net decrease in cash and cash equivalents of MNOK 2.9.

## **BALANCE SHEET**

### *Assets*

Vistin Pharma had total assets of MNOK 326.5 as of 31 March 2021. Cash and cash equivalents amounted to MNOK 85.

The company has a deferred tax asset of MNOK 32.6 (MNOK 44.6). 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 281.2. This equals an equity ratio of 86%.

### *Liabilities*

The company had no interest-bearing debt as of end March 2021. MNOK 2.4 (MNOK 2.2) 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 metformin. The product is the standard first-line 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 therefore be dependent on the performance of these products in the market. Key drivers for future growth are the number of diabetes patients diagnosed and treated with metformin containing products, continued growth in sales volume from existing multinational customers, as well as adding new customers to its portfolio. The company is currently experiencing strong demand for its products.

### *STRATEGY*

In April 2020 Vistin announced that the Board of Directors had approved a Metformin Capacity Expansion Project (MEP). The objective is to build a 2nd parallel production line and establish a total capacity of approx. 7000MT metformin HCl annually. Products from the new line are

expected to be commercialized by Q2 2022. The estimated CAPEX is MNOK 100, whereof approx. 35% has been paid as of 31 March. Activities to secure long lead equipment have started. Business development activities to acquire new accounts and to secure increased volumes from existing customers to fill the additional MEP capacity are ongoing.

#### RESEARCH AND DEVELOPMENT (R&D)

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

#### THE COVID-19 PANDEMIC

The demand in the market for metformin is still high and is not affected by the corona epidemic. Vistin has taken actions to secure the supply of critical raw materials and to build additional security stocks. There are no reported corona infected employees in Vistin Pharma as of today and the company is strictly following the guidelines from the authorities and has successfully taken active measures to reduce the risk of virus spread in the factory. Lack of available containers in Asia, due to increased export from the region, has short term significantly increased the freight costs from China and India (across all businesses and for all goods). Vistin is also experiencing pressures from its suppliers with increasing raw materials prices, driven by higher global demand and increased raw material prices in general.

#### 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 believes in socially responsible business and promoting decent working and environmental conditions in our supply chains

and it is part of Vistin Pharma's strategy and efforts to act responsible. Vistin Pharma has adopted the general principles of UN Global Compact with universally accepted principles for human rights, working conditions, environment and anti-corruption. In pursuit of this the Group has developed a 'NO HARM VISION' consisting of:

- *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 double our manufacturing capacity without increased environmental impact on water, air and soil*

Vistin Pharma has the recent years, with success, completed and implemented several initiatives that significantly reduces the environmental footprint. Building on this success Vistin Pharma has several exiting initiatives ongoing:

- *Vistin has shifted from oil-based energy to hydro powered energy to reduce carbon footprint*
- *Vistin is currently running a project with aim to reduce the water consumption in the plant by >80% through recycling.*
- *Vistin has started 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*

Based on the initiated and ongoing initiatives to become even more environmental friendly the Group has set out some though and ambitious goal to further strengthen our status as an environmentally friendly pharmaceutical company with a “no harm” vision and “front runner” ambition.

## 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. Most 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 2020, 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 partially dependent on the market performance of these products.

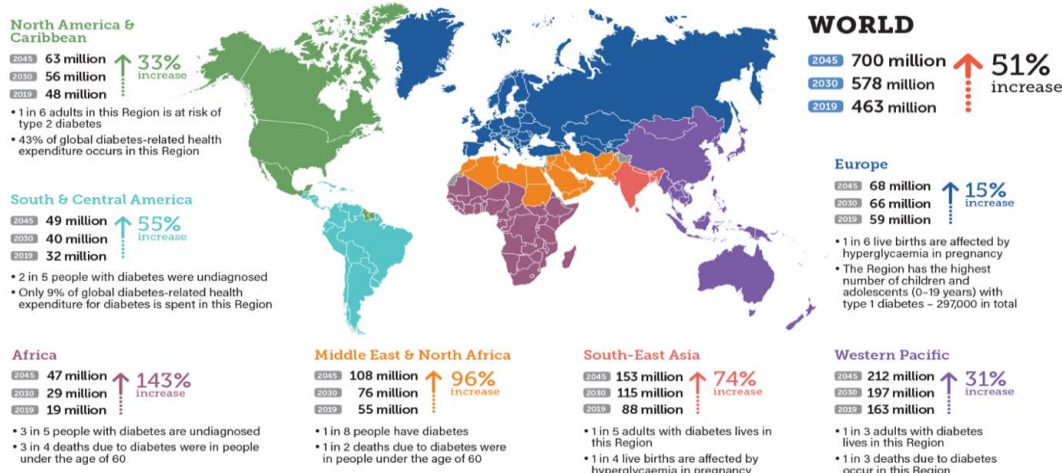
The demand in the market for metformin is still high and is currently not affected by the corona epidemic. The vulnerability for drug supplies during the corona epidemic has been an 'eye opener' for the authorities and the need for 'short travelled medicines' will be high on the agenda going forward. 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 31 March 2021. The five largest shareholders were Intertrade Shipping AS with 12,575,000 shares, Pactum AS with 3,519,733 shares, Holmen Spesialfond with 3,250,000 shares, MP Pensjon PK with 1,752,913 shares, and Tycoon Industrier AS with 784,281 shares.

The share price has increased from NOK 17.45 per share at year end 2020, and to NOK 25.50 as of 31 March 2021, equal to an increase of 46%.

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



Number of people living with diabetes

Source: International Diabetes Federation, IDF Diabetes Atlas, seventh edition, 2020

## VISTIN PHARMA ASA - FIRST QUARTER REPORT 2021

	QTR	QTR	FY
Condensed financial statement (P&L)	1. quarter 2021	1. quarter 2020	FY 2020
All numbers in NOK 1000			
<b>Total revenue and income</b>	<b>70 803</b>	<b>61 407</b>	<b>253 905</b>
Cost of materials	22 792	18 410	73 288
Salary and sosial expenses	17 600	16 585	72 499
Other operating expenses	15 053	12 779	52 940
Total operating expenses	55 445	47 775	198 728
<b>Opr. res.before. depr. and write offs (EBITDA)</b>	<b>15 358</b>	<b>13 633</b>	<b>55 177</b>
<i>Opr.res before depr and write off %</i>	<i>21,7 %</i>	<i>22,2 %</i>	<i>21,7 %</i>
Depreciation	2 872	2 451	9 623
<b>Operating result</b>	<b>12 486</b>	<b>11 182</b>	<b>45 554</b>
<i>Operating result in %</i>	<i>17,6 %</i>	<i>18,2 %</i>	<i>17,9 %</i>
Financial income	3 167	8 336	14 066
Financial expenses	4 389	187 239	183 893
<b>Net finance</b>	<b>-1 221</b>	<b>-178 903</b>	<b>-169 827</b>
<b>Pre tax profit</b>	<b>11 265</b>	<b>-167 721</b>	<b>-124 273</b>
Tax	2 478	-36 910	-27 317
<b>Result</b>	<b>8 787</b>	<b>-130 811</b>	<b>-96 956</b>
<b>Comprehensive income</b>			
Result after tax	8 787	-130 811	-96 956
Other comprehensive income			277
<b>Total comprehensive income</b>	<b>8 787</b>	<b>-130 811</b>	<b>-96 679</b>
<b>Dividend</b>	<b>-</b>	<b>-</b>	<b>44 345</b>

Key figures	1. quarter 2021	1. quarter 2020	FY 2020
Equity share	86 %	53 %	85 %
Earnings per share	0,20	-2,95	-2,19
Earnings per share diluted	0,20	-2,95	-2,19
Average shares outstanding in 1000	44 345	44 345	44 345
Average shares outstanding in 1000 diluted	44 345	44 345	44 345

**Condensed financial statement  
(balance sheet)****31.03.2021****31.03.2020****31.12.2020**

All numbers in NOK 1000

**Assets**

Fixed assets	147 720	101 288	145 261
Deferred tax assets	32 622	44 643	35 128
<b>Total tangible and fixed assets</b>	<b>180 342</b>	<b>145 931</b>	<b>180 389</b>
Inventory	26 555	24 498	31 788
Trade receivables	30 756	40 011	30 400
Other receivables	3 811	3 025	2 302
Cash	85 010	316 793	77 036
<b>Total current assets</b>	<b>146 133</b>	<b>384 327</b>	<b>141 526</b>
<b>Total assets</b>	<b>326 475</b>	<b>530 258</b>	<b>321 915</b>

**Equity and liability**

Share capital	44 345	44 345	44 345
Share premium reserve	229 056	273 401	229 056
Retained earnings	7 791	-35 162	-996
<b>Total equity</b>	<b>281 192</b>	<b>282 584</b>	<b>272 405</b>
Pension liabilities	16 330	16 309	16 330
Lease obligations			
Other non-current liabilities	1 141	1 344	976
<b>Total long term liabilities</b>	<b>17 471</b>	<b>17 653</b>	<b>17 306</b>
<b>Total short term liabilities</b>	<b>27 813</b>	<b>230 020</b>	<b>32 204</b>
<b>Total equity and liability</b>	<b>326 475</b>	<b>530 257</b>	<b>321 915</b>
Net interest bearing debt	-	-	-

**Change in equity****31.03.2021****31.03.2020****31.12.2020**

All numbers in NOK 1000 Equity start of period

<b>Equity start of period</b>	<b>272 405</b>	<b>413 396</b>	<b>413 396</b>
Result for the period	8 787	-130 812	-96 922
Other comprehensive income	-	-	277
Share based payments	-	-	-
Dividend	-	-	-44 345
<b>Equity end of period</b>	<b>281 191</b>	<b>282 584</b>	<b>272 405</b>

**Cash flow analysis YTD****31.03.2021****31.03.2020****31.12.2020**

All numbers in NOK 1000

Result for the period	11 265	-167 721	-124 273
Depreciations and working capital changes	4 418	166 853	-21 458
<b>Cash flow from operation</b>	<b>15 682</b>	<b>-867</b>	<b>-145 731</b>
Purchase of equipment and intangibles	-5 331	-1 726	-53 103
<b>Cash flow from investments</b>	<b>-5 331</b>	<b>-1 726</b>	<b>-51 378</b>
Dividend paid	0	-	-44 345
<b>Cash flow finance activities</b>	<b>-2 400</b>	<b>-289</b>	<b>-45 528</b>
Change in cash for the period	7 975	-2 882	-242 638
Cash at start of period	77 036	319 672	319 673
<b>Cash by the end of period</b>	<b>85 011</b>	<b>316 792</b>	<b>77 036</b>



## VISTIN PHARMA ASA - FIRST QUARTER REPORT 2021

<b>Segment reporting (P&amp;L)</b>	<b>1. quarter 2021</b>	<b>1. quarter 2020</b>	<b>FY 2020</b>
All numbers in NOK 1000			
<i>Total revenue and income</i>			
Pharmaceuticals	70 803	61 407	253 906
Energy Trading	-	-	-
HQ & Other	-	-	-
<b>Total revenue and income</b>	<b>70 803</b>	<b>61 407</b>	<b>253 906</b>
<i>EBITDA</i>			
Pharmaceuticals	16 313	14 238	58 189
Energy Trading	-	74	-190
HQ & Other	-955	-629	-2 822
<b>EBITDA</b>	<b>15 358</b>	<b>13 683</b>	<b>55 177</b>
<i>EBT</i>			
Pharmaceuticals	11 650	-1 088	39 805
Energy Trading	-	-165 790	-162 117
HQ & Other	-385	-843	-2 010
<b>EBT</b>	<b>11 265</b>	<b>-167 721</b>	<b>-124 322</b>

<b>Segment reporting (balance sheet)</b>	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>31.12.2020</b>
All numbers in NOK 1000			
<i>Operating assets</i>			
Pharmaceuticals	226 167	165 797	210 998
Energy Trading	-	219 972	-
HQ & Other	67 686	99 846	79 338
<b>Total segments</b>	<b>293 853</b>	<b>485 614</b>	<b>290 336</b>
<i>Operating liabilities</i>			
Pharmaceuticals	43 697	47 607	35 577
Energy Trading	-	182 437	-
HQ & Other	1 586	17 629	17 236
<b>Total segments</b>	<b>45 283</b>	<b>247 673</b>	<b>52 813</b>
<i>Reconciliation of assets</i>			
Segment operating assets	293 853	485 614	290 336
Deferred tax assets	32 622	44 643	34 882
<b>Total operating assets</b>	<b>326 476</b>	<b>530 258</b>	<b>325 218</b>
<i>Reconciliation of liabilities</i>			
Segment operating liabilities	45 283	247 673	52 813
Tax payable	-	-	-
<b>Total operating liabilities</b>	<b>45 283</b>	<b>247 673</b>	<b>52 813</b>