

Q1

**Quarterly
result**

2022



Vistin Pharma

Published 27 April 2022

Highlights

- Revenue of MNOK 33 compared to MNOK 71 in first quarter 2021. Decrease in revenue for the quarter driven by less volume available for sale due to Metformin Expansion Project (MEP) installation
- EBITDA MNOK -18 vs. MNOK 15 in Q1 2021. EBITDA unfavorably affected by limited sales volume available, start-up costs for new line, FX and record high electricity prices in quarter. Financial results expected to improve from Q2'22, with more volume available for sale
- Start-up costs driven by onboarding of new operators & quality FTE's and semi-variable overhead costs
- 2022 sales prices increased to reflect current raw material and freight prices
- Both existing production line #1 and new line #2 is producing as of end March. Line #1 producing according to plan. Line #2 producing at reduced capacity during initial ramp-up phase
- Capacity is expected to ramp-up gradually during Q2-Q4 and reach an annual capacity of >5 500MT by end 2022. Annual capacity of approx. 7000MT expected to be reached during 2023
- First commercial batch from the 2nd production line expected to be shipped out in Q2 '22
- Approximately 70% of the total MEP investment of MNOK 100 paid as of end March. Project cost according to budget
- Cash balance of MNOK 12 as of 31 March and no interest-bearing debt
- Revolving credit facility established to handle planned liquidity effects from ongoing expansion and investments

1ST QUARTER REPORT FOR 2022

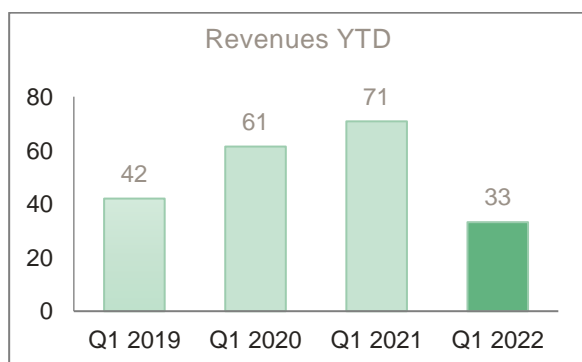
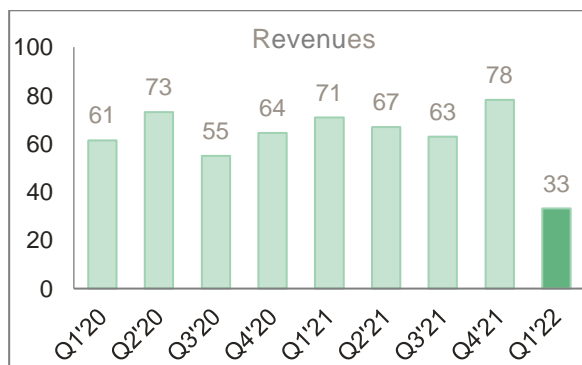
The financial report as per March 2022 has been prepared according to the IFRS (International Financial Reporting Standard) and follows IAS 34 for interim financial reporting, as do the comparable numbers for 2021. From 2022 and onwards Vistin will only report and show comparable figures for one segment.

FINANCIAL DEVELOPMENT

(Comparative numbers for 2021 in parenthesis)

REVENUE

Revenue in the quarter of MNOK 33.2 (MNOK 70.8), a 53% decrease compared to Q1 2021. The revenue decrease driven by limited sales volume available due to production stop for MEP installation. Revenue also negatively affected by a stronger NOK vs. EUR compared to same quarter last year.

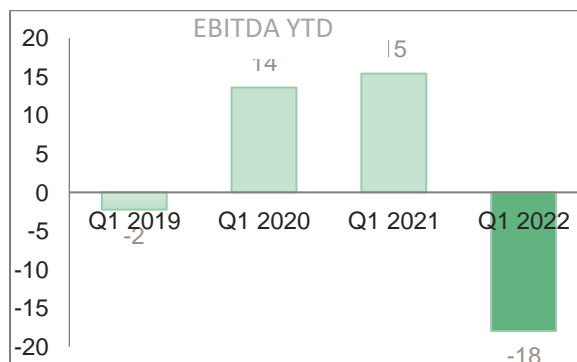
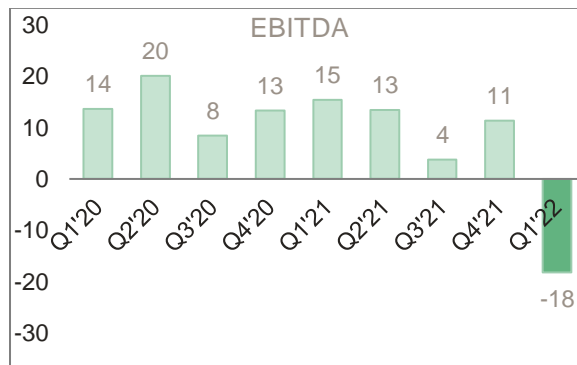


Cost of goods sold

Cost of goods sold (COGS) in the quarter ended at MNOK 51.4 (MNOK 55.5). Decrease in total cost driven by less volume. Q1 affected by onboarding and start-up costs for the new production line and a one-time negative inventory value adjustment of MNOK 1. Volume leverage expected when sufficient volume on the new line – planned from 2H'22. Semi-variable OH's like supply, tools & patterns, purchased services and (partly) electricity not expected to increase linearly with production volume.

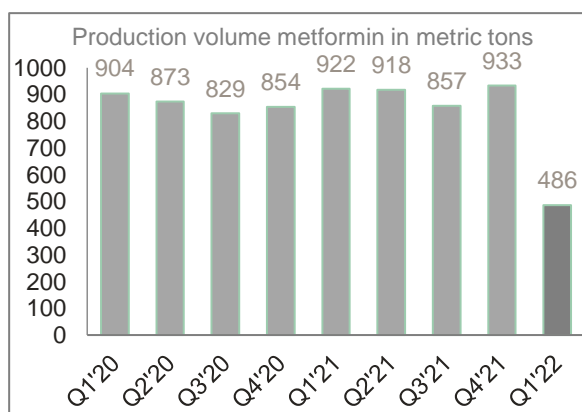
EARNINGS

EBITDA negative with MNOK 18.2 (MNOK 15.4) for the quarter. EBITDA unfavorably affected by limited sales volumes available, start-up costs for new line, FX and record high electricity prices in quarter. Financial results expected to improve from Q2'22, with more volume available for sale.



PRODUCTION

The Fikkjebakke plant has been operating at significant reduced capacity in Q1, due to the planned MEP installation. Production line #1 resumed production in second week of February and the new line #2 started production last week of March. The new line is currently producing at reduced capacity during initial ramp-up phase. Total annual capacity is expected to reach >5 500MT by end of 2022. Current organization is capable of handling expected 2022 volumes without adding additional FTE's.



Financial items

Net finance ended positive with MNOK 1.5 for the first quarter 2022, compared to negative of MNOK 1.2 in first quarter 2021. Net finance income in Q1 2022 was mainly related to realized and unrealized gains on currency hedging contracts for receivables.

CASH FLOW

YTD net cash flow from operating activities in the quarter was negative with MNOK 2.8. Net cash flow from operating activities in same period of 2021 was MNOK 15.7.

Net cash flow from investing activities in Q1 2022 was negative with MNOK 19.6 which represents capital expenditure, mainly MEP. Net cash flow from investing activities in the same period last year was negative MNOK 5.3.

Net cash flow from financing activities in Q1 was negative with MNOK 1.1. Net cash flow from financing activities in the same period last year was negative MNOK 2.4.

Net decrease in cash and cash equivalents in Q1 2022 amounted to negative MNOK 23.6. In the same period last year, there was a net increase in cash and cash equivalents of MNOK 8.

BALANCE SHEET

Assets

Vistin Pharma had total assets of MNOK 316.5 as of 31 March 2022. Cash and cash equivalents amounted to MNOK 12.2.

The company has a deferred tax asset of MNOK 32.1 (MNOK 32.6). 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 March was MNOK 260.6. This equals an equity ratio of 82%.

Liabilities

The company had no interest-bearing debt as of end March 2022. MNOK 1.1 (MNOK 2.4) 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 expected to grow by 5-6% annually in the foreseeable future. Metformin is the standard first-line treatment of Type 2 Diabetes, which contribute to 90% of the patient population suffering from diabetes. The majority of 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 its 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 is to build a 2nd parallel production line and establish a total capacity of approx. 7 000MT metformin HCl annually (+ 3500MT). The estimated CAPEX is MNOK 100, whereof approx. 70% has been paid as of 31 March. Business development activities to acquire new accounts and to secure increased volumes from existing customers to fill the additional MEP capacity are ongoing.

In relation to the MEP installation, production was closed down in beginning of January, as planned. Both existing production line #1 and new line #2 is producing as of end March. Line #1 producing according to plan, line #2 producing at reduced capacity during initial ramp-up phase. The first commercial batch from Line #2 is expected to be shipped out of Plant in Q2. Implementation of MEP is leading to low volumes available for sale and the

financial result in Q1'22 is untraditionally weak. The financial results are expected to improve from Q2'22, and accelerate from 2H with leverage from the new capacity.

Vistin expects significant increased working capital requirements to support the volume ramp-up. In addition, Vistin has an ambitious CAPEX plan in 2022 to support the volume growth and future production productivity. Based on this a credit facility has been secured with Nordea.

RESEARCH AND DEVELOPMENT (R&D)

Vistin has positioned itself as a premium supplier. To strengthen 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 engineers who are 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 is not affected by the corona epidemic or the current situation in Ukraine. The delivery situation of raw materials from China is still unpredictable. There are uncertainties around delivery lead times and based on this Vistin has further increased its raw material safety stock to secure future supply and MEP ramp-up plan. Due to the increased global import from China and India leading to supply chain constraints and port congestions around the world, this has led to significantly increased freight cost (across all global businesses and for all goods). Vistin is also experiencing increasing raw material prices, driven by higher global demand and increased raw material prices in general.

“Financial results are expected to improve from Q2’22 and accelerate from second half with leverage from the new capacity”

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 statement of corporate social responsibility is partly based upon requirements under section 3-3c of the Norwegian Accounting Act and 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 Group 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 2022 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 is currently investing MNOK 10 in a cooling system to condense hydrocarbons. This is expected to reduce the emission with more than 98%, resulting in a reduction of the total emission to air with more than 95 % compared to current level. Project is expected to be finalized in Q2'22.

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 2021, 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 market 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 is currently not affected by the corona epidemic or the situation in Ukraine. The vulnerability for drug supplies during these events has been an eye opener for the authorities and companies, 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.

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

North America & Caribbean

2045	63 million	↑ 33% increase
2030	56 million	
2019	48 million	

- 1 in 6 adults in this Region is at risk of type 2 diabetes
- 43% of global diabetes-related health expenditure occurs in this Region

South & Central America

2045	49 million	↑ 55% increase
2030	40 million	
2019	32 million	

- 2 in 5 people with diabetes were undiagnosed
- Only 9% of global diabetes-related health expenditure for diabetes is spent in this Region

Africa

2045	47 million	↑ 143% increase
2030	29 million	
2019	19 million	

- 3 in 5 people with diabetes are undiagnosed
- 3 in 4 deaths due to diabetes were in people under the age of 60

Middle East & North Africa

2045	108 million	↑ 96% increase
2030	76 million	
2019	55 million	

- 1 in 8 people have diabetes
- 1 in 2 deaths due to diabetes were in people under the age of 60

South-East Asia

2045	153 million	↑ 74% increase
2030	115 million	
2019	88 million	

- 1 in 5 adults with diabetes lives in this Region
- 1 in 4 live births are affected by hyperglycaemia in pregnancy

WORLD

2045	700 million	↑ 51% increase
2030	578 million	
2019	463 million	

Europe

2045	68 million	↑ 15% increase
2030	66 million	
2019	59 million	

- 1 in 6 live births are affected by hyperglycaemia in pregnancy
- The Region has the highest number of children and adolescents (0–19 years) with type 1 diabetes – 297,000 in total

Western Pacific

2045	212 million	↑ 31% increase
2030	197 million	
2019	163 million	

- 1 in 3 adults with diabetes lives in this Region
- 1 in 3 deaths due to diabetes occur in this Region

The Company had 44 344 592 issued shares as of 31 March 2022. 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 1,719,848 shares, and Ferncliff Listed DAI AS with 784,280 shares.

The share price has moved from NOK 19.4 per share at 31 of December 2021, and to NOK 17.5 as of 31 March 2022.

	QTR	QTR	FY
Condensed financial statement (P&L)	1. quarter 2022	1. quarter 2021	FY 2021
All numbers in NOK 1000			
Total revenue and income	33 219	70 803	278 623
Cost of materials	17 750	22 792	96 097
Salary and sosial expenses	18 681	17 600	73 426
Other operating expenses	14 982	15 053	65 241
Total operating expenses	51 413	55 445	234 765
Opr. res.before. depr. and write offs (EBITDA)	-18 194	15 358	43 858
<i>Opr.res before depr and write off %</i>	<i>-54,8 %</i>	<i>21,7 %</i>	<i>15,7 %</i>
Depreciation	2 749	2 872	10 609
Operating result	-20 943	12 486	33 249
<i>Operating result in %</i>	<i>-63,0 %</i>	<i>17,6 %</i>	<i>11,9 %</i>
Financial income	2 923	3 167	8 351
Financial expenses	1 405	4 389	9 606
Net finance	1 519	-1 221	-1 255
Pre tax profit	-19 424	11 265	31 994
Tax	-4 273	2 478	7 129
Result	-15 151	8 787	24 857
Comprehensive income			
Result after tax	-15 151	8 787	24 867
Other comrehensive income	-	-	605
Total comprehensive income	-15 151	8 787	25 472
Dividend	-	-	22 172

Key figures	1. quarter 2022	1. quarter 2021	31.12.2021
Equity share	82 %	86 %	83 %
Earnings per share	-0,34	0,20	0,56
Earnings per share diluted	-0,34	0,20	0,56
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)	31.03.2022	31.03.2021	31.12.2021
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All numbers in NOK 1000

Assets

Fixed assets	184 342	147 720	167 457
Deferred tax assets	32 132	32 622	27 859
Total tangible and fixed assets	216 474	180 342	195 316
Inventory	45 571	26 555	42 907
Trade receivables	21 425	30 756	40 245
Other receivables	20 813	3 811	18 934
Cash	12 184	85 010	35 746
Total current assets	99 993	146 133	137 831
Total assets	316 467	326 476	333 147

Equity and liability

Share capital	44 345	44 345	44 345
Share premium reserve	206 885	229 056	206 885
Retained earnings	9 387	7 791	24 538
Total equity	260 617	281 192	275 768
Pension liabilities	15 831	16 330	15 831
Lease obligations			
Other non-current liabilities	365	1 141	512
Total long term liabilities	16 196	17 471	16 343
Total short term liabilities	39 654	27 813	41 035
Total equity and liability	316 467	326 476	333 147
Net interest bearing debt	-	-	-

Change in equity	31.03.2022	31.03.2021	31.12.2021
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All numbers in NOK 1000 Equity start of period

Equity start of period	275 768	272 405	272 405
Result for the period	-15 151	8 787	24 930
Other comprehensive income	-	-	605
Share based payments	-	-	-
Dividend	-	-	-22 172
Equity end of period	260 617	281 192	275 768

Cash flow analysis YTD	31.03.2022	31.03.2021	31.12.2021
All numbers in NOK 1000			
Result for the period	-19 424	11 265	31 994
Depreciations	2 749	2 872	10 609
Working capital changes	13 880	1 546	-28 922
Cash flow from operation	-2 796	15 682	13 681
Purchase of equipment and intangibles	-19 633	-5 331	-31 675
Cash flow from investments	-19 633	-5 331	-31 675
Dividend paid (and finance activities)	-1 134	-2 376	-23 298
Cash flow finance activities	-1 134	-2 376	-23 298
Change in cash for the period	-23 563	7 975	-41 292
Cash at start of period	35 746	77 036	77 036
Cash by the end of period	12 184	85 010	35 746



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