

# Q3

and YTD  
financial  
results

2024

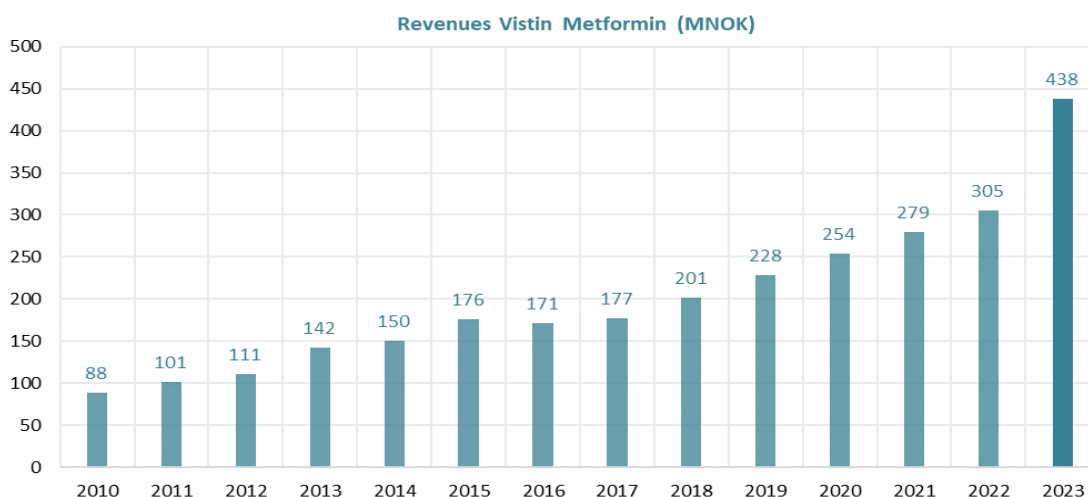
Published 31 October 2024



Vistin Pharma

# Highlights

- MNOK 106 in revenue vs. MNOK 120 in Q3 2023. Revenue decrease compared to same quarter last year driven by lower sales volume, safety stock build and lower global Metformin prices
- MNOK 316 in revenue YTD 2024 compared to MNOK 328 YTD last year
- Record high EBITDA of MNOK 29 vs. MNOK 27 in Q3 2023. EBITDA positively affected by product mix, favourable material cost prices and good cost control in quarter
- EBITDA YTD of MNOK 76.6 compared to MNOK 61 YTD 2023, an increase of 26%
- All-time high production volume in the quarter reflecting good operational utilization of both production lines
- Cash dividend of NOK 1.25 per share distributed YTD 2024. Additional cash dividend of NOK 0.50 per share to be distributed in Q4



**3rd quarter report and YTD financial results for 2024**

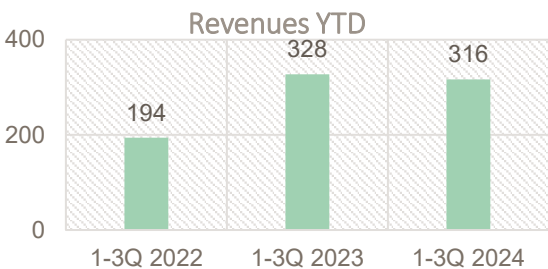
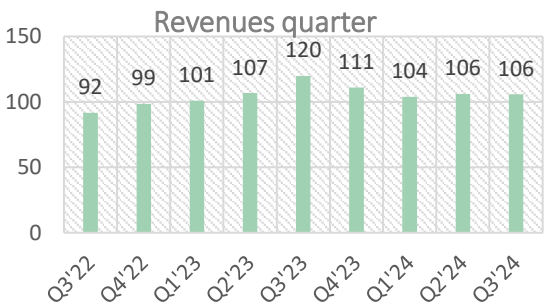
The financial report as per September 2024 has been prepared according to the IFRS (International Financial Reporting Standard) and follows IAS 34 for interim financial reporting, as do the comparable numbers for 2023.

**Financial development**

(Comparative numbers for 2023 in parenthesis)

**Revenue**

Revenue in the third quarter of MNOK 106 compared to MNOK 120 in Q3'23, which is a decrease of 12%. Some of the production volume in the quarter is according to plan kept for rebuilding safety stock levels. Finished goods inventory in 1H'24 has been historically low due to limited volume available after the unplanned stop in Q1. Global Metformin prices came down in 2023 and have now stabilized, as raw material prices have decreased from high post pandemic levels. MNOK 316 in revenue YTD 2024 compared to MNOK 328 YTD last year.

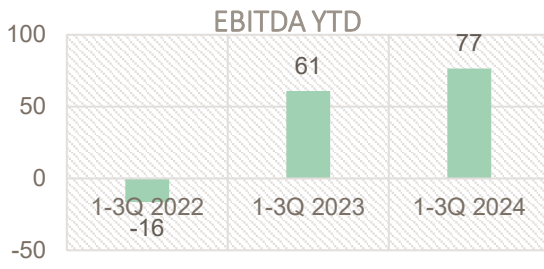
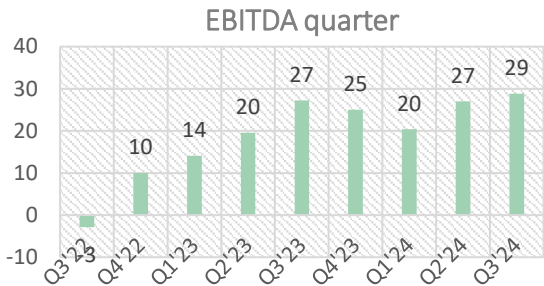


**Cost of goods sold**

Cost of goods sold (COGS) in the quarter ended at MNOK 77 (MNOK 92.7). The cost of producing Metformin has decreased from the same quarter last year, mainly driven by lower raw material costs. Raw material and freight prices stabilized in Q4 2023 after a decline in 1-3Q 2023. Freight cost have however spiked in Q2'24 due to consequential damages after partly closing the Suez Canal but has started to stabilize in Q3. There have also been a few vacant positions in the third quarter which contributed to reduced salary cost. Volume leverage on costs is expected with increasing production volume.

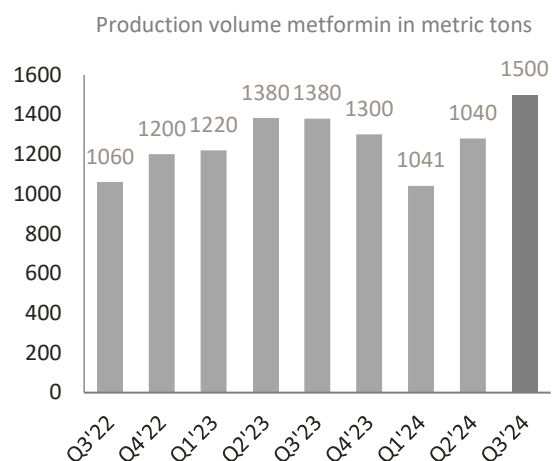
**Earnings**

EBITDA ended at record high MNOK 28.8 (MNOK 27.3) for the quarter. EBITDA was positively affected by product mix. Decreased raw material costs also contributed positively, in addition to good cost control. Incentive plan expense of MNOK 3 booked in quarter (2.7 in Q3'23). EBITDA YTD of MNOK 76.6 compared to MNOK 61 YTD 2023, an increase of 26%.



## Production

Production output in the third quarter ended at 1 500 MT produced metformin. All-time high production volume in the quarter reflecting good operational utilization of both production lines.



## Financial items

Net finance ended negative with MNOK 2.8 for the third quarter of 2024, compared to positive with MNOK 7.3 in the same quarter of 2023. Finance income and loss is generally related to realized and unrealized FX losses from customers receivables, currency hedging contracts in EUR and interest expense from the credit overdraft. Net finance expense in Q3 2024 was mainly related to MNOK 2.5 of realized loss on FX hedging contracts. The change in market-to-market value for future EUR FX hedging contracts for the remaining of 2024 and 2025 is insignificant compared to Q2 2024.

### Cash flow

YTD net cash flow from operating activities was positive with MNOK 65.4. Net cash flow from operating activities in the same period of 2023 was positive with MNOK 56.1.

Net cash flow from investing activities in the first half of 2024 was negative with MNOK 36.2. This is constituted by capital expenditure, leasing repayments and acquisition of 15% in CF Pharma.

Approximately MNOK 9 of the CAPEX spend in 2024 is final payments for the water recycling project. Net cash flow from investing activities in the same period last year was negative with MNOK 10.

Net cash flow from financing activities in the first half of 2024 was negative with MNOK 49.8, driven by dividend payments of MNOK 55.4, partly offset by utilizing the bank overdraft. Net cash flow from financing activities in the same period last year was negative with MNOK 45.1, reflecting repayment of the bank overdraft.

Net change in cash and cash equivalents YTD 2024 was negative with MNOK 20.5. In the same period last year, there was a net increase in cash equivalents of MNOK 1.

## Balance sheet

### Assets

Vistin Pharma had total assets of MNOK 387.9 as of 30 September 2024 (MNOK 386.5). The company has a deferred tax asset of MNOK 2.4 (MNOK 20.7). Based on the financial forecasts for the company the deferred tax asset is expected to be fully utilized in Q4'24, and thus the full amount has been included as carrying value in the balance sheet.

### Equity

Equity by the end of June was MNOK 310.7 (MNOK 301.1). This equals an equity ratio of 80%.

### Liabilities

The Company had no remaining interest-bearing debt as of end September 2024, compared to net cash of MNOK 2.4 as of end September 2023. The change is driven by dividend payouts and the acquisition of 15% of the shares in CF Pharma. MNOK 2.5 (MNOK 3.6) in obligations related to lease contracts is recognized in the balance sheet according to IFRS 16.

## Operational status

### Market

The global Metformin market has a strong underlying demand and is by industry experts expected to grow by 4-6% annually (CAGR) in the foreseeable future. The global demand for metformin HCl is forecasted to increase by approximately 27.000MT to 98.000MT by 2029. 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 leading pharmaceutical companies that use our API into innovative and generic metformin drug products to the end market. 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 international customers, as well as adding new customers to Vistin's portfolio. The company is currently experiencing good demand for its products.

### Strategy

After installation of the new second production line (MEP) in Q1 2022, the company has been focusing on ramping up volume from the two production lines. A significant part of the company's resources is involved in optimizing output and building efficient and robust processes to achieve up to 7000MT of annual Metformin HCl output, and sales volume accordingly.

Higher manufacturing and sales volumes going forward are expected to increase working capital requirements, however this will fluctuate from quarter to quarter. In addition, Vistin's further growth ambitions will require some additional CAPEX to support the growth, increased productivity and sustainability. Vistin has a strategy of keeping additional safety stock of critical raw materials, to secure future supply and support

the MEP ramp-up plan. Such safety stock is planned to mitigate potential uncertainties or delays around delivery lead times of raw material from Asia and/or any negative effects from the ongoing war in Ukraine.

Vistin's Metformin strategy is to grow with our existing and new customers, fulfilling their demands and gradually utilize all available production capacity by increasing our market share via active sales Business to Business.

### Research and Development (R&D)

Vistin is positioned as a premium supplier in the market. To strengthen this 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 consisting of four highly competent engineers dedicated to work with process, productivity, and quality improvements.

### Strategic intent and acquisition of 15% in CF Pharma

The company also has a strategic intent to become a European multiproduct Contract Development and Manufacturing Organization (CDMO) as part of the growth strategy.

Vistin acquired in Q1 2024 a share of 15% in CF Pharma at a transaction price cap of MEUR 1.6, which consists of a base price and an earn-out- element. CF Pharma is an API CDMO located in Budapest, Hungary, with a broad customer base of recognized international pharmaceutical companies CF Pharma has an extensive production site in Budapest. The company has a proven track record in developing and commercializing Active Pharmaceutical Ingredients (APIs). CF Pharma currently has 5 commercial APIs on the market, with another 8 APIs under development. CF Pharma has approximately 170 employees, and an extensive R&D department for development of new products and processes.



# 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)

# 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 millions of 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



# Vistin Pharma's 7 goals for achieving increased sustainability.

1

Aim to reduce the water consumption in the plant by 90% through recycling

2

Reduce emission of VOC to air by 95%

3

Reduce pharmaceutical content in waste

4

No increase in discharge to sea from doubled production capacity. Innovative process design in expansion project

5

Program for monitoring effluents in the environment and living species

6

Change of packaging material in DC granulate product that will reduce environmental footprint in fabrication of material, transportation and customer waste generation

7

Reduction of plant energy consumption by optimizing of steam and condensate system by heat integration



## 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 was published in June on the Company’s website.

### 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 completed in 2024 an investment project with the aim of reducing 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 95%.

## 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 2023, 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 demand for Metformin medication is expected to continue to grow by 4-6% annually, as it remains the gold-standard baseline treatment for type 2 diabetes. The demand for Metformin in the market has not been affected by the corona epidemic or the current situation in Ukraine. The vulnerability for drug supplies during both the corona epidemic and the Ukraine situation has been an eye opener for the authorities, and the need for near shoring seems only to increase. Vistin is strategically well positioned to benefit from the expected stronger demand for local supplies from Europe going forward.

GLP-1 agonists have recently become quite popular in high income countries to treat obesity and diabetes type 2. It is quite common to use for example the GLP-1 agonist Semaglutide in combination with metformin for managing type 2 diabetes. This combination is often prescribed because the two medications complement each other in controlling blood sugar levels. Semaglutide helps by stimulating insulin secretion, suppressing glucagon release, slowing digestion, and reducing liver glucose production. Metformin primarily works by decreasing glucose production in the liver and improving insulin sensitivity.

### Shareholder information

The Company had 44 344 592 issued shares as of 30 September 2024. The five largest shareholders were Intertrade Shipping AS with 12,575,000 shares, Holmen Spesialfond with 4,200 379 shares, Pactum Vekst AS with 2,991,773 shares, MP Pensjon PK with 1,719,848 shares, and Ferncliff Listed DAI AS with 1,234,280 shares.

The share price has moved from NOK 22.40 per share at 30 of June 2024, to NOK 27.90 as of 30 September 2024.

### 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.

Additional dividend of NOK 0.75 per share approved and paid in January 2024.

Cash dividend of NOK 1.25 per share distributed YTD 2024. Additional cash dividend of NOK 0.50 per share to be distributed in Q4, with ex-date 6th of November, record date 7th of November and payment date (on or about) 19th of November.



Condensed financial statement (P&L)	Q3 2024	Q3 2023	YTD 2024	YTD 2023	FY 2023
All numbers in NOK 1000					
<b>Total revenue and income</b>	<b>105 838</b>	<b>119 938</b>	<b>315 803</b>	<b>327 607</b>	<b>438 328</b>
Cost of materials	30 614	48 936	110 594	138 287	176 644
Salary and social expenses	25 761	25 311	69 353	66 965	93 135
Other operating expenses	20 635	18 441	59 250	61 417	82 605
Total operating expenses	77 010	92 687	239 197	266 669	352 384
<b>Operating result before depr. (EBITDA)</b>	<b>28 828</b>	<b>27 251</b>	<b>76 606</b>	<b>60 938</b>	<b>85 944</b>
<i>Operating result before depr. %</i>	<i>27,2 %</i>	<i>22,7 %</i>	<i>24,3 %</i>	<i>18,6 %</i>	<i>19,6 %</i>
Depreciation	4 765	4 427	14 456	12 859	17 347
<b>Operating result</b>	<b>24 063</b>	<b>22 824</b>	<b>62 150</b>	<b>48 079</b>	<b>68 597</b>
<i>Operating result in %</i>	<i>22,7 %</i>	<i>19,0 %</i>	<i>19,7 %</i>	<i>14,7 %</i>	<i>15,6 %</i>
Financial income	1 480	8 095	5 995	13 421	20 841
Financial expenses	4 306	799	12 525	26 103	30 920
<b>Net finance</b>	<b>-2 826</b>	<b>7 295</b>	<b>-6 530</b>	<b>-12 682</b>	<b>-10 079</b>
<b>Pre-tax profit</b>	<b>21 237</b>	<b>30 120</b>	<b>55 620</b>	<b>35 397</b>	<b>58 517</b>
Tax	4 672	6 626	12 236	7 787	12 923
<b>Result</b>	<b>16 565</b>	<b>23 493</b>	<b>43 383</b>	<b>27 610</b>	<b>45 595</b>
<b>Comprehensive income</b>					
Result after tax	16 565	23 493	43 383	27 610	45 595
Other comprehensive income	-	-	-	-	3 690
<b>Total comprehensive income</b>	<b>16 565</b>	<b>23 493</b>	<b>43 383</b>	<b>27 610</b>	<b>49 284</b>

Key figures	Q3 2024	Q3 2023	YTD 2024	YTD 2023	FY2023
Equity share	80%	78 %	80%	78 %	80 %
Earnings per share	0,37	0,53	0,98	0,62	1,03
Average shares outstanding in 1000	44 345	44 345	44 345	44 345	44 345



**Cash flow analysis YTD**

	30.09.2024	30.09.2023	31.12.2023
All numbers in NOK 1000			
Result for the period	55 620	35 397	58 517
Depreciations	14 456	12 859	17 347
Working capital changes	-4 684	7 863	14 726
<b>Cash flow from operation</b>	<b>65 392</b>	56 120	<b>90 592</b>
Purchase of equipment and intangibles	-36 191	- 9 999	-17 681
<b>Cash flow from investments</b>	<b>-36 191</b>	<b>-9 999</b>	<b>-17 681</b>
Finance activities	5 642	-45 141	-48 143
Dividends	-55 415	-	
<b>Cash flow finance activities</b>	<b>-49 773</b>	<b>-45 141</b>	<b>-48 143</b>
Change in cash for the period	-20 572	981	24 768
Cash at start of period	26 204	1 435	1 435
<b>Cash by the end of period</b>	<b>5 632</b>	<b>2 416</b>	<b>26 204</b>





# Vistin Pharma

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