

Q1

**Quarterly
result**

2023



Vistin Pharma

Published 27 April 2023

Highlights

- MNOK 101 in revenue vs. MNOK 33 in Q1 2022. Manufacturing from two production lines in the quarter has resulted in more volumes available for sale, compared to the eight-week production stop in Q1'22 due to the MEP installation
- MNOK 14 in EBITDA vs. MNOK -18 in Q1 2022. EBITDA positively affected by increased sales volume, higher sales prices, competitive energy costs and a weak NOK. Q1'22 unfavorably affected by limited sales volume available, start-up costs for the new line, and high electricity prices
- Net profit negatively affected with MNOK 15 by fair value of FX cash flow hedging contracts (unrealized loss – no cash effect in quarter)
- Improved operational cash flow in the quarter resulted in a significant reduction in net debt from MNOK 43.7 in Q4'22 to MNOK 20.3 by end of March
- Economies of scale has started to materialize as the MEP volume ramps-up
- The Board of Directors has proposed to get a power of attorney from AGM in May to pay up to NOK 0.75 per share in dividend. The power of attorney should be valid until the 2024 AGM.
- Kjell-Erik Nordby, has informed the Board of Directors that he plans retiring as the CEO at year end
- The Board of Directors will start the recruitment process to find his successor

MEP: Metformin Expansion Project

1st quarter report for 2023

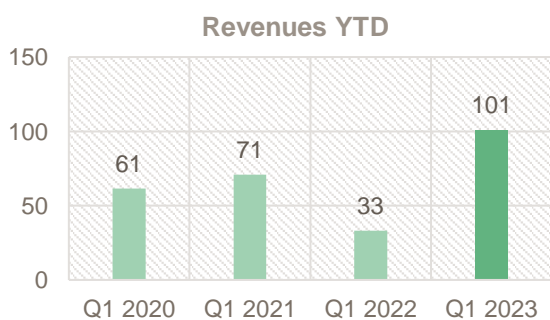
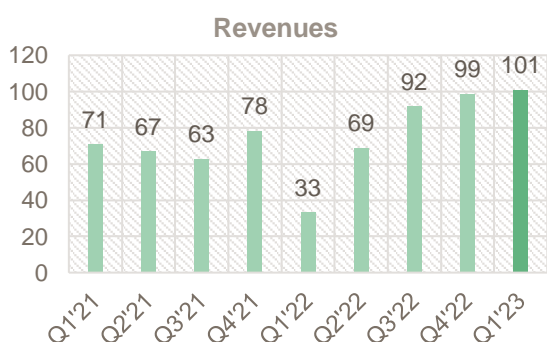
The financial report as per March 2023 has been prepared according to the IFRS (International Financial Reporting Standard) and follows IAS 34 for interim financial reporting, as do the comparable numbers for 2022.

Financial development

(Comparative numbers for 2022 in parenthesis)

Revenue

Revenue in the quarter of MNOK 101 (MNOK 33), a 204% increase compared to Q1 2022. The revenue increase has been driven by more volumes available for sale compared to Q1'22 where limited sales volume were available due to the eight-week production stop for the MEP installation. Sales and shipment of 100MT finished goods orders moved from first to second quarter. Revenue is also positively affected by a weaker NOK vs. EUR.

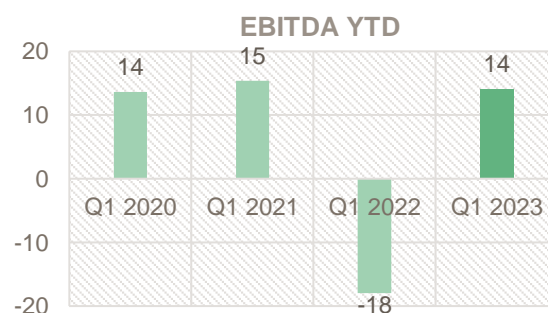
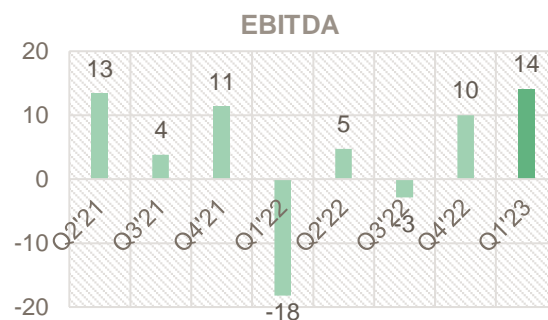


Cost of goods sold

Cost of goods sold (COGS) in the quarter ended at MNOK 86.8 (MNOK 51.4). The increase is mainly caused by significantly more volume produced and sold (+140%). Q1 2022 was affected by onboarding and start-up costs for the new production line. Present 'expensive' raw material inventory consumed in Q1. Current raw material at hand (for Q2) and purchases for Q3 and onwards at lower prices. Volume leverage on costs expected to continue with increasing production volume.

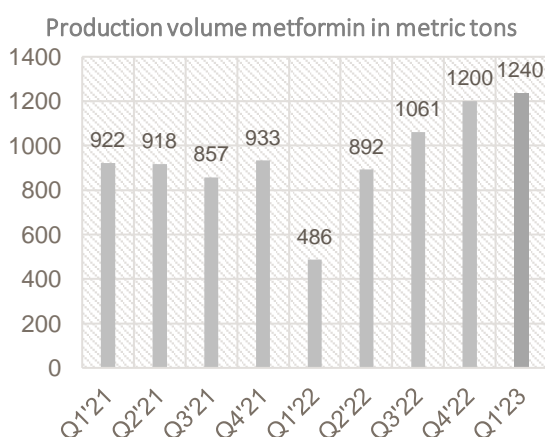
Earnings

EBITDA of MNOK 14.1 (MNOK -18.2) for the quarter. EBITDA positively affected by the increased sales volume, higher sales prices (ASP) and the positive effect from the long term energy supply agreement signed by Statkraft in December 2022. One-time cost of approx. MNOK 1.5 in quarter for consultancy fees.



Production

Production output has continued to improve in the quarter, resulting in 1240MT produced metformin HCl volume in Q1. This is the highest volume ever produced in a single quarter at the Fikkjebakke plant. In February line #2 was closed down in 10-days for technical improvements. The stop was planned and the improvements have been successful, giving increased consistency in the output from the new line. The manufacturing capacity is expected to continue to ramp-up gradually during 2023 and reach an installed capacity of close to 7000MT by end 2023. Vistin's current organization is capable of handling this additional capacity.



Financial items

Net finance ended negative with MNOK 13.8 for the first quarter of 2023, compared to positive with MNOK 1.5 in first quarter of 2022. Finance income and loss is generally related to realized and unrealized losses from customers receivables, currency hedging contracts in EUR and interest expense from short term loan. Net finance expense in Q1 2023 was mainly related to unrealized loss on FX hedging contracts of MNOK 15.

Cash flow

YTD net cash flow from operating activities in the quarter was positive with MNOK 24.8. Net

cash flow from operating activities in same period of 2022 was negative with MNOK 2.8.

Net cash flow from investing activities in Q1 2023 was negative with MNOK 1.4, which represents capital expenditure and leasing repayments. Net cash flow from investing activities in the same period last year was negative with MNOK 19.6 (mainly MEP).

Net cash flow from financing activities in Q1 was negative with MNOK 21.8, which mainly relates to down payments of the bank overdraft. Net cash flow from financing activities in the same period last year was negative MNOK 1.3.

Net decrease in cash and cash equivalents in Q1 2022 was positive with MNOK 1.6. In the same period last year, there was a net decrease in cash and cash equivalents of MNOK 23.6.

Balance sheet

Assets

Vistin Pharma had total assets of MNOK 386.7 as of 31 March 2023 (MNOK 316.5). The company has a deferred tax asset of MNOK 29.3 (MNOK 32.1). Based on the financial forecasts for the company the deferred tax asset is expected to be fully utilized, and thus the full amount has been included as carrying value in the balance sheet.

Equity

Equity by the end of March was MNOK 270.3 This equals an equity ratio of 70%.

Liabilities

The company had net interest-bearing debt as of end March 2023 of MNOK 20.3 (MNOK 0). MNOK 3.7 (MNOK 1.1) 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 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 was to build a 2nd parallel production line and establish a total capacity of approx. 7 000MT metformin HCl annually. In relation to the MEP installation, the production was closed down in January 2022 as planned. Both existing production line #1 and new line #2 started up production at the end of Q1 last year. Capacity is expected to continue to ramp-up gradually, until an annual capacity of close to 7 000MT is expected to be reached by end 2023. The turn-key contract with the engineering company for the project was settled in December 2022. The total project cost ended at MNOK <90, well below the MNOK 100 budget. Business development activities to acquire new accounts and to secure increased volumes from existing customers to fill the additional MEP capacity are ongoing. Implementation of

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

Research and Development (R&D)

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

The COVID-19 pandemic and war in Ukraine

The demand in the market for metformin is still high and is not significantly affected by the corona epidemic or the current situation in Ukraine. Vistin has built additional safety stock of critical raw materials locally, to secure future supply and support the MEP ramp-up plan. The safety stock will mitigate the uncertainties around delivery lead times of raw materials from Asia and/or any negative effects from the ongoing war in Ukraine. The raw material and freight costs increased significantly during 2022. However, the raw material and freight prices have started to decrease in Q1 2023 and there are positive signs on further decreasing prices going forward. Electricity prices were extraordinarily high in 2022, compared to historical price levels. With the long-term supply agreement with Statkraft for renewable power, electricity costs will be significantly reduced in 2023, compared to previous year.



WHO:

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

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

Vistin:

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



No harm vision

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



Corporate social responsibility, the environment and employees

Vistin Pharma aspires to achieve sustainable development by having a good balance between financial results, value creation, sustainability, and CSR. The Board of Directors have the overall responsibility for aligning Vistin’s strategy and sustainability considerations, while the day-to-day responsibility lies with the CEO, supported by the Leadership Team. The statement of corporate social responsibility required under Section 3-3c of the Norwegian Accounting Act follows below.

Corporate social responsibility

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

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

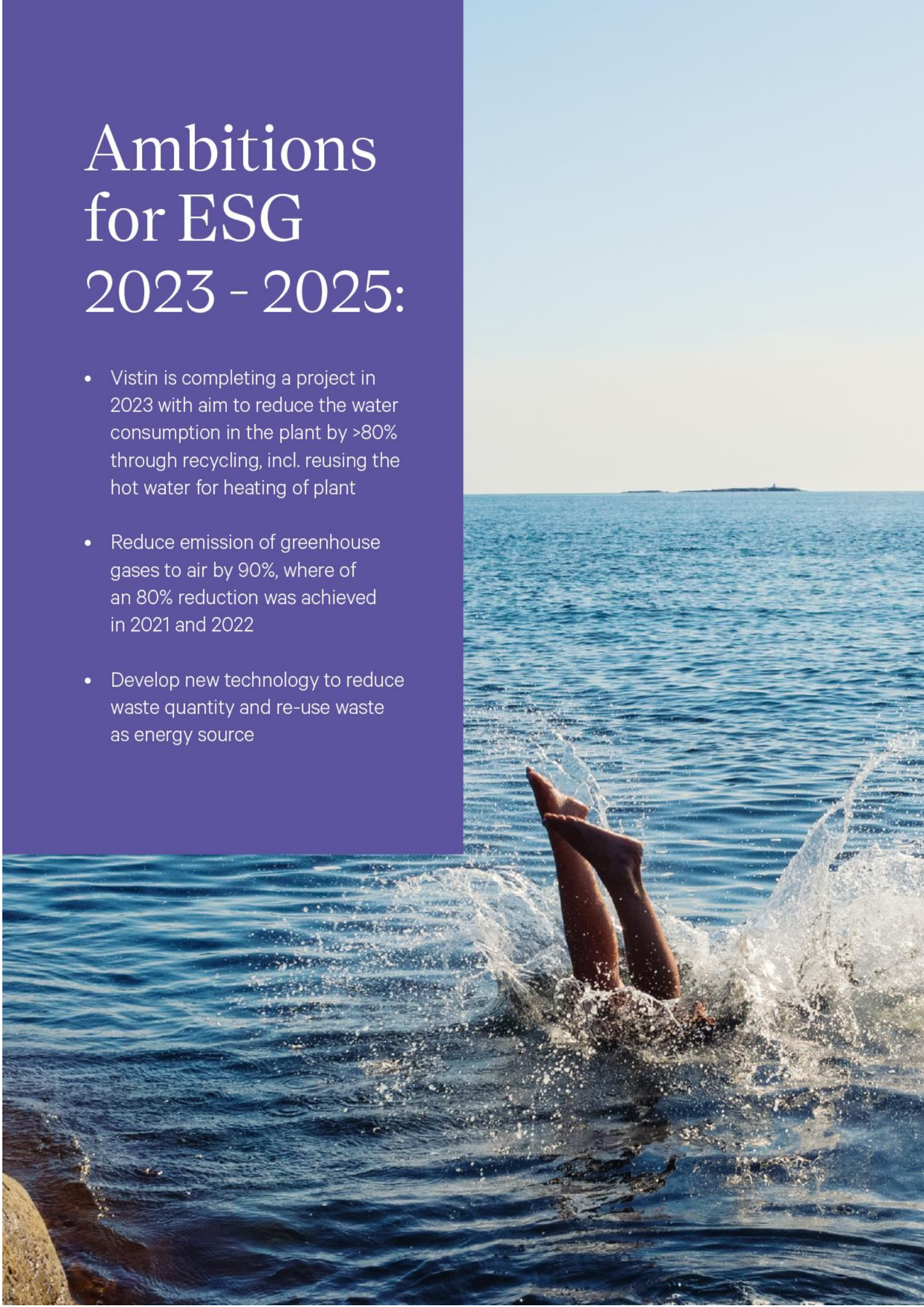
ESG achievements and initiatives

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

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

Ambitions for ESG 2023 - 2025:

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



Risks and uncertainties

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

Basis of presentation

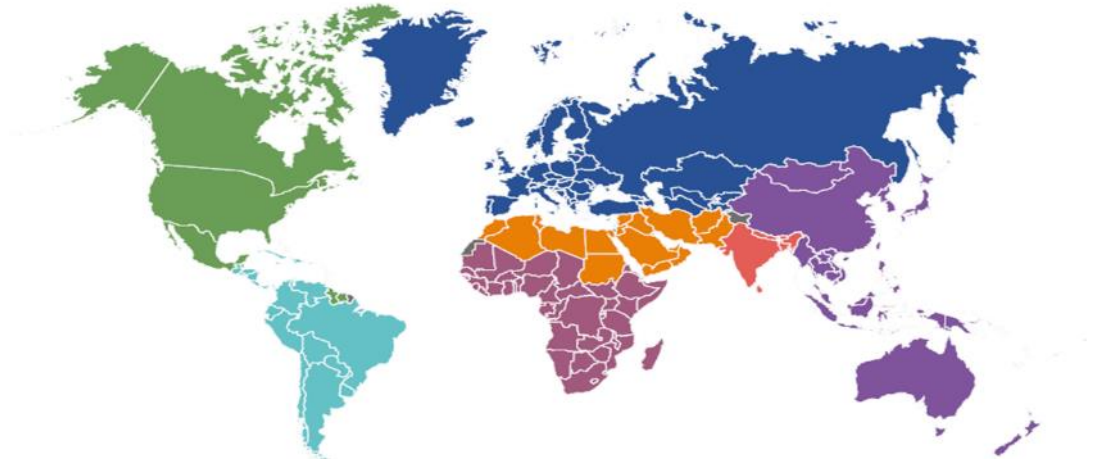
This financial information should be read together with the financial statements for the year ended 31 December 2022, prepared in accordance with International Financial Reporting Standards (“IFRS”). The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements.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

Events after the reporting date

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

General market outlook

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



Shareholder information

The Company had 44 344 592 issued shares as of 31 March 2023. The five largest shareholders were Intertrade Shipping AS with 12,575,000 shares, Holmen Spesialfond with 3,520,243 shares, Pactum AS with 3,519,733 shares, MP Pensjon PK with 1,719,848 shares, and Ferncliff Listed DAI AS with 784,280 shares.

The share price has moved from NOK 15.8 per share at 31 of December 2022, to NOK 18.5 as of 31 March 2023, an increase of 17%.

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.

Condensed financial statement (P&L)	1. quarter 2023	1. quarter 2022	FY 2022
All numbers in NOK 1000			
Total revenue and other income	100 940	33 219	304 853
Cost of materials	45 081	17 750	138 064
Salary and sosial expenses	20 442	18 681	78 972
Other operating expenses	21 276	14 982	81 632
Total operating expenses	86 798	51 413	298 668
Opr. res.before. depr. and write offs (EBITDA)	14 141	-18 194	6 184
<i>Opr.res before depr and write off %</i>	<i>14,0 %</i>	<i>-54,8 %</i>	<i>2,0 %</i>
Depreciation	4 199	2 749	12 280
Operating result	9 942	-20 943	-6 095
<i>Operating result in %</i>	<i>9,8 %</i>	<i>-63,0 %</i>	<i>-2,0 %</i>
Financial income	6 297	2 923	9 554
Financial expenses	20 060	1 405	9 466
Net finance	-13 763	1 519	87
Pre tax profit	-3 821	-19 424	-6 008
Tax	841	-4 273	-1 293
Result	-2 980	-15 151	-4 716
Comprehensive income			
Result after tax	-2 980	-15 151	-4 716
Other comprehensive income	-	-	2 211
Total comprehensive income	-2 980	-15 151	-2 505

Key figures	1. quarter 2023	1. quarter 2022	31.12.2022
Equity share	70 %	82 %	68 %
Earnings per share	-0,07	-0,34	-0,11
Earnings per share diluted	-0,07	-0,34	-0,11
Average shares outstanding in 1000	44 345	44 345	44 345

**Condensed financial statement
(balance sheet)****31.03.2023****31.03.2022****31.12.2022**

All numbers in NOK 1000

Assets

Fixed assets	216 648	184 342	219 430
Deferred tax assets	29 270	32 132	28 601

Total tangible and fixed assets	245 918	216 474	248 031
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Inventory	81 263	45 571	83 446
Trade receivables	55 346	21 425	66 155
Other receivables	1 142	20 813	8 146
Cash	3 063	12 184	1 435

Total current assets	140 815	99 993	159 182
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Total assets	386 733	316 467	407 213
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Equity and liability

Share capital	44 345	44 345	44 345
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Share premium reserve	206 885	206 885	206 885
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Retained earnings	19 055	9 387	22 033
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Total equity	270 285	260 617	273 263
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Pension liabilities	13 199	15 831	13 199
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Other non-current liabilities	2 721	365	2 956
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Total long term liabilities	15 920	16 196	16 155
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Trade payables	20 671	22 957	25 906
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Short term debt	23 384		45 141
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Other current liabilities	56 473	16 698	46 748
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Total short term liabilities	100 528	39 654	117 795
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Total equity and liability	386 733	316 467	407 213
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Change in equity**31.03.2023****31.03.2022****31.12.2022**

All numbers in NOK 1000

Equity start of period

Equity start of period	273 263	275 768	275 768
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Result for the period	-2 980	-15 151	-4 716
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Other comprehensive income	-	-	2 211
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Equity end of period	270 285	260 617	273 263
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Cash flow analysis YTD	31.03.2023	31.03.2022	31.12.2022
All numbers in NOK 1000			
Result for the period	-3 821	-19 424	-6 008
Depreciations	4 199	2 749	12 280
Working capital changes	24 385	13 880	-16 782
Cash flow from operation	24 763	-2 796	-10 510
Purchase of equipment and intangibles	-1 378	-19 633	-64 262
Cash flow from investments	-1 378	-19 633	-64 262
Finance Activities	-21 757	-1 134	40 460
Cash flow finance activities	-1 134	-1 134	-40 460
Change in cash for the period	1 628	-23 563	-34 314
Cash at start of period	1 435	35 746	35 746
Cash by the end of period	3 063	12 183	1 435



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