

# VISTIN

# PHARMA

VISTIN PHARMA ASA

**THIRD QUARTER 2018 RESULTS**

**PUBLISHED 25 OCTOBER 2018**

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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 or Vistin Pharma).

Vistin Pharma AS is a Norwegian pharmaceutical company producing Active Pharmaceutical Ingredients (APIs).

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 business was sold to TPI Enterprises Limited. Following the sale, Vistin Pharma AS is a dedicated producer of metformin-active pharmaceutical ingredient (API) and direct compressive granulate (DC), with a strong position in the global metformin market and clear ambitions for growth. Metformin is used as the first-line treatment of diabetes 2, a disease which is

expected to grow by 50 per cent toward 2030, affecting more than 500 million people. The global market for metformin 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. Part of the company's strategy is to invest in asymmetrical investment opportunities caused by fundamental changes in the oil space.

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

## Third quarter highlights

- Pharmaceuticals: 11 % revenue growth
  - Revenue of NOK 51.7 million for the quarter vs. NOK 46.7 million in Q3 2017
  - Sales volumes marginally higher than volumes in Q3 2017
  - Production running at full capacity
  - EBITDA NOK 4.9 million for Q3
- Energy Trading
  - EBITDA negative NOK 2.4 million for Q3 (including NOK 1.2 million in calculated share option costs)
  - Unrealised financial loss on oil derivatives of NOK 2.4 million for Q3
- Financials
  - EBITDA from continuing operations of NOK 1.8 million for Q3
  - Listing of Vistin Pharma shares transferred from Oslo Axess to Oslo Børs
  - Cash balance at 30 September of NOK 330.6 million (including NOK 103.5 million in margin calls relating to oil derivatives), and no interest-bearing debt

## Key figures

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

(NOK 1 000)	Q3 2018	Q3 2017	YTD 2018	YTD2017	FY 2017
Total revenue and income	52 547	46 725	159 958	144 225	185 859
EBITDA	1 845	4 265	10 483	21 806	16 722
Adj. EBITDA*	1 845	4 265	10 483	12 996	11 364
Profit/(loss) before tax from continuing operations (EBT)	(3 824)	7 390	(12 037)	16 142	7 360
Earnings per share for continuing operations (NOK): diluted	(0,06)	0,33	(0,27)	0,72	0,32
Total Assets	474 094	272 355	474 094	272 355	231 749
Cash & cash equivalents	330 575	33 524	330 575	33 524	85 336

### Key figures per segment

(NOK 1 000)	Q3 2018	Q3 2017	YTD 2018	YTD2017	FY 2017
<i>Total revenue and income</i>					
Pharmaceuticals	52 547	46 725	159 957	144 225	185 859
Energy Trading	-	-	-	-	-
HQ & other	-	-	-	-	-
Total revenue and income	52 547	46 725	159 957	144 225	185 859
<i>EBITDA</i>					
Pharmaceuticals	4 933	5 477	16 177	24 731	19 523
Energy Trading	(2 383)	-	(3 091)	-	-
HQ & other	(705)	(1 212)	(2 604)	(2 925)	(2 802)
EBITDA	1 845	4 265	10 483	21 806	16 722
<i>EBT</i>					
Pharmaceuticals	1 568	8 678	13 104	19 120	10 130
Energy Trading	(4 707)	-	(22 674)	-	-
HQ & other	(685)	(1 288)	(2 465)	(2 979)	(2 770)
EBT	(3 824)	7 390	(12 035)	16 142	7 360

#### \*Adjustments:

- (1) Q2 2017: EBITDA reduced by NOK 8.8 million for net effect of insurance proceeds of NOK 10.8 million (Pharmaceutical segment)
- (2) Q4 2017: EBITDA increased by NOK 3.5 million for provision for redundancies and provision for customer returns relating to 2016 (Pharmaceutical segment)

## Financial review

### Profit and loss

#### Pharmaceuticals

Pharmaceuticals had total revenues and other income of NOK 52.5 million in the third quarter 2018, compared to NOK 46.7 million in the same quarter last year.

EBITDA from Pharmaceuticals came to NOK 4.9 million for the third quarter, compared to NOK 5.5 million for the same quarter last year.

Depreciation and amortisation for the segment were NOK 1.3 million for the third quarter, compared to NOK 0.6 million for the third quarter of 2017.

#### Energy Trading

Energy Trading, which was established in the second quarter 2018, had no revenues or other income for the third quarter. The EBITDA came to negative NOK 2.4 million, which includes NOK 1.2 million in calculated costs for employee share options.

#### Other

HQ and other Group activities had EBITDA of negative NOK 0.7 million for the third quarter, compared to negative NOK 1.2 million in the same quarter last year.

Net loss from discontinued operations was NOK 0.2 million for the third quarter, compared to a net loss of NOK 2.4 million for the third quarter 2017.

#### Finance

Net financial loss for the third quarter was NOK 4.3 million, compared to a net gain of NOK 3.8 million in the same quarter of 2017. The net financial loss for the quarter primarily relates to unrealised losses on oil derivatives entered into in the second quarter of NOK 2.4 million, and foreign exchange losses relating to EUR/NOK forward contracts of NOK 1.9 million.

#### Tax

Vistin Pharma had an income tax expense of negative NOK 0.9 million in the third quarter,

compared to NOK 1.8 million in the corresponding quarter of 2017.

#### Consolidated earnings

Net loss for the quarter was NOK 3.2 million, corresponding to earnings per share of negative NOK 0.07, compared to net profit of NOK 3.2 million and earnings per share of NOK 0.19 for the same quarter in 2017.

### Cash Flow

Net cash flow from operating activities in the third quarter was negative NOK 0.2 million. Net cash flow from operating activities in the third quarter last year was negative NOK 16.9 million.

Net cash flow from investing activities was negative NOK 2.7 million, which represents capital expenditure for the quarter. Net cash flow from investing activities in the same quarter last year was negative NOK 9.2 million.

Net cash flow from financing activities was negative NOK 0.2 million. Net cash flow from financing activities in the same quarter last year was NOK 0.0 million.

Net decrease in cash and cash equivalents amounted to NOK 3.1 million. In the same quarter last year, there was a net decrease in cash and cash equivalents of NOK 26.2 million.

### Financial position

Vistin Pharma had total assets of NOK 474.1 million as of 30 September 2018. Cash and cash equivalents amounted to NOK 330.6 million. The figures as of 30 September 2017 were NOK 272.4 million and NOK 33.5 million, respectively.

Total equity as of 30 September 2018 was NOK 409.9 million, compared to NOK 182.2 million as of 30 September 2017. This corresponds to an equity ratio of 86.5 percent (66.9 percent).

Vistin Pharma had no interest-bearing debt as of 30 September 2018.

## Operational review

### Pharmaceuticals

Total sales revenue in the third quarter was NOK 51.7 million, compared to NOK 46.7 million in the same quarter of 2017.

Metformin API volumes sold for the quarter were marginally higher than in the corresponding quarter of 2017, and the average metformin HCl sales price was approximately 5% higher.

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 3,800 - 4,000MT through an efficiency program.

There is a strong underlying demand for metformin globally, 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 treated with metformin-containing products, and continued growth in sales volume from existing multinational customers, as well as adding new customers to its portfolio.

The Company has completed the detailed engineering work for a potential new 3,000MT production line, and key suppliers have been selected. When sufficient volumes are secured to continue the expansion work, the Company will be able to have the 3,000MT production capacity installed within approximately 18 months.

Vistin Pharma will install a fully automated packaging line in the fourth quarter 2018, at an estimated investment cost of NOK 20 million. This new packaging line was originally part of the 3,000MT expansion project. The installation

work will require the production to be suspended for three weeks in the fourth quarter.

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

### Energy Trading

During the second quarter 2018, the Company established a new business area within energy trading. To finance the new business area, Vistin Pharma raised NOK 305 million in gross proceeds through a private placement and subsequent repair issue.

In the short-term, the Energy Trading business seeks to identify, analyse and profit from asymmetrical investment opportunities caused by fundamental changes in the oil market. During the second quarter 2018 the Company entered into financial derivative contracts to take advantage of the global change in sulphur specifications for the global shipping industry in 2020. The International Maritime Organisation (IMO), which governs the international shipping society, has decided that by 1 January 2020 it will be illegal for any ship to burn fuel with more than 0.5% sulphur content unless the ship can desulphurize the emissions from the fuel (through so called scrubber equipment). Today, the international shipping fleet mainly burns fuel with 3.5% sulphur content. This regulatory change is possibly the largest fuel specification change that has ever hit the global oil market, and is expected to pose a major challenge for the global refinery system.

The oil derivative contracts entered into by the Company are based on the above changes. The Company believes that crude and refined products with low sulphur content will price better than crude and products with high sulphur content. A higher crude oil price will also have a positive impact on the derivatives that have been entered into so far, but a higher crude oil

price is not a requirement for the derivative contracts to be profitable.

The Company's current derivative contracts are not entered into as short-term position, and the contracts are not expected to be subject to frequent trading. These contracts are entered into to try to take advantage of a specific situation unfolding in 2020, as described above. The contracts that have been entered into so far expire in 2020, and an unrealised financial loss of NOK 2.4 million was recognised in the third quarter to reflect the change in the marked-to-market value of these contracts during the period. The Company is of the opinion that the IMO effects have yet to be priced into the

market, and this is expected to change during 2019.

The long-term strategy for this business area will be further developed going forward.

## 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. Therefore, risk management is a prioritised area for the Group. Approximately 60 percent of the EUR currency exposure (cash inflow) for 2018 has been hedged at an average EUR/NOK rate of 9.28.

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.

Under the terms of the sales contract with TPI Enterprises ("TPI") for the CMO and opioids business, Vistin Pharma has provided customary warranties to the buyer, generally limited to 25% of the sales price, and a with general warranty period expiring in March 2019. An extended warranty period of 5 years from closing of the transaction applies for environmental matters, limited to NOK 20 million. In November 2017, Vistin Pharma received a notice of warranty claims from TPI related to the sale of the CMO

and opioids business. Vistin Pharma has rejected these claims in their entirety, but has also in accordance with general accepted accounting principles taken a provision of NOK 1 million with respect thereto. While Vistin Pharma will vigorously defend its position in the matter, there can be no assurance about the final outcome of any legal process concerning the claims, if any.

Trading 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 perform its trading activities, and there can be no assurance that such activities will generate profits, or fail to general losses. 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 2017 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 as it remains the gold-standard treatment of type 2 diabetes for the foreseeable future. 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.

Within the energy trading business, Vistin Pharma does investments in energy related financial instruments. Consequently, the investment opportunities and their performance will be dependent on the development in the international energy market

## Share information

The Company had 44 344 592 issued shares on 30 September 2018. The 20 largest shareholders control 66.1 percent of the total number of outstanding shares.

### Largest shareholders as of 24 October 2018

NAME	SHAREHOLDING	% SHARE
STRATA MARINE & OFFSHORE*	5 515 943	12,44 %
PACTUM AS	2 678 572	6,04 %
STATE STREET BANK	2 348 717	5,30 %
HOLMEN SPESIALFOND	2 000 000	4,51 %
AWILCO AS	1 785 714	4,03 %
FERNCLIFF LISTED DAI*	1 764 424	3,98 %
MP PENSJON PK	1 721 727	3,88 %
SUNDT AS	1 632 416	3,68 %
APOLLO ASSET LIMITED	1 600 000	3,61 %
SOLAN CAPITAL AS	1 600 000	3,61 %
TVENGE TORSTEIN INGVALD	1 310 983	2,96 %
CAMACA AS	975 873	2,20 %
STOREBRAND VEKST	799 770	1,80 %
PORTIA AS	704 091	1,59 %
KM HOLDING AS	669 642	1,51 %
BERGEN KOMMUNALE PENSJONSKASSE	495 000	1,12 %
GRANT INVEST AS	474 585	1,07 %
CIPRIANO AS	450 000	1,01 %
HJELLEGJERDE INVEST	400 000	0,90 %
BORGEN INVESTMENT GROUP NORWAY AS	400 000	0,90 %
Total 20 largest shareholders	29 327 457	66,1%
Other shareholders	15 017 135	33,9%
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	Q3 2018	Q3 2017	YTD 2018	YTD2017	FY 2017
Revenue		51 661	46 725	158 846	135 415	176 691
Other income		886	0	1 112	8 810	9 168
Total revenue and income	2	52 547	46 725	159 958	144 225	185 859
Cost of materials		19 372	15 283	60 683	45 676	62 340
Payroll expenses		18 056	13 328	50 530	39 031	58 191
Other operating expenses		13 274	13 848	38 263	37 712	48 606
Depreciation, amortisation and impairment		1 347	655	3 945	1 886	2 702
Operating profit/(loss)		498	3 610	6 538	19 920	14 019
Net financial items	4	(4 322)	3 780	(18 574)	(3 778)	(6 659)
Profit/(loss) before tax from continuing operations		(3 824)	7 390	(12 036)	16 142	7 360
Income tax expense		(880)	1 774	(2 768)	3 874	1 908
Profit/(loss) for the period from continuing operations		(2 945)	5 616	(9 267)	12 268	5 452
Profit/(loss) for the period from discontinued operations		(224)	(2 424)	(383)	382	64 948
Profit/(loss) for the period		(3 169)	3 192	(9 651)	12 650	70 400
<i>Other comprehensive income:</i>						
Actuarial losses on defined benefit plan		-	-	-	-	535
Income tax effect		-	-	-	-	(123)
Total comprehensive income for the period		(3 169)	3 192	(9 651)	12 650	69 988
Earnings per share (NOK): basic		(0,07)	0,19	(0,30)	0,74	4,13
Earnings per share (NOK): diluted		(0,07)	0,19	(0,28)	0,74	4,13
Earnings per share for continuing operations (NOK): basic		(0,07)	0,33	(0,29)	0,72	0,32
Earnings per share for continuing operations (NOK): diluted		(0,06)	0,33	(0,27)	0,72	0,32

# Condensed Interim Financial Statements

## Consolidated Statement of Financial Position

(NOK 1 000)	Note	30.09.2018	30.09.2017	31.12.2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant & equipment		78 071	57 434	71 686
<b>Total non-current assets</b>		<b>78 071</b>	<b>57 434</b>	<b>71 686</b>
<b>Current assets</b>				
Inventory		18 456	24 025	22 655
Trade receivables		30 524	64 264	30 003
Other receivables		11 562	9 721	20 042
Deferred tax assets		4 906	-	2 027
Cash & cash equivalents	6	330 575	33 524	85 336
Assets held for sale		-	83 386	-
<b>Total current assets</b>		<b>396 023</b>	<b>214 921</b>	<b>160 063</b>
<b>Total Assets</b>		<b>474 094</b>	<b>272 355</b>	<b>231 749</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	7	44 345	17 055	17 055
Share premium		271 601	120 459	1 074
Other paid-in capital		1 585	-	-
Retained earnings		92 378	44 692	102 028
<b>Total equity</b>		<b>409 909</b>	<b>182 206</b>	<b>120 157</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		-	3 996	-
Other long-term liabilities		15 933	13 711	14 736
<b>Total non-current liabilities</b>		<b>15 933</b>	<b>17 708</b>	<b>14 736</b>
<b>Current liabilities</b>				
Trade payables		10 149	36 297	48 790
Tax Payables		(3 111)	(0)	1 032
Other current liabilities		41 217	36 145	47 032
<b>Total current liabilities</b>		<b>48 256</b>	<b>72 442</b>	<b>96 854</b>
<b>Total liabilities</b>		<b>64 189</b>	<b>90 149</b>	<b>111 590</b>
<b>Total Equity and Liabilities</b>		<b>474 094</b>	<b>272 355</b>	<b>231 749</b>

# Condensed Interim Financial Statements

## Statement of Changes in Equity

(NOK 1 000)	Note	Share capital	Share premium	Other capital reserves	Retained earnings	Total equity
Equity as at 01.01.2017		17 055	137 514	-	32 041	186 610
Total comprehensive income		-	-	-	12 650	12 650
Dividend paid		-	(17 055)	-	-	(17 055)
Equity as at 30.09.2017		17 055	120 459		44 692	182 206
Equity as at 01.01.2018		17 055	1 074		102 028	120 157
Total comprehensive income		-	-	-	(9 651)	(9 651)
Private placement		26 786	278 355	-	-	305 140
Transactions costs share issue		-	(7 828)	-	-	(7 828)
Share-based payment	9	-	-	1 585	-	1 585
Subsequent repair issue		504	-	-	-	504
Equity as at 30.09.2018	7	44 345	271 601	1 585	92 377	409 909

# Condensed Interim Financial Statements

## Cash Flow Statement

(NOK 1 000)	Note	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
<b>Cash flow from operating activities</b>						
Net profit/(loss) before income tax from continuing operations		(3 824)	7 390	(12 036)	16 142	7 360
Net profit/(loss) before income tax from discontinued operations		(291)	(3 190)	(498)	502	62 045
<b>Net profit/(loss) before income tax</b>		<b>(4 115)</b>	<b>4 200</b>	<b>(12 534)</b>	<b>16 644</b>	<b>69 405</b>
Adjustments to reconcile profit before tax to net cash flow:						
Income tax paid		-	-	(4 144)	(4 221)	(4 221)
Gain on sale of subsidiary		-	-	-	-	(71 142)
Non-cash adjustment to reconcile profit before tax to cash flow:						
Depreciation, amortisation and impairment		1 347	1 305	3 945	3 711	4 527
Share-based payment	9	1 193	-	1 585	-	-
Unrealised foreign currency (gains)/losses		(219)	(5 349)	(5 318)	2 393	8 610
Unrealised financial derivatives (gains)/losses		2 430	-	19 760	-	-
Changes in working capital:						
Changes in trade receivables and trade creditors		1 630	(14 423)	(34 002)	(20 061)	21 534
Changes in inventory		(1 577)	(3 153)	4 199	(15 979)	(9 858)
Changes in other accruals and prepayments		(914)	471	(7 311)	(1 642)	(9 347)
<b>Net cash flow from operating activities</b>		<b>(225)</b>	<b>(16 948)</b>	<b>(33 820)</b>	<b>(19 155)</b>	<b>9 508</b>
<b>Cash flow from investing activities</b>						
Net proceeds from sale of subsidiary		-	-	(6 959)	-	158 374
Purchase of equipment and intangibles		(2 678)	(9 235)	(11 800)	(19 709)	(35 550)
Interest received		-	-	-	-	107
<b>Net cash flow from investing activities</b>		<b>(2 678)</b>	<b>(9 235)</b>	<b>(18 759)</b>	<b>(19 709)</b>	<b>122 931</b>
<b>Cash flow from financing activities</b>						
Effect of disposal of subsidiary (distributed to shareholders)		-	-	-	-	-
Proceeds from share issue		(177)	-	297 817	-	-
Repayment of capital	7	-	-	-	(17 055)	(136 440)
Interest paid		-	-	-	-	(106)
<b>Net cash flow from financing activities</b>		<b>(177)</b>	<b>-</b>	<b>297 817</b>	<b>(17 055)</b>	<b>(136 546)</b>
<b>Net change in cash and cash equivalents</b>		<b>(3 080)</b>	<b>(26 183)</b>	<b>245 238</b>	<b>(55 919)</b>	<b>(4 104)</b>
Cash and cash equivalents beginning period		333 655	59 708	85 336	89 440	89 440
Cash and cash equivalents end period		330 575	33 525	330 575	33 524	85 336

# Notes to the Condensed Interim Financial Statement

## 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 2017, 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.

The preparation of the Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the Interim Financial Statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

### ***Employee benefits - share-based compensation***

In 2018, in connection with the establishment of a new business area within energy trading, the Group has established an equity-settled, share-based compensation plan. The fair value of the options granted to employees for services received have been recognised as an expense (payroll and payroll related costs) over the vesting period. The total amount to be expensed over the vesting period have been determined by reference to the fair-value of the options granted. The fair value of the options have been estimated at grant date and is not subsequently changed.

### ***Financial Instruments***

During 2018 the Group has invested in financial derivatives related to oil/fuel prices. The Group also uses forward currency contracts to hedge its foreign currency risks. None of the forward contracts used by the Group are designated as hedging instruments. Such derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into, with any changes in fair value recognised in profit and loss as they arise (FVPL). Derivatives are carried as financial assets when the fair value is positive, and as financial liabilities when the fair value is negative.

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

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. The standard is effective for annual periods beginning on or after 1 January 2018 and either a full retrospective application or a modified retrospective application is required.

The Group is in the business of selling metformin APIs. The goods are sold on their own in separate identified contracts with customers, and the revenue is recognised when the full ownership and risk of the goods have been past to the customer, which is normally when the products have been shipped from the warehouse, or the goods are loaded on-board in departing ships at port, at which time the ownership of the goods is transferred to the customer, alternatively when the goods arrives at the port designated by the customer. The Standard will thus not have a material impact on the Group, as the revenue recognition principles used by the Group are principally in line with IFRS 15.

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and may increase the volume of disclosures required in the Group's financial statements. In particular, the notes to the financial statements will be expanded to include qualitative and quantitative information about the Group's contracts with customers and any contract obligations.

### 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.

(NOK 1 000)	Q3 2018	Q3 2017	YTD 2018	YTD2017	FY 2017
Total revenue and income					
Pharmaceuticals	52 547	46 725	159 957	144 225	185 859
Energy Trading	-	-	-	-	-
HQ & Other	-	-	-	-	-
Total revenue and income	52 547	46 725	159 957	144 225	185 859
EBT					
Pharmaceuticals	1 568	8 678	13 104	19 120	10 130
Energy Trading	(4 707)	-	(22 674)	-	-
HQ & Other	(685)	(1 288)	(2 465)	(2 979)	(2 770)
EBT	(3 824)	7 390	(12 035)	16 142	7 360
Operating assets					
(NOK 1 000)	30.09.2018	30.09.2017			31.12.2017
Pharmaceuticals	122 145	145 724			122 317
Energy Trading	-	-			-
HQ & Other	347 043	43 245			107 405
Total segments	469 188	188 969			229 722
Operating liabilities					
(NOK 1 000)	30.09.2018	30.09.2017			31.12.2017
Pharmaceuticals	10 049	36 222			43 371
Energy Trading	19 834	-			-
HQ & Other	37 416	49 931			67 187
Total segments	67 299	86 153			110 559
Reconciliation of assets					
(NOK 1 000)	30.09.2018	30.09.2017			31.12.2017
Segment operating assets	469 188	188 969			229 722
Deferred tax assets	4 906	-			2 027
Assets held for sale	-	83 386			-
Total operating assets	474 094	272 355			231 749
Reconciliation of liabilities					
(NOK 1 000)	30.09.2018	30.09.2017			31.12.2017
Segment operating liabilities	67 299	86 153			110 559
Tax Payable	(3 111)	3 996			1 032
Total operating liabilities	64 189	90 149			111 590

#### 4. Financial items

(NOK 1 000)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Gains (losses) on net foreign exchange	(1 880)	4 051	1 432	(3 171)	(6 127)
Interest income and other financial items	105	-	175	-	107
Gains (losses) on derivative financial instruments	(2 430)	-	(19 760)	-	-
Interest and other financial expenses	(117)	(271)	(421)	(607)	(639)
Net financial items	(4 321)	3 780	(18 573)	(3 778)	(6 659)

#### 5. Financial derivatives

During the second quarter 2018, the Group entered into financial oil derivatives with a commercial bank as counterparty. The derivatives represent the price difference (spread) between different oil products. These derivatives are valued based on the prices of the underlying oil products, which are quoted in regular markets. As of 30 September 2018, the market-to-market value of these contracts was negative NOK 19.7 million, which has been included as a financial liability in the statement of financial position. For the third quarter NOK 2.4 has been recognised as a financial loss in the statement of comprehensive income. Any increase/decrease in the spread between the prices of the underlying oil products by 1% would increase/decrease the total value of the contracts outstanding by approximately NOK 4 million.

The derivative contracts do not result in physical delivery of the oil products, but the market-to-market value of the derivatives is settled when the contracts are terminated by the Group. A margin call of 20% of the total contract exposure is deposited with the counter party. The margin requirement as of 30 September 2018 was NOK 103.4 million. The amount has been included in cash and cash equivalents in the statement of financial position.

#### 6. Cash and cash equivalents

(NOK 1 000)	30.09.2018	30.09.2017	31.12.2017
Cash at bank	314 622	30 524	69 383
Restricted cash	15 953	3 000	15 953
Cash and cash equivalents	330 575	33 524	85 336

The cash balance at 30 September 2018 includes an amount of NOK 16.0 million in escrow (restricted cash) relating to the sale of the CMO and opioids business.



**7. Share capital**

	<b>Number of shares (1 000)</b>	<b>Share capital (NOK 1 000)</b>
At 1 January 2017	17 055	17 055
At 30 September 2017	<b>17 055</b>	<b>17 055</b>
At 1 Januar 2018	<b>17 055</b>	<b>17 055</b>
At 30 September 2018	<b>44 345</b>	<b>44 345</b>

**8. Interest-bearing debt**

The Group had no interest-bearing debt as of 30 September 2018 (30.09.18: 0)

**9. Employee share options**

In July 2018, 2,400,000 share options were granted to employees in connection with the establishment of the Energy Trading business. The exercise price of the options of NOK 11.20 was equal to the subscription price in the NOK 300 million private placement completed to finance the new business area. The options are exercisable with 1/3 or 1/4 after 12, 24, 36 and 48 months. Employee share options are not subject to any performance based vesting conditions. Vistin Pharma has the option to settle the share options in cash.

For the third quarter 2018 the Group has recognised NOK 1.2 million of share-based payment expense in the statement of profit or loss. No expenses were recognised in the same period last year. The weighted average fair value of the options granted during the quarter ended 30 September 2018 was NOK 2.13 per option. No options were granted in the same period last year.

The fair value of the share options at grant date is estimated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of options granted during the quarter ended 30 September 2018 was estimated on the date of grant using the following assumptions:

Expected volatility (%) 21.36

Risk-free interest rate (%) 1.24

Expected life of share options (years) 4.00

Weighted average share price (NOK) 11.20