

VISTIN

PHARMA

ANNUAL REPORT 2019

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DIRECTORS' REPORT FOR 2019

OPERATING PERFORMANCE

During 2019, Vistin Pharma ASA and its subsidiaries ("Vistin Pharma" or the "Group") had one business segment; pharmaceuticals while the energy trading was closed down in January 2019.

In the pharmaceutical segment the strategy is to become the leading supplier of metformin products to customers in the premium finished product segments. Vistin Pharma believes that the quality of its metformin products, and its service and delivery performance, are competitive advantages and drivers for increased sales.

The Group's production plant in Kragerø, Norway, was running at close to full capacity for the whole year, producing on par with last year's record production of 3,300 metric tons (MT) of metformin HCl.

Vistin Pharma is experiencing a strong underlying volume demand, and the Group is currently working to stretch the current capacity up to approximately 3,800MT through an efficiency program. A second reactor will be installed in Q3 2020, which is part of the current program to increase capacity to 3,800MT.

The long-term objective for the business segment is to take advantage of the ever growing metformin market, ensure that it can meet the increasing demand from existing customers, and secure volumes from new customers, which will allow Vistin Pharma to invest in building a 2nd production line and increasing the installed capacity at the dedicated fully automated metformin plant by additional minimum 3,000MT capacity. When the market conditions and demand from customers are sufficiently attractive, the Company will be able to have the additional 3,000MT production capacity installed within approximately 18-20 months.

Vistin Pharma does not currently have any dedicated research resources. However, the Group has considerable focus on process improvement projects related to optimising existing manufacturing processes,

as well as projects aimed to improve product quality and cost. This work is carried out by the operational staff and in collaboration with selected contract research organisations (CROs).

Following the Group's sale of the CMO and opioids business in 2017, the pharmaceutical business became a pure play metformin supplier. The number of diabetes II patients are by WHO expected to grow from approx. 350mill today to > 500mill in less than 20 years. Metformin is going to be the gold standard treatment for diabetes II in the foreseeable future. The demand for metformin is therefore expected to grow from 40.000MT today to 60.000MT in less than 20 years

During 2018, the Group established a new business area within energy trading and raised NOK 305 million in gross proceeds through a private placement and subsequent repair issue to fund the business. To establish a sustainable business unit based on energy trading proved to be demanding. The international energy markets was challenging during 2018, and the trading positions taken by the Group did not develop positively. The market conditions also made it difficult to raise external capital for closed-end funds, which was part of the strategy for the new business segment.

Vistin Pharma continuously monitored and evaluated the development of the Energy Trading business and in January 2019, the Board of Directors decided to close this activity.

At year end 2019, the exposure in the oil derivative market was 135,000MT. Driven by the challenging and unpredictable environment in the financial markets during second half of Q1 2020, Vistin Pharma ASA announced, on the 30th of March 2020, that the company has closed all its remaining oil derivative positions. No new positions will be taken and the Energy trading business will be closed. See further details under events after the balance sheet date.

PRESENTATION OF FINANCIAL RESULTS FOR THE GROUP

For 2019, total revenue and income for Vistin Pharma amounted to NOK 228.1 million (NOK 200.5 million). The revenue and income for both 2018 and 2019 relate exclusively to the Group's pharmaceutical segment.

The operating profit for 2019 was NOK 16.8 million (loss NOK 46 million). The Group had net profit from continuing operations of NOK 66.1 million (loss NOK 67.7 million), after net finance profits of NOK 84.0 million (cost of NOK -85.3 million), and income tax expense of NOK 18.0 million (negative NOK 17.6 million). The finance costs for 2018 included an unrealised loss on oil derivatives of NOK 85.0 million while the net unrealised gains on the portfolio was NOK 63.5 million in 2019.

Liquidity, financial position and investments

Vistin Pharma's net cash flow from operating activities in 2019 amounted to NOK 18.4 million (negative NOK 39.5 million).

The net cash flow from investing activities for 2019 amounted to negative NOK 18.4 million (negative NOK 22.8 million), of which NOK 18.4 million represents capital expenditure for the year primarily in a new packaging line.

The net cash flow from financing activities for 2019 was negative NOK 1.2 million (NOK 297.7 million). No dividend was paid in 2019. The board of directors has proposed an ordinary dividend of NOK 1 per share based on the audited annual accounts, for 2019, to be approved by the annual general meeting on the 19 May 2020.

At 31 December 2019, total assets amounted to NOK 504.2 million (NOK 500.1million), and the Group had no interest bearing debt. Cash and cash equivalents amounted to NOK 319.7 million (NOK 320.7 million) at 31 December 2019.

As of 31 December 2019, total equity amounted to NOK 413.4 million (NOK 348.9 million), and the equity ratio at year-end was 82.0% (69.8%).

Vistin Pharma expects that cash from operations, together with its liquidity reserves, will be sufficient to cover planned capital expenditures and operational requirements in

2020.

The Financial Statements of Vistin Pharma ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and are valid on or after 1 January 2018.

In accordance with the Norwegian accounting act § 3-3a, the Board of Directors confirm that the Financial Statements have been prepared under the assumption of going concern and that this assumption is valid based on the Group's budgets and financial projections.

EVENTS AFTER THE BALANCE SHEET DATE

On 8 January 2019, Vistin Pharma announced that it would close down the energy trading business.

Subsequent to the closing date of 31 December 2019, on the 30th of March 2020 Vistin Pharma ASA announced that the company has closed all its remaining oil derivatives positions. The company believe that closing of all the derivative positions is in the best interest of its shareholders, driven by the challenging and unpredictable environment in today's financial markets. After closing of all the positions the total loss for the Energy Trading business is approximately NOK 184 million. Final remaining financial loss to be recognized in Q1 2020 is expected to be approximately NOK 166 million. Vistin Pharma will after the settlement of the contracts still have a significant cash position of approx NOK 130M, part of this will likely be paid out as a dividend to the shareholders.

ORGANISATIONAL MATTERS

Organisation

At the end of 2019, the Group had 65 employees.

Board of Directors

At year end the board consisted of Ole Enger (chairman), Bettina Banoun, Mimi K. Berdal, Finn Bjørn Ruyter, Øystein Stray Spetalen, Espen Lia Gregoriussen (employee representative) and Åse Musum (employee representative).

CORPORATE SOCIAL RESPONSIBILITY, THE ENVIRONMENT AND EMPLOYEES

Vistin Pharma aspires to achieve sustainable development by striking a good balance between financial results, value creation, sustainability and CSR. 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 in the countries where the Group operates.

The Group believes in social responsible business, and promoting decent working and environmental conditions in our supply chains is part of Vistin Pharma's strategy and efforts to act responsible. In pursuit of this aim the Group cooperates with its suppliers and business partners. Vistin Pharma has adopted the general principles of UN Global Compact with universally accepted principles for human rights, working conditions, environment and anti-corruption.

Vistin Pharma expects its suppliers and business partners to make efforts to ensure compliance to the above principles and national laws and regulations, and to ensure similar compliance by their sub-suppliers.

Vistin Pharma does not accept violence to laws against corruption, bribery and fraud. Suppliers and business partners shall under no circumstance be involved in business practice which hinders free competition. Suppliers and business partners shall not offer Vistin Pharma employees gifts or favourable conditions. Vistin Pharma seeks to form long term relationship with business partners, who share our values and focus on promoting decent working and environmental conditions in the supply chain.

Vistin Pharma's Code of Conduct is built on Vistin Pharma's values and provides a framework for what the Group considers responsible conduct. The document has been approved by the Board of Directors, and applies to all employees, as well as to board members of Vistin Pharma, and can be found at www.vistin.com.

Equal opportunities

The Group has established practices to ensure equal opportunities between female and male employees. The Group had 65 employees at year-end 2019, of which 19 are female. The Executive Management group into 2020 consists of five members, of which one member is female. The Board of Directors currently has three female members out of seven. The Board does not consider it necessary to take further measures to ensure equal opportunities.

Health, safety and environment

Vistin Pharma has established a formal code of conduct, as well as a set of policies and procedures for handling quality, health, safety and environment. The Group is committed to a work environment where all employees feel safe and are valued for the diversity they bring to the business. Vistin Pharma honours domestic and internationally accepted labour standards and support the protection of human rights. The Group does not tolerate any harassment or any act of violence or threatening behaviour in the workplace, including any sexual, age-related or racial harassment.

The people employed at Vistin Pharma are our most important resource for success, and the Group strives to create a healthy and safe environment for all employees and contractors. For Vistin Pharma AS, where 70 of the employees in the Group are employed, QHSE (quality, health, safety and environment) is an integral element of its business, and an electronic system is in place to monitor and follow-up any accident incidents. Key safety indicators, such as total recordable incidents (TRIs), are continuously monitored, and reported and reviewed on a monthly basis. Vistin Pharma AS reported no TRI, which resulted in restricted work (RWC) during 2019 (2018: 1). The total sick leave for the Group for 2019 was 4.7% (2018: 5.4%) of the total working hours.

The Group's manufacturing plant for metformin is located in Kragerø, Stuttlidalen 4, Sannidal,, Norway, and its head office is located at Østensjøveien 27, Oslo, Norway.

Vistin Pharma has dedicated considerable resources to identify, analyse, control and reduce the emission levels at its manufacturing

plant. Vistin Pharma has established a system in which all process water is being collected and analysed, and only discharged if the water quality is within approved levels. The system has been fully operational during 2019. Vistin Pharma has been operating within existing discharge permits, and has had no reported incidents relating to the environment during 2019.

Following the Group's initiatives, the risk for unwanted interruption or reduction of activity in the factory due to emissions issues is considered to be moderate to low.

RISK EXPOSURE AND RISK MANAGEMENT

Vistin Pharma's regular business activities entail exposure to various types of risk. The Group proactively manages such risks, and the Board regularly analyses its operations and potential risk factors and takes measures to reduce risk exposure. Vistin Pharma places a strong emphasis on Quality Assurance and has quality systems implemented, in line with the requirements for the pharmaceutical industry.

Operational risk

Vistin Pharma faces risks and uncertainties within its business operations and in the domestic and international market place. The Group's products are sold world-wide, and are primarily commodities, which are available from a large number of international suppliers. The Group has only one major production line and any extended stop in the production at this line, due to technical or other issues, would have a negative impact on sales volumes and thus the financial results of Vistin Pharma. The four largest customers of the Group account for approximately 87% of total sales revenue in 2019, and any significant reduction in the volumes purchased by some or all of these customers would have material negative impact on the financial results of the Group.

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 Group's production plant represent key operational risk factors to Vistin Pharma.

Financial risk

During 2018, the Group invested in financial oil derivatives, as part of its new energy trading business. Part of this portfolio remained outstanding as of 31 December 2019. Under these contracts, Vistin Pharma was financially exposed to the difference in USD price per metric ton between the two oil products ICE Gasoil and Sing380. The total outstanding contract volume at December 31 was 135,000 metric tons.

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 approximately 20% of the total contract exposure, plus any unrealised losses on the contracts, was deposited with the counter party, as security for any potential losses. The Group had deposited NOK 158.3 million in margin-call as of 31 December 2018 and NOK 113.3 million at the end of 2019.

The board of directors has proposed an ordinary dividend of NOK 1 per share based on the audited annual accounts, for 2019, to be approved by the annual general meeting on the 19 May 2020.

The financial risk of the Group after closing its derivative positions, is principally related to liquidity risk, credit and risk foreign currency risk.

The Group's main strategy to manage liquidity risk is to maintain a strong balance sheet. Vistin Pharma had cash and cash equivalents of NOK 319.7 million (NOK 320.7 million), and no interest bearing debt at 31 December 2019, and the Group's liquidity is considered solid.

Vistin Pharma has no major financial assets other than cash and cash equivalents and trade receivables. The trade receivables relate to customers of Vistin Pharma AS, and the Group is tightly managing these receivables. The Group's overall credit risk is considered moderate to low.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to Vistin Pharma's operating activities.

Vistin Pharma offers metformin to the global pharmaceutical market and the Group is exposed to currency exchange fluctuations, as most sales

are in EUR, while raw-material purchases are mainly denominated in USD. The Group also have foreign currency denominated cash deposits. The Group may enter into currency hedging contracts to reduce the foreign exchange risk.

Further details on financial risk, including the sensitivity analysis required by IFRS, can be found in Note 15 to the Consolidated Financial Statements.

SHAREHOLDER RELATIONS AND CORPORATE GOVERNANCE

Corporate governance

The Board of Directors and Executive Management are committed to complying with rules and regulations that apply to Vistin Pharma's business. Vistin Pharma's corporate governance guidelines, (the "CCGP"), have been prepared to comply with the current Norwegian Code of Practice for Corporate Governance (the "Code"). The CCGPs has been prepared in accordance with Section 3-3b of the Norwegian Accounting Act, and are available on Vistin Pharma's website. A report on Vistin Pharma's corporate governance is provided in a separate section of the annual report for 2019.

Dividend policy

It is Vistin Pharma's objective to generate returns to the shareholders in the form of dividends and/or share appreciation, which is at least on the same level as other investment possibilities with comparable risk.

Investor relations

The Board of Directors and the Executive Management of Vistin Pharma place considerable importance on providing the shareholders and the financial market in general

with timely, relevant and current information regarding the Group and its activities, in accordance with the laws and regulations imposed by the Norwegian Securities Trading Act and the Oslo Stock Exchange.

OUTLOOK

Diabetes is one of the largest global health emergencies 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 Group's metformin will be partially dependent on the market performance of the customers' products.

VISTIN PHARMA ASA (PARENT COMPANY)

The parent company, Vistin Pharma ASA (the "Company"), is a holding company, with financial activities, but no operating activities. The Company had a net profit of NOK 3.1 million (loss NOK 76.8 million) in 2019. Total assets as of 31 December 2019 were NOK 355.0 million (NOK 344.4 million), and the long-term intercompany receivables were NOK 119.0 million (NOK 186.0 million) at year-end 2019. The Company's cash balance at year-end 2019 was NOK 180.2 million (NOK 141.4 million). Total shareholders' equity at 31 December 2019 was NOK 338.8 million (NOK 338.5 million), and the equity ratio at 31 December 2019 was 95.5% (98.3%).

The Board of Directors has proposed a dividend of NOK 1 per share to be paid out in 2020.

Oslo, 22 April 2020

Electronic signatures

Ole Enger
Chairman

Bettina Banoun
Board member

Mimi K. Berdal
Board member

Finn Bjørn Ruyter
Board member

Øystein Stray Spetalen
Board member

Espen Lia Gregoriussen
Board member

Åse Musum
Board member

Kjell-Erik Nordby
CEO

Responsibility Statement

We confirm that, to the best of our knowledge, the Financial Statements 2019, which have been prepared in accordance with IFRS as adopted by EU, gives a true and fair view of the Company's assets, liabilities, financial position and results of operations, and that the management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-5.

Oslo, 22 April 2020

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Åse Musum
Board member

Kjell-Erik Nordby
CEO

CORPORATE GOVERNANCE POLICY AND ANNUAL REVIEW

1. IMPLEMENTATION AND REPORTING OF CORPORATE GOVERNANCE

In accordance with the Norwegian Code of Practice for Corporate Governance (the “Code of Practice”), cf. the latest version dated 17 October 2018, the Board of Directors of Vistin Pharma ASA (“Vistin Pharma” or the “Company”) has prepared a Corporate Governance policy document. Vistin Pharma aspires to follow the Code of Practice as closely as possible and in situations where the Company’s practice might diverge from the code, an explanation or comment will be provided.

The Board reviews the overall position of the Company in relation to the latest version of the Code of Practice annually and reports thereon in the Company’s annual report in accordance with the requirements of the continuing obligations of stock exchange listed companies and the Code of Practice.

The Company’s compliance with the Code of Practice is detailed in this section of the Annual Report and section numbers refer to the Code of Practice’s articles. Vistin Pharma’s Corporate Governance guidelines are published in full at the Company’s website (www.vistin.com).

2. BUSINESS

Vistin Pharma ASA is a holding company for the two subsidiaries, Vistin Pharma AS and Vistin Trading AS.

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

Vistin Trading AS was established in May 2018 to carry out investments in energy related financial instruments and other energy related investment opportunities. Vistin Pharma announced on 8 January 2019 that it would close this activity.

Vistin Pharma’s business purpose is included in the Company’s Articles of Association.

The Board evaluates the Company’s strategy annually. The strategy process is followed by the approval of the budgets and key operating indicators for the following year, which is used as an important tool in evaluating the continuous performance of the Company. Vistin Pharma’s strategy, objectives and risk management is further described in the Directors’ Report.

3. EQUITY AND DIVIDENDS

Equity

The Group’s consolidated equity at 31 December 2019 was NOK 413.4 million, representing an equity ratio of 82.0%. The Board aims to maintain an equity ratio that remains satisfactory in light of the Company’s goals, strategy and risk profile.

Increases in share capital

The Board will only propose increases in the share capital when this is beneficial over the long term for the shareholders of the Company. At the Annual General Meeting held in May 2019, the Company received a general authority to increase the share capital by up to NOK 9,660,987 (representing up to 22% of the existing share capital) through the issue of new shares for general corporate purposes, including financing of investments, mergers and acquisitions and employee incentive plans. The Company’s strategy is to grow its business organically, and potentially through acquisitions, and the Board believes that a general authority, without a specific purpose, is necessary to give the Company the required flexibility to secure the necessary financing, at the lowest possible costs, and that this is in the best interest of the Company’s shareholders. The authority is limited in time to 15 months from the date of the general meeting or up to the Annual General Meeting in 2020.

Vistin Pharma has also been given an authorisation to purchase its own shares, for a

number of shares limited to 10% of the total issued shares of the Company. The authority was given at the Annual General Meeting held in May 2019, and is limited in time to the Annual General Meeting in 2020.

Dividend policy

It is the Company's objective to generate returns to the shareholders in the form of dividends and share appreciation, which is at least on the same level as other investment possibilities with comparable risk. The Board has proposed a dividend for approval at the 2020 Annual General Meeting.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company has only one class of shares. Each share entitles the holder to one vote and there are no voting restrictions. Each share has a nominal value of NOK 1.00. Any potential purchase of own shares shall be carried out via a stock exchange at market prices. There were no purchases of own shares during 2018.

Where the Board resolves to carry out an increase in share capital on the basis of an authority given to the Board, and waive the pre-emption rights of existing shareholders, the justification will be publically disclosed in connection with the increase in share capital.

Transactions with related parties shall be at arm's length and at fair value which, in the absence of any other pertinent factors, shall be at market value. All not immaterial transactions with related parties shall be valued by an independent third party, unless assessed and resolved upon by the General Meeting. Transactions with related parties are described in Note 25 to the Consolidated Financial Statements.

5. FREELY NEGOTIABLE SHARES

There are no limitations on trading of shares and voting rights in the Company, and each share gives the right to one vote at the Company's General Meeting.

6. GENERAL MEETING

Annual General Meeting

The General Meeting is the Company's supreme body and elects the members of the Board.

The call for the General Meeting

The Company observes the minimum notice period set out in the Norwegian Public Limited Companies Act, i.e. providing 21 days minimum notice period. The call for the General Meeting is issued in writing via mail, or electronically through VPS, to all shareholders with registered addresses. Transmitted with the summons are documents, which have sufficient detail for the shareholders to take a position on all the cases to be considered. Documents relating to matters which shall be considered at a General Meeting need not be sent to the shareholders if the documents have been made available to the shareholders on the Company's website. This also includes documents that according to law shall be incorporated into or be attached to the notice of the General Meeting. A shareholder may require that documents, which shall be considered at a General Meeting, are sent to the shareholder.

The summons also addresses the shareholder's right to propose resolutions to the matters to be resolved upon at the General Meeting, and gives information regarding the required steps necessary to exercise the shareholder's rights. The summons and the said documents are made available on the Company's web-site at least 21 days prior to the relevant General Meeting.

To register for the General Meeting, a shareholder is requested to submit a confirmation in writing via mail or fax, or by electronic registration directly through VPS.

The 2020 Annual General Meeting is scheduled for 19 May in Oslo, Norway.

Voting at the General Meeting

Any shareholder is entitled to vote at the General Meeting, and to cast a vote, a shareholder must attend, or give a proxy, to someone who is attending. The proxy form will be distributed with the summons to the General Meeting. A proxy will only be accepted if submitted by mail, fax, or e-mail (provided the proxy is a scanned document with signature), or registered directly through VPS. It is not possible to vote via the Internet, or in any other way. For shareholders who cannot attend the General Meeting, the Board will nominate the Chairman or the CEO to vote on behalf of shareholders as their proxy. To the extent possible, the Company

uses a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

The attendance at the General Meeting

The Board and the management of the Company seek to facilitate the largest possible attendance at the General Meeting. The chairman of the Board and the CEO will always attend the Annual General Meeting. In addition, the chairman of the Election Committee may also attend the Annual General Meeting, and other members of the Board and the Election Committee will attend whenever practical. The Code of Practice recommends that all Board members and the chairman of the Election Committee are present at the annual general meeting.

Chairman of the meeting and minutes

The chairman of the Board, or another person nominated by the Board, will declare the General Meeting for open. The Code of Practice recommends that an independent person is appointed to chair the General Meeting. Considering the Company's organisation and shareholder structure the Company considers it unnecessary to appoint an independent chairman for the General Meeting, and this task will for practical purposes normally be performed by the chairman of the Board. However, the need for an independent chairman is evaluated in advance of each General Meeting based on the items to be considered at the General Meeting. The minutes from the General Meeting are made available at the Company's website on the day of the General Meeting.

7. ELECTION COMMITTEE

The Company's Election Committee is regulated by article 11 of the articles of association. The Election Committee is elected by the General Meeting, which also appoints the chairman of the Election Committee. The members of the Election Committee should be selected to ensure there is a broad representation of shareholders' interests.

The work

The Election Committee's task is to propose candidates for election to the Board of Directors

and to suggest remuneration for the Board. The election Committee usually have direct contact with the largest shareholders, existing Board members and the CEO of the Company as part of their proposal for Board members at the annual general meeting. Shareholders may propose board members through the chairman of the Election Committee. Any proposals to the Election Committee should be submitted in writing to the chairman of the Election Committee no later than 15 April. The recommendations by the Election Committee shall be justified.

The Election Committee currently consists of two members, who shall be shareholders or representatives of the shareholders, and no more than one member of the Election Committee shall be a member of the Board. The members of the Election Committee are elected for a period of two years at a time. Further information on the duties of the Election Committee can be found in the Instructions to the Election Committee, which has been approved by the General Meeting and made available on the Company's website.

The Election Committee's composition is designed to maintain its independence from the Company's administration.

The Election Committee currently consists of the following members:

Martin Nes, Chairman (member since 2015; up for election in 2021)

Nils Erling Ødegaard, (member since 2017; up for election in 2021)

Further information on the membership is available on the Company's webpage.

8. THE BOARD OF DIRECTORS - COMPOSITION AND INDEPENDENCE

The chairman and the other members of the Board are elected for a period of two years at a time, and the Board currently consists of five shareholder elected members. In addition, two members are elected by the employees of the Group. All members of the Board may be re-elected for a period of up to two years at a time. The Company's Executive Management is not represented on the Board of Directors. All the current members of the Board are independent of the Company's Executive Management. The Board member Øystein Stray Spetalen controls

directly, or indirectly, approx. 19.4% of the shares in the Company.

In electing members to the Board, it is emphasised that the Board has the required competence to independently evaluate the cases presented by the Executive Management as well as the Company's operations. It is also considered important that the Board functions

well as a body of colleagues.

The current composition of the Board, including Board members' shareholding in Vistin Pharma per the date of this annual report, is detailed below.

Name	Position in the Board	Member since (year)	Up for election (year)	Committee membership	Shareholding in Vistin Pharma*
Ole Enger	Chairman	2015	2021	Rem. Comm.	141,471
Bettina Banoun	Member	2018	2020		-
Mimi K. Berdal	Member	2017	2021	Rem. Comm.	-
Finn Bjørn Ruyter	Member	2018	2020		-
Øystein Stray Spetalen	Member	2015	2021		8,596,285 (1)
Espen Lia Gregoriussen	Member	2017	2021		-
Åse Musum	Member	2015	2021		2,201

* At the date of the Annual Report

1. Shares owned by Øystein Stray Spetalen, or companies controlled by, or associated with him, (Saga Tankers AS, Ferncliff THIF AS, Ferncliff Listed DAI AS, Tycoon Industrier AS,)

Brief biographies on the Board members can be found on the Company's web page.

9. THE WORK OF THE BOARD

The Board's work follows an annual plan for its work. The annual plan is generally revised in December each year, and includes the number of meetings to be held and specific tasks to be handled at the meetings. Typical tasks that are handled by the Board during the year includes an annual strategic review, review and approval of the following year's budget, evaluation of management and competence required, and continuous financial, operational and risk reviews

based on budget or prognosis. The Board has held five meetings since the Annual General Meeting in 2019, and to the date of this report. The Board members attended all the Board meetings, either in person or by phone. In addition, the Board has been involved in all the decisions related to changes in the oil derivative portfolio.

The instructions to the Board of Directors' are available on the Company's website.

Remuneration Committee

The Remuneration Committee, appointed by the Board, makes proposals to the Board on the employment terms and conditions and total remuneration of the CEO, and other members of Executive Management, as well as the details of any bonus plan for the employees. These proposals are also relevant for other management entitled to variable salary payments. The Board's instructions to the

Remuneration Committee are available on the Company's website. The Remuneration Committee currently consists of Ole Enger (Chairman) and Mimi K. Berdal.

Audit Committee

The Company may have an Audit Committee appointed by the Board, however for practical purposes the full Board constitutes the Audit Committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the Executive Management shall at all times see to that the Company has adequate systems and internal control routines to handle any risks relevant to the Company and its business, hereunder that the Company's ethical guidelines, corporate values and guidelines for corporate social responsibility are maintained and safeguarded.

The Board carries out regular reviews of the Company's most important areas of exposure to risk and its internal control systems. The risk areas, changes in risk levels and how the risk is being managed, are regularly reviewed at Board meetings.

Vistin Pharma manufactures and sells pharmaceutical products through its subsidiary Vistin Pharma AS. These products are produced and sold in compliance with relevant international and local laws and regulations governing the pharmaceutical industry. Accordingly, the Company has implemented risk management systems in accordance with e.g. GMP and EHS guidelines.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration of Board members shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the business. The remuneration needs to be sufficient to attract both Norwegian and foreign Board members with the right expertise and competence. The compensation shall be a fixed annual amount and shall be determined by the Annual General Meeting based on a proposal from the Election Committee. At the Annual General Meeting in 2018 a resolution was passed approving the following fees until the next Annual General

Meeting in 2019: Chairman NOK 250,000, shareholder elected Board members NOK 150,000 each, employee elected members NOK 75,000 each.

At the Annual General Meeting in 2019 a resolution was passed approving the following fees until the next Annual General Meeting in 2020: Chairman NOK 250,000, shareholder elected Board members NOK 200,000 and employee elected board members NOK 125,000.

For more information on remuneration of the Board see note 24 to the Consolidated Financial Statements.

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board sets out the guidelines for remuneration of Executive Management and determines the salary and other compensation of the CEO, pursuant to relevant laws and regulations.

The statement regarding the determination of salary and other remuneration to Executive Management are presented as a separate agenda item at the Annual General Meeting, and any proposals for equity-based compensation (i.e. share option or share purchase plan) would usually be included as a separate agenda item. The statement regarding the determination of salary and other remuneration to Executive Management has been included in Note 13 to the Financial Statements for Vistin Pharma ASA.

For more information on remuneration of the CEO and other members of Executive Management see Note 24 to the Consolidated Financial Statements.

13. INFORMATION AND COMMUNICATION

The Board of Directors and the Executive Management of the Company assign considerable importance to giving the shareholders and the financial market in general timely, relevant and current information about the Company and its activities, while maintaining sound commercial judgement in respect of any information which, if revealed to competitors, could adversely influence the value of the Company.

Regular information is published in the form of Annual Reports and interim reports and presentations. It is the Company's aim to publish

these reports within four weeks of the end of the relevant period in at least three of the four financial quarters. Vistin Pharma distributes all information relevant to the share price to the Oslo Stock Exchange in accordance with applicable laws and regulations.

The Company publishes all information concerning the Annual General Meeting, interim reports and presentations and other presentations on the Company website, as soon as they are made publically available.

The CEO and CFO hold a presentation each quarter in connection with the release of the interim reports, which is open to all interested parties. The Executive Management also holds regular meetings with shareholders and other interested investors.

14. TAKE-OVERS

The Board shall not without specific reasons attempt to hinder or exacerbate any attempt to submit a takeover bid for the Company's activities or shares, hereunder make use of any proxy for the issue of new shares in the Company. In situations of takeover or restructuring, it is the Board's particular responsibility to ascertain that all shareholders' values and interests are protected. If a take-over

offer is made, the Board will issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board will arrange a valuation from an independent expert that shall be made public no later than the disclosure of the Board's recommendation.

15. AUDITOR

The Company's external Auditor is Ernst & Young AS. The Auditor participates in the Board meeting that approves the annual financial statements, and otherwise when required. The Auditor meets with the Board, without the Company's Executive Management being present, at least once a year.

The Auditor each year presents a plan for the implementation of the audit work, and following the annual statutory audit presents a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement.

The full Corporate Governance Policy is published on Vistin Pharma' home page: www.vistin.com.

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VISTIN PHARMA GROUP- FINANCIAL STATEMENTS AND NOTES

Consolidated Statement of Comprehensive Income

For the year ended 31 December

(NOK 000's)	Note	2019	2018
Revenue	4	227 186	198 990
Other income	5	943	1 523
Total revenue and other income		228 130	200 514
Cost of materials	16	84 113	73 157
Payroll expenses	6	69 582	69 578
Depreciation, amortisation and impairment	13	8 956	5 332
Other operating expenses	8	48 708	57 053
Operating profit (EBIT)		16 771	-4 605
Finance income	9	72 038	4 878
Finance costs	9	4 766	85 576
Profit/(loss) before tax from continuing operations		84 043	-85 304
Income tax expense	10	17 968	-17 611
Profit/(loss) for the period from continuing operations		66 075	-67 693
Profit/(Loss) for the period from discontinued operations	11	127	-5 933
Profit/(Loss) for the period		66 202	-73 626
Other comprehensive income			
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial losses on defined benefit plan	7	-1 435	95
Income tax effect		316	-21
Total comprehensive income for the period		67 321	-73 700
Comprehensive income attributable to:			
Equity holders of the parent company		67 321	-73 700
Earnings per share (NOK):			
Basic, profit attributable to equity holders of the parent	12	1,49	-2,09
Diluted attributable to equity holders of the parent	12	1,49	-2,09
Earnings per share for continuing operations (NOK):			
Basic, profit attributable to equity holders of the parent	12	1,49	-1,92
Diluted attributable to equity holders of the parent	12	1,49	-1,92

Consolidated Statement of Financial Position

As at 31 December

(NOK 000's)	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant & equipment	13/23	101 802	88 550
Deferred tax assets	11	7 733	22 219
Total non-current assets		109 535	110 769
Current assets			
Inventories	16	24 107	29 071
Trade receivables	17	38 277	27 363
Other receivables	17	12 573	12 126
Cash and cash equivalents	18	319 672	320 733
Total current assets		394 629	389 293
Total assets		504 165	500 062
EQUITY AND LIABILITIES			
Equity			
Share capital	19	44 345	44 345
Share premium		273 401	273 401
Other paid in capital		-	2 777
Retained earnings		95 649	28 329
Total equity		413 396	348 852
Non-current liabilities			
Other non-current liabilities	23	1 222	-
Pension liabilities	7	16 309	16 877
Total non-current liabilities		17 531	16 877
Current liabilities			
Trade payables	14	23 612	29 469
Income tax payable	10	3 796	-
Derivative financial instruments	14	31 616	84 971
Other current liabilities	21/23	14 214	19 893
Total current liabilities		73 238	134 333
Total liabilities		90 769	151 210
Total equity and liabilities		504 165	500 062

Oslo, 22 April 2020

Electronic signatures

Ole Enger
Chairman

Bettina Banoun
Board member

Mimi K. Berdal
Board member

Finn Bjørn Ruyter
Board member

Øystein Stray Spetalen
Board member

Espen Lia Gregoriussen
Board member

Åse Musum
Board member

Kjell-Erik Nordby
CEO

Consolidated Statement of Changes in Equity

For the year ended 31 December

Attributable to equity holders of the parent						
(NOK 000's)	Note	Share capital	Share premium	Other paid in capital	Retained earnings	Total
Equity as at 01.01.2018		17 055	1 074		102 028	120 157
Profit (loss) for the period					-73 626	
Other comprehensive income					-74	
Total comprehensive income					-73 700	-73 700
Private placement		26 786	278 355			305 140
Subsequent repair issue		504				504
Transactions costs share issue			-6 028			-6 028
Share-based payments				2 777		2 777
Equity as at 31.12.2018	19	44 345	273 401	2 777	28 329	348 852
Equity as at 01.01.2019		44 345	273 401	2 777	28 329	348 852
Profit (loss) for the period					66 202	
Other comprehensive income					1 119	
Total comprehensive income					67 321	67 321
Share-based payments				-2 777		-2 777
Equity as at 31.12.2019	19	44 345	273 401	-	95 650	413 396

Consolidated Statement of Cash flows

For the year ended 31 December

(NOK 000's)	Note	2019	2018
Cash flow from operating activities			
Net profit/(loss) before income tax from continuing operations		84 043	-85 304
Net profit/(loss) before income tax from discontinued operations	11	127	-6 062
Net profit/(loss) before income tax		84 170	-91 366
Adjustments to reconcile profit before tax to net cash flow:			
Income tax paid		314	-1 684
Net interest (income)/expense	9	-	-634
Gain on sale of subsidiary		-	5 500
Non-cash adjustment to reconcile profit before tax to cash flow:			
Depreciation, amortisation and impairment	13	8 956	5 346
Share-based payments		-2 777	2 777
Unrealised foreign currency (gains)/losses		-	-
Unrealised financial derivatives (gains)/losses		-63 485	84 971
Changes in working capital:			
Changes in trade receivables and trade creditors		-16 772	-20 817
Changes in inventories		4 964	-6 416
Changes in other accruals and prepayments		3 560	-17 161
Net cash flow from operating activities		18 935	-39 480
Cash flow from investing activities			
Purchase of equipment and intangibles	13	-18 355	-18 074
Net proceeds from sale of subsidiary	11	-	-5 500
Interest received	9	-	799
Net cash flow from investing activities		-18 355	-22 775
Cash flow from financing activities			
Proceeds from share issue		-	305 644
Transaction costs on the issue of shares		-	-7 828
Repayment of lease liabilities	23	-1 373	-
Interest paid	9	-268	-165
Cash flow from financing activities		-1 641	297 651
Net change in cash and cash equivalents		-1 061	235 397
Cash and cash equivalents beginning period		320 733	85 336
Cash and cash equivalents end period	18	319 673	320 733

Notes to the Financial Statement

Note 1 Corporate information

Vistin Pharma ASA ("Vistin Pharma" or the "Company") 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. The Company was incorporated on 6 March 2015.

The consolidated financial statements of Vistin Pharma and its subsidiaries (collectively, the Group) for the year ended 31 December 2019 were approved for release by the Board of Directors on 24 April 2019.

The Group is principally engaged in the production and sale of metformin active pharmaceutical ingredient (API) and direct compressive granulate (DC) for the international pharmaceutical industry, as well as trading in energy related financial instruments.

Note 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements and directors' report are prepared in English only.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union, and are mandatory for fiscal years beginning on or after 1 January 2018, their interpretations adopted by the International Accounting Standards Board (IASB) and Norwegian disclosure requirements listed in the Norwegian Accounting Act. Furthermore, the consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. Any change in the fair value of these instruments is recognised in the statement of profit or loss as a finance income or cost.

The functional currency of Vistin Pharma ASA is the Norwegian krone (NOK), and the Group's presentation currency is NOK. All values are rounded to the nearest thousand (NOK 000), except when otherwise indicated.

2.2 Basis for consolidation

The Group's consolidated financial statements comprise Vistin Pharma ASA, and entities in which Vistin Pharma ASA has a controlling interest. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Non-controlling interest are included in the Group's equity.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interest in the acquire. Companies which have been bought or sold during the year are included in the consolidated financial statements from the date when control is achieved and until the date when control ceases. Acquisition-related costs are expensed as incurred and included in operating expenses.

When the Group acquires a business, it assesses the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and relevant conditions as at the acquisition date.

The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale and recognised at fair value less cost to sell, and deferred tax assets and liabilities which are recognised at nominal value.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in the income statement as financial income or expense. If the contingent consideration is classified as equity, it will not be remeasured and subsequent settlement will be accounted for within equity.

Note 2 Summary of significant accounting policies (continued)

If the business combination is achieved in stages, the fair value of the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date through the income statement.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is recognised at fair value and the difference between the consideration and the carrying amount of the asset is recognised at the equity attributable to the parent.

In cases where changes in the ownership interest of a subsidiary lead to loss of control, the consideration is measured at fair value. Assets and liabilities of the subsidiary and non-controlling interest at their carrying amounts are derecognised at the date when the control is lost. Differences between the consideration and the carrying amount of the asset are recognised as a gain or loss in profit or loss. Investments retained, if any, are recognised at fair value, and surplus or deficits, if any, are recognised in profit and loss as a part of gain/loss on subsidiary disposal. Amounts included in other comprehensive income are recognised in profit or loss or directly as equity.

2.3 Segment reporting

For management purposes the Group has organised its activities in two operating units; Pharmaceuticals and Energy Trading. The internal reporting provided to the Board of Directors of Vistin Pharma, which is the Group's chief operating decision maker, is in accordance with this structure. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. However, the Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis and are not allocated to operating segments.

2.4 Revenue recognition

In general Revenue is measured at the fair value of the consideration received, and represents the amount received for goods supplied, an if applicable stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met, as described below.

Revenue from contract with customers

The company apply IFRS 15 in its accounting for contracts with customers.

The company produce and sell metformin API, the principal ingredient in in Diabetes drugs. The product is sold in bulk for further processing into consumer grade products. The company produce to inventory and the product is then subsequently sold to the customer based on individual orders for the product. Metformin API is a commodity which can be readily sourced world-wide from different producers, however, with different quality and reliability in supply vary.

Vistin has a number of customers, but the material part of its production is sold to a limited number of customers (note 4). These customers indicate their needed volume on a rolling forecast basis and Vistin allocate its planned production accordingly. However, a binding performance obligation only arise when an actual order is placed and accepted. The typical purchasing pattern is several smaller orders throughout the year and normally the binding order length is supply over the next 3-6 months.

Metformin API is a commodity widely produced and sold around the world and the price is determined based on overall worldwide supply and demand, product quality and security of supply. The company typically negotiate price annually with each of its main customers, and order by order with smaller

Note 2 Summary of significant accounting policies (continued)

customers. The selling price is in EUR and reflects the current market price. Volume discounts, bonus incentives or other variable price elements are not applied. The purchase conditions are net 30 days and as the company does not consider any financing elements to the transaction. In accordance with a practical expedient consideration.

The company consider each individual delivery based on individual purchasing orders as delivered when the order is shipped from its warehouse. The company used widely accepted incoterms for its delivery, and recognize the sale in accordance with the individual sales term, normally when the metformin has been shipped from the warehouse, or when the metformin is loaded on-board in departing ships at port.

The company does not consider having any contract assets or liabilities in relation to its customer contracts. Metformin API is produced for inventory, delivered from inventory to the customer, and invoiced when shipped. All balance sheet items related to normal short-term sales cycles.

Government grants

Government grants, including SkatteFunn, are recognised when it is reasonable certain that the grant will be received and all conditions have been complied with. When the grant relates to actual expenses incurred, it is recognised as income over the period necessary to match the grant on a systematic basis to the cost that is intended to compensate. Grants are recognised in Other Income in the consolidated statement for profit and loss.

Other income

Transactions resulting in income from activities other than normal sale of pharmaceutical products are classified as Other Income. This includes e.g. sale of analytical services, government grants, sales of subsidiaries and insurance compensation.

2.5 Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency (NOK) of the entity by applying the rate of exchange as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the balance sheet date. Foreign exchange gain or losses resulting from the settlement of such transactions, as well as unrealised gain or losses on monetary assets and liabilities, are recognised as financial income/cost in the consolidated statement of profit and loss.

2.6 Discontinued operations

A disposal of a business unit qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 11. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Note 2 Summary of significant accounting policies (continued)

2.7 Balance sheet classification

The Group presents assets and liabilities in consolidated statement of financial position on current/non-current classification. An asset is current when it is expected to be realised or intended to sold or consumed in normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current. A liability is current when it is expected to settle in normal operating cycle, it is held for primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

2.8 Property, plant and equipment

Land, buildings and fixtures comprise mainly of the metformin production facility in Kragerø. The production facility is used in production of pharmaceutical products sold by Vistin Pharma. Other equipment is mainly made up of machines used in production, as well as office related equipment and vehicles.

Property, plant and equipment is stated at historical cost, less depreciation and/or impairment losses, if any. Such cost includes expenditures that are directly attributable to the acquisition of the items.

Costs accrued for major replacements and upgrades to equipment are added to cost if it is probable that the costs will generate future economic benefits and if the costs can be reliably measured, and assets replaced are retired.

Expenditures for maintenance and repairs applicable to production facilities and production equipment are capitalised in accordance with IAS 16 Property, Plant and Equipment when such costs are incurred on a scheduled basis with a time interval of greater than one year. Expenditures that regularly occur at shorter intervals are expensed as incurred.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings and fixtures: 20 - 25 years

Other equipment: 3 - 10 years

The residual values, useful lives and methods of depreciation of production and lab equipment and other equipment are reviewed at each financial year end and adjusted, if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's net sales value and its value in use.

An item of equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out (FIFO) method. The cost of finished goods comprises materials, direct labour, other direct

Note 2 Summary of significant accounting policies (continued)

costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less variable selling expenses.

2.10 Financial assets

IFRS 9 contains three principal classification categories for financial assets; measured at amortised cost, fair value through Other Comprehensive Income and fair value through profit or loss.

The classification of financial assets of the Group at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and other short-term deposit. Accounts receivable that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers (see further information on trade receivables below).

Financial assets at fair value through OCI

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading

Note 2 Summary of significant accounting policies (continued)

if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Impairment of financial assets

Other than trade receivables, the Group has limited financial assets subject to IFRS 9's credit loss model (ECL). For trade receivables, the Group applies a simplified approach to provide for expected credit losses as prescribed by IFRS 9.

Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand and other short-term highly liquid investments with original maturities of three months or less. In the consolidated balance sheet, any bank overdrafts are shown within borrowings in current liabilities.

Trade receivables and other receivables

Trade and other receivables are classified at amortised cost and recognised at the original invoiced amount less an allowance for doubtful receivables. The Group applies a simplified approach to provide for lifetime Expected Credit Losses (ECL) in accordance with IFRS 9. The invoiced amount is considered to be approximately equal to the value which would be derived under the amortised cost method.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - a. the Group has transferred substantially all the risks and rewards of the asset, or
 - b. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The loss is recognised in the consolidated income statement.

Note 2 Summary of significant accounting policies (continued)

2.11 Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities principally include trade and other payables, loans and borrowings including bank overdrafts.

Trade and other payables

Trade payables are recognised at the original invoiced amount. Other payables are recognised initially at fair value. Trade and other payables are valued at amortised cost using the effective interest rate method. The interest rate element is disregarded if it is insignificant, which is the case for the majority of the group's trade payables.

Interest bearing liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium and costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the consolidated statement of profit and loss.

2.12 Financial derivatives

The Group uses forward currency contracts to hedge its foreign currency risks, and invests in energy related derivative financial instruments. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any change in the fair value of these instruments is recognised in the statement of profit or loss as a finance income or cost. None of the forward contracts used by the Group are designated as hedging instruments.

2.13 Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Current and deferred income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Note 2 Summary of significant accounting policies (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which unused tax losses and unused tax credits can be utilised. A deferred tax asset arising from unused tax losses or tax credit are only recognised to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence supporting the utilisation of the tax losses and tax credits. The carrying amount of deferred tax asset is reviewed at the end of each reporting period. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity or taxation authority.

2.15 Employee benefits

The Group has a mandatory defined contribution plan for all employees. In addition, the Group has an unfunded defined benefit plan for the CEO.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to pension insurance plans. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Defined benefit plans typically defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. As the Group operates an unfunded defined benefit plan, they have no plan assets. The pension obligation is funded through the Group's operations and changes is incorporated into the P&L.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes and curtailments and settlements. Past-service costs are recognised immediately in income.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Note 2 Summary of significant accounting policies (continued)

2.16 Share-based compensation

The Group operates an equity-settled compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the option is recognised as an expense (payroll expenses) over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (e.g., an entity's share price).
- Excluding the impact of any service and non-market performance vesting conditions.
- Including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. If options are forfeited, the expenses relating to those options are reversed. The fair value of the options have been estimated at grant date and is not subsequently changed.

When the options are exercised, and the Company elects to issue new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.17 Provisions

General

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of the money and the risks specific to the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Events after the balance sheet date

New information on the Group's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the Group's position at the balance sheet date, but which will affect the Group's position in the future, are stated if significant. Please refer to the note on Events after the report.

Changes in accounting policies and disclosures

The Group applied for the first time certain new standards or amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018 and 1 January 2019 respectively. The Group has not early adopted any standards, interpretations or amendments that have been issued but are yet not effective. The nature and the impact of each amendment is described below:

Note 2 Summary of significant accounting policies (continued)

IFRS 9 Financial instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 was effective from 1 January 2018. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group has applied IFRS 9 with effect from 1 January 2018 retrospectively. The Group has not had any significant impact on the balance sheet or equity implementing the new standard.

No significant changes were made for the Group's expected loss recognition process to satisfy IFRS 9's financial asset impairment requirements. The credit risk related to the Group's financial assets measured at amortised cost is immaterial.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and 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 supersedes all current revenue recognition requirements under IFRS. The standard was 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 has applied IFRS 15 with effect from 1 January 2018, and has used the modified retrospective transition method. The revenue recognition principles already used by the Group are in line with IFRS 15, and the new Standard has thus not had an impact on the financial results of the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 and SIC 15 and 27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for financial leases under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard introduces two exemptions for lessees - leases of "low-value assets" and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date the lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Note 2 Summary of significant accounting policies (continued)

The Group has adopted IFRS 16 from 1 January 2019 using the modified retrospective method for all lease agreements existing on the implementation date. Comparative figures have not been restated, as permitted under the modified retrospective method. The Group has applied transition reliefs where the lease asset is equal to the lease liability at the transition date. The Group will apply the two recognition exemptions in the standard, for low value items and short-term leases.

The Group leases offices in Oslo, and some equipment, cars and trucks. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. The Group did not have any finance leases as of 31 December 2018.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under any residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

In the cash flow statement, the part of lease payments that relates to repayment of the lease liability is reclassified from cash flows from operations to cash flows from financing.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Note 3 Critical accounting estimates and judgements in terms of accounting policies

The preparation of the Group's consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and judgements are continually evaluated and are based on historical

Note 3 Critical accounting estimates and judgements in terms of accounting policies (continued)

experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Discontinued operations

The Group's CMO and opioids businesses were sold in October 2017, and the financial results of these activities for 2019 and 2018 have been classified as discontinued operations. Some of the business functions in the Group have prior to this sale been shared between the metformin, CMO and opioids businesses, and the costs relating to these functions have been split between these businesses based on predefined allocation principles. These allocation principles have also been used when measuring the Group's segment performance prior to the sale, and the same principles have been applied in measuring the results of continuing and discontinued operations.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market

Changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment the carrying amounts of assets and liabilities within the next financial year, are described below.

Inventories

Inventories include finished goods and work-in-progress produced by the Group. The cost of finished goods comprises materials, direct labour, other direct costs and related production overheads. The allocation of labour costs and other direct and indirect production costs are estimated based on a standard cost model assuming normal operating capacity and production volumes, and any changes in these assumptions could result in adjustments to the carrying amount of inventories.

Financial derivatives

The Group has invested in financial oil derivatives with a commercial bank as a counterparty. The value of these oil derivatives are obtained from the commercial bank. The derivatives are valued by the commercial bank based on the prices of the underlying financial instruments, which are quoted in regular markets. The valuation is based on an assumption that the financial instruments can be sold at the quoted market price. However, some of these financial instruments may not be widely traded, and poor liquidity in the market for these financial instruments may have resulted in a lower price, should the financial instruments have been sold at the balance sheet date, and thus resulted in a materially different loss or gain on these financial oil derivatives. Additional disclosures are provided in Note 14 and 15.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the options at the date at which they are granted. Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the

Note 3 Critical accounting estimates and judgements in terms of accounting policies (continued)

most appropriate inputs to the valuation model including expected life of the share option and volatility and making assumptions about them. The assumptions and model used for estimating fair value for share-based payment transaction are disclosed in Note 20.

Fixed Assets

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Additional information about fixed assets are provided in Note 13.

Note 4 Segment Information

Following the establishment of the energy trading business during 2018, the Group has two operating segment, which is the production and sale of metformin products and energy trading. Subsequent to year-end, the Group has decided to close down the energy trading business, thus at in 2019 there are only one operating segment.

Total revenue and other income

(NOK 000's)	2019	2018
Pharmaceuticals	228 130	200 513
Energy Trading	-	-
HQ & other	-	-
Total revenue and other income	228 130	200 513

EBITDA

(NOK 000's)	2019	2018
Pharmaceuticals	30 358	11 523
Energy Trading	-1 611	-6 969
HQ & other	-3 019	-3 828
EBITDA	25 727	726

EBT

(NOK 000's)	2019	2018
Pharmaceuticals	21 493	9 574
Energy Trading	63 752	-91 401
HQ & other	-1 203	-3 476
EBT	84 042	-85 303

Operating assets

(NOK 000's)	2019	2018
Pharmaceuticals	164 187	122 764
Energy Trading*	123 530	-
HQ & Other	208 715	355 078
Total operating assets	496 432	477 842

* including margin call deposit of 113,4 million, see note 9 for details.

Operating liabilities

(NOK 000's)	2019	2018
Pharmaceuticals	38 124	26 996
Energy Trading	31 907	84 982
HQ & Other	16 942	39 232
Total operating liabilities	86 973	151 211

Reconciliation of assets

(NOK 000's)	2019	2018
Segment operating assets	496 431	477 842
Deferred tax assets	7 733	22 219
Total operating assets	504 165	500 061

Reconciliation of liabilities

(NOK 000's)	2019	2018
Segment operating liabilities	86 973	151 211
Tax payable	3 796	-
Total operating liabilities	90 769	151 210

Note 4 Segment Information (continued)

Geographic information

Revenue and other income

(NOK 000's)	2019	2018
Revenue from contracts with customers:		
Norway	7 196	3 724
Africa	51 815	54 599
Europe	143 931	127 317
Asia	3 598	5 864
North and South America	21 589	9 010
Total revenue from contracts with customers	228 130	200 514

The information above is based on the location of the customers.

The Group has four customers with sales that amount to 10% or more of the Group's revenue, the customers are typically large global pharmaceutical corporations:

(NOK 000's)	2019	2018
Customer A	77 100	52 971
Customer B	64 800	50 789
Customer C	46 400	36 597
Customer D	11 000	20 535

Non-current operating assets:

(NOK 000's)	2019	2018
Norway	101 802	88 550
Non current operating assets	101 802	88 550

See also note 2.4 for general revenue accounting principles.

Note 5 Other income

(NOK 000's)	2019	2018
Tax credit scheme (Skattefunn)	-	440
Other income	943	1 083
Total	943	1 523

Other income for 2019 relates principally to sundry services rendered to customers.

Note 6 Payroll expenses

(NOK 000's)	2019	2018
Salaries	57 259	51 413
Payroll tax	8 490	8 003
Pension costs - defined contribution plans	3 773	3 064
Pension costs - defined benefit plan	866	2 046
Estimated value of share options granted to employees	-2 777	2 777
Other payroll costs	1 970	2 249
Total payroll and payroll related costs	69 582	69 553
Total payroll and payroll related costs continuing operations	69 582	69 578
Total payroll and payroll related costs discontinued operations	-	-25
Total payroll and payroll related costs	69 582	69 553
Average number of FTE's	64,0	74,5

Vistin Pharma AS and Vistin Trading AS are required to have an occupational pension plan ("tjenestepensjon"), and the Group has a plan that meets the Norwegian requirements for mandatory occupational pension ("obligatorisk tjenestepensjon"). The Group also has a defined benefit plan for the CEO of Vistin Pharma. Further information on the pension costs related to the defined benefit plan can be found in Note 7.

Note 7 Post-employment benefits

The Group operates an unfunded defined benefit early retirement plan for the CEO. The plan is a pension plan, which provides benefits in the form of a certain level of pension payable from the age of 62. The pension plan is funded through the Group's operations, which means that the Group meets the benefit payment obligation as it falls due. Additional disclosure is provided in Note 24.

The amounts recognized in the balance sheet are determined as follows:

(NOK 000's)	2019	2018
Fair value of plan assets	-	-
Present value of unfunded obligations	16 309	16 877
Liability in the balance sheet (including local tax)	16 309	16 877

The movement in the defined benefit liability over the year is as follows:

(NOK 000's)	2019	2018
At 1 January*	16 877	14 736
Current service cost	374	1 483
Local tax	107	253
Interest expense/(income)	385	310
	17 743	16 782
Remeasurements:		
(Gain)/Loss from changes	-1 435	95
	-1 435	95
Payments from plans:		
Benefit payments	-	-
Settlements	-	-
At 31 December	16 308	16 877
Net expense recognised in the Income Statement	866	2 046

Note 7 Post-employment benefits (continued)

The significant actuarial assumptions were as follows:

	31.12.2019	31.12.2018
Discount rate	2,30 %	2,60 %
Inflation	1,50 %	1,50 %
Salary growth rate	2,25 %	2,75 %
Pension growth rate	2,00 %	2,50 %

Nordea has issued a guarantee of NOK 14.2 million to cover future pension payments under the defined benefit plan for the CEO. The guarantee is covered by a pledge over the fixed assets of the Group.

Note 8 Other operating expenses

(NOK 000's)	2019	2018
Production costs	37 320	35 373
Sales costs	2 075	7 846
General & admin. expenses	9 313	13 834
Other operating expenses	48 708	57 053

Remuneration to the Auditors

(NOK 000's)	2019	2018
Statutory audit	378	330
Other attestation services	-	-
Tax advisory services	63	75
Total remuneration to auditors	441	404

Note 9 Financial items

(NOK 000's)	2019	2018
Interest income from bank deposits, money-market funds etc.	3 870	799
Other financial income	6	9
Profit on derivative financial instruments	63 485	
Net foreign exchange gain	4 677	4 070
Total finance income	72 038	4 878
Interest expenses	176	165
Interest expenses leasing	40	
Other financial expenses	480	440
Losses on derivative financial instruments	0	84 971
Net foreign exchange loss	4 070	-
Total finance costs	4 766	85 576
Net finance	67 272	-80 698

Note 9 Financial items (continued)

During 2018, the Group entered into financial oil derivatives with a commercial bank as counterparty. These derivatives are valued based on the prices of the underlying oil products, which are quoted in regular markets. Under these contracts, the Company is financially exposed to the difference in USD price (spread) per metric ton between ICE low sulphur Gasoil and Sing380. The initial total contract volume is 150,000 metric tons, and the contracts expired on 31 December 2020. As of 31 December 2018, the market-to-market value of these contracts was negative NOK 85.0 million, which was included as a financial liability in the statement of financial position. A margin call of approximately 20% of the total contract exposure, plus the unrealized losses on the contracts, is deposited with the counter party, as security for any potential losses.

In 2019 it was decided to close the oil derivative trading business and a number of measures were taken to reduce the exposure in the initial trades. 75,000 metric tons of the spread exposure was moved to the period December 2019 to April 2020. As of 31 December 2019, the market-to-market value ("MTM") of the open contracts was negative NOK 31.6 million, which has been included as a financial liability in the statement of financial position. In addition, the market value of the contracts expiring on December 31 2019 is booked as other short term receivables awaiting its settlement in January 2020. As of December 31 2019 NOK 10.1 million is booked as short term receivables. The net market-to-market value of the portfolio at December 31 is thus negative NOK 21.5 million, and the margin call deposit was 113.4 million (included in bank deposits).

Subsequent to the balance sheet date, on the 30th of March 2020 Vistin Pharma ASA announced that the company has closed all its remaining oil derivatives positions. After closing of all the positions the total loss for the Energy Trading business is approximately NOK 184 million. Final remaining financial loss to be recognized in Q1 2020 is expected to be approximately NOK 170 million. Current cash position in Vistin Pharma ASA after closing of the positions is approx. NOK 130 million.

Refer to Note 15 for information on currency risk and risk and risk related to the derivative financial instruments.

Note 10 Tax

(NOK 000's)	2019	2018
Profit/(loss) before tax from continuing operations	84 043	-85 304
Profit/(loss) before tax from discontinued operations	127	-6 062
Profit/(loss) before taxes	84 170	-91 366
Permanent differences	-2 546	7 926
Permanent differences recognised to equity	-	-7 828
Changes in temporary differences	-64 415	79 987
Non-deductible interest expense	-	-
Basis for income tax	17 209	-11 280
Income tax payable	3 797	-
Tax effect of change in net deferred income tax liability/asset	14 171	-20 992
Tax effect on permanent differences recognised to equity	-	1 800
Tax effect tax rate reduction	-	1 010
Prior year adjustments	-	441
Income tax expense	17 968	-17 740
Income tax expense reported in the statement of comprehensive income	17 968	-17 611
Income tax attributable to discontinued operations	-	-129
	17 968	-17 740

Reconciliation of income tax

(NOK 000's)	2019	2018
Profit before tax	84 170	-91 366
Tax assessed at the expected tax rate (22%)	18 517	-21 014
Tax effect permanent differences, profit & loss	-560	1 823
Tax effect tax rate reduction (from 23% to 22%)	-	1 010
Prior year adjustments	11	441
Income tax	17 968	-17 740

Recognised deferred tax assets & liabilities

(NOK 000's)	2019	2018
Fixed assets	11 684	11 652
Current assets	973	1 019
Pension liabilities	-16 308	-14 898
Derivatives	525	-84 930
Non-deductible interest expense carried forward	-	-1 902
Tax losses carried forward (1)	-32 800	-11 279
Other (2)	776	-659
Net income tax reduction/increase	-35 150	-100 997
Net deferred tax asset/-liability	7 733	22 219
Tax rate applied	22 %	22 %

Based on the financial forecasts for the Group the deferred tax asset at 31 December 2019 is expected to be fully utilized, and thus the full amount has been included as carrying value in the balance sheet at year-end.

- (1) Mainly related to derivative contracts in Vistin Trading.
- (2) Other items mainly relate to pension costs recognized directly through equity.

Note 11 Discontinued operations

In 2017 the Group sold its CMO and opioids business to TPI Enterprises Limited ("TPI") for a final purchase consideration of NOK 165.8 million. The transaction was structured through a demerger of these businesses from the wholly owned subsidiary Vistin Pharma AS, into a newly established subsidiary, TPI Norway AS, which shares were sold to TPI. The negative other income in 2018 of NOK 5.5 million represents the settlement of a warranty claim from TPI relating to the sale. The operating expenses for discontinued operations in 2018 represent other sundry costs incurred in early 2018 relating to the CMO and opioids business sold.

(NOK '000's)	2019	2018
Revenue	-	-
Other income	-	-5 500
Total operating income	0	-5 500
Cost of materials	-	(69)
Payroll expenses	-	(25)
Other operating expenses	(127)	643
Depreciation, amortisation and impairment	-	14
Profit/(loss) before tax from discontinued operations	127	-6 062
Income tax expense	-	-129
Profit/(loss) for the period from discontinued operations	127	-5 933

The net cash flows incurred by the discontinued operations are, as follows:

(NOK '000's)	2019	2018
Net cash flow from operating activities	-	-549
Net cash flow from investing activities	127	-5 500
Net cash flow from financing activities	-	-
Net cash flow	127	-6 049

Details on the accounting policies applied for discontinued operations are provided in Note 2.

Note 12 Earnings per share

Basic earnings per share (EPS) are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The company has no instruments as of 31.12.2019 that can give diluted effect.

The following reflects the income and share data used in the basic and diluted EPS computations:

(NOK 000's)	2019	2018
Profit attributable to owners of the parent	66 075	-67 693
Profit/loss from discontinued operations attributable to owners of the parent	127	-5 933
Total	66 202	-73 626
Weighted average number of ordinary shares (in thousands)	44 345	35 248
Effects of dilution from share options	0	2 200
Weighted average number of ordinary shares adjusted for the effect of dilution	44 345	37 448
Basic earnings per share (NOK)	1,49	-2,09
Basic earnings per share from continuing operations (NOK)	1,49	-1,92

Note 13 Property, plant and equipment and right-of-use assets

Construction in progress represents the costs incurred on a new production line and a new packaging line at the Group's production plant at Fikkjebakke, Norway. The installation of the new packaging line was completed in the first quarter of 2019, while the completion of the new production line has been temporarily postponed. The packaging line was moved to machines and equipment and depreciated in 2019. See also Note 23 for further info about right of use assets.

(NOK 000's)	Property and plants	Constructions in progress	Machines and equipment etc.	Right of use assets	Total
Cost					
At 1 January 2018	25 958	20 703	31 842	-	78 502
Additions	958	15 022	6 231	-	22 211
At 31 December 2018	26 916	35 725	38 072	-	100 713
Accounting principle change				3 853	3 853
Additions	359	14 289	3 707	-	18 355
Finished CiP	-	-30 491	30 491	-	-
At 31 December 2019	27 275	19 523	72 270	3 853	122 921
Depreciation and impairment					
At 1 January 2018	2 906	-	3 912	-	6 818
Depreciation charge for the year	1 273	-	4 073	-	5 346
At 31 December 2018	4 179	-	7 985	-	12 164
Depreciation charge for the year	1 374	-	6 017	1 564	8 955
At 31 December 2019	5 553	-	14 002	1 564	21 119
Net book value					
At 31 December 2019	21 722	19 523	58 268	2 289	101 802
At 31 December 2018	22 737	35 725	30 087	-	88 550
Useful life	20-25 years		3-10 years	3 years	

Note 14 Financial assets and liabilities

Set out below is a comparison by class of carrying amounts and fair values of all financial instruments that are carried in the financial statements.

The financial assets principally consist of trade receivables and cash and cash equivalents obtained through the operating business. The financial liabilities principally consist of trade and other payables arising directly from its operations, in addition to the market value loss on the oil derivative contracts. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

As of 31 December 2019:

	Fair value through profit and loss	Assets at amortized costs	Other liabilities at amortized costs	Total
(NOK 000's)				
Financial assets				
Trade receivables	-	38 277	-	38 277
Other receivables	-	12 573	-	12 573
Cash at bank	-	248 158	-	248 158
Money-market funds	71 514	-	-	71 514
Total	71 514	299 008	-	370 522
Financial liabilities				
Borrowings				
Trade payables	-	-	23 612	23 612
Derivative financial instruments - currency	-524	-	-	-524
Derivative financial instruments - energy	31 616	-	-	31 616
Other payables	-	-	18 011	18 011
Total	31 092	-	41 622	72 714

As of 31 December 2018:

	Fair value through profit and loss	Assets at amortized costs	Other liabilities at amortized costs	Total
(NOK 000's)				
Financial assets				
Trade receivables	-	27 363	-	27 363
Other receivables	-	12 126	-	12 126
Cash at bank	-	250 678	-	250 678
Money-market funds	70 055	-	-	70 055
Total	70 055	290 167	-	360 222
Financial liabilities				
Borrowings				
Trade payables	-	-	29 469	29 469
Derivative financial instruments - currency	-41	-	-	-41
Derivative financial instruments - energy	84 971	-	-	84 971
Other payables	-	-	19 934	19 934
Total	84 930	-	49 403	134 333

Note 14 Financial assets and liabilities (continued)

For trade receivables, accounts payable and other short-term items, fair values are considered to be equal to carrying values due to their short-term nature.

The following methods and assumptions were used to estimate the fair values:

The Group has entered into derivative financial instruments with commercial banks, principally with Nordea, for currency forward contracts, and with DNB, for energy related derivative financial instruments. The fair value of forward contracts are derived from the EUR/NOK forward market rate at the end of the reporting period.

The energy related financial instruments represent the price difference between different oil products, for settlement on a future date, and the fair value of these instruments are derived from the market value of these oil products at the end of the reporting period, which are quoted in regular markets. Details on these instruments below:

Type of instrument	Volume	Maturity	Book value 2019	Book value 2018
ICE low sulphur vs. Sing380	15,000 metric tons (2018: 0)	January 2020		
ICE low sulphur vs. Sing380	15,000 metric tons (2018: 0)	February 2020		
ICE low sulphur vs. Sing380	15,000 metric tons (2018: 0)	March 2020		
ICE low sulphur vs. Sing380	15,000 metric tons (2018: 0)	April 2021		
ICE low sulphur vs. Sing380	75,000 metric tons (2017: 150,000)	December 2020		
			-31 616	-84 971

A margin call of approximately 20% of the total contract exposure, plus any unrealized losses on the contracts, must be deposited with DNB, as security for any potential losses on realization for the contracts. The amount is subject to daily adjustments. The actual minimum margin requirement as of 31 December 2019 was NOK 90.4 million, which is the amount that could not be withdrawn at that date without reducing the number of derivative contracts outstanding. The amount included in the Group's cash and cash equivalents related to the margin call was 113.3 million.

The fair-value of money-market funds is based on published market prices by the fund manager, and market prices are published daily.

Note 15 Financial risk management

The Group is exposed to a variety of financial risks, principally credit, currency, price and liquidity risks, which are summarized below. The Group's senior management oversees the management of these risks, which is being reviewed by the Board of Directors on a regular basis.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing and financing activities, principally deposits with banks and financial institutions and derivative financial instruments.

Customer credit risk

Customer credit risk is managed by the subsidiary Vistin Pharma AS, which is responsible for the pharmaceutical business, subject to established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed on an individual basis, and outstanding trade receivables are regularly monitored. Sales to customers with an unacceptable credit

Note 15 Financial risk management (continued)

risk are covered by letter of credits, and all sales are settled in cash. For trade receivables the Group applies a simplified approach to provide for expected credit losses as prescribed by IFRS 9. There are no provisions for losses on trade receivables as of 31 December 2019, and there are no historic losses of significance. The risk of counterparties not meeting their contractual obligations will normally be related to the quality of the goods supplied.

Year ended 31.12	2019	2018
Trade receivables (NOK 000's)	38 277	27 363
Number of customers	16	14
Top 5 customers as a % of total trade receivables	87 %	94 %

Financial instruments and derivative credit risk

Surplus funds as only placed with, and derivatives are only traded through, major commercial banks. Cash deposits and money market funds and currency contracts are principally with Nordea and DNB, and the energy derivative contracts are with DNB. The counterparties for money market funds are (indirectly) entities with a credit rating of BBB and above.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily the Group's pharmaceutical business (when revenue or expense is denominated in a different currency from the Group's presentation currency), and the Group's foreign currency denominated cash deposits.

The Group's sales and raw material purchases are mainly denominated in EUR and USD respectively. The Group monitors its foreign currency exposure, both related to outstanding financial assets and liabilities and to future foreign currency denominated operating cash flow, on an ongoing basis. The Group utilizes foreign currency denominated bank accounts to match sales and purchases in the same currency, and thus providing a natural hedge. The Group may enter into currency hedging contracts to reduce the foreign exchange risk. At 31 December 2019, the Group had outstanding forward contracts to sell EUR 2.0 million (1.5 million) in the following year, at a EUR/NOK average rate of 10.12 (9.99).

Year ended 31.12 (Currency 000's)	2019		2018	
	EUR	USD	EUR	USD
Trade Receivables	3 545	197	2 265	130
Bank accounts	136	-568	-79	-47
Trade Payables	-102	-756	-837	-1 232
Other payables	-	-	-10	-26
Net assets in EUR / USD	3 579	-1 127	1 339	-1 174
Currency rates 31.12	9,83	8,78	9,95	8,69
Net assets/liabilities in NOK	35 182	-9 895	13 318	-10 205

Assuming the foreign currency to be reduced/increased by 5%:

Foreign currency (reduction)/increase	-5 %	5 %	-5 %	5 %
Foreign currency rate	9,34	9,22	9,45	9,12
Net assets in NOK	33 422	-10 390	12 652	-10 715
Potential gain/(loss) NOK	-1 759	-495	-666	-510

Price risk - derivative financial instruments

During 2018, the Group has invested in financial oil derivatives with DNB as counterparty. These derivatives are valued based on the prices of the underlying oil products. Under these contracts, the Group is financially exposed to the difference in USD price per metric ton between ICE Gasoil and Sing380. An increase in the price of ICE Gasoil will increase the value of the contracts, assuming that all other variables remain constant. An increase in the price of Sing380 will reduce the value of the contracts, assuming that all other variables remain constant. The total initial contract volume was 150,000 metric tons, but measures were taken in 2019 to reduce the exposure. As at December 31, 2019, 135,000 metric tons of spread exposure remain open. A sensitivity calculation have been carried out showing the Group's exposure based on the contracts outstanding at period end. A sensitivity calculation have been carried out showing the Group's exposure based on the contracts outstanding at period end:

Year ended 31.12.19	ICE Gasoil Dec2020	Sing 380 Dec2020
Price per metric ton as of 31.12.19 (USD)	619	299
Increase/(decrease) in the USD price per metric ton of the underlying oil product (%)	-5 %	5 %
Potential gain/loss (NOK 000's)	-36 703	-17 738

Year ended 31.12.18	ICE Gasoil Dec2020	Sing 380 Dec2020
Price per metric ton as of 31.12.18 (USD)	539	267
Increase/(decrease) in the USD price per metric ton of the underlying oil product (%)	-5 %	5 %
Potential gain/loss (NOK 000's)	-35 140	-17 392

Liquidity risk

Liquidity risk is the potential loss arising from the Group's inability to meet its contractual obligations when due. The Group monitors its risk to a shortage of funds using rolling monthly cash flow forecasts. The Group had cash and cash equivalents of NOK 319.7 million at 31 December 2019 (2018: NOK 320.7million). Based on the current cash position, the Group assesses the liquidity risk to be low.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Year ended 31.12.2019 (NOK 000's)	Less than 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Trade Payables	23 612	-	-	-	23 612
Oil derivative contracts	-	31 616	-	-	31 616
Other Payables	14 214	-	-	-	14 214
Total	37 826	31 616	-	-	69 442

Year ended 31.12.2018 (NOK 000's)	Less than 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Trade Payables	29 469	-	-	-	29 469
Oil derivative contracts	-	-	84 971	-	84 971
Other Payables	19 893	-	-	-	19 893
Total	49 362	-	84 971	-	134 333

Capital Management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximize the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in the financial performance and development of the Group. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, sell assets or issue new shares.

Note 16 Inventories

(NOK 000's)	2019	2018
Raw materials in transit	7 815	8 643
Raw materials	5 629	3 967
Work in progress	707	945
Produced finished goods	9 978	15 941
Provision for obsolescence	-22	-425
Total inventories	24 107	29 071
Cost of materials	84 113	73 157

Cost of material included in the statement of comprehensive income consists of purchase of raw materials for production, purchase of finished goods for sale, net movements in inventory, and any inventory write-offs or adjustments.

Note 17 Trade receivables and other receivables

Trade receivables

(NOK 000's)	2019	2018
Trade receivables	38 277	27 363
Trade receivables (net)	38 277	27 363

Trade receivables are non-interestbearing and are generally on terms of 30 to 60 days.

As at 31 December, the ageing analysis of trade receivables is, as follows

Ageing (NOK 000's)	Total	Past due not impaired				
		Current	< 30 days	30-60 days	60- 90 days	> 90 days
2019	38 277	32 835	4 949	0	794	-301
2018	27 363	23 725	2 744	1 060	987	-1 152

See Note 15 on credit risk of trade receivables, which explains how the Group manages credit risk.

Other receivables

(NOK 000's)	2019	2018
VAT receivable	-	3 261
Prepayments	1 919	7 923
Other	10 654	942
Total other receivables	12 573	12 126

Note 18 Cash and cash equivalents

(NOK 000's)	2019	2018
Cash at banks	134 764	87 152
Restricted cash	-	-
Money market funds	71 514	70 055
Deposit margin-call	113 394	163 526
Cash and cash equivalents	319 672	320 733

Note 18 Cash and cash equivalents (continued)

The deposit for margin-call relates to the outstanding derivative contracts as of 31 December 2019. A margin call of approximately 20% of the total contract exposure, plus any unrealized losses on the contracts, is required to be deposited with the counter party (DNB), as security for any potential losses. The actual minimum margin requirement as of December 2019 was NOK 90.3 million (158.3 million), which is the amount that could not be withdrawn at that date without reducing the number of derivative contracts outstanding. The deposit earns interest at a floating rate.

The money market funds represent an investment of surplus cash in Nordea Kort Obligasjon III. This money market fund invests in fixed-income and floating rate debt securities, predominantly Norwegian, with a low credit and interest risk, and can be converted to cash on short notice. The redemption value is based on a net asset value of the fund, rather than a fixed amount of cash, and hence is not necessarily consistent with the definition of cash equivalents. However, the value of the fund is subject to a very low risk of change, and in substance satisfies the definition of cash and cash equivalents.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Note 19 Issued shares and share capital

The Company's registered share capital is NOK 44,344,592 divided into 44,344,592 shares. The share capital is fully paid. All shares have the same rights.

	Number of shares (thousands)	Share capital (NOK 000's)
At 1 Januar 2018	17 055	17 055
Private placement	26 786	26 786
Subsequent repair issue	504	504
At 31 December 2018	44 345	44 345
At 1 Januar 2019	44 345	44 345
At 31 December 2019	44 345	44 345

Each share has a par value of NOK 1 per share.

Note 19 Issued shares and share capital (continued)

20 largest shareholders as registered as of 31 December 2019:

Name	Note	Total no of shares	Ownership share
Saga Tankers ASA	1	6 284 280	14,2 %
Pactum AS		2 678 572	6,0 %
Holmen Spesialfond		2 471 521	5,6 %
Awilco AS		1 785 714	4,0 %
Fernclyff Listed DAI AS	1	1 764 424	4,0 %
MP Pensjon		1 748 779	3,9 %
State Street Bank and Trust Company		1 682 320	3,8 %
Sundt AS		1 632 416	3,7 %
Solan Capital AS		1 600 000	3,6 %
Apollo Asset Limited		1 600 000	3,6 %
Tvenge Torstein		1 232 268	2,8 %
Camaca AS		940 447	2,1 %
Norda ASA		880 000	2,0 %
KM Holding AS		669 642	1,5 %
Nordnet Livsforsikring AS		588 121	1,3 %
Bergen Kommunale Pensjonskasse		495 000	1,1 %
Grant Invest AS		474 585	1,1 %
Hellegjerde Invest AS		400 000	0,9 %
Borgen Investment Group Norway AS		400 000	0,9 %
Skandinaviska Enskilda Banken		334 551	0,8 %
Other shareholders		14 681 952	33,1 %
		44 344 592	100,0 %

Shares owned by the Board of Directors and management as of 31 December 2019:

Saga Tankers ASA (1)	6 284 280
Fernclyff Listed DAI AS (1)	1 764 424
Spetalen Øystein Stray (2)	323 650
Tycoon Industrier AS (1)	100 000
Fernclyff TIHF AS (1)	99 225
Nordby Kjell-Erik (3)	200 000
Enger Ole (4)	141 471
Manum Gunnar (5)	104 887
Vold Valborg Godal (6)	50 000
Heggem Vegard (7)	27 360
Hagen Hilde Merete (8)	15 000
Åse Musum (2)	2 201

1. Controlled by board member Øystein Stray Spetalen
2. Member of the Board of Directors
3. Chief Executive Officer
4. Chairman of the Board of Directors
5. Chief Financial Officer
6. Chief Operating Officer
7. VP Operations
8. VP Quality & Regulatory Affairs

Note 20 Share-based payments

The company decided to close down its energy trading business in Q1 2019. As such, the share options granted to the key employees of the business also forfeited and were void. As per 12 December 2019 no options are outstanding under the program and the program has been terminated.

In connection with the establishment of the energy trading business Vistin Pharma granted share options to key employees to subscribe for shares in the Company. The share options have an exercise price of NOK 11.20 per share, which is equal to the subscription price in the private placement completed on 22 March 2018 to finance the new business area. The share options are exercisable with 1/3 or 1/4 after 12, 24, 36 and 48 months.

A total of 4,000,000 options were granted in 2018 at average exercise price of NOK 11.20. The following table illustrates the numbers of options granted and their weighted average exercise price:

	2019		2018	
	Number of options	WAEP (NOK)	Number of options	WAEP (NOK)
Outstanding at the beginning of the year	4 000 000	-	-	-
Granted	-	-	4 000 000	11,20
Forfeited	-4 000 000	11,20	-	-
Expired	-	-	-	-
Outstanding at the end of period	-	-	4 000 000	11,20
Exercisable at the end of period	-	-	-	-

The fair value of the share options was estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. The weighted average fair value of share options granted to employees during the period was NOK 2.13 per option. The following table lists the key inputs to the model used for the year ended 31 December 2018:

The weighted average assumptions used	2018
Expected volatility (%)	21,36
Risk-free interest rate (%)	1,24
Expected life of options (year)	4,0
Weighted average share price (NOK)	11,20

Note 21 Other payables

(NOK 000's)	2019	2018
Withholding tax	2 652	3 055
Social security taxes	1 449	1 597
Allowance for holiday pay	9 986	7 638
Accrued expenses	110	6 049
Provision for warranty claim	-	-
Other liabilities	18	1 554
Total other payables	14 214	19 893

Note 22 Borrowings

The Company had no interest bearing debt as of 31 December 2019 (2018: 0), beyond its lease liabilities.

Nordea has issued a guarantee of NOK 14.2 million to cover future pension payments under the defined benefit plan for the CEO, as well as a guarantee for income tax deducted salaries of NOK 6.5 million. The guarantees are covered by a pledge of 15 million in the Property (plant) located in Kragerø municipality, net book value of the property is 25million.

As of 31.12.2019 the company have 113.7 million of cash position as collateral for the oil derivative trading contracts. No other assets are pledged.

Note 23 Leasing (IFRS 16) and commitments

The Group has adopted IFRS 16 from 1 January 2019 using the modified retrospective method for all lease agreements existing on the implementation date. Comparative figures have not been restated, as permitted under the modified retrospective method. The Group has applied transition reliefs where the lease asset is equal to the lease liability at the transition date. The Group will apply the two recognition exemptions in the standard, for low value items and short-term leases.

Following is a reconciliation of the operating lease commitment as of 31 December 2018, and the lease liability as of 1 January 2019:

(NOK 1 000)	01.01.2019
Operating lease commitments at 31 December 2018	4 091
Low-value leases	-16
Discounted at applicable interest rate	-223
Lease liability recognised as at 1 January 2019	3 853
Of which are:	
Current lease liabilities	1 467
Non-current lease liabilities	2 386
	<u>3 853</u>

Detailed lease commitments divided by category:

Detailed Lease commitments at 31 December 2019	(NOK 000's)
Property rental	514
Cars & trucks	844
Production equipment	1 118
Other office equipment	44
Future minimum lease payments	2 520

Maturity profile of lease commitments (NOK 000's)	<12 months	12-24 months	24-36 months	>48 months
Property rental	514			
Cars & trucks	359	222	159	104
Production equipment	305	305	305	203
Other office equipment	44			
Future minimum lease payments	1222	527	464	307

Note 23 Leasing (IFRS 16) and commitments (continued)

Details for right of use assets and leasing liabilities:

	Right of use assets	Leasing liabilities
Opening balance	3 853	3 853
Depreciation	-1 564	
Interest expense		40
Repayment of lease liabilities		-1 373
Value at year end 2019	2 289	2 520
Of which are:		
Other current lease liabilities		1 222
Other non-current lease liabilities		1 298
		<u>2 520</u>

There are no residual guaranties or right of termination that have significant effect on any of the lease agreements. Marginal rate to estimate leasing interest expense is approximately 5%.

Operating lease commitments 2018

The Group leases premises and vehicles under non-cancellable operating lease agreements. The lease terms are between 3 and 5 years, and the majority of lease agreements are renewable at the end of the lease period. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Lease commitments at 31 December 2019	(NOK 000's)
Next 1 year	1 222
1 to 5 years	1 298
After 5 years	-
Future minimum lease payments	2 520
Lease commitments at 31 December 2018	(NOK 000's)
Next 1 year	1 540
1 to 5 years	2 505
After 5 years	46
Future minimum lease payments	4 091

Total lease payments recognized as an expense in 2018 amounted to NOK 1.4 million.

Note 24 Board of Directors and Executive Management compensation

(NOK 000's)	2019		2018	
	Board fees	Other*	Board fees	Other*
Ole Enger, Chairman	250	300	250	500
Bettina Banoun	150	-	150	-
Finn Bjørn Ruyter	150	-	150	-
Mimi K. Berdal	150	-	150	-
Øystein Stray Spetalen	150	-	150	-
Espen Lia Gregoriussen	75	-	70	-
Åse Musum	75	-	75	-
Total	1 000	300	995	500

*In 2019, the Chairman received a consultancy fee of NOK 0.3 million (NOK 25k per month). In 2018, the Chairman received a consultancy fee of NOK 0.3 million (NOK 25k per month), and bonus of NOK 0.2 million relating to the sale of the CMO and opioids business.

Executive Management remuneration

2019

(NOK 000's)	Salary	Bonus earned	Pension	Other	Total
Kjell Erik Nordby, CEO	2 397	-	892	186	3 475
Gunnar Manum, CFO	1 634	-	141	128	1 902
Hilde Merethe Hagen, VP Quality	1 356	-	134	128	1 617
Valborg Godal Vold, COO	1 426	-	137	190	1 753
Vegard Heggem	1 576	-	136	128	1 839
Total Executive Management	8 388	-	1 439	759	10 586

2018

(NOK 000's)	Salary	Bonus earned	Pension	Other	Total
Kjell Erik Nordby, CEO	2 361	-	613	224	3 198
Gunnar Manum, CFO	1 583	-	136	128	1 847
Hilde Merethe Hagen, VP Quality	1 316	-	142	115	1 573
Valborg Godal Vold, COO	1 380	-	132	204	1 716
Vegard Heggem	1 526	-	131	128	1 785
Torbjørn Kjus (July-Dec)	849	-	65	2	915
Total Executive Management	9 016	1 400	1 217	801	11 034

The CEO, Kjell-Erik Nordby is tied up to the Company's defined contribution plan. In addition he has the right to retire at the age of 62, and is entitled to a salary equal to 60% of his salary at date of retirement and until he reaches the age of 67, less any public pension entitlements. In addition, he has the right to a certain level of pension from the age of 67. Refer to Note 7 for further details. Mr. Nordby has a 24 months termination benefit in the case of involuntary termination of his employment.

According to the Norwegian Public Limited Companies Act section 6-16a, the Board of Directors have prepared a statement on the establishment of wages and other remuneration for the CEO and other senior employees.

Note 25 Transactions with related parties

Related party relationships are those involving control, joint control or significant influence. Related parties are in a position to enter into transactions with the Company that would not be undertaken between unrelated parties. All transactions within the Group have been based on arm's length principle.

The Group's ultimate parent is Vistin Pharma ASA. The shares of Vistin Pharma are listed on Oslo Børs. The subsidiaries are listed in note 26. Any transactions between the parent company and the subsidiaries are shown line by line in the separate statements of the parent company, and are eliminated in the group financial statements

In 2018, Vistin Trading AS entered into an agreement with Tycoon Industrier AS to rent office space for the Energy Trading business. Tycoon Industrier AS is controlled by Øystein Stray Spetalen, a board member of Vistin Pharma. The agreement has a six month termination period, and was entered into on terms equivalent to those that prevail in arm's length transactions. The agreement was terminated subsequent to year-end. NOK 0.2 million in rental costs relating to this agreement was incurred in 2018 and NOK 0.2 million in 2019.

See note 24 for more information on remuneration to executive management and the board.

Note 26 Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Country of incorporation	Main operations	Ownership interest 2019	Voting power 2019	Ownership interest 2018	Voting power 2018
Vistin Pharma AS	Norway	Pharmaceutical products	100 %	100 %	100 %	100 %
Vistin Trading AS	Norway	Energy Trading	100 %	100 %	100 %	100 %

The financial figures of Vistin Pharma AS and Vistin Trading AS have been included in the consolidated financial statements of the Group.

Note 27 Events after the reporting date

On 7 January 2019, the Board of Directors of Vistin Pharma decided to close down the Energy Trading business. On the 30th of March 2020 Vistin Pharma ASA announced that the company has closed all its remaining oil derivatives positions. The company believe that closing of all the derivatives position is in the best interest of its shareholders, driven by the challenging and unpredictable environment in today's financial markets. After closing of all the positions the total loss for the Energy Trading business is approximately NOK 184 million. Final remaining financial loss to be recognized in Q1 2020 is expected to be approximately NOK 170 million. Current cash position in Vistin Pharma ASA after closing of the positions is approx. NOK 130 million, with approx. NOK 30 million dedicated to the pharmaceutical segment. The intention is to pay out a portion of the remaining cash position from the Energy Trading business to the shareholders.

The board of directors has proposed an ordinary dividend of NOK 1 per share based on the audited annual accounts, for 2019, to be approved by the annual general meeting on the 19 May 2020.

For the pharmaceutical segment of Vistin Pharma ASA, the production is running as normal as of beginning of April 2020, independent of the ongoing covid-19 pandemic. There has been identified critical elements around production, primary personnel and raw materials supply, were there are

ongoing actions to mitigate the risk. In the plant there has been established increased strict hygiene routines and measurements to reduce the risk of containment between personnel, if that would occur. Safety stock for critical raw materials have been increased. The most significant risk at the current stage seems to be raw materials supply from India.

Outside above mentioned events, it has not been registered incidents after 31.12.2019 that have impact for the 2019 annual accounts.

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VISTIN PHARMA ASA - FINANCIAL STATEMENTS AND NOTES

Statement of Comprehensive Income

For the year ended 31 December

(NOK 000's)	Note	2019	2018
Other income	3	-	-5 500
Total operating income		-	-5 500
Payroll and payroll related costs	4	1 636	1 614
Other operating costs	5	1 384	2 215
Operating profit/(loss)		-3 020	-9 329
Finance income	6,8	7 109	7 246
Finance costs	6	41	73 949
Profit/(loss) before tax		4 047	-76 032
Income tax expense	7	922	799
Profit/(loss) for the year		3 125	-76 831
Total comprehensive income		3 125	-76 831

Statement of Financial Position

As at 31 December

(NOK 000's)	Note	2019	2018
ASSETS			
Non-current assets			
Investment in subsidiaries	8	8 825	7 602
Group interest-bearing receivables	8	119 024	186 024
Deferred tax assets	7	80	1 001
Total non-current assets		127 929	194 627
Current assets			
Intercompany receivables	8	46 773	3 320
Other receivables		25	5 086
Cash and cash equivalents	10	180 237	141 363
Total current assets		227 034	149 769
Total assets		354 963	344 396
EQUITY AND LIABILITIES			
Equity			
Share capital	11	44 345	44 345
Share premium		273 402	273 401
Other paid in capital		-	2 777
Retained earnings		21 097	17 972
Total equity		338 844	338 495
Non-current liabilities			
Other non-current liabilities		-	-
Total non-current liabilities		-	-
Current liabilities			
Accounts payables		81	-
Intercompany payables	8	15 485	-
Other current liabilities		554	5 902
Total current liabilities		16 121	5 902
Total liabilities		16 121	5 902
Total equity and liabilities		354 964	344 396

Oslo, 22 April 2020
Electronic signatures

Ole Enger
Chairman

Bettina Banoun
Board member

Mimi K. Berdal
Board member

Finn Bjørn Ruyter
Board member

Øystein Stray Spetalen
Board member

Espen Lia Gregoriussen
Board member

Åse Musum
Board member

Kjell-Erik Nordby
CEO

Statement of Changes in Equity

For the year ended 31 December

(NOK 000's)	Attributable to equity holders of the parent					Total
	Note	Share capital	Share premium	Other capital reserves	Retained earnings	
Equity as at 01.01.2018		17 055	1 074	-	94 803	112 932
Profit (loss) for the year					-76 831	
Total comprehensive income					-76 831	-76 831
Private placement	11	26 786	273 214			300 000
Subsequent repair issue	11	504	5 141			5 645
Transactions costs share issue (net of tax effect)			-6 028			-6 028
Share-based payments				2 777		2 777
Equity as at 31.12.2018		44 345	273 401	2 777	17 972	338 495
Profit (loss) for the year					3 125	
Total comprehensive income					3 125	3 125
Share-based payments				-2 777		-2 777
Equity as at 31.12.2019		44 345	273 401	-	21 097	338 844

Statement of Cash flows

For the year ended 31 December

(NOK 000's)	Note	2019	2018
Cash flow from operating activities			
Profit before income tax		4 047	-76 032
Adjustments to reconcile profit before tax to net cash flow:			
(Gain)/loss on sale of subsidiary		-127	5 500
Write-down of investment in subsidiary		-	2 807
Provision for loss on loan to subsidiary		-	71 000
Net interest (income)/expense	6	5 251	-7 104
Income tax paid		-1	-
Changes in working capital:			
Changes in trade receivables and trade creditors		81	-
Changes in other payables, receivables, accruals		-33 506	-10 564
Net cash flow from operating activities		-27 032	-14 393
Cash flow from investing activities			
Investment in subsidiaries		-	-31
Net proceeds from sale of subsidiary	8	127	-5 500
Loan to subsidiary	8	65 777	-185 000
Interest received	6	-	7 246
Net cash flow from investing activities		65 904	-183 285
Cash flow from financing activities			
Net proceeds from share issue		-	305 645
Transaction costs on issue of shares		-	-7 828
Repayment of capital		-	-
Interest paid	6	-	-142
Net cash flow from financing activities		-	297 675
Net change in cash and cash equivalents		38 874	99 998
Cash and cash equivalents beginning period		141 363	41 365
Cash and cash equivalents end period	10	180 237	141 363

Notes to the Financial Statement

Note 1 Corporate information

Vistin Pharma ASA is a limited liability company and its registered office is Østensjøveien 27, Oslo, Norway. The Company's shares are listed on Oslo Børs in Norway under the ticker VISTIN.

The financial statements were approved for release by the Board of Directors on 22 April 2020.

Reference is made to note 1 in the consolidated statement of Vistin Pharma ASA.

Note 2 Summary of significant accounting policies

Vistin Pharma ASA's ("Vistin Pharma" or "the Company") financial statements and directors' report are prepared in English only.

Basis of preparation

The financial statement has been prepared in accordance with the Norwegian Accounting Act § 3-9 and regulations regarding simplified application of IFRS issued by the Ministry of Finance in 2014.

The functional currency of Vistin Pharma is the Norwegian krone (NOK). All values are rounded to the nearest thousand (NOK000), except when otherwise indicated."

Vistin Pharma's principles are consistent to the accounting principles for the Group, as described in Note 2 of the consolidated financial statements. Where the note for the parent company are substantially different from the note for the Group, these are shown separately. Otherwise refer to the note in the consolidated financial statement.

Investments in subsidiaries

Investments in subsidiaries and associates are accounted for using the cost method in the parent company accounts. The investments are valued at cost less impairment losses. Write-down to fair value is recognized under impairment in the income statement.

Segment reporting

Vistin Pharma's activities are currently organized as one operating unit for internal reporting purposes, thus no segment information is presented in these financial statements.

Recognition for group contributions

Group contributions from wholly owned subsidiaries are recorded as financial income as long as the contributions do not exceed the accumulated results from the date of acquiring the subsidiary. The income is recorded net of tax. Group contributions relating to the result prior the date of acquisition are recorded as a reduction against the investment (net of tax). If Group contributions exceeds accumulated profits in the subsidiary after the acquisition, the payment is treated as a reduction of the carrying value of the investment.

Note 3 Other income

(NOK 000's)	2019	2018
Other income	-	-5 500
Total	-	-5 500

In October 2017 the CMO and opioids business was sold, which resulted in a net gain for the company. In 2018, a warranty claim relating to the sale was settled resulting in a loss of NOK 5.5 million.

Note 4 Payroll and payroll related expenses

(NOK 000's)	2019	2018
Other payroll costs	1 636	1 614
Total payroll and payroll related costs	1 636	1 614
Average number of man-years:	-	-

The Company had no employees as at 31 December 2019 (2018: 0). Other payroll costs relate to board fees and a monthly consultant fee to the Chairman of the Board (consultancy agreement for NOK 25k per month).

Note 5 Other operating expenses

(NOK 000's)	2019	2018
External fees	958	889
Other operating expenses	426	1 326
Other operating expenses	1 384	2 215

Remuneration to the Auditors

(NOK 000's)	2019	2018
Statutory audit	132	127
Other assurance services	85	60
Tax advisory services	-	-

All fees are exclusive of VAT.

Note 6 Financial items

(NOK 000's)	2019	2018
Interest income from bank deposits and money market funds	1 857	494
Interest income from Group companies	5 251	6 752
Group contribution received	-	-
Total finance income	7 109	7 246
Other interest expenses	41	142
Write-down of investment in subsidiary	-	2 807
Provision for write-down of Group loans	-	71 000
Total finance costs	41	73 949
Net finance	7 067	-66 703

In 2018, the Company has made a write-down of the investment in the subsidiary Vistin Trading AS of NOK 2.8 million, and made a provision of NOK 71.0 million for a potential loss on an interest bearing loan to the same company. The write-down and the provision made reflect the negative equity value in Vistin Trading AS as of 31.12.18.

Note 7 Tax

Income tax calculation:

(NOK 000's)	2019	2018
Profit before taxes	4 047	-76 032
Permanent differences	143	79 307
Changes in temporary differences	-	-
Permanent differences recognised to equity	-	-7 828
Basis for income tax	4 190	-4 553
Income tax payable	-	-
Tax effect of change in net deferred income tax liability/asset	922	-1 047
Tax effect permanent differences recognised to equity	-	1 800
Tax effect tax rate reduction	-	46
Income tax expense	922	799

Reconciliation of income tax

(NOK 000's)	2019	2018
Tax assessed at the expected tax rate	890	-17 487
Tax effect permanent differences, profit & loss	31	18 241
Tax effect tax rate reduction	-	46
Income tax	922	799

Temporary differences

(NOK 000's)	2019	2018
Losses carried forward	-363	-4 553
Net income tax reduction temporary differences	-363	-4 553
Net deferred tax asset	80	1 001

Note 8 Investments in group companies

2019							
(NOK 000's)	Registered office	Share capital	Ownership interest 2018	Voting rights 2018	Carrying amount	Result 2019	Equity 2018
Vistin Pharma AS	Oslo, Norway	NOK	100 %	100 %	7 602	14 720	33 697
Vistin Trading AS	Oslo, Norway	NOK	100 %	100 %	1 223	48 405	49 729
Total					8 825		

2018							
(NOK 000's)	Registered office	Share capital	Ownership interest 2018	Voting rights 2018	Carrying amount	Result 2018	Equity 2018
Vistin Pharma AS	Oslo, Norway	NOK	100 %	100 %	7 602	3 550	17 857
Vistin Trading AS	Oslo, Norway	NOK	100 %	100 %	0	-73 706	-70 899
Total					7 602		

In 2018, the Company has made a written-down of the investment in the subsidiary Vistin Trading AS of NOK 2.8 million to reflect the negative equity value in Vistin Trading AS as of 31.12.18. In 2019, a capital increase was carried out in Vistin Trading AS to restore to positive equity.

Transactions between related parties

2019							
(NOK 000's)		Long term receivables to subsidiaries	Short term receivables to subsidiaries	Interest income from subsidiaries	Short term payables to subsidiaries	Group contribution receivable	Group contribution payable
Vistin Pharma AS		98 024	19 986	2 773	15 485	-	-
Vistin Trading AS		21 000	26 787	2 478	-	-	-
Provision for write-downs		-	-	-	-	-	-
Total		119 024	46 773	5 251	15 485	-	-

2018							
(NOK 000's)		Long term receivables to subsidiaries	Short term receivables to subsidiaries	Interest income from subsidiaries	Short term payables to subsidiaries	Group contribution receivable	Group contribution payable
Vistin Pharma AS		92 024	1 010	4 442	-	-	-
Vistin Trading AS		165 000	2 310	2 310	-	-	-
Provision for write-downs		-71 000	-	-	-	-	-
Total		186 024	3 320	6 752	-	-	-

The loan to Vistin Pharma AS carries an annual interest rate of 3 months NIBOR + 1.25%, to be paid quarterly in arrears.

The loan to Vistin Trading AS carries an annual interest rate of 3 months NIBOR + 1.25%, to be paid quarterly in arrears. A provision for a potential write-down of NOK 71 million was made as of 31.12.18, to reflect the negative equity value in the company as of 31.12.18. Subsequent to year-end NOK 75.0 million of the total loan outstanding has been converted to equity in Vistin Trading AS with a net effect of NOK 4 million in the long term receivables.

The Chairman of the Board has a consultancy agreement with the Company, which entitles him to NOK 50k per month. However, only NOK 25k per month has been paid in 2018 (Note 4).

Note 9 Financial assets and liabilities

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Set out below is a comparison by class of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	Fair value level	Fair value through profit and loss	Loans and receivables at amortised cost	Other financial liabilities at amortised cost	Total book value	Fair value
(NOK 000's)						
Financial assets						
Group interest-bearing receivables	3	-	119 024	-	119 024	119 024
Intercompany receivables	3	-	46 773	-	46 773	46 773
Other receivables	3	-	25	-	25	25
Money-market funds	2	71 514	-	-	71 514	71 514
Cash and cash deposits	3	-	108 723	-	108 723	108 723
Total		71 514	274 545	-	346 058	346 058

Financial liabilities						
Intercompany payables	3	-	-	15 485	15 485	15 485
Trade payables	3	-	-	81	81	81
Other payables	3	-	-	554	554	554
Total		-	-	16 121	16 121	16 121

As of 31 December 2018

	Fair value level	Fair value through profit and loss	Loans and receivables at amortised cost	Other financial liabilities at amortised cost	Total book value	Fair value
(NOK 000's)						
Financial assets						
Group interest-bearing receivables	3	-	186 024	-	186 024	186 024
Intercompany receivables	3	-	3 320	-	3 320	3 320
Other receivables	3	-	5 086	-	5 086	5 086
Money-market funds	2	70 055	-	-	70 055	70 055
Cash and cash deposits	3	-	71 308	-	71 308	71 308
Total		70 055	265 738	-	335 793	335 793

Financial liabilities						
Intercompany payables	3	-	-	-	-	-
Trade payables	3	-	-	-	-	-
Other payables	3	-	-	5 902	5 902	5 902
Total		-	-	5 902	5 902	5 902

For trade receivables, accounts payable and other short-term items, fair values are considered to be equal to carrying values due to their short-term nature.

The fair-value of money-market funds is based on published market prices by the fund manager, and market prices are published daily.

Note 10 Cash and cash equivalents

(NOK 000's)	2019	2018
Cash at banks	108 723	71 308
Restricted cash	-	-
Money market funds	71 514	70 055
Total	180 237	141 363

The money market funds represent an investment of surplus cash in Nordea Kort Obligasjon III. This money market fund invests in fixed-income and floating rate debt securities, predominantly Norwegian, with a low credit and interest risk, and can be converted to cash on short notice. The redemption value is based on a net asset value of the fund, rather than a fixed amount of cash, and hence is not necessarily consistent with the definition of cash equivalents. However, the value of the fund is subject to a very low risk of change, and in substance satisfies the definition of cash and cash equivalents.

Cash at banks earns interest at floating rates based on daily bank deposit rates. All bank accounts is nominated in NOK.

Note 11 Issued shares and share capital

The Company's registered share capital is NOK 44,344,592 divided into 44,344,592 shares. The share capital is fully paid. All shares have the same rights.

	Number of shares (thousands)	Share capital (NOK 000's)
At 1 Januar 2018	17 055	17 055
Private placement	26 786	26 786
Subsequent repair issue	504	504
At 31 December 2018	44 345	44 345
At 1 Januar 2019	44 345	44 345
At 31 December 2019	44 345	44 345

Each share has a par value of NOK 1 per share.

20 largest shareholders as registered as of 31 December 2019:

Name	Note	Total no of shares	Ownership share
Saga Tankers ASA	1	6 284 280	14,2 %
Pactum AS		2 678 572	6,0 %
Holmen Spesialfond		2 471 521	5,6 %
Awilco AS		1 785 714	4,0 %
Fernclyff Listed DAI AS	1	1 764 424	4,0 %
MP Pensjon		1 748 779	3,9 %
State Street Bank and Trust Company		1 682 320	3,8 %
Sundt AS		1 632 416	3,7 %
Solan Capital AS		1 600 000	3,6 %
Apollo Asset Limited		1 600 000	3,6 %
Tvenge Torstein		1 232 268	2,8 %
Camaca AS		940 447	2,1 %
Norda ASA		880 000	2,0 %
KM Holding AS		669 642	1,5 %
Nordnet Livsforsikring AS		588 121	1,3 %
Bergen Kommunale Pensjonskasse		495 000	1,1 %
Grant Invest AS		474 585	1,1 %
Hellegjerde Invest AS		400 000	0,9 %
Borgen Investment Group Norway AS		400 000	0,9 %
Skandinaviska Enskilda Banken		334 551	0,8 %
Other shareholders		14 681 952	33,1 %
		44 344 592	100,0 %

Shares owned by the Board of Directors and management as of 31 December 2019:

Saga Tankers ASA (1)	6 284 280
Fernclyff Listed DAI AS (1)	1 764 424
Spetalen Øystein Stray (2)	323 650
Tycoon Industrier AS (1)	100 000
Fernclyff TIHF AS (1)	99 225
Nordby Kjell-Erik (3)	200 000
Enger Ole (4)	141 471
Manum Gunnar (5)	104 887
Vold Valborg Godal (6)	50 000
Heggem Vegard (7)	27 360
Hagen Hilde Merete (8)	15 000
Åse Musum (2)	2 201

1. Controlled by board member Øystein Stray Spetalen
2. Member of the Board of Directors
3. Chief Executive Officer
4. Chairman of the Board of Directors
5. Chief Financial Officer
6. Chief Operating Officer
7. VP Operations
8. VP Quality & Regulatory Affairs

Note 12 Events after the reporting period

On 8 January 2018, the Company decided to close down the Energy Trading business, which has been carried out through the wholly owned subsidiary Vistin Trading AS. Termination agreements were entered into with the two employees subsequent to year-end, and as a result the employee share options granted in 2018 was terminated (forfeited) in Q1 2019.

On the 30th of March 2020 Vistin Pharma ASA announced that the company has closed all its remaining oil derivatives positions. No new positions will be taken, and the Energy trading business will be closed down.

Subsequent to year-end, NOK 75.0 million of the interest bearing loan to the subsidiary, Vistin Trading AS, was converted to equity in that company. Refer to Note 8 for further details.

The Board of Directors has proposed an ordinary dividend of NOK 1 per share for 2019, to be approved by the annual general meeting on the 19 May 2020.

Note 13 Statement regarding the determination of salary and other remuneration to Executive Management

According to the Norwegian Public Limited Companies Act (section 6-16a), the Board of Directors shall prepare a statement regarding the establishment of wages and other remuneration for the Chief Executive Officer and other senior management.

The Company's salary policy for the executive management - main principles

The purpose of the Company's remuneration policy is to attract and retain personnel with the competence that the Group requires with a view to achieve Vistin Pharma's goal of becoming a leading and a profitable producer of selected API's for the international pharmaceutical market. The general policy is to pay fixed salaries and pensions, while at the same time offering bonuses, or other types of remuneration, which aligns the interest of senior management and the shareholders of the Company.

The Company has a separate remuneration committee appointed by the Board of Directors. The present remuneration committee consists of Ole Enger (Chairman) and Mimi K. Berdal. The CEO, and other representatives of the senior management, regularly participates in the remuneration committee's meetings.

The remuneration committee functions as an advisory body for the Board of Directors and its main duties and responsibilities are to:

- i. Review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate the performance of the CEO in light of those goals and objectives and set the compensation level for the CEO based on this evaluation. In determining the long-term incentive component of the CEO compensation, if any, the Committee may consider the Company's performance and relative shareholder return, the value of similar incentive awards given to CEO's at comparable companies and the awards given to the CEO in past years.
- ii. Make recommendations to the Board with respect to incentive-compensation plans and equity-based plans.
- iii. Assist the Board in developing and evaluating potential candidates for executive positions, including the CEO, and oversee the development of executive succession plans.

- iv. Review and approve Senior Executive employment agreements, severance arrangements and change in control agreements and provisions when, and if, appropriate, as well as any special supplemental benefits.
- v. Review major organizational and staffing matters.

Further information on the function of the remuneration committee can be found in the instructions to the remuneration committee, included on the Company's website: www.vistin.com.

Salaries and other remuneration

Fixed salary

It is the Company's policy that salaries to the CEO and senior management primarily shall take the form of a fixed monthly salary, reflecting the level of the position and experience of the person concerned and the results achieved.

Bonuses

The Group has a system of annual performance-based bonuses for all employees. The maximum bonus payable to the CEO is 100% the annual salary. The maximum bonus payable to other members of the Executive Management team is between 20% - 50% of the annual salary, depending on individual employment contracts. The Board of Directors evaluates and determines annually the bonus system for Vistin Pharma, based on recommendations from the Remuneration Committee. The bonuses are linked to the achievement of certain targets for financial results, as well other performance targets which are defined at the beginning of the financial year. The bonus targets shall reflect both short-term financial parameters, and operational and strategic performance targets that are expected to give a positive long-term financial effect.

Pension plan

Principally, pension plan shall be the same for senior management as what is generally agreed for other employees. The Group has a defined contribution plan for all employees. Under this plan the Group contributes 5.5% of the salary between 1G and 7.1G, and 15%, for the salary between 7.1G and 12G. The CEO has an additional "top-hat" to cover salary above 12G, as well as an early retirement plan from the age of 62.

Share based incentive plans

In 2018, the Company established a share option plan for the employees of the energy trading business, and 4 million share options were issued in 2018 as part of this incentive plan. Following the closure of this business unit in January 2019, the share options issued have been cancelled (forfeited). There are currently no plans for any further share option plans to be issued.

Remuneration policy in the preceding financial year (2019)

The management remuneration policy in the preceding financial year has been conducted in accordance with the prevailing principles for 2019, with the exception of any items noted above.

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