

**VISTIN**

**PHARMA**

**ANNUAL REPORT 2017**

# DIRECTORS' REPORT FOR 2017

**Vistin Pharma (the Group) sold its CMO and opioids API business in October 2017, and has become a pure play metformin producer for the global pharmaceutical industry.**

## OPERATING PERFORMANCE

Vistin Pharma started 2017 with two business segments; B2B, which comprised the manufacturing and sale of metformin and opioid APIs (Active Pharmaceutical Ingredient) and FDFs (Finished Dose Formulation), and CMO tablet manufacturing. In October 2017, the CMO and opioids API businesses were sold to the Australian company, TPI Enterprises Limited. Following this transaction, Vistin Pharma has one remaining business segment, which is the manufacturing and sale of metformin API, DC (direct compressible grade) and FDFs.

Vistin Pharma's production plant in Kragerø, Norway, was running at full capacity for the whole year, producing close to 3,200 metric tons (MT) of metformin HCl. Vistin Pharma's strategy is to become the leading supplier of metformin API to customers in the premium product segments. Vistin Pharma sees that the quality of its metformin products, and its service and delivery performance, are competitive advantages and drivers for increased sales. The Group is experiencing a strong underlying demand. Based on internal estimates, Vistin Pharma currently has a share of approximately eight percent of the global metformin market. The Company will work to stretch the current capacity by approximately 200 - 300MT through an efficiency program, to meet the expected short term increase in demand from its customers.

In 2016, the Group announced the plan to invest NOK 120 million in a new production line to expand the metformin HCl capacity by an additional 3,000MT. However, in January 2018, Vistin Pharma announced the decision to postpone the execution of the new production line until sales contracts for a larger part of the expanded production volume is secured. This in order to reduce the financial risk related to the investment.

Vistin Pharma's objective is to ensure that the Group can meet the increasing demand from existing customers, and secure volumes from new customers, which will allow Vistin Pharma to re-start the 3,000MT metformin expansion project. The detailed engineering work for the new production line has been completed, and key suppliers have been selected. When sufficient volumes are secured to continue the expansion work, the Group will be able to have the 3,000MT production capacity installed within approximately 18 months.

Vistin Pharma does not currently have any dedicated research and development (R&D) resources. However, the Group has considerable focus on process improvement projects related to optimising existing API processes, as well as processes to improve product quality and cost. This work is carried out by operational staff.

## PRESENTATION OF FINANCIAL RESULTS FOR THE GROUP

In October 2017, the Group sold the CMO and opioids businesses, and the result for 2017 for these activities are shown as discontinued operations in the financial statements.

For 2017, total revenue and income for Vistin Pharma amounted to NOK 185.9 million (NOK 173.3 million). The total revenue and income for 2017 included net insurance proceeds of NOK 8.8 million.

The operating profit for 2017 was NOK 14.0 million (NOK 21.9 million), and the Group had net profit from continuing operations of NOK 5.5 million (NOK 15.9 million), after net finance costs of NOK 6.7 million (NOK 0.8 million), and income tax expense of NOK 1.9 million (NOK 5.2 million). The finance costs for 2017 mainly relates to currency losses on currency hedging contracts. The net profit from discontinued operations was NOK 64.9 million (NOK -3.0 million), which includes the net gain on sale of

the CMO and opioids businesses of NOK 71.1 million.

## Liquidity, financial position and investments

Vistin Pharma's net cash flow from operating activities in 2017 amounted to NOK 9.5 million (NOK 53.8 million).

The net cash flow from investing activities for 2017 amounted to NOK 122.9 million (NOK -16.1 million). The large cash inflow is mainly due to the net proceeds received from the sale of the CMO and opioids businesses during the year of NOK 158.4 million.

Vistin Pharma paid a total dividend of NOK 136.4 million in 2017, equal to NOK 8.00 per share, and had net cash flow from financing activities of minus NOK 136.4 million. In 2016, the Company paid a dividend of NOK 10.2 million, equal to NOK 0.60 per share.

At 31 December 2017, total assets amounted to NOK 231.7 million (NOK 279.5 million) and the Group had no interest bearing debt. Cash and cash equivalents amounted to NOK 85.3 million (NOK 89.4 million) at 31 December 2017.

As of 31 December 2017, total equity amounted to NOK 120.2 million (NOK 186.6 million), and the equity ratio at year-end was 51.9% (66.8%).

Vistin Pharma expects that cash from operations, together with its liquidity reserves, will be sufficient to cover planned capital expenditures and operational requirements in 2018.

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 2017.

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 16 March 2018, the Company announced that it would establish a new business area within energy trading. To finance the new business

activity the Company completed a private placement on 22 March, 2018 raising NOK 300 million in gross proceeds through the allocation of 26,785,715 new shares at a price of NOK 11.20 per share. The Board of Directors intends for the Company to carry out a subsequent repair offering of up to 4,464,286 new shares. The subscription price in the repair offering will be the same as in the Private Placement, i.e. NOK 11.20 per share.

Completion of the private placement is subject to the adoption of the relevant corporate resolutions of the Company required to implement the share issue, including the annual general meeting's resolution to approve the subsequent repair offering and the proposed amendment of the articles of association to include the new energy trading business.

In January 2018, Vistin Pharma announced the decision to postpone the execution of the new production line to expand the metformin HCl capacity by an additional 3,000MT, until sales contracts for a larger part of the expanded production volume is secured.

## ORGANISATIONAL MATTERS

### Organisation

At the end of 2017, the Group had 65 employees, all of whom were employed by Vistin Pharma AS.

### Board of Directors

The former Board members Einar J. Greve and Kathrine G. Andreassen were not available for re-election, and stepped down from the Board during 2017. Mimi K. Berdal was elected as a new Board member at the annual general meeting held on 24 May 2017, and Espen Lia Gregoriussen replaced Jørn-Henning Isaksen as one of the two employee representatives. The Board consists of Ole Enger (chairman), Mimi K. Berdal, Ingrid Elvira Leisner, 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](http://www.vistin.com).

## Equal opportunities

The Group has established practices to ensure equal opportunities between female and male employees, as well as between different races. The Group had 65 employees at year-end 2017, of which 21 are female. The Executive Management group consists of four members, of which one member is female. The Board of Directors currently has three female members

out of six. 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 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 Company 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 the employees in the Group are employed, QHSE (quality, health, safety and environment) is an integral element of its business, and an electronic system are 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 TRIs, which resulted in personal injury, during 2017 (2016: 17). The total sick leave for the company for 2017 was 5.3% (2016: 6.8%) of the total working hours.

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

The manufacturing plant has in the past faced some environmental issues concerning emission levels to water. Vistin Pharma has dedicated considerable resources to identify, analyse, control and reduce the emission levels. Following a reactor failure in November 2016, a discharge of butanol and metformin to water, which exceeded the current permit levels, occurred. Following this incident the Norwegian Environmental Agency (NEA) requested a temporary stop in all discharges of process water until Vistin Pharma demonstrated stable discharge levels in compliance with the permit. As a consequence, the Group has taken



additional measures to avoid further incidents of discharge levels above the permitted levels at the plant, and Vistin Pharma was allowed to resume normal discharge of process water in November 2017. With the new system in place, all process water is being collected and analysed, and only discharged if the water quality is within approved levels. Vistin Pharma received a new permanent discharge permit in 2017.

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 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.

Major incidents relating to HSE could impose significant costs and damage the Group's reputation and Vistin Pharma is also exposed to changing legislation and regulations related to the pharmaceutical industry.

### Financial risk

The Group is principally exposed to interest rate risk, credit risk, liquidity risk and foreign currency risk.

The Group had no interest bearing debt at 31 December 2017.

Vistin Pharma has no major financial assets other

than cash and cash equivalents and trade receivables. Cash and cash equivalents and trade receivables amounted to NOK 85.3 million and NOK 30.0 million respectively at 31 December 2017. The credit risk relating to these assets is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The counterparties for cash deposits are commercial banks, primarily Nordea. The trade receivables relate to customers of Vistin Pharma AS, and the company is tightly managing these receivables. The Group's overall credit risk is considered moderate to low. Based on the current cash position, Vistin Pharma assesses the liquidity risk to be 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. At 31 December 2017, the Group had outstanding forward contracts to sell EUR 12 million during 2018, at an average EUR/NOK rate of 9.28, which covers approximately 55 percent of the Group's estimated net EUR exposure in 2018. The Group had net EUR and USD denominated cash, trade receivables and trade payables balances of NOK 20.8 million and NOK 18.6 million respectively at 31 December 2017.

Further details on financial risk can be found in Note 15 to the Consolidated Financial Statements.

### Other risk

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

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

## 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 the Company's business. The Company'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 the Company's website. A report on Vistin Pharma's corporate governance is provided in a separate section of the annual report for 2017.

### Dividend policy

It is the Company'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 the Company place considerable importance on providing the shareholders and

the financial market in general with timely, relevant and current information regarding the Company 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 to continue to grow as it remains the gold-standard treatment of type 2 diabetes for the foreseeable future. The majority of Vistin Pharma's key customers are pharmaceutical companies that sell new and innovative metformin products, and the demand for the Company's metformin will be partially dependent on the market performance of these products.

## VISTIN PHARMA ASA (PARENT COMPANY)

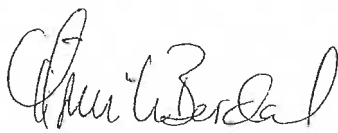
The parent company, Vistin Pharma ASA, is a holding company, with financial activities, but no operating activities. The Company had a net profit of NOK 85.8 million (NOK 3.3 million) in 2017. Total assets as of 31 December 2017 were NOK 132.5 million (NOK 165.7 million), and the long-term intercompany receivables were NOK 72.0 million (NOK 140.7 million) at year-end 2017. The Company's cash balance at year-end 2017 was NOK 41.4 million (NOK 20.2 million). Total shareholders' equity at 31 December 2017 was NOK 112.9 million (NOK 163.6 million), and the equity ratio at 31 December 2017 was 85.2% (98.7%).

The Board of Directors will not propose a dividend for 2017.

Oslo, 13 April 2018



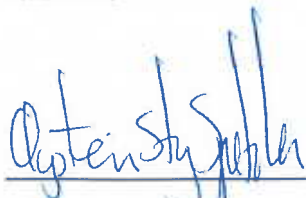
Ole Enger  
Chairman



Mimi K. Berdal  
Board member



Ingrid Elvira Leisner  
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 2017, 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, 13 April 2018



Ole Enger

Chairman



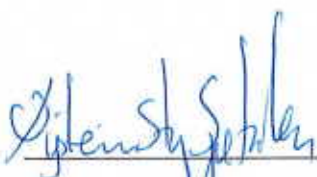
Mimi K. Berdal

Board member



Ingrid Elvira Leisner

Board member



Øystein Stray Spetsten

Board member



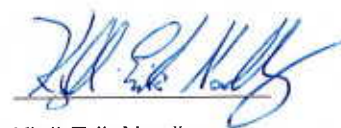
Espen Lia Gregoriussen

Board member



Åse Musum

Board member



Kjell-Erik Nordby

CEO



# CORPORATE GOVERNANCE POLICY AND ANNUAL REVIEW

Corporate Governance regulates the relationship between the Company's management, its Board of Directors and the shareholders of the Company. Vistin Pharma believes that good corporate governance is an important component of sustainable business conduct and long-term value creation.

## 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 30 October 2014, the Board of Directors of Vistin Pharma ASA 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](http://www.vistin.com)).

## 2. BUSINESS

Vistin Pharma ASA is a Norwegian pharmaceutical company, supplying finished dose formulations and API's to the pharmaceutical industry globally.

Vistin Pharma's business purpose, as presented in the Company's Articles of Association, is as follows: "The Company's purpose is the development, production and sale of pharmaceuticals and other healthcare products

and all activities related hereto, on its own or through ownership in other companies".

## 3. EQUITY AND DIVIDENDS

### Equity

The Company's consolidated equity at 31 December 2017 was NOK 120.2 million, representing an equity ratio of 51.9%. 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 2017, the Company received a general authority to increase the share capital by up to NOK 2,558,240 (representing up to 15% of the existing share capital) through the issue of new shares for general corporate purposes, including financing of investments and employee incentive plans. The Company's strategy is to grow its business organically, and through potential 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 the annual general meeting in 2018.

On 16 March 2018, the Company announced that it would establish a new business area within energy trading. To finance the new business activity the Company completed a private placement on 22 March, 2018 raising NOK 300 million in gross proceeds through the allocation

of 26,785,715 new shares at a price of NOK 11.20 per share. The Board of Directors intends for the Company to carry out a subsequent repair offering of up to 4,464,286 new shares. The subscription price in the repair offering will be the same as in the Private Placement, i.e. NOK 11.20 per share.

Completion of the private placement is subject to the adoption of the relevant corporate resolutions of the Company required to implement the share issue, including the annual general meeting's resolution to approve the subsequent repair offering and the proposed amendment of the articles of association to include the new energy trading business.

Vistin Pharma has 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 2017, and is limited in time to the Annual General Meeting in 2018.

### **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. During 2017 Vistin Pharma paid a total dividend of NOK 8.00 per share, relating to the 2016 financial year and to the sale of the Company's CMO and opioids businesses.

## **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 2017.

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 24 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. The recommendation from the Election Committee may not be distributed as part of the summons, but made available to the shareholders at any time prior to the date of the General Meeting. 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 website 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 2018 Annual General Meeting is scheduled for 8 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, the CEO and the Company's auditor 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, members of the Election Committee and the auditor 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.

Vistin Pharma is not aware of the existence of any agreements or business partnerships between the Company and any third parties in which members of its Election Committee have direct or indirect



interests. 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 2019)

Nils Erling Ødegaard, (member since 2017; up for election in 2019)

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

## 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 four 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. 17.6% 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.

The female representation among shareholder elected Board members is 50%.

Name	Position in the Board	Member since (year)	Up for election (year)	Committee membership	Shareholding in Vistin Pharma*
Ole Enger	Chairman	2015	2019	Rem. Comm.	141,471
Mimi K. Berdal	Member	2017	2019		-
Ingrid Elvira Leisner	Member	2015	2019	Rem. Comm.	-
Øystein Stray Spetalen	Member	2015	2019		2,995,806 (1)
Espen Lia Gregoriussen	Member	2017	2019		-
Åse Musum	Member	2015	2019		1,000

\* At the date of the Annual Report

1. Shares owned by Øystein Stray Spetalen, or companies controlled by, or associated with him, (Strata Marine & Offshore AS, AS Ferncliff, Ferncliff Listed DAI AS)

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



## 9. THE WORK OF THE BOARD

The Board's work follows an annual plan. 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 12 meetings since the Annual General Meeting in 2017, and to the date of this report. The Board members attended all the Board meetings, either in person or by phone, with the exception of Øystein Stray Spetalen and Espen Lia Gregoriussen, whom were present at 11 and seven meetings respectively.

### 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 Ingrid Elvira Leisner.

### 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 on 24 May 2017, a resolution was passed approving the following fees for the period from the Annual General Meeting and until the Annual General Meeting in 2018: Chairman NOK 250,000, shareholder elected Board members NOK 150,000 each, employee elected shareholders NOK 75,000 each.

For more information on remuneration of the Board see note 23 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 23 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 regulations. Such information is distributed without delay and simultaneously to the capital market, the media and on the Company website.

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 investors.

The Company's financial calendar for the next financial year is published in December each year through Oslo Børs and the Company's website.

### **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.

Remuneration to the Auditor is disclosed in Note 8 to the Consolidated Financial Statements.

The full Corporate Governance Policy is published on Vistin Pharma' home page: [www.vistin.com](http://www.vistin.com).

# VISTIN PHARMA GROUP - FINANCIAL STATEMENTS AND NOTES

## Consolidated Statement of Comprehensive Income

For the year ended 31 December

(NOK 000's)	Note	2017	2016
Revenue	4	176 691	172 519
Other income	5	9 168	742
<b>Total revenue and other income</b>		<b>185 859</b>	<b>173 261</b>
Cost of materials	16	62 341	62 299
Payroll expenses	6	58 191	46 904
Depreciation, amortisation and impairment	12	2 702	2 086
Other operating expenses	8	48 606	40 039
<b>Operating profit (EBIT)</b>		<b>14 019</b>	<b>21 934</b>
Finance income	9	107	176
Finance costs	9	6 766	991
<b>Profit/(loss) before tax from continuing operations</b>		<b>7 360</b>	<b>21 118</b>
Income tax expense	10	1 908	5 178
<b>Profit/(loss) for the period from continuing operations</b>		<b>5 452</b>	<b>15 940</b>
<b>Profit/(Loss) for the period from discontinued operations</b>	11	<b>64 948</b>	<b>-3 022</b>
<b>Profit/(Loss) for the period</b>		<b>70 400</b>	<b>12 918</b>
<i>Other comprehensive income:</i>			
Actuarial losses on defined benefit plan	7	535	-
Income tax effect		-123	-
<b>Total comprehensive income for the period</b>		<b>69 988</b>	<b>12 918</b>
<b>Comprehensive income attributable to:</b>			
Equity holders of the parent company		69 988	12 918
<b>Total</b>		<b>69 988</b>	<b>12 918</b>
<b>Earnings per share (NOK):</b>			
Basic, profit attributable to equity holders of the parent	12	4,13	0,76
Diluted attributable to equity holders of the parent	12	4,13	0,76
<b>Earnings per share for continuing operations (NOK):</b>			
Basic, profit attributable to equity holders of the parent	12	0,32	0,93
Diluted attributable to equity holders of the parent	12	0,32	0,93



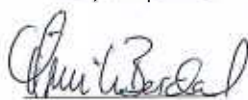
# Consolidated Statement of Financial Position

As at 31 December

(NOK 000's)	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	13	71 686	53 552
<b>Total non-current assets</b>		<b>71 686</b>	<b>53 552</b>
<b>Current assets</b>			
Inventories	16	22 655	79 316
Trade receivables	17	30 003	45 365
Other receivables	17	20 042	11 844
Deferred tax assets	10	2 027	-
Cash and cash equivalents	18	85 336	89 440
<b>Total current assets</b>		<b>160 063</b>	<b>225 965</b>
<b>Total assets</b>		<b>231 749</b>	<b>279 517</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	17 055	17 055
Share premium		1 074	137 514
Retained earnings		102 028	32 042
<b>Total equity</b>		<b>120 157</b>	<b>186 611</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	10	-	2
Pension liabilities	7	14 736	12 288
<b>Total non-current liabilities</b>		<b>14 736</b>	<b>12 290</b>
<b>Current liabilities</b>			
Trade payables	14	48 790	37 459
Income tax payable	10	1 032	4 221
Other current liabilities	20	47 032	38 937
<b>Total current liabilities</b>		<b>96 854</b>	<b>80 617</b>
<b>Total liabilities</b>		<b>111 590</b>	<b>92 907</b>
<b>Total equity and liabilities</b>		<b>231 749</b>	<b>279 517</b>


Oslo, 13 April 2018


Ole Enger  
Chairman

Øystein Stray Spetsten  
Board member

Mimi K. Berdal  
Board member

Espen Lia Gregoriussen  
Board member

Ingrid Elvira Leisner  
Board member

Åse Musum  
Board member

Kjell-Erik Nordby  
CEO

## Consolidated Statement of Changes in Equity

For the year ended 31 December

(NOK 000's)	Attributable to equity holders of the parent				
	Note	Share capital	Share premium	Retained earnings	Total
<b>Equity as at 01.01.2016</b>		17 055	147 747	19 122	183 924
Profit ( loss ) for the period				12 918	12 918
Other Comprehensive income				-	-
Total comprehensive income				12 918	12 918
Distribution of paid-in capital			-10 233		-10 233
<b>Equity as at 31.12.2016</b>	19	17 055	137 514	32 040	186 609
<b>Equity as at 01.01.2017</b>		17 055	137 514	32 040	186 609
Profit ( loss ) for the period				70 400	70 400
Other comprehensive income				-412	-412
Total comprehensive income				69 988	69 988
Distribution of paid-in capital			-136 440		-136 440
<b>Equity as at 31.12.2017</b>	19	17 055	1 074	102 028	120 157

## Consolidated Statement of Cash flows

For the year ended 31 December

(NOK 000's)	Note	2017	2016
<b>Cash flow from operating activities</b>			
Net profit/(loss) before income tax from continuing operations		7 360	21 118
Net profit/(loss) before income tax from discontinued operations	11	62 045	-4 030
<b>Net profit/(loss) before income tax</b>		<b>69 405</b>	<b>17 088</b>
Adjustments to reconcile profit before tax to net cash flow:			
Income tax paid		-4 221	-4 914
Net interest (income)/expense	9	1	120
Gain on sale of subsidiary		-71 142	-
Non-cash adjustment to reconcile profit before tax to cash flow:			
Depreciation, amortisation and impairment	13	4 527	4 053
Unrealised foreign currency (gains)/losses		8 610	965
Changes in working capital:			
Changes in trade receivables and trade creditors		21 534	13 240
Changes in inventories		-9 858	13 396
Changes in other accruals and prepayments		-9 348	9 888
<b>Net cash flow from operating activities</b>		<b>9 508</b>	<b>53 836</b>
<b>Cash flow from investing activities</b>			
Purchase of equipment and intangibles	13	-35 550	-16 274
Net proceeds from sale of subsidiary		158 374	-
Interest received	9	107	177
<b>Net cash flow from investing activities</b>		<b>122 931</b>	<b>-16 097</b>
<b>Cash flow from financing activities</b>			
Repayment of capital		-136 440	-10 233
Interest paid	9	-106	-56
		<b>-136 546</b>	<b>-10 289</b>
<b>Net change in cash and cash equivalents</b>		<b>-4 104</b>	<b>27 450</b>
Cash and cash equivalents beginning period		89 440	61 989
<b>Cash and cash equivalents end period</b>	18	<b>85 336</b>	<b>89 440</b>

## Notes to the Financial Statement

### **Note 1 Corporate information**

Vistin Pharma ASA is a limited liability company, with its registered office at Østensjøveien 27, Oslo, Norway. Vistin Pharma's shares are listed on Oslo Axess in Norway under the ticker VISTIN. The Company was incorporated on 6 March 2015.

Vistin Pharma became a major Norwegian pharmaceutical group producing Active Pharmaceutical Ingredients (APIs) and solid dosage forms for the global pharmaceutical industry, following the acquisition of the B2B (business-to-business) business and the tablet production assets of Weifa AS in June 2015. In October 2017, Vistin Pharma sold its finished dose tablets (CMO) and opioids business. Following this sale the Group operates in the international Metformin market only.

The consolidated financial statements were approved for release by the Board of Directors on 13 April 2018.



## 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.

### 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 2017, 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.

### 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 acquiree. 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 acquiree'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.

If the business combination is achieved in stages, the fair value of the Group's previously held equity interest in the acquiree 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.

## Note 2 Summary of significant accounting policies *continued*

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, 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.

#### *Sales of goods*

The Group manufactures and sells metformin APIs to the industrial markets. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of goods, and when there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery is governed by the sales contracts, but usually occurs when the products have been shipped from the warehouse, or the goods are loaded onboard in departing ships at port, at which time the ownership of the goods is transferred to the customer, alternatively when the goods arrives at the port designated by the customer.

#### *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.

### 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.

### 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.

### 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.

## Note 2 Summary of significant accounting policies *continued*

### 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.

### *Leased assets*

A lease is classified at the inception date as a finance lease or an operating lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

### 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 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.



## Note 2 Summary of significant accounting policies *continued*

### **Financial assets**

Financial assets in the Group are classified, at initial recognition, as loans or receivables, or as financial assets at fair value through profit or loss, and consists of investments in other companies, trade and other receivables, cash and cash equivalents. Financial assets include financial instruments used for hedging purposes. The Group initially recognises receivables on the date when they are originated. All other financial assets are initially recognised on the trade date.

All financial assets are initially recognised at fair value plus transaction costs, except financial assets carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets at fair value through profit or loss would include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. Financial assets at fair value through profit and loss are subsequently carried at fair value.

The Group's financial assets have mainly been classified as loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are after initial measurement carried at amortised cost using the effective interest rate method, less impairment, unless another measurement basis is described below. The effective interest rate amortisation is included in finance income in the income statement. The interest rate element is disregarded if it is insignificant, which is the case for the majority of the Group's receivables.

### *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*

Trade receivables are recognised at the original invoiced amount, and are subsequently valued at amortised cost and are reviewed for impairment on an ongoing basis. Individual accounts are assessed for impairment taking into consideration delayed payments and other indicators of financial difficulty as well as prior collection experience. Discounting generally does not have a material effect on trade receivables, however, in special cases discounting may be applied.

### *Impairment of financial assets*

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The loss is recognised in the consolidated income statement.



## Note 2 Summary of significant accounting policies *continued*

### 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 borrowings*

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.

### Financial derivatives

The Group uses forward currency contracts to hedge its foreign currency risks. 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.

### 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.

### 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.

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.

## Note 2 Summary of significant accounting policies *continued*

### **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.

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.

### **Provisions and contingent liabilities**

#### *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.

### **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.

## Note 2 Summary of significant accounting policies *continued*

### Changes in accounting policies and disclosures

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

### 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 is effective from 1 January 2018, with early application permitted.

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 implementation of the Standard is not assumed to have material impact on the Group.

### 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 will supersede all current revenue recognition requirements under IFRS. The standard is effective for annual periods beginning on or after 1 January 2018 and either a full retrospective application or a modified retrospective application is required. Early adoption is permitted.

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

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

### IFRS 16 Leasing

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. 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 a 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.

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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group does not currently have any material leasing og long-term rental contracts (refer to Note 21), and the Standard is not expected to have material impact on the Group.

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 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 recognised 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 2017 and 2016 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. Some of the costs allocated to the CMO and opioids businesses prior to October 2017, and thus included in discontinued operations, have still been incurred by the Group after the sale, and are thus included within continuing operations from October 2017. Using a different approach to the allocation of the shared business functions could have a material impact on how the Group's financial results are split between 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 to 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.

### *Defined benefit plans*

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate, which is based on the recommendation issued by the Norwegian Accounting Standards Board. Further details about pension obligations are provided in Note 7.

### *Warranty provision*

Under the terms of the sales contract with TPI Enterprises ("TPI") for the sale of the CMO and opioids businesses, the Group has provided customary warranties to the buyer, generally limited to 25% of the sales price, and a with general warranty period expiring in March 2019. An extended warranty period of five years from closing of the transaction applies for environmental matters, limited to NOK 20 million. In November 2017, Vistin Pharma received a notice of warranty claims from TPI related to the sale of the CMO and opioids businesses. Vistin Pharma has rejected these claims in their entirety, but has also in accordance with general accepted accounting principles taken a provision of NOK 1 million with respect thereto. The provision is based on an assessment of each claim, and the probability that the Group may be liable to pay TPI a compensation. While Vistin Pharma will vigorously defend its position in the matter, there can be no assurance about the final outcome of a legal process concerning the claims, if any. The provision of NOK 1 million has been included in other liabilities, refer Note 20.

## Note 3 Critical accounting estimates and judgements in terms of accounting policies *continued*

### *Assets under construction*

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. In 2016, the Group decided to increase the production capacity at the metformin production plant, and NOK 20.7 million relating to the project has been included in assets under construction at 31 December 2017. In January 2018, the Group decided to postpone the completion of the project, which has a total estimated cost of NOK 120 million, until additional sales volumes have been secured from customers. As a result, the management has performed a value in use calculation on the assets under construction. The value in use calculation is based on a discounted cash flow model, and requires the use of estimates. The cash flows are derived from the budgets and forecasts for the next 10 years, including the remaining investments required. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as forecasted sales volumes and the timing of these. Additional disclosures are provided in Note 13.

## Note 4 Segment Information

Following the sale of the CMO and opioids business in October 2017, the Group has only one business activity, which is the production and sale of metformin APIs. For management purposes the Group is thus organised into one business unit. The internal reporting provided to the Board of Directors of Vistin Pharma, which is the Group's chief decision maker, is in accordance with this structure. Hence, no separate segment information is presented.

Following is a geographical split of revenue:

### Geographic information

(NOK 000's)	2017	2016
Germany	69 664	57 357
Switzerland	46 992	50 253
Algeria	37 148	32 772
Mexico	8 992	8 495
Italy	5 888	2 597
Norway	694	-
Other countries	7 313	21 787
<b>Revenue</b>	<b>176 691</b>	<b>172 519</b>

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

The Group has three customers with sales that amount to 10% or more of the Group's revenue:

(NOK 000's)	2017	2016
Customer A	52 056	32 772
Customer B	37 148	34 128
Customer C	34 287	23 746

## Note 5 Other income

(NOK 000's)	2017	2016
Tax credit scheme (Skattefunn)	-	635
Other income	9 168	107
<b>Total</b>	<b>9 168</b>	<b>742</b>

In 2017 Vistin Pharma received NOK 10.8 million in insurance proceeds relating to a reactor failure in 2016. The net income from this reactor failure is NOK 8.8 million after sundry write-offs in connection with the reactor failure. The remaining amount of other income for 2017 of NOK 0.4m relates to sundry services rendered to customers.



## Note 6 Payroll expenses

(NOK 000's)	2017	2016
Salaries	90 109	105 633
Payroll tax	13 439	15 920
Pension costs - defined contribution plans	5 484	6 176
Pension costs - defined benefit plan	1 912	1 956
Other payroll costs	4 032	4 958
<b>Total payroll and payroll related costs</b>	<b>114 975</b>	<b>134 643</b>
Total payroll and payroll related costs continuing operations	58 191	46 904
Total payroll and payroll related costs discontinued operations	56 784	87 738
<b>Total payroll and payroll related costs</b>	<b>114 975</b>	<b>134 642</b>
<b>Average number of man-years</b>	<b>132,1</b>	<b>149,9</b>

Vistin Pharma is 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"). 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 Vistin Pharma meets the benefit payment obligation as it falls due. Additional disclosure is provided in Note 23.

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

(NOK 000's)	2017	2016
Fair value of plan assets		-
Present value of unfunded obligations	14 736	12 288
<b>Liability in the balance sheet (including local tax)</b>	<b>14 736</b>	<b>12 288</b>

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

(NOK 000's)	2017	2016
At 1 January*	12 288	10 332
Current service cost	1 396	1 399
Local tax	236	229
Interest expense/(income)	280	226
	<b>14 200</b>	<b>12 186</b>
<b>Remeasurements:</b>		
(Gain)/Loss from changes	535	102
	<b>535</b>	<b>102</b>
<b>Payments from plans:</b>		
Benefit payments	-	-
Settlements	-	-
<b>At 31 December</b>	<b>14 735</b>	<b>12 288</b>
Net expense recognised in the Income Statement	1 912	1 956

**Note 7 Post-employment benefits *continued***

The significant actuarial assumptions were as follows:

	31.12.2017	31.12.2016
Discount rate	2,40 %	2,60 %
Inflation	1,50 %	1,50 %
Salary growth rate	2,50 %	2,50 %
Pension growth rate	2,25 %	2,25 %

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)	2017	2016
Production costs	34 761	29 976
Sales costs	6 509	5 055
General & admin. expenses	7 336	5 008
<b>Other operating expenses</b>	<b>48 606</b>	<b>40 039</b>

**Remuneration to the Auditors**

(NOK 000's)	2017	2016
Statutory audit	387	387
Other attestation services	83	83
Tax advisory services	72	72
<b>Total remuneration to auditors</b>	<b>542</b>	<b>542</b>

All fees are exclusive of VAT

**Note 9 Financial items**

(NOK 000's)	2017	2016
Interest income from bank deposits etc.	107	176
<b>Total finance income</b>	<b>107</b>	<b>176</b>
Interest expenses	106	56
Other financial expenses	533	808
Net foreign exchange loss	6 127	127
<b>Total finance costs</b>	<b>6 766</b>	<b>991</b>
<b>Net finance</b>	<b>-6 659</b>	<b>-815</b>

Refer to Note 15 for information on currency risk and hedging activities.

## Note 10 Tax

### Income tax calculation:

(NOK 000's)	2017	2016
Profit/(loss) before tax from continuing operations	7 360	21 118
Profit/(loss) before tax from discontinued operations	62 045	-4 030
<b>Profit/(loss) before taxes</b>	<b>69 405</b>	<b>17 088</b>
Permanent differences (1)	-73 916	-385
Changes in temporary differences	6 090	180
Non-deductible interest expense	2 723	-
<b>Basis for income tax</b>	<b>4 302</b>	<b>16 883</b>
Income tax payable	1 033	4 221
Tax effect of change in net deferred income tax liability/asset	-2 027	-51
<b>Income tax expense</b>	<b>-994</b>	<b>4 170</b>
Income tax expense reported in the statement of comprehensive income	1 908	5 178
Income tax attributable to discontinued operations	-2 904	-1 008
	<b>-996</b>	<b>4 170</b>

### Reconciliation of income tax

(NOK 000's)	2017	2016
Profit before tax	69 405	17 088
Tax assessed at the expected tax rate (24%)	16 657	4 614
Tax effect permanent differences, profit & loss	-17 740	19
Tax effect tax rate reduction (from 24% to 23%)	88	-
<b>Income tax</b>	<b>-995</b>	<b>4 633</b>

### Temporary differences

(NOK 000's)	2017	2016
Fixed assets	11 429	5 915
Current assets	731	463
Pension liabilities	-10 778	-6 371
Derivatives	-7 444	-
<b>Sum</b>	<b>-6 062</b>	<b>7</b>
Non-deductible interest expense carried forward (2)	-2 723	-
<b>Net income tax reduction temporary differences</b>	<b>-8 785</b>	<b>7</b>
<b>Net deferred tax liability</b>	<b>-2 021</b>	<b>2</b>
<b>Tax rate applied</b>	<b>23 %</b>	<b>24 %</b>

(1) The permanent differences for 2017 relate primarily to the sale of the CMO and opioids businesses, which was carried out through a demerger and subsequent sale of shares in subsidiary. The demerger was carried out using tax related continuity, and the sale of shares is taxable under the exemption method.

(2) The carry-forward of non-deductible interest expense is limited to five years.

## Note 11 Discontinued operations

On 2 October 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 net financial gain for the Group from this sale is shown in other income in the results for the CMO and opioids business presented as discontinued operations below:

(NOK '000's)	2017	2016
Revenue	153 747	221 512
Other income	76 532	-
<b>Total operating income</b>	<b>230 279</b>	<b>221 512</b>
Cost of materials	85 056	100 899
Payroll expenses	56 784	87 738
Other operating expenses	24 570	34 938
Depreciation, amortisation and impairment	1 825	1 967
<b>Profit/(loss) before tax from discontinued operations</b>	<b>62 045</b>	<b>-4 030</b>
Income tax expense	-2 903	-1 007
<b>Profit/(loss) for the period from discontinued operations</b>	<b>64 948</b>	<b>-3 022</b>

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

(NOK '000's)	2017	2016
Net cash flow from operating activities	-18 782	-11 734
Net cash flow from investing activities	155 308	-3 566
Net cash flow from financing activities	-	-
<b>Net cash flow</b>	<b>136 526</b>	<b>-15 300</b>

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

(NOK 000's)	2017	2016
Profit attributable to owners of the parent	5 452	15 940
Profit/loss from discontinued operations attributable to owners of the parent	64 948	-3 022
<b>Total</b>	<b>70 400</b>	<b>12 918</b>
Weighted average number of ordinary shares (in thousands)	17 055	17 055
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>17 055</b>	<b>17 055</b>
Basic earnings per share (NOK)	4,13	0,76
Diluted earnings per share (NOK)	4,13	0,76
Basic earnings per share (NOK)	0,32	0,93
Diluted earnings per share (NOK)	0,32	0,93



## Note 13 Property, plant and equipment

	Property and plants	Constructions in progress	Machines and equipment etc.	Total
(NOK 000's)				
<b>Cost</b>				
At 1 January 2016	26 241	-	16 658	42 899
Additions	3 309	4 566	8 399	16 274
<b>At 31 December 2016</b>	<b>29 550</b>	<b>4 566</b>	<b>25 057</b>	<b>59 173</b>
Additions	288	16 586	18 675	35 549
Sales of subsidiary	-3 880	-449	-11 890	-16 219
<b>At 31 December 2017</b>	<b>25 958</b>	<b>20 703</b>	<b>31 842</b>	<b>78 503</b>
<b>Depreciation and Impairment</b>				
At 1 January 2016	667	-	901	1 568
Depreciation charge for the year	1 523	-	2 530	4 053
<b>At 31 December 2016</b>	<b>2 190</b>	<b>-</b>	<b>3 431</b>	<b>5 621</b>
Depreciation charge for the year	1 581	-	2 946	4 526
Sales of subsidiary	-865	-	-2 465	-3 330
<b>At 31 December 2017</b>	<b>2 906</b>	<b>-</b>	<b>3 912</b>	<b>6 817</b>
<b>Net book value</b>				
<b>At 31 December 2017</b>	<b>23 052</b>	<b>20 703</b>	<b>27 930</b>	<b>71 686</b>
<b>At 31 December 2016</b>	<b>27 360</b>	<b>4 566</b>	<b>21 626</b>	<b>53 552</b>
Useful life	20-25 years		3-10 years	

Construction in progress represents the costs incurred on a new production line at the Group's production plant for metformin. The project for the expansion of the production capacity commenced in 2016, however, in January 2018, the Group decided to postpone the completion of the project, which has a total estimated cost of NOK 120 million, until additional sales volumes have been secured from customers. As a result, the management has performed a value in use calculation on the assets under construction. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budgets and forecasts for the next 10 years, including the remaining investments required. Based on this assessment the value in use exceeds the carrying value of the asset at 31 December 2017.

## Note 14: Financial assets and liabilities by category

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. 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.

The Group 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

(NOK 000's)	Category	Fair value level	Carrying amount 2017	2016	Fair Value 2017	2016
<b>Financial assets</b>						
Trade receivables	Loans and receivables	3	30 003	45 365	30 003	45 365
Other receivables	Loans and receivables	3	18 864	11 844	18 864	11 844
Cash and cash equivalents	Loans and receivables	3	85 336	89 440	85 336	89 440
<b>Total</b>			<b>134 203</b>	<b>146 649</b>	<b>134 203</b>	<b>146 649</b>
<b>Financial liabilities</b>						
Trade payables	Other financial liabilities at amortised cost	3	48 790	37 459	48 790	37 459
Currency derivatives	Financial liabilities at fair value through profit and loss	2	7 444	0	7 444	0
Other payables	Other financial liabilities at amortised cost	3	38 588	38 937	38 588	38 937
<b>Total</b>			<b>94 822</b>	<b>76 396</b>	<b>94 822</b>	<b>76 396</b>

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

- Cash and bank deposits, trade and other current receivables and trade and other current payables approximate their carrying amounts due to the short-terms maturities of these instruments.

## Note 15 Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables. The Group's principal financial assets include trade and other receivables, and cash and cash equivalents. The Group is principally exposed to credit risk, foreign currency risk and liquidity risk, which are summarised 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 financing activities, principally deposits with banks and financial institutions.

Customer credit risk is managed by the subsidiary in the Group, 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 risk are covered by letter of credits. The requirement for impairment is analysed at each reporting date on an individual basis for major customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. At December 2017 the Group had total trade receivables of NOK 30.0 million (2016: NOK 45.3 million), which were owed by 32 customers (2016: 32 customers). The five largest of these customers owed the Group approximately NOK 24.5 million (2016: 37.7 million) together, accounting for approx. 82 % (2016: 74 %) of total trade receivables at year-end.

## Note 15 Financial risk management objectives and policies *continued*

### 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 to the Group's operating activities (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 currency risk mainly relates to sales and raw material purchases, which are denominated primarily 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 utilises 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 2017, the Group had outstanding forward contracts to sell EUR 12 million during 2018, at an average EUR/NOK rate of 9.28, which covers approximately 55 percent of the Group's estimated net EUR exposure in 2018.

A sensitivity calculation have been carried out showing the Group's exposure based on the foreign currency items as of 31.12.2017:

Year ended 31.12 (NOK 000's)	2017		2016	
	EUR	USD	EUR	USD
Trade Receivables	2 339	565	1 923	1 541
Bank accounts	378	245	378	-1 104
Trade Payables	-98	-3 013	-252	-1 628
Other payables	-500	-204	-	-
<b>Net assets in EUR / USD</b>	<b>2 119</b>	<b>-2 407</b>	<b>2 048</b>	<b>-1 191</b>
Currency rates 31.12	9,84	8,21	9,09	8,62
<b>Net assets/liabilities in NOK</b>	<b>20 847</b>	<b>-19 752</b>	<b>18 610</b>	<b>-10 262</b>

Assuming the foreign currency to be reduced by 5%:

Foreign currency reduction	5 %	5 %	5 %	5 %
Foreign currency rate	9,35	7,79	8,63	8,19
<b>Net assets in NOK</b>	<b>19 805</b>	<b>-18 765</b>	<b>17 679</b>	<b>-9 749</b>
<b>Potential gain/(loss)</b>	<b>-1 042</b>	<b>988</b>	<b>-930</b>	<b>513</b>

As of 31.12.2017 the Group outstanding contracts to sell a total amount of EUR 12 million at an average rate of EUR/NOK 9.28 during 2018, and the total net carrying amount of these contracts was negative NOK 7.4 million. Any increase in the EUR/NOK rate by 2% would increase the negative value of these contracts by approx. NOK 2.4 million. As of 31.12.2016 the Group had outstanding contracts to sell a total amount of EUR 10 million at an average rate of EUR/NOK 9.17 during 2017, and the total net carrying amount of these contracts was positive NOK 54k. These contracts are classified as non-designated foreign currency derivatives.

The Group's exposure to foreign currency changes for all other currencies is not material.

### 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 cash flow forecasts. The Group had cash and cash equivalents of NOK 85.3 million at 31 December 2017 (2016: NOK 89.4 million). Based on the current cash position, the Group assesses the liquidity risk to be low.

Year ended 31.12.2017 (NOK 000's)	Less than 3				Total
	months	3 - 12 months	1 - 5 years	> 5 years	
Trade Payables	48 790	-	-	-	48 790
Other Payables	47 032	-	-	-	47 032
<b>Total</b>	<b>95 822</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95 822</b>

Year ended 31.12.2016 (NOK 000's)	Less than 3				Total
	months	3 - 12 months	1 - 5 years	> 5 years	
Trade Payables	37 459	-	-	-	37 459
Other Payables	38 937	-	-	-	38 937
<b>Total</b>	<b>76 396</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76 396</b>

## Note 15 Financial risk management objectives and policies *continued*

### Capital management

The primary objective of the Group's capital management is to ensure that the Company maintains a solid capital structure enabling it to develop and build its business to maximise shareholder value. The Group's objective is to maintain a balance of financial assets that reflects the cash requirement of its operations and investments for at least the next 12 - 24 months.

## Note 16 Inventories

(NOK 000's)	2017	2016
Raw materials in transit	4 736	3 857
Raw materials	6 837	47 170
Work in progress	972	1 184
Produced finished goods	10 110	27 106
<b>Total inventories</b>	<b>22 655</b>	<b>79 316</b>
<b>Cost of materials</b>	<b>62 341</b>	<b>62 299</b>

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 and other receivables

### Trade receivables

(NOK 000's)	2017	2016
Trade receivables	30 003	45 365
Provision for impairment of trade receivables	-	-
<b>Trade receivables (net)</b>	<b>30 003</b>	<b>45 365</b>

Trade receivables are non-interestbearing and are generally on terms of 15 to 45 days.

As at 31 December 2017, 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
2017	30 003	21 454	6 826	45	0	1 678
2016	45 365	43 452	116	509	1 288	0

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

### Other receivables

(NOK 000's)	2017	2016
VAT receivable	5 495	3 858
Prepayments	13 923	7 351
Other	624	635
<b>Total other receivables</b>	<b>20 042</b>	<b>11 844</b>



**Note 18: Cash and cash equivalents**

(NOK 000's)	2017	2016
Cash at bank and in hand	69 383	86 440
Restricted cash	15 953	3 000
<b>Cash and cash equivalents</b>	<b>85 336</b>	<b>89 440</b>

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

The restricted bank account (amount held in escrow) of NOK 16.0 million at 31.12.17 relates to the sale of the CMO and opioids business. The restricted cash of NOK 3.0 million at 31.12.16 related to employees withholding taxes.

The Group has a guarantee of NOK 6.5 million provided by Nordea for employees withholding taxes.

**Note 19 Issued shares and share capital**

The Company's registered share capital is NOK 17,054,935 divided into 17,054,935 shares. The share capital is fully paid. All shares have the same rights.

	Number of shares (thousands)	Share capital (NOK 000's)
<b>At 31 December 2016</b>	<b>17 055</b>	<b>17 055</b>
At 1 Januar 2017	17 055	17 055
<b>At 31 December 2017</b>	<b>17 055</b>	<b>17 055</b>

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

20 largest shareholders as registered on 31 December 2017:

Name	Note	Total no of shares	Ownership share
STATE STREET BANK		2 348 717	13,8 %
STRATA MARINE & OFFSHORE	1	1 965 943	11,5 %
STOREBRAND VEKST		965 410	5,7 %
MP PENSJON		877 870	5,1 %
HOLMEN SPESIALFOND		840 000	4,9 %
SKANDINAVISKE ENSKILDA		839 352	4,9 %
FERNCLIFF LISTED DAI	1	582 282	3,4 %
TVENGE TORSTEIN INGVALD		510 000	3,0 %
SPETALEN ØYSTEIN STRAY	2	323 650	1,9 %
SVENSKA HANDELSBANKEN		270 000	1,6 %
DEUTSCHE BANK		250 635	1,5 %
DANSKE BANK		220 581	1,3 %
NORDBY KJELL ERIK	3	200 000	1,2 %
GRANT INVEST AS		184 407	1,1 %
FRATERNITAS A/S		162 500	1,0 %
DUKAT AS		161 896	0,9 %
STAAVI TOM RAGNAR PRESTEGÅRD		160 000	0,9 %
SUBSTANSJAKTEN AS		155 000	0,9 %
MALISE AS		151 750	0,9 %
CAMACA AS		150 000	0,9 %
OTHER SHAREHOLDERS		5 734 942	33,6 %
		<b>17 054 935</b>	<b>100,0 %</b>

**Note 19 Issued shares and share capital *continued***

Shares owned by the Board of Directors and management as of 31 December 2017:

STRATA MARINE & OFFSHORE (1)	2 348 717
FERNCLIFF LISTED DAI (1)	582 282
SPETALEN ØYSTEIN STRAY (2)	323 650
NORDBY KJELL ERIK (3)	200 000
ENGER OLE (4)	141 471
MANUM GUNNAR (5)	104 887
VOLD VALBORG GODAL (6)	100 000
AS FERNCLIFF (1)	99 225
HEGGEM VEGARD (7)	17 360

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

**Note 20 Other payables**

(NOK 000's)	2017	2016
Withholding tax	2 331	5 039
Social security taxes	1 476	2 593
Allowance for holiday pay	15 228	19 211
Accrued expenses	16 904	12 062
Provision for warranty claim	1 000	-
Other liabilities	10 093	32
<b>Total other payables</b>	<b>47 032</b>	<b>38 937</b>

**Note 21 Borrowings**

The Company had no interest bearing debt as of 31 December 2017 (2016: 0).

## Note 22 Commitments and contingencies

### Operating lease commitments

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 2017	(NOK 000's)
Next 1 year	1 095
1 to 5 years	385
After 5 years	-
<b>Future minimum lease payments</b>	<b>1 479</b>

Lease commitments at 31 December 2016	(NOK 000's)
Next 1 year	1 761
1 to 5 years	4 703
After 5 years	-
<b>Future minimum lease payments</b>	<b>6 464</b>

Total lease payments recognised as an expense in 2017 amounted to NOK 1.2 million.

### Contingencies

Under the terms of the sales contract with TPI Enterprises ("TPI") for the sale of the CMO and opioids business, Vistin Pharma has provided customary warranties to the buyer, generally limited to 25% of the sales price, and a with general warranty period expiring in March 2019. An extended warranty period of 5 years from closing of the transaction applies for environmental matters, limited to NOK 20 million. In November 2017, Vistin Pharma received a notice of warranty claims from TPI related to the sale of the CMO and opioids business. Vistin Pharma has rejected these claims in their entirety, but has also in accordance with general accepted accounting principles taken a provision of NOK 1 million with respect thereto. While Vistin Pharma will vigorously defend its position in the matter, there can be no assurance about the final outcome of a legal process concerning the claims, if any.

## Note 23 Key management compensation

### Board of Directors remuneration

(NOK 000's)	2017		2016	
	Board fees	Other**	Board fees*	Other**
Ole Enger, Chairman	250	1 000	250	600
Kathrine Gamborg Andreassen (former Board member)	150	-	150	-
Einar J. Greve (former Board member)	150	-	150	-
Mimi K. Berdal (appointed May 2017)	-	-	-	-
Ingrid Elvira Leisner	150	-	150	-
Øystein Stray Spetalen	150	-	150	-
Espen Lia Gregoriussen (appointed October 2017)	-	-	-	-
Jørn Henning Isaksen (former Board member)	75	-	46	-
Åse Musum	75	-	46	-
<b>Total</b>	<b>1 000</b>	<b>1 000</b>	<b>942</b>	<b>600</b>

\*\* Consultant fees paid of NOK 600k (consultancy agreement for NOK 50k per month), and bonus of NOK 0.4m relating to the sale of the CMO and opioids business.

## Note 23 Key management compensation *continued*

### Executive Management remuneration

2017

(NOK 000's)	Salary	Bonus earned	Pension	Other	Total
Kjell Erik Nordby, CEO	2 344	910*	1 811	223	5 287
Gunnar Manum, CFO	1 559	490*	139	128	2 316
Hilde Merethe Hagen, VP Quality (Jan-Sep)	1 183	-	103	102	1 387
Liesl Hellstrand, VP HR (left Dec)	1 392	-	135	128	1 655
Valborg Godal Vold, COO	1 297	-	135	189	1 622
Vegard Heggem (Oct-Dec)	375	-	44	42	461
Erik Løkke-Øvre, VP Operations (Jan-Sep)	1 372	362	125	6	1 865
<b>Total Executive Management</b>	<b>9 522</b>	<b>1 762</b>	<b>2 492</b>	<b>818</b>	<b>14 594</b>

\* Bonus earned in relation to the sale of the CMO and opioids business.

2016

(NOK 000's)	Salary	Bonus earned	Pension	Other	Total
Kjell Erik Nordby, CEO	2 344	-	1 742	216	4 302
Gunnar Manum, CFO	1 541	-	120	129	1 791
Hilde Merethe Hagen, VP Quality	1 524	-	115	131	1 771
Liesl Hellstrand, VP HR	1 374	-	116	129	1 619
Valborg Godal Vold, VP Sales and Marketing	1 286	-	116	178	1 580
Gitte Jensen Wegge, VP Operations (Jan-Sep)	977	-	86	107	1 169
Erik Løkke-Øvre, VP Operations (Oct-Dec)	450	-	31	3	484
<b>Total Executive Management</b>	<b>9 496</b>	<b>-</b>	<b>2 325</b>	<b>894</b>	<b>12 715</b>

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 24 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.

Vistin Pharma Group is listed on Oslo Axess. The Group's ultimate parent is Vistin Pharma ASA. The subsidiaries are listed in note 24. 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

See note 23 for more information on remuneration to management and the board.

## Note 25 List of subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Country of incorporation	Main operations	Ownership interest	
			2017	Voting power 2017
Vistin Pharma AS	Norway	Pharmaceutical products	100 %	100 %

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



## Note 26 Events after the reporting period

On 16 March 2018, the Company announced that it would establish a new business area within energy trading. To finance the new business activity the Company completed a private placement on 22 March 2018 raising NOK 300 million in gross proceeds through the allocation of 26,785,715 new shares at a price of NOK 11.20 per share. The Board of Directors intends for the Company to carry out a subsequent repair offering of up to 4,464,286 new shares. The subscription price in the repair offering will be the same as in the Private Placement, i.e. NOK 11.20 per share.

Completion of the private placement is subject to the adoption of the relevant corporate resolutions of the Company required to implement the share issue, including the annual general meeting's resolution to approve the subsequent repair offering and the proposed amendment of the articles of association to include the new energy trading business.

In connection with the establishment of the energy trading business and the private placement, the two persons to be initially employed by the new unit be awarded 4 million share options in total at a strike price of NOK 11.20. The options program is subject to approval on the annual general meeting.

In 2016, the Group announced the plan to invest NOK 120 million in a new production line to expand the metformin HCl capacity by an additional 3,000MT. However, in January 2018, Vistin Pharma announced the decision to postpone the execution of the new production line until sales contracts for a larger part of the expanded production volume is secured. This in order to reduce the financial risk related to the investment.

# VISTIN PHARMA ASA - FINANCIAL STATEMENTS AND NOTES

## Statement of Comprehensive Income

For the year ended 31 December

(NOK 000's)	Note	2017	2016
Other income	3	83 117	-
<b>Total operating income</b>		<b>83 117</b>	<b>-</b>
Payroll and payroll related costs	4	1 816	1 775
Other operating costs	5	964	1 068
<b>Operating profit/(loss)</b>		<b>80 337</b>	<b>-2 843</b>
Finance income	6,8	6 261	7 277
Finance costs	6	4	1
<b>Profit/(loss) before tax</b>		<b>86 594</b>	<b>4 433</b>
Income tax expense	7	834	1 108
<b>Profit/(loss) for the year</b>		<b>85 760</b>	<b>3 325</b>
<b>Total comprehensive income</b>		<b>85 760</b>	<b>3 325</b>

# Statement of Financial Position

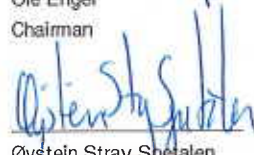
As at 31 December

(NOK 000's)	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	8	7 601	4 722
Group interest-bearing receivables	8	72 024	140 750
Deferred tax assets	7	-	-
<b>Total non-current assets</b>		<b>79 625</b>	<b>145 472</b>
<b>Current assets</b>			
Intercompany receivables	8	4 431	-
Other receivables		7 118	-
Cash and cash equivalents	10	41 365	20 203
<b>Total current assets</b>		<b>52 914</b>	<b>20 203</b>
<b>Total assets</b>		<b>132 539</b>	<b>165 675</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	17 055	17 055
Share premium		1 074	137 514
Retained earnings		94 803	9 043
<b>Total equity</b>		<b>112 932</b>	<b>163 612</b>
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Current liabilities</b>			
Intercompany payables		7 577	-
Income tax payable	7	-	1 098
Other current liabilities		12 032	966
<b>Total current liabilities</b>		<b>19 609</b>	<b>2 064</b>
<b>Total liabilities</b>		<b>19 609</b>	<b>2 064</b>
<b>Total equity and liabilities</b>		<b>132 540</b>	<b>165 675</b>

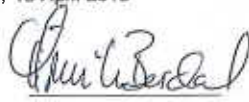
Oslo, 13 April 2018



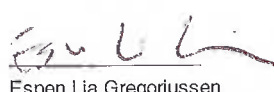
Ole Enger  
Chairman



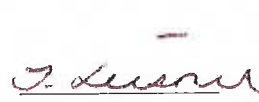
Øystein Stray Spetalen  
Board member



Mimi K. Berdal  
Board member



Espen Lia Gregorussen  
Board member



Ingrid Elvira Leisner  
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			
	Share capital	Share premium	Retained earnings	Total
<b>Equity as at 01.01.2016</b>	<b>17 055</b>	<b>147 747</b>	<b>5 718</b>	<b>170 520</b>
Profit ( loss ) for the year			3 325	3 325
Total comprehensive income			3 325	3 325
Total issue of share capital				
Share-based payment				
Capital decrease (par value write-down)				
Distribution of paid-in capital		-10 233		-10 233
<b>Equity as at 31.12.2016</b>	<b>17 055</b>	<b>137 514</b>	<b>9 043</b>	<b>163 612</b>
<b>Equity as at 01.01.2017</b>	<b>17 055</b>	<b>137 514</b>	<b>9 043</b>	<b>163 612</b>
Profit ( loss ) for the year			85 760	85 760
Total comprehensive income			85 760	85 760
Distribution of paid-in capital		-136 440		-136 440
<b>Equity as at 31.12.2017</b>	<b>17 055</b>	<b>1 074</b>	<b>94 803</b>	<b>112 932</b>

## Statement of Cash flows

For the year ended 31 December

(NOK 000's)	Note	2017	2016
<b>Cash flow from operating activities</b>			
Profit before income tax		86 594	4 433
Adjustments to reconcile profit before tax to net cash flow:			
Gain on sale of subsidiary		-83 117	-
Net interest (income)/expense	6	-6 257	-7 276
Changes in working capital:			
Changes in other payables, receivables, accruals		-3 077	3 994
<b>Net cash flow from operating activities</b>		<b>-5 857</b>	<b>1 151</b>
<b>Cash flow from investing activities</b>			
Investment in subsidiaries		-15	-
Net proceeds from sale of subsidiary	8	89 590	-
Repayment of loan from subsidiary	8	68 726	-
Interest received	6	6 261	7 277
Income tax paid		-1 098	-
<b>Net cash flow from investing activities</b>		<b>163 464</b>	<b>7 277</b>
<b>Cash flow from financing activities</b>			
Repayment of capital		-136 440	-10 233
Interest paid	6	-4	-1
<b>Net cash flow from financing activities</b>		<b>-136 444</b>	<b>-10 234</b>
<b>Net change in cash and cash equivalents</b>		<b>21 163</b>	<b>-1 806</b>
Cash and cash equivalents beginning period		20 203	22 010
<b>Cash and cash equivalents end period</b>	10	<b>41 365</b>	<b>20 203</b>

# 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 Axess in Norway under the ticker VISTIN.

The financial statements were approved for release by the Board of Directors on 25 April 2017.

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 recognised under impairment in the income statement.

### Segment reporting

Vistin Pharma's activities are currently organised 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)	2017	2016
Other income	83 117	-
<b>Total</b>	<b>83 117</b>	<b>-</b>

On 2 October 2017 the CMO and opioids businesses of the wholly owned subsidiary Vistin Pharma AS, were demerged into a newly established company, TPI Norway AS, which shares were also wholly owned by the Company. The shares of TPI Norway were subsequently sold to TPI Enterprises Limited for a total final purchase consideration of NOK 165.8 million, which resulted in a net gain of NOK 83.1 million.

### Note 4 Payroll and payroll related costs

(NOK 000's)	2017	2016
Salaries	-	-
Other payroll costs	1 816	1 775
<b>Total payroll and payroll related costs</b>	<b>1 816</b>	<b>1 775</b>
<b>Average number of man-years:</b>	<b>-</b>	<b>-</b>

The Company has no employees as at 31 December 2017 (2016: 0). Other payroll costs relate to board fees and a monthly consultant fee to the Chairman of the Board (consultancy agreement for NOK 50k per month).

### Note 5 Other operating costs

(NOK 000's)	2017	2016
External fees	151	956
Other operating expenses	813	112
<b>Other operating expenses</b>	<b>964</b>	<b>1 068</b>

#### Remuneration to the Auditors

(NOK 000's)	2017	2016
Statutory audit	151	141
Other assurance services	57	80
Tax advisory services	-	20
<b>Total remuneration to auditors</b>	<b>208</b>	<b>241</b>

All fees are exclusive of VAT



## Note 6 Financial items

(NOK 000's)	2017	2016
Interest income from bank deposits	14	15
Interest income from group companies	6 247	7 262
<b>Total finance income</b>	<b>6 261</b>	<b>7 277</b>
Other interest expenses	4	1
<b>Total finance costs</b>	<b>4</b>	<b>1</b>
<b>Net finance</b>	<b>6 257</b>	<b>7 276</b>

## Note 7 Tax

*Income tax calculation:*

(NOK 000's)	2017	2016
Profit before taxes	86 594	4 433
Permanent differences	-83 117	
Changes in temporary differences	-	-40
Permanent differences recognised to equity	-	-
<b>Basis for income tax</b>	<b>3 477</b>	<b>4 393</b>
Income tax payable	834	1 098
Tax effect of change in net deferred income tax liability/asset	-	10
Tax effect tax rate reduction	-	-
<b>Income tax expense</b>	<b>834</b>	<b>1 108</b>

*Reconciliation of income tax*

(NOK 000's)	2017	2016
Tax assessed at the expected tax rate	20 783	1 108
Permanent differences	-19 948	
Effect of change in tax rate	-	-
<b>Income tax</b>	<b>834</b>	<b>1 108</b>

*Temporary differences*

(NOK 000's)	2017	2016
Losses carried forward	-	-
<b>Net income tax reduction temporary differences</b>	<b>-</b>	<b>-</b>
<b>Net deferred tax asset</b>	<b>-</b>	<b>-</b>

## Note 8 Investment in group companies

2017							
(NOK 000's)	Registered office	Share capital	Ownership interest 2017	Voting rights 2017	Carrying amount	Result 2017	Equity 2017
Vistin Pharma AS	Oslo, Norway	NOK	100 %	100 %	7 601	-6 310	14 672

2016							
(NOK 000's)	Registered office	Share capital	Ownership interest 2016	Voting rights 2016	Carrying amount	Result 2016	Equity 2016
Vistin Pharma AS	Oslo, Norway	NOK	100 %	100 %	4 722	9 593	27 719

## Transactions between related parties

2017						
(NOK 000's)		Long term receivables to subsidiaries	Short term receivables to subsidiaries	Interest income from subsidiaries	Group contribution receivable	Group contribution payable
Vistin Pharma AS		72 024	4 431	8 247	-	-
<b>Total</b>		<b>72 024</b>	<b>4 431</b>	<b>8 247</b>	<b>-</b>	<b>-</b>

2016						
(NOK 000's)		Long term receivables to subsidiaries	Short term receivables to subsidiaries	Interest income from subsidiaries	Group contribution receivable	Group contribution payable
Vistin Pharma AS		140 750	-	7 262	-	-
<b>Total</b>		<b>140 750</b>	<b>-</b>	<b>7 262</b>	<b>-</b>	<b>-</b>

The loan to Vistin Pharma AS carries an annual interest rate of 3 months NIBOR + 4%, to be paid quarterly in arrears.

The Chairman of the Board has a consultant agreement with the Company, which entitles him to NOK 50k per month, ref. Note 4.

## Note 9 Financial assets and liabilities by category

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:

(NOK 000's)	Category	Fair value level	Carrying amount 2017	Carrying amount 2016	Fair value 2017	Fair value 2016
<b>Financial assets</b>						
Group interest-bearing receivables	Loans and receivables	3	72 024	140 750	72 024	140 750
Intercompany receivables	Loans and receivables	3	4 431	-	4 431	-
Other receivables	Loans and receivables	3	7 118	-	6 494	-
Cash and cash deposits	Loans and receivables	3	41 365	20 203	41 365	20 203
<b>Total</b>			<b>140 891</b>	<b>160 953</b>	<b>140 267</b>	<b>160 953</b>
<b>Financial liabilities</b>						
Intercompany payables	Other financial liabilities at amortised cost	3	7 577	-	7 577	-
Trade payables	Other financial liabilities at amortised cost	3	-	1 098	-	1 098
Other payables	Other financial liabilities at amortised cost	3	12 032	966	12 032	966
<b>Total</b>			<b>19 609</b>	<b>2 064</b>	<b>19 609</b>	<b>2 064</b>

The financial assets principally consist of cash and cash equivalents obtained through equity issues, and intercompany loans and receivables.

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

- Cash and bank deposits, trade and other current receivables and trade and other current payables approximate their carrying amounts due to the short-terms maturities of these instruments.

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 affect 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

## Note 10: Cash and cash equivalents

(NOK 000's)	2017	2016
Cash at banks	25 412	20 203
Restricted cash	15 953	-
<b>Total</b>	<b>41 365</b>	<b>20 203</b>

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

The Company has a restricted bank account (amount held in escrow) of NOK 16.0 million relating to the sale of TPI Norway AS, a company demerged from the wholly owned subsidiary Vistin Pharma AS during 2017.

## Note 11 Issued shares and share capital

The Company's registered share capital is NOK 17,054,935 divided into 17,054,935 shares. The share capital is fully paid. All shares have the same rights.

	Number of shares (thousands)	Share capital (NOK 000's)
<b>At 31 December 2016</b>	<b>17 055</b>	<b>17 055</b>
At 1 Januar 2017	17 055	17 055
<b>At 31 December 2017</b>	<b>17 055</b>	<b>17 055</b>

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

20 largest shareholders as registered on 31 December 2017:

Name	Note	Total no of shares	Ownership share
STATE STREET BANK		2 348 717	13,8 %
STRATA MARINE & OFFSHORE	1	1 965 943	11,5 %
STOREBRAND VEKST		965 410	5,7 %
MP PENSJON		877 870	5,1 %
HOLMEN SPESIALFOND		840 000	4,9 %
SKANDINAVISKE ENSKILDA		839 352	4,9 %
FERNCLIFF LISTED DAI	1	582 282	3,4 %
TVENGE TORSTEIN INGVALD		510 000	3,0 %
SPETALEN ØYSTEIN STRAY	2	323 650	1,9 %
SVENSKA HANDELSBANKEN		270 000	1,6 %
DEUTSCHE BANK		250 635	1,5 %
DANSKE BANK		220 581	1,3 %
NORDBY KJELL ERIK	3	200 000	1,2 %
GRANT INVEST AS		184 407	1,1 %
FRATERNITAS A/S		162 500	1,0 %
DUKAT AS		161 896	0,9 %
STAAVI TOM RAGNAR PRESTEGÅRD		160 000	0,9 %
SUBSTANSJAKTEN AS		155 000	0,9 %
MALISE AS		151 750	0,9 %
CAMACA AS		150 000	0,9 %
OTHER SHAREHOLDERS		5 734 942	33,6 %
		<b>17 054 935</b>	<b>100,0 %</b>

Shares owned by the Board of Directors and management as of 31 December 2017:

STRATA MARINE & OFFSHORE (1)	2 348 717
FERNCLIFF LISTED DAI (1)	582 282
SPETALEN ØYSTEIN STRAY (2)	323 650
NORDBY KJELL ERIK (3)	200 000
ENGER OLE (4)	141 471
MANUM GUNNAR (5)	104 887
VOLD VALBORG GODAL (6)	100 000
AS FERNCLIFF (1)	99 225
HEGGEM VEGARD (7)	17 360

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



## Note 12 Events after the reporting period

On 16 March 2018, the Company announced that it would establish a new business area within energy trading. To finance the new business activity the Company completed a private placement on 22 March 2018 raising NOK 300 million in gross proceeds through the allocation of 26,785,715 new shares at a price of NOK 11.20 per share. The Board of Directors intends for the Company to carry out a subsequent repair offering of up to 4,464,286 new shares. The subscription price in the repair offering will be the same as in the Private Placement, i.e. NOK 11.20 per share.

Completion of the private placement is subject to the adoption of the relevant corporate resolutions of the Company required to implement the share issue, including the annual general meeting's resolution to approve the subsequent repair offering and the proposed amendment of the articles of association to include the new energy trading business.

In connection with the establishment of the energy trading business and the private placement, the two persons to be initially employed by the new unit be awarded 4 million share options in total at a strike price of NOK 11.20. The options program is subject to approval on the annual general meeting.

## 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 APIs for the international pharmaceutical market and for the new energy trading business to be established. 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 Ingrid Elvira Leisner. 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 organisational 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](http://www.vistin.com).

## Note 13: Statement regarding the determination of salary and other remuneration to Executive Management *continued*

### **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 the 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. A separate bonus plan will be established for the new energy trading business, where 10% of the net profit before tax from this activity will be allocated to the employees of this activity.

#### *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*

The Company does not currently have a share based incentive plan, but a share option plan related to the new energy trading business will be established provided the new business area is approved at the annual general meeting for 2018. Under this share option plan the two employees of the energy trading business will be granted a total of 1,705,492 share options at the commencement of their employment at a strike price of NOK 11.20. These employees will be allocated further share options equal to 10% of the number of new shares being issued in connection with share issues, which are settled in cash, but excluding those issued on exercise of share options to employees. The strike price will be equal to the subscription price in the share issue. The maximum amount of share options that can be issued is 4,000,000, including the initial grant. Share options granted may be exercised after two, three and four years after the date of the grant, in equal parts. Share options in additions to those listed above may be granted as part of any recruitment of potential additional employees for the energy trading business. Should such options be granted the strike price would be equal to the share price on the date of the grant.

#### *Remuneration policy in the preceding financial year (2017)*

The management remuneration policy in the preceding financial year has been conducted in accordance with the prevailing principles for 2018, with the exception of the items noted above.

# Auditor's report



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## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Vistin Pharma ASA

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Vistin Pharma ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2017, the income statement, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2017, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations;
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.





### Valuation of inventories

At 31 December 2017 inventories amounted to NOK 22.7 million, 10 % of total assets. These inventories mainly consist of raw materials and finished goods. Inventories are stated at the lower of cost and net realizable value. The cost of finished goods comprises materials, direct labor, other direct costs and allocation of related production overheads. The allocation of direct and indirect costs and the assessment of the net realizable value are significantly impacted by management's assumptions. Due to management's estimates and its significance, valuation of inventories is a key audit matter.

We assessed the cost of inventories including comparing the costs of raw materials to a sample invoices, evaluating the allocation of labor cost and indirect cost, and recalculating the cost prices for a sample of units. We assessed the allocation keys used for the allocation of production overheads. For evaluation of net realizable valuation we performed margin analysis subsequent of year-end, analyzed the inventory turnover and compared that to management's estimates on obsolete inventories and tested the accuracy of management's prior year assumptions.

We refer to note 16 in the consolidated financial statements related to inventories.

### Accounting for discontinued operations

As described in Note 11 discontinued operations, the Company divested its CMO and opioids business in 2017. The divestment was completed on 2 October 2017 after a demerger of the subsidiary Vistin Pharma AS and sale of the demerged shares. The Company accounted for the divestment as a discontinued operations and this had a significant effect on the financial statements presentation. Subsequent to the completion of the divestment the Company has received a notice of warranty claims from the buyer. Due to the transaction's significance and complexity, and the uncertainties related to the warranty claims this was a key audit matter.

Our audit procedures included an assessment of whether the accounting treatment was consistent with the requirements of IFRS and the share purchase agreement. We obtained an understanding of the conditions and warranties in the share purchase agreement and inquired management about potential claims related to the divestment. We recalculated the transaction gain, including the tax impact. We also evaluated the allocation of results between continuing and discontinuing operations. We assessed management's estimates and judgements related to the accounting impact of the warranty claims made by the buyer and the evaluated the legal letter provided by management's external legal counsel.

### Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the





going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Report on other legal and regulatory requirements

### Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

### Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 13 April 2018  
ERNST & YOUNG AS

  
Erik Søreng  
State Authorised Public Accountant (Norway)





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