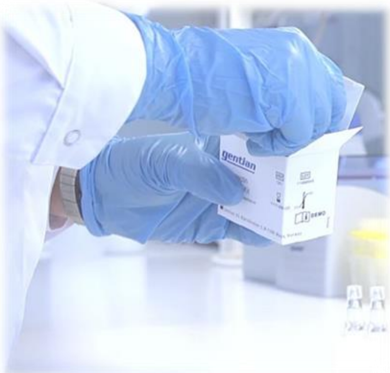
Annual Report

2018





GENTIAN DIAGNOSTICS AS
DIRECTORS REPORT
2018

Overview

Gentian Diagnostics AS is the mother company in the Gentian Group consisting of the subsidiaries Gentian AS, Gentian USA Inc, Gentian Diagnostics AB and PreTect AS. The Group develops and produces in-vitro diagnostic tests (IVD tests) for the use in medical diagnostics and research.

The shares of Gentian Diagnostics AS is traded on Merkur Market at Oslo Børs under the symbol "GENT-ME"

Gentian's headquarters are located in Moss and the Group also have a representative office in China, and distribution companies in Sweden and USA.

Gentian designs, develops and markets in vitro diagnostic reagents (IVD) based on its proprietary Nanosense™ technology. Through in-depth research into Particle-Enhanced Turbidimetric Immunoassays (PETIA), Gentian developed Nanosense™. Nanosense™ is our proprietary antibody and nanoparticle-based technology. This technology creates highly sensitive Particle-Enhanced Turbidimetric Immunoassays (PETIA) and has been used in most of our products to date. The goal is to offer efficient and accurate reagents within the areas of kidney disease, cardiac disease, inflammation and veterinary medicine. The Nanosense™ technology will enable users to move assays from low volume immunology platforms to fully automated, high throughput instruments with shorter turnaround times, better workflow and improved cost efficiency.

PreTect AS develops and manufactures molecular diagnostic tests to detect oncogenic activity in cervical samples. The products PreTect SEE and PreTect HPV Proofer contribute to earlier detection of cervical cancers.

The Group's operations are primarily conducted the locations at Bjørnåsveien 5 in Moss and Industriveien 8 in Hurum.

Group Results

The Group accounts are made up in accordance with IFRS.

Total revenues in 2018 was MNOK 52,0 versus MNOK 35,0 in 2017. Net loss for 2018 was MNOK 19,8, versus a net loss of MNOK 15,1 in 2017.

Total research and development spending in 2018 was MNOK 19,1 of which MNOK 5,2 is activated and the remaining MNOK 13,9 treated as operating expenses in the profit and loss statement.

Cash flow from operations for the group was MNOK – 10,9, while the operating loss for the group totaled MNOK -19,8. The difference between operating cashflow and the operating loss is primarily due to depreciation, impairment of goodwill and timing differences.

Liquidity totaled MNOK 198,6 per 31.12.2018, which is satisfactory.

The Group has made one share issue in the mother company in 2018. Total equity was increased by MNOK 69,8, and the use of proceeds are for general corporate purposes.

Total assets per 31.12.2018 was MNOK 258,0.

Company Results

Net loss was MNOK 2,9. Total assets per 31.12.2018 was MNOK 304,3 compared to MNOK 248,8 per 31.12.2017. Equity ratio (equity over total assets) per 31.12.2017 was 97,3 %. The liquidity situation is satisfactory.

The board believes the annual accounts give a true and fair view of the assets, liabilities, financial position and result.

Going Concern

The Board confirms, in accordance with the accounting act § 3-3a that the financial statements are prepared on the basis of a going concern.

Events after the balance sheet date

There have not been any significant events since the balance sheet date.

Outlook

For Cystatin C the company expects continued growth, primarily driven by increased demand in China and an increased focus on the US market. The company expects continued sales growth in Europe for fCAL®turbo.

The market development efforts for calprotectin as a biomarker for severe infections, sepsis and rheumatoid arthritis will continue with presentations at scientific congresses and articles in international journals. In addition, the company will intensify its efforts to engage with key opinion leaders.

Within R&D, Gentian expects to achieve the validation phase for Fecal Pancreatic Elastase with the aim to launch in 2020. The development of G-1001 is on track for launch in 2021. Gentian is preparing for a new Proof of Concept within 2019.

Working environment and equal opportunities

The Group is an equal opportunity employer. The Group has 44 employees, of which 32 are women. The working environment is good. As of 31.12.2018, The Board of Directors has 6 members of which 4 are men and 2 are women.

The Group has not experienced any significant absence during the year.

Gentian Diagnostics AS has no employees and purchases services when needed.

External environment

The Group's operations do not result in emissions or damage to the environment.

Moss, 8. May 2019

for Gentian Diagnostics AS

Kari E. Krogstad Board member	Tomas Settevik Chairman	Espen Tidemann Jørgensen Board member
Bendik Sundrehagen Board member	Ingrid Teigland Akay Board member	Henrik Krefting Board member
		Hilja Ibert CEO

GENTIAN DIAGNOSTICS AS

Consolidated Annual Accounts

2018

Gentian Diagnostics AS - Group

Statement of Comprehensive Income - Group

	Note	2018	2017
Sales revenue	6	39 911 903	27 941 064
Other operating revenue	6/13	12 108 251	7 047 895
Total operating revenue		**52 020 154**	**34 988 959**
Cost of goods sold	8	-8 968 837	-7 262 695
Employee benefit expenses	9	-33 836 047	-24 386 402
Depreciation and amortisation	16/17	-3 897 032	-3 015 537
Impairment of Goodwill	17	-5 040 382	-
Other operating expenses	10	-20 963 797	-16 525 845
Total operating expenses		**-72 706 095**	**-51 190 479**
Operating result		**-20 685 942**	**-16 201 520**
Finance income	14	1 295 945	1 468 233
Finance cost	14	-344 676	-403 749
Net financial items		**951 269**	**1 064 484**
Net result before taxes		-19 734 672	-15 137 036
Income tax expense	15	-63 682	-32 870
Net result		**-19 798 354**	**-15 169 906**
Other comprehensive income			
Exchange differences		235	35 018
Total other comprehensive income		**235**	**35 018**
Total comprehensive income for the year		**-19 798 119**	**-15 134 888**
Earnings per share			
Basic EPS from net profit/loss		-1,29	-1,08
Diluted EPS from net profit/loss		-1,29	-1,08

Statement of Financial Position - Group as of 31.12

	Note	2018	2017
Assets			
Non-current assets			
Goodwill	**17/27**	-	5 040 382
Intangible assets	**17**	27 574 214	24 957 496
Property, plant and equipment	**16**	4 736 483	5 096 925
Other financial assets	**21**	329 256	1 948 509
Total non-current assets		**32 639 953**	**37 043 312**
Current assets			
Inventory	**19**	13 097 975	11 092 093
Accounts receivables and other receivables	**20**	13 936 982	12 091 814
Cash and cash equivalents	**21**	198 305 009	145 002 752
Total current assets		**225 339 967**	**168 186 658**
Total assets		**257 979 919**	**205 229 970**

Gentian Diagnostics AS - Group

Statement of Financial Position - Group as of 31.12

Equity and Liabilities	Note	2018	2017
Paid-in equity			
Share capital	**22**	1 539 592	1 399 629
Share premium	**22**	292 521 992	224 142 533
Other paid-in equity		2 161 990	1 467 131
Total paid-in equity		**296 223 574**	**227 009 293**
Retained earnings			
Retained earnings		-50 350 335	-30 533 929
Total retained equity		**-50 350 335**	**-30 533 929**
Total equity		**245 873 239**	**196 475 364**
Liabilities			
Financial leasing	**23**	697 996	466 146
Total long term liabilities		**697 996**	**466 146**
Short term liabilities			
Accounts payables and other current liabilities	**24**	11 408 684	8 288 440
Total short term liabilities		**11 408 684**	**8 288 440**
Total liabilities		**12 106 680**	**8 754 586**
Total equity and liabilities		**257 979 919**	**205 229 950**

Moss, 8. May 2019
for Gentian Diagnostics AS

Kari E. Krogstad Board member	Tomas Settevik Chairman	Espen Tidemann Jørgensen Board member
Bendik Sundrehagen Board member	Ingrid Teigland Akay Board member	Henrik Krefting Board member
		Hilja Ibert CEO

Gentian Diagnostics AS - Group

Statement of changes in equity

	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 01.01.2017		**1 113 915**	**128 359 331**	**1 467 131**	**-15 399 041**	**115 541 336**
Net result for the year					-15 169 906	-15 169 906
Other comprehensive income					35 018	35 018
Proceeds from share issue	**22**	285 714	99 714 291			100 000 005
Cost of share issue			-3 931 089			-3 931 089
Other changes in equity						
Equity at 31.12.2017		**1 399 629**	**224 142 533**	**1 467 131**	**-30 533 929**	**196 475 364**

	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 01.01.2018		**1 399 629**	**224 142 533**	**1 467 131**	**-30 533 929**	**196 475 364**
Net result for the year					-19 798 354	-19 798 354
Other comprehensive income					235	235
Proceeds from share issue	**22**	139 963	69 841 437			69 981 400
Cost of share issue	**22**		-1 461 978			-1 461 978
Share based payments				694 859		694 859
Other changes in equity					-18 287	-18 287
Equity at 31.12.2018		**1 539 592**	**292 521 992**	**2 161 990**	**-50 350 335**	**245 873 239**

Cash Flow Statement

	Note	2018	2017
Operating activities			
Net profit (loss)		-19 798 354	-15 169 906
Depreciation and amortisation	**16/17**	3 897 032	3 015 537
Impairment of Goodwill	**17**	5 040 382	-
Change in inventory	**19**	-2 005 883	-3 545 678
Change in accounts receivables	**20**	-2 476 050	-3 953 794
Change in accounts payables	**24**	-253 312	29 248
Change in other assets and liabilities		4 699 532	991 708
Net cash flow from operating activities		**-10 896 653**	**-18 632 886**
Investing activities			
Payments of property, plant and equipment	**16**	-988 630	-1 374 802
Investment in intangible assets	**17**	-5 164 678	-5 534 040
Other changes financial assets	**17**		
Investment in other companies			
Net cash flow from investing activities		**-6 153 308**	**-6 908 842**
Financing activities			
New debt	**23**	379 240	466 146
Loan instalments	**23**	-147 390	-
Proceeds from issue of share capital	**22**	68 519 422	96 068 916
Net cash flow from financing activities		**68 751 272**	**96 535 062**
Net change in cash and cash equivalents		**51 701 311**	**70 993 334**
Cash and cash equivalents at beginning of period		146 951 261	75 957 906
Effect of currency translation of cash and cash equivalents		-18 307	20
Net cash and cash equivalents at period end		**198 634 265**	**146 951 261**

Notes to the consolidated financial statements 2018

Note 1 - General Information
Gentian Diagnostics AS is registered in Norway, and listed at Merkur Market on Oslo Børs. The company's headquarters are located in Bjørnåsveien 5, 1596 Moss, Norway. The company is a research and development based company that develops and manufactures biochemical reagents for use in medical diagnostics and research. The customers are medical laboratories and universities worldwide. The group consists of the parent company Gentian Diagnostics AS and the two wholly owned subsidiaries Gentian AS and Pretect AS.
In addition, Gentian AS has a wholly owned subsidiary, registered in Florida, USA, named Gentian USA Inc, and a wholly-owned subsidiary in Sweden, Gentian Diagnostics AB.

The annual accounts were approved for publication by the Board on 08.05.2019.

Note 2 - Summary of the most important accounting principles

2.1 Basis for preperation of the annual accounts
The company issues the consolidated financial statements in accordance with international standards for financial reporting (IFRS) as determined by the EU, and additional disclosure requirement in the Norwegian Accounting Act.

The consolidated financial statements are based on the historical cost principle.

The preparation of accounts in accordance with IFRS requires the use of estimates. Furthermore, the use of the company's accounting principles requires that management must exercise judgment. Areas with a high degree of discretionary judgment, high complexity, or areas where assumptions and estimates are essential for the accounts are described in note 3.

The consolidated accounts have been prepared on the basis of going concern.

2.2 Changes in accounting principles

The following new and amended standards and interpretations have been implemented for the first time in 2018:

IFRS 15 Revenue from contracts with customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Notes to the consolidated financial statements 2018

The effect of the transition to IFRS 15 on the current period has not been disclosed as the optional practical expedient in IFRS 15.C4 has been applied. The Group did not apply any of the other available optional practical expedients. The implementation of IFRS 15 did not have any impact on previous reported statements.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied IFRS 9 retrospectively. The Group has not adjusted the comparative information for the period beginning 1 January 2017.

The implementation of IFRS 9 has not had any impact on previous reported statements.

New and changed standards not implemented by the Group
A number of new and changes in standards and interpretations are published by the IASB with effect from accounting periods beginning after January 1, 2019. None of these have been used by the company in connection with the preparation of the annual accounts for 2018. The most central new standards and changes in existing standards are:

None of these new standards or changes to existing standards are expected to cause significant changes in relation to the Gro IFRS 16 Leases

The implementation of IFRS 16 will increase tangible assets with MNOK 5.0. The yearly impact on EBITDA is estimated to MNOK 2.2.

2.3 Consolidation and business combinations
Subsidiary
When the Group has control over an investee, the investee is classified as a subsidiary. The Group controls an investee if all the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are deconsolidated from the date control ceases.

Acquisition of subsidiaries / business combinations
Purchases of companies or other activities that are considered as a business, are accounted for in accordance with the acquisition method. Acquired assets and liabilities of business combinations are capitalized at fair value at the time the group obtains control. Deferred tax is calculated on the difference between fair value and tax value of assets and liabilities.

Goodwill is calculated as the difference between net assets (fair value of assets and liabilities incl. deferred income tax) and the sum of the consideration, previous ownership interests valued at fair value and minority interest share. Minority interest is assessed either at fair value or at minority interest net assets.
When investing in affiliated companies, goodwill is included in the investment's capitalized assets value. Goodwill is recognized in the balance sheet at cost less any accumulated write-downs.

Notes to the consolidated financial statements 2018

Goodwill is not amortized but is tested at least annually for impairment. Negative goodwill is recognized at the acquisition date.

Elimination of transactions by consolidation
Intercompany transactions and intra-group transactions, including internal earnings and unrealized gains and losses have been eliminated. Unrealized gains related to transactions with affiliates are eliminated with the Group's share in the company / business. Correspondingly, unrealized losses are eliminated, but only insofar as there are no indications of impairment of the asset sold internally.

2.4 Currency
The accounts of the individual entities in the group are measured in the currency used in which the entity mainly operates (functional currency). The consolidated financial statements are presented in Norwegian kroner (NOK) which is both the functional currency of the parent company and the presentation currency of the Group.

Transactions in foreign currency are entered in the functional currency at the exchange rate at the transaction date. Monetary items in foreign currency are translated at the exchange rate on the balance sheet date. All effects of currency conversions are recognized in the income statement if they are not included as part of net investment in foreign units.

Assets and liabilities in foreign entities / units are translated into the presentation currency using the current exchange rate at the balance sheet date. Profit and loss account related to these units is translated at the average exchange rate per quarter. Translation differences arising from the translation are recognized in other income and expenses. Upon disposal of foreign operations, the accumulated amount recognized in equity is attributable to the specific business.

2.5 Segments
For management reporting purposes and due to the size of the business, the Group comprises only one segment.

2.6 Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Sale of goods
The Group recognises revenue from the sale of goods at the point in time when control of the goods is transferred to the customer. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset, and the ability to prevent others from directing the use of and receiving the benefits from the asset. Revenue is generally recognised on delivery of the goods. The normal credit term is 30 to 60 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components and consideration payable to the customer (if any).

Notes to the consolidated financial statements 2018

License revenue

Revenue from licenses is limited and is recognised as revenue upon the time the customer is granted access to use the IP.

2.7 Public grants

Public grants are recognized at fair value when there is reasonable assurance that the grant will be received and that the company will fulfill the conditions attached to the grant. The grants are recognized in the balance sheet and recognized as income in the period that best match the costs they are intended to compensate. Public grants in connection with the purchase of tangible fixed assets are recognized as a reduction in the capitalized acquisition cost, and are reflected in the result through lower annual depreciation over the expected useful life of the asset.

2.8 Lease agreements

Leases where the major part of the risk and return on ownership remains with another party, the lessor is classified as operating leases. Payments, including prepayments, under operating leases are classified as operating expenses and are recognized on a straight-line basis over the duration of the lease. Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset’s useful life or over the shorter of the asset’s useful life or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

2.9 Pension costs and bonuses for employees

The Group has a defined contribution plan for all employees in Norway. The scheme is based on a percentage of the members' salary. The Group has no further payment obligations after the deposits have been paid. Prepaid deposits are recorded as an asset to the extent that the deposit can be refunded or reduce future payments.

The group accounts for an obligation and a cost of bonuses based on an assessment of key stakeholders' goal achievement. The Group accounts for a provision in which there are contractual and probable obligations or where there is an earlier practice that creates a self-imposed obligation.

Share based payments

The Group has a share-based program for key personnel. Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date.

The long-term incentives of Gentian («LTI») consist of a share price-related option program for key personnel. Under the share option program, options may be allocated to the key personnel. The options entitle the option holder to purchase a defined number of shares to a pre-defined value after a specific period. The Company may decide settlement in cash. Settlement in shares is conditional upon an authorization from the general meeting for a share issue.

Notes to the consolidated financial statements 2018

2.10 Tangible fixed assets
The Group's long-term assets consist mainly of production equipment and fixtures. The operating assets are recognized at acquisition cost less depreciation. Acquisition costs include costs directly related to the acquisition of the asset. Subsequent expenses are added to the carrying amount of the assets or are capitalized separately when it is probable that future economic benefits associated with the expense will flow to the Group and the expense can be measured reliably. Other repair and maintenance costs are charged to the profit and loss account during the period incurred. The operating assets are depreciated using the straight-line method, so that the acquisition cost of the assets is depreciated at residual value over the expected useful life that is:

- Machinery/ equipment 10-15 years
- Vehicles 3-5 years
- Fixtures 3-8 years

The useful life of the assets, as well as residual value, are reviewed on each balance sheet date and changed if necessary. When the carrying amount of an asset is higher than the estimated recoverable amount, the value is written down to the recoverable amount. See note 2.12 in this connection.

Gains and losses on disposal are recognized in the profit and loss account and make up the difference between the selling price and the book value.

2.11 Intangible assets
Research and development, patents and licenses
Development costs on products are classified as intangible assets when it is likely that the product will provide future economic benefits. Prerequisite for capitalization is that the product can be commercialized, it is possible to use or sell the product and that the cost can be measured reliably. Other development costs are recognized in the income statement when accrued. Development costs previously expensed are not capitalized in subsequent periods. Capitalized development costs are amortized on a straight-line basis from the date of commercialization over the period expected to give economic benefits. Capitalized development costs are tested annually by indication of impairment in accordance with IAS 36.

2.12 Goodwill
Goodwill is calculated as the difference between net assets (fair value of assets and liabilities including deferred tax) and the sum of the consideration, previous ownership interests measured at fair value and the minority interest.

For subsequent impairment testing, goodwill is assigned to cash-generating units or groups of cash-generating units that are expected to receive benefits from the acquisition where goodwill occurred. Each entity or group of entities where goodwill has been allocated represents the lowest level in the entity where goodwill is followed up for internal management purposes. Goodwill is followed up for each operating segment.

Impairment is assessed annually, or more often if there are events or changed circumstances indicating a possible fall in value. The carrying amount is compared to the recoverable amount, which is the higher of value in use and fair value less sales expenses. Any impairment loss is expensed and will not be reversed in subsequent periods.

Notes to the consolidated financial statements 2018

2.13 Impairment of non-financial assets
Intangible assets with indefinite useful lives and goodwill are not amortized but tested annually for impairment. Tangible fixed assets and intangible assets depreciated are assessed for impairment when there are indicators that future earnings can not defend the asset's capitalized amount. The difference between the carrying amount and the recoverable amount is recognized as an impairment loss. The recoverable amount is the highest of fair value less sales costs and value in use. When assessing impairment, assets are grouped at the lowest level where it is possible to distinguish independent cash flows (cash-generating units). At each reporting date, the possibilities for reversal of previous write-downs on non-financial assets (except goodwill) are considered.

2.14 Financial instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied IFRS 9 retrospectively. The Group has not adjusted the comparative information for the period beginning 1 January 2017.

The implementation of IFRS 9 has not had any impact on previous reported statements.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets
The Group´s financial assets are: trade receivables and cash and cash equivalents.

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

The Group classified its financial assets in four categories (of which only “Financial assets at amortised cost” is applicable for 2018):

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Equity instruments designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition

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

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

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

Notes to the consolidated financial statements 2018

The Groups financial assets at amortised cost includes trade receivables and other short-term deposit. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

Financial liabilities
Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Derivatives are recognised initially at fair value. Loans, borrowings and payables are recognised at fair value net of directly attributable transaction costs.

Loans, borrowings and payables
Payables are measured at their nominal amount when the effect of discounting is not material.

2.15 Classification of assets and liabilities
Current assets and short-term liabilities with maturity within 12 months and other items included in the company's regular circulation of goods or services. Strategic investments are classified as fixed assets. Short-term portion of long-term debt is presented as short-term.

2.16 Inventory
Inventory is valued at the lower of cost and net realizable value. Acquisition cost is calculated using first-in, first-out method (FIFO). For finished goods and goods under construction, cost of production consists of product design, material consumption, direct labor costs, other direct costs and indirect production costs (based on normal capacity). Borrowing costs are not included. Net realizable value is estimated sales price less variable costs for completion and sale. Acquisition cost of goods includes gains or losses on hedging of cash flow in commodity purchases reclassified from equity.

2.17 Accounts receivable
Accounts receivable arise from the sale of goods or services that are within the normal operating cycle. Accounts receivable arising as a normal part of the operating cycle are classified as current assets. Receivables not included in the ordinary operating cycle and maturing later than 12 months are classified as fixed assets.

2.18 Cash and cash equivalents
Cash and cash equivalents consist of cash, bank deposits, other short-term, easy-to-sell investments with a maximum of three months original maturity.

2.19 Share capital and share premium
Ordinary shares are classified as equity. Costs directly related to the issue of new shares or options are shown as deductions in equity, net of tax, from proceeds. Own equity instruments that are repurchased (own shares) are recognized at cost and are presented as a reduction of equity. Gains or losses are not recognized in profit or loss as a consequence of the purchase, sale, issue or deletion of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if issued again, is

Notes to the consolidated financial statements 2018

recognized in other equity. Voting rights related to own shares are canceled and no dividends are distributed to own shares.

2.20 Loans

Loans are accounted for at fair value when payment of the loan takes place, minus transaction costs. In subsequent periods, loans at amortized cost are calculated using effective interest rates. The difference between the loan amount paid (less transaction costs) and the redemption value is recognized in the income statement over the term of the loan as part of the effective interest rate.

Costs related to the creation of drawing rights are capitalized pending borrowing if it is probable that loans will be withdrawn. The costs are subsequently deducted from the loan upon deduction. If it is not considered probable that all or part of the drawing entitlement is deducted, the fee is recognized as prepaid liquidity services and expensed over the period for which the rights apply.

2.21 Borrowing costs

Borrowing costs from general and specific financing related to the acquisition, construction or production of qualifying assets, which are assets that will take a considerable period of time to complete for intended use or sale, are capitalized as part of the cost of acquisition of the asset up to the date when the asset is ready for intended use or sale.

Any capital income from temporary investments of loan amount not yet used to acquire a qualifying asset shall be deducted from interest expenses that are capitalized as part of the acquisition cost of the asset.

All other interest expenses are expensed in the period in which they accrue.

2.22 Taxes

The tax expense for a period consists of tax payable and deferred taxes. Tax is recognized in the income statement, except when it relates to items that are charged directly to equity. If that is the case, the tax is also charged against extended earnings or directly against equity.

Tax effects on other income and expenses are separated and presented over other income and expenses. These include currency differences on net investments in foreign companies.

Tax payable for the period is calculated in accordance with the tax laws and regulations that have been adopted, or largely approved by the tax authorities at the balance sheet date. It is the law of the countries in which the Group's subsidiaries or affiliates operate and generate taxable income that is applicable to the calculation of taxable income. Management assesses the position that has been claimed in the tax returns, where current tax breaks are subject to interpretation. Based on management's assessment, provisions are made for expected tax payments where this is deemed necessary.

Using the debt method, deferred tax is applied to all temporary differences between tax and consolidated accounting values of assets and liabilities. If deferred taxes arise upon initial recognition of a debt or asset in a transaction that is not a business combination and which, at the time of the transaction, does not affect accounting or taxation, it will not be capitalized. Deferred tax is determined using tax rates and tax laws that

Notes to the consolidated financial statements 2018

have been adopted or are substantially adopted at the balance sheet date and are expected to be used when the deferred tax asset is realized or when the deferred tax is settled. Deferred tax assets are capitalized to the extent that future taxable income is likely and the temporary differences can be deducted from this income.

Deferred tax is calculated on temporary differences from investments in subsidiaries and affiliates, except when the Group has control of the date of reversal of the temporary differences and it is likely that they will not be reversed in the foreseeable future. Deferred tax assets and deferred taxes shall be offset if there is a legally enforceable right to offset assets of payable tax against liabilities payable and deferred tax assets and deferred taxes relate to income taxes imposed by the same tax authority for either the same taxable enterprise or different taxable enterprises as intends to settle liabilities and assets of net tax payable.

2.23 Provisions

The Group accounts for provisions for environmental reversals, restructuring and legal requirements when there is a legal or self-imposed obligation as a result of past events, it is probable that the liability will be settled by a transfer of financial resources and the amount of the liability can be estimated to a sufficient extent of reliability. Provisions for restructuring costs include termination fees on leases and severance pay to employees. It is not intended for future operating losses.

In cases where there are several obligations of the same nature, the likelihood that the obligations will be settled will be determined by assessing obligations of this type in one. Therefore, a provision is made even if the probability of settlement related to the individual relationship may be low.

Provisions are measured at the present value of expected payments to meet the obligation. A discount rate is applied before tax reflecting the current market situation and risk specific to the liability. The increase in the liability as a result of changed time value is recorded as a financial expense.

2.24 Payables and other current liabilities

Payables are obligations to pay for goods or services that are delivered from the suppliers to ordinary operations. Payables are classified as short-term if it expires within one year or less. If this is not the case, it is classified as long term.

Payables are measured at fair value at initial recognition. In subsequent measurement, supplier debt is assessed at amortized cost using effective interest rate.

2.25 Distribution of dividends

Dividend payments to the parent company's shareholders are classified as liabilities from the date the dividend is fixed by the general meeting.

2.26 Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. Important contingent liabilities are disclosed with the exception of contingent liabilities where the likelihood of the liability is highly unlikely.

A conditional asset has not been recognized in the financial statements, but disclosed if there is a certain likelihood that an advantage will flow to the Group.

Notes to the consolidated financial statements 2018

2.27 Events after the balance sheet date
New information after the balance sheet date regarding the company's financial position at the balance sheet date is taken into account in the annual accounts. Events after the balance sheet date that do not affect the company's financial position at the balance sheet date but which will affect the company's financial position in the future are disclosed if this is material.

Note 3 - Significant estimates and uncertainties
Estimates and discretionary assessments are evaluated continuously and are based on historical experience and other factors including expectations of future events that are considered likely under current circumstances.

The Group prepares estimates and makes assumptions related to the future. The accounting estimates resulting from this will by definition rarely be fully consistent with the final outcome. Estimates and assumptions are not considered to cause material adjustments to the carrying amount of assets and liabilities during the next financial year.

Balance sheet of development costs assumes that future cash flows exceed the capitalized expenses. Capitalized costs are depreciated over the expected useful lives. The implementation of impairment tests, if there are indications of impairment, and corresponding assessments related to milestones in the development projects, shall counteract the risk that the group capitalizes development costs that do not defend the value in the balance sheet. However, future expected cash flows are associated with uncertainty and, if reduced, could lead to impairment of capitalized development costs. Reduction in expected cash flows must exceed 90% before it affects the capitalized development cost.

Deferred tax assets based on tax loss carryforwards are capitalized to the extent that there are clear indications and objective proof that future tax revenue will be available to use the deficit.

Changes in accounting estimates / provisions are recognized in the period during which changes occur. If the changes also apply to future periods, the effect is distributed over current and future periods. A provision is recognized when the Group has a liability (legal or self-imposed) as a result of an earlier event, it is likely (more likely than not) that an economic settlement will be due to this obligation and the amount of the amount can be measured reliably. See also Note 23.

Note 4 - Financial risk management
Credit risk
Credit risk is the risk that the counterparty will incur a loss on the Group by failing to settle the Group's receivables. Credit exposure is primarily related to accounts receivable and other receivables. There are also credit risks related to financial derivatives and cash and cash equivalents.

The maximum credit exposure as of 31.12.2018 amounts to:	
Accounts receivables and other receivables	13 936 982
Cash and cash equivalents	198 634 265
Total	212 571 247

For further information on accounts receivable and credit risk, see Note 20.

Notes to the consolidated financial statements 2018

Liquidity risk
Liquidity risks are the risk that the Group is unable to meet its maturity obligations and the risk that the Group will not be able to meet its liquidity obligations without increasing the cost dramatically. From a broader perspective, liquidity risk also poses a risk that the group will not be able to finance increases in assets as refinancing needs increase.

Market risk
May cause changes in the Group's financial position.

Currency risk
Turnover and foreign operations mean that the Group is exposed to currency risk. Parts of the Group's revenues are in foreign currency (USD and EURO). A significant proportion of the costs, as well as the funding are in Norwegian kroner. This entails a significant exposure to currency risk.

As at 31.12.2018; the Group has limited exsposures to currency risks on assets and liabilities.

Interest rate risk
The Group has outstanding interest-bearing debt of less than MNOK 1.0 as of 31 December 2018

The Group's goal of asset management is to ensure continued operations for
the Group to ensure returns for the owners and other stakeholders and to maintain an optimal capital structure to reduce capital costs.

In order to improve the capital structure, the Group can issue new shares or sell assets.
No dividends are paid to the shareholders as the Group is in the development phase.

Note 5 - Group companies and changes in the Group

Company	Office	Ownership	
Gentian Diagnostics AS	Moss		Parent company
Gentian AS	Moss	100 %	Subsidiary
PreTect AS	Hurum	100 %	Subsidiary
Gentian USA Inc	Orlando, FL USA	100 %	Subsidiary of Gentian AS
Gentian Diagnostics AB	Stockholm, Swede	100 %	Subsidiary of Gentian AS

Notes to the consolidated financial statements 2018

Note 6 - Operating revenue

Revenue by classification	**2018**	**2017**
Sales revenue	39 911 903	27 844 746
Royalties / License revenue*	6 196 317	96 318
Public grants	5 911 934	7 047 895
Total	**52 020 154**	**34 988 959**

* The Group has received a one-off royalty licence fee of MNOK 6,2 in 2018.

Geographical split	**2018**	**2017**
Europe	27 045 110	17 093 589
Asia	10 648 375	9 411 860
USA	2 218 417	1 339 297
Total	**39 911 903**	**27 844 746**

Sales by product	**2018**	**2017**
Renal diagnostic products	21 720 014	16 335 151
Inflammation diagnostic products	11 530 898	5 510 722
Other diagnostic products	6 660 991	5 998 873
Total	**39 911 903**	**27 844 746**

Timing of revenue recognition	**2018**	**2017**
Goods transferred at a point in time	39 911 903	27 844 746
Goods and services transferred over time	-	-
Total	39 911 903	27 844 746

Note 7 - Operating expenses by function

	2018	**2017**
Production expenses*	10 916 783	8 889 617
Sales and marketing expenses	7 593 607	5 954 769
QA/RA expenses	2 540 734	1 971 504
Administration expenses	19 856 217	13 077 794
Research and development expenses	13 892 502	11 018 575
Total	**54 799 844**	**40 912 259**

**Production costs consist of labor costs in the department as well as materials used in production, but which are not part of the finished product.*

Note 8 - Costs of goods sold

	2018	**2017**
Change in inventory of goods under manufacture and finished goods	-3 202 882	-4 205 701
Other costs of goods sold	12 171 719	11 468 397
Total	**8 968 837**	**7 262 695**

Notes to the consolidated financial statements 2018

Note 9 - Employee benefit expenses

	2018	2017
Wages and salaries	27 353 319	19 418 468
Payroll tax	4 190 592	3 575 831
Pension costs (mandatory occupational pension)	742 286	612 291
Share based payments	694 859	
Other expenses	854 991	779 811
Total	**33 836 047**	**24 386 402**

Share based payments

The company has a share option programme covering certain key employees. As at 31.12.2018, two employees were included in the option programme.

The share option program for key personnel is settled in shares, however, the Company may resolve settlement in cash
The fair value of the issued options is expensed over the vesting period:

1/3 of the options will vest 24 months after the day of grant, 1/3 will vest 36 months after the day of grant and 1/3 will vest 48 months (as long as the option holder is still employed).
The cost of the employee share-based transaction is expensed over the average vesting period. The value of the issued options of the transactions that are settled with equity instruments (settled with the company's own shares) is recognised as salary and personnel cost in profit and loss and in other paid-in capital.

The value of the issued options of the programs that are settles in cash (cash based programs) is recognised as salary and personnel cost in profit and loss and as a liability in the balance sheet. The liability is measured at fair value at each balance sheet date until settlement, and changes in the fair value are recognised in profit and loss.

Social security tax on options is recorded as a liability and is recognised over the estimated vesting period.

	2018	2017
Outstanding options 01.01	-	-
Options granted	174 954	-
Options forfeited	-	-
Options exercised	-	-
Options expired	-	-
Outstanding options 31.12	174 954	-

The outstanding options are subject to the following conditions:

Expiry date	Average strike	Number of share
2019 - 8		
2020 - 8	65,24	58 318
2021 - 8	65,24	58 318
2022 - 8	65,24	58 318
		174 954

The fair value of the options has been calculated using Black - Scholes - Merton Option Pricing Model. The most important parameters are share price at grant date, exercise prices shown above, volatility (50 %), expected dividend

Notes to the consolidated financial statements 2018

yield (0 %), expected term of 4 years, annual risk free interest rate (1,4 %). The volatility is based on other comparable companies stock price volatility.

Salary CEO*	2018	2017
Wages and salaries	1 881 962	1 220 348
Pension costs (mandatory occupational pension)	23 469	32 534
Other remuneration	70 200	6 904

* The CEO is employed in the subsidiary Gentian AS and salary / remuneration are expensed in the subsidiary. The CEO has an agreement which provides the right to a compensation after termination of employment before retirement.If the Company terminates the employment during the first 6 months after commencement, the CEO shall receive a settlement pay equivalent to 3 months' basic salary. If the Company terminates the employment after the first 6 months after commencement, the CEO shall receive a settlement pay equivalent to 6 months' basic salary.

Board remuneration	2018	2017
Remuneration to the Board	646 802	307 494

Pension costs

The company is obliged to have a occupational pension scheme in accordance with the Act on Compulsory Occupational Pensions.
The company has a defined contribution scheme that complies with this Act.

Note 10 - Other operating expenses

	2018	2017
Marketing	1 577 164	831 975
Purchase of external services	6 421 931	5 958 272
Pantent, certification and license costs	3 451 409	1 636 849
Costs premises	3 137 816	1 648 961
R&D reagents / materials	3 795 081	3 938 419
Travel expenses	1 805 364	1 412 459
Shipping, telephone and internet	895 090	367 786
Meetings, courses and updates	424 591	359 526
Fixtures and lab equipment	1 713 856	459 339
Other	120 414	1 386 955
Capitalized other expenses	-2 378 920	-1 474 697
Total	**20 963 797**	**16 525 845**

Auditor

The remuneration to the auditor is distributed as follows:	2018	2017
Audit fee	209 000	247 000
Other attestation services	57 000	60 000
Tax advisory services	13 250	21 187
Other services non-audit related	47 050	87 508
Total (ex. VAT)	**326 300**	**415 695**

Notes to the consolidated financial statements 2018

Note 11 - Research and development expenses

The Gentian Group had in 2018 nine ongoing R & D projects. Costs related to the projects consist of salary, external procurement of services, and other operating expenses. Two of the projects went over in the development phase in 2016 and one in 2018, and consequently the activation of the costs in these projects was started.

Recognized research and development expenses	2018	2017
Purchase of external services	3 854 204	7 142 909
Other operating expenses	15 202 976	9 409 706
Capitalized research and development expenses	-5 164 678	-5 534 040
Total	**13 892 502**	**11 018 575**

Note 12 - Leases

The Group as a lessee – operating leases
The Group has entered into different operating leases for offices and other facilities.
Most of the leases contain an option for extension.

Rental costs in the statement include the following:

	2018	2017
Ordinary rent payments	1 517 376	1 487 580
Total	**1 517 376**	**1 487 580**

Future minimum rent associated with non-cancellable leases expires as follows:

	2018	2017
Within 1 year	1 558 345	1 514 356
1 to 5 years	2 669 680	4 163 032
After 5 years	-	-
Total	**4 228 025**	**5 677 389**

The Group as a lessee – finance leases
The Group's assets under finance lease agreements include machinery and equipment. For more information see Note 16 - Property, plant and equipment and Note 23 - Interest-bearing debt.

Note 13 - Public grants

The companies Gentian Diagnostics AS, Gentian AS and PreTect AS receives public grants from the Norwegian Research Council, Eurostars and SkatteFUNN.

	2018	2017
Norwegian Research Council and Eurostars	2 462 331	2 908 408
SkatteFUNN	3 449 603	4 139 487
Total	**5 911 934**	**7 047 895**

Notes to the consolidated financial statements 2018

Note 14 -Finance income and finance cost

Finance income

	2018	2017
Interest income	700 519	860 900
Net foreign exchange gains	562 221	589 174
Other finance income	33 206	18 158
Total finance income	**1 295 945**	**1 468 233**

Finance cost

	2018	2017
Interest expenses from loans measured at amortized cost		-12 182
Foreign exchange loss	-280 282	-383 988
Other financial costs	-64 395	-7 578
Total finance cost	**-344 676**	**-403 749**
Net financial items	**951 269**	**1 064 484**

Note 15 - Taxes

Reconciliation of effective tax rate	2018	2017
Net result before taxes	-19 734 672	-15 137 036
Calculated tax expense/(income)	-4 538 975	-2 142 477
Permanent differences	-1 027 388	-8 079 201
Change in non recognized deferred tax asset	5 566 362	10 221 678
Calculated tax expense	-	-
Tax payable (USA)	63 682	32 870

Calculation of deferred tax/deferred tax benefit

	2018	2017
Tangible assets	2 849 782	2 990 554
Receivables	438	514
Tax losses carried forward	-100 656 073	-82 784 778
Basis for deferred tax/deferred tax benefit (gross)	-97 805 853	-79 793 710
Unrecognised temporary differences	97 805 852	79 793 710
Basis for deferred tax/deferred tax benefit (net)	-	-
Deferred tax benefit	-	-

The Group excluded from the financial position deferred tax asset of NOK 21,5 mill related to temporary differences an
tax loss carryforwards, as the Group did not met the criteria for capitalisation under IAS 12.

Notes to the consolidated financial statements 2018

Note 16 - Property, plant and equipment

	2017		
Acquisition costs	**Laboratory equipment**	**Other**	**Sum**
Carrying value at 01.01	7 090 476		7 090 476
Additions during the year	908 656		908 656
Financial leasing	466 146		466 146
Grants received	-		-
Disposals during the year	-		-
Accumulated cost as at 31.12	**8 465 278**		**8 465 278**
Depreciation and amortisation			
Carrying value at 01.01	2 347 372		2 347 372
Depreciation of financial leasing	-		-
Depreciation during the year	1 020 981		1 020 981
Amortisation during the year	-		-
Accumulated depreciation as at 31.12	3 368 353		3 368 353
Value in balance sheet as at 31.12	**5 096 925**		**5 096 925**

	2018		
Acquisition costs	**Laboratory equipment**	**Other**	**Sum**
Carrying value at 01.01	8 465 278		8 465 278
Additions during the year	609 390		609 390
Financial leasing	379 240		379 240
Grants received	-		-
Disposals during the year	-		-
Accumulated cost as at 31.12	**9 453 908**		**9 453 908**
Depreciation and amortisation			
Carrying value at 01.01	3 368 353		3 368 353
Depreciation of financial leasing			-
Depreciation during the year	1 349 072		1 349 072
Amortisation during the year	-		-
Accumulated depreciation as at 31.12	4 717 425		4 717 425
Value in balance sheet as at 31.12	**4 736 483**		**4 736 483**

Notes to the consolidated financial statements 2018

Note 17 - Intangible assets

	2017		
Acquisition costs	**Research and development**	**Goodwill**	**Sum**
Carrying value at 01.01	21 418 012	5 040 382	26 458 394
Additions during the year	5 534 040		5 534 040
Grants received	-		-
Disposals during the year	-		-
Accumulated cost as at 31.12	**26 952 052**	**5 040 382**	**31 992 434**
Depreciation and amortisation			
Carrying value at 01.01			-
Depreciation during the year	1 994 556		1 994 556
Amortisation during the year	-		-
Accumulated depreciation as at 31.12	1 994 556	-	1 994 556
Value in balance sheet as at 31.12	**24 957 496**	**5 040 382**	**29 997 878**

	2018		
Acquisition costs	**Research and development**	**Goodwill**	**Sum**
Carrying value at 01.01	24 957 496	5 040 382	29 997 878
Additions during the year	5 164 678		5 164 678
Grants received	-		-
Disposals during the year	-		-
Accumulated cost as at 31.12	**30 122 174**	**5 040 382**	**35 162 556**
Depreciation and amortisation			
Carrying value at 01.01			-
Depreciation during the year	2 547 960	5 040 382	7 588 342
Amortisation during the year	-		-
Accumulated depreciation as at 31.12	2 547 960	5 040 382	7 588 342
Value in balance sheet as at 31.12	**27 574 214**	**-**	**27 574 214**

Notes to the consolidated financial statements 2018

Note 18 - The valuation hierarchy of financial instruments accounted for at fair value

The group has no financial instruments as at 31.12.2018.

Fair value of financial instruments accounted for at amortized cost

	Accounted value	Fair value
Receivables	13 936 982	13 936 982
Cash and cash equivalents	198 634 265	198 634 265
Total	212 571 247	212 571 247

	Accounted value	Fair value
Other debt and liabilities	-	-
Total	-	-

Receivables and liabilities have current interest rates, which are adjusted according to market changes, management considers accounted value as a good expression of fair value.

Note 19 - Inventory

Inventory as at 31.12. consists of the following

	2018	2017
Raw materials	2 787 051	3 984 051
Goods in process	9 139 700	5 704 848
Finished goods	1 171 224	1 403 193
Total	**13 097 975**	**11 092 093**

Note 20 - Accounts receivables and other receivables

	2018	2017
Accounts receivables	9 285 013	6 808 963
Claims on government grants	3 752 603	4 286 906
Public receivables (VAT, etc.)	681 556	865 855
Other receivables / Prepayments	217 810	130 090
Total	**13 936 982**	**12 091 814**

	2018	2017
Provision for loss of claims at the beginning of the year		
Provision for loss for the year	-	-
This year's recorded loss	-	-
Reversed deposition	-	-
Provision for loss at the end of the year	**-**	**-**

Notes to the consolidated financial statements 2018

Due accounts receivables

	2018	2017
Not due and within <30 days	5 326 997	5 383 649
30-60d	66 671	830 290
60-90d	3 108 065	483 563
>90d	783 280	111 461
Total	**9 285 013**	**6 808 963**

Note 21 - Cash and cash equivalents

	2018	2017
Cash and bank deposits	196 926 573	143 995 987
Withhold tax account	1 378 437	1 006 764
Pledge account *	-	1 618 736
Deposit account	329 256	329 774
Total	**198 634 265**	**146 951 261**

** A seperate account has been set up to pledge for foreign exchange trading.*

Notes to the consolidated financial statements 2018

Note 22 - Share capital, shareholders and equity

	Number of shares	Nominal value	Share capital
Ordinary shares	15 395 921	0,10	1 539 592,1

Changes in share capital and share premium:

Change in share capital	2018	2017
Share capital at period start	1 399 629	1 113 915
Share capital increase	139 963	285 714
Share capital at period end	**1 539 592**	**1 399 629**

Change in share premium	2018	2017
Share premium at period start	224 142 533	128 359 331
Share premium increase	69 841 437	99 714 291
Cost of share issue	-1 461 978	-3 931 089
Share premium at period end	**292 521 992**	**224 142 533**

All shares in the company have equal voting rights and equal rights to dividends.

Overview of the parent company's shareholders as at 31.12.18:	Number of shares	Ownership share
Holta Life Sciences AS	2 014 702	13,09 %
Vatne Equity AS	1 735 340	11,27 %
Safrino AS	1 300 000	8,44 %
Salix AS	1 218 630	7,92 %
Norron Sicav - Target	812 366	5,28 %
Silvercoin Industries AS	564 181	3,66 %
Vingulmork Predictor AS	535 710	3,48 %
Storebrand Vekst	533 652	3,47 %
Portia AS	425 000	2,76 %
Statoil Pensjon	391 631	2,54 %
Verdipapirfondet DNB SMB	384 249	2,50 %
Bård Sundrehagen	307 010	1,99 %
Cressida AS	235 000	1,53 %
Norda ASA	225 447	1,46 %
OM Holding AS	209 000	1,36 %
Marstal AS	202 000	1,31 %
Strawberry Capital AS	200 300	1,30 %
Spar Kapital Investor AS	192 291	1,25 %
Mutus AS	187 210	1,22 %
Viola AS	174 990	1,14 %
Top 20 shareholders	**11 848 709**	**76,96 %**
Total other shareholders	3 547 212	23,04 %
Total number of shares	**15 395 921**	**100,00 %**

Notes to the consolidated financial statements 2018

Shares controlled by board members and the CEO		
Tomas Settevik (Mutus AS)	187 210	1,14 %
Espen Tidemann Jørgensen (Private)	17 000	0,11 %
Bendik Sundrehagen (Safrino AS)	1 300 000	8,44 %
Ingrid Teigland Akay (Teakay Invest AS)	58 454	0,38 %

Dividend

The company has not paid dividends over the last three years.

Earnings per share

Earnings per share are calculated by dividing net income by the weighted average of shares during the year.

	2018	2017
Profit from continued operations	-19 798 119	-15 134 888
Weighted average number of shares issued	15 395 921	13 996 293
Earnings per share	**-1,29**	**-1,08**

Since the Company's net profit is negative, the earnings per share and diluted earnings per share coincide.

Note 23 - Interest-bearing debt

Interest-bearing debt	2018	2017
Financial lease	697 996	466 146
Total interest-bearing debt	**697 996**	**466 146**

Interest expense	2018	2017
Financial leases	45 328	-
Other interest rates	-	-
Total	**45 328**	**-**

Average interest cost	2018	2017
Financial leases	6,49 %	5,75 %
Other interest bearing debt	0,00 %	0,0 %

Book value of assets, pledged for debt as at 31.12	2018	2017
Fixed assets	845 386	466 146
Total pledged assets	**845 386**	**466 146**

Notes to the consolidated financial statements 2018

Note 24 - Account payables and other current liabilities

	2018	2017
Account payables	3 295 431	3 548 743
Public taxes, duties etc.	2 176 428	1 693 631
Other short-term liabilities	5 936 825	3 046 066
Total	**11 408 684**	**8 288 440**

Note 25 - Provisions, contingent assets and contingent liabilities

The Company has no significant provisions, or contingent liabilities or contingent assets.

Note 26 - Transactions with related parties

In 2017 Gentian Diagnostics AS transferred intagible assets to Gentian AS following the requirements in the Companies Act § 3-8. The value ot the transaction was NOK 7 743 010.

Note 27 - Events after the balance sheet date

The Board is not familiar with other events of importance after the balance sheet date.

Annual Report 2018
Gentian Diagnostics AS

Org.no.: 983 860 516

Income statement

Operating income and operating expenses	Note	2018	2017
Other operating income	7	0	18 950
Total operating income		0	18 950
Personnel expenses	1	1 784 171	447 873
Depreciation of operating and intangible assets	2	479 688	1 652 340
Other operating expenses	1	1 466 167	1 615 429
Total operating expenses		3 730 026	3 715 642
Operating profit		-3 730 026	-3 696 692
Financial income and expenses			
Interest income from group companies		376 955	0
Other financial income		704 596	857 289
Interest expense to group companies		278 887	0
Other financial expenses		3 372	696
Net financial items		799 292	856 593
Operating result before tax		-2 930 734	-2 840 100
Annual net profit	3	-2 930 734	-2 840 100
Brought forward			
Transferred from other equity		2 930 734	2 840 100
Net brought forward		-2 930 734	-2 840 100

Balance sheet

Assets	Note	2018	2017
Fixed assets			
Intangible assets			
Research and development	2	8 842 330	8 554 422
Total intangible fixed assets		8 842 330	8 554 422
Tangible assets			
Financial fixed assets			
Investments in subsidiaries	8	74 960 915	87 610 188
Loan to group companies	6	26 870 252	10 028 265
Total financial fixed assets		101 831 166	97 638 453
Total fixed assets		110 673 496	106 192 875
Current assets			
Debtors			
Other short-term receivables		312 728	0
Total receivables		312 728	0
Cash and bank deposits			
Cash and bank deposits	9	193 357 297	140 753 485
Total cash and bank deposits		193 357 297	140 753 485
Total current assets		193 670 025	140 753 485
Total assets		304 343 521	246 946 360

Balance sheet

Equity and liabilities	Note	2018	2017
Equity			
Paid-up equity			
Share capital	4	1 539 592	1 399 629
Share premium reserve		300 955 879	231 114 442
Other paid-up equity		118 779	118 779
Total paid-up equity		302 614 250	232 632 850
Retained earnings			
Other equity		-6 392 160	-2 694 306
Total retained earnings		-6 392 160	-2 694 306
Total equity	3	296 222 090	229 938 544
Liabilities			
Other long-term liabilities			
Other long term liabilities	6	7 945 014	16 944 900
Total of other long term liabilities		7 945 014	16 944 900
Current debt			
Trade creditors		125 345	13 318
Public duties payable		51 072	49 599
Total current liabilities		176 417	62 916
Total liabilities		8 121 431	17 007 816
Total equity and liabilities		304 343 521	246 946 360

Moss, 08.05.2019
The board of Gentian Diagnostics AS

Tomas Settevik
Chairman of the board

Espen Tidemann Jørgensen
Board member

Bendik Holmsen Sundrehagen
Board member

Ingrid Helene Teigland Akay
Board member

Kari E. Krogstad

Kari Eian Krogstad
Board member

Johan Henrik Krefting
Board member

Hilja Ibert
CEO

Notes to the financial statement 2018

Accounting principles

The financial statements have been prepared in compliance with the Accounting Act and good accounting practice for small companies.

Use of estimates
The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies.

Revenue
Income from sale of goods and services are recognised at fair value, net after deduction of VAT, returns, discounts and reductions.

Income from sale of goods is recognised in the income statement when both risk and control have passed on to the buyer. The risk being the asset's profit and loss potential, whilst control is defined as having both the decision-making rights as well as the jurisdiction. Historical data is applied to estimate and make provisions for quantity discount and returns at the date of sales.

Classification and assessment of balance sheet items
Assets intended for long-term ownership or use have been classified as fixed assets. Assets relating to the operating cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year of the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Intangible assets
Expenditure on own Research and Development are expensed as and when they incur.
Expenses for other intangible assets are reflected in the balance sheet providing a future financial benefit relating to the development of an identifiable intangible asset can be identified and the cost can be measured reliably. Otherwise, such expenditure is expensed as and when incurred. Capitalised development costs are amortised linearly over the asset's expected useful life.

Fixed assets
Tangible fixed assets are capitalised and depreciated linearly down to the residual value over the expected useful economic life of the assets. When the depreciation plan is changed, the effect is distributed over the remaining depreciation period. Maintenance of operating equipment is expensed on an ongoing basis. Upgrades or improvements are added to the acquisition cost of the asset and depreciated in line with the asset. The difference between maintenance and upgrade / improvement is assessed based on the condition of the asset when purchased. Plots and land are not depreciated.

Costs related to leases of fixed assets are expensed over the lease period. Prepayments are reflected in the balance sheet as a prepaid expense, and are distributed over the rental period.

Impairment of fixed assets
Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent ingoing cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and the value in use (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the value in use.
Previous impairment charges, except write-down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Investments in other companies
The cost method is applied to investments in other companies. The carrying amount is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are generally recognised as income. Dividends/group contribution from subsidiaries are booked in the same year as the subsidiary makes the provision for the amount. Dividends from other companies

are reflected as financial income when the dividends are approved. Investments are written down to fair value if the fair value is lower than the carrying amount.

Receivables
Accounts receivables and other receivables are recorded in the balance sheet at face value after deduction of provisions for expected loss. Provisions for losses are made on the basis of individual assessments of the individual receivables.
Additionally, for accounts receivables, an unspecified provision is made to cover expected losses.

Pensions
With a defined contribution plan the company pays contributions to an insurance company. The contribution is recognised as payroll expenses in the period to which the contribution relates to. Pension obligations relating to the AFP scheme for the company's employees are not capitalised. Liabilities or assets related to collective pension plans are not capitalised.

Tax
The tax charge in the income statement consists of tax payable and changes in deferred tax. Deferred tax is calculated at 22 % on the basis of the temporary differences that exist between accounting and tax values, as well as any possible taxable loss carried forwards at the end of the accounting year. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been offset and netted.

Net deferred tax assets are not capitalised, in accordance with the exception rules for small companies.

Notes to the financial statement 2018

Note 1 Personnel expenses, number of employees, remuneration, loan to employees

Payroll expenses	2018	2017
Salaries/wages	1 692 972	401 185
Social security fees	91 199	42 301
Pension expenses	0	0
Other remuneration	0	0
Total	1 784 171	443 486

Average number of employees during the accounting year	0
Remuneration to the Board of Directors	646 802

Expensed salaries relates to charges for work performed on research & develpoment projects amounting to kr 101 175,- in addition to board of director's fee.

Expensed audit fee
Expenses paid to the auditor for 2018 amounts to NOK 191 563,- of which NOK 61 525 relates to other services.

Note 2 Intangible Assets

	Total
Purchase cost as of 01.01.18	9 593 746
+ Inflow purchased fixed assets	767 596
= Acquisition cost 31.12.18	10 361 342
Accumulated depreciation 31.12.18	1 519 012
= Book value 31.12.18	8 842 330
This year's ordinary depreciations	479 688
Economic life	20 years

Note 3 Equity capital

	Share capital	Share premium	Other paid-in equity capital	Other equity capital	Total equity capital
As at 31.12.2017	1 399 629	231 114 442	118 779	-2 694 306	229 938 544
Changes posted against equity				0	0
As at 01.01.2018	1 399 629	231 114 442	118 779	-2 694 306	229 938 544
Result for the year				-2 930 734	-2 930 734
				0	0
Procees from share issue	139 963	69 841 437			69 981 400
Cost of share issue				-1 461 978	-1 461 978
Employee option program				694 859	694 859
As at 31.12.2018	1 539 592	300 955 879	118 779	-6 392 160	296 222 090

Note 4 Shareholders

	Number of shares	Nominal value	Share capital
Ordinary shares	15 395 921	0,10	1 539 592

All shares in the company have equal voting rights and equal rights to dividends.

Overview of the parent company's shareholders as at 31.12.18:	Number of shares	Ownership share
Holta Life Sciences AS	2 014 702	13,09 %
Vatne Equity AS	1 735 340	11,27 %
Safrino AS	1 300 000	8,44 %
Salix AS	1 218 630	7,92 %
Norron Sicav - Target	812 366	5,28 %
Silvercoin Industries AS	564 181	3,66 %
Vingulmork Predictor AS	535 710	3,48 %
Storebrand Vekst	533 652	3,47 %
Portia AS	425 000	2,76 %
Statoil Pensjon	391 631	2,54 %
Verdipapirfondet DNB SMB	384 249	2,50 %
Bård Sundrehagen	307 010	1,99 %
Cressida AS	235 000	1,53 %
Norda ASA	225 447	1,46 %
OM Holding AS	209 000	1,36 %
Marstal AS	202 000	1,31 %
Strawberry Capital AS	200 300	1,30 %
Spar Kapital Investor AS	192 291	1,25 %
Mutus AS	187 210	1,22 %
Viola AS	174 990	1,14 %
Top 20 shareholders	11 848 709	76,96 %
Total other shareholders	3 547 212	23,04 %
Total number of shares	15 395 921	100,00 %

Shares controlled by board members and the CEO		
Tomas Settevik (Mutus AS)	187 210	1,14 %
Espen Tidemann Jørgensen (Private)	17 000	0,11 %
Bendik Sundrehagen (Safrino AS)	1 300 000	8,44 %
Ingrid Teigland Akay (Teakay Invest AS)	58 454	0,38 %

Dividend

The company has not paid dividends over the last three years.

Notes to the financial statement 2018

Note 5 Tax

This year's tax expense	2018	2017
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Changes in deffered tax assets	0	0
Tax expense on ordinary profit/loss	0	0
Taxable income:		
Ordinary result before tax	-2 930 734	-2 840 100
Permanent differences	-1 729 706	-3 931 089
Changes in temporary differences	-510 547	639 411
Taxable income	-5 170 988	-6 131 778
Payable tax in the balance:		
Payable tax on this year's result	0	0
Total payable tax in the balance	0	0

The tax effect of temporary differences and loss for to be carried forward that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences:

	2018	2017	Difference
Tangible assets	2 195 045	1 684 498	-510 547
Total	2 195 045	1 684 498	-510 547
Accumulated loss to be brought forward	-26 597 199	-21 426 212	5 170 988
Not included in the deferred tax calculation	24 402 154	19 741 714	-4 660 440
Basis for calculation of deferred tax	0	0	0
Deferred tax assets (22 % / 23 %)	0	0	0
Effect of change in tax rate			

Deferred tax is not booked to the balance sheet

Note 6 Inter-company items between companies in the same group

	2018	2017
Receivables		
Loans to companies in the same group	26 870 252	10 028 265
Liabilities		
Loans from companies in the same group	7 945 014	16 944 900

Notes to the financial statement 2018

Note 7 Government grants

The company has received 0 in research and development grants.

Note 8 Shares in subsidiaries

	Ownership/ voting interest	Office location	Result 2018	Equity capital 31.12.2018
Gentian AS	100%	Moss	-13 429 402	19 979 740
Pretect AS	100%	Hurum	1 985 054	9 051 971

Note 9 Bank deposits

Pledge account *	1 628 081
Deposit for office rent	261 886

BDO AS
Bernt Ankers gate 17
1534 Moss

Uavhengig revisors beretning

Til generalforsamlingen i Gentian Diagnostics AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Gentian Diagnostics AS sitt årsregnskap.

Årsregnskapet består av:	Etter vår mening:
• Selskapsregnskapet, som består av balanse per 31. desember 2018, resultatregnskap avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper, og • Konsernregnskapet, som består av balanse per 31. desember 2018, resultatregnskap, oppstilling over endringer i egenkapital og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper.	• Er årsregnskapet avgitt i samsvar med lov og forskrifter. • Gir selskapsregnskapet et rettvisende bilde av den finansielle stillingen til Gentian Diagnostics AS per 31. desember 2018 og av selskapets resultater for regnskapsåret som ble avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. • Gir konsernregnskapet et rettvisende bilde av den finansielle stillingen til konsernet Gentian Diagnostics AS per 31. desember 2018 og av konsernets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med International Financial Reporting Standards som fastsatt av EU.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Annen informasjon

Ledelsen er ansvarlig for annen informasjon. Annen informasjon består av årsberetningen, men inkluderer ikke årsregnskapet og revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke annen informasjon, og vi attesterer ikke den andre informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese annen informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom annen informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at annen informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styret og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde, for selskapsregnskapet i samsvar med regnskapslovens regler og god regnskapsskikk i Norge, og for konsernregnskapet i samsvar med International Financial Reporting Standards som fastsatt av EU. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets og konsernets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for selskapsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet. Forutsetningen om fortsatt drift skal legges til grunn for konsernregnskapet med mindre ledelsen enten har til hensikt å avvikle konsernet eller legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til: https://revisorforeningen.no/revisjonsberetninger

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen og i redegjørelsene om foretaksstyring og samfunnsansvar om årsregnskapet, forutsetningen om fortsatt drift og forslaget til anvendelse av overskuddet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets og konsernets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Moss, 8. mai 2019
BDO AS

Per Harald Eskedal

Per Harald Eskedal
statsautorisert revisor

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