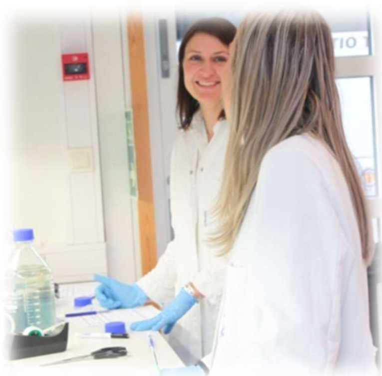
gentian

Improving Clinical Accuracy

Annual Report

2017



GENTIAN DIAGNOSTICS AS

DIRECTORS REPORT

2017

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 AS develops, produces and markets IVD tests based on its proprietary Nanosense technology. The Company’s objective is to offer efficient and accurate assays for large clinical chemistry platforms. The focus is toward kidney- and heart disease, infections and veterinary medicine. The Nanosense technology enables the transfer of assays from low volume immunological platforms to fully automated, high capacity analysers with short residence time, better work-flow and improved cost efficiency.

PreTect AS develops and produces molecular diagnostic tests aimed at discovering oncogene activity in cervical samples. The products PreTect SEE and PreTect Proofer contribute towards earlier detection of cervical cancer.

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 2017 was MNOK 35,0 versus MNOK 30,9 in 2016. Net loss for 2017 was MNOK 15,2, versus a net loss of MNOK 8,9 in 2016.

Total research and development spending in 2017 was MNOK 16,5 in which MNOK 5,5 is activated and the remaining MNOK 11,0 treated as operating expenses in the profit and loss statement.

Cash flow from operations for the group was MNOK – 18,7, while the operating loss for the group totalled MNOK -16,2. The difference between operating cashflow and the operating loss is primarily due to an increase of working capital.

Liquidity totalled MNOK 145,0 per 31.12.2017, which is satisfactory.

The Group has made one share issue in the mother company in 2017. Total equity was increased by MNOK 96,0, and the use of proceeds are for general corporate purposes.

Total assets per 31.12.2017 was MNOK 205,2.

Company Results

Net loss was MNOK 2,8. Total assets per 31.12.2017 was MNOK 248,8 compared to MNOK 156,0 per 31.12.2016. Equity ratio (equity over total assets) per 31.12.2017 was 93,5 %. 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

The Group expects continued growth for its products Cystatin C and FCal. In addition, the group will continue its endeavour to establish clinical evidence for the use of GCAL in sepsis and inflammation.

Within R&D, Gentian expects to demonstrate proof-of concept on at least one new test and progress into the verification phase for our cardiovascular marker. The Group will also focus on preparing for new commercial launches in 2019 and 2020.

Working environment and equal opportunities

The Group is an equal opportunity employer. The Group has 36 employees, of which 27 are women. The working environment is good. As of 31.12.2017, The Board of Directors has 5 members of which 3 are men and 2 are women.

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, 14. May 2018

for Gentian Diagnostics AS

Kari Krogstad Board member	Tomas Settevik Chairman	Espen Tidemann Jørgensen Board member
Bendik Sundrehagen Board member	Ingrid Teigland Akay Board member	Bård Henrik Sundrehagen Chief Executive Officer

GENTIAN DIAGNOSTICS AS

Consolidated Annual Accounts

2017

Gentian Diagnostics AS - Group

Statement of Comprehensive Income - Group

	Note	2017	2016
Sales revenue	**6**	27 941 064	24 368 563
Other operating revenue	**6/13**	7 047 895	6 528 324
Total operating revenue		**34 988 959**	**30 896 887**
Cost of goods sold	**8**	-7 262 695	-7 869 909
Employee benefit expenses	**9**	-24 386 402	-17 465 458
Depreciation and amortisation	**16/17**	-3 015 537	-2 303 944
Other operating expenses	**10**	-16 525 845	-13 313 396
Total operating expenses		**-51 190 479**	**-40 952 708**
Operating result		**-16 201 520**	**-10 055 821**
Finance income	**14**	1 468 233	1 296 545
Finance cost	**14**	-403 749	-167 710
Net financial items		**1 064 484**	**1 128 835**
Net result before taxes		-15 137 036	-8 926 987
Income tax expense	**15**	-32 870	-
Net result		**-15 169 906**	**-8 926 987**
Other comprehensive income			
Exchange differences		35 018	
Total other comprehensive income		**35 018**	**-**
Total comprehensive income for the year		**-15 134 888**	**-8 926 987**

Gentian Diagnostics AS - Group

Statement of Financial Position - Group as of 31.12

	Note	2017	2016
Assets			
Non-current assets			
Goodwill	**17/27**	5 040 382	5 040 382
Intangible assets	**17**	24 957 496	21 418 012
Property, plant and equipment	**16**	5 096 925	4 743 104
Total non-current assets		**35 094 803**	**31 201 498**
Current assets			
Inventory	**19**	11 092 093	7 546 414
Accounts receivables and other receivables	**20**	12 091 814	8 254 437
Short-term placements	**21**	1 948 509	1 869 706
Cash and cash equivalents	**21**	145 002 752	74 088 200
Total current assets		**170 135 167**	**91 758 757**
Total assets		**205 229 970**	**122 960 255**

Gentian Diagnostics AS - Group

Statement of Financial Position - Group as of 31.12

	Note	2017	2016
Equity and Liabilities			
Paid-in equity			
Share capital	**22**	1 399 629	1 113 915
Share premium	**22**	224 142 533	128 359 331
Other paid-in equity		1 467 131	1 467 131
Total paid-in equity		**227 009 293**	**130 940 377**
Retained earnings			
Retained earnings	**22**	-30 533 929	-15 399 041
Total retained equity		**-30 533 929**	**-15 399 041**
Total equity		**196 475 364**	**115 541 336**
Liabilities			
Financial leasing	**23**	466 166	
Other interest-bearing liabilities	**23**		
Total long term liabilities		**466 166**	**-**
Short term liabilities			
Accounts payables and other current liabilities	**24**	8 288 440	7 418 919
Total short term liabilities		**8 288 440**	**7 418 919**
Total liabilities		**8 754 606**	**7 418 919**
Total equity and liabilities		**205 229 970**	**122 960 255**

Moss, 14.05.2018

The Board of Gentian Diagnostics AS

Tomas Settevik Chairman	Espen Tidemann Jørgensen Board Member
Bendik Sundrehagen Board Member	Ingrid Teigland Akay Board Member
Kari Krogstad Board Member	Bård Henrik Sundrehagen Chief Executive Officer

Gentian Diagnostics AS - Group

Statement of changes in equity

	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 01.01.2016		**957 883**	**99 115 443**	**1 467 131**	**-6 478 973**	**95 061 484**
Net result for the year					-8 926 987	-8 926 987
Other comprehensive income						0
Proceeds from share issue	**22**	156 032	29 243 888			29 399 920
Cost of share issue						0
Other changes in equity					6 919	6 919
Equity at 31.12.2016		**1 113 915**	**128 359 331**	**1 467 131**	**-15 399 041**	**115 541 336**

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	**22**		-3 931 089			-3 931 089
Other changes in equity					0	0
Equity at 31.12.2017		**1 399 629**	**224 142 533**	**1 467 131**	**-30 533 929**	**196 475 364**

Gentian Diagnostics AS - Group

Cash Flow Statement

	Note	2017	2016
Operating activities			
Net profit (loss)		-15 169 906	-8 926 987
Depreciation and amortisation	**16/17**	3 015 537	2 303 944
Change in inventory	**19**	-3 545 678	-3 671 399
Change in accounts receivables	**20**	-3 953 794	1 137 472
Change in accounts payables	**24**	29 248	1 234 342
Change in other assets and liabilities		991 708	20 997
Net cash flow from operating activities		**-18 632 886**	**-7 901 630**
Investing activities			
Payments of property, plant and equipment	**16**	-1 374 802	-3 684 300
Investment in intangible assets	**17**	-5 534 040	-3 422 218
Change in financial derivatives	**21**	-	-701 894
Investment in other companies		-	3 329 265
Net cash flow from investing activities		**-6 908 842**	**-4 479 147**
Financing activities			
New debt	**23**	466 146	-
Loan instalments	**23**	-	-
Change in bank overdraft	**24**	-	-
Proceeds from issue of share capital	**22**	96 068 916	20 400 000
Net cash flow from financing activities		**96 535 062**	**20 400 000**
Net change in cash and cash equivalents		**70 993 335**	**8 019 223**
Cash and cash equivalents at beginning of period		75 957 906	67 934 009
Effect of currency translation of cash and cash equivalents		20	4 674
Net cash and cash equivalents at period end		**146 951 261**	**75 957 906**

Notes to the consolidated financial statements 2017

Note 1 - General Information

Gentian Diagnostics AS is a listed company registered in Norway. 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.

PreTect AS was taken over with effect as of 01.10.2016.

The annual accounts were approved for publication by the Board on 14.05.2018.

Note 2 - Summary of the most important accounting principles

2.1 Framework for accounting

The company issues the consolidated financial statements in accordance with international standards for financial reporting (IFRS) as determined by the EU, as well as the additions provided by Norwegian Accounting Act.

The consolidated financial statements are based on the historical cost principle, except for financial derivative instruments which are carried at fair value through profit or loss.

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 continued operations.

2.2 Change in accounting principles

a) New and amended standards implemented by the Group

There are no new or amended IFRSs or IFRIC interpretations that have entered into force for the 2017 accounts which are deemed to have a significant impact on the Group's financial statements.

b) 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, 2017. None of these have been used by the company in connection with the preparation of the annual accounts for 2017. The most central new standards and changes in existing standards are:

IFRS 9 Financial instruments
IFRS 15 Income from contracts with customers
IFRS 16 Leases

None of these new standards or changes to existing standards are expected to cause significant changes in relation to the Group's accounts.

Notes to the consolidated financial statements 2017

2.3 Consolidation and business combinations

Subsidiary

Subsidiaries are all companies in which the Group has a controlling influence over financial and operational decisions. Determining influence is normally achieved through ownership (directly or indirectly) of more than half of the voting capital in a company. The effect of any options or other agreements, which result in the Group being able to manage financial and operational guidelines, are also considered.

Subsidiaries are included in the consolidated financial statements from the date when the group obtains control over the company. Subsidiaries are included in the consolidated accounts until the Group loses control of the company.

Purchase of subsidiaries / business purchases

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.
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.

Notes to the consolidated financial statements 2017

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 Revenue

Revenue from the sale of goods and services is measured at fair value, net of value added tax, rebates, and discounts. Income is recognized in the income statement when it can be measured reliably and it is probable that the economic benefit will flow to the entity and the criteria related to the uneven forms of income described below are met.

Sale of goods

Sales of goods are recognized in the income statement when a unit within the group has delivered its products to the customer, the customer has accepted the product and the customer's ability to settle the claim is satisfactorily confirmed.

Interest income

Interest income is charged proportionally over time in accordance with the effective interest rate method. In case of impairment of receivables, the carrying amount of the receivables is reduced to the recoverable amount. Recoverable amount is estimated future cash flow discounted at original effective interest rate. After write-down, interest income is recognized based on the original effective interest rate.

License revenue

License income is recognized as income when earned, in accordance with the actual content of the underlying agreement.

Royalties

Royalties are charged to income when earned, in accordance with the actual content of the underlying agreement.

2.6 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.

Notes to the consolidated financial statements 2017

2.7 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.

2.8 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.

2.9 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.

Notes to the consolidated financial statements 2017

2.10 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.

2.11 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 write-down 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.

2.12 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.

2.13 Financial instruments

Classification

The Group classifies financial assets in the following categories:
(a) At fair value through profit or loss and
(b) Loans and receivables.
The classification depends on the purpose of the asset. Management classifies financial assets upon acquisition. The Group's financial liabilities are classified as other financial liabilities.

Notes to the consolidated financial statements 2017

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading purposes. A financial asset is classified in this category if it is primarily acquired for profit from short-term price fluctuations. Derivatives are classified as held for trading unless they are part of a hedge.

Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as fixed assets.

At initial recognition, financial assets in the category are recognized at fair value, transaction costs are recognized in the profit and loss account. Gains or losses resulting from changes in the fair value of assets are presented as "changes in value of financial assets at fair value" in the period in which they arise.

Financial assets are deducted from the balance sheet when the rights to receive cash flows from the investment cease or when these rights have been transferred and the Group has largely transferred all risks and the entire gain potential of the ownership.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets which have fixed or determine payments and are not traded in an active market. They are classified as current assets, unless they expire more than 12 months after the balance sheet date. Loans and receivables consist of accounts receivable and other receivables, as well as cash and cash equivalents in the balance sheet.

At initial recognition, assets in the category are recognized at fair value plus any transaction costs. In subsequent periods, the assets are accounted for at amortized cost.

At each balance sheet date, the Group assesses whether there is objective proof that a financial asset or a group of financial assets has fallen in value. Impairment losses on a financial asset or group of financial assets are recognized only if there is objective evidence of impairment as a result of one or more events that have occurred after initial capitalization (a "loss event") and this loss event (or events) affects future estimated cash flows in a manner that can be measured reliably.

Financial assets are deducted from the balance sheet when the rights to receive cash flows from the investment cease or when these rights have been transferred and the Group has largely transferred all risks and the entire gain potential of the ownership.

Other financial liabilities

Other financial liabilities contain all liabilities that are not classified as fair value through profit or loss at initial recognition. They are classified as current if the Group has no unconditional right to defer payment beyond 12 months from the balance sheet date.

At initial recognition, the liabilities are recognized at fair value less any establishment costs. In subsequent periods, liabilities are recognized at amortized cost.

Financial liabilities are derecognised from the balance sheet at the time when obligations to settle obligations have been terminated. This usually happens when the Group fulfills its obligations.

Net presentation of financial assets and liabilities

Financial assets and liabilities are presented net in the balance sheet and only when there is an unconditional countervailing right that can be enforced legally and one intends to make up net or realize the asset and settle the obligation at the same time.

Notes to the consolidated financial statements 2017

2.14 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.

2.15 Goods

Goods are 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.

2.16 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.

2.17 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.

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

2.19 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.

Notes to the consolidated financial statements 2017

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.

2.20 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.

2.21 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 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.

Notes to the consolidated financial statements 2017

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.

2.22 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.

2.23 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.

2.24 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.

2.25 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.

Notes to the consolidated financial statements 2017

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.

2.26 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.

Notes to the consolidated financial statements 2017

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 31.12.2017 amounts to:	
Accounts receivables and other receivables	12 091 814
Cash and cash equivalents	146 951 261
Total	159 043 075

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

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.

Interest rate risk

The Group has outstanding interest-bearing debt of less than MNOK 0.5 as of 31 December 2017

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.

Notes to the consolidated financial statements 2017

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

Note 6 - Operating revenue

Revenue by classification	2017	2016
Sales revenue	27 844 746	24 320 563
Royalties / License revenue	96 318	48 000
Public grants	7 047 895	6 528 324
Total	**34 988 959**	**30 896 887**

Geographical split	2017	2016
Europe	17 093 589	10 266 649
Asia	9 411 860	12 947 435
USA	1 339 297	1 106 479
Total	**27 844 746**	**24 320 563**

Note 7 - Other operating expenses by function

	2017	2016
Production expenses*	8 889 617	7 240 110
Sales and marketing expenses	5 954 769	4 522 365
QA/RA expenses	1 971 504	1 485 180
Administration expenses	13 077 794	9 404 325
Research and development expenses	11 018 575	8 126 875
Total	**40 912 259**	**30 778 855**

**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

	2017	2016
Change in inventory of goods under manufacture and finished goods	-4 205 701	-1 220 331
Other costs of goods sold	11 468 397	9 090 240
Total	**7 262 695**	**7 869 909**

Notes to the consolidated financial statements 2017

Note 9 - Employee benefit expenses

	2017	2016
Wages and salaries	19 418 468	14 351 930
Payroll tax	3 575 831	2 286 310
Pension costs (mandatory occupational pension)	612 291	383 450
Other expenses	779 811	443 769
Total	**24 386 402**	**17 465 458**

Salary CEO*	2017	2016
Wages and salaries	1 220 348	1 188 929
Pension costs (mandatory occupational pension)	32 534	32 832
Other remuneration	6 904	6 364

* The CEO is employed in the subsidiary Gentian AS and salary / remuneration are expensed in the subsidiary.

Board remuneration	2017	2016
Remuneration to the Board	307 494	539 526

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

	2017	2016
Marketing	831 975	724 296
Purchase of external services	5 958 272	5 230 290
Pantent, certification and license costs	1 636 849	1 629 859
Costs premises	1 648 961	1 605 819
R&D reagents / materials	3 938 419	2 149 659
Travel expenses	1 412 459	815 289
Shipping, telephone and internet	367 786	454 253
Meetings, courses and updates	359 526	403 590
Fixtures and lab equipment	459 339	589 002
Other	1 386 955	563 430
Capitalized other expenses	-1 474 697	-852 089
Total	**16 525 845**	**13 313 396**

Notes to the consolidated financial statements 2017

Auditor

The remuneration to the auditor is distributed as follows:	**2017**	**2016**
Audit fee	247 000	170 673
Other attestation services	60 000	43 000
Tax advisory services	21 187	5 800
Other services non-audit related	87 508	143 743
Total (ex. VAT)	**415 695**	**363 215**

Note 11 - Research and development expenses

The Gentian Group had in 2017 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 consequently the activation of the costs in these projects was started.

Recognized research and development expenses	**2017**	**2016**
Purchase of external services	7 142 909	2 459 034
Other operating expenses	9 409 706	9 090 059
Capitalized research and development expenses	-5 534 040	-3 422 218
Total	**11 018 575**	**8 126 875**

Note 12 - Lease agreements

The Group as tenant - operating leases

Gentian Diagnostics AS leases premises at Bjørnåsveien 5, 1596 Moss. The lease started on 15.9.2011 and comprises 1056 sq.m. BTA as of 01.01.2016. The agreement is mutually binding for 6 years, as of 01.01.2016, with expiration 01.01.2022. Pretect AS is located in Industriveien 8, 3490 Klokkarstua. The lease began on 01.02.2000 and comprises 707 sq.m. BTA as of 01.01.2016. The agreement is mutually binding for 3 years, as of 01.09.2017, with expiration 01.09.2020.

Rental costs in the statement include the following:

	2017	**2016**
Ordinary rent payments	1 487 580	1 154 666
Total	**1 487 580**	**1 154 666**

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

	2017	**2016**
Within 1 year	1 514 356	1 355 663
1 to 5 years	4 163 032	4 705 721
After 5 years	-	-
Total	**5 677 389**	**6 061 384**

Notes to the consolidated financial statements 2017

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.

	2017	2016
Norwegian Research Council and Eurostars	2 908 408	2 470 787
SkatteFUNN	4 139 487	4 057 537
Total	**7 047 895**	**6 528 324**

Note 14 -Finance income and finance cost

Finance income

	2017	2016
Interest	860 900	485 041
Net foreign exchange gains	589 174	645 383
Other finance income	18 158	166 121
Total finance income	**1 468 233**	**1 296 545**

Finance cost

	2017	2016
Interest expenses from loans measured at amortized cost	-12 182	-
Foreign exchange loss	-383 988	-857 987
Other financial costs	-7 578	690 277
Total finance cost	**-403 749**	**-167 710**
Net financial items	**1 064 484**	**1 128 835**

Notes to the consolidated financial statements 2017

Note 15 - Taxes

Reconciliation of effective tax rate	**2017**	**2016**
Net result before taxes	-15 137 036	-8 926 987
Calculated tax expense/(income) (24 %)	-2 142 477	-805 556
Permanent differences	-8 079 201	-5 595 593
Tax depretiation on intangible assets	-227 998	-237 498
Change in temporary differences	-284 571	-1 944 390
Change in non recognized deferred tax asset	10 734 247	8 583 037
Calculated tax expense	-	-

Tax payable (USA)	32 870	-

Calculation of deferred tax/deferred tax benefit

	2017	**2016**
Tangible assets	2 990 554	2 706 496
Receivables	514	-
Tax losses carried forward	-82 784 778	-59 826 047
Basis for deferred tax/deferred tax benefit (gross)	-79 793 710	-57 119 551
Unrecognised temporary differences	79 793 710	57 119 551
Basis for deferred tax/deferred tax benefit (net)	-	-
Deferred tax benefit	-	-

Notes to the consolidated financial statements 2017

Note 16 - Property, plant and equipment

2016			
Acquisition costs	**Laboratory equipment**	**Other**	**Sum**
Carrying value at 01.01	2 665 544		2 665 544
Additions during the year	4 424 932		4 424 932
Grants received	-		-
Disposals during the year	-		-
Accumulated cost as at 31.12	**7 090 476**		**7 090 476**
Depreciation and amortisation			
Carrying value at 01.01	1 691 427		1 691 427
Depreciation during the year	655 945		655 945
Amortisation during the year	-		-
Accumulated depreciation as at 31.12	2 347 372		2 347 372
Value in balance sheet as at 31.12	**4 743 104**		**4 743 104**

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**

Notes to the consolidated financial statements 2017

Note 17 - Intangible assets

	2016		
Acquisition costs	**Research and development**	**Goodwill**	**Sum**
Carrying value at 01.01	19 591 696		19 591 696
Additions during the year	3 474 315	5 040 382	8 514 697
Grants received	-		-
Disposals during the year	-		-
Accumulated cost as at 31.12	**23 066 011**	**5 040 382**	**28 106 393**
Depreciation and amortisation			
Carrying value at 01.01			-
Depreciation during the year	1 647 999		1 647 999
Amortisation during the year	-		-
Accumulated depreciation as at 31.12	1 647 999	-	1 647 999
Value in balance sheet as at 31.12	**21 418 012**	**5 040 382**	**26 458 394**

	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**

Notes to the consolidated financial statements 2017

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

The group has no financial instruments as at 31.12.2017.

Fair value of financial instruments accounted for at amortized cost

	Accounted value	Fair value
Receivables	12 091 814	12 091 814
Cash and cash equivalents	146 951 261	146 951 261
Total	159 043 075	159 043 075

	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

	2017	2016
Raw materials	3 984 051	4 644 074
Goods in process	5 704 848	2 100 436
Finished goods	1 403 193	801 905
Total	**11 092 093**	**7 546 414**

Note 20 - Accounts receivables and other receivables

	2017	2016
Accounts receivables	6 808 963	2 855 169
Claims on government grants	4 286 906	4 101 181
Public receivables (VAT, etc.)	865 855	983 357
Other receivables / Prepayments	130 090	314 729
Total	**12 091 814**	**8 254 437**

	2017	2016
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 2017

Due accounts receivables

	2017	2016
Not due and within <30 days	5 383 649	2 367 481
30-60d	830 290	175 019
60-90d	483 563	240 163
>90d	111 461	72 506
Total	**6 808 963**	**2 855 169**

Note 21 - Cash and cash equivalents

	2017	2016
Cash and bank deposits	26 387 023	52 777 427
Short-term deposit	117 608 965	20 266 647
Withhold tax account	1 006 764	1 044 127
Pledge account *	1 618 736	1 610 677
Deposit account	329 774	259 029
Total	**146 951 261**	**75 957 906**

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

Notes to the consolidated financial statements 2017

Note 22 - Share capital, shareholders and equity

	Number of shares	Nominal value	Share capital
Ordinary shares	13 996 293	0,10	1 399 629,3

Changes in share capital and share premium:

Change in share capital	2017	2016
Share capital at period start	1 113 915	957 883
Share capital increase	285 714	156 032
Share capital at period end	**1 399 629**	**1 113 915**

Change in share premium	2017	2016
Share premium at period start	128 359 331	99 115 443
Share premium increase	99 714 291	29 243 888
Cost of share issue	-3 931 089	
Share premium at period end	**224 142 533**	**128 359 331**

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

Overview of the parent company's shareholders as at 31.12.17:	Number of shares	Ownership share
Holta Life Sciences AS	2 028 502	14,49 %
Salix AS	1 368 630	9,78 %
Safrino AS	1 350 000	9,65 %
Storebrand Vekst	848 093	6,06 %
Vatne Equity AS	760 000	5,43 %
Silvercoin Industries AS	585 186	4,18 %
Vingulmork Predictor AS	535 710	3,83 %
Verdipapirfondet DNB SMB	484 900	3,46 %
Statoil Pensjon	400 131	2,86 %
Portia AS	375 000	2,68 %
Bård Sundrehagen	357 010	2,55 %
Strawberry Capital AS	300 300	2,15 %
Cressida AS	235 000	1,68 %
Spar Kapital Investor AS	234 000	1,67 %
Norda ASA	231 720	1,66 %
OM Holding AS	209 000	1,49 %
Marstal AS	202 000	1,44 %
Altitude Capital AS	200 000	1,43 %
DNB NOR Markets	200 000	1,43 %
Mutus AS	187 210	1,34 %
Top 20 shareholders	**11 092 392**	**79,25 %**
Total other shareholders	2 903 901	20,75 %
Total number of shares	**13 996 293**	**100,00 %**

Notes to the consolidated financial statements 2017

Shares controlled by board members and the CEO		
Tomas Settevik (Mutus AS)	187 210	1,34 %
Espen Tidemann Jørgensen (Private)	17 000	0,12 %
Bendik Sundrehagen (Safrino AS)	1 350 000	9,65 %
Ingrid Teigland Akay (Teakay Invest AS)	52 454	0,37 %
Bård Sundrehagen (Private)	357 010	2,55 %

Dividend

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

Note 23 - Interest-bearing debt

Interest-bearing debt	**2017**	**2016**
Financial lease	466 146	-
Total interest-bearing debt	**466 146**	**-**

Interest expense	**2017**	**2016**
Financial leases	-	-
Other interest rates	-	-
Total	**-**	**-**

Average interest cost	**2017**	**2016**
Financial leases	5,75 %	0,0 %
Other interest bearing debt	0,00 %	0,0 %

Book value of assets, pledged for debt as at 31.12	**2017**	**2016**
Fixed assets	466 146	-
Total pledged assets	**466 146**	**-**

Notes to the consolidated financial statements 2017

Note 24 - Account payables and other current liabilities

	2017	2016
Account payables	3 548 743	3 519 495
Public taxes, duties etc.	1 693 631	1 610 313
Other short-term liabilities	3 046 066	2 289 111
Total	**8 288 440**	**7 418 919**

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 2016 Gentian Diagnostics AS acquired Pretect AS from Holta Life Sciences AS.
The settlement consisted of the conversion of Pretect's shares in Gentian Diagnostics AS to Holta Life Sciences AS, as well as the issue of new shares to Holta Life Sciences AS. The total value of the transaction was NOK 27,944,820.

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 - Acquisitions

In 2016 Gentian Diagnostics AS completed a 100% acquisition of Pretect AS shares in the third quarter of 2016. The acquisition was approved by Gentian Diagnostics AS's Board on October 10, 2016. The value of Pretect AS was valued at MNOK 27.9.

Acquisition analysis	
100% of the shares in Pretect AS	
Shares in Gentian Diagnostics AS	27 944 820
Retained equity in Pretect AS	22 904 438
Goodwill	5 040 382

Note 28 - Events after the balance sheet date

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

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1501 Moss

Independent Auditor's Report

To the General Meeting of Gentian Diagnostics AS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gentian Diagnostics AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the balance sheet as at 31 December 2017 and income statement, statement of changes in equity, cash flow 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 accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and 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 accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and 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 as required by laws and regulations, and we have fulfilled our other ethical responsibilities 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.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report.

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 the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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 laws, regulations, and auditing standards and practices generally accepted 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. We 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 Company's and the Group'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 and the Group'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 and the Group 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 the Board of Directors 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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 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 produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Moss, 15 May 2018
BDO AS

Vidar Hermansen
State Authorised Public Accountant