Report from Board of Directors

About Genetic Analysis (GA)

GA is a fast-growing molecular diagnostic company and is in a unique position with its patented and documented GA-map® technology to become a leader in mapping of gut microbiota, by detecting and characterizing imbalance in the gut microbiota (Dysbiosis). GA has core competence in mapping of microbiota, utilizing the GA-map® technology to develop IVD tests in all diseases where microbiota is involved. The gut microbiota plays a central role in human health, and today microbiota is one of the most published topics in gut medical scientific journals during the last years. The major challenge when exploring the relationships between gut bacteria and how they affect human health and promote disease, is access to fast and reliable technologies to establish useful clinical data of gut bacteria profiles and how these affects health and disease. The development of technologies suitable for clinical use are few and only one microbiome-based test has currently passed the rigorous regulatory process, the GA-map® Dysbiosis Test!

The microbiota market is still in an early stage in terms of monetary size and how advanced it is. An estimate of the market as of today is stating some 290 M USD, however, this is mainly the value of activities and services into research and clinical development since approved products in both IVD and pharma are for the most part lacking.[1]

This market will grow significantly, and there are estimates that indicates it will reach 2.3 Billion USD in 2023, and this is then fueled by both pharmaceutical and *In Vitro* Diagnostics (IVD) products being approved and launched into major markets[2].
The market is growing rapidly and the potential in the different disease areas are significant for both IVD tests and pharmaceutical compound which is why this is now getting such attention from the major players. This manifest itself in the large deals that have been made over the past few years, e.g. Roche (Genentech) acquired Microbiotica early 2018, and Nestle went into a Joint Venture with Enterome in 2017. Pharmaceutical giant Merck opened a dedicated Microbiome research facility in 2016. All of this is evidence that the space is maturing and rapidly attracting major industry players.

GA is the first company in the world that has launched a documented and CE-marked *In Vitro* Diagnostics test (GA-map® Dysbiosis Test) for diagnosis and characterizing of dysbiosis in IBD and IBS patients. The GA-map® is also launched as a Research

[1] Source: Health Advances analysis, Research and Markets
[2] Source: Verbal presentation by Karen Nelson, President at Craig Venture Institute, US, Microbiome and R&D business collaboration meeting in Rotterdam 20-22 May 2019

use Only (RuO) test in the US. The GA-map® technology can be developed into several new products that are tailor-made for other diseases and indications for use. GA is located at Kabelgaten 8 in Oslo and constitute a full value chain including R&D, manufacturing, clinical trials department, marketing and sales and an in-house reference laboratory for external sample testing and reporting. GA currently has 19 employees of which 5 holds a PhD and the remaining holds a Master degree. In addition to the strong internal competence, the company has access to a large network of key opinion leaders and consultants supporting GA e.g. on clinical trials, QA and regulatory issues. The management of GA brings with them many years of experience and knowhow from diagnostic, pharma and biotech industry.

Operational review 2018

Key Events

During 2018, the company has reached important and essential milestones that will underpin the further growth of the company:

GA-map® on Luminex® instrument platform launched in the US and in Europe.
Luminex is an acknowledged supplier of high-quality laboratory instruments with more than 13,000 deployed instruments worldwide and with a corresponding global network for service and user assistance.

In December 2017, GA completed the documentation for the GA-map® test for Luminex® Lx200 and during 2018, Bio-Rad and GA have been working actively to optimize the test into a Research use Only product (RuO) for the US. In July 2018, Bio-Rad launched this product in the US market.

In October 2018, GA completed CE marking of the product and the GA-map® test for Luminex® is now available for commercial sales in Europe.

Established collaboration with commercial laboratory partner in United States
Bio-Rad and GA signed a collaborative agreement with a recognized, commercial US laboratory in 2017 to evaluate the GA-map® test. By May 2018, this customer finalized the evaluation the test on Luminex®, and in June they progressed to the final validation phase. The laboratory has decided to offer the GA-map® as a Laboratory Developed Test (LDT) and a commercial agreement was signed in Q1-2019 with this customer.

Installed GA-map® test at high profiled US research site.
GA installed the GA-map® Test on Luminex in the Microbiome Center at Texas Children Hospital in Sept 2018. This hospital is ranked among the top in the nation, and will run significant methods trials followed by generation of important publications, as well as lead and perform several major studies in North-America for Bio-Rad and GA.

Study to document an American normal population has started
As an important first step in preparing for an FDA application for product clearance / approval in the United States, Bio-Rad and GA have initiated a study that includes US and Canadians. Recruitment is commencing as planned and the samples will be analyzed at Texas Children Hospital.

Project Pipeline strengthened - Collaboration project on Diabetes T2 started
GA signed a collaboration agreement between BIOASTER, Bio-Rad and GA in November 2018 for a project with the aim of finding new early biomarkers within Metabolic diseases (Diabetes Type 2). The project started in 2018 and the study on Diabetes type 2 will take place in 2019, with first batch of samples to be analyzed in Q3 2019. This is an exciting new field within microbiota research that has attracted huge interest and a potential product will have large market potential.

ISO Certification of Genetic Analysis
The company has invested considerable resources in developing and professionalizing the organization, increase the manufacturing capacity, and as an important part of this, we were certified in accordance with ISO 13485 in May 2018.

Bio-Rad has invested further in GA
At the end of March 2018, the company announced that Bio-Rad had acquired shares for a total of NOK 76.8 million in the company. The seller was Norsk Innovasjonskapital with shares under management.

In October 2018 Bio-Rad Inc. invested further by exercising its subscription rights and GA thus received financing of NOK 8.4 million. After these investments, Bio-Rad Inc. is now the company's largest shareholder, and holds 41.6% of the shares in the company,

The progress made in 2018, further strengthens the basis for building a leading diagnostic company within Gut Microbiome, significantly reduce the commercial risk, and further validate our products. It further strengthens our scientific and commercial network, and GA is now well positioned to support the global market for Gut Microbiota lab tests.

Clinical Documentation

The area of microbiota has attracted a lot of international attention, which is positive for GA and our partners. However, additional clinical documentation is important to increase the commercial value of the GA-map® test. The GA-map® test has gained a good foothold among clinical researchers in Europe and the interest is increasing also in the United States.

Focus on documenting clinical utility is key in order to be successful in the medical diagnostics market (one of our most important segments). GA has in 2018 continued supporting studies in clinical use of microbiota mapping, using the GA-map® test, and this will continue to be a strong focus for GA going forward.

In the IBD area (inflammatory bowel disease; ulcerative colitis and Crohn's disease), studies conducted have shown that the bacteria profile may indicate if the patient will respond to certain medication and in addition predicting the IBD patients' disease course. We have now entered into a collaboration with the University Hospital in Exeter, UK, where we have been given access to faecal samples from one of the largest IBD clinical trials in Europe. GA will perform a comprehensive analysis of these samples. Combining these clinical data and previous results from studies conducted by GA, this will provide the basis for developing a product that can predict the course of treatment for an IBD patient.

In the IBS area (irritable bowel syndrome), studies conducted in 2017 show that patients responding to treatments such as stool transplant (FMT) and the diet Low FODMAP have their own unique bacteria profiles. GA now develops dedicated diagnostic products aimed to improve the IBS treatment regime. In the future, the treatment of IBS (which has so far been characterized by trial and error) can be targeted to a much greater extent by using a GA-map® test to predict whether the patient will respond positively to a treatment.

Diabetes and metabolic diseases are important areas where microbiota undoubtedly plays a major role. In collaboration with partners, we have initiated an important study to support the development of new products (primarily within diabetes).

Commercialization

Market update

The microbiota market is still immature and evolving. The focus over the past 10 years has been very much on understanding this new area, fueling a lot of fundamental research. However, we do see the last few years the number of larger clinical trials, which is more applied research, have increased dramatically and continue to do so. GA has been a pioneer in the microbiota space and have from early on been focused on developing and marketing a standardized and validated test. This test is very suitable for the routine market both in clinical research and in medical practice. As such GA has been ahead of the curve. But during the recent 12 months a strong trend towards utilizing standardized tests is evident. Researchers are moving into large confirmatory clinical studies where standardization and validation is of key importance for their analytical methods, and the medical routine market demonstrate an increased interest in implementing compliant and validated microbiota tests based on molecular methods. This means the labs having homemade solutions want to switch to a documented test, and laboratories not yet

offering a microbiota analysis, will require one. Clinical research is increasing and the fact that the GA-map® Dysbiosis Test have been used by researchers in more than peer reviewed publications drives further interest for our test in this segment. Finally, we see some selected pharmaceutical companies developing treatments for microbiota related diseases that are now moving into phase II and III with their products and thus have requirement for a documented test as a tool in their clinical trials and approval processes. Hopefully this will carry through to become companion diagnostics once they come on the market.

GA's target markets are clinical research, both academic and pharmaceutical development, and routine in-vitro diagnostics. GA works to create market awareness through close collaboration with partners and opinion leaders, and by participating in high impact clinical studies leading to peer reviewed publications. As an example of this an important population study in Italy was completed at the end of the first quarter of 2018, and such studies are important for creating a clinical evidence base for the GA-map® test. GA has further developed a comprehensive and unique bacteria compendium that contains important information on bacteria in the intestine. This is aimed to support our laboratory partners and specialists in the EU and the United States. Over the last few years, the GA-map® test has obtained a presence in the market for clinical research. GA has put strong focus on further develop the GA-map® test so that it gains a broader clinical utility within the medical diagnostic segment. GA has established key pipeline projects both within IBS and IBD in order to achieve this.

There is a clear trend in the market that both clinical researchers, pharmaceutical companies and routine laboratories see the need to move from their complex research tools or home brewed tests into an easy to use, standardized and validated test for microbiota. This plays directly into GA core strengths, and is a trend we will capitalize on in the coming period

Europe

GA's offers two products into the market; either the analysis performed in our service lab, or the workflow implemented in customer laboratories where we then supply the customer with reagent kits and software. The latter has until recently been a challenge, especially in Europe, since many of the potential customers have initially had very small volumes and the workflow implementation does not make financial sense for them. Therefore, we currently serve all our EU customers through our own service lab. This strategy has been crucial to address this evolving market and has really lowered the entry barrier for our customers. This approach will continue for both clinical research and routine diagnostics, but we see the early adapters are now growing their volumes and thus this will change towards more workflow set-ups going forward.

Key EU markets
Italy is one of the more advanced microbiota markets in Europe, as the microbiota awareness is high, and the use of tests is growing. GA has established contacts with both researchers and several large laboratories that are in various stages of evaluating GA-map® test and some have already started sending samples to our service lab in Oslo. Italy is one of the markets where we see clear opportunity for outplacement of the workflow since volumes are growing.

UK has been a market with little traction in microbiota testing, but it is a market with large potential and where big laboratories are now starting to show interest in the GA-map® test. GA work closely with our distribution partner Biohit to reach out to major lab chains and market our products. Participation in large clinical trials such as the Pants study with Exeter University Hospital is extremely important to open up the UK market.

Germany probably has the most developed market for microbiota in the EU with quite high volumes of testing already in routine applications. This is to an extent driven by the functional or holistic medicine community which are typically early adaptors for microbiota testing We are currently working actively to get the GA-map® test into high volume laboratories in Germany to gain stronger market momentum. The interest is increasing as the need for a standardized and validated microbiota test grows, and we aim to install our test in one major laboratory in 2019.
We also see growing interest in markets such as Austria, Portugal and Poland where we are working with promising leads.

In the Nordics, GA is involved in a significant number of clinical studies and collaborations and this is a driver for our sales in this region. I addition to sales to clinical research, we also see a moderate but growing number of routine samples being tested by selected specialists.

United States
In the US market has been somewhat behind Europe in adapting to microbiome in the classical medical community. But the functional medicine community has adopted the concept of microbiota testing and this has driven test volumes over the past years. The laboratories in the US that offer microbiota testing have therefore typically served either functional medicine or worked directly to consumer both with varying success. Some of the laboratories are under suspicion for insurance fraud, and also several of them have been revealed as having inconsistent test results with the exact same sample analysed at different time points when using their non-documented home brew solutions. Therefore, there has been a bit of noise in the laboratory market in US, creating some good opportunities for a serious player like GA.
In the US an IVD microbiota test will require FDA approval, as opposed to self-certification (CE mark) in the EU. There is no FDA approved test on the market at the moment, but several laboratories are allowed to validate and approve their own test

based on Research Use Only product (RuO). This gives the early adaptors a chance to move into the market before an FDA approval is granted.

Bio-Rad has chosen the Microbiome Centre at Texas Children Hospital as the reference facility in the United States, and the GA-map® test was established on the Luminex® platform in August 2018. Texas Children Hospital has a strong academic environment within the microbiota field and will be an important reference in order to support and build the US market.
GA and Bio-Rad continue to invest considerable resources in the process of commercialization in the United States. Bio-Rad launched the GA-map® on Luminex as an RuO product in July 2018 and are actively working to establish collaborations with laboratories that will set up and validate the test in order to drive sales. Certain laboratories in the US have a special approval for validating their own Lab Developed Tests (LDT) based on RuO products. This LDT market could generate significant sales before the test is FDA cleared. One such lab has already signed an agreement with Bio-Rad to use GA-map® test for this purpose, and this lab is now in process of completing their approval process.

GA has been discussing with another major laboratory in the US, and this has now after year-end advanced to a dialogue regarding a potential customer. This highly reputable laboratory focuses on the Functional Medicine, area and have already significant volumes on microbiota by a non- validated platform.
We are also gaining interest from both Clinical research groups and pharmaceutical companies in the US who need a standardized and approved test for their clinical research and trials.

The preparation for US regulatory submission has been initiated and a study to establish an US normal population has already started. The initiation of this project has taken a longer than expected, the entire FDA regulatory process until submission is expected to take up to two years. Bio-Rad will cover the cost of this project and lead the process.

China
China is an interesting market for microbiota and the interest in, and the knowledge of bacterial flora in the gastrointestinal tract is high. China will be a key focus in 2019.

Intellectual Property
GA has continued its active follow-up of the patent portfolio through 2018. Our key probe-set patent was approved in the United States in March 2018. In addition, we have applied for trademark protection of "GA-map" in key geographic areas. The registration is approved in Europe, as well as some other important countries. In the US, the application was still under review by year end, but was granted early 2019.

GA will continue to actively seek new opportunities to protect technology and products as R&D generates new exciting results.

Organization

During 2018, GA has strengthened its organization through recruiting within exploratory research, development, manufacturing, bioinformatics and clinical. This to expand its knowledge base and thus strengthen the company's capabilities ensuring good progress of the documentation of clinical utility of its products, new development projects and scaling up of production. The company had 19 employees by the end of 2018.

GA has now moved into a phase where international commercialization is in focus, and therefore, a new board of directors in GA was elected at the general meeting in June. New chairman is Per Olav Utby who has 35 years of international experience from Pharma and Biotech. In addition, the board is strengthened with Ashok K. Shah, who has long international experience from the sector and currently holds a leading position in Bio-Rad Inc.

Key Events After 31.12.2018

A major focus for GA has been to attract commercial partners in the US and Europe. In Q1-2019, Bio-Rad entered into agreement with the first Lab customer in the US, and this Lab is currently now in process of completing their approval process for an LDT.

In Q2 an agreement was entered into with the second laboratory partner in the US. This lab is addressing a different market segment and already have significant volumes of testing. The Lab would like to switch to the GA-map® test and start market the product in early H2-2019.

Both these labs are reckoned as key players in their segments and will be of great importance for GA.

Future Outlook

The launch of a GA-map® CE-marked product in Europe and the RuO product launch for US on the Luminex platforms, combined with signing up the first customers, has significantly strengthens GAs position to become a leading diagnostic company within the microbiome field.

Together with our partners, GA is well positioned for further expansions in 2019 and onwards.

The key priority for market expansion in 2019 will be the US and Europe, and to start preparations for registration in China. Bio-Rad will continue with the commercialization towards selected laboratories in the US, and to Clinical Research customers throughout the year. The FDA registration work for US will be done by Bio-Rad with support from GA and we aim to complete the normal study in 2019, and then start the FDA work towards the end of 2019. This process could take up to two years, and timing is dependent on our partner Bio-Rad and the FDA.

China is potentially a significant market for microbiota testing, and GA will decide on commercial strategy and market platform during 2019 and start preparation for the registration process.

Despite an increasingly commercial focus GA and our partners will continue to devote considerable effort to further development and optimization of the GA-map® Test, as well as the documentation of clinical utility, and it will therefore take time before the company generates positive cash flow. In addition to the work of commercializing the products we currently have, GA will focus on innovation and development of new products. GA will work actively to enter into agreements on companion diagnostics with pharmaceutical and nutraceutical/functional food companies to contribute to the development of new innovative products in the area of probiotics, medical nutrition and pharmaceuticals aimed at IBD and IBS. This will be important value drivers for our shareholders in the future.

The company is preparing for a share issue in mid-2019 whereby GA aim to raise up to NOK 100 million to fund the pipeline projects and clinical studies that are needed to develop targeted products with strong clinical utility. Funding will also be used to expand our manufacturing capacity and invest in marketing activities.
GA has through agreements and collaborations, continued to position the GA-map® within clinical research community and specialized commercial labs. The Microbiome market is in strong need of standardized diagnostic tools and GA is the only company that has developed such products.

We believe that GA through the above-mentioned partnership agreements has a solid foundation for strong commercialization in the European, US and Chinese markets. Management and the Board will continue to work for value-added agreements and projects, where GA as a world-leading diagnostic innovator will be visible to both industrial and financial players.

Finally, it should be noted that the area of microbiome is still shaping and even though it will grow significantly over the coming years, it is still difficult to predict growth rates etc, and it should also be noted that forward looking statements are always associated with a level of uncertainty.

Corporate Governance

GA is a small company, not listed, and has not yet adopted “The Norwegian Code of Practice for Corporate Governance”.

Working environment and human resources

GA seeks to create an environment which attracts and retains employees of high calibre and in which employees feel valued for their own contribution to the company’s performance. The company focus on providing a safe working environment for its employees, and to ensure that the employees fully understand their own responsibilities regarding health and safety matters.

GA is encouraging equal rights and opportunities amongst its employees and does not tolerate harassment or discrimination in any form.

The working environment in GA is considered good. Sick leave has been 1,49 percent in 2018, and that is a decrease from the 2,83% in 2017. The decrease is due to reduction in the long-term sick leave. No working accidents or injuries occurred in 2018 and the company continues to focus on EHS activities.

The management team in GA includes 4 people, 2 women and 2 men. At the end of the year, GA had a total workforce of 19 people and 13 of these were women. The Board of GA consisted in 2018 of 4 men.

Environment

GA believes that the company’s operation has, by its nature, minimal impact on the environment, but is nevertheless committed to sound environmental practices.

Financial review

Profit and Loss

Being a company in its early commercialisation phase, GA has still moderate but growing revenues. GA generated total revenues of NOK 5.4 million in 2018 (NOK 2.9 million in 2017). Of this, sales from GA-map® products was NOK 3.8 million in 2018 (NOK 1.5 million in 2017), and sales of GA-map® tests to Research studies (EU studies) accounted for NOK 0.7 million in 2018 (1.0 million in 2017). Other revenues from partners accounted for NOK 0.9 million in 2018 (NOK 0.4 million in 2017). In addition to strong volume growth, revenues in 2018 benefitted from a shipment to Bio-Rad in late December. We expect that the inventory build-up in Bio-Rad will result in lower sales in Q1-2019.

Total expenses amounted to NOK 25.4 million for the full year (NOK 20.3 million in 2017). Costs related to Development projects in certain stages must be capitalised according to IFRS IAS38 (see note 4, 12), and thus NOK 5.1 million was capitalised

in 2017 (NOK 3.3 million in 2017). Research Grants booked as a cost reduction amounted to NOK 3.6 million in 2018 (NOK 3.2 million in 2017).
Total expenses before Capitalization and Grants amounted to NOK 34.1 million for the full year (NOK 26.7 million in 2017). The increase is mainly seen in Research and Development and reflects the increase in activity related to complete the development of the RuO (Research use Only) and CE marked versions of GA-map® Dysbiosis Test on the Luminex platform. Clinical costs have also increased as we have focused on ramping up activity level on clinical studies and to increase the number of employees in Clinical dept.

Reported employee costs increased from NOK 9.5 million in 2017 to NOK 13.5 million in 2018. Of this the IFRS charge related to share options increased from 0.1 million in 2017 to 2.5 million in 2018 as a result of new allotments and an increase in the GA share price. If we adjust for the IFRS charge, capitalization of development costs and grants, the gross employee costs increased from 14.8 million in 2017 to 17.6 million in 2018 reflecting the increase in manning in mainly R&D and Clinical.

Amortisation and depreciation expenses increased slightly from NOK 1.7 million in 2017 to NOK 1.9 million in 2018

Other expenses showed a decline from 8.8 million in 2017 to 8.2 million in 2018, mainly driven by higher capitalisation of operating costs related to development (IFRS IAS38) and reduction in consultancy and legal costs.

Net financials showed an expense of NOK 2.5 million in 2018 compared to an expense of NOK 2.2 million in 2017. The increase is related to a net loss of NOK 2.4 million on disposal of listed equity securities during H1-2018. The company held shares in Biohit OYj and these shares were fully disposed in H1-2018, showing a loss compared to the book value on 31.12.2017. Interest expenses on borrowings have been reduced from 1.3 million in 2017 to 0.2 million in 2018 reflecting the conversion of the convertible loan in 2017.

Net loss for the Company during 2018 was NOK 22.5 million compared to a net loss of NOK 19.5 million for 2017.

Cash flow and balance sheet

GA had total assets of NOK 46.4 million at 31.12.2018 (NOK 52.4 million at year end 2017). Total intangible assets as per 31.12.2018 amounted to NOK 18.8 million (NOK 16.2 million at year end 2017).

The cash balance at 31.12.2018 was NOK 20.3 million compared to NOK 22.1 million at year end 2017. GA had financial assets at 31.12.2018 of NOK 0 million (NOK 9.1

million at year end 2017). The reduction is related to GA converting the shares in Biohit OYj into cash by selling off the shares during H1-2018.
GA will receive grants of NOK 3.6 million in Q4 2019.

Total equity for GA as of 31.12.2018 was NOK 38.5 million compared to an equity of NOK 44.6 million at year end 2017.

The decrease in equity is driven by the total comprehensive loss of NOK 17.6 million in 2018 off-set by net equity increases of NOK 8.4 million as a result of a capital increase related to Bio-Rad exercising their warrants in Q3 2018.

The registered share capital of in GA as of 31.12.2018 was NOK 6,868,447.20 divided into 68,684,472 shares at a nominal value of NOK 0.10 each.

Going concern assumption

These statements have been prepared based on the going concern assumption.

GA currently has limited, but increasing sales, and does not generate substantial cash. Therefore, it is vital to secure financing in order to operate according to plan and to achieve the planned milestones. If GA should not be able to secure sufficient funding, the activity level must be scaled down, and this will negatively impact the business plan going forward.

The company's cash position was strengthened by a milestone investment from Bio-Rad of additional 1 USD million during the third quarter 2018. In addition, GA has started a process to secure a further substantial financing in Q2/Q3- 2019, giving the Company a reasonable runway to achieve important value generating milestones in 2019 and 2020.

Based on the above assumptions, the Board confirms that the requirements for the going concern assumption are fulfilled.

Financial risk management

The company uses financial instruments such as convertible bonds and capital increases for the purpose of raising necessary capital for the company's business. In addition, the company has financial instruments such as accounts receivable, accounts payable, etc. in relation to daily operations. The company does not use financial instruments, including derivatives, for revenue purposes. Procedures for risk management are adopted by the Board.

The company is not materially exposed to the variety of financial risks: market risk (including currency risk, interest rate risk and price risk) and credit risk, but more exposed to liquidity risk. The company's management regularly evaluates these risks and establishes guidelines for how they are handled.

Market risk - Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euro and US dollars. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The company has not established currency hedge arrangement. The company will consider the need to establish hedge arrangement on a continuing basis. Due to limited commercial operations in 2018 and 2017, the impact of price risk is considered as low.

Market risk - Interest rate risk

The company's interest rate risk arises from long-term borrowings (see notes 3, 13). Borrowings issued at variable rates expose the company to cash flow interest rate risk.

Borrowings issued at fixed rates expose the company to fair value interest rate risk.

Management's risk policy is to, on a continuing basis, monitor the risk and consider the need to establish security arrangement. During 2018 and 2017, the company's borrowings at variable rate were denominated in NOK.

Market risk - Price risk

Price risk arises when there are changes in market price that are not otherwise accounted for by interest rate or currency rate changes. Due to limited commercial operations in 2018 and 2017, the impact of price risk is considered as low.

Market risk - Credit risk

Credit risk is the risk that the Customers (debtors) will not be able to settle their debt. The customers of GA in the healthcare segment are generally considered to be customers with high ability to pay and the credit risk is considered low.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company is in a phase whereby the expansion is funded by issuing shares in the market place, research grants and revenues from product sales. The company secured further funding in Q3-18 as Bio-Rad chose to exercise their warrants that yielded USD 1 million to GA. GA is in a process to secure additional funding in Q2/Q3-19.

In addition, the company will actively seek to have a balance of short term and long-term facilities that is designed to ensure that the company has sufficient funds

available for financing ongoing operations, market expansion and development projects. The Management and the Board actively monitor the forecast of the Company's Liquidity reserve and cash on the basis of the expected cash flow on a monthly level.

Subsequent events after year end

No events have occurred after year end.

Allocation of the net result of the year

GA generated a total comprehensive loss for the year 2018 of
NOK 17 614 432 after tax. The Board proposes the following allocation of the results for Genetic Analysis AS for the year:

Net profit/-loss	- 17 614 432
Transferred to / - from Other Equity	- 17 614 432

Oslo, 27 June 2019

Per Olav Utby
(Chairman of the Board)

Ashok K Shah
(Board Member)

Stein Lorentzen-Lund
(Board Member)

Rune Sørum
(Board Member)

Ronny Hermansen
(CEO)

Genetic Analysis AS

Financial Statements

31 December 2018

Genetic Analysis AS
Statement of Profit or Loss
For the year ended 31 December 2018

	Notes	2018 NOK	2017 NOK
Revenue	5	4 347 983	1 469 683
Other income	23	1 071 795	1 463 670
Operating income		**5 419 778**	**2 933 353**
Cost of goods sold	23	1 746 948	400 993
Employee benefits expense	6, 15	13 481 789	9 494 212
Depreciation and amortization expense	11,12	1 881 619	1 719 559
Other expenses	6, 18	8 212 770	8 836 813
Other gains and losses	16	35 049	-150 119
Operating expenses		**25 358 175**	**20 301 458**
Finance income	7	16 324	40 408
Finance expenses	7	2 543 095	2 196 974
Finance – net		**-2 526 771**	**-2 156 566**
Profit / (loss) before income tax		**-22 465 168**	**-19 524 671**
Income tax expense	8, 17	0	0
Net profit / (loss)		**-22 465 168**	**-19 524 671**

The notes on pages 7 to 36 form part of these financial statements.

Genetic Analysis AS
Statement of Comprehensive Income
For the year ended 31 December 2018

	Notes	2018 NOK	2017 NOK
Profit for the year		-22 465 168	-19 524 671
Items that will not be reclassified to profit or loss		0	0
Items that may subsequently be reclassified to profit or loss	16	4 850 736	-4 207 126
Other comprehensive income / (loss) for the year, net of income tax		**4 850 736**	**-4 207 126**
Total comprehensive income / (loss) for the year		**-17 614 432**	**-23 731 797**

The notes on pages 7 to 36 form part of these financial statements.

Genetic Analysis AS
Statement of Financial Position
As at 31 December 2018

Assets	Notes	31.12.2018 NOK	31.12.2017 NOK
Non-current assets			
Property, plant & equipment	5, 11	1 365 420	825 157
Intangible assets	5, 12	18 815 368	16 156 575
Available for sale financial assets	16	0	9 128 576
Total non-current assets		**20 180 788**	**26 110 308**
Current assets			
Trade and other receivables	10	6 017 236	4 280 355
Cash and cash equivalents	9	20 251 298	22 057 416
Total current assets		**26 268 534**	**26 337 771**
Total assets		**46 449 322**	**52 448 080**

The notes on pages 7 to 36 form part of these financial statements.

Genetic Analysis AS
Statement of Financial Position
As at 31 December 2018

Equity and liabilities	Notes	31.12.2018 NOK	31.12.2017 NOK
Equity attributable to owners of the parent			
Ordinary shares	20	6 868 447	6 631 092
Share premium	20	147 751 974	139 604 384
Retained earnings		-116 089 172	-100 608 109
Total equity		**38 531 250**	**45 627 367**
Non-current liabilities			
Loans and borrowings	13	2 144 667	2 112 278
Total non-current liabilities		**2 144 667**	**2 112 278**
Current liabilities			
Trade payables	14	1 006 244	872 596
Other current liabilities	14	4 767 161	3 835 838
Total current liabilities		**5 773 405**	**4 708 434**
Total liabilities		**7 918 072**	**6 820 712**
Total equity and liabilities		**46 449 322**	**52 448 080**

The financial statements were approved by the directors and authorised for issue on 27 June 2019:

Per Olav Utby
(Chairman of the Board)

Ashok K Shah
(Board Member)

Rune Sørum
(Board Member)

Stein Lorentzen-Lund
(Board Member)

Ronny Hermansen
(CEO)

The notes on pages 7 to 36 form part of these financial statements.

Genetic Analysis AS
Statement of Changes in Equity
As at 31 December 2018

	Note	Attributable to the owners			
		Share capital	Share premium	Retained earnings	Total
		NOK	NOK	NOK	NOK
Equity at 01.01.2017		**5 968 144**	**124 267 977**	**-75 491 439**	**54 744 681**
Profit for the financial year		0	0	-19 524 671	-19 524 671
Other comprehensive income		0	0	-4 207 126	-4 207 126
Capital increase 30.04.2017	20	303 000	7 272 000	-1 576 641	5 998 359
Capital increase 15.08.2017	20	63 756	0	0	63 756
Capital increase 28.08.2017	20	296 192	8 103 808	0	8 400 000
Issue expense		0	-39 401	0	-39 401
Share options	15	0	0	191 767	191 767
Equity at 31.12.2017		**6 631 092**	**139 604 384**	**-100 608 109**	**45 627 367**
Equity at 01.01.2018		**6 631 092**	**139 604 384**	**-100 608 109**	**45 627 367**
Profit for the financial year		0	0	-22 465 168	-22 465 168
Other comprehensive income		0	0	4 850 736	4 850 736
Capital increase 04.10.2018	20	237 355	8 162 645	0	8 400 000
Issue expense		0	-15 055	0	-15 055
Share options	15	0	0	2 133 370	2 133 370
Equity at 31.12.2018		**6 868 447**	**147 751 974**	**-116 089 172**	**38 531 250**

The notes on pages 7 to 37 form part of these financial statements.

Genetic Analysis AS
Statement of Cash Flow
For the year ended 31 December 2018

	Note	2018	2017
Profit / (Loss) before income tax		**-22 465 168**	**-19 524 671**
Adjustments for:			
Depreciation and amortisation charges	11,12	1 881 619	1 719 559
Loss from disposal of listed equity securities	16	2 392 344	941 527
Stock options	15	2 133 370	191 767
Changes in working capital			
Changes in trade receivables	10	-1 283 536	-594 366
Changes in trade payables	14	133 648	-101 578
Changes in other items		800 548	-566 372
Net cash flow from operating activities		**-16 417 375**	**-17 934 134**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	-761 502	-691 229
Purchase of intangible assets	12	-4 099 155	-3 250 068
Payments from disposal of listed equity securities	16	11 586 968	4 963 011
Net cash flow from investing activities		**6 726 311**	**1 021 714**
Cash flows from financing activities			
Repayment of borrowings	13	-500 000	-3 943 912
Proceeds from other borrowings	13	0	0
Paid in capital	20	8 384 945	8 424 355
Net cash flow from financing activities		**7 884 945**	**4 480 443**
Net increase in cash and cash equivalents		**-1 806 118**	**-12 431 977**
Cash and cash equivalents at beginning of year	9	22 057 416	34 489 393
Cash and cash equivalents at end of year	9	**20 251 298**	**22 057 416**

The notes on pages 7 to 37 form part of these financial statements.

1. General information

Genetic Analysis AS (the 'Company') has developed and launched the first bacterial gene-based diagnostic test for the mapping and diagnosis of diseases related to dysbiosis and imbalances in the digestive system. The company is marketing the GA-map™ Dysbiosis Test to commercial routine clinical testing, pharma companies and the research market. Genetic Analysis was established in 2008 and has developed a DNA-based platform technology that allows for simultaneous analysis of a large number of similar (but not identical) gene fragments in one reaction. This is based on research done by Professor Knut Rudi and Nofima Mat in Ås.

Genetic Analysis AS is a limited liability company incorporated and domiciled in Norway. The address of its registered office is Kabelgata 8, 0580 Oslo.

The financial statements were considered and issued by the company's board of directors on 27 June 2019.

2. Summary of significant accounting policies

Basis for preparation

These financial statements have been prepared on a historical cost basis, and in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC').

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been applied consistently, unless otherwise stated. The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements are disclosed in the notes to these financial statements.

The financial statements have been prepared on a going concern basis.

New and amended standards adopted by the company

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new guidance has no significant impact on the classification and measurement of its financial assets.

There is no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. There are no impacts from the derecognition rules. There is no significant impact from hedge accounting. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The company does not have significant effects from the new impairment model. The new standard also introduces expanded disclosure requirements and changes in presentation. These does not change the nature and extent of the company's disclosures significantly.

IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. See note 5 for more detailed information.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the company. The company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and lowvalue leases. The group will apply the standard from its mandatory adaption date of 1 January 2019. See note 18 for more detailed information.

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. The Corporate management has evaluated that the Company operates in only one segment. Therefore, there is no separate segment reporting in the financial statements.

Foreign currency translation

Functional and presentation currency
The financial statements of the company are presented in Norwegian Kroners, which is the functional currency of the company.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains – net'.

Property, plant and equipment

Machinery and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Machinery and equipment are reflected in the balance sheet and depreciated to residual value over the asset's expected useful life on a straight-line basis. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or improvements are added to the asset's cost price and depreciated together with the asset. The split between maintenance and additions/improvements is calculated in proportion to the asset's condition at the acquisition date.

Fixed assets related to the Company's location in Oslo are booked at cost and depreciated over the lease period for the respective location.

The estimated useful lives used in the calculation of depreciation and amortisations are as follows:

Machinery and equipment: 5 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement for the period.

Intangible assets

Research & Development
Research expenditure are recognized as an expense as incurred. Costs incurred on development projects (related to development, design and testing of new or improved products) are recognised as intangible assets. This is provided that the company can demonstrate a technical feasibility to complete the intangible asset so that it will be available for use or sale, that the asset can generate future economic benefits, and that the company has sufficient resources to complete the asset and that the development costs can be measured reliably. Development expenses previously recognized as an expense are not recognized as an asset in subsequent periods. Capitalized development costs are recognized as cost, less any accumulated amortization and impairment loss. Capitalized development costs that have finite useful life, is amortized on a straight-line basis over the expected useful economic life of the intangible asset from the commencement of the commercial production. Time of amortization is maximum 10 years.

Computer software
Computer software is depreciated on a straight-line basis to their residual value over their expected useful life, which is 5 years.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Financial assets

Classification
The company classifies its financial assets in the following categories: loans and receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Available for sale financial assets
Available for sale financial assets are non-derivatives that are either designated in this category or not

classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement
Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligations have been completed or otherwise terminated.

Financial liabilities at fair value through profit or loss are subsequent to the acquisition carried at fair value. All financial assets and financial liabilities at amortized cost are measured using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Other (losses)/gains – net' in the period in which they arise and is included in net financial items as it relates to financing.

Impairment of financial assets

From 1 January 2018, the company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. See note 10 for additional details.

As of 31 December 2018 the company has no financial asset held at fair value over the profit or loss. The impairment policy for financial assets applied until 31 December 2017 is as follows: The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. A write-down is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previous recognized impairment loss is recognized in the statement of comprehensive income.

Loans and receivables
For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

Available for sale financial assets
The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the

acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Trade receivables

Trade receivables are financial instruments and represent the amount due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less a loss allowance for impairment determined using the expected credit loss model for lifetime expected losses.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Share capital

Ordinary shares are classified as equity.

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

Where the company purchase the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. The company establishes provisions on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Employee benefits

Pension plan
The company has a defined contribution pension plan as required by the Norwegian Law. This pension plan applies to all employees of the company. For defined contribution plans, contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay any further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Profit-sharing and bonus plans
The company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The company recognises a provision where contractually obligated or where there is a past practise that has created a constructive obligation.

Share based payments

The company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Government Grants

Government grants including non-monetary grants at fair value, will only be recognised when there is reasonable assurance that the company will comply with the conditions attaching to them, and the grants will be received. The grants are recognised as cost reductions in the profit and loss statement and as other income if the grant has an element of payment for services to the project.

Revenue recognition

IFRS 15 Revenue from contracts with customers is effective from 1 January 2018, and subsequently the company has implemented the accounting principle for revenues from contracts with customers from that date. The new standard is applied by the company using the full retrospective method, i.e. all comparative periods are reported according to IFRS 15 as well.

The allocation of revenue is based on the stand-alone selling price for each separate performance obligation in the contract with the customer, and the revenue is recognized when the service/good is delivered. The company divides the revenue into two categories in the Statement of Comprehensive Income; Revenue and Other income.

The company develop, manufactures and sells diagnostic tests to the global health market based on a DNA-based platform technology that allows for simultaneous analysis of a large number of similar (but not identical) gene fragments in one reaction.

Sale of goods and services
Income from sale of goods and services are recognised at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales of goods are taken to income when the company has delivered its products to the customer and there are no unsatisfied commitments which may

influence the customer's acceptance of the product. Sales of services are taken to income when the service is rendered.

Delivery is not completed until the products have been sent to the agreed place, and control of the products have been accepted by and transferred to the customer. Contractual data is applied to estimate and recognise provisions for discounts and rebates at the sales date and historical data is applied to estimate and recognise any provisions for returns.

Finance expenses

Finance costs represent interest on loans and borrowings.

3. Financial risk management and Financial instruments

Financial risk management

The company uses capital increases for the purpose of raising necessary capital for the company's business. In addition, the company has financial instruments such as accounts receivable, accounts payable, etc. in relation to daily operations. The company does not use financial instruments, including derivatives, for revenue purposes. Procedures for risk management are adopted by the Board. The company is exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The company's management regularly evaluates these risks and establishes guidelines for how they are handled.

Market risk - Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euro and US dollars. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The company has not established currency hedge arrangement. The company will consider the need to establish hedge arrangement on a continuing basis.

At 31 December, if the currency had weakened/strengthened by 1 per cent against the Euro with all variables held constant, post –tax profit for the year would have been NOK 17 440 (2017: NOK 1 008) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro denominated trade receivables and trade payables.

Market risk - Interest rate risk

The company's interest rate risk arises from long-term borrowings (see note 13). Borrowings issued at variable rates expose the company to cash flow interest rate risk.

Borrowings issued at fixed rates expose the company to fair value interest rate risk.

Management's risk policy is to, on a continuing basis, monitor the risk and consider the need to establish security arrangement. During 2018 and 2017, the company's borrowings at variable and fixed rate were denominated in NOK and USD.

The following table illustrates the sensitivity of the company to potential interest rate changes.
The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates.

Interest rate sensitivity	Changes in interest rates in basis points	Effect on profit before tax	Effect on equity
2018	+50	2 718	2 718
2018	-50	-2 718	-2 718
2017	+50	504	504
2017	-50	-504	-504

Bases on the financial instruments that existed per 31 December 2018, an increase of 0,5% would reduce the company's profit before tax by NOK 2 718 (2017: NOK 504).

The average effective interest rates of financial instruments were as follows:

	2018	2017
Other loans	4,9%	4,9%

Market risk - Price risk
Price risk arises when there are changes in market price that are not otherwise accounted for by interest rate or currency rate changes. Due to limited commercial operations in 2018 and 2017, the impact of price risk is considered as low.

Credit risk
Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to trade and other receivables. The company has routines to ensure that sales on credit are made only to creditworthy customers.

Liquidity risk
Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company is in a phase whereby the expansion is funded by issuing shares in the market place, research grants and revenues from product sales. The company has secured major funding's in 2017 and 18, and are in a process of fully finance the company during Q2/Q3-2019.

In addition the company will actively seek to have a balance of short term and long term facilities that is designed to ensure that the company has sufficient funds available for financing ongoing operations, market expansion and development projects. The Management and the Board actively monitor the forecast of the Company's Liquidity reserve and cash on the basis of the expected cash flow on a monthly level.

Periods to maturity of financial liabilities incl. interest:

	Less than one year	Between one and two years	Between two and five years	More that five years
At 31 December 2018				
Loans and borrowings	818 300	1 302 855	223 512	0
Trade payables	1 006 244	0	0	0
Other liabilities	4 767 161	0	0	0
At 31 December 2017				
Loans and borrowings	303 650	479 900	1 326 900	307 050
Trade payables	872 596	0	0	0
Other liabilities	3 835 838	0	0	0

Fair value of financial instruments

The carrying amount of cash and cash equivalents approximates fair value because these instruments have a short-term maturity date. Similarly, the carrying amount of accounts receivable and accounts payable approximates fair value as the impact of discounting is not significant. Long-term financial assets are measured at fair value.

Derivative financial instruments and fair value estimation

At the end of year 2018 and end of year 2017 there were no financial assets or liabilities to measure.

Classification of financial assets and liabilities
The company has the following classification of financial assets and liabilities. See note 2 for a description of the various categories.

Financial instruments	**Loans and receivables**	**Available for sale financial assets**	**Loans and receivables**	**Available for sale financial assets**
31.12	**2018**	**2018**	**2017**	**2017**
Assets				
Equity securities	0	0	0	9 128 576
Trade receivables	1 939 692	0	656 156	0
Other receivables	4 077 544	0	3 624 199	0
Cash and cash equivalents	20 251 298	0	22 057 416	0
Total financial assets	**26 268 534**	**0**	**26 337 771**	**9 128 576**
Liabilities				
Loans and borrowings	2 144 667	0	2 112 278	0
Accounts payable and other short-term debt	5 773 405	0	4 708 434	0
Total financial liabilities	**7 918 072**	**0**	**6 820 712**	**0**

Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

4. Important accounting estimates and discretionary assessments

Estimates and discretionary assessments are based on historical experience and other factors, including expectations of future events that are considered likely under present conditions. The company prepares estimates and makes assumptions about the future. Accounting estimates derived from these will by definition seldom accord fully with the outcome. Estimates and assumptions which represent a substantial risk for significant changes in the carrying amount of assets and liabilities during the coming fiscal year are discussed below.

Estimated value of Research and Development

Expenditure on research is written off as incurred. When a project has reached development, and the stage in the development phase defined as Pre-Launch phase, development costs are capitalized.
The Pre-Launch stage is reached when it is whereby it is probable that the product will generate future economic benefits, and the following criteria have been met: technical feasibility, intention and ability to sell the product, availability of resources to complete the development of the product and the ability to measure the expenditure attributable to the project.

Research and development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Capitalized development costs are amortized over the useful economic life of the asset, not exceeding ten years. The useful economic life is determined on a product-by-product basis taking into consideration a number of factors including license/patent periods and expected technological changes. Where deferred costs capitalized no longer provide future economic benefit, they are derecognized immediately.

During 2018, one project is in the phase where capitalization of development cost has started:

1. **The GA technology project.**
   The technology project has reached the stage for capitalization, and all development costs on this project is being capitalized. Amortization on this intangible asset is estimated to start in Q2-2019 and is estimated to be amortized over ten years.

5. Geographical breakdown of sales and assets

Geographical breakdown sales
The geographical distribution is based on countries where the customers are located.

	2018	2017
Norway	216 170	276 240
Europe	550 016	571 993
USA	3 581 797	621 450
Total	**4 347 983**	**1 469 683**

One customers account for 82 % of the sale, the others are below 5 % each.

Geographical breakdown of assets

	2018	2017
Norway	18 815 368	16 981 732
Total	**18 815 358**	**16 981 732**

Included in assets under geographical segment are property, plant and equipment and intangible assets excluding deferred tax asset.

Analysis of revenue by category	2018	2017
Sale of goods	2 745 152	707 923
Revenue from services	1 602 831	761 760
Total	**4 347 983**	**1 469 683**

Implementation of IFRS 15 "Revenue from Contracts with Customers"

The company implemented new IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. This standard replaces IAS 18, which covers contracts for goods and services, and IAS 11 (construction contracts).

The new standard is based on the principle that revenue is recognized when control of goods or services transfers to a customer. The notion of control replaces the existing notion of risks and rewards. The most important change to previous practice is that a significant portion of our revenues no longer is recognized at point in time when the goods have been delivered. Based on the guidance for IFRS 15, a significant portion of our revenues is recognized over the contract period based on estimated percentage of completion for the relevant contracts going forward. IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The company adopted the standard using the prospective approach, which means that the cumulative impact of the adoption was recognized in retained earnings as of 1 January 2018. The new accounting standard has no effects for the company when it comes to the timing for recognizing revenue, cost of materials and tax. All revenues are recognized at point in time. Furthermore, no financial statement line items in the balance sheet are changed after implementing the new standard.

Assets and liabilities related to contracts with customers

The company has recognized the following assets related to contracts with customers:

	2018	2017
Contract assets included in trade and other receivables	0	0

6. Employee benefits expense and auditor remuneration

Personnel expenses:

	2018	2017
Salaries	15 063 211	12 777 231
Payroll tax	2 113 103	1 767 399
Pension cost	231 631	185 189
Other benefits	376 251	217 537
Stock options	2 497 582	100 074
Cost of sales	-226 940	-157 328
Capitailzed as R&D/ SkatteFUNN	-6 573 048	-5 395 890
Total personnel expenses	**13 481 789**	**9 494 212**
Average number of man-years	17	15
Average number of employees *	22	19

*2 employees on maternity leave for major parts of 2018 (major parts of 2017)

Auditor remunerations:

	2018	2017
Statutory audit	125 000	185 000
Other assurance services	32 805	58 951
Tax advisory fee	25 000	25 000
Other services	130 000	130 000
Total audit remuneration	**311 805**	**398 951**

VAT is not included in the audit fee.

7. Financial income and expenses

Finance income

	2018	2017
Interest income on short-term bank deposits	8 601	34 432
Other interest income	7 723	5 976
Total finance income	**16 324**	**40 408**

Finance costs

	2018	2017
Interest expenses on borrowings	149 543	1 252 855
Other interest expenses	808	1 891
Net loss on disposal of listed equity securities	2 392 344	941 527
Other finance expenses	400	700
Total finance expenses	**2 543 095**	**2 196 974**
Net finance costs/income	**-2 526 771**	**-2 156 566**

8. Income tax expense

	2018	2017
Tax payable	0	0
Deferred tax	0	0
Income tax expense	**0**	**0**

The tax on the company's profit before tax differs from the theoretical amount that would arise using the domestic tax rate applicable to profit as follows:

	2018	2017
Ordinary profit before tax	-22 465 168	-19 524 671
Tax calculated at the domestic rate (23 % (24%))	-5 166 989	-4 685 921
Expenses not deductible for tax purposes	-1 382 257	706 606
Tax loss for which no deferred income tax asset was recognized	6 549 246	3 979 315
Tax cost	**0**	**0**

The income tax expense is calculated using the domestic tax rate. The tax rate is 23 % in Norway in 2018 and 22 % from 1 January 2019.

No current or deferred tax expense or income has been recognized in the Statement of Other Comprehensive Income in the period. See note 17.

9. Cash and cash equivalents

Cash and other cash equivalents:

	2018	2017
Short term cash deposits, cash equivalents	19 613 968	21 399 577
Restricted cash	637 330	657 839
Cash and cash equivalents	**20 251 298**	**22 057 416**

Restricted cash 31 December:

	2018	2017
Security for tax withholding	637 330	657 839
Total	**637 330**	**657 839**

10. Trade and other receivables

	2018	2017
Trade receivables	1 939 692	656 156
Less: provision for impairment of trade receivables	0	0
Trade receivables - net	**1 939 692**	**656 156**
Prepaid expenses	156 810	132 012
Receivable on employees	35 299	45 300
Receivable VAT	262 779	162 388
Receivable Government Grant	3 579 522	3 241 366
Other receivables	43 134	43 134
Total	**6 017 236**	**4 280 355**

The booked value of the trade receivables and other receivables is considered to be the fair value.

As of 31 December 2018, trade receivables of NOK 130 030 were past due but not impaired (2017: NOK 303 248). These relate to a number of independent customers for whom there is not recent history of default. The ageing analysis of trade receivables is as follows:

	2018	2017
Receivables not due	1 807 762	352 908
Up to 3 months	130 030	303 248
3 to 6 months	0	0
Total	**1 939 692**	**656 156**

The carrying amounts of the company's trade and other receivables are denominated in the following currencies:

	2018	2017
NOK	4 091 445	3 894 962
EUR	1 744 243	92 799
USD	181 548	292 594
Total	**6 017 236**	**4 280 355**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The company does not hold any collateral as security.

11. Property, plant, and equipment

	Machinery and equipment	Total
Fiscal 2017		
Opening net book amount	413 125	413 125
Additions	691 229	691 229
Depreciation charge	-279 196	-279 196
Closing balance	**825 157**	**825 157**
31.12.2017		
Acquisition cost	3 163 283	3 163 283
Accumulated depreciation	-2 338 125	-2 338 125
Accumulated impairment	0	0
Net book amount	**825 157**	**825 157**
Fiscal 2018		
Opening net book amount	825 157	825 157
Additions	761 502	761 502
Depreciation charge	-221 238	-221 238
Closing balance	**1 365 420**	**1 365 420**
31.12.2018		
Acquisition cost	3 924 785	3 924 785
Accumulated depreciation	- 2 559 363	-2 559 363
Accumulated impairment	0	0
Net book amount	**1 365 420**	**1 365 420**

Depreciation for the year	
Estimated useful life	5 years

Machinery and equipment were provided at 31 December 2018 as security for NOK 0 (2017: NOK 0).

Additions to machinery and equipment also includes leased equipment. Please see note 13 for more information.

12. Intangible assets

	Research and development	Software	Total
Fiscal 2017			
Opening net book amount	12 681 987	1 664 882	14 346 869
Additions*	3 250 068	0	3 250 068
Disposals	0	0	0
Amortization charge	-996 394	-443 968	-1 440 362
Closing balance	**14 935 661**	**1 220 914**	**16 156 575**
31.12.2017			
Development cost	17 177 549	2 219 842	19 397 391
Accumulated amortization	-2 241 888	-998 928	-3 240 816
Accumulated impairment	0	0	0
Net book amount	**14 935 661**	**1 220 914**	**16 156 575**
Fiscal 2018			
Opening net book amount	14 935 661	1 220 914	16 156 575
Additions*	4 099 155	0	4 099 155
Disposals	0	0	0
Amortization charge	-966 394	-443 968	-1 440 362
Closing balance	**18 038 422**	**776 946**	**18 815 368**
31.12.2018			
Development cost	21 276 703	2 219 842	23 496 546
Accumulated amortization	-3 238 282	-1 442 896	-4 681 178
Accumulated impairment	0	0	0
Net book amount	**18 038 422**	**776 946**	**18 815 368**
Estimated useful life	10 years	5 years	

See note 4 for further information about capitalized research and development costs and software.

*Cost before government grants: 5 123 944 NOK in 2018 (4 062 585 NOK in 2017)

13. Borrowings

	2018	2017
Non-current		
Other borrowings	2 144 667	2 112 278
Total	**2 144 667**	**2 112 278**

Other borrowings are related to a loan from Innovasjon Norge.

Total borrowings include secured liabilities of NOK 5 350 000 (2017: NOK 5 350 000).

The carrying amounts and fair value of the borrowings are as follows:

	Carrying amount		Fair value	
	2018	2017	2018	2017
Other borrowings	2 144 667	2 112 278	2 144 667	2 112 278
Total	**2 144 667**	**2 112 278**	**2 144 667**	**2 112 278**

The fair value of borrowings equals their carrying amount calculated at amortized cost.

As at 31 December 2018, lease liability of leased equipment is NOK 1 082 387. NOK 246 356 of this is current, and NOK 836 031 is non-current.

Net debt reconciliation	Dec **2018**	Dec **2017**
Cash and Cash equivalents	20 251 298	22 057 416
Borrowings repayable within one year	-400 000	0
Borrowings repayable after one year	-1 500 000	-2 112 278
Net debt	**18 351 298**	**19 945 138**

Cash and Cash equivalents	20 251 298	22 057 416
Gross debt with fixed interest rates	0	0
Gross debt with variable interest rates	-1 900 000	-2 112 278
Net debt	**18 351 298**	**19 945 138**

	Other assets	**Liabilities from financing activities**		
	Cash/bank	Borrowings, due within 1 year	Borrowings, due after 1 year	**Total**
Net debt as at 1 January 2018	22 057 416	0	-2 112 278	**19 945 138**
Cash flows	-1 806 118	0	100 000	-1 706 118
Other non-cash movements	0	-400 000	512 278	112 278
Total	**20 251 298**	**-400 000**	**-1 500 000**	**18 351 298**

14. Trade and other payables

	2018	2017
Trade payables	1 006 244	872 596
Accrued employee benefits expense	701 873	442 489
Social security and other taxes	1 149 918	1 166 133
Contract liabilities	167 750	779 181
Accrued expenses	2 747 620	1 448 036
Total current liabilities	**5 773 405**	**4 708 435**

Amounts are settled on standard commercial trade terms. Generally no interest is charged on the trade payables. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15. Related party disclosures

Remuneration of senior executives	2018	2017
Pay and other short-term benefits	1 624 894	1 541 716
Total	**1 624 894**	**1 541 716**

Payables	2018	2017
Senior executives	0	0
Total	**0**	**0**

Senior executives comprise the CEO at Genetic Analysis AS. See table below for a more extensive description of remuneration of senior executives.

Pay and other remuneration of senior executives in 2018:

Name	*Function*	*Period*	*Basic salary*	*Bonus paid*	*Other remun.*	*Total pay and remun.*	*Pension contrib*
Ronny Hermansen	CEO	01.01-31.12	1 620 171	0	4 723	1 624 894	21 314
Total			**1 620 171**	**0**	**4 723**	**1 624 894**	**21 314**

Pay and other remuneration of board members in 2018:

Name	*Function*	*Period*	*Basic salary*	*Bonus paid*	*Other remun.*	*Total pay and remun.*
Stein Lorentzen-Lund	Board member	01.01-31.12			75 000	75 000
Ole Henrik Eriksen	Board Chair	01.01-30.06			75 000	75 000
Per Olav Utby	Board Chair	01.07-31.12			75 000	75 000

Pay and other remuneration of senior executives in 2017:

Name	*Function*	*Period*	*Basic salary*	*Bonus paid*	*Other remun.*	*Total pay and remun.*	*Pension contrib*
Ronny Hermansen	CEO	01.01-31.12	1 537 103	0	4 613	1 541 716	20 522
Total			**1 537 103**	**0**	**4 613**	**1 541 716**	**20 522**

Pay and other remuneration of board members in 2017:

Name	*Function*	*Period*	*Basic salary*	*Bonus paid*	*Other remun.*	*Total pay and remun.*
Stein Lorentzen-Lund	Board member	01.01-31.12	0	0	75 000	75 000
Ole Henrik Eriksen	Board Chair	01.01-31.12	0	0	150 000	150 000
Total			**0**	**0**	**225 000**	**225 000**

Declaration of remuneration to senior executives
The table above includes information on all individuals covered by the disclosure obligation at any time during the year, while the following declaration is limited to the CEO and management team. The following review presents the executive remuneration policy as resolved by the board in Genetic Analysis. The mandatory executive remuneration policy was resolved by Genetic Analysis' annual general meeting on 30.06.2014.

Recommended executive remuneration policy
Genetic Analysis wants to offer competitive terms in order for the company to attract and retain competent managers and at the same time achieve alignment of interest between management and shareholders. The remuneration and other terms of employment for the executives reflect a number of factors, such as the position itself and the market conditions.

The remuneration comprises a reasonable basic salary and a pension contribution plus a cash bonus, which is principally linked to the company's performance. For the CEO and the Management Team the total bonus may not amount to more than 30 per cent of base salary. Certain tools, which are needed to perform executive duties, represent a taxable benefit which has been included in the amounts in the table above.

Genetic Analysis honours all employment agreements which are in effect. Future supplements to employment agreements and new employment agreements will be in accordance with these guidelines.

The board determines the remuneration and other terms of employment of the CEO and issues guidelines for the remuneration of leading personnel. The CEO determines the remuneration and other terms of employment of the senior management within the framework resolved by the board.

The CEO and members of the Management Team are members of Genetic Analysis' general pension contribution scheme that apply to all employees. The CEO may under certain circumstances have the right to receive six months post-employment compensation. There is no other post-employment remuneration or employment protection beyond a normal notice period.

Share-Based Payment

Genetic Analysis' Option Program was established in 2015 with the objective to further align the interests of the Management and key personnel with the interests of the shareholders. When the program was rolled out in 2015, The Board of Directors was authorised to increase the share capital with totally 1 610 000 shares. In June 2017, the AGM approved an authorisation of a further increase of 2 050 000 shares. The total number of share options outstanding is now 3 260 000 or 4,75 % of total shares issued.

The Company utilizes a Monte Carlo simulation to determine the impact of stock option grants in accordance with IFRS 2, Share-based payment, on the Company's net income. The model utilizes certain information, such as the interest rate on a risk-free security maturing generally at the same time as the option being valued, and requires certain assumptions, such as the expected amount of time an option will be outstanding until it is exercised or it expires and the volatility associated with the price of the underlying shares of common stock, to calculate the fair value of stock options granted. The model also estimates the likelihood of performance fulfilment and takes this into account in the valuation.

During the period ended 31 December 2018, the Company has had share-based payment arrangements for employees, as described below.

Granted	**2017**	**2018**
Type of arrangement	Equity Settled	Equity Settled
Dates of Grant	08.11.2014 - 11.12.2017	08.11.2014 - 15.12.2018
Options granted as of 31.12.2018	2 800 000	3 160 000
Contractual life (from grant date)	3 - 6 years	3 - 6 years
Vesting conditions	100% of the options will vest 3 years after grant date. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	100% of the options will vest 3 years after grant date. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.
Expiry date	30.06.2018 – 11.12.2023	30.06.2019 – 11.12.2023

100 000 of share options granted 11.12.2017 expired 30.06.2018. These share options was not exercised.

Fair value of Share Options granted is calculated using the Monte Carlo option pricing model. The weighted average inputs to Monte Carlo model and Fair values at grant date:

Granted	**2017**	**2018**
Exercise price	3,5390	3,5390
Share price at grant date	3,5390	3,5390
Expected life from grant date	3 years	3 years
Volatility	61,00 %	61,00 %
Risk free interest rate	1,09 %	1,09 %
Fair value per option	1,93	1,93

Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total expensed amount in 2018 arising from the option plan is NOK 2 133 370 (2017: NOK 191 767) and the total carrying amount per 31 December 2018 is NOK 4 218 083, not including social security.

Corporate management team	**Number of options 2018**
Christina Casen (Clinical Director)	300 000
Emilie Lasson, (Chief Commercial Officer)	350 000
Finn Terje Hegge, (Chief Technical Officer)	300 000
Ronny Hermansen, (Chief Executive Officer)	1 050 000

16. Available for sale financial assets

	2018	2017
At 1 January	**9 128 576**	**19 240 240**
Acquisition of listed equity securities *	0	0
Disposal of listed equity securities *	-11 586 968	-5 904 538
Loss on disposal of listed equity securities	-2 392 344	0
Impairment of equity securities in other comprehensive income	0	-4 207 126
Reversal of impairment previous years	4 850 736	0
At 31 December	**0**	**9 128 576**

* Equity securities in Biohit OYJ listed on Nasdaq Nordic (Helsinki Stock Exchange)

17. Deferred income tax

The tax effects of the Company's temporary differences and tax loss carry forwards are as follows at December 31:

	2018		2017	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Accelerated tax depreciation	3 539 962	0	3 726 387	0
Tax losses carried forward	26 570 426	0	22 319 078	0
Total	**30 110 388**	**0**	**26 045 465**	**0**

The Company did not recognize a tax asset in its balance sheet since there is no convincing evidence that sufficient taxable profit will be available in future to allow a utilization of the deferred tax asset. The tax losses can be carried forward indefinitely.

18. Operating lease commitments

At the reporting date, the company had outstanding commitments for NOK 1 102 549 which fall due as follows:

	2018	2017
Not later than one year	346 356	515 014
Later than one year and not later than five years	756 193	70 752
Later than five years	0	0
Total	**1 102 549**	**586 766**

Implementation of IFRS 16 "Leases"

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term (less than 12 months) and low-value leases.

The company will apply the standard from its mandatory adoption date of 1 January 2019. The company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

New and adjusted accounting principles from 01.01.2019

The company leases properties. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
• fixed payments (including in-substance fixed payments), less any lease incentives receivable
• variable lease payment that are based on an index or a rate
• amounts expected to be payable by the lessee under residual value guarantees
• the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
• payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:
• the amount of the initial measurement of lease liability
• any lease payments made at or before the commencement date less any lease incentives received
• any initial direct costs, and
• restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a

straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

19. Contingencies and commitments

The company does not have any contingent liabilities as at 31 December 2018 and as at 31 December 2017.

20. Share capital and shareholder information

Share capital and premium	Number of shares	Ordinary shares	Share premium	Total
01.01.2017	**59 681 443**	**5 968 144**	**124 267 977**	**130 236 120**
Capital increase 30.04.2017	3 030 000	303 000	7 272 000	7 575 000
Capital increase 15.08.2017	637 560	63 756	0	63 756
Capital increase 28.08.2017	2 961 192	296 192	8 103 808	8 400 000
Issue expense	0	0	-39 401	-39 401
31.12.2017	**66 310 920**	**6 631 092**	**139 604 384**	**146 235 476**
Capital increase 04.10.2018	2 373 552	237 355	8 162 645	8 400 000
Issue expense	0	0	-15 055	-15 055
31.12.2018	**68 684 472**	**6 868 447**	**147 751 974**	**154 620 421**

Shareholders	Shares	Percentage ownership
Bio-Rad Inc.	28 590 929	41,63 %
Biohit OYj	8 543 036	12,44 %
Norsk Innovasjonskapital 1	3 705 765	5,40 %
Molver AS	1 868 036	2,72 %
Per Anton Invest AS	1 607 460	2,34 %
Rolfs Holding AS	1 570 160	2,29 %
LJM AS	1 544 546	2,25 %
Global Opportunities PE AS	1 485 556	2,16 %
Ola Rustad AS	1 118 730	1,63 %
Brøvig Holding AS	959 577	1,40 %
Others	17 690 677	25,74 %
Total	**68 684 472**	**100 %**

Shareholding held by Executive and Non Executive Directors.	Position	No of shares 2017	Percentage ownership	No of shares 2016
Ronny Hermansen, (InVitroDia AS)	CEO	496 548	0,72 %	496 548
Total		**496 548**	**0,72 %**	**496 548**

Total holding of 496.548 in 2017 accounted for 0,75 % of the issued share capital.

21. Dividends

No dividends declared or paid during the financial periods ended 31 December 2018 and 31 December 2017.

22. Events after the balance sheet date

There have been no reportable events after the balance sheet date.

23. Government Grants

Grants Recognized as other income:

In 2011, the company was rewarded a grant from EU under a program called Seventh Framework Program. The grant is subject to certain delivery requirements. The company are required to deliver testing services to the EU project, and the grant presented as revenue for 2018 of NOK 662 000 (2017: NOK 1 024 464) is recognized as other income. Costs related to the services delivered is presented as cost of goods sold.

In 2018, the company got approval for funding of a PHD project. The grant is subject to R&D performed on a project that is a collaboration project between NMBU and GA. The grant for 2018 of NOK 410 000 (2017: NOK 0) is recognized as other income. Costs related to the services delivered is presented as other research costs.

Other R&D support from external Partner for 2018 of NOK 0 (2017: NOK 439 206) is recognized as other income.

Grants recognized as a cost reduction:

Norwegian government grants have been approved for qualifying research and development expenditures under the program called SkatteFUNN. Under the program in 2018, the government reimburses research and development expenditures incurred on a pre-approved project limited to a total of NOK 3 579 322 (2017: NOK 3 241 366). In 2018 the company recognized a cost reduction NOK 1 105 629 (2017: NOK 953 360) as a reduction of other expenses, NOK 1 449 104 (2017: NOK 1 333 305) as a reduction of employee benefit expense and NOK 1 024 589 (2017: NOK 954 701) as a reduction of capitalized research & development.

To the General Meeting of Genetic Analysis AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Genetic Analysis AS, which comprise the statement of financial position as at 31 December 2018, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by 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 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 information in the annual report, except the financial statements and our auditor's report thereon.

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 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

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, the going concern assumption and the proposed allocation of the result 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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 27 June 2019
PricewaterhouseCoopers AS

Herman Skibrek
State Authorised Public Accountant