

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 be the leader in mapping of gut microbiota, by detecting and characterizing imbalance in the gut microbiota (Dysbiosis).

GA has core competence in detecting microorganisms as bacteria and viruses in the gut and the core focus is 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 offering 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 300 million 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 lacking¹.

This market will grow significantly, and estimates indicates that 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 markets².

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. Further, 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* Diagnostic test (GA-map® Dysbiosis Test) for diagnosis and characterizing of

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

dysbiosis in IBD and IBS patients. The GA-map® platform is also launched as a Research 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. By year-end, GA had 21 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 2019

Key Events

It has indeed been a busy and eventful year, with many important achievements and milestones reached. During 2019, the company has reached important and essential milestones that underpins the further growth of the company:

- ✓ Strong revenue growth, turnover at 18 million NOK, >3x growth 2018 to 2019
- ✓ Signed agreement and launched the GA-map® with high-volume lab partner in the US, with global reach
- ✓ Agreements signed with new labs in the region (with revenues expected from Q1 2020), and high-volume European partner in advanced evaluation
- ✓ First business in the Pharma segment
- ✓ Finalized the development of a high-performing, customer-friendly product for the US research market
- ✓ 3x increase in production volume for the GA-map® Dysbiosis Test after significant improvements and increased capacity in manufacturing
- ✓ Strong progress and important results in clinical research projects
- ✓ Strengthened IP portfolio

Strong revenue growth

In year-to-date December 2019, our revenue has increased by more than 3x compared to 2018, driven by new customers in the Lab and Pharma segment and guaranteed minimum purchases from partners.

Signed agreement and launched the GA-map® Dysbiosis Test with a lab partner in the US

In May 2019, GA/Bio-Rad entered into an agreement with a big lab partner in the US, and the GA-map® Test was launched in October 2019. This renowned partner is running a high-volume fecal testing business, working mostly in the functional medicine market where the majority of tests are paid by the customer. Key attractions of the GA-

map® Dysbiosis Test was its cost efficiency, the fact that the test is standardized and validated, and its high reproducibility. Another important point was that GA-map® is used by other well-known researchers in the field and has attracted quotes in several publications.

Agreements signed with new labs in the region, and high-volume European partner in advanced evaluation

GA enjoys increasing attention from European lab customers, and in 2019 GA has entered into two agreements in which the labs will start marketing and selling of the GA-map® Dysbiosis test in Q1 2020. At first, their customers will be served by GA's service lab in Oslo, but as volumes increase the customers can install and run the test in their own lab.

First business in the Pharma segment

GA has put significant resources into working together with Pharma companies in the field of Microbiota. In 2019, we have taken a major step ahead as we have entered into agreements with two Pharma companies on application of the GA-map® in the documentation and launch of their Pharma products. Testing has commenced and the agreements are generating revenues to GA.

Finalized the development of a high-performing, customer-friendly product for the US research market

GA has, together with Bio-Rad, worked on optimizing the current GA-map® technology into a new product version that will be more customer friendly for the lab, with shortened run-time and fewer reagents needed. The development of this new version was completed by GA.

3x increase in production volume for the GA-map® Dysbiosis test after significant improvements in increased capacity in manufacturing

During 2019, GA has improved its manufacturing capability by refining several of its manufacturing processes and strengthening the organization. These efforts have reduced batch lead-time, reduced unit costs, reduced wastage and increased the manufacturing capacity significantly to be prepared for the expected volumes in 2020. To further increase manufacturing capacity, the company targets to scale-up and automate selected processes. In 2019, GA produced 29 900 tests, compared to 11.600 tests in 2018. Capacity has been ramped up to take more than the increase expected in 2020.

Strong progress and important results in clinical research projects

GA has made significant progress in its work related to identification of microbiota profiles to design a test aiming at improving the treatment regime for IBD patients.

The progress made in 2019, 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 2019 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.

On the clinical and product development side, GA is focusing on the gastrointestinal area, where Inflammatory Bowel Disease, (IBD: Crohn's disease and ulcerative colitis) and Irritable Bowel Syndrome (IBS) are the main focus areas. The goal is to develop diagnostic products that in addition to map the microbiota, can significantly improve treatment regimes, predict severity of disease course, and select the right treatment at an earlier stage.

IBD affects up to 1 % of the population, or as many as 2 million Americans and about 4 million Europeans, most of whom are diagnosed before the age of 35. This chronic, life-long condition can be treated, but not cured. IBD significantly affects a patient's quality of life and has a high economic burden for the society.

The GA-map® technology is a well-suited platform to establish several products for microbiota profiling. GA has made good progress towards products that will optimize treatment regimes for IBD patients. The number one priority for GA as an intended use is towards Anti-TNF-Alpha treatment response. This is due to a lack of tools at this decision point, and hence an urgent medical need. This, in combination with the high burden both on the patients (side effects) and on the healthcare system (high costs), makes it GA's top priority.

IBS is a syndrome affecting up to 10% of the western population. In this area, few diagnostic and treatment options exist. As a result, the need for diagnostic and predictive tools is evident. GA is working actively in this field and is making progress. GA is performing clinical studies to identify responders to treatment regimes.

Within the field of metabolic diseases, GA is involved in a project together with BIOASTER (French Research Institute) and Bio-Rad, to look at possible diagnostic markers for early detection of Diabetes T2.

The use of the GA-map® Dysbiosis Test in clinical studies is increasing, and in 2019 this clinical research also resulted in five new peer reviewed publications within the gastrointestinal area. GA-map® is also used by clinical researchers in other areas than the current GA focus areas, e.g. in Parkinson Disease and Rheumatoid Arthritis.

Commercialization

Market update

The global microbiota market is still maturing and evolving. But after more than 10 years of active research in this field, with an exponential growth in scientific publications and an increasing understanding of microbiomes' role and importance in human health, there is now a clear drive to bring microbiota testing from research into the clinical routine. This applies to both of GA's main markets (EU and US) and is also an emerging trend in Asia and South America.

GA is uniquely positioned to take the lead in this market. Our strong value proposition, with the only IVD CE-marked standardized routine test at the core, combined with our solid scientific foundation backed by more than 20 peer-reviewed publications where GA-map® technology has been applied, fuels the demand for our test. The fact that GA-map® Dysbiosis Test is IVD CE-marked, which proves it is standardized and clinically validated in accordance to the intended use, is a unique feature which no other competitor has achieved. GA has the only microbiota test with that we supply to external Labs (as an Reagent kit) or through our in-house lab (as a testing service). GA is indeed experiencing increased interest from potential new customers looking into our advanced technology and offerings, and actively seeking a test which is well proven and regulatory compliant.

Market Segments

The microbiota market can be divided into the following main segments: The research market, the Lab Developed Test market and the routine diagnostic market. The latter can be split into the early adopters/functional medicine and the regulated IVD market. Finally, a potentially large market segment is the direct to consumer market addressing consumers directly utilizing digital platforms.

The clinical research market, both academic and industrial, is already an established testing market, and is growing significantly. In 2019, GA has experienced good traction in our collaboration with academic/clinical researchers. GA's network is constantly expanding and clinical researchers using GA-map® Dysbiosis Test as part of their clinical trials is increasing. Our main customer base is in Europe where many of the

researchers in the forefront of this field are based. Further expansion would be to grow this segment also in the US and in Asia.

During 2019, an additional key expansion for GA has been to secure major projects with pharma players in the microbiota field. The companies, who's products have advanced into phase 2 or phase 3 of clinical testing, particularly see the need for a standardized and documented test. This applies to both their clinical development and for the Pharma partner to document the production- and the product registration processes, and later as a possible companion diagnostic test for their pharma product.

GA has formed a close collaboration with one of the specialized microbiota pharma companies in this field. GA's value for the pharma company lies in the CE-marked and well documented GA-map® Dysbiosis Test, the clinical and statistical expertise in GA, and last but not least GA's extensive bio bank with well characterized samples from both healthy and diseased populations. The first project was run with great results based on these assets, demonstrating the positive effect on microbiota restoration of their lead drug candidate.

The company is initiating another project within the field of IBD where they are seeking a closer strategic collaboration with GA. Projects with pharma players is of great interest for GA, not only because of current revenues, but also because it is taking the GA-map® closer the routine diagnostic test market.

And initial project with a smaller pharma company has also been initiated. This is a high-profile company in the microbiota community who is now receiving significant funding and positive press in its home market.

The Lab Developed Test segment (LDT) is primarily a US segment, and an untapped market. An LDT, is a test that can be performed by single laboratories, without pre-approval from the FDA, but relying on solid documentation from the laboratory. GA has run one project with a specialized US lab in this segment, and the project was running well, and a product based on the GA-map® platform was about to be launched in 2019. Unfortunately, the lab was acquired by another group, which refocused the business to be based on blood sample-testing only. As a result, the lab discontinued the fecal and microbiome analysis project. The potential in this segment is however large, and particularly in the US, where major lab chains source technologies (as GA's) which are not yet FDA approved, and develop the clinical application and the approval with authorities themselves. GA has a high-performing test with unique components that is very suitable for this segment. In addition, GA has an extensive in-house expertise to support these technically demanding customers.

The routine test segment is growing rapidly and is an area where the GA-map® test is making progress and is increasing its market share. Most of our business in this segment are currently with the early adopters/functional medicine customers, supplying health care professionals with tests that are novel and fits into this integrated

medicine approach. Here the microbiota balance/imbalance and the Dysbiosis concept is gaining traction and therefore an easy to use well documented test is in demand for labs who either want to replace their current in-house test or who would like to start offering this analysis.

Geographical markets

US: GA has in 2019 secured a large account in the US, which has its key focus in the functional medicine segment. Previously, the lab utilized an in-house developed method based on culturing for microbiota analysis, which has served the market for several years. After they installed the GA-map® platform, they launched in October and are now running some 100 tests pr. week. Volumes continues to grow, and the potential with this customer could be up to 30.000 tests pr. year. GA, with its robust, well-documented, state of the art PCR-based test, is now gradually replacing the in-house method. These types of laboratories have global reaches.

Europe: In Europe our main business is currently in Germany, Italy and the Nordics. We are working to grow these markets further, and in addition we see good opportunities in UK and France as well as Eastern Europe. These are markets where the potential for microbiota testing is increasing.

Germany is one of the most developed markets for microbiota in the EU with quite high volumes of testing already established in routine applications. This is mainly driven by the functional medicine community. GA's first customer Synlab, is a key player serving the functional medicine specialists. They are currently using GA's service lab and are slowly growing volumes through close collaboration and support. GA has also initiated a project with another large German lab serving this segment. The laboratory will evaluate the GA-map® Dysbiosis Test during H1 2020, through a demo installation. If successful, the lab is looking to replace their already successful in-house test with GA-map®, with an annual volume potential of up to 25-30 000 tests.

Italy is another well-developed microbiota market, and GA's service lab is now analyzing a growing number of samples on a weekly basis for a very promising Italian laboratory customer. In collaboration with our partner BioHit, we are also continuously working on a further pipeline of promising leads including major Italian lab chains who are looking to move into the microbiota testing area.

UK has been a market with little traction in the routine microbiota testing, but it is a market with large potential, and where big laboratories are now starting to show interest in the GA-map® Dysbiosis Test. GA works closely with our distribution partner BioHit to reach out to major lab chains and market our products.

France is a market where we have just started activities, and where we see a clear potential with major labs in the early stages of microbiota implementation. Major efforts are made to gain a key account in this country.

In addition, GA have secured two new accounts in Norway and Poland, which will start sending samples to GA early 2020. GA has also a modest but growing activity in Portugal. Further qualified leads throughout the Nordics and Europe are emerging and we clearly expect that some of these will turn into customers during 2020.

Intellectual Property

GA has an active approach to securing IP, in addition to protecting its core trade secrets.

In March 2019, GA signed a license agreement with the university NMBU' Tech transfer office that secured GA global exclusive rights to develop and commercialize a next generation technology (Liquid Array Detection). The patent application has now reached national phase in key geographic areas. This technology has the potential to take GAs novel probe system to the next level.

Our patent application "A companion diagnostic method for use in the treatment of Irritable Bowel Syndrome with dietary interventions or fecal microbiota transplant" reached national phase in key geographical areas in 2019. The application was accepted for grant in South Africa in November 2019, and we expect the other nationalities to follow in 2020 and 2021.

The trademark GA-map® was awarded trademark protection in the US in 2019, and protection is now covering the EU and the US in addition to other key geographical areas.

GA will continue its active approach to protect technology and products as R & D generates new exciting results.

Organization

During 2019, GA has strengthened its organization through recruiting within manufacturing, bioinformatics, clinical and marketing & sales. This to increase sales, take higher volumes through manufacturing and expand to strengthen the company's capabilities on the bioinformatics and clinical side. The company had 21 employees by the end of 2019.

Key Events After 31.12.2019

The recent outbreak of the Corona virus has shocked the financial markets, and it has also negatively affecting GA' business. The virus outbreak is affecting our customers, both current and new, slowing down sales and delaying sales to new

customers. It is a reason to believe that the Corona situation will negatively impact GA's revenues for 2020, and also delay the progress of the company.

However, these turbulent times has also fueled opportunities for new business. A major hospital in Norway have asked GA if we could run analysis to detect Corona virus in fecal samples. With GAs excellent technology around analyzing fecal material for detecting microorganism, we believe we can satisfy a huge untapped market. GA has now initiated a fast track product development project whereby we in June 2020 aim to IVD CE-mark a test that can measure the Corona virus in fecal samples. This test will be an important supplement to the Corona-19 tests already out in the market.

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 customers in US and Europe, has significantly strengthened GAs position to become a leading diagnostic company within the microbiome field. Building on our partner network, GA will be well positioned for further expansions in 2020 and onwards. The Corona situation will negatively impact GA's revenues for 2020 and delay the progress of the company. It is still difficult to estimate the duration of the pandemic and thus the total impact for GA, however it is a fair assumption to believe that the outbreak could give a 6-9 months delay on our plans and projected growth.

The key priority for market expansion in 2020 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 is to be initiated and executed by Bio-Rad with support from GA. We have started the work on a normal study for US, and the plan was to move further in 2020 and initiate the first talks with the FDA. As the situation currently is with the Corona situation, this is delayed. The FDA process could take around 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 aim to start commercial activities with GA-map® on Luminex platform during 2020. For sale in the IVD market, we need to go through a registration process that could take up to two years.

In addition to continue working on the commercialization of our existing product portfolio, GA will prioritize innovation and development of new products. In addition, GA will continue to work actively to secure agreements with pharma and food companies in order to develop tests that can play an important factor for their 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.

GA and our partners will continue to devote considerable effort to the further development and optimization of the GA-map® test, and document and expand its clinical utility. As a result, it will take time before the company generates positive cash flow.

In order to further grow the market and solidify the promising leads in our pipeline, GA will need to further ramp-up commercial activities initially in the EU and the US. This includes turning current leads into business and backfilling the leads pipeline. Short term, we will focus on the laboratories which are early adaptors and who are already in, or are about to enter, the microbiota field. Here we can gain significant business in a short time frame, since these labs often have established volumes with their in-house tests. GA will also target labs in the US who have the capabilities and approvals for lab developed tests (LTD). These are tests that can be performed by single laboratories, without pre-approval from the FDA, but relying on solid documentation from the laboratory. Our technology is robust and user friendly with relevant documentation, and therefore well-suited also for this segment.

GA has made good progress with Pharma companies in 2019, and we would like to further invest to expand this very promising segment. The Pharma companies' first microbiota based products are now moving into late stages of clinical trials and therefore this opens a need for a standardized, CE-marked test to stratify their production and clinical trials as well as document their products towards regulatory authorities. The potential in all these areas are significant, but resources are required to succeed. Short term, these activities should bring us from our current sales level of ~10.000 test pr. year to a 2-3 fold increase annually in the coming years.

Launching products with clinically actionable results for the regulated IVD market is a key area where GA is expanding into. Products with actionable clinical results will open up this market segment (the regulated IVD market), and GA has the potential to be a market leader. With targeted products, this market segment has a potential, which is tenfold of the current assessment of the microbiota market, assuming gastrointestinal indications (IBS and IBD) alone.

The key to success is running targeted clinical trials and using the outcome to develop and document high-performing IVD products with a clinically relevant 'intended use'. This requires significant resources and is also closely linked to achieving regulatory approval and reimbursement for the tests. In IBD and IBS alone, there are huge unmet needs on the testing and predictive side. Therefore, directing a significant focus and resources into these projects will in the medium term have a significant impact on GA's revenues and profitability, as well as giving us a leading position in IVD testing of microbiota.

We believe that GA through its 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 caliber 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 2,13 percent in 2019, showing an increase from the 1,49% in 2018. The increase is related to a longer-term sick leave in part of 2019. 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 21 people and 15 of these were women. The Board of GA consisted in 2019 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 commercialization phase, GA has still moderate but growing revenues. GA generated total revenues of NOK 17.8 million in 2019 (NOK 5.4 million in 2018). Of this, sales from GA-map® products was NOK 7.3 million in 2020 (NOK 4.1 million in 2018), and other income which is including minimum sales revenue, research support and grants, accounted for NOK 10.5 million in 2019 (1.3 million in 2018).

Sales of GA-map® products benefitted from attracting a new customer in the US and significant sales to the Pharma segment. Other income benefitted from a minimum sales agreement with one of the partners in 2019.

Total operating expenses amounted to NOK 24.6 million for the full year (NOK 25.4 million in 2018). Costs related to Development projects in certain stages are capitalised according to IFRS IAS38 (see note 4, 12), and thus net NOK 8.1 million was capitalised in 2019 (NOK 4.1 million in 2018). Research Grants booked as a cost reduction amounted to NOK 4.2 million in 2019 (NOK 3.6 million in 2018).

Total operating expenses before Capitalization and Grants amounted to NOK 36.9 million for the full year (NOK 33.1 million in 2018). 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). 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 13.5 million in 2018 to NOK 14.5 million in 2019. Of this the IFRS charge related to share options decreased from 2.5 million in 2018 to 1.6 million in 2019 as a result of options lapsing and leavers. If we adjust for the IFRS charge, capitalization of development costs and grants, the gross employee costs increased from 17.6 million in 2018 to 20.9 million in 2019 reflecting the increase in staffing in mainly R&D, Clinical and Sales and Marketing.

Amortisation and depreciation expenses increased from NOK 1.9 million in 2018 to NOK 2.5 million in 2019.

Other expenses showed a decline from 8.2 million in 2018 to 5.6 million in 2019, mainly driven by higher capitalisation of operating costs related to development (IFRS IAS38), reduction in consultancy and other external costs and implementation of IFRS 16.

Net financials showed an expense of NOK 0.2 million in 2019 compared to an expense of NOK 2.2 million in 2018. The reduction in costs is related to the net loss of NOK 2.4 million on the disposal of listed equity securities during H1-2018. The company held shares in BioHit OYj during 2017 and 2018, and these shares were

fully disposed in H1-2018, creating a 2018 loss compared to the book value on 31.12.2017.

Net loss for the Company during 2019 was NOK 6.9 million compared to a net loss of NOK 22.5 million for 2018.

Cash flow and balance sheet

Cash generated from operating activities showed a negative of NOK 6.5 million in 2019, and this is a significant improvement compared to a negative of NOK 16.4 in 2018. The improvement is a result of the strong increase in revenues in 2019.

Investing activities generates a negative outflow of NOK 8.2 million in 2019, compared to a positive inflow of NOK 6.7 million in 2018. In 2018 the positive inflow was a result of payments related to sale of Shares in BioHit OYj of NOK 11.6 million.

Financing activities showed a negative outflow of NOK 1.5 million in 2019, mainly an effect of implementing IFRS 16 and installments of leasing liabilities. Cashflow from financing activities 16. In 2018 financing activities showed a positive inflow of NOK 7.9 million due to paid in capital.

Net cash flow for 2019 showed an outflow of NOK 16.2 million, compared to an outflow of 1.8 million in 2018.

GA had total assets of NOK 45.6 million at 31.12.2019 (NOK 46.4 million at year end 2018). Total intangible assets as per 31.12.2019 amounted to NOK 25.5 million (NOK 18.8 million at year end 2018).

The cash balance at 31.12.2019 was NOK 4.0 million compared to NOK 20.3 million at year end 2018.

Total equity for GA as of 31.12.2019 was NOK 33.5 million compared to an equity of NOK 38.5 million at year end 2018.

The decrease in equity is driven by the total comprehensive loss of NOK 6.9 million in 2019.

The registered share capital in GA as of 31.12.2019 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 strong revenues performance in Q4-2019, will benefit cash flow in Q1-2020. In addition, GA has secured a financing through a share issue in June 2020 of NOK 20.7 million, giving the Company a reasonable runway to achieve important value generating milestones in 2020 and 2021.

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 2019 and 2018, 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 2019 and 2018, 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 2019 and 2018, 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 marketplace, research grants and revenues from product sales. The company has secured additional funding in June 2020 of NOK 20.7 million.

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

The Corona situation will negatively impact GA's revenues for 2020 and delay the progress of the company. It is still difficult to estimate the total impact for GA, however it is a fair assumption to believe that the outbreak could give a 6-9 months delay on our plans and projected growth.

The share issue in June 2020 has secured financing for the company into 2021 and the planned listing at Merkur market in Oslo in Q4-2020.

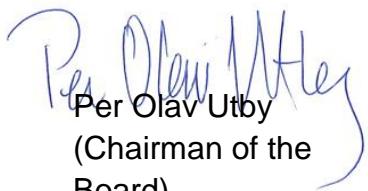
No other events to report.

Allocation of the net result of the year

GA generated a total comprehensive loss for the year 2019 of NOK 6 936 973 after tax. The Board proposes the following allocation of the results for Genetic Analysis AS for the year:

Net profit/-loss	- 6 936 973
Transferred to / - from Other Equity	- 6 936 973

Oslo, 3 July 2020


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 2019

Genetic Analysis AS
Statement of Profit or Loss
For the year ended 31 December 2019

	Notes	2019 NOK	2018 NOK
Revenue	5	7 294 446	4 115 435
Other income	25	10 538 704	1 304 343
Operating income		17 833 150	5 419 778
Cost of goods sold	25	1 730 281	1 746 948
Employee benefits expense	6,16,25	14 492 294	13 481 789
Depreciation and amortization expense	11,12,20	2 493 462	1 881 619
Other expenses	6,20,25	5 599 532	8 212 770
Other gains and losses	17	266 568	35 049
Operating expenses		24 582 138	25 358 175
Finance income	7	16 452	16 324
Finance expenses	7	204 436	2 543 095
Finance – net		-187 984	-2 526 771
Profit / (loss) before income tax		-6 936 973	-22 465 168
Income tax expense	8, 18	0	0
Net profit / (loss)		-6 936 973	-22 465 168

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

Genetic Analysis AS
Statement of Comprehensive Income
For the year ended 31 December 2019

	Notes	2019 NOK	2018 NOK
Profit for the year		-6 936 973	-22 465 168
Items that will not be reclassified to profit or loss		0	0
Items that may subsequently be reclassified to profit or loss	17	0	4 850 736
Other comprehensive income / (loss) for the year, net of income tax		0	4 850 736
Total comprehensive income / (loss) for the year		-6 936 973	-17 614 432

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

Genetic Analysis AS
Statement of Financial Position
As at 31 December 2019

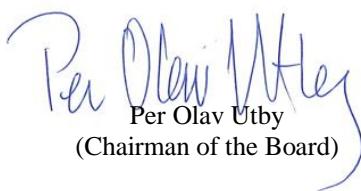
		31.12.2019	31.12.2018
Assets	Notes	NOK	NOK
Non-current assets			
Property, plant & equipment	5, 11,20	3 134 266	1 365 420
Intangible assets	5, 12,25	25 512 260	18 815 368
Total non-current assets		28 646 526	20 180 788
Current assets			
Inventory	15	763 004	0
Trade and other receivables	10,25	12 166 380	6 017 236
Cash and cash equivalents	9	4 013 827	20 251 298
Total current assets		16 943 211	26 268 534
Total assets		45 589 737	46 449 322

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

Genetic Analysis AS
Statement of Financial Position
As at 31 December 2019

		31.12.2019	31.12.2018
	Notes	NOK	NOK
Equity and liabilities			
Equity attributable to owners of the parent			
Ordinary shares	22	6 868 447	6 868 447
Share premium	22	147 751 974	147 751 974
Retained earnings		-121 089 114	-116 089 172
Total equity		33 531 307	38 531 250
Non-current liabilities			
Loans and borrowings	13,20	2 795 965	2 144 667
Total non-current liabilities		2 795 965	2 144 667
Current liabilities			
Trade payables	14	893 807	1 006 244
Other current liabilities	13,14,20	8 368 657	4 767 161
Total current liabilities		9 262 464	5 773 405
Total liabilities		12 058 429	7 918 072
Total equity and liabilities		45 589 737	46 449 322

The financial statements were approved by the directors and authorised for issue on 03 July 2020:



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 37 form part of these financial statements.

Genetic Analysis AS
Statement of Changes in Equity
As at 31 December 2019

Note	Attributable to the owners				Total
	Share capital NOK	Share premium NOK	Retained earnings NOK		
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	22	237 355	8 162 645	0	8 400 000
Issue expense		0	-15 055	0	-15 055
Share options	16	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	
Equity at 01.01.2019	6 868 447	147 751 974	-116 089 172	38 531 250	
Profit for the financial year	0	0	-6 936 973	-6 936 973	
Other comprehensive income	0	0	0	0	
Share options	16	0	0	1 937 030	1 937 030
Equity at 31.12.2019	6 868 447	147 751 974	-121 173 225	33 531 307	

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 2019

	Note	2019	2018
Profit / (Loss) before income tax		-6 936 973	-22 465 168
Adjustments for:			
Depreciation and amortisation charges	11,12	2 493 462	1 881 619
Loss from disposal of listed equity securities	17	0	2 392 344
Stock options	16	1 937 030	2 133 370
Items classified as financing activities		113 505	0
Changes in working capital			
Changes in inventory	15	-763 004	0
Changes in trade receivables	10	-6 149 144	-1 283 536
Changes in trade payables	14	-112 437	133 648
Changes in other items		3 055 976	800 548
Net cash flow from operating activities		-6 475 090	-16 417 375
Cash flows from investing activities			
Purchase of property, plant and equipment	11	-83 178	-761 502
Purchase of intangible assets	12	-8 149 477	-4 099 155
Payments from disposal of listed equity securities	17	0	11 586 968
Net cash flow from investing activities		-8 232 655	6 726 311
Cash flows from financing activities			
Repayment of borrowings	13	-400 000	-500 000
Proceeds from other borrowings	13	0	0
Installments on leasing liabilities	13,20	-1 129 726	0
Paid in capital	22	0	8 384 945
Net cash flow from financing activities		-1 529 726	7 884 945
Net increase in cash and cash equivalents		-16 237 471	-1 806 118
Cash and cash equivalents at beginning of year	9	20 251 298	22 057 416
Cash and cash equivalents at end of year	9	4 013 827	20 251 298

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

Genetic Analysis AS
Notes to the financial statements
As at 31 December 2019

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 03 July 2020.

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 2019:

- IFRS 16 leases
- Prepayment features with negative compensation – Amendments to IFRS 9
- Annual improvements to IFRS standards 2015 – 2017 Cycle
- Interpretation IFRIC 23 Uncertainty over income tax treatments

IFRS 16 Leases

IFRS 16 was issued in January 2016. For leases where the company is lessee it resulted 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 low value leases. The company has applied the standard from its mandatory adoption date of 1 January 2019. See note 19 for more detailed information.

Genetic Analysis AS
Notes to the financial statements
As at 31 December 2019

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current reporting period. For a description about uncertainty for future reporting periods, see note 24 "Subsequent events"

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

Tangible fixed assets primarily consists of machinery and equipment. They also include right of use assets for leased buildings, machinery and equipment accounted for in accordance with IFRS 16. See note 20 "Leases" for further information. Tangible fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. They 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.

Genetic Analysis AS
Notes to the financial statements
As at 31 December 2019

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

The company's financial assets are: accounts receivable, other receivables at amortized cost and cash and cash equivalents. At initial recognition, the company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

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

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

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

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Genetic Analysis AS
Notes to the financial statements
As at 31 December 2019

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. The company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the company, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Inventory

Inventory comprises purchased raw materials, work in progress and finished goods. It is stated at the lower of average acquisition cost and net realisable value. Cost is determined using the weighted average method. Acquisition costs for work in progress are direct material costs and payroll expenses plus indirect costs (based on normal activity).

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. Trade 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.

Genetic Analysis AS
Notes to the financial statements
As at 31 December 2019

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.

Genetic Analysis AS
Notes to the financial statements
As at 31 December 2019

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).

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

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.

Genetic Analysis AS
Notes to the financial statements
As at 31 December 2019

The company develops, 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.

Genetic Analysis AS
Notes to the financial statements
As at 31 December 2019

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 67 615 (2018: NOK 17 440) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro denominated trade receivables and trade payables.

At 31 December, if the currency had weakened/strengthened by 1 per cent against the US dollars with all variables held constant, post –tax profit for the year would have been NOK 68 417 (2018: NOK 3 533) 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 2019 and 2018, the company's borrowings at variable and fixed rate were denominated in NOK.

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
2019	+50	9 055	9 055
2019	-50	-9 055	-9 055
2018	+50	2 718	2 718
2018	-50	-2 718	-2 718

Genetic Analysis AS
Notes to the financial statements
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Bases on the financial instruments that existed per 31 December 2019, an increase of 0,5% would reduce the company's profit before tax by NOK 9 055 (2018: NOK 2 718).

Genetic Analysis AS
Notes to the financial statements
As at 31 December 2019

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

	2019	2018
Other loans	5,3%	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 2019 and 2018, 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 Q2 2020, and are in a process of fully finance the company during Q3/Q4-2020.

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 than five years
At 31 December 2019				
Loans and borrowings	187 460	892 400	727 300	0
Trade payables	893 807	0	0	0
Lease liabilities	1 191 876	1 289 158	151 883	0
Other liabilities	5 585 742	0	0	0
 At 31 December 2018				
Loans and borrowings	591 900	903 400	730 550	0
Trade payables	1 006 244	0	0	0
Lease liabilities	246 356	476 814	279 379	0
Other liabilities	4 599 411	0	0	0

Genetic Analysis AS
Notes to the financial statements
As at 31 December 2019

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 2019 and end of year 2018 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

	31.12	2019	2018
Assets			
Trade receivables	7 217 694	1 939 692	
Other receivables	4 948 686	4 077 544	
Cash and cash equivalents	4 013 827	20 251 298	
Total financial assets	16 180 207	26 268 534	
Liabilities			
Loans and borrowings	2 795 965	2 144 667	
Accounts payable and other short-term debt	9 262 464	5 773 405	
Total financial liabilities	12 058 429	7 918 072	

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.

Genetic Analysis AS
Notes to the financial statements
As at 31 December 2019

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 2019, 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 H2-2020 and is estimated to be amortized over ten years.

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5. Geographical breakdown of sales and assets

Geographical breakdown sales

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

	2019	2018
Norway	78 970	216 170
Europe	664 617	550 016
<u>USA</u>	<u>6 550 859</u>	<u>3 400 249</u>
Total	7 294 446	4 115 435

One customer account for 77 % of the sale, another customer account for 12% of the sale, the others are below 5 % each.

Geographical breakdown of assets

	2019	2018
Norway	29 409 530	20 180 788
Total	29 409 530	20 180 788

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

Analysis of revenue by category	2019	2018
Sale of goods	5 668 953	2 745 152
Revenue from services	1 625 493	1 370 283
Total	7 294 446	4 115 435

Assets and liabilities related to contracts with customers

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

	2019	2018
Contract assets included in trade and other receivables	0	0

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6. Employee benefits expense and auditor remuneration

Personnel expenses:

	2019	2018
Salaries	17 736 031	14 859 242
Payroll tax	2 484 011	2 088 064
Pension cost	279 079	231 631
Other benefits	407 773	378 318
Stock options	1 627 116	2 497 582
<u>Capitalized as R&D/ SkatteFUNN</u>	<u>-8 041 716</u>	<u>-6 573 048</u>
Total personnel expenses	14 492 294	13 481 789

Average number of man-years	20	17
Average number of employees *	25	22

*2 employees on maternity leave for major parts of 2018, 0 on maternity leave in 2019.

Auditor remunerations:

	2019	2018
Statutory audit	190 720	125 000
Other assurance services	0	32 805
Tax advisory fee	25 000	25 000
<u>Other services</u>	<u>130 000</u>	<u>130 000</u>
Total audit remuneration	345 720	311 805

VAT is not included in the audit fee.

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7. Financial income and expenses

Finance income	2019	2018
Interest income on short-term bank deposits	3 607	8 601
Other interest income	12 845	7 723
Total finance income	16 452	16 324

Finance costs	2019	2018
Interest expenses on borrowings	202 928	149 543
Other interest expenses	1 308	808
Net loss on disposal of listed equity securities	0	2 392 344
Other finance expenses	200	400
Total finance expenses	204 436	2 543 095
Net finance costs/income	-187 984	-2 526 771

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8. Income tax expense

	2019	2018
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:

	2019	2018
Ordinary profit before tax	-6 936 973	-22 465 168
Tax calculated at the domestic rate (22%/23%)	-1 526 134	-5 166 989
Expenses not deductible for tax purposes	-16 939	-1 382 257
Tax loss for which no deferred income tax asset was recognized	1 543 073	6 549 246
Tax cost	0	0

The income tax expense is calculated using the domestic tax rate. The tax rate is 22 % in Norway in 2019 (23% in 2018).

No current or deferred tax expense or income has been recognized in the Statement of Other Comprehensive Income in the period. See note 18.

9. Cash and cash equivalents

Cash and other cash equivalents:

	2019	2018
Short term cash deposits, cash equivalents	3 268 451	19 613 968
Restricted cash	745 376	637 330
Cash and cash equivalents	4 013 827	20 251 298

Restricted cash 31 December:

	2019	2018
Security for tax withholding	745 376	637 330
Total	745 376	637 330

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10. Trade and other receivables

	2019	2018
Trade receivables	7 217 694	1 939 692
Less: provision for impairment of trade receivables	0	0
Trade receivables – net	7 217 694	1 939 692
Prepaid expenses	181 383	156 810
Receivable on employees	35 536	35 299
Receivable VAT	240 620	262 779
Receivable Government Grant	4 161 012	3 579 522
Other receivables	330 134	43 134
Total	12 166 380	6 017 236

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

As of 31 December 2019, trade receivables of NOK 99 638 were past due but not impaired (2018: NOK 130 030). 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:

	2019	2018
Receivables not due	7 118 056	1 807 762
Up to 3 months	99 638	130 030
3 to 6 months	0	0
Total	7 217 694	1 939 692

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

	2019	2018
NOK	5 039 664	4 091 445
EUR	540 483	1 744 243
USD	6 585 233	181 548
Total	12 166 380	6 017 236

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.

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11. Property, plant, and equipment

	Machinery and equipment	Right-of-use assets	Total
Fiscal 2018			
Opening net book amount	825 157	0	825 157
Additions	46 784	1 082 387	761 502
Disposals	-147 651	0	-147 651
Depreciation charge	-221 238	-220 019	-441 257
Closing balance	503 052	862 368	1 365 420
31.12.2018			
Acquisition cost	3 062 416	1 082 387	4 144 803
Accumulated depreciation	- 2 559 364	-220 019	-2 779 383
Accumulated impairment	0	0	0
Net book amount	503 052	862 368	1 365 420
Fiscal 2019			
Opening net book amount	503 052	862 368	1 365 420
Implementation IFRS 16	0	2 455 829	2 455 829
Additions	83 178	270 716	353 894
Depreciation charge	-162 550	-878 328	-1 040 878
Closing balance	423 680	2 710 585	3 134 266
31.12.2019			
Acquisition cost	3 145 594	3 808 932	6 954 526
Accumulated depreciation	- 2 721 914	-1 098 347	- 3 820 261
Accumulated impairment	0	0	0
Net book amount	423 680	2 710 585	3 134 266

Depreciation for the year

Estimated useful life 5 years

Machinery and equipment were provided at 31 December 2019 as security for NOK 0 (2018: NOK 0).

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12. Intangible assets

	R&D	Patents	Software	Total
Fiscal 2018				
Opening net book amount	14 935 661	0	1 220 914	16 156 575
Additions*	4 099 155	0	0	4 099 155
Disposals	0	0	0	0
Amortization charge	-966 394	0	-443 968	-1 440 362
Closing balanse	18 038 422	0	776 946	18 815 368
31.12.2018				
Acquisition cost	21 276 703	0	2 219 842	23 496 546
Accumulated amortization	-3 238 282	0	-1 442 896	-4 681 178
Accumulated impairment	0	0	0	0
Net book amount	18 038 422	0	776 946	18 815 368
Fiscal 2019				
Opening net book amount	18 038 422	0	776 946	18 815 368
Additions*	8 026 379	200 000	0	8 226 379
Disposals	0	0	0	0
Amortization charge	-1 073 296	-12 223	-443 968	-1 529 487
Closing balanse	24 991 505	187 777	332 978	25 512 260
31.12.2019				
Acquisition cost	29 303 082	200 000	2 219 842	31 722 924
Accumulated amortization	-4 311 578	-12 223	-1 886 864	-6 210 665
Accumulated impairment	0	0	0	0
Net book amount	24 991 505	187 777	332 978	25 512 260

Estimated useful life 10 years 5 years

*Cost before government grants: 10 013 748 NOK in 2019 (4 062 585 NOK in 2018)

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13. Borrowings

	2019	2018
Non-current		
Lease liabilities	1 295 965	644 667
Other borrowings	1 500 000	1 500 000
Total	2 795 965	2 144 667

Other borrowings are related to a loan from Innovasjon Norge.

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

	Carrying amount		Fair value	
	2019	2018	2019	2018
Lease liabilities	1 295 965	644 667	1 295 965	644 667
Other borrowings	1 500 000	1 500 000	1 500 000	1 500 000
Total	2 795 965	2 144 667	2 795 965	2 144 667

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

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	Dec 2019	Dec 2018
Net debt reconciliation		
Cash and Cash equivalents	4 013 827	20 251 298
Borrowings repayable within one year	-100 000	-400 000
Lease liabilities repayable within one year	-1 191 876	-246 356
Borrowings repayable after one year	-1 500 000	-1 500 000
Lease liabilities repayable after one year	-1 295 965	-644 667
Net debt	-74 014	17 460 275

Cash and Cash equivalents	4 013 827	20 251 298
Gross debt with fixed interest rates	0	0
Gross debt with variable interest rates	-4 087 841	-2 791 023
Net debt	-74 014	17 460 275

	<u>Other assets</u>		<u>Liabilities from financing activities</u>			Total
	Cash/bank	Borrowings, due within 1 year	Lease liabilities due within 1 year	Borrowings, due after 1 year	Lease liabilities due after 1 year	
Net debt as at 1 January						
2019	20 251 298	-400 000	-246 356	-1 500 000	-644 667	17 460 275
Cash flows	-16 237 471	300 000	1 129 726	0	0	-14 807 691
Other non-cash movements	0	0	-2 075 246	0	-651 298	-2 726 544
Total	4 013 827	-100 000	-1 191 876	-1 500 000	-1 295 965	-74 014

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14. Trade and other payables

	2019	2018
Trade payables	893 807	1 006 244
Accrued employee benefits expense	871 522	701 873
Social security and other taxes	1 372 196	1 149 918
Deferred revenues	1 991 039	167 750
Lease liabilities	1 191 876	246 356
Accrued expenses	2 942 024	2 747 620
Total current liabilities	9 262 464	5 773 405

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. Inventories

	2019	2018
Raw materials and purchased semi-manufactures	490 004	0
Stock self-produced finished goods	417 000	0
Allowance for obsolete goods	-144 000	0
Total inventory	763 004	0

16. Related party disclosures

<i>Remuneration of senior executives</i>	2019	2018
Pay and other short-term benefits	1 873 183	1 624 894
Total	1 873 183	1 624 894

<i>Payables</i>	2019	2018
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.

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Pay and other remuneration of senior executives in 2019:

Name	Function	Period	Basic salary	Bonus paid	Other remun.	Total pay and remun.	Pension contrib
Ronny Hermansen	CEO	01.01-31.12	1 673 183	200 000	6 661	1 879 844	21 751
Total			1 673 183	200 000	6 661	1 879 844	21 751

Pay and other remuneration of board members in 2019:

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
Per Olav Utby	Board Chair	01.07-31.12	0	0	150 000	150 000
Total			0	0	225 000	225 000

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
Total			0	0	225 000	225 000

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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. These options expired in 2019. An extention was approved by the board in February 2020. The total number of share options outstanding is now 2 550 000 or 3,71 % 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 estimate the likelihood of performance fulfilment and takes this into account in the valuation.

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During the period ended 31 December 2019, the Company has had share-based payment arrangements for employees, as described below.

Granted	2015	2018	2019
Type of arrangement	Equity Settled	Equity Settled	Equity Settled
Dates of Grant	15.02.2014- 08.11.2014	11.12.2017	17.12.2018
Options granted as of 31.12.2019	0	1 650 000	900 000
Contractual life (from grant date)	4 years	6 years	4-5 years
Vesting conditions	100% of the options will vest 4 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 6 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 4-5 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	31.12.2019	30.06.2023– 11.12.2023	30.06.2023– 17.12.2024

1 410 000 of share options granted 15.02.2014-08.11.2014 expired 31.12.2019. These share options were 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	2015	2018	2019
Exercise price	2,40-2,50	3,54	4,30
Share price at grant date	2,40-2,50	3,54	4,30
Expected life from grant date	4 years	6 years	4-5 years
Volatility	63,00 %	61,00 %	57,00 %
Risk free interest rate	1,46-1,68 %	1,09 %	1,42 %
Fair value per option	N/A	0,76	0,00

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

The total expensed amount in 2019 arising from the option plan is NOK 1 937 030 (2018: NOK 2 133 370) and the total carrying amount per 31 December 2019 is NOK 6 155 113, not including social security.

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Corporate management team	Number of options 2019
Christina Casen (Clinical Director)	450 000
Emilie Lasson, (Chief Commercial Officer)	500 000
Finn Terje Hegge, (Chief Technical Officer)	450 000
Ronny Hermansen,(Chief Executive Officer)	500 000

In addition Per Olav Utby (Chairman of the Board) holds 150 000 options.

17. Available for sale financial assets

	2019	2018
At 1 January	0	9 128 576
Acquisition of listed equity securities *	0	0
Disposal of listed equity securities *	0	-11 586 968
Loss on disposal of listed equity securities	0	-2 392 344
Impairment of equity securities in other comprehensive income	0	0
Reversal of impairment previous years	0	4 850 736
At 31 December	0	0

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

18. Deferred income tax

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

	2019	2018
	Deferred tax assets	Deferred tax liabilities
Accelerated tax depreciation	3 450 886	0
Tax losses carried forward	28 202 574	0
Total	31 653 460	0
	30 110 388	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.

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19. Change in accounting policies – implementation of IFRS 16

The company has adopted IFRS 16 Leases from 1 January 2019 using the simplified transition approach in accordance with IFRS 16.C5(b) and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard:

Genetic Analysis AS' agreements consists of buildings and equipment used in the operating activities. Leased equipment and buildings usually have a lease period of 3-5 years.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. For leases which had previously been classified as operating leases under the principles of IAS 17 Leases, the lease liability upon adoption of IFRS 16 is measured as the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The company's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4,5 %.

The associated right-of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet at 31 December 2018.

For leases previously classified as financial leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application of IFRS 16 (1 January 2019) is the carrying amount of the lease asset and lease liability immediately before that date (31 December 2018), measured in accordance with IAS 17.

In applying IFRS 16 for the first time, the company has used the following practical expedients as permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of operating leases of low value, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The reclassifications and adjustments arising from the new leasing rules are recognized in the 1 January 2019 opening balance sheet.

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The following table explains the reconciliation between the operating lease commitments from applying IAS 17 as at 31 December 2018 and the lease liabilities recognized as at 1 January 2019:

Amounts in NOK

Operating lease commitments as at 31 December 2018	2 381 439
Short term leases recognised on a straight-line basis as expense	63 000
Low-value leases recognised in a straight-line basis as expense	133 380
Effect of discounting using the company's weighted average incremental borrowing rate	-121 990
Lease liability recognised upon implementation of IFRS 16	2 455 829
Additions:	
IAS 17 financial lease liabilities recognised as at 31 December 2018	891 023
Total lease liability as at 1. January 2019	3 346 852
Of which are:	
Current lease liabilities*	1 130 180
Non-current lease liabilities**	2 216 672
Total lease liability as at 1 January 2019	3 346 852

*Current lease liabilities are presented within Other current liabilities.

**Non-current lease liabilities are presented within Loans and borrowings.

Right-of-use assets are presented within Property, plant and equipment and amounted to NOK 3 318 197 as at 1 January 2019.

20. Leases

The company implemented IFRS 16 1 January 2019. The implementation is further presented in note 18.

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right of use assets*	31.12.2019	01.01.2019
Property	1 895 805	2 455 829
Equipment	814 780	862 368
	2 710 585	3 318 197

*included in the line item "Property, plant and equipment" in the balance sheet.

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Lease liabilities**	31.12.2019	01.01.2019
Current	1 191 876	1 130 180
Non-current	1 295 965	2 216 672
	2 487 841	3 346 852

**included in the line items "Loans and borrowings" and "Other current liabilities" in the balance sheet. In the previous years the group only recognised lease liabilities in relation to leases that were classified as "finance leases" under IAS 17 Leases. These were presented as part of the company's borrowings. For adjustments recognised in adoption of IFRS 16 on 1 January 2019, please refer to note 18.

Additions to the right-of-use assets in 2019 were NOK 270 716.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right of use assets	31.12.2019	01.01.2019
Properties	560 023	0
Equipment	318 305	0
	878 328	0
Interest expense	113 505	0
Expenses related to short-term leases	63 000	0
Expenses related to leases of low-value	28 080	0

The total cash outflow for leases in 2019 was NOK 1 243 232.

21. Contingencies and commitments

The company does not have any contingent liabilities as at 31 December 2019 and as at 31 December 2018.

22. Share capital and shareholder information

Share capital and premium	Number of shares	Ordinary shares	Share premium	Total
01.01.2018	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
31.12.2019	68 684 472	6 868 447	147 751 974	154 620 421

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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 2019	Percentage ownership	No of shares 2018
Ronny Hermansen, (InVitroDia AS)	CEO	496 548	0,72 %	496 548
Total		496 548	0,72 %	496 548

Total holding of 496.548 shares in 2019 accounted for 0,75 % of the issued share capital.

23. Dividends

No dividends declared or paid during the financial periods ended 31 December 2019 and 31 December 2018.

24. Events after the balance sheet date

The recent outbreak of the Corona virus has shocked the financial markets, and it has also negatively affecting GA' business and financing. The virus outbreak is affecting our customers, both current and new, slowing down sales and delaying sales to new customers. It is a reason to believe that the Corona situation will negatively impact GA's revenues for 2020, and also delay the progress of the company.

In June 2020 the Company executed a share issue of 20.7 MNOK at NOK 1.00 per share. This will finance the company into 2021. The Company is planning for a listing at Merkur Markets in Q4-20 and intend then to raise further capital.

The company will issue 20.711.800 new shares as a part of the share issue mentioned above. This will take the total number of shares up to 89.396.272.

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25. Other income and Government Grants specification

Specification of other income

	note	2019	2018
EU Seventh Framework	1	0	662 431
Norwegian Research Council	2	907 635	460 364
Other support Norwegian Research Council		75 000	0
R&D Support from partners		1 974 000	181 548
R&D Grants and R&D support		2 956 635	1 304 343
Commercialization support from partners		801 584	0
Revenue from product sales	3	6 780 485	0
Total Other Income		10 538 704	1 304 343

1. 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 2019 of NOK 0 (2018: NOK 662 000) is recognized as other income. Costs related to the services delivered is presented as cost of goods sold. This project is completed.
2. In 2019, the company was awarded funding for 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 2019 of NOK 907 635 (2018: NOK 409 795) is recognized as other income. Costs related to the services delivered is presented as other research costs. This project is ongoing.
3. Sales revenues regulated by minimum purchase commitments from partner, where no cost of goods sold have incurred.

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 2019, the government reimburses research and development expenditures incurred on a pre-approved project limited to a total of NOK 4 161 012 (2018: NOK 3 579 322). In 2019 the company recognized a cost reduction of NOK 555 506 (2018: NOK 1 105 629) as a reduction of other expenses, NOK 1 618 134 (2018: NOK 1 449 104) as a reduction of employee benefit expense and NOK 1 987 369 (2018: NOK 1 024 589) 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 2019, the 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 2019, 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, 3 July 2020
PricewaterhouseCoopers AS

Herman Skibrek
State Authorised Public Accountant
(This document is signed electronically)

Revisjonsberetning

Signers:

Name	Method	Date
Skibrek, Herman	BANKID_MOBILE	2020-07-07 15:40

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