
gentian
Q1
First quarter
2023 results

Efficient diagnostics for better treatment decisions

www.gentian.com

Gentian Diagnostics

First quarter 2023 highlights

- Record sales of MNOK 31.4, up 53% from 1Q22, with organic growth of 40%. Total operating revenue was MNOK 33.6 in 1Q23.
- All products and geographic areas demonstrated positive sales development in 1Q23 compared to 1Q22.
- Demand for Cystatin C in China has stabilised after the end of the corona-related lock-down.
- New diagnostic guidelines in the US and co-marketing efforts with commercial partner Beckman Coulter resulted in new customers for Cystatin C in the US and in Europe.
- Further results from scientific studies confirmed the clinical relevance and benefits of GCAL for the early detection and severity assessment of infections.
- EBITDA was MNOK -0.5 in 1Q23 versus MNOK -4.2 in 1Q22. R&D costs were MNOK 6.6 in the quarter.

About Gentian Diagnostics

Gentian Diagnostics (OSE: GENT), founded in 2001, develops and manufactures high-quality, in vitro diagnostic reagents. Gentian's expertise and focus lies within immunochemistry, specifically infections, inflammations, kidney failures and congestive heart failures. By converting existing and clinically relevant biomarkers to the most efficient automated, high-throughput analysers, the company contributes to saving costs and protecting life. Gentian is based in Moss, Norway, serving the global human and veterinary diagnostics markets through sales and representative offices in Sweden, USA and China. For more information, please visit www.gentian.com.

Gentian's strategy for long-term growth and value creation

Gentian Diagnostic's purpose is to deliver efficient diagnostics for better treatment decisions.

The growing diagnostics market puts increasing pressure on clinical laboratory efficiency. However, many of the existing, clinically relevant biomarkers are available only on slow and inefficient platforms. Gentian's solution is to utilize PETIA (particle-enhanced turbidimetric immunoassays), based on proprietary nanoparticle technology and knowhow, to convert existing biomarkers to the most efficient automated, high-throughput analysers.

Gentian's portfolio of high-impact diagnostic tests targets several large and growing disease areas such as infections and inflammation, kidney failure and congestive heart failure. The company has four established products – Cystatin C, fCAL® turbo, Canine CRP and fPELA turbo – that contributed to 28% annual revenue growth in 2019-2022. In addition, SARS-CoV-2 Ab and GCAL® have been launched and are in market development while NT-proBNP is in the product development phase – with the two latter having potential to become growth accelerators. The company also has three undisclosed projects in exploration and 'proof of concept' phases.

In 2021, Gentian announced a long-term ambition to generate an estimated annual revenue of NOK 1.0 billion in 5-7 years, dependent on the timing of NT-proBNP launch yet to be concluded. In comparison, total revenue was NOK 111 million in 2022. The company's roadmap for long-term growth and value creation is founded on six strategic pillars:

Grow annual revenue from the company's four established products by 20%+ annually – by expanding market access through additional commercial partners and regulatory approvals.

Demonstrate clinical relevance of GCAL® for the early detection of severe infections.

Bring a steady stream of new high-impact diagnostic tests to market.

Secure one new contract with a global commercial partner every year, building on already established partnerships with major diagnostic companies across products.

Grow gross margin from ~50% to 60%+ through economies of scale.

Deliver long-term EBITDA margins of 40% through operational leverage and cost discipline.

Illustration of product categories

Operational summary

Sales

Sales revenue grew 40% organically in 1Q23 versus 1Q22, ending the quarter at MNOK 31.4. The reported growth was 53%. The company remains committed to the overall objective of growing sales revenue with more than 20% year on year. 1Q23 sales were favourably impacted by several factors including the normalisation of regular laboratory test numbers performed after the COVID pandemic situation. Revenue growth contribution was achieved by all products, in all regions and through all sales channels; from direct sales to distribution partners and global IVD (in vitro diagnostics) partners.

Sales of Cystatin C, which supports early detection of reduced kidney function, were MNOK 13.6 for the quarter versus MNOK 7.5 in 1Q22, corresponding to an 81% increase. Market conditions in China continue to normalise and demand from other parts of Asia has increased. In the US the company's direct efforts as well as sales through a distribution agreement with a large IVD company, announced in 2022, has resulted in continued positive development. Growth in the US is also influenced by recently published new guidelines for the implementation of Cystatin C testing. Gentian's ability to serve its US customers through establishing a local distribution centre in the US has also added to the positive effect. Operationally focused sales and marketing efforts from Gentian's partner Beckman Coulter also resulted in gaining new customers in the US and Europe.

Sales of fCAL® turbo, which supports fast diagnosis of inflammatory bowel disease, reached MNOK 9.5 in 1Q23, a 40% increase vs 1Q22. With the US regulatory 510(K) clearance previously achieved, and with significant lab staff shortage in the US driving the need for highly productive and automated testing, the fCAL turbo benefits from increased adoption in the largest global IVD market. The successful partnership with Bühlmann Laboratories and the strong execution of their commercial channel strategy is a key contributor to the growing sales.

The company's Swedish distribution subsidiary, Gentian Diagnostics AB (GAB), continued to demonstrate a positive sales trend for third-party products but also for the Gentian portfolio. Revenue from third-party distribution amounted to MNOK 3.6 in 1Q23. This represents an

increase of 27% compared to 1Q22, including sales growth from direct commercial activities in Norway and Finland, which started in 2022.

A differentiating element and contributing to the company's sales growth in Europe is the early achieved IVDR registration of its major products (GCAL®, Cystatin C, fCAL® turbo) during 2022.

It demonstrates Gentian's commitment to providing quality products to the market, which contributed to strengthen customer relations.

Quarterly variations to sales are expected to continue as sales are affected by the timing of large orders.

Market development

GCAL®

The GCAL® immunoassay, for the quantification of calprotectin in serum and plasma, has been demonstrated to improve patient outcomes and relevance for the early detection of infections, which supports the avoidance of sepsis as well as diagnosis of inflammatory diseases.

The market development of GCAL® continued to develop positively, driven by a growing body of scientific evidence supporting the relevance of the immunoassay and initial traction with global partners.

The global distribution agreement for GCAL® with Siemens Healthineers, one of the global leaders in clinical diagnostics has shown initial commercial success in selected European countries. Regional expansion is under way, including non-European markets.

GCAL® sales from direct and partner efforts continue to evolve positively with recurring sales from both existing and new routine customers. During the quarter, Gentian established a new commercial agreement with a distribution partner in the Netherlands, Belgium and Luxemburg.

Further, the GCAL® validation on additional clinical chemistry platforms continues. Now also including the Beckman Coulter DXC700 AU platform, introduced in 2022.

There is a growing interest in the GCAL® assay from healthcare providers and, as a result, an increased adoption in routine use. In March 2023, one of the largest hospitals in Sweden, implemented routine clinical use of the assay.

The value of GCAL® for patients presented at the Emergency Department has been confirmed in several studies. A study from Karolinska University Hospital confirmed use of calprotectin for estimation of disease severity in patients with suspected sepsis. Calprotectin, measured with the GCAL® assay was the only of the studied biomarkers able to differentiate between severely ill patients with infection and patients without infection. Moreover, calprotectin identified patients with need for high level of care and transfer to the Intensive Care Unit and was found to be superior to other routinely used biomarkers. The authors concluded that early identification of patients with severe disease requiring higher level of care is of critical importance for optimal patient care and use of healthcare resources. Consequently, the authors suggested that calprotectin may be a useful biomarker in the management of patients with sepsis. This study was published in the scientific journal BMC Emergency Medicine with the title "Plasma calprotectin as an indicator of need of transfer to intensive care in patients with suspected sepsis at the emergency department".

The value of the GCAL® assay in estimation of disease severity has been confirmed also in patients with COVID-19. Researchers from Karolinska University Hospital presented a poster at the International Symposium on Intensive Care & Emergency Medicine (ISICEM) in March 2023, showing that calprotectin, measured with the GCAL® assay was able to identify patients with severe COVID-19. Furthermore, an increase in calprotectin concentration in samples collected

during hospital stay indicated clinical deterioration. Authors concluded that calprotectin is a useful biomarker for assessment and monitoring of clinical severity in COVID-19.

There is a growing body of scientific evidence supporting that early diagnosis of bacterial infections and earlier start of antibiotic treatment in critically ill patients are beneficial, not only from the clinical, but also from a cost-saving perspective. A health economic model, developed for use of GCAL® in ICU (Intensive Care Unit) has confirmed that the use of GCAL® for early detection of infection saves costs, reduces the duration of patient care in the ICU and in general ward, and reduces in-hospital mortality in those patients. Compared to other routinely used biomarkers, calprotectin, analysed by GCAL® Calprotectin Immunoassay, has shown to reduce total costs by approximately 13 000 – 18 000 EUR per patient, overall mortality rate by 0.11, and mean length of stay in an ICU and general ward by 1.3 – 2 days and 6.9 – 8 days, respectively. The model supports previous findings that early detection of severe infections and sepsis has both cost-saving and life-saving impact in the ICU setting.

Product development

NT-proBNP

Gentian's NT-proBNP assay is currently in the optimization phase of development and aims to be the first turbidimetric in vitro diagnostic test for the quantitative measurement of NT-proBNP. The goal is to make NT-proBNP testing more accessible on high-volume clinical chemistry analyzers, which should increase laboratory productivity and reduce overall costs. The growing cost burden in healthcare systems due to an aging population and lifestyle choices is driving the demand for NT-proBNP testing.

As outlined in the fourth quarter report, Gentian has been focused on developing a simpler and more efficient calibration method. In the first quarter, our team continued to work on this new method and initiated investigations to measure and quantify the impact of glycosylation on the NT-proBNP molecule. This will enable us to establish a benchmark for the degree of underestimation of true NT-proBNP concentrations by existing assays in clinical samples.

In addition, we have achieved notable advancements in enhancing the stability of our working prototype. Lastly, we have begun preparations to examine the performance of our prototype assay in patient samples with confirmed clinical status of acute or chronic heart failure.

At this time, we are unable to provide a specific timeline for the completion of the remaining optimization phase. However, if the product successfully completes this phase, subsequent phases are typically characterized by lower risk. We estimate that the development period for NT-proBNP after completion of optimization will be between 6 and 9 months.

It is important to note that the product will now fall under the new IVDR regulatory regime, which will add an additional 6-9 months before commercial launch. As per our established practice, if the current optimization efforts do not prove successful, we will consider returning the project to the exploration phase.

Pipeline

Gentian currently has two projects in the proof-of-concept phase. Market research was conducted in 2022 for one of these projects, which is addressing an alternative IVD market, confirmed a significant commercial potential for this project. The company continues to make investments into exploration projects to ensure future additions to the project pipeline.

Long-term outlook

Gentian targets disease groups that represent a total addressable market of around BUSD 6.1 globally and an estimated growth rate of 4-5% annually over the next 4-6 years, according to leading market data provider Kalorama (2022). From a macro perspective, key growth drivers include a growing and ageing population contributing to an increase in chronic and infectious diseases globally.

The specific segments targeted by Gentian's products add up to a total serviceable market of BUSD 1.8 (2022), with an estimated annual growth rate of 5-10% over the next 4-6 years. The key driver for the higher expected growth rate in the serviceable market is Gentian's selective approach to target attractive segments.

Overall, Gentian targets a market share of 15-20% for its product portfolio which is offered through commercial partners. With a commercial strategy to serve the market through OEM and distribution agreements it is expected that the revenue take will vary across products but remain within the 30-50% range for the product portfolio as a whole.

The company's strategy for growing its market share is founded on innovative biomarkers based on PETIA technology and proprietary know-how offering clinically relevant benefits, supported by an effective go-to-market strategy. The benefits include early diagnostic results that enable improved treatment decisions and a 3-10x increase in volume throughput that saves costs and makes Gentian's offering an attractive solution to the increasing pressure on laboratory productivity.

The 5–7-year revenue ambition of NOK 1 billion, which Gentian announced in 2021, and the long-term EBITDA margin target of 40%, are set to be de-risked through several key milestones for the company's product portfolio over the coming 12 months. The revenue ambition is dependent on the timing of NT-proBNP launch, which was estimated to contribute with MNOK 200-400 five to seven years after the product has been launched.

The key milestones are:

Established products

- Targeting additional large and medium size commercial partners globally.
- Additional regulatory approvals to allow for geographical expansion.

GCAL® (in market development)

- Clinical studies confirming improved patient outcomes and relevance for the early detection of infections, which supports the avoidance of sepsis as well as diagnosis of inflammatory diseases.
- Securing endorsements from key opinion leaders and inclusion in clinical guidelines.
- Securing global commercial partnerships with phased regional rollout.

New products

NT-proBNP

- Successful optimization of the assay.
- Securing endorsements from key opinion leaders.
- Obtain progress on global commercial partnerships.

Pipeline

- Finalize proof-of-concept for two new pipeline projects.

Financial performance

Comparative numbers for Gentian in 2022 in ().

Revenue, geographic split and product split

Total operating revenue amounted to MNOK 33.6 (MNOK 23.1) for 1Q23.

Sales revenue increased by 53% to MNOK 31.4 in 1Q23 (MNOK 20.6), with organic revenue growth of 40%.

Revenues from the Asian market were MNOK 7.3 for 1Q23 (MNOK 4.1), a growth of 78%. The growth is partly due to normalization in demand for Cystatin C in China which was affected by COVID related shutdowns in 1Q22. Sales in other geographic areas also developed positively with growth in Europe and the US of 46% and 54%, respectively, compared to 1Q22.

Geographic split

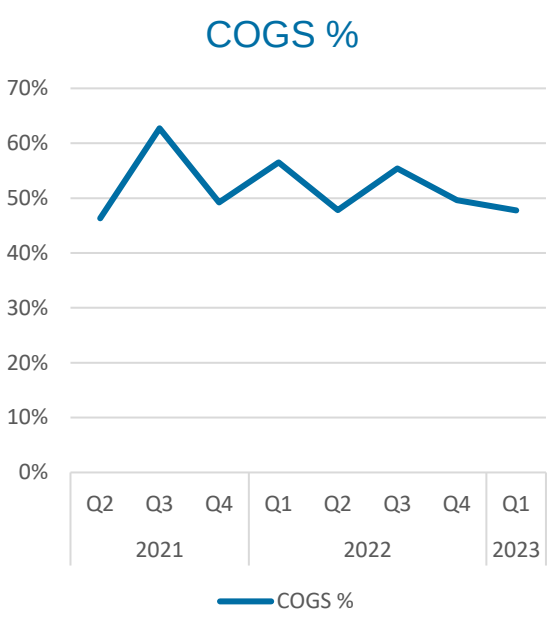
MNOK	**1Q23**	**1Q22**
US	2.0	1.3
Europe	22.1	15.1
Asia	7.3	4.1
Total	31.4	20.6

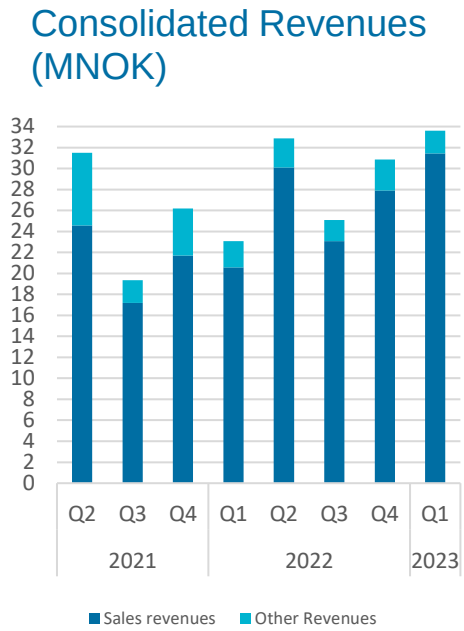
During 1Q23 the group has recorded sales growth for all products compared to 1Q22. The development for Cystatin C has been strong with a growth of 81% in 1Q23 compared to 1Q22 driven by a normalisation in order volumes to China and positive development of US and European sales. Sales of fCAL turbo continued to develop positively with sales increasing 40% in 1Q23 compared to 1Q22.The distribution of third-party products conducted by the Swedish subsidiary Gentian Diagnostics AB (GAB), continues to expand its activities in the Nordic region. Sales increased by 29% in 1Q23 compared to 1Q22.

Product split

MNOK	**1Q23**	**1Q22**
Cystatin C	13.6	7.5
fCAL®turbo	9.5	6.8
Third party products	3.6	2.8
Other	4.7	3.5
Total	31.4	20.6

Approximately 78% (74%) of the sales revenue in the quarter comes from long-term contracts with established customers.





Other operating revenue ended at MNOK 2.2 (MNOK 2.5) for 1Q23 and consists of public grants related to the company's R&D projects.

Cost of goods sold

Cost of goods sold (COGS) was 48% (56%) of sales revenue in 1Q23. Gentian experienced a positive effect related to the high activity in the quarter which more than absorbed higher prices on raw materials. Considering recent macroeconomic data, Gentian expects further increases in raw material prices and labour cost during 2023, but maintains its ambition that over time, COGS as a percentage of sales revenue will decline with increasing sales.

Total other operating expenses

Total other operating expenses before capitalisation of R&D expenses ended at MNOK 19.9 (MNOK 17.9) in 1Q23.

R&D expenses amounted to 37% (37%) of total other operating expenses before capitalization in 1Q23. Capitalisation of R&D expenses was MNOK 0.8 (MNOK 2.2) in the quarter.

Total other operating expenses after capitalisation of R&D expenses was MNOK 19.1 (MNOK 15.7) in 1Q23.

Earnings

Operating profit before depreciation and amortization (EBITDA) ended at MNOK -0.5 (MNOK -4.2) for 1Q23. Net profit was MNOK -0.7 (MNOK -6.6).

Balance sheet

Cash and cash equivalents as of 31 March 2023 were MNOK 76.0 (MNOK 100.2). The cash is placed in both savings accounts and current accounts.

Accounts receivables as of 31 March 2023 were MNOK 15.5 (MNOK 10.3), and inventory MNOK 39.1 (MNOK 31.4). The inventory increase is partly a result of increased activity and partly due to the company's measures to mitigate potential shortages from a congested supply chain.

The equity ratio was 83.2% as of 31 March 2023

Events after the balance sheet date

There are no events after the balance sheet date.

Statement of Profit and Loss – Gentian Diagnostics Group

	Note	2023	2022	2022
(NOK 1000)		Q1	Q1	01.01-31.12
Revenue				
Revenue from contracts with customers	3	31 437	20 558	101 636
Other operating revenue	4	2 163	2 532	10 287
Total revenue		**33 600**	**23 090**	**111 922**
Operating expenses				
Cost of goods sold	6	-15 017	-11 613	-52 635
Employee benefit expenses	7,13	-11 815	-8 542	-40 910
Depreciation and amortisation		-2 359	-2 062	-10 243
Other operating expenses		-7 285	-7 120	-31 369
Total operating expenses	**5**	**-36 475**	**-29 336**	**-135 158**
Operating result		-2 875	-6 246	-23 235
Finance income		2 516	1 071	3 831
Finance cost		-298	-1 450	-4 213
Net financial items		**2 218**	**-379**	**-382**
Profit before tax		**-657**	**-6 625**	**-23 618**
Income tax expense		-	-	-
Profit for the period		**-657**	**-6 625**	**-23 618**
Other comprehensive income				
Exchange differences		-3	20	-331
Total other comprehensive income		**-3**	**20**	**-331**
Total comprehensive income for the period		**-660**	**-6 605**	**-23 949**

1st quarter Statement of Profit and Loss is not audited

Statement of Financial Position – Gentian Diagnostics Group

	Note	2023	2022	2022
(Figures in NOK thousands)		31.3	31.3	31.12
Assets				
Non-Current Assets				
Intangible assets	9	27 192	26 401	26 820
Property, plants and equipment		9 225	3 826	9 724
Right-of-use assets		11 788	14 465	11 913
Total Non-Current Assets		**48 205**	**44 691**	**48 458**
Current Assets				
Inventory		39 131	31 447	38 544
Accounts receivables and other receivables		22 053	25 838	19 188
Cash and cash equivalents		76 017	100 237	81 599
Total Currents Assets		**137 201**	**157 522**	**139 332**
Total Assets		**185 406**	**202 213**	**187 790**
Equity and liabilities				
Paid-in equity				
Share capital	11	1 542	1 542	1 542
Share premium		293 810	293 810	293 810
Other paid-in equity		16 047	12 184	15 294
Total paid-in equity		**311 399**	**307 537**	**310 646**
Retained earning				
Retained earning		-157 217	-139 133	-156 477
Total retained equity		**-157 217**	**-139 133**	**-156 477**
Total equity		**154 183**	**168 404**	**154 170**
Liabilities				
Lease liabilities	10	11 320	14 546	11 624
Total non-current liabilities		**11 320**	**14 546**	**11 624**
Current liabilities				
Accounts payable and other current liabilities		19 903	19 264	21 996
Total current liabilities		**19 903**	**19 264**	**21 996**
Total liabilities		**31 223**	**33 810**	**33 620**
Total equity and liabilities		**185 406**	**202 213**	**187 790**

1st quarter Statement of Financial Position is not audited

Statement of changes in equity

(figures in NOK thousands)

	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 01.01.2022	**1 542**	**293 810**	**11 941**	**-132 528**	**174 766**
Net result for the year				-6 625	-6 625
Other comprehensive income					
Proceeds from share issue					
Cost of share issue					
Share based payments			243		243
Other changes in equity				20	20
Equity at 31.03.2022	**1 542**	**293 810**	**12 184**	**-139 133**	**168 404**
Equity at 01.01.2022	**1 542**	**293 810**	**11 941**	**-132 528**	**174 766**
Net result for the year				-23 618	-23 618
Other comprehensive income					
Proceeds from share issue					
Cost of share issue					
Share based payments			3 353		3 353
Other changes in equity				-331	-331
Equity at 31.12.2022	**1 542**	**293 810**	**15 294**	**-156 477**	**154 170**
Equity at 01.01.2023	**1 542**	**293 810**	**15 294**	**-156 477**	**154 170**
Net result for the year				-657	-657
Other comprehensive income					
Proceeds from share issue					
Cost of share issue					
Share based payments			753		753
Other changes in equity				-83	-83
Equity at 31.03.2023	**1 542**	**293 810**	**16 047**	**-157 217**	**154 183**

1st quarter Statement of changes in equity is not audited

Cash Flow Statement

	2023	2022	2022
(NOK 1000)	Q1	Q1	01.01-31.12
Operating activities			
Net profit (loss)	-657	-6 625	-23 618
Depreciation and amortisation	2 359	2 062	10 243
Change Inventory	-587	-1 668	-8 765
Change Accounts Receivables	-5 408	-3 796	-3 550
Change Accounts Payables	-1 623	-3 509	-532
Accrued cost of options	753	243	3 353
Change in other assets and liabilities	1 883	1 901	8 917
Net cash flow from operating activities	**-3 281**	**-11 392**	**-13 952**
Investing activities			
Payments of property, plant and equipment	-271	-	-8 632
Investment in intangible assets	-790	-2 230	-6 029
Net cash flow from investing activities	**-1 061**	**-2 230**	**-14 666**
Financing activities	-	-	-
New debt	-	-	-
Lease payments	-1 148	-1 127	-4 325
Proceeds from issue of share capital	-	-	-
Net cash flow from financing activities	**-1 148**	**-1 127**	**-4 325**
Net change in cash and cash equivalent	-5 490	-14 750	-32 943
Cash and cash equivalents at beginning of period	81 599	114 936	114 936
Effect of currency translation of cash and cash equivalents	-93	50	-395
Net Cash and cash equivalents at period end	**76 017**	**100 237**	**81 599**

1st quarter Cash Flow Statement is not audited

Notes

1. General information

Gentian Diagnostics ASA is registered in Norway and listed on the Euronext Oslo Børs. The company's headquarters are in Bjørnåsveien 5, 1596 Moss, Norway. The company is a research and development-based company that develops and manufactures biochemical reagents for use in medical diagnostics and research. The customers are medical laboratories and universities worldwide. The group consists of the parent company Gentian Diagnostics ASA and the subsidiary Gentian AS.

In addition, Gentian AS has a wholly owned subsidiary, registered in Florida, USA, named Gentian USA Inc, and a wholly owned subsidiary in Sweden, Gentian Diagnostics AB.

2. Accounting principles

The interim condensed consolidated financial statements for the group are prepared using the same accounting principles and calculation methods as used for the annual financial statements 2022 for Gentian Diagnostics ASA.

The accounting principles used have been consistently applied in all periods presented, unless otherwise stated.

Amounts are in thousand Norwegian kroner unless stated otherwise. The groups presentation currency is NOK (Norwegian kroner). This is also the parent company's functional currency. The company uses currency rates published by DNB ASA.

2.1. Basis of preparation

The quarterly financial statements of the group have been prepared in accordance with IAS 34 Interim Financial Reporting Standards and interpretations in issue but not yet adopted.

No new accounting standards and interpretations have been published that have been assessed to be of material impact for the group in 2023.

2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries. As at 31 March 2023, Gentian AS, located in Moss, Norway is a 100% owned and controlled subsidiary.

3. Sales and revenue

Revenue by classification	1Q23	1Q22	2022	2021
Sales revenue	31 437	20 558	101 636	83 122
Public grants	2 163	2 532	10 287	16 887
Other revenue	-	-	-	-
Total	**33 600**	**23 090**	**111 922**	**100 009**

Sales revenue Geographical split	1Q23	1Q22	2022	2021
Europe	22 062	15 140	71 571	55 676
Asia	7 339	4 076	23 609	25 008
USA	2 036	1 343	6 456	2 438
Total	**31 437**	**20 558**	**101 636**	**83 122**

Sales revenue by product category	1Q23	1Q22	2022	2021
Renal diagnostic products	13 608	7 510	39 966	36 227
Inflammation diagnostic products	11 335	10 739	42 886	32 331
Other diagnostic products	6 494	2 309	18 784	14 563
Total	**31 437**	**20 558**	**101 636**	**83 122**

4. Public Grants

Gentian has recognised public grants from the Norwegian Research Council, Innovation Norway, Eurostars and SkatteFUNN.

	1Q23	1Q22	2022	2021
Norwegian Research Council and Eurostars	1 475	1 589	6 298	10 943
Innovation Norway	-	-	-	1 194
SkatteFUNN	688	942	3 989	4 750
Total	**2 163**	**2 532**	**10 287**	**16 887**

5. Operating expenses by function

	1Q23	1Q22	2022	2021
Cost of goods sold	15 017	11 613	52 635	43 176
Sales and marketing expenses	5 304	4 593	21 490	15 145
Administration expenses	7 153	6 701	27 973	32 769
Research and development expenses	6 644	4 368	22 817	24 416
Depreciation	2 359	2 062	10 243	7 351
Total	**36 475**	**29 336**	**135 158**	**122 856**

6. Cost of goods sold

	1Q23	1Q22	2022	2021
Change in inventory of goods under manufacture and finished goods	-791	2 632	1 368	3 727
Purchase of goods	8 919	2 365	24 412	16 086
Production salary	5 687	5 147	20 978	18 662
Other production expense	1 201	1 468	5 877	4 702
Total	**15 017**	**11 613**	**52 635**	**43 176**

7. Employee benefit expenses

	1Q23	1Q22	2022	2021
Wages and salaries	13 831	11 343	48 456	43 733
Payroll tax	1 424	1 522	5 876	6 888
Pension costs (mandatory occupational pension)	860	388	3 171	1 733
Share based payments	753	243	3 353	4 633
Other expenses	635	194	1 032	1 214
Transfer to COGS	-5 687	-5 147	-20 978	-18 662
Total	**11 815**	**8 542**	**40 910**	**39 539**

8. Research and Development expenses

The Gentian Group has per 31 March 2023 four ongoing R&D projects. Costs related to the projects consist of salary, external procurement of services, and other operating expenses. One project went over in the development phase in 2016 and one additional in 2021, and consequently the capitalisation of the costs in these projects was started.

Recognised research and development expenses	1Q23	1Q22	2022	2021
Purchase of external services	1 534	1 876	7 972	9 023
Salary and other operating expenses	5 900	4 722	20 873	27 050
Capitalised research and development expenses	-790	-2 230	-6 029	-11 658
Total	**6 664**	**4 368**	**22 817**	**24 416**

9. Intangible assets

As of 31 March 2023, the recognised intangible assets in the Group amounts to MNOK 27.2. The intangible assets are derived from capitalisation of R&D expenses.

Intangible assets are tested for impairment at least annually, or when there are indications of impairment.

The impairment test is based on an approach of discounted cash flows. The valuation is sensitive to several assumptions and uncertainties, and the result from the valuation is thus limited to ensure sufficient certainty for the recognised amount in the financial statement.

10. Interest bearing debt

Loan and loan expenses is recorded in the balance sheet and expensed in the Statement of Profit and Loss at amortised cost. If a loan and loan expenses is related to an asset, and the real value of the asset is lower, the asset is written down to its real value. There was no value adjustment of assets in 1Q23.

Interest bearing debt for Gentian is relating to instrument leases and calculated leases based on contracts according to IFRS 16.

11. Share capital and number of shares

20 largest shareholders in Gentian Diagnostics ASA as of 31 March 2023 according to VPS and disclosures from investors:

Shareholder	**No of shares**	**%**
Vatne Equity AS	2 110 224	13.68 %
Kvantia AS	1 623 368	10.53 %
Holta Life Sciences AS	1 214 702	7.88 %
Verdipapirfondet Delphi Nordic	973 999	6.32 %
Safrino AS	749 700	4.86 %
Carpe Diem Afseth AS	500 650	3.25 %
Skandinaviska Enskilda Banken AB	500 000	3.24 %
Verdipapirfondet DNB SMB	361 291	2.34 %
Verdipapirfondet Storebrand Vekst	331 220	2.15 %
J.P. Morgan SE	325 000	2.11 %
Portia AS	300 000	1.95 %
Equinor Pensjon	245 047	1.59 %
Cressida AS	235 000	1.52 %
Verdipapirfondet Equinor Aksjer NO	227 880	1.48 %
Lioness AS	220 000	1.43 %
Marstal AS	212 407	1.38 %
Mutus AS	210 465	1.36 %
Salix AS	208 954	1.35 %
Krefting, Johan Henrik	203 400	1.32 %
Vingulmork Predictor AS	184 083	1.19 %
Other Shareholders	4 484 960	29.08 %
Total Shares	**15 422 350**	**100.00%**

12. Earnings per share

	1Q23	1Q22	2022
Loss for the period	-656 722	-6 624 894	-23 617 809
Average number of outstanding shares during the period	15 422 350	15 422 350	15 422 350
Earnings/ loss (-) per share - basic and diluted	-0.043	-0.430	-1.531

Share options issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognized as potential ordinary shares only shall be treated as dilutive if their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As the group is currently loss-making, an increase in the average number of shares would have anti-dilutive effects.

13. Share-based compensation

The company has a share option program covering certain key employees. Per 31 March 2023, fifteen employees were included in the option program.

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

For options issued from 2018 and up to 2021,1/3 of the options will vest 24 months after the day of grant, 1/3 will vest 36 months after the day of grant and 1/3 will vest 48 months. For options issued from 2022, 1/2 of the options will vest after 36 months and 1/2 of the options will vest after 48 months. Unvested options will be cancelled if the holder terminates its employment with the group.

The cost of the employee share-based transaction is expensed over the average vesting period. The value of the issued options of the transactions that are settled with equity instruments (settled with the company's own shares) is recognised as salary and personnel cost in profit and loss and in other paid-in capital.

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

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

	1Q23	1Q22	2022
Outstanding options at beginning of period	960 586	594 916	740 590
Options granted	-	155 674	219 996
Options forfeited	-	-10 000	-
Options exercised	-	-	-
Options expired	-	-	-
Outstanding options at end of period	960 586	740 590	960 586

The outstanding options are subject to the following conditions:

Expiry date	Average strike price	Number of share options
2023-8	65.24	174 954
2024-11	47.51	259 962
2025-11	62.88	150 000
2026-11	72.60	155 674
2027-12	46.67	219 996
		960 586

The fair value of the options has been calculated using Black - Scholes - Merton Option Pricing Model. The most important parameters are share price at the grant date, exercise prices shown above, volatility (42.74%), expected dividend yield (0%), an expected term of 5 years, and annual risk-free interest rate (2.87%). The volatility is based on other comparable companies' stock price volatility.

14. Transactions with related parties

The group uses Getica AB as a supplier for one of its production steps and has outsourced some R&D project elements to the same supplier. The supplier is owned by Erling Sundrehagen, who also is the sole owner of Vingulmork Predictor AS. The amount invoiced from Getica AB was MNOK 1.3 per 31 March 2023 (MNOK 1.2 per 31 March 2022).

15. Tax

The Group has carried forward losses which are not capitalised as it is uncertain when the Group will be in a tax position. The loss carried forward per 31 March 2023 is estimated to NOK 206.2 million. The Group will continuously assess the probability of when it will be in a tax position and when to consider a capitalisation of the loss carried forward.

Alternative performance measures

Non-IFRS financial measures / alternative performance measures

In this quarterly report, the Group presents certain alternative performance measures ("APMs"). An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specific in the applicable financial reporting framework (IFRS). The APMs presented herein are not measurements of financial performance or liquidity under IFRS or other generally accepted accounting principles, are not audited and investors should not consider any such measures to be an alternative to (a) operating revenues or operating profit (as determined in accordance with generally accepted accounting principles), (b) as a measure of the Group's operating performance; or (c) any other measures of performance under generally accepted accounting principles. The APMs presented herein may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of the Group's future results.

The company uses APMs to measure operating performance and is of the view that the APMs provide investors with relevant and specific operating figures which may enhance their understanding of the Group's performance. Because companies calculate APMs differently, the APMs presented herein may not be comparable to similarly titled measures used by other companies.

Below is an overview of APMs presented, including an overview of reconciliation and calculation of the relevant APMs.

Organic revenue growth

Organic revenue growth is defined as revenue adjusted for currency effects and effects from M&A. Organic revenue growth measurement provides useful information to investors and other stakeholders on underlying growth of the business without the effect of certain factors unrelated to its operating performance.

Reconciliation	**1Q23**	**1Q22**	**2022**	**2021**
(NOK 1000)				
Revenue from contracts with customers	31 437	20 558	101 636	83 122
Revenue growth	10 937	917	18 538	19 795
Impact using exchange rates from last period	-2 746	265	-1 750	4 399
Impact M&A	-	-	-	1 954
Organic revenue growth	8 191	1 183	16 788	26 148
Organic revenue growth %	40 %	6 %	21 %	43 %

Total other operating expenses

Total other operating expenses is a key financial parameter for the Group and consists of salaries and personnel costs and other operating expenses. Total other operating expenses before capitalisation of R&D expenses consists of Employee benefit expenses and other non-salary related operating expenses before capitalisation of R&D expenses. The performance indicator is provided for the purpose of monitoring the evolution of non-production related costs without the effect of capitalisation of costs.

Reconciliation	**1Q23**	**1Q22**	**2022**	**2021**
(NOK 1000)				
Employee benefit expenses	11 815	8 542	40 910	39 539
Other operating expenses	7 285	7 120	31 369	32 790
Total other operating expenses **after** capitalisation of R&D expenses	19 100	15 662	72 279	72 330
Capitalisation	790	2 230	6 029	11 659
Total other operating expenses **before** capitalisation of R&D expenses	19 890	17 892	78 308	83 988

Reconciliation	**1Q23**	**1Q22**	**2022**	**2021**
(NOK 1000)				
Other non-salary related operating expenses **after** capitalisation of R&D expenses	7 285	7 120	31 369	32 790
Capitalisation	333	1 020	2 336	8 579
Other non-salary related operating expenses **before** capitalisation of R&D expenses	7 618	8 140	33 705	41 370

EBITDA/EBIT

EBITDA is a measurement of operating earnings before depreciation and amortisation of tangible and intangible assets and impairment charges, and EBIT is the operating result. EBITDA and EBIT are used for providing information of operating performance which is relative to other companies and frequently used by other stakeholders.

Reconciliation	**1Q23**	**1Q22**	**2022**	**2021**
(NOK 1000)				
Total Revenue	33 600	23 090	111 922	100 009
Total Operating Expenses	-36 475	-29 336	-135 158	-122 856
EBIT	-2 875	-6 246	-23 235	-22 847
Depreciation and Amortisation	2 359	2 062	10 243	7 351
EBITDA	-516	-4 184	-12 992	-15 496

COGS

Cost of goods sold (COGS) refers to the total cost of producing goods for product sales. The key figure COGS % is calculated in relation to revenue from contracts with customers. COGS % is used for providing consistent information of performance related to the production of goods which is relative to other companies and frequently used by other stakeholders.

	1Q23	1Q22	2022	2021
(NOK 1000)				
Revenue from contracts with customers	31 437	20 558	101 636	83 122
COGS	15 017	11 613	52 635	43 176
COGS % of Revenue from contracts with customers	48 %	56 %	52 %	52 %

Non-cash share-based compensation

Non-cash share-based compensation expense is the share-based compensation recognised in the income statement (employee benefit expenses). Information on the non-cash share-based compensation expense is provided to give information on the no-cash components of the employee benefit expenses.

	1Q23	1Q22	2022	2021
(NOK 1000)				
Non-cash shared-based compensation	753	243	3 353	4 633