ANNUAL REPORT 2011

THE SAMPLE PREPARATION COMPANY

NorDiag

Automated Solutions for
Diagnostics and Life Science

NorDiag's Core Competence

"Isolating nucleic acids and cells from biological samples, making the samples ready for downstream analysis"

Contents

Financial Calendar 2012

Event	Date
1st Quarter	May 24, 2012
2nd Quarter and First Half Year Results 2012	August 29, 2012
3rd Quarter	August 29, 2012

CEO's Statement

Looking back to the beginning of 2011, the prospects for the business looked great. The promising prospects forced us to ramp up Arrow instrument production to cope with expected demand based on customer guidance. Unfortunately the demand from our distributors and OEM partners did not meet our expectations at the pace anticipated. This combined with a longer lead time for end users to start the routine use of instruments purchased in the laboratories resulting in delayed Arrow reagent consumption and the build-up of inventory attributable to the ramp up of Arrow instrument production stressed our cash flow the past year.

The critical cash flow situation influenced our business situation heavily, setting three issues in focus:

1. Solve the short term cash need.
2. Streamline the operations to match contribution on sales.
3. Find a strategic partner.

I emphasize that the delay in revenues was not attributable to a technology breakdown – or that customers did not buy our products. It can simply be explained that the percentage of consuming instruments compared to instruments sold was lower than expected, and that it takes time for the users to complete validations and implement routine use of the instruments. This caused reagent revenues to be delayed. That being said – we were very pleased to see that the sales increase in Arrow reagents finally came through in Q4-11 at targeted margins.

Several operational milestones were reached in 2011 and the beginning of 2012.

They can be summarized as follows:

- Kit sales doubled from Q3-11 to Q4-11.
- Margins were significantly improved in H2-12.
- An improved Bullet system was launched in March 2012.
- Automated production was successfully validated and in full production from February 2012 onwards.
- The operations of the company were reorganized to reduce expenses (October 2011 – March 2012).

NorDiag's current business model is to sell or lease automated sample preparation solutions (instruments, reagent kits and consumables) to clinical laboratories and hospitals. This also includes reagent rentals, where the rent for the instrument is included in the price of the reagents.

NorDiag's most important success criterion is to place as many instruments as possible with customers, in order to drive sales of reagent kits and consumables, as well as getting the instruments sold in routine use as fast as possible. The Company does so through direct sales and sales through distributors of its own brand name, as well as sales through OEM partners (white label).

Looking forward – we have a base of two solid and partly unique instrument platforms in the market consuming reagents on a routine basis. We are actively increasing the base of instruments and our reagent sales are growing for both instrument platforms. The sales of instruments are spread between OEM partners, distributors and direct sales. In addition, we are meeting our target gross margins for sales primarily due to the product mix consisting of an increasing portion of reagent sales and automated production of Arrow reagents. In addition, we have established the products in the infectious disease, genetic testing and the transplantation testing markets, and we have started to sell the products in the life science market through partners. Another important element is that the products are now sold in Europe, North America, Australia, Asia and Africa.

We have taken the consequences of our revenue delays and we have reduced our operating expenses to match contribution on sales in order to reach break even on the current run rate for sales. The effect from the cut in operating expenses will be stepwise, where we will see the main effect in H2-12.

From a product and technology point of view – we have never been as fit as now, and we are convinced that we will recover from the disappointments from last year and deliver some good overall results in 2012.

We raised funds in Q4-2012, which secured continued operations. At this point, it was clearly communicated that the funds received would last to the end of Q1-12, and the board and management were mandated by the shareholders to explore strategic options for the company. Such discussions with strategic partners are ongoing, but in parallel the day-to-day business is continuing with a more streamlined organization. We have also secured an additional fund raising to take us through 2012.

So here we are; at the end of April 2012; the restructuring is completed and we have established a base for continued operations. We have taken some difficult decisions to reduce costs and reorganize the company and are now in the position to bring the company to break even in late 2012. The interest in our two instrument platforms remains strong. I am convinced that we will find a strategic partner or a solution for the business going forward.

I will use the opportunity to thank those shareholders that supported us during a difficult year. I also want to thank all existing and previous employees for their contributions and commitment in the past and challenging year.

MårtenWigstøl
CEO

Mårten Wigstøl, CEO

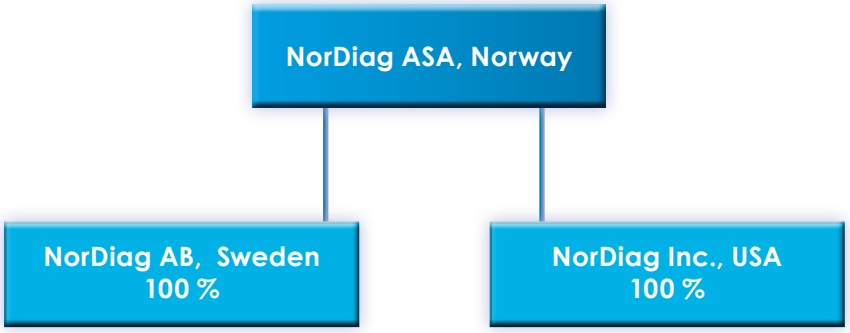
Key Figures NorDiag Group

Key Figures NorDiag Group	2011	2010
Selected statement of comprehensive income items (NOK 1000)		
Operating revenues	30 282	30 917
Gross profit	52 %	35 %
Other revenues / governmental grants	1 038	2 066
EBITDA	-31 514	-38 111
Operating profit (loss)	-87 494	-44 696
Net profit (loss) from continuing operations	-88 385	-43 913
Non-controlling interest (net profit)	1 195	4 201
Total comprehensive income, net of tax	-85 289	-41 849
EPS	-1.16	-0.64
Selected statement of financial position items (NOK 1000)		
Intangible assets	4 718	54 445
Property, plant and equipment	10 563	5 244
Current assets	32 319	67 570
Total equity	16 191	90 700
Equity ratio	34 %	71 %
Non-current liabilities	10 369	8 966
Current liabilities	21 040	27 593
Selected statement of cash-flow items (NOK 1000)		
Net cash from operating activities	-30 260	-30 329
Net cash from investing activities	-11 759	-8 394
Net cash from financing activities	15 808	18 946
Net change in cash	-26 211	-19 777
Cash and cash equivalents 31.12.	9 724	35 935
Number of employees	31	34

Main Events 2011

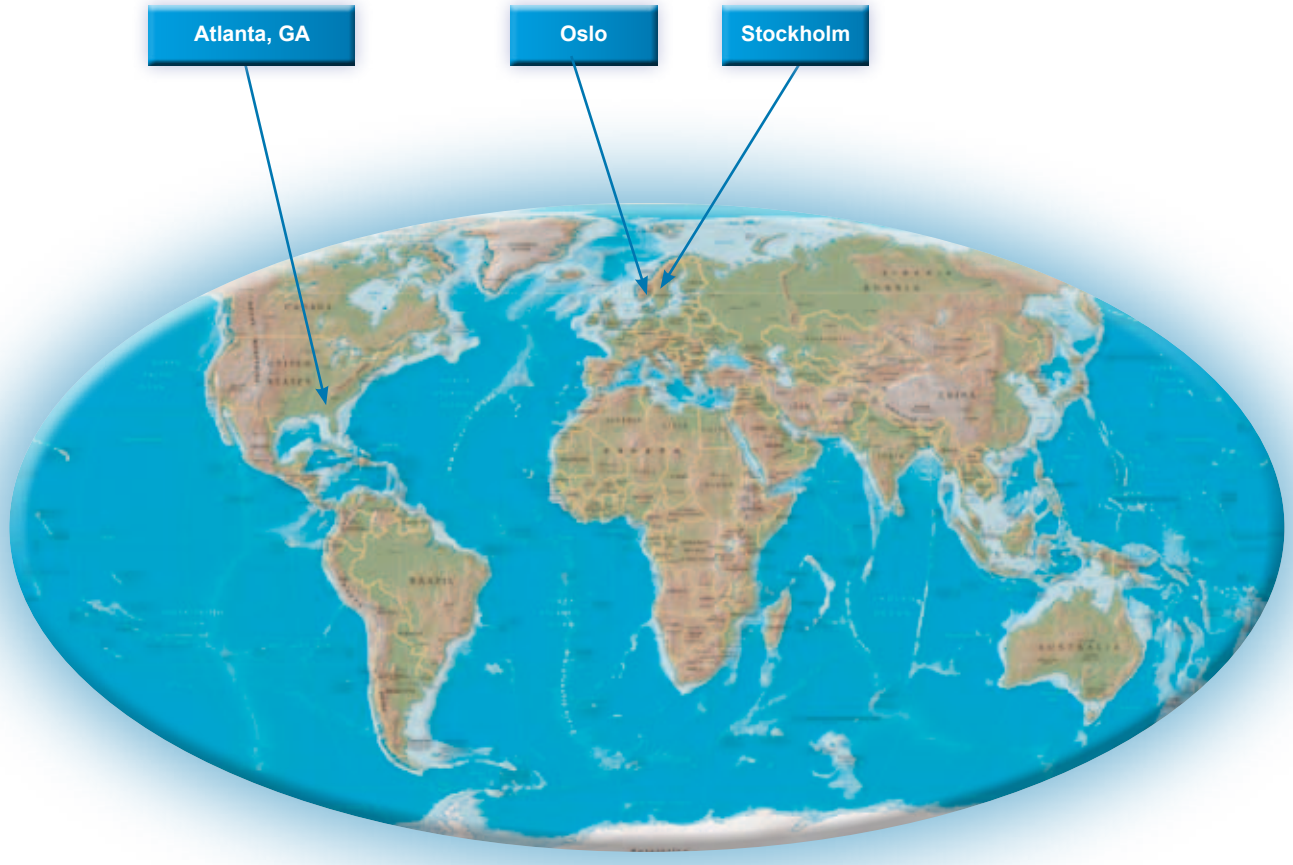
Date	Event
February 09	NorDiag and Molzym developed in collaboration an automated platform for molecular identification of microbes.
February 10	NorDiag and PSS (Precision System Science) entered into an agreement regarding development of reagents for next generation sequencers and protocols for SX-8G Compact. NorDiag shall develop reagents and protocols which will be applied to PSS' instruments.
February 15	NorDiag launched sample preparation kits for the Life Science market.
March 17	NorDiag and Molzym entered into an agreement with Seegene for delivery of reagents based on their molysis technology for Seegene's new sepsis test.
May 24	NorDiag sold its shares in Olerup International to LinkMed for NOK 6.9 million.
May 26	NorDiag agreed to an OEM-agreement with MP Biomedicals.
October 12	NorDiag established a guarantee consortium of NOK 15 million.
December 8	NorDiag completed a reduction of its share capital.
December 9	The Company completed a public placement, and received a gross proceeds of approx. NOK 15 mill. The new share capital of the Company is NOK 5,597,614.40 divided into 279,880,720 shares, each with a nominal value of NOK 0.02.
December 15	NorDiag Inc. and Autogen Inc. signed a distribution agreement for distribution of NorDiag products to the Life Science market in North America.

Company History and Structure



- **2002:**
  - NorDiag ASA was established.
- **December 2005:**
  - IPO at Oslo Stock Exchange.
- **March 2007: Acquisition of Genpoint**
  - Genpoint was established in 1998.
  - Genpoint acquired Swedish MBS (now NorDiag AB) in November 2006.
- **Q2 2007:**
  - NorDiag Inc. was established.
- **July 2007:**
  - The colorectal cancer test was withdrawn from the market due to loss of reimbursement in Norway.
- **Early 2008**
  - The company changed from being a cancer diagnostic company to a company focusing on sample preparation.
- **July 2009**
  - Olerup Int. AB was established (a distribution joint venture in the HLA segment).
- **June 2010**
  - Genpoint merged with NorDiag.
- **June 2011**
  - NorDiag's shares in Olerup Int. AB were sold to LinkMed AB.

Location



The Country Managers

NorDiag ASA, Norway	Mårten Wigstøl
NorDiag Inc., USA	Timothy Murray
NorDiag AB, Sweden	Mårten Wigstøl

NorDiag Distributors

32 total

Americas
- USA

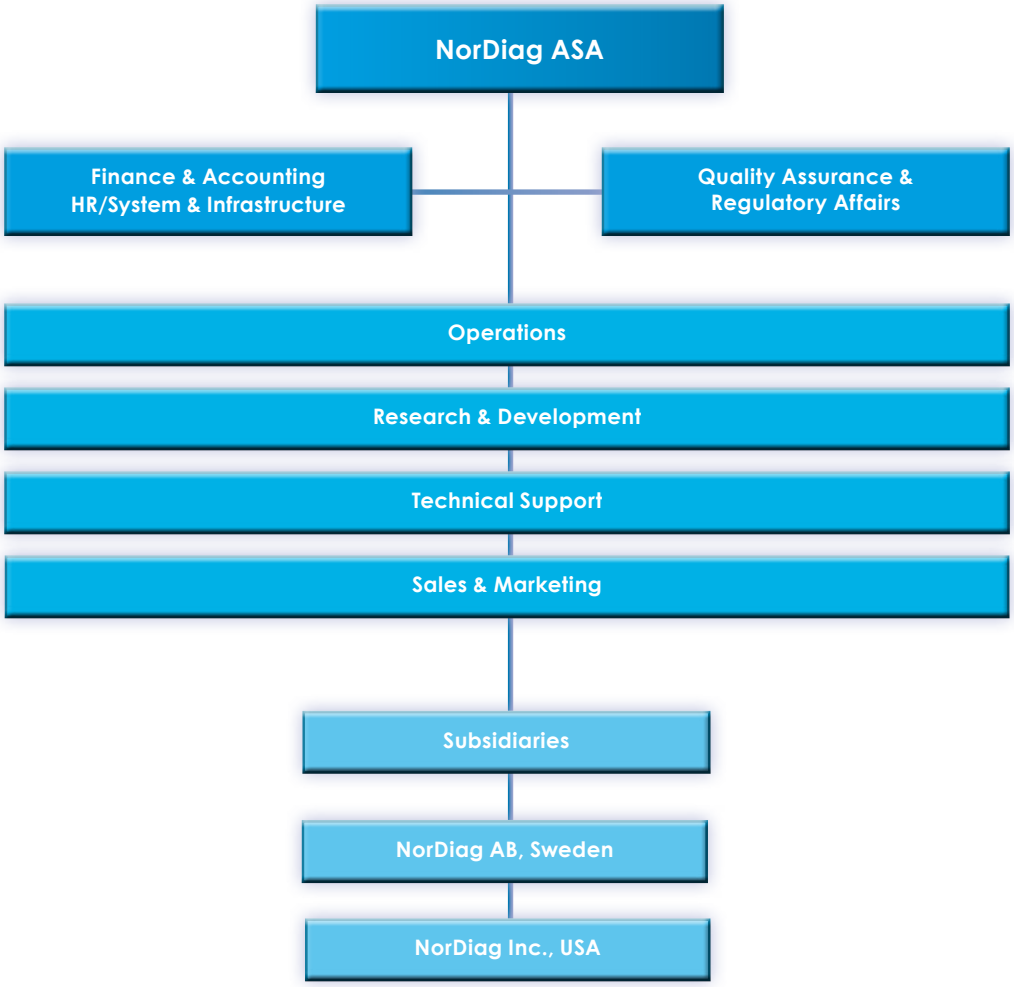
Asia
- China
- India
- Israel
- Japan
- Thailand

Africa
- Egypt

Oceania
- Australia
- New Zealand

Europe
- Austria
- Belgium
- Bulgaria
- Czech Republic
- Finland
- France
- Germany
- Greece
- Hungary
- Italy
- Lithuania
- Norway
- Poland
- Portugal
- Romania
- Russia
- Slovak Republic
- Slovenia
- Spain
- Switzerland
- Turkey
- The Netherlands
- United Kingdom

Organization and Structure



The Board of Directors

Chairman	Robert V. Ahlgren
Vice Chairman	Hans Hekland
Board member	Dr. Mathias Uhlén
Board member	Greta Bentzen
Board member	Ann-Kristin Hageløkken

The Corporate Management Group

CEO	Mårten Wigstøl
CSO	Dr. Erik Hornes
Vice President Finance & Accounting	Stein Rune Kjelby
Vice President Sales & Marketing Europe/ROW	Jan Wikstén
Vice President Instruments & Automation	Guttorm Osborg
Vice President Production & Logistics	Ingerlise Haaland
QA Manager	Lise Strømme Johansen*
President of NorDiag Inc.	Timothy Murray

* QA Director is on maternity leave

Business Review

NorDiag ASA is a biotechnology company developing, manufacturing and marketing automated solutions (instruments and kits), for isolation of nucleic acids and cells (sample preparation) from biological samples, making the samples ready for downstream analysis. The Company is certified according to ISO 9001:2008 and ISO 13485:2003.

History and Development

NorDiag was established on June 10, 2002 and incorporated on July 1, 2002. The same year as the Company was established, NorDiag introduced its diagnostic test for colorectal cancer, Genefec. The test was based on research on the k-ras mutation, resulting in a patented method of cancer detection. In the fourth quarter of 2005, NorDiag was transformed into a public company and listed at Oslo Børs.

Early 2007, the Company acquired Genpoint, a gene based diagnostic company, specializing in sample preparation of DNA from difficult clinical samples, such as urine, sputum, faeces and blood (sepsis, virus and large volume). Genpoint, had previously, in November 2006, acquired the Swedish company Magnetic Biosolutions AB (now NorDiag AB). Genpoint's proprietary sample preparation technology was originally spun out from the Royal Institute of Technology in Stockholm (KTH) and the University of Oslo. Genpoint was an innovative biotechnology company established in 1998, and had over the years received significant research funding from the Norwegian Research Council and Innovation Norway. The strategic rationale for the Genpoint acquisition was to enable NorDiag to convert from being a service provider to a supplier of a product solution consisting of instruments and kits to clinical laboratories. This resulted in a more robust and scalable business model, as well as a strengthened sample preparation technology and competence. Another important element was to convert from being a "one product" company to selling several products with the aim of reducing overall product risk.

The NorDiag cancer test was a test that detected certain genetic markers in faeces, which could indicate colorectal cancer, which then would require further examination (for example colonoscopy). The Company was primarily targeting the medical doctor market, where their use would be semi-screening of patients.

Loss of reimbursement in Norway for the Genefec product in July 2007 caused the Company to withdraw Genefec from the market. The clinical trial for Genefec III was completed in November the same year and the results on a stand-alone basis were somewhat disappointing for the NorDiag genetic markers tested in the clinical trial. However, the results combined with the FOBT tested in the same trial showed a good sensitivity and specificity combined.

The Company decided in August 2009 to focus entirely on sample preparation and not to launch the integrated test Genefec III.

In December 2008, the Company launched the high/medium throughput instrument Bullet.

On July 2, 2009, NorDiag agreed with LinkMed AB and SSP Primers AB to establish Olerup International in the form of a jointly owned distribution company. The business of Olerup International was to distribute Olerup SSP and AbSorber products, and the Arrow instruments through its wholly-owned subsidiaries Olerup GmbH (Austria) and Olerup Inc. (US). Through the establishment of Olerup International, NorDiag entered into the market for HLA typing (transplantation diagnostics).

NorDiag and the other shareholders in Olerup International AB, LinkMed and SSP Primers, agreed as of March 1, 2010 to change Olerup International's structure. LinkMed and SSP Primers acquired NorDiag's shares in Olerup Inc, the US subsidiary, for a price of USD 1. The change meant that NorDiag would not take part in an extended marketing effort in the US market, but focus on the markets in Europe and the rest of the world. The distribution agreement for the desktop instrument Arrow remained the same and covered the total HLA typing market, including the United States.

The low throughput instrument Arrow was launched in March in 2009. The Arrow instrument was CE-IVD marked in the third quarter of 2010.

With accounting effect from July 1, 2010, Genpoint AS, a wholly owned subsidiary of NorDiag ASA, was merged with NorDiag ASA.

On June 1, 2011, NorDiag entered into an agreement to sell all of its shares in Olerup International AB to LinkMed AB (publ) for a cash consideration of SEK 8 million. The transaction included Olerup International's wholly-owned subsidiary Olerup GmbH (Austria). The cash payment for the shares was divided into two tranches, with SEK 5 million paid upon the transfer of the shares and SEK 3 million was paid October 4 ,2011, deducted for cash discount of NOK 0.2 mill due to that the last installment was agreed upon to be paid 25 days before the original plan. The initial investment by NorDiag in Olerup International in 2009 amounted to SEK 50,000. The distribution agreement for NorDiag's Arrow instrument and kits was terminated upon the transfer of the shares, and NorDiag took direct responsibility for the accounts in the HLA segment.

Business Review

NorDiag launched the high/medium throughput instrument Bullet in 2008 and the low throughput instrument Arrow in 2009. The Arrow instrument was CE-IVD marked in the third quarter of 2010.

Legal structure of NorDiag ASA

The Group consists of NorDiag ASA, NorDiag Inc., which is a wholly owned US subsidiary of NorDiag, and NorDiag AB, which is a wholly owned Swedish subsidiary of NorDiag. NorDiag ASA is the operational parent company of the Group.

Business Strategy

- To deliver automated sample preparation solutions (instruments & kits) for difficult clinical samples, and prepare nucleic acids and cells for downstream analysis with basis in its two instrument platforms Arrow and Bullet PRO.
- To develop multiple applications to be used on the Company's instrument platforms.
- To offer differentiated instrument solutions that cover high, medium and low throughput needs.
- To use the core sample preparation competence and technologies to integrate with and improve third parties' diagnostic tests.
- To focus on emerging markets – a major part of the growth within these markets is expected to come from testing based on difficult and challenging biological samples.
- To sell directly to the Scandinavian customers and through distributors and/or partners in other countries.
- To carry out original equipment manufacturer (OEM) supply to clinical diagnostic and life science companies.
- To distribute third parties' assays where NorDiag's sample preparation technology is complementary.
- To use the Arrow technology to develop an integrated system that can perform sample preparation and analysis in one instrument.

NorDiag's current business model is to sell or lease automated sample preparation solutions (instruments, reagent kits and consumables) to clinical laboratories and hospitals. This also includes reagent rentals, where the rent for the instrument is included in the price of the reagents.

The product offering includes instruments that carry out automated sample preparation of multiple samples simultaneously, tailor-made software that controls the process in the instrument, and a collection of chemical compounds used in the sample treatment process, referred to as reagent kits and consumables (plastic ware, pipettes).

NorDiag's competitive advantages are attractively priced instruments covering both high/medium and low throughput needs, in addition to a strong portfolio of reagent kits with multiple applications to be covered on the same instrument platform. The Company has a unique competence in isolating nucleic acids and cells from difficult samples and tailoring the sample preparation solutions to downstream tests (assays).

NorDiag's most important success criterion is to place as many instruments as possible with customers, in order to drive sales of reagent kits and consumables. The Company does so through direct sales and sales through distributors of its own brand name, as well as sales through OEM partners (white label).

Instruments

NorDiag offers two instruments; the high/medium throughput instrument **"Bullet PRO"** for hospitals and larger laboratories, and the low throughput **"Arrow"** for hospitals and smaller laboratories. NorDiag also offers a selection of sample preparation kits in connection with its two instruments. NorDiag's instruments and sample preparation kits can be customized and optimized for a broad range of applications and protocols. The instruments and sample preparation kits can be configured for a broad spectrum of low - to - medium - to - high throughput needs.

The Bullet PRO

Bullet PRO is NorDiag's CE IVD approved high-/medium throughput instrument with a maximum capacity of approximately 80,000 isolations per year targeting primarily hospitals and larger clinical laboratories. The NorDiag Bullet PRO offers a complete automated processing solution for purification of nucleic acids. From primary specimen to downstream, the procedure can be done in about 2 hours, depending on the protocol. It processes up to 96 samples with minimal hands-on-time. NorDiag has developed magnetic bead chemistry for purification of nucleic acids from the most difficult samples and the most demanding molecular applications. The Bullet PRO can be customized for a variety of downstream amplification methods, for complete processing on a single platform.

The Arrow

NorDiag has developed a CE IVD approved small footprint instrument targeting the low throughput segment, with a maximum capacity of approximately 10,000 isolations per year, and will be suitable for smaller laboratories that do not require the large capacity offered by the high-/medium throughput instrument.

Business Review

NorDiag Arrow utilizes innovative technology for the purification of Nucleic Acids from a variety of specimen types. The NorDiag Arrow reduces time and effort at an affordable price. The intuitive touch screen software gets the user up and running within minutes. The interchangeable pump/tip assembly and our unique chemistry allow variable sample input volumes. The novel self-contained pipetting system coupled with integrated UV-decontamination allows for a confident contamination free interior.

The Arrow instrument provides two solutions for the labs:

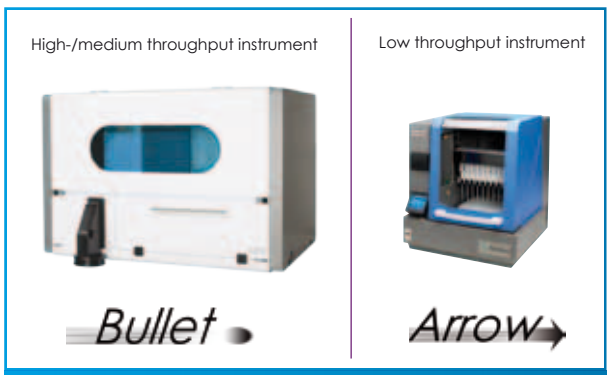
1. Excellent, high quality nucleic acids.
2. Highly purified cell separations.

Furthermore the Arrow has a unique disposable pump pipetting system which:

- Reduces service costs – the simple and unique design has minimal service requirements.
- Reduces contamination risk – self-contained/closed pipetting unit.

The Integrated System

In late 2010, NorDiag initiated the process to expand the Arrow sample preparation platform to include an integrated system. The aim is to develop an affordable small footprint solution for small and medium throughput needs in clinical diagnostics and life sciences. The plan is to be able to demonstrate proof of principle for an integrated system towards the end of 2011. The polymerase chain reaction (PCR) analysis unit will be sourced from an external partner, and the development will be together with a partners. The benefit of developing an integrated system is that currently the users need two instruments for MDx testing, one for sample preparation and one for amplification (analysis). Many users wish to be able to do the whole analysis in one instrument.



Automated sample preparation instruments offered by the Company

Kits and Consumables

NorDiag's Automated Nucleic Acid Purification and Cell Capture chemistry can be used for a wide array of sample types:

- **BUGS'n BEADS™**

NorDiag BUGS'n BEADS™ magnetic bead chemistry for extraction of bacteria and viruses from a variety of sample matrices without enzymatic pre-treatment or heat incubation prior to automated purification of the nucleic acids provides a highly purified preparation for a variety of downstream applications. Automated extraction is available on both the Arrow and Bullet PRO instruments.

The BUGS'n BEADS™ magnetic beads have a special surface treatment that provides an environment for certain gram negative bacteria, gram positive bacteria and viruses to be attracted to their surface. The background sample matrix is washed away, and NorDiag Power-to-Lyses solution is added. The nucleic acids bind to the magnetic beads. The unbound extra cellular material is then washed away, leaving a high quality nucleic acid sample preparation.

BUGS'n BEADS™ has been successfully used for a variety of pathogens including *mycobacterium tuberculosis, Chlamydia, enterovirus, MRSA, Norovirus, E.Coli, Legionella, Mycoplasma Pneumonia, Chlamydia Pneumonia , Helicobacter Pylori* etc.

The unique bead coating enables a direct purification from the primary sample without pre-treatment from a variety of sample matrices such as urine, sputum, and swabs.

- **Viral**

NorDiag Arrow and Bullet PRO Viral nucleic acid reagents provide magnetic bead based reagents for high quality extraction of both viral RNA and DNA. These extraction protocols can be used with a variety sample matrices including plasma, serum, CSF and swabs with minimal pre-treatment of the sample. The Viral bead chemistry has worked successfully as a nucleic acid sample preparation for H1N1, enterovirus, HSV, HAV, HBV, HCV and influenza.

- **Blood**

NorDiag's Blood DNA reagents provide a high yield, high quality extraction of purified genomic DNA from blood and buffy coat samples. On the Arrow instrument there are protocols available for both a 200 µL and 500 µL input volume. On the Bullet PRO instrument there are protocols available for 65 µL on input volume of blood. The Blood bead chemistry has worked successfully as a nucleic acid sample preparation for tissue typing and genetic testing.

Business Review

- **Stool**

NorDiag Arrow and Bullet PRO Stool nucleic acid reagents provide high quality purified nucleic acids from fecal material appropriate for the detection of human DNA and pathogen nucleic acids. The final nucleic acid preparation is virtually free of PCR inhibitors and can be used in a wide variety of applications including detection of genetic mutations and a wide array of infectious disease pathogens including both viruses and bacteria.
The Stool bead chemistry has worked successfully for extraction of human DNA to detect mutations related to colon rectal cancer, and a variety of stool related pathogens including H.pylori, clostridium, and norovirus.

- **Cell Separation**

CellSep is available in pre-filled cartridges for the Arrow instrument for capture of specific cell population utilizing magnetic beads coated with monoclonal antibodies. It requires magnetic beads that are greater than 1 micron in size. The starting sample preparation can be whole blood, culture, or buffy coat. There are three versions of the CellSep protocol which allow the user to obtain a cell suspension with the magnetic beads attached, or with the magnetic detached. The cell separation kit can be used for cross match testing, chimerism, C4 quantification.

Outlook

NorDiag has a base of two solid and partly unique inNorDiag has a base of two solid and partly unique instrument platforms in the market consuming reagents on a routine basis. We are actively increasing the base of instruments and our reagent sales are growing for both instrument platforms. The sales of instruments are spread between OEM partners, distributors and direct sales. In addition, the Company is meeting the target gross margins for sales, primarily due to the product mix consisting of an increasing portion of reagent sales.

We have taken the consequences of our revenue delays and reduced our operating expenses to match contribution on sales in order to reach breakeven on the current run rate for sales. The effect from the cut in operating expenses will be step wise, where we will see the main effect in H2-12.

From a product and technology point of view – we have never been as fit as now and we are convinced that we will recover from the disappointments from last year and deliver some good overall results in 2012. We raised funds in Q4-11 which secured continued operations. At this point, it was clearly communicated that the funds received would last to the end of Q1-12, and the board and management were mandated by the shareholders to explore strategic options for the Company. Such discussions with strategic partners are ongoing, but in parallel the day-to-day business is continuing with a more streamlined organization.

The Board has been working along to axes in order to secure alternative strategies going forward.

Alternative one is a process to raise NOK 15 million in a rights issue to secure funding towards break even on a stand alone basis. We have managed to establish a guarantee consortium of NOK 8.1 million to secure a part of a planned fundraising, and the guarantors has granted the Company a bridge loan of NOK 3.9 million to fund the company until the share issue are completed.

The other alternative is to offer the shareholders an exit as requested at the time of the previous share issue. NorDiag has received an indicative offer for a substantial part of the Company's business, including both assets and liabilities.

This might imply that such sale may involve the full or partial sale of the Company's business, and may thus result in the Company no longer being involved in the business set out in the Articles of Association. The terms of such a sale were presented to the shareholders and the board was given a mandate to sell all or a substantial part of the Company's business.

Both strategies were approved in Extraordinary General Meeting held on April 16, and April 23, 2012.

The Company is in specific, advanced and exclusive negotiations with a potential buyer of all of the business of the Company relating to automated sample preparation, but has not as of yet entered into any binding agreement. The potential buyer is a company operating in the field of molecular diagnostic.

If the parties subsequently enter into binding agreements, the transaction would be expected to be completed during the first half of May. In such case, the Board of Directors intends to withdraw the rights issue resolved in the Extraordinary General Meeting on April 16, 2012.

Shareholder Information

NorDiag is a public limited company with headquarters in Oslo, Norway. The Company's shares are listed on the Oslo Stock Exchange, the ticker is NORD. NorDiag's key objectives are to maximize shareholder value.

Shareholder policy

NorDiag strives for keeping the equity market informed about the Company's results and prospects for the future. The information will at all times be relevant and timely.

NorDiag supports one share one vote. All shareholders have the same status. NorDiag is committed to the principle of equal treatment of all shareholders, including minority and foreign shareholders. All shareholders have the opportunity to obtain effective redress for violation of their rights. NorDiag has one class of shares and the shares are without any restrictions in their transferability. NorDiag's articles of association contain no voting rights differentiation, no restrictions on the number of votes that can be cast, and no other restrictions of shareholder rights. NorDiag will work for ensuring a long-term competitive return on shareholders' investment.

Dividends and earnings per share

The dividend policy of the Board of Directors has been to propose a dividend that reflects the Company's profit development. So far, the Company has been in an investment phase and no dividend has been proposed.

Share price trends in 2011

During 2011 the share has been traded between NOK 1.44 (high) and NOK 0.06 (low), and at year-end the share was valued at NOK 0.20. The decrease over the year was approximately 84%.

The Oslo Stock Exchange Benchmark Index (OSEBX) decreased by around 12% during the same period. The Oslo Stock Exchange registered an average trading volume of 774,700 shares per day for the NorDiag share in 2011, compared to 365,000 in 2010. NorDiag's market capitalization value at year-end was NOK 56 million.

The share price has continued to fluctuate in 2012, with closing prices varying between NOK 0.24 (high) and NOK 0.06 (low) (per April 19, 2012).

The share's liquidity

The Company entered into a Market Making Agreement, August 27, 2008; for the Company's shares which are listed on the Oslo Stock Exchange. The purpose of the agreement was to increase the turnover of the shares. NorDiag terminated the Market Making Agreement, September 15, 2011 due to cost saving reasons.

Share ownership

NorDiag had 1,294 (2010: 1,087) shareholders as of December 31, 2011. This is an increase of 19% compared to December 31, 2010. Domestic shareholders hold approximately 95% of the shares.

Largest shareholders

Largest shareholders per 31.12.2011 can be found in note 23 in the notes to the accounts. The table below sets out the 20 largest shareholders as of March 31, 2012.

20 largest shareholders as of March 31, 2012

	Name	No. of shares	% share
1	SARSIA LIFE SCIENCE FUND AS	64 823 455	23,16 %
2	HOLBERG NORDEN	15 044 947	5,38 %
3	MP PENSJON PK	12 880 247	4,60 %
4	NO TIES LLC	12 169 469	4,35 %
5	HOLBERG NORGE	10 173 647	3,63 %
6	SARSIA DEVELOPMENT	8 997 439	3,21 %
7	MATHIAS UHLEN	8 125 000	2,90 %
8	SPAREBANKEN VEST	7 500 000	2,68 %
9	HANNIBAL INVEST AS	5 907 954	2,11 %
10	COLON	4 249 621	1,52 %
11	BARRACUDA INVEST AS	3 688 128	1,32 %
12	LAKRIS INVEST AS	3 486 432	1,25 %
13	AZIM ALIASSI	3 042 172	1,09 %
14	NORDNET PENSJONSFORSIKRING	2 098 930	0,75 %
15	NORDNET BANK AB	2 063 607	0,74 %
16	AZIZ TARAKAI	2 000 000	0,71 %
17	ERIK HORNES	1 897 827	0,68 %
18	TORMOD ERIKSEN	1 700 010	0,61 %
19	THORN HEMSEN	1 700 000	0,61 %
20	HEDEN HOLDING AS	1 605 000	0,57 %
	20 largest shareholders	173 154 015	61,90 %
	Other shareholders	106 726 705	38,10 %
Total per 31.03.2012		**279 880 720**	**100,00 %**

Share capital

NorDiag ASA has share capital of MNOK 5.6 mill, divided between 279.9 million shares with a nominal value of NOK 0.02 per share. There is just one class of shares, and there are no limitations on voting rights.

In December 2011, the Company completed a public placement of a total of 192,084,481 new shares. 175,655,518 new shares were allocated to subscribers in the rights issue, and 16,428,963 new shares were allocated in accordance with the underwriting agreement entered into with existing shareholders and new investors in relation to the rights issue. 176,802,865 shares in the rights issue were allocated at a price of NOK 0.08 per share. 15,281,616

Shareholder Information

shares in the rights issue were allocated at a price of NOK 0.056 per share to the underwriters that were allocated more shares than their pro rata shareholding per October 10, 2011. Through the rights issue, the Company received a gross proceeds of approximately NOK 15 million. In the conversion issue, a total of 19,193,094 new shares were allocated, whereof 10,288,985 new shares were allocated to underwriters as set off against the underwriting fee, and 8,904,109 new shares were allocated to the bridge finance lenders as set off against the interest on the bridge loan. Price per share in the conversion issue was NOK 0.056 per share. Through the conversion issue, the Company received a gross proceeds of approximately NOK 1.1 million. The proceeds received by the Company through were set-off against underwriting commission to the underwriters in the rights issue and interest on the bridge loan to bridge finance lenders. The new share capital of the Company is NOK 5,597,614.40 divided into 279,880,720 shares, each with a nominal value of NOK 0.02.

Employees option incentive program

The Company offers the chief executive officer, management and key persons' options that give rights to purchase shares in the Company. There are currently two types of options outstanding.

First, there are a total of 4,134,552 options issued to the Company's management and employees with a strike price of NOK 2.0302 per new share. The options can be exercised until 23 June 2012, but may as a general rule only be exercised between three and ten days after presentation of the Company's quarterly results. In this option program, a limit of 4,437,104 options has been approved and there are thus 302,552 unissued options. The option holders have not paid any consideration for the receipt of the options, but the right to exercise the options will terminate if the option holder's employment with the Group terminates by resignation or breach of the employment contract by the option holder.

Secondly, 1,240,000 options were issued following a general meeting held May 4, 2010 with a strike price of NOK 2.28. These options can be exercised within twelve months from June 23, 2011, so that the options expire on June 23, 2012, provided, however, that the options can be exercised only after the presentation of the Company's results for the first quarter of 2012. In this option program, a limit of 1,479,034 options has been approved and there are thus 239,034 unissued options. The option holders have not paid any consideration for the receipt of the options, but the right to exercise the options will terminate if the option holder's employment with the Group terminates by resignation or breach of the employment contract by the option holder.

The market value of the share as per December 31, 2011 was NOK 0.20, which is lower than both the option price of NOK 2.28 (new program) and the original program (2.03) per share; social security costs have therefore not been accrued for. No options or C-Warrants have been exercised during 2011. The C warrants expired December 31, 2011.

December 20, 2011, 47,807,413 warrants were issued to key persons in the Company for exchange of reduction in salary which was reduced to 43,387,537 warrants due to termination of employee contracts in Q1-2012. 1 warrant for each NOK 0.08 reduction in salary. The warrants expire December 31, 2013, and the exercise price is NOK 0.08.

Shares and number of options owned by Board members and management

For information about shares and options owned by directors and management see note 22 to the notes to the accounts.

Financial events 2012 and investor relations

NorDiag intends to release its quarterly financial statements for 2012 on the following dates:

- **May 24, 2012**
  Presentation of Q1 report
- **August 29, 2012**
  Presentation of Q2 and first half year report 2012
- **October 31, 2012**
  Presentation of Q3 report

NorDiag aims to give the equity market relevant and comprehensive information as the basis for a balanced and correct valuation of the share. NorDiag considers it important to maintain an open dialogue with the equity market and media through stock exchange notices, press releases and other media initiatives, as well as through presentations for analysts and investors. This information is available on NorDiag's web site www.nordiag.com under the section on investor relations which contains the Company's annual reports, interims reports and presentations.

Corporate Governance

Corporate Governance regulates the relationship between the Company's management, its directors and the providers of equity, people and institutions who invest resources in the Company.

Reporting of Corporate Governance

NorDiag considers sound principles of Corporate Governance imperative to obtain and retain the trust of the Company's investors, as well as other stakeholders. To NorDiag these guidelines provide a structure to set the objectives and monitor the performance of the Company. The guidelines are reviewed periodically and revised as appropriate to ensure the effective functioning of the Board of Directors and high quality Corporate Governance.

Stock Exchange regulations stipulate that listed companies each year must publish a report on their principles for Corporate Governance, in accordance with Section 1 of the Norwegian Code of Practice for Corporate Governance, cf. the latest version issued by the Norwegian Corporate Governance Board (NCGB) dated October 21, 2010, and section 3-3b of the Accounting Act. The Board of Directors of NorDiag ensure that the Company implements sound corporate governance. The Board of Directors provide a report on the Company's corporate governance in a document that is referred to in the directors report. NorDiag aspires to follow this as closely as possible. Where the Company's practice diverges from the recommendation, an explanation or comment will be given.

NorDiag's Corporate Governance policy is presented in the Company's Annual Report and on the Company's web site (www.nordiag.com).

NorDiag has implemented ethical guidelines and guidelines for corporate social responsibility. They describe NorDiag's attitudes and requirements in matters of ethical nature. These documents apply to staff, Board members, temporary employees, consultants and others who act on behalf of NorDiag.

These documents have been approved by the Board of Directors at NorDiag ASA.

NorDiag ASA wishes to identify a set of core values that can be communicated internally to the whole organization and externally to the customers and stakeholders in general.

The core values are as follows:

- **Clarity**
- **Execution**
- **Interaction**
- **Quality**

Both the ethical guidelines, guidelines for corporate social responsibility and the core values are presented on the Company's web site.

Business

As defined in the Company's Articles of Association, NorDiag's business is research and development, and to offer services and products within the biotechnology sector, including participating in other companies with similar operations. NorDiag ASA is a biotechnology company developing, manufacturing and marketing automated solutions (instruments and kits) for isolating of nucleic acids and cells (sample preparation) from biological samples, making the samples ready for downstream analysis.

NorDiag aims to be a leading provider of automated sample preparation systems, with focus on isolation of nucleic acids and cells from difficult samples and to prepare the isolated material for downstream analysis.

NorDiag's strategies are outlined in the business review in the Annual Report.

Equity and dividends

Development of the Company's equity up to December 31, 2011 can be found in the statement of changes in equity in the Financial Statements in the Annual Report.

The dividend policy of the Board of Directors has been to propose a dividend that reflects the Company's profit development. So far, the Company has been in an investment phase and no dividend has been proposed. NorDiag has the objective to create value for its shareholders within the diagnostic industry. The Company maintains a continuous focus on safeguarding a level for its equity adapted to the objectives, strategy and risk profile of its projects.

At the Annual General Meeting on May 9, 2011 the Board was authorized to increase the share capital by an aggregate par value of up to NOK 6,860,314, 50. The authority shall remain in force until the Annual General Meeting in 2012, but in any event not beyond June 30, 2012. This is in accordance with Norwegian Code on Corporate Governance.

Corporate Governance

At the Annual General Meeting on May 9, 2011 the Board was also authorized to purchase the Company's own shares by an aggregate par value of up to NOK 6,860,314.50. The maximum amount that may be paid per share is NOK 10 and the minimum amount is NOK 0.10. The authority has not been used and shall remain in force until the Annual General Meeting in 2012, but in any event not beyond June 30, 2012. This is in accordance with the Norwegian Code on Corporate Governance.

In December 2011, the Company completed a public placement of a total of 192,084,481 new shares. 175,655,518 new shares were allocated to subscribers in the rights issue, and 16,428,963 new shares were allocated in accordance with the underwriting agreement entered into with existing shareholders and new investors in relation to the rights issue. 176,802,865 shares in the rights issue were allocated at a price of NOK 0.08 per share. 15,281,616 shares in the rights issue were allocated at a price of NOK 0.056 per share to the underwriters that were allocated more shares than their pro rata shareholding per October 10, 2011. Through the rights issue, the Company receives a gross proceeds of approximately NOK 15 million.

In the conversion issue, a total of 19,193,094 new shares were allocated, whereof 10,288,985 new shares were allocated to underwriters as set off against the underwriting fee, and 8,904,109 new shares were allocated to the bridge finance lenders as set off against the interest on the bridge loan. Price per share in the conversion issue was NOK 0.056 per share. Through the conversion issue, the Company received a gross proceeds of approximately NOK 1.1 million. The proceeds received by the Company were through set-off against underwriting commission to the underwriters in the rights issue and interest on the bridge loan to bridge finance lenders. The new share capital of the Company is NOK 5,597,614.40 divided into 279,880,720 shares, each with a nominal value of NOK 0.02.

Equal treatment of shareholders and transactions with close associates

NorDiag has one class of shares, all with equal rights. NorDiag is committed to the principle of equal treatment of all shareholders, including minority and foreign shareholders. All shareholders have the opportunity to obtain effective redress for violation of their rights. If the Board of Directors resolves to carry out an increase in share capital and waive the preemption rights of existing shareholders on the basis of a mandate granted to the Board, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the increase in the share capital.

Members of the Board of Directors and the Executive Personnel are obliged to notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company. This is regulated in the procedure for the Board of Directors.

Freely negotiable shares

NorDiag has only one class of shares and the shares are without any restrictions in their transferability. NorDiag's Articles of Association contain no voting rights differentiation, no restrictions on the number of votes that can be cast, and no other restrictions of shareholder rights.

General Meetings

The General Meeting is the Company's supreme body, and elects the Members of the Board. Any shareholder is entitled to attend every General Meeting. The General Meeting provides an opportunity for shareholders to address the Board of Directors and the Executive Personnel directly. The Chairman of the Board or the Deputy Chairman of the Board and the Auditor are present at the Annual General Meeting.

The General Meeting is summoned by the Board by a written notification to all the shareholders with a known address with at least a 21 days notification period.

NorDiag seeks to ensure that the resolutions and supporting information distributed are detailed and comprehensive, to allow shareholders to form a view on all matters to be considered at the meeting.

The call includes:

- The procedure for representation at the meeting through a proxy, including a proxy form with a layout that gives possibility to vote on each item.
- The right for shareholders to propose resolutions to be dealt with by the General Meeting.
- The address to NorDiag's web page for supporting documents.
- Appointment of persons who can vote on behalf of shareholders with a proxy.

To register for the General Meeting the shareholders are asked to submit a confirmation in writing via mail, fax, or e-mail (provided the registration form is a scanned document with signature). The deadline for this confirmation will be set as close to the date of the meeting as possible.

Corporate Governance

To vote at the General Meeting, the shareholders must attend or give a proxy to someone who attends. A proxy will only be accepted if submitted by mail, fax or e-mail (provided the proxy is a scanned document with signature). It is not possible to vote via internet or any other way.

The Board of Directors and the Management of the Company seek to facilitate the largest possible attendance at the General Meeting. In 2011, the Annual General Meeting was held on May 9, and shareholders representing 59,9% of the share capital attended in person or by proxy.

The Board of Directors has no intention of putting forward any proposals to the General Meeting concerning changes in the voting procedures.

If it is practically possible, NorDiag seeks to make arrangements to ensure an independent Chairman for the General Meeting.

The protocols from the General Meetings are to be found on the Company's web site: www.nordiag.com, no later than 15 days after the General Meetings has been held.

Deviation: The Chairman of the Board or the Deputy Chairman of the Board and the Auditor are present at the Annual General Meeting. This constitutes a deviation from the Norwegian Code on Corporate Governance, which indicates that the whole Board of Directors and Nomination Committee should be present on the Company's Annual General Meeting.

The Company has deemed it sufficient that the Chairman of the Board, or the Deputy Chairman of the Board and the Auditor are present.

Nomination Committee

At the Company's Annual General Meeting April 23, 2008, the Articles of Association were amended to include a new section 10 on the establishment of a Nomination Committee:

"The Company shall have a Nomination Committee. The Committee shall consist of three members. The General Meeting elects the members and the Chairman of the Committee. The members of the Nomination Committee are elected for a 2 year period. The Nomination Committee shall propose candidates for election to the Board of Directors and propose the remuneration for the members of the Board of Directors. The General Meeting may determine a code of conduct for the Nomination Committee."

The code of conduct for the Nomination Committee is published on the Company's web site: www.nordiag.com.

The following persons were appointed to the Nomination Committee by the General Meeting on May 9, 2011:

- Ann-Kristin Hageløkken (Chairman)
- Tore Heldrup Rasmussen (member)
- Hogne I. Tyssøy (member)

Tore Heldrup Rasmussen and Hogne I. Tyssøy are considered independent of the Board of Directors of NorDiag ASA.

Corporate assembly and Board of Directors – composition and independence

The composition of the Board of Directors of NorDiag ensures that the Board can attend to the common interests of all shareholders and meets the Company's need for expertise, capacity and diversity. NorDiag's Board of Directors has a total of 5 members, the same number as of March 29, in 2011. All the members of the Board are shareholder elected. The Board periodically evaluates whether a larger or smaller slate of directors would be preferable. No representatives of NorDiag's Executive Personnel are members of the Board of Directors. NorDiag ASA has not elected a corporate assembly since there are less than 200 employees in the Company.

Current members of the Board, following elections at the Annual General Meeting, are presented with a CV in the Annual Report, and on the Company's web site. All of the members of the Board is independent of the Company's Executive Personnel and material business contracts. Four members of the Board are considered independent of the Company's larger shareholders. The Chairman of the Board is elected by the General Meeting. The members of the Board are normally elected for a 2 year period.

An overview over shares and options held by Board members as of December 31, 2011 directly and indirectly, can be found in note 22 in the Annual Report. The Board of Directors' share holding and options in NorDiag as of April 25, 2012 is given in the table on next page.

Deviation: The Chairman of the Board, Robert V. Ahlgren, undertakes a considerable workload for the Company in relation to strategic development, including OEM-agreements and strategic agreements. This is to fully utilize the capability of the Chairman of the Board for the benefit of the Company. Robert V. Ahlgren has entered into a consultancy agreement through a separate company for the provision of certain services to the Company with regard to, inter alia, strategic directions of the Company.

Corporate Governance

Name	Warrants	Options	Directly owned shares	Total shares represented	% Of total issued shares
Robert V. Ahlgren	3 073 975	115 058	12 331 733	12 331 733	4,40 %
Hans Hekland		-	5 907 954	14 905 393	5,30 %
Greta Bentzen		-	12 000	12 000	0,00 %
Ann-Kristin Hageløkken		-	669 643	669 643	0,20 %
Mathias Uhlén		-	8 760 759	8 760 759	3,10 %
Total	**3 073 975**	**115 058**	**27 682 089**	**36 679 528**	**13,00 %**

Under the agreement, Mr. Ahlgren shall work up to 40 hours per month for the Company for a consideration of USD 9,100 per month. The agreement provides that Mr. Ahlgren is entitled to a lump sum of USD 60,060 in the event of a change or acquisition of control of the Company that leads to a termination of the consultancy agreement by the Company or a resolution to remove Mr. Ahlgren from the Board of directors by the general meeting. Mr. Ahlgren holds 115,058 share options, and in addition, Mr. Ahlgren has agreed to a reduction in his consultancy fee the next twenty four months in exchange for warrants.

This constitutes a deviation from the Norwegian Code on Corporate Governance, which indicates that the Board members should not have remuneration linked to the company's performance.

The work of the Board of Directors

NorDiag's Board of Directors is responsible for the management of the Company and the proper organization of the operation, including a responsibility to supervise the Company's management in accordance with statutory requirements. This includes responsibility for the overall supervision of strategy, finance, budgets and organizational issues. In addition, the Board of Directors works in accordance with special regulations for the Board, as well as guidelines and procedures for the Company.

NorDiag's procedures for the Board of Directors and the CEO are approved by the Board and implemented. In accordance with the procedure of the Board of Directors; the Board of Directors can ensure a more independent consideration of matters of a material character in which the Chairman of the Board is, or has been, personally involved. The Board's consideration of such matters should be chaired by some other member of the board.

All directors have an equal responsibility for the management of the Company's activities. Directors have a particular responsibility for ensuring that strategies and activities proposed by the management are carefully discussed and considered.

The Board of Directors makes an annual plan for its work, with focus on objectives, strategy and implementation.

To be able to carry out its duties the Board of Directors will have full access to all relevant information from the Company. The Board may also obtain extended advice at the Company's expenses, if needed. Board meetings are held regularly, and additional meetings when necessary. The Board may also, as required, obtain continuous contact with NorDiag's Management in order to follow up on the Company's activities. Once a year, the Board of Directors evaluates its performance and expertise.

The Board had 20 meetings in 2011, of which 13 were Extraordinary Meetings.

The Board of Directors has incorporated an Audit Committee. The Audit Committee consists of the Chairman and the Deputy Chairman of the Board of Directors of NorDiag, who are independent of the Company's executive personnel. NorDiag has not incorporated a Compensation Committee, but the Audit Committee includes these duties within its responsibilities. NorDiag's Board of Directors may add new committees or remove existing committees as it deems advisable in the fulfillment of its primary responsibilities.
The Audit Committee will perform its duties as assigned by the Board of Directors in compliance with Company bylaws and the Committee's charter.

Risk management and internal control

NorDiag has implemented management systems that provide a basis for and contribute to good control and reporting of the Company's progress. NorDiag firmly believes that our management control systems are key assets to achieving long-term sustainable results for the Company's shareholders. As a part of NorDiag's internal control and system the Company has implemented ethical guidelines, corporate core values and guidelines for corporate social responsibility. The Board of Directors annually reviews the Company's most important areas of risk exposure and its internal control arrangements.

Corporate Governance

The Board of Directors provides a report in the Annual Report of the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

Remuneration of the Board of Directors

The Nomination Committee will annually review and recommend the form and amount of Board member compensation, and also prepare a proposal to be agreed upon by the Annual General Meeting in respect to the annual remuneration of the Directors. The remuneration of the Board of Directors reflects the responsibility, expertise, time commitment and the complexity of NorDiag's activities. The Nomination Committee encourages the members of the Board to invest parts of their remuneration in shares in the Company at market price. The remuneration of the Board of Directors is not linked to the Company's performance, except of the options granted to the Chairman, Robert V. Ahlgren. The Chairman undertakes a considerable workload for the Company in relation to strategic development, including OEM-agreements and strategic agreements. This is to fully utilize the capability of the Chairman for the benefit of the Company.

Members of the Board of Directors and/or companies with which they are associated have no specific assignment for the Company in addition to their appointment as a member of the Board, except of the Chairman Robert V. Ahlgren, who has a consultancy agreement with the Company. This consultancy agreement has been approved by the Board and the Annual General Meeting. An overview of the remuneration of the Board of Directors in 2011 can be found in note 22 in the Annual Report.

Deviation: The Chairman of the Board, Robert V. Ahlgren, undertakes a considerable workload for the Company in relation to strategic development, including OEM-agreements and strategic agreements. This is to fully utilize the capability of the Chairman of the Board for the benefit of the Company. Robert V. Ahlgren has entered into a consultancy agreement through a separate company for the provision of certain services to the Company with regard to, inter alia, strategic directions of the Company. Under the agreement, Mr. Ahlgren shall work up to 40 hours per month for the Company for a consideration of USD 9,100 per month. The agreement provides that Mr. Ahlgren is entitled to a lump sum of USD 60,060 in the event of a change or acquisition of control of the Company that leads to a termination of the consultancy agreement by the Company or a resolution to remove Mr. Ahlgren from the Board of directors by the general meeting. Mr. Ahlgren holds 115,058 share options, and in addition Mr. Ahlgren has agreed to a reduction in his consultancy fee the next twenty four months in exchange for warrants.

This constitutes a deviation from the Norwegian Code on Corporate Governance, which indicates that the Board members should not have remuneration linked to the company's performance.

Remuneration of the Executive Personnel

In accordance with The Norwegian Public Limited Company Act § 6 – 19, the Board of Directors will form guidelines regarding remuneration of the executive personnel. These guidelines are communicated to the Annual General Meeting.

The guidelines for the remuneration of the executive personnel set out the main principles applied in determining the salary and other remuneration of the executive personnel. The guidelines help to ensure convergence of the financial interests of the executive personnel and the shareholders.

Performance related remuneration of the executive personnel in the form of share options and bonus programmes are linked to value creation for shareholders of the Company or the Company's earnings performance over time. For more information about remuneration of the CEO and other members of the Executive Personnel see note 6 and note 22 in the Annual Report.

An overview of the Executive Personnel's holding of shares, warrants and stock options in NorDiag as of December 31, 2011 can be found in note 22.

Information and communication

NorDiag believes that objective, sufficient and timely information to the market is a prerequisite for a fair valuation of NorDiag's shares and in turn, the generation of value for NorDiag's shareholders. This commitment will be evenly fulfilled irrespective of whether the information is positive or negative for the Company. All participants in the securities market shall have an equal treatment.

NorDiag aims to maintain an open dialogue with its shareholders and other investors, and intends to supply the financial markets with sufficient information to correctly price the Company and share. Information that could materially influence the share price is communicated through stock exchange notifications and press releases, and quarterly results are presented in Oslo, Norway. The Company attracts regular attention from the stock market and is covered by an analyst.

The Annual Report, interim reports, press releases, presentations and other information about NorDiag are published as they arise on NorDiag's web site: www.nordiag.com.

Corporate Governance

The financial calendar is published once a year.

All financial reporting, including interim reports and Annual Reports, are prepared in accordance with Norwegian accounting regulations, IFRS and the guidelines from the Oslo Stock Exchange. NorDiag will not only confirm to all requirements set by laws, regulations and rules of stock exchanges, but will pro-actively seek to give all details required by shareholders and analysts to be able to build a correct picture of the Company's true financial situation and risks, and future opportunities.

All material information is disclosed to recipients equally in terms of content and timing. NorDiag has an Investor Relations function, which will attend to any shareholder matters.

Take-overs

The Board of Directors has established guiding principles for how it will act in the event of a take-over bid. The Board of Directors will collect an independent evaluation of such a bid, and will in addition publish the evaluation with a recommendation from the Board of Directors.

In a bid situation, the Company's Board of Directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.

The ownership structure makes it difficult to take over the Company without an agreement with the largest shareholders. Large institutional shareholders and private investors dominate the ownership structure, and the 20 largest shareholders own about 62% of the Company. Any transaction that is in effect a disposal of the Company's activities is to be decided upon at a General Meeting.

Auditor

The auditor participates at NorDiag's Audit Committee meetings twice a year, and presents the plan for the audit annually.

The auditor serves until a new auditor has been elected. At the Annual General Meeting the Board of Directors will present a statement of the auditor's compensation, divided on the mandatory audit work and fees paid for other specific assignments.

The Board of Directors receives an annual written confirmation from the auditor which confirms that the auditor continues to satisfy the requirements for independence, and a summary of all services in addition to audit work that has been undertaken for the Company.

Compulsory attendance is required from the external auditor when the Board of Directors approves its annual financial statements. The Board arranges meetings with the auditor to review the report from the auditor that addresses the Group's accounting principles, risk areas, internal control routines, including identified weaknesses and proposals for improvement. In addition, the auditor will in these meetings report all material matters on which there has been disagreement between the auditor and the executive management of the Company. The Board of Directors of NorDiag will as a part of an approval of the annual financial statements meet with the auditor where neither the CEO nor any other member of the Executive Management is present.

In accordance to the code of practice for corporate governance the Board of Directors should implement guidelines for the management of the Company for using the auditor to other services than yearend audit.

Deviation: The Board of Directors has not implemented guidelines for the management of the Company for using the auditor to other services than year end audit.

Corporate Social Responsibility (CSR) Policy

The purpose of this policy is to provide information to our stakeholders about NorDiag's approach to Corporate Social Responsibility (CSR). The document defines the basic CSR principles of NorDiag ASA, and outlines how the Company complies with them.

As an active player in the national and international biotech market it is of high importance to NorDiag to implement the focus on social responsibility in the operations and activities of the Company. Guiding principles for the NorDiag's CSR work are integrity and transparency. NorDiag aspires to achieve sustainable development, i.e. to strike a balance between financial results and corporate social responsibility (CSR). The value created is to benefit owners, customers and other stakeholders.

NorDiag's CSR objective is, in addition to dealing with internal issues within the area of employee rights and working conditions and external issues like environment and climate, to understand and deal with the local and global challenges that society faces in the geographical areas in which NorDiag operates. The Company shall strive to ensure that the suppliers and other partners honor fundamental principles for corporate social responsibility that coincide with NorDiag's principles.

Human rights

NorDiag's current activities are not of a nature that presents any significant challenges related to human rights. However, more international activities entail more exposure, either directly through our own operations or indirectly through our value chain. NorDiag supports the principles of UN's Universal Declaration of Human Rights, and to ensure that operations are performed in accordance with these rights, all employees, Board members and consultants of the Company are obliged to follow NorDiag's Ethical Guidelines (to be found at www.nordiag.com).

- **Discrimination**

The ethical guidelines state that NorDiag acknowledges and appreciates the fact that each of us represents something unique and valuable and deserves recognition for our individual abilities. We do not condone any form of discrimination of colleagues, working partners, clients or other interested parties on account of religion, gender, sexual orientation, age, nationality, political views, population group, marital status, disability or other circumstance.

The ethical guidelines state further, that NorDiag's employees should not condone any form of harassment, discrimination or any other conduct that could be considered threatening or disparaging by one's colleagues or by our business connections. This also means that one must respect and show consideration for other cultures and customs. Everyone is encouraged to participate in a multifarious working environment and thus do their part to ensure that general and special skills will give us good risk control and lasting value creation.

- **Buying sexual services**

NorDiag's ethical guidelines state that the employees of the Company shall not buy sexual services when representing NorDiag on business trips or other assignments. In addition we are clearly opposed to any kind of trafficking.

- **Child labour and compulsory labour**

The nature of NorDiag's operations is that issues related to child labour and forced and compulsory labour are of little relevance. We are surveying the situation in the value chain. There have been no reports of cases related to these topics.

- **Use of security personnel at the international level**

Thus far, the nature of our international operations has not required the use of special security personnel to ensure our employees' safety.

- **Indigenous rights**

NorDiag has not been involved in violations of indigenous rights.

All NorDiag's employees have been trained in the ethical guidelines, and have received information about the Corporate Social Responsibility Policy and the UN's Universal Declaration of Human Rights. Breaches of human rights shall not occur at NorDiag.

Anti-corruption

Corruption poses a threat against commerce and society in all countries, encompassing a wide variety of activities whose purpose is to obtain illegal advantages. Corruption shall not occur at NorDiag.

To ensure independent action of the NorDiag staff and the Company as such, in any situation of purchase and sales, NorDiag's Ethical Guidelines state some rules of independent behavior. As a rule, no employee shall receive any financial benefit from any of the Company's connections. Nor must colleagues ever receive gifts in any form in connection with negotiations or as a token of appreciation for a specific contract or behavior from the Company's side. If a colleague receives a gift of a certain value, or discovers that he or she will be offered such a gift, that person's immediate superior is to be notified and is to determine whether the colleague's independence would be threatened if the gift was accepted or kept.

Corporate Social Responsibility (CSR) Policy

This point does not, however, apply to the usual tokens that are given, within a reasonable scope, in connection with Christmas, anniversaries, trips, company visits and the like. Gifts valued up to NOK 1,000 per calendar year may be accepted in this connection (cf. the Tax Act). Gifts in the form of cash are always prohibited.

As a rule, colleagues neither must accept discounts for personal purchases of goods or services from the Company's connections. The same thing applies to "close associates", when the gift or benefit in question is presumed to be related to the colleague's position as an employee of the Company.

Colleagues who are offered the opportunity to participate in trips or events paid for by the Company's connections shall, if they wish to participate, obtain approval in advance from their superior.

As far as possible, spouses, persons living together on a regular basis, or family members (father/mother, son/daughter) should not work together in the same unit. They are not to have positions where one of them is the other's immediate superior.

As a rule, other suppliers than friends and family are to be chosen when purchasing goods and services. When purchasing from closely related parties, extreme caution shall be exercised, and one's immediate superior must always be involved.

Employee rights and working conditions

NorDiag's employees will be challenged to use their skills and abilities to contribute to the Group's progress, as well as to their own development. They will be taken seriously, treated with respect and given orderly working conditions.

NorDiag shall be a corporation with an abundance of diversity. Naturally, health and safety will be given priority and all NorDiag's employees will enjoy equal opportunities. The EHS Handbook enables NorDiag to work systematically on issues regarding environment, health and safety, in accordance with internal goals and public demands. The routines, charting methods, forms and action plans of the Company are saved in a system that fulfils the documentation demands of the Internal Control Regulations. The texts in the Handbook are hyper linked to relevant laws, regulations and directives, so that any update is immediately intercepted by the Handbook.

The EHS Handbook and the internal control system shall contribute to a better working environment and safety for all employees. It should help preventing health damage or environmental disorder from products or services, and it should protect the external environment towards pollution and improve waste handling.

A systematic improvement work is based upon experiences and follow-up. To succeed it is of importance that both the management group and the employees take an active part in this work. All of NorDiag's employees have a joint responsibility to ensure that work is done under safe conditions and in a manner that safeguards and promotes the health and well-being of individuals and safeguards the environment. Each colleague is responsible for following local procedures and regulations, as well as for notifying his or her immediate superior about accidents or the release of any toxic substances.

It is forbidden to be under the influence of alcohol or narcotic substances at the workplace. The use of alcohol on NorDiag's premises is prohibited, except for controlled consumption at social gatherings approved by management or one's superior. It is strictly forbidden to be in possession of, use, sell, purchase or give away narcotics at any of NorDiag's locations.

The loyalty requirement obligates everyone at NorDiag to speak up when they discover anything unethical or illegal, and to seek advice when confronted by an ethical dilemma. In such cases, the matter is to be taken up with one's immediate superior, the CEO, or Chairman of the Board. An employee may also notify management internally through his or her union representative (shop steward), safety deputy or a colleague. The Directorate of Labour Inspection's guidelines for notification are normative when giving notification about blameworthy circumstances in the company
(cf. http://www.arbeidstilsynet.no).

Quality Assurance extends throughout all functions and departments in NorDiag for greater company efficiency and to ensure continuous improvement of our Quality Management System, products and customer services. NorDiag's Quality Management system is designed to supervise the products' entire life cycle, from the idea of a new product, the systematic and controlled development of the product to the production, release processes, sales, support and maintenance of the product in the post market phase. This results in high safety, high product and service quality, as well as satisfied customers, employees and investors.

Corporate Social Responsibility (CSR) Policy

The climate and environment

NorDiag shall act responsibly with a view to the footprint left by our activities on the external environment. This means we will strive to reduce harmful direct and indirect influences on the external environment. NorDiag has composed its own Environmental Policy (to be found at www.nordiag.com) and aims to be conscious about the way its business and operations affect the environment and tries to make the environmental influence as gentle as possible. Pollution is to be prevented and environmental legislation to be complied with.

The Board and the Management Group are responsible for the Company's influence on the environment and for the compliance with rules and regulations. In the course of their life cycle NorDiag's products shall affect the environment to the lowest extent possible. NorDiag is careful when it comes to use of solvents, reagents, energy, water and materials. Normal operations do not involve risk of pollution from the laboratory. Processes that include use of potentially dangerous substances take place in closed systems, and such substances are sorted out and treated as special waste. NorDiag has made arrangements with approved waste return companies to ensure secure handling of special waste, and to prevent that potentially dangerous substances go astray.

NorDiag's instruments are produced in compliance with the RoHS Directive (2002/95/EC), and the Company's handling of disposal of instruments is in accordance with the WEEE Directive (2002/96/EC).

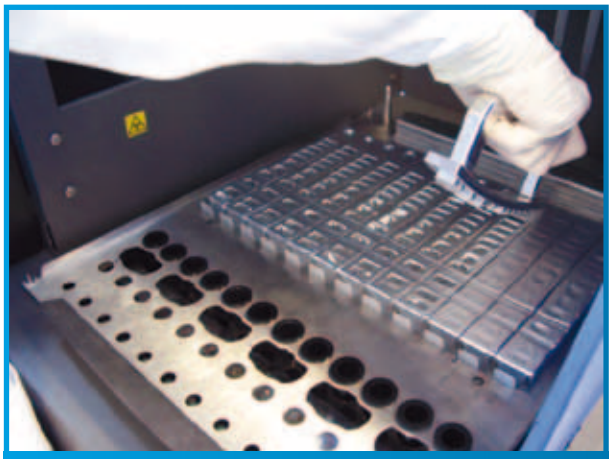
NorDiag tries to encourage its employees to a restrictive use of copy/printer paper. One example is that the Company's quality system of manuals and SOPs is electronically based, and does not exist on paper. NorDiag wants for its staff to focus on the respect of the environment, and the Company therefore encourages to a continuous improvement in this field and to think creatively when it comes to environmental friendly actions.

Follow-up

We will ensure that our work to promote the corporate social responsibility is planned in a professional manner and integrated into the Group's business strategy, becoming part of the Group's business planning and follow-up routines.

NorDiag's CSR policy has, in its entirety, been discussed and approved by the Board of Directors.

NorDiag Laboratory



NorDiag Arrow: Loading and piercing of cartidges

Board of Directors

Robert V. Ahlgren (1953)
Chairman of the Board

Robert Ahlgren has more than 30 years experience working within the laboratory industry managing global organizations serving the scientific, pharmaceutical, diagnostic and industrial markets. Mr. Ahlgren has worked for several industry leading companies, including Corning, American Hospital Supply, Baxter International and Apogent Technologies. Mr. Ahlgren most recently held several senior management positions, including the position of Group President, with Fisher Scientific (2004- 2006), a NYSE listed company. Mr. Ahlgren holds a Board position in Wheaton Industries, New Yersey. He holds a Bachelor of Science degree in Hospital Administration, Ithaca College, New York (1975). Mr. Ahlgren is an American citizen and resides in New Hampshire, USA.

3 years on the Board. 12,331,733 shares in NorDiag ASA. 115,058 options in NorDiag ASA. 3,073,975 warrants in NorDiag ASA.

Hans Hekland (1958)
Vice Chairman of the Board

Hans Hekland is the CEO of Sarsia Development AS, a seed capital fund, at the Bergen High Technology Centre, Norway. Mr. Hekland has had several Board positions in early stage companies and in Norwegian Venture Capital Association. Mr. Hekland holds an MBA from the Norwegian School of Economics and Business Administration (NHH). He is a Norwegian citizen and resides in Bergen, Norway.

6 years on the Board. 5,907,954 shares in NorDiag ASA.

Ann-Kristin Hageløkken (1960)
Board Member

Ann-Kristin Hageløkken holds a position as Project Manager at SIVA SF. She has more than 25 years experience within product/business development and marketing from the banking/telecommunication and biotechnology industries – the last 15 years on managerial level. Hageløkken has been the CEO of Bioparken AS, which aims to identify, develop and bring inventions and business ideas to the market. In addition, she holds several Board positions. Hageløkken is a bioengineer from Oslo University College, a business graduate from BI and she holds a Master of Management. She is a Norwegian citizen and resides in Oslo, Norway.

4 years on the Board. 669,643 shares in NorDiag ASA.

Dr. Mathias Uhlén (1954)
Board Member

Dr. Uhlén has 25 years experience in biotechnology. He is Professor of Microbiology at The Royal Institute of Technology in Stockholm at the Department of Proteomics. He is also a member of the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences. He has examined or co-examined 60 PhDs, filed more than 60 patents and published more than 300 scientific papers. Dr. Uhlén is also founder and co-founder of six biotech companies. Dr. Uhlén is a Swedish citizen and resides in Sweden.

5 years on the Board. 8,760,759 shares in NorDiag ASA.

Greta Bentzen (1955)
Board Member

Greta Bentzen is the CEO of the Norwegian Institute for Water Research (NIVA). She has a broad working experience within, scientific research, industrial R&D, commercial product development, domestic and international sales, marketing and business development, as well as general management – from Norsk Bioferm AS, Norsk Hydro ASA and Eurofins Norsk Matanalyse AS. Bentzen holds an MSc (Master of Science) in chemistry/technical biochemistry and a Ph.D in biochemistry/microbiology from Institute for Biotechnology, Norwegian University of Science and Technology (NTNU), Trondheim. She has also been a postdoctoral fellow at Massachusetts Institute of Technology (MIT) in Boston. Greta Bentzen is a Norwegian citizen and resides in Oslo, Norway.

2 year on the Board. 12,000 shares in NorDiag ASA.

Report from the Board of Directors

During the last years NorDiag has developed two automated sample preparation platforms for isolation of nucleic acids and cells, as well as a number of different sample preparation applications to be used on the automated platforms. NorDiag has also expanded the product portfolio with a kit for cell separation, which makes the Arrow to be the first multi– or combination instrument for cell and nucleic acids isolation in the market. The HLA business (Olerup International AB) was sold during 2011 which has allowed NorDiag to increase the focus on the Sample Preparation segment.

The new automated production line for Arrow kits was installed in October and has been in routine production since February 2012 and the capacity is increased from 50 kits a week to 50 kits a day (based on regular daytime work hours).

The Company shows increasing margins (51% in 2011 compared to 35% in 2010) due to lower production cost and change in sales mix towards more reagent sales.

The Company has over the years performed a cost reduction program reducing the cost base. In 2012 the program is expected to bring the costbase further down to a level were the cash flow from operation is neutral at current revenue. Through the rights issue in December 2011 the Company received gross proceeds of approximately NOK 15 million to secure the short term cash needs in order to find a strategic partner.

NorDiag ASA is a biotechnology company developing, manufacturing and marketing automated solutions (instruments and kits) for isolation of nucleic acids and cells (sample preparation) from biological samples, making the samples ready for downstream analysis. The Company is certified according to ISO 9001:2008 and ISO 13485:2003.

NorDiag ASA is a public limited company organized under the laws of Norway. The Company's head office is located in Frysjaveien 40, 0884 Oslo, Norway. The Company subsidiaries, NorDiag Inc. with address 1000 Mansell Exchange West, Suite 305, Alpharetta, Georgia 30022, US and NorDiag AB, which is located in Instrumentvägen 19, 12653 Hägersten, Sweden.

Business model

NorDiag's current business model is to sell or lease automated sample preparation solutions (instruments, reagent kits and consumables) to clinical laboratories and hospitals. This also includes reagent rentals, where the rent for the instrument is included in the price of the reagents. The product offering includes instruments that carry out automated sample preparation of multiple samples simultaneously, tailor-made software that controls the process in the instrument, and a collection of chemical compounds used in the sample treatment process, referred to as reagent kits and consumables (plastic ware, pipettes).

NorDiag's competitive advantages are differentiated and attractively priced instruments covering both high/medium and low throughput needs, in addition to a strong portfolio of reagent kits with multiple applications to be covered on the same instrument platform. The Company has a unique competence in isolating nucleic acids and cells from difficult samples and tailoring the sample preparation solutions to downstream tests (assays). NorDiag's most important success criterion is to place as many instruments as possible with customers, in order to drive sales of reagent kits and consumables. The Company does so through direct sales and sales through distributors of its own brand name, as well as sales through OEM partners (white label).

Instruments

NorDiag offers two instruments; the high/medium throughput instrument "Bullet PRO" for hospitals and larger laboratories, and the low throughput "Arrow" for hospitals and smaller laboratories. NorDiag also offers a selection of sample preparation kits in connection with its two instruments. NorDiag's instruments and sample preparation kits can be customized and optimized for a broad range of applications and protocols. The instruments and sample preparation kits can be configured for a broad spectrum of low - to - medium - to - high throughput needs.

The Bullet PRO

Bullet PRO is NorDiag's CE IVD approved high-/medium throughput instrument with a maximum capacity of approximately 80,000 isolations per year targeting primarily hospitals and larger clinical laboratories. The NorDiag Bullet PRO offers a complete automated processing solution for purification of nucleic acids. From primary specimen to downstream, the procedure can be done in about 2 hours, depending on the protocol. It processes up to 96 samples with minimal hands-on-time. NorDiag has developed magnetic bead chemistry for purification of nucleic acids from the most difficult samples and the most demanding molecular applications. The Bullet PRO can be customized for a variety of downstream amplification methods, for complete processing on a single platform.

Report from the Board of Directors

The Arrow
NorDiag has developed a CE IVD approved small footprint instrument targeting the low throughput segment, with a maximum capacity of approximately 10,000 isolations per year, and will be suitable for smaller laboratories that do not require the large capacity offered by the high-/ medium throughput instrument. NorDiag Arrow utilizes innovative technology for the purification of nucleic acids from a variety of specimen types. The NorDiag Arrow reduces time and effort at an affordable price. The intuitive touch screen software gets the user up and running within minutes. The interchangeable pump/ tip assembly and our unique chemistry allow variable sample input volumes. The novel self-contained pipetting system coupled with integrated UV-decontamination allows for a confident contamination free interior.

Kits and consumables

NorDiag's Automated Nucleic Acid Purification and Cell Capture chemistry can be used for a wide array of sample types:

- **BUGS'n BEADS™**

NorDiag BUGS'n BEADS™ magnetic bead chemistry for extraction of bacteria and viruses from a variety of sample matrices without enzymatic pre-treatment or heat incubation prior to automated purification of the nucleic acids provides a highly purified preparation for a variety of downstream applications. Automated extraction is available on both the Arrow and Bullet PRO instruments. The BUGS'n BEADS™ magnetic beads have a special surface treatment that provides an environment for certain gram negative bacteria, gram positive bacteria and viruses to be attracted to their surface. The background sample matrix is washed away, and NorDiag Power-to-Lyses solution is added. The nucleic acids bind to the magnetic beads. The unbound extra cellular material is then washed away, leaving a high quality nucleic acid sample preparation. BUGS'n BEADS™ has been successfully used for a variety of pathogens including *mycobacterium tuberculosis, Chlamydia, enterovirus, MRSA, Norovirus, E.Coli, Legionella, Mycoplasma Pneumonia, Chlamydia Pneumonia , Helicobacter Pylori* etc. The unique bead coating enables a direct purification from the primary sample without pre-treatment from a variety of sample matrices such as urine, sputum, and swabs.

- **Viral**

NorDiag Arrow and Bullet PRO Viral nucleic acid reagents provide magnetic bead based reagents for high quality extraction of both viral RNA and DNA. These extraction protocols can be used with a variety sample matrices including plasma, serum, CSF and swabs with minimal pre-treatment of the sample. The Viral bead chemistry has worked successfully as a nucleic acid sample preparation for H1N1, enterovirus, HSV, HAV, HBV, HCV and influenza.

- **Blood**

NorDiag's Blood DNA reagents provide a high yield, high quality extraction of purified genomic DNA from blood and buffy coat samples. On the Arrow instrument there are protocols available for both a 200 µLand 500 µL input volume. On the Bullet PRO instrument there are protocols available for 65 µL on input volume of blood. The Blood bead chemistry has worked successfully as a nucleic acid sample preparation for tissue typing and genetic testing.

- **Stool**

NorDiag Arrow and Bullet PRO Stool nucleic acid reagents provide high quality purified nucleic acids from fecal material appropriate for the detection of human DNA and pathogen nucleic acids. The final nucleic acid preparation is virtually free of PCR inhibitors and can be used in a wide variety of applications including detection of genetic mutations and a wide array of infectious disease pathogens including both viruses and bacteria. The Stool bead chemistry has worked successfully for extraction of human DNA to detect mutations related to colon rectal cancer, and a variety of stool related pathogens including H.pylori, clostridium, and norovirus.

- **Cell Separation**

CellSep is available in pre-filled cartridges for the Arrow instrument for capture of specific cell population utilizing magnetic beads coated with monoclonal antibodies. It requires magnetic beads that are greater than 1 micron in size. The starting sample preparation can be whole blood, culture, or buffy coat. There are three versions of the CellSep protocol which allow the user to obtain a cell suspension with the magnetic beads attached, or with the magnetic detached. The cell separation kit can be used for cross match testing, chimerism and C4 quantification.

Financial Review 2011

Operating revenues

Total operating revenues for the full year 2011 reached NOK 31.3 million for the NorDiag Group versus NOK 32.9 million in 2010, which is a decrease of 5%. For NorDiag ASA, operating revenues ended at NOK 30.4 million, an increase of 43% from NOK 21.2 million in 2010. The main growth driver was the Arrow instruments and kits.

NorDiag sold 138 Arrow instruments in total in 2011. This gives an accumulated number of instruments sold by December 31 2011 of 382 Arrow instruments.

Operating expenses

Operating expenses for the full year 2011 were NOK 118.8 million (2010: NOK 77.7 million) for the Group and NOK 96.4 million for NorDiag ASA, compared with NOK 54.1 million in 2010.

Report from the Board of Directors

The increase in total operating expenses for the Group is related to impairment and a write down of NOK 47.5 million (Group) related to patents, goodwill and capitalized development costs.

Gross margin for 2011 was 52% for the Group compared to 35% in 2010, and respectively 51% and 25% for NorDiag ASA. The reason for the improved margins is change in product mix, sales of more reagents vs instruments, and lower purchase price for the Arrow instrument.

Arrow reagent sales typically generate a gross margin of 70-80% direct sales and 40%-65% on distributor and OEM sales. The average margin for Bullet PRO isolation kits is approximately 70%-90% on direct sales and 60-80% on distributor sales.

The R&D expenses for the NorDiag Group accounted for NOK 11.2 million in 2011 compared to NOK 12.3 million in 2010. Capitalized development cost related to R&D projects in 2011 accounted for NOK 3.1 million compared to NOK 2.6 million in 2010.

Operating profit (loss)

Operating loss changed from NOK -44.7 million in 2010 to NOK -87.5 million in 2011 for the Group and respectively NOK - 32.9 million and NOK -65.9 million for NorDiag ASA, mainly due to write down of NOK 47.5 million related to goodwill, patents and capitalized development costs.

Net financial items

Net financial item for the full year 2011 was NOK -0.9 million for the Group, compared to NOK 0.8 million in 2010. For NorDiag ASA, the net financial items were NOK -59.9 million, compared with NOK -26.5 million in 2010. In 2010 the Company did a write down of 29.3 million of the investments in NorDiag AB. In 2011, the HLA business was sold for NOK 6.9 million, in addition a write down of loan to NorDiag Inc. (NOK 30.4 mill), a write down of share capital contribution to NorDiag AB (NOK 27.2 mill) and a write down of shares in NorDiag AB (NOK 9.7 mill) were done.

Profit/loss

Loss before tax was NOK -88.4 million for the Group, compared to NOK -43.9 million in 2010. For NorDiag ASA, loss before tax was NOK -125.9 million, compared to NOK -59.4 million in 2010. Net loss was NOK -88.1 million for the Group in 2011, compared to NOK -35.5 million in 2010. For NorDiag ASA, net loss was NOK -125.9 million, compared to NOK -59.4 million in 2010.

Ordinary earnings per share came to -1.16 in 2011 compared to -0.64 in 2010 for the Group.

Balance sheet and cash flow

Per December 31, 2011 total assets were NOK 47.6 million (NOK 127.3 million in 2010) for the Group and NOK 41.7 million for NorDiag ASA, compared with NOK 152.5 million at the end of 2010. Equity stood at NOK 16.1 million (NOK 90.7 million in 2010) for the Group and NOK 13.1 million for NorDiag ASA, compared to NOK 125.4 million as of December 31, 2010. The equity ratio at the end of 2011 was 34% (71% in 2010) for the Group and 31% for NorDiag ASA, compared to 82% end of 2010. Total intangible assets are NOK 4.7 million compared to NOK 54.4 million in 2010 for the Group. Respectively, numbers for NorDiag ASA were NOK 4.7 million in 2011, and NOK 46.1 million in 2010.

A new automated production line for the production of Arrow kits was finalized in Q4 2011. The project was started late 2010 and the total investment ended at NOK 6.5 million.

NorDiag has a history of annual tax losses and has been unable to prove the probability of sufficient profit for tax purposes, therefore the deferred tax assets are not recognized in the financial statements. As per December 31, 2011 the Group has NOK -344 million in tax losses brought forward, resulting in deferred tax assets of NOK 103 million, which is not recognized in the balance sheet. Tax losses can be brought forward with no time limitation.

In December 2011, the Company completed a public placement. A total of 192,084,481 new shares were allocated in the rights issue. Through the rights issue, the Company received gross proceeds of approximately NOK 15 million. In the conversion issue, a total of 19,193,094 new shares were allocated, whereof 10,288,985 new shares were allocated to underwriters as set off against the underwriting fee, and 8,904,109 new shares were allocated to the bridge finance lenders as set off against the interest on the bridge loan. Price per share in the conversion issue was NOK 0.056 per share. Through the conversion issue, the Company received gross proceeds of approximately NOK 1.1 million. The proceeds received by the Company were set-off against underwriting commission to the underwriters in the rights issue and interest on the bridge loan to bridge finance lenders. The new share capital of the Company is NOK 5,597,614.40 divided into 279,880,720 shares, each with a nominal value of NOK 0.02.

Innovation Norway has granted a total loan of NOK 13 million to NorDiag. The first loan of NOK 4 million was granted in September 2008 with a down payment period of 4.5 years, whereas the first 1.5 years have exempt from repayment. Installments related to this loan should originally have been paid from August 2010, but Innovation Norway has granted deferment to May 10, 2012. The second loan was granted in June 2009 with a total of NOK 6 million with a down payment period of 6 years,

Report from the Board of Directors

whereas the first 2 years was exempt from repayment. Installments related to this loan should originally have been paid from December 2011, but Innovation Norway has granted deferment to June 10, 2012. The third loan from Innovation Norway was granted in June 2010 with a total amount of NOK 3 million. This loan also includes a down payment period of 4.5 years, whereas the first 1.5 years have exempted from repayment. The down payment of this loan will start in April 2013.

6% is the effective rate of interest per December 2011 for loans from Innovation Norway. The loans from Innovation Norway are secured by pledge of inventory, accounts receivables and machinery and plant.

Further, the Company has entered into a term loan agreement with DNB Bank ASA for the amount of NOK 2.9 million. The term loan amount and all interests and fees accrued shall become immediately due and payable May 15, 2012 latest. Effective rate of interest on the term loan is 4.92% per December 2011. The loan from DNB Bank ASA is secured by pledge of inventory, accounts receivables and machinery and plant.

Net cash flow for the full year 2011 was NOK – 26.2 million for the Group, compared to NOK – 19.8 million in 2010. For NorDiag ASA, net cash flow was NOK – 19.2 million, compared to NOK – 19.1 million for 2010.

Cash flow from operations in 2011 was NOK -30.3 million for the Group, compared to NOK -30.3 million in 2010. For NorDiag ASA cash flow from operations was NOK -20.4 million, compared to NOK -17.8 million in 2010.

Cash flow from operations deviate substantially from the net loss due to write down of patents, goodwill and capitalized development costs. And in addition, a write down of shares in NorDiag AB (NOK 9.7 million), loan of NorDiag Inc. (NOK 30.4 million) and a write down of share capital contribution to NorDiag AB (NOK 27.2 million).

The net change in cash during the year was NOK -26.2 million, giving net cash position at the end of the year of NOK 9.7 million for the Group. The net change in cash during the year for NorDiag ASA was NOK -19.2 million, giving net cash position at the end of the year of NOK 8.7 million.

Going concern

The Company has carried out a strategic process with the aim to either offer its shareholders an exit opportunity, or to satisfy the Company's long-term financing requirements. This process has so far not brought results.

The Company is in the process of securing additional funds to take the Company through 2012, combined with the cost cutting program.

In accordance with Section 3-3(a) of the Norwegian Accounting Act, it is confirmed that the conditions for assuming that the Company will continue as a going concern are present, but the Board of Directors acknowledges that there is a material uncertainty connected to the Company's ability to continue as a going concern. The financial statements have been prepared on the basis of going concern.

The Company´s shareholders has resolved to issue shares for up to NOK 15 million in a rights issue. NOK 8,140,000 of the subscription is guaranteed by a syndicate of major shareholders. Combined with the effectuated cost cutting program, the Board is of the opinion that a platform for going concern is secured. In the event that the funds received from the rights issue will not exceed the guaranteed subscription, the Company may face liquidity challenges in Q4 2012, due to repayment and installments on the loans. The Company has a good dialogue with its creditors which is supportive, but a new minor share issues may have to be initiated a to meet the repayment schedules.

In the Extraordinary General Meeting, April 23, 2012 the Board was given mandate to sell all or a substantial part of the Company's business.

Risk exposure and risk management

NorDiag pro-actively manages the risks related to its business and regularly analyzes its operations and opportunities for risk factors and measures that can reduce risk exposure. The Board has established an Audit Committee to help the Board dealing with accounting and other relevant items, and to follow up internal control and risk management. The Audit Committee meets in connection with the presentation of the annual and interim accounts. The risk factors can be divided into financial risk, operational risk and market risk.

Financial Risk

Credit risk

Credit risk is the potential loss arising from any failure in the ability or willingness of a counter party to fulfil its contractual obligations, as and when they fall due. NorDiag has considered the credit risk to be relatively low as the Group's customers are well established system integrators in the diagnostic field or publicly owned hospitals. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant. As of December 31, 2011, a provision for potential bad debt of NOK 0.3 million of total revenues was booked, based on evaluation of growth, customers and market standard. The maximum exposure as of December 31, 2011, was the carrying amount of accounts receivables of NOK 5.4 million.

Report from the Board of Directors

Currency risk

NorDiag has a substantial portion of its primary capacity based in Norway and its accounting and reporting currency is NOK. At present, the Group's income and the main share of expenses are in NOK, SEK, USD and EUR currencies. Fluctuations in currency rates towards NOK can substantially affect the revenues and costs of the Group. As a main rule under the Group's currency policy, the Group does not hedge its foreign exchange exposure, but at a later stage the Group may from time to time enter into forward currency contracts in order to hedge larger single items that affect cash flows.

The future expansion plans in the Nordic region, Europe, Asia, as well as the United States will in the next years increase the Group's foreign currency risk. The main currency risk affecting net profit (loss) in 2011 is related to fluctuations in the Group sales in EUR. A decrease in EUR exchange rate by 10% would decrease operating revenues by NOK 1.3 million (4.2% of total revenues).

NorDiag ASA has granted its subsidiary NorDiag AB loans in local currency.

Total exposure related to intercompany loans in currency as of December 31, 2011 is shown below:

Loan to NorDiag AB [1)]	2,380 kSEK

All loans have currency effect for the NorDiag Group.
[1)] Currency effect in NorDiag ASA.

The Group will regularly consider to what extent exchange rate related risks ought being hedged using financial instruments.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Company's loan from Innovation Norway and DNB, and also to the Group's bank deposits and all other monetary instruments with maturity of less than three months after the date of purchase. The Group had NOK 212,000 in financial income in the twelve months ended December 31, 2011, and fluctuation in the interest rates may impact the return on cash. The Group has a loan from Innovation Norway, which as of December 31, 2011 amounted to NOK 13 million. Total interest expenses related to the loan in the twelve months ended December 31, 2011 was NOK 601,000. NorDiag has established a short term loan of NOK 2.9 million with the Company's bank connection, DNB Bank ASA in July 2011. Accumulated interests related to this short term loan in the twelve months ended December 31, 2011 was NOK 202,000.

Liquidity risks

Liquidity risk is the potential loss arising from a company's inability to meet its contractual obligations when due. The management of the Group endeavours to monitor the risk for a shortage of funds by the use of a liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets and projected cash flows from operations. In order to successfully execute the outlined strategies, and to flexibly and effectively react to new opportunities and threats arising, NorDiag may seek to raise additional capital through equity issues, debt financing, collaborative arrangements, strategic alliances or from other sources. If NorDiag is unable to generate adequate funds from operations or from additional sources, the business, results of operations and financial condition may be materially and adversely affected. Moreover, the Group's ability to obtain such additional capital may be significantly affected by the general economic conditions at that particular point in time.

The Company´s shareholders has resolved to issue shares for up to NOK 15 million in a rights issue. NOK 8,140,000 of the subscription is guaranteed by a syndicate of major shareholders. Combined with the effectuated cost cutting program, the Board is of the opinion that a platform for going concern is secured. In the event that the funds received from the rights issue will not exceed the guaranteed subscription, the Company may face liquidity challenges in Q4 2012, due to repayment and installments on the loans. The Company has a good dialogue with its creditors which is supportive, but a new minor share issues may have to be initiated a to meet the repayment schedules.

Operational Risks

Inadequate quality and cost/benefit value

The quality and testing costs of the Group's products are key elements in the success of the business of the Group. The Group cannot assure that its products will be perceived as having a competitive price/quality balance in the Group's main target markets.

Successful completion and commercialisation of products may not be achieved. In addition, R&D processes may take longer than projected. It may also result in a lower accuracy improvement than projected.

The Group's development programs, including the further development and automation of currently marketed products, the development of additional products and the improvement of laboratory processes, may not develop in line with projected time lines and funding requirements and may yield disappointing results when tested, or fail altogether.

Report from the Board of Directors

Market demands are subject to change, and accordingly, the Group's R&D staff will continually investigate novel technology that could strengthen the Group's competitiveness in the evolving area of sample preparation. The Group may need to develop or acquire methods, technologies or companies to increase product performance, with all ensuing risks and costs.

Licensing costs

To maintain attractive margins, it is important to keep potential licensing fees low. The Group may choose to utilise third party technology or equipment and enter into agreements, and such agreements may increase such costs and thereby lead to a reduced margin.

Loss of key personnel and/or inability to recruit key resources

The attraction and retention of senior management and skilled personnel is a critical factor in the successful execution of the Group's strategy as an international biotech company. Failure to recruit or retain senior management and skilled personnel, or more generally maintain good employee relations, could compromise achievement of the Group's strategy and cause disruption to the management structure and relationships, an increase in costs associated with staff replacement, lost business relationships or reputational damage.

Failure to meet ethical and social standards

Failure to meet ethical and social standards could harm the Group's reputation and business. Incidents of ethical misconduct or non-compliance with applicable laws and regulations could be damaging to the Group's reputation, competitiveness and shareholder value.

Incorporation of the Group's products with third parties' products and product liability

Some of the products supplied by the Group are composed of parts supplied by third parties. Furthermore, the Group supplies products to third parties for incorporation into their products. Such products and the Group's other products may be subject to product liability claims (from customers and distributors). The Group has obtained product liability insurance, but there could be instances where liability claims are not covered by such insurance.

Subcontracting/external suppliers

The Group sources instruments and certain other components from external manufacturers and suppliers. To the extent that these companies for any reason should be unable to meet their delivery obligations and schedules to the Group, this may contribute to reducing sales growth for the Group, and/or cause the Group to default on its delivery obligations to its customers. To the extent that an external supplier ceases to supply the equipment or components in question, finding alternate suppliers may involve substantial time and cost, and no assurances can be given that such alternate suppliers may be retained on similar terms as the present situation.

Disputes

The Group may from time to time be involved in disputes, including disputes regarding intellectual property rights, with all ensuing risks and costs.

Market Risks

Introduction

Market risk is an inherent characteristic of being a company in the rapidly advancing field of gene based diagnostics and life sciences. The Group endeavours to monitor international scientific and business developments and to pro actively develop the product offering further to strengthen the Group's competitive position.

Limited or no reimbursement

The pursuit of governmental reimbursement of clinical products internationally is a risk prone process. For new tests introduced to the market, decision makers may take several years more than projected to grant the tests reimbursement, or they may reimburse the tests only partly, or conclude negatively altogether on reimbursement of the tests. The Group delivers products that could be used as part of genetic testing processes. It is the suppliers of the actual tests that carry the reimbursement responsibility. However, if the Group supplies sample preparation solutions used as part of a third party test process that loses the entitlement of reimbursement, the sales of the Group's sample preparation in these cases will be reduced.

Limited partner effectiveness

The Group has limited control over its distributors' and partners' effectiveness in distributing and marketing the products in countries or regions where the Group does not sell directly. Although the Group intends to establish binding performance measures, the distributors or partners may not prioritize the Group's products.

As the Group does not have considerable marketing resources, the Group is dependent on agreements with larger partners that can market the products efficiently in each region. In the event the Group's present marketing partners cancel the collaboration contract with the Group, this may have a negative impact on the Group.

Increased competition, substitutes and price pressure

The market for the Group's products is substantial and is widely expected to grow strongly. This has already attracted a number of companies to the field, some of which have significantly more resources than the Group to invest in research and development, technology acquisition, marketing and distribution. This may result in increased competition in the market. In all health care markets, third party players, such as governments and insurance companies, represent a substantial concentration of market power, with a strong interest to curtail expenditures. Price pressure can take place in some market segments and have a negative effect on the profitability of the Group.

Slow market adoption

The market for the Group's products may not develop at the pace or to the size that the Group projects.

Limited acceptance among clinical laboratories and results of clinical studies

If general decision makers in clinical laboratories do not endorse the Group's products, and/or in the event that clinical studies provide negative conclusions relating to the products, sales are likely to be negatively affected. In addition, the Company depends on internal know-how and expertise, which may not be subject to regulatory protection and may with time be diluted.

Regulatory Requirements and Other Governmental Regulation Risk

Approval of products may be needed in order to access markets

Products intended for use as in vitro diagnostic medical devices need CE ("Conformité Européenne" or in English "European Conformity") marking to show conformity to the European IVD directive to ensure that only safe and functional products are sold in the European market. Similar requirements exist for the US market controlled by the US Food and Drug Administration (FDA). As of today there are no FDA approval requirements for the Company's products. Failure to comply with regulatory or governmental requirements can lead to delays, higher development costs and/or loss of commercialisation potential.

Limited freedom to operate/IPR

There may be substantial costs associated with the protection and/or enforcement of the Group's intellectual property rights, and the Group may be unable to protect or enforce its intellectual property rights. Litigation may prevent the Group from selling the products over a substantial period of time. The Group may not be able to achieve freedom to operate for its products in markets that are important to the Group's success.

In cases where technology has been in-licensed, the Group may experience setbacks if licensing partners are unable to protect or enforce the intellectual property rights. In the case of non-exclusive in-licensing, the Group may face increased competition due to licensing agreements being granted to other companies.

Patent protection and dependence on know-how

The Group seeks to protect its intellectual property rights the best way possible by using a combination of active patenting and trade secret protection. For patenting, this involves the filing of patents, defending patents that have been granted and obtaining approval of pending patent applications. There is a risk that patents that the Group has filed, or will file in the future, will not be granted. Furthermore, patents that are already granted may be challenged by other parties. Whether patent protection is available in all cases is uncertain and represents complex legal and scientific issues. In addition, the Group depends on internal know-how and expertise, which may not be subject to regulatory protection and may with time be diluted.

Corporate Governance

NorDiag considers sound principles of Corporate Governance imperative to obtain and retain the trust of the Company's investors, as well as other stakeholders. To NorDiag these guidelines provide a structure to set the objectives and monitor the performance of the Company. The guidelines are reviewed periodically and revised as appropriate to ensure the effective functioning of the Board of Directors and high quality Corporate Governance.

The Board approved the Company's latest version of the Corporate Governant Policy April 25, 2012 (included in Annual Report 2011).

Report from the Board of Directors

The External Environment

NorDiag aims to be conscious about the way its business and operations affect the environment and tries to make the environmental influence as gentle as possible. Pollution is to be prevented and environmental legislation to be complied with. The Board and the Management Group are responsible for the company's influence on the environment and for the compliance with rules and regulations.

In the course of their life cycle NorDiag's products shall affect the environment to the lowest extent possible. NorDiag is careful when it comes to use of solvents, reagents, energy, water and materials. Normal operations do not involve risk of pollution from the laboratory. Processes that include use of potentially dangerous substances take place in closed systems, and such substances are sorted out and treated as special waste. NorDiag has made arrangements with approved waste return companies to ensure secure handling of special waste, and to prevent that potentially dangerous substances go astray.

NorDiag's instruments are produced in compliance with the RoHS Directive (2002/95/EC).

NorDiag's waste handling is in accordance with the WEEE Directive (2002/96/EC).

In countries where NorDiag has direct sales, the Company shows responsibility through membership in waste return companies, which ensures compliance with the WEEE- and Packaging Waste-Directives. Through the memberships NorDiag pays environment charges and is guaranteed that pollutants don't go astray. In countries where NorDiag sells its products through distributors, the distributor is – according to the distributor agreement – responsible for complying with the WEEE- and Packaging Waste-Directives.

Regarding waste handling internally in the laboratories, NorDiag ASA and its subsidiaries NorDiag AB and NorDiag Inc. have made local arrangements with approved waste return companies for storage and collection of hazardous and infectious waste. Such waste must not be mixed with other waste, but must be stored in containers for hazardous waste – the containers are produced in accordance with regulations and are protected against breakthrough of needles and sharp objects.

Focus on reduction of waste is important to NorDiag, and the Company generally tries to use products and packaging that can be reused or recycled, and also not to use too large or too much packaging.

Health, Safety and Working Environment (HSE)

The Board of Directors works for ensuring that health, safety and the working environment are handled in a manner that promotes considerable job satisfaction and a good working environment. NorDiag's employees will be challenged to use their skills and abilities to contribute to the Group's progress, as well as to their own development. They will be taken seriously, treated with respect and given orderly working conditions.

NorDiag shall be a corporation with an abundance of diversity. Naturally, health and safety will be given priority and all NorDiag's employees will enjoy equal opportunities. The HSE Handbook enables NorDiag to work systematically on issues regarding environment, health and safety, in accordance with internal goals and public demands. The routines, charting methods, forms and action plans of the Company are saved in a system that fulfils the documentation demands of the Internal Control Regulations.

The EHS Handbook and the internal control system shall contribute to a better working environment and safety for all employees. It should help preventing health damage or environmental disorder from products or services and it should protect the external environment towards pollution and improve waste handling.

A systematic improvement work is based upon experiences and follow-up. To succeed, it is of importance that both the management group and the employees take an active part in this work. All of NorDiag's employees have a joint responsibility to ensure that work is done under safe conditions and in a manner that safeguards and promotes the health and well-being of individuals and safeguards the environment. Each colleague is responsible for following local procedures and regulations, as well as for notifying his or her immediate superior about accidents or the release of any toxic substances. There have been no serious incidents in 2011.

Absence due to illness in NorDiag ASA was 2553 working days in 2011, which constitutes 5.7% of total hours worked. This is a slight increase from 5.6% in 2010. Included in these numbers is one long-term absence. Excluding this; absence due to illness in NorDiag ASA was 1369 working days in 2011, which constitutes 3.18% of total hours. For the Group the absence due to illness was 2666 working days in 2011, which constitutes 4% of total hours worked.

Report from the Board of Directors

Personnel and Organization

NorDiag's ambition is to be a globally competitive company. It is a key priority to create a stimulating working environment and provide employees with good opportunities for professional and personal development. The working environment is considered to be good.

NorDiag had 31 employees at year end 2011 (December 31, 2010: 43 employees). The reduction is related to sale of the HLA Typing business, and cost cutting program implemented in Q4-2011. The Company's main operations and headquarters are located in Oslo, Norway. In addition, the Company runs operations in Stockholm, Sweden, and Atlanta (GA), US. NorDiag relies on talented, experienced and qualified managers and employees and offers equal opportunities for development and progression into leadership roles. NorDiag acknowledges and appreciates the fact that each employee represents something unique and valuable and deserves recognition for individual abilities. NorDiag does not condone any form of discrimination of colleagues, working partners, clients or other interested parties on account of religion, gender, sexual orientation, age, nationality, political views, population group, marital status, disability or other circumstance.

The Company's employees have a variety of cultural backgrounds. Foreign nationals constituted 35% (53% in 2010) of our staff and held 33% (30% in 2010) of management positions.

At year end 2011, women held 45% (56% in 2010) of all positions and 33% (30% in 2010) of management positions. Average yearly wages for men are NOK 695,000 for the Group and NOK 900,000 for NorDiag ASA, for women the respectively numbers are NOK 500,000 and NOK 500,000. NorDiag believes men and women should receive equal pay for equal performance and that men and women should have equal access to managerial positions, as well as other functions within the Company.

Board of Directors of NorDiag ASA

The Board of Directors in NorDiag now currently consists of 5 members, the same number as of March 29, 2011. The female representation is 40%. All Board members are presented in the Annual Report. The Board held 20 meetings in 2011.

Allocation of Loss

The Board proposes that the Company's loss of NOK -125.9 million is covered by other paid-in capital. Distributable equity in NorDiag ASA is after this NOK 0.

Dividend Policy

NorDiag aims to create shareholder value through share price appreciation. So far, the Company has been in an investment phase and no dividend has been proposed. The indication of a dividend policy will become of interest when the Company enters a profit-making scenario.

Freely Negotiable Shares

NorDiag has only one class of shares and the shares are without any restrictions in their transferability. NorDiag's Articles of Association contain no voting rights differentiation, no restrictions on the number of votes that can be cast, and no other restrictions of shareholder rights.

Events After the Balance Sheet Date

Cost cutting program

The Board of Directors and management have implemented further cost cutting measures to reduce the Company's negative cash flow. The number of employees has been reduced from 31 employees from the end of 2011 to 17 employees within Q3-2012.

Rights issue

The Board of Directors has decided a rights issue. It is proposed that, in the rights issue, a minimum of 400 million and a maximum of 750 million new shares are offered at a subscription price of NOK 0.02, rising gross proceeds of minimum NOK 8 million, maximum NOK 15 million, with preemptive subscription rights for existing shareholders as per the date of the General Meeting. In relation to the rights issue, an underwriting syndicate guaranteeing subscription of NOK 8,140,000 worth of shares has been established, in which, among others, members of the board and the management of the company is participating.

Participators in the underwriting syndicate are also proposed to receive one warrant per share guaranteed for. Each warrant will give the right to require the issuance of one share as a subscription price of NOK 0.02.

Certain underwriters have also agreed to make a bridge loan available for the company in the total amount of NOK 3,950,000. The bridge loan will be converted to shares and/or repaid in relation to the completion of the rights issue.

The Extraordinary General Meeting April 23, 2012 approved that the Board of Directors can enter into an agreement for the sale of all or a substantial part of the Company's business, including both assets and liabilities, in part or entirely, in an asset sale.

The Company has not entered into any binding agreement or received any binding offer, but it is in specific, advanced and exclusive negotiations with a potential buyer of all of the business of the Company relating to automated sample preparation. The potential buyer is a company operating in the field of molecular diagnostics. In the transaction, it is proposed that the Company will retain all existing liabilities in respect to the business and the Company will accordingly use the purchase price to cover such liabilities.

Currently,and subject to the further development, the final agreement and other factors such as exchange rate, the Company expects that the net result of the transaction after deduction of the Company's liabilities will be in the amount of approximately NOK 30 - 35 million. There can be given no guarantee that the actual net result of the transaction will be within this range.

In the transaction, it is further expected that the Company will give certain customary warranties, but it is agreed between the parties that the general liability for the Company will not exceed 10% of the purchase price and that the warranty period will expire 6 months after completion of the transaction.

It is further proposed that 10% of the purchase price is placed in escrow for the duration of the warranty period. The Company may propose to distribute the remaining funds of the Company to its shareholders as far as possible and appropriate following the completion of the transaction. The Company will provide an update in this respect and the relevant funds in due course after completion of the transaction.

If the parties subsequently enter into binding agreements, the transaction would be expected to be completed during the first half of May. In such case, the Board of Directors intends to withdraw the rights issue resolved in the extra ordinary general meeting April 16, 2012.

The Board of Directors has no knowledge about any other significant events after December 31, 2011 that will affect the Annual Report and the financial statements substantially for 2011.

Outlook

NorDiag has a base of two solid and partly unique instrument platforms in the market consuming reagents on a routine basis. We are actively increasing the base of instruments and our reagent sales are growing for both instrument platforms. The sales of instruments are spread between OEM partners, distributors and direct sales. In addition, the Company is meeting the target gross margins for sales, primarily due to the product mix consisting of an increasing portion of reagent sales.

We have taken the consequences of our revenue delays and reduced our operating expenses to match contribution on sales in order to reach break even on the current run rate for sales. The effect from the cut in operating expenses will be step wise, where we will see the main effect in H2-12.

From a product and technology point of view – we have never been as fit as now and we are convinced that we will recover from the disappointments from last year and deliver some good overall results in 2012. We raised funds in Q4-11 which secured continued operations. At this point, it was clearly communicated that the funds received would last to the end of Q1-12, and the board and management were mandated by the shareholders to explore strategic options for the Company. Such discussions with strategic partners are ongoing, but in parallel the day-to-day business is continuing with a more streamlined organization.

The Board has been working along to axes in order to secure alternative strategies going forward.

Alternative one is a process to raise NOK 15 million in a rights issue to secure funding towards break even on a stand alone basis. We have managed to establish a guarantee consortium of NOK 8.1 million to secure a part of a planned fund-raising, and the guarantors has granted the Company a bridge loan of NOK 3.9 million to fund the company until the share issue are completed.

The other alternative is to offer the shareholders an exit as requested at the time of the previous share issue. NorDiag has received an indicative offer for a substantial part of the Company's business, including both assets and liabilities.

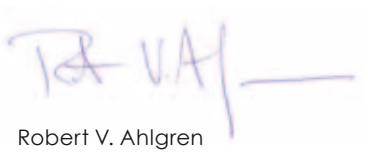
This might imply that such sale may involve the full or partial sale of the Company's business, and may thus result in the Company no longer being involved in the business set out in the Articles of Association. The terms of such a sale were presented to the shareholders and the board was given a mandate to sell all or a substantial part of the Company's business.

Both strategies are approved in Extraordinary General Meeting held on April 16, and 23, 2012.

The Company is in specific, advanced and exclusive negotiations with a potential buyer of all of the business of the Company relating to automated sample preparation, but has not as of yet entered into any binding agreement. The potential buyer is a company operating in the field of molecular diagnostic.

If the parties subsequently enter into binding agreements, the transaction would be expected to be completed during the first half of May. In such case, the Board of Directors intends to withdraw the rights issue resolved in the Extraordinary General Meeting on April 16, 2012.

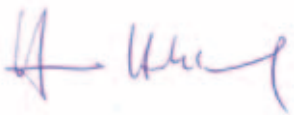
Oslo, April 25, 2012



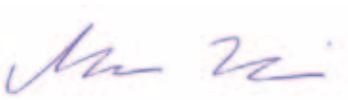
Robert V. Ahlgren
Chairman of the Board

Ann-Kristin Hageløkken
Board member

Greta Bentzen
Board member



Hans Hekland
Vice Chaiman of the Board



Mathias Uhlén
Board member

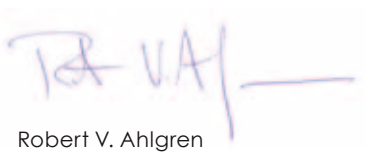
Mårten Wigstøl
CEO

Responsibility Statement

"We confirm that, to the best of our knowledge, the financial statements for January 1, to December 31, 2011 which have been prepared in accordance with IFRS, give a true and fair view of the Group's consolidated assets, liabilities, financial position and results of operations, and that the report from the Board of Directors includes a fair review of the development, results and position to the Company and the Group, including information about risks and uncertainty factors that can influence on the Company going forward".

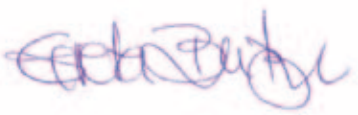
The Board of Directors and Chief Executive Officer of NorDiag ASA.

Oslo, April 25, 2012

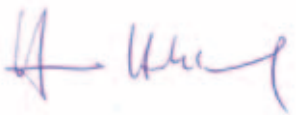


Robert V. Ahlgren
Chairman of the Board

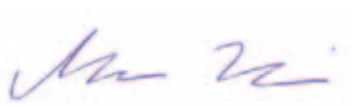
Ann-Kristin Hageløkken
Board member



Greta Bentzen
Board member



Hans Hekland
Vice Chaiman of the Board



Mathias Uhlén
Board member

Mårten Wigstøl
CEO

Statement of Comprehensive Income

NorDiag ASA				NorDiag Group	
2010	2011	NOK 1000	Notes	2011	2010
		Operating revenues			
19 457	29 368	Operating revenues	4	30 282	30 917
1 742	1 038	Governmental grants/other revenues	5	1 038	2 066
21 199	**30 406**	**Total operating revenues**		**31 320**	**32 983**
		Operating expenses			
-14 650	-14 385	Cost of goods sold		-14 432	-19 973
-17 643	-19 292	Payroll and related costs	6	-29 318	-30 903
-4 619	-7 285	Depreciation and amortization	7, 8	-8 123	-6 585
0	-39 480	Write down of goodwill, patents and capitalized development costs	8, 9	-47 857	0
-18 083	-19 078	Other operating expenses	10	-22 199	-22 784
889	3 115	Capitalized development costs	8	3 115	2 566
-54 106	**-96 405**	**Total operating expenses**		**-118 814**	**-77 679**
-32 907	**-65 999**	**Operating profit (loss)**		**-87 494**	**-44 696**
		Financial income and expenses			
5 431	11 885	Financial income	11	3 927	3 923
-2 631	-4 516	Financial expenses	11	-4 818	-3 140
-29 329	-67 343	Write down of investment in subsidiaries	11, 18	0	0
-26 529	**-59 974**	**Net financial items**		**-891**	**783**
-59 436	**-125 973**	**Profit (loss) before taxes**		**-88 385**	**-43 913**
0	0	Tax on ordinary result	12	0	0
-59 436	**-125 973**	**Net profit (loss) from continuing operations**		**-88 385**	**-43 913**
0	0	Profit (loss) from discontinued operations	24	252	8 402
-59 436	**-125 973**	**Net profit (loss)**		**-88 133**	**-35 511**
		Attributable to:			
		Equity holders of the Company		-89 328	-39 712
		Non-controlling interest		1 195	4 201
		Other comprehensive income			
		Exchange rate differences on translation of foreign currency		2 844	-6 338
-59 436	**-125 973**	**Total comprehensive income**		**-85 289**	**-41 849**
		Attributable to:			
		Equity holders of the Company		-86 368	-42 232
		Non-controlling interest		1 079	383
-0,95	**-1.64**	**EPS***	13	**-1.16**	**-0,64**
-0,95	**-1.64**	**Diluted EPS***	13	**-1.16**	**-0,64**

* Calculated based on net profit after non-controling interest.

Statement of Financial Position

NorDiag ASA				NorDiag Group	
2010	2011	NOK 1000	Notes	2011	2010
		Assets			
		Non-current assets			
		Intangible assets			
1 627	41	Patents, patent rights, trade marks	8, 9	41	1 627
9 306	0	Goodwill	8, 9	0	18 592
35 186	4 677	Capitalized development costs	8, 9	4 677	34 226
46 119	**4 718**	**Total intangible assets**		**4 718**	**54 445**
4 157	8 610	Property, plant and equipment	7	10 563	5 244
15 212	5 469	Investment in subsidiaries	18	0	0
45 741	2 380	Intercompany loans	18	0	0
111 229	**21 177**	**Total non-current assets**		**15 281**	**59 689**
		Current assets			
2 892	7 036	Inventories	14	13 740	10 261
3 564	1 850	Account receivables	15, 26	5 392	14 511
2 637	0	Intercompany receivables	15, 18, 26	0	0
0	0	Interest bearing receivables	15, 26	0	1 488
4 227	2 932	Other current receivables	15, 26	3 463	5 375
27 990	8 747	Cash and cash equivalents	17, 26	9 724	35 935
41 310	**20 565**	**Total current assets**		**32 319**	**67 570**
152 539	**41 742**	**Total assets**		**47 600**	**127 259**

Statement of Financial Position, continued

NorDiag ASA				NorDiag Group	
2010	2011	NOK 1000	Notes	2011	2010
		Equity and liabilities			
		Equity			
68 603	5 598	Share capital	13	5 598	68 603
4 795	12 998	Share premium fund	13	12 998	4 795
111 448	53 985	Other paid-in capital	6	148 686	169 269
-59 436	-59 436	Retained earnings		-151 091	-154 051
125 410	**13 145**	**Equity attributable to the equity holders of the parent**		**16 191**	**88 616**
0	0	Non-controlling interests		0	2 084
125 410	**13 145**	**Total equity**		**16 191**	**90 700**
		Liabilities			
		Non-current liabilities			
8 958	10 167	Interest bearing debt	25, 26	10 369	8 966
8 958	**10 167**	**Non-current liabilities**		**10 369**	**8 966**
		Current liabilities			
5 267	7 354	Accounts payables	16, 26	8 308	10 880
5 968	0	Intercompany payables	16	0	0
1 042	5 776	Interest bearing debt	16, 25, 26	5 830	5 356
1 263	1 659	Unpaid gov. charges and VAT	16, 26	2 226	2 175
4 631	3 641	Other current liabilities	16, 26	4 676	9 182
18 171	**18 430**	**Current liabilities**		**21 040**	**27 593**
27 129	**28 597**	**Total liabilities**		**31 409**	**36 559**
152 539	**41 742**	**Total equity and liabilities**		**47 600**	**127 259**

Oslo, April 25, 2012

Robert V. Ahlgren
Chairman of the Board

Ann-Kristin Hageløkken
Board member

Hans Hekland
Vice Chairman of the Board

Greta Bentzen
Board member

Mathias Uhlén
Board member

Mårten Wigstøl
CEO

Statement of Cash Flow

NorDiag ASA				NorDiag Group	
2010	2011	NOK 1000	Notes	2011	2010
		Cash flow from operations			
-59 436	-125 973	Profit (loss) before taxes		-88 385	-43 913
4 619	46 765	Depreciation and amortization	7, 8, 9	55 979	6 585
0	0	Taxes paid	12	0	0
0	-6 926	(Gain) / loss on sales of fixed assets	7, 8, 18	-3	1
1 438	571	Options / warrants cost	6	807	2 632
8 315	-2 905	Change in working capital		-74	322
-482	1 600	Net interest income	11	1 608	-480
27 750	66 494	Other non-cash transactions	18	-773	-1 087
-17 796	**-20 374**	**Net cash from operating activities - continuing operations**		**-30 841**	**-35 940**
0	0	Profit (loss) from discontinued operations		1 092	11 532
0	0	Net cash from operating activities - discontinued operations		-511	-5 921
-17 796	**-20 374**	**Net cash from operating activities**		**-30 260**	**-30 329**
		Cash flow from investments			
-2 267	-4 034	Investment in intangible assets	8	-4 034	-4 170
-3 095	-5 856	Investment in non-current assets	7	-7 915	-3 711
144	6 967	Proceeds from sales of fixed assets*	7, 18	6 989	0
2 741	0	Proceeds from acquisition and merge with subsidiary		0	0
1 001	206	Interests received	11	212	1 002
-1 476	**-2 717**	**Net cash from investing activities - continuing operations**		**-4 748**	**-6 879**
0	0	Net cash from investment activities - discontinued operations**		-7 011	-1 515
-1 476	**-2 717**	**Net cash from investment activities**		**-11 759**	**-8 394**
		Cash flow from financing			
-20 382	-13 337	Intra-group loan	18	0	0
-519	-1 806	Interest paid	11	-1 819	-527
2 457	3 000	Long term loan	21	3 202	2 431
0	2 854	Short term loan	16	2 854	0
19 894	16 075	Paid in capital	13	16 075	19 894
-1 269	-2 938	Share issue costs		-2 938	-1 269
181	**3 848**	**Net cash from financing activities - continuing operations**		**17 374**	**20 529**
0	0	Net cash from financing activities - discontinued operations		-1 566	-1 583
181	**3 848**	**Net cash from financing activities**		**15 808**	**18 946**
47 081	27 990	Cash 01.01	17	35 935	55 712
-19 091	-19 243	Net change in cash		-26 211	-19 777
27 990	**8 747**	**Cash 31.12.**	17	**9 724**	**35 935**

* On June 1, 2011 NorDiag ASA entered into an agreement to sell all of its shares in Olerup International AB to LinkMed AB for a cash consideration of NOK 6.9 million.

** NorDiag group 2011: Includes deconsolidated cash balance in Olerup International AB as of June 1, 2011 (NOK 6,9 million).

Statement of Changes in Equity

NorDiag ASA					
Amounts in NOK 1000	**Share capital**	**Share premium fund**	**Other paid-in capital**	**Retained earnings**	**Total equity**
Equity 01.01.2010	**54 065**	**104 278**	**35 199**	**0**	**193 542**
Share issue	14 538	5 356	0	0	19 894
Share issue cost	0	-1 269	0	0	-1 269
Registered reduction of share premium fund	0	-103 571	103 571	0	0
Cost of options and warrants	0	0	1 438	0	1 438
Equity effect of the merger with Genpoint AS	0	0	-28 759	0	-28 759
Net profit (loss) before taxes	0	0	0	-59 436	-59 436
Equity 31.12.2010	**68 603**	**4 795**	**111 448**	**-59 436**	**125 410**
Share issue	4 226	11 849	0	0	16 075
Share issue cost	0	-2 938	0	0	-2 938
Registered reduction of share capital	-67 231	0	67 231	0	0
Registered reduction of share premium fund	0	-708	708	0	0
Cost of options and warrants	0	0	571	0	571
Net profit (loss) before taxes	0	0	-125 973	0	-125 973
Equity 31.12.2011	**5 598**	**12 998**	**53 985**	**-59 436**	**13 145**

Statement of Changes in Equity, continued

NorDiag Group Amounts in NOK 1000	Share capital	Share premium fund	Other paid-in capital	Retained earnings	Foreign currency translation	Non-controlling interest	Total equity
Equity 01.01.2010	**54 065**	**104 278**	**63 069**	**-110 105**	**-1 714**	**1 701**	**111 294**
Share issue	14 538	5 356	0	0	0	0	19 894
Share issue cost	0	-1 269	0	0	0	0	-1 269
Reduction of share premium fund	0	-103 571	103 571	0	0	00	0
Cost of options and warrants	0	0	2 632	0	0	0	2 632
Net profit (loss) before taxes	0	0	0	-39 712	0	4 201	-35 511
Other comprehensive income	0	0	0	0	-2 520	-3 818	-6 338
Equity 31.12.2010	**68 603**	**4 795**	**169 269**	**-149 817**	**-4 234**	**2 084**	**90 700**
Share issue	4 226	11 849	0	0	0	0	16 075
Share issue cost	0	-2 938	0	0	0	0	-2 938
Registered reduction of share capital	-67 231	0	67 231	0	0	0	0
Registered reduction of share premium fund	0	-708	708	0	0	0	0
Cost of options and warrants	0	0	807	0	0	0	807
Impact of deconsolidation of Olerup International Group	0	0	0	0	0	-3 163	-3 163
Net profit (loss) before taxes	0	0	-89 328	0	0	1 195	-88 133
Other comprehensive income	0	0	0	0	2 960	-116	2 844
Equity 31.12.2011	**5 598**	**12 998**	**148 686**	**-149 817**	**-1 274**	**0**	**16 191**

Gross proceeds from the public placement in January 2010 were NOK 8 million. Costs directly linked to the share issue amount to NOK 0,7 million before taxes, and are netted against the share premium fund. Gross proceeds from exercise of class B warrants in June 2010 were NOK 0.7 million. Gross proceeds from the public placement in December 2010 were NOK 11.2 million. Costs directly linked to the share issue amount to NOK 0,6 million before taxes, and are netted against the share premium fund.

Gross proceeds from the public placement in December 2011 were NOK 15 million. Costs directly linked to the share issue amount to NOK 1.8 million before taxes, and are netted against the share premium fund.

Gross proceeds from the conversion issue in December 2011 were NOK 1.1 million. The proceeds received by the Company through the conversion issue were set-off against underwriting commission to the underwriters in the rights issue and interest in the bridge loan to bridge finance lenders.

The tax effect is charged to the share premium fund as the Company, in accordance with IAS 12, does not recognize tax assets in the balance sheet. Options/ warrants cost, and share-based payment cost accrued for the C-Warrants to employees is calculated by using the Black Scholes model. No options or warrants have been exercised during 2011.

Notes to the Accounts

Note 1 Company Information

The Company's legal and commercial name is NorDiag ASA. The Company is a Norwegian public limited company ("ASA") registered in the Norwegian Registry of Business Enterprises with registration number 984648820, subject to the Norwegian Public Limited Company Act. The Company's registered office is at Frysjaveien 40, 0884 Oslo, Norway. The Company's telephone number is +47 22 02 65 65.

The Company's shares have been listed at the Oslo Stock Exchange since December 14, 2005.

The financial statements of NorDiag ASA (the Company) and the consolidated financial statements (the Group) for the year ended December 31, 2011 were approved by the Board on April 25, 2012.

Note 2 Business Structure and Segment Information

NorDiag entered into an agreement to sell all of its shares in Olerup International AB to LinkMed AB (publ) for a cash consideration of SEK 8 million, June 1, 2011. The transaction included Olerup International's wholly-owned subsidiary Olerup GmbH (Austria). The cash payment for the shares was divided into two tranches, whereby SEK 5 million was paid upon the transfer of the shares. and SEK 3 million is payable no later than October 31, 2011. The initial investment by NorDiag in Olerup International in 2009 amounted to SEK 50,000. The distribution agreement for NorDiag's Arrow instrument and kits was terminated upon the transfer of the shares. From June 1, 2011, no segment information will be reported since the sample preparation segment is NorDiag's only business. This is in line with the performance reporting to management.

Sample Preparation segment:
The Group offers instruments, software and kits for sample preparation for infectious diseases (sexually transmitted infections, tuberculosis, virus infections VRE and MRSA among others).

Note 3 Accounting Principles

These financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of preparation
The consolidated financial statements for NorDiag and subsidiaries have been prepared on a historical cost basis, except of money market fund measured to fair value.

The Company has carried out a strategic process with the aim to either offer its shareholders an exit opportunity, or to satisfy the Company's long-term financing requirements. This process has so far not brought results.

The Company is in the process of securing additional funds to take the Company through 2012, combined with the cost cutting program.

The Company´s shareholders has resolved to issue shares for up to NOK 15 million in a rights issue. NOK 8,140,000 of the subscription is guaranteed by a syndicate of major shareholders. Combined with the effectuated cost cutting program, the Board is of the opinion that a platform for going concern is secured. In the event that the funds received from the rights issue will not exceed the guaranteed subscription, the Company may face liquidity challenges in Q4 2012, due to repayment and installments on the loans. The Company has a good dialogue with its creditors which is supportive, but a new minor share issues may have to be initiated a to meet the repayment schedules.

In the Extraordinary General Meeting, April 23, 2012 the Board was given mandate to sell all or a substantial part of the Company's business.

In accordance with Section 3-3(a) of the Norwegian Accounting Act, it is confirmed that the conditions for assuming that the Company will continue as a going concern are present, but the Board of Directors acknowledges that there is a material uncertainty connected to the Company's ability to continue as a going concern. The financial statements have been prepared on the basis of going concern.

Basis of consolidation
Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Notes to the Accounts

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interest.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The Group has adopted the new IFRS standards, amendments and interpretations that became effective as of January 2011, however, none of them had a material impact on the Group's financial statements.

Presentation currency
NorDiag presents its consolidated financial statements in NOK, which is also the Company's functional and presentation currency. Each entity in the group uses their functional currency for the registration of all items included in the accounts.
The income statement of foreign subsidiaries is reported in foreign currencies, converted to NOK at weighted average exchange rate per quarter for the year. The Statement of Financial Position is converted at the exchange rate at year end. The exchange differences arising on the translation are presented under the other comprehensive income.

Comparatives
Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year no comparable figures have been made regarding the merger between NorDiag ASA and Genpoint AS since this is not required according to IFRS (see note 17).

Use of estimates and judgements
Estimates and their underlying assumptions that affect the application of accounting principles and reported amounts of assets and liabilities, income and expenses are based on historic experience and other factors considered reasonable under the circumstances.

The estimates constitute the basis for the assessment of the net book value of assets and liabilities when these values cannot be derived from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements, is given in the following notes:

- Impairment test of investments and loans in/to subsidiaries (notes 11, 18)
- Impairment test for intangible assets (notes 8, 9)
- Measurement of share-based payments (notes 6, 22)
- Depreciation periods for fixed assets and intangible assets (notes 7, 8)
- Capitalized development cost/R&D cost (note 8)
- Accrual for obsolescence and provision for bad debts (note 15)
- Taxes (note 12)

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Revenue recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a distributor for the major part of the HLA typing business and as a principal in most of its other revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

- Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

- Rendering of services

Revenue related to service agreements are recognized over the contractual period.

Notes to the Accounts

Note 3 Accounting Principles, continued

- Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

- Dividends

Revenue is recognized when the Group's right to receive the payment is established.

- Rental income

Rental income arising from operational leases on instruments is accounted for on a straight line basis over the lease terms.

Governmental grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as other income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government grants related to capitalized investments and development costs have reduced the carrying amount of the assets, and have been accounted for in the income statement as reduced depreciations over the useful life of the asset.

Government grants are presented in the statement of comprehensive income as governmental grants/other revenues or booked as reduction of acquisition costs in the statement of financial position.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses.

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Operating leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Financial instruments

The Group financial instruments, which are trade receivables, other receivables, accounts payable, other current liabilities and long-term liabilities are recognized and measured at amortized costs using the effective interest method. The interest element is disregarded if it is insignificant. Money-market fund with a maturity of three months or less is classified as cash and cash equivalents.

Currency risk

The Group is exposed to the financial risk of changes in foreign currency exchange rates. The policy is to consider the currency exposure when entering into contracts and seek to agree on currencies and mechanisms that limit the net exposure to the Company. The Company does not use derivative financial instruments.

Notes to the Accounts

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Operating segments
The operating segments are determined based on differences in the nature of their operations, market segmentation and type of products. The measure of segment profit is net operating income. The measurement basis for the net operating income for each operating segment follows the accounting principles used in the financial statements. Operating segments align with internal management reporting. Prior periods have been revised to be consistent with the revised reporting structure. If not already disclosed as segment information referred to above, the following are also presented. Information on external revenues for each segment, external revenues for each geographical area, and information on sales to major customers if one individual customer provides 10% or more of the entity's revenues. Comparable figures are prepared, unless necessary information is not available and the cost to develop it would be excessive.

Cash and cash equivalents
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

Cash flow statement
For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above. Cash balance includes restricted cash deposits.

Inventory
Inventory, including work in progress, are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories are measured using the FIFO principle. Inventory in process and finished goods include direct materials and direct labour. Obsolete inventory has been fully recognized as impairment losses.

Equipment and other fixed assets
Equipment and other fixed assets are carried at cost less accumulated depreciation and possibly impairment losses. When assets are sold or disposed of, the gross carrying amount and accumulated depreciation are offset, and any gain or loss on the sale or disposal is recognized in the income statement. The cost carrying amount of non-current assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the non-current asset ready for use. Subsequent costs, such as repair and maintenance costs, are normally recognized in profit or loss as incurred.

Notes to the Accounts

Note 3 Accounting Principles, continued

When the Company, in the course of its ordinary activities, routinely sells items of instruments that it has held for rental to others it shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets are recognized as revenues in accordance with IAS 18 Revenue. IFRS 5 does not apply when assets that are held for sale in the ordinary course of business are transferred to inventories. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows;

- Computers and other office equipment 3 years
- Fixtures and fittings 5 years
- Laboratory equipment / machinery 3–7 years
- Instruments leased to customers 3–5 years

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Investment in subsidiaries
Shares and investments intended for long-term ownership are reported in the parent company's Statement of Financial Position as long-term investments and valued at cost. The company determines at each reporting date whether there is any objective indication that the investment in the subsidiary is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognizes the amount in the income statement. Any realized and unrealized losses and any write downs relating to these investments will be included in the parent's Statement of Compehensive Income as financial items.

Provisions
A provision is recognized only when the Company has a valid liability, legal or constructive, as a result of events that have taken place and it can be proven probable that a financial settlement will take place as a result of this liability, and that the size of the amount can be measured reliably. Provisions are reviewed at each balance sheet date and their level reflects the Senior Management's best estimate of liability. When the effect of time is insignificant, the provision will be the present value of future payments to cover the liability. Any increase in the provisions due to time is presented as interest costs.

Equity transaction costs
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. As the Company is unable to prove probable use of deferred tax assets, these transaction costs are recognized without tax provisions.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in other comprehensive income until the

Notes to the Accounts

disposal of the net investment, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group companies
The assets and liabilities of foreign operations are translated into NOK at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Share-base payment transactions
The Group has a share option program and a warrants program for the Chairman of the Board, the Senior Management and employees. The fair value of share options is measured at grant date and recognized in the income statement over the vesting period of the option/ warrant. The cost of these equity settled transactions with employees are recognized, with a corresponding increase in equity, over the period ending on the date on which the relevant employees become fully entitled to the shares. Share options/warrants issued to employees are calculated at fair value in accordance with the Black & Scholes model at the date of which they are granted, and are accrued on a straight-line basis over the period, during which they are retaining up until the options' first call (vesting period). Vesting conditions are to be divided into service conditions and performance conditions. These vesting conditions include only conditions which directly or indirectly contain a requirement to provide services to the company. Other conditions which the employee cannot affect directly or indirectly, such as external market indices (apart from those which are related to the company's own share price), are now defined as non-vesting conditions. This is because the index is independent of the services that are provided to the company. Such non-vesting conditions are to be treated as market conditions. This means that the conditions must be taken into account when calculating the fair value on the grant date (the fair value also includes market-related performance conditions).

All types of cancellations that are under the entity's or opposite party's control, are to be reported in the same way as if the entity had cancelled the agreement – i.e., the residual value of the agreement must be expensed which are outside the entity's control are not to be treated as a cancellation. This means that the financial reporting continues as planned until the original expiry/ accrual date. The changes are to be implemented with retrospective effect. This means, among other things, that existing share-based agreements that are not vested must be reassessed in relation to whether reclassifications have to be carried out between vesting conditions and non-vesting conditions. Such a reclassification may have possible consequences for the calculation of the fair value of the agreement and recognized amount in the income statement. Correspondingly, any previously reversed costs linked to a loss of rights in that non-vesting conditions were not fulfilled must be considered to be no longer permitted.

Pensions and other post employment benefits
The group has only defined contribution pension plan. Contribution is 5% and 8% of the employee's salary. The Group's contribution costs are charged to the income statement.

Non-current liabilities
A liability is classified as current when it is part of a normal operating cycle, when it is held primarily for trading purposes, when it falls due within 12 months and when it consists of cash or cash equivalents on the balance sheet date. Other items are non-current. The share of long-term loan due within 12 months, is reclassified as current liability.

Income taxes
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Deferred tax/tax assets are calculated on all taxable temporary differences on assets and liabilities. Deferred tax assets are recognized when it is probable that the Company will have sufficient profit for tax purposes to utilize the tax asset. The Company recognizes formerly unrecognized deferred tax assets to the extent that it has become probable that the Company can utilize the deferred tax asset. As NorDiag has a history of annual tax losses and has been unable to prove the probability of sufficient profit for tax purposes, the deferred tax asset is not recognized in the financial statements.

Notes to the Accounts

Note 3 Accounting Principles, continued

Goodwill
Goodwill is tested for impairment annually (as at December 31,) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Discontinued operations
If a significant part of the Group's operations is divested or a decision has been made to divest it, this business is presented as "Discontinued operations" on a separate line of the income statement and the balance sheet. As a result, all the other figures presented are exclusive of the discontinued operations. The earnings on internal sales to other companies in the Group are retained in the Group. The comparative figures for the discontinued operations in the income statement are restated and presented on a single line. Comparative figures in the balance sheet are not correspondingly restated.

Standards issued but not yet effective:
The following standards and interpretations have been published, but are not effective and have not been implemented in the annual accounts for 2011. The Group does not expect that implementation of the amendments listed above/below will have a material effect on the financial statement of the Group on the date of implementation.

- **Amendments to IFRS 7 Financial Instruments - Disclosures**

The amendment relates to disclosure requirements for financial assets that are derecognized in their entirety, but where the entity has a continuing involvement. The amendments will assist users in understanding the implications of transfers of financial assets and the potential risks that may remain with the transferor. The amended IFRS 7 is effective for annual periods beginning on or after July 1, 2011. The Group expects to implement the amended IFRS 7 as of January 1, 2012. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- **IFRS 7 Financial Instruments – Disclosures (amendment)**

The IASB has introduced new disclosure requirements in IFRS 7. These disclosures, which are similar to the new US GAAP requirements, would provide users with information that is useful in (a) evaluating the effect of potential effect of netting arrangements on an entity's financial position and (b) analyzing and comparing financial statements prepared in accordance with IFRSs and US GAAP. The amended IFRS 7 is effective for annual periods beginning on or after 1 January 2013, but the amendment is not yet approved by the EU. The Group expects to implement the amended IFRS 7 as of 1 January 2013. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- **IFRS 9 Financial Instruments**

IFRS 9 as issued reflects the first phase of the IASBs work on replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. According to IFRS 9 financial assets with basic loan features shall be measured at amortized cost, unless one opts to measure these assets at fair value. All other financial assets shall be measured at fair value. The classification and measurement of financial liabilities under IFRS 9 is a continuation from IAS 39, with the exception of financial liabilities designated at fair value through profit or loss (fair value option), where change in fair value relating to own credit risk shall be separated and shall be presented in other comprehensive income. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. IFRS 9 is effective for annual periods beginning on or after 1 January 2015, but the standard is not yet approved by the EU. The Group expects to apply IFRS 9 as of 1 January 2015.

- **IFRS 10 Consolidated Financial Statements**

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013, but is not yet approved by the EU. The Group expects to apply IFRS 10 as of 1 January 2013.

Notes to the Accounts

- **IFRS 12 Disclosure of Involvement with Other Entities**

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013, but is not yet approved by the EU. The Group expects to apply IFRS 12 as of 1 January 2013.

- **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013, but is not yet approved by the EU. The Group expects to apply IFRS 13 as of 1 January 2013.

- **IAS 1 Financial Statement Presentation (amendment)**

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, but is not yet approved by the EU. The Group expects to apply the amended IAS 1 as of 1 January 2013.

- **Amendments to IAS 12 Income Taxes**

The amendments intend to provide a practical solution to a problem relating to investment properties that arises in certain jurisdictions. As a result of the amendments deferred tax on investment property measured at fair value is required to be determined using the rebuttable presumption that the carrying amount of the underlying asset will be recovered through sale (rather than use). The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through use. The amendments incorporate SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into IAS 12. As a result IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 Property, plant and equipment will always be determined on a sale basis. The amended IAS 12 is effective for annual periods beginning on or after 1 January 2012, but the standard is not yet approved by the EU. The Group expects to implement the amended IAS 12 as of 1 January 2012.

- **IAS 27 Separate Financial Statements (as revised in 2011)**

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. IAS 27 as revised in 2011 becomes effective for annual periods beginning on or after 1 January 2013, but the revised standard has not yet been approved by the EU. The Group expects to implement the revised IAS 27 as of 1 January 2013.

- **IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)**

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. IAS 28 as revised in 2011 becomes effective for annual periods beginning on or after 1 January 2013, but the revised standard has not yet been approved by the EU. The Group expects to implement the revised IAS 28 as of 1 January 2013.

- **IAS 32 Financial Instruments - Presentation (amendment)**

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneously. The amended IAS 32 is effective for annual periods beginning on or after 1 January 2014, but the amendment has not yet been approved by the EU. The Group expects to implement the amended IAS 32 as of 1 January 2014.

Notes to the Accounts

Note 4 Operating Revenues

Amounts in NOK 1000	NorDiag ASA		NorDiag Group	
	2010	2011	2011	2010
Operating revenues by category				
Sale of reagents and disposables	4 578	13 460	13 775	11 144
Sale of instruments****	13 676	11 472	9 928	17 170
Other*	1 203	4 436	6 579	2 603
Total	**19 457**	**29 368**	**30 282**	**30 917**
Geographical areas				
Scandinavia**	4 065	12 010	12 031	11 587
Central Europe	5 350	7 854	9 414	8 007
Asia****	8 312	3 370	3 853	9 146
North America***	1 246	4 979	3 537	1 673
Eastern Europe	319	455	658	325
Rest of the world	165	700	789	179
Total	**19 457**	**29 368**	**30 282**	**30 917**

* NorDiag Group: Includes reagents and disposables for the Magnatrix product line.
** NorDiag ASA: Sales from NorDiag ASA to NorDiag AB was 18% of NorDiag ASA's operating revenues in 2011 (22% in 2010).
*** NorDiag ASA: Sales from NorDiag ASA to NorDiag Inc was 11% of NorDiag ASA's operating revenues in 2011 (9,5% in 2010).
**** The decline in sales in Asia and instrument sales is mainly related to reduced purchases from Seegene Inc. in 2011.

Notes to the Accounts

Note 5 Governmental Grants / Other Revenues

Amounts in NOK 1000	NorDiag ASA		NorDiag Group	
	2010	2011	2011	2010
Per category				
The Norwegian Research Council; BiA and SkatteFUNN	1 742	1 038	1 038	1 742
Other	0	0	0	324
Total	**1 742**	**1 038**	**1 038**	**2 066**
Per Geographical areas				
Norway	1 742	1 038	1 038	1 742
Sweden	0	0	0	324
Total	**1 742**	**1 038**	**1 038**	**2 066**
Governmental grants registered as a reduction of investment				
SkatteFUNN	451	498	498	451

There are no unfulfilled conditions or contingencies attached to these grants.

Note 6 Payroll and Related Costs

Amounts in NOK 1000	NorDiag ASA		NorDiag Group	
	2010	2011	2011	2010
Wages and salaries	12 795	14 596	21 636	21 704
Social security tax	1 649	2 026	3 744	3 610
Pension costs	613	849	1 615	1 353
Cost of options and warrants	1 438	638*	807	2 632
Accrued Board Remuneration	690	685	685	690
Other benefits	458	498	831	914
Payroll and related costs	**17 643**	**19 292**	**29 318**	**30 903**
Man years employed at the end of period	**18.5**	**19.6**	**30.6**	**29.5**

* Included social security tax due to warrants "in the money" as of December 31, 2011.

The Company has a contribution-based pension plan. This pension plan complies with the requirements in regards to compulsory occupational pensions in Norway.

Cost of options and warrants are booked against other paid-in capital in the statement of financial position.

Notes to the Accounts

Note 7 Equipment and Other Fixed Assets

Amounts in NOK 1000	NorDiag ASA		NorDiag Group	
	2010	2011	2011	2010
IT, fixtures and fittings, equipment and machines				
Acquisition costs 01.01	4 740	7 852	9 608	10 155
Additions from merger with subsidiary Genpoint AS	3 500	0	0	0
Acquisitions	3 172	5 981	8 153	4 008
Retirement / sales	-3 560	-37	-498	-4 981
Public contribution - Norwegian research council	0	-20	-20	0
Effect of movement in exchange rates	0	0	3	426
Acquisition cost 31.12	7 852	13 776	17 246	9 608
Accumulated depreciation and impairment losses 01.01	-3 282	-3 695	-4 364	-5 757
Accumulated depreciation from merger with subsidiary Genpoint AS	-2 269	0	0	0
Accumulated depreciation retirement / sales	3 415	4	53	3 325
Depreciation for the year	-1 482	-1 399	-2 281	-1 775
Impairment for the year	-77	-76	-75	-77
Effect of movement in exchange rates	0	0	-15	-80
Accumulated depreciation and impairment for the year 31.12	-3 695	-5 165	-6 682	-4 364
Net carrying value at 31.12.2011	**4 157**	**8 610**	**10 563**	**5 244**

Depreciations are calculated using the straight-line method over the following estimated useful lives:

- Computers and other office equipment 3 years
- Fixtures and fittings 5 years
- Laboratory equipment and machinery 3–7 years*
- Instruments leased to customers 3–5 years

* Useful life ot the installed Arrow kit production line is 7 years which changes the useful lives for laboratory equipment and machinery from 3-5 years in 2010 to 3-7 years in 2011.

The depreciation period and method are assessed each year to ensure that the method and period used harmonize with the financial realities of the non-current asset. The same applies to the scrap value.

Government grants are recognized in the balance sheet, netted against the book value of the asset. Expenses incurred after the asset is taken in use, such as ordinary repairs and maintenance costs, are normally recognized in the income statement as incurred.

Machinery and plant in NorDiag ASA is in its entirety pledged as security for loan NOK 13.0 million from Innovation Norway.

Notes to the Accounts

Note 8 Intangible Assets

Amounts in NOK 1000				
NorDiag ASA	**Goodwill**	**Development costs**	**Patents and trademarks**	**Total**
Acquisition cost 31.12.09	0	16 519	420	16 939
Additions from merger with subsidiary Genpoint AS	9 306	37 433	1 286	48 025
Acquisitions	0	2 314	405	2 719
Government grants Norwegian Research council	0	-452	0	-452
Retirement*	0	0	0	0
Acquisition cost 31.12.10	9 306	55 815	2 111	67 232
Acquisitions	0	3 971	354	4 326
Government grants Norwegian Research council	0	-461	-17	-479
Retirement*	0	-30	-204	-233
Acquisition cost 31.12.11	9 306	59 295	2 245	70 845
Accumulated amortization and impairment at 31.12.09	0	-2 017	-14	-2 031
Accumulated depreciation from merger with subsidiary Genpoint AS	0	-15 768	-255	-16 023
Accumulated amortization retirement	0	0	0	0
Amortisation for the year	0	-2 844	-216	-3 060
Impairment for the year	0	0	0	0
Reversed impairments 31.12.10	0	0	0	0
Accumulated amortization and impairment at 31.12.10	0	-20 629	-484	-21 113
Accumulated amortization retirement	0	30	247	277
Amortization for the year	0	-5 552	-259	-5 811
Impairment for the year	-9 306	-28 466	-1 708	-39 480
Reversed impairments 31.12.11	0	0	0	0
Accumulated amortization and impairment at 31.12.11	-9 306	-54 618	-2 203	-66 127
Net carrying value at 31.12.11	**0**	**4 677**	**41**	**4 718**

Amortizations of own patents, in-licensed patent rights and trade marks is carried out using the straight line method over the estimated useful life. Amortisation is effected using the straight line over the estimated useful life of the asset, from time of commercial use in each individual marked.

Development costs recognized in the balance sheet are amortised using the straight-line method over the estimated life of the asset, which normally does not surpass 10 years. Capitalized development cost related to the acquisition of Genpoint Group is amortized over useful economic life for the intangible assets which ranges from 8 to 9,5 years.

R&D expenses for the NorDiag Group accounted for NOK 11.2 million in 2011 compared with NOK 12.3 million in 2010. Depreciation periods and methods are reconsidered yearly to ensure that the periods and methods used are in coherence with the realistic economical value of the individual asset.

Goodwill is related to synergies from the acquisition of Genpoint Group.

The impairment for the year (write down) is booked on a separate line in the statement of comprehensive income.

NOK 3.1 million of 2011 acquisitions of total NOK 3.9 million are related to internal capitalized development cost.

The conclusion from the impairment testing of goodwill and other intangible assets was that the recoverable amount of the cash generating unit of NOK 37.6 million was lower than the balance sheet value of NOK 85.1 million for the Group. This gives impairment, and write down of NOK 39.2 million of the intangible assets for NorDiag ASA was done.

The write down as a result of the impairment test is allocated as follows for NorDiag ASA	MNOK
Patents and trademarks	1.4
Goodwill	9.3
Capitalized development cost	28.3
Total write down	**39.2**

Remaining intangible assets in the financial statements for 2011	MNOK
Patents and trademarks	0.04
Goodwill	0
Capitalized development cost	4.677
Total intangible assets	**4.718**

Notes to the Accounts

Note 8 Intangible Assets, continued

Amounts in NOK 1000 NorDiag Group	Goodwill	Development costs	Patents and trademarks	Total
Acquisition cost 01.01.10	17 932	84 091	1 668	103 691
Acquisitions this year	0	4 098	405	4 503
Public contribution SkatteFUNN	0	-452	0	-452
Currency translation difference	660	2 626	0	3 286
Retirement	0	0	0	0
Acquisition cost 31.12.10	18 592	90 364	2 073	111 029
Acquisitions this year	0	3 971	354	4 326
Public contribution SkatteFUNN	0	-461	-17	-479
Currency translation difference	-28	-110	0	-138
Retirement	0	-30	-202	-231
Acquisition cost 31.12.11	18 564	93 734	2 209	114 507
Accumulated amortization and impairment at 01.01.10	0	-49 254	-231	-49 485
Accumulated amortization retirement	0	0	0	0
Amortization for the year	0	-4 743	-216	-4 959
Impairment for the year	0	0	0	0
Currency translation difference	0	-2 141	0	-2 141
Reversed impairments 31.12.10	0	0	0	0
Accumulated amortization and impairment at 31.12.10	0	-56 138	-446	-56 585
Accumulated amortization retirement	0	30	245	275
Amortization for the year	0	-5 508	-259	-5 767
Impairment for the year	-18 564	-27 585	-1 708	-47 857
Currency translation difference	0	145	0	145
Reversed impairments 31.12.11	0	0	0	0
Accumulated amortization and impairment at 31.12.11	-18 564	-89 057	-2 168	- 109 789
Net carrying value at 31.12.11	**0**	**4 677**	**41**	**4 718**

The conclusion from the impairment testing of goodwill and other intangible assets was that the recoverable amount of the cash generating unit of NOK 37.6 million was lower than the balance sheet value of NOK 85.1 million for the Group. This gives impairment, and write down of NOK 47.5 million of the intangible assets for NorDiag Group was done.

The impairment for the year (write down) is booked on a separate line in the statement of comprehensive income.

NOK 3.1 million of 2011 acquisitions of total NOK 3.9 million are related to internal capitalized development cost.

The write down as a result of the impairment test is allocated as follows for NorDiag Group	MNOK
Patents and trademarks	2.1
Goodwill	18.6
Capitalized development cost	26.8
Total write down	**47.5**

Remaining intangible assets in the financial statements for 2011	MNOK
Patents and trademarks	0.04
Goodwill	0
Capitalized development cost	4.677
Total intangible assets	**4.718**

Notes to the Accounts

Note 9 Impairment Testing of Goodwill and Other Intangibles

Goodwill acquired through business combinations has been allocated to one cash generating unit (sample preparation).

Carrying amount of goodwill allocated to the cash generating unit was NOK 18.6 million in 2011, compared to NOK 18.6 million in 2010. NOK 9.3 million of this was related to acquisition of NorDiag AB in 2006, and the rest (NOK 9.3 million) were related to NorDiag's acquisition of Genpoint in 2007. Genpoint AS was merged with NorDiag ASA 01.07.2010 and the goodwill, patents and capitalized development costs were merged into NorDiag ASA. The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections. The basis for the impairment test is 5 years projections.

NorDiag's current business model is to sell or lease automated sample preparation solutions (instruments, reagent kits and consumables) to clinical laboratories and hospitals. The product offering includes instruments that carry out automated sample preparation of multiple samples simultaneously, tailor-made software that controls the process in the instrument, and a collection of chemical compounds used in the sample treatment process, referred to as reagent kits and consumables (plastic ware, pipettes). NorDiag's competitive advantages are differentiated and attractively priced instruments covering both high/medium and low throughput needs, in addition to a strong portfolio of reagent kits with multiple applications to be covered on the same instrument platform. The Company has a unique competence in isolating nucleic acids and cells from difficult samples and tailoring the sample preparation solutions to downstream tests (assays). NorDiag's most important success criterion is to place as many instruments as possible with customers, in order to drive sales of reagent kits and consumables. The Company does so through direct sales and sales through distributors of its own brand name, as well as sales through OEM partners (white label).

NorDiag sold 138 Arrow instruments and 4 Bullet instruments in total in 2011. This gives an accumulated number of instruments sold by December 31 2011 of respectively, 382 Arrow and 44 Bullet instruments.

Gross margin for 2011 was 52% for the Group compared to 35% in 2010, and respectively 51% and 25% for NorDiag ASA. The reason for the improved margins is change in product mix, sales of more reagents vs instruments. Arrow reagent sales typically generate a gross margin of 70-80% direct sales and 40%-65% on distributor and OEM sales. The average margin for Bullet PRO isolation kits is approximately 70%-90% on direct sales and 60-80% on distributor sales.

The sale of instruments drives the sale of kits and disposables. An Arrow instrument in full operation typically generates isolations (number of set of kits and consumables for one test) corresponding to approximately NOK 45,000 – 90,000 per year. The corresponding figure for Bullet PRO is NOK 300,000 – 700,000 per year.

The Company has carried out a strategic process with the aim to either offer its shareholders an exit opportunity, or to satisfy the Company's long-term financing requirements. This process has so far not brought results.

The Company has secured an additional fund raising to take the Company through 2012, combined with the cost cutting program.

Operating revenues projections are based on conservative estimates due to revenue delays. The Company has reduced the operating expenses to match contribution of sales in order to reach break even on the current run rate of sales.

The pre-tax discount rate applied to cash flow projections is 11.8%, and cash flow beyond the 5-year period is extrapolated using an average growth rate of 2.5%. This is an increase of 1.4% compared to 2010 (10.4%) The assumptions represent evaluation of future markets for this business, and are based on both external and internal sources. The discount rate reflects the current market assessment of the risks specific to the cash generating unit. The impairment test has been performed based on the value in use related to the cash generating unit.

The conclusion from the impairment testing is that the recoverable amount of the cash generating unit of NOK 37.6 million is lower than the balance sheet value of NOK 85.1 million. This gives impairment, and a write down of NOK 47.5 million of the goodwill, patents and capitalized development cost.

The calculation of value in use for the cash generating unit is most sensitive to the following assumptions:

- Discount rate (WACC)
- Development in revenues
- Terminal value

The discount rate reflects the management's estimate of the risk specific to the cash generating unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

The development in revenues is based on conservative estimates going forward.

Notes to the Accounts

Note 9 Impairment Testing of Goodwill and Other Intangibles, continued

A terminal value based on 2.5% growth is included in the net present value analysis

- An increase of 12.5% of future revenues will have lead to no write down of goodwill, patents and development costs.
- An decrease of the discount rate (WACC) from 11.8% to 8.1% will have lead to no write down of goodwill, patents and development costs.
- An decrease in terminal value from 2.5% to 1% will have lead to a write down of NOK 54.9 million of goodwill, patents and development costs.

Note 10 Other Operating Expenses

Amounts in NOK 1000	NorDiag ASA		NorDiag Group	
	2010	2011	2011	2010
Administrative costs	8 488	8 140	10 790	12 102
Operational costs	1 007	1 392	1 392	1 306
Research and development costs	4 558	4 692	4 692	4 481
Sales distribution and marketing costs	4 030	4 854	5 325	4 895
Other operating expenses	**18 083**	**19 078**	**22 199**	**22 784**

Notes to the Accounts

Note 11 Financial Income and Expenses

Amounts in NOK 1000	NorDiag ASA		NorDiag Group	
	2010	2011	2011	2010
Financial income				
Interest income	981	206	212	984
Interest income from group companies	999	1 321	0	0
Gain on sales of shares in Olerup International AB	0	6 926	0	0
Other financial income	23	2	2	23
Agio	3 428	3 430	3 713	2 916
Total financial income	**5 431**	**11 885**	**3 927**	**3 923**
Financial expenses				
Interest expenses long term loan Innovation Norway	511	601	601	511
Interest expenses bridge loan**	0	1 075	1 075	0
Other interest expenses	0	130	143	0
Unrealized loss of investment and loan in NorDiag AB*	29 329	36 895	0	0
Unrealized loss of investment and loan in NorDiag Inc.*	0	30 448	0	0
Other financial expenses	6	254	287	19
Disagio	2 114	2 456	2 712	2 610
Total financial expenses	**31 960**	**71 859**	**4 818**	**3 140**

* See note 18.

** Bridge loan was established in 2011 anticipating share capital issue in December 2011.

An evaluation of the sales revenues from the acquisition of NorDiag AB (in March 2007) indicated that the investment was impaired.

As a result, NorDiag ASA recognized an impairment charge on the shares in NorDiag AB of NOK 29.3 million in 2010, and NOK 9.7 million in 2011. In addition, NOK 27.2 million of the total conditional shareholder contribution was written down in 2011. Total amount of investments in NorDiag AB of NOK 36.9 million was written down in 2011.

An evaluation of loan/investment from NorDiag ASA to NorDiag Inc was performed and a the total amount of NOK 30.4 million was written down in 2011.

Notes to the Accounts

Note 12 Income Taxes

Amounts in NOK 1000	NorDiag ASA		NorDiag Group	
	2010	2011	2011	2010
Income tax expense				
Tax payable	0	0	0	-3 130
Changes in deferred tax	0	0	0	0
Total income tax expense	**0**	**0**	**0**	**-3 130**
Tax base calculation				
Profit before income tax	-59 436	-125 973	-88 385	-32 381
Profit from Genpoint AS for the period 01.01.2010 - 30.06.2010*	-50	0	0	0
Share issue expenses charged to share premium fond	-1 269	-2 938	-2 938	-1 269
Permanent differences	29 778	67 148	-53	1 196
Change in temporary differences	-205	39 521	40 464	992
Tax base	**-31 182**	**-22 242**	**-50 912**	**-31 463**
Temporary differences				
Non current assets	20 304	-20 687	-20 692	21 015
Inventory	-50	-179	-343	-50
Long-term receivables	185	1 129	1 129	185
Receivables/liabilities	-880	-119	-182	-880
Net pension liabilities	120	16	16	120
Loss carried forward from Genpoint AS **	-94 851	0	0	0
Loss carried forward	-174 187	-291 281	-344 461	-308 048
Total	-249 359	-311 123	-364 533	-287 657
Net deferred tax asset	69 820	87 114	103 222	81 843
Deferred taxes not capitalized	69 820	87 114	103 222	81 843
Deferred tax recognized in the balance sheet	**0**	**0**	**0**	**0**

* Profit before Genpoint AS merged with NorDiag ASA. For the financial accounts of NorDiag ASA the merger came to effect on July 1, 2010.

** The merger between NorDiag ASA and Genpoint AS is based on continuity for tax purposes.

Future tax benefit in form of loss carried forward was accumulated MNOK 98.1 as of December 31, 2011 in the NorDiag Group. This is mainly related to NorDiag ASA (MNOK 81.5).

Notes to the Accounts

Note 13 Earnings per Share

	Number of shares	Nominal value	Share capital
1999: Establishment of NSGIC AS	2 000	50,00	100 000,00
2002: Merger NSGIC AS/NorDiag AS	20 000	50,00	1 000 000,00
2005: Share issue Novel Diagnostics ASA	30 000	50,00	1 500 000,00
2005: Share split 1:500	15 000 000	0,10	1 500 000,00
2005: Share issue Novel Diagnostics ASA	16 007 425	0,10	1 600 742,50
2005: Public share issue	23 507 425	0,10	2 350 742,50
2007: Share issue consideration shares	33 307 407	0,10	3 330 740,70
2007: Share issue private placement	37 147 345	0,10	3 714 734,50
2007: Share issue public placement	38 323 815	0,10	3 832 381,50
2008: Share issue public placement	53 437 559	0,10	5 343 755,90
2009: Share issue public placement	120 651 686	0,10	12 065 168,60
2009: Share consolidation	12 065 169	1,00	12 065 169,00
2009: Exercise of A warrants	12 065 282	1,00	12 065 282,00
2009: Private placement	54 065 282	1,00	54 065 282,00
2010: Share issue public placement	62 065 282	1,00	62 065 282,00
2010: Exercise of B warrants	62 396 617	1,00	62 396 617,00
2010: Private placement	68 603 145	1,00	68 603 145,00
2011: Reduction of nominal value	68 603 145	0,02	1 372 062,90
2011: Public placement	270 976 611	0,02	5 419 532,22
2011: Public placement	279 880 720	0,02	5 597 614,40
Issued shares 31.12.2011	**279 880 720**	**0,02**	**5 597 614,40**
20.03.2006: 3-year option program	1 500 000		
12.05.2006: 3-year option program	120 000		
16.03.2007: Conversion and new option plan - net change	1 650 000		
18.06.2008: Conversion and new 3-year option plan - net change	500 000		
19.02.2009: Neutralize the diluting effect of the rights issue	8 482 500		
15.05.2009: Share consolidation	-11 027 250		
18.12.2009: Neutralize the diluting effect of the rights issue	3 216 312		
26.05.2010: New option program	1 479 034		
02.12.2011: New Warrants program	47 807 413		
31.12.2011: Terminated options/warrants	-951 343		
Diluted number of shares 31.12.2011	**332 652 928**		
		Issued shares	**Diluted shares**
Weighted average number of shares 2005		13 271 143	13 271 143
Weighted average number of shares 2006		23 507 425	25 032 643
Weighted average number of shares 2007		35 090 008	38 016 258
Weighted average number of shares 2008		44 621 208	48 591 208
Weighted average number of shares 2009		46 133 375	58 499 451
Weighted average number of shares 2010		62 489 555	67 789 429
Weighted average number of shares 2011		77 035 373	289 780 809

Notes to the Accounts

Note 13 Earnings per Share, continued

NorDiag has one class of shares and the shares are without any restrictions in their transferability.

NorDiag's articles of association contain no voting rights differentiation, no restrictions on the number of votes that can be cast, and no other restrictions of shareholders rights.

Ordinary shares are classified as equity. Expenses that are directly attributable to the issue of ordinary shares are included as a reduction of equity (share premium fund).

In December 2011, the Company completed a public placement. A total of 192,084,481 new shares were allocated in the rights issue. 175,655,518 new shares were allocated to subscribers in the rights issue, and 16,428,963 new shares were allocated in accordance with the underwriting agreement entered into with existing shareholders and new investors in relation to the rights issue. 176,802,865 shares in the rights issue were allocated at a price of NOK 0.08 per share. 15,281,616 shares in the rights issue were allocated at a price of NOK 0.056 per share to the underwriters that were allocated more shares than their pro rata shareholding per October 10, 2011. Through the rights issue, the Company received a gross proceeds of approximately NOK 15 million. In the conversion issue, a total of 19,193,094 new shares were allocated, whereof 10,288,985 new shares were allocated to underwriters as set off against the underwriting fee, and 8,904,109 new shares were allocated to the bridge finance lenders as set off against the interest on the bridge loan. Price per share in the conversion issue was NOK 0.056 per share. Through the conversion issue, the Company received a gross proceeds of approximately NOK 1.1 million. The proceeds received by the Company through were set-off against underwriting commission to the underwriters in the rights issue and interest on the bridge loan to bridge finance lenders. The new share capital of the Company is NOK 5,597,614.40 divided into 279,880,720 shares, each with a nominal value of NOK 0.02.

December 20, 2011 47,807,413 warrants were issued to key persons in the Company for exchange of reduction in salary, which was reduced to 43,387,537 warrants due to termination of employee contracts in Q1-2012. 1 warrant for each NOK 0.08 reductions in salary. The warrants expire December 31, 2013, and the exercise price is NOK 0.08.

The basic earnings per share amount are calculated as the ratio of the profit for the year attributable to ordinary shareholders. The weighted number of ordinary shares outstanding in 2011 is 77,035,373 compared to 62,489,555 in 2010. The basic earnings per share in 2011 are negative with NOK – 1.16 compared to NOK – 0.64 in 2010.

The diluted earnings per share amounts are calculated by the weighted average number of ordinary shares outstanding during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The weighted average number of diluted shares per December 31, 2011 is 289,780,809 compared to 67,789,429 in December 31, 2010.

Note 14 Inventories

Amounts in NOK 1000	NorDiag ASA		NorDiag Group	
	2010	2011	2011	2010
Raw materials	729	957	957	729
Work in progress	0	0	0	0
Finished goods	2 213	6 258	12 962	9 610
Accrual for obsoleteness	-50	-179	-179	-78
Total	**2 892**	**7 036**	**13 740**	**10 261**

Inventory, including work in progress, are valued at the lower of cost and fair value less costs to sell after provision for obsolete inventories. Inventories are measured using the FIFO principle.

DNB has first priority pledge in inventory of NorDiag ASA, and Innovation Norway has second priority pledge in the inventory of NorDiag ASA.

Notes to the Accounts

Note 15 Receivables

Amounts in NOK 1000	NorDiag ASA		NorDiag Group	
	2010	2011	2011	2010
Account receivables	4 444	1 969	5 694	16 156
Provision for bad debt	-880	-119	-302	-1 645
Intercompany receivables	2 637	0	0	0
Interest bearing receivables	0	0	0	1 488
Pre-payment suppliers	692	1 185	1 351	880
The Norwegian Research Council, SkatteFUNN	1 126	1 090	1 090	1 126
Pension premium fund	120	16	16	120
Other receivables	2 289	640	1 006	3 248
Total	**10 428**	**4 782**	**8 855**	**21 374**

The provision for bad debt decreased by NOK 1.3 million in 2011 for the Group (NOK 0.8 million for NorDiag ASA compared to 2010). Of the provision for bad debt per December 31, 2010, NOK 0.8 million has been recovered, NOK 0.3 million has been realized as loss and NOK 0.2 million is reduction related to discontinued operations deconsolidated in 2011. Of the provision for bad debt per December 31, 2010, in NorDiag ASA, NOK 0.4 million has been recovered and NOK 0.5 million has been realized as loss in 2011.

Aging Account Receivables								
NorDiag ASA		**Total**	**Neither past due nor impaired**	**<30 days**	**30–60 days**	**60–90 days**	**90–120 days**	**>120 days**
	2011	1 850	1 760	66	21	0	3	0
	2010	3 564	1 788	1 545	13	218	0	0
NorDiag Group								
	2011	5 392	3 624	810	81	0	295	582
	2010	14 511	8 878	3 839	65	243	398	1 088

DNB has first priority pledge in account receivables of NorDiag ASA and Innovation Norway has second priority pledge in accounts receivable of NorDiag ASA.

Notes to the Accounts

Note 16 Accounts Payable and Other Current Liabilities

Amounts in NOK 1000	NorDiag ASA		NorDiag Group	
	2010	2011	2011	2010
Accounts payable	5 267	7 354	8 308	10 880
Intercompany payables	5 968	0	0	0
Unpaid government charges and VAT	1 263	1 659	2 226	2 175
Tax payable	0	0	0	2 057
Accrued vacation pay	1 519	1 606	2 139	2 195
Accrued board remunerations	685	685	685	685
Accrued costs	2 391	1 350	1 505	3 658
Pre-payment from customers	37	0	347	587
Short-term loan Innovation Norway*	1 042	2 833	2 833	1 042
Interest bearing short term loan**	0	2 943	2 997	4 314
Total	**18 171**	**18 430**	**21 040**	**27 593**

* Share of total loan from Innovation Norway due in 2012 (MNOK 0.7 due in the second month per quarter). Total loan is Mnok 13 as per Dec 31, 2011.
** Loan DNB (MNOK 2.89) was originally due on March 7, 2012. Tenure was on March 5th 2012 extended to May 15, 2012.

Note 17 Restricted Cash

Amounts in NOK 1000	NorDiag ASA		NorDiag Group	
	2010	2011	2011	2010
Employees tax deduction, deposited in a separate bank account	691	1 002	1 002	878
Deposits house rent	499	507	507	521
Total restricted cash and cash equivalents	**1 190**	**1 509**	**1 509**	**1 399**

Notes to the Accounts

Note 18 Investments and Loans in/to Subsidiaries

Amounts in 1000	Acquisition date	Location	Currency	Share capital	Number of shares	Share ownership	Voting Rights
Shares owned by NorDiag ASA							
NorDiag Inc.	01.07.2007	Atlanta	USD	0	0	100 %	100 %
NorDiag AB*	01.03.2007	Stockholm	SEK	165	165	100 %	100 %
Total investments							

Amounts in 1000	Book value 01.01.11 (kNOK)	This year's impairment	Book value 31.12.11 (kNOK)	Equity	Net profit 2011
Shares owned by NorDiag ASA					
NorDiag Inc.	0	0	0	-4 201	-1 540
NorDiag AB*	15 170	-9 701	5 469	6 015	-6 136
Total investments	**15 170**	**-9 701**	**5 469**		

*) Equity includes conditional shareholder contribution from NorDiag ASA of SEK 31.3 million. The book value of the shares was in 2011 written down by NOK 9.7 million. In addition the conditional shareholder contribution of NOK 27.1 million was written down to 0. Accumulated write down of shares and conditional shareholder contribution in NorDiag AB is per 31.12.2011 NOK 66.5 million.

Olerup International AB was sold with effective date June 1, 2011. Book value of the shares was 42.000 NOK as of 31.12.2010.

Amounts in 1000	31.12.2010	Change during 2011	Write down[1] during 2011	31.12.2011
Intercompany loans				
NorDiag Inc - loan / investment	17 355	13 093	-30 448	0
NorDiag AB - loan / investment	8 078	-5 698	0	2 380
NorDiag AB - conditional shareholder contribution	20 308	6 885	-27 193	0
Total loans / investments	**45 741**	**14 280**	**-57 641**	**2 380**

[1] Presented in a separate line in the statement of comprehensive income under financial items. (Write down of investment in subsidiaries).

NorDiag ASA's wholly owned subsidiary Genpoint AS was with effect from July 1, 2010, merged with NorDiag ASA. Total value of the Genpoint Group was NOK 86.1 million as of January 1, 2010. As a result of the merger the shares of NorDiag AB were transferred to NorDiag ASA and the value of the Genpoint Group was eliminated. The value of NorDiag AB on July 1, 2010 was NOK 44.5 million.

An evaluation of the sales revenues from the acquisition of NorDiag AB (in March 2007) indicates that the investment is impaired. The fair value analysis based on estimated discounted cash flows is lower than the carrying value of the investment. As a result, NorDiag ASA recognized an impairment charge on the shares in NorDiag AB of NOK 9.7 million in 2011. The analysis is based on the assets value in use. The pre-tax discount rate applied to cash flow projections is 11.8%, and cash flow beyond the 5-year period is extrapolated using an average growth rate of 2.5%.

The assumptions represent an evaluation of current and future markets for NorDiag AB. The discount rate reflects the current market assessment of the risks specific in the market where the Company operates. The discount rate is estimated based on the average percentage of a weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the investment.

In addition, NOK 27.2 million of the total conditional shareholder contribution was written down in 2011. Total amount of investments in NorDiag AB of NOK 36.9 million was written down in 2011 An evaluation of loan/investment from NorDiag ASA to NorDiag Inc was performed and a total amount of NOK 30.4 million was written down in 2011.

NorDiag ASA has issued a capital contribution guarantee to NorDiag AB that is valid until March 2013. This guarantee may not exceed SEK 3 million. If all shares in NorDiag AB are sold or otherwise transferred the guaranty expires.

Notes to the Accounts

Note 19 Segment Information

NorDiag entered into an agreement to sell all of its shares in Olerup International AB to LinkMed AB (publ) for a cash consideration of SEK 8 million, June 1 2011. The transaction included Olerup International's wholly-owned subsidiary Olerup GmbH (Austria). The cash payment for the shares was divided into two tranches, whereby SEK 5 million was paid upon the transfer of the shares and SEK 3 million is payable no later than 31 October 2011. The initial investment by NorDiag in Olerup International in 2009 amounted to SEK 50,000. The distribution agreement for NorDiag's Arrow instrument and kits was terminated upon the transfer of the shares, and NorDiag will accordingly take direct responsibility for the accounts in the previous HLA segment. From June 1 2011, no segment information will be reported since the sample preparation segment is NorDiag's only business. This is in line with the performance reporting to management.

Sample Preparation segment:

The Group offers instruments, software and kits for sample preparation for infectious diseases (sexually transmitted infections, tuberculosis, virus infections VRE and MRSA among others).

Note 20 Commitment and Contigencies

Future minimum rentals payable under non-cancellable operating leases as of December 31, are as follows:

Amounts in NOK 1000	NorDiag ASA		NorDiag Group	
	2010	2011	2011	2010
Within 1 year	614	1 339	2 170	1 641
Within 1–5 years	73	2 664	4 311	1 829
Over 5 years	0	0	0	0
Total	**687**	**4 004**	**6 481**	**3 470**

At December 31, 2011, the group had commitments of kNOK 6,481 mainly related to operational lease of lab and office facilities and company cars.

Innovation Norway

Machinery and plant first priority pledged as security for loan of NOK 13 million. Inventory and accounts receivables second priority pledged as security for loan of NOK 13 million.

DNB

Inventory and accounts receivables first priority pledged as security for loan of NOK 2.9 million.

Notes to the Accounts

Note 21 Risks

NorDiag pro-actively manages the risks related to its business and regularly analyzes its operations and opportunities for risk factors and measures that can reduce risk exposure. The Board has established an Audit Committee to help the Board deal with accounting and other relevant items, and to follow up internal control and risk management. The Audit Committee meets in connection with the presentation of the annual and interim accounts.

Financial Risks

Credit risk

Credit risk is the potential loss arising from any failure in the ability or willingness of a counter party to fulfil its contractual obligations, as and when they fall due. NorDiag has considered the credit risk to be relatively low as the Group's customers are well established system integrators in the diagnostic field or publicly owned hospitals. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant. As of December 31, 2011, a provision for potential bad debt of NOK 0.3 million of total revenues was booked, based on evaluation of growth, customers and market standard. The maximum exposure as of December 31, 2011, was the carrying amount of accounts receivables of NOK 5.4 million.

Foreign currency risk

NorDiag has a substantial portion of its primary capacity based in Norway and its accounting and reporting currency is NOK. At present, the Group's income and the main share of expenses are in NOK, SEK, USD and EUR currencies. Fluctuations in currency rates towards NOK can substantially affect the revenues and costs of the Group. As a main rule under the Group's currency policy, the Group does not hedge its foreign exchange exposure, but at a later stage the Group may from time to time enter into forward currency contracts in order to hedge larger single items that affect cash flows. The future expansion plans in the Nordic region, Europe, Asia, as well as the United States will in the next years increase the Group's foreign currency risk. The main currency risk affecting net profit (loss) in 2011 is related to fluctuations in EUR. A decrease in EUR exchange rate by 10% would decrease the net profit (loss) by NOK 2,9 million (4,2% of total revenues).

Total exposure related to intercompany loans in currency as of December 31, 2011 is shown below:

- Loan to NorDiag AB [1] 2,380 kSEK

All loans have currency effect for the NorDiag Group.

[1] Currency effect in NorDiag ASA.

The Group will regularly consider to what extent exchange rate related risks ought to be hedged using financial instruments.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits and all other monetary instruments with maturity of less than three months after the date of purchase. The Group had NOK 212,000 in financial income in the twelve months ended December 31, 2011, and fluctuation in the interest rates may impact the return on cash. The Group has a loan from Innovation Norway, which as of December 31, 2011 amounted to NOK 13 million. Total interest expenses related to the loan in the twelve months ended December 31, 2011 was NOK 601,000. NorDiag has established a short term loan of NOK 2.9 million with the Company's bank connection, DNB Bank ASA in July 2011. Accumulated interests related to this short term loan in the twelve months ended December 31, 2011 was NOK 202,000.

Liquidity risks

Liquidity risk is the potential loss arising from a company's inability to meet its contractual obligations when due. The management of the Group endeavours to monitor the risk for a shortage of funds by the use of a liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets and projected cash flows from operations. In order to successfully execute the outlined strategies, and to flexibly and effectively react to new opportunities and threats arising, NorDiag may seek to raise additional capital through equity issues, debt financing, collaborative arrangements, strategic alliances or from other sources. If NorDiag is unable to generate adequate funds from operations or from additional sources, the business, results of operations and financial condition may be materially and adversely affected. Moreover, the Group's ability to obtain such additional capital may be significantly affected by the general economic conditions at that particular point in time.

Notes to the Accounts

Note 21 Risks, continued

The Company´s shareholders has resolved to issue shares for up to NOK 15 million in a rights issue. NOK 8,140,000 of the subscription is guaranteed by a syndicate of major shareholders. Combined with the effectuated cost cutting program, the Board is of the opinion that a platform for going concern is secured. In the event that the funds received from the rights issue will not exceed the guaranteed subscription, the Company may face liquidity challenges in Q4 2012, due to repayment and installments on the loans. The Company has a good dialogue with its creditors which is supportive, but a new minor share issues may have to be initiated a to meet the repayment schedules.

Operational Risks

Inadequate quality and cost/benefit value
The quality and testing costs of the Group's products are key elements in the success of the business of the Group. The Group cannot assure that its products will be perceived as having a competitive price/quality balance in the Group's main target markets.

Successful completion and commercialisation of products may not be achieved. In addition, R&D processes may take longer than projected. It may also result in a lower accuracy improvement than projected.

The Group's development programs, including the further development and automation of currently marketed products, the development of additional products and the improvement of laboratory processes, may not develop in line with projected time lines and funding requirements, may yield disappointing results when tested, or fail altogether.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

2011	Less than 3 months	3–12 months	1–5 years	> 5 years	Total
Interest bearing debts, Innovation Norway	722	2 165	10 369	0	13 256
Short-term loan DnB	2 943	0	0	0	2 943
Accounts payable	8 308	0	0	0	8 308
Other current liabilities	4 079	2 823	0	0	6 902
Future commitments *	1 957	1 722	4 326	0	8 005
Total	**18 008**	**6 709**	**14 696**	**0**	**39 414**

2010	Less than 3 months	3–12 months	1–5 years	> 5 years	Total
Interest bearing debts	8	1 042	8 958	0	10 008
Draft facility	0	0	0	4 314	4 314
Accounts payable	10 880	0	0	0	10 880
Other current liabilities	8 885	2 472	0	0	11 357
Future commitments *	5 744	11 317	1 829	0	18 890
Total	**25 517**	**14 831**	**10 788**	**4 314**	**55 449**

* Contractual purchase and leasing commitments.

Notes to the Accounts

Note 21 Risks, continued

Market demands are subject to change, and accordingly, the Group's R&D staff will continually investigate novel technology that could strengthen the Group's competitiveness in the evolving area of sample preparation. The Group may need to develop or acquire methods, technologies or companies to increase product performance, with all ensuing risks and costs.

Licensing costs
To maintain attractive margins, it is important to keep potential licensing fees low. The Group may choose to utilise third party technology or equipment and enter into agreements, and such agreements may increase such costs and thereby lead to a reduced margin.

Loss of key personnel and/or inability to recruit key resources
The attraction and retention of senior management and skilled personnel is a critical factor in the successful execution of the Group's strategy as an international biotech company. Failure to recruit or retain senior management and skilled personnel, or more generally maintain good employee relations, could compromise achievement of the Group's strategy and cause disruption to the management structure and relationships, an increase in costs associated with staff replacement, lost business relationships or reputational damage.

Failure to meet ethical and social standards
Failure to meet ethical and social standards could harm the Group's reputation and business. Incidents of ethical misconduct or non-compliance with applicable laws and regulations could be damaging to the Group's reputation, competitiveness and shareholder value.

Incorporation of the Group's products with third parties' products and product liability
Some of the products supplied by the Group are composed of parts supplied by third parties. Furthermore, the Group supplies products to third parties for incorporation into their products. Such products and the Group's other products may be subject to product liability claims (from customers and distributors). The Group has obtained product liability insurance, but there could be instances where liability claims are not covered by such insurance.

Subcontracting/external suppliers
The Group sources instruments and certain other components from external manufacturers and suppliers. To the extent that these companies for any reason should be unable to meet their delivery obligations and schedules to the Group, this may contribute to reducing sales growth for the Group, and/or cause the Group to default on its delivery obligations to its customers.

To the extent that an external supplier ceases to supply the equipment or components in question, finding alternate suppliers may involve substantial time and cost, and no assurances can be given that such alternate suppliers may be retained on similar terms as the present situation.

Disputes
The Group may from time to time be involved in disputes, including disputes regarding intellectual property rights, with all ensuing risks and costs.

Market Risks

Introduction
Market risk is an inherent characteristic of being a company in the rapidly advancing field of gene based diagnostics and life sciences. The Group endeavours to monitor international scientific and business developments and to proactively develop the product offering further to strengthen the Group's competitive position.

Limited or no reimbursement
The pursuit of governmental reimbursement of clinical products internationally is a risk prone process. For new tests introduced to the market, decision makers may take several years more than projected to grant the tests reimbursement, or they may reimburse the tests only partly, or conclude negatively altogether on reimbursement of the tests. The Group delivers products that could be used as part of genetic testing processes. It is the suppliers of the actual tests that carry the reimbursement responsibility. However, if the Group supplies sample preparation solutions used as part of a third party test process that loses the entitlement of reimbursement, the sales of the Group's sample preparation in these cases will be reduced.

Limited partner effectiveness
The Group has limited control over its distributors' and partners' effectiveness in distributing and marketing the products in countries or regions where the Group does not sell directly. Although the Group intends to establish binding performance measures, the distributors or partners may not prioritize the Group's products.

As the Group does not have considerable marketing resources, the Group is dependent on agreements with larger partners that can market the products efficiently in each region. In the event the Group's present marketing partners cancel the collaboration contract with the Group, this may have a negative impact on the Group.

Increased competition, substitutes and price pressure
The market for the Group's products is substantial and

Notes to the Accounts

Note 21 Risks, continued

is widely expected to grow strongly. This has already attracted a number of companies to the field, some of which have significantly more resources than the Group to invest in research and development, technology acquisition, marketing and distribution. This may result in increased competition in the market. In all health care markets, third party players, such as governments and insurance companies, represent a substantial concentration of market power, with a strong interest to curtail expenditures. Price pressure can take place in some market segments and have a negative effect on the profitability of the Group.

Slow market adoption
The market for the Group's products may not develop at the pace or to the size that the Group projects.

Limited acceptance among clinical laboratories and results of clinical studies
If general decision makers in clinical laboratories do not endorse the Group's products, and/or in the event that clinical studies provide negative conclusions relating to the products, sales are likely to be negatively affected.

Regulatory requirements and other governmental regulation risk

Approval of products may be needed in order to access markets
Products intended for use as *in vitro* diagnostic medical devices need CE ("Conformité Européenne" or in English "European Conformity") marking to show conformity to the European IVD directive to ensure that only safe and functional products are sold in the European market. Similar requirements exist for the US market controlled by the US Food and Drug Administration (FDA). As of today there are no FDA approval requirements for the Company's products. Failure to comply with regulatory or governmental requirements can lead to delays, higher development costs and/or loss of commercialisation potential.

Limited freedom to operate/IPR
There may be substantial costs associated with the protection and/or enforcement of the Group's intellectual property rights, and the Group may be unable to protect or enforce its intellectual property rights. Litigation may prevent the Group from selling the products over a substantial period of time. The Group may not be able to achieve freedom to operate for its products in markets that are important to the Group's success.

In cases where technology has been in-licensed, the Group may experience setbacks if licensing partners are unable to protect or enforce the intellectual property rights. In the case of non-exclusive in-licensing, the Group may face increased competition due to licensing agreements being granted to other companies.

Patent protection and dependence on know-how
The Group seeks to protect its intellectual property rights the best way possible by using a combination of active patenting and trade secret protection. For patenting, this involves the filing of patents, defending patents that have been granted and obtaining approval of pending patent applications. There is a risk that patents that the Group has filed, or will file in the future, will not be granted. Furthermore, patents that are already granted may be challenged by other parties. Whether patent protection is available in all cases is uncertain and represents complex legal and scientific issues. In addition, the Group depends on internal know-how and expertise, which may not be subject to regulatory protection and may with time be diluted.

Notes to the Accounts

Note 22 Payroll and Benefits to Management and Board of Directors, and Transactions with Related Parties

Amounts in NOK 1000									
2011	Board remune-ration	Consul-tancy fee	Salaries	Pension cost	Other benefits	Total saleries & benefits 2011	Number of allocated options	Number of Warrants	Allocated value of options and Warrants
Management team									
Mårten Wigstøl, CEO	0	0	1 786	57	17	1 860	915 291	12 403 125	1 488
Tone Kvåle,** CFO	0	0	1 541	57	18	1 616	625 175	6 879 600	825
Erik Hornes, CSO	0	0	1 523	57	25	1 605	855 291	6 792 587	815
Board members *									
Robert V. Ahlgren,*** Executive Chairman	100	634	0	0	0	734	115 058	3 073 975	369
Hans Hekland, Deputy Chairman	200	0	0	0	0	200	0	0	0
Ann-Kristin Hageløkken, Board member	100	0	0	0	0	100	0	0	0
Mathias Uhlén, Board member	100	0	0	0	0	100	0	0	0
Greta Bentzen, Board member	100	0	0	0	0	100	0	0	0
Total	**600**	**634**	**4 850**	**171**	**60**	**6 315**	**2 510 815**	**29 149 287**	**3 497**

* Remuneration approved by the general assembly and paid in 2011.
** As of March 9, 2012 Tone Kvåle resigned from the position as CFO in NorDiag ASA.
*** Robert V. Ahlgren has entered into a consultancy agreement through a separate company for the provision of certain services to the Company. The agreement provides that Mr. Ahlgren is entitled to a lump sum of USD 60,060 in the event of a change or acquisition of control of the Company that leads to a termination of the consultancy agreement by the Company or a resolution to remove Mr Ahlgren from the Board of Directors by the General Meeting.

Determination of salaries and other benefits to the Company's CEO and other employees for 2011:

The main principle in NorDiag's managerial salary policy is that key employees shall be offered competitive terms, so as to avoid excessive turnover in the Company's top management. The Company shall offer salary levels that reflect average salary levels in comparable companies in Norway.

Salary and other benefits for leading employees have during the current year been established in accordance with the above-mentioned main policy.

For the fiscal year 2011 the determination of salaries and additional compensation to the Company's Management will be decided in accordance with the above noted main principle and is further detailed as follows:

1. The base salary for each member of the Company's Management shall be competitive and based on the individual's experience, responsibilities, as well as achieved results.
2. The salaries and other benefits shall be annually adjusted.
3. As a guideline, leading employees may be granted remuneration in addition to base pay (bonus), though limited to a percentage of base pay and contingent on reaching specific goals, and such that total compensation reflects the average. The management has a bonus scheme included in their employment contracts, in which members of the management may receive up to 20% of their base pay as bonus. The assessment criteria is divided into two parts where 40% is based on the Company's performance and 60% is based on the individual performance. For 2011 the bonus scheme is divided into quarterly arrangements connected to quarterly KPIs.

Notes to the Accounts

Note 22 Payroll and Benefits to Management and Board of Directors, and Transactions with Related Parties, continued

In addition, the Board of Directors has for 2011 allocated additional bonus, maximized to NOK 1.6 million to honor achievements of specific strategic targets.

Leading employees have free phone and cell phone, free newspaper and broadband.

The Company offers ordinary defined contribution pensions to all employees, managers included. Contribution comprising between 5% - 8% of the employee's salary, maximized to a percentage of 12G.
The Company's Chief Executive Officer has agreed to a 6-months mutual resignation period. The Company has the option to impose a 6-months non-compete period following the resignation period, on the condition that the CEO's salary is upheld in the non-compete period. As of December 31, 2010 no members of the Company's administrative, management or supervisory bodies, other than Mårten Wigstøl have service contracts with the Company that provide for benefits upon termination of employment.

The Company offers the Company's CEO, managers and key employee's options to subscribe to shares in the Company. At the Extraordinary General Meeting held on December 18, 2009, it was resolved in relation to the option scheme in the Company to neutralize the diluting effect of the share capital increase by approving that up to 3,216,312 options additionally may be issued to the Company's management, employees and key personnel. Further, the option price (strike) for all options issued was adjusted so that the option price is NOK 2.0302, which was the average trading price 2 days prior to the date of the Extraordinary General Meeting on December 18, 2009. There is a total of 4,134,552 options issued to the Company's management and employees within the limit of 4,437,104 options. The options can be exercised within 36 months from the time of issue, which was June 23, 2008, and can be exercised only in the exercise period. The Board proposed in the General Meeting on May 4, 2010 to prolong the current option program by 12 months to 48 months, June 23, 2008, to June 23, 2012.

The Board proposed to increase the limit of options to be issued to management, employees and key personnel with 1,479,034 to 5,916,138 options. The additional 1,479,034 options will vest towards the end of the 12 months period starting June 23, 2011. The option price (strike) for the new options to be issued was suggested to be the average trading price 10 trading days prior to the date of the general meeting on May 4, 2010. The option price (strike) ended at 2.28 for the new program. As of December 31, 2010 there is a total of 1,240,000 options issued to the Company's management and employees within the limit of 1,479,034 options.

The Board of Directors will present this statement to the Annual General Meeting of the Company in accordance with the Public Limited Liability Companies Act §6-16a.

Notes to the Accounts

Note 22 Payroll and Benefits to Management and Board of Directors, and Transactions with Related Parties, continued

Amounts in NOK 1000									
2010	Board remune-ration	Consul-tancy fee	Salaries	Pension cost	Other benefits	Total saleries & benefits 2010	Number of allocated options	Number of C-Warrants	Allocated value of options and C-Warrants
Management team									
Mårten Wigstøl, CEO	0	0	1 899	53	59	2 011	915 291	188 000	1 246
Tone Kvåle, CFO	0	0	1 676	53	37	1 766	625 175	0	534
Erik Hornes, CSO	0	0	1 620	53	49	1 722	855 291	60 000	967
Dagfinn Øgreid, Clinical Director	0	269	0	0	0	269	0	80 000	166
Board members *									
Robert V. Ahlgren, Executive Chairman	70	595	0	0	0	665	115 058	0	69
Hans Hekland, Deputy Chairman	70	0	0	0	0	70	0	0	0
Gisela Marie Sitbon, Board member	35	0	0	0	0	35	0	0	0
Ann-Kristin Hageløkken, Board member	35	0	0	0	0	35	0	0	0
Mathias Uhlén, Board member	35	0	0	0	0	35	0	0	0
Greta Bentzen, Board member	0	0	0	0	0	0	0	0	0
Total	**245**	**864**	**5 195**	**159**	**145**	**6 608**	**2 510 815**	**328 000**	**2 982**

* Remuneration approved by the general assembly and paid in 2010.

Notes to the Accounts

Note 22 Payroll and Benefits to Management and Board of Directors, and Transactions with Related Parties, continued

Shares and options owned directly or indirectly by members of the Board, the CEO, leading employees and their affiliates as per December 31, 2011:

Name	Shares	Options	Warrants
Mårten Wigstøl, CEO	3 688 128	915 291	12 403 125
Tone Kvåle, CFO (including related party)*	10 883 057	625 175	6 879 600
Erik Hornes, CSO	1 897 827	855 291	6 792 587
Robert V. Ahlgren, Chairman	12 331 733	115 058	3 073 975
Hans Hekland, Deputy Chairman	5 907 954	0	0
Mathias Uhlén, Board member	8 760 759	0	0
Greta Bentzen, Board member	12 000	0	0
Ann-Kristin Hageløkken, Board member	669 643	0	0
Total	**44 151 110**	**2 510 815**	**29 149 287**

* Tone Kvåle resigned from the position as CFO in NorDiag ASA March 9, 2012.

Changes during 2011:

Name	Options as of 01.01.2011	Exercised in the period	Options allocated in the period	Options as of 31.12.2011
Mårten Wigstøl, CEO	915 291	0	0	915 291
Tone Kvåle, CFO*	625 175	0	0	625 175
Erik Hornes, CSO	855 291	0	0	855 291
Robert V. Ahlgren, Chairman	115 058	0	0	115 058
Total	**2 510 815**	**0**	**0**	**2 510 815**

The Company offers the chief executive officer, management and key employee options that give rights to purchase shares in the Company. There are currently two types of options outstanding.

First, there are a total of 4,134,552 options issued to the Company's management and employees with a strike price of NOK 2.0302 per new share. The options can be exercised until June 23, 2012, but may as a general rule only be exercised between three and ten days after presentation of the Company's quarterly results. In this option program, a limit of 4,437,104 options has been approved and there are thus 302,552 unissued options. The option holders have not paid any consideration for the receipt of the options, but the right to exercise the options will terminate if the option holder's employment with the Group terminates by resignation or breach of the employment contract by the option holder.

As of December 31, 2011: 3,769,795 options are outstanding.

Secondly, 1,240,000 options were issued following a general meeting held May 4, 2010 with a strike price of NOK 2.28. These options can be exercised within twelve months from June 23, 2011, so that the options expire on June 23, 2012, provided, however, that the options can be exercised only after the presentation of the Company's results for the first quarter of 2012. In this option program, a limit of 1,479,034 options has been approved and there are thus 239,034 unissued options. The option holders have not paid any consideration for the receipt of the options, but the right to exercise the options will terminate if the option holder's employment with the Group terminates by resignation or breach of the employment contract by the option holder. As of December 31, 2011: 1,195,000 options are outstanding.

Notes to the Accounts

Note 22 Payroll and Benefits to Management and Board of Directors, and Transactions with Related Parties, continued

At the Extraordinary General Meeting held November 2, 2011 the General Meeting resolved to issue warrants to subscribe for shares in the Company to key persons in the Group for exchange of reduction in salary. 47,807,413 warrants were issued, which was reduced to 43,387,537 warrants due to termination of employee contracts in Q1-2012. For each NOK 0.08 a person in writing accepts to reduce his or her fixed gross salary/consideration for a 24 months period, such person may subscribe for and will be allotted one warrant, provided that the reduction in salary or consideration must represent at least NOK 8,000. No separate consideration shall be paid for the warrants beyond reduction in salary. Each warrants gives a right to require issued one new share in the Company, each with a nominal value of NOK 0.02, at a subscription price of NOK 0.08. The warrants may be exercised on or prior to December 31, 2013, provided, however, that exercise may only take place in the periods March 15-31, June 15-30, September 15-30 and/or December 15-31. The warrants shall vest and become exercisable in equal portions quarterly in advance over the period until the expiry of the exercise period, provided, however, that the vesting of the warrants shall stop in the event the relevant key person terminates its employment or contract with the Company. The board of directors may decide to permit vesting and exercise of the warrants outside the said periods and exercise shall always be permitted in case a person alone or together with its close associates becomes the owner of 90% or more of the shares in the Company. In the event of the Company resolving to increase or reduce its share capital, a new resolution to issue warrants, or on liquidation, merger, demerger or reorganization, the holders of warrants shall to the extent possible have the same rights as shareholders, provided, however, that, for the avoidance of doubt, the holders of warrants shall to the extent possible always be protected against dilution in the event of an issue of shares or instruments giving the right to subscribe for shares, whether to existing shareholders or third parties. Shares issued on basis of the warrants will carry rights to dividends from the time such shares are issued.

The market value of the share as per December 31, 2011 was NOK 0.20, which is lower than both the option price of NOK 2.28 (new program) and the original program (2.03) per share but higher than the exercise price for the warrants of NOK 0.08. No options or warrants have been exercised during 2011. The C warrants expired December 31, 2011.

Option and warrant cost is calculated by using the Black Scholes model with the following assumptions:

	2010	2011
Expected volatility	60 %	80 %
Risk-free interest rate	2.36 %	1.16 %
Expected life of options/warrants	15.8 months	24.1 months
Strike price	2.03/2.28	0.08
Weighted average share price	2.10	0.09

The risk-free interest rate is based on Norges Bank's projections. The volatility measured is based on the variation in daily share prices for NorDiag ASA over the last two years, and benchmarked against comparable companies.

The market value of the share as per December 31, 2011 was NOK 0.20, which is lower than both the option strike price of NOK 2.28 (new program) and the original program of NOK 2.03 per share, but above the strike price of NOK 0.08 for the new warrants program.

The fair value of the granted options is calculated at grant date and expensed over the period. Expensed amount to the options/warrants was kNOK 807 in 2011.

Notes to the Accounts

Note 22 Payroll and Benefits to Management and Board of Directors, and Transactions with Related Parties, continued

Shares and options owned directly or indirectly by members of the Board, the CEO, leading employees and their affiliates as of April 26, 2012:

Name	Shares	Options	Warrants
Mårten Wigstøl, CEO	3 688 128	915 291	12 403 125
Tone Kvåle, CFO (including related party)*	215 888	0	3 439 800
Erik Hornes, CSO	1 897 827	855 291	6 792 587
Robert V. Ahlgren, Chairman	12 331 733	115 058	3 073 975
Hans Hekland, Deputy Chairman	5 907 954	0	0
Mathias Uhlén, Board member	8 760 759	0	0
Greta Bentzen, Board member	12 000	0	0
Ann-Kristin Hageløkken, Board member	669 643	0	0
Total	**33 483 932**	**1 885 640**	**25 709 487**

* Tone Kvåle resigned from the position as CFO in NorDiag ASA March 9, 2012.

Remuneration to auditor*				
Amounts in NOK 1000	Nordiag ASA		NorDiag Group	
	2010	2011	2011	2010
Auditor fee	380	360	428	564
Other audit related services	47	368	392	47
Tax advice	0	0	0	0
Other services	53	8	8	53
Total	**480**	**736**	**828**	**664**

* Remuneration to the Auditor is presented net of deductible VAT.

Guidelines for 2012

The main principle in NorDiag's managerial salary policy is that key employees shall be offered competitive terms, so as to avoid excessive turnover in the Company's top management. The Company shall offer salary levels that reflect average salary levels in comparable companies in Norway.

Salary and other benefits for leading employees have during the current year been established in accordance with the above-mentioned main policy.

For the fiscal year 2012 the determination of salaries and additional compensation to the Company's Management will be decided in accordance with the above noted main principle and is further detailed as follows:

1. The base salary for each member of the Company's Management shall be competitive and based on the individual's experience, responsibilities, as well as achieved results.
2. The salaries and other benefits shall be normally be annually adjusted.
3. The management has a bonus scheme included in their employment contracts, in which members of the management may receive up to 20% of their base pay as bonus. The assessment criteria are divided into two parts where 40% is based on the Company's performance and 60% is based on the individual performance. For 2012 the bonus scheme is waived by the management due to the cost cutting program implemented.

Leading employees have free phone and cell phone, free newspaper and broadband.

Notes to the Accounts

Note 22 Payroll and Benefits to Management and Board of Directors, and Transactions with Related Parties, continued

The Company offers ordinary defined contribution pensions to all employees, managers included Contribution comprising between 5%-8% of the employee's salary, maximized to a percentage of 12G.

As of date, no members of the Company's management, other than the CEO and CSO have service contracts with the Group that provide for benefits upon termination of employment. The CEO and CSO is entitled to six months' severance pay should the Company terminate his employment agreement in addition to six month notice period. The severance pay should be calculated from the base salary at that time. The Company has an option to extend the term of notice with further six months for the CEO. The CSO is entitled to nine months' severance pay (calculated on the base salary at that time) should the Company terminate his employment agreement after a take-over of more than 67% of the shares in the Company within 12 months after such an acquisition. The CEO is entitled to twelve months' severance pay (calculated on the base salary at that time) should the Company terminate his employment agreement after a take-over of more than 67% of the shares in the Company within 12 months after such an acquisition.

The Company offers the chief executive officer, management and key employee options that give rights to purchase shares in the Company. There are currently two types of options outstanding.

Firstly, there are a total of 4,134,552 options issued to the Company's management and employees with a strike price of NOK 2.0302 per new Share. The options can be exercised until 23 June 2012, but may as a general rule only be exercised between three and ten days after presentation of the Company's quarterly results. In this option program, a limit of 4,437,104 options has been approved and there are thus 302,552 unissued options. The option holders have not paid any consideration for the receipt of the options, but the right to exercise the options will terminate if the option holder's employment with the Group terminates by resignation or breach of the employment contract by the option holder.

Secondly, 1,240,000 options were issued following a general meeting held 4. May 2010 with a strike price of NOK 2.28. These options can be exercised within twelve months from 23 June 2011, so that the options expire on 23 June 2012, provided, however, that the options can be exercised only after the presentation of the Company's results for the first quarter of 2012. In this option program, a limit of 1,479,034 options has been approved and there are thus 239,034 unissued options. The option holders have not paid any consideration for the receipt of the options, but the right to exercise the options will terminate if the option holder's employment with the Group terminates by resignation or breach of the employment contract by the option holder.

At the Extraordinary General Meeting held November 2, 2011 the General Meeting resolved to issue warrants to subscribe for shares in the Company to key persons in the Group for exchange of reduction in salary. 47,807,413 warrants were issued, which was reduced to 43,387,537 warrants due to termination of employee contracts in Q1- 2012. For each NOK 0.08 a person in writing accepts to reduce his or her fixed gross salary/ consideration for a 24 months period, such person may subscribe for and will be allotted one warrant, provided that the reduction in salary or consideration must represent at least NOK 8,000. No separate consideration shall be paid for the warrants beyond reduction in salary. Each warrants gives a right to require issued one new share in the Company, each with a nominal value of NOK 0.02, at a subscription price of NOK 0.08. The warrants may be exercised on or prior to December 31, 2013, provided, however, that exercise may only take place in the periods March 15-31, June 15-30, September 15-30 and/or December 15-31. The warrants shall vest and become exercisable in equal portions quarterly in advance over the period until the expiry of the exercise period, provided, however, that the vesting of the warrants shall stop in the event the relevant key person terminates its employment or contract with the Company. The board of directors may decide to permit vesting and exercise of the warrants outside the said periods and exercise shall always be permitted in case a person alone or together with its close associates becomes the owner of 90% or more of the shares in the Company. In the event of the Company resolving to increase or reduce its share capital, a new resolution to issue warrants, or on liquidation, merger, demerger or reorganization, the holders of warrants shall to the extent possible have the same rights as shareholders, provided, however, that, for the avoidance of doubt, the holders of warrants shall to the extent possible always be protected against dilution in the event of an issue of shares or instruments giving the right to subscribe for shares, whether to existing shareholders or third parties. Shares issued on basis of the warrants will carry rights to dividends from the time such shares are issued.

The Board of Directors will present this statement to the Annual General Meeting of the Company in accordance with the Public Limited Liability Companies Act §6-16a.

Notes to the Accounts

Note 23 20 Largest Shareholders as of 31.12.2011

	Shareholders	Number of Shares	% Share
1	Sarsia Life Science Fund AS	64 823 455	23,16 %
2	Holberg Norden	15 044 947	5,38 %
3	MP Pensjon PK	12 880 247	4,60 %
4	No Ties LLC	12 169 469	4,35 %
5	Holberg Norge	10 173 647	3,63 %
6	Sarsia Development	8 997 439	3,21 %
7	Sparebanken Vest	8 195 392	2,93 %
8	Mathias Uhlén	8 125 000	2,90 %
9	Verdiutvikling Sør AS	7 465 177	2,67 %
10	Børge Jacobsen	6 485 765	2,32 %
11	Hannibal Invest AS	5 907 954	2,11 %
12	SJB Invest AS	5 000 000	1,79 %
13	Victory Life & Pension	4 307 489	1,54 %
14	Jon Frode Vaksvik	4 254 560	1,52 %
15	Colon	4 249 621	1,52 %
16	Skavak Invest AS	3 757 056	1,34 %
17	Barracuda Invest AS	3 688 128	1,32 %
18	Lakris Invest AS	3 486 432	1,25 %
19	Tone Kvåle	2 871 441	1,03 %
20	Nordea SMB	2 587 617	0,92 %
	20 largest shareholders	194 470 836	69,50 %
	1258 other shareholders	85 409 884	30,50 %
	Total of 1278 per 31.12.2011	**279 880 720**	**100,00 %**

Notes to the Accounts

Note 24 Discontinued Operations

Amounts in NOK 1000	2011	2010
Operating revenues	30 594	73 794
Cost of goods sold	-21 860	-54 364
Operating expenses	-5 294	-12 046
EBITDA	**3 440**	**7 384**
Depreciation	-92	-226
EBIT	**3 348**	**7 158**
Net financial items	-156	4 374
Profit (loss) before taxes	**3 192**	**11 532**
Tax on ordinary result	-840	-3 130
Profit (loss) after taxes	2 352	8 402
Gain as a result of sales	2 070	0
Components of equity to be recognized in the profit and loss account upon sale	-3 877	0
Costs related to sales	-293	0
Profit (loss) from discontinued operations	**252**	**8 402**

On May 24, 2011 NorDiag entered into an agreement to sell all of its shares in Olerup International AB to LinkMed AB (publ) for a cash consideration of SEK 8 million. The transaction included Olerup International's wholly owned subsidiary Olerup GmbH (Austria). The cash payment for the shares was divided into two tranches, whereby SEK 5 million was paid upon the transfer of the shares and SEK 3 million was payable no later than October 31, 2011. The initial investment by NorDiag in Olerup International in 2009 amounted to SEK 50,000.

Notes to the Accounts

Note 25 The Entity's Objectives, Policies and Processes for Managing Capital

Amounts in NOK 1000	2010	2011
	NorDiag Group	NorDiag Group
Interest bearing loans and borrowings	14 322	16 199
Trade and other payables	22 237	15 209
Less cash and short-term deposits	-35 935	-9 724
Net debt	**624**	**21 684**
Convertible shares	0	0
Equity	90 700	16 191
Net unrealized gains reserve	0	0
Total capital	**90 700**	**16 191**
Capital and net debt	**91 324**	**37 875**
Gearing ratio	**0,7 %**	**57.3 %**

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

Loan of NOK 13 million from Innovation Norway and NOK 2.9 million from DNB are secured by pledge.

Notes to the Accounts

Note 26 Financial Assets and Liabilities

Amounts in NOK 1000		NorDiag Group		NorDiag Group	
		2011		2010	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	**Category**				
Accounts receivable	Loans and receivables	5 392	5 392	14 511	14 511
Interest bearing receivables	Loans and receivables	0	0	1 488	1 488
Other current receivables	Loans and receivables	3 463	3 463	5 375	5 375
Total		**8 855**	**8 855**	**21 374**	**21 374**

Amounts in NOK 1000		NorDiag Group		NorDiag Group	
		2011		2010	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	**Category**				
Accounts payable	Amortized cost	8 308	8 308	10 880	10 880
Interest bearing debt	Amortized cost	16 199	16 199	14 322	14 322
Other current liabilities	Amortized cost	6 901	6 901	11 357	11 357
Total		**31 408**	**31 408**	**36 559**	**36 559**

Loans, receivables and liabilities are measured at amortized costs. Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of money market funds is based on published market prices by the fund managers and market prices are published daily.

Notes to the Accounts

Note 27 Events After the Balance Sheet Date

Cost cutting program

The Board of Directors and management have implemented further cost cutting measures to reduce the Company's negative cash flow. The number of employees has been reduced from 31 employees from the end of 2011 to 17 employees within Q3-2012.

Rights issue

The Board of Directors has decided a rights issue. It is proposed that, in the rights issue, a minimum of 400 million and a maximum of 750 million new shares are offered at a subscription price of NOK 0.02, rising gross proceeds of minimum NOK 8 million, maximum NOK 15 million, with preemptive subscription rights for existing shareholders as per the date of the General Meeting. In relation to the rights issue, an underwriting syndicate guaranteeing subscription of NOK 8,140,000 worth of shares has been established, in which, among others, members of the board and the management of the company is participating.

Participators in the underwriting syndicate are also proposed to receive one warrant per share guaranteed for. Each warrant will give the right to require the issuance of one share as a subscription price of NOK 0.02.

Certain underwriters have also agreed to make a bridge loan available for the company in the total amount of NOK 3,950,000. The bridge loan will be converted to shares and/or repaid in relation to the completion of the rights issue.

The Extraordinary General Meeting April 23, 2012 approved that the Board of Directors can enter into an agreement for the sale of all or a substantial part of the Company's business, including both assets and liabilities, in part or entirely, in an asset sale.

The Company has not entered into any binding agreement or received any binding offer, but it is in specific, advanced and exclusive negotiations with a potential buyer of all of the business of the Company relating to automated sample preparation. The potential buyer is a company operating in the field of molecular diagnostics. In the transaction, it is proposed that the Company will retain all existing liabilities in respect to the business and the Company will accordingly use the purchase price to cover such liabilities.

Currently,and subject to the further development, the final agreement and other factors such as exchange rate, the Company expects that the net result of the transaction after deduction of the Company's liabilities will be in the amount of approximately NOK 30 - 35 million. There can be given no guarantee that the actual net result of the transaction will be within this range.

In the transaction, it is further expected that the Company will give certain customary warranties, but it is agreed between the parties that the general liability for the Company will not exceed 10% of the purchase price and that the warranty period will expire 6 months after completion of the transaction.

It is further proposed that 10% of the purchase price is placed in escrow for the duration of the warranty period. The Company may propose to distribute the remaining funds of the Company to its shareholders as far as possible and appropriate following the completion of the transaction. The Company will provide an update in this respect and the relevant funds in due course after completion of the transaction.

If the parties subsequently enter into binding agreements, the transaction would be expected to be completed during the first half of May. In such case, the Board of Directors intends to withdraw the rights issue resolved in the extra ordinary general meeting April 16, 2012.

The Board of Directors has no knowledge about any other significant events after December 31, 2011 that will affect the Annual Report and the financial statements substantially for 2011.

Auditor's Report for 2011

ERNST & YOUNG

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To the Annual Shareholders' Meeting of NorDiag ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of NorDiag ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Auditor's Report for 2011

ERNST & YOUNG

Opinion

In our opinion, the financial statements of NorDiag ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as of 31 December 2011 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Emphasis of matter

Without qualifying our opinion, we draw attention to Notes 3, 21 and 27 in the financial statements and the Going concern section in the Report from the Board of Directors which outlines the material uncertainty related to the process of securing additional funds to enable the Company to continue its operations through 2012. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance concerning the financial statements, the going concern assumption and the proposal for the 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 the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 27 April 2012
ERNST & YOUNG AS

Tommy Romskaug
State Authorised Public Accountant (Norway)

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