DiaGenic ASA – Annual Report 2009

for early disease detection

Contents

2009


BD Vacutainer®
Safety-Lok™
Blood Collection Set
For Short Term
Blood Collection (up to 2 hours)

Highlights

CE Marking

DiaGenic CE marked both ADtect® and BCtect® in June 2009. The CE marks were issued based on a number of studies that showed that ADtect® had an accuracy of 73 percent and BCtect® an accuracy of 72 percent, both with balanced sensitivity and specificity. The CE marking permits the selling and marketing of ADtect® and BCtect® in EU and EFTA Member States.

Distribution Network in Europe In 2009

DiaGenic established a distribution network for distributing the Alzheimer's disease test ADtect® and the breast cancer test BCtect® in Europe. Distribution agreements were signed with several distributors covering a number of countries in Europe.

Interest from the Pharmaceutical Industry – the Merz Agreement

In June 2009 DiaGenic entered into an option agreement with Merz Pharmaceuticals for the development of a biomarker for use in patient selection in clinical studies, and an option for Merz to use the biomarker for further development of medicines. The development of the biomarker will build on the ongoing Mild Cognitive Impairment (MCI) project.

Patents

DiaGenic has been granted a patent in Patent Family 2 for Europe. This patent covers the use of a number of important gene sequences in blood for diagnosing and monitoring, among other things, Alzheimer's disease and breast cancer. The patent expires in 2023.

Norway's Most Innovative Company 2009

In November DiaGenic was named Norway's Most Innovative Company, 2009. The Research Council of Norway awards this prize to promote increased research in the private sector by highlighting superior examples of innovative companies. More than 1,000 Norwegian business leaders voted in the contest Norway's Most Innovative Company, 2009, which DiaGenic won by an overwhelming portion of the votes.

Erik Christensen

Norway's Most Innovative Company 2009

In October 2009 the Research Council of Norway voted DiaGenic Norway's Most Innovative Company across all industry segments for its unique concept for early diagnostic disease testing. This award crystallizes both DiaGenic's uniqueness as well as its potential as a company.

2009 was characterized by a very high level of activity for DiaGenic. The Company chiefly focused on CE marking and the completion of its first two products but also on securing market access via distributors to the most important European markets.

During the first half of the year, both the Alzheimer test ADtect® and the breast cancer test BCtect® were CE marked, and the first four distribution agreements were signed (for nine countries).

As a result of the focus on the pharmaceutical industry, an option agreement was signed with Merz Pharmaceuticals GmbH for the development of a biomarker for the initial stages of Alzheimer's disease.

During the second half of the year, an agreement was also signed with Quest Diagnostics for distribution in the United Kingdom and Ireland. And we are close to completing an agreement for 32 countries with the Spanish pharmaceutical company Ferrer (the agreement was signed right after the end of the year). Our central laboratory DNAvision in Belgium was also certified for commercial analysis of our tests.

Since the first patent application was filed by our two founders Anders Lönneborg and Praveen Sharma in 1997, the Company has aggressively developed into an expert diagnostic testing firm in the international market. Whereas certain diseases can be diagnosed fairly simply by using blood samples, this has not been possible for several other diseases before DiaGenic combined gene technology, bioinformatics and medical research into a unique and powerful tool.

The completion of the first two EU-approved products from DiaGenic marks a transition to a new phase in the Company's history. This milestone represents both 10 years' active research efforts from DiaGenic with medical environments in Europe and the United States, and a close collaboration with our industrial partners Qiagen and Applied Biosystems (currently Life Technologies). With the CE marking of its products, the risk profile for DiaGenic was reduced significantly, as it changed from dealing with risks related to the overall concept to dealing with market acceptance and execution risk.

In order to ensure quality in our products, the Company has built up quality systems at the international industrial level designed for external quality audits from international government agencies and for new collaborative partners in the pharmaceutical industry.

Internally, DiaGenic has also built up expertise at the highest international level and demonstrated this by attending a number of international conventions. DiaGenic has thereby come onto the radar screen of many potential collaborative partners and future customers.

With a small staff of 22 employees, this shows a unique dedication to develop DiaGenic into an internationally leading firm within this exciting and future-oriented medical field. Over the course of the year, we strengthened the organization within the sales area with an International Business Director, as well as by implementing a reorganizational effort to improve communication with our customers, the physicians.

Our distribution agreement with the Indian firm SRL Diagnostics did not develop as anticipated and resulted in only sporadic sales of BCtect® in India. DiaGenic learned from this experience and is implementing these lessons learned for its launch of the products in Europe.

With completely new medical concepts, DiaGenic has entered the market using scientific marketing. Our customers are generally conservative with respect to new products and procedures for medical investigation. In order to ensure permanent market penetration, it is necessary to have the concept anchored with important key persons; these persons will subsequently act as references for further dissemination. These are time-consuming processes. The outcome of our activities over the past couple of years in the United Kingdom as regards market communication and establishing distributors is that BCtect® is currently being promoted from the London Breast Clinic to their UK and international customers. This was put in place after year's end. We have thereby received market confirmation of the need for our tests. In other markets, the marketing efforts require studies in cooperation with local clinics; this provides our new customers with the experience of using the tests on their patients. Such studies are initiated together with all the distributors and are expected to result in the subsequent, regular use of our products in these countries.

DiaGenic's strategy directed at the U.S. market has been developed throughout the year and will be an important activity in 2010. In preparation, we have already initiated studies for blood sample collection from American patients at the University of California, Davis. The regulatory and reimbursement-related conditions have been clarified and support the opportunities that exist in this big market.

For the pharmaceutical industry, 2009 was characterized by several failed studies within the development of new and effective medicines for the treatment of Alzheimer's disease. One of the causes for this has been linked to the difficulties relating to the correct diagnostic testing for patient inclusion in trials with the available neuropsychological tests and image-based technologies (CT/MRI). The use of blood-based biomarkers (tests) has received increased attention from pharmaceutical companies. This market segment is important to DiaGenic, and an increased effort has been initiated there. The first cooperation agreement (option agreement) was signed before the summer with Merz Pharmaceuticals GmbH precisely in order to develop tests for patient inclusion in their upcoming clinical studies. DiaGenic is targeting major pharmaceutical firms both in Europe and the United States.
We are looking forward to an active 2010 within all three of these strategic areas: molecular diagnostic testing in Europe and in the United States as well as biomarker cooperation with the pharmaceutical industry.

We are starting to realize our vision of offering patient-friendly diagnostic tests for the early detection of diseases, thereby improving the life quality of patients. We work with very serious diseases that need improved diagnostic tests and, in performing such tests, correct treatment. DiaGenic really has the opportunity to improve life quality for many people in actual terms.

As general manager I am surrounded by an expert and motivated team all sharing the same goal: To develop DiaGenic into a leading diagnostic firm within blood-based diagnostic testing and biomarkers.

Business Review

DIAGENIC IN BRIEF

DiaGenic was established in 1998 and is listed on the Oslo Stock Exchange (ticker symbol: DIAG). The Company develops patient-friendly tests for the early diagnosis of serious diseases. The Company's concept is based on the identification and clinical documentation of disease-specific gene expressions measured using common blood samples. The Company's patented method is intended for use in demonstrating several important diseases. The first products from DiaGenic are BCtect® and ADtect®, which are tests for the early diagnosis of breast cancer and Alzheimer's disease, respectively.

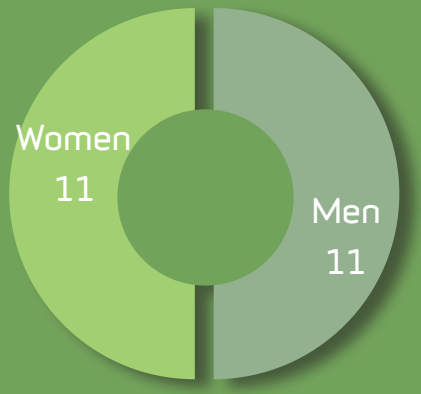
VISION AND MISSION

DiaGenic's vision is to become a leading provider of molecular diagnostic testing for the early diagnosis of diseases. DiaGenic's mission is to provide patient-friendly, diagnostic tools for the early detection of diseases, contributing to the improved life quality for patients and reducing costs to society.

BUSINESS CONCEPT AND STRATEGY

DiaGenic is a leader in the development of tests for the early detection of diseases through the analysis of gene expression from normal blood samples. The Company takes product candidates from explorative research throughout the entire product development cycle up till the establishment of sales and marketing channels of the tests. Sales and marketing are handled in collaboration with partners. DiaGenic employs a differentiated strategy for the different products within the various geographic areas. After the CE marking of the products ADtect® and BCtect® in June 2009, DiaGenic has built up a distribution network for selected markets in Europe. In 2009 the Company drew up a strategy for quicker market access to the United States. Based on regulatory requirements and reimbursement schemes, the Company's strategy is to gain initial market access through a Clinical Laboratory Improvement Amendments (CLIA) laboratory. This will contribute to allowing DiaGenic to gain market access to the United States with the current technology platform. Documentation from a CLIA launch will subsequently be used as the basis for further studies for full FDA approval.

In the years ahead, DiaGenic will focus on opportunities for collaboration with players within the pharmaceutical industry. The focus will primarily be directed at collaborative efforts relating to the development of biomarkers for use in pharmaceutical companies' clinical trials. This strategy focus means that DiaGenic's market strategy will consist of two segments: Molecular diagnostics and Biomarkers for use in pharmaceutical companies' clinical studies.



PERSONNEL

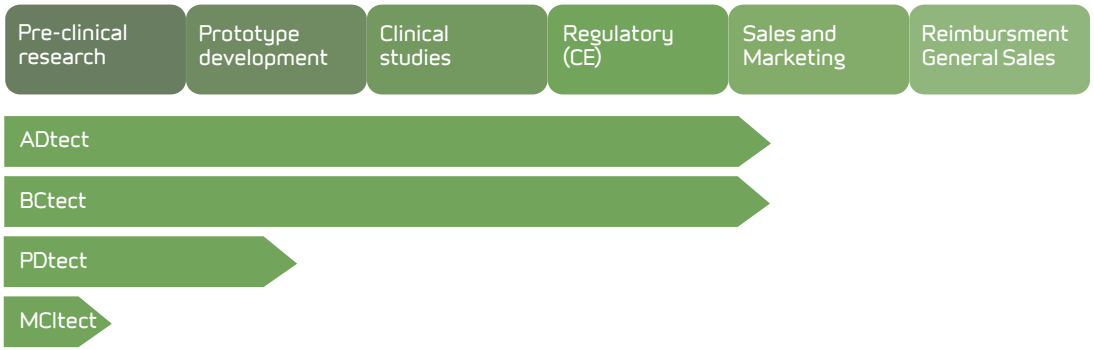
Employees constitute an important part of DiaGenic's success. The Company is therefore seeking to put in place effective and flexible work processes. DiaGenic's organization has 22 employees with expertise within the areas of medicine, medical diagnostics, biochemistry, molecular biology, bio-informatics, patent work, sales, marketing and finance. Erik Christensen was appointed Chief Executive Officer on 1 January 2007 and brought with him 20 years of experience from the medical diagnostics and international business segments. The organization was subsequently strengthened yet further with additional employees with business back-grounds within sales, product development and finance.

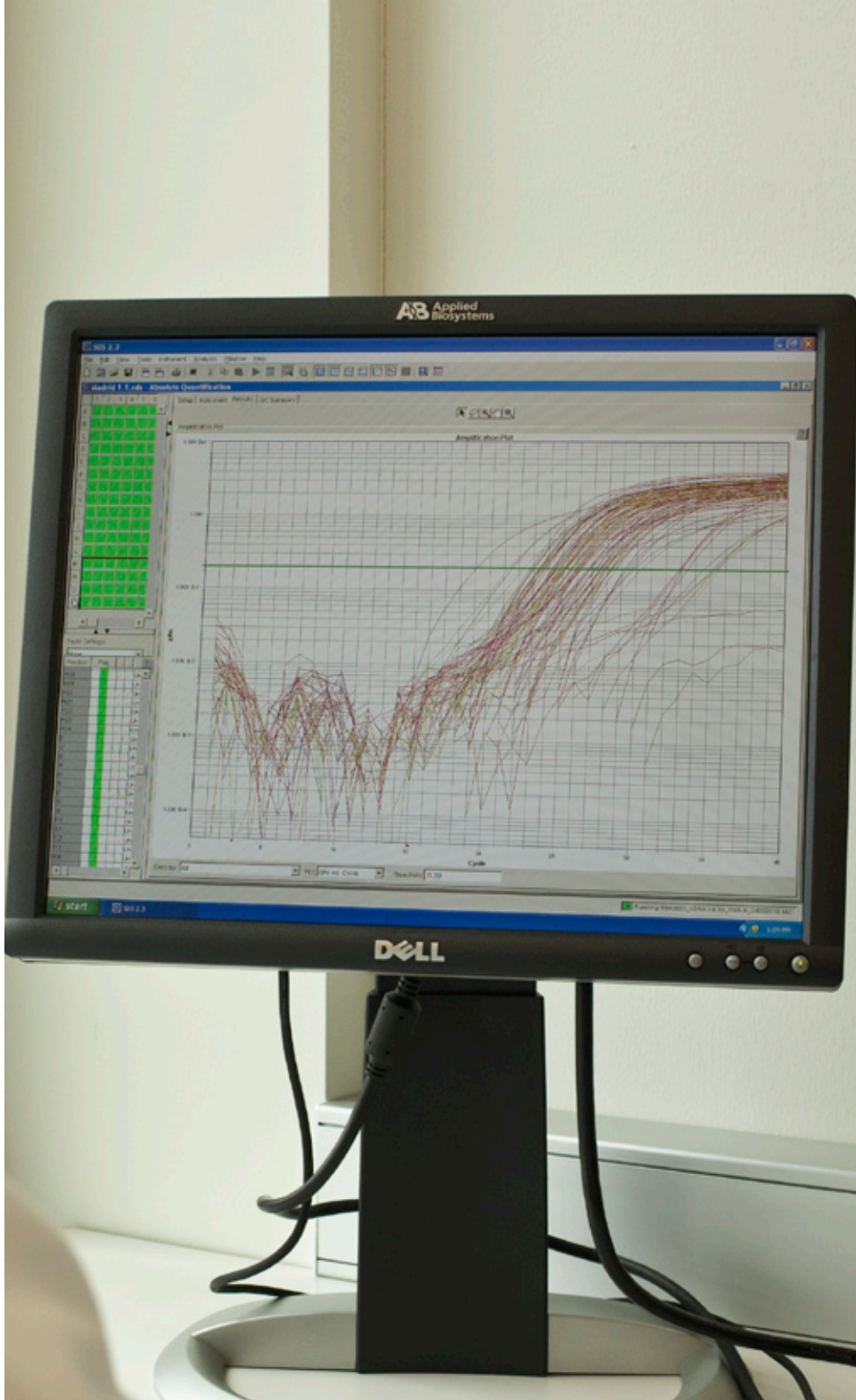
CORE COMPETENCE AND TECHNOLOGY

DiaGenic's technology takes as its point of departure the knowledge that a disease localized in one place in the body manifests itself in secondary characteristic responses in other parts of the body. These responses can then be measured in regular blood samples, where the blood's cells have developed a disease-specific gene activity. A change in gene activity in the selected genes is measured by means of gene expression technology. Early on, DiaGenic came out with studies that showed that this was possible, and the concept was already patented in 1997. Since then, DiaGenic has been one of the innovators within the use of gene expression for diagnostic purposes. The Company uses commercially available, quality-assured and robust platforms suitable for diagnostic use in clinical medicine. DiaGenic's core competence is concentrated around the identification of gene expression patterns in blood that are characteristic of defined diseases. Further development of current technology platforms for commercial diagnostic use will be performed by international platform providers.

DiaGenic's diagnostic method is general in nature and can be further developed for use in diagnosing many serious diseases. Based on commercial potential and medical need, DiaGenic retains its key focus on the development of products for the early diagnosing of Alzheimer's and Parkinson's disease and breast cancer.

PRODUCT POTFOLIO
MOLECULAR DIAGNOSTICS AND BIOMARKERS





Company Management

Chief Executive Officer

Erik Christensen (1956) has been Chief Executive Officer of DiaGenic since 1 January 2007. He holds an MD from the University of Southern Denmark with a supplemental education from the University of Oslo. He worked as a general practitioner from 1983 to 1996, from 1993 as Senior Consultant at the Clinical Chemistry Department at Ullevål University Hospital. From 1996 to 2006 he held various management positions at Abbott Norge AS, most recently as Country Manager for its diagnostics division.

Marketing Director

Dag Christian Christiansen (1954) joined DiaGenic as its Marketing Director in January 2005. He holds an MSc in Biochemistry from the University of Bergen, 1983, and a Bachelor of Business Management from the Norwegian School of Management, 1992. He has over 20 years' experience in sales and marketing of chemicals and diagnostics, domestically and internationally. Christiansen has previously worked at Dyno Particles and most recently at Axis-Shield, where he was responsible for cardiovascular diagnostic products.

Research Director

Anders Lönneborg (1956) is one of the co-founders of DiaGenic. He holds a PhD in Molecular Plant Physiology from Umeå University, 1986, and also undertook post-doctoral studies at Michigan State University. Lönneborg has extensive experience in managing research groups and as a professor. He has held a number of research/research management positions at universities and research institutes, most recently at the Norwegian Forest Research Institute. He became an employee of DiaGenic in 2000 and was its general manager from 2005 to 2006.

Technology Director

Praveen Sharma (1964) is one of the co-founders of DiaGenic. He holds a university degree from India, an MSc degree from the University of Oslo, 1990 as well as a PhD in Molecular Biology from the Norwegian University of Life Sciences, 1995. Sharma has held several research positions, most recently at the Norwegian Forest Research Institute. He became an employee of DiaGenic in 2000. Sharma has been a board member at DiaGenic since 1998.

International Business Director

Morten Sten Johansen (1975) is International Business Director at DiaGenic ASA responsible for sales and business development. He holds a degree in bioengineering and has several years of experience from leading IVD companies. Morten joined bioMérieux in 1999, where he was Business Manager for the Nordic countries within the molecular biology, clinical chemistry and virology segments. From 2003 he headed Ventana Medical Systems (Roche) in the Nordic countries focusing on business development and organizational structure. Morten joined DiaGenic in January 2009.

Operations Director

Edith Rian (1966) is responsible for production and laboratory operations at DiaGenic. She holds a degree in Civil Engineering in Biotechnology from the Norwegian University of Science and Technology, 1990, and a PhD in Molecular Biology from the University of Oslo, 1999. Rian was a researcher and headed her own research group within the areas of cancer and immunology at the Norwegian Radium Hospital from 1998 to 2008. She joined DiaGenic in 2008.

Financial Conptroller

Ruben Ekbråten (1976) is responsible for finance at DiaGenic ASA. He holds an MBA from Heriot-Watt University and a Bachelor of Business Management from the Norwegian School of Management. He has experience as a stockbroker and has held a number of finance positions at GE Healthcare in Norway and internationally. Before joining DiaGenic in 2007, he was Finance Manager for Japan and Central Costs at GE Healthcare.

DiaGenic's breast cancer test –

BCtect®

BCtect® is a CE-marked in vitro diagnostic test based on the quantitative measurement of gene expression in blood from patients who are suspected of having breast cancer. The intended use for BCtect® is to aid in the diagnosis of breast cancer in adult women. In is intended that the BCtect® test is used together with other clinical evidence to confirm the presence or absence of breast cancer.
Key advantages of BCtect® are:

- BCtect® has been developed to detect early stage breast cancer. Early detection improves overall survival
- Early detection may increase the options available for treatment
- BCtect® can detect types of breast cancer which are easily missed by mammography
- BCtect® is useful in pre-menopausal women and women with high breast density, where mammography is less effective
- BCtect® can be used alongside mammography in women who have normal mammograms but are particularly anxious about having breast cancer
- Only a simple blood sample is required

Breast Cancer

Breast cancer is the most common form of cancer in women and the number of new cases is on the rise. In order for treatment to be effective, early diagnosis is of critical importance. The most common diagnostic procedure for breast cancer is mammography. Identifying minor tumours and differentiating between malignant and benign tumours are difficult using mammography. There is an increasing need for simpler and improved diagnostic tools that can complement current diagnostic testing. BCtect® was developed to discover early forms of breast cancer using only a blood sample.

BREAST CANCER – THE MOST COMMON FORM OF CANCER IN WOMEN

About 1.3 million cases of breast cancer are detected globally each year. More than 360,000 new cases are detected each year in Europe, and the number of new cases of breast cancer has risen by about 30 percent in industrialized countries over the past 25 years.

EARLY DIAGNOSIS IS ESSENTIAL FOR A GOOD PROGNOSIS

The individual prognosis depends on many factors—among other things, the type of breast cancer—but independent of the type of breast cancer, early prognosis with subsequent treatment is critical for a good prognosis.

LIMITATIONS OF CURRENT DIAGNOSTIC PROCEDURES

The most common diagnostic procedure is mammography, which produces an X-ray image of the breast. One flaw of mammography is its inability to clearly show cancer in women with high breast density, which is common in young women. It can also be difficult to detect minor tumours and to differentiate between malignant (cancer) and benign tumours using mammography. Magnetic Resonance Imaging (MRI) is also used to diagnose breast cancer and its ability to detect breast cancer is well documented. The challenge of MRI is that a large share of the women where suspicious masses are detected, do not have cancer but are undergoing benign changes in the breasts.

COMPETITION

The need for simpler and better diagnostic tools for early detection of breast cancer has resulted in intensive research and development activities. There are a number of companies searching for biomarkers using blood as their testing material. DiaGenic and some other companies are developing tests based on RNA and gene expression while other companies are analysing proteins. This Company is currently unaware of other tests of this nature approved for diagnostic use in the United States or Europe.

In addition to biomarkers, there are other diagnostic technologies for breast cancer, including mammography and MRI, of which mammography is the most common procedure. BCtect® is assessed to be a complementary test to mammography and MRI.

BCTECT® FROM PRODUCT CANDIDATE TO PRODUCT

BCtect® was CE marked in 2009. A CE mark was declared on the basis of a number of studies that showed that BCtect® has an accuracy of 72 percent with balanced sensitivity and specificity. BCtect® produces equally high accuracy in young (pre-menopausal) women, in early cancer forms, and for different tumour types. The CE marking allows DiaGenic to sell and market BCtect® in the EU and EFTA. DiaGenic has chosen a sales and marketing strategy that involves establishing a distribution network for select markets in Europe. In 2009 the Company signed distribution agreements with distributors of BCtect® in a number of countries in Europe. Please see Figure above for a list of distributors of BCtect® in Europe.

Scientific Advisory Board, Breast Cancer

Professor Anne-Lise Børresen-Dale is head of the Department of Genetics at the Radium Hospital in Oslo. She is the President of the European Association for Cancer Research (EARC) and is a board member of the European CanCer Organization (ECCO). Her research centres on breast and ovarian cancer and the identification of geno-types and gene expression profiles contributing to elevated cancer risk, radiation sensitivity, tumour aggressiveness and therapy resistance.

Dr Alan Hollingsworth is the Medical Director of Mercy Women's Center and Mercy Cancer Center in Oklahoma City. His area of specialty is diagnostic testing and risk assessment of breast cancer. Dr Hollingsworth operates on one of the leading clinics in the United States for monitoring and following up of high-risk breast cancer patients.

Dr Martine Piccart is Professor of Oncology at the Université Libre de Bruxelles and head of the Department of Medicine at the Jules Bordet Institute. She is currently President of the European Organization for Research and Treatment of Cancer (EORTC). In 1996 Dr Piccart established the Breast International Group (BIG), of which she currently holds the chairmanship. Dr Piccart is a board member of the American Society of Clinical Oncology (ASCO).

Dr Christos Sotiriou is Assistant Professor at the Medical Oncology Unit and also head of the Functional Genomics & Translational Research Unit at the Jules Bordet Institute at the Université Libre de Bruxelles. His research focuses on molecular biology in breast cancer. He is also a member of TRANSBIG, which is a sister network of Breast International Group.

DiaGenic's Alzheimer's Disease test -

ADtect®

ADtect® is a CE-marked in vitro diagnostic test based on the quantitative measurement of gene expression in blood from patients suspected of having Alzheimer's disease. ADtect® is intended to be used as a tool for helping perform early diagnosis of Alzheimer's disease. In order to confirm or disprove an Alzheimer's disease diagnosis, ADtect® is intended to be used together with other clinical documentation.
Competitive advantages of ADtect® are:

- ADtect® has been developed to detect early forms of Alzheimer's disease. Early detection with subsequent treatment increases the likelihood of postponing the development of the disease.
- Early detection allows for the commencement of active treatment that can maintain a higher degree of daily ability to function for a longer period of time.
- Early detection can help understanding and acceptance of the disease for the affected person as well as give him or her more time to plan for the future.
- ADtect® is especially useful for patients with minor cognitive symptoms since such patients belong to the most difficult group to diagnose.
- The test is simple to use, requiring only one blood sample.

Alzheimer's Disease

Alzheimer's disease is the most common form of dementia. Millions of people are affected by the disease. Early diagnosis of the disease is important for new medicines to have a good effect. Diagnoses are currently performed by means of an extensive battery of tests. Even with all these tests, it can be difficult to make a certain diagnosis, especially at the early stages of the disease. There is therefore an increasing need for simpler and improved diagnostic tools that can complement current diagnostic testing. ADtect® was developed to discover early forms of Alzheimer's disease using only a blood sample.

ALZHEIMER'S DISEASE – 15 MILLION PEOPLE AFFECTED AND THE NUMBERS ARE ON THE RISE

Alzheimer's disease is the most common form of dementia and is characterized by a failure in the cognitive functions. The disease mainly affects people over the age of 50 and its incidence is expected to increase further, since this is an age group experiencing substantial growth. According to the Alzheimer's Association, more than five million people in the US suffer from Alzheimer's and this figure is expected to rise to seven million before 2030.

EARLY DIAGNOSIS IS IMPORTANT TO OBTAIN A GOOD EFFECT FROM MEDICAL TREATMENT

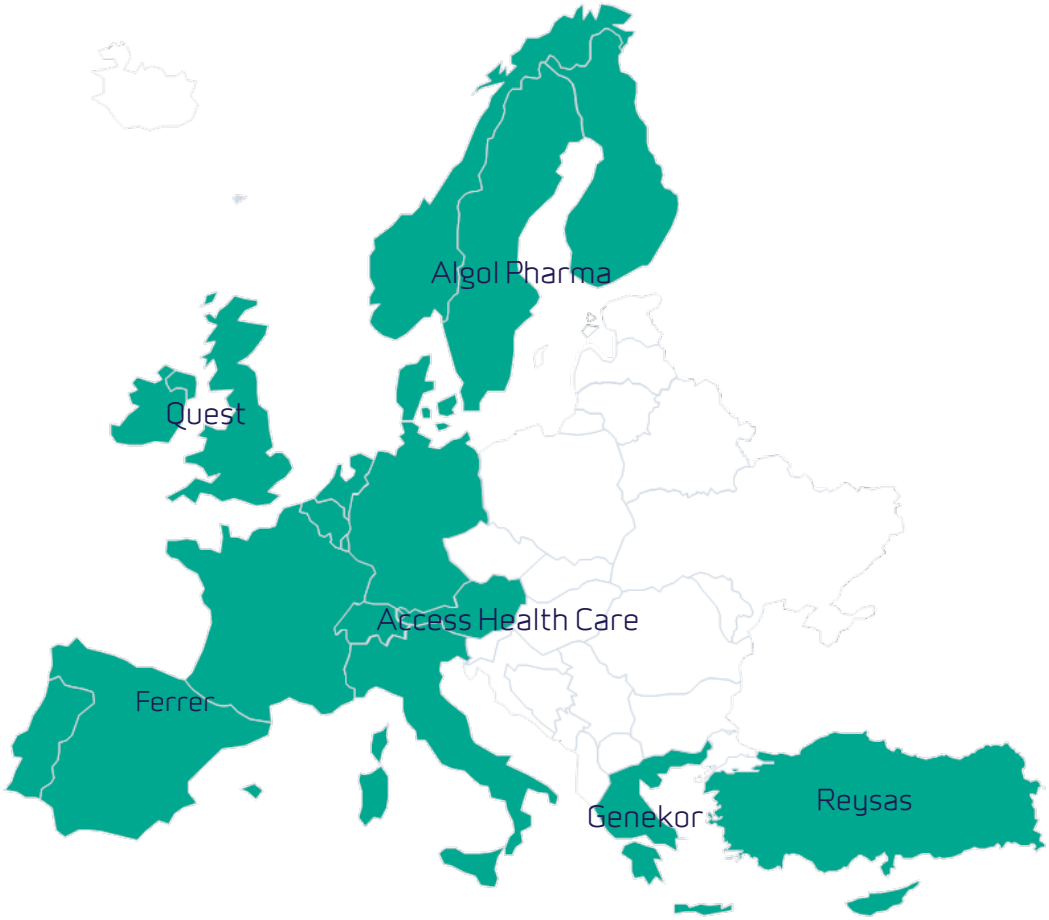
Early and correct treatment for patients has the potential of producing great benefits in the form of several years in normal surroundings and with functioning cognitive capacity. Developing medicines to treat Alzheimer's disease hinges on the availability of correct early diagnostic testing, both in order to streamline clinical studies and, later, to identify patients who are suitable for the medicine. There are a large number of new medicines under development, and new treatment procedures are expected to be approved within a few years.

CURRENT DIAGNOSTIC TESTING IS TIME CONSUMING AND DIFFICULT

Performing diagnostic testing of the disease is currently difficult and extensive and can only be performed with certainty by means of a post mortem biopsy. Currently Alzheimer's disease is diagnosed by means of a number of questionnaires, including clinical interviews with patients and relatives in order to assess reduced functional capacity and behavioural changes. These tests are carried out to assess potential cognitive impairment and are often supplemented with imaging brain scans and measures of neurophysiologic function. Even with all these tests, it can be difficult to make a certain diagnosis, especially at the early stages of the disease.

COMPETING DIAGNOSTIC PROCEDURES

The demand for improved and simpler diagnostic tools for the detection of Alzheimer's disease has resulted in intensive research and development activity where much other focus has been targeted at molecular image diagnostic testing and disease-specific biomarkers. DiaGenic is of the belief that molecular image diagnostic testing will complement biomarkers. Competing biomarkers for Alzheimer's disease include



cerebrospinal fluid (CSF), where the market potential is somewhat limited because of the difficulty and risks involved in taking CSF samples. Attempts at developing biomarkers using blood as sample material have so far not realized the anticipated potential, and DiaGenic knows of no other tests approved for diagnostic use in the United States and Europe.

ADTECT® FROM PRODUCT CANDIDATE TO PRODUCT

DiaGenic had ADtect® CE marked in 2009. A CE mark was declared on the basis of a number of studies that showed that ADtect® has an accuracy of 73 percent with balanced sensitivity and specificity. ADtect® shows correspondingly high accuracy for the early stages of the disease as for later stages of the disease. Early forms of Alzheimer's disease are normally perceived to be difficult to diagnose and therefore have a correspondingly lower level of clinical accuracy. The patients who were part of the CE studies were recruited from specialist centres, such as memory clinics and hospitals, which in turn reflect the patient population which ADtect® is intended to be used with.

The CE mark means that ADtect® may be marketed and sold within the EU and in EFTA countries where DiaGenic has decided on a sales and marketing strategy, which entails the establishment of a distribution network for select markets. In 2009 the Company signed distribution agreements with distributors of ADtect® in a number of countries in Europe. Please see Figure above for a list of distributors of ADtect® in Europe.

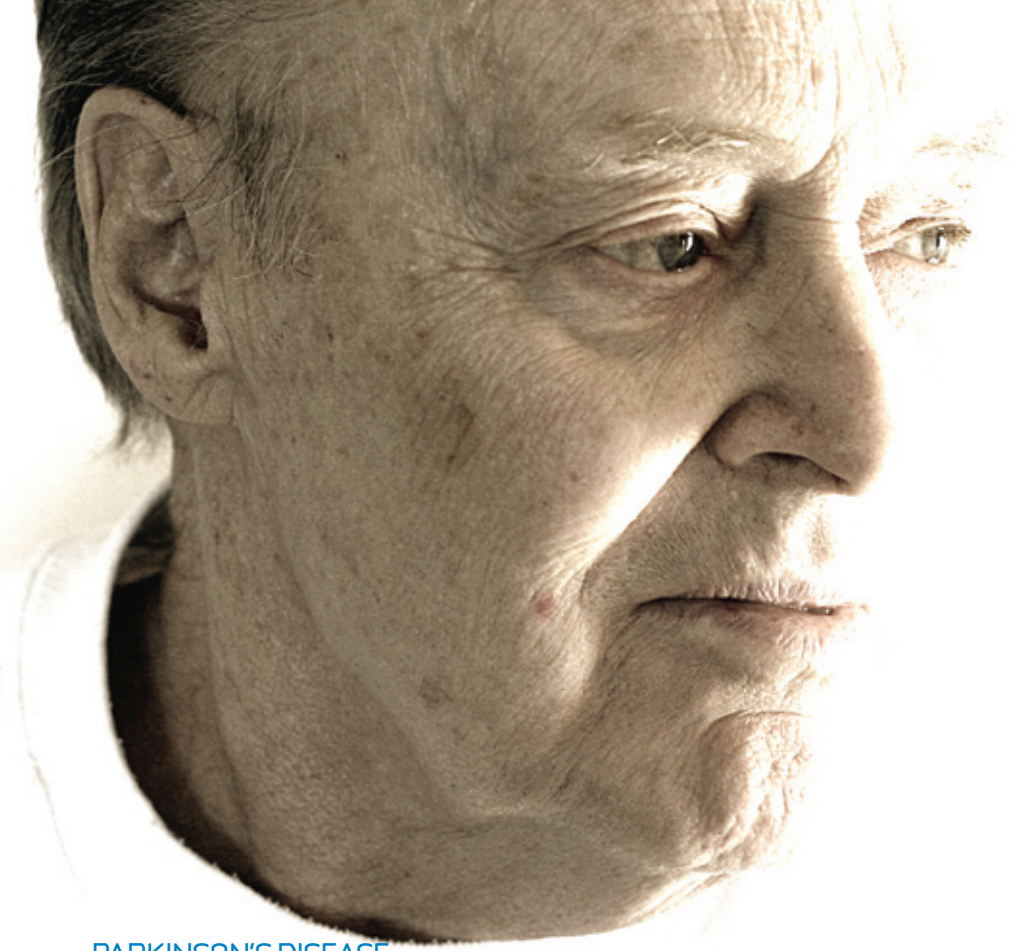
Scientific Advisory Board, Alzheimer's Disease

Professor Samuel Gandy is Professor of Alzheimer's Disease Research, Professor of Neurology and Psychiatry, and Associate Director of the Mount Sinai Alzheimer's Disease Research Center, and Chairman of the National Medical and Scientific Advisory Council of the Alzheimer's Association. Dr Gandy is an international expert in the metabolism of the substance called amyloids, which are deposited in the brains of patients with Alzheimer's. In 1989 Gandy and his team discovered the first medicine able to reduce the formation of amyloids. Dr Gandy has published more than 150 scientific papers, chapters and reviews related to this topic.

Professor Khalid Iqbal is Professor and head of the Department of Neurochemistry at the New York State Institute for Basic Research, Staten Island, New York. Together with Bengt Winblad, he established the biennial International Conferences on Alzheimer's Disease & Related Disorders (ICAD). Dr Iqbal is the author of more than 200 scientific papers in prestigious and international scientific periodicals and has published eight books on Alzheimer's disease.

Professor Bengt Winblad is Professor of Geriatric Medicine at the Karolinska Institutet and a Chief Physician at the Karolinska University Hospital. He is the head of the Alzheimer's Disease Research Centre at the Karolinska Institute and for the program Swedish Brain Power. Professor Winblad is the author of more than 800 original publications on gerontology, geriatrics and dementia research and is a member of more than ten international editorial boards of scientific periodicals. Since 1988 he has been a member of the Nobel Committee's Scientific Council for Physiology and Medicine at the Karolinska Institutet. In 1995 he was elected head of the Medical Advisory Panel for Alzheimer's Disease International (ADI).

Professor Dag Aarsland is Professor of Geriatric Psychiatry at the Akershus University Hospital, the University of Oslo, and Research Head/Section Chief Physician of the Geriatric Psychiatry section, Stavanger University Hospital. In 2001 Professor Aarsland received the Leon Arner Award for his research into Alzheimer's disease. Professor Aarsland is also a member of the editorial committee of International Psychogeriatrics, Journal of Movement Disorders, and Journal of Neurology, Neurosurgery and Psychiatry.



Research and Development

Research and development plays an important role in DiaGenic's strategy to maintain a competitive advantage through product characteristics and documented clinical utility. In addition to its own research organization, the Company is collaborating with a number of institutions globally that provide important input to its research and development activities. DiaGenic has two product candidates in the development pipeline for detecting early forms of Parkinson's disease and what is potentially an initial stage of Alzheimer's disease, Mild Cognitive Impairment (MCI).

PARKINSON'S DISEASE

DiaGenic's development of a test for Parkinson's disease - PDtect®

DiaGenic's development of an early blood-based test for Parkinson's disease was initiated in 2008 through a project financed by the Michael J. Fox Foundation and implemented in collaboration with Brigham and Women's Hospital and Harvard Medical School. Biomarkers are necessary for the development of effective disease-modifying pharmaceutical therapies, which is the key goal of the Michael J. Fox Foundation (MJFF). In 2009 DiaGenic completed the project with the support of the Michael J. Fox Foundation and presented its findings to their scientific council. In 2009 the Company received financing from the Research Council of Norway for a four-year project, which will build on the work from the Michael J. Fox Foundation project. The goal of the project is to arrive at a CE-marked diagnostic test with the name PDtect® for clinical use in Europe. The project, supported by the Research Council of Norway, was initiated in 2009. By the end of the year, 230 patients from Nordic centres had been included in the project.

MILD COGNITIVE IMPAIRMENT (MCI)

DiaGenic's development of an MCI test (Mild Cognitive Impairment)

Development of medicines to treat Alzheimer's disease depends on correct early diagnostic testing, both in order to streamline clinical studies and later to identify the patients who are suitable for the medicine. There are a large number of new medicines under development, and it is assumed that the earlier one is able to start treatment of disease the better the effect of the medicines. MCI is a potential initial stage of Alzheimer's disease, and will therefore be very early on in the course of the disease. DiaGenic started the collection of blood samples for the project several years ago and covered a number of collection sites in Europe as well as an extension to also cover the United States at the Alzheimer's Disease Center at the University of California. In 2009 DiaGenic signed an options agreement with Merz Pharmaceuticals that covers both the development of a new biomarker for use in patient selection for clinical studies and an option for Merz to use the biomarker for further development of medicines.

Patent overview

DiaGenic has an active patent strategy and is seeking to build up a patent portfolio that can ensure solid protection of products within the diagnostic use of gene expression in blood samples. In 2009 DiaGenic's patent portfolio consisted of three patent families. A patent family is a collection of patents, patent applications, of a regional and national nature, which include one or more inventions.

In 2009 the Company obtained two new patents. In Patent Family 1, which covers a procedure for developing a standard diagnostic gene pattern by using blood samples taken at a location a distance away from the disease area, the Company was granted a patent in Norway. The scope of this patent corresponds to the one DiaGenic received for Japan and it covers several diseases. In Patent Family 2, a notice of allowance was issued for a patent in Europe. Patent Family 2 covers gene sequences for detection of disease, including Alzheimer's disease and breast cancer, using blood samples and gene expression analysis.

The patents that have been granted so far show the breadth of the Company's patent portfolio—a patent portfolio that contributes to the leading position of DiaGenic within molecular diagnostics by using blood samples and gene expression analyses. DiaGenic has several applications pending with the patent authorities in the most important markets for the Company's future products.

31st of December 2009

Countries/Region	Family 1 (WO 98/49342)			Family 2 (WO 2004/046382)			Family 3 (WO 2005/118851)		
Expiry year	2017			2023			2024		
	G	A	P	G	A	P	G	A	P
US	1	0	2	0	0	1	0	0	1
Europe*	2	0	1	0	0	0	0	0	1
Europe**	0	0	0	0	1	0	0	0	1
Norway	2	0	0	0	0	1	0	0	1
Japan	1	0	0	0	0	1	0	0	1
Canada	0	0	0	0	0	1	0	0	1
Hong Kong	2	0	0	0	0	1	0	0	1
China	0	0	0	0	0	1	0	0	1
Australia	0	0	0	1	0	0	0	0	1
New Zealand	0	0	0	1	0	0	0	0	1
India	0	0	0	1	0	0	0	0	1
South Africa	0	0	0	1	0	0	1	0	0
ARIPO*	0	0	0	0	0	1	0	0	1

G Number of patents granted
A Number of patents accepted by examiner
P Number of patents in progress

Europe*
Designated countries
Austria, Belgium, Switzerland, Cyprus, Germany, Denmark, Spain, Finland, France, United Kingdom, Greece, Ireland, Italy, Liechtenstein, Luxembourg, Monaco, The Netherlands, Portugal and Sweden

Europe**
Designated countries
Austria, Belgium, Switzerland, Cyprus, Germany, Denmark, Spain, Finland, France, United Kingdom Greece, Ireland, Italy, Liechtenstein, Luxembourg, Monaco, Netherlands, Portugal, Romania, Sweden, Slovenia, Slovakia and Turkey

ARIPO* (African Regional Intellectual Property Organization)
Designated countries
Botswana, Gambia, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Sierra Leone, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe

List of granted patents/allowed patent applications (after 2008/in green)
US 6720138; EP 0979308; EP 1323728; NO 317247; NO 20040371; JP 4163758; HK 1026003; HK 03109502.9; AU 2003286262; NZ 540750; IN 2701/DELNP/2005; ZA 2005/03797; ZA 2006/10644; HK 1057217; NO 327084; EP 156557431

Market

In the introductory phase of the marketing of BCtect® and ADtect®, DiaGenic has decided to focus on two different market segments: molecular diagnostics and the market for biomarkers to the pharmaceutical industry.

MOLECULAR DIAGNOSTIC TESTING

In order to succeed in the launch and sale of BCtect® and ADtect®, it is important to do the right things at the right time and in the right order. No markets are the same, which is the reason every single launch must be adjusted to the individual market. What all markets have in common is that a successful launch requires a targeted and structured effort. Since BCtect® and ADtect® are unique products of their kind, the initial phase after product launch requires a great degree of scientific marketing. This is necessary to build confidence and subsequently gain acceptance of the procedure. In the beginning, the focus will be on establishing introductory contacts directed at key opinion leaders, especially those most disposed to start using new technology. When they have realized the clinical use and perhaps also contributed to the documentation themselves through minor studies, the markets can mature with their help.

DiaGenic has chosen to collaborate with partners in the individual markets for the sale and marketing of BCtect® and ADtect®. For most markets, focus will initially be directed toward the private payer portion of the market, but parallel efforts are being made to put into place the necessary documentation for reimbursement in the individual markets. It will probably take some time before such arrangements can be made and for the tests to become part of routine examinations on a large scale. In the introductory phase after launch, market acceptance must be assumed to be limited. It is important to attain sufficient trust among key opinion leaders before the product is marketed for more general use. Skipping a step in the process could hamper future success.

EUROPE

DiaGenic works together with distributors for the sale and marketing of BCtect® and ADtect®. DiaGenic has signed five distribution agreements for both ADtect® and BCtect® covering a total of 10 countries: Norway, Sweden, Finland, Denmark, the United Kingdom, Ireland, Switzerland, Austria, Greece and Turkey. After the end of the year, DiaGenic also signed an agreement with Ferrer inCode for distributing ADtect® with the gradual launch in Spain, Portugal, France, Germany, the Benelux and Italy. The Distribution Agreements are valid for various terms and include clauses of minimum sales requirements in order to keep market exclusivity. Assuming the contracts are renewed upon expiry the cumulative minimum volumes from 2010 to 2013, both years inclusive, for these seventeen markets totals approximately 150,000

tests. Suggested end-user price is EUR 600 per test.

Since the summer of 2009, significant resources have been invested by both DiaGenic and our distributors in identifying, seeking out and convincing key opinion leaders in the various countries (cf. the marketing model below). This is a painstaking process, which toward the end of the year seems to bear fruit. Without support from key opinion leaders, it will be difficult to gain major market acceptance of the tests. Support from key opinion leaders will also be critical in relation to obtaining reimbursement for the tests in the various countries.

UNITED STATES

In 2009 the Company drew up a strategy for quicker market access to the United States. Based on regulatory requirements and reimbursement schemes, the Company's strategy is to gain initial market access through a Clinical Laboratory Improvement Amendments (CLIA) laboratory. This will contribute to allowing DiaGenic to gain market access to the United States with the current technology platform. Introductory conversations with this type of laboratory partner have been initiated. Documentation from a CLIA launch will subsequently be used as the basis for further studies for full FDA approval.

INDIA

The BCtect® follow-up by the distributor SRL in the Indian market after its launch in the autumn of 2008 has been disappointing. The lesson learned from India is that strategic marketing and a close, focused collaboration with the distributor is crucial for market evolvement. DiaGenic has indicated its desire to prioritise the European market in 2010.

COLLECTION KITS

DiaGenic has developed and is now offering collection kits that contain the components necessary to collect blood samples for our tests. The collection kits are designed and labelled as ADtect® and BCtect® collection kits, respectively. These improve the availability for our tests in clinics and in doctor's offices where these components are not so common. By using CE-marked products we also secure sample collection quality and thereby the quality of our tests. The financial margins on sample collection kits are at the same level as our other products.

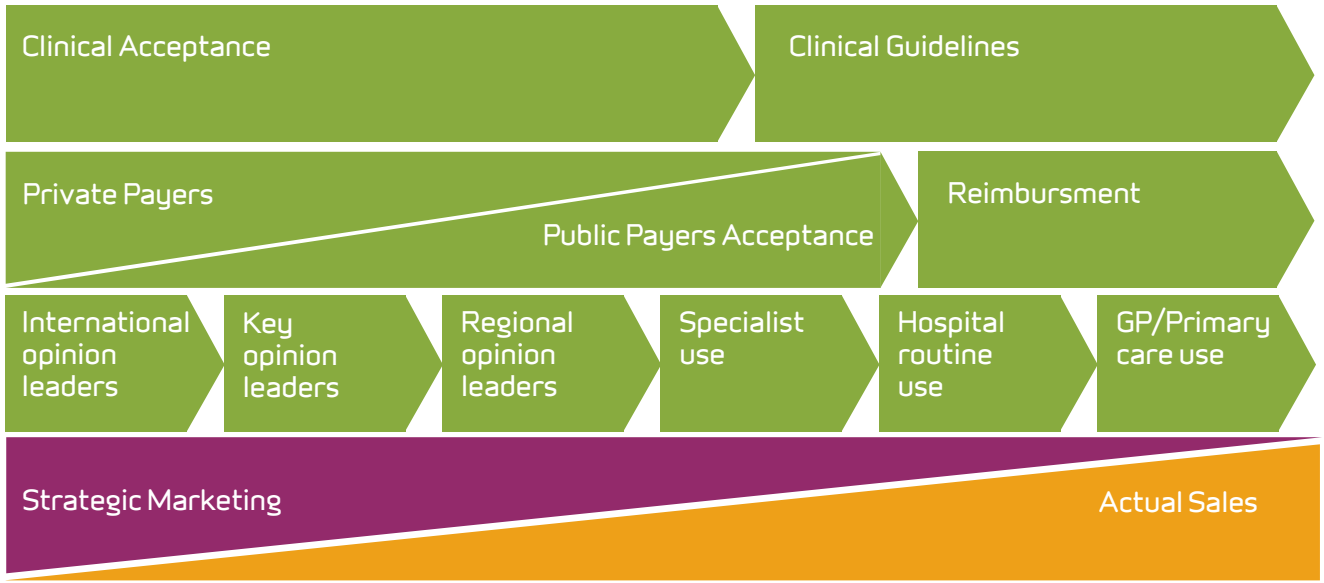


Figure: Strategic marketing.

BIOMARKERS FOR THE PHARMACEUTICAL INDUSTRY

An important strategic focus area for DiaGenic is to supply biomarkers to the pharmaceutical industry. In developing new medicines, many clinical studies will need to include biomarkers to identify the correct group of patients who will respond to treatment. Research cooperation to develop biomarkers is represented in the option agreement between Merz Pharmaceutical and DiaGenic. The goal for this project is to develop a biomarker for use in patient selection in clinical studies, and an option for Merz to use the biomarker in the further development of pharmaceuticals. It will also be of interest for DiaGenic that these biomarkers are used in "companion diagnostics" where regulatory approval of the medicine will depend on a diagnostic test and further clinical use of the medicine will be based on the results of the diagnostic test.

The development of MCI biomarkers will build on the ongoing Mild Cognitive Impairment (MCI) project. The project was initially a multi-centre study supported by the Research Council of Norway. In accordance with the option agreement with Merz Pharmaceutical, DiaGenic has increased its research activities in the United States through its collaboration with the University of California, Davis. Patients in the United States are currently being monitored through the cooperation with UC Davis and are part of the ongoing multi-centre study to develop a test for diagnosing MCI, MCItect. By year's end, 450 patients and controls have been included out of a total of 900 for the study.

The use of ADtect® as a cost-effective tool in clinical studies for the development of new Alzheimer's disease medicines has been presented to major pharmaceutical companies.

Executive Board Chairman

Håkon Sæterøy (1958) holds an MSc in Business Studies from the Norwegian School of Economics and Business Administration, Bergen, 1981. Sæterøy is the Chairman of the Board of DiaGenic and has been in charge of DiaGenic financing since 2000. He has more than 20 years' experience in the investment industry and corporate finance. Håkon Sæterøy is currently a board member of the Oslo Cancer Cluster Foundation and is also board chairman of Experto Credite Limited, Epitarget AS, Serodus AS and Skannex AS.

Board Vice Chairman

Gustav Ingemar Kihlström (1952) holds a PhD in Physiology from the University of Uppsala. He is an Associate Professor at the University of Uppsala and has over 15 years' experience from Astra and Pharmacia in Sweden and other countries. He worked as a financial analyst from 1996 2004, most recently as head of ABG Sundal Collier' health care sector team in Stockholm. He is currently an independent consultant working within the fields of science and financing in life science companies. He is board chairman of Artimplant AB, Creative Antibiotics AB, Hammercap AB and Recopharma AB, and a board member of several listed and unlisted companies..

Board Member

Ingrid Alfheim (1946) holds the degree of MSc in Civil Engineering from the Norwegian University of Science and Technology from 1969, and a PhD in Environmental Toxicology from the University of Oslo from 1984. Alfheim is the CEO of Biomedisinsk Innovasjon AS and previously held the position as Research Director of Axis-Shield ASA. Before this, she operated her own firm within the area of biomedical innovation and was also employed by the Research Council of Norway as well as the Norwegian Centre for Industrial Research. Alfheim has been a board member of several biotechnology companies.

Board Member

Mina Louise Blair (1965) holds a degree in Political Science from Aberdeen University in Scotland. She worked at the pharmaceutical company AstraZeneca in London from 1999 to 2009 as Director of Investor Relations in Europe. Previously, she worked as public affairs liaison at Zeneca Agrochemicals' headquarters in England. Through her work, Blair has accumulated expertise within the pharmaceutical industry and her network of investors and pharmaceutical companies.

Board Member and Director of Technology

Praveen Sharma (1964) is one of the co-founders of DiaGenic. He holds a university degree from India, the degree of MSc from the University of Oslo from 1990 as well as a PhD in Molecular Biology from the Norwegian University of Life Sciences from 1995. Sharma has held several research positions, most recently at the Norwegian Forest Research Institute. He became an employee at DiaGenic in 2000. Sharma has been a board member in DiaGenic since 1998.

Board Member

Maria Holmlund (1956) holds an MSc degree from the University of North Carolina and Institute of Marine Sciences, North Carolina in the United States. She is currently in charge of building up a new product concept for Phadia internationally within the point-of-care segment. Holmlund has held several management positions at a number of diagnostic companies, including Phadia, Pharmacia Diagnostics, Roche Diagnostics and Boehringer Mannheim.

Annual Review from the Board of Directors

STRATEGY

DiaGenic is at the forefront of the development of applications based on analyzing gene expressions for diagnostic testing using blood as the sample material. Our strategy is to provide applications for analysis of blood samples by using modern technology developed by internationally leading suppliers. Now that the first products have entered the market, the Company has a unique opportunity to carve out a central market position for molecular diagnostic testing.

DiaGenic's strategy in 2009 centered on the following three key components:

i. **Marketing of the diagnostic products BCtect® and ADtect® in Europe.** The Company decided on a distributor model instead of building up its own sales organization. During 2009, the Company built up a network of distributors in Europe. A strategy for scientific marketing was formulated in cooperation with distributors, to first gain product acceptance among key opinion leaders within selected geographic areas. Then, once products have gained acceptance, the Company will initiate broader marketing efforts.

ii. **Access to the U.S. market for the products BCtect® and ADtect®.** Based on regulatory requirements and reimbursement schemes, the Company's strategy is to gain initial market access through a CLIA laboratory. The first conversations were initiated over the course of 2009 with some relevant laboratory partners. Documentation from CLIA launches can subsequently be used as the basis for additional studies for the purpose of obtaining FDA product approval.

iii. **Biomarkers for use in the pharmaceutical industry**. There are many new medicines that will require blood-based diagnostic testing to identify correctly the patient group that will respond to treatment. Regulatory approval of such medicines might depend on diagnostic testing in the future. Clinical use of the medicine will then be based on the findings from the diagnostic test. This interaction between medicines and diagnostic testing is usually named "companion diagnostics." After the CE marking in 2009, use of ADtect® has been presented as a cost-effective patient selection tool in clinical studies for developing new pharmaceuticals to treat Alzheimer's disease.

TECHNOLOGY, PRODUCTS AND MARKET

In 2009 DiaGenic was voted "Norway's Most Innovative Company" by the Research Council of Norway. The CE marking of the Company's first commercial products BCtect® (diagnostic testing for breast cancer) and ADtect® (diagnostic testing for Alzheimer's disease) represents a very important milestone. The effort is the culmination of more than 10 years of research and development, and the Company is now launching its first diagnostic testing products in Europe.

HIGHLIGHTS OF 2009

CE-marking of BCtect® and ADtect®.

Norway's Most Innovative Company 2009

Distribution agreements signed for a number of European countries

Agreement with Merz Pharmaceuticals – development of biomarker for Mild Cognitive Impairment (MCI)

In 2009 the Company signed an option agreement with a leading pharmaceutical company to develop a blood-based biomarker for use in clinical studies. This opens up a market for DiaGenic within biomarkers for the pharmaceutical industry. There is high unmet medical need in the areas of Alzheimer's disease, Parkinson's disease and other neurological diseases.

DiaGenic has indicated that its resources will be focused on its core activities. The Company is currently in the favourable position that its first products have been launched. This means that there is no longer any uncertainty of the Company bringing products to market. A natural result of this position is that core activities have been defined as activities that support the sales function. The Company's commercial activities have now been divided into the areas Biomarkers (Rx) and Molecular Diagnostics (MDx). DiaGenic uses blood as its testing material for both these areas, which is different from most other market players who are using tissue samples (biopsies) or spinal fluid to analyze gene expression.

BIOMARKERS (RX)

As a first, after the CE marking in 2009, the Company is able to present a comprehensive product documentation dossier to both pharmaceutical companies and independent organizations for clinical testing (CRO). The products ADtect® and BCtect® can be used in independent clinical studies for pharmaceutical trials.

Merz Pharmaceuticals GmbH has evaluated DiaGenic and the Company's competence and patents within the development of biomarkers. An option agreement was entered into in March 2009 on that basis for the development of a new biomarker for Mild Cognitive Impairment (MCI), pre-dementia disease stages. This represents a very important validation of DiaGenic and of the Company's technology and patents. A final agreement is pending a final decision from the pharmaceutical company, which depends on their ongoing studies. The validation that a signed option agreement signifies alone gives DiaGenic the required basis to further target its efforts within biomarkers for the pharmaceutical industry. The collection of blood samples for the MCI project was expanded also to include the United States in addition to the Nordic countries over the course of 2009.

MOLECULAR DIAGNOSTICS (MDX)

The work involved in establishing a distribution network for BCtect® and ADtect® in Europe has been one of the Company's most important activities in 2009. After negotiations with select distributors, the following distribution agreements have now been executed for the European market:

i. Algol Pharma as distributor of ADtect® and BCtect® for Norway, Sweden, Denmark and Finland.
ii. Access Health Care as distributor of ADtect® and BCtect® for Switzerland and Austria.
iii. Genekor as distributor of ADtect® and BCtect® for Greece.
iv. DataDis Ticaret (a division of the Reysas Group) as distributor for Turkey.
v. Quest Diagnostics as distributor of BCtect® and ADtect® in the United Kingdom and Ireland.
vi. Ferrer InCode (subsidiary of the Grupo Ferrer Internacional) as distributor of ADtect® in Spain, Germany, Belgium, the Netherlands, Luxemburg, France, Italy and Portugal (this agreement was signed in January 2010).

In 2009 the Company, in cooperation with its distributors, initiated efforts to gain acceptance of its products among selected key opinion leaders in target countries. It is only when such acceptance is in place that broader marketing of the products targeting groups such as General Practioners, patients and relatives will be initiated. This strategy is reflected in the distributor agreements' provisions relating to minimum volumes. Over the course of the next four years, the aggregated minimum volumes will constitute about 150,000 tests, of which the minimum volumes in 2010 will only make up a small share.

We see an example of this type of incremental market approach in England, where the first clinic entered BCtect® into use in 2010. London Breast Clinic are currently marketing the blood test BCtect® to its clients in combination with digital mammography and consultation with a genetic oncologist at a special introductory price.

The BCtect® follow-up by the distributor SRL in the Indian market after its launch in the autumn of 2008 has been disappointing. The lesson learned from India is that strategic marketing and a close, focused collaboration with the distributor is crucial for market evolvement. DiaGenic has indicated its desire to prioritise the European market in 2010.

PATENTS

DiaGenic's concept of using sample materials taken at a location remote from the diseased area (blood testing) and

analysing gene expression is central to the Company's patent strategy. The Company bases its diagnostic testing applications on protection through a portfolio of patents and patent applications. This portfolio of intellectual property rights covers a number of diseases in addition to breast cancer and Alzheimer's disease with the products BCtect® and ADtect®.

In 2009 DiaGenic was awarded a European patent for using a number of important gene sequences in blood for diagnostic testing and monitoring of, among other things, Alzheimer's disease and breast cancer. The patent belongs to the Company's Patent Family 2 and expires in 2023.

DiaGenic also received notice of allowance for a Norwegian patent for the development of standard diagnostic gene transcript pattern for use in blood, where blood is drawn distant from the diseased area. The patent covers a number of diseases.

The growing patent portfolio reflects the Company's active patent strategy and confirms DiaGenic's leadership role within molecular diagnostic testing using blood-based samples. The new patents also strengthen DiaGenic as an industrial partner.

RESEARCH AND DEVELOPMENT

The Company's portfolio of intellectual property rights covers a number of diseases in addition to breast cancer and Alzheimer's disease. The Company will therefore seek to maintain its research and development (R&D) capacity, in order to ensure future value creation for its patent portfolio. However, the Board of Directors have decided that such R&D activities should primarily be financed externally, for example through partners as well as grants from public or private financing sources. In developing new biomarkers it would be natural for the pharmaceutical companies to contribute with a significant share of the financing.

Additional research activities include the development of a diagnostic test for Parkinson's disease, customer support and adaption to new technology platforms.

ORGANISATION AND THE ENVIRONMENT, EMPLOYEES AND MANAGEMENT

DiaGenic is established in modern premises at Helsfyr in Oslo. The premises include both offices and a laboratory and are flexible with respect to adapting to future requirements.

Over the course of the past year, the Company has been granted regulatory approval in Europe for its first two products and has moved into a new phase where these products will be marketed and sold. Therefore, the Company has refocused its organization from research and development alone, to sales and marketing. DiaGenic depends on skilled, experienced and qualified managers and employees for its success. It is the Company's goal to treat its employees equally, regardless of gender. The Company regards diversity in the form of varied educational backgrounds, experience, gender and nationality/ethnicity as a positive component in developing an innovative environment.

By year-end DiaGenic had 22 employees, compared to 21

employees the previous year. Eleven of the Company's 22 employees are women, of which one leads production and the laboratory and another is a project manager. Three out of the six Board members are women.

The Company's founders still retain leading positions within the Company, as Director of Research and Director of Technology. The Chairman of the Board is retained by the Company through a consultancy agreement and is actively engaged primarily in financing and strategy.

In addition, the Company engages several consultants and purchases services relating to finance, accounting, legal, quality systems and patenting from external advisers.

The Company's working environment is considered good. There were no recorded accidents or injuries in 2009. Absence due to sickness in 2009 totalled 2.7% of working hours compared to 1.8% of working hours during the corresponding period in 2008.

The Company has appointed several internationally recognized scientific advisers.

The Company does not pollute the external environment.

The Company uses subscription rights to a certain degree to incentivize and bind employees to the Company over the long term. The principle for all such incentive schemes is that subscription prices at the time of granting must not be lower than the market prices.

CORPORATE GOVERNANCE

Equal treatment of all shareholders is central to the Company's corporate governance structure. The Company has only one class of shares and all shareholders have equal rights. The Company's shares are listed and are freely tradeable. As a listed company, DiaGenic meets the requirements for equal treatment, transparency and reporting of both financial and other information.

For more information, please refer to the separate section on Corporate Governance in the Annual Report.

SHARE CAPITAL AND SHAREHOLDERS

By year-end 2009 the Company had 1,875 shareholders.

The Company carried out two share issues in 2009: One in July when 2.5 million new shares were issued at NOK 3.74 per share and one in November when 12.5 million new shares were issued at NOK 2.75 per share. The share issues generated net proceeds (less costs related to the issue) of NOK 39.9 million. As part of the November 2009 issue and a subsequent repair offering in February 2010, a total of 16 million warrants were issued. A warrant gives the holder the right to subscribe for a share at NOK 3.25 per share. The warrants remain valid on or before 30 September 2010.

The Company has entered into market-making agreements with two brokerages and in doing so, has secured a listing in "OB Match," which is the second-most liquid category on the Oslo Stock Exchange.

The Company will prioritize its further work with investor relations and will work to create and increase awareness of the share in both Norway and abroad. The shareholder list contains a significant number of Nordic institutional and private investors.

At present cost levels, the Company is financed for a period of less than one year. The expectation is that contributions from sales revenues will be insufficient to cover the financing requirements for the next 12 months. If the warrants specified above are exercised in full, the Company will have sufficient working capital for the next 12 months at the current cost levels. Thus targeted efforts are pursued to ensure that the warrants are exercised. If the warrants do not produce the desired results, the Company might need to take new financing measures including loans, equity financing and research financing. The Board is of the opinion that efforts ensuring additional financing would be feasible. On that basis, the Board confirms that the assumption of a going concern is present and that the financial statements are submitted in accordance with this assumption.

FINANCE

Profit and Loss

Income and Research Grants

DiaGenic has operating revenues of kNOK 131 in 2009 (kNOK 0 in 2008) relating to the selling of collection kits. A collection kit contains components for taking a blood sample from a patient. Research grants are recognized at net value (as a reduction of operating costs). In 2009, research grants totalled kNOK 4,312 (kNOK 6,225 in 2008).

Operating Expenses

Total operating expenses, less public grants, totalled kNOK 39,986 in 2009 (kNOK 36,384 in 2008), of which wages and staff costs totalled kNOK 21,275 (kNOK 16,965). The average number of employees increased from 19 in 2008 to 22 in 2009 with a resulting increase in staff costs. Of the total operating expenses for 2009, all other operating expenses totalled kNOK 18,339 (kNOK 19,419). The primary reason for this reduction in all other operating expenses was the reduction in laboratory-related costs. Cost of goods sold totalled kNOK 372 in 2009 (kNOK 0 in 2008), a figure mainly related to consumption of kits and components in connection with the release of ADtect® and BCtect® for Europe as well as inventory write-downs in India.

Net financial income totalled kNOK 524 in 2009 as compared with kNOK 1,802 in 2008.

For 2009, the total loss was NOK -39.3 million as compared to NOK -34.6 million in 2008. It is proposed that the annual loss of NOK 39.3 million is covered by a transfer from the other reserves account and the share premium reserve account.

Balance Sheet

Total assets amounted to kNOK 46,484 on 31 December 2009 (kNOK 38,900) of which current assets totalled kNOK 42,777 (kNOK 35,270). Cash and cash equivalents constituted most of the current assets and by the end of December 2009, cash and cash equivalents totalled kNOK 35,404 (kNOK 27,958). The total value of inventories totalled kNOK 2,127 on 31 December 2009 (kNOK 1,445).

Equity totalled kNOK 29,373 on 31 December 2009 (kNOK 28,412). Short-term liabilities on 31 December 2009 totalled kNOK 8,848 (kNOK 7,473) and pension liabilities totalled kNOK 2,571 (kNOK 1,962). Other long-term liabilities by the end of fourth quarter 2009 totalled kNOK 5,698 (kNOK 1,054), which were related to the leasing of equipment for the Company's laboratory and a loan to Innovasjon Norge of NOK 5 million. The loan is a serial loan with four years maturity and the current annual interest rate is 5.75%.

The Company has no distributable equity as of 31 December 2009.

DiaGenic did not recognize deferred tax asset since there was uncertainty as to whether the Company would be able to utilise the deferred tax benefit.

In 2009 the Company recognized on the balance sheet development costs related to the development of software generating test results for the Company's CE-approved products. The book value as of 31 December 2009 for development expenses recognized on the balance sheet was kNOK 1,559 (kNOK 0).

Cash Flow

The net change in cash and cash equivalents for 2009 totalled kNOK 7,446 (kNOK 8,292). For 2009 the cash flow from operating activities was kNOK -35,687 (kNOK -31,959). The increase was mainly a result of a larger loss before tax. In 2009 net cash flow from financing activities totalled kNOK 44,528 (kNOK 41,145). This change is primarily a result of taking up a loan totalling NOK 5 million. The Company's cash and cash equivalents were deposited in banks and totalled kNOK 35,404 on 31 December 2009 (kNOK 19,666).

Financing and Equity

In 2009 the Company carried out two issues with total gross proceeds of NOK 44 million. In July 2009 the Company carried out an issue of 2.5 million shares with gross proceeds of NOK 9.35 million and from that there was an increase in the share capital of kNOK 125 to kNOK 2,712. In November 2009 the Company carried out an issue of 12.5 million shares at a subscription price of NOK 2.75 per share with gross proceeds of NOK 34.4 million and from that an increase in the share capital of kNOK 625 to kNOK 3,337.

After year-end the Company carried out a share issue of 3.5 million shares with gross proceeds of NOK 9.6 million. As a result of this issue, the share capital increased by kNOK 175 to kNOK 3,512.

As resolved by the extraordinary general meeting in December 2009, 16 million warrants were issued after the end of the year. One warrant grants the right to subscribe for a share at the subscription price of NOK 3.25 per share. Warrants may be exercised on or before 30 September 2010.

RISKS

The research and development of new diagnostic tests up until regulatory approval and launching are, to a great degree, a risky and capital-intensive process. The business model is characterized by a high degree of risk and there can be no assurance that ongoing and future projects reach the launch stage. The latest developments in global trade cycles and capital markets are associated with an increased general uncertainty which may, in turn, affect the Company's access to financing.

The Company is exposed to three risk factors that need to be managed: operational, financial and market-related risks.

DiaGenic has worked in a targeted manner to create the best possible conditions for balancing risks relating to project management and other operational activities. In spite of its continuous efforts to balance risks, there will always be factors outside the control of the Company. For example, there is

significant risk related to the development of diagnostic tests. There are risks associated with the whole development phase, also after regulatory approval has been granted, and which may be caused by problems related to clinical efficacy as well as patient safety considerations.

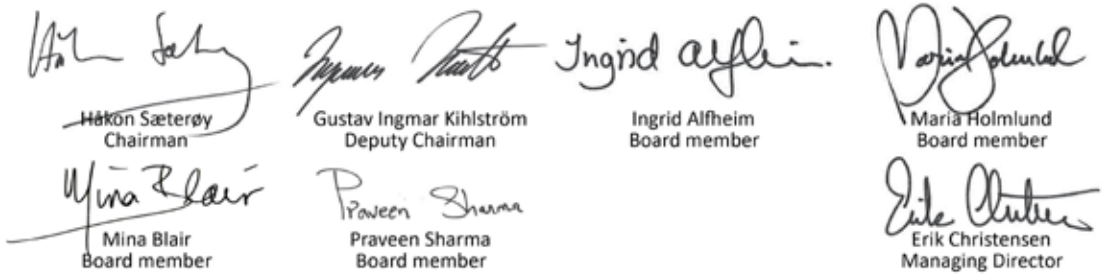
DiaGenic has entered into distribution agreements with both major, established distributors and minor distributors. Distributors can provide the Company with broader and faster market access than if it operated alone. Selling and marketing new products involve a large degree of risk. This is related to regulatory conditions as well as uncertainty pertaining to market-related conditions.

The Company's financial risks include liquidity, credit, interest rate and currency risks, which are discussed in greater detail in Note 22 of the Annual Financial Statements. This also contains a more detailed review of operational and market-related risk factors.

FUTURE PROSPECTS

- Sale of BCtect® and ADtect® in Europe. DiaGenic supports distributors both with respect to training sales teams and by gaining test acceptance with key opinion leaders in the individual markets. It is only after such acceptance that a broader marketing effort will be implemented. One should therefore estimate some time before the products can reach a large audience.
- DiaGenic is working to put an agreement in place with a CLIA laboratory for U.S. market access for BCtect® and ADtect®. At a later date, it is expected that studies will be commenced as the basis for an application for FDA approval.
- The CE marking of BCtect® and ADtect® has produced extensive documentation which is currently being used in marketing our blood-based biomarkers for use in the pharmaceutical industry.

Oslo, 21st of April 2010



Financial Statements 2009

DiaGenic ASA

Org. 979 938 799

Statement of comprehensive income (NOK)

NOTE		2009	2008	2007
	Operating income and operating expenses			
3	Operating income	130,887	0	55,998
	Total operating income	**130,887**	**0**	**55,998**
	Cost of goods sold	372,176	0	0
	Total cost of goods sold	372,176	0	0
5,7,17	Salaries and personnel expenses	21,274,966	16,964,506	13,859,831
12,13,18	Depreciation and amortisation	965,694	859,822	766,699
13	Write down of fixed assets	352,216	0	0
4,5,9, 20	Other operating expenses	17,021,443	18,559,215	14,446,543
	Total operating expenses	39,614,319	36,383,543	29,073,074
	Operating loss	-39,855,607	-36,383,543	-29,017,076
	Financial income and finacial expenses			
22	Interest income	544,267	1,922,875	1,049,540
9, 22	Other financial income	194,047	53,115	37,136
19, 22	Interest expense	125,532	86,779	157,756
9, 22	Other financial expenses	88,747	87,522	36,883
	Net financial items	524,035	1,801,690	892,038
	Pre-tax profit (loss)	**-39,331,572**	**-34,581,853**	**-28,125,038**
10	Tax for the year	0	0	0
	Net profit (loss)	**-39,331,572**	**-34,581,853**	**-28,125,038**
	Other comprehensive income	0	0	0
	Comprehensive income	**-39,331,572**	**-34,581,853**	**-28,125,038**
	Transfers and allocations			
	Transferred from share premium reserve	-38,922,250	-34,149,604	-27,470,802
	Transferred from other reserves	-409,322	-432,249	-654,236
	Total transfers and allocations	-39,331,572	-34,581,853	-28,125,038
11	Earnings per share	-0.73	-0.71	-0.66
11	Diluted earnings per share	-0.73	-0.71	-0.66

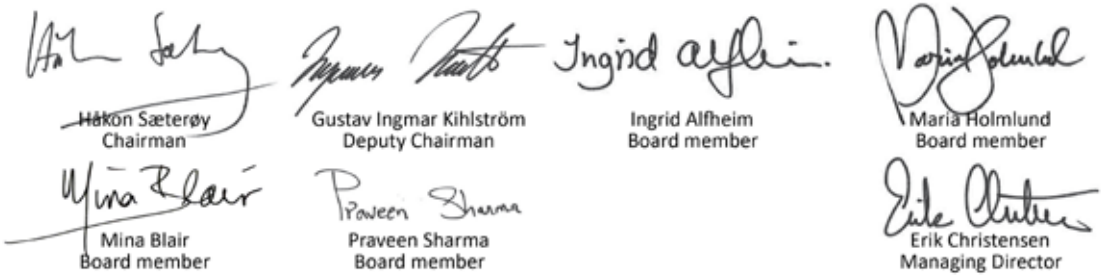
Statement of financial position as of 31 December

NOTE	ASSETS (NOK)	2009	2008
	Fixed assets		
	Intangible assets		
12	Goodwill	572,437	572,437
12	Software	1,558,521	451,237
	Total intangible assets	2,130,958	1,023,674
	Tangible assets		
13,18	Machinery, equipment, fixtures and fittings etc.	1,575,576	2,606,513
	Total tangible assets	1,575,576	2,606,513
	Total fixed assets	3,706,533	3,630,187
	Current assets		
14	Inventories	2,127,269	1,445,437
	Receivables		
9,22	Accounts receivable	141,159	0
9	Other receivables	5,105,115	5,866,427
	Total receivables	5,246,274	5,866,427
15	Cash and cash equivalents	35,403,955	27,957,864
	Total current assets	42,777,498	35,269,727
	TOTAL ASSETS	46,484,031	38,899,914

Statement of financial position as of 31 December

NOTE	EQUITY AND LIABILITIES (NOK)	2009	2008
	Equity		
	Paid in capital		
16	Share capital	3,336,826	2,586,826
	Share premium reserve	26,036,089	25,825,158
	Total paid in capital	29,372,915	28,411,984
	Total equity	**29,372,915**	**28,411,984**
	Liabilities		
	Provisions		
17	Pension liabilities	2,570,632	1,961,528
	Total provisions	2,570,632	1,961,528
	Long term debt		
18,19	Other long term debt	5,698,129	1,053,789
	Total long term debt	5,698,129	1,053,789
	Current liabilities		
	Accounts payable	3,307,047	3,472,327
	Public duties payable	1,949,619	1,229,739
9	Other current liabilities	3,585,689	2,770,547
	Total current liabilities	8,842,355	7,472,613
	Total liabilities	**17,111,116**	**10,487,930**
	TOTAL EQUITY AND LIABILITIES	46,484,031	38,899,914

Oslo, 21st of April 2010



Håkon Sæterøy
Chairman

Gustav Ingmar Kihlström
Deputy Chairman

Ingrid Alfheim
Board member

Maria Holmlund
Board member

Mina Blair
Board member

Praveen Sharma
Board member

Erik Christensen
Managing Director

Statement of cash flows (NOK)

	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		-39,331,572	-34,581,853
Taxes paid		0	0
Depreciation and amortisation	12,13,18	965,692	859,822
Write-downs of tangible fixed assets	13	352,216	0
Loss from sale of tangible fixed assets		0	0
Fair value granted option rights		409,322	432,249
Difference between pension expenses and payments to the pension plan		609,104	355,300
Change in inventories	14	-681,832	-1,445,437
Change in trade payable		-165,281	1,735,688
Changes in other current assets and other liabilities		2,155,176	685,539
Net cash flow from operating activities		-35,687,174	-31,958,691
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Proceeds from sale of tangible fixed assets		0	0
Investment in tangible fixed assets	12,13	-1,394,257	-894,466
Net cash flow from investment activities		-1,394,257	-894,466
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flow from share issue	23	39,883,180	41,508,221
Net cash from long term liabilities	19	5,000,000	0
Payment of long term debt		-355,659	-362,907
Net cash flow from financing activities		44,527,522	41,145,315
Net change in cash and cash equivalents		7,446,091	8,292,158
Cash balance as of January 1st		27,957,863	19,665,705
Cash balance as of 31 December		35,403,956	27,957,863

Statement of changes in equity

Amounts in NOK	Number of shares	Share capital	Share prem. reserve	Other reserve	Other equity	Total equity
Share issue - May 2008	8,000,000	400,000	41,108,221	0	0	41,508,221
Fair value granted options	0	0	0	432,249	0	432,249
Net loss 2008	0	0	0	0	-34,581,853	-34,581,853
Allocation of net loss 2008	0	0	-34,149,604	-432,249	34,581,853	0
Equity as of 31 December 2008	51,736,520	2,586,826	25,825,158	0	0	28,411,984
Share issue - July 2009	2,500,000	125,000	8,522,885	0	0	8,647,885
Share issue - November 2009	12,500,000	625,000	30,610,295	0	0	31,235,295
Fair value granted options	0	0	0	409,322	0	409,322
Net loss 2009	0	0	0	0	-39,331,572	-39,331,572
Allocation of net loss 2009	0	0	-38,922,250	-409,322	39,331,572	0
Equity as of 31 December 2009	66,736,520	3,336,826	26,036,089	0	0	29,372,915

Costs related to share issue in 2008 are booked as a reduction of share premium reserve at the amount of NOK 3,291,779.

Costs related to share issues in 2009 are booked as a reduction of share premium reserve at the amount of NOK 3,841,820.

Note 1

Company information

DiaGenic ASA (org. no 979 938 799) is a Norwegian public limited company listed on the Oslo Stock Exchange. It was formed in 1998. The company's head office is in Grenseveien 92, NO-0663 Oslo, Norway.

DiaGenic ASA develops diagnostic tests for the early detection of breast cancer, Alzheimer's disease and Parkinson's disease based on gene expression signatures in blood samples.

Note 2

Accounting principles and estimates

Basis for the preparation of the annual accounts

The company's annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) which are approved by EU.

The accounts have been prepared on a historical cost basis.

The annual accounts are presented in NOK unless otherwise specified.

The annual accounts were approved by the Board of Directors on 21 April 2009.

The use of estimates

The preparation of financial statements in accordance with IFRS requires management to make assessments and to prepare estimates and assumptions that influence amounts recognised in the accounts for assets and obligations, revenues and expenses. Estimates and related assumptions are based on the best of the management's knowledge of historical and relevant events, experience and other factors that seem reasonable under the circumstances. The actual results may deviate from such assumptions. Estimates and underlying assumptions are subject to continuous assessment. Critical accounting estimates for DiaGenic are as follows:

Pensions:
The present value of the pension obligation depends on the actuarial company-specific and financial assumptions. All changes in the assumptions will influence the calculated pension obligation and the future costs. Calculations of pension liabilities are done according to IFRS (IAS 19 Employee Benefits), and the Norwegian Actuary Association standard for actuary technical calculations. The assumptions are according to the Guidance of pension assumptions (Sept. 2009) from the Norwegian Accounting Institution. The Guidance of pension assumptions is used as a basis for DiaGenic's company-specific assumptions.

Share-based remuneration:
The fair value of employee options is calculated on their grant date. The fair value is calculated using Black & Scholes. All variables included in this model are stipulated on the issue date for the options. Significant factors include the time that elapses from the grant date to the first possible exercise date, the share's volatility, the risk-free interest rate, the share price on the issue date, the exercise price and the lifetime of the option. Costs relating to share-based remuneration are expensed over the vesting period as personnel expenses and an increase in equity. In connection with the accrual of costs, estimates will be made with respect to the future retirement rate. These estimates will be updated on each balance sheet date. Changes in estimates will influence costs relating to share-based remuneration in the period in question.

Accounting treatment of the deferred tax asset:
DiaGenic provides for expected tax obligations on the basis of estimates. When the final outcome deviates from the estimates that are basis for the original provision, the deviations will affect the tax expense and the provision for deferred tax in the period in which the decision is made. The deferred tax asset of loss carry forwards is included when it is probable that the loss carry forward can be utilized. Historical earnings and expected future earnings will be used as the basis for assessing probability in this context.

Goodwill:
In accordance with IFRS the company tests annually whether it is necessary to write down capitalised goodwill. The value of the cash generating unit will be stipulated as the recoverable amount, which is the higher of net sales value and utility value. The estimated recoverable amount is calculated on the basis of the present value of budgeted cash flows. The calculation requires the use of estimates relating to future cash flows. Uncertainty will normally attach to budgeted cash flows. Events, changes in assumptions and management assessments will all affect the evaluation of write-downs in the relevant period.

Research and development:
Costs relating to research are expensed in the income statement as incurred. The same applies to expenses related to the development, unless the following criteria are met:
1. The product or process is clearly defined and the cost elements can be identified and measured reliably.
2. Technological success of the product is demonstrated.
3. The product or process will be sold or used in the company's operations.
4. The asset will generate future economic benefits.
5. Sufficient technical, financial and other resources to complete the product are present.

When the above criteria are met capitalization of costs related to development can commence. Costs that are expensed in prior accounting periods do not get capitalized. Capitalized development costs are amortized on a straight-line basis over their estimated useful life time of the asset. Rest value of development costs will be estimated when there is indication of impairment or the need for previous periods' impairment losses no longer exist.

Leases:
Leases where a majority of the risks are with the contracting counterparty is classified as operating leases. Rental expenses are classified as an operating expense and are expensed on a straight-line basis over the lease term.

Lease agreements where essentially all the risks and rewards of ownership are transferred to the lessee are classified as a financial lease. Financial leases are presented as long-term debt and fixed assets. Rental costs are expensed as an annuity, whereby the interest element is included in interest expense, while the instalments reduce long-term debt.

Sales revenues

Revenue is recognized when it is likely that transactions will generate future economic benefits that will accrue to the company, and when the amount and size can be estimated reliably. Sale of products are recognized at delivery time, ie when both the control and risk is mainly transferred to buyer. Revenue from services rendered is recognized in the income statement in the period the service is performed. License revenues are recognized in line with the licensee sales of licensed products.

Research and development

Research activities are defined as activities whose purpose is to generate new technological understanding or knowledge. Costs relating to clearly defined development projects that are considered technically feasible and for which sufficient resources are available are capitalised when it is substantiated that there is a connection between the incurred costs and future earnings. Sufficient substantiation is deemed to exist when necessary regulatory approvals for sales and marketing are in place, and when future economic benefits are supported through estimates. Research and development costs consist of costs relating to the company's own research and laboratory department, costs relating to the purchase of external laboratory- and research services and clinical studies. Capitalised development costs are recognised at cost price after the deduction of accumulated depreciation and write-downs. The capitalised value is amortised over the period of expected future earnings from the related project. Gains and losses that arise on the sale of an intangible asset are measured as the difference between the net proceeds of the sale and the book value on the transaction date.

Goodwill

Acquisitions of businesses are recognised at fair value. Goodwill is the excess value of the difference between the acquisition cost on acquisition and the fair value of the net identifiable assets relating to the acquisition, including intangible assets and obligations that arise as a result of the transaction. Goodwill is recognised in the balance sheet at acquisition cost less any accumulated losses resulting from a fall in value. Goodwill is allocated to cash generating unit and is not depreciated, but tested annually for impairment.

Government grants

Government grants are recognized in the income statement when there is reasonable assurance that the grant will be received and that the terms that are related to the grant are met. Contributions are classified as a cost reduction and are recognized at the same time with the cost to reduce.

Pensions

The company offers its employees pensions that are defined as a defined benefit pension scheme. The pension scheme is calculated annually by an actuary. The pension obligations and pension expenses are calculated using a straight-line earnings model which calculates the cost for the year of the employees' pension entitlements earned during the period. The pension obligation is calculated as the present value of the defined benefit obligation on the balance sheet date minus the fair value of the scheme's assets, adjusted for any gains or losses and costs relating to previous periods' pension earnings. The defined benefit obligation is calculated by an independent actuary and is measured as the present value of the estimated pension payments. Costs connected with providing the pension benefits is charged to income so that the regular costs are spread over the employees' expected period of service. The discount rate, expected return on pension assets, wage adjustments, regulation of the National Insurance basic amount and personnel turnover are stipulated on the balance sheet date. Net pension expense is classified as Salaries and personnel expenses. The cumulative effect of changes in estimates, changes in assumptions and deviations from the actuarial assumptions (estimate deviations) below 10% of the greater of pension liabilities and pension assets at the beginning of the year, is not recognised in the income statement. When the cumulative effect is over 10% the excess expenses will be recognized over the remaining anticipated average contribution time.

Tax

The tax expense in the income statement comprises of the tax payable for the period and of the change in deferred tax. Deferred tax is calculated at a rate of 28% on the basis of temporary differences that exist between accounting and tax values, as well as any tax loss carry forward at the end of the financial year. The deferred tax asset is recognised if it is probable that the company will have a sufficient tax profit to be able to utilise the tax asset. On each balance sheet date, the company will review any deferred tax asset not recognised in the income statement. The company recognises deferred tax assets not previously recognised in the accounts insofar as it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce the deferred tax asset insofar as it can no longer utilise it. Deferred tax and the deferred tax asset are calculated on the basis of expected future tax rates if temporary differences have arisen. Deferred tax and the deferred tax asset are recognised at their nominal value and are classified as financial fixed assets or long-term liabilities in the balance sheet. Unused loss carry forwards from before a business was acquired are recognised as deferred tax assets when it is expected that the loss can be utilised. Subsequent recognition in the balance sheet will entail a reduction in identified goodwill.

Tangible assets

Tangible assets are recognised at cost price after deduction for accumulated depreciation and any write-downs. The assets are depreciated using the straight-line method over the expected useful life of the asset. Costs of direct maintenance on the operating assets are expensed as they are incurred under Operating expenses, while additional spending or improvements are added to the asset's cost price and depreciated in step with depreciation of the asset. The depreciation period and method are assessed annually to ensure that the method and period used are in accordance with the economic realities of the asset.

Receivables

Receivables are recognised at amortised cost. The interest element is ignored if it is insignificant.

Borrowing costs

Borrowing cost will be amortized over the term of the loan.

Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits and all other monetary items due within three months or less. No overdraft facilities are used by the Company.

Impairment of assets

An assessment of impairment loss on other assets is made when there is an indication of fall in value.
Independent on whether there are indications of a fall in value, goodwill shall be tested annually against the recoverable amount. If an asset's carrying amount is greater than the recoverable amount, an impairment loss will be recognised in the income statement. The recoverable amount is the greater of the net sales price and the discounted cash flow from continued use. The net sales price is the amount that can be obtained on sale to an independent third party minus sales costs. The recoverable amount is stipulated separately for all assets, but if this is not possible, together with the unit to which the asset belongs. With the exception of goodwill, impairment loss recognised in the income statement in previous periods will be reversed when information exists to indicate that the write-down is no longer necessary or that the need is no longer as great. Write-downs as a result of falls in value are only reversed insofar as the carrying amount of the asset does not exceed the carrying amount that would have been stipulated, net after depreciation or amortisation, if no loss as a result of a fall in value had been recognised previously. The reversal of previous impairment loss is recognised when a reduced need for a write-down can be related to an event after the impairment loss has been recognised. An increase in the carrying amount is only recognised insofar as it does not exceed what the amortised cost would have been if the write-down had not been made.

Presentation Currency

The accounts are presented in Norwegian kroner, which is also the functional currency for the company. Transactions in foreign currencies are converted into functional currency (NOK) for the exchange rate at the time of the transaction. Monetary items in foreign currencies are converted after the official exchange rate on the balance sheet date. Losses and gains arising from different exchange rate at the transaction date and settlement date, and amount of unsettled monetary items in foreign currency is recognised in the income statement.

Foreign exchange risk and currency

The Company is exposed to financial risks associated with changes in foreign exchange rates. The company uses no financial derivative instruments with the purpose of speculating in currency.

Transactions in foreign currencies are converted at the exchange rate on the transaction date. Foreign exchange gains / losses arising from changes in exchange rate between the transaction date and payment date is recorded as financial income / expense in the income statement. On the balance sheet date monetary items in foreign currency are converted to exchange rates at the balance sheet date. Non-monetary items are capitalized at historical exchange rate on the transaction date.

DiaGenic plans to generate revenue from a number of other countries and make purchases of goods and services in foreign currency. The Company's functional currency is Norwegian kroner (NOK). Fluctuations in the exchange rate against the NOK may have an effect on the company's revenues and expenses. The company has a rule to not use financial instruments, but at a later date, it is possible that the Company enters into foreign exchange forward contracts to ensure greater individual items affecting the cash flow.

Earnings per share

Earnings per share are calculated by dividing the profit/loss for the year by the corresponding weighted average of the number of outstanding shares during the reporting period. The key figure 'diluted earnings per share' is based on the same calculation as for earnings per share, but it also takes into account all potential shares that have been outstanding during the period, and which will have a diluting effect. Potential shares relate to agreements that confer the right to issue shares in future. When the company reports a negative result, the effect of potential shares is disregarded so that the calculation is the same as for earnings per share.

Objectives, policies and processes for managing capital

DiaGenic's objective is to manage the capital structure to safeguard the company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other shareholders.
DiaGenic sets the size of capital in proportion to the size of risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions, perceived risk associated with product development and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, DiaGenic may adjust the amount of new share issue, dividends paid to share-

holders, return capital to shareholders, and sell assets to reduce debt or increase the debt by taking up loans. DiaGenic monitors capital on the basis of total equity to adjusted liability ratio. Total equity is total equity as shown in the balance sheet. Adjusted liability ratio is total liabilities less pension liabilities.

Provision, conditional obligations and assets

By conditional obligations is meant:

1. possible obligations as a result of previous events where the existence of the obligation depends on future events.
2. obligations not recognised in the accounts because it is not probable that they will lead to an outflow of resources.
3. obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the annual accounts with the exception of contingent liabilities taken over in a business acquisition. Information is provided about material contingent liabilities with the exception of contingent liabilities for which the probability is low. A conditional asset is not recognised in the annual accounts, but information is provided about it if there is a certain possibility that an advantage will accrue to the company. A provision is recognised in the accounts when, and only when, the company has a valid obligation (legal or assumed) as a result of events that have occurred and it can be substantiated (more probable than not) that a financial settlement will take place as a result of the obligation and that the size of the amount can be reliably measured. Provisions are reviewed on every balance sheet date and their level reflects the best estimate of the obligation. When the time effect is immaterial, the provision will be equal to the size of the payment required to fulfil the commitment. When the time effect is material, the provision will be equal to the present value of future disbursements required to fulfil the commitment. Any increase in the provision as a result of the time factor will be presented as an interest expense.

Events after the balance sheet date

New information about the company's positions on the balance sheet date is taken into account in the annual accounts. Information is provided about events after the balance sheet date that do not affect the company's position on the balance sheet date, but which will affect the company's future position if this is essential information.

Segment reporting

Since the company was founded it has defined just one operating segment, which is research, development, sales and marketing of blood based gene expression tests. As the scale of the company's business expands, expedient segment reporting will be defined. The current segmentation best reflects how the business is managed.

Share-based remuneration

Subscription rights granted to employees are calculated at fair value on the grant date. The fair value of subscription rights is recognised over the vesting period. Provisions for social security tax related to the intrinsic value of the subscription rights are calculated on the basis of the listed share price on the balance sheet date. Employer's National Insurance contributions are accrued over the period from issue until the first possible exercise date. Estimated provision for social security tax is updated at each reporting date. Fair value is calculated using Black & Scholes option pricing model. The valuation is based on assumptions about the volatility of the DiaGenic share, expectations of future exercising of the option and risk-free interest. Volatility is estimated by observing historical fluctuations in the share price. When assessing the future useful life of the options, it has been assumed that the board members will exercise their options late.

Leasing

Leasing contracts are classified as financial or operational following a separate review of each individual contract. Operational leasing contracts are expensed using the straight-line method over the contract period. Operating assets financed by financial leasing are capitalised and depreciated using the straight-line method over their expected useful life. The leasing debt is deemed to be a long-term liability and the liability is reduced through repayment of the leasing contract. DiaGenic may use operational leasing when there are financial or operational benefits.

Lease agreements where essentially all the risks and rewards of ownership are transferred to the lessee are classified as a financial lease. Financial leases are presented as long-term debt and fixed assets. Rental costs are expensed as an annuity, whereby the interest element is included in interest expense, while the instalments reduce long-term debt.

Cash flow statement

The company uses the indirect method for the presentation of the cash flow statement.

Inventory

Inventory is valued at the lower of cost and net selling price. Inventory is valued on the FIFO principle. Obsolescence is considered for inventory and write down performed on obsolete goods.

Recently published accounting standards and statements

IFRS is constantly developing and recently published accounting standards and statements have been reviewed and assessed. They are not expected to have a significant effect on the company's annual accounts in the implementation period.

The following new and revised standards and statements, which apply to the fiscal years beginning 1 January 2009, is implemented in the annual report for 2009:

- IAS 1 - Presentation of Financial Statements
- IFRS 8 - Operating Segments

- **IAS 1 - Presentation of Financial Statements**

Amended IAS 1 requires a new statement related to the "comprehensive income" that replaces the income statement. "Comprehensive income" includes all gains and losses recognized in a period - that is, both the income statement items and items charged directly to equity that is not transactions between owners. It must be drawn up comparable numbers. Balance sheet statement gets a new name, "Statement of financial position". In addition, the obligation to present opening balance for the earliest period shown in the "Statement of financial position" at the retrospective application of new accounting policy, correction of errors and the reclassification. The changes in the standard will be applicable from 1 January 2009.

The revised IAS 1, Presentation of financial statements has resulted in changes in the statement of total income, and the requirement to display the opening balance for the earliest period for which comparable figures are for.

IFRS 8 Operating Segments

requires that the reportable segments approximated based on the internal financial reporting used by the management in the company in order to support decisions about allocation of resources to segments and assessing their results. The implementations of the new and revised standards as well as statements in the annual report for 2009 have not led in changes in accounting practices.

Expected impact of standards and statements that are not yet taken effect

At the time of publication of the annual report is a series of new or revised standards and statements has been published, but not all taken effect. DiaGenic has chosen to implement relevant standards and statements in the annual report for 2009. Furthermore, the management's assessment is that the implementation of other new and revised standards and statements that are not yet effective will not have an impact on the annual report for the coming fiscal years.

- IFRS 2 Group Cash-settled Share-based Payment Transactions
- IAS 24 (revised) Related Party Disclosures
- IFRIC 14 IAS 19 – Prepayments of a Minimum Funding Requirement

● IFRS 2 - Shared-based Payment

Amendment to IFRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions
The changes in IFRS 2 involve more guidance related to share-based payments made in cash. Also the definition of share-based payment is changed. The guidance in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2 - Transactions with the Group's shares and Treasury Shares will be incorporated in the standard and IFRIC 8 and 11 withdrawn. Effective time of change is set to 1 January 2010, but it is still not approved by the EU. The Company expects to apply the change from 1 January 2010.

● IAS 24 (revised) Related Party Disclosures

In relation to the current IAS 24, the revised standard is a clarification and simplification of the definition of related party. The revised standard also provides some easing of requirements for disclosures for public entities. Commencement time is set to 1 January 2011, but the change is still not approved by the EU. The company expects to apply the revised IAS 24 from 1 January 2011.

● Changes to IFRIC 14 IAS 19 - limitations of a net defined benefit pension asset, minimum funding and the interplay between them - Prepayment of a Minimum Funding Requirement

The change means that companies which have the minimum requirements for funding of a pension scheme will have the opportunity to manage prepayment of the premium requirements of a defined benefit pension plan as an economic advantage. After the change, such advance payments qualify for capitalization. The amendment to IFRIC 14 is the effective date 1 January 2011, but is still not approved by the EU. The company expects to apply the change from 1 January 2011.

Note 3

Segments

DiaGenic has defined one primary segment, which is determined by the type of business activities the Company are in, and how these business activities are managed. The Company's activities are focused aroud marketing and sale of the blood-based gene expression tests ADtect® and BCtect®, as well as research and development of new blood-based gene expression tests.

Note 4

Public grants - figures in NOK

Public grants:	2009	2008
The Research Council of Norway - FUGE	0	3,823,960
The Research Council of Norway - BIA Parkinson	679,269	0
SPIDIA - Seventh Framework Programme	730,489	78,360
SkatteFUNN	1,368,874	1,023,423
Total public grants	2,778,632	4,925,743

Public grants are tied to reimbursement of actual payroll costs, laboratory costs and other project-related costs. The company is not aware that there is unfulfilled conditions associated with these public grants. SkatteFUNN is conditional to the tax assessment for 2009. Public grants are recognised in the accounts as a deduction of operating expenses.

Note 5

Salaries and personnel expenses, number of employees, remuneration - figures in NOK

Salaries and personnel expenses:	2009	2008
Salaries	15,900,883	12,187,329
Reimbursement	-67,694	-278,935
Accrued social security tax	2,395,756	1,960,569
Pension expense	1,946,919	1,855,532
Fair value of granted options	409,322	432,249
Other payroll expenses	689,780	807,761
Total	21,274,966	16,964,506

Average number of employees	22	19

Remuneration of leading personnel 2008

Management team:	Salary	Bonus	Pension expense 1)	Remuneration of the Board	Other re-muneration	Numbers of Share option/ Subscription rights	Value Share options/ Subscription rights
Erik Christensen, CEO	1,450,670	0	191,052	0	19,191	500,000	148,513
Erik Christensen, compensation 2)	399,456						
Erik Anders Lönneborg, Research Director	903,065	0	164,627	0	11,939	0	0
Dag Christian Christiansen, Marketing Director	897,086	0	169,953	0	20,048	200,000	74,689
Praveen Sharma, Director, Tech. & Prod. Dev.	901,565	0	146,857	0	16,936	0	0
Ruben Ekbråten, Financial Controller	647,418	0	98,149	0	10,153	100,000	37,345
Edith Rian, Operations Director	263,999	0	175,505	0	1,801	100,000	37,345
The Board:							
Gustav Ingemar Kihlström 3)				50,000	480,009	150,000	32,868
Ingrid Alfheim				50,000	0	150,000	32,868
Anna Malm Bernsten 4)				40,000	52,344	100,000	21,912
Praveen Sharma, Director, Tech. & Prod. Dev.				0	0	0	0
Marie Skarbøvik Buchmann				45,000	0	100,000	21,912
Håkon Sæterøy, Chairman 5)				70,000	2,137,065	350,000	76,693

1)Pension costs are service cost provided by the actuary.

2)Compensation to fulfil the accrued pension liabilities in accordance with the employment agreement.

3)Other payments to Ingemar Kihlström AB, repr. by Gustav Ingemar Kihlström are payments for consultancy services.

4)Other payments to Bernsten AB, repr. by Anna Malm Bernsten, are payments for consultancy services.

5)Other payments to Investor Corporate/Partners AS, repr. by Håkon Sæterøy, are payments for consultancy services.

Remuneration of leading personnel 2009

Management team:	Salary	Bonus	Pension expense 1)	Re-muneration of the Board	Other re-muneration	Numbers of Share option/ Subscription rights	Value Share options/ Subscription rights
Erik Christensen, CEO	1,510,504	200,000	199,458	0	19,458	500,000	148,513
Erik Anders Lönneborg, Research Director	955,340	0	171,871	0	6,960	0	0
Dag Christian Christiansen, Marketing Director	893,385	0	177,431	0	21,432	200,000	74,689
Praveen Sharma, Director, Tech. & Prod. Dev.	953,840	0	153,319	0	12,281	0	0
Morten Sten Johansen, International Business Dir.	841,045	320,000	73,248	0	11,441	150,000	56,017
Ruben Ekbråten, Financial Controller	754,500	100,000	102,468	0	11,274	100,000	37,345
Edith Rian, Operations Director	720,031	0	183,227	0	9,219	100,000	37,345
The Board:							
Gustav Ingemar Kihlström 2)				100,000	177,407	0	0
Ingrid Alfheim				60,000	0	0	0
Anna Malm Bernsten 3)				60,000	74,027	0	0
Praveen Sharma, Director, Tech. & Prod. Dev.				0		0	0
Marie Skarbøvik Buchmann				60,000		0	0
Håkon Sæterøy, Chairman 4)				0	1,442,239	0	0
Mina Louise Blair 5)				0	135,312	0	0
Maria Birgitte Holmlund				0	0	0	0

1)Pension costs are service cost provided by the actuary.

2)Other payments to Ingemar Kihlström AB, repr. by Gustav Ingemar Kihlström are payments for consultancy services.

3)Other payments to Bernsten AB, repr. by Anna Malm Bernsten, are payments for consultancy services.

4)Other payments to Investor Corporate/Partners AS, repr. by Håkon Sæterøy, are payments for consultancy services.

5)Other payments to HAC Life Sciences Ltd., by Mina Blair, are payments for consultancy services.

Guidelines for remuneration of the Managing Director and the company's managment team

Leading employees is in this regard defined as the DiaGenic Managment Team.

The remuneration packages are designed to attract, motivate and retain leading employees of the necessary calibre and to reward them for enhancing value to shareholders. Total remuneration for leading employees consists of a market based fixed salary, a few common fringe benefits and subscription rights to all leaders with the exception the two founders Praveen Sharma and Anders Lönneborg. Except for the subscription rights the management team has no fixed bonus program, but the International Business Director is guaranteed a bonus equivalent to 30 % of basic salary if results are achieved. At given circumstances an employee can achieve a bonus.

The Extraordinary General Meeting on 16 November 2006 resolved to implement an incentive scheme for all employees. This incentive scheme includes all employees, except Praveen Sharma and Anders Lönneborg. The scheme is a subscription rights scheme, where 500,000 subscription rights have been allocated to the CEO. More details on the subscription right scheme are set out in note 7.

The CEO and the other leading employees are members of the Company's pension and insurance scheme that applies to all employees.

Term of notice is 3 months for all employees, including the CEO. If dismissed by the Board of Directors the CEO is entitled to 12 months salary post term of notice. No other employees are entitled to salary post term of resignation.

Subscription rights program

The general meeting on June 12. 2008 resolved to replace the subscription right scheme in place with a new subscription right scheme, where the management team and other employees participate. Subscription rights have been issued under this program as per 31.12.2009. See note 7.

Loans and security furnished to leading personnel, shareholders etc.

International Business Director have a loan amount to a total of NOK 150,000. The loans has a 1 year term. The interest rate is the equivalent of the tax exempt rate of interest determined by the authorities and all loans are secured in real estate. No loans or guarantees have been given to the CEO, members of the Board or their related parties. No loans or guarantees amount to more than 5% of the company's share capital.

Auditor fees

Fees to the auditor - Ernst & Young AS	2009	2008
Statutory auditing services	197,160	109,447
Attestation services	0	20,300
Tax advice	4,600	233,644
Non-auditing services	16,800	42,000
Total	218,560	405,391

Amounts are exclusive VAT.

Note 6

Related parties

All transactions and agreements are made on commercial terms from the market for goods and services. For more details regarding transactions with related parties parties see note 5.

Other transactions

Transactions with companies that have connections to related parties are conducted at market terms, based on the principle of arm's length. For more details on the total amounts of transactions see note 5.

Note 7

Subscription rights for employees - figures in NOK

The company's subscription rights schemes cover the company's employees.

At the extraordinary general meeting 16th of November 2006, the subscription right scheme for the CEO was adopted. The scheme is divided into 4 tranches with different subscription and redemption period, as shown in the table below:

Tranche	Proportion of allocated subscription rights	Redemption period	Subscription price per share (NOK)
1	40 %	From 1 year to 5 year after the General Meeting adopt.	6.22
2	20 %	From 2 year to 5 year after the General Meeting adopt.	6.22
3	20 %	From 3 year to 5 year after the General Meeting adopt.	The average price last 30 days before the previous vesting date, however, not lower than 6.22
4	20 %	From 4 year to 5 year after the General Meeting adopt.	The average price last 30 days before the previous vesting date, however, not lower than 6.22

Subscriptions rights must be exercised within 5 years from the Annual General Meeting on 12 June 2008. Redemption of the subscription rights requires that the employee on the redemption date is employed in a undenounced position. One subscription right gives the right to subscribe for one share.

The General Meeting on 12th of June 2008 resolved to adopt the subscriptions rights scheme for employees, with the exception of the CEO and the co-founders. The scheme is divided into 4 tranches with different subscription and redemption period, as shown in the table below:

Tranche	Proportion of allocated subscription rights	Redemption period	Subscription price per share (NOK)
1	25 %	From 1 year to 5 year after the General Meeting adopt.	6.50
2	25 %	From 2 year to 5 year after the General Meeting adopt.	9.00
3	25 %	From 3 year to 5 year after the General Meeting adopt.	The average price last 30 days before the previous vesting date, however, not lower than 9.00
4	25 %	From 4 year to 5 year after the General Meeting adopt.	The average price last 30 days before the previous vesting date, however, not lower than 9.00

Subscriptions rights must be exercised within 5 years from the Annual General Meeting on 12 June 2008. Redemption of the subscription rights requires that the employee on the redemption date is employed in a undenounced position. One subscription right gives the right to subscribe for one share. Payment method is in equity and there is no possibility for cash settlement. Fair value is calculated on the grant date and accrued in accordance with the exercise date. Black & Scholes' option pricing model is used for the valuation of the options.

The following parameters have been used in the valuation of employee subscription rights:

	**Grant date 22.10.2007*	***Grant date 19.12.2008*
Volatility of the share	0.34	0.77
Share price on the grant date	6.47	2.70
Average life of options (years)	3.50	3.50
Risk-free interest rate see point * and point **		

* The share's volatility is based on daily historic closing prices, and the calculated volatility value is annualised. For the grants, the period from 01.01.2007 until the grant date is used in the calculation. As a risk-free rate it is used Treasury bill rate 3, 9 and 12 months interest rates, and 3-year government bond rate on the grant date, respectively, 5.01%, 5.13%, 5.14% and 4.79%. Subscription rights was adopted at the extraordinary general meeting on 16 November 2006.

** The share's volatility is based on daily historic final prices, and the calculated volatility value is annualised. For the grants, the period from 19.12.2008 until the grant date is used in the calculation. As a risk-free rate it is used Treasury bill rate 6 months interest rates and 3-year government bond rate on the grant date, respectively, 2,64% and 2,68%. Subscription rights was adopted at the ordinary general meeting on 12 June 2008.

The Board has with approval from the General Meeting issued 1,270,000 subscription rights to employees.

	Grant date	Exercise period	Exercise price	Number of options
Employees subscriptions rights	19.12.2008	12.06.2009 - 12.06.2013	6.5(25%)/9(75%)	1,270,000
CEO subscriptions rights	27.09.2006*	17.11.2006 - 16.11.2010	6.22	500,000
Total subscription rights at 31.12.2009				1,770,000

* Allocation time is set to the date when the employment contract was signed, but was adopted at the extraordinary general meeting on 16 November 2006.

The subscription rights cost relating to the above granting of options had a negative effect on the result in the amount of NOK 409,322 in 2009.However, the cost has no effect on equity since the cost and allocation of profit do not have an overall effect on equity. Nor did the year's calculated cost have any cash effect for the company.

	Board members	Employees	Exercise price	Number of subscription rights
Number of issued share options 01.01.2008	850,000	1,340,000		2,190,000
Expired, not exercised		-840,000	10,00/14,00	-840,000
Issued December 2008		1,270,000	6,50/9,00	1,270,000
Number of issued subscription rights 01.01.2009	850,000	1,770,000		2,620,000
Expired, not exercised	-850,000		9.50	-850,000
Number of issued subscriptions rights at 31.12.2009	0	1,770,000		1,770,000

Note 8

Research and development - figures in NOK

Expensed research costs:	2009	2008
Research (gross before deduction of public grants)	16,638,774	19,844,261
Public grants	2,778,632	4,925,743
Net expensed research cost	13,860,142	14,918,518

Pursuant to IFRS all costs relating to research are expensed.

Of the above amount, NOK 11,833,498 concerns payroll expenses and NOK 4,805,276 relates to operation of the company's laboratory, fees paid to external research institutions and patent costs. In the income statement these expenses are presented as payroll expenses and other operating expenses, respectively. In 2009 expenses related to the development of software that generates the test results for the company's CE approved products has been capitalised. Statement of capitalisation and amortisation of software are described in note 12. Apart from capitalisation of software, no other development costs for 2009 has been capitalised.

Note 9

Specification of accounting items - figures in NOK

Specification of other operating expenses:	2009	2008
Office premises etc.	2,429,051	2,813,041
Administrative costs	4,593,663	5,488,844
Professional fees	6,995,347	8,093,287
Patent costs	1,479,812	1,044,566
Travel expenses	2,270,079	2,504,075
Research fees	374,579	518,717
Research grants	-4,312,339	-6,225,041
Laboratory costs	3,191,251	4,321,726
Total other operating expenses	17,021,443	18,559,215

Agio:		
Agio gain	-194,047	-53,115
Agio loss	63,747	87,522
Net agio:	-130,301	34,406

Specification of receivables:	2009	2008
Skattefunn scheme	1,368,874	1,023,423
Prepaid expenses	1,943,515	1,956,924
Loan to leading personnel	150,000	0
Account receivables	141,159	0
Miscellaneous receivables	1,642,725	2,886,080
Total receivables	5,246,274	5,866,427

Specification of other current liabilities:	2009	2008
Provision for employer's National Insurance contributions on granted options	0	0
Provisions for costs	1,515,491	1,318,804
Provision for holiday pay and remuneration of the Board of Directors	2,070,198	1,451,743
Total other current liabilities	3,585,689	2,770,547

Specification of other long term debt:	2009	2008
Fincancial leasing	698,129	1,053,789
Innovasjon Norge	5,000,000	0
Total other long term debt	5,698,129	1,053,789

Note 10

Tax expense - figures in NOK

The year's taxable income:	2009	2008
Pre-tax profit	-39,331,572	-34,581,853
Permanent differences	-4,591,886	-3,625,028
Change in temporary differences	638,521	240,359
The year's taxable income	-43,284,937	-37,966,522
Nominal tax rate	28%	28%
Non-booked increase in deferred tax benefit	-12,298,568	-10,697,927

The year's tax expense is calculated as follows:		
28% of loss before tax	-11,012,840	-9,682,919
28% of permanent differences	-1,285,728	-1,015,008
Non-booked increase in deferred tax benefit	12,298,568	10,697,927
Tax expense	0	0

The year's tax payable:		
Tax payable on the year's profit/loss	0	0
Tax payable	0	0

Specification of temporary differences:		
Receivables	23,347	0
Tangible fixed assets, incl. goodwill	-386,379	-333,615
Net pension obligation	-2,570,632	-1,961,528
Loss carryforward	-201,245,098	-157,960,161
Basis for deferred tax asset	-204,178,762	-160,255,304

Deferred tax asset = Deferred tax asset not recognised in the accounts	-57,170,053	-44,871,485

The deferred tax asset is for the most part related to the tax loss carry forward. As of 31.12.2009 it is deemed not probable that it can be utilized because there is uncertainty with respect to whether the company will generate an adequate tax profit in future which would allow the deferred tax asset to be utilized.

Note 11

Earnings per share - figures in NOK

Earnings per share:	2009	2008
Profit/loss for the year	-39,331,572	-34,581,853
Average number of shares	53,620,082	48,894,990
Earnings per share	-0.73	-0.71

Number of shares as of 1st of January	51,736,520
Share issue - paid 4th August 2009	2,500,000
Share issue -paid 7th December 2009	12,500,000
Number of shares as of 31st of December	66,736,520

The key figure diluted earnings per share is based on the same calculation as for earnings per share, but it also takes account of all potential shares that have been outstanding in the period, and which will have a diluting effect. Potential shares are related to agreements that confer entitlements to issue shares in future. When the company reports negative earnings, the effect of potential shares is disregarded so that the calculation is the same as for earnings per share.

Note 12

Intangible assets - figures in NOK

	Software	Goodwill	TOTAL
Acquisition cost at 01.01.2008	0	572,437	572,437
Additions	451,237	0	451,237
Disposals	0	0	0
Acquisition cost 31.12.2008	451,237	572,437	1,023,674
Additions	1,225,307	0	1,225,307
Disposals	0	0	0
Acquisition cost 31.12.2009	1,676,544	572,437	2,248,981
Accumulated depreciation at 01.01.2008	0	0	0
The year's depreciation	0	0	0
The year's write-downs	0	0	0
Accumulated depreciation and write-downs at 31.12.2008	0	0	0
Carrying amount at 31.12.2008	451,237	572,437	1,023,674
The year's depreciation	-118,023	0	-118,023
The year's write-downs	0	0	0
Accumulated depreciation and write-downs at 31.12.2009	-118,023	0	-118,023
Carrying amount at 31.12.2009	1,558,521	572,437	2,130,958
Useful life	5 years		
Depreciation plan	Straight-line		

The goodwill recognised in the balance sheet relates to the merger between DiaGenic ASA and Mefjorden ASA in 2004. On the merger date, goodwill after the valuation of intangible assets amounted to NOK 572,437. At 31st of December 2009 the book value of goodwill was assessed and there are no indications of a fall in value.

Testing the value of goodwill is based on utility, and is made of discounted cash flows based on budget and future expectations. Based on a calculation of utility, where it is used discounting of cash flow from financial budgets. The expected cash flow is based on the company's strategy plan for the period 2010 to 2012. The strategy plan is approved by the Board and management in DiaGenic. Expected cash flow for the period 2013 to 2019 is calculated based on CAGR (Compounded Annual Growth Rate) of 29%. Terminal value is not included in the calculations.

Estimates and pertaining assumptions are made to the best of the management's knowledge of historical and current events, experience and other factors that are deemed reasonable in the circumstances.

Important assumptions in calculating the value is:

1. - Revenue
2. - Discount rate

Revenues are based on anticipated developments within the markets DiaGenic are in, and expected market share. Operating revenues are dependent on of the assumptions underlying, and changes in assumptions will affect the future value of the unit.

The discount rate reflects management's estimate of the risk associated with the cash-generating unit. This is the reference point the management use to evaluate operational results and to evaluate future investment proposals. The discount rate used is 9,97 %.

Sensitivity related to the change of key assumptions

Based on the value of the cash-generating unit, the company has tested whether a reduction in revenues or an increase the discount rate will result in an impairment of the carrying amount of goodwill. A reduction in revenue of 10% or an increase the discount rate of 5% will not change the company's assessments related to the need to reduce the carrying amount of goodwill.

Note 13

Tangible fixed assets - figures in NOK

	Other equipment	Lab equipment	Office machines	Fixt. & fittings	Computers	Lab equipment*	TOTAL
Acquisition cost at 01.01.2008	439,853	2,231,057	87,163	990,258	760,949	1,733,880	6,243,159
Additions	25,350	25,465	16,145	261,816	114,453	0	443,229
Disposals	0	0	0	0	0	0	0
Acquisition cost at 31.12.2008	465,203	2,256,522	103,308	1,252,074	875,402	1,733,880	6,686,388
Additions	0	90,500	0	0	78,450	0	168,950
Disposals	0	0	0	0	0	0	0
Acquisition cost at 31.12.2009	465,203	2,347,022	103,308	1,252,074	953,851	1,733,880	6,855,337
Accumulated depreciation at 01.01.2008	-148,594	-1,916,194	-21,792	-140,239	-557,174	-436,060	-3,220,053
Depreciation for the year	-91,533	-123,957	-18,778	-112,685	-125,280	-387,590	-859,823
Loss due to fall in value	0	0	0	0	0	0	0
Reversal of loss due to fall in value	0	0	0	0	0	0	0
Accumulated depreciation at 31.12.2008	-240,127	-2,040,151	-40,570	-252,924	-682,454	-823,650	-4,079,876
Carrying amount at 31.12.2008	225,076	216,371	62,738	999,151	192,948	910,230	2,606,511
Depreciation for the year	-91,281	-96,625	-20,662	-125,077	-126,363	-387,661	-847,669
Write-down	0	0	0	0	0	-352,216	-352,216
Loss due to fall in value	0	0	0	-0	0	0	0
Reversal of loss due to fall in value	0	0	0	-0	0	0	0
Accumulated depreciation at 31.12.2009	-331,408	-2,136,776	-61,233	-378,001	-808,817	-1,563,527	-5,279,763
Carrying amount at 31.12.2009	133,795	210,246	42,075	874,074	145,034	170,353	1,575,576
Useful life	3 years	3-8 years	5 years	10 years	3 years	4-5 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	

* Financial leasing. See note 18.

** An instrument of the lab equipment is no longer in use and has been written down to zero.

Note 14

Inventory - figures in NOK

	2009	2008
Finished goods	2,127,269	1,445,437

Inventory is valued at lower of cost and net selling price. Inventory is valued to cost.

Note 15

Cash and cash equivalents - figures in NOK

Of the company's cash and cash equivalents NOK 1,462,389 is restricted in the form of tax withholdings and deposit. The deposit is a bank guarantee against Diners Club of NOK 250,000.

Note 16

Share capital and shareholders - figures in NOK

At 31.12.2009 the company's share capital was NOK 3,336,826 divided between 66,736,520 shares each with a nominal value of NOK 0.05. The company has only one share class and no special regulations relating to the shares. One share thus confers one vote.

Ownership structure at 31.12.2009:	Number of shares	Holding
Tredje AP-fonden	4,143,795	6.21%
Nordea Nordic Equity Hedge Fund	3,651,742	5.47%
Erik Anders Lønneborg	2,900,000	4.35%
Praveen Sharma	2,295,000	3.44%
Holberg Norden	1,892,178	2.84%
A/S Skarv	1,885,000	2.82%
Argo Securities AS	1,877,224	2.81%
Holberg Norge	1,421,959	2.13%
JP Morgan Chase Bank	1,379,600	2.07%
Skagen Vekst	1,200,000	1.80%
Karl Wilhelm Haavind	1,064,000	1.59%
Livsforsikringsselskapet Nordea Liv Norge AS	1,003,100	1.50%
DnB NOR Markets, Aksjehand/Analyse Egenhandelskonto	835,000	1.25%
Verdipapirfondet Nordea SMB	813,300	1.22%
Amfibien AS	808,000	1.21%
John Hestad	711,000	1.07%
Kikut AS	655,000	0.98%
Dag Storhaug	650,378	0.97%
Sigrid Narmo	635,000	0.95%
Håkon Sæterøy	529.545	0.79%
Total, 20 largest shareholders	30,350,821	45.48%
Total others	36,385,699	43.55%
Total number of shares	66,736,520	100.00%

Shares and options owned by board members	Office	Total Return Swap	Number of shares	Warrants	Total of shares
Håkon Sæterøy *)	Chair of Board	135,000	1,396,478	155,000	1,551,478
Gustav Ingemar Kihlström **)	Vice Chair of Board	0	105,000	0	105,000
Ingrid Alfheim	Board member	0	6,545	0	6,545
Maria Birgitte Holmlund	Board member	0	10,000	0	10,000
Mina Louise Blair	Board member	0	7,000	0	7,000
Praveen Sharma	Board member	700,000	2,295,000	0	2,295,000

Shares and subscription owned by the CEO		Subscription rights	Number of shares	Forward contracts	Total member of shares
Erik Christensen	CEO	500,000	150,000	0	150,000

*) The shares are owned directly and indirectly through and Investor Corporate AS (100%) and Investor Partners AS (1000%).
**) The shares are owned directly and indirectly through Ingemar Kihlström AB (100%).

The company's subscription right schemes are described in more detail in note 7.

There were no dividends paid out in 2008 or 2009.

Note 17

Pension costs, assets and obligations - figures in NOK

The company is obliged to have a pension by the law. The company's pension plan meets the requirements in this Act.

The company has pension schemes that cover a total of 22 persons. The schemes confer a right to defined future benefits. They are largely dependent on the number of years of service, salary level on reaching retirement age and the size of benefits form the National Insurance scheme. The obligations are covered through Nordea Liv.

The capitalised net pension obligation has been calculated as follows:	2009	2008
Estimated present value of accrued pension obligations at 31.12.	8,486,676	6,852,510
Estimated pension assets at 31.12.	-5,381,885	-4,250,109
Net pension obligations at 31.12.	3,104,791	2,602,401
Accrued social security tax	437,776	366,939
Actuarial gains and losses not accounted for	-971,934	-1,007,812
Capitalised net pension obligation at 31.12.	2,570,632	1,961,528

The year's net pension expense is calculated as follows:	2009	2008
Present value of pensions earned during the period	1,881,052	1,457,498
Capital cost of previously earned pensions	294,658	253,476
Expected return on pension assets	-313,011	-217,110
Administration costs	112,114	104,640
Accrued social security tax	278,449	225,389
Estimate deviations	23,040	31,639
Pension expense for the year	2,276,301	1,855,532

The year's change in the net pension obligation is calculated as follows:	2009	2008
Net pension obligation at 01.01.	1,961,528	1,606,228
Pension expense for the year	2,276,302	1,855,532
The year's premium paid, incl. accrued social security tax	-1,667,197	-1,500,232
Net pension obligation at 31.12.	2,570,632	1,961,528

The year's change in the present value of the pension obligation:	2009	2008
Present value of the pension obligation at 01.01.	6,852,510	5,632,797
Present value of pensions earned during the period	1,881,052	1,457,498
Actuarial gains and losses	0	0
Capital cost of previously earned pensions	294,658	253,476
Variance (change in assumption/experience)	-541,544	-491,261
Present value of pension obligations at 31.12.	8,486,676	6,852,510

The year's change in the fair value of pension assets:	2009	2008
Fair value of pension assets at 01.01.	4,250,109	3,286,458
Expected return on pension assets	313,011	217,110
Administrative costs	-112,114	-104,640
Premium paid for year	1,461,172	1,314,840
Actuarial gains and losses	-0	-0
Variance (change in assumption/experience)	-530,293	-463,658
Fair value of pension assets at 31.12.	5,381,885	4,250,109

Economic assumptions:		
Discount rate	4.40 %	4.30 %
Expected return on pension assets	5.60 %	6.30 %
Wage growth	4.25 %	4.50 %
Pension adjustments	2.10 %	2.80 %
Adjustment of National Insurance basic amount	4.00 %	4.25 %
Turnover	3.61 %	3.63 %

Commonly used assumptions in the insurance industry have been used as actuarial assumptions for demographic factors and retirement rates.
The table used in the actuarial assumptions for death and disablement pension are K2005.

Premium payments for 2009 are estimated to be NOK 1,542,998.

Note 18

Financial leasing - figures in NOK

The Company has two lease agreements with calculation basis of NOK 817,360 and NOK 916,250 respectively. These leases are non-terminable for both parties in the lease period. The agreement will automatically be prolonged upon expiry of the lease period. Such extension agreement can be terminated on a 3 months notice. The lease may be adjusted with changes in the general interest rates . There are no restrictions imposed by these lease arrangements.

Remaining lease payments by due date

Due date 2010	516,198
Due date 2011	231,605
Total	747,803

Liabilities of Financial leasing is NOK 698,129, while the remaining lease payments are estimated to 747,803. The difference is due to changes in interest rates from the present value calculation at the acquisition time and estimation of remaining lease payments.

Note 19

Loan - figures in NOK

Interest-bearing loans measured at amortized cost, has the following contract conditions (information on fixed income and foreign exchange and liquidity risk is given in note 22):

Long-term liabilities	Interest rate	Nominal value
Innovasjon Norge	5.75%	5,000,000

The loan is a serial loan over four years, first year without installments. The loan is secured in inventory, plant, equipment and account receivables with a value of NOK 9,136,561.

Note 20

Lease commitments - figures in NOK

The company has entered into the following lease agreements of significance:

Lease agreements:	Lease period	Within:	1 year	1-5 years	Over 5 years
Grenseveien 92, 0663 Oslo	9/2006 - 8/2011		2,778,000	1,852,000	0
Siemens Financial Services	12/2006 - 11/2010		263,538	0	0
Siemens Financial Services	12/2006 - 11/2011		252,660	231,605	0

The rent for office premises in 2009 amounted to NOK 2,294,547.

Note 21

Going concern

The financial statement are presented on the going concern assumption under International Financial Reporting Standards. Accordingly, the financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts, the amounts and classification of liabilities, or any other adjustments that might result should the Company be unable to continue as going concern.

As per the date of this report the Company does not have sufficient working capital for its planned business activities over the next twelve month period. Proceeds from sales revenue is not expected to be adequate in order to cover necessary funding requirement for the coming twelve month period. In February 2010 a share issue with gross proceeds of NOK 9.6 million was carried out. In accordance with the resolution at the Extraordinary General Meeting on 18th December 2009, the Company issued a total of 16 million warrants in February 2010. Each warrant holds the right to one new share in the Company at a subscription price of NOK 3.25. The warrants may be exercised up to and including 30 September 2010. Upon full exercise of the warrants as mentioned above, the company will have sufficient working capital for the next 12 months at today's cost. Thus targeted efforts are pursued to ensure that the warrants are exercised. If the warrants do not get subscribed it may cause the company to seek new financing with various forms of financing, including loans, equity financing and research funding. The Board of Directors and the management team are positive that efforts to secure further funding can be completed. The Board of Directors confirmed on this basis that the going concern assumption is valid, and that financial statements are prepared in accordance with this assumption.

Note 22

Risk - figures in NOK

Risk factors related to Market

Unproven market

DiaGenic's products will be launched in a market where the current diagnostic methods are based on fundamentally different concepts, technologies and procedures. There is no assurance that DiaGenic's products and product characteristics will be accepted and used by the customers.

Regulatory approval

Approval by regulatory authorities is required in most countries where DiaGenic intends to market its products. Market access is controlled by the relevant authority in each market by setting requirement on how to obtain and maintain regulatory approval for a product. Thus regulatory requirements are of particular importance. The processes of obtaining approvals for new products require substantial resources and expenditures. Any failure to obtain, or delay in obtaining such approvals could adversely affect the Company's ability to utilise its technology. There can be no assurance that DiaGenic will receive the necessary regulatory approvals for the planned products derived from its technology. Changes in governmental regulations in DiaGenic's main markets could have a material effect on the Company's business, results of operations and financial condition.

Competition

The in vitro diagnostic industry is highly competitive and DiaGenic will be competing with many established technologies. Furthermore, extensive research to develop new products or methods which compete with the Company's technology is ongoing. DiaGenic has no guarantee that this competition will not have an adverse effect on the Company's ability to launch the proprietary products successfully. Competitors include, amongst others, major in vitro diagnostic and biotechnology companies with substantially greater resources than DiaGenic. There can be no assurance that one or several of the Company's competitors will not succeed in developing technologies and products that are more efficient or more economic than any of those developed by DiaGenic or which would render DiaGenic's products obsolete and/or otherwise non-competitive. In addition to rapid technological changes, altered customer needs may reduce the Company's competitiveness.

Dependence on Healthcare reimbursement

DiaGenic's first product launches will be in markets where the Company is not expecting reimbursement. However, the Company's ability to commercialise its products successfully may depend in part on the extent to which reimbursement for the cost of such products will be available from government health administration authorities, private health insurers and other organisations. Such third party players are increasingly challenging the price of medical and diagnostic products. Significant uncertainty exist as to the reimbursement status of newly approved healthcare products, and there can be no assurance that adequate third party coverage will be available to enable DiaGenic to maintain price levels sufficient to realise an appropriate return on investment in product development. Reimbursement schemes may well be altered which can lead to adverse effects on DiaGenic's product sales.

Operational risk factors

Technology and development stage

DiaGenic has released its ADtect® (Alzheimer's disease) and BCtect® (Breast cancer) assays for diagnostic use as CE IVD Mark products under the European Directive on In Vitro Diagnostic Medical Devices 98/79/EC. There can be no assurance that released assays are not recalled from the market and/or that significant development work may be required after the tests are released, and/or for other reasons the assays fail to meet predefined criteria which consequently may substantially delay, or halt entirely the commercialisation of the assays. DiaGenic has yet to complete independent clinical studies for any of its products. Independent studies are important for market acceptance of the products. There can be no assurance that results from any studies involving the Company's products will not perform adversely to the predefined criteria.

DiaGenic's products are in an early stage of commercialisation or at the development stage and technology risk still remains. Significant development work may be required before commercialisation of those products can commence. There can be no assurance that any of the Company's products and research and development programs will be successfully developed or become revenue generating, whether through a failure to secure and if secured retain a suitable development partner or for other reasons. Adverse or inconclusive results from the development and/or clinical trials process could substantially delay, or halt entirely, any further development of the products and/or subsequent out-licensing of the products.

Intellectual property rights

The commercial success of DiaGenic depends in part on its ability to obtain patent protection for the technology and the products in the principle markets for the Company. Currently DiaGenic's intellectual property consists of granted patents, notice of allowance of patents, patent applications and trademarks. There is no assurance that patent applications will be granted or that granted patents will be sufficiently broad in their scope to provide protection for intellectual property rights and exclude competitors with similar technology.

There is a risk that DiaGenic was not the first to file patent applications for its inventions. Granted patents may also be deemed invalid.

The commercial success of DiaGenic will also depend in part on non-infringement of patents granted. Competitors may have filed applications, or patents may have been granted, or may obtain patents that may relate to products competitive with those of DiaGenic's. Resolving a patent infringement claim can be costly and time consuming and may require DiaGenic to enter into royalty or license agreements. Alternatively, the Company may need to cease or alter certain activities or processes or develop or obtain alternative technology. This may have a material adverse effect on DiaGenic.

Reliance of collaboration partners in research and development

DiaGenic collaborates with a number of partners in the development of products. Termination or other adverse effects upon current collaborations could delay or harm DiaGenic's product development.

Reliance of collaboration partners in sales and marketing

DiaGenic has a commercialisation strategy which involves partners in the sales and marketing of the Company's products. Termination or other adverse effects upon current collaborations could delay or harm DiaGenic's sales and marketing, product development and product launches.

The commercial success of the marketing strategy depends on the cooperation of these partners and the level of resources they commit to the marketing and selling of DiaGenic's products.

Key personnel

The loss of any of the members of its senior management or other key personnel or the inability to attract a sufficient number of qualified employees could adversely affect its business and results of operations.

Product liability and insurance

DiaGenic's business is exposed to potential liability risks that are inherent in the research and development, pre-clinical and clinical testing, marketing and the use of human diagnostic products. However, such potential liability risks are significantly lower for in vitro diagnostic products compared with therapeutic products.

Dependence of third parties in manufacturing

The Company is dependent on suppliers of equipment and instruments from third parties. DiaGenic's gene selections are analysed using equipment, technology and materials from platform providers. Current products are based on a technology platform and materials supplied by Applied Biosystems (AB). DiaGenic's products are dependent on continued supply of the cards from AB and availability of the technological platform. A shift in technology platform may or may not be possible, but will in any case require extensive development which consumes both time and costs. The technology and corresponding materials will need to be available in commercial quantities, in compliance with regulatory requirements and at an acceptable cost. DiaGenic may experience difficulties in obtaining access to suitable substitutes at an acceptable cost. DiaGenic is also dependent on third parties in the whole process from blood sample collection to test result. If for some reason the Company fails to continue collaboration with partners involved providing products or services in this process this may substantially delay, or halt entirely the commercialisation of the tests.

Financial risk:

The company does not use financial instruments in connection with the management of financial risk.

Currency risk:

The company's transactions mainly take place in NOK. A modest number of transactions take place in SEK, EUR, INR, GBP and USD. Variations in the exchange rate against the NOK may affect the company's revenues and expenses. The company uses no financial hedging instruments. Future expansion plans are Europe and the Nordic region and will increase the company's foreign exchange risks in the years ahead.

Interest rate risk:

The company's risk exposure in relation to changes in market interest rates are primarily related to the company's bank deposits, and a change in interest rates may therefore affect the capital return. At 31st December 2009 the Company had a loan with Innovation Norway of 5 million NOK. The Company's interest rate risk is considered to be low.

Credit risk:

Credit risk is the potential loss that may arise if a counterparty's ability or willingness to meet its obligations to fail, when it is due for payment. New customers are credit checked prior to contract conclusion. DiaGenic credit risk is considered to be relatively low, when claims are mainly against the various research institutions. Other other receivables are mainly prepaid expenses. In addition, balance on accounts receivables is constantly monitored, with the result that the company's risk of loss is not significant. Maximum risk exposure is outstanding accounts receivables of NOK 141,000.

Liquidity risk:

Liquidity risk is the potential loss that occurs when a company fails to fulfill its contractual obligations when they fall due. The Company monitors its risk for lack of capital. A scenario is that DiaGenic is unable to obtain necessary capital to implement the planned strategies. The company brought in gross NOK 43.7 million in private placements in 2009, in addition to 9.6 million NOK in the offering in February 2010. Financial turbulence and mitigation in the credit market could affect the company's ability to obtain capital.

Note 23

Large individual transactions - figures in NOK

2008

In May 2008 the company carried out a share issue for the gross amount of NOK 44,800,000: In that connection 8,000,000 shares were issued each with a nominal value of NOK 0.05, corresponding to an increase in the company's share capital of NOK 400,000. The remaining of the issue amount was attributed to the company's share premium reserve.

2009

In July and November 2009 the Company carried out two shares issues with gross proceeds of NOK 9,350,000 and NOK 34,375,000 respectively. 2,500,000 new shares were issued in July and in November 12,500,000 new shares were issued, each with a nominal value of NOK 0.05. The Company's share capital has thus increased by NOK 125,000 and NOK 625,000 respectively. The remaining proceeds from the share issues that are not part of the Company's share capital was attributed to the company's share premium reserve.

Note 24

Events after the balance sheet date

DiaGenic has signed a distribution agreement with Ferrer inCode, a biotech subsidiary of Grupo Ferrer Internacional. The distribution agreement covers distribution of ADtect® for major markets in Europe. ADtect ® is a blood test based gene expression test that enable early diagnosis and treatment.

In February 2010 the Company completed a private placement with gross proceeds of NOK 9,625,000. Consequently 3,500,000 new shares were issued, each with a nominal value of NOK 0.05, equivalent to an increase in the share capital of NOK 175,000. The remaining proceeds from the share issue was attributed to the company's share premium account.

New information about the company's position on the balance sheet date are taken into account. Subsequent events that do not affect the company's position on the balance sheet date, but that will affect the company's future financial position, are informed about if essential.

Declaration from the Board of Directors and the Chief Executive Officer

"We confirm that the financial statements for the period 1 January up to and including 31 December 2009, to the best of our knowledge, have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and that the management report includes a fair review of the development and performance of the business and the position of the company taken as a whole, together with a description of the principal risks and uncertainties that they face."

The Board of Directors and the Chief Executive Officer DiaGenic ASA

Oslo, 21st of April 2010

ERNST & YOUNG

Statsautoriserte revisorer
Ernst & Young AS

Christian Frederiks pl. 6, NO-0154 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf.: +47 24 00 24 00
Fax: +47 24 00 24 01
www.ey.no

Medlemmer av Den norske Revisorforening

To the Annual Shareholders' Meeting of
DiaGenic ASA

Auditor's report for 2009

We have audited the annual financial statements of DiaGenic ASA as of 31 December 2009, showing a loss of NOK 39 331 572. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statement of comprehensive income, cash flows and changes in equity as well as the accompanying notes. IFRSs as adopted by the EU have been applied in the preparation of the financial statements. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2009, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with law and regulations.

Oslo, 21 April 2010
ERNST & YOUNG AS
Per Øyvind Borge-Hansen
State Authorised Public Accountant (Norway)
(sign.)
Note: The translation to English has been prepared for information purposes only.

Corporate Governance

1. Report on Corporate Governance

The Norwegian recommendations on good corporate governance are intended to strengthen trust in listed companies and thereby to contribute to optimal value creation over time, for the benefit of shareholders, employees and other stakeholders. Observance of the recommendations takes place according to the "comply or explain" principle. Comments on DiaGenic's compliance with the principles are set out below.

DiaGenic's Board of Directors and management are dedicated to maintaining a high ethical standard as well as corporate governance.

2. Business

Objects Clause of the Articles of Association: The Company's business is to develop, patent and sell products, technology and expertise for diagnosing ailments, afflictions and diseases in people, animals and plants.

The Company's goal is the development and commercialisation of diagnostic products with a view to maximize shareholder value.

3. Equity and Dividends

DiaGenic has yet to generate a positive cash flow from its operations. The Company is financed through equity, public funds and by raising loans. There is considerable emphasis on securing financing through the stock market until the Company can generate a positive cash flow from operations.

The Company's shareholders will not receive dividends before the financial situation allows for such distribution.

The Board of Directors will periodically be authorized by the Annual General Meeting to issue shares to ensure the necessary financing of the Company's future operations. Board authorizations are granted for a period of up to two years and are limited to defined purposes.

4. Equal Treatment of Shareholders and Transactions with Close Associates

Equal treatment of all shareholders is central to the Company's corporate governance structure. All shares in DiaGenic carry one vote and the shares are freely negotiable. The Company has only one class of shares and all shareholders have equal rights. When raising equity, existing shareholders shall be given preferential treatment unless especially warranted by special conditions. If that is the case, grounds will be provided for such a departure. The Company has not been granted any authorizations for buying back own shares.

Transactions between the Company and associated parties, including members of the Board of Directors or persons employed by the Company, regardless of whether associated by personal or corporate involvement, must be based on the same conditions that can be obtained in an open, free and independent market or based on a third party's valuation service. Large transactions with close associates must be approved by the Annual General Meeting. The Board of Directors will explain the size of any transactions with close associates in the Annual Report.

5. Free Negotiability

The Company's shares are listed and are freely negotiable. The Articles of Association contain no restrictions on negotiability.

6. Annual General Meeting

The shareholders may exercise their rights at the annual general meeting, and the Company wishes for the Annual General Meeting to be a forum for shareholders and the Company's Board of Directors. The Company will arrange to have as many shareholders as possible to attend the Annual General Meeting. The meeting dossier must be sufficiently detailed and published on the Company's website no later than 21 days before the Annual General Meeting. The Company will endeavour for the meeting dossier to be detailed enough for shareholders to be able to take a position on all items considered at the meeting. The registration deadline for annual general meetings will be set as close to the meeting as possible.

Shareholders who are unable to attend the meeting may vote by proxy and must appoint a person who is able to vote on behalf of the shareholders as their representative. The proxy form will, as far as possible, be formulated so as to allow for voting on each individual item up for consideration and candidates up for election.

The Company will request the members of the Board of Directors to be present at the annual general meetings. Furthermore, members of the Election Committee and the external auditor will be requested to attend the Annual General Meeting. In 2009 the Chairman of the Board of Directors and three board members were represented at the Annual General Meeting as well as a member of the Election Committee in addition to the external auditor.

In accordance with the Articles of Association, the Annual General Meeting will be chaired by the Board Chairman unless no other member is elected to perform the task. The minutes from the Annual General Meeting will be published in a stock exchange announcement and will thereby also be made available on the Company's website.

7. Election Committee

In accordance with DiaGenic's Articles of Association, the Annual General Meeting has established an Election Committee consisting of three to four members. Members must be shareholders or representatives for the shareholders. The Election Committee shall prepare and nominate board members for election to the Annual General Meeting as well as issue recommendations relating to Board compensation. No board member is a member of the Election Committee, while a representative from management is a member of the Election Committee. Anders Lönneborg, who is Research Director at DiaGenic, is a member of the Election Committee on the basis of his substantial shareholding in the Company. Election Committee members are elected for one year at a time.

8. Corporate Assembly and Board of Directors, Composition and Independence

DiaGenic has decided not to have a corporate assembly because of the Company's limited size and low number of employees. The corporate assembly's tasks have been transferred to the Annual General Meeting and the Board of Directors.

The Board of Directors and its Chairman are elected by the Annual General Meeting and are entrusted with a view to discharge, to the greatest extent possible, the interests of the shareholder community as well as the Company's requirements for expertise, capacity, balanced decision-making, and to act as an effective, collegiate body. The Board of Directors is elected for one year at a time and board members may stand for re-election. The CEO is not a member of the Board of Directors. The Board of Directors has six members, with an equal number of women and men. It is the assessment of the members of the Board of Directors that they do not have more board duties than that they individually have sufficient time to discharge their board duties at DiaGenic in a responsible manner.

The board members Ingemar Kihlström, Ingrid Alfheim, Maria Holmlund and Mina Blair are assessed to be independent, both from the Company's day-to-day management, significant business relations and by the Company's key shareholders. These board members are assessed to be independent in spite of the fact that a few of them, to a limited extent, have carried out extended board tasks, which have been subject to remuneration on market terms (see Notes in the Annual Financial Statements). Four of the six board members are therefore assessed to be independent, which ensures that the Board of Directors does not act as individual representatives for individual shareholders or other interest groups. The Board of Directors is in a position to evaluate the day-to-day management and significant agreements signed by the Company on an independent basis.

The composition of the current Board of Directors is presented in the Annual Report together with central information, which sheds light on the expertise of the board members. The shareholding of members of the Board of Directors and executive employees are presented in the Notes of the Annual Financial Statements.

9. The Work of the Board of Directors

A plan is drawn up annually for the work of the Board of Directors. The Board of Directors has also established rules of procedures for its work as well as for the day-to-day management. The rules of procedures contain instructions for allocating responsibilities and duties relating to important issues. The Board of Directors will ensure that the Company is organized in a proper manner, and that plans and budgets are drawn up for the Company's business. The plan and instructions for the Board of Directors ensure that the Board is kept informed about the Company's financial position and that the Company, the asset management and the accounts are subject to control.

The Chairman of the Board of Directors ensures that the Board of Director functions well and that it meets its obligations. The Chairman of the Board of Directors chairs meetings and prepares matters before the Board in cooperation with the Chief Executive Officer. The Chairman of the Board will arrange for minutes to be kept from the board meetings. The minutes are adopted and signed by all the board members. In addition to the ordinary board meetings, a strategy meeting is held annually to provide for a deeper discussion of key challenges and opportunities facing the Company. The Chairman of the Board heads the strategic planning of the Company and assesses the strategy regularly.

The Board of Directors elects a Deputy Chairman, who can act when the Board Chairman is unable to discharge—or disqualified from discharging—duties related to the Board of Directors. This is particularly relevant because the Chairman of the Board participates actively in the management of the Company.

Because of the size of the Company, the Board of Directors does not use formal board committees, such as auditing committees and compensation committees, but has, on a few occasions, employed committees composed of the Board of Director's experts, for example, in connection with strategic assessments and evaluations of company-critical agreements. Financial reporting and remuneration of executive employees are ensured thorough and independent consideration without the use of board committees by having matters considered by the full Board of Directors, of which four out of the six members are considered independent of the day-to-day management.

The Board of Directors evaluates the composition and the

board work at least once annually. The evaluation also covers the manner in which the Board of Directors functions both individually and as a group in relation to the goals that are set for the work.

10. Risk Management and Internal Controls

Risk management and internal controls are important for DiaGenic to be able to reach its strategic goals and constitutes an integrated part of management's decision processes and are a central element for organizing routines and systems. The requirements for risk management and internal controls are evaluated by management and the Board of Directors and a set of appropriate procedures has been drawn up. In this connection, it is also emphasized that the Company operate within accepted ethical guidelines and values, including how employees can communicate matters linked to illegal or unethical conduct by the Company to the Board of Directors.

DiaGenic operates within an industry segment that is well regulated and risk management is a natural part of operations. The Company's commercial products are covered by a quality assurance system that encompasses all aspects of the organization that can affect the products. Additionally, the Company has identified and documented significant risk factors related to operations, marketing or finances. These risk factors are described in greater detail in the Notes to the Annual Financial Statements.

The Company's financial reporting complies with the rules and regulations that apply to a company listed on the Oslo Stock Exchange. In addition to external rules and regulations, financial reporting is subject to fundamental routines and guidelines. At least once a year, the Board of Directors conducts a review of the Company's risk profile in relation to strategic, operational and transaction-related factors.

As a listed company, DiaGenic has a special responsibility in relation to the requirements related to insider trading rules, flow of information and share trading. DiaGenic has guideli-

nes ensuring that board members, executive employees and other insiders comply with current laws, rules and regulations with respect to insider trading of the Company's shares.

11. Board Remuneration

The Annual General Meeting of DiaGenic decides the remuneration for the Board of Directors based on the recommendations of the Election Committee. Board remuneration should reflect Board responsibilities, expertise, time consumptions and the complexity of the business and the fact that DiaGenic is a listed company. Remuneration will be in the form of a set, annual amount and is not tied to the Company's results or share price.

Individual board members of DiaGenic may, in addition to performing pure board duties, discharge duties of a less financial significance upon request of the Chairman of the Board. The Board of Directors is aware of the diligence requirements this entails in relation to information submitted to the Annual General Meeting and any agreements between the Company and the Company's board members are approved by the full Board. In this connection we also refer to the assessment of independent board members and the Chairman of the Board of Directors under No 8 above. The Annual Report contains notification of all remuneration to individual board members and the Chairman of the Board of Directors.

12. Remuneration of Executive Employees

The Board of Directors establishes guidelines for the remuneration of executive employees in the Company. Guidelines and elements of remunerations of the Chief Executive Officer and other executive employees are described in the Notes of the Annual Financial Statements. The guidelines for remuneration of executive employees are presented to the Annual General Meeting. In the Board of Directors' assessment the remuneration of executive employees is at market level and without elements of unreasonable nature, for example, in connection with retirement or termination of employment.

Incentive schemes relating to the Chief Executive Officer and other employees are specified in the Notes of the Annual Financial Statements.

The incentive schemes cover all the employees with the exception of the founders Praveen Sharma and Anders Lönneborg and are presented to the Annual General Meeting for adoption. The scheme is in the form of subscription rights, distributed with 500,000 subscription rights for the Chief Executive Officer and a total of 1,270,000 subscription rights to other employees. The incentive scheme for employees is designed for long-term positive binding to the Company and community of interest with shareholders and without contributing to short-term dispositions that might be harmful to the Company.

13. Information and Communication

The Company publishes a financial calendar every year with a date for the Annual General Meeting and dates for the presentation of interim reports. All press releases and stock exchange announcements are published on the Company's website at www.diagenic.com. Stock exchange announcements are also available at www.newsweb.no.

The Company complies with the applicable rules and regulations related to duty of disclosure, including the requirements related to equal treatment. The ability to disclose information about the Company, apart from the published reports, will be restricted in accordance with stock exchange regulations. Any insider information may only be disclosed to persons other than primary insiders in such cases where the Company's considers such a course of action necessary and, if so, using insider statements and listing insiders. The insider lists shall be kept by the Chief Executive Officer.

The Company endeavours to make information about the Company available in both Norwegian and English but does not currently have all communications available in both languages.

It is DiaGenic's desire to have a good and open dialog with its shareholders, analysts and the stock market in general.

The Company holds regular presentations for investors, analysts and shareholders. The Company's Chief Executive Officer is responsible for information and investor relations. Both the Chief Executive Officer and the Chairman of the Board of Directors are permitted to speak on behalf of the Company and may, if relevant, delegate this authority in specific cases.

14. Company Acquisition

In the event the Company were to be acquired, the Company will endeavour for its shareholders to be treated equally and to provide time for them to take a position on a bid. The Board of Directors will evaluate the bid and seek to issue a recommendation to the shareholders. This type of situation will otherwise be regulated by the provisions that apply to listed companies.

15. Auditor

The auditor attends board meetings that consider the annual financial statements. However, the Company has not held annual meetings with the Board of Directors to review internal control measures (see Item 10 above regarding internal control requirements). The auditor presents a plan for the auditing work to the Board of Directors annually.

The Board of Directors holds at least one annual meeting with the auditor without the Chief Executive Officer or other members of the day-to-day management being present.

Auditor's fees are specified in Note 5 of the Annual Financial Statements and are categorized under Statutory audits and other services. Proposals for statutory audit fees are submitted by the Board of Directors to the Annual General Meeting for approval.

The DiaGenic share

OWNERSHIP STRUCTURE AND SHAREHOLDER POLICY

DiaGenic is listed on the Oslo Stock Exchange (ticker symbol: DIAG) and the shareholder list has a significant share of institutional and private investors from the Nordic countries. The financing of DiaGenic's operations has mainly been in the form of equity as well as public funds. The Company has not yet attained sufficient revenues to cover costs and thereby generate a positive cash flow from operations. For this reason DiaGenic is dedicated to raising capital in the equity markets by developing the Company into an even more attractive investment object for both Nordic and international investors so as to ensure financial freedom of action. The Company will not consider dividend proposals until long-term profitability has been confirmed. The Company has only one share class and no special regulations linked to the shares. One share thus carries one vote.

DEVELOPMENTS IN THE SHARE PRICE AND VOLUME TRADED

Closing prices for the DiaGenic share ranged from NOK 2.25 to 4.77 in 2009. At the start of 2009, the closing price was 2.95 and by year's end the price was 2.75, a decline of seven percent. For comparison, the Oslo Stock Exchange's Health Care Equipment & Service Index (OSE3510) rose by 11 percent during the corresponding period. Based on the closing price at year's end, the Company was valued at NOK 184 million. The Company's shares had two market makers to contribute to the increased trading in the share and were listed on the OB Match list of the Oslo Stock Exchange. The average daily trading volume was 203,000 shares in 2009 as compared to 125,000 shares in 2008. DiaGenic is continuing its efforts to increase the interest and trading volume of its share in order to make the share an increasingly attractive investment object.

Ownership structure at 31.12.2009:	Number of shares	Holding
Tredje AP-fonden	4,143,795	6.21%
Nordea Nordic Equity Hedge Fund	3,651,742	5.47%
Erik Anders Lønneborg	2,900,000	4.35%
Praveen Sharma	2,295,000	3.44%
Holberg Norden	1,892,178	2.84%
A/S Skarv	1,885,000	2.82%
Argo Securities AS	1,877,224	2.81%
Holberg Norge	1,421,959	2.13%
JP Morgan Chase Bank	1,379,600	2.07%
Skagen Vekst	1,200,000	1.80%
Karl Wilhelm Haavind	1,064,000	1.59%
Livsforsikringsselskapet Nordea Liv Norge AS	1,003,100	1.50%
DnB NOR Markets, Aksjehand/Analyse Egenhandelskonto	835,000	1.25%
Verdipapirfondet Nordea SMB	813,300	1.22%
Amfibien AS	808,000	1.21%
John Hestad	711,000	1.07%
Kikut AS	655,000	0.98%
Dag Storhaug	650,378	0.97%
Sigrid Narmo	635,000	0.95%
Håkon Sæterøy	529,545	0.79%
Total, 20 largest shareholders	**30,350,821**	**45.48%**
Total others	36,385,699	54.52%
Total number of shares	**66,736,520**	**100.00%**

SHARE CAPITAL DEVELOPMENTS

Since the Company was first listed in 2004 until and including 2009, the Company has executed six share issues, which have injected share capital in the total amount of NOK 170 million. After year's end and up until the date of the Annual Report, one additional issue has been carried out for NOK 10 million. The Company's share capital after the most recent issue in February 2010 totalled NOK 3,511,826 distributed across 70,236,520 shares with a nominal value each of NOK 0.05.

SUBSCRIPTION RIGHTS

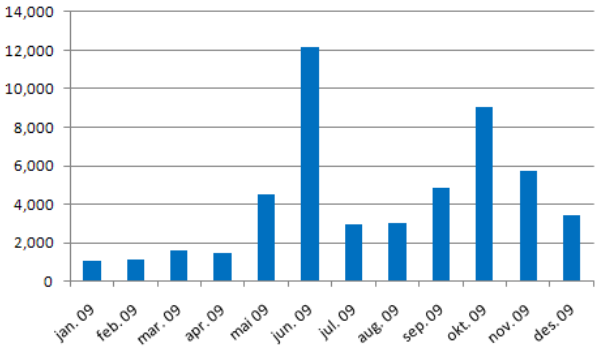
DiaGenic has granted subscription rights to employees as an incentive to long-term binding to the Company. The principle for all such schemes is that subscription prices at the time of granting must not be lower than the market price. The Chief Executive Officer has been awarded subscription rights which, in total, grant him the right to subscribe for 500,000 shares at a subscription price of a minimum of NOK 6.22 per share. Other employees are covered by a subscription right scheme which, in total, grants them the right to subscribe for 1,270,000 shares at a subscription price of a minimum of NOK 6.50 per share.

WARRANTS

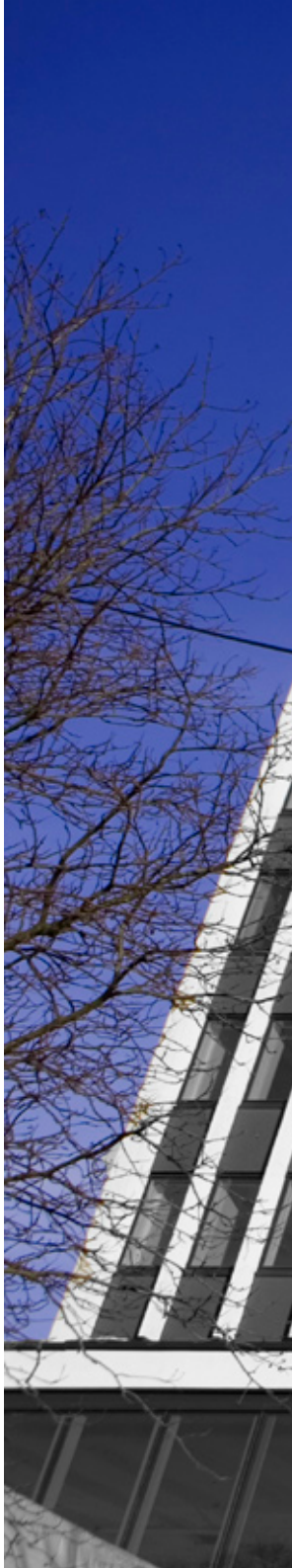
After year's end, DiaGenic issued 16 million warrants where one warrant entitles the holder to subscribe for a new share. The subscription price is set at NOK 3.25 per share and its life runs until and including 30 September 2010.

Share price

Turnover volume (1000 shares)



Month/ Year	Event	Number of shares	Total number of shares	Share capital (NOK)	Par value per share (NOK)
Jun. 1998	Incorporation	1,000,000	1,000,000	50,000	0.05
Oct. 1999	Share issue	500,000	1,500,000	75,000	0.05
Sep. 2000	Share issue	240,000	1,740,000	87,000	0.05
Nov. 2000	Share issue	497,000	2,237,000	111,850	0.05
Mar. 2001	Share issue	504,500	2,741,500	137,075	0.05
Sep. 2001	Share issue	6,400	2,747,900	137,395	0.05
Oct. 2001	Share issue	200,000	2,947,900	147,395	0.05
Jan. 2002	Share issue	220,368	3,168,268	158,413	0.05
Apr. 2002	Share issue	61,048	3,229,316	161,466	0.05
May 2002	Share issue	3,000	3,232,316	161,616	0.05
Oct. 2003	Share issue	1,000,000	4,232,316	211,616	0.05
Apr. 2004	Issue from funds	16,929,264	21,161,580	1,058,079	0.05
May 2004	Share issue	1,315,406	22,476,986	1,123,849	0.05
Jun. 2004	Merger	10,110,150	32,587,136	1,629,357	0.05
Apr. 2005	Share issue	3,129,384	35,716,520	1,785,826	0.05
Jul. 2005	Excercise of option	10,000	35,726,520	1,786,326	0.05
Aug. 2005	Excercise of option	10,000	35,736,520	1,786,826	0.05
Mar. 2006	Share issue	3,500,000	39,236,520	1,961,826	0.05
Sep. 2006	Excercise of option	45,000	39,281,520	1,964,076	0.05
Nov. 2006	Share issue	80,000	39,361,520	1,968,076	0.05
Nov. 2006	Excercise of option	405,000	39,766,520	1,988,326	0.05
May 2007	Share issue	3,970,000	43,736,520	2,186,826	0.05
May 2008	Share issue	8,000,000	51,736,520	2,586,826	0.05
Jul. 2009	Share issue	2,500,000	54,236,520	2,711,826	0.05
Nov. 2009	Share issue	12,500,000	66,736,520	3,336,826	0.05
Feb. 2010	Share issue	3,500,000	70,236,520	3,511,826	0.05



DiaGenic ASA

Grenseveien 92 ♦ NO - 0663 Oslo ♦ www.diagenic.com ♦ Phone: +47 23 24 89 50 ♦ Fax: +47 23 24 89 59