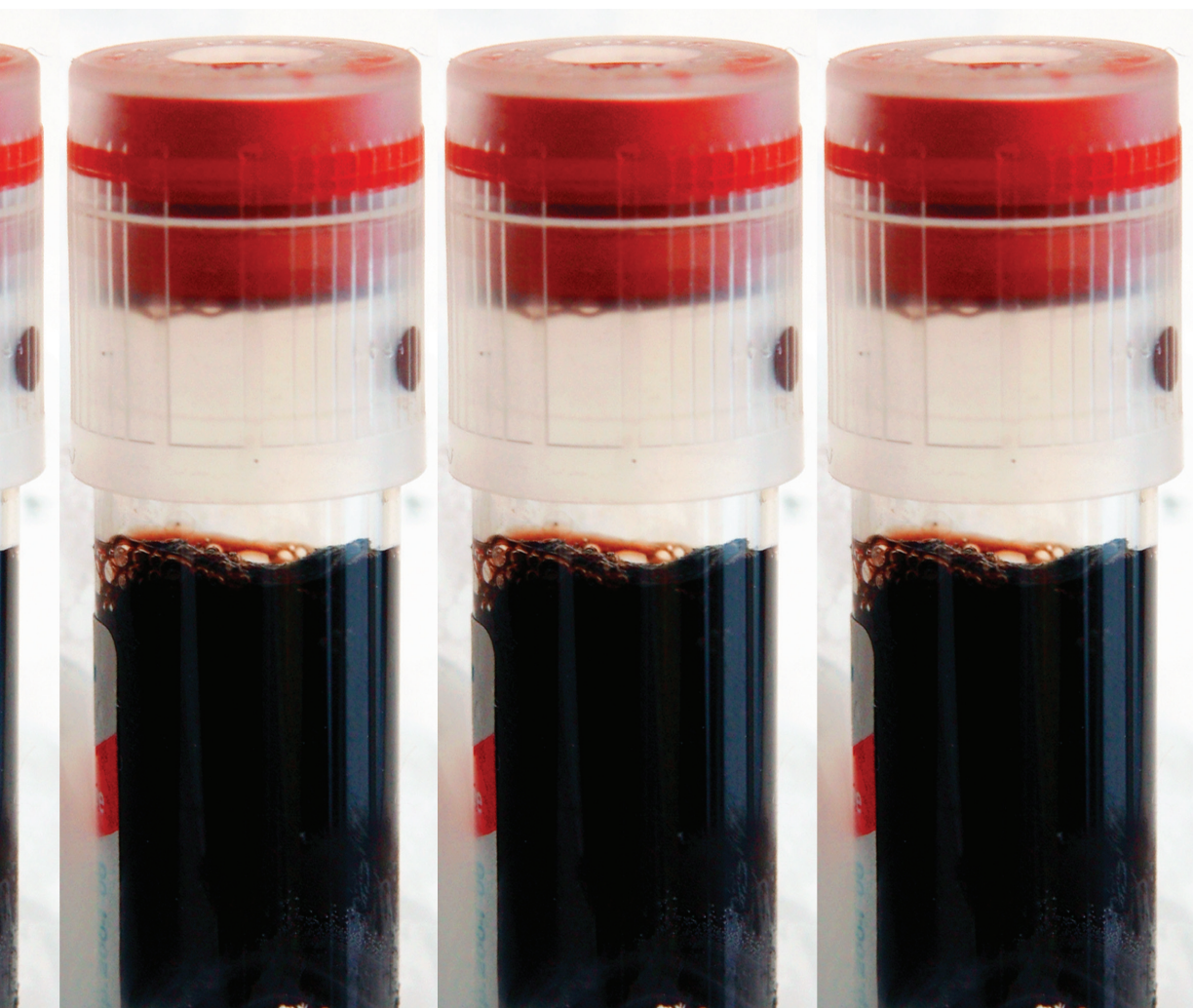


INTERIM REPORT - Q3 2009



DiAGENiC

FOR EARLIER DISEASE DETECTION

NORWEGIAN RESEARCH COUNCIL NAMES DIAGENIC “MOST INNOVATIVE COMPANY OF THE YEAR”

HIGHLIGHTS

- Scientific marketing of ADtect® and BCtect® started in several European countries
- DNAvision approved for routine use
- Notice of Allowance for additional European patent on Alzheimer’s disease and breast cancer
- Bridge financing of MNOK 9.35

POST QUARTER HIGHLIGHTS

- Distributor contract for UK and Ireland signed with a world leading provider of diagnostic testing and services
- Norway’s most innovative company prize awarded



“Most Innovative Company of the Year” award

Recognition

On 14 October DiaGenic received the Norwegian Research Council's prestigious "Most Innovative Company of the Year" award. The purpose of this award is to encourage innovation in Norwegian business and industry by making innovative companies more visible. The winner is chosen based on number of votes casted by prominent business and industry leaders of Norway. More than 1,000 business and industry leaders voted this year and DiaGenic received a predominant share of the votes. The award was presented to DiaGenic by Norway's Trade and Commerce Minister, Ms Sylvia Brustad.

Sales and Marketing

Europe

Building the market and distributors

DiaGenic today announced an agreement with a world leading provider of diagnostic testing and services to patients and doctors to market its BCtect® for early detection of breast cancer and ADtect® for early detection of Alzheimer's in the UK and Ireland.

The distribution agreements covering Austria, Denmark, Finland, Greece, Ireland, Norway, Sweden, Switzerland and United Kingdom, include clauses of minimum sales requirements by distributors in order to keep market exclusivity. For the period from year 2010 up to and including year 2013 cumulative minimum volumes in the above nine countries exceed 100.000 tests. Suggested end user price is €600 per test.

Negotiations with distributors in other important European markets are progressing.

In accordance with our plan for scientific marketing, DiaGenic's distributors targeted Key Opinion Leaders (KOL's) to gain clinical acceptance. Several meetings were held with international and national KOL's in the quarter with support from DiaGenic. DiaGenic have prepared extensive marketing and scientific support materials for the distributors to assist them in sales and marketing.

After the end of the quarter ADtect® was made available to the distributors for sale in Norway and Finland. For other markets distributors are currently engaged in preparing and executing their local launches.

After a quality audit by DiaGenic the central testing laboratory for Europe, DNAvision, has been approved for routine use of ADtect® and BCtect®.

India

There were no sales in India in the quarter. Further activities in India are under review.

US

During the quarter our strategy for entering the US market has been accelerated. Local regulatory and reimbursement rules support the entry through a CLIA certified laboratory. This will enable DiaGenic earlier access to the US market using current technology platform. Initial dialogue with such laboratory partners has started. Documentation for a CLIA launch will then be used as a basis for further studies needed for full FDA approval.

Biomarkers for drug development – Companion Diagnostics

Biomarkers for drug development and companion diagnostics are a strategic focus area for DiaGenic. A majority of new drugs will need blood based diagnostic tests to identify the right subgroup of patients that will respond to the intended pharmacological therapy. The regulatory approval of such drugs will depend upon the use of a diagnostic test, and further clinical use of the drug is based on the results from the diagnostic test.

The R&D collaboration that can potentially lead to the development of a companion diagnostic is reflected by the option agreement between Merz Pharmaceuticals and DiaGenic. The aim of this project is to develop a biomarker for patient stratification into clinical trials, and an option for Merz to use this biomarker in future drug development and finally in companion diagnostics. The development of the new biomarker builds upon the ongoing DiaGenic project within MCI (Mild Cognitive Impairment). The initial study was funded by Norwegian research grants as a local multicentre study. The study has been extended to other European countries and to the US to ensure a rapid and wide-spread patient inclusion.

The use of ADtect® as a cost effective tool for clinical trials for new Alzheimer's drugs is being presented to large pharma companies, using the documentation from DiaGenic's CE-studies.

Products and Product Development Alzheimer's disease

During third quarter 2009 DiaGenic has completed quality checks, labelling and packaging of ADtect®. DiaGenic has now released ADtect® for routine use in Europe.

The multicentre study performed for the CE marking showed higher accuracy for ADtect® in sites with higher clinical accuracy. To further document this observation an independent clinical study is ongoing at the University hospital in Lund, Sweden.

A scientific board meeting was held in Vienna, and DiaGenic received feedback on the use and positioning of the CE marked test. Based on the CE study the use of ADtect® to shorten the often lengthy time for diagnosis is promoted to memory clinics, thus enabling cost efficient earlier intervention and treatment.

The results of the CE studies were presented after the quarter end at the international Alzheimer's disease congress (ICAD) in Vienna, Austria, in July with the title "ADtect® - A novel blood test for the early detection of Alzheimer's disease".

Breast cancer

During third quarter 2009 DiaGenic has completed quality checks, labelling and packaging of BCtect®. DiaGenic has now released BCtect® for routine use in Europe.

A scientific board meeting was held in Berlin, and DiaGenic received feedback on the correct use and positioning of the CE marked test. Based on the CE study the use of BCtect® as a problem solver to improve current cancer detection is promoted to breast cancer diagnostic centres.

Poster presentations on the results from the CE multicentre study performed with BCtect® were presented at 3 international meetings in the quarter, and DiaGenic was represented by a separate stand at the ECCO 15 and 34th ESMO Multidisciplinary Congress in Berlin, Germany, and also a poster presentation with the title "*Efficacy of a novel blood based gene expression test for early detection of breast cancer*" was held.

ISOBM, 37th Congress of the International Society of Oncology and Biomarkers in Amsterdam, the Netherlands with the title "*BCtect® - A novel blood test for the early detection of breast cancer*".

ASCO Breast Cancer Symposium 2009 in San Francisco, USA, with the title "*Validation of a blood-based gene expression test for the detection of breast cancer*".

Parkinson's disease

The Michael J. Fox Foundation funded study is progressing according to schedule. Preliminary data suggests a similar high level of accuracy as in our other studies. The project funded by the Research Council of Norway

is progressing ahead of schedule with 204 samples out of a total of 250 included from Norwegian, Swedish and a few other European hospitals.

Patents

During third quarter DiaGenic received notice of allowance for its European family 2 patent application. The claims allowed cover the use of a number of important gene sequences in blood for diagnosis and monitoring of, among others, breast cancer and Alzheimer's disease. The patent when granted will be valid until 2023.

Financial review

Costs were in line with guiding from second quarter presentation, 8 MNOK in cash at quarter end. Including the 5 MNOK loan from Innovation Norway the company is funded until the beginning of 2010.

Comparative figures from the corresponding period last year are shown in parentheses.

Profit and loss

Revenues and research grants

DiaGenic had NOK 5k (0) in operating revenues in the first nine months of 2009, all of which was accrued in the first quarter 2009. Research grants are entered net into the accounts as a reduction of operating costs. Research grants for the third quarter 2009 were NOK 688k (NOK 1,131k) and for the first nine months of 2009 research grants came to NOK 2,809k (NOK 4,510k). The main reason for the drop in research grants is the conclusion of the Alzheimer project which was supported by The Norwegian Research Council through the FUGE programme.

Operating costs

Total operating costs after deducting research grants were NOK 9,269k (NOK 8,881k) for the third quarter. For third quarter 2009 salaries and personnel expenses amounted to NOK 5,252k (NOK 4,422k) and other operating costs were NOK 3,765k (NOK 4,242k). The number of employees increased from 19 in the third quarter 2008 to 22 in third quarter 2009, and is the reason for increased salaries and personnel expenses. The drop in other operating costs for third quarter 2009 compared with the corresponding period in 2008 is mainly due to lower costs in the laboratory. Cost of Goods Sold for third quarter 2009 totalled NOK 126k (0) and relates to quality control and preparation of consumables for use in connection sales of BCtect® and ADtect® in Europe.

Total operating costs after deducting research grants were NOK 28,400k (NOK 25,084k) in the first nine months of 2009. Salaries and personnel expenses were NOK 14,588k (NOK 11,670k), up from comparable period in 2008 due to an increase in the number of employees. Other operating costs for first nine months of 2009 amounted to NOK 13,108k (NOK 12,781k). The main reason for the increase in other operating costs is reduced income from research grants which is posted as a reduction in operating costs.

Balance sheet

Total assets at 30 September 2009 were NOK 17,918k (NOK 47,912k), of which current assets amounted to NOK 13,865k (NOK 44,499k). Cash and cash equivalents accounted for the largest share of current assets at the end of September 2009 with a balance of NOK 7,742k (NOK 39,812k). Inventory for consumables in Belgium and in India amounted to NOK 2,314k (NOK 1,424k) at the end of September 2009.

Equity at 30 September 2009 amounted to NOK 9,264k (NOK 39,121k). Short-term liabilities at the end of September 2009 was NOK 5,421k (NOK 5,680k) and provisions and other long term liabilities at 30 September 2009 totalled NOK 3,232k (NOK 3,110k) and relates to the lease of laboratory equipment and pension liabilities.

Cash flow

Net cash flow from operating activities for third quarter 2009 was NOK -8,594k (NOK -7,925k). The reduction is mainly due to changes in short term liabilities, accounts payable balances and pre-tax loss. In third quarter 2009 a private placement was completed for total net proceeds (after deducting issue expenses) in the amount of NOK 8,648k, consequently net cash flow from financing activities was higher than in the corresponding period in 2008.

Net cash flow from operating activities in the first nine months of 2009 was NOK -27,443k (NOK -20,612k). The increase is mainly due to higher pre-tax loss. The company's cash and cash equivalents are held in bank deposits and amounted to NOK 7,742k on 30 September 2009.

Financing and equity

Bridge financing was put in place 8 July 2009 through a share issue of 2.5 million shares at a subscription price of 3.74 per share. The gross proceeds from the issue amounted to NOK 9,4 million. As a result of the issue the share capital has increased by NOK 125k to NOK 2,712k.

After quarter end the Company entered into a mandate agreement with Argo Securities and Orion Securities as managers related to DiaGenic's equity offering. Post quarter the Company also accepted a loan in the amount of NOK 5 million with four years term from Innovation Norway. At current cost levels the loan will finance the Company for the full year. The Board and its advisors are working to secure further financing of the Company.

This third quarter report has been prepared in accordance with IAS 34 and the accounting principles specified in the annual accounts for the year 2008. New standards implemented with effect from 1 January 2009 are amendments to IAS 1, which involves changes to the profit and loss statement and the changes in equity statement such as: changes in equity from transactions with owners are now to be separated from equity changes from transactions by other than owners.

FUTURE PROSPECTS

- Complete the distributor network for the larger European markets.
- Support the distributors in sales and marketing of ADtect® and BCtect®.
- Proceed with US market entry plan.
- Promote ADtect® and companion diagnostics to major pharmaceutical companies by presenting the clinical data from the CE studies and our ongoing MCI studies.

PROFIT & LOSS ACCOUNT		2009	2008	2009	2008	2008
(figures NOK thousands)		Q3	Q3	1 Jan-30 Sept	1 Jan-30 Sept	1 Jan-31 Dec
Operating Income						
Other income		0	0	5	0	0
Total operating revenue		0	0	5	0	0
Operating expenses						
Cost of goods sold		126	0	197	0	0
Total cost of goods sold		126	0	197	0	0
Operating costs						
Wages and social costs		5,252	4,422	14,588	11,670	16,965
Depreciation		253	217	704	633	860
Other operating costs		3,765	4,242	13,108	12,781	18,559
Total operating costs		9,269	8,881	28,400	25,084	36,384
Operating profit (loss)		-9,395	-8,881	-28,591	-25,084	-36,384
Financial income		156	686	612	1,399	1,976
Financial expenses		29	44	124	118	174
Net financial income/expense		128	642	489	1,281	1,802
Pre-tax profit (loss)		-9,268	-8,239	-28,103	-23,803	-34,582
Income tax costs (benefits)		0	0	0	0	0
NET PROFIT (LOSS)		-9,268	-8,239	-28,103	-23,803	-34,582
Other comprehensive income		0	0	0	0	0
Comprehensive income		-9,268	-8,239	-28,103	-23,803	-34,582
Net profit per share (figures in NOK)		-0.17	-0.16	-0.54	-0.50	-0.71
Net profit per share after delution		-0.17	-0.16	-0.54	-0.50	-0.71
BALANCE SHEET				2009	2008	2008
(figures NOK thousands)				30 Sept	30 Sept	31 Dec
ASSETS						
Fixed assets						
Goodwill				572	572	572
Fixed assets				3,480	2,840	3,058
Total non-current assets				4,053	3,412	3,630
Current assets						
Inventory				2,314	1,424	1,445
Other receivables				3,809	3,263	5,866
Cash and cash equivalents				7,742	39,812	27,958
Total current assets				13,865	44,499	35,270
TOTAL ASSETS				17,918	47,912	38,900
EQUITY AND LIABILITIES						
Equity						
Share capital				2,712	2,587	2,587
Paid in equity				34,655	60,338	60,407
Retained earnings				-28,103	-23,803	-34,582
Total equity				9,264	39,121	28,412
Provisions						
Pension liabilities				2,473	1,994	1,962
Total provisions				2,473	1,994	1,962
Other long term liabilities						
Other long term liabilities				760	1,117	1,054
Total other long term liabilities				760	1,117	1,054
Liabilities						
Accounts payable				1,416	3,421	3,472
Social security, VAT etc. payable				771	694	1,230
Other current liabilities				3,234	1,565	2,771
Total current liabilities				5,421	5,680	7,473
TOTAL EQUITY AND LIABILITIES				17,918	47,912	38,900

CASH FLOW STATEMENTS

(figures NOK thousands)

2009

Q3

2008

Q3

2009

1 Jan-30 Sept

2008

1 Jan-30 Sept

2008

1 Jan-31 Dec

Cash flow from operating activities

Pre-tax profit (loss)	-9,268	-8,239	-28,103	-23,803	-34,582
Income taxes paid	0	0	0	0	0
Ordinary depreciation	253	217	704	633	860
Impairment of fixed assets	0	0	0	0	0
Fair value granted option rights	102	110	307	363	432
Loss on sale of fixed assets	0	0	0	0	0
Change in pension scheme liabilities	170	129	511	387	355
Change in inventories, accounts receivable and accounts payable	-1,053	-205	-2,925	260	290
Change in other short-term receivables and other short-term liabilities	1,201	64	2,063	1,547	686
<i>Net cash flow from operating activities</i>	<i>-8,594</i>	<i>-7,925</i>	<i>-27,443</i>	<i>-20,612</i>	<i>-31,959</i>

Cash flow from investment activities

Proceeds from sale of fixed assets	0	0	0	0	0
Acquisitions of fixed assets	-323	-266	-1,127	-450	-894
<i>Net cash flow from investing activities</i>	<i>-323</i>	<i>-266</i>	<i>-1,127</i>	<i>-450</i>	<i>-894</i>

Cash flow from financing activities

Contribution of share capital	8,648	-76	8,648	41,509	41,508
Payment of long term liabilities	-90	-93	-294	-300	-363
<i>Net cash flow from financing activities</i>	<i>8,558</i>	<i>-169</i>	<i>8,354</i>	<i>41,209</i>	<i>41,145</i>
<i>Net change in cash and cash equivalents</i>	<i>-359</i>	<i>-8,360</i>	<i>-20,216</i>	<i>20,147</i>	<i>8,292</i>
Cash and cash equivalents	7,742	39,812	7,742	39,812	27,958

Changes in Equity and Number of Shares:

(figures in NOK/numbers)

	Share capital	Share prem. reserve	Other reserves	Other equity	Total equity	Number of shares
As at 1st January 2008	2,186,826	18,866,541	0	0	21,053,367	43,736,520
Fair value granted subscription rights	0	0	432,249	0	432,249	0
Increase of capital - 7th May 2008	400,000	41,108,221	0	0	41,508,221	8,000,000
Net loss 1st January - 31st December 2008	0	0	0	-34,581,853	-34,581,853	0
Allocation of net loss	0	-34,149,604	-432,249	34,581,853	0	0
As at 31st December 2008	2,586,826	25,825,158	0	0	28,411,984	51,736,520
Fair value granted subscription rights	0	0	306,992	0	306,992	0
Increase of capital - 8th July 2009	125,000	8,522,885	0	0	8,647,885	2,500,000
Net loss 01 Jan. - 30 September 2009	0	0	0	-28,102,534	-28,102,534	0
As at 30th September 2009	2,711,826	34,348,043	306,992	-28,102,534	9,264,328	54,236,520

DiaGenic ASA
Grenseveien 92
NO - 0663 Oslo

Phone: +47 23 24 89 50

Fax: +47 23 24 89 59

Homepage: www.diagenic.com

E-mail: diagenic@diagenic.com