Annual report - 2010

DiaGenic

Contents

Vision and mission

VISION AND MISSION

DiaGenic's vision is to be a leading provider of molecular diagnostics for the early detection of diseases. DiaGenic's mission is to provide patient-friendly diagnostic testing for early detection of diseases where early intervention is vital to successful treatment.

Milestones

IMPLEMENTED NEW BUSINESS STRATEGY

In 2010, DiaGenic made considerable changes to its business strategy to better exploit the company's commercial potential and valuable patent portfolio. Since implementing the new strategy, the company has made significant business progress with major pharmaceutical companies and is well positioned to partner with major drug and imaging companies.

SIGNED FIRST COLLABORATIVE AGREEMENT WITH DRUG INDUSTRY

DiaGenic and Pfizer have signed an R&D collaboration agreement in which the goal is to identify biomarkers based on gene expression signatures in blood from patients who will convert from mild cognitive impairment (MCI) to Alzheimer's disease, along with signatures that can detect the various stages of Alzheimer's disease.

SECURED LONG-TERM FUNDING OF THE COMPANY

Long-term funding of the company is secured through the private placement of NOK 70 million, followed by a repair issue of NOK 30 million for shareholders who did not participate in the private placement.

FURTHER STRENGTHENING OF PATENT PORTFOLIO

In 2010, DiaGenic additionally strengthened its patent portfolio across a number of patent families, disease areas, countries and applications. The patent portfolio comprise of more than 100 patents and has been confirmed by several third parties as important assets for DiaGenic, which secures protection and the "freedom to operate".

PUBLISHED TWO PEER REVIEW ARTICLES

Two articles were published in the "Journal of Alzheimer's Disease". These peer review publications are DiaGenic's first in the Alzheimer field, and will help increase trust among clinicians and pharmaceutical companies in ADtect® and DiaGenic's concept.

Letter from the CEO

DiaGenic has significantly altered its business strategy during 2010 to leverage more effectively its commercial potential, aiming for joint product development of blood based diagnostic tests together with the pharmaceutical industry. DiaGenic is well positioned as a multimodal partner with large pharma and imaging companies and has made significant progress in its business activities towards potential partners since implementation of the new strategy. This approach consists of initial revenue through co-funded R&D collaborative deals, followed by licensing agreements and later molecular diagnostic product sales. DiaGenic aims to create shareholder value by delivering on the new strategy.
Some of the key milestones achieved in 2010 are:

- Signed a collaborative R&D agreement in December with Pfizer to identify gene expression patterns in blood from patients who progress from Mild Cognitive Impairment (MCI) to Alzheimer's disease (AD) and patterns associated with different stages of Alzheimer's disease.
- Secured long term financing of the Company with a share issue with total proceeds of NOK 100 million.
- Published two articles in the Journal of Alzheimer's Disease. These peer reviewed publications, the first on AD from DiaGenic, will help build confidence in ADtect® (Alzheimer's disease) among clinicians and pharmaceutical companies.
- Strengthened the patent portfolio which now consists of more than 100 patents.

Since the first patent application was filed by our two founders Anders Lönneborg and Praveen Sharma in 1997, the Company has developed into a specialized diagnostic firm within blood based tests for central nervous system (CNS) diseases. Whereas certain diseases can be diagnosed fairly easily by using blood samples, this has not been possible for several other diseases. DiaGenic is developing early diagnostics for diseases like Alzheimers and Parkinson. Our combination of gene technology, bioinformatics and blood samples is a patent protected, unique and effective diagnostic tool that may support development of new drugs. Our leading position within blood based gene expression diagnostics was confirmed in our discussions with leading pharma companies and with our Pfizer contract in 2010.

The Alzheimer's disease (AD) area reflects a global health burden currently affecting 34 million worldwide and representing more than 4 billion USD in pharmaceutical sales. With the inclusion of the earlier preclinical stages of AD, now called prodromal AD (previously mild cognitive impairment (MCI)), and the expected growing elderly population, this market is expected to reach 13 billion USD by 2017. All of the larger pharmaceutical companies are active in this disease area, and a number of new compounds positioned to be used in the prodromal AD stage are in development. To select patients into clinical trials and to follow disease progression new diagnostic tools and algorithms are needed for successful drug development.

Cooperation with the pharmaceutical industry aims to combine the use of our patent protected diagnostic tests with use of new drugs when they reach the market. Current market for blood based diagnostic tests is more limited because the available AD drugs have only a modest effect in some patients and do not delay disease progression. With the launch of new drugs under development that delays disease progression, the need for our diagnostic tests are expected to increase significantly and DiaGenic will be prepared upon new drug launches, both in Europe and the United States.

The first confirmation that DiaGenic attracts interest from pharmaceutical companies as a provider of biomarkers for Alzheimer's disease was demonstrated when DiaGenic and Pfizer signed a collaborative research and development agreement. By initially using DiaGenic's own clinical studies, biobank and 1200 preselected informative genes from our whole genome studies, several new diagnostic tests are to be developed. The study will compare longitudinal changes in gene expression patterns in blood from subjects with stable MCI, progressive MCI (prodromal AD), and Alzheimer's disease. The objective is to identify gene expression patterns in blood from patients who will progress from the MCI stage to Alzheimer's disease (i.e. a prodromal AD test) and patterns associated with different stages of Alzheimer's disease. The agreement is the first of a potential modular collaboration that aims to develop and validate new blood based

Delivering on the new strategy

diagnostic tools to support Pfizer's needs in AD drug development and gives Pfizer the right to use DiaGenic's gene expression technology in internal R&D studies. DiaGenic's activities within Alzheimer's disease with our own extensive clinical studies have resulted in a biobank of well characterized blood samples for gene-expressionstudies. DiaGenic is conducting clinical studies in 7 European countries and the United States. Our biobank is an essential component in our dialogue with the pharmaceutical industry, as they themselves do not have easy access to such patient samples, and this allows for faster development of new diagnostic tests adapted to their needs.

Another partnering opportunity for DiaGenic is companies developing the new imaging diagnostics of Alzheimer's disease (18F-PET ameloid tracers).These are expected to reach the market in 2012/13 and can increase the diagnostic accuracy of AD from today's clinical assessment. Market assessment undertaken by these companies have indicated the need for combining blood based diagnostics and high end imaging, both for establishing clinical validity of PET and for expected reimbursement challenges. DiaGenic seeks this cooperation both to strengthen documentation on our own tests, as well as the commercial opportunities in the market, a common strategy with such leading companies will provide.

The development of a test for early detection of Parkinson's disease follows the same guidelines as for the Alzheimers diagnostic tests. DiaGenic has an ongoing multicenter study in several European countries, building our biobank and a whole-genome study has been conducted to identify disease related genes. The product development is focused on the pharmaceutical industry's need for bloodbased tests for early disease detection and a subsequent inclusion into clinical trials for new drug development.

DiaGenic's focus ison CNS diseases like Alzheimers and Parkinson, and cooperation with the pharmaceutical industry,hence the commitment within the breast cancer field and our BCtect® test development is subject to review.

Our vision of offering patient-friendly diagnostic tests for the early detection of diseases, thereby improving the life quality of patients is a leading star for all of us in DiaGenic. We are dealing with serious illnesses that need improved early diagnosis and development of new effective drugs. DiaGenic has through cooperation with international pharmaceutical companies really the opportunity to improve quality of life for many people.

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

Management

CEO

Erik Christensen (1956), Erik Christensen is a medical doctor from Odense and Oslo University. He has practised as a doctor and has been head of clinical chemistry at Ullevål University Hospital in Oslo. He has held several management positions inn Abbott Norge AS, most recently as country manager for the diagnostic division. He joined DiaGenic in January 2007.

CFO

Ruben Ekbråten (1976), Ruben Ekbråten holds a MBA from Heriot Watt University. He has experience as a stock broker, and he has held several positions within finance at GE Healthcare in Norway and internationally. Before joining DiaGenic in 2007 he was a Finance manager at GE Healthcare.

International Business Director

Morten Sten Johansen (1975), Morten Sten Johansen is a medical laboratory technologist from Østfold University College and a degree from University of Oslo. Before joining DiaGenic in 2009, he has held management positions within sales and business development in the Nordic Countries, in companies such as bioMérieux and Ventana Medical Systems.

Operations Director

Edith Rian (1966), Rian holds a Ph.D. in molecular biology from University of Oslo and a M.Sc. from Norwegian University of Science and Technology. Before joining DiaGenic in 2008 she held a research position at the Norwegian Radium Hospital.

Technology and Product Development Director

Praveen Sharma (1964), Praveen holds a Ph.D. in molecular biology from the Norwegian University of Life Sciences (UMB) and a M.Sc. from University of Oslo. He is a co-founder of DiaGenic. Before joining DiaGenic in 2000 he held a research position at the Norwegian Institute for Forest Research.

Research Director

Anders Lönneborg (1956), Anders Lönneborg holds a doctorate in molecular plant physiology from Umeå University and undertook post doctorate studies at Michigan State University. He has extensive experience in management of research groups and as a professor. He is a co-founder of DiaGenic. Before joining DiaGenic in 2000 he managed a research group at the Norwegian Institute for Forest Research.

Marketing Director

Dag Chr. Christiansen (1954), Dag Chr. Christiansen holds a MSc in biochemistry from Bergen University and a degree from Oslo Business School. Before joining DiaGenic in 2005, he has held positions within sales and marketing in Norway and internationally, in companies such as Dyno Particles and Axis-Shield.

Director, Pharma R&D

Gisle Grave(1975) is responsible for the Pharma research and development at DiaGenic ASA. He holds an MSc degree in Mathematics and Statistics from the Norwegian University of Science and Technology (2000), and a completed Foundation Program in Business Administration from BI (2003). Grave has experience from a Contract Research Organisation within the Pharmaceuticals industry. He was Biometrics Manager at Smerud Medical Research International from 2004 until he joined DiaGenic in 2008.

CORE ASSETS

DiaGenic's core competencies lie within analysis and identification of disease-specific gene expression patterns in blood. For more than 12 years, the company has been a leader in R&D of applications based on gene expression analysis of blood. Through its expertise and a strong patent portfolio, DiaGenic has established a competitive advantage that makes it an attractive collaborative partner for pharmaceutical companies. The company's patented method is used in the development of diagnostic testing for several important diseases, and current focus for DiaGenic is development of biomarkers within neurological diseases.

BIOMARKERS

DiaGenic is focusing on partnership agreements with leading pharmaceutical companies by way of providing biomarkers to aid in the development of drugs and companion diagnostics. The term "companion diagnostics" refers to a diagnostic test which qualifies patients for treatment using a specific drug. When developing new drugs, many of the clinical studies will need to include the use of biomarkers in identifying the correct group of patients who will respond to the treatment. Collaborative agreements can span from research collaboration and licensing agreements to product sales in the form of companion diagnostic products. The first collaborative agreement for the development of biomarkers was signed with Pfizer in 2010. The goal of this project is to develop a biomarker that can support Pfizer's needs within the development of drugs for the treatment of Alzheimer's disease.

CNS

DiaGenic focuses on neurodegenerative diseases. Alzheimer's disease, Parkinson's disease and other neurological conditions are a major problem in society, and the scale of these diseases is increasing in pace with the aging of the population. DiaGenic has an exciting product and development portfolio of CNS biomarkers for Alzheimer's and Parkinson's diseases. In addition, DiaGenic's concept might open up for the development of new biomarkers for other CNS disease areas. The CE marked ADtect® test detects early forms of Alzheimer's disease. MCItect® is a biomarker that is being developed for the identification of patients who have begun to show symptoms of memory loss, and which will, at a later stage, convert into Alzheimer's. DiaGenic also has a development programme for detecting early forms of Parkinson's disease (PDtect®).


BLOOD
BLOOD SAMPLES
BLOOD SAMPLES

CORE ASSETS

DiaGenic's technology is based on the knowledge that a disease which is localised at one site in the body will issue secondary characteristic responses in other parts of the body. These responses can be measured in normal blood samples, where the blood's cells reflect the response and have developed a disease-specific gene expression pattern. Changes in gene activity in the genes are measured using gene expression technology. DiaGenic pioneered studies that showed that this was possible, and the concept was patented as far back as 1997. Since then, DiaGenic has been one of the forerunners in the use of gene expression for the purposes of diagnostics. The company utilises commercially accessible, quality assured and robust technology that is suitable for diagnostic use in clinical medicine. The core competencies of DiaGenic are concentrated around the identification of gene expression patterns in blood which are characteristic of defined diseases.

DiaGenic develops applications which can be used on existing technological platforms; the general concept can also be transferred to new platforms developed by international technology providers.

The diagnostic method is general and can be further developed for use in diagnosing a great number of serious diseases. The main focus is the development of biomarkers in the field of neurology, and this is justified, based on commercial potential, medical needs and exploitation of the valuable patent portfolio.

Patent summary

The key to the company's patent strategy is DiaGenic's concept of using blood samples taken remotely from the affected site (blood tests) and analysis of gene expression. The company's diagnostic applications are protected through a portfolio of patents and patent applications. This portfolio of intellectual property rights includes a number of diseases in addition to Alzheimer's.

In 2010, DiaGenic strengthened its patent portfolio across a number of patent families, disease areas, countries and applications. The patent portfolio, comprising more than 100 patents (granted/notice of allowance), has been confirmed by several third parties as being an important asset for DiaGenic, which secures protection and the "freedom to operate" within diagnostic products.

The growing patent portfolio reflects the company's active patenting strategy, and serves to affirm DiaGenic's role as a leader in molecular diagnostics using tests based on blood. The new patents serve to strengthen DiaGenic as an industrial partner.

Employees

The employees are an important part of DiaGenic's success, which is why the company endeavours to streamline conditions in a manner that stimulates efficient and flexible work processes. DiaGenic has 20 employees with expertise in the areas of medicine, medical diagnostics, biochemistry, molecular biology, bioinformatics, patent work, regulatory, quality control, sales and marketing, finance and experience in developing diagnostic products.

Patent overview	Family 1 (WO 98/49342)			Family 2 (WO 2004/046382)			Family 3 (WO 2005/118851)			Family 4 PCT application filed on January 2011		
Expiry year	2018			2024			2025			2031		
Countries/Region	G	A	P	G	A	P	G	A	P	G	A	P
US	1	0	2	0	0	1	0	0	1	0	0	0
Europe*	2	0	1	0	0	0	0	0	1	0	0	0
Europe**	0	0	0	1	0	0	1	0	0	0	0	0
Norway	2	0	0	0	0	1	0	0	1	0	0	0
Japan	1	0	0	0	0	1	0	0	1	0	0	0
Canada	0	0	0	0	0	1	0	0	1	0	0	0
Hong Kong	2	0	0	0	0	1	0	0	1	0	0	0
China	0	0	0	0	0	1	0	0	1	0	0	0
Australia	0	0	0	1	0	0	0	0	1	0	0	0
New Zealand	0	0	0	1	0	0	1	0	0	0	0	0
India	0	0	0	1	0	0	0	0	1	0	0	0
South Africa	0	0	0	1	0	0	1	0	0	0	0	0
ARIPO*	0	0	0	0	0	1	0	0	1	0	0	0

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
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

BIOMARKERS

DiaGenic is focusing on partnership agreements with leading pharmaceutical companies by providing biomarkers to aid in the development of drugs and companion diagnostics. Collaborative agreements can span from research collaboration and licensing agreements to product sales in the form of companion diagnostic products.

DiaGenic's strength lies in identification of blood-based biomarkers using gene expression technology. This is demonstrated by the fact that DiaGenic is the sole blood-based biotech company participating in the EU-sponsored project, SPIDIA (standardisation and improvement of generic pre-analytical tools and procedures for in vitro diagnostics).

New imaging diagnostics such as 18F-PET (Positron Emission Tomography) is expected to hit the market as early as next year (2012), enabling better visualisation and improved diagnostic potential for neurodegenerative diseases. Simultaneously, there are several promising drug candidates under development.

Providing biomarkers in a growing CNS disease area, both in combination with other technology platforms (such as imaging diagnostics) and in disease classification (whether it be in the clinic or to aid drug development) puts DiaGenic in a unique position. DiaGenic is thus combining its strength as a developer of in vitro biomarkers in a growing disease area (CNS) with signing collaborative agreements where the partner contributes to the further development of DiaGenic's unique concept. The first collaborative agreement for the development of biomarkers was signed with Pfizer in 2010. The goal of this research collaboration is to develop a biomarker that can support Pfizer's needs within the development of drugs for the treatment of Alzheimer's disease. In addition to the research collaboration, collaborative agreements can also comprise of licensing agreements and/or product sales.

Licensing agreements signed with leading pharmaceutical companies at an early stage accounts for a major part of the total licensing volume. Typical of early stage licensing agreements is that the licensee is risk-averse and focuses on commercial milestones, which, in turn, means that income from licensing only materialise at a later stage. Agreements with diagnostics companies are driven by the focus of pharmaceutical companies on twinning diagnostics (companion diagnostics) with new drugs in order to create a personalised medicine. Pressure from many different stakeholders and expected high pricing for such target-oriented treatments means that diagnostics is becoming an integrated part of the business model for pharmaceutical companies going forward.

Molecular diagnostics

The change in the business strategy in 2010 has lead to two significant changes: the focus has moved from oncology to neurodegenerative as a disease area, and from sales through distributors to collaboration with the pharmaceutical industry. The focus in terms of the product portfolio thus moves over to ADtect® (Alzheimer's), PDtect® (Parkinson's) and MCItect® (Prodromal Alzheimer's) and away from BCtect® (breast cancer).

DiaGenic had previously signed a number of distribution agreements in Europe, but, due to the strategic focus, has now reduced support to the distributors. Expectations relating to sales of tests via distributors are thus limited in the short term. However, support to the distributor Ferrer and its launch of ADtect® in Spain and later Germany remains unchanged.

In 2010, the company, in collaboration with third parties, conducted market analyses of the diagnostics market for ADtect® in the USA. The analyses confirm that there is great need for in vitro Alzheimer's diagnostics in the US market, and expected returns for ADtect® in the USA. Based on the market analyses and regulatory requirements, the company's strategy is to gain market entry, first through a CLIA (Clinical Laboratory Improvement Amendments) laboratory by utilising the possibility of a lab-developed test (LDT) and then to move on to full FDA approval. Market entry in the US will be contingent on collaboration with a partner.

CNS

RESEARCH AND DEVELOPMENT

Research and development plays an important role in DiaGenic's strategy to maintain its competitive advantage through strengthening clinical documentation and technology development as the basis for product improvement. In addition to a separate research organisation, the company is working together with a number of institutions globally which provide vital input in terms of research and development work. In order to exploit the commercial potential of DiaGenic's concept and strengthen the patent portfolio, the company's research programme focuses on the field of neurodegenerative disease and the development of CNS biomarkers. DiaGenic has a product for the early detection of Alzheimer's disease, ADtect® which carries the CE Mark, and two product candidates under development for the detection of early forms of Parkinson's disease, and a possible precursor for Alzheimer's, MCI (Mild Cognitive Impairment). Moreover, the concept is arranged in a way that makes it possible for expansion into other diseases and other applications in each disease area, for example classification of disease stages and subtypes.

ALZHEIMER'S DISEASE Build up of plaque in the brain is the most common theory behind the occurrence of Alzheimer's disease. The first report dates back to 1906 when the German neurologist, Alois Alzheimer, observed plaque build-up under a microscope while performing a post mortem examination. This was the inception of the theory relating to plaque; Alzheimer later had the disease named after him.

Alzheimer's disease

Alzheimer's disease affects 15 million people and the numbers are on the rise

Alzheimer's is the most common form of dementia and is characterised by the impairment of cognitive functions. The disease primarily occurs in people over 60 years old, and the scope of the disease is projected to increase dramatically as this age group experiences significant growth. According to the Alzheimer's Association, more than 5 million Americans suffer from Alzheimer's, and this figure is expected to rise to 7 million by 2030.

Current diagnosis is time-consuming and difficult Diagnosis is currently made using a comprehensive battery of tests, including questionnaires and clinical interviews with the patient and close relatives in order to assess impairments and behavioural changes. These tests are often supplemented with imaging diagnostics and measurement of neurophysiological function. Even with all of these tests, it can still be difficult to give a definite diagnosis, especially when it comes to early forms of the disease. Clinicians are therefore yearning for new and improved diagnostics so that they may prescribe medical treatment and make arrangements for patients.

Early diagnosis is important for effective medical treatment

Currently, there is no cure for Alzheimer's disease; the drugs available on the market only treat the symptoms. However, there is more and more evidence indicating that early diagnosis followed by intervention will limit the cognitive decline the disease creates. According to Espicom Business Intelligence, it is highly probable that in the next three years 1-3 new drugs will be released that will have disease-modifying effects. This will have a considerable impact on clinical practice and the need for simple and effective early diagnosis. With new disease-modifying medicines on the market, the market potential for diagnostic testing will be significantly greater.

Market potential for DiaGenic

DiaGenic has identified two different market segments: Biomarkers for drug development and "companion diagnostics", and more traditional molecular diagnostic sales.

Drug companies developing new medicines to treat Alzheimer's disease are struggling with clinical studies that are not giving the desired results. Therefore, the need is great for a blood-based test which can help identify the patients that are suited to the medication, thereby helping to make clinical studies more effective. Documenting a blood-based test which can identify patients who will respond positively to treatment creates a basis for developing companion diagnostics. This is a one-to-one relationship between a diagnostic test and a drug that ensures the effect of the medicine used for treatment. For diagnostics companies that are developing advanced PET tracers, access to suitable tools that can select patients for PET studies is essential. Capacity constraints and price-setting which is in all likelihood very high call for a blood-based test which can select patients for PET studies.

The goal of the collaboration with pharmaceutical companies is to enable development of companion diagnostics, in the form of diagnostic testing which can identify patients on whom special drugs can be used or an IVD test to help in diagnosing Alzheimer's or MCI.

DiaGenic's Alzheimer test - ADtect®

ADtect® is a CE marked in vitro diagnostic test based on quantitative measurement of gene expression in the blood of patients suspected of having Alzheimer's. ADtect® is planned to be used as tool in helping early diagnosis of Alzheimer's disease.

The advantages of ADtect® are:

- The test is simple to use; current diagnosis can take several months and can involve comprehensive evaluations using many different diagnostic modalities.
- A specialist is not required to take the test sample.
- It gives an objective answer, sick: yes/no.
- Improved accuracy compared to current diagnostics when it comes to early detection.

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

The development of drugs for the treatment of Alzheimer's disease is reliant on accurate and early diagnosis, both for making clinical studies more effective and later for identifying patients who respond to the drug. There are a great number of new medicines under development, and it is considered that the earlier one can start treatment of the disease, the better the effect of the medicines will be. MCI is a possible precursor for Alzheimer's disease, and these patients will therefore be at a very early stage in the disease cycle. Collection of blood samples for the project

has been ongoing for several years and involves a number of collection centres in Europe and the USA. In 2010, DiaGenic signed a research and development agreement with Pfizer for the identification of gene expression signatures in blood that are specific to the group of MCI patients that will develop Alzheimer's disease (prodromal AD test), as well as signatures that can be associated with different stages of the disease. The collaboration involves the use of DiaGenic's biobank, and 1,200 pre-selected genes from previous whole-genome studies. The agreement is the first in a potential modular collaboration which seeks to develop and validate new blood-based diagnostics to support Pfizer's needs in developing drugs for treating Alzheimer's disease.

Competitive diagnostic methods

The demand for better and simpler diagnostic tools for detection of Alzheimer's disease has lead to major R&D activity where much of the focus has been molecular imaging diagnostics and disease-specific biomarkers.

DiaGenic is of the belief that the commercial success of molecular imaging diagnostics will depend on simple and good biomarkers. This is why molecular imaging diagnostics is seen to complement biomarkers rather than compete with them.

Competitive biomarkers for Alzheimer's disease include cerebrospinal fluids (CSF), for which comprehensive clinical documentation exists. The market potential for such biomarkers is somewhat limited due to difficulties and dangers associated with drawing CSF samples.

A number of companies are working on developing biomarkers using blood as the testing material for Alzheimer's disease. DiaGenic is not aware of any blood-based Alzheimer's tests that are approved for diagnostic purposes in the USA. As regards Europe, DiaGenic knows of only one other blood-based Alzheimer's test that is approved for diagnostics, as Exonhit CE marked the test AclarusDx on 15 March 2011.

PARKINSON'S DISEASE
Parkinson's disease is named after the English doctor, James Parkinson, who published a detailed description of the disease in "An Essay on the Shaking Palsy" in 1817. Parkinson's disease is a neurodegenerative disease which affects the substantia nigra, an area of the brain stem. The disease is a progressive disease where the most obvious symptoms are related to loss of mobility. Later in the disease, cycle cognitive and behavioural difficulties can occur, and late in the disease, cycle dementia is common.

Parkinson's disease

Parkinson's disease affects millions and the number is growing

An estimated 7 – 10 million people suffer from Parkinson's disease. More than one million Americans suffer from Parkinson's according to estimates, and around 60,000 Americans are diagnosed with Parkinson's every year. Estimates from Europe indicate that 800,000 people suffer from Parkinson's disease, with around 75,000 new cases being diagnosed every year. Since Parkinson's is a disease most common among people over 60 years old, it is expected that the disease will grow in pace with the growth of this age group. Even though this disease is more common among old people, there are a few who exhibit symptoms before reaching the age of 40.

Early diagnosis is the key to improving the course of the disease

Current treatment is exclusively symptomatic, meaning that it does not affect the progression of the disease. Only when 70% of the neurons in a part of the brain have been damaged do the symptoms of the disease become apparent. Current medication helps only for a brief period until too many neurons die. The goal of new medicines is to start disease-modifying treatment as early as possible, and thus considerably affect the patient's subjective disease course. In order to develop new medicines and the early treatment of patients, diagnostics that detect the disease at an early stage are needed. Blood-based tests that can identify those patients who respond to the medicine and make clinical studies more effective are of great interest to drug companies, where the goal is to develop one-to-one relationships between a diagnostic test and a drug.

Limitations of current diagnostics

The classic early symptoms such as tremor, muscle rigidity and slow movements are uncharacteristic and reduce the accuracy of current diagnostics. Comprehensive studies from England have indicated accuracy down to 53% by general practitioners, rising to 74% by neurologists (Clarke, 2007). A few experts in the field are over 90% accurate. Better diagnostic methods are imperative for the correct diagnosis and for the development of disease-modifying drug therapy.

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

DiaGenic's development of an early blood-based test for Parkinson's disease was initiated in 2008 through a project funded by the Michael J. Fox Foundation and in collaboration with Brigham and Women's Hospital and Harvard Medical School. Biomarkers are imperative to development of effective disease-modifying drug therapies, which is the main aim of the Michael J. Fox Foundation. In 2009 DiaGenic was granted funding from the Research Council of Norway for a four-year project that will build on the work from the project funded by the Michael J. Fox Foundation. The goal of the project is to develop and validate a biomarker called PDtect®. So far the project includes test samples taken from more than 550 Parkinson's patients, controls and patients with related diseases. The aim of the study is to gather clinical samples from 400 Parkinson's patients and 300 controls in order to validate a new biomarker.


Xgene™
d RNA Tube
REF 762165
LOT 9162315
2.5 mL

Presentation of the Board

Back row, from left: Henrik Lund, Gustav Ingemar Kihlström, front from left: Ingrid Wiik, Maria Holmlund, Praveen Sharma. (Not present: Mina Louise Blair and Atul Shah).

Chairman

Henrik Lund (1956). Lund came to DiaGenic from the role of Global Vice President MC Clinical Development, AstraZeneca R&D. Lund has more than 15 years international management experience from the pharmaceutical industry. His academic background is from University of Oslo and University of California, San Francisco. Lund joined AstraZeneca in 1994 and since 2005 he has headed AstraZeneca's clinical development, phase I-III, across 43 subsidiaries in Europe, Asia and Latin America. For the last 5 years Lund has been part of the Clinical Development management team. Prior to joining AstraZeneca Lund has gained experience from both commercial and R&D management roles from Nycomed Imaging and Rhone-Poulenc Rorer. Henrik Lund is also a board member in other Life Science organisations in Scandinavia (Oslo Cancer Cluster, Medcoast Scandinavia), and he is also engaged as consultant for the Company.

Deputy chair

Ingrid Wiik (1945). Wiik, holds a Master of Pharmacy from University of Oslo, and an M.Sc (Biopharmacy) from University of London, and an MBA from the Norwegian School of Management. She has spent more than 30 years in the pharmaceutical industry, both in R&D and general management, and has extensive leadership and international experience. In the years from 2000 to 2006 she was President and CEO of Alpharma Inc., a NYSE listed US Corporation with $ 1.5 billion in turnover and 4300 employees. Ms. Wiik currently holds several Board positions: Coloplast AS, Norske Skog ASA, Biotec Pharmacon ASA and Algeta ASA.

Board member

Gustav Ingemar Kihlstöm (1952). Kihlström has a Ph.D. in physiology from Uppsala University. He is an Associate Professor of Uppsala University and has more than 15 years' experience from pre-clinical and clinical research as well as business development with Astra and Pharmacia. Kihlstöm also have 10 years' experience as a life science analyst from e.g. Aros and ABG Sundal Collier. He is currently an independent consultant within the field of life science. He is Chairman of the board of Recopharma AB, Creative Antibiotics AB and Hammercap AB, and a board member of several listed and unlisted companies.

Board member

Mina Louise Blair (1965). Blair has a degree in political studies from Aberdeen University, Scotland. In the period 1999-2009 she has worked for the pharmaceuticals company AstraZeneca in London as Director Investor Relations Europe. Before that Blair worked in public affairs at Zeneca Agrochemicals' headquarters in England. Through her work Blair has extensive expertise in a number of technical areas within the pharmaceutical industry. In addition she has an extensive network among investors and pharmaceutical companies.

Board member

Maria Holmlund (1956). Holmlund has a Master of Science degree from the University of North Carolina and Institute of Marine Sciences, North Carolina, USA. She is currently Global Brand Director in Phadia AB. Holmlund has held a number of management positions within diagnostics companies, including, in addition to Phadia, Pharmacia Diagnostics, Roche Diagnostics and Boehringer Mannheim.

Board member

Praveen Sharma (1964). Praveen Sharma (1964) is currently the Technology and Product Development Director in the Company and also one of the co-founders of DiaGenic. He holds a Ph.D. in molecular biology from Norges Landbruks Høyskole, 1995. Sharma has previously held several research positions, most recently at the Norwegian Institute for Forest Research.

Board member

Atul Shah, (1963), board member

Shah, is a leading business man and industrialist of Indian origin. Atul's family are owners of "Anchor" group of companies. One of "Anchor" group companies, Anchor Electricals, a household name in India, was recently successfully acquired by "Matsushita Electricals", a Panasonic company for USD 600 million. Atul led the entire transaction with Panasonic. Atul has diverse international business interests spanning from real estate to health care.

Report from the Board of Directors

HIGHLIGHTS IN 2010

New business strategy implemented

The first partnership agreement with Pfizer signed

Long-term financing of the company secured

Patent portfolio further expanded

STRATEGY

Delivering on the new commercial strategy

In the second quarter of 2010, DiaGenic ASA announced a change in its business strategy and plans for commercialisation of its innovative and leading RNA-based gene signature diagnostics for neurodegenerative diseases in the Central Nervous System (CNS) and for breast cancer. The strategic repositioning in the year consisted of two main drivers: firstly, a clear focus on creating partnership deals with leading pharmaceutical companies, across the value spectrum of R&D collaborations, licensing opportunities and product revenue in companion diagnostics and, secondly, a reprioritisation of the company's therapeutic alignment towards the growing neuroscience market for diagnostics. Globally, the neuroscience diagnostics market is worth USD 4 billion and is growing at 5-6% annually. A significant number of R&D-based pharmaceutical companies have ring-fenced their development spend in the neuroscience market, due to large unmet medical demand and the estimated gigantic cost of care of these disorders within the healthcare sectors of the industrialised world. With the fourth quarter announcement of the first collaborative R&D deal for Alzheimer's disease with Pfizer Inc, the world's largest drug manufacturer within Alzheimer therapeutics with the drug Aricept, DiaGenic is now delivering the first milestone of the new strategy.

The goal of the company is to take a leading position in the area of blood based diagnostics within selected CNS disease areas, through its ability to deliver precise, well-documented tools for early detection. This position will be achieved through pharmaceutical partnership, sale of commercial rights and co-development agreements with large pharmaceutical companies. We believe that Alzheimer's will be one of the most commercially interesting areas to operate in over the next 5-year period. The new commercial strategy with a focus towards CNS disease areas implies evaluation of strategic alternatives for the breast cancer test BCtect®.

Developing differentiated and unique diagnostic tools in neuroscience

Specific drivers for the strategic shift towards CNS come from lessons learned during research and development along with the development of new imaging diagnostics and the unmet need of treatment of CNS diseases, particularly within radiology. The development of PET tracers puts pressure on healthcare investments associated large hardware investments and on healthcare expenses for tracer costs. Consequently PET associated blood based diagnostics are in great demand. Likewise, several major development pipelines for new promising drug therapies and the continued strong market share of existing drug therapeutics, particularly for Alzheimer's, are continuing to drive the market. Minimal Cognitive Impairment (MCI), a prodromal syndrome accompanying late-stage Alzheimer's disease is expected to continue to strengthen and expand the neuroscience diagnostic sector. Parkinson's disease, anxiety disorders and depression continue to attract new diagnostic options.

Secured long term financing and top-line revenue from pharma collaboration

During 2010, DiaGenic have seen the first indication of their strategic refocus starting to deliver emerging top-line results, shifting from insignificant sales in the first two quarters to significantly strengthening their financial position through successful financial placement in the fourth quarter of the year, which generated gross proceeds of NOK 100 million. The company aim to gain market confidence by taking a leading position on the strength of its IP, validated science communications, advanced market-ready products and a development pipeline, including specific Alzheimer's and MCI patient cohorts, both in Scandinavia and in the US, available for commercialisation and development.

Further partnership possibilities strengthened in 2010

Following the financial crisis, 2010 has been a strong recovery year for partnership deals in the pharmaceutical sector. Oncology and CNS/Pain and Infection are leading indications of investment volume. CNS/Pain has shown the strongest growth, which will continue into 2011. In the Alzheimer's sector, in particular, there is an unprecedented level of unmet medical demand and there are cost challenges. Alzheimer's disease affects approximately 24 million people worldwide (forecast to reach 40 million by 2020) and current therapeutic options have not been able to change the course of this progressive neurodegenerative disorder significantly. Early diagnosis is key to all aspects of the disease spectrum. DiaGenic ASA is uniquely positioned to add diagnostic value to disease treatment both in combination with other platforms (e.g. imaging) and within disease classification, both in clinic and during drug development. Our vision is to contribute to improved quality of life for patients through selection of patients for treatment and patient monitoring over time.

Companion diagnostics for the pharmaceutical industry

Several deals have been made at an early stage of development. Top pharmaceutical in-licensing deals have been made at an early stage, which has contributed to approximately 60% of total licensing volume. The structure of early–stage licensing deals is evolving with licensees being more risk-adverse and placing increased emphasis on commercial milestone payment ("backloading") supporting smaller upfront fees. Diagnostics accounts for close to 40% of technology licensing deals and partnerships entered into by the top 10 pharmaceuticals companies.

Diagnostic deals are driven by the pharmaceutical industry's focus on twinning companion diagnostics with new drugs to create personalised medicines. With mounting pressure from a whole host of stakeholders and the high price that can be achieved by such targeted therapies within defined markets, diagnostics has become an integral part of a future pharmaceutical business model.

DiaGenic is committed to delivering on this business challenge and commercial opportunity.

PATENTS

DiaGenic's concept which relies on the use of (blood) samples taken far from the disease site and on analysis of gene expression is key to the company's patenting strategy. The company bases its diagnostic applications for protection through a portfolio of patents and patent applications. This portfolio of intellectual property rights includes a number of diseases in addition

Report from the Board of Directors

to Alzheimer's disease.

In 2010, DiaGenic strengthened its patent portfolio across several patent families, disease sectors, countries and applications. Several third parties have confirmed that the patent portfolio of more than 100 patents (awarded/granted) is an important asset for DiaGenic and one which ensures protection and freedom to operate with diagnostic products.
The growing patent portfolio reflects the company's active patent strategy and has confirmed DiaGenics's leading role in molecular diagnostics with the use of blood-based tests. The new patent also strengthens DiaGenic as an industrial partner.

RESEARCH AND DEVELOPMENT

The company's portfolio of intellectual property rights includes a number of diseases and applications. DiaGenic seeks to create and sustain its competitive advantage through continuing to invest in research and development (R&D) in order to ensure future value creation from its patent portfolio. The company aims to ensure that development activities are primarily financed externally; for example, through partners and grants from public or private sources. In the development of new biomarkers, it would make sense if pharmaceutical companies contributed a significant proportion of the funding.

Our research and development activities include the development of a diagnostic test for Parkinson's disease, a prodromal AD test, activities in the standardisation of sample handling through SPIDIA project and optimisation of existing technology.

ORGANISATION AND ENVIRONMENT, STAFF AND MANAGEMENT

In 2010, the company changed its business strategy and focus from product sales through distributors to the sale of biomarkers for pharmaceutical companies. In this regard, the company has taken a first step in reorganising itself to better adapt to the new business strategy. DiaGenic's success depends on skilled, experienced and qualified managers and employees. Women and men have equal rights for all types of assignments and promotions. The company considers the diversity of its staff's education, experience, gender and nationality/ethnic background to be positive for the development of an innovative environment.

DiaGenic had 20 employees at year end, compared to 22 employees last year. Of the company's 20 employees, 11 are women, one of whom is head of production and laboratory and another a project manager. The composition of the board was changed in June and at the end of the year, three of the seven directors were women. All employees are based at the company's premises in Oslo, which includes both offices and a laboratory.

Our working environment is considered to be good. No accidents or injuries were recorded in 2010. Sickness absence in 2010 was 1.6% of working hours against 2.7% of working hours for the same period in 2009.

The company collaborates with several scientific advisors with a high international reputation. In addition, DiaGenic purchases services from a variety of suppliers and consulting companies.

The company does not pollute the external environment.

CORPORATE GOVERNANCE

DiaGenic's board and management are committed to maintaining high ethical standards and work for good corporate governance. The company believes that good corporate governance helps to build confidence among shareholders, customers and other stakeholders, thereby contributing to best possible value creation over time. The core of the company's corporate governance is equal treatment of all shareholders. The company has only one class of shares and all shareholders have equal rights. The company's shares are listed and freely transferable. DiaGenic's corporate governance report is based on the Norwegian Code of Practice for Corporate Governance dated 21 October 2010, which can be found on page 52 of the annual report.

SHAREHOLDERS AND FINANCING

DiaGenic shares are listed on the Oslo Stock Exchange under the ticker "DIAG". At the end of 2010, the company had 270,236,520 outstanding shares, divided across 2884 shareholders. Nominal value is NOK 0.05 per share.

In the fourth quarter of 2010, long-term finance for the company was secured through a private placement of 140 million shares with a gross proceeds of NOK 70 million, followed by a repair issue of 60 million shares with a gross proceeds of NOK 30 million for shareholders who did not participate in the private placement. In addition, DiaGenic carried out a private placement of 3.5 million shares with a gross proceeds of NOK 9.6 million in the first quarter of 2010. In 2010, the company carried out a total of three issues, with a gross proceeds of NOK 109.6 million. As a result of the share issues, share capital has increased by NOK 10,175 to NOK 13,512.

On the basis of the activities currently planned, the company has sufficient working capital beyond the next 12 months. In accordance with Section 3(3a) of the Norwegian Accounting Act, the board therefore confirms that the requirement for continued operation is in place and that the annual accounts have been prepared in accordance with this requirement.

The company's priority is to expand its work on investor relations and to work to increase awareness of the stock in Norway and abroad. Its list of shareholders has a considerable number of Nordic institutional investors and private investors.

FINANCE

Result

Income and research grants
DiaGenic achieved an operating income of NOK 1,093,000 in 2010 (NOK 131,000 in 2009) from collaboration agreements with pharmaceutical companies based on the milestones achieved. The research grants were netted in the accounts (as a reduction of operating costs). In 2010, research grants amounted to NOK 4,117,000 (NOK 4,312,000 in 2009).

Operating costs
Total operating costs net of government grants amounted to NOK 41,820,000 in 2010 (NOK 39,614,000 in 2009). Of this, salaries and staff costs amounted to NOK 22,129,000 (NOK 21,275,000), mainly due to higher pension costs. The average staff size was reduced from 22 in 2009 to 20 in 2010. Of the total operating costs for 2010, other operating costs amounted to NOK 19,691,000 (NOK 18,339,000). The main reason for the increase in other operating costs was increased

patent costs. The cost of goods amounted to NOK 1,805,000 in 2010 (NOK 131,000 in 2009), which was primarily due to an inventory writedown.

Net financial income amounted to NOK 710,000 in 2010 against NOK 524,000 in 2009.

For 2010, the company made an overall profit of NOK -41.8 million, compared to NOK -39.3 million in 2009. It is proposed that the year's NOK 41.8 million loss be covered by transfers from retained earnings and from the share premium reserve.

Balance

Total assets stood at NOK 111,700,000 on 31 December 2010 (NOK 46,484,000), of which current assets amounted to NOK 107,291,000 (NOK 42,777,000). Liquid assets accounted for most of the current assets and at the end of December 2010 liquid assets stood at NOK 98,838,000 (NOK 35,404,000). On 31 December 2010, the total value of inventories amounted to NOK 978,000 (NOK 2,127,000).

On 31 December 2010, equity was NOK 89,596,000 (NOK 29,373,000). On 31 December 2010, current liabilities were NOK 13,835,000 (NOK 8,842,000) and pension liabilities amounted to NOK 3,084,000 (NOK 2,571,000). Other long-term debt at the end of 2010 amounted to NOK 5,185,000 (NOK 5,698,000) and relates to the leasing of equipment to the company's laboratory and a NOK 5 million loan to Innovasjon Norge. The loan has a four-year term and the current interest rate is 5.75% p.a.

The company had no distributable reserves as at 31 December 2010.

DiaGenic has not recognised deferred tax assets because of the uncertainty as to the company's ability to take advantage of this tax benefit.

In 2010, the company did not capitalise development costs. The book value of capitalised development costs as at 31 December 2010 was NOK 1,223,000 (NOK 1,559,000).

Cash flow

Net change in cash for 2010 amounted to NOK 63,434,000 (TNOK 7,446,000). The 2010 cash flow from operational activities was NOK -36,284,000 (NOK -35,687,000). This increase is mainly due to a greater loss before tax, as well as changes in trade creditors. Net cash flow from financing in 2010 was NOK 101,344,000 (NOK 44,527,000). This change is primarily due to the profit from 2010 share issues being greater than that from 2009 share issues. The company's liquid assets are invested in a bank and amounted on 31 December 2010 to NOK 98,838,000 (NOK 35,404,000).

RISK

For the most part, research and development of new diagnostic tests all the way to regulatory approval and sale is a risky and capital-intensive process. The business model is characterised by high risk and there is no guarantee that projects will achieve market acceptance and sale.

The company has three types of risk factors that must be addressed: operational, financial and marketing.

DiaGenic has actively worked to create the best possible conditions for implementing projects and other operations in a balanced manner with regard to risk. Despite continuous efforts to balance the risk, there will always be factors which the company will not be able to influence. For example, there is a significant risk in connection with developing diagnostic tests. The risk exists through the entire course of development, even after regulatory approval has been given, and may be caused by problems related to clinical effectiveness, patient safety and patent protection.

DiaGenic's products will be launched in markets where current diagnostic methods are based on concepts, technologies and procedures which are fundamentally different. The sale and marketing of new products involves significant risks. This relates to regulatory issues as well as to uncertainty about market conditions.

The company's financial risks include liquidity risk, credit risk, interest rate risk and currency risk, which is discussed in greater detail in Note 22 of the annual accounts. There is also a more detailed review of operational and market risk factors.

OUTLOOK

- We aim to become a leading provider of blood based diagnostics in selected neurological (CNS) diseases by delivering precise and well-documented diagnostic tools starting with Alzheimer's disease.
- We will continue to build value in the company by strengthening and expanding its focus on CNS disease diagnostics. In addition to Parkinson's disease, additional CNS diseases may be attractive new diagnostic possibilities.

Oslo, 30th of March 2011

Financial Statements 2010

DiaGenic ASA, org. nr. 979 938 799

Statement of comprehensive income

	Notes	2010	2009	2008
Operating income	3	1 093 278	130 887	0
Total operating income		**1 093 278**	**130 887**	**0**
Cost of goods sold		438 322	372 176	0
Writedown inventory	14	1 366 623	0	0
Total cost of goods sold		1 804 945	372 176	0
Salaries and personnel expenses	5,7,17	22 129 155	21 274 966	16 964 506
Depreciation and amortisation	12,13,18	922 821	965 694	859 822
Write down of fixed assets	13	0	352 216	0
Other operating expenses	4,5,9,20	18 768 218	17 021 443	18 559 215
Total operating expenses		**41 820 194**	**39 614 319**	**36 383 543**
Operating loss		**-42 531 860**	**-39 855 607**	**-36 383 543**
Interest income	22	996 824	544 267	1 922 875
Other financial income	9,22	61 197	194 047	53 115
Interest expense	19,22	174 315	125 532	86 779
Other financial expenses	9,22	173 269	88 747	87 522
Net financial items		**710 437**	**524 035**	**1 801 690**
Pre-tax profit (loss)		**-41 821 423**	**-39 331 572**	**-34 581 853**
Tax for the year	10	0	0	0
Net profit (loss)		**-41 821 423**	**-39 331 572**	**-34 581 853**
Other comprehensive income		0	0	0
Comprehensive income		**-41 821 423**	**-39 331 572**	**-34 581 853**
Transfer and allocations				
Retained earnings		-41 821 423	-38 922 250	-34 149 604
Transferred from other reserves		0	-409 322	-432 249
Total transfer and allocations		**-41 821 423**	**-39 331 572**	**-34 581 853**
Earnings per share	*11*	*-0.20*	*-0.73*	*-0.71*
Diluted earnings per share	*11*	*-0.20*	*-0.73*	*-0.71*

Statement of financial position as of 31 December (NOK)

ASSETS	Notes	2010	2009
Fixed assets			
Intangible assets			
Goodwill	12	572 437	572 437
Software	12	1 223 213	1 558 521
Total intangible assets		**1 795 650**	**2 130 958**
Tangible assets			
Machinery, equipment, fixtures and fittings etc.	13,18	2 614 194	1 575 576
Total tangible assets		**2 614 194**	**1 575 576**
Total fixed assets		**4 409 844**	**3 706 533**
Current assets			
Inventory			
Inventories	**14**	**978 184**	**2 127 269**
Receivables			
Accounts receivable	9,22	2 998 673	141 159
Other receivables	9	4 475 638	5 105 115
Total receivables		**7 474 312**	**5 246 274**
Cash and cash equivalents	**15**	**98 838 105**	**35 403 955**
Total current assets		**107 290 601**	**42 777 498**
TOTAL ASSETS		**111 700 445**	**46 484 031**

Statement of financial position as of 31 December (NOK)

Equity and liabilities	Notes	2010	2009
Equity			
Paid in capital			
Share capital	16	13 511 826	3 336 826
Share premium reserve		117 718 742	26 036 089
Other capital reserves		187 293	0
Total paid in capital		**131 417 861**	**29 372 915**
Other equity			
Retained earnings		-41 821 423	0
Total other equity		**-41 821 423**	**0**
Total equity		**89 596 438**	**29 372 915**
Liabilities			
Provisions			
Pension liabilities	17	3 084 367	2 570 632
Total provisions		**3 084 367**	**2 570 632**
Long term debt			
Other long term debt	9,18,19	5 185 031	5 698 129
Total long term debt		**5 185 031**	**5 698 129**
Current liabilities			
Accounts payable		6 617 625	3 307 047
Public duties payable		1 609 495	1 949 619
Other current liabilities	9	5 607 490	3 585 689
Total current liabilities		**13 834 610**	**8 842 355**
Total liabilities		**22 104 008**	**17 111 116**
Total equity and liabilities		**111 700 445**	**46 484 031**

Oslo, 30th of March 2011

Henrik Lund
Chairman

Ingrid Wiik
Deputy Chairman

Maria Holmlund
Board member

Mina Blair
Board member

Atul Shah
Board member

Praveen Sharma
Board member

Gustav Ingmar Kihlström
Board member

Erik Christensen
Managing Director

Statement of cash flows (NOK)

Cash flows from operating activities	Notes	2010	2009
Loss before tax		-41 821 423	-39 331 572
Taxes paid		0	0
Depreciation and amortisation	12,13,18	922 821	965 692
Write-downs of tangible fixed assets	13	0	352 216
Loss from sale of tangible fixed assets		0	0
Fair value granted option rights		187 293	409 322
Difference between pension expenses and payments to the pension plan		513 735	609 104
Change in inventories	14	1 149 085	-681 832
Change in trade payable		3 310 578	-165 281
Changes in other current assets and other liabilities		-546 362	2 155 176
Net cash flow from operating activities		**-36 284 272**	**-35 687 174**
Cash flows from investment activities			
Proceeds from sale of tangible fixed assets		0	0
Investment in tangible fixed assets	12,13	-1 626 132	-1 394 257
Net cash flow from investment activities		**-1 626 132**	**-1 394 257**
Cash flows from financing activities			
Net cash flow from share issue	23	101 857 653	39 883 180
Net cash from long term liabilities	19	0	5 000 000
Payment of long term debt		-513 098	-355 659
Net cash flow from financing activities		**101 344 555**	**44 527 522**
Net change in cash and cash equivalents		63 434 151	7 446 091
Cash balance as of January 1st		35 403 955	27 957 863
Cash balance as of 31st of December		**98 838 105**	**35 403 955**

Statement of changes in equity (NOK)

	Number of shares	Share capital	Share prem. reserve	Other reserve	Other equity	Total equity
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			31 235 295
Fair value granted options		0	0	409 322	0	409 322
Net loss 2009		0	0	0	-39 331 572	-39 331 572
Allocation of net loss 2009		0	-38 922 250	-409 322	39 331 572	0
Equity as of 31st of December 2009	**66 736 520**	**3 336 826**	**26 036 089**	**0**	**0**	**29 372 915**
Fair value granted options	0	0	0	187 293	0	187 293
Share issue 22.02.2010	3 500 000	175 000	8 256 205	0	0	8 431 205
Share issue 03.11.2010	140 000 000	7 000 000	56 426 448	0	0	63 426 448
Share issue 03.12.2010	60 000 000	3 000 000	27 000 000	0	0	30 000 000
Retained earnings	0	0	0	0	-41 821 423	-41 821 423
Equity as of 31st of December 2010	**270 236 520**	**13 511 826**	**117 718 742**	**187 293**	**-41 821 423**	**89 596 438**

Costs related to share issues in 2009 are booked as a reduction of share premium reserve at the amount of NOK 3,841,820.
Costs related to share issues in 2010 are booked as a reduction of share premium reserve at the amount of NOK 7,767,347.

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 30th of March 2011.

The use of estimates

The preparation of financial statements require the 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. 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.

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 impairment. 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 has defined benefit pension scheme for its employees. Pension costs and pension liabilities are calculated straight line earnings model based on the discounted rate, future increases in salaries, pensions and compensation from the state, the expected return on pension fund and actuarial assumptions regarding mortality, voluntary retirement, etc. The defined benefit obligation is calculated by an independent actuary and is measured as the present value of estimated future pension payments. The pension costs charged to the income statement so that the regular costs are spread over employees' expected service period. The net pension costs are classified as salaries and personnel costs. Net pension liability is recorded as a liability. Pension assets are valued at market value and are deducted from net pension liabilities in the balance. Changes in the liability as a result of changes in the pension schemes are expensed over the average remaining earnings period. The same principle applies to actuarial losses exceeding 10% of the highest of the pension liabilities and the pension assets (corridor).

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. The same applies correspondingly to the residual value.

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 the functional currency for the company.

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 to functional currency (NOK) to 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 Statement of comprehensive income. 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 and make purchases of goods and services in foreign currency. 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 shareholders, 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 2010, is implemented in the annual report for 2010:

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.

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. 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.

- IAS 24 (revised) Related Party Disclosures
- IFRIC 14 IAS 19 – Prepayments of a Minimum Funding Requirement

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. 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.

IASB's annual improvements project 2010

Through the annual improvements project, IASB adopted amendments to a number of standards. These changes come into force with effect on 1 July 2010 and later. The changes are not yet approved by the EU. The company expects to apply the changes from 1st of January 2011.

IFRS 7 Financial Instruments - information.

There is a change to the standard that emphasizes the interplay between quantitative and qualitative information and the nature and omfant the game of risk associated with financial instruments. It is also made changes to the note requirements related to the quantitative data and information on credit risk. The company expects to apply the changes from 1 January 2011.

IAS 1 Presentation of Financia l.

Statements. Its taken in a clarification that it shall be presented an analysis of each component of other income and expenses for each component of equity, either in the statement of changes in equity or in the notes to the Statement of comprehensive income.

IAS 34 Interim Financial Reporting.

There is given a guidance on the application of disclosure requirements in IAS 34, and it is set further requirements for information related to the circumstances that will affect the fair value of financial instruments and their classification, transfers between different categories of financial instruments in fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets.

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 around commercialization, research and development of blood-based gene expression tests within the CNS field. DiaGenic had operating revenues on TNOK 1,093 in 2010 (TNOK 131 in 2009) relates to revenue from collaborative agreements with pharma based on milestones achieved.

Note 4
Public grants - figures in NOK

Public grants:	2010	2009
The Research Council of Norway - BIA Parkinson	1 712 045	679 269
SPIDIA - Seventh Framework Programme	1 058 063	730 489
SkatteFUNN	1 347 215	1 368 874
Total public grants	**4 117 323**	**2 778 632**

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 subsidies. SkatteFUNN is conditional to the tax assessment for 2010.

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:	2010	2009
Salaries	16 293 974	15 900 883
Reimbursement	-1 488	-67 694
Accrued social security tax	2 591 801	2 395 756
Pension expense	2 318 913	1 946 919
Fair value of granted options	187 293	409 322
Other payroll expenses	738 662	689 780
Total	**22 129 155**	**21 274 966**

Average number of employees	*20*	*22*

Remuneration of leading personnel 2009	Salary	Bonus	Pension expense 1)	Remuneration of the Board	Other remuneration	Numbers of Share option/ Subscription rights	Value Share options/ Subscription rights
Management team:							
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

Remuneration of leading personnel 2009	Salary	Bonus	Pension expense 1)	Remuneration of the Board	Other remuneration	Numbers of Share option/ Subscription rights	Value Share options/ Subscription rights
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	0
Marie Skarbøvik Buchmann				60 000	0	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.

Remuneration of leading personnel 2010	Salary	Bonus	Pension expense 1)	Remuneration of the Board	Other remuneration	Numbers of Share option/ Subscription rights	Value Share options/ Subscription rights
Management team:							
Erik Christensen, CEO	1 546 831	200 000	144 786	0	21 319	500 000	148 513
Erik Christensen, CEO, Top-Hat pension 2)	665 752						
Erik Anders Lönneborg, Research Director	996 658	200 000	183 002	0	9 799	0	0
Dag Christian Christiansen, Marketing Director	896 843	0	151 664	0	23 052	200 000	74 689
Praveen Sharma, Director, Tech. & Prod. Dev.	995 158	200 000	143 168	0	13 193	0	0
Morten Sten Johansen, International Business Dir.	985 715	140 243	75 843	0	13 869	150 000	56 017
Ruben Ekbråten, Financial Controller	867 111	0	59 835	0	11 868	100 000	37 345
Edith Rian, Operations Director	863 390	0	112 183	0	13 617	100 000	37 345
Gisle Grave, R&D Director	695 923	0	46 523	0	7 838	40 000	14 938
The Board:							
Gustav Ingemar Kihlström 3)				100 000	163 947	0	0
Ingrid Alfheim				60 000	0	0	0
Praveen Sharma, Teknologi- og produktutviklingsdirektør				0	0	0	0
Håkon Sæterøy, tidligere styrets leder 4)				0	690 000	0	0
Mina Louise Blair 5)				60 000	0	0	0
Maria Birgitte Holmlund				60 000	0	0	0
Henrik Lund, styrets leder 6)				0	660 000	0	0

1) Pension costs are service cost provided by the insurance company.
2) Pension amendment/Top-Hat NOK 399,449 is payment in arrears for previous years.
3)Other payments to Ingemar Kihlström AB, repr. by Gustav Ingemar Kihlström 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.
6) Other payments to Cornucopia AS, by Henrik Lund, are payments for consultancy services, of which NOK 255,000 relates to consultancy services prior to Henrik Lund's Board assignment in DiaGenic.

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. At given circumstances an employee can achieve a bonus like for example extraordinary work effort.

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. In addition the CEO has an agreement for a retirement pension of 70 %. This arrangement is not possible through the company's pension scheme, thus is this a supplementary benefit/Top-Hat paid as salary to the CEO.

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 12th 2008 resolved to replace the warrant scheme in place with a new warrant scheme, where the management team and other employees participate. Warrants have been issued under this program as per 31.12.2010. See note 7.

Loans and security furnished to leading personnel, shareholders etc.
There are no loans or guarantees 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	2010	2009
Statutory auditing services	133 539	197 160
Attestation services	0	0
Tax advice	0	4 600
Non-auditing services	63 800	16 800
Total	**197 339**	**218 560**

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.

Note 7
Subscription rights for employees - figures in NOK

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

At an 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 12th of 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 31.12.2010				**1 770 000**

The subscription rights cost relating to the above granting of options had a negative effect on the result in the amount of NOK 187,293 in 2010. 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.
* 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.

	Board members	Employees	Exercise price	Number of subscription rights
Number of issued subscription rights 01.01.2009	850 000	1 770 000	6.50/9.00	2 620 000
Expired, not exercised	-850 000		10.00/14.00	-850 000
Number of issued subscriptions rights at 31.12.2009	**0**	**1 770 000**		**1 770 000**
Number of issued subscriptions rights at 31.12.2010	**0**	**1 770 000**		**1 770 000**

Note 8
Research and development - figures in NOK

Expensed research costs:	2010	2009
Research (gross before deduction of public grants)	18 001 209	16 638 774
Public grants	4 117 323	2 778 632
Net expensed research cost	*13 883 886*	*13 860 142*

Of the above amount, NOK 12,179,097 concerns payroll expenses and NOK 5,822,112 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.

It is not capitalized development costs in 2010, when the requirements for recognition under IAS 38.57 is not met.

Note 9
Specification of accounting items - figures in NOK

Specification of other operating expenses:	2010	2009
Office premises etc.	2 799 525	2 429 051
Administrative costs	4 999 179	4 593 663
Professional fees	7 439 302	6 995 347
Patent costs	2 474 792	1 479 812
Travel expenses	1 579 793	2 270 079
Research fees	9 149	374 579
Research grants	-4 117 323	-4 312 339
Laboratory costs	3 583 802	3 191 251
Total other operating expenses	**18 768 218**	**17 021 443**

Agio:		
Agio gain	-61 197	-194 047
Agio loss	173 269	63 747
Net agio:	**112 072**	**-130 301**

	Carrying amount 31.12.			Fair value 31.12.		
Specification of receivables:	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Skattefunn scheme	1 347 215	1 368 874	1 023 423	1 347 215	1 368 874	1 023 423
Prepaid expenses	1 822 762	1 943 515	1 956 924	1 822 762	1 943 515	1 956 924
Loan to leading personnel	0	150 000	0	0	150 000	0
Account receivables	2 998 673	141 159	0	2 998 673	141 159	0
Miscellaneous receivables	1 305 662	1 642 725	2 886 080	1 305 662	1 642 725	2 886 080
Total receivables	**7 474 312**	**5 246 274**	**5 866 427**	**7 474 312**	**5 246 274**	**5 866 427**

Specification of other current liabilities:	2010	2009	2008	2010	2009	2008
Provision for employer's National Insurance contributions on granted options	0	0	0	0	0	0
Provisions for costs	3 572 646	1 515 491	1 318 804	3 572 646	1 515 491	1 318 804
Vacation acc.and Board of Directors remuneration accrual	2 034 844	2 070 198	1 451 743	2 034 844	2 070 198	1 451 743
Total other current liabilities	**5 607 490**	**3 585 689**	**2 770 547**	**5 607 490**	**3 585 689**	**2 770 547**

Specification of other long term debt:	2010	2009	2008	2010	2009	2008
Fincancial leasing	185 031	698 129	1 053 789	185 031	698 129	1 053 789
Innovasjon Norge	5 000 000	5 000 000	0	5 000 000	5 000 000	0
Total other long term debt	**5 185 031**	**5 698 129**	**1 053 789**	**5 185 031**	**5 698 129**	**1 053 789**

Note 10
Tax expense - figures in NOK

The year's taxable income:	2010	2009
Pre-tax profit	-41 821 423	-39 331 572
Permanent differences	-8 711 464	-4 591 886
Change in temporary differences	1 611 626	638 521
The year's taxable income	**-48 921 261**	**-43 284 937**

Nominal tax rate	28%	28%
Non-booked increase in deferred tax benefit	**-14 149 208**	**-12 298 568**

The year's tax expense is calculated as follows:		
28% of loss before tax	-11 709 998	-11 012 840
28% of permanent differences	-2 439 210	-1 285 728
Non-booked increase in deferred tax benefit	14 149 208	12 298 568
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	20 692	23 347
Tangible fixed assets, incl. goodwill	-114 692	-386 379
Inventory	-1 366 923	0
Net pension obligation	-3 084 367	-2 570 632
Loss carryforward	-250 166 359	-201 245 098
Basis for deferred tax asset	**-254 711 649**	**-204 178 762**

Deferred tax asset = Deferred tax asset not recognised in the accounts	**-71 319 262**	**-57 170 053**

The deferred tax asset is for the most part related to the tax loss carry forward. As of 31.12.2010 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. Thus is the deferred tax asset is not capitalized

Note 11
Earnings per share - figures in NOK

Earnings per share:	2010	2009
Profit/loss for the year	-41 821 423	-39 331 572
Average number of shares	214 331 041	53 620 082
Earnings per share	**-0.20**	**-0.73**

Number of shares as of 1st of January	66 736 520
Share issue - 22nd February 2010	3 500 000
Share issue - 3rd of November 2010	140 000 000
Share issue -paid 3rd of December 2010	60 000 000
Number of shares as of 31st of December	270 236 520

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 01.01.2009	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**
Additions	0	0	0
Disposals	0	0	0
Acquisition cost 31.12.2010	**1 676 544**	**572 437**	**2 248 981**
Accumulated depreciation at 01.01.2009	0	0	0
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**
The year's depreciation	335 308	0	335 308
The year's write-downs	0	0	0
Accumulated depreciation and write-downs at 31.12.2010	**453 331**	**0**	**453 331**
Carrying amount at 31.12.2010	**1 223 213**	**572 437**	**1 795 650**
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 2010 the book value of goodwill was assessed for impairment and there are no indications of impairment of goodwill.

The impairment test of goodwill is based on utility value, and is made of discounted cash flows based on budget and future expectations over a period on 10 years. There is used a cash flow of 10 years since it is expected to take longer time for a company's in research and development industry to achieved steady state than for any other type of business. Based on a calculation of utility value, where discounted cash flows from finanscial budgets are used. 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 2011 to 2013. The strategy plan is approved by the Board and management in DiaGenic. Expected cash flow for the period 2016 to 2020 is calculated basedon CAGR (Compounded Annual Growth Rate) of 14 %. 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:

- Revenue
- Operating margin
- Discount rate

Revenues are based on anticipated developments within the markets DiaGenic is in, and expected market share. Operating revenues are dependent of the underlying assumptions, 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 12,46 %.

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 01.01.2009	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**	**953 852**	**1 733 880**	**6 855 338**
Additions	0	1 552 815	0	0	73 317	0	1 626 132
Disposals	0	0	0	0	0	0	0
Acquisition cost at 31.12.2010	**465 203**	**3 899 837**	**103 308**	**1 252 074**	**1 027 168**	**1 733 880**	**8 481 469**
Accumulated depreciation at 01.01.2009	-240 127	-2 040 151	-40 570	-252 924	-682 454	-823 650	-4 079 877
Depreciation for the year	-91 281	-96 625	-20 662	-125 078	-126 363	-387 661	-847 670
Writedown**	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**	**-61 232**	**-378 002**	**-808 817**	**-1 563 527**	**-5 279 764**
Carrying amount at 31.12.2009	**133 795**	**210 246**	**42 075**	**874 072**	**145 035**	**170 353**	**1 575 574**
Depreciation for the year	-84 184	-89 975	-20 672	-125 631	-96 698	-170 353	-587 513
Writedown	0	0	0	0	0	0	0
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 31.12.2010	**-415 592**	**-2 226 751**	**-81 904**	**-503 633**	**-905 515**	**-1 733 880**	**-5 867 277**
Carrying amount at 31.12.2010	**49 611**	**1 673 086**	**21 403**	**748 441**	**121 653**	**0**	**2 614 194**
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

	2010	2009
Finished goods	978 184	2 127 269

Inventory is valued to the lower of cost and net selling price. Inventory obsolescence resultet in a NOK 1,366,623 writedown of inventory per 31.12.10.

Note 15
Cash and cash equivalents - figures in NOK

Of the company's cash and cash equivalents NOK 1,239,161 is restricted in the form of tax withholdings and deposit. The deposit is a bank guarantee against Diners Club of NOK 250,000 and BD Norge AS of NOK 70,000.

Note 16
Share capital and shareholders - figures in NOK

At 31.12.2010 the company's share capital was NOK 13,336,826 divided between 270,236,520 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 31.12.2010:	Number of shares	Holding
Storebrand Vekst	25 248 830	9.34%
Tredje AP-fonden	15 963 795	5.91%
Alfred Berg Gambak	13 648 880	5.05%
DnB NOR SMB	8 500 000	3.15%
GEC Holding AS	6 465 000	2.39%
DnB NOR Grønt Norden	6 192 000	2.29%
Holberg Norge	6 020 483	2.23%
Holberg Norden	5 661 992	2.10%
Nordea Nordic Equity Hedge Fund	5 149 670	1.91%
Six Sis AG 25PCT	5 061 040	1.87%
Verdipapirfondet Nordea Kapital	4 800 000	1.78%
Karl Wilhelm Haavind	3 560 000	1.32%
Spar Investor Norge	3 500 000	1.30%
Verdipapirfondet Nordea Avkastning	3 400 000	1.26%
Victory Life	3 320 500	1.23%
Erik Anders Lønneborg	3 114 767	1.15%
Morten Klein AS	3 000 000	1.11%
MP Pensjons PK	2 926 533	1.08%
Capveen AS	2 662 128	0.99%
Praveen Sharma	2 490 764	0.92%
Total, 20 largest shareholders	130 686 382	48.36%
Total others	139 550 138	51.64%
Total number of shares	**270 236 520**	**100.00%**

Shares and options owned by board members	Assignment	Subscription rights	Number of shares	Total of shares
Henrik Lund	Chair of Board	0	400 000	400 000
Ingrid Beichmann Wiik	Vice Chair of Board	0	200 000	200 000
Gustav Ingemar Kihlström *)	Board member	0	235 751	235 751
Maria Birgitte Holmlund	Board member	0	22 756	22 756
Mina Louise Blair	Board member	0	7 000	7 000
Praveen Sharma**)	Board member	0	5 152 892	5 152 892
Atul Damji Shah	Board member	0	5 035 040	5 035 040

Shares and subscription rights owned by the management		Subscription rights	Number of shares	Total of shares
Erik Christensen	CEO	500 000	103 000	603 000
Ruben Ekbråten	CFO	100 000	11 981	111 981
Erik Anders Lönneborg	Research Director	0	3 114 767	3 114 767
Dag Christian Christiansen	Marketing Director	200 000	470 000	670 000
Praveen Sharma, Director **)	Tech. & Prod. Dev.	0	5 152 892	5 152 892
Morten Sten Johansen	International Business Dir.	150 000	160 000	310 000
Edith Rian	Operations Director	100 000	0	100 000
Gisle Grave	R&D Director	40 000	6 419	46 419

*) The shares are owned directly and indirectly through Ingemar Kihlström AB (100%).
**) The shares are owned directly and indirectly through Capveen AS (100%).

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

There were no dividends paid out in 2009 or 2010.

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 21 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:	2010	2009
Estimated present value of accrued pension obligations at 31.12.	10 518 190	8 486 676
Estimated pension assets at 31.12.	-6 511 966	-5 381 885
Net pension obligations at 31.12.	4 006 224	3 104 791
Accrued social security tax	564 878	437 776
Actuarial gains and losses not accounted for	-1 486 735	-971 934
Capitalized net pension obligation at 31.12.	**3 084 367**	**2 570 632**

The year's net pension expense is calculated as follows:	2010	2009
Present value of pensions earned during the period	2 085 211	1 881 052
Capital cost of previously earned pensions	373 414	294 658
Expected return on pension assets	-355 188	-313 011
Administration costs	144 274	112 114
Accrued social security tax	316 927	278 449
Estimate deviations	8 805	23 040
Pension expense for the year	**2 573 443**	**2 276 301**

The year's change in the net pension obligation is calculated as follows:	2010	2009
Net pension obligation at 01.01.	2 570 632	1 961 528
Pension expense for the year	2 573 443	2 276 302
The year's premium paid, incl. accrued social security tax	-2 059 708	-1 667 197
Net pension obligation at 31.12.	**3 084 367**	**2 570 632**

The year's change in the present value of the pension obligation:	2010	2009
Present value of the pension obligation at 01.01.	8 486 676	6 852 510
Present value of pensions earned during the period	2 085 211	1 881 052
Actuarial gains and losses	0	0
Capital cost of previously earned pensions	373 414	294 658
Variance (change in assumption/experience)	-427 110	-541 544
Present value of pension obligations at 31.12.	**10 518 190**	**8 486 676**

The year's change in the fair value of pension assets:	2010	2009
Fair value of pension assets at 01.01.	5 381 885	4 250 109
Expected return on pension assets	355 188	313 011
Administrative costs	-144 274	-112 114
Premium paid for year	1 805 178	1 461 172
Actuarial gains and losses	0	-0
Variance (change in assumption/experience)	-886 011	-530 293
Fair value of pension assets at 31.12.	**6 511 966**	**5 381 885**

Economic assumptions:	2010	2009
Discount rate	3.20 %	4.40 %
Expected return on pension assets	4.60 %	5.60 %
Wage growth	4.00 %	4.25 %
Pension adjustments	1.10 %	2.10 %
Adjustment of National Insurance basic amount	3.75 %	4.00 %
Turnover	3.35 %	3.61 %

Composition of pension funds Nordea Liv's Asset Mix	2010	2009
Stocks	14.50%	10.10%
Real estates	19.60%	19.80%
Bonds at amortized cost	45.30%	42.40%
Short-term bonds	18.90%	26.80%
Other	1.70%	0.90%
Total	**100.00%**	**100.00%**

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 2011 are estimated to be NOK 1,888,216.

See Note 5 for supplementary benefit/Top-Hat regarding the CEO.

Note 18
Financial leasing - figures in NOK

The Company has one lease agreement with calculation basis of NOK 916,250. The lease 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.

Net present value of remaining lease payments by due date	
Due date 2011	185 031
Due date 2012	0
Total	**185 031**

Note 19
Loan - figures in NOK

Interest-bearing loans 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 10,467,141. Innovasjon Norge can with four weeks notice set a new interest rate.

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 - 8/2016		1 852 000	9 580 667	0
Siemens Financial Services	12/2006 - 11/2011		185 031	0	0

The rent for 2010 amounted to NOK 2,624,481.

Note 21
Going concern

The financial statement is presented on the going concern. The Company has in 2010 brought in 100 MNOK in three share issues, and have sufficient working capital for the next 12 months with today's planned activities and financial statements are therefore prepared in accordance with the 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's products are in an early stage of commercialisation or at the development stage and technology risk still remains. DiaGenic has yet to complete independent clinical studies for any of its products. Independent studies are important for market acceptance of the products. 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.

As part of the new business strategy DiaGenic plans to enter into several collaboration agreements in the future. Future revenues depend on whether DiaGenic will be successful in entering such agreements and also the terms of these agreements. The Company may fail to negotiate attractive agreements with future partners, which would have an adverse effect on DiaGenic's future development. The commercial success of the business strategy depends in part on the cooperation of these partners and the level of resources they commit to such agreements.

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 and technology. Future revenues depend on whether DiaGenic will be successful in entering such agreements and also the terms of these agreements. Termination or other adverse effects upon current collaborations could delay or harm DiaGenic's sales and marketing, product development and product launches. The Company may fail to negotiate attractive agreements with future partners, which would have an adverse effect on DiaGenic's future development. The commercial success of the business strategy depends on the cooperation of these partners and the level of resources they commit to the collaboration.

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 Life Technologies (former 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.

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, 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 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 the company's pension, leases and bank deposits, and a change in interest rates may therefore affect the capital return. At 31st December 2010 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, as claims are mainly against the various research institutions and large international organisations. 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 TNOK 2,999.

Liquidity risk:
Liquidity risk is the potential loss that occurs when a company fails to fulfil its contractual obligations when they fall due. The Company strengthened its financial position in 2010 through three share issues and the company's liquidity risk is reduced. The Company monitors its risk for lack of capital.

Note 23
Large individual transactions - figures in NOK

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.

2010
In February, November and December 2010 the Company carried out shares issues with gross proceeds of NOK 9,625,000, NOK 70,000,000 and 30,000,000 respectively. There were issued respectively 3,500,000, 140,000,000 and 60,000,000 new shares, each with a nominal value of NOK 0.05, equivalent a increase in the share capital on NOK 175,000, NOK 7,000,000 and 3,000,000 respectively. The remaining proceeds from the share issues that are not part of the share capital were attributed to the share premium reserve.

Note 24
Events after the balance sheet date

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 2010, 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 of DiaGenic ASA

Oslo, 30th of March 2011

Henrik Lund
Chairman

Ingrid Wiik
Deputy Chairman

Maria Holmlund
Board member

Mina Blair
Board member

Atul Shah
Board member

Praveen Sharma
Board member

Gustav Ingmar Kihlström
Board member

Erik Christensen
Managing Director

Auditor's Report

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 in DiaGenic ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of DiaGenic ASA, which comprise the statement of financial position as at 31 December 2010, the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Managing Director's responsibility for the financial statements

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

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of DiaGenic ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of

31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the international standard on assurance engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Managing Director have fulfilled their duty to properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 30 March 2011
ERNST & YOUNG AS

Per-Øyvind Borge-Hansen
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Corporate Governance

1. Report on corporate governance

The Norwegian recommendations on good corporate governance are intended to strengthen confidence in listed companies and thereby contribute to the best possible value creation over time - for the benefit of shareholders, employees and other stakeholders. Observance of the recommendations is based on the "comply or explain" principle. Set out below are comments on DiaGenic's compliance with these principles.

DiaGenic's board and management are committed to maintaining a high standard of ethics, as well as good corporate governance. DiaGenic has established corporate values, and the board has adopted guidelines for ethics. The guidelines mean that the company's board and employees should have a high ethical standard in carrying out their work and their duties. DiaGenic's guidelines for values and ethics concern the company's dealings with various interest groups, but the company has not established guidelines specifically for social responsibility.

2. Business

The objects clause in the Articles of Association provides as follows: The company's business is to develop, patent and sell products, technology and expertise for the diagnosis of disorders, ailments and diseases in people, animals and plants.

The company's goal is the development and commercialisation of diagnostic products, with a view to maximising shareholder value.

3. Equity and dividends

DiaGenic has not yet generated a positive cash flow from its operations. The business is financed through equity, government grants and borrowing. Particular emphasis is being placed on securing finance through the stock market until the company generates a positive cash flow from its operations.

The company's shareholders will not receive a dividend until the financial situation permits such distribution. At times, the board will be authorised by the General Meeting to issue shares to ensure the necessary financing of the company's future operation. Board authorisations are given for a period of up to one year and are limited to specific purposes.

4. Equal treatment of shareholders and transactions with related parties.

Equal treatment of all shareholders is at the heart of the company's corporate governance. All shares in DiaGenic carry one vote and the shares are freely transferable. The company has only one share class and all shareholders have equal rights. Existing shareholders are given priority in the case of share capital increases, unless special circumstances warrant deviation from this principle. Such a deviation would then be justified. The company has no powers to repurchase its own shares. The Extraordinary General Meeting of 29 October 2010 approved a share capital increase in which the preferential right of existing shareholders to apply for shares was set aside. In the General Meeting's notice, the company explained the reason for the proposed issue structure. In order to ensure equal treatment of its shareholders, the company proposed to the General Meeting a capital increase targeted at shareholders who had not been allotted shares in the private placement, with an offer to apply for shares on similar terms as the private placement. This structure was chosen in order to protect shareholder value in the best possible way.

Transactions between the company and related parties, including members of the board or persons employed by the company, either personally or through companies belonging to related parties, must be based on terms which can be achieved in an open, free and independent market or based on a third-party valuation. Major transactions with related parties must be approved by the General Meeting. The board will report in its Annual Report the volume of any transactions with related parties.

5. Free transferability.

The company's shares are listed and are freely transferable. The Articles of Association contain no restrictions on transferability.

6. General Meeting

Shareholders can exercise their rights in the General Meeting and the company wants the General Meeting to be a meeting place for shareholders and the company's board. The company will make it possible for as many shareholders as possible to participate in the General Meeting. Meeting documents will be sufficiently detailed and published on the company's website not later than 21 days before the General Meeting. The company endeavours to ensure that meeting documents are detailed enough to enable shareholders to take a view on all matters to be considered. The deadline for notice of attendance at General Meetings is set as close to the meeting as possible.

Shareholders who are unable to participate themselves may vote by proxy and a person can also be appointed to vote for the shareholders as a proxy. The proxy form should, as far as possible, be so designed that it can be used for voting on each matter to be considered and on candidates for election.

The company will encourage board members to attend General Meetings. In addition, members of the Election Committee and external auditors are invited to attend the General Meeting. In 2010, the board's chair and several board members were represented at the General Meetings, in addition to the chair of the Election Committee and an auditor.

In accordance with the Articles of Association, the General Meeting is chaired by the board chair if no one else is elected chair. Minutes of General Meetings are published through stock exchange notifications and are thus made available on the company's website.

7. Election Committee.

In accordance with DiaGenic's Articles, the General Meeting has established an Election Committee which consists of five members. Members must be shareholders or representatives of shareholders. The Election Committee prepares and proposes the election of board members to the General Meeting, and gives recommendations on director's fees. No board members are a member of the Election Committee, but a representative of the management is a member of the Election Committee. Anders Lönneborg, who is DiaGenic's Research Director, is a member of the Election Committee on the basis of his significant shareholding in the company. Election Committee members are elected for a term of one year at a time.

Names of members of the Election Committee and the deadline for submitting proposals to the Committee can be found on the company's website.

8. Corporate Assembly and board, composition and independence

DiaGenic has chosen not to have a corporate assembly due to the limited size of the company and the small number of employees. The functions of the corporate assembly have been transferred

to the General Meeting and the board.
The board and board chair are elected by the General Meeting. The board is composed so as to cover in the best way possible the interests of all shareholders and the company's need for expertise, capacity and balanced decision-making and so as to function as an effective collegiate body. The board is elected for a term of one year at a time and board members may stand for re-election. The CEO is not a member of the board. According to the Articles, DiaGenic's board must consist of 4-7 members. Since the 2010 General Meeting, the board has had seven members, three women and four men. The board's members operate on the basis that they do not have more board appointments than would allow each of them sufficient time properly to undertake their work for DiaGenic. DiaGenic's board members have participated to varying extents. This particular factor has been considered in the Election Committee's recommendation for election of new board members.

Henrik Lund, the chair of the board, Ingrid Wiik, deputy chair, and board members Mina Blair, Maria Holmlund, Ingemar Kihlström and Atul Shah are considered to be independent – from the company's day-to-day management, important business connections and from the company's main shareholders. The board chair has an agreement with the company to act as an adviser in individual business processes. Remuneration is approved by the General Meeting, has an upper limit and is not of a permanent nature. Four of the six board members are therefore considered to be independent, despite the fact that some of them have carried out limited duties for which they have received remuneration at market levels (please see notes to the annual accounts). This ensures that the board members do not act as individual representatives of individual shareholders or other stakeholders. The board may assess the day-to-day management and significant contracts entered into by the company on an independent basis.

The board's current composition is set out in the Annual Report, together with key information which highlights the directors' expertise. The shareholdings of directors and senior management have been presented in the notes to the annual accounts.

9. The board's work

A plan for the board's work is prepared every year. The board has also laid down rules of procedure for its work and for day-to-day management. The rules of procedure include an allocation of responsibilities and duties in important areas. The board ensures that business is properly organised and that plans and budgets are prepared for the company's business. The board plan and rules of procedure ensure that the board is kept informed about the company's financial position, and that the business, asset management and accounts are subject to control.

The chair ensures that the board functions well and fulfils its obligations. The chair chairs board meetings and prepares board matters in cooperation with the Chief Executive Officer. The chair keeps minutes from board meetings and the minutes are approved and signed by all board members. In addition to ordinary board meetings, strategy meetings devoted to an in-depth assessment of major challenges and opportunities for the company are held on an annual basis. The board manages the company's strategic planning, and assesses its strategy regularly.

The board appoints a deputy chair who can act when the chair either cannot or should not chair the board's deliberations. This is particularly relevant in situations where the chair participates in negotiations with the company's partners in the pharmaceutical industry.

The board has considered establishing an Audit Committee and a Remuneration Committee. Because of its size, the company has not used formal board committees so far. Thorough and independent assessment of financial reporting and the remuneration of senior management has been ensured by matters being considered by all the board members, with five of the seven members being considered independent of the day-to-day management. DiaGenic is considering whether to establish an Audit Committee after the new board has been elected at the 2011 Ordinary General Meeting.

The board evaluates its composition and board work at least once a year. The evaluation also covers the way in which the board functions, both individually and as a group, in relation to the objectives that have been set for its work.

10. Risk management and internal control

Risk management and internal control are important to DiaGenic in enabling it to achieve its strategic objectives and form an integral part of the management's decision-making processes and are key elements of organisation, procedures and systems. Requirements for risk management and internal control have been evaluated by the management and board, and a set of appropriate systems established. In connection with this, emphasis is also placed on ensuring that the company operates within accepted ethical guidelines and values, including guidelines on how employees can communicate matters relating to illegal or unethical behaviour on the company's part to the board. DiaGenic believes that values and control procedures meet social responsibility requirements in relation to the scope and nature of its business, but has not yet developed guidelines specifically for social responsibility.

DiaGenic operates in an industry which is well-regulated, which is why risk management is a natural part of the company's operations. The company's commercial products are covered by a quality system which covers all aspects of the organisation that may affect products. The company has also identified, mapped and documented significant risk factors, whether operational, commercial or financial risks. These risk factors are described in more detail in the notes to the annual accounts.

The company's financial reporting complies with the laws and regulations which apply to a company listed on the Oslo Stock Exchange. In addition to external laws and regulations, there are basic procedures and guidelines related to financial reporting. At least once a year the board assesses the company's risk profile in terms of strategic, operational and transaction-related factors.

As a listed company, there is a special responsibility in connection with requirements relating to insider trading rules, the provision of information and share trading. DiaGenic has guidelines which ensure that board members, senior management and other insiders follow relevant legislation and rules with regard to insider trading in the company's shares.

11. Remuneration of the board

DiaGenic's General Meeting determines the remuneration of the Board based on a recommendation by the Election Committee. Remuneration of the Board must reflect the board's expertise, time and the complexity of the business as well as the fact that DiaGenic is a listed company. Remuneration is paid in the form of a fixed annual amount

and is not tied to the company's performance or share price.

Some of DiaGenic's board members may discharge duties of minor financial importance upon request from the chair, in addition to purely management duties. In 2010, the chair of the board discharged duties beyond purely management duties in connection with partnership agreements. The upper limit of remuneration for work carried out beyond purely management duties is NOK 450,000 per year. The board is aware of the due diligence requirements that this entails in terms of information to be provided to the General Meeting, and any agreements between the company and its directors are approved by the board in its entirety. Please also refer in this context to the assessment of the independence of the directors and board chair set out in section 8 above. Information on all remuneration paid to individual directors and the board chair is provided in the Annual Report.

12. Remuneration of senior management

The board prepares guidelines for the remuneration of the company's senior management. Guidelines for, and elements of, the remuneration of Chief Executive Officer and other senior executives are set out in the notes to the annual accounts. Guidelines for the remuneration of senior management must be submitted to the General Meeting. The board considers that the remuneration of the senior management is at market levels and that there are no unreasonable elements, for example, in connection with resignation or termination of employment.

Incentive schemes for the Chief Executive Officer and other employees are set out in the notes to the annual accounts. Incentive schemes cover all employees other than the founders Praveen Sharma and Anders Lönneborg, and have been submitted in detail for the General Meeting's approval. The scheme is in the form of subscription rights, of which 500,000 are awarded to the CEO and a total of 1,270,000 rights to other employees. Incentive schemes for employees have been so designed as to foster long-term positive ties with the company and a shared interest with the shareholders, without contributing to short-term employment which can be harmful to the company. There is no ceiling on the size of the remuneration which subscription rights can bring. The board plan to propose to the 2011 General Meeting a new incentive scheme which is more suited to today's market factors.

13. Information and communication

The company publishes a financial calendar on an annual basis, including the dates of General Meetings and dates for the presentation of interim reports. All press releases and stock exchange notifications are posted on the company's website www.diagenic.com. Stock exchange notifications are also available at www.newsweb.no.
The company complies with the laws and practice related to the disclosure requirement, including the requirements for equal treatment. The ability to give information about the company in addition to the published reports will be limited in accordance with stock exchange regulations. Any inside information will only be given to persons other than primary insiders in cases where the company considers it necessary, and then on the basis of insider declarations and the listing of insiders. The insider lists are maintained by the Chief Executive.

DiaGenic wishes to maintain a good, open dialogue 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 is responsible for information and investor relations. The Chief Executive and board chair may both speak on behalf of the company and delegate such authority as is appropriate in relevant cases.

14. Company takeovers

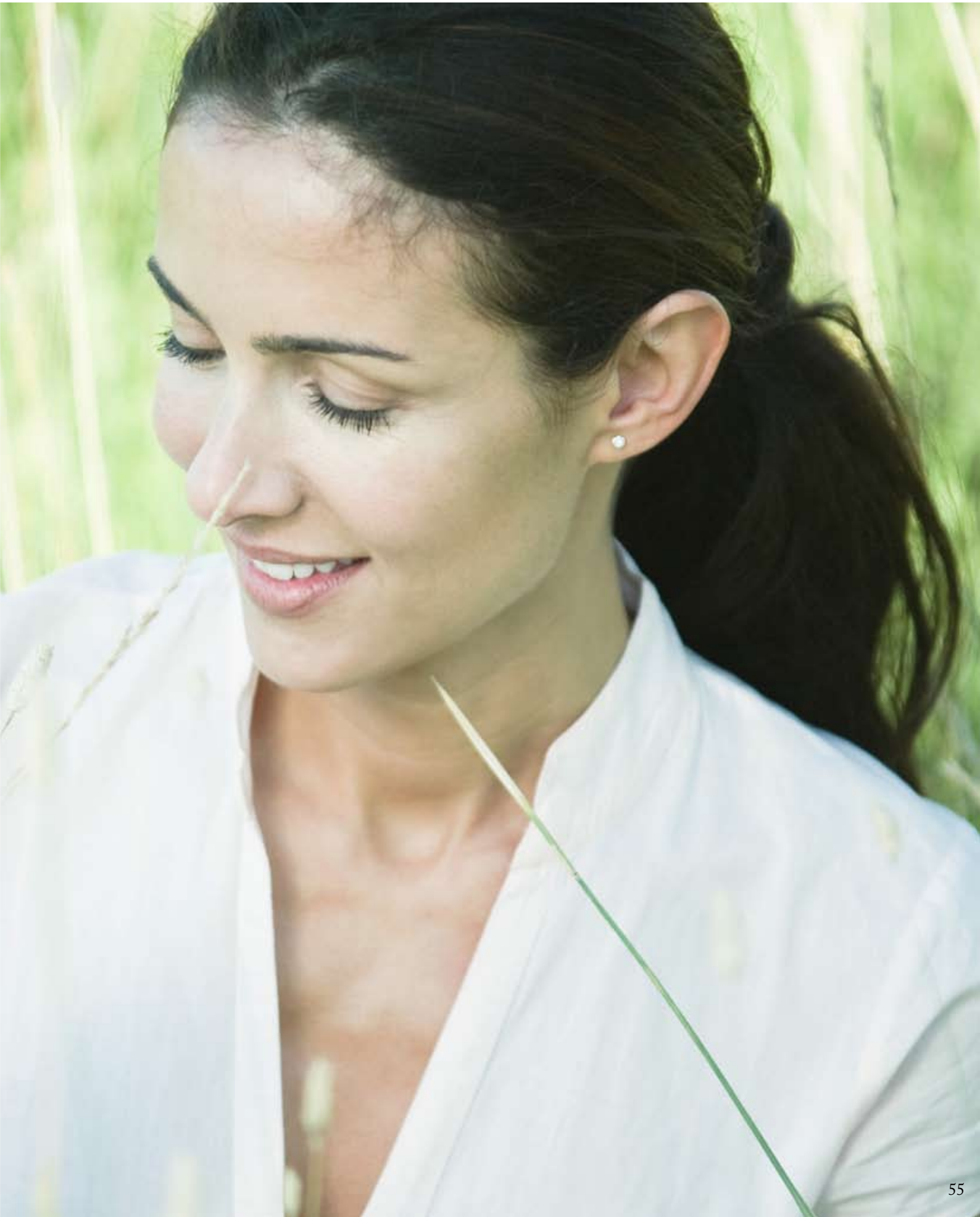
In the event of a takeover, the company's board and management will endeavour to ensure equal treatment of shareholders. The board will ensure that shareholders are given information and time to evaluate the bid and will endeavour to provide a recommendation to shareholders as to whether the bid should be accepted or not. The board and management will help ensure that there are no unnecessary disruptions to the business in the event of a takeover. Moreover, such a situation will be governed by the provisions applicable to listed companies.

15. Auditor

The auditor attends the board meeting at which the annual financial statements are reviewed, but the company has not held annual meetings with the board for the purpose of review of the company's internal control procedures, see section 10 above with regard to the internal control requirement. The auditor presents an annual audit plan to the board.

The board holds at least one annual meeting with the auditor without the presence of the CEO or other members of the day-to-day management.
The board has established guidelines for the management's use of the auditor for services other than auditing. The notes to the accounts state that use of the auditor for other services has been limited.

The fee payable to the auditor is specified in note 5 to the annual financial statements and is categorised in statutory audit and other services. Proposals for fees for statutory audit are submitted by the board to the General Meeting for approval.




PAXgene
Blood RNA Tube
REF 762165
LOT 9230059
2011-02
2.5 mL

Share key figures

Share key figures

Ticker	DIAG
ISIN	NO0010081235
Stock Exchange	Oslo Stock Exchange
Share registrar	DnB NOR Bank ASA
Listed	27 August 2004
Total number of shares 31 December 2010	270 236 520
Average number of shares 2010	214 331 041
Nominal value per share	NOK 0.05
Share capital 31 December 2010	NOK 13.5 million
Share price 30 December 2009	NOK 2.09
Share price 30 December 2010	NOK 0.97
Change in share price 2010	-54%
Market capitalisation 31 December 2010	NOK 262 million
Highest share price 2010	NOK 3.34
Lowest share price 2010	NOK 0.57
Traded volume 2010	359 069 337
Turnover rate 2010	168%
Average daily traded volume	1 424 878

The DiaGenic share

OWNERSHIP STRUCTURE AND SHAREHOLDER POLICY

DiaGenic is listed on the Oslo Stock Exchange 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 0.59 to 2.91 in 2010. At the start of 2010, the closing price was 2.09 and by year's end the price was 0.97, a decline of 54 percent. For comparison, the Oslo Stock Exchange's Health Care Equipment & Service Index (OSE3510) declined by eight percent during the corresponding period. Based on the closing price at year end, the Company was valued at NOK 262 million. The Company's shares had a market maker 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 1,424,000 shares in 2010 as compared to 203,000 shares in 2009. 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.

OPTIONS AND SUBSCRIPTION RIGHTS

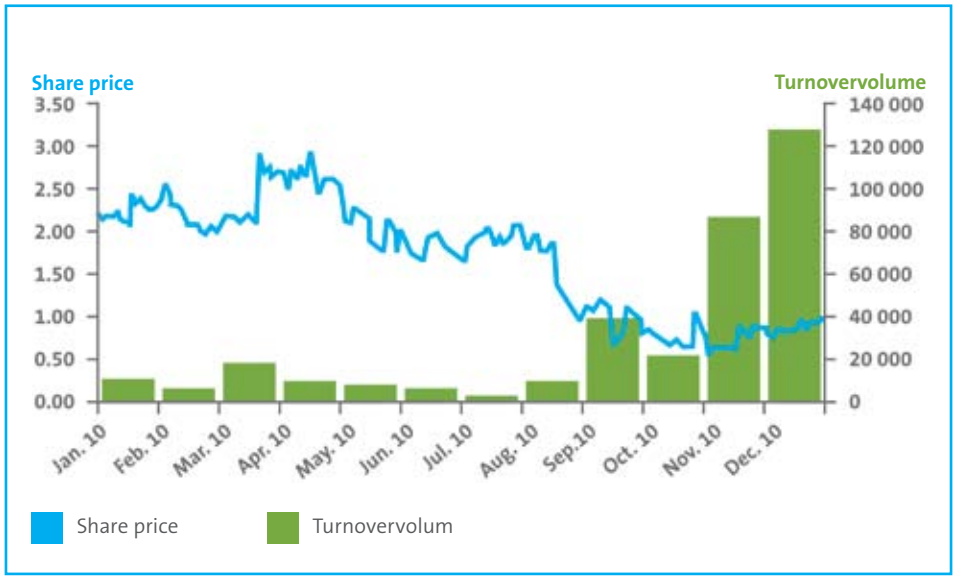
DiaGenic has granted subscription rights to employees as an incentive to long-term binding to the Company. The principle for all such schemes is that subscription prices at the time of granting must not be lower than the market price. The Chief Executive Officer has been awarded subscription rights which, in total, grant him the right to subscribe for 500,000 shares at a subscription

Shareholders by holding 31. desember 2010

Intervals	Number of shareholders	Number of shares	Holding
1-10000	1 540	6 072 836	2.2%
10001-50000	855	21 820 235	8.1%
50001-250000	346	38 152 650	14.1%
250001-1000000	109	52 860 886	19.6%
1000001-5000000	24	53 418 223	19.8%
5000001-	10	97 911 690	36.2%
Total	**2 884**	**270 236 520**	**100%**

Shareholders as of 31 December 2010

Name	Number of shares	% Shares
Storebrand Vekst	25 248 830	9.34%
Tredje AP-fonden	15 963 795	5.91%
Alfred Berg Gambak	13 648 880	5.05%
DnB NOR SMB	8 500 000	3.15%
Gec Holding AS	6 465 000	2.39%
DnB NOR Grønt Norden	6 192 000	2.29%
Holberg Norge	6 020 483	2.23%
Holberg Norden	5 661 992	2.10%
Nordea Nordic Equity Hedge Fund	5 149 670	1.91%
SIX SIS AG 25PCT	5 061 040	1.87%
Verdipapirfondet Nordea Kapital	4 800 000	1.78%
Karl Wilhelm Haavind	3 560 000	1.32%
Spar Investor Norge	3 500 000	1.30%
Verdipapirfondet Nordea Avkastning	3 400 000	1.26%
Victory Life	3 320 500	1.23%
Anders Lönneborg	3 114 767	1.15%
Morten Klein AS	3 000 000	1.11%
MP Pensjon PK	2 926 533	1.08%
Capveen AS	2 662 128	0.99%
Praveen Sharma	2 490 764	0.92%
Total 20 largest shareholders	**130 686 382**	**48.36%**
Total all other shareholders	139 550 138	51.64%
Total number of shares	**270 236 520**	**100.00%**



The DiaGenic share

Month/ Year	Event	Number of shares	Total number of shares	Share capital (NOK)	Par value per share (NOK)	Share price (NOK)
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	6.50
Jul. 2005	Excercise of option	10 000	35 726 520	1 786 326	0.05	3.00
Aug. 2005	Excercise of option	10 000	35 736 520	1 786 826	0.05	3.00
Mar. 2006	Share issue	3 500 000	39 236 520	1 961 826	0.05	9.50
Sep. 2006	Excercise of option	45 000	39 281 520	1 964 076	0.05	3.00
Nov. 2006	Share issue	80 000	39 361 520	1 968 076	0.05	6.22
Nov. 2006	Excercise of option	405 000	39 766 520	1 988 326	0,05	3,00
May 2007	Share issue	3 970 000	43 736 520	2 186 826	0.05	6.50
May 2008	Share issue	8 000 000	51 736 520	2 586 826	0.05	5.60
Jul. 2009	Share issue	2 500 000	54 236 520	2 711 826	0.05	3.74
Nov. 2009	Share issue	12 500 000	66 736 520	3 336 826	0.05	2.75
Feb. 2010	Share issue	3 500 000	70 236 520	3 511 826	0.05	2.75
Nov. 2010	Share issue	140 000 000	210 236 520	10 511 826	0.05	0.50
Dec. 2010	Share issue	60 000 000	270 236 520	13 511 826	0.05	0.50

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. The Company has no further option or warrant programmes, apart from the above mentioned programme.

SHARE CAPITAL DEVELOPMENTS

Since the Company was first listed in 2004 until and including 2010, the Company has performed ten share issues, which have injected share capital in the total amount of NOK 280 million. The Company's share capital at the end of December 2010 totalled NOK 13,511,826 distributed across 270,236,520 shares with a nominal value of NOK 0.05 per share.

DiaGenic ASA
Grenseveien 92, NO - 0663 Oslo, www.diagenic.com, Phone: 23 24 89 50, Fax: 23 24 89 59