



DIAGNOSTIC SYSTEMS, INC.

Rapid Tests for Earlier Treatment



Investor Presentation

December 2010



Forward Looking Statements



Statements contained herein that are not historical facts are forward-looking statements within the meaning of the Securities Act of 1933, as amended. Those statements include statements regarding the intent, belief or current expectations of Chembio and its management. Such statements reflect management's current views, are based on certain assumptions and involve risks and uncertainties. Actual results, events, or performance may differ materially from the above forward-looking statements due to a number of important factors, and will be dependent upon a variety of factors, including, but not limited to, Chembio's ability to obtain additional financing and the demand for Chembio's products. Chembio undertakes no obligation to publicly update these forward-looking statements to reflect events or circumstances that occur after the date hereof or to reflect any change in Chembio's expectations with regard to these forward-looking statements or the occurrence of unanticipated events. Factors that may impact Chembio's success are more fully disclosed in Chembio's most recent public filings with the U.S. Securities and Exchange Commission



- **Medford, NY Manufacturer of Point-of-Care Rapid Diagnostic Tests**
- **Five Year Revenue CAGR of 33% (2005-2009)**
- **FY 2009 Total Revenues of \$13.8MM**
 - Profitable in 2009 and 2010YTD through Sept 30
 - Anticipate \$15MM+ Revenues in 2010
- **68% of Revenues from FDA Approved Rapid HIV Tests Marketed Globally**
 - in U.S. by Alere (formerly Inverness Medical)
- **Near & Long Term Catalysts**
 - Product Launches Using Chembio's Patented DPP® Rapid Test Platform

FDA Approved Rapid HIV Tests

Distributed in US Exclusively by Alere (formerly Inverness Medical)

- **148% Revenue Increase in 2009 to \$5.3MM**
 - 20% Market Share
- **Competitive Features**
 - CLIA Waived
 - Two Formats
 - 99.7% Sensitivity; 99.9% Specificity
 - Proprietary Formulation Enables 24 Month Stability
 - Strong Marketing Partner



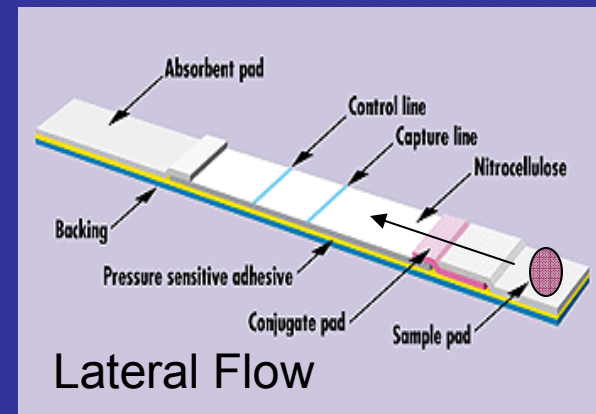
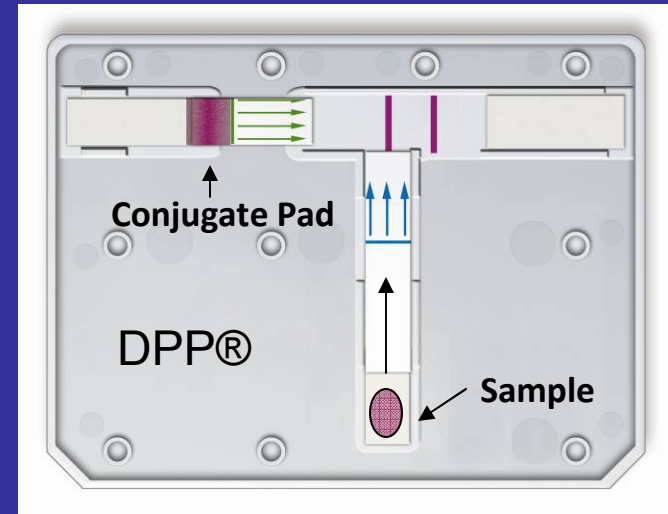
Marketed Ex-US Directly by Chembio
through Distributors

PATENTED DUAL PATH PLATFORM (DPP®)

KEY DESIGN AND PERFORMANCE ADVANTAGES vs. LATERAL FLOW



- Independent Sample Flow Path Enables Improved Sensitivity & Use of More Challenging Sample Types
- Improved Multiplexing Facilitated by Direct Binding, Uniform Delivery of Samples
- US Patent #7,189,522. Patents Issued or Pending in all major markets



Dual Path Platform DPP[®] vs. Lateral Flow

- **Dual Path Platform**
 - Chembio is a Licensor
 - Basis for Branded & OEM Product Pipeline
- **Lateral Flow Platform**
 - Chembio is a Licensee
 - Alere Sells in US
 - Ex-US Chembio Pays Alere either 8.5% or 5% Royalty



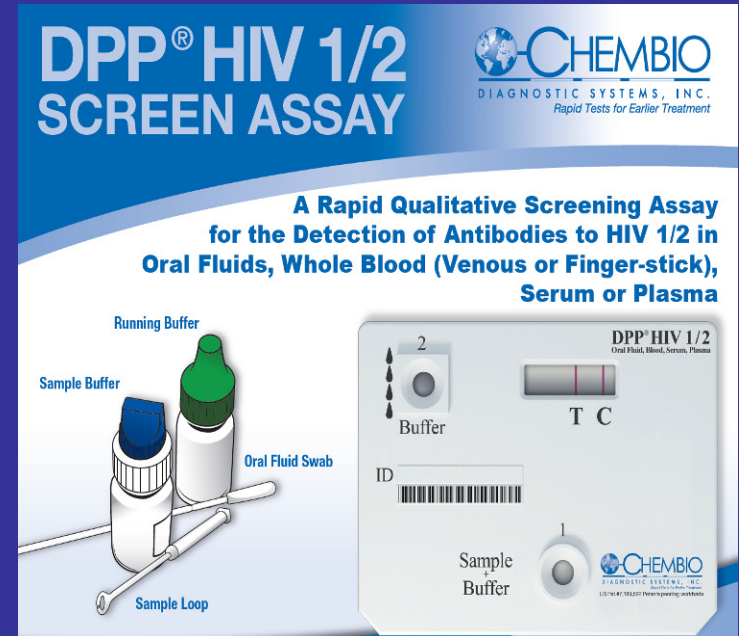
Pipeline from DPP[®] Technology



- 2011-2012
 - Launch of Oral Fluid HIV Test and for Syphilis Tests & Establish Chembio DPP[®] Public Health Brand
 - International DPP Revenues – Brazil
 - Influenza Ag & Ab Tests
- 2012-2014 –
 - Grow Chembio DPP[®] Public Health Brand
 - Launch HIV OTC, Hepatitis C, Influenza Ag & Ab
- 2010-2014 – Participate in New Markets Via OEM Agreements, Strategic Alliances, M&A
 - Respiratory, Cardiac, Auto-Immune
 - Veterinary, Food, Environmental
 - Readers
 - Molecular Technologies

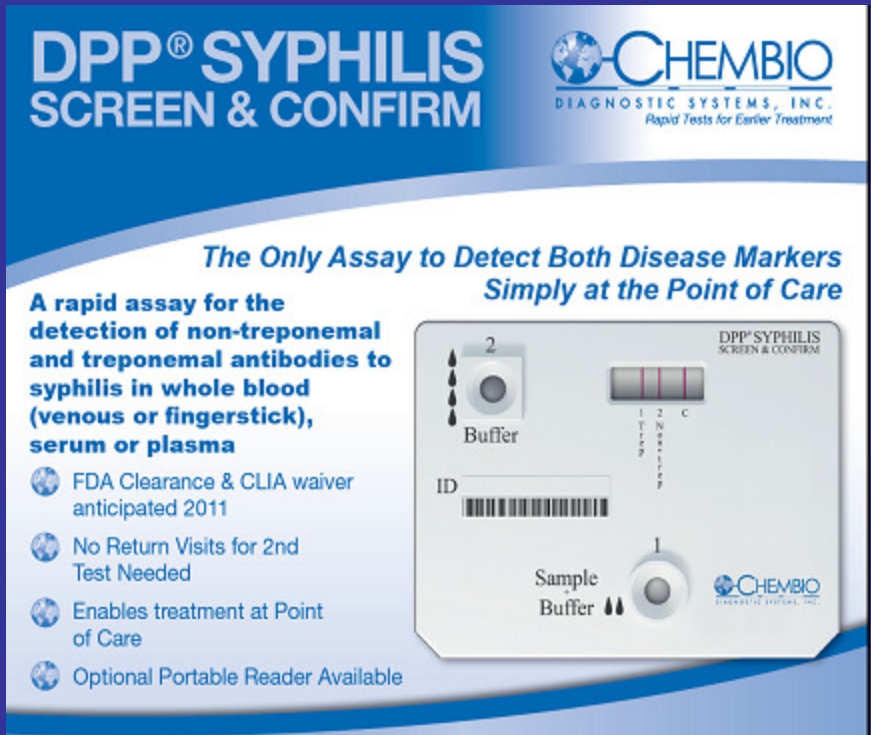
DPP[®] HIV 1/2 Oral Fluid Assay

- \$60MM/6MM Unit US Market Growing ~15%/Year
- International Studies Completed in 2009
- US Clinical Trials Commenced Q1 2010
- Anticipate PMA approval 2011-12
 - QTDP Funding
- OTC Opportunity



DPP® Syphilis Screen & Confirm

- First POCT For Syphilis In US – Est. \$30MM Potential Market
 - QTDP Funding
- Provides Better Indication Of Active Disease
- Enables Confirmation & Treatment At POC
- Pre-natal Testing
- International Evaluation Ongoing
- Anticipate 510(K) Clearance in 2011




DPP® SYPHILIS SCREEN & CONFIRM

CHEMBIO
DIAGNOSTIC SYSTEMS, INC.
Rapid Tests for Earlier Treatment

The Only Assay to Detect Both Disease Markers Simply at the Point of Care

A rapid assay for the detection of non-treponemal and treponemal antibodies to syphilis in whole blood (venous or fingerstick), serum or plasma

- FDA Clearance & CLIA waiver anticipated 2011
- No Return Visits for 2nd Test Needed
- Enables treatment at Point of Care
- Optional Portable Reader Available



The image shows a white, rectangular diagnostic device. It has a sample well labeled '1' and a buffer well labeled '2'. A test strip is inserted into the device, showing a red line in the 'C' (control) position and a red line in the 'T' (treponemal) position. The device has a barcode and the ChemBio logo.

Developed in collaboration with the U.S. Centers for Disease Control

OEM Contracts with FIOCRUZ

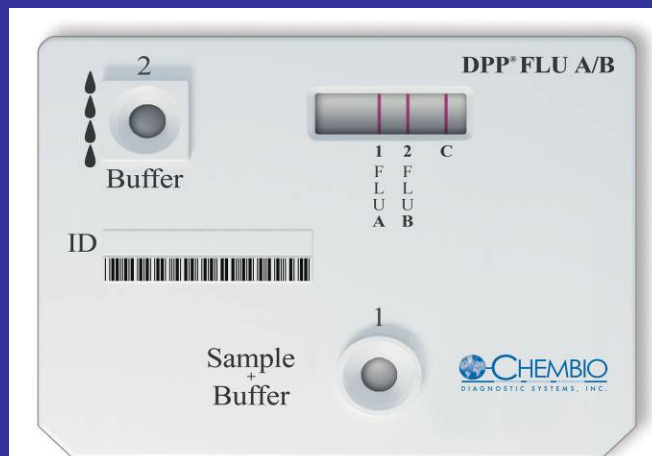
- **Four Products Under OEM Agreements with FIOCRUZ**
 - Following Successful \$8MM Tech. Transfer Program Completed 2004-2009
- **Two Regulatory Approvals in Brazil Received June, Sept of 2010**
 - Initial Order in Production for Q4 2010 Shipment
 - Possible Additional Approval and New Product Agreement in Q4



In Development: DPP[®] INFLUENZA

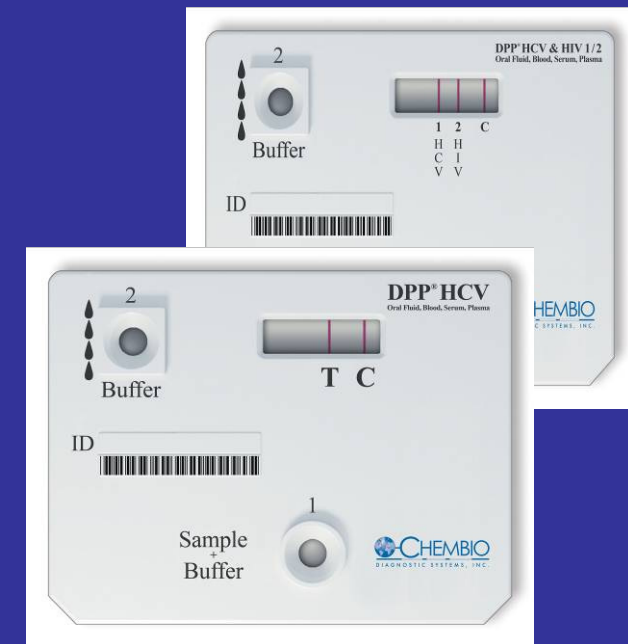
Multiplex Flu A & B Test & 6 Strain Immunity Test

- Large Established Market for Flu A&B tests
- Chembio's First Antigen Detection Test with DPP
- Prototype Shows Improved Performance v. Established Tests
- In Addition: \$900,000 Contract signed Dec. 2009 with CDC Contractor for 6-band Multiplex Immune Status Test



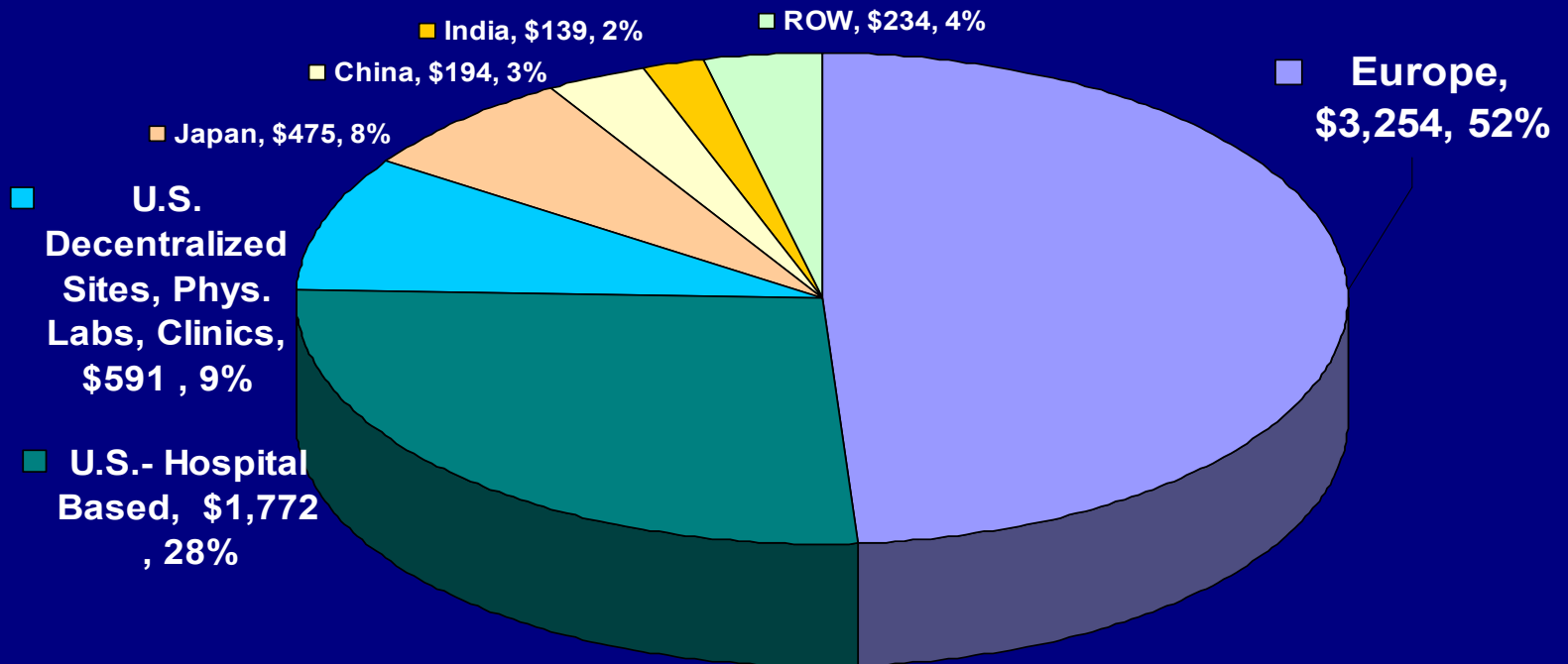
In Development: Hepatitis-C (HCV) & HIV/HCV Comb. Oral Fluid

- **Estimated 3MM HCV Infections in US**
 - Only 22% Diagnosed
 - 25% Co-infection with HIV
 - Major Cause of Liver Disease
 - New therapeutics from Vertex, etc. will drive demand for Dx
- **No HCV Point-of-Care Test in US**
 - QTDP Funding
- **Chembio Participating in Pre-Clinical CDC Study with both prototypes – Data Being Submitted for Publication**



\$7B Global Point-of-Care Test (POCT) Market

Worldwide Distribution of POCT Sales (in \$ Millions) and Worldwide Market Shares



At 7% Projected Increases, even with Large Low-Growth Segments (e.g., Glucose), Global POCT Market is Fastest Growing Segment of \$39.5B In-Vitro Diagnostics Market, Projected to Reach \$8.8B by 2012

Source: Independent Market Research Report

Financial Summary

- **Historical 2005-2009 ->33% Five CAGR Sales**
 - Became Profitable Q2-4 2009 and for full FY2009
 - 148% Increase in Sales to Alere, R&D Income, Controlled SG&A
- **September 30, 2010 YTD**
 - Net Income of \$632K on Total Revenues of \$11.04MM
 - Improved Gross Margins YTD from Increased R&D Income Despite Decreased Int'l. Product Sales
 - Controlled SG&A
 - Spent \$190K in Q3 Exploring Strategic Opportunities



Financial Summary

- Q4-2010 & FY2010 Revenue Outlook
 - Anticipate >\$15MM in Total Revenues vs. \$13.8MM in 2009
 - CDC Grants to States Improving. Anticipate Q4'10 Revenues from Alere of at least \$1.9MM in Q4 2010 compared with \$1.8MM in Q4'09
 - >75% Increase in 2010 Revenues from Products Serving Africa Markets
- Q4-2010 & FY2010 Operating Results Outlook
 - Strong Order Backlog should result in operating efficiencies
 - New assembly automation and cost savings implemented
 - Impact of \$1.467MM in QTDP Grants Awarded 11/1/2010
 - Oral Fluid HIV Test Clinical Trial Expenditures of at least \$200K
 - \$.9MM Due on HIV-2 License 12/31/2010
 - Possible Additional Expenditures Regarding Strategic Alternatives



Selected Comparative Historical Financial Results

	For the Years Ended			
	2009	2008	2007	2006
\$(000s)				
Total Revenues	\$ 13,834	\$ 11,050	\$ 9,231	\$ 6,503
Cost of sales	7,974	7,198	6,435	4,894
Gross Profit	5,860	3,852	2,796	1,609
	42.4%	34.9%	30.3%	24.7%
R&D Expense	2,884	2,605	1,907	1,402
SG&A Expense	2,659	3,317	3,765	4,787
Operating Income (Loss)	317	(2,071)	(2,876)	(4,580)
Other Inc. (Expense)	(8)	122	249	(415)
Net Income (Loss) - Stkhldrs	309	(1,949)	(2,627)	(4,995)
Pref. Stock Expenses	-	-	5,645	3,210
Net Loss	\$ 309	\$ (1,949)	\$ (8,272)	\$ (8,205)
Net Income (Loss) - per Share	\$ 0.00	\$ (0.03)	\$ (0.57)	\$ (0.80)
Avg. No. Shares (Millions)	61.946	61.267	14.608	10.293
Working capital	\$ 1,494	\$ 1,664	\$ 3,229	\$ 5,113
Total assets	6,315	5,915	6,585	7,907
Total liabilities	3,227	3,338	2,322	2,297
Equity (Deficit)	3,088	2,577	4,263	(940)



Selected Comparative Historical Financial Results



\$(000s) - UNAUDITED

Net Product Sales
License & royalty revenue
R&D grant revenue
Total Revenues
Cost of sales
Gross Profit

R&D Expense
SG&A Expense
Operating Income
Other Inc. (Expense)
Net Loss
Basic earnings-per share
Diluted earnings-per share
Basic Avg. No. Shares (Millions)
Diluted Avg. No. Shares (Millions)

	Three Mos Ended		Nine Mos Ended	
	Sept 30 2010	Sept 30 2009	Sept 30 2010	Sept 30 2009
Net Product Sales	\$ 3,787	\$ 3,924	\$ 8,337	\$ 9,245
License & royalty revenue	287	31	1,026	84
R&D grant revenue	432	408	1,675	954
Total Revenues	\$ 4,506	\$ 4,363	\$ 11,038	\$ 10,283
Cost of sales	2,296	2,494	5,428	6,053
Gross Profit	2,210	1,869	5,610	4,230
	49.0%	42.8%	50.8%	41.1%
R&D Expense	1,230	778	2,822	2,128
SG&A Expense	802	784	2,144	2,002
Operating Income	178	307	644	100
Other Inc. (Expense)	(9)	(1)	(11)	(8)
Net Loss	\$ 169	\$ 306	\$ 633	\$ 92
Basic earnings-per share	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00
Diluted earnings-per share	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00
Basic Avg. No. Shares (Millions)	62.147	61.945	62.068	61.945
Diluted Avg. No. Shares (Millions)	70.547	75.366	71.074	74.938

Selected Balance Sheet Data



(\$000s) Balance Sheet Data	UNAUDITED	
	Sept. '10	Dec. '09
Cash	\$ 1,336	\$ 1,068
Accts. Receivable	2,635	1,776
Inventories	1,883	1,556
Other Current Assets	191	267
Total Current Assets	6,045	4,667
Net Fixed Assets	828	580
Other Assets	690	1,068
Total Assets	7,563	6,315
Total Current Liab.	3,453	3,173
Total Other Liab.	221	54
Total Liabilities	3,674	3,227
Total Equity	3,889	3,088
Total Liabilities & Shareholders Equity	\$ 7,563	\$ 6,315

Organization & Management Team



Lawrence Siebert, CEO & Chairman

Richard Larkin, CFO

Javan Esfandiari, Sr. VP R&D

Rick Bruce, VP Operations

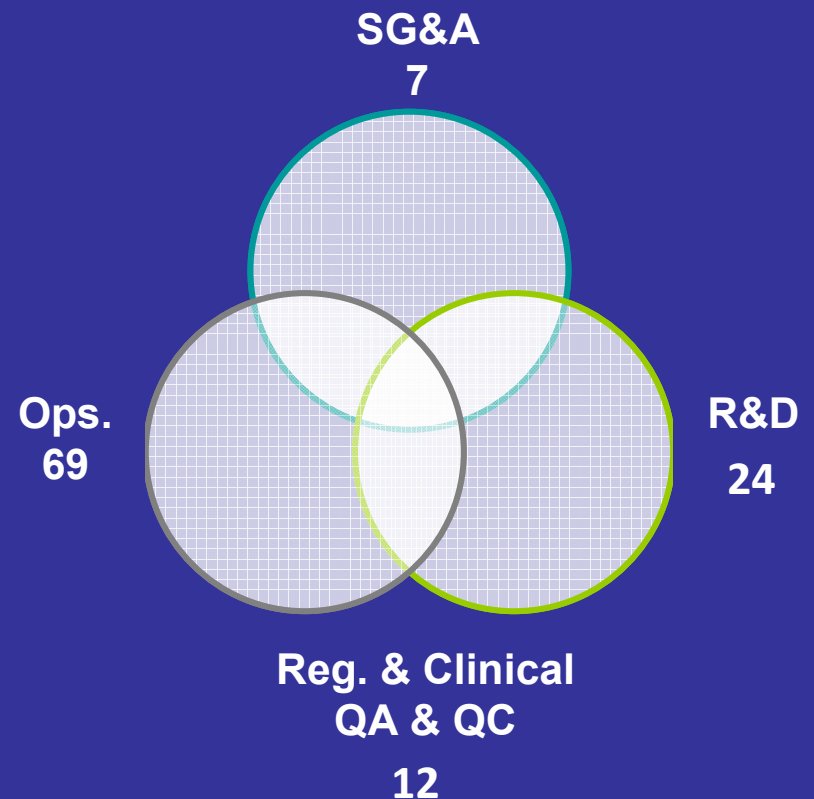
Tom Ippolito, VP Reg., QA/QC

Sandy Speer, Dir. Client Serv.

Dr. Gary Meller, Director

Katherine Davis, Director

**Total Employment
Approx. 110**



CEMI Selected Share Data



Ticker Symbol (OTCBB)	CEMI		
Price 11/16/10	\$0.430		
52 Week High	\$0.487		
52 Week Low	\$0.159		
Outstanding Shares (MM)	62.2		
Market Capitalization (MM)	\$26.7		
Fully Diluted (FD) Shares (MM)	70.5		
Management Holding (MM)-FD	11.3		
Average Daily Volume (3 Mos)	125,000		
Options and Warrants (MM)			Avg. Ex. Price
Options (MM) (3.95MM held by mgmt. & board)	5.71		\$0.168
Warrants (MM) - Exp. Dates			
	10/6/2011	2.54	\$0.475
	2/5/2012	0.07	\$0.810
Total Warrants (MM)	2.61		
Total Options & Warrants (MM)	8.32		

SUMMARY

www.chembio.com



- Top Line Growth for last 5 Years; Became Profitable in 2009 & through 9/30/2010 YTD
- Platform Point of Care Technology DPP[®]
 - Robust DPP[®] Product Pipeline for Branded & OEM Products
 - Licensing Revenues
- Anticipated Near and Long Term Growth Catalysts from New Collaborations, Product Launches, Regulatory Submissions & Approvals