

Interim Report January – September 2014

July – September

- Net sales fell by about 40% to SEK 1,639k (2,750k).
- Comprehensive income was a loss of SEK 5,545k (loss: 2,740k).
- Comprehensive income per share totaled SEK -0.25 (-0.17).
- Cash flow from operating activities during the period was SEK -4,537 (-3,286k).
- Cash and cash equivalents including short-term investments amounted to SEK 12,003k (7,470k) at the end of the period. Short-term investments amounted to SEK 5,000k (3,000k).

January – September

- Net sales fell by about 10% to SEK 6,153k (6,856k).
- Loss after financial items was SEK 14,187k (loss: 10,600k).
- Comprehensive income was a loss of SEK 14,187k (loss: 10,539k).
- Comprehensive income per share totaled SEK -0.66 (-0.75).
- Cash flow from operating activities during the period was SEK -16,516k (-10,966k).

January – September

	2014	2013	Change
Net sales	6,153	6,856	(10%)
Other operating income	1,419	1,030	38%
Expenses for the period	(21,877)	(18,485)	18%
Operating profit/loss	(14,305)	(10,599)	-35%
Comprehensive income for the period	(14,187)	(10,539)	-35%
Comprehensive income per share based on a weighted average of the number of outstanding shares	(0.66)	(0.75)	12%
Cash flow from operating activities	(16,516)	(10,966)	51%
Cash and cash equivalents at end of period including short-term investments	12,003	7,470	62%

Events after the end of the period

In November, Genovis filed a lawsuit against Promega Corporation for patent infringement. The suit relates to Promega's product IdeS Protease, which Genovis believes infringes US Patent No. 7 666 582. Genovis has an exclusive global license to the patent, which expires in 2022 and covers Genovis' product FabRICATOR®. The lawsuit includes an injunction to prevent Promega from producing, using, selling or offering for sale the infringing product, as well as damages. The suit was filed in the United State District Court of Delaware.

Comments from CEO Sarah Fredriksson

After several years of developing new innovative concepts, we have been pleased to see the enthusiasm with which our products have been received in the market. Our customers have published more than 50 scientific publications and have seen strong sales growth. As we now encounter competition from a major player in the market that affects our revenue stream, it is important to act. Genovis has chosen to pursue a legal process that requires both resources and energy, but is necessary for Genovis to retain its intellectual property rights intact. Moreover, product development is the result of considerable time, effort and creativity. Our insurance covers most of the cost of this process.

The loss of income can be attributed in part to the fact that our distributors have now completely stopped stocking our products, which has had an impact on revenue compared with the same quarter last year. The shift from distribution to direct sales is essentially completed and all distribution agreements in the US and Europe will be terminated in three months.

The business is fully focused on the objectives for the year. In August we improved our service by opening web-based direct sales and we expanded production so that we can soon produce all products as endotoxin-free laboratory reagents. All development projects at Genovis and GeccoDots are on track and in November/December we expect to be able to launch from new products in both companies.

Sarah Fredriksson
CEO, Genovis AB

Products

Genovis has developed several product concepts in which the active components are either FabRICATOR®, FabULOUS™, IgGZERO®, or GlycINATOR™. FabRICATOR is a unique enzyme that cleaves antibodies into two parts: a Fab fragment and an Fc fragment, with extremely high precision. Fabulous is an enzyme that cleaves an antibody into three parts. The product is a complement to FabRICATOR. By using the two products together, the customer gets a fast method to characterize the "hinge region" of an antibody, which is important in many antibody drug conjugate (ADC) drug candidates. IgGZERO is a protein that can specifically cleave sugar molecules that are found naturally on antibodies for "glycan analysis." GlycINATOR is another enzyme that can rapidly cleave sugar molecules from an antibody. By using IgGZERO in combination with GlycINATOR it is possible to carry out a relatively simple quantitative analysis of high-mannose molecules on antibodies. Mannose is a particularly important parameter to understand and handle when developing production processes for antibody-based drugs. Products can be ordered from a standard range or as custom-made products. Customers use the products to screen new drug substances and for quality control in development and production of new antibody-based drugs.

Sales

Genovis has been working intensively since the launch of the first products to reach out to the entire target group. The first step will focus on customers who use the products in research and development, but the strategically most important opportunity for a pronounced increase in sales is for Genovis' customers to integrate FabRICATOR and the other enzymes in clinical development and finally in production of pharmaceuticals.

Sales growth and operating profit/loss January-September (SEK thousands)

Net sales

Net sales for the period dropped to SEK 6,153k (6,856k), a decline of 10% compared with the same period last year. The decrease can be explained in part by the fact that our distributors, whose agreements expire on December 31, 2014, chose not to stock up during the third quarter and that Genovis' product FabRICATOR® encountered competition from Promega's product IdeS Protease. Competition from Promega was pronounced during the third quarter.

Net sales for the third quarter fell to SEK 1,639 (2,750k), a decline of 40% compared with the same period last year. Other operating income during the period amounted to SEK 1,419k (1,030k) and largely comprises research support from VINNOVA. Other revenue for the third quarter totaled SEK 579k (352k).

Revenue by geographic area (SEK thousands)

	Jan.-Sept.		Jan.-Dec.
	2014	2013	2013
Europe	2,094	2,117	3,252
North America	3,902	4,640	5,554
Other countries	157	99	106
Total	6,153	6,856	8,912

Operating profit/loss

Operating loss for the period was SEK 14,305k (loss: 10,599k); the third quarter accounted for a loss of SEK 5,586k (loss: 2,740k). Loss after financial items for the period was SEK 118k (loss: 1k); third quarter accounted for SEK 41k (loss: 0k) of this amount. Net loss for the period worsened to SEK 14,187k (loss: 10,539k); the third quarter accounted for a net loss of SEK 5,545k (loss: 2,740k).

Expenses

Consolidated expenses for the period increased by SEK 3,392 to SEK 21,877k (18,485k). Operating expenses are allocated among raw materials and supplies SEK 2,659k (1,305k); the increase is mainly the result of increased expenses for development work at the subsidiary GeccoDots AB. External expenses increased by SEK 1,325k to SEK 8,796k (7,471k) and are mainly attributable to attorney fees related to the process against Promega, as well as to increased sales and marketing expenses. Personnel costs increased by SEK 823k to SEK 9,498k (8,675k); the increased personnel costs are mainly

attributable to production and sales. Genovis had sixteen employees, compared with fourteen during the corresponding period in 2013.

Expenses for the third quarter were SEK 7,804 (5,842k) and are allocated as follows: raw materials and consumables SEK -1,219 (-350k), external expenses SEK 3,261k (2,530) and personnel costs SEK 3,002k (2,648k).

Consolidated investments and cash flow

Consolidated capital expenditure during the period totaled SEK 2,179k (1,456k) of which SEK 844k (819k) is attributable to property, plant, and equipment, primarily laboratory equipment and computers, and SEK 1,335k (637k) is attributable to investments in intangible fixed assets. Consolidated capital expenditure during the third quarter totaled SEK 289k (95k) of which SEK 13k (20k) is attributable to property, plant, and equipment, and SEK 276k (75k) is attributable to investments in intangible fixed assets.

Cash flow for the period Jan.-Sept. was SEK 6,523k (2,214k). Cash flow from financing activities totaled SEK 27,218k. (13,208k) and is mainly attributable to the rights issues in 2013 and 2014.

Financial position

Consolidated cash and cash equivalents including short-term investments amounted to SEK 12,003k (7,470k) at the end of the period. The available working capital is not sufficient to run the Company over the upcoming twelve-month period. The Board of Directors believes it is possible to raise the capital required in addition to the expected revenues through external financing.

Total shareholders' equity for the Group was SEK 22,444k after taking the result for the period into account.

Earnings per share, based on a weighted average of the number of outstanding shares, totaled SEK -0.66 (-0.75). The Group's equity ratio at the end of the period was 81 percent (81 percent) and equity per share was SEK 1.05 (1.16), based on fully diluted shares at the end of the period.

Taxes

The Group has a deferred tax asset that arises from the parent company, amounting to SEK 3,436k (3,436k) at the end of the period.

Employees

On September 30, 2014, the Group had sixteen employees, compared with the same period the previous year, when the Group had fourteen employees. For both periods all employees were in the parent company. One employee holds an 80%-position as an industry-based doctoral student.

Share capital and Share Performance

Share capital at the end of the period amounted to SEK 8,738,260.80. The total number of shares was 21,845,652 with a par value of SEK 0.40. In June, the Company issued 450,000 warrants subscribed for by the president and vice president.

Genovis shares are traded on NASDAQ OMX First North under the short name GENO. NASDAQ OMX First North is an alternative market, operated by the various exchanges within NASDAQ OMX. Companies on First North are subject to the rules of First North and not the legal requirements for admission to trading on a regulated market. The Company's Certified Adviser is Consensus,

T: +46 (0)31-745 50 00.

Parent company

Net sales and operating profit/loss in the parent company are attributable to the primary and only business area: sales and/or outlicensing of research-based innovations. According to Genovis, the company does not meet the definition of geographical areas under IAS 14 and therefore no secondary segment information is provided.

Revenue for the period was SEK 8,888k (10,256k), of which SEK 6,079k (6,848k) was attributable to external sales. Revenue for the third quarter was SEK 2,688k (3,545k), of which SEK 1,639k (2,742k) was attributable to sales. Other revenue during the six-month period totaled SEK 2,809k (3,408k) of which SEK 2,138k (2,374k) is attributable to personnel hired by the subsidiary; the remainder is attributable to research support from VINNOVA (the Swedish Agency for Innovation Systems). Other revenue during the third quarter totaled SEK 1,049k (803k), of which SEK 718k (701k) is attributable to personnel hired by the subsidiary.

Operating expenses for the period totaled SEK 19,076k (17,134k), mainly attributable to payroll expenses, marketing and development projects. Expenses for the third quarter were SEK 6,428k (5,003k).

Operating loss for the period was SEK 10,188k (loss: 6,878k) and loss after net financial items was SEK 14,170k (loss: 10,379k). Operating loss for the third quarter was SEK 3,740 (loss: 1,458k) and loss after net financial items was SEK 5,549k (loss: 2,758k).

Operating loss for the third quarter was SEK 14,170k (loss: 10,379k) and loss after net financial items was SEK 5,549k (loss: 2,758k).

A conditional shareholder contribution to the subsidiary of SEK 4,100k (3,500k) had a negative impact on the parent company's income statement. After the nano portfolio was transferred to the subsidiary, temporary personnel were hired in from Genovis to run the operation and the increase compared with the previous year mainly covers payroll expenses in the subsidiary. Net capital expenditure totaled SEK 1,648k (852k). Cash and cash equivalents including short-term investments totaled SEK 11,669k (7,170k) at the end of the period.

The parent company has a deferred tax asset that amounted to SEK 3,436k (3,436k) at the end of the period, equivalent to a loss carryforward of about SEK 15.6m, which is expected to be utilized in the foreseeable future. The Company's total tax loss amounts to SEK 114 million.

Subsidiary GeccoDots AB

GeccoDots develops and produces nanostructures that provide good contrast in magnetic resonance imaging, ultrasound, optical imaging and PET/SPECT. Presentations of all products can be found on the GeccoDots website, www.geccodots.com. The projects in the Company are mainly in-house, but are also run with external funding and through collaborations with research groups, including at Lund University. The technique behind the developed products was originally formulated at Genovis, but then transferred to GeccoDots. The subsidiary does not have any employees but occasionally hires temporary personnel from Genovis as the need arises.

Related-party transactions

Genovis board member and principal owner Mikael Lönn, who holds a 22.15 percent stake in Genovis, owns 5 percent of the shares in Redeye, for which Mikael Lönn is also a board member. Genovis has purchased analysis services from Redeye for a total of SEK 35k since Mikael Lönn was elected to serve as a director on the Board of Directors of Genovis.

Board director Lena Mårtensson Wernrud has received SEK 7,600 in remuneration for assignments in addition to regular board work.

Outlook

Genovis is a research and development company and therefore chooses not to issue any forecast. Although the Life Science field is relatively independent of business cycles, periods of uncertainty can influence our customers' appetite to invest in new technology.

With all development projects proceeding according to plan, Genovis is positioned to make additional advances with respect to both new products and sales.

Risk factors

Genovis' general view of the financial risks that could affect operations has not changed since the description published in the most recent annual report. Genovis' business risks include the difficulties in retaining skilled personnel and the risk that anticipated revenue might not materialize since the Company is active in a market in which competing companies have substantially larger financial resources at their disposal. For a detailed overview of the Company's financial risks please refer to page 54 in Genovis' 2013 annual report.

Accounting policies

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the relevant provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with chapter 9 of the Swedish Annual Accounts Act, Interim Reports. The accounting policies applied for the Group and the parent company are consistent with the accounting policies used in the preparation of the most recent annual report.

Consolidated statement of comprehensive income (SEK thousands)	July-Sept.		Jan.-Sept.		Jan.-Dec.
	2014	2013	2014	2013	2013
Net sales	1,639	2,750	6,153	6,856	8,912
Other operating income	579	352	1,419	1,030	1,357
Raw materials and consumables	(1,219)	(350)	(2,659)	(1,305)	(1,691)
Other external expenses	(3,261)	(2,530)	(8,796)	(7,471)	(11,679)
Gross profit/loss	(2,262)	222	(3,883)	(890)	(3,101)
Personnel costs	(3,002)	(2,648)	(9,498)	(8,675)	(11,630)
Other operating expenses	(12)	(96)	(35)	(148)	(141)
Operating loss before depreciation, amortization and impairment	(5,276)	(2,522)	(13,416)	(9,713)	(14,872)
Depreciation, amortization and impairment of plant, property, and equipment and intangible assets	(310)	(218)	(889)	(886)	(1,113)
Operating profit/loss	(5,586)	(2,740)	(14,305)	(10,599)	(15,985)
Net financial items	41	0	118	(1)	71
Loss after financial items	(5,545)	(2,740)	(14,187)	(10,600)	(15,914)
Taxes	0	0	0	61	61
Net earnings	(5,545)	(2,740)	(14,187)	(10,539)	(15,853)
Attributable to shareholders in Genovis AB	(5,545)	(2,740)	(14,187)	(10,539)	(15,853)

Earnings per share (SEK)*

- based on weighted average of the number of outstanding shares (basic and diluted).	(0.25)	(0.17)	(0.66)	(0.75)	(1.10)
Number of outstanding shares					
Weighted average for the period	21,845,652	15,780,757	21,435,588	14,029,912	14,468,842
Number of shares at beginning of period	21,845,652	15,780,757	15,780,757	11,835,568	11,835,568
Number of shares at end of period	21,845,652	15,780,757	21,845,652	15,780,757	15,780,757
Share price at end of period, SEK	3.55	4.99	3.55	4.99	4.85

Summary Consolidated Balance Sheet

Sept. 30

(SEK thousands)

2014

2013

	2014	2013
Assets		
<i>Noncurrent assets</i>		
Intangible assets	5,109	3,770
Property, plant and equipment	2,152	1,517
Financial fixed assets	3,436	3,436
<i>Current assets</i>		
Short-term investment	5,000	3,000
Cash and cash equivalents	7,003	4,470
Total assets	27,790	20,103

Equity and liabilities		
Equity	22,444	16,302
Current liabilities	5,346	3,801
Total equity and liabilities	27,790	20,103

Changes in consolidated equity

(SEK thousands)

Amount at start of period	33,085	13,633
Rights issue	3,547	13,208
Loss for the period	(14,188)	(10,539)
Amount at end of period	22,444	16,302
Attributable to shareholders in Genovis AB	22,444	16,302

Key financial ratios

Equity/assets ratio	81%	81%
Equity per share at the end of the period - basic and diluted*	1.05	1.16

Summary Consolidated statement of cash flows

(SEK thousands)	July-Sept.		Jan.-Sept.		Jan.- Dec.
	2014	2013	2014	2013	2013
Cash flow from operations	(5,587)	(2,740)	(14,305)	(10,600)	(15,986)
Adjustment for items not affecting cash flow	310	218	890	886	1,113
Change in working capital	699	(764)	(3,219)	(1,251)	2,333
Net financial items	41	0	118	(1)	71
Cash flow from operating activities	(4,537)	(3,286)	(16,516)	(10,966)	(12,469)
Investing activities	7,211	(3,095)	(4,179)	(4,456)	5,369
Cash flow after investing activities	2,674	(6,381)	(20,695)	(15,422)	(17,838)
Financing activities	0	0	0	0	0
Rights issue	0	0	27,218	13,208	11,634
Cash flow for the period	2,674	(6,381)	6,523	(2,214)	(6,204)
Cash and cash equivalents at beginning of period	4,329	10,851	480	6,684	6,684
Cash and cash equivalents at end of period	7,003	4,470	7,003	4,470	480

Parent company

Summary Income Statement

(SEK thousands)	July-Sept.		Jan.-Sept.		Jan.-Dec.
	2014	2013	2014	2013	2013
Operating income	2,688	3,545	8,888	10,256	13,310
Operating expenses	(6,428)	(5,003)	(19,076)	(17,134)	(24,358)
Operating profit/loss	(3,740)	(1,458)	(10,188)	(6,878)	(11,048)
Net financial items	(1,809)	(1,300)	(3,982)	(3,501)	(4,629)
Profit/loss before tax	(5,549)	(2,758)	(14,170)	(10,379)	(15,677)
Loss for the period	(5,549)	(2,758)	(14,170)	(10,379)	(15,677)

Summary Balance Sheet

(SEK thousands)	Sept. 30		Dec. 31
	2014	2013	2013
Assets			
Fixed assets	11,635	8,662	9,080
Current assets	4,460	3,731	27,930
Short-term investment	5,000	3,000	3,000
Cash and cash equivalents	6,669	4,170	371
Total assets	27,764	19,563	40,381

Equity and liabilities (SEK thousands)

Equity			
Restricted equity	20,756	18,330	20,434
Non-restricted equity	1,658	(2,092)	12,603
Liabilities			
Current liabilities	5,350	3,325	7,344
Total equity and liabilities	27,764	19,563	40,381

Statement of changes in equity

(SEK thousands)			
Amount at start of period	33,037	13,409	13,409
Rights issue	3,547	13,208	13,208
Ongoing rights issue			22,097
Loss for the period	(14,170)	(10,379)	(15,677)
Amount at end of period	22,414	16,238	33,037
Attributable to shareholders in Genovis AB	22,414	16,238	33,037

Summary statement of cash flows	July-Sept.		Jan.-Sept.		Jan.- Dec.
Jan.-Dec. (SEK thousands)	2014	2013	2014	2013	2013
Cash flow from operations	(3,740)	(1,458)	(10,188)	(6,878)	(11,048)
Adjustment for items not affecting cash flow	279	203	800	563	771
Change in working capital	1,088	(823)	(2,194)	(1,462)	2029
Net financial items	41	0	117	(1)	72
Cash flow from operating activities	(2,332)	(2,078)	(11,465)	(7,778)	(8,176)
Investing activities	5,073	(4,557)	(9,455)	(7,915)	(9,742)
Cash flow after investing activities	2,741	(6,635)	(20,920)	(15,693)	(17,918)
Financing activities	0	0	27,218	13,208	11,634
Cash flow for the period	2,741	(6,635)	6,298	(2,485)	(6,284)
Cash and cash equivalents at beginning of period	3,928	10,805	371	6,655	6,655
Cash and cash equivalents at end of period	6,669	4,170	6,669	4,170	371

Lund November 17, 2014

Genovis AB (publ.)

On behalf of the Board of Directors Sarah Fredriksson, CEO and President

Financial calendar 2015

Year-end report	February 18
Interim Report January-March	May 11
Annual General Meeting	May 28

This interim report may be ordered from the Company or downloaded at the Genovis web site: www.genovis.com.

Genovis AB, Box 790, SE-220 07 Lund, Sweden T: +46 (0)46-10 12 30, fax: +46 (0)46-12 80 20

For more information, please contact:

Sarah Fredriksson, CEO

T: +46 (0)46-10 12 35

This document is a translation of the Swedish original. In the event of any discrepancy between this translation and the Swedish original, the Swedish version shall prevail.

Report of Review of Interim Financial Information

Introduction

We have reviewed the condensed interim financial information (interim report) of Genovis AB (publ.) as of 30 September 2014 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Not effecting our statement we refer to the part with the company's financial position in this report where it states that there is an uncertainty regarding future possibilities for the company to obtain funds to meet its obligations. This indicates that there is a substantial uncertainty and doubt regarding the ability for the company to carry on its business activities.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Malmö, Sweden, November 17, 2014

PricewaterhouseCoopers

Magnus Willfors
Authorized Public Accountant

Sofia Götmar-Blomstedt
Authorized Public Accountant

This information is also available in Swedish.