

HALF-YEARLY REPORT JANUARY-JUNE 2012

January - June

- Net sales rose to SEK 2,092k (1,030k), up 103% compared with the same period in 2011.
- Loss after financial items was SEK k 8,438 (loss: SEK 6,784k).
- Comprehensive income per share, based on a weighted average of the number of outstanding shares, totaled SEK -1.10 (-1.48).
- Cash flow from operating activities during the period was SEK -7,346k (-6,607k).
- Cash and cash equivalents at the end of the period totaled SEK 14,772k (14,161k).

Second quarter highlights

- Genovis introduced FabRICATOR[®] 96-well plate for HTS applications at conferences in Canada and the UK.
- Genovis signed exclusive distribution agreement with Sigma-Aldrich[®] for sales in Asia, Southeast Asia and South America.
- Genovis hired international sales manager to strengthen organization.
- Reverse share split 1:10 with record date April 10.
- Fully subscribed rights issue with preferential rights for existing shareholders brought Genovis SEK 12.1 million before issue costs.
- Private placement to LMK Ventures AB brought Genovis SEK 5 million.

Selected financial data in brief, SEK thousand

	2012	2011	2012	2011	2011
	Jan-June		April-June		Full-year
Net sales	2,092	1,030	1,148	575	2,856
Other operating income	426	118	232	46	741
Operating expenses	(10,952)	(7,469)	5,808	3,934	(17,343)
Comprehensive income for the period	(8,363)	(6,763)	(4,392)	(3,305)	(13,608)
Comprehensive income per share based on a weighted average of the number of outstanding shares	(1.10)	(1.48)	(0.53)	(0.65)	(2.37)
Cash flow from operating activities	(7,346)	(6,607)	(4,474)	(3,923)	(12,150)
Cash and cash equivalents	14,772	14,161	14,772	14,161	7,563

ABOUT GENOVIS

The Group consists of Genovis AB and the fully owned subsidiary Eijdo research AB. Genovis develops and sells innovative technologies from two unique product portfolios. The first involves nanotechnology in new contrast agents and the second consists of unique enzymes (protein engineering portfolio) that facilitate development and quality control of drugs. Historically, research and development have largely dominated the Company's business activities. Over the past two years commercialization of products from the protein engineering portfolio has begun and today, sales and customer-based development projects account for an increasingly important part of the business.

Genovis conducts operations in Lund, has 13 employees and is listed on NASDAQ OMX First North.

COMMENTS FROM THE CEO

The most important events for Genovis during the second quarter were the agreement with Sigma Aldrich, doubled net sales compared with the same period last year and the addition of a sales manager. The distribution agreement is essential for us to quickly and more effectively reach customers in rapidly growing markets for production of biologics and biosimilars, especially in Asia, Southeast Asia and South America. With a partner like Sigma Aldrich, which has a well-established and recognized brand, we can supply products to customers anywhere, with short delivery times and local technical support. Adding a sales manager enables us to strengthen our direct sales and focus on Genovis' key customers and distributors, mainly in the US and Europe. These two measures have been high-priority objectives for 2012. Taken together, they create the conditions to meet the trend we are now seeing with growing demand from new customers and rising average order value from established customer accounts. During the period Genovis carried out a successful rights issue which provides the Company with the necessary strength and focus to commercialize its products.

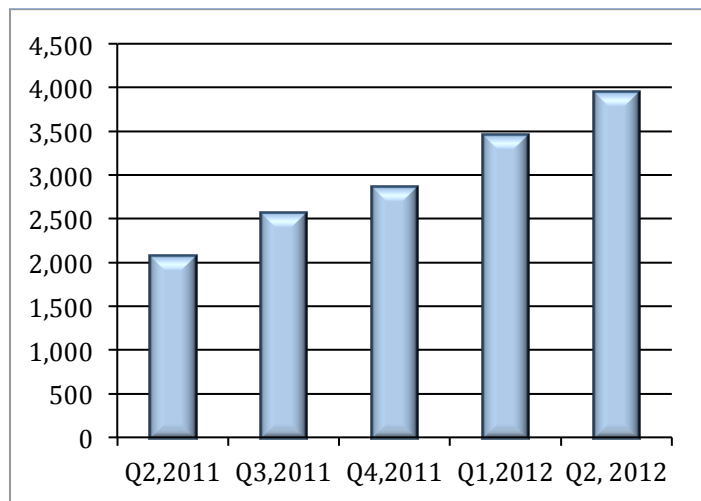
Cost increases for the period are mainly due to an increase in marketing and sales campaigns. Production costs also increased slightly during the period, mainly because we implemented measures to increase production volumes and we developed improved and more efficient quality control procedures. In the slightly longer term, these initiatives will result in lower production costs per unit produced.

During the fall, we will continue to aggressively market all products in the protein engineering portfolio. Although we clearly prioritized our sales and marketing campaigns, our development projects are progressing according to plan and they are all generating good results. I look forward to discussing these results and products from our nano portfolio with customers in medical imaging. As a first step we will have a booth at the World Molecular Imaging Congress in September.

Lund in August
Sarah Fredriksson
CEO Genovis AB

SALES

Sales per rolling twelve months in SEK thousand



During the second quarter, sales of products from the protein engineering portfolio continued to increase at a rate of 105% compared with the same period last year. This improved performance can be attributed to the increase in resources dedicated to customers, product enhancements that have been launched and clearer communication of the various applications. Genovis prioritized attending major conferences and trade shows at which products and applications were presented, which also resulted in new customers and increased sales. Today, the major pharmaceutical companies and several leading biotechnology companies that develop drugs based on antibody molecules are Genovis customers.

Revenue per geographic area, SEK thousand

	2012 Jan-June	2011	2011 Full-year
Nordic region	246	124	344
Europe	856	384	1,066
USA	1,200	619	1,715
Other countries	36	27	75
Total	2,092	1,030	2,856

A two-pronged approach is used for sales in the various markets: directly to end users and in cooperation with distributors. Genovis currently has distributors in all major markets and sells directly to end customers in markets that do not have a local distributor. The largest market for Genovis' products is the US, which currently accounts for 57% of sales.

GENOVIS PRODUCTS

Protein engineering portfolio

Genovis has developed several product concepts in which the active components are either FabRICATOR® or IgGZERO™. FabRICATOR® is a unique enzyme that cleaves antibodies into two parts: a Fab fragment and an Fc fragment, with extremely high precision. IgGZERO is a protein that can specifically cleave sugar molecules that are found naturally on antibodies. 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. The products enable customers to carry out analyses faster with higher quality than competing technologies can offer, which means lower costs and greater efficiency for the customer.

Development projects in protein engineering portfolio

Development projects in the protein engineering portfolio consist in part of new product formats and in part of two completely new enzymes. The objective is to launch at least one new enzyme in 2012 in conjunction with some major conference. During the second quarter Genovis introduced products in High Throughput Screening (HTS) format at two major conferences in Canada and England.

Nano portfolio

Genovis has developed a series of nanostructures for use as contrast agents in medical imaging. Before Genovis can launch its nanoparticles as contrast agents in preclinical imaging, reference studies must be carried out that demonstrate proof of concept. Reference studies are also used as a basis for developing the right kind of product so customers gain maximum benefit from their investment. Genovis conducts such reference projects in-house and the objective is to present project results and product concepts during the last two quarters of 2012 to a group of customers larger than the reference customers who have tested the products to date. In 2011 Genovis acquired exclusive rights to a patent application describing a technique that can detect so-called upconverting particles in biological material. Genovis demonstrated the successful combination of its technology with the upconverting nanocrystals, and further tested the new nanostructures as a contrast medium for optical imaging. In May Genovis presented the first preclinical tests at the conference CLINAM 2012 (The European Foundation for Clinical Nanomedicine) in Basel, Switzerland.

Research project with external financing

Sentinel Node project

The Sentinel Node project is interdisciplinary and the goal for Genovis is to produce a multimodal particle that will be used to diagnose (using medical imaging) extremely small tumors that may quickly spread to nodes, as seen in breast cancer and melanoma. Tumor cells are spread via the lymphatic system according to a certain pattern. The first lymph node to receive this drainage is the “gatekeeper” or “sentinel” node - which is also the name of the development project that Genovis is conducting in collaboration with the Department of Medical Radiation Physics at Lund University. The final goal of the project is to produce a contrast agent that can be used both for diagnostics and as an aid during surgery. The project is financed by the Swedish Research Council and LMK Industri AB. The project is on track and the activities have been expanded to several imaging methods. In the second quarter, the project generated new results and advances in the various imaging techniques, including combined PET/MRI, SPECT, ultrasound and optical imaging, which will be presented in scientific publications and via Genovis’ activities at trade shows and conferences over the next year.

LUPAS project*

LUPAS is an EU project within the Seventh Framework Programme. Its goal is to develop novel tools for diagnosis and therapy for Alzheimer disease and for neurodegenerative diseases caused by prions. The project is expected to end in late 2012 or early 2013 and Genovis’ primary role in the project has been to provide knowledge about the design and production of nanostructures, as well as to work with communications and introductory business development of the project results.

**The LUPAS project and its results are presented on the LUPAS website, www.lupas-amyloid.eu.*

RESULT AND FINANCIAL POSITION

The parent company conducts all of the Group's activities. To evaluate and test products from the nano portfolio, the parent uses equipment, including MRI, located at the premises of its subsidiary in Malmö. 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 the Company, it does not meet the definition of geographical areas under IAS 14 and therefore no secondary segment information is provided.

The Group's financial performance

Net sales during the six-month period increased to SEK 2,092k (1,030k); second-quarter net sales rose to SEK 1,148k (575k). Other income during the six-month period increased to SEK 426k (118k); second-quarter other income rose to SEK 232k (46k). Other operating income mainly consists of research support. The Company's total costs for January-June amounted to SEK -10,952k (-7,469k). Operating expenses are distributed among raw materials and consumables for SEK -907k (498k), including inventory which had a positive impact on the result of SEK 132k (899k). Expenses excluding changes in inventory increased by SEK 506k, mainly due to changes in production processes and royalty costs resulting from increased sales. External expenses increased by SEK 716k to SEK -4,372k (-3,611k) and mainly relate to increased marketing expenses. Personnel costs increased by SEK 663k to SEK -4,953 (-4,290k). Depreciation for the period has increased primarily due to a reclassification of goodwill related to the acquisition of Eijdo AB.

The operating loss for the six-month period grew to SEK 8,433k (loss: 6,775k). The corresponding figure for the second quarter was a loss of SEK 4,428k (loss: 3,313k). Net financial items for the six-month period totaled SEK -5k (-9k). Net loss for the six-month period worsened to SEK 8,363 (loss: 6,763); the second quarter accounted for a loss of SEK 4,392k (loss: 3,305k).

Consolidated investments and cash flow

The Group's net investments during the period totaled SEK 863k (235k), with SEK 226k (8k) attributable to property, plant and equipment, primarily laboratory and computers, and SEK 637k (218k) attributable to investments in intangible assets.

At the end of the period cash flow was SEK 7,209k (10,087k). Cash flow from financing activities totaled SEK 15,417k (16,929k). During the period the Company carried out two rights issues.

Financial position

Cash and cash equivalents at the end of the period amounted to SEK 14,772k (14,161k). Interest-bearing liabilities totaled SEK 125k (335k). During the period, loans were amortized for a total of SEK 120k. Total shareholders' equity for the Group was SEK 25,185k after taking the net loss for the period into account. Earnings per share, based on a weighted average of the number of outstanding shares, totaled SEK -1.10 (-1.48). The Group's equity ratio at the end of the period was 85% and equity per share was SEK 0.70 (0.37), based on fully diluted shares at year-end.

Taxes

The Group has a deferred tax asset that arises from the parent company, amounting to SEK 3,203k (2,891) at the end of the period.

Employees

On June 30, 2012, the Group had thirteen employees, thirteen in the parent company and none in the subsidiary, compared with the same period last year, when the Group had ten employees, eight in the parent company and two in the subsidiary. An employee of the parent company holds an 80%-position as an industry-based doctoral student.

Share capital and Share Performance

Share capital at end of period amounted to SEK 4,734,227.2. The total number of shares was 11,835,568 with a par value of SEK 0.40.

Genovis shares are traded on NASDAQ OMX First North under the short name GENO. The number of shares on June 30, 2012, was 11,835,568 and the number of shareholders was about 2,500. 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 Thenberg & Kinde Fondkommission AB. Tel: +46 (0)31-745 50 00

Parent company

Revenue for the period was SEK 2,518k (1,030k), of which SEK 2,092k (455k) was attributable to sales and SEK 426k (118k) was attributable to research support for projects in the nanoparticle portfolio. Operating expenses for the period totaled SEK 10,342k (6,631), mainly attributable to payroll expenses, marketing and development projects. Operating loss for the period was SEK 7,824k (loss: 5,601k) and loss after net financial items was SEK 8,138k (6,970k). Comprehensive income for the period was a loss of SEK 8,138k (loss: 6,970k). The lower operating result during the period is mainly attributable to increased personnel costs and costs for marketing and sales.

The parent company income statement is charged with a conditional shareholder contribution to the subsidiary of SEK 310k (1,360k). Net capital expenditure totaled SEK 863 (235). Liquidity at the end of the period was SEK 14,767k (13,460k).

The parent company has a deferred tax asset that amounted to SEK 3,028k (3,028k) at the end of the period, equivalent to a loss-carryforward of about SEK 11.5m, which is expected to be utilized in the foreseeable future. The Company's total tax loss is SEK 87m.

Subsidiary Eijdo research AB

Eijdo research owns an MRI machine that is appropriate for clinical conditions and has access to all necessary infrastructure. Genovis uses the subsidiary exclusively for internal product development together with the parent company's development group. The subsidiary has current assets amounting to SEK 355k, liabilities of SEK 262k and shareholders' equity of SEK 98k. The subsidiary did not have any income during the period and expenses totaled SEK 324k.

Outlook

Genovis is a research and development company and therefore corporate management has chosen not to issue any financial 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, we are positioned to make additional advances with respect to both new products and sales.

Consolidated statement of comprehensive income (SEK 000s)	Jan-June		April-June		Jan-Dec
	2012	2011	2012	2011	2011
Net sales	2,092	1,030	1,148	575	2,856
Other operating income	426	118	232	46	741
Raw materials and consumables	(907)	498	(389)	777	(1,168)
Other external expenses	(4,372)	(3,611)	(2,438)	(2,194)	(6,397)
Gross profit/loss	(2,761)	(1,965)	(1,447)	(796)	(3,968)
Personnel costs	(4,953)	(4,290)	(2,629)	(2,289)	(8,347)
Other operating expenses	(32)	(66)	(8)		(120)
Operating loss before depreciation, amortization and impairment	(7,746)	(6,321)	(4,084)	(3,085)	(12,435)
Depreciation of property, plant, and equipment and amortization of intangible assets	(687)	(454)	(344)	(228)	(1,310)
Operating loss	(8,433)	(6,775)	(4,428)	(3,313)	(13,745)
Net financial items	(5)	(9)	(2)	(4)	(13)
Loss after financial items	(8,438)	(6,784)	(4,430)	(3,317)	(13,758)
Deferred tax on loss for the year	75	21	38	10	150
Loss after tax	(8,363)	(6,763)	(4,392)	(3,305)	(13,608)
Attributable to shareholders in Genovis AB	(8,363)	(6,763)	(4,392)	(3,305)	(13,608)
Earnings per share (SEK)* - based on weighted average of the number of outstanding shares (basic and diluted).	(1.10)	(1.48)	(0.53)	(0.65)	(2.37)
Number of outstanding shares					
Weighted average for the period	7,597,752	4,580,776	8,271,792	5,049,363	5,752,244
Number of shares at beginning of period	6,923,712	4,112,188	6,923,712	4,112,187	4,112,188
Number of shares at end of period	11,835,568	6,923,712	11,835,568	6,923,712	6,923,712
Share price at end of period, SEK	3.79	0.53	3.79	0.53	0.30

* Results for all periods covered by the interim report have been restated in accordance with the reverse share split 1:10 with record date April 10.

Last day of redemption for the warrants issued in the last program was May 31, 2012. Thus no potential dilution of earnings per share exists at this time.

Summary Consolidated Balance Sheet (SEK 000s)	June 30		Dec 31
	2012	2011	2011
Assets			
<i>Non-current assets</i>			
Intangible assets	7,357	7,873	7,208
Property, plant and equipment	1,417	1,357	1,390
Financial assets	3,203	2,891	3,128
Current assets	2,901	2,088	2,152
Cash and cash equivalents	14,772	14,161	7,563
Total assets	29,650	28,370	21,441
Equity and liabilities			
Equity	25,185	25,398	18,010
Non-current liabilities	5	305	65
Current liabilities	4,460	2,667	3,366
Total equity and liabilities	29,650	28,370	21,441

Consolidated statement of changes in equity (SEK 000s)	June 30		Dec 31
	2012	2011	2011
Amount at start of period	18,010	15,232	15,232
Rights issue	15,538	16,929	16,689
Reclassification of intangible assets	0	0	(303)
Net loss for the period	(8,363)	(6,763)	(13,608)
Amount at end of period	25,185	25,398	18,010
Attributable to shareholders in Genovis AB	25,185	25,398	18,010

Key financial ratios (SEK 000s)	June 30		Dec. 31
	2012	2011	2011
Equity/assets ratio	85%	90%	84%
Equity per share at end of period - basic	0.70	0.37	0.26
Equity per share at end of period - after dilution	0.70	0.37	0.26

* Results for all periods covered by the interim report have been restated in accordance with the reverse share split 1:10 with record date April 10.

Summary Consolidated Cash and Cash Equivalents (SEK 000s)	Jan-June		April-June		Jan-Dec
	2012	2011	2012	2011	2011
Cash flow from operations	(8,433)	(6,775)	(4,428)	(3,311)	(13,746)
Adjustment for items not affecting cash flow	687	454	344	227	1,310
Change in working capital	405	(277)	(388)	(835)	299
Net financial items	(5)	(9)	(2)	(4)	(12)
Cash flow from operating activities	(7,346)	(6,607)	(4,474)	(3,923)	(12,149)
Investing activities	(862)	(235)	(405)	(48)	(870)
Cash flow after investing activities	(8,208)	(6,842)	(4,879)	(3,971)	(13,019)
Financing activities	(120)	(60)	(60)	(30)	(180)
Rights issue	15,537	16,989	15,753	17,154	16,688
Cash flow for the period	7,209	10,087	10,814	13,153	3,489
Cash and cash equivalents at beginning of period	7,563	4,074	3,958	1,008	4,074
Cash and cash equivalents at end of period	14,772	14,161	14,772	14,161	7,563

Parent company, Summary Income Statement (SEK 000s)	Jan-June		April-June		Jan- Dec
	2012	2011	2012	2011	2011
Operating income	2,518	1,030	1,138	489	3,407
Operating expenses	(10,342)	(6,631)	(4,830)	(3,253)	(14,649)
Operating loss	(7,824)	(5,601)	(3,692)	(2,764)	(11,242)
Net financial items	(314)	(1,369)	(162)	(805)	(3,058)
Loss before taxes	(8,138)	(6,970)	(3,854)	(3,569)	(14,300)
Deferred tax on net loss for the period	0	0	0	0	0
Net loss for the period	(8,138)	(6,970)	(3,854)	(3,569)	(14,300)

Parent company, Summary Balance Sheet (SEK 000s)	June 30		Dec 31
	2012	2011	2011
Assets			
Non-current assets	11,967	12,320	11,505
Current assets	2,861	2,049	2,109
Cash and cash equivalents	14,767	13,460	7,034
Total assets	29,595	27,829	20,648
Equity and liabilities			
Equity			
Restricted equity	16,752	39,713	39,713
Non-restricted equity	8,330	(14,459)	(22,030)
Liabilities			
Non-current liabilities	5	305	64
Current liabilities	4,508	2,270	2,901
Total equity and liabilities	29,595	27,829	20,648

Parent company, Changes in equity (SEK 000s)	June 30		Dec 31
	2012	2011	2011
Amount at start of period	17,683	15,294	15,294
Rights issue	15,537	16,929	16,689
Net loss for the period	(8,138)	(6,969)	(14,300)
Amount at end of period	25,082	25,254	17,683
Attributable to shareholders in Genovis AB	25,082	25,254	17,683

Parent company, Summary Statement of Cash Flows (SEK 000s)	Jan-June		April-June		Jan-Dec
	2012	2011	2012	2011	2011
Cash flow from operations	(7,824)	(5,601)	(4,132)	(2,764)	(11,242)
Adjustment for items not affecting cash flow	400	373	200	187	737
Change in working capital	607	(252)	(279)	(1,144)	257
Net financial items	(4)	(9)	(2)	(4)	(12)
Cash flow from operating activities	(6,821)	(5,489)	(4,213)	(3,725)	(10,260)
Investing activities	(863)	(1,595)	(405)	(848)	(2,830)
Cash flow after investing activities	(7,684)	(7,084)	(4,618)	(4,573)	(13,090)
Financing activities	15,417	16,929	15,693	17,079	16,509
Cash flow for the period	7,733	9,845	11,075	12,506	3,419
Cash and cash equivalents at beginning of period	7,034	3,615	3,692	954	3,615
Exchange rate difference in cash and cash equivalents	0	0	0	0	0
Cash and cash equivalents at end of period	14,767	13,460	14,767	13,460	7,034

OTHER INFORMATION

Significant events after the reporting period

No significant events occurred after the end of the period.

Risk factors

The Company's' 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 competing companies have substantially larger financial resources at their disposal.

For a detailed overview of the Company's financial risks please refer to page 60 in Genovis' 2011 annual report.

Accounting policies

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and 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.

Financial calendar 2012-2013

Interim Report Jan.-Sept.	November 14, 2012
Year-End Report	February 28, 2013

Legal disclaimer

This report contains forward-looking information based on the current expectations of the management at Genovis. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Consequently, actual future results may vary materially from those implied in the forward-looking statements due to such changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors.

This half-yearly report has not been reviewed by the Company's auditors.

Lund August 29, 2012

Genovis AB (publ.)

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

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