

SIX-MONTH REPORT JANUARY –JUNE 2014

April–June

- Net sales rose by about 15% to SEK 2,530k (2,200k).
- Loss after financial items was SEK 4,803k (loss: 3,903k).
- Comprehensive income was a loss of SEK 4,803k (loss: 3,852k).
- Comprehensive income per share basic and diluted totaled SEK -0.22 (-0.27).
- Cash flow from operating activities during the period was SEK -5,767k (-3,251k).
- Cash and cash equivalents including short-term investments amounted to SEK 16,829k (10,851k) at the end of the period.
- The company launched a new product format that will make validation of FabRICATOR[®] easier for customers.

January - June

- Net sales rose by about 10% to SEK 4,514k (4,106k).
- Loss after financial items was SEK 8,642k (loss: 7,860k).
- Comprehensive income was a loss of SEK 8,642k (loss: 7,799k).
- Comprehensive income per share basic and diluted totaled SEK -0.41 (-0.60).
- Cash flow from operating activities during the six-month period was SEK -11,980k (-7,680k).

January-June

	2014	2013	Change
Net sales	4,514	4,106	+10%
Other operating income	840	678	+24%
Expenses for the period	(14,072)	(12,643)	+11%
Operating loss	(8,718)	(7,859)	-11%
Comprehensive income for the period	(8,642)	(7,799)	-11%
Comprehensive income per share based on a weighted average of the number of outstanding shares	(0.22)	(0.60)	+63%
Cash flow from operating activities	(11,980)	(7,680)	-56%
Cash and cash equivalents, including short-term investments at end of period	16,829	10,851	+55%

Comments from CEO Sarah Fredriksson

During the second quarter, sales increased by about 15 percent year on year, and by 28 percent quarter on quarter. Sales in North America jumped 25 percent in the second quarter compared with the second quarter of 2013. Overall this performance represents positive confirmation that our customer base continues to grow, as does demand for our enzyme products. To take full advantage of the potential of our products, our efforts are aimed at convincing the market to implement a shift in technology. We would like to see our customers begin using our first product, FabRICATOR®, in quality control for commercial production of antibody-based drugs. As part of this strategy the Company launched a new product during the second quarter that will facilitate validation of our product. We also have a special focus on the US market, where we are transitioning from distribution to direct sales. This process, which is on schedule and is expected to be completed by year-end in both North America and Europe, has entailed an increase in expenses of about 4 percent for the parent company during the period.

In the wholly-owned subsidiary GeccoDots, activities have intensified in R&D and in marketing of products for the preclinical market as well as in projects aimed at clinical development in the long term. Developments in the subsidiary have resulted in increased costs that have had a negative impact on the consolidated results. All development projects are on track and it is both exciting and inspiring that we were recently able to present two scientific papers reporting good results from the Sentinel Node project's preclinical studies.

Products

Genovis sells products in the form of enzymes to customers who use them as a consumable. Customers use the products in recurring processes. In addition to the actual product, Genovis provides global deliveries and support within 24 hours. During product development, Genovis places great emphasis on ensuring that the customer experience is as positive as possible, which means that the products must be robust, easy to use and stable during shipping and storage. Standardized formats, clear instructions and close customer relationships are key elements to ensure that the product works as intended, even for inexperienced customers. Genovis' products do not require regulatory approval and new products can therefore be launched as soon as development is completed. Establishment of the product in routine processes results in long-term customer relationships, since regulatory-driven pharmaceutical production generates reluctance to changing established processes and procedures. Genovis also generates revenues through large custom development projects.

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.

Net sales

Net sales for the six-month period rose to SEK 4,514k (4,106k), an increase of 10% compared with the same period in 2013. Net sales for the second quarter rose to SEK 2,530k (2,200k), an increase of 15 percent compared with the same period in 2013. Other operating income of SEK 840k (678k) mainly consists of research support.

Revenue by geographic area (SEK thousands)

	Jan.-June		Jan.-Dec.
	2014	2013	2013
Europe	1,440	1,325	3,252
North America	2,967	2,682	5,554
Other countries	107	99	106
Total	4,514	4,106	8,912

Operating result

Operating loss for the six-month period was SEK 8,718k (loss: 7,859k); the second quarter accounted for SEK 4,839k (loss: 3,902k). Loss after financial items for the six-month period was SEK 76 (loss: 1k); the second quarter accounted for SEK 36k (loss: 1k). Net loss for the six-month period worsened to SEK 8,642k (loss: 7,799k); the second quarter accounted for a worsening to a net loss of SEK 4,803k (loss: 3,852k).

Expenses

Consolidated expenses for the six-month period increased by SEK 1,429k to SEK 14,072k (12,643k). Operating expenses are allocated as follows: raw materials and supplies SEK 1,440k (955k), External expenses, which mainly relate to increased sales and marketing expenses, increased by SEK 594k to SEK 5,535k (4,941k). Personnel costs increased by SEK 467k to SEK 6,495k (6,028k).

Expenses for the second quarter were SEK 7,824k (6,669k) and are allocated as follows: raw materials and consumables SEK 685k (501k), external expenses SEK 3,280k (2,534k) and personnel costs SEK 3,554k (3,182k).

Personnel costs were higher in part because Genovis expanded R&D and in part because of sales and marketing initiatives. Genovis had sixteen employees, compared with fifteen during the corresponding period in 2013.

Consolidated investments and cash flow

Consolidated capital expenditure during the six-month period totaled SEK 1,889k (1,361k) of which SEK 831k (799k) is attributable to property, plant, and equipment, primarily laboratory equipment and computers, and SEK 1,058k (562k) is attributable to investments in intangible fixed assets. Consolidated capital expenditure during the second quarter totaled SEK 623k (766k) of which SEK 8k (405k) is attributable to property, plant, and equipment, and SEK 615k (361k) is attributable to investments in intangible fixed assets.

Cash flow for the period Jan.-June was SEK 3,849k (4,167k). 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 16,829k (10,851k) at the end of the period.

Interest-bearing liabilities totaled SEK 0k (0k).

Total shareholders' equity for the Group was SEK 27,990k 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 -0.41 (-0.60). The Group's equity ratio at the end of the period was 83 (80) percent and equity per share was SEK 1.32 (1.46), based on fully diluted average number of 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 June 30, 2014, the Group had sixteen employees, compared with the same period the previous year, when the Group had fifteen 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 Thenberg & Kinde Fondkommission AB, tel: +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 six-month period was SEK 6,200k (6,711k), of which SEK 4,440k (4,106k) was attributable to sales. Revenue for the second quarter was SEK 2,985k (3,871k), of which SEK 2,530k (2,200k) was attributable to sales. Other revenue during the six-month period totaled SEK 1,760k (2,605k) of which SEK 1,420k (1,676k) 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 second quarter totaled SEK 919k (1,671k), of which SEK 714k (854k) is attributable to personnel hired by the subsidiary.

Operating expenses for the period totaled SEK 12,647k (12,131k), mainly attributable to payroll expenses, marketing and development projects. Expenses for the third quarter were SEK 6,971k (6,387k).

Operating loss for the period was SEK 6,447k (loss: 5,420k) and loss after net financial items was SEK 8,621k (loss: 7,621k). Operating loss for the second quarter was SEK 3,523 (loss: 2,561k) and loss after net financial items was SEK 4,787 (loss: 3,617k). Net loss for the period was SEK 4,787k (loss: 3,617k).

An impairment charge of SEK 2,250k (2,200k) 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 mainly covers payroll costs in the subsidiary. Net capital expenditure totaled SEK 1,504k (910k). Cash and cash equivalents, including short-term investments at the end of the period totaled SEK 16,428k (10,805k).

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

During the period Genovis purchased analysis services from Redeye for a total of SEK 35k. 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.

Events after the end of the period

No other events were reported after the end of the period.

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 year-end 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)	April-June		January-June		Jan.-Dec.
	2014	2013	2014	2013	2013
Net sales	2,530	2,200	4,514	4,106	8,912
Other operating income	455	567	840	678	1,357
Raw material and consumables	(685)	(501)	(1,440)	(955)	(1,691)
Other external expenses	(3,280)	(2,534)	(5,535)	(4,941)	(11,679)
Gross profit/loss	(980)	(268)	(1,621)	(1,112)	(3,101)
Personnel costs	(3,554)	(3,182)	(6,495)	(6,028)	(11,630)
Other operating expenses	0	-4	(23)	(52)	(141)
Operating loss before depreciation and amortization (EBITDA),	(4,534)	(3,454)	(8,139)	(7,192)	(14,872)
Depreciation, amortization and impairment of plant, property, and equipment and intangible assets	(305)	(448)	(579)	(667)	(1,113)
Operating loss	(4,839)	(3,902)	(8,718)	(7,859)	(15,985)
Net financial items	36	(1)	76	(1)	71
Loss after financial items	(4,803)	(3,903)	(8,642)	(7,860)	(15,914)
Taxes	0	51	0	61	61
Loss after tax	(4,803)	(3,852)	(8,642)	(7,799)	(15,853)
Attributable to shareholders in Genovis AB	(4,803)	(3,852)	(8,642)	(7,799)	(15,853)

Earnings per share, SEK

- based on weighted average of the number of outstanding shares (basic and diluted)*.	(0.22)	(0.27)	(0.41)	(0.60)	(1.10)
Number of outstanding shares					
Weighted average for the period	21,845,652	14,317,523	21,230,556	13,076,545	14,468,842
Number of shares at beginning of period	21,845,652	11,835,568	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	3.99	4.10	3.99	4.10	4.85

*The outstanding warrants do not entail any dilution of earnings per share since a conversion to shares would result in improved reported earnings per share.

Summary Consolidated Balance Sheet

June 30

(SEK thousands)

2014

2013

Assets		
<i>Noncurrent assets</i>		
Intangible assets	4,970	3,796
Property, plant and equipment	2,312	1,614
Financial assets	3,436	3,436
Current assets	6,054	4,155
Investments in securities etc.	12,500	0
Cash and cash equivalents	4,329	10,851
Total assets	33,601	23,852

Equity and liabilities		
Equity	27,990	19,042
Non-current liabilities	0	0
Current liabilities	5,611	4,810
Total equity and liabilities	33,601	23,852

Consolidated statement of changes in equity

(SEK thousands)

Amount at start of period	33,085	13,633
New issue	3,547	13,208
Loss for the period	(8,642)	(7,799)
Amount at end of period	27,990	19,042
Attributable to shareholders in Genovis AB	27,990	19,042

Key financial ratios

Equity/assets ratio	83%	80%
Equity per share at end of period	1.32	1.46

Summary Consolidated statement of cash flows

(SEK thousands)	April-June		Jan.-June		Jan.- Dec.
	2014	2013	2014	2013	2013
Cash flow from operations	(4,840)	(3,903)	(8,718)	(7,860)	(15,986)
Adjustment for items not affecting cash flow	305	448	579	668	1,113
Change in working capital	(1,268)	205	(3,917)	(487)	2,333
Net financial items	36	(1)	76	(1)	71
Cash flow from operating activities	(5,767)	(3,251)	(11,980)	(7,680)	(12,469)
Investing activities	4,876	(766)	(11,389)	(1,361)	5,369
Cash flow after investing activities	(891)	(4,017)	(23,369)	(9,041)	(17,838)
Financing activities	0	0	0	0	0
New issue	140	13,325	27,218	13,208	11,634
Cash flow for the period	(751)	9,308	3,849	4,167	(6,204)
Cash and cash equivalents at beginning of period	5,080	1,543	480	6,684	6,684
Cash and cash equivalents at end of period	4,329	10,851	4,329	10,851	480

Parent company

Summary Income Statement

(SEK thousands)	April-June		Jan.-June		Jan.-Dec.
	2014	2013	2014	2013	2013
Operating income	3,448	3,871	6,200	6,711	13,310
Operating expenses	(6,971)	(6,387)	(12,647)	(12,131)	(24,358)
Operating loss	(3,523)	(2,516)	(6,447)	(5,420)	(11,048)
Net financial items	(1,264)	(1,101)	(2,174)	(2,201)	(4,629)
Loss before taxes	(4,787)	(3,617)	(8,621)	(7,621)	(15,677)
Deferred tax on net loss for the period	0	0	0	0	0
Loss for the period	(4,787)	(3,617)	(8,621)	(7,621)	(15,677)

Summary Balance Sheet

(SEK thousands)	June 30		Dec 31
	2014	2013	2013
Assets			
Noncurrent assets	11,337	8,608	9,080
Current assets	5,072	3,721	27,930
Short-term investment	12,500	0	3,000
Cash and cash equivalents	3,928	10,805	371
Total assets	32,837	23,134	40,381
Equity			
Restricted equity	20,756	18,330	20,434
Non-restricted equity	7,207	666	12,603
Liabilities			
Current liabilities	4,874	4,138	7,344
Total equity and liabilities	32,837	23,134	40,381

Statement of changes in equity

(SEK thousands)			
Amount at start of period	33,037	13,409	13,409
New issue	3,547	13,208	13,208
Ongoing rights issue		0	22,097
Loss for the period	(8,621)	(7,621)	(15,677)
Amount at end of period	27,963	18,996	33,037
Attributable to shareholders in Genovis AB	27,963	18,996	33,037

Summary statement of cash flows (SEK thousands)	April-June		Jan.-June		
	2014	2013	2014	2013	2013
Cash flow from operations	(3,523)	(2,517)	(6,448)	(5,420)	(11,048)
Adjustment for items not affecting cash flow	276	194	522	360	771
Change in working capital	(1,102)	(212)	(3,283)	(638)	2029
Net financial items	36	(1)	76	(1)	72
Cash flow from operating activities	(4,313)	(2,536)	(9,133)	(5,699)	(8,176)
Investing activities	3,610	(1,525)	(14,528)	(3,359)	(9,742)
Cash flow after investing activities	(703)	(4,061)	(23,661)	(9,058)	(17,918)
Financing activities	140	13,325	27,218	13,208	11,634
Cash flow for the period	(563)	9,264	3,557	4,150	(6,284)
Cash and cash equivalents at beginning of period	4,491	1,541	371	6,655	6,655
Cash and cash equivalents at end of period	3,928	10,805	3,928	10,805	371

This year-end report has not been reviewed by the Company's auditors.

Lund August 25, 2014

Genovis AB (publ.)

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

For more information, please contact:

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Future reporting dates

Interim report January–September

November 17, 2014

Year-end report

February 18, 2015

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

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