

INTERIM REPORT JANUARY – MARCH 2013

January–March

- Net sales increased by 102 percent to SEK 1,906k (944k).
- Loss after financial items was SEK 3,957k (loss: 4,008k).
- Comprehensive income was a loss of SEK 3,946k (loss: 3,970k).
- Comprehensive income per share basic and diluted totaled SEK -0.33 (-0.57).
- Cash flow from operating activities during the period was SEK -4,429k (-2,871k).
- Cash and cash equivalents at the end of the period amounted to SEK 1,543k (3,959k).
- Genovis was allocated SEK 1.575 million in research support from VINNOVA (the Swedish Agency for Innovation Systems). VINNOVA chose to support the project “Nanoparticles in movement as contrast agents in medical ultrasound.”
- Genovis signed an agreement worth about USD 100,000 for a project for a major pharmaceutical company. The project will adapt Genovis’ products from the protein engineering portfolio to the customer’s technology platform.
- With the authorization of the 2012 Annual General Meeting, the Board of Directors of Genovis decided to conduct a rights issue for existing shareholders. The company will raise about SEK 13.8 million before issue expenses, which are expected to be SEK 600,000, if the rights issue is fully subscribed.

Financial overview

(SEK thousands)	Jan.-March		
	2013	2012	Change
Net sales	1,906	944	+102%
Other operating income	110	194	-43%
Expenses for the period	(5,973)	(5,146)	+16%
Operating profit/loss	(3,957)	(4,005)	+1%
Comprehensive income for the period	(3,946)	(3,970)	+1%
Comprehensive income per share based on a weighted average of the number of outstanding shares	(0.33)	(-0.57)	+42%
Cash flow from operating activities	(4,429)	(2,871)	+54%
Cash and cash equivalents at end of period	1,543	3,959	-61%

Comments from CEO Sarah Fredriksson

Net sales during the first quarter increased by more than 100 percent compared with the same quarter last year, which is gratifying since we want to continue to maintain a strong pace in sales and business growth. The average order value increased by 42 percent and the number of orders increased by 40 percent. We are pleased that we continue to reach completely new customers. Consolidated expenses increased by 19 percent compared with the first quarter of 2012; the increase is mainly due to increased marketing expenses as well as increased payroll costs. When comparing expenses on a consolidated basis with the preceding quarter, Q4 2012, however, they decreased by about 16 percent, mainly due to significantly lower royalty costs, and because we invested in more long-term marketing efforts during the fourth quarter.

During the first quarter we signed an agreement for a development project with a major pharmaceutical company. The one-year project is worth about USD 100,000 for Genovis. Recording of revenues will begin in the second quarter. The project will adapt Genovis' products from the protein engineering portfolio to the customer's technology platform. We look forward to starting the project, which in turn can have a positive impact and strengthen sales in the medium term.

In late March we also learned that VINNOVA, the Swedish Agency for Innovation Systems, chose to support a project in the nano portfolio with about SEK 1.6 million. The project has already been running for about 18 months and resulted in a new method for creating contrast for ultrasound. The contrast occurs when nanoparticles move in tissue. This small movement can be perceived with ultrasound. We developed this completely new and unique method together with Associate Professor Tomas Jansson's research group at the Faculty of Engineering, Lund University (LTH). This grant from VINNOVA provides an injection of capital, inspiration and encouragement, while facilitating and strengthening our partnership with the research group at LTH.

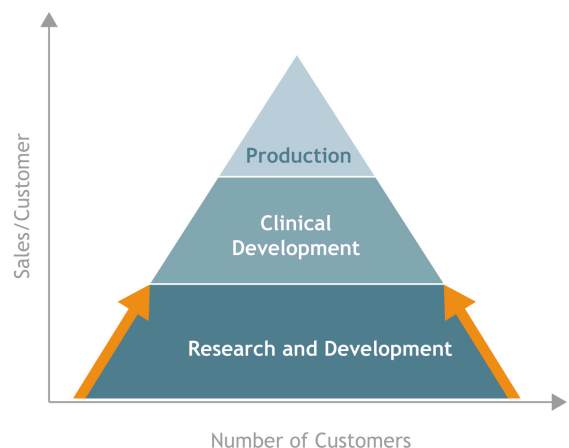
Sarah Fredriksson, CEO

Products

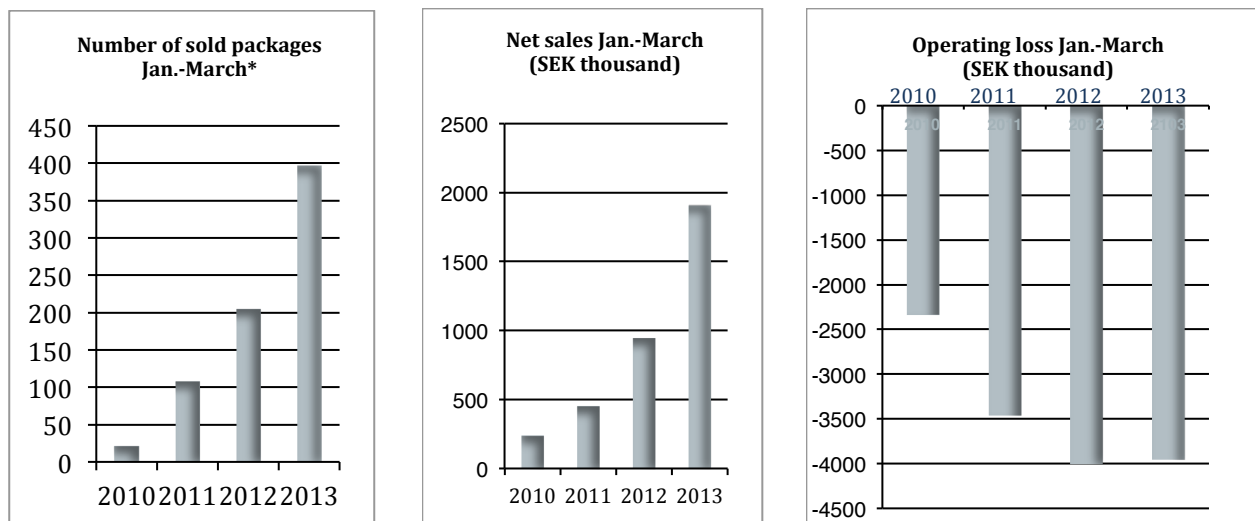
Genovis has developed several product concepts in which the active components are either FabRICATOR® or IgGZERO™. FabRICATOR® is a unique enzyme that cleaves antibodies into two parts: a Fab fragment and an Fc fragment, with extremely high precision. IgGZERO is a protein that can specifically cleave sugar molecules that are found naturally on antibodies. The 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.

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. The next step is to persuade some of the customers to develop their use of the products.

The strategically most important opportunity for a pronounced increase in sales is for Genovis' customers to integrate FabRICATOR and the other enzyme-based products in clinical development and finally in production of pharmaceuticals. Then the business model can also be developed and include agreements for a given annual production, supplies for back-up and guaranteed production from at least two sources. Fewer customers are involved here, as illustrated in the adjacent pyramid. However, the total order value per customer in the upper portion is significantly higher than in the lower base of the pyramid. The orange arrow illustrates where Genovis is today in terms of this development.



Sales growth and operating profit/loss



*Each package can contain up to ten individual products.

The operating loss totaled SEK 3,957k (loss: 4,005k). Net financial items for the period totaled SEK 0k (-3k). Net loss for the period improved to SEK 3,946k (loss: 3,970).

Net sales rose to SEK 1,906k (944k), an increase of 102% compared with the same period in 2012. Net sales include sales of nanoparticles of SEK 20k, which were invoiced before the nano portfolio was transferred to the subsidiary. Sales of products from the protein engineering portfolio totaled SEK 1,886k. Other revenue declined to SEK 110k (194). Other operating income mainly consists of research support. Geographically, net sales is distributed as described below.

Revenue by geographic area, based on the country where the customer is located (SEK thousand)	Jan.-March		Jan.-Dec.
	2013	2012	2012
Nordic region	175	142	406
Europe	464	275	2,088
USA	1,230	503	3,566
Other countries	37	24	426
Total	1,906	944	6,080

Expenses

The Group's total expenses during the quarter amounted to SEK 5,973k (5,146k). Operating expenses are distributed among raw materials and consumables SEK 454k (518k), external expenses which increased by SEK 473k to 2,406k (1,933k) and are attributable to increased marketing and selling expenses as well as also payroll expenses, which increased by SEK 520k to SEK 2,845k (2,325) since Genovis had fourteen employees during the first quarter of 2013, compared with twelve during the corresponding period in 2012.

Expenses for the protein engineering portfolio totaled SEK 4,516k and are distributed as described below. Other common expenses for the operation in the table include rent, IT, wages and salaries, administrative expenses and expenses associated with the listing of the Genovis share on NASDAQ OMX First North.

Distribution of costs incurred by the protein engineering portfolio	Jan.-March 2013
Development	707
Production	624
Sales & marketing	1,168
Other common expenses for the operation	2,017
Total	4,516

Consolidated investments and cash flow

Consolidated capital expenditure totaled SEK 595k (458k) of which SEK 394k (50k) is attributable to property, plant, and equipment, primarily laboratory equipment and computers, and SEK 201k (408k) is attributable to investments in intangible fixed assets.

Comprehensive income was a loss of SEK 5,141k (loss: 3,604k). Cash flow from financing activities totaled SEK -117k (-275k).

Financial position

Consolidated cash and cash equivalents at the end of the period amounted to SEK 1,543k (3,959k). Genovis is not considered to have adequate liquidity to cover its operations during 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 the ongoing rights issue in which the Company will raise, when fully subscribed, about SEK 13.8 million before issue expenses. The issue is guaranteed up to 70%.

Interest-bearing liabilities totaled SEK 0 (185k).

Total shareholders' equity for the Group was SEK 9,570k 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 -0.33 (-0.57). The Group's equity ratio at the end of the period was 72 percent and equity per share was SEK 0.81 (2.00), 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 (3,128k) at the end of the period.

Employees

On March 31, 2013, the Group had fourteen employees, compared with the same period the previous year, when the Group had twelve 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 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. 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 period January-March was SEK 2,839k (1,138k), of which SEK 1,906k (944k) was attributable to sales. Operating expenses for the period totaled SEK 5,742k (4,830k), mainly attributable to payroll expenses, marketing and development projects. Of the parent company's total expenses, SEK 4,516k are direct expenses for the protein engineering portfolio, SEK 819 are expenses for personnel working in the subsidiary and SEK 407k are Group-wide expenses such as board fees and expenses associated with listing the Genovis share on NASDAQ OMX First North.

Operating loss for the period was SEK 2,903k (loss: 3,692k) and loss after net financial items was SEK 4,003k (3,854k). Net loss for the period was SEK 4,003k (loss: 3,854k).

An impairment charge of SEK 1,100k (160k) 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. Other operating expenses for the subsidiary have not increased significantly. Net capital expenditure totaled SEK 429 (458). Liquidity at the end of the period was SEK 1,541k (3,692k).

The parent company has a deferred tax asset that amounted to SEK 3,436k (3,028k) 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 103 million.

Subsidiary GeccoDots AB

GeccoDots focuses on using nanotechnology to produce new contrast agents and market them for medical imaging. The technique behind the developed products was formulated under the management of Genovis and the subsidiary has taken over responsibility for development and commercialization of the project. 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. GeccoDots develops and produces nanostructures that provide good contrast in magnetic resonance imaging, ultrasound, optical imaging and PET/SPECT and the first activities prior to a launch of products intended for preclinical applications within medical imaging have been initiated.

The subsidiary has current assets amounting to SEK 313k, liabilities of SEK 1,867k and shareholders' equity of SEK 192k. The subsidiary's revenues during the period amounted to SEK 108k (0) and comprise research support. Expenses totaled SEK 1,122k (616k) and are mainly attributable to expenses for temporary employees since the subsidiary currently does not have any employees. The subsidiary hires in temporary personnel from Genovis as the need arises.

Related-party transactions

Principal owners Mikael Lönn, who holds a 20.65 percent stake in Genovis, and LMK Ventures AB, which holds a 12.25 percent stake, have provided written subscription undertakings and will subscribe for their respective shares of the issue. In addition, they provided underwritings totaling 70 percent of the issue volume. The undertakings are the equivalent of 2,761,633 shares at an amount of SEK 9,665,715.50 in the rights issue carried out between April 4 and April 18, 2013. Guarantee fees of 5% will be charged on the amount exceeding the sum of the underwriters' subscription undertakings. The guarantee fee is SEK 256,141 to be divided equally among the underwriters.

Outlook

Genovis is a research and development company and therefore corporate management has chosen 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. The overarching goal for 2013 is a continued focus on the commercial development of the Company's products the objective of a positive cash flow for the protein portfolio at the end of the year.

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 competing companies have substantially larger financial resources at their disposal. For a detailed overview of the Company's financial risks please refer to page 51 in Genovis' 2012 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 year-end 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)	Jan.-March		Jan.-Dec.
	2013	2012	2012
Net sales	1,906	944	6,080
Other operating income	110	194	1,014
Raw materials and consumables	(454)	(518)	(2,425)
Other external expenses	(2,406)	(1,933)	(9,382)
Gross profit/loss	(844)	(1,313)	(4,713)
Personnel costs	(2,845)	(2,325)	(10,223)
Other operating expenses	(48)	(24)	(39)
Operating loss before depreciation, amortization and impairment	(3,737)	(3,662)	(14,975)
Depreciation, amortization and impairment of plant, property, and equipment and intangible assets	(220)	(343)	(5,206)
Operating loss	(3,957)	(4,005)	(20,181)
Net financial items	0	(3)	20
Loss after financial items	(3,957)	(4,008)	(20,161)
Taxes	11	38	246
Loss after tax	(3,946)	(3,970)	(19,915)
Attributable to shareholders in Genovis AB	(3,946)	(3,970)	(19,915)
Earnings per share (SEK)*			
- based on weighted average of the number of outstanding shares (basic and diluted).	(0.33)	(-0.57)	(2.04)
Number of outstanding shares			
Weighted average for the period	11,835,568	6,923,712	9,778,112
Number of shares at beginning of period	11,835,568	6,923,712	6,923,712
Number of shares at end of period	11,835,568	6,923,712	11,835,568
Share price at end of period, SEK	3.43	4.10	3.50

* Reverse split 1:10, with cut-off date April 10, 2012, has been taken into account in all periods covered by the report

Summary Consolidated Balance Sheet

March 31

(SEK thousands)

2013

2012

Assets		
<i>Non-current assets</i>		
Intangible assets	3,532	7,373
Property, plant and equipment	1,560	1,341
Financial assets	3,385	3,165
Current assets	3,291	2,327
Cash and cash equivalents	1,543	3,959
Total assets	13,311	18,165
Equity and liabilities		
Equity	9,570	13,825
Non-current liabilities	0	5
Current liabilities	3,741	4,335
Total equity and liabilities	13,311	18,165
Consolidated statement of changes in equity		
(SEK 000s)		
Amount at start of period	13,633	18,010
Rights issue	(117)	(215)
Reclassification of intangible assets	0	0
Net loss for the period	(3,946)	(3,970)
Amount at end of period	9,570	13,825
Attributable to shareholders in Genovis AB	9,570	13,825
Key financial ratios		
Equity/assets ratio	72%	76%
Equity per share at the end of the period - basic and diluted*	0.81	2.00

* Reverse split 1:10, with cut-off date April 10, 2012, has been taken into account in all periods covered by the interim report

Summary Consolidated cash and cash equivalents

(SEK thousands)	Jan.-March		Jan.-Dec.
	2013	2012	2012
Cash flow from operations	(3,956)	(4,005)	(20,181)
Adjustment for items not affecting cash flow	219	343	5,206
Change in working capital	(692)	794	107
Net financial items	0	(3)	20
Cash flow from operating activities	(4,429)	(2,871)	(14,848)
Investing activities	(595)	(458)	(1,324)
Cash flow after investing activities	(5,024)	(3,329)	(16,172)
Financing activities	0	(60)	(245)
Rights issue	(117)	(215)	15,538
Cash flow for the period	(5,141)	(3,604)	(879)
Cash and cash equivalents at beginning of period	6,684	7,563	7,563
Cash and cash equivalents at end of period	1,543	3,959	6,684

Parent company
Summary Income Statement

(SEK thousands)	Jan.-March		Jan.-Dec.
	2013	2012	2012
Operating income	2,839	1,138	7,095
Operating expenses	(5,742)	(4,830)	(23,215)
Operating loss	(2,903)	(3,692)	(16,120)
Net financial items	(1,100)	(162)	(4,099)
Loss before taxes	(4,003)	(3,854)	(20,219)
Deferred tax on net loss for the period	0	0	408
Net loss for the period	(4,003)	(3,854)	(19,811)

Summary Balance Sheet

(SEK thousands)	March 31		Dec 31
	2013	2012	2012
Assets			
Non-current assets	8,377	11,764	7,969
Current assets	2,980	2,282	3,316
Cash and cash equivalents	1,541	3,692	6,655
Total assets	12,898	17,738	17,940
Equity and liabilities			
Equity			
Restricted equity	16,752	16,752	16,752
Non-restricted equity	(7,463)	(3,138)	(3,343)
Liabilities			
Non-current liabilities	0	5	0
Current liabilities	3,609	4,119	4,531
Total equity and liabilities	12,898	17,738	17,940
Changes in equity			
(SEK thousands)			
Amount at start of period	13,409	17,683	17,683
Rights issue	(117)	(215)	15,537
Net loss for the period	(4,003)	(3,854)	(19,811)
Amount at end of period	9,289	13,614	13,409
Attributable to shareholders in Genovis AB	9,289	13,614	13,409

Parent company
Summary Statement of cash flows
Jan.-March
(SEK thousands)

	2013	2012	2012
Cash flow from operations	(2,903)	(3,692)	(16,121)
Adjustment for items not affecting cash flow	166	200	1,759
Change in working capital	(426)	885	443
Net financial items	0	(2)	21
Cash flow from operating activities	(3,163)	(2,609)	(13,898)
Investing activities	(1,834)	(458)	(1,774)
Cash flow after investing activities	(4,997)	(3,067)	(15,672)
Financing activities	(117)	(275)	15,293
Cash flow for the period	(5,114)	(3,342)	(379)
Cash and cash equivalents at beginning of period	6,655	7,034	7,034
Exchange rate difference in cash and cash equivalents	0	0	0
Cash and cash equivalents at end of period	1,541	3,692	6,655

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

Lund April 16, 2013

Genovis AB (publ.)

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

For more information, please contact:

Sarah Fredriksson, CEO

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

Financial calendar 2013

Half-yearly report Jan.-June August 28

Interim report Jan.-Sept. November 28

This interim report may be ordered from the Company or downloaded at the Genovis web site. Genovis AB, Box 790, SE-0 07 Lund, +46 (0)46-10 12 30, fax: +46 (0)46-12 80 20

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.