

INTERIM REPORT JANUARY – MARCH 2014

January – March

- Net sales rose by about 4% to SEK 1,984k (1,906k).
- Comprehensive income improved by SEK 108k to SEK -3,838k (-3,946k).
- Comprehensive income per share, basic and diluted, improved by SEK 0.14 to SEK -0.19 (-0.33).
- Cash flow from operating activities was SEK -6,213k (-4,429k).
- Genovis carried out a private placement in January that raised SEK 3.6 million before issue expenses on the same terms and conditions as the rights issue in December, which raised SEK 23.7 million for the Company before issue expenses.
- Genovis decided to switch to dedicated direct sales in Europe and the US. In other markets Sigma-Aldrich has a non-exclusive distribution agreement.

January – March

	2014	2013	Change
Net sales	1,984	1,906	+4%
Other operating income	386	110	+251%
Expenses for the period	(6,248)	(5,973)	+5%
Operating loss	(3,878)	(3,957)	+2%
Comprehensive income for the period	(3,838)	(3,946)	+3%
Comprehensive income per share based on a weighted average of the number of outstanding shares	(0.19)	(0.33)	+42%
Cash flow from operating activities	(6,213)	(4,429)	-40%
Cash and cash equivalents at end of period	5,080	1,543	+229%

Comments from Sarah Fredriksson, CEO

During the quarter, we followed through on the strategically important decision to pursue direct sales in the US from now on. Genovis has representation in place, based in Boston, Massachusetts. The conversion will be fully implemented at year-end when the US distributors no longer sell Genovis products. The main reason for the change is to achieve direct contact with our customers. It is crucial for us to understand the needs of our customers and to be able to assist them as they implement our products in more extensive and a greater variety of analytical processes. We see a clear trend in that FabRICATOR (IdeS) will also be used in analytical methods other than mass spectrometry, as was recently described in a publication in *mAbs** by researchers in MSD Pharmaceuticals (Merck, Sharp & Dohme). It is important for Genovis' R&D and sales activities to have direct contact to be able to offer the right product formats for our key customers moving forward. We have also chosen to switch to direct sales in Europe and Israel during the first quarter, as well as to offer direct sales in the rest of the world alongside distribution through Sigma-Aldrich.

During the first quarter we saw a continued increase in sales to customers in Europe and a recovery in the US market, though we did not fully reach the level we expected. This has been affected by the shift from distributor to direct sales; in addition, distributors have kept products in stock since the previous quarter. Certain investments were made during the period, primarily in equipment to streamline production and for quality control. A private placement conducted in early January, and the December 2013 rights issue that was registered in 2014 both had a positive impact on cash flow.

Sarah Fredriksson
President & CEO

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 growth

Net sales for the period rose to SEK 1,984k (1,906k), an increase of about 4% compared with the same period in 2013. Other revenue during the period amounted to SEK 386k (110k) and largely comprises research support.

Revenue by geographic area (SEK thousands)

	Jan.-March		Jan.-Dec.
	2014	2013	2013
Europe	754	639	3,525
North America	1,164	1,230	5,554
Other countries	66	37	106
Total	1,984	1,906	8,912

* A new tool for monoclonal antibody analysis. Application of IdeS proteolysis in IgG domain-specific Characterization. *mAbs* 6:4, 1–15; July/August 2014; © 2014 Landes Bioscience. <https://www.landesbioscience.com/journals/mabs/article/28762/>

Operating loss

Operating loss for the period was SEK 3,878 (loss: 3,957). Net financial items for the period totaled SEK 40k (0). Net loss for the period improved to SEK -3,838k (loss: 3,946k).

Expenses

Consolidated expenses for the period amounted to 6,248k (5,973k). Operating expenses are allocated between raw materials and consumables SEK 754k (454k). The increase in expenses is due in part to increased costs for development incurred by the subsidiary GeccoDots. External expenses dropped by SEK 151k to SEK 2,255k (2,406k). Personnel costs increased by SEK 97k to SEK 2,942 (2,845k) because Genovis had fifteen employees, compared with fourteen during the corresponding period in 2013.

Consolidated investments and cash flow

Consolidated capital expenditure during the period totaled SEK 1,266k (595k) of which SEK 823k (394k) is attributable to property, plant, and equipment, primarily laboratory equipment and computers, and SEK 443k (201k) is attributable to investments in intangible fixed assets.

Cash flow for the period totaled SEK 4,600k (-5,141k). Cash flow from financing activities totaled SEK 27,078k (-117k) and is mainly attributable to rights issues.

Financial position

Consolidated cash and cash equivalents including short-term investments amounted to SEK 23,080k (1,543k) at the end of the period. The Company does not have any interest-bearing liabilities.

Total shareholders' equity for the Group was SEK 32,654k 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 -0.19 (-0.33). The Group's equity ratio at the end of the period was 86 percent and equity per share was SEK 2.26 (0.81), 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 March 31, 2014, the Group had fifteen employees, compared with the same period in 2013, 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. 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. Thenberg Fondkommission is the Certified Advisor for Genovis; 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 2,751k (2,839k), of which SEK 1,910k (1,906k) was attributable to external sales. Other revenue during the period totaled SEK 841k (934k) of which SEK 706k (819k) is attributable to personnel hired by the subsidiary; the remainder is attributable to research support from VINNOVA (the Swedish Agency for Innovation Systems) and the Swedish Research Council.

Operating expenses for the period totaled SEK 6,625k (5,742k), mainly attributable to payroll expenses, marketing and development projects.

Operating loss for the period was SEK -3,874k (loss: 2,903k) and loss after net financial items was SEK 3,834 (loss: 4,003k). Net loss for the period was SEK 3,834k (loss: 4,003k).

The parent company income statement is charged with a conditional shareholder contribution to the subsidiary of SEK 950k (1,100k). 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 1,159k (429k). Liquidity at the end of the period was SEK 4,491k (1,541k).

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.

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 52 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 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.
	2014	2013	2013
Net sales	1,984	1,906	8,912
Other operating income	386	110	1,357
Raw materials and consumables	(754)	(454)	(1,691)
Other external expenses	(2,255)	(2,406)	(11,679)
Gross profit/loss	(639)	(844)	(3,101)
Personnel costs	(2,942)	(2,845)	(11,630)
Other operating expenses	(23)	(48)	(141)
Operating loss before depreciation, amortization and impairment	(3,604)	(3,737)	(14,872)
Depreciation, amortization and impairment of plant, property, and equipment and intangible assets	(274)	(220)	(1,113)
Operating loss	(3,878)	(3,957)	(15,985)
Net financial items	40	0	71
Loss after financial items	(3,838)	(3,957)	(15,914)
Taxes	0	11	61
Loss after tax	(3,838)	(3,946)	(15,853)
Attributable to shareholders in Genovis AB	(3,838)	(3,946)	(15,853)

Earnings per share (SEK)*

- based on weighted average of the number of outstanding shares (basic and diluted).	(0.19)	(0.33)	(1.10)
Number of outstanding shares			
Weighted average for the period	20,615,460	11,835,568	14,468,842
Number of shares at beginning of period	15,780,757	11,835,568	11,835,568
Number of shares at end of period	21,845,652	11,835,568	15,780,757
Share price at end of period, SEK	4.00	3.43	4.85

Summary Consolidated Balance Sheet

March 31

(SEK thousands)

2014

2013

Assets		
<i>Noncurrent assets</i>		
Intangible assets	4,487	3,532
Property, plant and equipment	2,477	1,560
Financial assets	3,436	3,385
Current assets	4,408	3,291
Short-term investment	18,000	0
Cash and cash equivalents	5,080	1,543
Total assets	37,888	13,311

Equity and liabilities		
Equity	32,654	9,570
Current liabilities	5,234	3,741
Total equity and liabilities	37,888	13,311

Consolidated statement of changes in equity

(SEK thousands)

Amount at start of period	33,085	13,633
Rights issue	3,407	(117)
Loss for the period	(3,838)	(3,946)
Amount at end of period	32,654	9,570
Attributable to shareholders in Genovis AB	32,654	9,570

Key financial ratios

Equity/assets ratio	86%	72%
Equity per share at the end of the period - basic and diluted*	2.26	0.81

Summary Consolidated cash and cash equivalents

(SEK thousands)	Jan.-March		Jan.- Dec.
	2014	2013	2013
Cash flow from operations	(3,878)	(3,956)	(15,986)
Adjustment for items not affecting cash flow	274	219	1,113
Change in working capital	(2,649)	(692)	2,333
Net financial items	40	0	71
Cash flow from operating activities	(6,213)	(4,429)	(12,469)
Investing activities	(16,265)	(595)	(5,369)
Cash flow after investing activities	(22,478)	(5,024)	(17,838)
Financing activities	0	0	0
Rights issue	27,078	(117)	11,634
Cash flow for the period	4,600	(5,141)	(6,204)
Cash and cash equivalents at beginning of period	480	6,684	6,684
Cash and cash equivalents at end of period	5,080	1,543	480

Parent company

Summary Income Statement

(SEK thousands)	Jan.-March		Jan.-Dec.
	2014	2013	2013
Operating income	2,751	2,839	13,310
Operating expenses	(6,625)	(5,742)	(24,358)
Operating loss	(3,874)	(2,903)	(11,048)
Net financial items	40	(1,100)	(4,629)
Loss before taxes	(3,834)	(4,003)	(15,677)
Deferred tax on net loss for the period	0	0	0
Loss for the period	(3,834)	(4,003)	(15,677)

Summary Balance Sheet

(SEK thousands)	March 31		Dec 31
	2014	2013	2013
Assets			
Noncurrent assets	11,024	8,377	9,080
Current assets	3,920	2,980	27,930
Short-term investment	18,000	0	3,000
Cash and cash equivalents	4,491	1,541	371
Total assets	37,435	12,898	40,381

Equity and liabilities (SEK thousands)

Equity			
Restricted equity	20,756	16,752	20,434
Non-restricted equity	11,854	(7,463)	12,603
Liabilities			
Current liabilities	4,824	3,609	7,344
Total equity and liabilities	37,434	12,898	40,381

Statement of changes in equity

(SEK thousands)

Amount at start of period	33,037	13,409	13,409
Rights issue	3,407	(117)	13,208
Ongoing rights issue	0	0	22,097
Loss for the period	(3,834)	(4,003)	(15,677)
Amount at end of period	32,610	9,289	33,037
Attributable to shareholders in Genovis AB	32,610	9,289	33,037

Summary statement of cash flows	Jan.-March		Jan.- Dec.
Jan.-Dec. (SEK thousands)	2014	2013	2013
Cash flow from operations	(2,924)	(2,903)	(11,048)
Adjustment for items not affecting cash flow	245	166	771
Change in working capital	(2,181)	(426)	2,029
Net financial items	40	0	72
Cash flow from operating activities	(4,820)	(3,163)	(8,176)
Investing activities	(18,138)	(1,834)	(9,742)
Cash flow after investing activities	(22,958)	(4,997)	(17,918)
Financing activities	27,078	(117)	11,634
Cash flow for the period	4,120	(5,114)	(6,284)
Cash and cash equivalents at beginning of period	371	6,655	6,655
Cash and cash equivalents at end of period	4,491	1,541	371

Lund May 19, 2014

Genovis AB (publ.)

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

Financial calendar 2014

Annual General Meeting

May 20

Half-Yearly Report, January - June

August 25

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

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