

YEAR-END REPORT JANUARY-DECEMBER 2014

Financial overview

	Full-year			4th Quarter		
	2014	2013	Change in %	2014	2013	Change in %
Net sales	8,252	8,912	- 7	2,099	2,056	+ 2
Other operating income	1,782	1,357	+ 31	363	328	+ 11
Operating expenses	(30,505)	(26,254)	+ 16	(8,628)	(7,769)	+ 11
Operating profit/loss	(20,471)	(15,985)	(28)	(6,166)	(5,385)	(15)
Comprehensive income for the period	(22,049)	(15,853)	(39)	(7,861)	(5,313)	(48)
Comprehensive income per share*	(1.02)	(1.10)	+ 7	(0.36)	(0.34)	(6)
Cash flow from operating activities	(22,193)	(12,469)	+ 78	(5,676)	(1,502)	+ 278
Cash and cash equivalents at end of period including short-term investments.	5,688	3,480	+ 63	5,688	3,480	+ 63

* Based on a weighted average of the number of outstanding shares (basic and diluted)

Summary: fourth quarter 2014

- Net sales improved marginally compared with the fourth quarter of 2013, SEK 2,099k (2,056k).
- Comprehensive income for the period was a loss of SEK 7,861k (loss: 5,313k).
- Earnings per share totaled SEK -0.36 (-0.34).
- Cash flow from operating activities was SEK -5,676k (-1,502k).
- Genovis established US subsidiary Genovis Inc.
- Genovis' project for automatic analysis with the FabRICATOR enzyme showed proof-of-concept.
- Genovis filed a complaint against Promega Corporation for patent infringement since IdeS Protease is considered to infringe upon Genovis' license for US patent No. 7.666.582.

Summary: full-year 2014

- Net sales fell by about 7 percent to SEK 8,252k (8,912k).
- Comprehensive income for the period was a loss of SEK 22,049k (loss: 15,853k).
- Earnings per share totaled SEK -1.02 (-1.10).
- Cash flow from operating activities was SEK -22,193k (-12,469k).

Challenging year brought us closer to our customers, while demonstrating the strength of our products.

After a tough start to the fall, we are pleased to note that fourth quarter sales rose 28 percent compared with the third quarter. Sales also increased slightly compared with Q4 2013. Sales fell mainly on the US market during the third quarter, but even here, sales are recovering. The number of new customers continues to grow as a result of the strategic shift from distribution through a number of partners to direct sales, though more importantly, because our products are reaching more customers. Genovis is now marketing its products directly in Europe and through an American wholly owned subsidiary in the US. In other parts of the world Genovis sells directly and via Sigma-Aldrich.

Over the course of the year our costs rose 11 percent. The costs are mainly related to the restructuring of sales channels, intensified sales activities and expenses related to the lawsuit against Promega. However, Genovis has an insurance policy to ensure that we minimize our legal costs in this case. Overall, with declining revenue especially during the third quarter, earnings for the period on an annualized basis fell short of our objective, mainly because of competition under circumstances that could not be predicted. New situations can arise at any time and our philosophy is to be proactive by increasing interaction and cooperation with our customers, intensifying our marketing initiatives, and continuing to focus on our strategic product pipeline. In this way, we will reverse the trend of this past autumn to achieve growth in 2015.

Genovis' product FabRICATOR® has initiated a paradigm shift for the methods that the pharmaceutical industry uses to characterize and analyze biological medicines. This new technology is now accepted and on the path to becoming more broadly established. Our strategy is to ensure that we are first with the next generation of products that support and develop this method of analysis. Our customers have strong confidence in us as a result of FabRICATOR. We will take advantage of synergies based on this confidence by growing with more products which, like FabRICATOR, will give the customer results at a lower cost and with high reliability. Consequently we are prioritizing products in Genovis' pipeline that can be used for several different proteins, and not just antibody-based drugs. These easy-to-use products enable the customer to carry out several different analyses in addition to those already made possible by FabRICATOR. Because of new discoveries in the fourth quarter, we wanted to explore potential IP issues before a launch, but in 2015 we will launch at least three new products.

Genovis is also prioritizing products intended for automation and miniaturization of characterization of biological medicines. The MAbCheck project, in which Genovis is developing automated analysis solutions together with researchers from Lund Institute of Technology, has reached the proof-of-concept stage, which will now be verified by a number of major industrial players. The results will be presented during the spring of 2015.

Our subsidiary GeccoDots concluded the VINNOVA-financed project aimed at developing a new contrast agent for ultrasound with very good results during the fourth quarter. The next step in the project is to complete the prototype and conduct toxicity and proof-of-concept studies for diagnosis of lymph nodes in an animal model.

All in all, 2014 posed certain challenges, but the year also brought positive developments, especially regarding sales of the products launched in 2013. This trend appears to be continuing. Our work with new products is promising for product launches this year and for Genovis' growth in new markets in the long term.

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-December

Net sales

Net sales for full-year 2014 fell by about 7 percent to SEK 8,252k (8,912k). During the fourth quarter net sales improved by 2 percent, SEK 2,099k (2,056k).

Other revenue for full-year 2014 was SEK 1,782k (1,357k) and mainly comprised research funding from VINNOVA. Other revenue for the fourth quarter was SEK 363k (328k).

Revenue by geographic area (SEK thousands)

	October-December		January-December	
	2014	2013	2014	2013
Europe	1,041	1,135	3,135	3,252
US	939	914	4,841	5,554
Other countries	119	7	276	106
Total	2,099	2,056	8,252	8,912

Operating profit/loss

Operating loss for full-year 2014 was SEK 20,471k (loss: 15,985k) and operating loss for the fourth quarter was SEK 6,166k (loss: 5,385k). Net financial items for the twelve-month period amounted to SEK 140k (71k), with SEK 23 (72) for the fourth

quarter. Net loss for the period worsened to SEK 22,049k (loss: 15,853k); the corresponding amount for the fourth quarter was a net loss of SEK 7,861k (loss: 5,313k).

Expenses

Consolidated expenses for the period increased by SEK 4,251k to SEK 30,505k (26,254k). Operating expenses are allocated among raw materials and supplies SEK 3,430k (1,691k); the increase is mainly the result of increased expenses for development work at the subsidiary GeccoDots AB. Personnel costs were SEK 13,186k (11,630k); the increased personnel costs are mainly attributable to production and sales. External expenses were SEK 12,583k (11,679k) and are mainly attributable to attorney fees related to the proceedings against Promega, as well as to increased sales and marketing expenses. Expenses for the fourth quarter were SEK 8,628k (7,769k) and are allocated as follows: raw materials and consumables SEK 771k (386k), external expenses SEK 3,787k (4,207k) and personnel costs SEK 3,688k (2,955k).

Consolidated investments and cash flow

Consolidated capital expenditure during the year totaled SEK 3,043k (2,369k) of which property, plant, and equipment (primarily laboratory equipment and computers) accounted for SEK 1,240k (1,238k), and investments in intangible fixed assets accounted for SEK 1,803k (1,131k). Consolidated capital expenditure during the fourth quarter totaled SEK 865k (913k), of which SEK 397k (419k) is attributable to property, plant, and equipment, and SEK 468k (494k) is attributable to investments in intangible fixed assets.

Cash flow for the twelve-month period was SEK 208 (-6,204k). Cash flow from financing activities totaled SEK 27,444k (11,634k).

Financial position

Consolidated cash and cash equivalents including short-term investments at year-end amounted to SEK 5,688k (3,480k). 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 14,583k 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 -1.02 (-1.10). The Group's equity ratio at the end of the period was 75% (80%) and equity per share was SEK 0.68 (0.76), 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 1,718k (3,436k) at year-end.

Employees

On December 31, 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

On December 31, 2014 share capital was SEK 8,738,260.80 and the number of shares was 21,845,652. The par value is SEK 0.40. In June 2014, the Company issued 450,000 warrants subscribed for by the president and vice president. Each warrant entitles the holder to subscribe for one share. Subscription for new shares may take place during the period from April 1, 2017 through June 30, 2017. Assuming full exercise of the warrants, share capital will increase by about SEK 180,000, corresponding to a dilution effect of approximately 2.0 percent of the total number of shares and votes in the Company.

Genovis shares are traded on Nasdaq Stockholm First North under the short name GENO. First North is an alternative market, operated by the different exchanges within Nasdaq. Companies at 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, tel: +46 (0)31-745 50 00.

Major shareholders as of December 31, 2014

Name	No. of shares	Votes in %
Mikael Lönn	4,838,357	22.15
Hansa Medical AB	2,177,065	9.97
LMK Stiftelsen	1,415,114	6.48
Nordnet Pensionsförsäkring AB	1,263,095	5.78
LMK Forward AB	777,680	3.56

Source: Euroclear Sweden AB

Parent Company Genovis AB

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 full-year 2014 fell to SEK 12,005k (13,310k), of which SEK 8,159k (8,882k) was attributable to product sales. Revenue for the fourth quarter rose to SEK 3,118k (3,055k), of which SEK 2,080k (2,035k) was attributable to sales. Other revenue for full-year 2014 totaled SEK 3,846k (4,428k), of which SEK 2,888k (2,817k) 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 for the fourth quarter totaled SEK 1,038k (1,020k), of which SEK 753k (442k) is attributable to personnel hired by the subsidiary.

Expenses for full-year 2014 totaled SEK 26,848k (24,358k), mainly attributable to payroll expenses, marketing and development projects. Expenses for the fourth quarter were SEK 7,773k (7,225k).

Operating loss for full-year 2014 was SEK 14,843k (loss: 11,048k) and loss after net financial items was SEK 20,288k (loss: 15,677k). Loss for the full year was SEK 22,006k (loss: 15,676k). Operating loss for the fourth quarter worsened to SEK 4,655k (loss: 4,170k) and loss after net financial items was SEK 6,118k (loss: 5,297k). Loss for the fourth quarter was SEK 7,836k (loss: 5,313k).

A conditional shareholder contribution to the subsidiary of SEK 5,600k (4,700k) 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 1,985k (1,504k). Cash and cash equivalents including short-term investments totaled SEK 5,614k (3,371k) at the end of the period.

The parent company has a deferred tax asset that amounted to SEK 1,718k (3,436k) at the end of the period, equivalent to a loss carryforward of about SEK 7.8m, which is expected to be utilized in the foreseeable future. The Company's total tax loss amounts to SEK 129 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 180k 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 8,148 in remuneration for assignments in addition to regular board work.

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.

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 52 in Genovis' 2013 annual report.

Events after the end of the period

The Company Genovis Inc. was registered in the state of Delaware in the US and in January 2015 Genovis Inc. was registered to conduct business operations in the states of California and Massachusetts.

Other information

Annual General Meeting

The Annual General Meeting will be held on May 28, 2015; time and place will be announced at a later date.

Annual Report

The 2014 Annual Report is expected to be available on the Genovis website www.genovis.com and at the Genovis office as of May 7, 2015.

Nomination Committee

The Nomination Committee includes the following members: Mikael Lönn, who also represents LMK Stiftelsen, Fredrik Lindgren, who represents Hansa Medical AB and Gunnar Bergstedt who represents Aduno AB.

Proposal for dividend

The Board of Directors proposes that no dividend be paid for the 2014 financial year.

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)	Oct. - Dec.		Jan.-Dec.	
	2014	2013	2014	2013
Net sales	2 099	2,056	8,252	8,912
Other operating income	363	328	1,782	1,357
Raw material and consumables	(771)	(386)	(3,430)	(1,691)
Other external expenses	(3,787)	(4,207)	(12,583)	(11,679)
Gross profit/loss	(2,096)	(2,209)	(5,979)	(3,101)
Personnel costs	(3,688)	(2,955)	(13,186)	(11,630)
Other operating expenses	3	7	(32)	(141)
Operating loss before depreciation, amortization and impairment	(5,781)	(5,157)	(19,197)	(14,872)
Depreciation, amortization, and impairment losses of plant, property, and equipment and intangible assets	(385)	(228)	(1,274)	(1,113)
Operating profit/loss	(6,166)	(5,385)	(20,471)	(15,985)
Net financial items	23	72	140	71
Loss after financial items	(6,143)	(5,313)	(20,331)	(15,914)
Taxes	(1,718)	0	(1,718)	61
Net earnings	(7,861)	(5,313)	(22,049)	(15,853)
-attributable to shareholders in Genovis AB	(7,861)	(5,313)	(-22,049)	(15,853)

Earnings per share (SEK)	Oct. - Dec.		Jan.-Dec.	
	2014	2013	2014	2013
- based on weighted average of the number of outstanding shares (basic and diluted)*.	(-0.36)	(0.34)	(-1.02)	(1.10)
Number of outstanding shares				
Weighted average for the period	21,845,652	15,780,757	21,845,652	14,468,842
Number of shares at beginning of period	21,845,652	15,780,757	15,780,757	11,835,568
Number of shares at end of period	21,845,652	15,780,757	21,845,652	15,780,757
Share price at end of period, SEK	1.92	4.85	1.92	4.85

* In June 2014, the Company issued 450,000 warrants subscribed for by the president and vice president. Subscription for new shares may take place during the period from April 1, 2017 through June 30, 2017. 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

Dec. 31

(SEK thousands)

2014

2013

Assets		
<i>Noncurrent assets</i>		
Intangible assets	5,434	4,162
Property, plant and equipment	2,307	1,810
Financial fixed assets	1,718	3,436
Current assets	4,415	28,560
Short-term investment	5,000	3,000
Cash and cash equivalents	688	480
Total assets	19,562	41,448

Equity and liabilities		
Equity	14,583	33,085
Noncurrent liabilities	180	0
Current liabilities	4,799	8,363
Total equity and liabilities	19,562	41,448

Consolidated statement of changes in equity

(SEK thousands)

2014

2013

Amount at start of period	33,085	13,633
Rights issue*	3,547	13,208
Ongoing rights issue	0	22,097
Loss for the period	(22,049)	(15,853)
Amount at end of period	14,583	33,085
Attributable to shareholders in Genovis AB	14,583	33,085

Dec. 31

Key financial ratios

2014

2013

Equity/assets ratio (%)	77	80
Equity per share at the end of the period - basic and diluted* (SEK)	0.68	0.76

* In January 2014 two issuances carried out in December 2013 were registered at the Swedish Companies Registration Office.

Summary Consolidated statement of cash flows

(SEK thousands)	Oct. - Dec.		Jan.-Dec.	
	2014	2013	2014	2013
Cash flow from operations	(6,166)	(5,386)	(20,471)	(15,986)
Adjustment for items not affecting cash flow	384	228	1,274	1,113
Change in working capital	83	3,584	(3,136)	2,333
Net financial items	23	72	140	71
Cash flow from operating activities	(5,676)	(1,502)	(22,193)	(12,469)
Investing activities	(865)	(913)	(5,043)	(5,369)
Cash flow after investing activities	(6,541)	(2,415)	(27,236)	(17,838)
Financing activities	226	0	226	0
Rights issue*	0	(1,575)	27,218	11,634
Cash flow for the period	(6,315)	(3,990)	208	(6,204)
Cash and cash equivalents at beginning of period	7,003	4,470	480	6,684
Cash and cash equivalents at end of period	688	480	688	480

Parent company
Summary Income Statement

(SEK thousands)	Oct. - Dec.		Jan.-Dec.	
	2014	2013	2014	2013
Operating income	3,118	3,055	12,005	13,310
Operating expenses	(7,773)	(7,225)	(26,848)	(24,358)
Operating profit/loss	(4,655)	(4,170)	(14,843)	(11,048)
Net financial items	(1,463)	(1,127)	(5,445)	(4,629)
Profit/loss before tax	(6,118)	(5,297)	(20,288)	(15,677)
Deferred tax on net loss for the period	(1,718)	0	(1,718)	0
Loss for the period	(7,836)	(5,297)	(22,006)	(15,677)

Summary Balance Sheet

Assets (SEK thousands)	Dec. 31	
	2014	2013
Noncurrent assets	9,444	9,080
Current assets	4,014	27,930
Short-term investment	5,000	3,000
Cash and cash equivalents	614	371
Total assets	19,072	40,381

Equity and liabilities (SEK thousands)	Dec. 31	
	2014	2013
Equity		
Restricted equity	20,756	20,434
Non-restricted equity	(6,178)	12,603
Liabilities		
Current liabilities	4,494	7,344
Total equity and liabilities	19,072	40,381

Change in shareholders' equity (SEK thousands)	Dec. 31	
	2014	2013
Amount at start of period	33,037	13,409
Rights issue	3,547	13,208
Ongoing rights issue		22,097
Loss for the period	(22,006)	(15,677)
Amount at end of period	14,578	33,037
Attributable to shareholders in Genovis AB	14,578	33,037

Summary statement of cash flows (SEK thousands)	Oct. - Dec.		Jan.-Dec.	
	2014	2013	2014	2013
Cash flow from operations	(4,655)	(4,170)	(14,843)	(11,048)
Adjustment for items not affecting cash flow	285	208	1,085	771
Change in working capital	(410)	3,491	(2,605)	2,029
Net financial items	37	73	155	72
Cash flow from operating activities	(4,743)	(398)	(16,208)	(8,176)
Investing activities	(1,312)	(1,826)	(10,767)	(9,742)
Cash flow after investing activities	(6,055)	(2,224)	(26,975)	(17,918)
Financing activities	0	(1,575)	27,218	11,634
Cash flow for the period	(6,055)	(3,799)	243	(6,284)
Cash and cash equivalents at beginning of period	6,669	4,170	371	6,655
Cash and cash equivalents at end of period	614	371	614	371

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

Lund February 18, 2015

Genovis AB (publ.)

On behalf of the Board of Directors Sarah Fredriksson, CEO

Financial calendar 2015

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