

SIX-MONTH REPORT JANUARY – JUNE 2015

April–June

- Net sales rose by about 39% to SEK 3,526k (2,530k).
- Loss after financial items was SEK 5,287k (loss: 4,803k).
- Comprehensive income was a loss of SEK 5,348 (loss: 4,803k).
- Comprehensive income per share basic and diluted totaled SEK -0.22 (-0.22).
- Cash flow from operating activities during the period was SEK -4,624k (-5,767k).
- Cash and cash equivalents including short-term investments amounted to SEK 9,240k (16,829k) at the end of the period.
- Genovis launched a follow-up FabRICATOR® that is marketed under the name FabRICATOR®Z for customers primarily in the pharmaceutical industry for preclinical research.
- Genovis presented data from the mAbCHECK project. The system is based on Genovis' enzymes combined with CapSense's unique technology and Bruker's cutting-edge expertise in mass spectrometry.

January - June

- Net sales rose by about 42% to SEK 6,412k (4,514k).
- Loss after financial items was SEK 10,292k (loss: 8,642k).
- Comprehensive income was a loss of SEK 10,355k (loss: 8,642k).
- Comprehensive income per share basic and diluted totaled SEK -0.45 (-0.41).
- Cash flow from operating activities during the six-month period was SEK -9,478k (-11,980k).

January-June

	2015	2014	Change
Net sales	6,412	4,514	42%
Other operating income	1,850	840	120%
Expenses for the period	(18,522)	(14,072)	32%
EBITDA	(9,589)	(8,139)	(18%)
Operating profit	(10,260)	(8,718)	(18%)
Comprehensive income for the period	(10,355)	(8,642)	(20%)
Comprehensive income per share based on a weighted average of the number of outstanding shares	(0.45)	(0.41)	(10%)
Cash flow from operating activities	(9,478)	(11,980)	21%
Cash and cash equivalents, including short-term investments at end of period	9,240	16,829	(45%)

Comments from CEO Fredrik Olsson

We are extremely pleased to be able to present the best quarterly sales figures in the history of the Company. Sales surged 39 percent compared with the same period last year and 22 percent against the previous quarter. In the first half of 2015 sales climbed 42 percent compared with last year, which means that after the first six months we reached nearly 80 percent of total sales for 2014. Sales increased significantly in both the US market (42 percent) and the European market (37 percent) compared with last year. Gross profit for the second quarter improved significantly compared with the corresponding period last year. However, legal expenses attributable to the judicial process in the US still had a negative impact, which we expect will diminish over time.

As a result of our successful strategy to transition to direct sales, customers have quickly accepted new products and placed orders. Our customer base is steadily growing, which allows more interaction with our customers. Contact with the end customer is crucial in order to rapidly identify market trends and needs. Direct sales strengthen our future product development and sales, which is an important tool to be able to compete in the US and European markets.

Now that we face clear competition in the US, prompt delivery and good customer service are crucial. Sales growth in the first six months strengthens our conviction that Genovis is on the on the right track. In particular, it shows that we can hold our own in a globally competitive market. With our subsidiary Genovis Inc. and warehouse in the US, we can now provide next-day delivery throughout North America.

We can conclude that the new products GingisKHAN and FabRICATOR® Z, which were launched in mid-March and May, respectively, are already responsible for more than 10 percent of total sales since they were introduced. This shows that Genovis can develop new products that customers need. It is extremely gratifying that during the first six months we have shown that we can compete with the largest companies in both the US and Europe. We will continue to introduce new products in the autumn to further strengthen the product portfolio and expect continued positive sales growth.

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. The products can be ordered from a standard product line or adapted to the needs of the customer. Customers use the products to screen new drug substances and for quality control in development and production of new antibody-based drugs.

The active components in Genovis' products are FabRICATOR® (IdeS), FabRICATOR® Z (IdeZ), FabULOUS® (SpeB), IgGZERO® (EndoS), GlycINATOR® (EndoS2) or GingisKHAN™ (KGP). FabRICATOR is a unique enzyme that cleaves antibodies into two parts: a Fab fragment and an Fc fragment, with extremely high precision and FabRICATOR® Z also cleaves a specific type of mouse IgG quickly and more effectively than FabRICATOR and the other enzymes on the market. 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. GingisKHAN™ is an enzyme that cleaves human antibodies into three parts. The product complements FabRICATOR® and FabULOUS®, but can also be used in studies of the different parts of the antibody separately, which makes the product unique.

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 6,412k (4,514k), an increase of 42 percent compared with the same period in 2014. Net sales for the second quarter rose to SEK 3,526k (2,530k), an increase of 39 percent compared with the same period in 2014.

Other operating income for the half year was SEK 1,850 (840k); the second quarter accounted for SEK 1,619k (455k) and largely comprises reimbursement from the insurance company.

Revenue by geographic area (SEK thousands)

	Jan.-June		Jan.-Dec.
	2015	2014	2014
Europe	1,974	1,440	3,135
North America	4,210	2,967	4,841
Rest of world	228	107	276
Total	6,412	4,514	8,252

Operating profit

Operating loss for the six-month period was SEK 10,260k (loss: 8,718k); the second quarter accounted for SEK 5,259k (loss: 4,839k) Net financial items for the six-month period amounted to SEK 32k (76k); the second quarter amounted to SEK 28k (36k) Net loss for the six-month period worsened to SEK 10,355k (loss: 8,642k); the second quarter accounted for a worsening to a net loss of SEK 5,348k (loss: 4,803k).

Expenses

Consolidated expenses for the six-month period increased by SEK 4,450k to SEK 18,522k (14,072k). Operating expenses are allocated as follows: raw materials and supplies SEK 1,415k (1,440k). Other external expenses increased by SEK 3,428k to SEK 8,963k (5,535k). The increase of other external expenses is partly related to the ongoing patent dispute and covered by Genovis insurance. Personnel costs increased by SEK 795k to SEK 7,290k (6,495k). In the second quarter Genovis initiated a restructuring process to streamline the company with a full focus on the enzyme business. The increased personnel costs are part of the restructuring process, which is expected to be completed in the third quarter.

Expenses for the second quarter were SEK 10,404k (7,824k) and are allocated as follows: raw materials and consumables 785k (685k), external expenses SEK 4,913k (3,280k) and personnel costs SEK 4,245k (3,554k).

Consolidated investments and cash flow

Consolidated capital expenditure during the six-month period totaled SEK 1,202k (1,889k) of which SEK 109k (831k) is attributable to property, plant, and equipment, primarily laboratory equipment and computers, and SEK 1,093k (1,058k) is attributable to investments in intangible fixed assets. Consolidated capital expenditure during the second quarter totaled SEK 592k (623k) of which SEK 99k (8k) is attributable to property, plant, and equipment, and SEK 493k (615k) is attributable to investments in intangible fixed assets.

Cash flow for the six-month period was SEK 8,552k (3,849k). Cash flow from financing activities totaled SEK 14,232k (27,218k) and is attributable in its entirety to the rights issues in 2014 and 2015.

Financial position

Consolidated cash and cash equivalents including short-term investments amounted to SEK 9,240k (16,829k) at the end of the period. 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 the authorization as resolved at the Annual General Meeting on May 5, 2015.

The Company does not have any interest-bearing liabilities.

Total shareholders' equity for the Group was SEK 18,460k 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 -0.45 (-0.41). The Group's equity ratio at the end of the period was 73 (83) percent and equity per share was SEK 0.80 (1.32), based on the 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 1,718k (3,436k) at the end of the period.

Employees

On June 30, 2015, the Group had fifteen employees, compared with the same period the previous year, when the Group had sixteen 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 was SEK 9,102,355. The total number of shares was 36,409,420 with a par value of SEK 0.25. The Company has issued 450,000 warrants subscribed to by CEO Fredrik Olsson and Chairman of the Board Sarah Fredriksson

Genovis shares are traded on NASDAQ Stockholm First North under the short name GENO. 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 Consensus, 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 8,509k (6,200k), of which SEK 5,293k (4,440k) was attributable to sales. Revenue for the second quarter was SEK 5,132k (3,448k), of which SEK 2,784k (2,530k) was attributable to sales. Other revenue during the six-month period totaled SEK 3,216k (1,760k) of which SEK 1,366k (1,420k) 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 2,348k (919k), of which SEK 728k (714k) is attributable to personnel hired by the subsidiary. Operating expenses for the period totaled SEK 16,694k (12,647k), mainly attributable to personnel costs, marketing and development projects. Expenses for the second quarter were SEK 9,343k (6,971k).

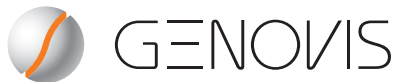
Operating loss for the period was SEK 8,185k (loss: 6,447k) and loss after net financial items was SEK 10,515k (loss: 8,621k). Operating loss for the second quarter was SEK 4,211k (loss: 3,523k) and loss after net financial items was SEK 5,488k (loss: 4,787k). Net loss for the period was SEK 5,488k (loss: 4,787k).

A conditional shareholder contribution to the subsidiary of SEK 2,300k (2,250k) 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. Interest bearing liabilities totaled SEK 301k (1,504k). Cash and cash equivalents at the end of the period totaled SEK 8,167k (16,428k).

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 7.4m, 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. The technique behind the developed products was originally formulated at Genovis.



Subsidiary Genovis Inc.

The subsidiary Genovis Inc. handles all sales and marketing in the North American market.

Related-party transactions

Genovis has purchased analysis services from Redeye for a total of SEK 240k. Genovis board member and principal owner Mikael Lönn, who holds a 22.15 percent stake in Genovis, owns 19,25 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 pages 50–51 in Genovis' 2014 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.
	2015	2014	2015	2014	2014
Net sales	3,526	2,530	6,412	4,514	8,252
Other operating income	1,619	455	1,850	840	1,782
Raw material and consumables	(785)	(685)	(1,415)	(1,440)	(3,430)
Other external expenses	(4,913)	(3,280)	(8,963)	(5,535)	(12,583)
Gross profit/loss	(553)	(980)	(2,116)	(1,621)	(5,979)
Personnel costs	(4,245)	(3,554)	(7,290)	(6,495)	(13,186)
Other operating expenses	(122)	0	(183)	(23)	(32)
Operating loss before depreciation and amortization (EBITDA),	(4,920)	(4,534)	(9,589)	(8,139)	(19,197)
Depreciation, amortization, and impairment losses of plant, property, and equipment and intangible assets	(339)	(305)	(671)	(579)	(1,274)
Operating profit/loss	(5,259)	(4,839)	(10,260)	(8,718)	(20,471)
Net financial items	(28)	36	(32)	76	140
Loss after financial items	(5,287)	(4,803)	(10,292)	(8,642)	(20,331)
Taxes	(86)	0	(86)	0	(1,718)
Net earnings	(5,373)	(4,803)	(10,378)	(8,642)	(22,049)
Other comprehensive income	25	0	23	0	0
Comprehensive income for the period	(5,348)	(4,803)	(10,355)	(8,642)	(22,049)
Attributable to shareholders in Genovis AB	(5,348)	(4,803)	(10,355)	(8,642)	(22,049)

Earnings per share based on weighted average of the number of outstanding shares (basic and diluted)*.	(0.22)	(0.22)	(0.45)	(0.41)	(1.02)
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Number of outstanding shares

Weighted average for the period	24,675,920	21,845,652	23,049,476	21,230,556	21,538,104
Number of shares at beginning of period	21,845,652	21,845,652	21,845,652	15,780,757	15,780,757
Number of shares at end of period	36,409,420	21,845,652	36,409,420	21,845,652	21,845,652
Share price at end of period, SEK	1.92	3.99	1.92	3.99	1.92

*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)

2015

2014

Assets		
<i>Noncurrent assets</i>		
Intangible assets	6,236	4,970
Property, plant and equipment	2,036	2,312
Financial fixed assets	1,718	3,436
Current assets	5,950	6,054
Investments in securities etc.	0	12,500
Cash and cash equivalents	9,240	4,329
Total assets	25,180	33,601

Equity and liabilities		
Equity	18,460	27,990
Non-current liabilities	180	0
Current liabilities	6,540	5,611
Total equity and liabilities	25,180	33,601

Changes in consolidated equity

(SEK thousands)

Amount at start of period	14,583	33,085
New issue	14,232	3,547
Currency differential	23	0
Loss for the period	(10,378)	(8,642)
Amount at end of period	18,460	27,990
Attributable to shareholders in Genovis AB	18,460	27,990

Key financial ratios

Equity/assets ratio	73%	83%
Equity per share at end of period (SEK)*	0.80	1.32

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

Summary Consolidated statement of cash flows

(SEK thousands)	April-June		Jan.-June		Jan.- Dec.
	2015	2014	2015	2014	2014
Cash flow from operations	(5,260)	(4,840)	(10,260)	(8,718)	(20,471)
Adjustment for items not affecting cash flow	339	305	671	579	1,274
Change in working capital	301	(1,268)	121	(3,917)	(3,136)
Net financial items	(4)	36	(10)	76	140
Cash flow from operating activities	(4,624)	(5,767)	(9,478)	(11,980)	(22,193)
Investing activities	(592)	4,876	3,798	(11,389)	(5,043)
Cash flow after investing activities	(5,216)	(891)	(5,680)	(23,369)	(27,236)
Financing activities	(1,500)	0	0	0	226
New issue	14,232	140	14,232	27,218	27,218
Cash flow for the period	7,516	(751)	8,552	3,849	208
Cash and cash equivalents at beginning of period	1,724	5,080	688	480	480
Cash and cash equivalents at end of period	9,240	4,329	9,240	4,329	688

Parent Company

Summary Income Statement

(SEK thousands)	April-June		Jan.-June		Jan.-Dec.
	2015	2014	2015	2014	2014
Operating income	5,132	3,448	8,509	6,200	12,005
Operating expenses	(9,343)	(6,971)	(16,694)	(12,647)	(26,848)
Operating profit/loss	(4,211)	(3,523)	(8,185)	(6,447)	(14,843)
Net financial items	(1,277)	(1,264)	(2,330)	(2,174)	(5,445)
Profit/loss before tax	(5,488)	(4,787)	(10,515)	(8,621)	(20,288)
Deferred tax on net loss for the period	0	0	0	0	(1,718)
Loss for the period	(5,488)	(4,787)	(10,515)	(8,621)	(22,006)

Summary Balance Sheet

(SEK thousands)	June 30		Dec 31
Assets	2015	2014	2014
Noncurrent assets	9,977	11,337	9,444
Current assets	6,021	5,072	4,014
Short-term investment	0	12,500	5,000
Cash and cash equivalents	8,167	3,928	614
Total assets	24,165	32,837	19,072

Equity and liabilities

Equity			
Restricted equity	15,395	20,756	20,756
Non-restricted equity	2,899	7,207	(6,178)
Liabilities			
Current liabilities	5,871	4,874	4,494
Total equity and liabilities	24,165	32,837	19,072

Statement of changes in equity

(SEK thousands)			
Amount at start of period	14,578	33,037	33,037
New issue	14,231	3,547	3,547
Ongoing rights issue		0	0
Loss for the period	(10,515)	(8,621)	(22,006)
Amount at end of period	18,294	27,963	14,578
Attributable to shareholders in Genovis AB	18,294	27,963	14,578

Summary statement of cash flows (SEK thousands)	April-June		Jan.-June		
	2015	2014	2015	2014	2014
Cash flow from operations	(4,211)	(3,523)	(8,185)	(6,448)	(14,843)
Adjustment for items not affecting cash flow	285	276	569	522	1,085
Change in working capital	853	(1,102)	1,490	(3,283)	(2,605)
Net financial items	(27)	36	(30)	76	155
Cash flow from operating activities	(3,100)	(4,313)	(6,156)	(9,133)	(16,208)
Investing activities	(3,013)	3,610	(522)	(14,528)	(10,767)
Cash flow after investing activities	(6,113)	(703)	(6,678)	(23,661)	(26,975)
Financing activities	12,731	140	14,231	27,218	27,218
Cash flow for the period	6,618	(563)	7,553	3,557	243
Cash and cash equivalents at beginning of period	1,549	4,491	614	371	371
Exchange rate difference in cash and cash equivalents	0	0	0	0	0
Cash and cash equivalents at end of period	8,167	3,928	8,167	3,928	614

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

Lund August 20, 2015

Genovis AB (publ.)

On behalf of the Board of Directors Fredrik Olsson, CEO

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Future reporting dates

Interim report January–September November 23, 2015

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

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