

## **Genovis 3Q 2007 interim report** **1 January - 30 September 2007**

- **3Q 2007 loss after tax stood at SEK 2,752,000 (SEK -1,321,000) and for the 1 Jan. - 30 Sept. period, at SEK 6,090,000 (SEK -3,401,000).**
- **The company launched a new web site for online sales.**
- **Genovis opened a sales office in Hong Kong in September.**
- **Patents acquired during 2Q 2007 generated new products.**

### **Key events after period's end**

- **Sales started, products delivered to customers.**
- **US subsidiary established, subsidiary manager recruited (also responsible for global marketing)**

*Genovis is a biotech company with cutting-edge expertise in nanotechnology and nanoparticles. Its patented nano-induced magnetic transfer (NIMT<sup>®</sup>) technology was developed to enable the life science industry to conduct efficient preclinical research. The Genovis stock is listed on the First North stock exchange (OMX). Mangold Fondkommission AB is a certified advisor and guarantor of liquidity for Genovis.*

### **From the CEO**

On September 27, 2007 Genovis began offering its products to various customers via online sales. Since we announced our decision to launch our own web store earlier this spring, we've worked intensively to enhance our customer proposition by developing several products and by investing in a web-based platform that now supports our entire value chain from production to customer. Fast-paced development during the period now bears fruit. Interest in our web store products is high, and we're delighted to report that the results are visible, i.e., sales of our first products.

We will continue with the fast development pace and will launch several new products within the next six months. We'll also build an efficient marketing and business development organization that will serve the largest international markets.

**Sarah Fredriksson**  
**CEO, Genovis AB**

### **Operations**

Genovis is a biotech company that develops and markets products within medical research. It delivers patented technology, products, and support that facilitate pharmaceutical development and preclinical research companies' operations. The Genovis technology, which is based on nano-induced magnetic transfer (NIMT<sup>®</sup>) technology is a method *and* a technical tool that includes nanoparticles and laboratory instrument.

Genovis currently provides products within five different product groups: NIMT<sup>®</sup> FeOfection, NIMT<sup>®</sup> FeOsilence, NIMT<sup>®</sup> FeOdots, NIMT<sup>®</sup> FeOlabel, and NIMT<sup>®</sup> FabRICATOR. The company launched these products on September 27, 2007. All commercial products are intended for laboratory use and are marketed for two different applications:

- **Biomolecule delivery:** Gene transfer, RNA interference, magnetic marking, and cell sorting.
- **Separation and Antibody Engineering:** Magnetic separation of biomolecules and preparation and fragmentation of antibodies.

In May 2007, Genovis signed a contract with Hansa Medical AB regarding acquisition of patents and licenses for biotechnical industrial applications for a group of bacterial surface proteins. Genovis

Markets the rights along with its nanoparticles (i.e., NIMT<sup>®</sup> FeOdots) in totally new laboratory products intended for preclinical research. The proteins included in the contract will be primarily used as components in products intended for antibody-based research and production of antibody fragments. Genovis combined its technology platform with two of the bacterial surface proteins that it acquired from Hansa Medical AB and created a unique tool for fragmenting antibodies. The antibody fragmentation technology is increasingly in demand; it is used, e.g., for cell culture analyses, tissue sample dyeing, and for avoiding immune system activation during new antibody-based medicine development. At the end of September, the first product (NIMT<sup>®</sup> FabRICATOR) in this area was launched with the company's other products.

In September 2007, Genovis became established on the Asian market with a sales office in Hong Kong. Several Asian countries are investing heavily in the life science industry, primarily in stem cell research, vaccine development, and RNA interference. Björn Hammarberg heads the Asian initiative; he represents Genovis in the Asia-Pacific region and in the Middle East. He has extensive experience in molecular biology and has worked with business development and marketing of products and services for the biotech industry and research institutions worldwide. He has implemented projects for companies such as AstraZeneca and PALL Life Sciences.

On September 27, 2007 the company's new web site was launched to enable online sales. Customers and potential customers in these and other regions demonstrated an interest: Australia, Brazil, Europe, India, Mexico, Singapore, South Korea, and the US. Genovis intends to be represented on several of these markets, and the new web site supports partners' and distributors' CRM efforts.

#### **Personnel**

In 3Q 2007, the number of employees remained constant. At the end of the period, Genovis had 10 employees (5).

#### **Profit/loss**

Revenue streams include instrument rentals and labor market contributions; total revenue for the period reached SEK 44,000 (SEK 108,000). Rentals brought in SEK 5,000 and contributions brought in SEK 39,000. Loss during the period stood at SEK 6,090,000 (SEK -3,401,000).

#### **Investments**

During the period, investments in intangible assets (continued patents and prototypes development plus intellectual property rights acquisition) totaled SEK 4,372,000 (SEK 2,476,000). Investments in property, plant, and equipment totaled SEK 651,000 (SEK 209,000).

#### **Cash flow and financial position**

Cash flow from on-going operations before changes in working capital was SEK -7,676. Cash flow from financial operations was SEK -1,352,000. On 30 September 2007, cash and cash equivalents stood at SEK 3,856,000 (SEK 2,696,000).

#### **Genovis B shares**

Genovis B shares are listed on First North, which is a part of the OMX Nordic Exchange.

#### **Key events after period's end**

##### **Customers**

Genovis received its first customers after its online sales were launched.

##### **Subsidiary in the US**

Genovis set up Genovis Inc., a subsidiary in Boston. Christopher Wilkins was hired as the CEO for Genovis Inc. He brings extensive biotech industry experience to the Genovis operation. Wilkins has held executive positions in sales, marketing, and business development at Cepheid, Inc. and MJ Research, Inc. (owned by Bio-Rad since 2004). He earned his Ph.D. in Genetics at Cornell University in Ithaca, New York.

**Genovis Group marketing manager**

Going forward, Wilkins will be responsible for global marketing. The US is the single largest market for Genovis products, which is why Wilkins will be responsible for all marketing efforts carried out by the Group.

**Accounting principles**

The interim report was prepared as per RR20. Accounting principles, estimates, and appraisals remain unchanged compared to 2006.

<b>INCOME STATEMENT (SEK thousands)</b>	<b>Q-3 2007</b>	<b>Q-3 2006</b>	<b>2007 Jan-Sept</b>	<b>2006 Jan - Sept</b>	<b>2006 Jan-Dec</b>
<b>Operating income</b>					
Capitalized work on own account	100		203		144
Net sales	0	0	5	0	0
Other income	16	52	39	108	107
<b>Total operating income</b>	<b>116</b>	<b>52</b>	<b>247</b>	<b>108</b>	<b>251</b>
<b>Operating expenses</b>					
Raw materials and consumables	(328)	(196)	(595)	(461)	(737)
Other external expenses	(1,652)	(921)	(3,977)	(2,227)	(4,899)
Staff costs	(1,428)	(653)	(3,342)	(1,747)	(3,051)
Depreciation of tangible assets and amortization of intangible fixed assets	(136)	(96)	(365)	(284)	(396)
Other operating expenses	(1)	0	(2)	0	0
<b>Total operating expenses</b>	<b>(3,545)</b>	<b>(1,866)</b>	<b>(8,281)</b>	<b>(4,719)</b>	<b>(9,083)</b>
<b>Operating profit (loss)</b>	<b>(3,429)</b>	<b>(1,814)</b>	<b>(8,034)</b>	<b>(4,611)</b>	<b>(8,832)</b>
<b>Financial item</b>					
Interest income	1	0	1	0	43
Interest expenses	(46)	(20)	(75)	(112)	(132)
<b>Profit (Loss) after financial items</b>	<b>(3,474)</b>	<b>(1,834)</b>	<b>(8,108)</b>	<b>(4,723)</b>	<b>(8,921)</b>
Deferred tax on net income for the year	722	513	2,018	1,322	2,497
<b>Profit (Loss) for the period</b>	<b>(2,752)</b>	<b>(1,321)</b>	<b>(6,090)</b>	<b>(3,401)</b>	<b>(6,424)</b>
<b>Earnings per share (SEK/share computed upon average number of shares)</b>	<b>(0.32)</b>	<b>(0.22)</b>	<b>(0.70)</b>	<b>(0.75)</b>	<b>(1.33)</b>
Average number of shares	8,708,987	5,806,040	8,708,987	4,515,973	4,838,490

BALANCE SHEET SUMMARY (SEK thousands)	2007 30 Sept	2006 30 Sept	2006 31 Dec
<b>Assets</b>			
Intangible assets	9,788	4,793	5,415
Tangible fixed assets	2,321	1,254	1,670
Financial assets	8,109	4,916	6,091
Current assets	4,065	2,828	19,068
<b>Total assets</b>	<b>24,283</b>	<b>13,791</b>	<b>32,244</b>
<b>Liabilities and stockholders' equity</b>			
Stockholders' equity	21,892	10,680	27,976
Noncurrent liabilities	616	683	682
Current liabilities	1,775	2,428	3,586
<b>Total liabilities and stockholders equity</b>	<b>24,283</b>	<b>13,791</b>	<b>32,244</b>

CASH FLOW STATEMENT SUMMARY	2007 Jan - Sept	2006 Jan - Sept	2006 Jan - Dec
Cash flow from current operating activities before changes in working capital	(7,676)	(4,439)	(8,525)
Change in working capital	(986)	(1,933)	1,636
Cash flow from investing activities	(4,478)	(2,685)	(3, 835)
Cash flow from financing activities	(1,352)	10,087	27,408
Change in cash and equivalents for period	(14,492)	1,030	16,683
Cash and cash equivalents at start of period	18,348	1,666	1,666
Cash and cash equivalents at end of period	<b>3,856</b>	<b>2,696</b>	<b>18,349</b>

#### Number of shares

The number of shares at the beginning of the period amounted to 8,708,987 shares and at the end of the period the number of outstanding shares comprised 8,708,987 shares. The par value of each share is SEK 0.40.

#### Number of class A shares and class B shares

	A shares (10 votes/share)	B shares (1 vote/share)
Number at start of period	800,000	7,908,987
Number at end of period	800,000	7,908,987

#### Ownership

Major stockholders per September 28, 2007

NAME	Number of Class A shares	Number of Class B shares	Holdings %	Votes %
Sarah Fredriksson	565,000	287,900	9.8	37.3
Bo Håkansson and company	175,990	2,466,570	30.3	26.6
SSB CL Omnibus AC OM07		150,000	1.7	0.9
Hans Göran Arlock and company		142,500	1.6	0.9
Nicklas Johansson		114,600	1.3	0.7
Other shareholders / aprox. 1700	59,010	5 035 317	55.3	33.6
<b>Total</b>	<b>800,000</b>	<b>7,908,987</b>	<b>100</b>	<b>100</b>

#### Financial information

Questions concerning the content of the report can be posed to CEO Sarah Fredriksson, telephone at (+46) (0)46-10 12 35.

Annual reports and previous quarterly reports are available at the Genovis homepage, [www.genovis.com](http://www.genovis.com), plus they can be requisitioned as well from the company by telephone at (+46) (0)46-10 12 30, by E-mail at [susanne.nykvist@genovis.com](mailto:susanne.nykvist@genovis.com) or via the postal service at Genovis AB, IDEON, S-223 70 Lund, Sweden.

#### Legal disclaimer

This quarterly report contains statements about the future consisting of estimates. Predictions for the future only apply as of the date they are made and by their very nature, in the same way as research and development in the biotech segment, are associated with risk and uncertainty. With this in mind, the actual outcome may deviate significantly from the scenarios described in this quarterly report.

#### Forthcoming report

Press release regarding non-audited 2007 annual accounts  
AGM

February 7, 2008  
April 17, 2008

This report has not been reviewed by the company's auditor.

The Board and the CEO pledge that this quarterly report provides a true and correct overview of the company's operations, financial position and results.

Lund, October 24, 2007

Hans-Göran Arlock  
Chairman of the board

Bo Håkansson

Nicklas Gerhardsson

Viveca Rüter

Sarah Fredriksson  
CEO