

## CONTINUED SALES GROWTH

### Jan. – March

	2016	2015	Change (%)
Net sales	3,808	2,886	+32
EBITDA	(3,134)	(4,667)	+33
Operating loss	(3,449)	(5,000)	+31
Comprehensive income for the period	(3,454)	(5,006)	+31
Comprehensive income per share based on a weighted average of the number of outstanding shares	(0.09)	(0.23)	+61
Cash flow from operating activities	(2,498)	(4,854)	+49
Cash and cash equivalents at end of period	3,332	1,724	+93

### January – March

- **Net sales** rose by about 32% to SEK 3,808k (2,886k).
- **Comprehensive income** improved by SEK 1,552k to SEK -3,454 (loss: 5,006k).
- **Comprehensive income per share**, basic and diluted, improved by SEK 0.14 to SEK -0.09 (-0.23).
- **Cash flow from operating activities** was SEK -2,498k (-4,854k).
- The Board of Directors of Genovis AB (publ) has resolved on a rights issue subject to approval by the Annual General Meeting on May 12, 2016
- Genovis signed a strategic cooperation agreement with Alphalyse A/S that will provide access to Alphalyse's expertise in mass spectrometry, while Alphalyse will have the opportunity to offer its customers analyses based on Genovis' unique enzymes for antibodies and other pharmaceutical proteins.

### Comments from Fredrik Olsson, Chief Executive Officer

Once again it is extremely encouraging to report continued sales growth. The first quarter of 2016 is our single best quarter ever, and sales surged by 32 percent compared with the same period last year. This is the sixth consecutive quarter that we demonstrate continued strong growth. The investments we made in our sales organization, both in the US and Europe, continue to produce results and I am particularly pleased that sales for all enzyme lines are growing compared with the corresponding period last year. Gross margin remained at a satisfactory level of about 90 percent.

The number of new customers and orders increased during the quarter compared with the same period last year and I expect continued growth of the customer base in 2016 through increased sales and marketing initiatives.

We are also driving growth by broadening our product portfolio. We intend to continue expanding our product selection during the year and focus expansion of the product portfolio on our existing markets. We will also expand into new markets where our unique enzymes have not yet been used, but where we see clear potential.

In the first quarter, we signed a strategic cooperation agreement with Alphalyse, a company that specializes in protein analysis by mass spectrometry. The agreement enables us both to market our products and to receive information about new market opportunities for our enzymes. We will continue to build partnerships with more stakeholders in the markets where we are active to increase the exposure of our enzymes and thereby further increase sales.

In April, we launched a new product, GingisREX™, our first enzyme that is not limited to analysis of antibodies, but is also suitable for analysis of proteins in general. We received orders for the product right from the day of the launch and our extended distribution network enabled us to send the products to customers immediately after the launch.

Based on developments during the first quarter and the initiatives that we will implement during the year, I expect continued strong sales growth in 2016.

## GENOVIS OFFERS CUSTOMERS



## Knowledge

Because of their direct involvement in both the discovery and development of Genovis' SmartEnzymes, Genovis employees have extensive knowledge of both the enzymes' activity and their applications. Through close customer contact and customer meetings, Genovis offers customers the opportunity to benefit from the available expertise regarding the Company's enzymes, as well as applications related to the development of biopharmaceuticals. Specialists at Genovis often assist customers with interpreting and evaluating research findings to best analyze the quality of biological drugs using Genovis' enzymes. By engaging in direct discussions with our customers, we accumulate extensive knowledge about biologics and the best way to analyze them. This close interaction with specialized customers provides us with an important overview of the market and its needs. This extensive knowledge about the specific activities of the enzymes combined with a broad understanding of the applications used for more efficient drug development is unique for Genovis.

## Support

In addition to the physical product, Genovis provides global deliveries and technical 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. Genovis also offers development of customized methods. When Genovis enzymes are included into analytical procedures within biopharma industry the methods are "locked" due to regulatory control. This leads to long customer relationships that can last for the entire life of the drug and thus generate stable revenues over time.

## Products

Genovis markets seven different enzymes in a variety of product formats. Products can be ordered from a standard range or as custom-made products. Customers use these products to analyze proteins, including antibody molecules. Genovis enzymes enable customers to conduct faster analyses with higher quality than competing technologies can offer. After the end of the period Genovis launched a new enzyme, GingisREX™ and is now focusing on customers throughout the proteomics market.

The products are divided into proteases and glycosidases.

### Genovis' proteases

FabRICATOR® (IdeS), FabRICATOR®Z (IdeZ), GingisKHAN™ (KGP), FabULOUS® (SpeB)  
FabRICATOR is a unique enzyme that cleaves antibodies into two parts: a F(ab')<sub>2</sub> 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.

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.

### Genovis' glycosidases

IgGZERO® (EndoS) and GlycINATOR® (EndoS2)

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.

## Sales

### Net sales

Net sales for the period rose to SEK 3,808k (2,886k), an increase of about 32% compared with the same period in 2014.

### Other operating income

Other revenue for the period amounted to SEK 5,296 (231) and largely comprises insurance reimbursement associated with the ongoing dispute in the US.

### Revenue by geographic area (SEK thousands)

	Jan.-March		Jan.-Dec.
	2016	2015	2015
Europe	1,066	972	4,165
North America	2,630	1,750	8,479
Rest of world	113	164	624
<b>Total</b>	<b>3,808</b>	<b>2,886</b>	<b>13,268</b>

## Performance

### Operating profit/loss (EBIT)

Operating loss for the period was SEK 3,499k (loss: 5,000k).

### Financial income and expenses

Financial expenses and income for the period amounted to a net of SEK 0k (-4k).

### Comprehensive income

Comprehensive income for the period was a loss of SEK 3,454k (loss: 5,006k). Earnings per share, based on a weighted average of the number of outstanding shares, totaled SEK -0.09 (-0.23).

### Expenses

Consolidated expenses for the period increased by SEK 4,436k to SEK 12,553k (8,117k). Operating expenses are allocated as follows: raw materials and consumables SEK 338k (629k) and other external expenses SEK 9,185k (4,040k). The increased expenses are mainly attributable to the ongoing patent dispute against Promega.

### Investments

Consolidated capital expenditure for the period totaled SEK 222 (610) of which SEK 10 (10) is attributable to property, plant, and equipment, primarily laboratory equipment and computers, and SEK 212 (600) is attributable to investments in intangible fixed assets.

### Cash flow

Consolidated cash flow for the period totaled SEK 1,280k (1,036k). Cash flow from financing activities totaled SEK 4,000k (1,500k) and comprises consists of loans from principal owner Mikael Lönn and board member Kenth Petersson. The loans, which are equally divided between the lenders, carry an interest rate of 5.5 percent.

### Financial position

Consolidated cash and cash equivalents at the end of the period amounted to SEK 3,332k (1,724k). 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 fully underwritten rights issue approved by the Board, subject to approval at the Annual General Meeting on May 12, 2016.

The Company does not have any interest-bearing liabilities other than the bridge loans for a total of SEK 6 million provided by principal owner Mikael Lönn and board member Kenth Petersson. The purpose of the bridge loan is to cover the Company's administration costs until financing is raised through the rights issue. Subscription undertakings and underwriting commitments have been obtained, corresponding to 100 percent of the total proceeds of the rights issue.

Total shareholders' equity for the Group was SEK 5,368k (9,577k) after taking the result for the period into account. Equity per share based on the weighted average of the number of outstanding shares

(basic and diluted) at the end of the period was SEK -0.18 (-0.44). The Group's equity ratio at the end of the period was 25 (58) percent.

### Taxes

The Group has a deferred tax asset arising from the Parent Company, amounting to SEK 1,718k (1,718k) at the end of the period.

### Employees

On March 31, 2016, the Group had fourteen 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.

### Share capital and Share Performance

Share capital at the end of the period amounted to SEK 9,215,693.75. The total number of shares was 36,862,775 with a quota 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 ticker symbol 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. Consensus 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: product 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

Revenue for the period was SEK 8,309k (3,377k), of which SEK 3,013k (2,509k) was attributable to external sales. Other revenue during the period totaled SEK 5,296k (869k). Other revenue largely comprises insurance reimbursement in connection with the ongoing patent dispute in the US.

### Expenses

Total operating costs for the period amounted to SEK 11,625k (7,352k). Other external expenses are largely attributable to attorney fees in connection with the lawsuit against Promega, where the majority of expenses are covered by Genovis' insurance.

## Results

Operating loss for the period was SEK 3,316k (loss: 3,975k,) and loss after net financial items was SEK 3,316k (loss: 5,028k). The loss for the period was SEK 3,316k (loss: 5,028k).

Net capital expenditure totaled SEK 222k (73k). Liquidity at the end of the period was SEK 2,125k (1,549k).

## Taxes

The Parent Company has a deferred tax asset that amounted to SEK 1,718k (1,718k) 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 146 million.

## Subsidiary Genovis Inc.

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

## Related party transactions

Genovis board member and principal owner Mikael Lönn, who holds a 22.59 percent stake in Genovis, owns 12.24 percent of the shares in Redeye, for which Mikael Lönn is also a board member. Genovis purchased analysis services from Redeye for a total of SEK 82.5k during the first quarter of 2016.

During the period Genovis received loans from principal owner Mikael Lönn and board member Kenth Petersson for a total of SEK 6 million at an interest rate of 5.5 percent.

## Events after the end of the period

- Genovis launched a new enzyme, GingisREX™, and is now focusing on customers throughout the proteomics market. The products that Genovis has launched to date have solely been used for modification of antibodies, while GingisREX can be used for proteins in general.
- After the period Genovis received a loan from principal owner/board member Mikael Lönn for SEK 1.5 million at an interest rate of 5.5%.

## Outlook

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. Taken together, volume growth is expected to be positive in 2016.

## 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 52–53 in Genovis' 2015 annual report.

## Financial calendar 2016

Annual General Meeting	May 12
Half-Yearly Report January 1 – June 30	August 20
Interim Report January 1 – September 30	November 23

Interim reports may be ordered from the Company or downloaded at the Genovis web site:  
[www.genovis.com](http://www.genovis.com).

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## 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.
	2016	2015	2015
Net sales	3,808	2,886	13,268
Other operating income	5,296	231	9,255
Raw materials and consumables	(338)	(629)	(2,459)
<b>Gross profit/loss</b>	<b>8,766</b>	<b>2,488</b>	<b>20,064</b>
Personnel costs	(2,715)	(3,045)	(13,346)
Other external expenses	(9,185)	(4,050)	(21,493)
Other operating expenses	0	(60)	0
<b>Operating loss before depreciation, amortization and impairment</b>	<b>(3,134)</b>	<b>(4,667)</b>	<b>(14,775)</b>
Depreciation, amortization, and impairment losses of plant, property, and equipment and intangible assets	(315)	(333)	(5,049)
<b>Operating profit/loss</b>	<b>(3,449)</b>	<b>(5,000)</b>	<b>(19,824)</b>
Net financial items	0	(4)	(34)
<b>Profit/loss after financial items</b>	<b>(3,449)</b>	<b>(5,004)</b>	<b>(19,858)</b>
Taxes	62	0	(48)
<b>Net earnings</b>	<b>(3,387)</b>	<b>(5,004)</b>	<b>(19,906)</b>
Other comprehensive income	(67)	(2)	(22)
<b>Comprehensive income for the period</b>	<b>(3,454)</b>	<b>(5,006)</b>	<b>(19,928)</b>
Attributable to shareholders in Genovis AB	(3,454)	(5,004)	(19,928)

<b>Earnings per share (SEK)*</b>			
Based on weighted average of the number of outstanding shares (basic and diluted)*	(0.09)	(0.23)	(0.66)
<b>Number of outstanding shares</b>			
Weighted average for the period	36,862,775	21,845,652	30,064,155
Number of shares at start of period	36,862,775	21,845,652	21,845,652
Number of shares at end of period	36,862,775	21,845,652	36,862,775
Share price at end of period, SEK	1.80	2.12	2.00

\*The Company has issued 450,000 warrants. *Subscription for new shares based on warrants 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.*

**Condensed consolidated balance sheet**  
 (SEK thousands)

March 31

2016      2015

	2016	2015
<b>Assets</b>		
<i>Noncurrent assets</i>		
Intangible assets	2,696	5,889
Property, plant and equipment	1,589	2,130
Financial fixed assets	1,718	1,718
<b>Current assets</b>	<b>12,325</b>	<b>5,048</b>
Current investments	0	0
Cash and cash equivalents	3,332	1,724
<b>Total assets</b>	<b>21,660</b>	<b>16,509</b>

<b>Equity and liabilities</b>		
Shareholders' equity	5,368	9,577
Noncurrent liabilities	135	180
Current liabilities	16,157	6,752
<b>Total equity and liabilities</b>	<b>21,660</b>	<b>16,509</b>

**Consolidated statement of changes in equity**  
 (SEK thousands)

March 31

2016      2015

Amount at start of period	8,822	14,583
New issue	0	0
Currency differential	(67)	(2)
Profit/loss for the period	(3,387)	(5,004)
<b>Amount at end of period</b>	<b>5,368</b>	<b>9,577</b>
Attributable to shareholders in Genovis AB	5,368	9,577

**Key financial figures**

2016

2015

Equity/assets ratio (%)	25	58
Equity per share at end of period* (SEK)	0.18	0.44

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

## Summary Consolidated Statement of Cash Flows

(SEK thousands)	Jan.-March		Jan.-
	2016	2015	Dec. 2015
<b>Cash flow from operations</b>	<b>(3,449)</b>	<b>(5,000)</b>	<b>(19,824)</b>
Adjustment for items not affecting cash flow	248	331	5,026
Changes in working capital	703	(181)	(1,285)
Net financial items	0	(4)	(34)
<b>Cash flow from operating activities</b>	<b>(2,498)</b>	<b>(4,854)</b>	<b>(16,117)</b>
Investing activities	(222)	4,390	3,314
<b>Cash flow after investing activities</b>	<b>(2,720)</b>	<b>(464)</b>	<b>(12,803)</b>
Financing activities	4,000	1,500	0
New issue	0	0	14,167
<b>Cash flow for the period</b>	<b>1,280</b>	<b>1,036</b>	<b>1,364</b>
Cash and cash equivalents at start of period	2,052	688	688
Cash and cash equivalents at end of period	<b>3,332</b>	<b>1,724</b>	<b>2,052</b>

## Parent Company

### Summary Income Statement

(SEK thousands)	Jan.-March		Jan.-Dec.
	2016	2015	2015
Operating income	8,309	3,377	21,525
Operating expenses	(11,625)	(7,352)	(39,195)
<b>Operating profit/loss</b>	<b>(3,316)</b>	<b>(3,975)</b>	<b>(17,670)</b>
Net financial items	0	(1,053)	(2,330)
<b>Profit/loss before tax</b>	<b>(3,316)</b>	<b>(5,028)</b>	<b>(20,000)</b>
Deferred tax on net loss for the period	0	0	0
<b>Profit/loss for the period</b>	<b>(3,316)</b>	<b>(5,028)</b>	<b>(20,000)</b>

### Summary Balance Sheet

(SEK thousands)	March 31		Dec 31
	2016	2015	2015
<b>Assets</b>			
Noncurrent assets	5,931	9,855	9,444
Current assets	13,126	4,407	4,014
Current investments	0	0	5,000
Cash and cash equivalents	2,125	1,549	614
<b>Total assets</b>	<b>21,182</b>	<b>15,811</b>	<b>19,072</b>

Equity and liabilities (SEK thousands)	March 31		Dec 31
	2016	2015	2015
<b>Equity</b>			
Restricted equity	15,056	20,756	20,756
Non-restricted equity	(9,627)	(11,206)	(6,178)
<b>Liabilities</b>			
Current liabilities	15,753	6,261	4,494
<b>Total equity and liabilities</b>	<b>21,182</b>	<b>15,811</b>	<b>19,072</b>

Statement of changes in equity (SEK thousands)	March 31		Dec 31
	2016	2015	2015
Amount at start of period	8,745	14,578	14,578
New issue	0	0	14,167
Ongoing rights issue		0	0
Profit/loss for the period	(3,316)	(5,028)	(20,000)
<b>Amount at end of period</b>	<b>5,429</b>	<b>9,550</b>	<b>8,745</b>
Attributable to shareholders in Genovis AB	5,429	9,550	8,745

Summary Statement of Cash Flows Jan.-Dec. (SEK thousands)	Jan.-March		Jan.- Dec.
	2016	2015	2015
<b>Cash flow from operations</b>	<b>(3,316)</b>	<b>(3,975)</b>	<b>(17,671)</b>
Adjustment for items not affecting cash flow	298	284	5,381
Changes in working capital	1,789	638	(277)
Net financial items	0	(3)	(30)
<b>Cash flow from operating activities</b>	<b>(1,229)</b>	<b>(3,056)</b>	<b>(12,597)</b>
Investing activities	(1,840)	2,491	(990)
<b>Cash flow after investing activities</b>	<b>(3,069)</b>	<b>(565)</b>	<b>(13,587)</b>
Financing activities	4,000	1,500	14,167
<b>Cash flow for the period</b>	<b>931</b>	<b>935</b>	<b>580</b>
Cash and cash equivalents at start of period	1,194	614	614
Cash and cash equivalents at end of period	<b>2,125</b>	<b>1,549</b>	<b>1,194</b>

## Statement

The Board of Directors and the Chief Executive Officer certify that this interim report provides a true and fair overview of the development of the Parent Company's and the Group's business activities, financial position and results of operations as well as the significant risks and uncertainties to which the Parent Company and the companies included in the Group are exposed.

Lund May 4, 2016

Genovis AB (publ.)

On behalf of the Board of Directors Fredrik Olsson, CEO  
President & CEO

This report has not been subject to special review by the Company's auditors.

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*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.*