

Genovis Quarterly Report – Q2 January 1 – June 30, 2007

- **After tax results for the second quarter amounted to KSEK –1,717 (KSEK – 1,003) and for the year KSEK –3,339 (KSEK – 2,079)**
- **Reference project involving gene transfer, siRNA delivery and magnetic labeling of cells concluded with positive results**
- **A new business area and new products related to antibody fragmentation as a result of the acquisition of intellectual property rights**

Genovis is a biotechnology company with distinguished core competency in the fields of nanotechnology and nanoparticles. The company's patented NIMT™ technology (NanoInducedMagneticTransfer) has been developed in order to enable the life science industry to conduct effective preclinical research. Genovis shares are listed on the First North stock exchange (OMX). Mangold Fondkommission AB is a Certified Advisor and guarantor of liquidity to the company.

Remarks from the CEO

Getting underway with sales and beginning to generate revenues is one of the most important milestones in the development of Genovis. When the Genovis Web Shop opens on September 27, we will be ready to begin selling some 20 products based upon the NIMT® technology.

During the first half of the year, Genovis has been investing in production processes, infrastructure and IT-based support functions in order to be able to handle global support, logistics and sales in as optimum a manner as possible. The task with the highest priority we now face is to establish sales and marketing channels in the US, Europe and Asia, either via partners or under our own auspices. A global web shop requires global marketing. Genovis ambition is to start marketing activities targeted at customers within niche markets for our products in both the US and Asia before the end of the year.

*Sarah Fredriksson
CEO Genovis AB*

Operations

Genovis has developed a patented technology, called NIMT™ (NanoInducedMagneticTransfer) technology, which is intended to be used as a research tool in preclinical research as well as in the development of pharmaceuticals. The products that are derived from the concept include a line of different nanoparticles, NIMT™ FeOdots, and a laboratory instrument, NIMT™ NanoHeater, which is used to control the properties of the nanoparticles. All products are intended for laboratory use and for multiple applications: gene transfer, RNA interference, magnetic labeling and sorting of cells as well as magnetic separation of biomolecules.

Since the fourth quarter of 2006, Genovis has carried out a number of reference projects. Genovis NIMT™ technology has been tested in the research enterprises of eight different groups in applications that include gene transfer, magnetic labeling and siRNA delivery. The groups included two Swedish biotechnology companies, Lund University, Karolinska Institutet, Uppsala University, NIH (the National Institutes of Health, in the US) and SCRIPPS (the Scripps Research Institute, also in the US).

The objectives Genovis had in carrying out this reference project included performing quality assurance on the technology by testing its technical performance on difficult tasks and cells that are difficult to work with, based on the customer's definition. The project has also contributed to giving Genovis feedback regarding its production, logistics and packaging solutions. On the overall, the project has equipped Genovis with additional expertise in issues concerning customer support and customized solutions in different prioritized customer segments.

On May 3, 2007, Genovis entered into an agreement with Hansa Medical AB on the acquisition of a patent and license for biotechnical industrial applications for a group of bacterial surface proteins. Genovis will be marketing the rights together with the company's NIMT™ FeOdots nanoparticles in completely new laboratory products intended for preclinical research. The proteins that are included in the agreement will first and foremost be used as components in products intended for antibody-based research and production of antibody fragment.

Genovis has combined its technology platform with two of the bacterial surface proteins that the company acquired from Hansa Medical AB and created a unique tool for fragmentation of antibodies. Antibody fragmentation is a technology for which there is increasing demand and which is used in, among other things, analyses of cell cultures, coloring of tissue samples and in order to avoid activating the defenses of the immune system in the development of new antibody-based drugs. The new product line will begin to be sold when the company opens its web shop in September.

Organization

During the second quarter the number of employees has increased by one full-time position and one part-time position. At the end of the period Genovis had 10 (5) employees.

Income and quarterly profit or loss

Revenues for the period of KSEK 131 (KSEK 56) are comprised of instrument rental KSEK 5 and KSEK 126 in the form of labor market contributions and grants. The results for the period comprised KSEK – 3,339 KSEK (KSEK – 2,079).

Investments

During the period, investments in non-tangible assets (continued development of patents and prototypes as well as acquisition of intellectual property rights) were made of KSEK 3,969 (KSEK 1,542). Investments in tangible assets involving, among other things, laboratory and computing equipment were made totaling KSEK 642 (KSEK 205).

Financial position and liquidity

Cash flow from on-going operations before changes in funds tied up in operations was KSEK -4,405. Cash flow from financial enterprises was KSEK -65. Liquid assets as at June 31, 2007, comprised KSEK 7,060 (KSEK).

Genovis class B shares

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

Accounting principles

The quarterly report has been created in accordance with RR20, the Recommendation concerning Quarterly Reports of the Swedish Association for the Development of Generally Accepted Accounting Principles. The accounting principles employed, as well as the estimates and assessments, are unchanged in comparison with the prior year.

INCOME STATEMENT (SEK thousands)	Q-2 2007	Q-2 2006	2007 Jan-June	2006 Jan - June	2006 Jan-Dec
Operating income					
Capitalized work on own account	103		103		144
Net sales	4	0	5	0	0
Other income	1	56	23	56	107
Total operating income	108	56	131	56	251
Operating expenses					
Raw materials and consumables	59	(197)	(267)	(265)	(737)
Other external expenses	(1,115)	(615)	(2,325)	(1,306)	(4,899)
Staff costs	(1,130)	(412)	(1,914)	(1,093)	(3,051)
Depreciation of tangible assets and amortization of intangible fixed assets	(121)	(96)	(229)	(188)	(396)
Other operating expenses	0	0	(1)	0	0
Total operating expenses	(2,307)	(1,320)	(4,736)	(2,852)	(9,083)
Operating profit (loss)	(2,199)	(1,264)	(4,605)	(2,796)	(8,832)
Financial item					
Interest income	0	0	0	0	43
Interest expenses	(7)	(52)	(29)	(92)	(132)
Profit (Loss) after financial items	(2,206)	(1,316)	(4,634)	(2,888)	(8,921)
Deferred tax on net income for the year	490	313	1,296	809	2,497
Profit (Loss) for the period	(1,716)	(1,003)	(3,338)	(2,079)	(6,424)
Earnings per share (SEK/share computed upon average number of shares)	(0.20)	(0.17)	(0.38)	(0.48)	(1.33)
Average number of shares	8,708,987	5,806,390	8,708,987	4,354,715	4,838,490

BALANCE SHEET	2007	2006	2006
SUMMARY (SEK thousands)	30 June	30 June	31 December
Assets			
Intangible assets	9,384	3,859	5,415
Tangible fixed assets	2,084	1,346	1,670
Financial assets	7,388	4,403	6,091
Current assets	7,229	5,201	19,068
Total assets	26,085	14,809	32,244
Liabilities and stockholders' equity			
Stockholders' equity	24,643	12,002	27,976
Noncurrent liabilities	617	718	682
Current liabilities	825	2,089	3,586
Total liabilities and stockholders equity	26,085	14,809	32,244

CASH FLOW STATEMENT SUMMARY	2007	2006	2006
	Jan - June	Jan - June	Jan - Dec
Cash flow from current operating activities before changes in working capital	(4,405)	(2,608)	(8,525)
Change in working capital	(2,209)	756	1,636
Cash flow from investing activities	(4,610)	(1,747)	(3,835)
Cash flow from financing activities	(65)	7,067	27,408
Change in cash and equivalents for period	(11,289)	3,468	16,683
Cash and cash equivalents at start of period	18,349	1,666	1,666
Cash and cash equivalents at end of period	7,060	5,134	18,349

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 July 31, 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
European Institute of Science AB		137,635	1.5	0.9
Other shareholders / aprox. 1700	59,010	4,724,382	55.1	33.4
Total	800,000	7,908,987	100	100

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, plus they can be requisitioned as well from the company by telephone at (+46) (0)46-210 12 30, by E-mail at 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.

Financial calendar

Interim Report, Third quarter	October 25, 2007
Unaudited interim financial statement for 2007	February 7, 2008
Annual General Meeting	April 17, 2008

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 den 15 augusti 2007

Hans-Göran Arlock
Chairman of the board

Bo Håkansson

Nicklas Gerhardsson

Viveca Rüter

Sarah Fredriksson
CEO

Auditor's report of review of Q2 quarterly report prepared in accordance with chapter 9 of the Swedish Annual Accounts Act (1995:1554).

To the Board of Genovis AB (publ)

Introduction

I have performed a review of the attached Q2 quarterly report covering the period of January 1, 2007 to June 30, 2007. It is the management of the company that bears the responsibility for preparing and presenting this quarterly report in accordance with the Swedish Annual Accounts Act. My responsibility is to express a conclusion concerning this quarterly report based upon my review.

The emphasis and scope of the review

I have performed my review in accordance with the Standard on Review Engagements, SÖG 2410, issued by the Swedish Institute of Authorized Public Accountants (FAR) for reviews of interim financial statements performed by a company's elected auditor. A review consists of posing queries directly to persons who are responsible for financial issues and auditing issues, of performing analytical reviews and of performing other review-related measures. A review has a different emphasis and a significantly smaller scope in comparison with the emphasis and scope than an audit has according to the Auditing Standard in Sweden (RS) and good auditing practices in general. The measures carried out during the review do not enable me to procure any guarantee that I have become aware of all important circumstances that should have been able to have been identified if an audit had been performed. The conclusion expressed is based upon a review and thus does not involve the degree of certainty that a conclusion expressed on the basis of an audit has.

Conclusion

Based upon my review, no circumstances have emerged that give me occasion to regard the attached quarterly report for Q2 as not, in all essence, having been prepared in accordance with the Swedish Annual Accounts Act.

Lund, August 14, 2007

Kristina Anderson
Authorized Public Accountant