

HALF-YEARLY REPORT JANUARY – JUNE 2016

January - June

	2016	2015	Change (%)
Net sales	8,403	6,412	+31
Expenses	25,101	18,522	+35
EBITDA	(10,762)	(9,589)	(12)
<i>EBITDA adjusted for legal costs and insurance reimbursement.</i>	<i>(4,221)</i>	<i>(8,070)</i>	<i>47</i>
Operating profit/loss	(11,402)	(10,260)	(11)
<i>Operating profit/loss adjusted for legal costs and insurance reimbursement.</i>	<i>(4,861)</i>	<i>(8,741)</i>	<i>44</i>
Comprehensive income for the six-month period	(11,574)	(10,355)	(12)
<i>Comprehensive income for the six-month period adjusted for legal costs and insurance reimbursement.</i>	<i>(5,033)</i>	<i>(8,836)</i>	<i>43</i>
Comprehensive income per share based on a weighted average of the number of outstanding shares	(0.31)	(0.45)	31
Cash flow from operating activities	(10,997)	(9,478)	(16)
Cash and cash equivalents at end of half year	10,011	9,240	8

January - June

- **Net sales** rose by about 31 percent to SEK 8,403k (6,412k).
- **Expenses** increased by SEK 6,610 to SEK -25,101k (-18,522k). The increase relates to the settled patent dispute in the US. Excluding legal fees, Genovis reduced its expenses during the six-month period by SEK 2,058k to SEK 13,462k (15,520k).
- **Operating result** was a loss of SEK 11,402k (loss: 10,260k). Excluding legal fees and reimbursement from the insurance company the operating result was a loss of SEK 4,861k (loss: 8,741k).
- Comprehensive income was a loss of SEK 11,574k (loss: 10,355k). Excluding legal fees and reimbursement from the insurance company, comprehensive income was a loss of SEK 5,033k (loss: 8,836k).
- **Comprehensive income per share** basic and diluted totaled SEK -0.31 (-0.45). Excluding legal fees and reimbursement from the insurance company, comprehensive income per share was a loss of SEK 0.13 (loss: 0.38).
- **Cash flow from operating activities** during the six-month period was SEK -10,997k (-9,478).
- **Cash and cash equivalents including short-term investments** amounted to SEK 10,011k (9,240k) at the end of the half-year.

April–June

- In June Genovis reached a settlement in the patent dispute with Promega Corporation and entered into a royalty-based global licensing agreement regarding the patent involved in the dispute.
- In May, Genovis carried out a rights issue that was oversubscribed by 10 percent. The rights issue raised about SEK 23 million before issue expenses for the company.
- Genovis launched a further development of FabULOUS®. The new product is being marketed under the name FabULOUS® kit.
- Genovis launched GingisREX®, a new enzyme aimed at 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.
- **Net sales** rose by about 30 percent to SEK 4,595k (3,526k).
- **Comprehensive income** was a loss of SEK 8,121k (loss: 5,348k).
- **Comprehensive income per share** basic and diluted totaled SEK -0.21 (-0.22).
- **Cash flow from operating activities** was SEK -8,499k (-4,624k).

Comments from CEO Fredrik Olsson

The second quarter showed continued strong sales growth for the Company's products and was the single best quarter in the history of the Company. Sales amounted to SEK 4.6 million, an increase of 30 percent year over year and 21 percent quarter over quarter. For the six-month period as a whole sales rose 31 percent, demonstrating stable organic growth in the product portfolio. It is particularly gratifying that we see growth in all product groups during the period.

At the end of the second quarter, we reached a settlement in the legal dispute that has been ongoing since 2014. We are pleased to have reached an agreement that gives us royalty income at good levels, but above all, the agreement is strategically important to increase the size of the market and to improve conditions for faster adoption of FabRICATOR in the production of antibody drugs. Now that there are two suppliers of the enzyme, the prospects have improved for the enzyme to be included in critical methods of analysis for the production of antibody-based drugs.



The market for antibody-based drugs is undergoing strong growth and there is a clear need to simplify and improve the analytical methods associated with production. We are now also seeing more requests for larger volumes for use specifically in quality control in the production of antibodies, for which reason I expect continued growth for FabRICATOR since we are still in an early stage.

While revenues from sales have increased sharply, the cost base--excluding the legal costs of the dispute with Promega--has declined 13 percent compared with the first half of 2015. However, the legal expenses associated with the dispute have had a negative impact on earnings for the period. As a result of the settlement, these expenses will end during the beginning of the third quarter.

It is worth noting that organic growth continues without any negative effect on gross margin, indicating efficient use of resources in the production of our products and that the price level remains at a satisfactory level.

As I look ahead to the rest of the year I expect continued good organic growth. We will increase our efforts in sales and marketing to further drive growth. A clearer presence in the Asian markets will be prioritized, while strengthening our own sales organization in North America and Europe. We will also continue to work to broaden the market for our existing product portfolio with new products aimed at new applications, at the same time that we follow the strategy of expanding the product portfolio by introducing new products. In line with this strategy, in the second quarter we launched two new products – GingisREX and FabULOUS Fab Kit. GingisREX opens a new market for us because the product can not only be used for antibodies, but also within general protein analysis. FabULOUS Fab Kit simplifies handling of antibody fragments for a certain type of antibody during production.

In May we carried out a rights issue that was oversubscribed. The additional capital, together with the strong growth we continue to demonstrate, will provide good conditions for further investments in market expansion and a continued positive trend for Genovis.

I would like to thank all of our engaged shareholders and dedicated employees for their efforts, which have resulted in yet another successful six months and created good prospects for a positive development moving forward.

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. 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 customers development of customized methods.

Products

Genovis markets seven different enzymes in a variety of product formats. Products, which are divided into proteases and glycosidases, can be ordered from a standard range or as custom-made products. Customers use the products to analyze proteins, including antibody molecules, and Genovis' enzymes provide faster analyses with higher quality than competing technologies can offer.



Proteases

FabRICATOR® (IdeS), FabRICATOR®Z (IdeZ), GingisKHAN™ (KGP), GingisREX™ (Rgp) and FabULOUS® (SpeB)

FabRICATOR is a unique enzyme that cleaves antibodies into two parts: a F(ab')₂ 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. GingisREX differs from the other enzymes in the product portfolio since the enzyme cleaves proteins in general and not just antibodies. The enzyme cleaves specifically after the amino acid arginine and is highly reliable and more precise than similar enzymes in the market. GingisREX can be used alone or in combination with Genovis’ other enzymes to improve analysis results for customers.

Glycosidases

IgGZERO® (EndoS) and GlycINATOR® (EndoS2)

IgGZERO and GlycINATOR are proteins that can specifically cleave sugar molecules that are found naturally on antibodies for glycan analysis. 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 half year rose to SEK 8,413k (6 412k), an increase in sales of approximately 31 percent compared with the same period last year. Net sales for the second quarter rose to SEK 4,595k (3,526k), an increase of about 30 percent compared with the same period in 2015.

Other operating income

Other revenue for the six-month period was SEK 5,296k (1,850k); the second quarter accounted for SEK 0k (1,619k).

Revenue by geographic area (SEK thousands)

	Jan.-June		Jan.-Dec.
	2016	2015	2015
Europe	2,527	1,974	4,165
North America	5,704	4,210	8,479
Rest of world	173	228	624
Total	8,404	6,412	13,268

Results

Operating profit/loss (EBIT)

The operating loss for the six-month period was SEK 11,402k (loss: 10,260k); excluding legal fees and reimbursement from the insurance company the operating result was a loss of SEK 4,861k (loss: 8,741k). The operating result for the second quarter was a loss of SEK 7,953k (loss: 5,259).

Financial income and expenses

Net financial expenses and income for the full year amounted to SEK -130k (-32k) and for the second quarter SEK -130k (-28k).

Comprehensive income

Comprehensive income for the six-month period was a loss of SEK 11,574k (loss: 10,355k); excluding legal fees and reimbursement from the insurance company the comprehensive income was a loss of SEK 5,033k (loss: 8,836k). Earnings per share, based on a weighted average of the number of outstanding shares, totaled SEK -0.31 (-0.45). Excluding legal fees and reimbursement from the insurance company, comprehensive income per share was a loss of SEK 0.13 (loss: 0.38).

Comprehensive income for the second quarter was a loss of SEK 8,121k (loss: 5,348k) and earnings per share based on a weighted average of the number of outstanding shares totaled SEK -0.21 (-0.22).

Expenses

Consolidated expenses for the six-month period increased by SEK 6,579k to SEK 25,101k (18,522k). Excluding legal fees, Genovis reduced its expenses during the six-month period by SEK 2,058k to SEK 13,462k (15,520k).

Operating expenses are allocated as follows: raw materials and supplies SEK 897k (1,415k). Other external expenses totaled SEK 18,109k (8,963k), an increase of SEK 9,146k that largely relates to the



patent dispute with Promega for which a settlement was reached in June. Genovis has an insurance policy to cover the costs of legal proceedings, but it is uncertain how much of the costs for the final negotiations the insurance company will cover. Personnel costs amounted to SEK 5,437k (7,290k). Personnel costs for 2015 include non-recurrent expenses resulting from restructuring and the winding up of the subsidiary GeccoDots.

Expenses for the second quarter were SEK 12,548k (10,404k) and are allocated as follows: raw materials and consumables SEK 559k (785k), external expenses SEK 8,924k (4,913k) and personnel costs SEK 2,722k (4,245k).

Investments

Consolidated capital expenditure during the six-month period totaled SEK 854k (1,202k), including SEK 10k (109k) attributable to property, plant, and equipment (primarily laboratory equipment and computers), and SEK 844k (1,093k) attributable to investments in intangible fixed assets.

Net investment during the second quarter totaled SEK 632k (592k) of which SEK 0 (99k) is attributable to property, plant, and equipment, and SEK 632k (493k) is attributable to investments in intangible fixed assets.

Cash flow

Cash flow for the six-month period was SEK 7,959k (8,552k). Cash flow from financing activities totaled SEK 19,810k (14,232k) and is largely attributable to the rights issues carried out in 2015 and 2016.

Financial position

Consolidated cash and cash equivalents including short-term investments amounted to SEK 10,011k (9,240k) at the end of the half-year.

The Company does not have any interest-bearing liabilities.

Total shareholders' equity for the Group was SEK 19,057k after taking the net loss for the half year into account.

The Group's equity ratio at the end of the half year was 72 (73) percent and equity per share was SEK 0.50 (0.80), based on the fully diluted average number of shares at the end of the half-year.

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 half-year.

Employees

On June 30, 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 half year amounted to SEK 13,823,540.50. The total number of shares was 55,294,162 with a par value of SEK 0.25. The Company has issued 450,000 warrants subscribed to by CEO Fredrik Olsson and former CEO 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: 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 half year was SEK 12,021k (8,509k), of which SEK 6,725k (5,293k) was attributable to sales and SEK 5,296k (3,216k) other revenue. Other revenue largely comprises insurance reimbursement received for the settled patent dispute between Genovis and Promega.

Revenue for the second quarter was SEK 3,712k (5,132k), of which SEK 3,712k (2,784k) was attributable to sales and 0 (2,348k) to other revenue.

Expenses

Operating expenses totaled SEK 23,104k (16,694k) for the half year and SEK 11,497k (9,343k) for the second quarter. The increased expenses are mainly attributable to the settled patent dispute.

Financial performance

The operating result for the half year was a loss of SEK 11,083k (loss: 8,185k); loss after financial items was SEK 11,212 (loss: 10,515k) and the loss for the half year was SEK -7,896k (loss: 5,488). Net capital expenditure for the half year totaled SEK 854k (301k), while cash and cash equivalents amounted to SEK 8,220k (8,167k) at the end of the half year.

Operating loss for the second quarter was SEK 7,767k (loss: 4,211) and loss after net financial items was SEK 7,896k (loss: 5,488k). Net capital expenditure for the second quarter totaled SEK 632k (229k).

Taxes

The parent company has a deferred tax asset that amounted to SEK 1,718k (1,718k) at the end of the half year, 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 has purchased analysis services from Redeye for a total of SEK 165k during the first six months of 2016. Genovis has repaid loans and paid SEK 64k in interest to director Kenth Petersson and SEK 65k in interest to Mikael Lönn. The guarantee fee of SEK 483k was paid to Mikael Lönn for the guarantee in the rights issue that was completed in June, 2016.

Events after the end of the half year

No other events were reported after the end of the half year.

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

Interim Report	January 1 – September 30	November 23 2016
Year-end Report	January 1 – December 31	February 27 2017

Interim reports may be ordered from the Company or downloaded at the Genovis web site:
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)	April-June		January-June		Jan.-Dec.
	2016	2015	2016	2015	2015
Net sales	4,595	3,526	8,403	6,412	13,268
Other operating income	0	1,619	5,296	1,850	9,255
Raw material and consumables	559	785	897	1,415	2,459
Gross profit/loss	4,036	4,360	12,802	6,847	20,064
Personnel costs	2,722	4,245	5,437	7,290	13,346
Other external costs	8,924	4,913	18,109	8,963	21,493
Other operating expenses	18	122	18	183	0
Operating profit/loss before depreciation and amortization (EBITDA),	(7,628)	(4,920)	(10,762)	(9,589)	(14,775)
Depreciation, amortization, and impairment losses of plant, property, and equipment and intangible assets	325	339	640	671	5,049
Operating profit/loss	(7,953)	(5,259)	(11,402)	(10,260)	(19,824)
Net financial items	(130)	(28)	(130)	(32)	(34)
Profit/loss after financial items	(8,083)	(5,287)	(11,532)	(10,292)	(19,858)
Taxes	60	86	2	86	48
Profit/loss after tax	(8,143)	(5,373)	(11,530)	(10,378)	(19,906)
Other comprehensive income	22	25	(44)	23	(22)
Comprehensive income for the period	(8,121)	(5,348)	(11,574)	(10,355)	(19,928)
Attributable to shareholders in Genovis AB	(8,121)	(5,348)	(11,574)	(10,355)	(19,928)

Earnings per share based on weighted average of the number of outstanding shares, basic and diluted (SEK).	(0.21)	(0.22)	(0.31)	(0.45)	(0.66)
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Number of outstanding shares

Weighted average for the half year	38,820,524	24,675,920	37,836,181	23,049,476	30,064,155
Number of shares at beginning of year	36,862,775	21,845,652	36,862,775	21,845,652	21,845,652
Number of shares at year-end	55,294,162	36,409,420	55,294,162	36,409,420	36,862,775
Share price at the end of the half-year, SEK	1.54	1.92	1.54	1.92	2.00

**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
 (SEK thousands)

June 30

2016 2015

Assets		
<i>Non-current assets</i>		
Intangible non-current assets	3,178	6,236
Property, plant and equipment	1,414	2,036
Non-current financial assets	1,718	1,718
Current assets	9,993	5,950
Cash and cash equivalents	10,011	9,240
Total assets	26,314	25,180

Equity and liabilities		
Equity	19,057	18,460
Non-current liabilities	135	180
Current liabilities	7,122	6,540
Total equity and liabilities	26,314	25,180

Changes in consolidated equity
 (SEK thousands)

Amount at beginning of half year	8,822	14,583
Rights issue	21,810	14,232
Exchange rate difference	(45)	23
Profit/loss for the six-month period	(11,530)	(10,378)
Amount at beginning of half year	19,057	18,460
Attributable to shareholders in Genovis AB	19,057	18,460

Key financial figures

Equity/assets ratio (%)	72	73
Equity per share at end of period (SEK)*	0.50	0.80

* 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.
	2016	2015	2016	2015	2015
Cash flow from operations	(7,952)	(5,260)	(11,402)	(10,260)	(19,824)
Adjustment for items not affecting cash flow	347	339	596	671	5,026
Changes in working capital	(764)	301	(61)	121	(1,285)
Net financial items	(130)	(4)	(130)	(10)	(34)
Cash flow from operating activities	(8,499)	(4,624)	(10,997)	(9,478)	(16,117)
Investing activities	(632)	(592)	(854)	3,798	3,314
Cash flow after investing activities	(9,131)	(5,216)	(11,851)	(5,680)	(12,803)
Financing activities	(1,500)	(1,500)	2,500	0	0
Rights issue	17,310	14,232	17,310	14,232	14,167
Cash flow for the half year	6,679	7,516	7,959	8,552	1,364
Cash and cash equivalents at beginning of half year	3,332	1,724	2,052	688	688
Cash and cash equivalents at end of half year	10,011	9,240	10,011	9,240	2,052

Parent Company

Summary Income Statement

(SEK thousands)	April-June		Jan.-June		Jan.-Dec.
	2016	2015	2016	2015	2015
Operating revenue	3,712	5,132	12,021	8,509	21,525
Operating expenses	(11,479)	(9,343)	(23,104)	(16,694)	(39,195)
Operating profit/loss	(7,767)	(4,211)	(11,083)	(8,185)	(17,670)
Net financial items	(129)	(1,277)	(129)	(2,330)	(2,330)
Profit/loss before taxes	(7,896)	(5,488)	(11,212)	(10,515)	(20,000)
Profit/loss for the six-month period	(7,896)	(5,488)	(11,212)	(10,515)	(20,000)

Summary Balance Sheet

(SEK thousands)	June 30		Dec 31
	2016	2015	2015
Assets			
Non-current assets	6,256	9,977	6,007
Current assets	11,527	6,021	8,785
Cash and cash equivalents	8,220	8,167	1,194
Total assets	26,003	24,165	15,986

Equity and liabilities

Equity			
Restricted equity	13,824	15,395	15,055
Unrestricted equity	5,519	2,899	(6,310)
Liabilities			
Current liabilities	6,660	5,871	7,241
Total equity and liabilities	26,003	24,165	15,986

Statement of changes in equity

(SEK thousands)			
Amount at beginning of half year	8,745	14,578	14,578
Rights issue	21,810	14,231	14,167
Profit/loss for the six-month period	(11,212)	(10,515)	(20,000)
Amount at beginning of half year	19,343	18,294	8,745
Attributable to shareholders in Genovis AB	19,343	18,294	8,745

Summary Statement of Cash Flows
 (SEK thousands)

	April-June		Jan.-June		
	2016	2015	2016	2015	2015
Cash flow from operations	(7,767)	(4,211)	(11,083)	(8,185)	(17,671)
Adjustment for items not affecting cash flow	307	285	606	569	5381
Changes in working capital	(533)	853	1,254	1,490	(277)
Net financial items	(129)	(27)	(129)	(30)	(30)
Cash flow from operating activities	(8,122)	(3,100)	(9,352)	(6,156)	(12,597)
Investing activities	(1,592)	(3,013)	(3,432)	(522)	(990)
Cash flow after investing activities	(9,714)	(6,113)	(12,784)	(6,678)	(13,587)
Financing activities	15,810	12,731	19,810	14,231	14,167
Cash flow for the half year	6,096	6,618	7,026	7,553	580
Cash and cash equivalents at beginning of half year	2,124	1,549	1,194	614	614
Exchange rate difference in cash and cash equivalents	0	0	0	0	0
Cash and cash equivalents at end of half year	8,220	8,167	8,220	8,167	1,194

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 August 29, 2016

Genovis AB (publ.)

On behalf of the Board of Directors
 Fredrik Olsson, CEO

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

For additional information, please contact:

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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.

This information is information that Genovis AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, on August 28, 2016.