Interim Report January-September 2010

THIRD QUARTER

- Net sales climbed to SEK 407k (238k)
- Loss after financial items dropped to SEK 2,874k (loss: 3,050k)
- Net loss for the period fell to SEK 2,863k (loss: 3,050k)
- Earnings per share increased to SEK -0.07 (-0.22)

YEAR TO DATE

- Net sales climbed to SEK 965k (508k)
- Loss after financial items dropped to SEK 8,023k (loss: 9,390k)
- Net loss for the period fell to SEK 7,991k (loss: 9,390k)
- Earnings per share increased to SEK -0.19 (-0.67)

Quarter and year-to-date

SEKk	2010	2009	2008	2010	2009	2008
	Q3			Jan-Sept		
Net sales	407	238	124	965	508	274
Other operating income	717	35	9	1,800	41	25
Operating profit	(2,860)	(3,010)	(4,257)	(7,937)	(9,226)	(13,970)
Earnings per share	(0.07)	(0.22)	(0.30)	(0.19)	(0.70)	(0.98)
Comprehensive income	(2,863)	(3,045)	(3,041)	(7,991)	(9,395)	(10,013)
Comprehensive income per share	(0.07)	(0.22)	(0.30)	(0.07)	(0.67)	(0.99)
Cash flow from current operations	(4,522)	(9,260)	(3,798)	(8,322)	(16,742)	(13,568)
Cash flow after investment operations	(32)	(95)	(127)	(32)	(308)	(794)
Cash flow from financial operations	(184)	9,291	0	15,063	(16,886)	14,383

Comments from the CEO

During the quarter we continued to work toward two of our short-term goals: to increase sales of products from the protein engineering portfolio and to intensify product development of multimodal nanoparticles. We've seen a clear increase in both the number of customers and sales during the year and we want to further accelerate the pace. To achieve this objective, during the third quarter we strengthened our sales organization and we chose to focus on new and existing customers among biotech and pharmaceutical companies. This category of customers primarily works with characterization of antibody molecules. They have relatively recently begun testing our enzymes from the protein engineering portfolio and they use them primarily for analysis at the discovery level. To increase volumes within this target group we are working with customer meetings and marketing with the aim of ensuring that our enzymes and methods will become the obvious choice. This standard will not only apply for early research projects, but continue as quality control during clinical trials, and later even in production of antibody-based drugs. One way to achieve this objective is to work on product development in close consultation with our customers. Such feedback has resulted in a new product, FragIT, which we are launching in November.

In September we presented the first results from the Sentinel node project at the World Molecular Imaging Congress (WMIC) in Kyoto, Japan. The need for new imaging technologies at the preclinical level is growing and it is encouraging to see that multimodal nanoparticles have the potential to contribute improved performance, higher resolution, and more reliable analysis. Genovis' product development of nanoparticles for multimodal imaging is progressing according to plan and is now in a phase when we are focusing on optimization of modalities, image interpretation, and targeting using antibody molecules. We have also expanded our partnership with Lund Bioimaging Center, our partner that we've been working with on the Sentinel node research project.

Lund in November
Sarah Fredriksson

Overview of Operations

Genovis develops and sells innovative technologies that will facilitate our customers' preclinical* research. The products we have launched to date consist of nanostructures and enzymes (proteins). We conduct research and development projects that focus on design, production, and characterization of nanostructures. The nanostructures and methods that Genovis focuses on can be used as contrast in medical imaging and as carriers of various substances in the development of new drug delivery methods. Our customers are primarily within the life sciences industry and academic research. The Genovis operation largely consists of research and development of new technology, though we have initiated some sales over the past two years.

** "Preclinical studies" refers to pharmaceutical research carried out before a product is sufficiently documented to be studied in humans.*

Products

Genovis markets products that can be divided into two categories:

• Nanoparticles and services for biomedical use.

Genovis' customers and partners can purchase nanoparticles from the standard range of products, order custom-made products, or buy services that can include the entire chain from nanostructure design to preclinical study.

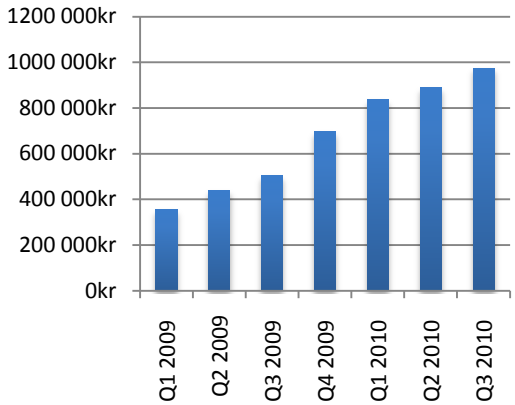
• Unique enzymes

Customers who use antibodies to develop new medications need tools to characterize and improve their drug candidates. Products from our protein engineering portfolio consist of tools in the form of enzymes, proteins that act as catalysts, which can be used for antibody fragmentation and antibody engineering.

Sales growth for the fourth consecutive quarter

The third quarter of 2010 was the eighth consecutive quarter that Genovis increased sales on a rolling twelve-month basis; sales revenues totaled SEK 407k. Year-to-date sales amounted to SEK 965k. Other operating income consists of research support from the Swedish Research Council and the EU's seventh framework programme.

Geographic distribution of customers



Sales, rolling 12 months

Genovis' customers mainly work with drug discovery, new diagnostic methods, and basic research. Our customers currently include four of the top ten pharmaceutical companies, several biotech companies, and academic clients. Genovis sells directly to end customers and also partners with distributors, who in turn conduct marketing campaigns in different regional markets. Distributors are currently represented in the U.S., Europe and Korea. The largest market for Genovis' products is the US, which accounts for 57% of sales.

Production

Genovis produces all of its own products. Even with relatively low volumes, production is cost-effective and provides good margins on the products. The improvements that Genovis plans for future production will primarily focus on achieving GMP* approval for production of nanostructures.

**Good Manufacturing Practice (GMP) is a regulatory framework that governs manufacturing, including packing, of pharmaceuticals, food and health foods.*

Development projects

Development projects: protein portfolio

New concept development within the protein portfolio during the quarter mainly targeted products for use in antibody fragment production. By developing a product that can cleave large amounts of antibody molecules as effectively as the Fabricator Kit, we offer a cost-effective alternative to customers who work on a larger scale. The technology is based on immobilized FAbRICATOR® in columns of different sizes. With the FabRICATOR kit, customers can process small amounts of 5 mg of antibody, but the new column-based product can handle quantities up to 100 mg with the same quality and with an equally rapid process.
The product line will be launched in the autumn under the name FragIt.
Genovis is conducting another project that involves optimization of the protein FcDOCKER for use within downstream processes during production of IgG molecules (antibody). This project involves development of finished process units for small-scale production of IgG molecules using the protein FcDOCKER.

Development projects: imaging

For the past year, development projects in imaging have mainly focused on the use of magnetic nanoparticles for medical imaging for preclinical purposes. Genovis is conducting two of its own projects. In the first project, nanoparticles are used as markers in cells that are reproduced in the brain. The nanoparticles make the cells detectable by MRI, allowing their natural migration in the brain to be visualized. Genovis also supports several customer projects in which the customer either uses Genovis products for medical imaging or to track stem cells. In the other project, Genovis uses cancer cells marked with nanoparticles to study tumor growth both by MRI and fluorescence. In this project Genovis' nanoparticles are also used for delivery of siRNA. The growth genes of the transplanted cells are subdued with siRNA molecules that sit on the surface of the nanoparticle, which has an effect on tumor growth that can be monitored by magnetic resonance imaging.

Research projects

Genovis is participating in two research projects that both have external financing.

Sentinel Node project

In this interdisciplinary project, the goal for Genovis is to develop multimodal particles that will be used in medical imaging to identify very small tumors that can rapidly arise in the lymph nodes of patients with conditions such as breast cancer or malignant melanoma. The tumor cells are spread via the lymphatic system according to a certain pattern. The first lymph node to receive this drainage is the "gatekeeper" or "sentinel" node – which is also the name of the development project that Genovis is conducting in collaboration with the Department of Medical Radiation Physics at Lund University. The first tests of multimodal nanoparticles were carried out during the period with good results. The project is being financed by the Swedish Research Council and LMK Industri AB.

LUPAS project

LUPAS is an EU project within the Seventh Framework Programme. Its goal is to develop novel tools for diagnosis and therapy for Alzheimer disease and for neurodegenerative diseases caused by prions, an infectious protein that causes diseases such as mad cow disease in cattle and Creutzfeldt–Jakob disease in humans. Developing new imaging methods that can visualize the plaques formed in the brain will make it be easier to diagnose and monitor disease progress. Nanostructures are used as contrast medium to deliver a special polymer that binds selectively to the plaque formations. Genovis' primary role in the project is to provide knowledge about the design and production of nanostructures, as well as to work with communications and introductory business development of the project results.

The share

Genovis shares are traded on Nasdaq OMX FirstNorth, Stockholm, under the short name GENO. On September 30 the Company had 41,121 877 shares and 2,376 shareholders. NASDAQ OMX First North is an alternative market, operated by the different exchanges within NASDAQ OMX. It does not have the legal status as an EU-regulated market. Companies at First North are subject to the rules of First North and not the legal requirements for admission to trading on a regulated market. The risk in such an investment may be higher than on the main market. The Company's Certified Adviser is Thenberg & Kinde Fondkommission AB.

Organization and staff

Genovis' organization consists of Genovis AB and the fully owned subsidiary Eijdo Research AB. All operations are now handled from Genovis AB in Lund, including executive management, central administration, research and development, production, sales management, and support.

The CEO and the COO share responsibility for all corporate activities.
On September 30, 2010, the Group had ten employees: seven in the parent company and three in Eijdo Research, compared with six employees in the parent company during the same period in 2009. An employee of the parent company holds an 80%-position as an industry-based doctoral student. This part is funded by the Swedish Research Council and therefore is not charged against Genovis' earnings.
During the third quarter Genovis hired Dan Andersson to work as a sales representative on a consultancy basis, with primary responsibility for sales and business development of Genovis' unique enzymes, antibody engineering. Dan Andersson previously worked with business development at BioInvent and has extensive experience of sales and development of services related to production of therapeutic antibodies.

Financial report

Year-to-date financial performance

Net sales during the period were SEK 2,765k (549k), of which SEK 965k (508k) was attributable to sales and SEK 1,800k (41k) to research support. Operating loss before depreciation and amortization totaled SEK 7,015k, operating loss was SEK 7,937k, loss after net financial items was SEK 8,023k, loss after tax was SEK 7,991k and comprehensive loss was SEK 7,991k.

Third quarter financial performance

Net sales during the period were SEK 1,124k (273k), of which SEK 407k (238k) was attributable to sales and SEK 717k (35k) to research support. Operating loss before depreciation and amortization totaled SEK 2,577k, operating loss was SEK 2,860k, loss after net financial items was SEK 2,874k, loss after tax was SEK 2,863k, and comprehensive loss was SEK 2,863k.

Investments and cash flow

Consolidated capital expenditure during the period totaled SEK 32k (47k) and are attributable to property, plant, and equipment, primarily computers.
At the end of the period net cash flow was SEK 6,709k, with cash and cash equivalents of SEK 7,125k. Cash flow from financing activities was SEK 15,063k, and consists of a rights issue, registered in June 22, 2010, of SEK 15.7m after issue expenses as well as redemption of a long-term loan.

Financial position

Shareholders' equity was SEK 18,533k (13,173k). Shareholders' equity was mainly affected by the April 2010 rights issue of SEK 15.7m after issue expenses. The equity ratio was 89% (62%). Interest-bearing liabilities totaled SEK 451k (3,527k).
During the period, loans were amortized for a total of SEK 964k.

Taxes

Deferred tax assets at the end of the period amounted to SEK 3,028k (7,828k), equivalent to a loss-carryforward of about SEK 11.5m, which is expected to be utilized in the foreseeable future. The Company's total tax loss is SEK 67m.

Parent company

The parent company's operations include executive management, central administration, research and development, production, sales management, and support. Net sales during the period totaled SEK 2,625k (525k) and loss after net financial items was SEK 7,937k (loss: 9,329k). Net capital expenditure was SEK 32k (72k). Liquidity at the end of the period was SEK 7,108k (0). As at September 30 the parent company had 7 (6) employees.

Segment reporting

Net sales and operating loss are attributable to the primary and only business area: sales and/or outlicensing of research-based innovations. According to the Company, it does not meet the definition of geographical areas under IAS 14 and therefore no secondary segment information is provided.

Outlook

Genovis is a research and development company and therefore corporate management has chosen 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, we are positioned to make additional advances with respect to both new products and sales.

Other information

Risks and uncertainties

The Company's 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 associated with retaining skilled personnel and the risk that anticipated revenue might not materialize since its competitors have substantially larger financial resources at their disposal. The Board's assessment is that after the completed new share issue, which was registered on June 22, sufficient liquidity is available to pursue the projects in the Company for less than the next twelve months. There is no guarantee that new capital can be raised if such need arises or that such capital can be raised on favorable terms. For a detailed overview of the Company's financial risks please refer to page 51 in Genovis' 2009 annual report.

Warrant program

The Company has issued 187,000 warrants. The warrants may be exercised for subscription of shares between February 28, 2012 and May 31, 2012. When all warrants are fully exercised the Company's share capital will increase by a total of SEK 96,492 through the issue of 241,230 shares, each with a par value of SEK 0.40.

Summary of consolidated income statement

SEKk	July-Sept 2010	July-Sept 2009	Jan-Sept 2010	Jan-Sept 2009	Jan-Dec 2009
Net sales	407	238	965	508	986
Other operating income	717	35	1,800	41	192
Total income	**1,124**	**273**	**2,765**	**549**	**1,178**
Raw materials and consumables	(195)	(544)	(532)	(1,159)	(1,093)
Other external costs	(1,920)	(929)	-4 391	(3,485)	(4,863)
Gross profit/loss	**(991)**	**(1,200)**	**(2,158)**	**(4,095)**	**(4,778)**
Personnel costs	(1,579)	(1,540)	(4,803)	(4,333)	(6,524)
Other operating expenses	(7)	(10)	(54)	(22)	0
EBITDA	**(2,577)**	**(2,750)**	**(7,015)**	**(8,450)**	**(11,302)**
Depreciation of tangible and intangible assets	(283)	(260)	(922)	(776)	(1,251)
Operating profit/loss	**(2,860)**	**(3,010)**	**(7,937)**	**(9,226)**	**(12,553)**
Net financial income	0	0	0	0	0
Net financial expense	(14)	(40)	(86)	(164)	(215)
Earnings after financial ithems	**(2,874)**	**(3,050)**	**(8,023)**	**(9,390)**	**(12,768)**
Deferred tax on profit for the period	11	0	32	0	(4,790)
Net profit/loss for the period	**(2,863)**	**(3,050)**	**(7,991)**	**(9,390)**	**(17,558)**
Of which attributable to shareholders in Genovis AB	(2,863)	(3,050)	(7,991)	(9,390)	(17,558)

Comprehensive income report

Net profit/loss for the period	**(2,863)**	**(3,050)**	**(7,991)**	**(9,390)**	(17,558)
Other comprehensive income for the period					
Exchange rate adjustment	0	(5)	0	(5)	**0**
Total comprehensive income	**0**	**(5)**	**0**	**(5)**	**0**
Total comprehensive income for the period	**(2,863)**	**(3,045)**	**(7,991)**	**(9,395)**	**(17,558)**
Of which attributable to shareholders in Genovis AB	(2,863)	(3,045)	(7,991)	(9,395)	(17,558)

Share data

Earnings per share before dilution, SEK	(0.07)	(0.22)	(0.32)	(0.86)	(1.61)
Earnings per share after dilution, SEK	(0.07)	(0.22)	(0.19)	(0.67)	(0.71)
Shareholders' equity per share, SEK	0.45	0.94	0.45	0.94	0.72
Number of shares at end of period	41,121,877	14,066,466	41,121,877	14,066,466	24,589,839
Number of shares average	41,121,877	14,066,466	31,937,411	13,410,104	15,065,323
Share price at end of period	0.85	1.75	0.85	1.75	1.23

Summary of consolidated balance sheet	September, 30		Dec,31
SEKk	2010	2009	2009
Assets			
Fixed assets			
Patents and licens	3,502	4,268	3,966
Goodwill	4,106	0	4,107
Plant and machinery	1,523	1,310	1,948
Deferred tax assets	2,860	7,828	2,828
Total fixed assets	**11,991**	**13,406**	**12,849**
Current assets			
Raw materials and consumables	651	388	719
Accounts receivable - trade	499	163	390
Other receivables	471	7,279	342
Prepaid expenses and accrued income	0	0	43
Cash and bank balances	7,125	12	416
Total current assets	**8,746**	**7,842**	**1,910**
Total assets	**20,737**	**21,248**	**14,759**
Equity and liabilities			
Equity	18,533	13,173	10,858
Long-term liabilities	331	1,545	934
Accounts payable - trade	1,873	6,530	2,967
Total equity and liabilities	**20,737**	**21,248**	**14,759**
Pledged assets	0	3,000	5,000
Coningent liabilities	None	None	None

Changes to shareholders' equity

SEK k	September, 30		Dec,31
Amount at start of period	10,858	6,677	6,677
New share issue	15,665	9,541	21,739
Ongoing new share issue	0	6,350	0
Net profit/loss for the period	(7,991)	(9,395)	(17,558)
Amount at end of period	**18,532**	**13,173**	**10,858**
Of which attributable to shareholders in Genovis AB	18,532	13,173	10,858

Summary of consolidated cash flow analysis

	Jan-Sept		Jan-Dec
SEK k	2010	2009	2009
Cash flow from operations	**(7,937)**	**(9,226)**	**(12,554)**
Adjustment for ithems not affecting the cash flow	922	776	1,247
Change in working capital	(1,221)	(8,128)	(2,173)
Net financial income/expense	(86)	(164)	(215)
Cash flow from current operations	**(8,322)**	**(16,742)**	(13,695)
Investment operations	(32)	(308)	(515)
Cash flow after investment operations	**(8,354)**	**(17,050)**	**(14,210)**
Financial operations	15,063	16,886	14,449
Cash flow for the period	**6,709**	**(164)**	**239**
Cash and cash equivalents at the beginning of the year	416	176	177
Exchange rate difference	0	0	0
Cash and cash equivalents at the end of the year	7,125	12	416

Parent company

Summary of consolidated income statement	July-Sept		Jan-Sept		Jan-Dec
SEKk	2010	2009	2010	2009	2009
Net sales	1,110	304	2,625	525	1,041
Operating expenses	(3,070)	(3,219)	(9,106)	(9,690)	(13,560)
Operating profit/loss	**(1,960)**	**(2,915)**	**(6,481)**	**(9,165)**	**(12,519)**
Net financial income/expense	(787)	(39)	(1,456)	(125)	(215)
Earnings after financial ithems	**(2,747)**	**(2,954)**	**(7,937)**	**(9,329)**	**(12,734)**
Deferred tax on profit for the period	0	0	0	0	(4,800)
Net profit/loss for the period	**(2,747)**	**(2,954)**	**(7,937)**	**(9,329)**	**(17,534)**

Summary of consolidated balance sheet	Sept, 30		Dec, 31
SEKk	2010	2009	2009
Assets			
Fixed assets	12,100	13,385	12,868
Current assets	1,588	7,830	1,495
Cash and bank balances	7,108	0	375
Total assets	**20,796**	**21,215**	**14,738**
Equity and liabilities			
Equity	18,553	13,180	10,823
Long-term liabilities	331	1,545	935
Accounts payable - trade	1,912	6,490	2,980
Total equity and liabilities	**20,796**	**21,215**	**14,738**

Changes to shareholders' equity	Sept, 30		Dec,31
SEKk	2010	2009	2009
Amount at start of period	10,823	6,619	6,619
New share issue	15,665	15,890	21,738
Total earnings for the period	(7, 937)	(9,329)	(17,534)
Amount at end of period	**18,551**	**13,180**	**10,823**

Accounting Principles

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act. The interim report was otherwise prepared in accordance with the same accounting principles and calculation methods as those applied in the 2009 annual report. For more information and a description of the accounting principles please see the 2009 Annual Report, which can be downloaded from the Genovis web site www.genovis.com or ordered from Genovis' headquarters.

Revised IAS 1 Presentation of financial statements is effective from January 1, 2009. The change has affected Genovis' accounting retroactively from December 31, 2007. One effect of the change is that revenues and expenses previously recognized directly in equity will now be presented in a separate report directly after income report. Another change is that new classifications can be used in the financial statements. However, this change is not mandatory and Genovis has chosen to retain the old classifications.

Other new or revised IFRS and interpretive statements from IFRIC have not had any effect on the financial position or performance of the Group or the Parent Company.

This report has not been examined by the company's auditors.

Lund, November 5 , 2010
Genovis AB (publ.)

On behalf of the board of directors
Sarah Fredriksson, CEO and President

For more information please contact:

Sarah Fredriksson, CEO and President, Genovis AB, phone: +46 (0)46-10 12 30

Future reporting dates

Year-End Report 2010	February 15, 2011
AGM	April 28, 2011

This interim report may be ordered from the company or downloaded at the Genovis web site.
Genovis AB, Box 790, SE-220 07 Lund, Sweden +46 (0)46-10 12 30, Fax: +46 (0)46-12 80 20

Audit Report

We have conducted a limited review of the Financial Statement Genovis (publ) for the period 1 January – 30 September 2009. The preparation and presentation of these interim financial statements pursuant to IAS 34 and the Swedish Annual Accounts Act are the responsibility of the Board of Directors and Chief Executive Officer. Our responsibility is to report our conclusions concerning these interim financial statements on the basis of our limited review. We have conducted our limited review pursuant to the Standard for Limited Review (SÖG) 2410 "Limited review of interim financial information conducted by the company's appointed auditor". A limited review consists of making inquiries, primarily to individuals responsible for financial and accounting matters, as well as performing analytical procedures and taking other limited review measures. A limited review has a different focus and significantly less scope than an audit according to RS Auditing Standards in Sweden and generally accepted auditing practice. The review procedures undertaken in a limited review do not enable us to obtain a level of assurance where we would be aware of all important circumstances that would have been identified had an audit been conducted. Therefore, a conclusion reported on the basis of a limited review does not have the level of certainty of a conclusion reported on the basis of an audit.

Not effecting our statement we refer to the part with risks in this report where it states that there is an uncertainty regarding future possibilities for the company to obtain funds to meet its obligations. This indicates that there is a substantial uncertainty and doubt regarding the ability for the company to carry on its business activities.

Based on our limited review, no circumstances have come to our attention that would give us reason to believe that the interim financial statements have not been prepared pursuant to IAS 34 and the Swedish Annual Accounts Act for the group, and pursuant to the Swedish Annual Accounts Act for the parent company, in all material respects.

Malmö, Sweden, November 5, 2010
PricewaterhouseCoopers AB

Magnus Willfors
Authorized Public Accountant

Sofia Götmar-Blomstedt
Authorized Public Accountant