2013 ANNUAL REPORT

GENOVIS

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Annual Report

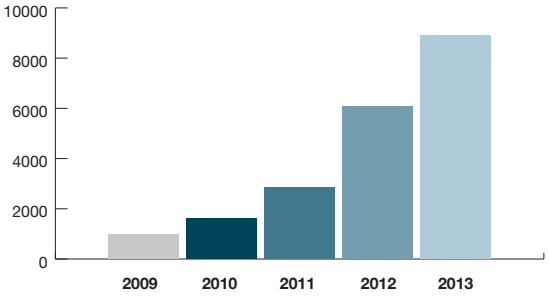
Genovis in brief

Vision

Genovis was founded with a vision of new medications and care for people who currently do not have the opportunity to live a healthy life.

Genovis develops and sells four unique enzymes in innovative product formats that facilitate development and quality control of biological drugs. Customers use the products when screening new candidates, in production development and in preclinical development. In addition to the actual product, Genovis provides global deliveries and support. 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. Standardized formats, clear instructions and close customer relationships are key elements to ensure that the product works as intended, even for inexperienced customers. Genovis' products do not require regulatory approval and new products can therefore be launched as soon as development is completed. Establishment of the product in routine processes results in long-term customer relationships, since regulatory-driven pharmaceutical production generates reluctance to changing established processes and procedures.

In 2013, Genovis presented products at trade shows and scientific conferences worldwide and interest in the products is steadily growing. The US Food and Drug Administration (FDA), Pfizer and Bruker (instrument manufacturer in mass spectrometry) have published results based on use of FabRICATOR®. Sales of both FabRICATOR® and IgGZERO™ surged during 2013.



Net sales 2009-2013

Five Year Summary

Key figures, SEK thousand	2013	2012	2011	2010	2009
Net sales	8,912	6,080	2,856	1,596	986
Other revenue	1,357	1,014	741	2,368	192
Expenses	(26,254)	(27,276)	(17,343)	(15,197)	(13,731)
Operating loss	(15,985)	(20,181)	(13,745)	(11,234)	(12,553)
Loss for the year	(15,853)	(19,915)	(13,608)	(11,292)	(17,558)
Shareholders' equity	33,085	13,633	18,010	15,232	10,858
Total assets	41,448	18,158	21,441	17,818	14,760
Equity/assets ratio (%)	80	75	84	85	74
Number of employees at end of period	14	14	12	10	10
Earnings per share, SEK	(1.10)	(2.04)	(2.37)	(3.30)	(11.65)
Equity per share, SEK	0.76	1.39	3.13	4.45	7.21

2013 in brief

Net sales +47%

SEK 8,912k (6,080)

Operating loss +21%

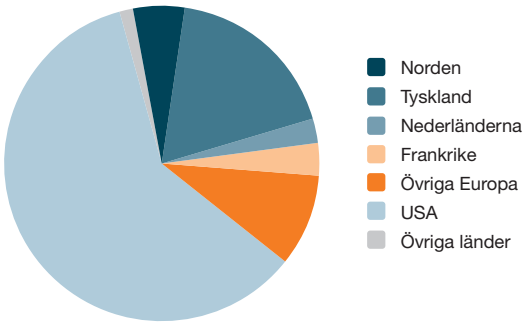
SEK -15,985k (-20,181)

Loss before taxes +21%

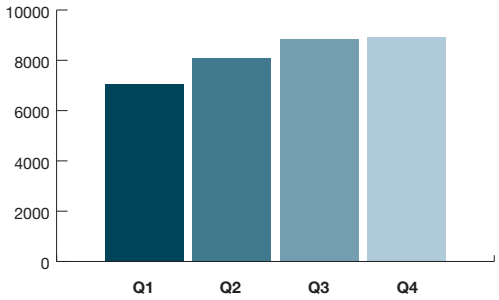
SEK -15,914k (-20,161)

Earnings per share +46%

SEK -1.10 (-2.04)



Sales distributed geographically



Net sales 2013, rolling 12 months

Product launches in 2013

Genovis launched two new products in 2013: FabULOUS® and GlycINATOR™ for analysis and characterization of antibody molecules.

Development projects

Genovis was granted SEK 1 million in research support from VINNOVA (the Swedish Agency for Innovation Systems) to explore a method for online process control in conjunction with manufacturing of the biological drug, mAbCHECK.

Genovis signed an agreement with Respiratorius to test and evaluate RESP-3000 as a new biomarker for early diagnosis of cardiovascular disease using a "PET" camera. Genovis is coordinating the work, but GeccoDots AB, Genovis' wholly owned subsidiary, will conduct the final evaluation.

FabULOUS®

GlycINATOR™

Message from the CEO

In the spring of 2013 Genovis was commissioned by a pharmaceutical company to carry out a paid project in which we modify our products to meet their specific needs. One of our major customers simply chose to allocate its resources for development directly with us. This important milestone gave us an external acknowledgement of our knowledge and proof of the high quality of our products. An important part of our strategy is to nurture the close relationships with our customers. In this way, we can use one of the few advantages of being a small company: we can make quick decisions and, just as quickly, develop new product concepts. By listening and learning from customers in their laboratory environment, we can invest in an R&D pipeline that immediately responds to customer needs. As a result of this initiative, we launched two completely new products in October. They were well-received on the market and sales took off immediately. In 2014 we will also launch several new products that we have developed in a similar manner.

I am convinced that an innovative company must also be able to develop products that customers do not even realize they need yet. To succeed with this task, we often choose to work on projects with different research groups. This approach enables us to expand our organization and capture early new ideas that fit in the niche markets in which we are active. Such collaborations provide the research group with an opportunity to commercialize their discoveries through Genovis and its subsidiary, GeccoDots. By building trust and long-term relationships with both our customers and with prominent research teams, we create a strategic advantage that strengthens our business model.

2013 is the first year that Genovis shows a positive earnings trend. I consider this achievement to be one of the most important milestones in the Company's development. Compared with 2012, sales rose 47 percent, while expenses climbed 13 percent on an annualized basis. The increased expenses are primarily due to reorganization during the year, along with our continued investments in the sales and marketing activities. Over the quarters, we have seen fluctuations in sales and will probably continue to do so in the future. We took a major policy decision prior to 2014 and chose to work with direct sales as much as possible in the future. The main reason is that we do not want to lose direct contact with our customers on the distributor level. In the US, our largest market, we have been working since the beginning of the year through an office in Boston with John Lindsay, who is in charge of sales in the North American market. The reorganization will be fully implemented in the US and Europe at the end of the year and the impact probably will not be measurable until 2015. In our other markets, we now also offer direct sales and are no longer working with distribution exclusively through Sigma Aldrich.

A structural reorganization was also carried out in 2013. All activities related to development of new contrast agents were transferred to the subsidiary GeccoDots, which built up an independent organization during the year. GeccoDots' various collaborative projects in "multimodal medical imaging" were presented during the year at conferences and in scientific publications, and the first product groups developed under the auspices of the company were unveiled in September.

We had three objectives for 2013: to launch two completely new product lines, to substantially increase sales and for the protein products to become selfsufficient. We achieved the first two objectives and the products in the protein engineering portfolio generate sales that cover the costs of production, administration and sales and marketing activities, while also generating a contribution to research and development. Regarding objective number three, we made great strides in the right direction and will continue with this work in 2014. Our greatest challenge this year will be to take the crucial steps toward applications where our products will also be used in clinical development and commercial production of antibody-based drugs. This is mainly a matter of business development, rather than technological development. I believe we have every prospect for success in this endeavor, largely thanks to a skilled team who work purposefully and as a team. I would like to take this opportunity to thank all of my wonderful employees who skillfully and enthusiastically handle our challenges and more often than not, turn them to our advantage!

Sarah Fredriksson
CEO Genovis

Business model, goal and strategy

Vision

Genovis was founded with a vision of new medications and care for people who currently do not have the opportunity to live a healthy life.

Can brand new drugs be developed to treat those diseases that we currently consider to be incurable? Can improved diagnostics and more individualized treatment increase the chances for a healthier life? Can development time be reduced and safety increased in the process required to develop a new drug or diagnostic? Can these objectives be accomplished sustainably and economically, so that anyone who needs these drugs will have access to them? Of course we hope that the answer to all of these questions is yes. Genovis works under this vision, not to solve all these challenges alone, but to develop innovative technologies that can become one of the thousands of pieces of the puzzle needed before the vision can become more than just a vision.

Business concept

Genovis' business concept is to develop, produce and market innovative tools for developing new drugs and diagnostics for customers in the pharmaceutical and biotech industries.

Business model

Revenue side

Genovis sells products in the form of enzymes to customers who use them as a consumable. Customers use the products in recurring processes. In addition to the actual product, Genovis provides global deliveries and 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. Standardized formats, clear instructions and close customer relationships are key elements to ensure that the product works as intended, even for inexperienced customers. Genovis' products do not require regulatory approval and new products can therefore be launched as soon as development is completed. Establishment of the product in routine processes results in long-term customer relationships, since regulatory-driven pharmaceutical production generates reluctance to changing established processes and procedures. Genovis also generates revenues through large custom development projects.

Expense side

Payroll expenses comprise Genovis' largest expense item. They are mainly distributed among research and development activities (R&D), sales/marketing activities, and production.

Research and development
Genovis has developed all of its own products. The company has well-equipped facilities in which to conduct efficient product development in the early research phase, as well as subsequent development of production processes and the final product format. An important cornerstone and competitive advantage of Genovis' R&D activities is collaboration with academic groups that focus on characterizing new enzymes. Just as valuable is the customer relationship that enables product development to meet customer needs. R&D expenses include materials, staff and meetings with researchers and customers, as well as costs for patents and new patent applications, which provide a strategic competitive advantage for the Company.

Sales and marketing activities
Genovis sells its products directly to customers and through distributors. Sales through distributors involve a distributor discount and Genovis also has marketing expenses within the geographic areas where the distributors are active. Marketing is mainly based on presentations at conferences, web-based lectures, direct customer meetings and advertisements through various forums and the Company's customer database.

Production
Existing products are produced both in-house and by subcontractors in those cases that involve a more cost-effective volume production. Even at relatively low volumes, production is cost-effective and provides good margins on the products. Genovis carries out both the final steps in production of specialty products and quality control in-house. In order to develop the business model and guarantee deliveries, as well as to ensure production, Genovis will initiate production in another geographic location in 2014. No investment is required from the Company for this purpose. All production is done in-house. All products are packaged and shipped from the Company's premises in Lund. A more long-term goal is to develop processes for GMP*-approved production, so that Genovis can handle production for custom projects ordered by customers.

Overarching goals

- To establish Genovis' products as the solution of choice in all analyses, from early discovery of new drug candidates to production of commercial antibody-based drugs.
- To establish the products from the protein engineering portfolio in both automated analysis processes and as production tools for various antibody fragments.
- To create long-term value for Genovis' shareholders through results that generate a dividend for shareholders and that also generate funds for continued innovative development of the Company.

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

Goals 2014-2015

- Positive cash flow from parent company operations 2015
- At least two product launches
- Establish FabRICATOR as a quality control tool in production of materials intended for clinical trials

Strategy

Sales and marketing strategy

In order to achieve the established goals in both the long and short term, Genovis will work with focused direct sales and customer support to key customers. To reach new customers and markets, sales will also be available through distributors or through co-marketing agreements with partners in various geographic markets. Genovis will follow a marketing strategy that is briefly described below.

Genovis will:

- Spread brand recognition for the Company and the product through direct sales in the largest geographic markets and through distributors and retailers in general.
- Work closely with customers to implement products in analysis procedures from drug discovery, through clinical trials to production control of the customer's drug candidate throughout its lifetime.
- Facilitate effective product launches by prioritizing continuing education for key customers and distributors.
- Publish results from the Company's in-house development work and from collaborations with reference customers on the website and, if possible, in scientific journals, online forums and newsletters.
- Present the company at conferences and meetings that are important for the Company's customer segment from a scientific and commercial viewpoint.

Operational strategy

- Genovis will always be able to deliver high quality by building up cost-effective, reliable and sustainable production.
- New product concepts will be generated through effective and creative product development with a focus on products that enhance the customer's business model, preferably in direct collaboration with the customer when appropriate. Priority projects include development of products for automated format, products for high-volume analyses in "clone-selection" processes and applications in which Genovis' products are consumed.
- By working close to the frontlines of research and by nurturing relationships with prestigious research groups, as well as by actively seeking new technologies through the acquisition of intellectual property or other innovative companies, over the long term Genovis will also be able to offer its customers innovations combined with high quality.

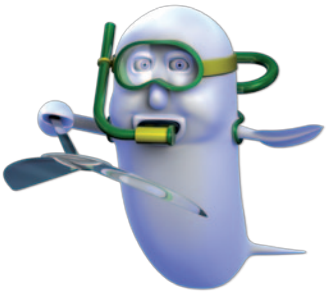
To successfully establish Genovis products in the market and to achieve the set objectives, it is important for Genovis to attract skilled employees. Genovis will be an attractive workplace by being an innovative company that takes advantage of staff expertise and offers each individual the opportunity to influence the work situation and professional development.

Offer to the customer

Genovis markets four different enzymes. The products can be ordered from a standard product line or as custom-made products. Customers use the products to analyze antibody molecules. Cleaving the antibody into distinct fragments facilitates the analyses carried out for screening of new pharmaceutical substances, as well as for quality control in the development and production of new drugs. The products enable customers to conduct faster analyses with higher quality than competing technologies can offer. In addition to the physical product, all customers receive technical support and Genovis also offers development of customized methods. Presentaitons of all products can be found on the Genovis website, www.genovis.com.

Products

FabRICATOR®
FabRICATOR is a recombinant enzyme that cleaves antibodies into two parts: a Fab fragment and an Fc fragment. Unlike other enzymes in the market, FabRICATOR cleaves all antibodies at exactly the same site in a very short time, and each antibody is cleaved only once. FabRICATOR is also sold as a kit that enables customers to cleave, isolate and purify the desired component in less than one hour—unlike other methods that can take up to 24 hours to achieve the same results.



IgGZERO®
IgGZERO is an enzyme that can specifically cleave sugar molecules that are found naturally on antibodies. Removing them can improve the performance of the antibody in various applications. The most important commercial application is the so-called glycan analysis in which the sugar molecules are cleaved from the antibody, and analyzed separately. It is used for characterization of antibodies. IgGZERO can also help wash away antibody molecules from primary cells.

FabULOUS®

FabULOUS is a recombinant 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.

FabULOUS®

GlycINATOR™

GlycINATOR is a recombinant enzyme that strengthens Genovis' offering of "glycan analysis" products. Genovis has developed the product, which can rapidly cleave carbohydrate molecules from IgG molecules. The yield is high, the reaction rate is fast and the enzyme does not affect the antibody molecule in general, but is very specific. 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.

GlycINATOR™

Patents, licenses and trademarks

Genovis' intellectual property rights give the Company exclusive rights to commercialize its projects. Patent applications protect new discoveries in instances when the discoveries are judged to be strategically important for the commercial potential of Genovis products.

In May 2007, Genovis acquired a license from Hansa Medical AB to use the IdeS protein in clinical research applications. This license gives Genovis exclusive rights that provide patent protection for the FabRICATOR products up to 2022 in Europe and the US. In 2008 Genovis submitted a new patent application to protect the products IgGZERO™ and FcDOCKER™. This application is now also registered in PCT* phase and will provide protection until 2029 with patent approval. FabRICATOR is a registered trademark.

In 2011 Genovis submitted a new patent application to protect a new enzyme, GlycINATOR, and this application is now also registered in PCT* phase; with patent approval, it will provide protection until 2031. In 2013 two additional patent applications were submitted as protection for applications using the combination FabULOUS and FabRICATOR, as well as the combination IgGZERO and GlycINATOR. GENOVIS and FabRICATOR are registered trademarks.

**The Patent Cooperation Treaty (PCT) is an international agreement allowing the applicant to file a single application in one language and get an international filing date, which means the application is considered as filed in all PCT-contracting states, (more than 140) on the same issuing date. (Source: Swedish Patent and Registration Office)*

Competition

Genovis' enzymes open opportunities to provide the Company with its own niche market. Since Genovis is breaking new ground in protein analysis, it does not directly compete with other similar products. However, Genovis' products compete to some extent with older technology and according to the Company, these products are mainly marketed by companies within the FisherScientific group, GE Healthcare, BioRAD, Prozyme and New England Biolabs, which are among the major players in the market today. Specialized competitors use several sales channels, while large global enterprises mainly work with direct sales. From Genovis' perspective, these companies are not just competitors, several could be excellent partners for continued commercialization of Genovis products.

Genovis' competitive advantages

Genovis' exclusive intellectual property rights provide the Company with a strong competitive advantage. Furthermore, the customer relationships built with key customers are important from the perspective of competition, since frequent collaboration with customers makes it easier to gain insight into new trends and technological developments, as well as an understanding of customer needs. Genovis products also have several application-specific competitive advantages:

- higher yield
- better precision
- saves substantial time compared with competing technology
- technology makes it possible to carry out completely new applications in a new market

Customers

Currently, Genovis' primary customers are biotech and pharmaceutical companies, as well as contract research companies and contract manufacturing companies. Academic customers comprise a small percentage (about 5 percent) of the customer base. Examples of customers that publicly published or presented results achieved with Genovis products are: Pfizer, Genentech, Amgen, Novartis, Food and Drug Administration, Sigma-Aldrich, Bruker, LFB and Cetre d'Immunologie Pierre-Fabre, and the Johnson&Johnson company Centocor.

The majority of Genovis' customers are developing and producing antibodies as drugs. The properties of a new drug must be characterized in a variety of ways while it is under development. Customers currently use Genovis products to identify and characterize novel drug candidates. Genovis' strategic business development and R&D activities prioritize several future long-term areas of application among customers.

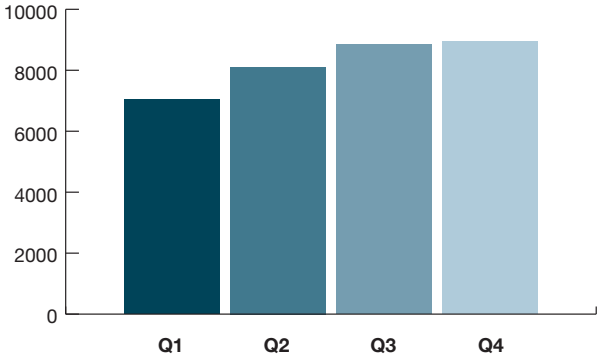
They are primarily:

- processes to develop production protocols for drugs on track for clinical development
- quality control during commercial production of drugs
- processes for developing large quantities of antibody fragments
- screening processes with a large quantity of analyses per project

Marketing and sales

FabRICATOR and IgGZERO sales surged during the year. The number of scientific publications from customers describing the advantages of Genovis products has increased in line with sales, which is an important parameter for the innovative character of the products. This component is also extremely important in Genovis' continued marketing of both existing and new products.

The revenue stream is generated by both new customers and through repeat orders from more established customers. About 40 percent of orders in 2013 were placed by new customers. The first orders from a new customer are worth a few thousand Swedish kronor. The sales cycle from first contact to first repeat order is relatively long, since it takes time to become a registered supplier and the customer's internal projects and priorities govern how long it takes to test and evaluate Genovis' products before placing a new order. After two to three years the first and largest customers have now reached volumes of about SEK 500 thousand per year in order value.

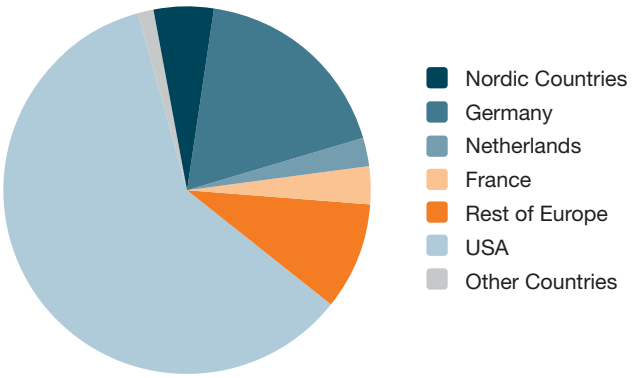


Sales, rolling twelve months (SEK thousand)

Geographic markets

In 2013 Genovis has partnered with two distributors in the US, which is Genovis' largest market. In Europe Genovis collaborated with three distributors in Germany, the UK and Israel.

Sigma-Aldrich worked exclusively in Asia, Southeast Asia, South America and India in 2013. The introduction of Genovis products in these markets has been slow during the year.



Breakdown of sales by region

Challenges and opportunities

Genovis has been working intensively since the launch of the first products to reach out to its entire target group. Customers who use the products in research and development comprise the target group in the first step. Genovis faces a challenge in this segment that is simultaneously a great opportunity to substantially increase sales. The challenge and the opportunity can be found in introducing new product formats that can become an alternative to the analyses carried out in high volume, thousands of tests per week, in processes within clone-selection. The next challenge is to persuade some of the customers to transfer their long-term use of products farther along in the drug development value chain.

Growth to keep pace with customer implementation of products

The strategically most important opportunity for a pronounced increase in sales and strong customer relationships over time is for Genovis' customers to integrate FabRICATOR and the other enzymes in clinical development and ultimately in production of pharmaceuticals. Then the business model can be developed and include agreements for a given annual production, deliveries for back-up of spare parts and guaranteed production from at least two sources. The target groups include fewer customers, though the total value of orders per customer is significantly higher. Furthermore, this type of sales will result in longer agreements and customer relationships over a long time moving forward.

Driving forces

New antibody-based drugs

Reagents are substances used to detect or synthesize other substances. Reagents and tools used within the Life Science industry are indispensable for a number of procedures in research, development and analytical laboratories. In 2011 this market was valued at USD 40 billion, with an annual growth rate of about 8 percent[3]. This market works with completely different business models than the pharmaceutical market. Drug development requires a higher investment and more time to develop a successful product, while development of reagents is less risky. For example, no regulatory approval is required for products used as reagents.

Reagent companies are developing several different growth strategies, one of which involves clearly developing and expanding offerings that target the biotechnology and pharmaceutical industries, the segment in which Genovis is active. The underlying driver is the development of new antibody-based biologics based on antibodies to treat a variety of diseases. Common therapeutic areas include cancer, as well as inflammatory and autoimmune diseases. Antibody-based drugs, diagnostics and research tools have become established as state-of-the-art technology and the market is enjoying steady growth. Currently, more than 600 antibody-based drug candidates are in development and about 370 of them are in clinical trials[1,4]. The market for currently approved antibody-based drugs alone was estimated at USD 45 billion in 2011 and the number of products is expected to grow[2]. Since 1986, about 30 monoclonal antibodies (mAbs) have been approved and six of twelve best-selling drugs in 2012 are mAbs [5]. In 2020, patents with a commercial values of USD 67 billion are expected to expire and the industry is therefore now making generic drugs, known as biosimilars when antibody-based drugs are involved[2]. Another trend is that the knowledge generated by the first generation of antibody-based drugs is being applied to create better varieties and completely new drugs. Three clear trends for the next ten years can be seen [2]:

1. New mABs will be approved and the market is expected to grow to about USD 110 billion by 2023.

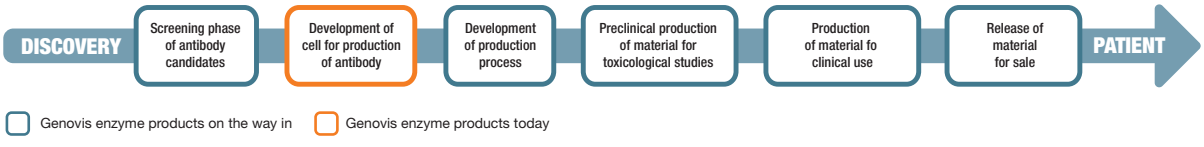
2. The biosimilars market is estimated to grow to about USD 3 billion by 2023.

3. Second-generation mABs - the market is estimated to grow to about USD 9 billion by 2023:

   a. Antibody-drug Conjugates, known as ADC drugs, are being commercialized; at least 34 candidates are currently in clinical development.

   b. Bispecific antibody-based drugs are being developed; at least 12 candidates are currently in clinical development.

   c. Antibody fragments and antibody-like proteins are being developed; at least 13 candidates are currently in clinical development.



Genovis products are currently used in the preclinical portion of the development of a new drug. They are mainly used to characterize selected candidates and to analyze the choice of cell type that will produce the antibody. Genovis strives to offer products for characterization in all phases of the development of new drugs, including products used in processes that perform thousands of tests per week, requiring automated analyses to carry out as many tests as possible, as well as in quality control in commercial production. The Company's top-priority R&D project addresses all steps in the development process, paving the way for broader use and greater market potential for the products.

These three main tracks all drive the demand for good analytical methods and Genovis products can be used in all classes of new drugs. Genovis products are already used with good results in the development of ADC drugs, bispecifics and biosimilars, in addition to use in the more classic antibody molecules.

More technical driving forces

The market's external driving forces are clear; other drivers come from within the industry, such as regulatory authorities and the pharmaceutical industry.

Regulatory requirements

Drug regulatory authorities put patient safety first and want industry to improve its ability to understand the process and the process parameters that give rise to or affect the properties of biological drugs. The FDA launched its Quality by Design (QbD) campaign in 2007 as a message to industry that it wanted biologics manufacturers of biological drugs to increase their understanding of their processes. The result will be more testing when developing production processes, as well as during the actual production of the biological medicinal product. The ultimate goal is to control the process by analyzing the product at different times and adjusting process parameters when necessary to achieve a safe and effective biological drug as the end product.

More characterization for increased patient safety and more efficient production

Great advances have been made in analytical technologies since the first monoclonal antibodies for therapeutic use were approved in the early 1990s. When technology is available, producers and drug regulatory authorities become more interested in studying the biological medicinal product in greater detail than was previously possible. In addition to patient safety, the pharmaceutical industry is interested in producing high-quality drugs at a lower cost.

Higher throughput = More analyses per time unit

Biological drugs are produced in "living" cells, a production system that is far more complex than pure chemical synthesis of small molecules. Antibodies are produced in special cells and choosing exactly the right cell to start from is extremely important for the industry for financial reasons. There is a great need to look at as many cells as possible to find the right one and not miss a high-quality, high-producing cell. The industry has a strong incentive to find rapid and automatable solutions to analyze antibodies – preferably one that is fully automated without any manual intervention. Moreover, the flow of advanced analyses must also increase and the individual analyses must be carried out in less time.

Market potential

To estimate the value of this relatively newly discovered niche market potential at this early stage, Genovis has based its calculations on an estimate of the number of potential customers and their annual consumption, taking trends in antibody-based drug development into account. According to the Company, Genovis products have now sold for a market value of about SEK 11 million on a rolling 12-month basis as of September 30 this year, after allowing for distributor discounts. The Company is still in early development and sees several opportunities to expand sales solely among current key customers, though also within a broader target group. The market potential for FabRICATOR is difficult to assess at this phase, but the Company estimates it to be USD 10-20 million, depending on the applications within which the products will be used. Sales are currently primarily driven by FabRICATOR; the Company estimates that the potential of the other three enzymes is somewhat lower since they are more niche-oriented than FabRICATOR.

Products similar to those in Genovis' line of products show a trend of strong growth. Genovis sells products that are reagents for the Life Science industry within the segment drug development, primarily for analysis and characterization of protein-based drugs. This niche market amounted to about USD 16 billion annually in 2011, with an estimated annual growth rate of about 11 percent for the period 2011-2016[3]. Genovis' customers use technologies such as HPLC and mass-spectrometry for their analyses. If we look at the trends for these two methods, sales figures for reagents for the analyses are expected to rise by about 10 percent annually during the same period[3].

1. J.M.Reichert, AAPS 2013 National Biotechnology Conference 2013 2. Next Generation Antibody Market 2013-2016, Visiongain 2013
3. LIFE SCIENCES & ANALYTICAL REAGENTS MARKET APPLICATIONS .CURRENT TRENDS, OPPORTUNITIES & GLOBAL FORECASTS (2011 – 2016), MarketsandMarkets 2012 4. Clinical Pipeline reports and websites from Pfizer, Amgen, Genentech, Roche, Novartis, GSK, Johnson§Johnson, Eli Lily and AstraZeneca. 5. The Antibody Society, 2013.

Subsidiary: GeccoDots AB

One of nature's most talented manufacturers of nanostructures is the gecko, which uses nanometer-sized straws under its toes to hang upside down from the ceiling. GeccoDots took its name from Genovis and Gecco, as well as from the word dots, which symbolizes the nanostructures that GeccoDots produces and markets as contrast agents for medical imaging.

Business concept

GeccoDots produces and sells innovative contrast agents and imaging technology to customers who use medical imaging as a tool to create tomorrow's medications for safe and effective health care.

Operations

GeccoDots focuses on using nanotechnology to produce new contrast agents and market them for medical imaging. The technique behind the developed products was formulated under the management of Genovis and in 2013 the subsidiary has taken over responsibility for development and commercialization of the project. Initially, the strategy involved sales of preclinical products for disposable use, but in the long-term, the goal is also to generate revenue through a model based on license revenues for clinical products and new imaging technologies.
GeccoDots' preclinical offering focuses on R&D activities in:

- Biotech and pharmaceutical companies
- Companies that develop clinical contrast agents
- Contract research organization (CRO) companies
- Academic research

End customers may include individual operators, researchers or research supervisors, who plan, conduct and are responsible for imaging studies.

Products

GeccoDots markets and launches products, in the form of contrast agents packaged in doses or as simple kits that facilitate injections before imaging. The customer purchases contrast agents, knowledge and support from GeccoDots. All GeccoDots products are described in greater detail on the Company's website, www.geccodots.com.

The individual products are used in different applications:

1. Imaging of cells after transplantation
2. Imaging of organs, tissue details and change over time
3. Multimodal nanostructures for use in MRI, Optical Imaging, PET and SPECT

Product development for clinical use

GeccoDots is running the Sentinel Node project jointly with four research groups at Lund University. The aim is to develop a multimodal contrast agent for clinical use. The application is diagnostics and surgery of the sentinel node during surgery for tumors. The project has been co-financed by the Swedish Research Council, Vinnova and LMK Industri AB.

The share

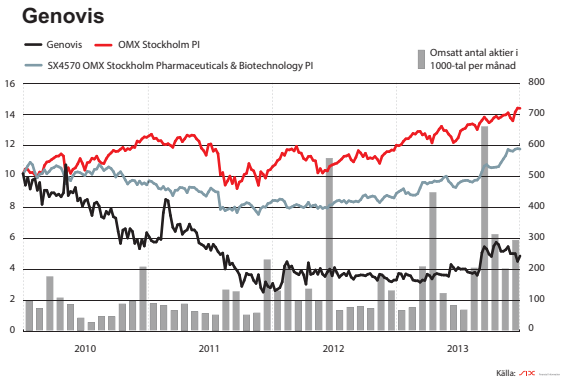
Genovis' shares have been traded since September 14, 2006, on First North under the ticker symbol GENO. The share price at the end of the period was SEK 4.85 and the market value was SEK 101.7 million. First North is an alternative market, operated by the various exchanges within NASDAQ OMX First North. Thenberg Fondkommission is the Company's Certified Advisor.

Share capital

On December 31, 2013 share capital was SEK 6,312,302.80 and the number of shares was 15,780,757. The quota value is SEK 0.40. After year-end, two issues were registered at the Swedish Companies Registration Office; following registration share capital was SEK 8,738,260.80 and number of shares 21,845,652.

Shareholder value

Genovis' management works continuously to develop and improve financial information about Genovis in order to provide both current and future shareholders with the information necessary to evaluate the company as fairly as possible. This effort includes actively participating at meetings with analysts, investors and the media.



Major shareholders as of December 31, 2013

Name	Holdings	Number of interim shares	Votes (%)
Mikael Lönn	3,628,768	1,209,589	22.99
Hansa Medical AB	1,611,049	537,016	10.21
LMK Ventures AB	1,938,980	136,363	9.86
Nordnet Pensionsförsäkring AB	837,988	376,916	5.77

Source: Euroclear Sweden AB

Shareholding by size December 31, 2013

Holdings	Number of shareholders	Number of shares	Number of interim shares	Votes (%)	Market value (SEK thousand)
1 - 500	855	194,384	139,263	0.84	0.9
501 - 1,000	414	359,606	152,777	1.51	1.7
1,001 - 5,000	767	1,652,574	587,843	8.67	8.9
5,001 - 10,000	155	1,022,891	268,873	5.22	5.5
10,001 - 15,000	81	836,637	107,995	4.85	5.3
15,001 - 20,000	43	480,826	70,679	3.71	2.8
20,001 -	76	11,233,839	3,932,822	75.19	76.6
Total December 31, 2013	**2,391**	**15,780,757**	**5,260,252**	**100**	**101.7**

Source: Euroclear Sweden AB

Voices from the organization

At Genovis we are highly dedicated individuals who know that we can influence our customers' daily work all over the world with our products and our service. We know that the details are important for the whole. And we know that our products will ultimately affect the potential for patients to examperience an improved quality of life," says Fredrik Olsson, Vice President of Genovis

The market for Genovis' enzymes increased once again in 2013. The trend was mainly driven by increased knowledge about Genovis products and increased marketing, which helped to establish several of our brands globally. One major reason for the increased sales is that our customers are marketing our products through scientific publications and presentations at conferences. The number of scientific publications rose between 2012 and 2013 and is an important component for building credibility for the products in a global arena. Over the past two years, more than 30 scientific articles using our products have been published - and we are extremely proud of this accomplishment.

We will continue our efforts to build strong brands in 2014. An important aspect of this work involves establishing direct contact with end users and owning the entire chain from product development to end customer. For this reason, we took the decision to close all sales through distributors in late 2013. We have therefore renegotiated the agreement with Sigma Aldrich and moving forward, will distribute in parallel on the Asian markets. We are convinced that this approach will enable us to build strong brands, even in the Asian countries.

We know that direct sales and proximity to the customer intimacy have a positive impact on sales. Equally important is to understand where they are heading and where they will be in the future. In order to understand the direction in which the market is moving and to be able to adapt accordingly, we attend several conferences and trade shows every year.

Two new enzymes were launched in 2014, both of which were very well received by our customers. As the volume and number of products increases, additional demands are placed on efficient and safe production. Last year we moved to new premises, which has provided better conditions to produce more high-quality products and to expand the number of products. We will continue to expand our product portfolio in 2014.

"Many firms claim unique enabling technologies, Genovis clearly delivers"

John M. Lindsay, VP Sales and Marketing North America

"In R&D we are constantly searching for new enzymes to meet the need to simplify and speed up characterization work in the pharmaceutical industry. We do this both in-house and in collaboration with our customers in the pharmaceutical industry and academia," says Malin Mejàre, Chief Scientific Officer at Genovis

Before a potential enzyme can become a product, it must be characterized and its activity is tested under a variety of conditions and on different substrates. It must also be possible to produce the enzyme and production parameters such as growth conditions and purification methods have to be developed.

During the past year the R&D group has worked on producing two new enzymes and developed them into new products: FabULOUS, which fragments antibodies (to Fab and Fc) and GlycINATOR, which deglycosylates the Fc portion of antibodies. Both of these enzymes, which complement FabRICATOR and IgGZERO, broaden Genovis' range of enzymes for fragmentation and deglycosylation of antibodies.

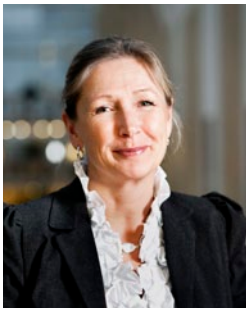
It is important to give our customers as much support as possible so we are therefore testing our existing enzymes in many different environments, under different conditions and on different types of antibodies. We constantly monitor technology developments and are developing new product formats from the existing enzymes to assist our customers. One such project is the HPLC column, which will be launched during the first half of 2014. This product will further automate characterization of antibodies, which will entail a huge time savings for the customer.

In 2013, we also began to develop an automated system to analyze and check the quality of biological medicines during the production process. This is just one of several promising projects currently underway in R&D.

"When I was introduced to Genovis I was immediately struck by the truly unique and advanced offering of their patented enzymes, their solid management team, and the chance to offer a enabling, disruptive technology to the Biotherapeutic market. I am excited to be part of a team of dedicated professionals and look forward to further penetrating the market in North America", says John M. Lindsay, VP Sales and Marketing North America at Genovis.

John Lindsay began at Genovis in February 2014, and we are very pleased to have John join our team. John began his career at Millipore Corporation and quickly advanced to executive vice president and business area manager of several divisions of the company. In 2000 founded John SciPartners, with the objective of building a platform for development of early European companies and brands in North America. John's focus is the Life Science market, and over the past 14 years he has successfully built up sales and marketing that led to rapid growth and increased revenues for many companies. The most recent acquisitions of Proxeon (Thermo Fisher) and Halo Genomics (Agilent) indicate John's ability to lift the company to the next level and we look forward to an exciting and successful collaboration.

Board of Directors



Ebba Fåhraeus (b 1963)

Chairman of the board - MBA

International experience from the strategic level in listed companies engaged in marketing and business development. Chief Communication Officer & Business Development Director Aqilles Invest AB. Previously VP Sales & Marketing Anoto AB, Strategic Business Development Manager at Raufoss United Group in Norway, international product manager at Johnson & Johnson, as well as Sales and Marketing Manager at Cederroth and Mölnlycke.

- Other directorships and positions: Chairman of the board of Good Old AB,Acousort AB, Connect Skåne, board member of Apptix ASA, Simris Alg AB and deputy board member for GeccoDots.
- Previous engagements: Chairman of the board of Demikon AB, Board member EQL Pharma AB, Kornboden Kompetens AB and Agellis AB.
- Holdings in Genovis: 27,680 shares and 9,226 interim shares.

Carina Schmidt (b 1958)

Board member - MSc in Engineering

Board member of Genovis since 2008. CEO of Athera Biotechnologies AB, a portfolio company within Karolinska Development AB (publ). Over 25 years of experience in the industry, both employed and self-employed, mainly from international work in the field of biotechnology with a focus on business development and international marketing.

- Other directorships and positions: Board member of Grasp Bioscience and Biobusiness Partners Scandinavia. Member of the investment committee at Almi Invest AB, Region North.
- Previous engagements: Pharmacia Biotech and Amersham Biosciences (now GE HealthCare), Grasp Bioscience and BioBusiness Partners Scandinavia.
- Holdings in Genovis: None.

Peter Ragnarsson (b 1963)

Board member - MS in Business Administration and Economics

Board member of Genovis since 2012. Peter Ragnarsson is CEO of LMK Ventures AB. Ragnarsson was previously CEO of Axis AB, Bell Group Plc and AudioDev AB. In addition, he has also held various positions at Niscayah Group AB, Securitas AB, Arjo BV and SET Revisionsbyrå.

- Other directorships and positions: Chairman of the board of Great Security Sverige AB and Gullberg & Jansson AB. Board member of LMK Ventures AB and other companies within the LMK Group, Confidence International AB, Generic Sweden AB, Nocroc Ventures AB, Aqilles Invest AB, Axichem AB och Anagram Produktion AB and Nordic Bioenergy Infrastructure A/S.
- Previous engagements: Niscayah Group AB, OnTime Logistics A/S and Hövding Sverige AB.
- Holdings in Genovis: LMK Venture AB/LMK Stiftelse hold 2,075,343 shares and 165,114 interim shares

Kenth Petersson (b 1956)

Board member - B.A.

Board member of Genovis since 2011. Kenth Petersson has previously worked as an analyst and has extensive experience in the biotech industry. For the past 10 years he has worked as a business angel and principal owner of a number of biotech companies.

- Other directorships and positions: Chairman of the board of AlphaBeta AB, Biocrine AB, Spiber Technologies AB and Science Pacific AB. Board member of Alligator Bioscience AB and Immunova AB.
- Previous engagements: Board member of Dolby international AB previously Coding Technologies AB and Diabetes Tools AB
- Holdings in Genovis: 20,000 shares.

Jacob Engellau (b 1963)

Board member – MD, PhD

Board member of Genovis since 2011. Jacob Engellau is a physician at the Department of Oncology, Skåne University Hospital, and associate professor at Lund University.

- Other directorships and positions: No other assignments.
- Previous engagements: No previous engagements.
- Holdings in Genovis: 13,333 shares and 4,444 interim shares.

Thomas Laurell (b 1961)

Board member – MSc in Engineering, PhD in Engineering

Board member of Genovis since 2008. Professor of Medical and Chemical Microsensors at Lund University. Twenty-five years of experience in research and development in nanobiotechnology and Lab-on-a-chip technology.

- Other directorships and positions: Board member of AcouSort AB, GeccoDots, Picology AB, ISET AB, ScandiCandy AB, and Scandi Fastighet AB.
- Previous engagements: Arthand AB and Dia2000 AB.
- Holdings in Genovis: 7,000 equities and 2,333 interim shares.

Erik Walldén (b 1949)

Board member

Board member of Genovis since 2012. Erik Walldén was previously CEO of the Swedish companies Gyros, Affibody Holding, Biacore International and Pyrosequencing. Walldén participated in the establishment of and has been active at the following companies: PerSeptive Biosystems Inc., Pharmacia Biosensor and Pharmacia Biotech.

- Other directorships and positions: Chairman of the Board of Directors of Erik Wallden AB, Deputy Chairman of the Board of Exiqon A/S, board member for Tecan Group Ltd., and member of HealthInvest Partners Industrial Council.
- Previous engagements: Board member for Visen Medical Inc., Board member for Proxeon A/S and Chairman of SwedenBIO Business & Finance Workgroup.
- Holdings in Genovis: 100,000 equities and 33,333 interim shares.

Senior executives and auditors

Sarah Fredriksson (b 1968)

President & CEO

Sarah Fredriksson completed her postgraduate education in 1999 with the oral defense of her doctoral dissertation at the Department of Applied Biochemistry, Lund University. That same year she founded Genovis. Through her postgraduate studies and in part while studying engineering with a focus on biotechnology, Ms. Fredriksson has acquired extensive experience in laboratory work in the sector for which Genovis' products are mainly intended. She has published several scientific articles and is the author of several patent applications.

- Other assignments: board member of GeccoDots AB, board member of Sparbankstiftelsen Skåne's Riskkapitalstiftelse, board member of SwedNanoTech and member of the Nanometer Structure Consortium Advisory Board (Lund).
- Holdings: 72,324 shares in Genovis. Sarah Fredriksson owns 34% of BumbleFish AB, which owns 40,391 shares in Genovis.

Fredrik Olsson (b 1971)

Vice President

Fredrik Olsson has an MSc in Engineering from Lund Institute of Technology and has been employed at Genovis AB since 2002 with primary responsibility for infrastructure, product development and production. Fredrik Olsson has extensive experience of production processes from the food and biotech industries. Much of his work involved establishing processes and quality systems for various industry-specific standards as well as general systems. Fredrik Olsson has also co-authored several scientific publications and patents.

- Other assignments: Board member of BumbleFish AB.
- Holdings: 2,600 shares in Genovis. Fredrik Olsson owns 33% of BumbleFish AB, which owns 40,391 shares in Genovis.

Öhrlings PricewaterhouseCoopers AB

Auditor for Genovis since 2008.

Magnus Willfors

Authorized public accountant, principal auditor

Sofia Götmar-Blomstedt

Authorized public accountant

Corporate Governance Report

Introduction

The Group consists of Genovis AB and the wholly owned subsidiary GeccoDots AB. The Group had 14 employees on December 31. They are all employed by the parent, which is responsible for centrally coordinating business and finance functions. GeccoDots hires labor from the parent company and three people worked there on December 31, 2013. The projects in the Group are mainly in-house, but are also run with external funding and through collaborations with research groups, including at Lund University.

External and internal regulation

Genovis AB is a Swedish public limited company in which governance, management and control are divided among the shareholders, the Board of Directors, the chief executive officer and senior management. Governance of the Company is based on Genovis' articles of association, the Swedish Companies Act, the rules and recommendations resulting from the Company's listing on NASDAQ OMX First North, and other applicable laws and regulations. Genovis does not belong to the group of companies required to follow the Swedish Code of Corporate Governance as of July 1, 2008, but the Board of Directors intends to gradually become compliant with the code.

Shareholders

At year-end 2013 Genovis had about 2,400 shareholders according to Euroclear Sweden AB. Genovis' share capital was SEK 6,312,302.80 and the number of shares was 15,780,757. Genovis' market capitalization amounted to SEK 101.7 million at December 31, 2013. The Company's largest shareholder is Mikael Lönn, who owns 22.99 percent of the total number of shares and votes in the company. A list of the largest shareholders can be found on page 19. After year-end, two issues were registered at the Swedish Companies Registration Office; following registration share capital was SEK 8,738,260.80 and number of shares 21,845,652.

2013 Annual General Meeting

Genovis' Annual General Meeting was held on April 25, 2013, in Lund where 41.1 percent of the number of shares and voting rights were represented. All Board members except for the Chairman of the Board were present. The CEO and the company's auditors were also present. The Meeting re-elected Ebba Fåhraeus, Carina Schmidt, Erik Walldén, Jacob Engellau, Kenth Petersson, Peter Ragnarsson and Thomas Laurell. Ebba Fåhraeus was elected to be the Chairman of the Board.

Resolutions

Adoption of the income statement and balance sheet , as well as the consolidated income statement and consolidated balance sheet
The Meeting resolved that the accumulated loss of SEK 3,343,595 be carried forward to new account.

The Meeting resolved to discharge the directors and the president from liability for the financial year 2012.

The Board resolved that Board members would be paid a total remuneration of SEK 400,000.

Overview of corporate governance in the Genovis Group

Nomination Committee

The task of the Nomination Committee is to put forward proposals regarding the election of Chairman of the Annual General Meeting, election of the Chairman and other members of the Board, appointment of auditors and fees paid to the Directors and the Auditors. The 2013 Annual General Meeting resolved that the Nomination Committee for the 2014 Annual General Meeting would be composed of representatives for the four largest shareholders as of September 30, 2013, who are not members of the board. The Nomination Committee shall appoint a chairman from among its members. It is incumbent upon the Chairman of the Board to convene the Nomination Committee. Should a shareholder decline to participate in the committee the right to appoint a

representative shall be transferred to the next largest shareholder not represented in the committee. If deemed appropriate as a result of ownership changes, the Nomination Committee shall invite additional shareholders to join the Nomination Committee, though the total number of members may not exceed five. In the event a member of the Nomination Committee leaves the Committee before its work is completed, the Chairman of the Board, if the Nomination Committee deems necessary, shall invite the same shareholder or, if the latter is no longer one of the major shareholders, the shareholder next entitled, in terms of size of shareholding, to appoint a replacement Such a change shall be announced on the Company's website.

The Nomination Committee for the 2014 AGM consists of Mikael Lönn, Bo Håkansson representing Hansa Medical AB, Peter Ragnarsson representing LMK Ventures AB, Olof Carlstoft representing Aduno AB and Torbjörn Fridh.

General Meeting

The General Meeting of Shareholders is the highest decision-making body. At the General Meeting, shareholders exercise their voting rights in accordance with Swedish corporate legislation and Genovis' Articles of Association. The General Meeting elects the Company's Board of Directors and auditor. The tasks of the General Meeting also include adopting the Company's balance sheets and income statements, deciding on the allocations of earnings in the Company and deciding on discharging the members of the Board and the CEO from liability. The General Meeting also decides on remuneration to the Board of Directors, auditors fees and guidelines for remuneration to senior executives.

External auditors

The company must have one auditor with or without a deputy auditor, or one registered public accounting firm. The appointment as auditor shall apply until the close of the General Meeting, which is held during the fourth financial year after the election of the auditor. Where the same auditor is reappointed, the Meeting may determine that the appointment shall apply until the close of the Annual General Meeting held during the third financial year after the appointment of the auditor. The 2012 Annual General Meeting appointed PricewaterhouseCoopers AB with Magnus Willfors (chief auditor) and Sofia Götmar-Blomstedt to serve as the company's auditors for the period until the close of the 2016 Annual General Meeting.

Audit Committee

Genovis does not have an Audit Committee; these issues are ultimately decided by the entire Board of Directors.

Board of Directors

The Board of Directors is the Company's highest administrative body under the General Meeting. The Board of Directors is charged with the organization of the Company and management of its operations. In addition, the Board shall ensure that the organization in respect of accounting, management of funds and the Company's financial position also includes satisfactory control. Under the Articles of Association, Genovis' Board of Directors is to consist of a minimum of three and a maximum of ten Directors, with a maximum of five deputies. Directors are elected annually at the Annual General Meeting for a one-year term up until the close of the following AGM. The AGM also appoints the Chairman of the Board. The role of the Chairman of the Board is to lead the work of the Board and to ensure that it fulfills its duties. The guidelines for the work of the Board of Directors are based on the rules of procedure, which also regulate the allocation of work between the Board of Directors, the Chairman of the Board and the CEO, whose powers are clarified in a special CEO briefing.

The Board monitors the quality of financial reporting by issuing instructions to the CEO and by establishing requirements for the contents of the reports on financial conditions that are regularly submitted to the Board. The Board considers and ensures the quality of financial reporting, such as interim reports and the annual accounts, and has delegated to senior management the task of ensuring the quality of press releases containing financial content and presentation materials for meetings with the media, shareholders and financial institutions.

The statutory Board meeting was held on April 25, 2013 and during the year the Board held eight formal meetings. During the year there were seven directors. Other officers participate as needed during board meetings as reporters or in administrative roles. The Company's auditor reports to the Board of Directors every year based on an examination of accounts, and provides an assessment of internal controls. The Company's auditor participated at two board meetings during the year. In addition to follow-up and reporting on ongoing business and profitability, the work of the Board has included questions about strategic development and direction, investments in research and development, as well as financial

issues. Board members completed a questionnaire to evaluate the Board's work. The evaluation has served as a foundation for the work of the Nomination Committee.

Operating activities

The CEO has overall responsibility for the Genovis Group. The executive management team consists of Sarah Fredriksson, CEO and Fredrik Olsson, operating manager. Executive management members are jointly responsible for strategic issues. The Board is responsible for ensuring that there is an effective system for internal control and risk management. The CEO has been delegated the responsibility for creating a good environment for working on these issues. Authorities and responsibilities in the organization are defined in policies, guidelines and descriptions of responsibilities.

Remuneration to the Board of Directors

The 2013 Annual General Meeting decided that remuneration would be paid to the Board of Directors in the amount of SEK 100,000 to the Chairman of the Board, and SEK 50,000 to the other Board members who are not employed at Genovis.

Remuneration to senior management

The 2013 Annual General Meeting adopted guidelines for remuneration to senior executives that essentially entail the following. Fixed remuneration to the management and the Chief Executive Officer should be competitive and be based on the individual's area of responsibility and performance. Incentive-based remuneration will be limited and linked to predetermined measurable criteria designed to promote long-term value creation for the Company. Incentive-based remuneration may not exceed a maximum of 25% percent of the fixed salary and will be set per financial year. The Board will consider on a yearly basis whether or not to propose a share-related or market value-related incentive program to the Annual General Meeting. The Annual General Meeting makes the decisions regarding such incentive programs. The total remuneration paid to senior executives in 2013 was SEK 3,096,934. Please see note 7 for additional information.

Share/share price-related incentive program

There are no outstanding share or share price-related incentive programs for the directors, CEO or senior executives.

Administration Report

The Board of Directors and Chief Executive Officer of Genovis AB (publ), corporate identity number 556574-5345, based in Lund, hereby submits the annual report and consolidated financial statements for the parent company and the Group for the fiscal year January 1, 2013 - December 31, 2013.

Operations

Genovis markets four different enzymes. Products can be ordered from a standard range or as custom-made products. Customers use the products to analyze antibody molecules. Cleaving the antibody into distinct fragments facilitates the analyses carried out for screening of new pharmaceutical substances, as well as for quality control in the development and production of new drugs. The products enable customers to conduct faster analyses with higher quality than competing technologies can offer. In addition to the physical product, all customers receive technical support and Genovis also offers development of customized methods. Presentations of all products can be found on the Genovis website, www.genovis.com.

Product launches during the year

Genovis launched two new products, FabULOUS® and GlycINATOR™ for analysis and characterization of antibody molecules.

Sales

Net sales for full-year 2013 rose by 47 percent to SEK 8,912k (6,080k), mainly due to the increased number of customers and the increased order value per customer.

Production

Even at relatively low volumes, production is cost-effective and provides good margins on the products. Genovis has chosen to outsource the first step in production. Genovis carries out both the final steps in production of specialty products and quality control in-house.

All products are packaged and shipped from the Company's premises in Lund. One objective is to develop processes for GMP*-approved production, so that Genovis can handle such production in custom-made projects ordered by customers.

Organization

Genovis' organization consists of Genovis AB and the wholly-owned subsidiary GeccoDots AB (formerly Eijdo Research AB). The parent company's operations include executive management, central administration, research and development, production, sales, and support. On December 31, 2013, the Group had fourteen employees, which is the same number as the previous year. For both periods all employees were in the parent company. One employee holds an 80%-position as an industry-based doctoral student.

Subsidiary GeccoDots AB

GeccoDots develops and produces nanostructures that provide good contrast in magnetic resonance imaging, ultrasound, optical imaging and PET/SPECT. Presentations of all products can be found on the GeccoDots website, www.geccodots.com. The projects in the company are mainly in-house, but are also run with external funding and through collaborations with research groups, including at Lund University. The technique behind the developed products was originally formulated at Genovis, but then transferred to GeccoDots. The subsidiary does not have any employees but occasionally hires temporary personnel from Genovis as the need arises.

Related-party transactions

Principal owners Mikael Lönn, who holds a 22.99 percent stake in Genovis, and LMK Ventures AB, which holds a 9.86 percent stake, have provided written subscription undertakings and underwriting guarantees totaling 70 percent of the issuance volume in the rights issue carried out between April 4 and April 18, 2013. The undertakings are the equivalent of a total of 2,761,633 shares at an amount of SEK 9,665,715.50. The guarantee fee of SEK 256,141 was paid and divided equally among the underwriters.

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

Events after the end of the period

Genovis carried out a private placement that raised SEK 3.6 million before issue expenses.

The rights issue in December 2013 and the private placement were registered at the Companies Registration Office in 2014. After registration share capital was SEK 8,738,260.80 and the number of shares was 21,845,652.

The subsidiary GeccoDots introduced its first products during the autumn of 2013 and several interested customers have placed their first orders in 2014.

Sales

Net sales for full-year 2013 rose by 47 percent to SEK 8,912k (6,080k), mainly due to the increased number of customers and the increased order value per customer.

Other revenue

Other revenue for full-year 2013, which mainly comprised research funding from VINNOVA and the Swedish Research Council, was SEK 1,357k (1,014k).

Profit/loss for the year

The loss for full-year 2013 was SEK 15,985k (loss: 20,181k). An impairment of SEK 2.8 million was charged against earnings in 2012.

Cash and cash equivalents Financial position

Consolidated shareholders' equity was SEK 33,085k after taking the result for the period into account. Shareholders' equity was mainly affected by two rights issues in 2013 for a total of SEK 37.5 million before issue expenses.

Consolidated cash and cash equivalents* at the end of the 12-month period amounted to SEK 480k (6,684k). The Company carried out a rights issue in December that raised SEK 23.7 million before issue expenses.

Interest-bearing liabilities totaled SEK 0k (0k). The Group's equity ratio at the end of the period was 80 percent (75 percent) and equity per share* was SEK 0.76 (1.39), based on the fully diluted average number of shares at year-end.

Earnings per share*, based on a weighted average of the number of outstanding shares, totaled SEK -1.10 (-2.04).

Taxes

The Group has a deferred tax asset that arises from the parent company, amounting to SEK 3,436k (3,436k) at year-end.

Investments

Consolidated capital expenditure during the twelve-month period totaled SEK 2,369k (1,324k) of which property, plant, and equipment (primarily laboratory equipment and computers) accounted for SEK 1,238k (335k), and investments in intangible fixed assets accounted for SEK 1,131k (989k).

Cash flow for the twelve-month period was SEK -6,204k (-879k). Cash flow from financing activities totaled SEK 11,634k (-15,293k).

Environmental information

The parent company reported a facility for type F operations (Safety level 1) for closed use of genetically modified microorganisms to the Swedish Work Environment Authority. The Company has a permit to run the facility to professionally produce pharmaceutical substances using biochemical processes on an experimental, pilot, or laboratory scale and also, through chemical reactions, to professionally produce organic or inorganic substances on an experimental, pilot, or laboratory scale or other non-industrial scale.

**Rights issue in December 2013 was registered on January 17, 2014 after which the settlement was transferred to the Company and is therefore not included in consolidated cash and cash equivalents or the calculation of equity per share.*

Major shareholders as of December 31, 2013

Name	Shares	Number of interim shares	Votes (%)
Mikael Lönn	3,628,768	1,209,589	22.99
Hansa Medical AB	1,611,049	537,016	10.21
LMK Ventures AB	1,938,980	136,363	9.86
Nordnet Pensionsförsäkring AB	837,988	376,916	5.77

Source: Euroclear Sweden AB

Market place and ownership structure

Genovis shares are traded on NASDAQ OMX First North under the short name GENO. NASDAQ OMX First North is an alternative market, operated by the various exchanges within NASDAQ OMX. It does not have the same legal status as a regulated market. 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.

On December 31, 2013 share capital was SEK 6,312,302.80 and the number of shares was 15,780,757. The quota value is SEK 0.40. After year-end, two issues were registered at the Swedish Companies Registration Office, after which share capital amounts to SEK 8,738,260.80 and number of shares to 21,845,652.

Financial risks

Forecast uncertainty

Genovis is active in a relatively new market, which makes it difficult to predict future growth of the Company's business. Deviations from forecast customer orders and cash flow forecasts could negatively affect the Group's earnings, liquidity, and continued operations.

Currency risk

The majority of the Group's expenses are denominated in SEK. Group revenue, however, is largely dependent on other currencies, primarily USD.

Credit risk

Credit risk entails exposure to losses if a counterparty to a financial instrument cannot meet its commitments. The Company is of the opinion that there is no significant credit risk in relation to any particular client or counterparty.

Interest risk

Interest risk refers to the Group's exposure to a change in interest rates. The Company believes that the current situation is not affected by any material interest rate risk.

Liquidity risk

Liquidity risk consists of the risk that the Group cannot obtain funds to meet its obligations. According to the Company's forecasts and projections, this is not likely to occur in 2014.

Cash flow risk

Senior management is aware of the importance of minimizing tied up capital, including in inventory and accounts receivable. In the run-up to the anticipated increase in activity in 2014, the Company will focus on maintaining a desirable low level of tied up capital.

Work of the Board of Directors

The composition of Genovis' Board of Directors was structured to effectively support and monitor senior management. During the year the Board of Directors had seven members elected at the General Meeting. Other officers participate as needed during board meetings as reporters or in administrative roles. The Board of Directors held 8 formal meetings during the year. The Company's auditor reports to the Board of Directors every year based on an examination of accounts, and provides an assessment of internal controls. The Company's auditor participated at two board meetings during the year. The guidelines for the work of the Board of Directors are based on the rules of procedure, which also regulate the allocation of work between the Board of Directors, the Chairman of the Board and the CEO, whose powers are clarified in a special CEO briefing. The rules of procedure contain regulations for the number of ordinary Board Meetings and which issues will be dealt with at the ordinary Board Meetings. In addition to follow-up

and reporting on ongoing business and profitability, the work of the Board has included questions about acquisitions, strategic development and direction, investments in research and development, as well as financial issues.

The 2013 AGM decided that Genovis will have a Nomination Committee consisting of representatives for the four largest shareholders as of September 30, 2013, who are not members of the Board. The Nomination Committee shall appoint a chairman from among its members. It is incumbent upon the Chairman of the Board to convene the Nomination Committee. Should a shareholder decline to participate in the Nomination Committee the right to appoint a representative will be transferred to the next largest shareholder not represented in the committee. If deemed appropriate as a result of ownership changes, the Nomination Committee shall invite additional shareholders to join the Nomination Committee, though the total number of members may not exceed five. In the event a member of the Nomination Committee leaves the Committee before its work is completed, the Chairman of the Board, if the Nomination Committee deems necessary, shall invite the same shareholder or, if the latter is no longer one of the major shareholders, the shareholder next entitled, in terms of size of shareholding, to appoint a replacement. Such a change shall be announced on the Company's website.

Nomination Committee for the 2014 Annual General Meeting:
Mikael Lönn
Bo Håkansson, representing Hansa Medical AB
Peter Ragnarsson, representing LMK Ventures AB
Torbjörn Fridh
Olof Carlstoft, representing Aduno AB

Audit Committee

Genovis does not have an Audit Committee; these issues are ultimately decided by the entire Board of Directors. Board members completed a questionnaire to evaluate the Board's work. The evaluation has served as a foundation for the work of the Nomination Committee.

Swedish Code of Corporate Governance

Genovis does not belong to the group of companies that are required to follow the Swedish Code of Corporate Governance as of July 1, 2008. The Board of Directors intends to gradually become compliant with the code.

Parent company

Genovis markets four different enzymes that are used to analyze antibody molecules. Cleaving an antibody into distinct fragments facilitates both the analyses used to screen new pharmaceutical substances and quality control during development and production of new drugs. Presentations of all products can be found on the Genovis website, www.genovis.com.

Revenue for full-year 2013 rose to SEK 13,310k (7,095k), of which SEK 8,882k (6,081k) was attributable to product sales. Other revenue for full-year 2013 totaled SEK 4,428k (1,014k), of which SEK 2,817k (0k) is attributable to personnel hired by the subsidiary; the remainder is attributable to research support from VINNOVA (the Swedish Agency for Innovation Systems) and the Swedish Research Council.

Expenses for full-year 2013 totaled SEK 24,358k (23,215k), mainly attributable to payroll expenses, marketing and development projects. Operating loss for full-year 2013 was SEK 11,048k (loss: 16,120k) and loss after net financial items was SEK 15,676k (loss: 20,219k). Loss for the period was SEK 15,676k (loss: 19,811k).

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.

A conditional shareholder contribution to the subsidiary of SEK 4,700k (610k) had a negative impact on the parent company's income statement. After the nano portfolio was transferred to the subsidiary, temporary personnel were hired in from Genovis to run the operation and the increase compared with the previous year mainly covers payroll expenses in the subsidiary. Net capital expenditure totaled SEK 1,504k (1,324k). Liquidity at the end of the period was SEK 371k (6,655k). The parent company has a deferred tax asset that amounted to SEK 3,436k (3,436k) at the end of the period, equivalent to a loss carryforward of about SEK 15.6 million, which is expected to be utilized in the foreseeable future. The Company's total tax loss amounts to SEK 114 million.

Financial overview, parent company

	2013	2012	2011	2010	2009
Sales (SEK thousand)	8,882	6,081	2,666	1,450	849
Operating profit/loss (SEK thousand)	(11,048)	(16,121)	(11,242)	(8,991)	(12,519)
Equity/assets ratio (%)	80	75	86	87	73
Return on equity (%)	neg	neg	neg	neg	neg
Return on total capital (%)	neg	neg	neg	neg	neg
Acid test ratio (%)	420	211	315	227	39
Dividend per share SEK	0	0	0	0	0

Definition of key financial indicators

Equity/assets ratio	Adjusted shareholders' equity as a percentage of balance sheet.
Return on equity	Earnings after financial items as a percentage of average adjusted capital.
Return on total capital	Operating income plus interest income as a percentage of average total assets.
Acid test ratio	Current assets excluding inventory as a percentage of current liabilities.

Proposal for treatment of loss brought forward

The following funds are at the disposal of the Annual General Meeting:

Loss brought forward, SEK	-90,196,817
Loss for the year, SEK	-15,675,941
Share premium reserve	118,475,882
Total balances net profit	12,603,124

The Board of Directors and CEO propose that the accumulated result be treated as follows:

Carry forward to new account	12,603,124

Dividends

The Board of Directors proposes no dividend be paid for fiscal year 2014.

Regarding the Company's financial performance and position in general, please refer to the following income statements and balance sheets and related accounting policies and notes.

STATEMENT OF COMPREHENSIVE INCOME

(SEK)	Note	Group 2013	Parent company 2013	Group 2012	Parent company 2012
Net sales	2.3	8,912,093	8,882,404	6,080,873	6,080,873
Other operating income	4	1,357,231	4,427,767	1,014,425	1,014,425
Raw materials and consumables		(1,690,835)	(2,559,485)	(2,425,281)	(2,383,706)
Other external expenses	5,6	(11,678,937)	(9,284,547)	(9,382,196)	(8,802,990)
Personnel costs	7	(11,630,076)	(11,601,444)	(10,223,523)	(10,231,102)
Depreciation, amortization and impairment of plant, property, and equipment and intangible assets	8	(1,113,640)	(770,887)	(5,206,440)	(1,759,245)
Other operating expenses		(141,471)	(141,433)	(39,409)	(39,409)
Total operating expenses		**(26,254,959)**	**(24,357,796)**	**(27,276,849)**	**(23,216,452)**
Operating loss		**(15,985,635)**	**(11,047,625)**	**(20,181,551)**	**(16,121,154)**
Profit/loss on financial investments					
Impairment of participations in subsidiaries		0	(4,700,000)	0	(4,119,475)
Interest income		73,418	73,204	27,045	26,918
Interest expense		(1,896)	(1,520)	(7,064)	(5,803)
Loss before taxes		**(15,914,113)**	**(15,675,941)**	**(20,161,570)**	**(20,219,514)**
Deferred tax on loss for the year	9	61,600	0	246,443	408,000
LOSS FOR THE YEAR		**(15,852,513)**	**(15,675,941)**	**(19,915,127)**	**(19,811,514)**
NET COMPREHENSIVE INCOME		**(15,852,513)**	**(15,675,941)**	**(19,915,127)**	**(19,811,514)**
Total comprehensive income for the year attributable to parent company shareholders		(15,852,513)		(19,915,127)	
Earnings per share	10	(1.10)		(2.04)	
Average number of shares		14,468,842		9,778,112	

BALANCE SHEET

(SEK)	Note	Group 2013	Parent company 2013	Group 2012	Parent company 2012
ASSETS					
Non-current assets					
Intangible assets	11				
Patents and licenses		4,162,048	1,944,769	3,426,462	3,426,462
Total intangible assets		**4,162,048**	**1,944,769**	**3,426,462**	**3,426,462**
Property, plant and equipment	12				
Equipment, tools and installations		1,810,273	1,631,440	1,290,093	1,006,260
Total property, plant and equipment		**1,810,273**	**1,631,440**	**1,290,093**	**1,006,260**
Financial assets					
Participations in Group companies	13	0	100,000	0	100,000
Receivables from Group companies		0	1,968,117	0	0
Deferred tax assets	14	3,436,000	3,436,000	3,374,400	3,436,000
Total financial assets		**3,436,000**	**5,504,117**	**3,374,400**	**3,536,000**
Total non-current assets		**9,408,321**	**9,080,326**	**8,090,955**	**7,968,722**
Current assets					
Inventories					
Raw materials and consumables		484,501	461,291	405,318	405,318
Total inventories		**484,501**	**461,291**	**405,318**	**405,318**
Current receivables					
Accounts receivable		2,093,528	2,093,528	1,276,280	1,276,280
Other receivables		24,662,335	24,172,515	472,832	415,560
Prepaid expenses and accrued income	15	1,319,028	1,202,710	1,228,711	1,218,612
Total current receivables		**28,074,891**	**27,468,753**	**2,977,823**	**2,910,452**
Short-term investment		3,000,000	3,000,000	0	0
Cash and cash equivalents	16	480,426	371,037	6,683,943	6,655,479
Total current assets		**32,039,818**	**31,301,081**	**10,067,084**	**9,971,249**
TOTAL ASSETS		**41,448,139**	**40,381,407**	**18,158,039**	**17,939,971**

BALANCE SHEET

(SEK)	Note	Group 2013	Parent company 2013	Group 2012	Parent company 2012
EQUITY AND LIABILITIES					
Equity					
Share capital	17	6,312,303	6,312,303	4,734,227	4,734,227
Not yet registered share capital		2,104,101	2,104,101	0	0
Additional contributed capital		129,672,912	0	98,050,255	0
Statutory reserve		0	12,018,043	0	12,018,043
Total restricted equity		**138,089,316**	**20,434,447**	**102,784,482**	**16,752,270**
Share premium reserve		0	118,475,882	0	86,853,225
Accumulated loss		(89,151,765)	(90,196,817)	(69,236,638)	(70,385,303)
Loss for the year		(15,852,513)	(15,675,941)	(19,915,127)	(19,811,514)
Total non-restricted equity		**(105,004,278)**	**12,603,124**	**(89,151,765)**	**(3,343,592)**
Total equity attributable to parent company shareholders		**33,085,038**	**33,037,571**	**13,632,717**	**13,408,678**
Current liabilities					
Accounts payable		3,556,578	2,963,783	1,224,420	1,101,662
Other liabilities		201,792	201,792	217,930	377,930
Accrued expenses and deferred income	18	4,604,731	4,178,261	3,082,972	3,051,701
Total current liabilities		**8,363,101**	**7,343,836**	**4,525,322**	**4,531,293**
TOTAL EQUITY AND LIABILITIES		**41,448,139**	**40,381,407**	**18,158,039**	**17,939,971**
MEMORANDUM ITEMS					
Pledged assets		**None**	**None**	**None**	**None**
Contingent liabilities		**None**	**None**	**None**	**None**

STATEMENT OF CASH FLOWS

(SEK)	Note	Group 2013	Parent company 2013	Group 2012	Parent company 2012
Operating activities					
Operating loss		(15,985,635)	(11,047,626)	(20,181,551)	(16,121,154)
Adjustment for items not affecting cash flow	19	1,113,640	770,887	5,206,440	1,759,245
Change in working capital	20	2,332,660	2,029,401	107,227	443,463
Interest received		73,418	73,204	27,045	26,918
Interest paid		(1,896)	(1,520)	(7,064)	(5,803)
Cash flow from operating activities		**(12,467,813)**	**(8,175,654)**	**(14,847,903)**	**(13,897,331)**
Investing activities					
Contribution to subsidiary		0	(5,237,646)	0	(450,000)
Acquisition of concessions, patents, licenses, goodwill, etc.		(1,131,457)	(446,896)	(989,462)	(989,462)
Acquisition of property, plant and equipment		(1,237,949)	(1,057,949)	(335,136)	(335,136)
Acquisition of short-term investment		(3,000,000)	(3,000,000)	0	0
Cash flow from investing activities		**(5,369,406)**	**(9,742,491)**	**(1,324,598)**	**(1,774,598)**
Financing activities					
Rights issue for the year		11,633,702	11,633,702	15,537,499	15,537,499
Repayment of long-term loans		0	0	(244,546)	(244,546)
Cash flow from financing activities		**11,633,702**	**11,633,702**	**15,292,953**	**15,292,953**
Total cash flow after financing activities		**(6,203,517)**	**(6,284,443)**	**(879,548)**	**(378,976)**
Cash and cash equivalents, January 1		6,683,943	6,655,479	7,563,491	7,034,455
Exchange rate difference in cash and cash equivalents					
Cash and cash equivalents, December 31*		**480,426**	**371,036**	**6,683,943**	**6,655,479**

**Rights issue in December 2013 was registered on January 17, 2014 after which the settlement was transferred to the Company and is therefore not included in consolidated cash and cash equivalents.*

CHANGES IN EQUITY

GROUP

(SEK)	Share capital	Not yet reg. Share capital	Additional contributed capital	Accumulated loss	Loss for the year	Total equity
Opening balance per January 1, 2012	27,694,848	0	84,477,498	(80,554,038)	(13,607,963)	18,010,345
Appropriation of profits as resolved by AGM				(13,607,963)	13,607,963	0
Rights issue	1,964,742		15,226,754			17,191,496
Issue costs			(1,653,997)			(1,653,997)
Reduction of share capital	(24,925,363)			24,925,363		0
Net comprehensive income					(19,915,127)	(19,915,127)
Closing balance per December 31, 2012	**4,734,227**	**0**	**98,050,255**	**(69,236,638)**	**(19,915,127)**	**13,632,717**
Appropriation of profits as resolved by AGM				(19,915,127)	19,915,127	0
Rights issues	1,578,076	2,104,101	33,797,119			37,479,296
Issue costs			(2,174,462)			(2,174,462)
Reduction of share capital						0
Net comprehensive income					(15,852,513)	(15,852,513)
Closing balance per December 31, 2013	**6,312,303**	**2,104,101**	**129,672,912**	**(89,151,765)**	**(15,852,513)**	**33,085,038**

PARENT COMPANY

(SEK)	Share capital	Not yet reg. Share capital	Statutory reserve	Share premium reserve	Accumulated loss	Loss for the year	Total equity
Opening balance per January 1, 2012	27,694,848	0	12,018,043	73,280,468	(81,010,212)	(14,300,454)	17,682,693
Appropriation of profits as resolved by AGM					(14,300,454)	14,300,454	0
Rights issue	1,964,742			15,226,754			17,191,496
Issue costs				(1,653,997)			(1,653,997)
Reduction of share capital	(24,925,363)				24,925,363		0
Net comprehensive income						(19,811,514)	(19,811,514)
Closing balance per December 31, 2012	**4,734,227**	**0**	**12,018,043**	**86,853,225**	**(70,385,303)**	**(19,811,514)**	**13,408,678**
Appropriation of profits as resolved by AGM					(19,811,514)	19,811,514	0
Rights issue	1,578,076	2,104,101		33,797,119			37,479,296
Issue costs				(2,174,461)			(2,174,461)
Reduction of share capital							0
Net comprehensive income						(15,675,941)	(15,675,941)
Closing balance per December 31, 2013	**6,312,303**	**2,104,101**	**12,018,043**	**118,475,882**	**(90,196,817)**	**(15,675,941)**	**33,037,571**

The Company has not paid or proposed any dividend.

NOTE 1 ACCOUNTING POLICIES

GENERAL INFORMATION

Genovis AB's (publ) (Genovis) consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act (AAA), International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission for application within the EU. In addition, RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, have been applied.

The parent company has prepared its annual report in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities." The consolidated and annual accounts are specified in Swedish kronor and refer to the period January 1 - December 31 for income statement items and December 31 for balance sheet items. Assets and liabilities are recognized at cost. Investments in group companies are measured at cost. In cases where the carrying amount of the investment exceeds the recoverable amount (see section below on "Impairment") an impairment loss is recognized.

Key estimates and assessments

The preparation of financial statements in accordance with IFRS requires management to perform estimates and assumptions that affect the income statement, balance sheet and other disclosures. Assumptions, assessments and estimates are reviewed on a regular basis. The actual outcome may diverge from these assumptions, assessments and estimates. The Board and executive management regularly assess the deferred tax. Valuation of loss carryforwards and the Company's ability to utilize unused tax losses is based on the assumption that future taxable profit will be generated by the company in the foreseeable future.

CONSOLIDATED ACCOUNTS

Genovis' consolidated accounts comprise the parent company Genovis AB and its subsidiary GeccoDots AB. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intra-group profits and dealings are eliminated on consolidation.

Subsidiaries are reported in accordance with the purchase method. Under this method, an acquisition of a subsidiary is treated as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. Consolidated cost is established through an acquisition analysis in conjunction with the acquisition. The analysis establishes the cost of the participations or business and the fair value, on the acquisition date, of acquired identifiable assets and assumed liabilities and contingent liabilities. The cost for the subsidiary's shares and operations comprises the sum of fair values at the acquisition date for paid assets, incurred or assumed liabilities and for issued equity instruments submitted as payment in exchange for the acquired net assets, plus the transaction costs directly attributable to the acquisition. In the case of business combinations where the acquisition cost exceeds the net value of the acquired assets and liabilities, as well as any contingent liabilities, the difference is reported as goodwill. When the

difference is negative it is recognized directly in the income statement. The financial statements of subsidiaries are consolidated from the date of the acquisition until the date when control ceases. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

FOREIGN CURRENCIES

Functional currency

The Group's functional currency is SEK, which is also the reporting currency. Transactions in foreign currencies are translated into the functional currency at the rate prevailing on the transaction date. Receivables and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date, and unrealized exchange gains and losses are included in earnings. Exchange differences relating to operating receivables and liabilities are reported as other operating income (expenses). Exchange differences on financial assets and liabilities are reported as other financial items.

REVENUE RECOGNITION

Consolidated net sales consist of sales of reagents and services. Income is recognized in the income statement provided that all significant risks and rewards related to owning the goods have been transferred to the customer. Revenues for services are recognized in the income statement when the assignment is completed. Sales are carried net of VAT and discounts for sales in foreign currency. In the future, Genovis may license out its technology; in 2013 the Company did not have any license revenues. Financial income consists of interest income on bank deposits. Interest income is recognized as financial income and is not included in operating income. During the year Genovis invoiced Lund University for a PhD position; the revenue is recognized as other operating income in the income statement over the same period as the expenses that the grants are intended to cover.

GOVERNMENT GRANTS

Government grants are recognized as Other operating income in the income statement over the same period as the expenses that the grants are intended to cover.

LEASES

Operating leases

A lease is classified as an operating lease when it does not transfer substantially all the risks and rewards incidental to ownership. For operating leases, lease payments are expensed in the income statement over the lease term starting from initial use, which may differ from what is actually paid for leasing during the year.

Financial leasing

The Group has no financial leasing contracts.

CLASSIFICATION OF ASSETS AND LIABILITIES

Non-current assets consist of amounts expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and liabilities consist of amounts that are expected to be recovered or paid within twelve months of the balance sheet date.

INTANGIBLE ASSETS

Research and development

Research costs are expensed as incurred. Under Genovis' application of IAS 38, expenditures are reported as assets only when a new product or a new product application has reached such a degree of development that it is entering into an industrialization process – equivalent to being intended to be launched as an independent product or as an integrated part of an existing product. Up until that point, all such expenditures are expensed on a running basis. Development expenditures that previously have been expensed are not carried forward in the subsequent period. Depreciation plans are initiated in connection with the commercialization of the various products. The cost for internally generated intangible assets includes all expenditures that direct can be directly attributed to the asset. This mainly refers to salaries and other employment-related costs of personnel directly involved with the development of the product or application, as well as for external services.

Patents

The Group's expenditures for patents are capitalized when fulfilling the prerequisites of being entered as intangible assets, in accordance with IAS 38. Patents have a limited useful life and are therefore recognized at cost less accumulated amortization. The amortization period begins when the patent is commercialized. An amortization period of 10 years for patents is justified because most of them have at least this duration with the option for extension.

Intangible assets are amortized over their estimated useful lives as follows:
Patents 10 years

PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment, consisting of laboratory equipment, other equipment and computer equipment, are reported at cost less accumulated depreciation. Depreciation is based on the cost, useful life and possible residual value of the assets. The residual values and useful lives of the assets are reviewed on each balance sheet date and adjusted if necessary. Gains and losses on divestitures are determined by comparing proceeds with carrying amount and recognized through profit or loss.

Property, plant, and equipment are depreciated over the estimated useful life of the assets, based on cost as follows.
Laboratory equipment 10 years
Computer equipment 3 years
Other equipment 5 years

IMPAIRMENT

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The amount by which the carrying amount of the asset exceeds its recoverable amount is then recognized as an impairment loss, which is the higher of net realizable value and value in use. When calculating value in use, future cash flows are discounted using a discount rate that reflects the current market view of risk-free interest and risk specific to the asset. Recoverable value of intangible assets with indefinite useful lives and intangible assets not yet ready for use is calculated annually.

INVENTORIES

Inventory is valued, applying the first in, first out (FiFO) principle, at the lower of cost or net realizable value. Cost includes material, labor and other manufacturing costs.

FINANCIAL INSTRUMENTS

The Group does not hold any derivatives at this time. The Group's financial instruments consist primarily of accounts receivable, cash and cash equivalents, and accounts payable.

Accounts receivable

Accounts receivable are amounts due from customers for goods sold or services rendered in the ordinary course of business. They are included in current assets, except for items with maturities greater than 12 months after the reporting date, which are classified as non-current assets. Accounts receivable are reported at the amount expected to be received less doubtful receivables, assessed on an individual basis. The expected maturity of accounts receivable is short, so they are recognized at their non-discounted nominal value. Impairments, if any, on accounts receivable are reported under operating expenses.

Cash and cash equivalents

Cash and cash equivalents on the balance sheet consist of cash and short-term investments with banks.

Accounts payable

Accounts payable are reported at the amount the Company plans to pay to the supplier in order to settle the debt. Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Other financial liabilities

The liability is initially recognized at the amount received less transaction costs. After the acquisition date loans are valued at amortized cost using the effective interest method. Genovis has no other financial liabilities

REMUNERATION TO EMPLOYEES

Pensions

All employees of the parent are covered by a pension plan. The pension plan is administered by Skandia or Collectum, depending on the date that employment began, and is classified as a defined contribution pension plan. In a defined contribution plan, fixed payments are made to a separate entity, after which there are no legal or formal obligations to pay additional fees. Contributions for pension insurance with Skandia or Collectum are recognized as an expense in the income statement as incurred.

TAXES

All tax deemed payable on reported earnings, adjustment of previous years' tax and deferred tax is reported in the income statement. Tax effects from items recognized against equity are reported against equity. The Group uses the balance sheet method to calculate deferred tax assets and liabilities. Under the balance sheet method, the calculation is based on tax rates as of the balance sheet date as applied to temporary differences between the reported and tax value of an asset or liability, as well as tax loss carryforwards. Reported income taxes only include deferred tax as the Group does not report tax profits. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

SEGMENT REPORTING

A segment is a distinguishable component of the Group that either provides products or services within a particular economic environment and that is subject to risks and opportunities that are different from other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. At Genovis this function has been identified as the Group's CEO. Corporate management has determined that Genovis' business consists of only one operating segment, which is used to take strategic decisions. Corporate management assesses the business from a product perspective, where the operating segment comprises unique enzymes that facilitate development and quality control of biological drugs.

STATEMENT OF CASH FLOWS

The cash-flow statement is prepared in accordance with IAS 7, Statement of cash flows, indirect method. Reported cash flow only includes transactions entailing receipts or disbursements. Cash and cash equivalents consist of cash and bank deposits.

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income attributable to the shareholders of the parent by the weighted average number of outstanding shares during the period.

NOTE 2 ACCOUNTING POLICIES

Sales are based on a measure called net sales, which excludes revenues that are not attributable to sales of products and services.

Corporate management also evaluates sales from a geographic perspective classified as the Europe, North America, and other countries grouped according to location of customers. The information presented relating to revenues refers to the geographic areas.

Revenue	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Europe	3,251,441	2,087,995	3,420,027	2,087,995
North America	5,554,216	3,566,710	5,356,573	3,566,710
Other countries	106,436	426,168	105,804	426,168
Total	**8,912,093**	**6,080,873**	**8,882,404**	**6,080,873**
Assets				
Europe	41,448,139	18,158,039	40,381,407	17,939,971
Total	**41,448,139**	**18,158,039**	**40,381,407**	**17,939,971**
Investments				
Europe	2,369,406	1,324,598	1,504,845	1,324,598
Total	**2,369,406**	**1,324,598**	**1,504,845**	**1,324,598**

NOTE 3 RELATED PARTY TRANSACTIONS

Principal owners Mikael Lönn, who holds a 22.99 percent stake in Genovis, and LMK Ventures AB, which holds a 9.86 percent stake, have provided written subscription undertakings and underwriting guarantees totaling 70 percent of the issuance volume in the rights issue carried out between April 4 and April 18, 2013. The undertakings are the equivalent of a total of 2,761,633 shares at an amount of SEK 9,665,715.50. The guarantee fee of SEK 256,141 was paid and divided equally among the underwriters.

NOTE 4 – OTHER REVENUE

Grants received relate to research support from VINNOVA and the Swedish Research Council. Personnel hired refers to personnel hired by the subsidiary GeccoDots from the parent to the extent such need arises in the subsidiary.

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Exchange gains	62,132	(38,707)	62,132	(38,707)
Grants received	1,291,429	1,053,132	1,545,108	1,053,132
Personnel hired intra-group.	0	0	2,816,857	0
Other	3,670	0	3,670	0
Total	**1,357,231**	**1,014,425**	**4,427,767**	**1,014,425**

NOTE 5 FEES FOR AUDITORS

Audit assignments refers to the audit of the annual report and accounting records as well as the administration of the Company by the Board of Directors and the Chief Executive Officer, other tasks incumbent on the Company's auditor and advice or other assistance resulting from observations made during audits or the performance of such tasks.

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
PwC				
Auditing assignments	378,000	385,000	378,000	385,000
Non-audit assignments	0	0	0	0
Tax services	0	0	0	0
Other services	80,000	180,000	80,000	180,000
Total	**458,000**	**565,000**	**458,000**	**565,000**

NOTE 6 – OPERATING LEASES AND RENT

Rent for premises pertains to the premises of the parent company and the subsidiary in Lund.

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Cost for the year	2013	2012	2013	2012
Rent for premises	2,087,161	2,067,452	1,783,874	1,788,003
Total	**2,087,161**	**2,067,452**	**1,783,874**	**1,788,003**

Future payment obligations, nominal value	Group	Parent company
Rent for premises		
Within 1 year	1,671,150	1,370,280
Between 1 and 5 years	6,930,851	5,685,930
Total	**8,602,001**	**7,056,210**

NOTE 7 PERSONNEL

Average number of employees	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Total	13	11	13	11
Women	10	9	10	9
Salaries and remuneration				
Board and CEO	1,155,480	1,110,935	1,155,480	1,110,935
Other senior executives	734,744	704,071	734,744	704,071
Other employees	5,518,514	4,486,156	5,518,514	4,486,156
Total salaries	**7,408,738**	**6,301,162**	**7,408,738**	**6,301,162**
Social security charges	2,339,480	1,981,999	2,339,480	1,981,999
Pension costs CEO	541,358	493,973	541,358	493,973
Pension costs, other senior executives	202,864	166,046	202,864	166,046
Pension costs, other employees	762,321	805,766	762,321	813,345
Total social security charges and pension costs	**3,846,023**	**3,447,784**	**3,846,023**	**3,455,363**
Other personnel costs	375,315	474,577	346,683	474,577
Total	**11,630,076**	**10,223,523**	**11,601,444**	**10,231,102**

Remuneration and other benefits for the Board, CEO and senior executive

	Basic salary/ Board fees	Pension costs	Total
Chairman of the Board	100,000	0	100,000
Other board members	300,000	0	300,000
Chief Executive Officer	1,055,480	541,358	1,596,838
Other senior executives*	734,744	202,864	937,608
Total	**2,190,224**	**744,222**	**2,934,446**

In 2013 and 2012 the Board was composed of 5 men and 2 women.

*Senior executive refers to the person who together with the CEO comprised executive management in 2013. Executive management consists of 1 man and 1 woman. There are no pension terms and conditions other than the customary.

REMUNERATION FOR SENIOR EXECUTIVES

Policies

Fixed remuneration to the management and the Chief Executive Officer should be competitive and be based on the individual's area of responsibility and performance. Incentive-based remuneration will be limited and linked to predetermined measurable criteria designed to promote long-term value creation for the Company. Incentive-based remuneration may not exceed a maximum of 25% percent of the fixed salary and will be set per fiscal year.

Incentive program

The Board will consider on a yearly basis whether or not to propose a share-related or market value-related incentive program to the Annual General Meeting. The Annual General Meeting makes the decisions regarding such incentive programs.

Pensions

The management and the CEO are entitled to a defined-contribution pension.

Termination and severance pay

For the CEO the notice period is 12 months for the Company and 6 months for the individual. For management personnel the notice period is 6 months for the Company and 6 months for the individual. Moreover, assuming that the Company gave notice of termination, in certain cases the CEO may be offered 12 months of severance pay.

The Board of Directors may depart from these guidelines if there are particular reasons in an individual case.

NOTE 8 DEPRECIATION, AMORTISATION AND IMPAIRMENT

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Amortization patent, brands and licenses	(395,871)	(981,086)	(338,118)	(570,436)
Amortization equipment, tool and installations	(477,769)	(435,228)	(432,769)	(273,228)
Disposals equipment	(240,000)	0	0	0
Impairment patents, brands and licenses*	0	(3,790,126)	0	(915,581)
Total	**(1,113,640)**	**(5,206,440)**	**(770,887)**	**(1,759,245)**

* write-down adjustmentSince Genovis phased out operations in the subsidiary that consisted of providing medical imaging services in 2012 an impairment charge for the technology platform of SEK 2,875k was reported. Furthermore, an impairment charge of SEK 915k was recorded in 2012 for patents because Genovis no longer sells nanoparticles as transfection reagents.

NOTE 9 INCOME TAX

Since the parent company reported a loss in the income tax calculation, the Company does not pay any income tax at this time. The Company reports a deferred tax asset relating to the parent company's unused tax loss carryforwards. The deferred tax asset in the parent as at Dec. 31, 2013, is SEK 3,436k (3,436k) corresponding to a loss carryforward of SEK 15,618k. The Company's unutilized loss carryforwards as at Dec. 31, 2013 amounts to SEK 113,639 (103,182k). Tax on reported loss has been calculated at 22 percent (26.3).

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Reported loss before tax	(15,914,113)	(20,161,570)	(15,675,941)	(20,219,514)
Tax at nominal tax rate, 22% (26.3)	(3,501,105)	(5,302,493)	(3,448,707)	(5,317,732)
Tax effect from non-deductible items	1,041,419	169,365	1,041,419	169,365
Tax effect of tax assets that are not assigned a value	2,459,686	5,133,128	2,407,288	5,148,368
Tax on reported earnings	**0**	**0**	**0**	**0**
Restatement tax due to changed tax rate	0	(659,637)	0	408,000
Reversal of deferred tax due to impairment of surplus value of intangible assets	0	756,000	0	0
Reversal of deferred tax due to impairment of surplus value of property, plant and equipment	51,080	0	0	0
Deferred tax on surplus value of intangible asset	10,520	150,080	0	0
Deferred tax	**61,600**	**246,443**	**0**	**408,000**

NOTE 10 EARNINGS PER SHARE

Basic earnings per share is calculated as net income attributable to the shareholders of the parent in relation to the weighted average number of outstanding shares during the period.

	Group 2013	Group 2012
Loss attributable to parent company shareholders	(15,852,513)	(19,915,127)
Weighted average number of outstanding ordinary shares	14,468,842	9,778,112
Earnings per share (SEK per share)	(1.10)	(2.04)
Number of shares at year-end	15,780,757	11,835,568

NOTE 11 – INTANGIBLE ASSETS

Capitalized development costs	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Opening cost	5,909,642	5,909,642	5,909,642	5,909,642
Closing cost	**5,909,642**	**5,909,642**	**5,909,642**	**5,909,642**
Opening accumulated depreciation/amortization	(376,000)	(376,000)	(376,000)	(376,000)
Closing accumulated depreciation	**(376,000)**	**(376,000)**	**(376,000)**	**(376,000)**
Opening accumulated impairment	(5,533,642)	(5,533,642)	(5,533,642)	(5,533,642)
Closing accumulated impairment	**(5,533,642)**	**(5,533,642)**	**(5,533,642)**	**(5,533,642)**
Carrying amount	**0**	**0**	**0**	**0**

Patents and licenses	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Opening cost	7,779,688	6,790,226	7,779,688	6,790,226
Sold during the year	0	0	(4,341,907)	0
Acquisition/capitalization	1,131,457	989,462	446,896	989,462
Closing cost	**8,911,145**	**7,779,688**	**3,884,677**	**7,779,688**
Opening accumulated depreciation/amortization	(2,879,864)	(2,309,428)	(2,879,864)	(2,309,428)
Sold during the year	0	0	2,751,436	0
Depreciation/amortization for the year	(395,871)	(570,436)	(338,118)	(570,436)
Closing accumulated depreciation	**(3,275,735)**	**(2,879,864)**	**(466,546)**	**(2,879,864)**
Opening accumulated impairment	(1,473,362)	(557,781)	(1,473,362)	(557,781)
Impairment for the year	0	(915,581)	0	(915,581)
Closing accumulated impairment	**(1,473,362)**	**(1,473,362)**	**(1,473,362)**	**(1,473,362)**
Carrying amount	**4,162,048**	**3,426,462**	**1,944,769**	**3,426,462**

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

Equipment, tools and installations	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Opening cost	4,828,526	4,493,390	3,993,323	3,658,187
Purchases	1,237,949	335,136	1,057,949	335,136
Scrapping	800,000	0	0	0
Closing cost	**5,266,475**	**4,828,526**	**5,051,272**	**3,993,323**
Opening accumulated depreciation/amortization	(3,538,433)	(3,103,205)	(2,987,063)	(2,713,835)
Depreciation on disposals	560,000	0	0	0
Depreciation/amortization for the year	(477,769)	(435,228)	(432,769)	(273,228)
Closing accumulated depreciation	**(3,456,202)**	**(3,538,433)**	**(3,419,832)**	**(2,987,063)**
Carrying amount	**1,810,273**	**1,290,093**	**1,631,440**	**1,006,260**

NOTE 13 – PARTICIPATIONS IN GROUP COMPANIES

	Parent company 2013	Parent company 2012
Opening cost	9,372,948	8,762,948
Shareholders' contributions for the year	4,700,000	610,000
Closing accumulated cost	**14,072,948**	**9,372,948**
Opening accumulated impairment	(9,272,948)	(5,153,473)
Impairment for the year	(4,700,000)	(4,119,475)
Closing accumulated impairment	**(13,972,948)**	**(9,272,948)**
Carrying amount	**100,000**	**100,000**

Name	Registered office	Company reg. no.	Shareholding	Holdings	Carrying amount
GeccoDots AB, former Eijdo Research AB	Malmö	556779-7286	100%	1,000	100,000

NOTE 14 – DEFERRED TAX ASSET/LIABILITY

The Company reports a deferred tax asset relating to unused tax loss carryforwards, the deferred tax asset arises from the parent. The Group's deferred tax assets at the end of the period amounted to SEK 3,436k (3,436k), equivalent to a loss carryforward of about SEK 15.6 million. Deferred tax assets are recognized in the balance sheet only to the portion of value that can probably be utilized in the foreseeable future. The Group's total tax loss amounts to SEK 122 million.

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Tax loss carryforwards in Sweden	3,436,000	3,436,000	3,436,000	3,436,000
Tax liability for surplus value	0	(61,600)	0	0
Total	**3,436,000**	**3,374,400**	**3,436,000**	**3,436,000**

NOTE 15 PREPAID EXPENSES AND ACCRUED INCOME

Balance, December 31	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Grants	21,300	330,000	21,300	330,000
License fee sales support system	157,806	132,057	157,806	132,057
Insurance	153,299	184,321	256,960	184,321
Rent	404,958	0	332,944	0
Other items	581,665	582,333	433,700	572,234
Total	**1,319,028**	**1,228,711**	**1,202,710**	**1,218,612**

NOTE 16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents on the balance sheet and the statement of cash flows include only bank deposits.

Balance, December 31	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Bank deposits	480,426	6,683,943	371,037	6,655,479
Total	**480,426**	**6,683,943**	**371,037**	**6,655,479**

NOTE 17 SHARES

Holdings	Quota value	Shares
As at December 31, 2012		11,835,568
Rights issue registered April 26, 2013	0.40	3,035,683
Rights issue registered May 15, 2013	0.40	909,506
As at December 31, 2013	**0.40**	**15,780,757**

NOTE 18 – ACCRUED EXPENSES AND DEFERRED INCOME

Royalties relate to acquisition of patent rights for EndoS. The patent was acquired in 2008 and gives the inventors the right to royalties on Genovis' patent-related sales during the term of the patent.

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Accrued payroll-related expenses	2,042,069	1,711,393	2,042,069	1,680,122
Royalties	25,034	1,096,579	25,034	1,096,579
Issue costs	795,377	0	795,377	0
Grants	734,800	0	484,800	0
Other items	1,007,451	275,000	830,981	275,000
Total	**4,604,731**	**3,082,972**	**4,178,261**	**3,051,701**

NOTE 19 ITEMS NOT AFFECTING CASH FLOW

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Depreciation/Amortization	873,640	1,416,316	770,887	843,664
Disposals	240,000	0	0	0
Impairment losses	0	3,790,124	0	915,581
Total	**1,113,640**	**5,206,440**	**770,887**	**1,759,245**

NOTE 20 CHANGE IN WORKING CAPITAL

	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Inventories	(79,183)	(8,353)	(55,973)	(8,353)
Accounts receivable and other receivables	(1,425,934)	(1,222,852)	(887,168)	(1,217,541)
Accounts payable and other payables	3,837,777	1,338,432	2,972,542	1,669,357
Total	**2,332,660**	**107,227**	**2,029,401**	**443,463**

NOTE 21 FAIR VALUE OF FINANCIAL INSTRUMENTS IN THE GROUP

Recognized initially at fair value and in subsequent periods measured at amortized cost. Genovis has no holdings of securities or similar assets and therefore does not have any related measurement issues. Genovis has not had any financial derivatives or forward contracts during the year. Other financial instruments (primarily accounts receivable and accounts payable) are recognized in accordance with the trade date principle. Receivables are entered at the amounts by which they are expected to be paid, after individual assessment Operating liabilities are recognized at cost.

	Carrying amount	Fair value
Financial assets		
Accounts receivable	2,093,528	2,093,528
Other receivables	24,662,335	24,662,335
Cash and cash equivalents	480,426	480,426
Financial liabilities		
Accounts payable	3,556,578	3,556,578
Other liabilities	201,792	201,792

As of December 31, 2013, accounts receivables of SEK 311,851 were past due, though without any impairment considered necessary. The overdue receivables relate to a number of customers who have not previously had any payment problems. Below is an age analysis of these trade receivables:

	2013
Less than 3 months	279,752
3 to 6 months	32,099
Total overdue	**311,851**

Note 22 POST-BALANCE SHEET EVENTS

Genovis carried out a private placement that raised SEK 3.6 million before issue expenses.

The rights issue in December 2013 and the private placement were registered at the Companies Registration Office in 2014. After registration share capital in the Company was SEK 8,738,260.80 and the number of shares was 21,845,652.

NOTE 23 RISK FACTORS

A number of factors beyond the control of the Company may affect its profits and financial position, together with several factors whose effects can be influenced by the actions of the Company. The risk factors listed below do not claim to be complete, nor are the risks ranked in order of significance.

OPERATING RISKS

Technology-related risks

The technology is under constant development, which means a is present risk that the technology or various applications of the technology may not work as expected. Furthermore, there is a risk that development could take significantly longer than expected and would therefore generate development expenditure at an accelerating pace. Corporate management's strategy has therefore chosen to divide development into smaller stages and milestones and evaluate the outcome of each step before proceeding to the next one.

Market

Genovis, which is in a startup phase for sales, is active in a market with a constant flow of new products. A failed or misdirected market launch could entail the loss of anticipated revenues and the company would not achieve its financial goals. Working closely with customers and together with strategic partners and distributors minimizes the risk of a major setback in a market launch.

Competition

Genovis current competitors are significantly larger, have longer operating histories and are financially stronger than the Genovis.

Production-related risk

For some products, Genovis may become dependent on external production capacity, which could affect the timing of the market launch of these products. Genovis strives to reduce risks associated with production by contracting with producers with experience of production in similar activities.

Key personnel

Genovis' operation depends on a few key individuals. Its future development largely depends on the ability to attract and retain skilled personnel. The departure of any of these key personnel from Genovis, at least in the short term, would have a negative impact on the Company's ability to reach its planned development targets.

Patents and intellectual property

It is important for the company to protect its technology through patents and other intellectual property rights and thus retain its technological lead. The company has a patent strategy aimed at protecting the most important parts of the technology. However, it cannot be guaranteed that Genovis will be able to protect the patents and pending patent applications that have been granted. There is also a risk that new technologies will be developed that will circumvent or replace the company's patents. The company believes today that its own technology does not infringe upon the intellectual property rights of other companies. Nevertheless, there are no guarantees that the patents granted to the Company will not be considered an infringement of another party's patents or other intellectual property.

Distributors and dealers

Genovis is dependent to some extent on distributors who market the company's products in their respective markets. To avoid the negative consequences associated with failure at marketing by these distributors, Genovis does not sign agreements for exclusive sales, which always allows the opportunity to increase its presence when required.

FINANCIAL RISKS

Forecast uncertainty
Genovis is active in a relatively new market, which makes it difficult to predict future growth of the Company's business. Deviations from forecast customer orders and cash flow forecasts could negatively affect the Group's earnings, liquidity, and continued operations.

Currency risk
The majority of the Group's expenses are denominated in SEK. Group revenue, however, is largely dependent on other currencies, primarily USD.

Credit risk
Credit risk entails exposure to losses if a counterparty to a financial instrument cannot meet its commitments. The Company is of the opinion that there is no significant credit risk in relation to any particular client or counterparty.

Interest risk
Interest risk refers to the Group's exposure to a change in interest rates. The Company believes that the current situation is not affected by any material interest rate risk.

Liquidity risk
Liquidity risk consists of the risk that the Group cannot obtain funds to meet its obligations. According to the Company's forecasts and projections, this is not likely to occur in 2014.

Cash flow risk
Senior management is aware of the importance of minimizing tied up capital, including in inventory and accounts receivable. In the run-up to the anticipated increase in activity in 2014, the Company will focus on maintaining a desirable low level of tied up capital.

As far as the Board of Directors and the Chief Executive Officer can determine, the annual accounts have been prepared in compliance with generally accepted accounting practices for listed companies. The disclosures that have been submitted are consistent with the facts, and nothing of material significance has been omitted that might affect the view of the Group and parent company presented in the annual report.

The Board of Directors and the Chief Executive Officer ensure that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory Administration Report of the Group and the Parent Company provides a fair overview of the development of the Group's and the Parent Company's operations, financial position and results of operations and addresses material risks and uncertainties facing the Parent Company and the companies included in the Group.

The annual accounts and consolidated accounts have been approved for the Board to issue on April 24, 2014. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented for adoption at the Annual General Meeting to be held on May 20, 2014.

Lund April 24, 2013

Ebba Åsly Fåhraeus
Chairman of the Board

Jacob Engellau

Peter Ragnarsson

Thomas Laurell

Kenth Petersson

Carina Schmidt

Erik Walldén

Sarah Fredriksson
President & CEO

AUDITOR'S SIGNATURE

Our Audit Report was submitted on April 25, 2014

Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorized public accountant
Principal auditor

Sofia Götmar-Blomstedt
Authorized public accountant

Auditor's report

To the annual meeting of the shareholders of Genovis AB (publ), corporate identity number 556574-5345

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Genovis AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 28-55.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Genovis AB for the year 2013.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Malmö 25 April 2014

Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorized Public Accountant
Auditor in charge

Sofia Götmar-Blomstedt
Authorized Public Accountant

Glossary

Antibody
Y-shaped proteins used by the body's immune system to detect and identify foreign substances such as viruses, bacteria, or parasites. Intensive research is being carried out on the use of antibodies as medications.

In vivo
Describes processes in living cells and tissues used in scientific experiments and clinical trials, e.g. in mouse models.

In vitro
"Latin = within glass"
Describes a process in a test tube in a laboratory environment.

Biomarker
A biomarker is a biological variable that reflects a physiological change as a result of disease, drug treatment, or impact of some other external factor. Examples of biomarkers currently used in clinical practice are insulin levels, prostate-specific antigen (PSA), and cholesterol.

Biotechnology
Interdisciplinary science combining medicine, technology, and biology, thereby transforming biological findings into technological applications. Biotechnology is usually divided into five areas: green (agriculture), red (drug development), blue (aquatic organisms), white (industry), and grey (waste treatment). Also included is food science, especially functional foods, and bioinformatics for biotechnology. Closely related areas include biomaterials, medical devices, and gene technology.

Enzyme
Proteins that catalyze, thus increasing or decreasing the speed of chemical reactions

Imaging
Pertains to visualization and making something visible.

Imaging techniques in medicine

X-ray To make something visible using electromagnetic waves that have wavelengths shorter than visible light.
CT Computed Tomography – Three-dimensional x-ray
MRI Magnetic Resonance Imaging – Digital imaging diagnostics using computerized magnetic technology.
PET Positron Emission Tomography – measures the distribution of a radioactive substance in an organ.
SPECT– Measures and provides three-dimensional analyses of the distribution of a radioactive substance in an organ.
Optical Imaging technique using light from fluorescent substances to visualize tissues and organs.
Upconverting Used as contrast agent for optical imaging. Especially for imaging at higher wavelengths, known as Near IR.
Ultrasound – Use of sound of wavelengths less than 17 millimeters for imaging purposes.

Nano
Nano- is a prefix 10^{-9}, or one billionth; for example, as used in nanometer (nm).

Nanotechnology
Pertains to a technology that can be measured in nanometers. It can be used in electronics and materials technology, as well as in chemical and medical applications.

Preclinical research
Preclinical studies refer to the pharmaceutical research that takes place before a medication has adequate documentation to begin human trials.

Proteins
Proteins are the principal components of all living things.

Recombinant protein
A protein that is produced in a bacterial or mammalian cell via a gene sequence that is not normally available naturally
occurring in order to produce larger quantities of a commercial product such as enzymes, growth hormones, and antibody-based drugs.

Design and production: Dockside Reklambyrå AB. [www.dockside.se]
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Genovis AB Scheelevägen 2, Box 790, 220 07 Lund • 046-10 12 30 • www.genovis.se