GENOVIS

2018 ANNUAL REPORT

Design and production: LÄNGE LEVE Kommunikation AB. [www.langeleve.se]
Photo: Erika Weiland, Apelöga [www.apeloga.se]

Contents

FINANCIAL INFORMATION

The Genovis Group 2018

Genovis will apply its knowledge and imagination to design and provide innovative tools for the development of the drugs of the future.

Global focus on sales

Genovis' enzymes are in a market that covers the entire global life science and biotech supply industry. The Company markets a total of 12 enzymes called SmartEnzymes™ that are available in different product formats, as well as GlyCLICK®, a product for specific labeling of antibodies.

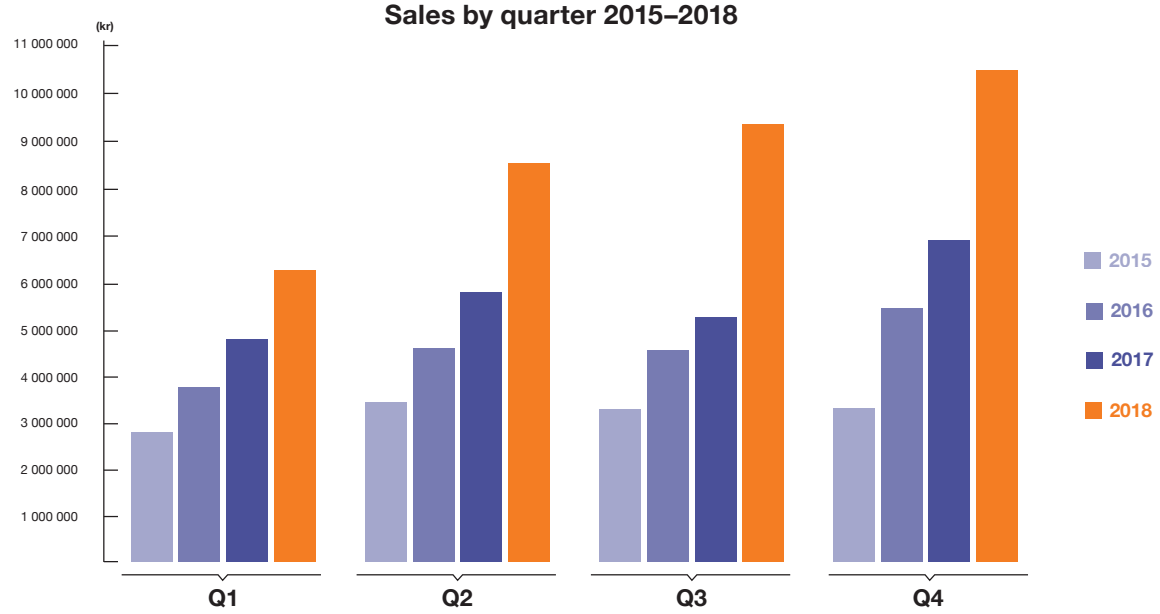
The Parent Company in Lund handles sales in the European market, as well as development, application and support, production, marketing and sales, and administration. The North American market is managed by Genovis Inc., with a warehouse and logistics center in San Diego, and sales handled in part by a sales representative in California and in part by the sales team in Boston. In Asia, sales are handled by distributors who have a good understanding of the local market.

Sales

In 2018 sales increased by 51 percent to SEK 34,568k. Adjusted for currency effects, net sales for the full year totaled SEK 32,903k, an increase in sales of about 44 percent. Sales were driven by increased demand in the entire industry where there is a need for better and more reliable analytical methods regarding both choice of antibody and the entire process leading to a new drug. To meet market needs, in 2018 Genovis launched FabRICATOR-HPLC, a product for automated analyses used in process development and production of therapeutic antibodies.

Sales increased in all main geographic markets – North America, Europe and Asia – and the percentage increase in sales is broadly distributed across the entire product portfolio. The revenue stream consisted of both new customers and repeat orders from more established customers who have now begun to use protein analysis products from Genovis at an early clinical phase.

Sales by quarter 2015–2018



Product launches

In 2018 GlycOCATCH™, a tool for fast, simple and specific purification of proteins and peptides was launched. The product is aimed at pharmaceutical and diagnostics companies, as well as universities that work with O-glycosylated proteins. GlycOCATCH is designed to make these analyses easier, which has been requested by both industry and regulatory authorities. Genovis also launched FabRICATOR®-HPLC for quality analysis of antibodies in automated analysis systems. The product is based on Genovis' FabRICATOR technology and can be used in current analysis systems for rapid analysis without manual sample handling.

Employees

Genovis hired Kevin Cook as Senior Application & Market Area Manager for the subsidiary Genovis Inc. Kevin Cook has 20 years of experience with mass spectrometry from both the pharmaceutical and technology industries. Over the past ten years Kevin has worked with marketing and sales of instruments, consumables and reagents for mass spectrometry.

Genovis also expanded its sales and marketing organization at its Lund headquarters and hired Rob Horsefield as Sales & Business Development Manager. With many years of experience in the industry from sales in analytical chemistry, pharmaceutical development and protein chemistry, Rob has worked as an account manager and product specialist in mass spectrometry and chromatography.

Certification

Genovis became certified to ISO 9001:2015 Quality certification means that the management system meets the requirements imposed by International Standard ISO 9001:2015. The certification covers product development, production and sales.

By designing a quality management system with a strong customer focus in which all processes and procedures are meticulously formulated and quality-assured in compliance with the international standard, Genovis ensures that it continues to deliver products and provide services that meet market demands.

Private placement

Genovis carried out a private placement of 2,805,838 shares in accordance with the authorization granted by the Annual General Meeting on May 11, 2017. The issuance targeted a small group of qualified investors and raised about SEK 10.1 million prior to transaction costs for the Company. The subscription price was SEK 3.60 per share.

Five Year Summary	2018	2017	2016	2015	2014
Net sales (SEK thousand)	34,568	22,867	18,542	13,268	8,252
Operating income (SEK thousand)	(960)	(7,835)	(14,770)	(19,824)	(20,471)
Equity/assets ratio (%)	69	69	71	52	76
Acid test ratio (%)	243	237	224	124	195
Equity (SEK thousand)	26,071	18,188	15,545	8,822	14,583
Equity/share (SEK)	0.42	0.31	0.33	0.29	0.68
Number of employees	20	17	14	13	16
Dividend per share (SEK)	0	0	0	0	0
No. of shares at year-end	63,100,000	60,294,162	55,294,162	36,862,775	21,845,652

2018 – a breakthrough year

Genovis has had a fantastic performance during the year and continued to show strong organic growth. The growth strategies we formulated and implemented in recent years have delivered clear customer value, which is reflected in our sales and continued expansion, both organizationally and geographically, as well as in our growing product portfolio. With strong self-confidence and momentum, we are committed moving forward to continue our growth, driven by innovation that helps our customers in the biopharma industries to develop and produce safe, reliable and effective biological drugs.

Expanding sales organization

In 2018 we increased the resources in our sales and marketing organization with a local presence on the west coast of the US. The west coast of the US, and California in particular, is one of the most important regions for research, development and production of biological drugs. We engaged additional staff for sales and business development at our Lund headquarters to intensify and strengthen efforts in the European market, as well as to serve as a dedicated resource for active and close collaboration with new partners in the Asian markets.

We also strengthened our applications development group, which also handles technical support, during the year and I can conclude that in 2018 the group significantly increased interaction with customers and developed additional technical marketing materials that support our sales organizations in the field and in other marketing channels. The applications development group is also a key component in our strategy to take products from our development group, where early product candidates are formulated, to market.

Geographic expansion

During the year we continued to expand in the Asian market. We signed a contract with Chayon Laboratories in South Korea, which is one of our key markets since activity related to development and production of biopharmaceuticals is undergoing strong growth here. Taken together, we have now laid the foundation for our growth in the Asian markets and I confidently look forward to expanding our business together with our partners.

Automatic and robust quality analyses increasingly important

The Biopharma industries face several challenges as new medications come out on the market. The expected need for new biological drugs, at the same time

that several biosimilars are expected to be approved, will require more efficient production with maintained or improved product quality. Analysts expect a need to increase production capacity, while the supply of qualified personnel in the biopharma industries is predicted to be a limiting factor. Solving this equation requires more automation of production and analysis systems. Our aspiration is clear: we will be involved and help to achieve more automation in quality analysis of biopharmaceuticals. Our first foothold is the launch of the FabRICATOR-HPLC column, which was introduced in the second half of 2018. We announced the next step in our expansion in this field through our cooperation agreement with Thermo Fisher where we will develop and adapt products for basic and more automatic analysis systems. The contract with Thermo Fisher is a clear stamp of quality and confirmation that our innovative efforts create value that is also recognized within the industries in which Genovis is a leader in quality analysis of biopharmaceuticals.

We are preparing for continued growth

We will continue to focus on and invest for continued growth in 2019. We have several clear areas that will drive our growth moving forward and during the year we laid the foundation that will enable us to take additional steps toward them in 2019. To facilitate implementation of our growth strategy in which our enzymes are used for analysis farther along on the value chain, we have focused on expanding our internal production capacity, at the same time that we certified our quality system to ISO 9001. Having modern, efficient and quality-assured production at our disposal is a key factor for building confidence and reducing risk for our global biopharma customers. They can more easily decide to use our enzymes for safe and effective quality control when developing biological drugs.

An expanding and modern production facility is also a cornerstone for continuing to add products to our growing portfolio. We see a continued need in the market for new enzymes and solutions for simplified and efficient quality analysis. Our agile and customer-focused sales organization works closely with our customers in the biopharma industries to monitor trends and understand what challenges follow in the wake of new biological drugs. Our expanding customer base is a major asset in our internal product development and provides us with a direction when formulating new products with high value for our customers.

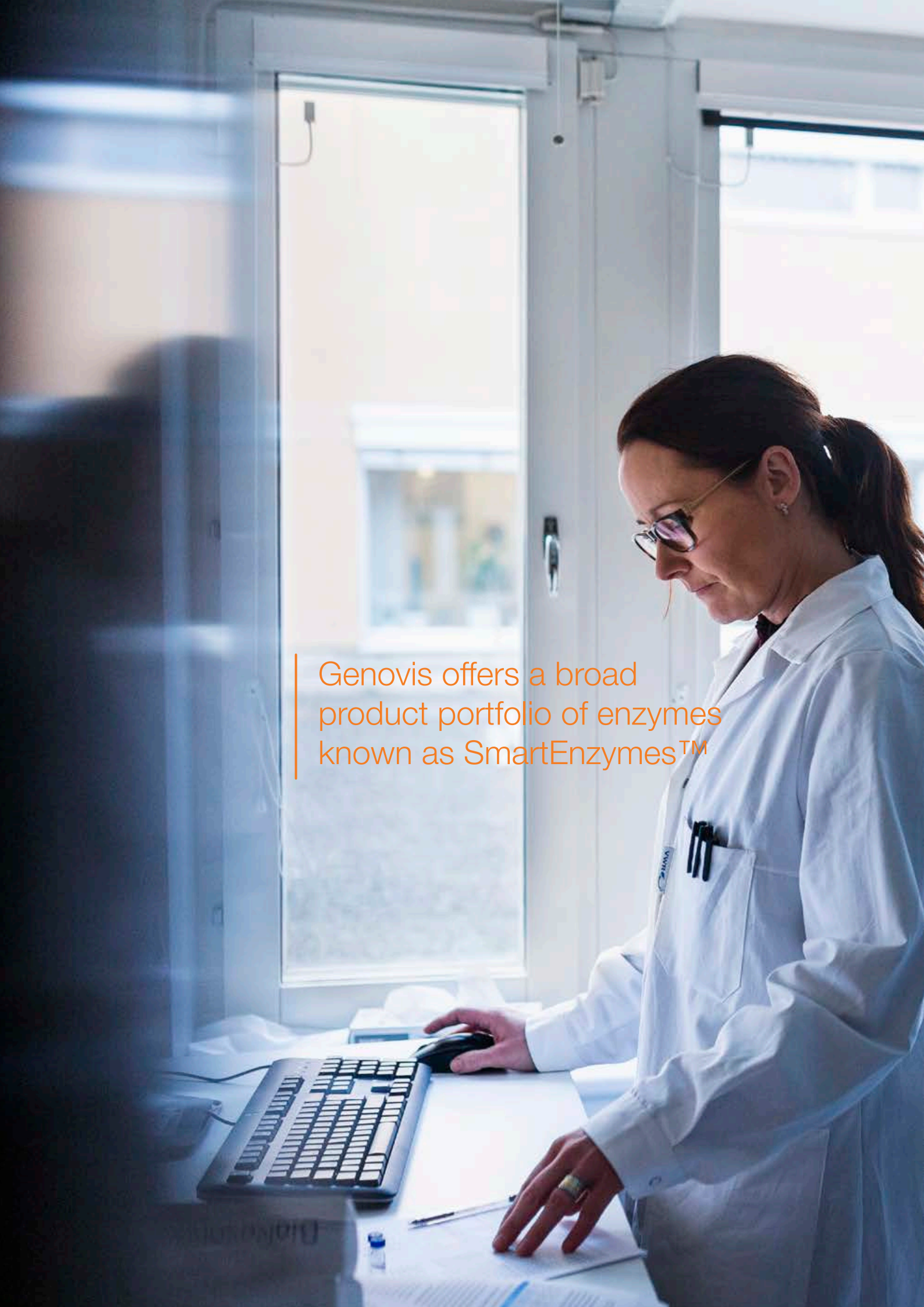
The field of carbohydrates (glycans) and proteins in particular is of great interest in both the biopharma industry and in basic research. This growing market has a large need for better enzymes and analytical methods to increase understanding within the field. In 2018 we expanded our offering in the field of "glycomics" by launching GlycOCATCH, an enzyme that we modified to bind to glycans on protein. We have shown that we can effectively enrich protein that is present at extremely low concentrations directly from human serum. We believe that GlycOCATCH, along with our other glycan enzymes, will open exciting new markets for Genovis in basic research and diagnostics.

A sustainable business

We are seeing more customers use our products farther along in the value chain for biological drug development and we are experiencing growing confidence in Genovis as a provider of high-quality, innovative products for the biopharma industries. We will continue to launch innovative products that are adopted by the market more quickly as our brand grows stronger, in pace with the continued expansion and broadening of our customer base.

We have made major advances in 2018 and have shown that our organization can compete with the largest global enterprises through our effective and innovative team. Our business model delivers growth and I predict continued sustainable growth for Genovis moving forward. Our quick and climate-smart global distribution is highly appreciated by our customers. Instead of sending our product, as some of our competitors do, in large Styrofoam boxes containing several pounds of dry ice, we formulate the majority of our product portfolio so that it can be shipped without ice in smaller packages. This approach has enabled us to use the distribution network that was built during the emergence of e-commerce – a strategy that is both innovative and sustainable! I would like to close by thanking the Board of Directors and shareholders for their confidence to continue to lead and build Genovis for the future. I would also like to warmly thank all of my colleagues at Genovis, who have done a tremendous job of building value for our customers and our shareholders in 2018.

Fredrik Olsson
Chief Executive Officer



Genovis offers a broad product portfolio of enzymes known as SmartEnzymes™

Operations

Genovis offers a broad product portfolio of enzymes, known as SmartEnzymes™, aimed at companies that develop biologicals and biosimilars[1] within the growing segment of immunotherapy. Common therapeutic areas include cancer, as well as inflammatory and autoimmune diseases. Development of new biological drugs and research for better treatments for serious diseases require new tools and Genovis continues to launch new enzymes and product formats to meet the needs of the pharmaceutical companies. In recent years, through close contact with customers and regulatory authorities, Genovis came to understand that the field of O-glycan analysis poses major challenges. To address these challenges, in 2018 Genovis launched an additional enzyme, GlycOCATCH, which simplifies analyses and quality control for pharmaceutical companies that develop biological drugs.

However, the demand is not just for enzymes for analysis of antibodies; Genovis markets several enzymes for analysis of other proteins and plans to launch additional enzymes for the entire proteomics market.

Genovis also offers a product for labeling antibodies, GlyCLICK®. GlyCLICK is a platform for labeling antibodies with markers for preclinical imaging, as well as clinically for production of Antibody-Drug Conjugates (ADCs). ADCs are used for what are sometimes referred to as targeted treatments, such as treatment for cancer where the cytotoxin is linked to an antibody which then transports the cytotoxin directly to the tumor cell.

Genovis' customers

Genovis customers largely comprise biotech and pharmaceutical companies that develop and produce new biological drugs. The Company's customer list includes 24 of the 25 largest pharmaceutical companies list and during drug development, they may use Genovis enzymes throughout the value chain, from discovery to finished drug.

When Genovis' enzymes are included in the antibody analysis and selection package, the enzyme can be included in the journey all the way to the release of a new drug, which can take ten to twenty years, and several Genovis customers have incorporated Genovis enzymes from early clinical phase. The process from selection of an antibody to the release of a new drug includes:

- Screening processes for developing large quantities of antibody fragments with a large number of analyses per project.
- Processes to develop production protocols for drugs on track for clinical development.
- Quality control during commercial production of drugs.

Trends and driving forces

The trend and driving force is clear regarding development of antibody-based biopharmaceuticals. More than 400 antibody-based drug candidates are in clinical development[2] and by 2020, patents with a commercial value of USD 67 billion are expected to expire, for which reason the industry is now developing biosimilars[1]. Regulatory authorities also have a major impact since drug regulatory authorities put patient safety first and want the 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 as a message to industry that it wanted biopharmaceutical manufacturers to increase their understanding of their processes.

1. A biosimilar is a medicinal product that is similar to an already approved biological drug, but that is not identical. Both completely new biological drugs and biosimilars must be analyzed and characterized biochemically, preclinically and clinically.
2. Clinical Pipeline reports and websites from Pfizer, Amgen, Genentech, Roche, Novartis, GSK, Johnson & Johnson, Eli Lily and AstraZeneca.

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 few years can be seen:

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 (ADCs).
   - **b.** Bispecific antibody-based drugs.
   - **c.** Antibody fragments and antibody-like proteins.

Market overview

Antibody-based drugs, diagnostics and research tools have become established as state-of-the-art technology and the market is enjoying steady growth. Genovis is a respected brand in the industry with excellent growth potential, in part geographically and in part through new product launches and new combinations of previously launched products. Genovis products can be divided into proteases, glycosidases and labeling of antibodies.

Proteases

Genovis' proteases are in a market that amounts to approximately USD 120 million[3] and covers the entire life science and biotech supply industry. Genovis has six proteases in various product formats in the market. The proteases are used as tools in areas such as research and development of biopharmaceuticals and biosimilars where regulatory authorities place great demands on analysis.

Glycosidases

The total market for glycosidases is about USD 205 million[3]. The customers have six Glycosidases in various product formats in this market and customers mainly use glycosidases to analyze and improve the function of drug candidates. The glycosidase market is the fastest growing market for Genovis' products.

3. MarketsAndMarkets 2015.

Antibody labeling

The antibody labeling market is large and the portion relating to reagents for preclinical imaging accounts for a total of USD 500 million, with an annual growth rate of about 6-8 percent. Genovis also offers a product for labeling antibodies, GlyCLICK®. The addressable market is currently only a small part of the total market, but an additional market potential will open if pharmaceutical companies implement GlyCLICK technology in their clinical development, going all the way to market approval. This represents tremendous opportunities for licensing agreements with several of Genovis' existing customers.

Competitive advantages

Outstanding products, strong patents and a patent strategy that goes hand in hand with the company's business strategy provide a strong competitive edge where the ability to rapidly transform customer needs into specific products that are in demand from customers is of great significance. Genovis places great emphasis on maintaining good relationships with key customers and frequent collaboration allows for insight into new trends and an understanding of customer needs.

Yet another competitive advantage is that Genovis always provides customers with knowledge and support, where specialists at Genovis assist customers with interpreting and evaluating research findings to best analyze the quality of biological drugs using Genovis' enzymes.

Genovis' products also have several application-specific competitive advantages:

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

Competitors

In the US, Genovis has competition from Promega and its product IdeS Protease. However, other products compete to some extent with older technology and according to Genovis, they are mainly marketed by companies within the Fisher Scientific Group, GE Healthcare, BioRAD, Prozyme and New England Biolabs, which are among the major players in the market today. From Genovis' perspective, these companies are not just competitors – several could be excellent partners for continued commercialization of Genovis' products.

1. MarketsAndMarkets 2015.
2. Clinical Pipeline reports and websites from Pfizer, Amgen, Genentech, Roche, Novartis, GSK, Johnson & Johnson, Eli Lily and AstraZeneca.

The Genovis organization

The Genovis organization consists of research and development, applications development & support, production, sales & business development, and administration. One of the keys to success for Genovis is the ability to meet customer needs for unique enzymes and products that solve their problems. With knowledge of the problems and challenges that customers face, Genovis can identify and develop products that meet customer needs and thereby maintain its position as an innovative company.

Research and development

R&D primarily identifies and develops new enzymes/proteins for analysis, characterization and/or production of biopharmaceuticals. Genovis identifies potential candidates by monitoring research findings and the literature, collaborating with universities and research groups, continually monitoring developments in the industry (especially the development of biopharmaceuticals) and identifying customer needs through its support service and sales representatives. In 2019 Genovis will focus on broadening its portfolio of unique SmartEnzymes™ that provide customers with the best enzymes the market can offer.

Application Development & Support

The application group works on developing new products and learning more about existing products. The group is responsible for adapting the new products by making them user-friendly and robust for the market. Their job includes formulating "application notes" that describe how customers can use products in a variety of applications and analysis flows. The application group also handles customer support cases through channels such as LiveChat and the Genovis website. This service enhances customer relationships, provides insight into their needs and strengthens knowledge about existing products. This knowledge will help to further develop the use and format of existing products while enabling Genovis to provide effective professional customer support.

Sales & Business Development

The key to selling Genovis SmartEnzymes™ is understanding the needs and problems of our customers in order to be able to offer the right knowledge, the right product and professional support. Working closely with the customer provides knowledge of the latest applications of SmartEnzymes and the problems customers will face in the future. Sales at Genovis are conducted on three fronts. The Company covers its European customers from its headquarters in Lund. The North American market is managed by Genovis Inc., which has a warehouse and logistics center in San Diego; sales are handled by a sales representative in California and by the sales team in Boston. In Asia, sales are handled by distributors. The sales teams have advanced technical expertise and present scientific seminars describing the Company's products and how they are used.

The customers who use Genovis enzymes gladly publish their findings in scientific journals, which are of great importance for the Company's marketing. In 2018 Genovis customers published articles in more than 30 scientific journals.

Administration & Operations

Administration and Operations provide support to ensure that the Company runs smoothly, with a minimum of friction between the various parts of the organization. Administration for the Group is divided into entities that handle finances, intellectual property, HR, IT and legal affairs. Genovis is a group with a subsidiary in the US, which means that both Swedish and US regulations must be followed and coordinated in areas required for a smooth workflow between sales teams in Sweden and the US, as well as in the administrative management of the Group. Daily business also includes commercial contracts, insurance and labor law issues. One important task involves monitoring and ensuring compliance with the disclosure procedures that Nasdaq First North Stockholm requires for a public and listed company.

One of the keys to success for Genovis is the ability to meet customer needs for unique enzymes and products that solve their problems.

Production

Genovis' goal is to continue working at a high tempo to develop and launch new products that are in demand. As the number of SmartEnzymes™ increases, efficient and reliable production and delivery that can handle growing volumes are crucial. Consequently, Genovis has made large investments in new production equipment, strengthened the organization and implemented a quality management system in order to gain control over all levels of production.

Flexibility and independence

The decision to move production home and the initiative to certify the quality management system are strategically important for Genovis. The Company will gradually be able to assume control at all levels of the process and also have full control of production. This approach increases flexibility while decreasing dependence on other providers. In the long-term, the strategy will also make it possible to rapidly scale up production to achieve substantially larger volumes than are produced today.

"In the autumn of 2018 we clearly saw the advantages and effects of managing the purification processes in-house. We would not have been able to deliver at the high pace and in the scope that we achieved in the autumn without access to the equipment in which we invested. It provides us with greater opportunities to adapt production ourselves to meet the demand and to handle much larger volumes than we were able to handle previously," says Linda Andersson, VP Production.

Investments in new equipment prior to moving

In order to consolidate production in-house in Lund, Genovis has gradually invested in new production equipment. The machinery investments enabled Genovis to take over production steps that were previously carried out by external suppliers. In 2018 Genovis took over the entire "downstream processing" production step, Purification. In this process the enzymes are extracted from the bacteria and undergo several different separation and purification steps, after which they ultimately become Genovis SmartEnzymes. In 2019 Genovis will install yet another instrument for purification that will make it possible to further increase production capacity.

Upscaling and quality assurance of production for larger volumes

With the exception of the "upstream processing" production step, culturing, which will be done in-house in 2019, Genovis now carries out all production in its facilities in Lund. Preparations are underway to begin large-scale bacterial culturing following the purchase of equipment and making arrangements for specific culture environments associated with Genovis' facilities.

Strengthened production team

In recent years Genovis has gradually added talented and experienced employees to its production team to handle the complex production process and to ensure quality standards. In order to guarantee a high pace in production, employees must understand what risks may arise in the production flow and know how to avoid them. Five employees currently comprise the production team, including two who mainly work in Quality Control.

"Enzymes are not like your typical product. Each step, from culture to finished product, requires extensive knowledge and proper handling," says Linda Andersson, VP Production.

Quality management system –an important designation for customers

In 2017 Genovis initiated a project to further develop its systematic quality procedures with a focus on production. With a quality management system, the Company is positioned to attract customers who want to use the products in analyses of materials used in clinical trials. Formulating a quality management system with a strong customer focus and where all processes and procedures are carefully documented and quality-tested has taken about 18 months and at the end of 2018 Genovis was certified to ISO 9001. The certification covers product development, production and sales and is a clear designation to customers that Genovis meets the requirements for using products farther along on the value chain, as in the development of biopharmaceuticals.

"With investments in production and ISO certification of our quality management system we have strengthened our brand and our position as an innovative and reliable supplier. It is a confirmation that we have the knowledge and control required to deliver quality throughout the production process," says Linda Andersson, VP Production.

1. Upstream processing: culturing

Enzyme-producing bacteria are cultured in a special culturing room using dedicated culture containers. The bacteria serve as enzyme factories and require specific temperatures, nutrients and oxygen levels in order to grow.

2. Downstream processing: purification

After culturing, the enzyme is refined through a purification process. The first step is lysis, a process in which the bacteria are fragmented to release the enzymes. The enzymes are then separated from the structural components of the bacteria through centrifugation. The final purification step entails "Fast Protein Liquid Chromatography" in which various methods of separation are used to extract the correct enzyme.

3. Quality control and Fill & Finish

After the purification processes, the enzymes undergo quality control to ensure that they meet the target specifications of the product. The enzyme is then ready for further processing.

Products

Genovis markets twelve enzymes in different product formats.

Genovis markets twelve enzymes in various product formats that can be divided into proteases and glycosidases, as well as one product for labeling antibodies. All products can be ordered from a standard product line or delivered as custom-made products. Choice of enzyme and format depends on customer needs and analytical method, as well as the quantity to be processed.

Proteases

Proteases are a group of enzymes that catalyze the breakdown of the bonds between amino acids in proteins and which for Genovis involve products that split an antibody into smaller fragments.

FabRICATOR® is a unique enzyme that cleaves an antibody into two parts: F(ab')2fragment and an Fc fragment, with extremely high precision.

FabRICATOR®Z differs from FabRICATOR in that the enzyme also cleaves a certain type of antibody from mice.

FabULOUS® is an enzyme that cleaves an antibody into three parts. The product is a complement to FabRICATOR.

GingisKHAN® is an enzyme that cleaves human antibodies into three parts. The product complements FabRICATOR and FabULOUS, but can also be used in studies of the different parts of the antibody separately, which makes it unique for its kind.

GingisREX® differs from the other enzymes in the product portfolio since the enzyme cleaves proteins in general.

FabALACTICA® is an enzyme with specific activity affecting human IgG1 antibodies. Unlike other similar enzymes on the market, FabALACTICA does not require additives, which substantially simplifies analysis and interpretation of data.

Glycosidases

Glycosidases are a group of enzymes that hydrolyze glycoside bonds, for which Genovis' products cut off the sugar molecules that are attached to a protein.

IgGZERO® is an enzyme that specifically cleaves sugar molecules that are found naturally on antibodies.

GlycINATOR® is an enzyme for characterization of high-mannose molecules in monoclonal antibodies.

Enzymes for analysis of O-glycans:

O-glycan analysis has been shown to be particularly challenging for researchers who work with new types of biopharmaceuticals and existing tools on the market pose a limiting factor for those who work in this field. Consequently Genovis worked intensively to develop tools that can help researchers and the pharmaceutical industry to understand O-glycans and provide quality control using a better and more convenient method.

OpeRATOR® is a completely unique protease that cleaves proteins at the exact site of a certain type of glycan.

OglyZOR® and **SialEXO®** have improved performance compared with other similar enzymes on the market.

GlycOCATCH™ is a tool for fast, simple and specific purification of proteins and peptides.

Antibody labeling

In 2017 Genovis launched GlyCLICK®, a product for specific labeling of antibodies. GlyCLICK is a new technology in an expanding market with applications in antibody development, preclinical imaging and antibody-drug conjugates (ADCs). Antibody-drug conjugates are used in an emerging new treatment method for cancer that combines targeted treatment with cytotoxic strength. GlyCLICK is based on a technology platform in which Genovis' unique GlycINATOR® enzyme is combined with SiteClick™ technology from Life Technologies.

** Genovis has a license for SiteClick™ from Life Technologies Corporation. The SiteClick™ brand belongs to Life Technologies Corporation.*

Goal and strategy

Overarching goals

- Increase knowledge about biological processes that enable new and effective treatments and medicines.
- Establish Genovis' products as the solution of choice in all analyses, from early discovery to production of tomorrow's medications.
- Genovis will create long-term shareholder value through results that generate both dividends for shareholders and funding for the continued innovative development of the Company.

Goals 2019-2020

Financial goals

- Positive EBITDA on a quarterly basis.
- Annual organic sales growth of at least 25 percent

Operational goals

- At least three product launches in 2019.
- Establish Genovis products as quality control tools throughout the customer's entire value chain from discovery to production of pharmaceuticals.

Operational strategy

- Offer customer-driven innovation combined with high quality by working close to the frontlines of research and by seeking new technologies through the acquisition of intellectual property or companies to be able to offer unique high-value solutions to our customers.
- Work closely with customers to implement the products in analysis procedures from drug discovery, through clinical trials to production control of the customer's drug candidate throughout its lifetime.
- Genovis will be an innovative company and an attractive workplace that takes advantage of staff expertise and offers all employees the opportunity to influence their work situation and professional development.

Patents and trademarks

Genovis prioritizes creating a strong global brand that stands for high-quality, innovative and customer-friendly products and is largely dependent on patents to protect the Company's unique products. The Company continually evaluates the commercial value of the patents and only maintains those that strengthen the Company's business model and have a commercial value.

Patents

	Title	GlycINATOR (EndoS2)	FabRICATOR (IdeS)	FabALACTICA (IgdE)	OpeRATOR (TBC)	OglyZOR (TBC)	SialEXO (TBC)	GlycOCATCH
PCT/ EP2012/067841	Endoclycosidase from streptococcus pyogenes and methods using it.	●						
PCT/ EP2017/052463	New streptococcal proteases			●				
PCT/ EP2018/063832	I PCT/EP2018/063832 Protease and binding polypeptide for o-glycoprotein				●		●	●
PCT/ EP2018/063833	Tools for glycan analysis					●	●	

License

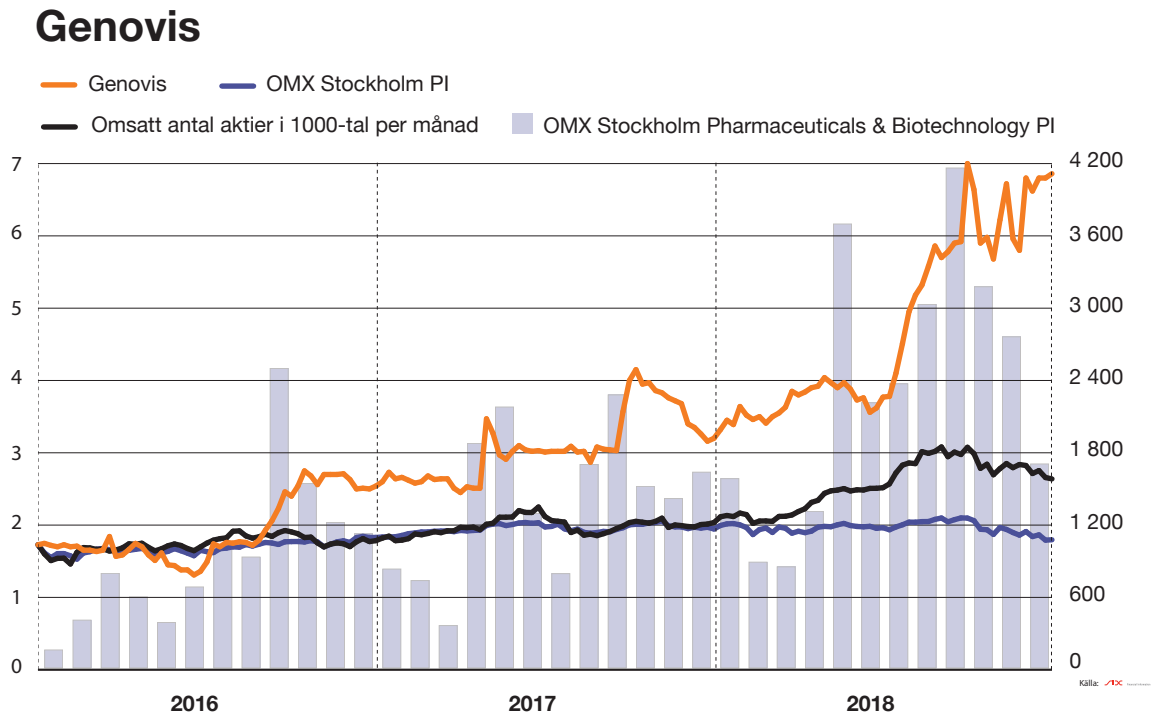
PCT/EP2002/14427	Exclusive license to use IdeS for biotechnical industrial applications.		●

Trademarks

FabRICATOR, IgGZERO, FabULOUS, GlycINATOR, GingisKHAN, GingisREX, GlyCLICK, FabALACTICA OpeRATOR, OglyZOR and SialEXO are registered trademarks.

Genovis share

Genovis shares have been traded since September 14, 2006, on Nasdaq First North Stockholm under the ticker symbol GENO. The share price at the end of the period was SEK 6.92 and the market value was about SEK 436.6 million. First North is Nasdaq's European emerging market intended for small, growing businesses, with a less extensive rulebook than the main market. Erik Penser Bank is the Certified Advisor for Genovis; certifiedadviser@penser.se, tel: +46 (0)8-463 83 00.



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.

In 2018 Genovis purchased analyses from Redeye AB, and also purchased services from BioStock, a news and analysis agency that presents listed Nordic Life Science companies.

Shareholder information

Financial information about Genovis is available on the Company's website and can be ordered from the Company.

URL: www.genovis.com
Email: info@genovis.com
Phone: +46 (0)46-10 12 30

Shareholding by size December 31, 2018

Holdings	Number of shareholders	Number of shares	Holdings (%)	Market value (SEK thousand)
1 - 5,000	2,194	2,902,024	4.6	20,082
5,001 - 20,000	507	5,275,890	8.36	35,509
20,001 - 100,000	213	8,732,363	13.84	60,428
100,001 - 500,000	38	8,138,252	12.9	56,317
500,001 -	12	38,051,471	60.3	263,316
Total	**2,964**	**63,100,000**	**100**	**436,652**

Source: Euroclear Sweden AB

Major shareholders as of December 31, 2018

Name	Number of shares	Votes (%)
Mikael Lönn	12,490,653	19.80
Försäkringsaktiebolaget, Avanza Pension	7,535,539	11.94
Hansa Biopharma	5,712,161	9.05
Nordnet Pensionsförsäkring AB	5,255,449	8.33
Zaramant AB	1,305,000	2.07
Other shareholders	30,801,198	48.81
Total	63,100,000	100

Source: Euroclear Sweden AB

Share capital

On December 31, 2018 share capital was SEK 15,775,000 and the number of shares was 63,100,000. The par value is SEK 0.25. In April Genovis carried out a private placement of 2,805,838 shares, which increased share capital by SEK 701,459.50.

Dividend policy

The Company has not paid any dividend. The Board intends to propose a dividend when the Company achieves good profits and positive cash flows.

Administration Report

OPERATIONS AND STRUCTURE

Genovis develops, produces and markets enzymes in different product formats known as SmartEnzymes™, as well as GlyCLICK®, a product for specific labeling of antibodies. In addition to products, Genovis also provides customers with knowledge and support, where specialists at Genovis assist customers with interpreting and evaluating research findings to best analyze the quality of biological drugs using Genovis' enzymes.

The Company works globally and its primary customers are pharmaceutical companies and biotech companies, as well as contract research companies and contract manufacturing companies. The majority of these customers develop and produce new biopharmaceuticals.

In 2018 the organization comprised Genovis AB and the wholly owned subsidiaries Genovis Inc. and GeccoDots AB*. Genovis Inc. handles all sales and marketing of enzyme products on the North American market and Genovis AB handles sales and marketing in Europe. In the Asian markets, sales are handled by distributors. Genovis AB handles all administration for the Group.

**GeccoDots AB has not had any business activities since September 30, 2015.*

FINANCIAL OVERVIEW

Revenue

Consolidated net sales rose to SEK 34,568 (22,867) thousand, an increase in sales of about 51 percent. Adjusted for currency effects, net sales totaled SEK 32,903 thousand, an increase in sales of about 44 percent. Other operating income for the full year was SEK 81 (23) thousand and relates to exchange rate gains. The US is still the Group's largest market, followed by the European market.

Costs

Consolidated costs including depreciation and amortization increased by SEK 6,096 thousand to a loss of SEK 38,138 (loss: 32,042) thousand. Operating expenses are allocated as follows: raw materials and consumables SEK 3,362 (2,366) thousand, personnel costs SEK 16,148 (13,230) thousand and other external expenses SEK 13,577 (14,630) thousand. Personnel costs increased because of the new employees hired to strengthen sales and marketing worldwide, and also because Directors' remuneration for 2018 was paid as salary and recognized under personnel costs. In addition, some items causing the increase were non-recurring.

As a result of the transition to IFRS 16, other external expenses, depreciation and amortization decreased, while financial expenses increased. Depreciation/amortization for the full year increased by SEK 3,442 thousand to SEK 5,051 (1,609) thousand.

Operating profit/loss before depreciation and amortization (EBITDA)

Operating result before depreciation and amortization totaled SEK 4,091 (loss: 6,226) thousand. The final settlement of Genovis' claim which was submitted to the insurance company for costs relating to the arbitration proceedings against Promega has not yet been closed. The remaining booked receivable amounts to about SEK 3.4 million.

Genovis has chosen to apply IFRS 16 in advance. Lease payments for equipment and rent for premises were previously recognized as other external expenses, but in accordance with IFRS 16 these leases are noncurrent assets and the obligation is recognized as a liability, while the cost is recognized as depreciation/amortization and interest expense. The Group applied IFRS 16 retroactively as well as the simplification rule regarding short-term leases. This has not generated any need for restatement of 2017.

Operating profit/loss (EBIT)

The operating loss after depreciation/amortization was SEK 960 (loss: 7,835k) thousand, corresponding to an improvement of SEK 6,875 thousand.

Comprehensive income

Comprehensive income improved by SEK 6,552 thousand to a loss of SEK 1,560 (loss: 8,112) thousand. Earnings per share, based on a weighted average of the

number of outstanding shares, improved by 0.11 to SEK -0.03 (-0.14) Earnings per share is calculated by dividing comprehensive income by the weighted average number of shares during the year.

Net financial items

Net financial items amounted to SEK -640 (-91) thousand.

Taxes

The Parent Company Genovis AB reports a loss in the income tax calculation, so no income tax is paid at this time.

The Group has a deferred tax asset that arises from the Parent Company. The deferred tax asset at year-end was SEK 1,718 (1,718) thousand, equivalent to a loss carryforward of about SEK 8 million. The Board believes that future taxable surpluses will be available against which the unutilized tax losses can be utilized. The Company's total tax loss amounts to SEK 171 million (169).

Investments

Consolidated capital expenditure totaled SEK 1,829 (1,763) thousand, of which SEK 937 (456) thousand is attributable to property, plant, and equipment, primarily laboratory equipment and computers. Investments in intangible assets total SEK 892 (1,307) thousand.

Cash flow and financial position

Consolidated cash flow totaled SEK 4,663 (637) thousand. Cash flow from financing activities totaled SEK 7,742 (10,755) thousand. Consolidated cash and cash equivalents amounted to SEK 9,581 (4,918) thousand. Taking expected revenue into account, the Board believes that the existing working capital is sufficient to run the Company over the next twelve months.

Total shareholders' equity for the Group was SEK 26,071 (18,187) thousand after taking the result for the period into account. Equity per share based on the weighted average of the number of outstanding shares (basic and diluted) was SEK 0.42 (0.31) and the Group's equity ratio was 69 (69) percent.

Only the Group has interest-bearing liabilities, where liabilities to credit institutions relate in their entirety to the present value of estimated future lease payments, which also includes rent for premises.

Liabilities to credit institutions	SEK
Noncurrent interest-bearing liabilities	
Maturity between 1 and 5 years	2,940,424
Current interest-bearing liabilities	
Maturity within 1 year	2,231,001

Share capital and share performance

For information on trading of shares in the Company, number of shares and class of shares, as well as the rights in the Company associated with these shares, please refer to the section on the Genovis share on pages 20-21.

PRODUCTS

Genovis develops unique enzymes that are marketed under a common brand, SmartEnzymes™. The Company currently has 12 different enzyme products for use in the development and analysis of biopharmaceuticals, as well as GlyCLICK®, a product for specific labeling of antibodies. FabRICATOR®-HPLC, a column that facilitates automated analysis of therapeutic antibodies during development, production and formulation of antibody-based drugs, was launched in 2018. All products provide faster analyses with higher quality than competing products can offer. Products can be ordered from a standard range or as custom-made products.

GlyCLICK® is a registered trademark. The product is a kit consisting of GlycINATOR® and Life Technologies' SiteClick™ technology. Life Technologies is a wholly owned subsidiary of Thermo Fisher Scientific. The SiteClick™ brand belongs to Life Technologies Corporation.

KEY EVENTS DURING THE YEAR

Product launches

Genovis launched GlycOCATCH™, a tool for fast, simple and specific purification of proteins and peptides. The product is aimed at pharmaceutical and diagnostics companies, as well as universities that work with O-glycosylated proteins. GlycOCATCH is designed to make these analyses easier, which has been requested by both industry and regulatory authorities.

Genovis also launched FabRICATOR®-HPLC for quality analysis of antibodies in automated analysis systems. The product is based on Genovis' FabRICATOR technology and can be used in current analysis systems for rapid analysis without manual sample handling.

Employees

Genovis hired Kevin Cook as Senior Application & Market Area Manager for the subsidiary Genovis Inc. Kevin Cook has 20 years of experience with mass spectrometry from both the pharmaceutical and technology industries. Over the past ten years Kevin has worked with marketing and sales of instruments, consumables and reagents for mass spectrometry, which is a good fit with the market for Genovis' products.
Genovis expanded its sales and marketing organization at its Lund headquarters and hired Rob Horsefield as Sales & Business Development Manager. Rob holds a PhD in protein chemistry and previously worked as an Account Manager and Product Specialist in mass spectrometry and chromatography.

Certification

Genovis became certified to ISO 9001:2015 Quality certification means that the management system meets the requirements imposed by International Standard ISO 9001:2015. The certification covers product development, production and sales.

By designing a quality management system with a strong customer focus in which all processes and procedures are meticulously formulated and quality-tested in compliance with the international standard, Genovis ensures that it continues to deliver products and provide services that meet market demands.

Private placement

Genovis carried out a private placement of 2,805,838 shares in accordance with the authorization granted by the Annual General Meeting on May 11, 2017. The issuance targeted a small group of qualified investors and raised about SEK 10.1 million prior to transaction costs for the Company. The subscription price was SEK 3.60 per share.

PRODUCTION

In 2018, Genovis began to move production home to its own facilities and to implement a quality assurance system for production in compliance with ISO 9001. In order to consolidate production in-house in Lund, Genovis has gradually invested in new production equipment. The machinery investments enabled Genovis to take over production steps that were previously carried out by external suppliers. Genovis has also added talented and experienced employees to its production team to handle the complex production process and to ensure quality standards. A long-term objective is to be able to offer customers GMP-certified* production, as well.

INNOVATION AND PRODUCT DEVELOPMENT

Product development is important to strengthen the customer offering and thereby ensure future organic growth. By launching new products and new formats of existing products, Genovis strives to deliver products and provide services that offer customers both promising results and financial benefit.

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

PERSONNEL

On Dec. 31, 2018, the Group had 20 employees, compared with the same period the previous year, when the Group had 17 employees. Nineteen people are employed by the Parent Company in Lund and one person works for the subsidiary Genovis Inc. in the US; in 2017, all employees worked for the Parent Company.

For information on remuneration guidelines for senior executives adopted at the 2018 AGM, please refer to the Corporate Governance Report on page 29. The Chief Executive Officer is the only senior executive. Please see note 7 regarding remuneration paid to the senior executives in 2018.

ENVIRONMENTAL IMPACT

The Group's environmental policy is the starting point of Genovis' environmental management program. Genovis AB engages in activities that are subject to notification or require a permit under the Environmental Code. The Company has the necessary permits.

Environmental impact consists mainly of emissions to water, air emissions and the environmental effects of energy use and waste production. These activities were conducted during the year in accordance with applicable permits and conditions.

PARENT COMPANY

Net sales and operating profit/loss in the Parent Company are attributable to the primary and only business area: product sales of products and/or 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.

Key figures Parent Company	2018	2017	2016	2015	2014
Net sales	27,253	18,182	14,196	10,720	8,159
Operating profit/loss	(1,701)	(8,240)	(15,180)	(17,166)	(14,843)
Equity/assets ratio (%)	82	77	73	55	76
Acid test ratio (%)	352	248	233	125	195
Dividend per share kronor	0	0	0	0	0

Definition of key figures	
Equity ratio	Adjusted equity as a percentage of total assets
Acid test ratio	Current assets excluding inventory as a percentage of current liabilities.

RISK MANAGEMENT

Research and development

Genovis' future growth is largely dependent on the Company's ability both to successfully develop new product formats from existing products as well as to develop successful new products that meet customer needs. Development of new products is expensive and it is impossible to guarantee that newly developed products will be commercially successful. In order to maximize the return on its development efforts, Genovis has a planning process to ensure that the Company gives priority to the right choices regarding, for example, future product launches.

Product liability and liability for damages

Genovis cannot rule out the possibility that the Company could be subject to claims for product liability and other legal issues. Such claims could involve large amounts and considerable legal costs. Genovis cannot give assurance that its activities will not be subject to compensation claims. The Company has a comprehensive insurance policy to cover the property and liability risks (e.g. product liability) to which it is exposed.

Protection of intellectual property

To ensure a return on its investments, Genovis actively claims its rights and closely monitors the activities of its competitors. The Company protects its intellectual property rights through legal processes if necessary. Genovis has an insurance program that covers the company's intellectual property rights.

FINANCIAL RISK MANAGEMENT

Financial risks primarily refer to currency and interest rate risks, as well as credit risk. Group Management has ultimate responsibility for managing the Group's financial risks, as well as for developing financial risk management methods and principles. The most significant financial risk to which the Group is exposed is currency risk.

Currency risk

The majority of the Group's expenses are denominated in SEK. The Group's revenue, however, is largely dependent on other currencies, primarily the USD and the EUR. The effects of exchange rate fluctuations on profit and equity are calculated based on known volumes and results denominated in the foreign currency. The calculation below is an assumption of the impact of a 5 percent change in the exchange rate on sales, which the Company experienced in 2018.

Currency estimated exchange rate, 2019	Net volume 2018, SEK thousand	Impact on earnings/ equity in SEK thousand of a 5% currency fluctuation
USD: 9.16	18,744	+/- 937
EUR: 10.26	14,656	+/- 733

Sensitivity analysis

Genovis' financial performance is affected by a number of external factors. The table below shows how changes in some of the factors that are important for Genovis could have affected the Group's net income for 2018.

Change in profit/loss before tax		SEK
Price change	+/- 3%	1,037,039
Cost of goods sold	+/- 3%	100,872
Payroll expenses	+/- 3%	484,431
Interest	+/- 2%	103,429

Capital risk

Capital risk is the risk that the Group's capital structure is inefficient, or the risk that the Group must terminate its operations. The Group's goal regarding capital structure is to secure Genovis' ability to continue to conduct its operations so that it can generate a return for shareholders and value for other stakeholders, as well as to maintain an optimal capital structure so that the cost of capital can be reduced. To optimize the capital structure, the Group can – with shareholder approval – issue new shares, buy back shares, or increase/decrease loans. The capital structure is regularly revised. On December 31, 2018 consolidated shareholders' equity was SEK 26,071 (18,187) thousand and Genovis AB's shareholders' equity was SEK 25,436 (17,692) thousand.

Liquidity risk

Liquidity risk consists of the risk that the Group cannot obtain funds to meet its obligations. Consolidated cash and cash equivalents including short-term investments at the end of the twelve-month period amounted to SEK 9,581 (4,918) thousand. Taking expected revenue into account, the Board believes that the existing working capital is sufficient to run the Company over the next twelve months. Should the conditions change, measures to raise additional capital may be considered.

Interest-bearing liabilities to credit institutions are shown below.

Maturity analysis

Interest-bearing liabilities, SEK thousand	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Maturity date up to 1 year from the balance sheet date.	2,231	351	-	-
Maturity date between 1 and 5 years from the balance sheet date.	2,940	1,755	-	-

EVENTS AFTER THE END OF THE PERIOD

Genovis signed a collaboration agreement with Thermo Fisher Scientific to jointly develop new methods for characterizing new and complex biopharmaceuticals. The collaborative effort entails combining specific enzymes for test treatment purposes from Genovis with the leading LC-MS technology from Thermo Fisher in order to develop robust and automatic work flows.

OUTLOOK

Although the Life Science field is relatively independent of business cycles, periods of uncertainty can influence our customers' appetite to invest in new technology. With all development projects proceeding according to plan, Genovis is positioned to make additional advances with respect to both new products and sales. Taken together, volume growth is expected to be positive in 2019.

Corporate Governance Report

INTRODUCTION

The Group consists of Genovis AB and the wholly owned subsidiaries, Genovis Inc. and GeccoDots AB*. The Group had 20 employees on December 31, 2018. Nineteen people were employed by Genovis AB, which is responsible for centrally coordinating business and finance functions, and one person was employed in the US within the sales organization. The projects in the Group are mainly conducted in-house, but also as external collaborations with companies in the industry.

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 First North Stockholm, and other applicable laws and regulations. The Swedish Code of Corporate Governance ("the Code") is not mandatory for Genovis, but the Board will closely follow the practices developed for the Code and intends to apply the Code in those parts that may be deemed relevant to the Company and its shareholders.

SHAREHOLDERS AND SHARE CAPITAL

At year-end 2018 Genovis had about 3,000 shareholders according to Euroclear Sweden AB. Share capital at year-end was SEK 15,775,000 and the total number of shares was 63,100,000. Market capitalization for Genovis was SEK 436 million at December 31, 2018. The Company's largest shareholder is Mikael Lönn, who represents 19.80 percent of the total number of shares and votes in the company. Genovis' shareholder structure, share performance, etc., are presented on pages 22-23.

SHAREHOLDERS' 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 remuneration guidelines for senior executives.

The Annual General Meeting for Genovis was held on May 17, 2018, in Lund where 25.2 percent of the number of shares and voting rights were represented. Board members Jacob Engellau, Mikael Lönn, Lena Mårtensson Wernrud, Kenth Petersson and Mårten Winge were present. The CEO and the company's auditors were also present. Kenth Petersson, Mikael Lönn, Lena Mårtensson Wernrud and Mårten Winge were re-elected for a one-year term up until the close of the following AGM. Lena Söderström and Peter Hein were elected to serve as Board members for the same period. Mårten Winge was elected to be the Chairman of the Board.

Resolutions

- Adoption of the balance sheet and income statement for Parent Company and the Group.
- The Board and the Chief Executive Officer were discharged from liability.
- The AGM resolved to approve remuneration to the Board of Directors in the amount of SEK 100,000 to Board members and SEK 200,000 to the Chairman of the Board.
- The AGM approved the Board's proposed guidelines for remuneration to the Chief Executive Officer and other senior executives.
- The Meeting resolved to approve authorization to issue shares with or without preferential rights for existing shareholders. As a result of this resolution, share capital could increase by a maximum of SEK 1,625,000 through the issuance of a maximum of 6,500,000 new shares.

**GeccoDots has not had any business activities since September 30, 2015.*

REMUNERATION OF SENIOR EXECUTIVES

The 2018 AGM adopted remuneration guidelines for senior executives that essentially entail the following.

The fixed remuneration to the management and the Chief Executive Officer should be competitive and based on the individual 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 management and the CEO are entitled to a defined-contribution pension.

For the CEO and senior executives the notice period is 6 months for the Company and 6 months for the individual. In addition the CEO is entitled to a maximum of 12 months of severance pay including benefits.

The Chief Executive Officer is the only senior executive and his total remuneration was SEK 1,926 thousand in 2018.

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

Please see note 7 for additional information.

The Board of Directors proposes that the Annual General Meeting on May 23, 2019 should adopt the following guidelines for remuneration to the Chief Executive Officer.

These guidelines are valid for employment agreements entered into after the guidelines are approved by the AGM, and for amendments made afterward to the existing employment agreement. The basic principle is that the remuneration and other employment conditions of the Chief Executive Officer should be in line with market conditions and competitive.

Fixed remuneration policy

The fixed remuneration paid to the Chief Executive Officer should be competitive and based on the complexity of the business and the performance of the Chief Executive Officer.

Variable remuneration policy

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 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.

Conditions for non-monetary benefits, pensions, termination and severance pay

Pensions

The Chief Executive Officer is entitled to a defined-contribution pension.

Termination and severance pay

For the Chief Executive Officer the notice period is 6 months for the Company and 6 months for the individual. In addition the CEO may receive severance pay corresponding to a maximum of 12 months of salary including benefits.

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

To date, the Board has never departed from the guidelines adopted by the general meeting of shareholders.

NOMINATION COMMITTEE

The Nomination Committee conducts an evaluation of the Board and its work. As a basis for its proposals for the 2019 Annual General Meeting, the Nomination Committee has assessed whether the current Board is appropriately composed and fulfills the demands made on the Board by the Company's current and future position in the market. The Board members have responded to a questionnaire that served as the basis for the Nomination Committee's work.

The Nomination Committee for the 2019 Annual General Meeting consists of the following representatives of the largest shareholders:

- Mikael Lönn
- Leif Olsson
- Erik Walldén
- Torbjörn Frid

Mikael Lönn was appointed to serve as Chairman of the Nomination Committee for the 2019 AGM.

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 2018 Annual General Meeting resolved that the Nomination Committee for the 2019 AGM will consist of representatives of the four largest shareholders as of September 30, 2018. 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.

AUDIT COMMITTEE

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

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 Annual 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 2016 Annual General Meeting appointed the auditing company PricewaterhouseCoopers AB to serve as Genovis' auditors for the period until the close of the 2020 Annual General Meeting.

Principal auditor at PricewaterhouseCoopers AB is authorized auditor Sofia Götmar-Blomstedt. Sofia Götmar-Blomstedt does not hold any shares in the Company. The auditors were represented at one board meeting during the year.

FEES TO AUDITORS

PricewaterhouseCoopers AB is the Company's auditor. "Audit assignments" refer 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. Other assignments mainly refer to consultancy services related to auditing and taxation issues. Fees for auditing assignments in 2018 amounted to SEK 255 (171) thousand and fees for other assignments totaled SEK 60 (49) thousand. See Note 5, page 44.

RELATED-PARTY TRANSACTIONS

Genovis' board member and principal owner Mikael Lönn, who holds a 19.80 percent stake in Genovis, owns 12.24 percent of the shares in Redeye AB, for which Mikael Lönn is also a board member. During the year Genovis purchased issuance advisory and analysis services from Redeye AB for a total of SEK 1,061 thousand. Chairman of the board Mårten Winge provided consultancy services during the full year for a total of SEK 80 thousand.

INTERNAL CONTROL AND RISK MANAGEMENT IN FINANCIAL REPORTING

Internal control

Internal control of financial reporting is an integral part of corporate governance within the Genovis Group. It comprises procedures to safeguard the Group's assets and ensure the accuracy of the financial reporting, thereby protecting the shareholders' investment in the Company.

The Genovis Group's organization is designed to quickly respond to changes in the market. Operational decisions are thus made at the company level, while decisions on strategy, focus, acquisitions and overall financial issues are made by Genovis' Board of Directors. The CEO regularly reports to the Board to increase awareness, transparency and control of the Company's accounting, financial reporting and risk management.

Risk assessment

Risk assessment is based on the Group's financial objectives. The overarching financial risks are defined and are largely industry-specific. By conducting risk analyses based on the consolidated balance sheet and income statement, Genovis identifies the key risks that may threaten the achievement of business and financial objectives.

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. It is also the Board's duty to ensure that the organization in charge of accounting and the management of assets is subject to 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 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.

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 Board is responsible for ensuring that there is an effective system for internal control and risk management, while the responsibility to work with these issues has been delegated to the CEO. Authorities and responsibilities in the organization are defined in policies, guidelines and descriptions of responsibilities.

Peter Hein (b. 1957)
Board member - MSc

Regular Board member at Genovis since 2018. Peter Hein has extensive experience from management positions primarily in business and finance, including in the life science industry, where he worked as CFO at Q-Med and Biolipox (Orexo). Peter has also been CFO and CEO at the retail chain Granngården, and has previously worked at Ericsson and Swedish Match. Peter currently works as a consultant and interim manager.

- **Other directorships and positions:** Board member of Lacolle AB.
- **Holdings in Genovis:** 49,002 shares

Lena Söderström (b. 1960)
Board member - B.Sc. and MBA

Regular Board member at Genovis since 2018. Lena Söderström has 30 years of experience from management positions at international pharmaceutical and medical device companies, as well as extensive experience of project management, business development, international marketing and manufacturing.

- **Other directorships and positions:** Director for Uppsala University Holding AB, SLU Holding AB, Bio-Works AB and Dicot AB.
- **Holdings in Genovis:** None

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 15 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.
- **Holdings in Genovis:** 49,998 shares.

The Company's auditor reports to the Board of Directors every year based on an examination of accounts, and provides its assessment of internal controls.

Work of the Board 2018

The Board of Directors has consisted of six members since the Annual General Meeting on May 17, 2018. In 2018 the Board held 5 physical meetings at which the minutes were recorded and where other officers participated as reporters or in administrative roles. The Board has also taken decisions by correspondence on five occasions in 2018. 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 product development and new product concepts, financial issues and the Company's IP rights.

Board member	Elected	Independent of the Company and its management	Independent of the Company's major shareholders
Mårten Winge	2016	Yes	Yes
Peter Hein	2018	Yes	Yes
Mikael Lönn	2014	No	Yes
Kenth Pettersson	2011	Yes	Yes
Lena Mårtensson Wernrud	2014	Yes	Yes
Lena Söderström	2018	Yes	Yes

Mikael Lönn (b. 1949)
Board member – MD

Board member of Genovis since 2014. Mikael Lönn is a doctor and entrepreneur who has served as a business leader in a number of industries, though mainly in health care. He has extensive experience with financial investments, solid experience providing advisory services and actively participating on the board of directors for a number of startup and growth companies, and experience from large county and municipal-owned organizations.

- **Other directorships and positions:** Board member of LOX Container Technology AB, PRIMA Barn- och Vuxenpsykiatri Holding AB, PRIMA Barn och Vuxenpsykiatri Stockholm AB, Vizendo AB, Dicel AB, Sturebadet Health AB, Redeye AB/ Redhold AB, Mikael Lönn AB, Professionell ägarstyrning i Sverige AB, Professionell ägarstyrning PÄAB II, Skogsägarna Mellanskog Ekonomisk förening, Ilya Pharma AB and Spago Nanomedical AB.
- **Holdings in Genovis:** 12,490,653 shares.

Lena Mårtensson Wernrud (b. 1954)
Board member - Associate Professor

Board member of Genovis since 2014. Lena Mårtensson Wernrud is active as senior director, pipeline sourcing, at LeoPharma AS, partner in PULS, and runs her own consulting firm, Martensson Innovative Partner. She has 30 years of management-level experience in the medical technology and pharmaceutical industries at companies such as Gambro AB, Pharmacia and AstraZeneca. She has been a member of steering groups between AZ and smaller biotech companies and universities.

- **Other directorships and positions:** Director for Oncorena Holding AB and Oncorena AB.
- **Holdings in Genovis:** None

Mårten Winge (b. 1959)
Chairman of the Board - MSc

Board member of Genovis since 2016. Mårten runs his own consulting firm Winge Management AB and has previously worked with international commercialization of new technologies in the life sciences. He has previously served as CEO of Medical Vision AB, Proxeon A/S (Odense, Denmark) and several companies in the Doxa Group and BroGripen AB.

- **Other directorships and positions:** Chairman of the Board of Winge Management AB and Cray Innovation AB.
- **Holdings in Genovis:** 60,000

MANAGEMENT TEAM

The Chief Executive Officer is responsible for ensuring that the ongoing management is handled in accordance with the guidelines and instructions provided by the Board of Directors, as clarified in separate instructions for the CEO. The CEO shall ensure, through satisfactory control systems, that the Company complies with laws and regulations, as well as Nasdaq First North Stockholm's Rules for Issuers.

The CEO shall take measures that are necessary to fulfill the Company's accounting in accordance with law and handle the management of assets in a reassuring manner. It is therefore the responsibility of the CEO to ensure that the Company has good internal control and procedures to ensure that established financial reporting and internal control principles are applied. Moreover, the CEO shall ensure that the Board receives factual, detailed and relevant information necessary for the Board to make informed decisions. In addition, the CEO pursues a continuous dialogue with the Chairman of the Board and keeps the Chair informed about the performance and financial position of the Company and the Group.

Fredrik Olsson (b. 1971)
Chief Executive Officer

Fredrik Olsson has an MSc in Engineering from Lund Institute of Technology and has been employed at Genovis since 2002 with primary responsibility for product development and production. Fredrik Olsson has extensive experience with production processes from the food and biotech industries. Much of his work has 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.

- **Board directorships:** Board member of Genovis Inc. and GeccoDots AB.
- **Holdings in Genovis:** 117,203 shares

Rolf Lood (b. 1984)
VP Research & Development

Rolf Lood has a PhD in biomedicine from Lund University and has been employed at Genovis in R&D since 2017. Rolf has worked as a consultant in new product development for several major international companies. He has extensive experience in research on microorganisms and enzymes, with a strong focus over the past ten years on bacterial proteases and glycosidases with biotech applications. Rolf has authored several scientific publications and patents, is an associate professor at the division of Experimental Infection Medicine at Lund University, and a scientific adviser for several international biotech companies.

- **Holdings in Genovis:** None

Helén Carlsson Nyhlén, PhD (b. 1964)
VP, Application Development & Support

Helén Carlsson Nyhlén holds a Master's degree in bioengineering and a PhD in applied biochemistry from the Faculty of Engineering at Lund University. Helén has been employed at Genovis in a variety of positions since 2016 and has more than 20 years of experience working with proteins in the pharmaceutical and biotech industries. She has had a variety of roles in development projects in preclinical and clinical trials for production and analysis of drug candidates, including work and documentation in compliance with the GMP quality system.

- **Holdings in Genovis:** None

In addition to the Chief Executive Officer, senior management includes five people:

Vice President, Research and Development

Vice President, Application Development & Support

Vice President, Production

Vice President, Sales and Business Development

General Counsel

The Chief Executive Officer is responsible for issuing and upholding instructions for delegation to the Company's executive management group. The executive management group holds monthly joint meetings to discuss the Group's performance and financial position, status in research and development projects, strategic issues and follow-up of the budget and forecasts.

Linda Andersson (b. 1976)
VP Production

Linda Andersson has a Master's degree in chemistry from Lund University and has been employed at Genovis since 2009. Linda has many years of experience of production processes, as well as development of analytical methods for quality assurance. She has previously worked in a global environment for GE Healthcare in the field of diagnostics in which contrast agents for MRIs and radiology were developed and tested in preclinical phase with a focus on oncology models. She has also worked for CRO companies such as Imagnia AB, where enzyme kinetics were studied using MRI/NMR, as well as Eijdo Research AB, where preclinical trials for MRI imaging were conducted.

- **Holdings in Genovis:** None

Jonathan Sjögren (b. 1985)
VP, Sales and Business Development

Jonathan Sjögren holds a Master's degree in bioengineering and a PhD from Lund University. Jonathan has been employed at Genovis in a variety of positions since 2014 and specializes in enzymes that modify antibodies. His PhD thesis focused on bacterial enzymes with applications in biopharmaceuticals and he has a large network in both academia and industry. Jonathan has developed global sales and marketing
strategies and he has also authored several scientific publications and patents.

- **Holdings in Genovis:** 7,140 shares

Susanne Ahlberg (b. 1957)
General Counsel

Susanne Ahlberg has a LL.M. from Lund University and has been employed at Genovis since 2007. Her previous experience includes both startups and mature companies. She has worked within corporate finance and in management positions at public listed companies within the life science and biotech industries. Susanne has extensive experience in every aspect of commercial law, as well as intellectual rights.

- **Board of Directors:** Board member of Genovis Inc. and GeccoDots AB.
- **Holdings in Genovis:** 14,475 shares

Proposed appropriation of profits

Genovis AB (publ.), corporate identity no. 556574-5345

Proposal for treatment of accumulated loss

The following funds are at the disposal of the Annual General Meeting:	SEK
Accumulated loss, SEK	(156,133,950)
Profit/loss for the year, SEK	(1,700,741)
Share premium reserve	167,495,403
Comprehensive income	**9,660,712**
Carry forward to new account	9,660,712

The Board of Directors proposes that no dividend be paid for financial year 2018. Regarding the financial performance and position in general of the Group and Parent Company, please refer to the following financial statements. The income statements and balance sheets will be presented to the Annual General Meeting on May 23, 2019.

STATEMENT OF COMPREHENSIVE INCOME

(SEK)	Note	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Net sales	2	34,567,980	22,867,266	27,252,667	18,181,680
Change in inventory, finished goods		2,529,055	1,317,195	2,529,055	1,317,195
Other operating income	3	80,781	23,039	80,781	0
Raw materials and consumables		(3,362,397)	(2,365,890)	(3,836,828)	(2,683,919)
Other external expenses	4,5,6	(13,577,278)	(14,630,682)	(10,425,198)	(10,336,616)
Personnel costs	7	(16,147,688)	(13,229,835)	(14,489,884)	(13,229,835)
Depreciation, amortization and impairment of plant, property, and equipment and intangible assets	8	(5,051,093)	(1,609,143)	(2,811,534)	(1,280,749)
Other operating expenses		0	(207,371)	0	(207,371)
Total operating expenses		**(38,138,456)**	**(32,042,921)**	**(31,563,444)**	**(27,738,490)**
Operating profit/loss		**(960,640)**	**(7,835,421)**	**(1,700,941)**	**(8,239,615)**
Profit/loss on financial investments					
Interest income		0	285	200	285
Interest expense		(639,837)	(90,930)	0	(497)
Profit/loss before tax		**(1,600,477)**	**(7,926,066)**	**(1,700,741)**	**(8,239,827)**
Tax on profit/loss for the year	9	(109,904)	(22,466)	0	0
PROFIT/LOSS FOR THE YEAR		**(1,710,381)**	**(7,948,532)**	**(1,700,741)**	**(8,239,827)**
Other comprehensive income					
Items that may be reclassified to profit or loss					
Translation of foreign subsidiary		150,177	(164,601)		
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,560,204)**	**(8,133,133)**	**(1,700,741)**	**(8,239,827)**
Total comprehensive income for the year attributable to Parent Company shareholders		(1,560,204)	(8,113,133)		
Earnings per share basic and diluted[1]	10	(0.03)	(0.14)		
Average number of shares		61,935,460	58,692,491		

[1]Earnings per share is calculated by dividing comprehensive income by the weighted average number of shares during the year. There is no dilution effect.

BALANCE SHEET

(SEK)	Note	Group 2018 Dec. 31	Group 2017 Dec. 31	Parent Company 2018 Dec. 31	Parent Company 2017 Dec. 31
ASSETS					
Noncurrent assets					
Intangible assets	11				
Patents and licenses		2,611,015	4,042,221	2,611,015	4,042,221
Total intangible assets		**2,611,015**	**4,042,221**	**2,611,015**	**4,042,221**
Property, plant and equipment	12				
Equipment, tools, fixtures, and fittings		6,349,797	3,021,947	1,290,359	841,708
Total property, plant and equipment		**6,349,797**	**3,021,947**	**1,290,359**	**841,708**
Noncurrent financial assets					
Participations in Group companies	13	0	0	100,009	100,009
Total noncurrent financial assets		**0**	**0**	**100,009**	**100,009**
Deferred tax assets	14	1,718,000	1,718,000	1,718,000	1,718,000
Total noncurrent assets		**10,678,812**	**8,782,168**	**5,719,383**	**6,701,938**
Current assets					
Inventories					
Finished goods		5,739,906	3,169,510	5,739,906	3,169,510
Total inventories		**5,739,906**	**3,169,510**	**5,739,906**	**3,169,510**
Current receivables					
Accounts receivable	15	5,932,882	4,089,893	2,514,610	1,443,202
Receivables from Group companies		0	0	2,460,623	2,240,115
Tax assets		4,831	20,581	4,831	0
Other receivables	16	586,667	574,747	586,569	556,909
Prepaid expenses and accrued income	17	5,302,859	4,750,887	5,355,359	4,833,387
Total current receivables		**11,827,239**	**9,436,108**	**10,921,992**	**9,073,613**
Cash and cash equivalents	18	9,581,321	4,917,690	8,596,804	4,031,762
Total current assets		**27,148,466**	**17,523,308**	**25,258,702**	**16,274,885**
TOTAL ASSETS		**37,827,278**	**26,305,476**	**30,978,085**	**22,976,823**

BALANCE SHEET

(SEK)	Note	Group 2018 Dec. 31	Group 2017 Dec. 31	Parent Company 2018 Dec. 31	Parent Company 2017 Dec. 31
EQUITY AND LIABILITIES					
Equity					
Share capital	19	15,775,000	15,073,541	15,775,000	15,073,541
Total restricted equity				**15,775,000**	**15,073,541**
Additional paid-in capital		166,674,391	157,930,935	0	0
Share premium reserve		0	0	167,495,403	158,751,947
Accumulated loss		(154,643,208)	(146,694,676)	(156,133,950)	(147,894,123)
Reserves		(24,423)	(174,600)	0	0
Profit/loss for the year		(1,710,381)	(7,948,532)	(1,700,741)	(8,239,827)
Total unrestricted equity				**9,660,712**	**2,617,997**
Total equity attributable to Parent Company shareholders		**26,071,379**	**18,186,668**	**25,435,712**	**17,691,538**
Noncurrent liabilities					
Liabilities to credit institutions	20	2,940,424	1,755,377	0	0
Total noncurrent liabilities		**2,940,424**	**1,755,377**	**0**	**0**
Current liabilities					
Accounts payable		1,307,643	1,332,477	1,307,643	1,332,477
Liabilities to credit institutions	20	2,231,001	351,528	0	0
Liabilities to Group companies		0	0	100,000	100,000
Other liabilities		654,530	461,247	482,874	220,074
Accrued expenses and deferred income	21	4,622,301	4,218,179	3,651,856	3,632,734
Total current liabilities		**8,815,475**	**6,363,431**	**5,542,373**	**5,285,285**
TOTAL EQUITY AND LIABILITIES		**37,827,278**	**26,305,476**	**30,978,085**	**22,976,823**

STATEMENT OF CASH FLOWS

(SEK)	Note	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Operating activities					
Operating profit/loss		(958,887)	(7,937,646)	(1,700,941)	(8,239,616)
Adjustment for items not affecting cash flow	22	5,051,093	1,280,749	2,811,534	1,280,749
Change in working capital	23	(4,701,964)	(1,697,978)	(4,161,686)	(53,372)
Interest received		0	285	200	286
Interest paid		(639,837)	(497)	0	(497)
Cash flow from operating activities		**(1,249,595)**	**(8,355,087)**	**(3,050,893)**	**(7,012,450)**
Investing activities					
Acquisition patent		(891,823)	(1,307,538)	(891,823)	(1,307,539)
Acquisition of property, plant and equipment		(937,156)	(455,677)	(937,156)	(455,677)
Cash flow from investing activities		**(1,828,979)**	**(1,763,215)**	**(1,828,979)**	**(1,763,216)**
Financing activities					
Rights issue for the year	24	9,444,915	10,754,695	9,444,915	10,754,695
Amortization of loans	25	(1,702,710)	0	0	0
Cash flow from financing activities		**7,742,205**	**10,754,695**	**9,444,915**	**10,754,695**
Total cash flow after financing activities		**4,663,631**	**636,393**	**4,565,043**	**1,979,029**
Cash and cash equivalents, Jan. 1		4,917,690	4,281,297	4,031,761	2,052,732
Exchange rate difference in cash and cash equivalents					
Cash and cash equivalents, Dec. 31	18	**9,581,321**	**4,917,690**	**8,596,804**	**4,031,761**

CHANGES IN EQUITY

GROUP

(SEK)	Share capital	Additional paid-in capital	Accumu-lated loss	Other compre-hensive income	Profit/loss for the year	Total equity
Opening balance as of January 1, 2017	13,823,541	120,880,007	(104,117,432)	(9,999)	(15,031,013)	15,545,104
Appropriation of profits as resolved by AGM			(15,031,013)		15,031,013	0
Reclassification of issuances 2015 & 2016		27,546,231	(27,546,231)			0
Rights issue	1,250,000	10,250,000				11,500,000
Issue costs		(745,303)				(745,303)
Total comprehensive income for the year				(164,601)	(7,948,532)	(8,113,133)
Closing balance as of December 31, 2017	**15,073,541**	**157,930,935**	**(146,694,676)**	**(174,600)**	**(7,948,532)**	**18,186,668**
Appropriation of profits as resolved by AGM			(7,948,532)		7,948,532	0
Rights issue	701,459	9,399,557				10,101,016
Issue costs		(656,101)				(656,101)
Total comprehensive income for the year				150,177	(1,710,381)	(1,560,204)
Closing balance as of December 31, 2018	**15,775,000**	**166,674,391**	**(154,643,208)**	**(24,423)**	**(1,710,381)**	**26,071,379**

PARENT COMPANY

(SEK)	Share capital	Statutory reserves	Share premium reserve	Accumulated loss	Profit/loss for the year	Total equity
Opening balance as of January 1, 2017	13,823,541	0	149,247,252	(132,584,771)	(15,309,352)	15,176,670
Appropriation of profit/loss as resolved by AGM				(15,309,352)	15,309,352	0
Rights issue	1,250,000		10,250,000			11,500,000
Issue costs			(745,305)			(745,305)
Total comprehensive income for the year					(8,239,827)	(8,239,827)
Closing balance as of December 31, 2017	**15,073,541**	**0**	**158,751,947**	**(147,894,123)**	**(8,239,827)**	**17,691,538**
Appropriation of profit/loss as resolved by AGM				(8,239,827)	8,239,827	0
Rights issue	701,459		9,399,557			10,101,016
Issue costs			(656,101)			(656,101)
Total comprehensive income for the year					(1,700,741)	(1,700,741)
Closing balance as of December 31, 2018	**15,775,000**	**0**	**167,495,403**	**(156,133,950)**	**(1,700,741)**	**25,435,712**

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. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary Accounting Rules for Groups" has 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 losses") an impairment loss is recognized.

IFRS 15 – Revenue recognition

IFRS 15 governs the recognition of revenue. The principles on which IFRS 15 is based will provide users of financial statements with more useful information about the company's revenue. Under this increased disclosure requirement, information must be provided on the revenue's nature, timing and uncertainty in connection with revenue recognition, as well as cash flows arising from customers with contracts. According to IFRS 15 revenue should be recognized when the customer assumes control of the sold goods or service and is able to use or benefit from the goods or service.
IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction contracts and related SICs and IFRICs. IFRS 15 entered into force on January 1, 2018. Implementation of IFRS 15 has not affected how the Group recognizes revenue, for which reason a conversion factor is not necessary.

IFRS 9 - Financial Instruments

Since January 1, 2018 the Group has applied IFRS 9 Financial Instruments, which replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard contains new principles for classification and measurement of financial assets. Measurement is based partly on the company's "business model" (purpose of holding the asset), and partly on the "contractual cash flows" of the instrument. The Group has evaluated the effects of the introduction of IFRS 9 and found that there are no significant differences between the new standard and the Group's previous principles for either classification and measurement of financial instruments, or impairment of doubtful accounts receivable. On each balance sheet date, the company will assess the credit risk for accounts receivable and calculate a loss reserve.

IFRS 16 – Leases

Genovis has chosen to apply IFRS 16 commencing on January 1, 2018. IFRS 16 replaces the IFRS standards that have regulated recognition of leases – specifically IAS 17, IFRIC 4, SIC-15 and SIC-27.

Many of the judgments required under IFRS 16 were already required previously under IAS 17 for financial leases. The challenge of IFRS 16 is that a much greater variety of contracts are covered by these judgements and estimates, including leases that are capitalized as assets and liabilities in the balance sheet, with the effect that the cost in the income statement is allocated to depreciation of operating income and interest expense in net financial items. The Company has applied the simplified approach for the transition.

No other IFRSs or IFRS Interpretations Committee (IFRIC) interpretations that have not yet gone into effect are expected to have any significant impact on the Group.

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 and intangible assets. The Parent Company has a deferred tax asset amounting to SEK 1,718 (1,718) thousand at the end of the period, corresponding to a loss carryforward of SEK 7,809 thousand. Valuation of loss carryforwards and the Company's ability to utilize unused tax losses is based on the assumption that taxable profit will be generated by the company in the foreseeable future. The valuation of intangible assets is reviewed at least annually or more frequently if there are indications that an impairment may have occurred.

Consolidated cash and cash equivalents at year-end amounted to SEK 9,581 (4,918) thousand. Taking expected revenue into account, the Board believes that the existing working capital is sufficient to run the Company over the next twelve months. Should the conditions change, measures to raise additional capital may be considered. With shareholder approval, Genovis can issue new shares, buy back shares, or increase/decrease loans. The capital structure is regularly revised. On December 31, 2018 consolidated shareholders' equity was SEK 26,071 (18,187) thousand and Genovis AB's shareholders' equity was SEK 25,436 (17,692) thousand.

CONSOLIDATED ACCOUNTS

Genovis' consolidated accounts comprise the parent Genovis AB and the subsidiaries GeccoDots AB and Genovis Inc. 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 accounted for using 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 subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

FOREIGN CURRENCIES

Functional currency

The functional currency is the currency of the primary economic environments in which the companies operate. The Parent Company's functional currency is SEK, as is the reporting currency for the Parent Company and the Group.

Foreign currency translation

Transactions denominated in foreign currencies

Transactions denominated in foreign currency are translated to the functional currency at the exchange rates prevailing at the transaction date. Monetary assets and liabilities in foreign currency are converted to the functional currency using the exchange rate prevailing at the end of the reporting period. Exchange rate differences arising on translation are recognized in profit or loss for the year. Exchange gains and losses on operating receivables and liabilities are included in operating profit or loss, while exchange differences on financial receivables and liabilities are recognized among financial items.

Translation of foreign operations

The assets and liabilities of foreign operations are translated from the foreign operation's functional currency to the Group's reporting currency, SEK, at foreign exchange rates prevailing at the balance sheet date. Revenues and expenses of foreign operations are translated to SEK at the average rate prevailing at each of the transaction dates. Translation differences arising in the translation of foreign operations are recognized in other comprehensive income.

INVENTORIES

Inventory is valued, applying the first in, first out (FiFO) principle, at the lower of cost or net realizable value. Production date has also been taken into account. Cost includes material, labor and other manufacturing costs.

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.

NOTE 2 NET SALES

Sales are based on a measure called net sales, which excludes revenues that are not attributable to sales of products and services. Senior management considers the business from a product perspective where operations only comprise one operating segment* that is used to make strategic decisions. The segment comprises unique enzymes that facilitate development and quality control of biopharmaceuticals, as well as one product for specific antibody labeling. Reference is made to the financial statements concerning primary segment reporting. 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 since the services Genovis provides involve a very short period of time. Sales are carried net of VAT.

The information presented relating to revenues, assets and investments refers solely to the specified geographic area.

Revenue	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Sweden	331,860	360,274	331,860	360,274
Other countries	34,236,120	22,506,992	26,920,807	17,821,406
Total	**34,567,780**	**22,867,266**	**27,252,667**	**18,181,680**
Assets				
Sweden	8,960,812	7,064,168	3,901,374	4,883,929
Total	**8,960,812**	**7,064,168**	**3,901,374**	**4,883,929**
Investments				
Sweden	1,828,979	1,763,216	1,828,979	1,763,216
Total	**1,828,979**	**1,763,216**	**1,828,979**	**1,763,216**

**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.*

NOTE 3 OTHER REVENUE

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Exchange gains	80,781	0	80,781	0
Other	0	23,039	0	0
Total	**80,781**	**23,039**	**80,781**	**0**

NOTE 4 RELATED PARTY TRANSACTIONS

Genovis' board member and principal owner Mikael Lönn, who holds a 19.80 percent stake in Genovis, owns 12.24 percent of the shares in Redeye AB, for which Mikael Lönn is also a board member. During the year Genovis purchased issuance advisory and analysis services from Redeye AB for a total of SEK 1,061 thousand. Chairman of the board Mårten Winge provided consultancy services during the full year for a total of SEK 80 thousand. All related party transactions took place on market terms.

NOTE 5 AUDITORS' FEES

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 2018	Group 2017	Parent Company 2018	Parent Company 2017
PwC				
Auditing assignments	255,000	171,000	255,000	171,000
Other services	60,000	49,250	60,000	49,250
Total	**315,000**	**220,250**	**315,000**	**220,250**

NOTE 6 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. The Group has no financial leasing contracts.

Rent for premises pertains to the premises of the Parent Company and the subsidiary, Genovis Inc. The Parent Company's lease expires on September 30, 2020 and is automatically renewed one year at a time, unless notice to terminate the lease is given not later than nine months prior to the lease expiration date. Genovis Inc. has a lease that runs until March 31, 2020.

Cost for the year	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Car leases	0	0	97,796	89,551
Rent for premises	0	2,020,438	2,149,772	1,986,397
Total	**0**	**2,020,438**	**2,247,568**	**2,075,948**

Future payment commitments, nominal value	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Car leases				
Within 1 year	64,314	0	64,314	62,376
Between 1 and 5 years	48,236	0	48,236	114,356
Leases for instruments				
Within 1 year	474,648	0	474,648	0
Between 1 and 5 years	1,028,404	0	1,028,404	0
Rent for premises				
Within 1 year	2,096,592	2,012,792	2,061,716	1,980,028
Between 1 and 5 years	1,155,006	40,980	1,546,287	0
Total	**5,267,200**	**2,053,772**	**5,223,605**	**2,156,760**

NOTE 7 PERSONNEL

The CEO has a defined-contribution pension that is 30 percent. Other employees of the Parent Company are covered by a pension plan. The pension plan is administered by Collectum or individual choice, 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 are recognized as an expense in the income statement as incurred.

Average number of employees	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Total	18	16	17	16
Women	11	11	11	11
Salaries and remuneration				
Board and CEO	1,804,799	1,524,194	1,804,799	1,524,194
Other employees	9,569,953	7,477,904	7,912,149	7,477,904
Total salaries	**11,374,752**	**9,002,098**	**9,716,948**	**9,002,098**
Social security expenses	2,669,006	2,458,341	2,669,006	2,458,341
Pension costs CEO	327,297	206,388	327,297	206,388
Pension costs, other employees	1,004,760	933,494	1,004,760	933,494
Total social security charges and pension costs	**4,001,063**	**3,598,223**	**4,001,063**	**3,598,223**
Other personnel costs	771,873	612,487	771,873	612,487
Total	**16,147,688**	**13,212,808**	**14,489,884**	**13,212,808**

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

	Basic salary/ Board fees	Consultant fee	Benefits	Pension costs	Social security contributions	Total
Mårten Winge, Chairman	200,000	80,000		0	62,840	342,840
Mikael Lönn	100,000			0	16,360	116,360
Kenth Petersson	100,000			0	31,420	131,420
Lena Mårtensson	100,000			0	31,420	131,420
Peter Hein	100,000			0	31,420	131,420
Lena Söderström	100,000			0	31,420	131,420
Fredrik Olsson, CEO	1,104,799		51,396	327,297	442,679	1,926,171
Total	**1,804,799**	**80,000**	**51,396**	**327,297**	**647,559**	**2,911,051**

In 2018 the Board was composed of 4 men and 2 women. In 2017 the Board was composed of 4 men and 1 woman. Group Management consists only of the Chief Executive Officer, a man.

REMUNERATION GUIDELINES FOR SENIOR EXECUTIVES AS RESOLVED AT THE 2018 ANNUAL GENERAL MEETING

Fixed remuneration policy

The fixed remuneration to the management and the Chief Executive Officer should be competitive and based on the individual area of responsibility and performance.

Policy for variable remuneration

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 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.

Conditions for non-monetary benefits, pensions, termination, and severance pay

Pensions

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

Termination and severance pay

For the CEO and senior executives the notice period is 6 months for the Company and 6 months for the individual. In addition the CEO is entitled to a maximum of 12 months of severance pay including benefits.

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

NOTE 8 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Amortization patent, brands and licenses	(311,015)	(703,276)	(311,015)	(703,276)
Amortization equipment, tools, fixtures and fittings	(2,728,064)	(905,867)	(488,505)	(577,473)
Impairment patents, brands and licenses	(2,012,014)	0	(2,012,014)	0
Total	**(5,051,093)**	**(1,609,143)**	**(2,811,534)**	**(1,280,749)**

NOTE 9 INCOME TAX

All tax deemed payable on reported earnings, adjustment of previous years' tax and deferred tax is reported in the income statement. 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 in the Parent Company. The tax recognized in the consolidated statement relates to the subsidiary in the US. The deferred tax asset in the Parent Company as of Dec. 31, 2018, is SEK 1,718 (1,718) thousand, corresponding to a loss carryforward of SEK 8,028 thousand. The carryforward of unused tax losses has no time limit. The Parent Company's unutilized loss carryforward as of Dec. 31, 2018 amounts to SEK 170,986 (169,319) thousand. Deferred tax assets are recognized in the balance sheet only to the portion of value that can probably be utilized in the foreseeable future, against which the temporary differences can be utilized.

Tax on reported loss is attributable to taxes on subsidiaries.

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Reported loss before tax	(1,600,477)	(7,926,066)	(1,700,741)	(8,239,827)
Tax at nominal tax rate	(352,105)	(1,743,735)	(374,163)	(1,812,762)
Tax effect from non-deductible items	13,660	8,727	13,660	8,727
Tax effect of tax assets that are not assigned a value	228,540	1,712,541	360,503	1,804,035
Tax on reported earnings	**(109,904)**	**(22,467)**	**0**	**0**

NOTE 10 EARNINGS PER SHARE

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

	Group 2018	Group 2017
Profit/loss for the year, SEK	(1,560,204)	(8,113,133)
Weighted average number of outstanding shares	61,935,460	58,692,491
Number of shares at year-end	63,100,000	60,294,162
Basic earnings per share, SEK	**(0.03)**	**(0.14)**

NOTE 11 – INTANGIBLE ASSETS

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 has commercialized, i.e., launched as a new product or application. An amortization period of 10 years for patents is justified because most of them have at least this duration with the option for extension.

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.

Patents and licenses	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Opening cost	8,107,100	6,799,561	8,107,100	6,799,561
Acquisition/capitalization	891,823	1,307,539	891,823	1,307,539
Closing cost	**8,998,923**	**8,107,100**	**8,998,923**	**8,107,100**
Opening accumulated depreciation	(4,064,879)	(3,361,603)	(4,064,879)	(3,361,603)
Depreciation/amortization for the year	(311,015)	(703,276)	(311,015)	(703,276)
Closing accumulated depreciation	**(4,375,894)**	**(4,064,879)**	**(4,375,894)**	**(4,064,879)**
Impairment for the year	(2,012,014)	0	(2,012,014)	0
Closing accumulated impairment	**(2,012,014)**	**0**	**(2,012,014)**	**0**
Carrying amount	**2,611,015**	**4,042,221**	**2,611,015**	**4,042,221**

NOTE 12 TANGIBLE NON-CURRENT ASSETS AND FINANCIAL LEASES

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

Of depreciation and amortization for the year, SEK 2,239,559 (328,394) relate to leases. The cost is SEK 7,575,545. Opening depreciation/amortization is SEK 276,548, for which reason the carrying amount at the end of the period is SEK 5,059,438.

Equipment, tools, fixtures and fittings, rental contracts etc.	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Opening cost	9,291,528	6,706,453	6,723,622	6,267,945
Purchases	6,055,914	2,912,464	937,156	455,677
Disposals	0	(327,389)	0	0
Closing cost	**15,347,442**	**9,291,528**	**7,660,778**	**6,723,622**
Opening accumulated depreciation	(6,269,581)	(5,622,946)	(5,881,914)	(5,304,441)
Depreciation on disposals	0	259,232	0	0
Depreciation/amortization for the year	(2,728,064)	(905,867)	(488,505)	(577,473)
Closing accumulated depreciation	**(8,997,645)**	**(6,269,581)**	**(6,370,419)**	**(5,881,914)**
Carrying amount	**6,349,797**	**3,021,947**	**1,290,359**	**841,708**

NOTE 13 – PARTICIPATIONS IN GROUP COMPANIES

	Parent Company 2018	Parent Company 2017
Opening cost of acquisition	22,477,863	22,477,863
Closing cost	**22,477,863**	**22,477,863**
Opening accumulated impairment	(22,377,854)	(22,377,854)
Closing accumulated impairment losses	**(22,377,854)**	**(22,377,854)**
Carrying amount	**100,009**	**100,009**

Name	Registered office	Company reg. no.	Share-holding	Number of shares	Carrying amount
Genovis Inc.	Delaware, USA		100%	1,000	9
GeccoDots 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 1,718 (1,718) thousand, equivalent to a loss carryforward of about SEK 8 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 consolidated total tax loss amounts to SEK 171 million.

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Tax loss carryforwards in Sweden	1,718,000	1,718,000	1,718,000	1,718,000
Total	**1,718,000**	**1,718,000**	**1,718,000**	**1,718,000**

NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS IN THE GROUP

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 and are recognized in accordance with the trade date principle. 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 noncurrent assets. Accounts receivable are recognized initially at fair value and in subsequent periods measured at amortized cost. 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.
Operating liabilities are recognized at cost. 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.

	Carrying amount	Fair value
Financial assets		
Accounts receivable	5,932,882	5,932,882
Cash and cash equivalents	9,581,321	9,581,321
Financial liabilities		
Noncurrent liabilities to credit institutions	2,940,424	2,940,424
Accounts payable	1,307,643	1,307,643

Accounts receivable are entered at the amounts by which they are expected to be paid, after individual assessment As of December 31, 2018, accounts receivables of SEK 2,222,997 were past due. No need for impairment was considered to be present since the overdue receivables relate to a number of customers who have not previously had any difficulties paying.

Below is an age analysis of these trade receivables:

	2018
Less than 3 months	1,818,229
3 to 6 months	235,329
> 6 months	169,439
Total overdue	**2,222,997**

NOTE 16 OTHER RECEIVABLES

Balance, December 31	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Recoverable VAT	583,312	444,341	583,312	444,341
Tax assets	4,831	0	4,831	0
Other	3,355	150,987	3,257	112,568
Total	**591,498**	**595,328**	**591,400**	**556,909**

NOTE 17 PREPAID EXPENSES AND ACCRUED INCOME

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Royalties	150,000	0	150,000	0
Trade shows/conferences	106,218	79,404	106,218	79,404
License fee sales support system	381,520	175,770	381,520	175,770
Insurance	453,582	313,505	453,673	313,505
Rent	515,429	538,012	515,429	538,012
Insurance reimbursement	3,457,000	3,457,000	3,457,000	3,457,000
Other items	239,110	187,196	291,519	269,696
Total	**5,302,859**	**4,750,887**	**5,355,359**	**4,833,387**

NOTE 18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents on the balance sheet and the statement of cash flows consist of cash in banks.

Balance, December 31	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Bank deposits	9,581,321	4,917,690	8,596,804	4,031,762
Total	**9,581,321**	**4,917,690**	**8,596,804**	**4,031,762**

NOTE 19 SHARES

All shares are issued and fully paid.

Number of shares	Par value	Shares
As of December 31, 2017	0.25	60,294,162
Rights issue registered May 30, 2018	0.25	2,805,838
As of December 31, 2018	**0.25**	**63,100,000**

NOTE 20 LIABILITIES TO CREDIT INSTITUTIONS

Interest-bearing liabilities relate in their entirety to the present value of estimated future lease payments.

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Noncurrent interest-bearing liabilities				
Maturity between 1 and 5 years	2,940,424	1,755,377	0	0
Total	**2,940,424**	**1,755,377**	**0**	**0**
Current interest-bearing liabilities				
Maturity within 1 year	2,231,001	351,528	0	0
Total	**2,231,001**	**351,528**	**0**	**0**
Other current liabilities				
Maturity within 1 year	1,962,173	1,793,724	1,790,517	1,552,551
Total	**1,962,173**	**1,793,724**	**1,790,517**	**1,552,551**

NOTE 21 – ACCRUED EXPENSES AND DEFERRED INCOME

Royalties relate in part to the acquisition of patent rights for GlycINATOR (EndoS49) and FabALACTICA (IgdE). The patent gives the inventors the right to royalties on Genovis' patent-related sales during the term of the patent. In part royalties for SiteClick™; Genovis has a license for SiteClick™ from Life Technologies Corporation. The SiteClick™ brand belongs to Life Technologies Corporation. The consultant fee is attributable to Genovis Inc.

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Accrued payroll-related expenses	2,579,761	2,337,189	2,430,259	2,337,189
Royalties	217,033	129,687	217,033	129,687
Consultant fee	776,237	0	0	0
Board fees	459,970	591,390	459,970	591,390
Prepaid license revenue	0	337,924		337,924
Other items	248,778	821,989	204,072	236,544
Total	**4,281,779**	**4,218,179**	**3,311,334**	**3,632,734**

NOTE 22 ITEMS NOT AFFECTING CASH FLOW

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Depreciation/Amortization	5,051,093	1,280,749	2,811,534	1,280,749
Total	**5,051,093**	**1,280,749**	**2,811,534**	**1,280,749**

NOTE 23 CHANGE IN WORKING CAPITAL

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Inventories	(2,570,396)	(1,666,148)	(2,570,396)	(1,666,148)
Accounts receivable and other receivables	(2,242,708)	139,221	(1,848,379)	1,990,975
Accounts payable and other payables	111,140	(171,051)	257,088	(378,199)
Total	**(4,701,964)**	**(1,697,978)**	**(4,161,687)**	**(53,372)**

NOTE 24 RIGHTS ISSUE FOR THE YEAR

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Issue proceeds	10,101,016	11,500,000	10,101,016	11,500,000
Set-off	0	0	0	0
Issue costs	(656,101)	(745,305)	(656,101)	(745,305)
Total	**9,444,915**	**10,754,695**	**9,444,915**	**(733,805)**

NOTE 25 change financial liability FOR THE YEAR

	Group 2018	Group 2017
Recognized financial liabilities	6,874,135	0
UB financial liabilities	5,171,425	0
Change in financial liability for the year	**1,702,710**	**0**

NOTE 26 POST-BALANCE SHEET EVENTS

Genovis signed a collaboration agreement with Thermo Fisher Scientific to jointly develop new methods for characterizing new and complex biopharmaceuticals. The collaborative effort entails combining specific enzymes for test treatment purposes from Genovis with the leading LC-MS technology from Thermo Fisher in order to develop robust and automatic work flows.

NOTE 27 RISK FACTORS

A number of factors beyond the control of the Company may affect its profits and financial position. 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 risk is present 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. Senior 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 an early 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 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 production-related risks by expanding its own production.

Key personnel
Genovis' operation depends on a few key individuals. Its future development depends largely 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 unsuccessful marketing by these distributors, Genovis avoids signing agreements for exclusive sales as far as is possible, which always allows the opportunity to increase its presence when required.

FINANCIAL RISKS
Forecast uncertainty
Although the Life Science field is relatively independent of business cycles, periods of uncertainty can influence our customers' appetite to invest in new technology. Deviations from forecast customer orders and cash flow forecasts could negatively affect the Group's earnings, liquidity, and continued operations. With all development projects proceeding according to plan, Genovis is positioned to make additional advances with respect to both new products and sales.

Currency risk

The majority of the Group's expenses are denominated in SEK. The Group's revenue, however, is largely dependent on other currencies, primarily the USD and the EUR. The calculation below is an assumption of the impact of a 5 percent change in the exchange rate on sales, which the Company experienced in 2018.

Currency Estimated exchange rate, 2018	Net volume 2018, SEK thousand	Impact on earnings/ equity in SEK thousand of a 5% currency fluctuation
USD: 9.16	18,744	+/- 937
EUR: 10.26	14,656	+/- 733

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. Consolidated cash and cash equivalents including short-term investments at the end of the twelve-month period amounted to SEK 9,581 (4,918) thousand. Taking expected revenue into account, the Board believes that the existing working capital is sufficient to run the Company over the next twelve months. Should the conditions change, measures to raise additional capital may be considered. Interest-bearing liabilities to credit institutions are shown below.

Interest-bearing liabilities, SEK thousand	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Noncurrent interest-bearing liabilities				
Maturity date up to 1 year from the balance sheet date.	2,231	351	-	-
Maturity date between 1 and 5 years from the balance sheet date	2,940	1,755	-	-

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 2019, the Company will focus on maintaining a desirable low level of tied up capital.

NOTE 28 APPROPRIATION OF PROFITS

The Board of Directors and CEO propose that unrestricted equity be treated as follows:	SEK
Accumulated loss, SEK	(156,133,950)
Profit/loss for the year, SEK	(1,700,741)
Share premium reserve	167,495,403
Comprehensive income	**9,660,712**

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 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, position and results of operations and describes 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 9, 2019. 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 on May 23, 2019.

Lund April 9, 2019

Mårten Winge
Chairman of the Board

Mikael Lönn

Lena Söderström

Kenth Petersson

Lena Mårtensson Wernrud

Peter Hein

Fredrik Olsson
Chief Executive Officer

AUDITOR'S SIGNATURE

Our Audit Report was submitted on April 15, 2019

Öhrlings PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized public accountant
Principal auditor

Neda Feher
Authorized public accountant

Auditors' report

To the Annual Meeting of Shareholders of Genovis AB, company reg. no. 556574-5345

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Genovis AB for 2018. The annual accounts and consolidated accounts of the company are included in this document on pages 24-61.

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 December 31, 2018 and of its financial performance and its cash flow 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 2018 and of their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), 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.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Information other than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and the consolidated financial accounts and can be found on pages 24-61. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion regarding the annual accounts and consolidated accounts does not cover this information, and we make no statement of assurance regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed on this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for the assessment of the ability of the Company and the Group to continue as a going concern. They disclose, as applicable, matters related to the ability to continue as a going concern and using the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, cease operations or have no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to submit an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or mistake, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden (Inspectorate of Auditors) website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Genovis AB for 2018 and the proposed appropriations of the Company's profit or loss.

We recommend to the general 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 Chief Executive Officer be discharged from liability for the financial year.

Basis for opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Chief Executive Officer
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes, among other things, continuous assessment of the Company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Revisorsnämnden (Inspectorate of Auditors) website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Malmö April 15, 2019
Öhrlings PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized
public accountant
Principal auditor

Neda Feher
Authorized
public accountant

Genovis AB Scheelevägen 2, Box 790, 220 07 Lund • +46 (0)46-10 12 30 • genovis.com