Press release February 24, 2011

Full Year Report for Kancera AB (publ)

April 28 – December 31, 2010

This Full Year Report relates to Kancera's first financial year, covering the period April 28 – December 31, 2010. There are thus no historical comparison figures. Kancera's conditional acquisition of iNovacia AB took place early in 2011 and is therefore not included in the financial statements.

Full year period April 28 – December 31, 2010 and fourth quarter 2010 in brief

- The company was formed in April 2010, acquiring two cancer projects on its formation
- Net sales totaled SEK 0 for the quarter and SEK 0 for the full year
- R&D expenses totaled SEK 3.7m for the quarter and SEK 4.8m for the full year
- The operating income was SEK -5.6m for the quarter and SEK -7.2m for the full year
- The income after net financial items was SEK -5.6m for the quarter and SEK -7.1m for the full year
- Earnings per share were SEK -0.60 for the quarter and earnings per share for the full year were SEK -0.96
- Equity totaled SEK 11.1m, or SEK 1.15 per share, at the end of December 2010 and the equity/assets ratio on the reporting date was 79 percent
- Cash flow from operating activities totaled SEK -4.3m for the quarter and SEK -5.6m for the full year
- Cash and cash equivalents totaled SEK 6.6m at December 31, 2010
- New share issues during the period injected SEK 13.8m after issue expenses

Significant events in the fourth quarter

- Kancera implemented directed new share issues to finance the company's start-up phase and preparations for listing on NASDAQ OMX First North; these injected SEK 11.8m into the company after issue expenses
- Kancera's ROR-1 project for a leukemia drug identified active ingredients that demonstrate significantly better targeting of cancer cells than the cytostatic drugs that are currently used
- Kancera acquired a conditional call option to acquire iNovacia AB, which was then extended
- Kancera began the process of implementing a new public share issue and listing of its shares on Nasdaq OMX First North

Significant events after the end of the reporting period

- Kancera's new public share issue was completed and injected SEK 22.2m into the company after issue expenses
- Kancera exercised its option to acquire iNovacia AB
- Before Kancera acquired iNovacia, iNovacia sold its shareholding in Kancera for SEK 6m (SEK 7 per share); the sale related to existing shares and results in no dilution, but injects liquidity into the company
- The Group's cash and cash equivalents – taking into account Kancera's new public share issue, the acquisition of iNovacia and iNovacia's sale of its shareholding – totaled approximately SEK 35m after issue expenses as at February 23, 2011
- NASDAQ OMX First North approved Kancera's listing on First North; the first day of trading is February 25, 2011

Statement from the CEO

The foundations have now been laid for Kancera – a new Swedish biotechnology company focusing on the development of drug candidates that could provide new ways of arresting or curing cancer. The acquisition of iNovacia will now allow us to increase the pace of our development of new drugs.

Kancera's new public share issue ahead of its listing on First North was oversubscribed, which allowed iNovacia to dispose of its shareholding in Kancera on the same terms as in the new public share issue. Kancera thus has cash and cash equivalents of approximately SEK 35m after issue expenses as at February 23, 2011, which we believe could enable Kancera to reach a significant milestone in one of our projects. Trading in Kancera shares starts on First North on February 25, 2011.

The importance of new approaches within cancer research derives from the fact that a high proportion of cancer patients do not respond to the initial medical treatment given and the fact that, after cardiovascular disease, cancer is the most common cause of death in the industrialized world. On February 1, 2011 the Royal Swedish Academy of Engineering Sciences (IVA) held a seminar entitled "Cancer – problem areas in drug development", which highlighted the significant medical needs and new initiatives required in order for the future development of cancer-fighting drugs to be successful.

The seminar's conclusions noted a number of significant trends and needs, including the following:

- drugs will often be developed for individualized cancer treatment in order to get better results
- new drugs should target functions in the cancer that are vital for its survival
- there is a lack of reliable models and markers to guide both R&D and the treatment of patients

In 2011 Kancera will take new steps towards developing drug candidates that target cancer's ability to survive. In parallel, markers are being developed which aim to identify those patients who will benefit from the future treatment, which in turn allows individualized treatment of cancer. New models are being developed to evaluate drug candidates – both our own and those developed by others – with a view to more accurate targeting of cancer. Our investment in both cancer and stem cell biology make us an commited partner in this important long-term work.

We welcome our existing and new shareholders to this new financial year with its significant deliverables in the company's drug projects.

Thomas Olin
CEO of Kancera

About Kancera AB (publ)
Kancera develops the basis for new therapeutics, starting with new treatment concepts and ending with a drug candidate. Kancera is currently running two projects, one to develop a treatment for leukemia and one project targeting cancer's ability to generate energy in order to survive. Kancera also develops cancer models that allow the effect of the candidates to be studied before clinical trials are started. These models and techniques will be offered to third parties in order to further strengthen relations with the established industry and create future cost coverage for our own project development. Kancera's operations are run at Pharmacia's former premises at Kungsholmen in Stockholm. Kancera expects to employ around 20 people in 2011.

Kancera's history
In 2006, Pharmacia's and Biovitrum's unit for the development of drug candidates was hived off to create iNovacia AB. iNovacia AB has since then delivered more than thirty projects, commissioned by pharmaceutical companies both in Europe and the United States. In 2008 a partnership was started with the Karolinska Institute's cancer research centre (CCK); later, a partnership was also initiated with SprinBioscience AB, which focuses on fragment-based pharmaceutical development. In May 2010 Kancera AB was formed by iNovacia, Sprint Bioscience, expertise from the Karolinska Institute and a group of private investors through capital contributions and the contribution-in-kind of two cancer drug projects that had been developed individually and jointly since 2003 and 2007 respectively.

Financial development in brief

	1 October – December 31		April 28 – December 31	
SEK 000´s (if otherwise not specified)	2010	2009	2010	2009
Net sales	-	–	-	–
R&D expenses	–3.654	–	–4.763	–
Operating income	–5.628	–	–7.168	–
Income after financial items	–5.607	–	–7.147	–
Income after taxation	–5.607	–	–7.147	–
Cash-flow from operating activities	–4.288	–	–5.644	–
Earnings per share	–0.60	–	–0.96	–
	2010–09–30	2010–06–30	2010–04–28	2010–12–31
Cash and cash equivalents on the reporting date	3 494	1 613	50	6572
Solvency ratio	97%	93%	100%	79%

*The company´s operations started in April 28 2010. There are thus no historical comparison figures.

Key ratio*	1 oktober – December 31		April 28 – December 31	
	2010	2009	2010	2009
Return on equity, %	Neg.	–	Neg.	–
Return on capital employed, %	Neg.	–	Neg.	–
Solvency ratio , %	79	–	79	–
Net investments in tangible assets in % of net sales	0	–	0	–
Number of people employed at the end of the period	1	–	1	–
Earnings per share before dilution, kr	–0.60	–	–0.96	–
Earnings per share after dilution , kr	–0.60	–	–0.96	–
Equity per share, kr	1,15	–	1,15	–
Cash flow per share, kr	0,73	–	1,24	–

*For definitions please see note 5, Financial definitions

Sales
Kancera is purely a research and development company and has no revenue to report during the period. Following the acquisition of iNovacia AB in February 2011 Kancera's future revenue will come partly from sales of drug candidates and partly from payments for contract research. In 2010 the company's operations were financed mainly from equity capital.

R&D activities
Research and development expenses for the fourth quarter totaled SEK 3.7m. Research and development expenses for 2010 totaled SEK 4.8m.

Earnings
The result for the fourth quarter was a loss of SEK 5.6m, of which research and development expenses totaled SEK 3.7m and non-recurring costs related to building up the company and administration totaled SEK 1.9m. Issue expenses totaled SEK 2.1m. The result for 2010 was a loss of SEK 7.1m, of which research and development expenses accounted for SEK 4.8m.

Pharmaceutical Development segment

	1 oktober – December 31		April 28 – December 31	
SEK 000´s (if otherwise not specified)	2010	2009	2010	2009
Net sales	0	–	0	–
R&D expenses	–3.654		–4.763	–
Operating income	–3.654	–	–4.763	–

Kancera develops cancer drugs, starting with a new treatment concept and ending with a patent-pending drug candidate that is offered for sale.

Earnings
Research and development expenses of SEK 3.7m, which included patent expenses and the cost of ingredients, were charged to the result for the fourth quarter.

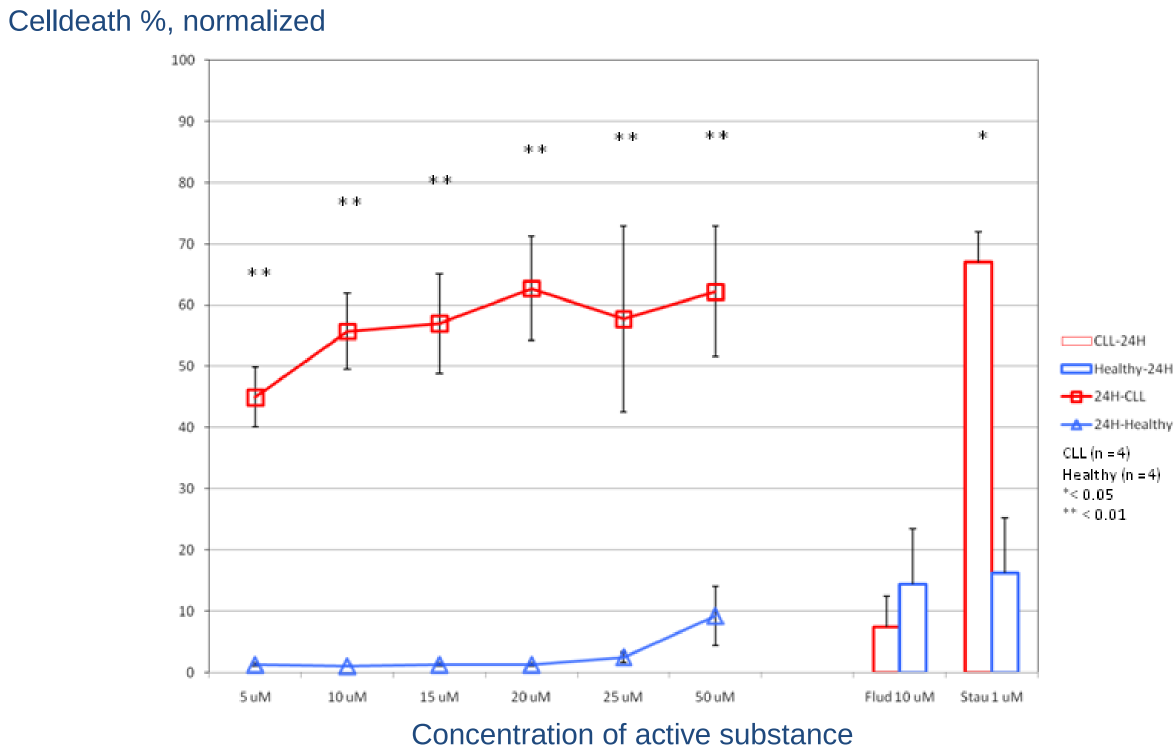
Research and development expenses of SEK 4.8m, which included patent expenses and the cost of ingredients, were charged to the result for 2010 (April 28 – December 31). In 2011 research and development expenses are expected to total SEK 17m-20m.

Events during the period

ROR project – a candidate for the treatment of chronic leukemia

Kancera acquired the ROR project in May 2010. The aim of the project is to develop the first targeted drug to treat the most common form of chronic lymphatic leukemia (CLL). Kancera is currently developing synthetic compounds that works inside the cancer cell. During the period a cancer cell killing effect was verified in primary preparations from patients of experimental antibodies, as well as synthetic compounds identified by Kancera. A chemistry strategy for the further development of Kancera's identified compounds has been established.

Figure 1 shows the results of a preclinical experiment carried out to investigate how effectively an active compound identified by Kancera kills leukemia cells (red line) versus healthy white blood cells (blue line). In these experiments Kancera's identified compound kills leukemia cells from patients 25 times more selectively than the cytostatic (Fludarabine) currently used to treat chronic lymphatic leukemia. The increased selectivity is achieved while maintaining potency.



PFKFB3 project – a candidate that blocks glycolysis in solid tumors

Kancera acquired the PFKFB3 project in May 2010. The project aims to block glycolysis by cancer cells without significantly affecting healthy cells, rendering the cancer cells sensitive to chemotherapy and radiotherapy. During the period Kancera registered two patent applications with the European Patent Office and the US Patent and Trademark Office. In addition, the PFKFB3 gene and recombinant protein have been resynthesized and experimental models have been taken over from Biovitrum. A new chemistry strategy has been established.

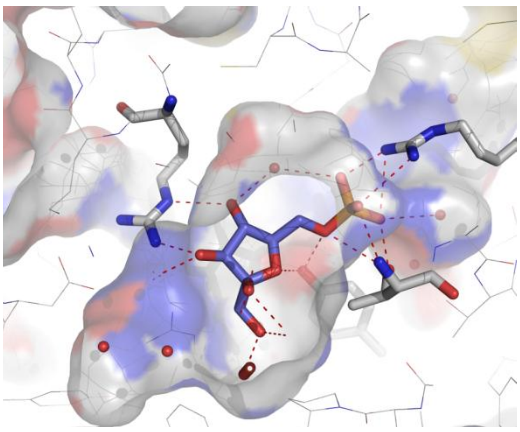


Figure 2 shows how Kancera is generating a molecular drawing to illustrate how drugs based on the PFKFB3 enzyme should be made. During the period a similar molecular drawing was generated for the latest and patented series of Kancera's active ingredients.

Market outlook for Kancera's development projects

Kancera's Board of Directors has decided not to set any financial targets for this segment since Kancera's projects are at an early phase of R&D work and the level of risk is therefore high. The company can state that in 2009 and 2010 there was an increase in the number of international option-based transactions between established pharmaceutical companies and innovative providers of drug candidates at the same early phase as Kancera's projects. The agreement between Epizyme and GlaxoSmithKline published in January 2011, which covers joint preclinical development of new cancer drugs, indicates that this trend is continuing.

Industrial Research & Development segment

	1 oktober – December 31		April 28 – December 31	
SEK 000´s (if otherwise not specified)	2010	2009	2010	2009
Net sales	–	–	–	–
Operating income	–	–	–	–

With a view to further strengthening relations with selected clients and creating cost coverage, Kancera is developing stem cell based models to offer to third parties.

Earnings

This segment has not yet started operations, and therefore no expenses were incurred during the period.

Events during the period

During the period a model to evaluate the effect of ROR inhibitors in primary preparations from patients was established.

Prior to the acquisition of iNovacia AB, Kancera did not have specialist expertise in lead generation and optimization or a validated environment for the development of Kancera's models. These services were procured mainly from iNovacia AB, which was Kancera's main subcontractor and was also one of Kancera's founders. iNovacia was hit hard by the financial crisis when a number of major clients scaled back their research operations. In autumn 2010 iNovacia was restructured. During the restructuring iNovacia's approximately 40 shareholders agreed to Kancera acquiring a call option to buy all the shares in iNovacia for a total consideration of around SEK 320,000 by December 31, 2010 at latest.

In the last quarter of 2010 Kancera initiated a new public share issue, among other things with a view to exercising the abovementioned call option in respect of iNovacia. The exercise of the call option was conditional on the new share issue being fully subscribed, since otherwise it was judged that Kancera would lack the financial resources required to acquire and run iNovacia. Since the subscription period for the new share issue was extended in 2011 and since the original call option lapsed on December 31, 2010, Kancera took action which resulted in a new call option being claimed in February for the acquisition of iNovacia, and the acquisition was completed on February 17. Since this date iNovacia has been a fully owned subsidiary of Kancera, and in Kancera's interim report for January – March 2011 Kancera will present consolidated financial statements in which iNovacia is included from the date of acquisition. Further information on the acquisition is provided in Note 6.

Events after the closing date

As described above, Kancera exercised its call option as of February 17 and acquired all the shares in iNovacia AB.

Market outlook

It is still too early to say whether the cancer models will in themselves result in business, but with the acquisition of iNovacia the models can be developed in an internationally validated environment and obtain market acceptance more quickly. The segment is expected to generate cost coverage for the company's laboratory operations in 2011 of SEK 10m-15m.

Comments on financial development

This Full Year Report relates to Kancera's first financial year, covering the period April 28 – December 31, 2010. There are thus no historical comparison figures.
Kancera's acquisition of iNovacia AB took place in 2011 and is not included in the financial statements.

Net sales

Kancera's net sales in 2010 (April 28 – December 31) amounted to SEK 0.

Kancera's net sales in the fourth quarter totaled SEK 0.

Expenses

Expenses in 2010 (April 28 – December 31) totaled SEK 7.2m, which breaks down into research and development expenses (SEK 4.8m), expenses related to building up the company (SEK 1.6m), new share issues and listing of the company's shares on First North (SEK 2.1m) – these being recognized directly in equity – as well as other administrative expenses (SEK 0.8m).

Expenses in the fourth quarter totaled SEK 5.6m, which breaks down into research and development expenses (SEK 3.7m), expenses related to building up the company (SEK 1.6m), new share issues and listing of the company's shares on First North (SEK 2.1m) – these being recognized directly in equity – as well as other administrative expenses (SEK 0.3m).

The company expects that issue expenses for the public share issue totaling approximately an additional SEK 0.9m will be recognized in equity in 2011.

Earnings

The income after financial items for 2010 (April 28 – December 31) was SEK -7.1m.

The income after financial items for the fourth quarter was SEK -5.6m.

Cash flow and liquidity

Cash flow totaled SEK 6,572,000 in 2010 (April 28 – December 31). Cash flow from operating activities for the period was SEK -5,644,000. Cash flow from financing activities for the period totaled SEK 12,216,000.

Cash flow totaled SEK 3,078,000 in the fourth quarter. Cash flow from operating activities for the period totaled SEK -4,288,000. Cash flow from financing activities for the period totaled SEK 7,366,000.

The Company's cash and cash equivalents at December 31, 2010 totaled SEK 6,572,000.

Investments

Investments in property, plant and equipment in 2010 (April 28 – December 31) were SEK 0m.

Investments in property, plant and equipment in the fourth quarter were SEK 0m.

Investments in intangible assets in 2010 (April 28 – December 31) totaled SEK 6.0m and consisted of Kancera's two pharmaceutical projects. In addition, IP expenses of SEK 0.2 were recognized.

Investments in intangible assets in the fourth quarter totaled SEK 0m.

Equity and share data

Total equity as at December 31, 2010 amounted to SEK 11,069,079.

Share capital amounted to SEK 804,000 as at December 31, 2010, spread over 9,648,000 shares with a quotient value (rounded off) of SEK 0.083 (1/12 of a krona) per share.

Earnings per share at the end of December 2010, based on a weighted average of the number of outstanding shares, were SEK –0.96.

Kancera's equity/assets ratio as at December 31, 2010 was 79 percent, and equity per share was SEK 1.15 based on the fully diluted number of shares at the end of the period.

A total of SEK 11.8m (after issue expenses) was injected into Kancera during October 2010 through new share issues.

Dividend

The Board of Directors proposes that no dividend be paid for the financial year April 28 – December 31, 2010.

Working capital

The Board of Kancera judges that the company has sufficient working capital to meet its requirements over at least the next 12-month period.

Deficits for tax purposes

Kancera's operations are expected initially to result in negative earnings and deficits for tax purposes. There is no sufficiently convincing evidence at present that surpluses for tax purposes will exist in the future that may justify capitalization of the value of the deficit, and no deferred tax claim has therefore been reported. In the event of sale of a candidate drug, profits will be reported which may be offset for tax purposes against the deficits, which signifies a low tax burden for the company when a project is sold.

Personnel

Kancera had 1 employee at December 31, 2010.

Following the acquisition of iNovacia the number of people employed in the Group will be 18, comprising 10 men and 8 women. Personnel expenses for the Group during 2011 are expected to amount to approximately SEK 14.4m.

Income Statement

SEK 000´s (if otherwise not specified)		okt-dec 2010	okt-dec 2009		28 apr-dec 2010	28 apr-dec 2009
Revenues						
Net sales		**-**	**-**		**-**	**-**
Cost of sales & services		-	-		-	-
Gross profit		**-**	**-**		**-**	**-**
Operating Expenses						
General & administrative expenses		-1 974	-		-2 405	-
Selling expenses		-	-		-	-
Research & development expenses		-3 654	-		-4 763	-
Other non-operating revenues and expenses		-	-		-	-
Total expenses		**-5 628**	**-**		**-7 168**	**-**
Operating income		**-5 628**	**-**		**-7 168**	**-**
Income from Financial Investments						
Financial net		**21**	**-**		**21**	**-**
Income after financial items		**-5 607**	**-**		**-7 147**	**-**
Taxation		-	-		-	-
Net income		**-5 607**	**-**		**-7 147**	**-**
Income attributable to:						
The shareholders of the parent company		-5 607	-		-7 147	-
Minority interests			-			-
Earnings per share, before and after dilution	SEK	-0,60	-	SEK	-0,96	-

Statement of Comprehensive Income

SEK 000´s (if otherwise not specified)	okt-dec 2010	okt-dec 2009	28 apr-dec 2010	28 apr-dec 2009
Net Income	-5 607	-	-7 147	-
Other comprehensive income	-	-	-	-
The period´s comprehensive income	-5 607	-	-7 147	-
Income attributable to:				
The shareholders of the parent company	-5 607	-	-7 147	-
Minority interests	-	-	-	-

Balance Sheet

SEK 000´s (if otherwise not specified)	dec.31 2010	2009
Assets		
Non-current Assets		
Intangible assets, activated R&D expenses	6 000	-
Tangible assets	-	-
Financial assets	-	-
Total fixed assets	**6 000**	**-**
Current Assets		
Receivables	1 441	-
Cash and cash equivalents	6 572	-
Total current assets	**8 013**	**-**
TOTAL ASSETS	**14 013**	**-**
Equity and Liabilities		
Equity		
Restricted equity	804	-
Non-restricted equity	**10 265**	**-**
Total equity	**11 069**	**-**
Provisions and liabilities		
Short-term liabilities	2 944	-
Total provisions and liabilities	**2 944**	**-**
TOTAL EQUITY and LIABILITIES	**14 013**	**-**
Equity per share	1,15	
Solvency ratio	79%	

Statement of Changes in Equity

SEK 000´s (if otherwise not specified)	Share capital	Share premium	Retained earnings	Net income	Total
Proceeds on issue of shares	50	-	-	-	50
Proceeds on issue of shares	25	1 975	-	-	2 000
Non-cash issue of shares	75	5 925	-	-	6 000
Proceeds on issue of shares	450	-	-	-	450
Proceeds on issue of shares	47	2 303	-	-	2 350
Proceeds on issue of shares	157	9 283	-	-	9 440
Costs related to issue of shares	-	-2 074	-	-	-2 074
Net income	-	-	-	-7 147	-7 147
Total equity, closing balance on the 31st of dec 2010	**804**	**17 412**	**-**	**-7 147**	**11 069**

Cash Flow statement

SEK 000´s (if otherwise not specified)	oct-dec 2010	oct-dec 2009	28 apr-dec 2010	28 apr-dec 2009
Cash flow from operating activities				
Operating income after financial items	-5 607	-	-7 147	-
Depreciation	-	-	-	-
Other non-cash-flow affecting items	-	-	-	-
Cash-flow from operating activities before working capital change	**-5 607**	**-**	**-7 147**	**-**
Change in working capital	1 319	-	1 503	-
Cash-flow from operating activities	**-4 288**	**-**	**-5 644**	**-**
Investment activities				
Net investments in intangible assets	-	-	-	-
Net investments in tangible assets	-	-	-	-
Cash-flow from investment activities	**-**	**-**	**-**	**-**
FREE CASH-FLOW available to INVESTORS	**-4 288**	**-**	**-5 644**	**-**
Financing activities				
Issue of shares	7 366	-	12 216	-
Cash-flow from financing activities	**7 366**	**-**	**12 216**	**-**
CASH-FLOW for the YEAR	**3 078**	**-**	**6 572**	**-**
Cash and cash equivalents at the beginning of the year	3 494	-	0	-
Cash and cash equivalents at the end of the year	6 572	-	6 572	-

Notes

Note 1. Accounting and measurement principles

Compliance with standards and legislation

Kancera AB's accounting principles are based on the Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2.3 of the Swedish Financial Reporting Board: Accounting for Legal Entities. RFR 2.3 requires the company to apply all EU-approved IFRS and statements as far as this is possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and with regard to the relationship between accounting and taxation. The recommendation sets out the exceptions and supplements which must be made with regard to IFRS.

This report is the company's first full year report. There are therefore no previously applied accounting principles from which to differ. Since this financial year is the company's first, there are no comparison figures to report. The company's financial year is the calendar year and this first financial year is therefore shorter than usual.

Interim reports are prepared in accordance with the Annual Accounts Act and IAS 34, Interim Financial Reporting, taking into account the exceptions from and supplements to EU-approved IFRS stated in RFR 2.3: Accounting for Legal Entities. This means that all requirements in accordance with BFNAR 2007:1: Voluntary Interim Reporting are met, since the company was not listed at the time the report was issued.

Exceptions from IFRS

In accordance with the above, the company uses IFRS as far as this is possible. The following deviations have been made in accordance with RFR 2.3:

Financial instruments

The company does not apply IAS 39: Financial Instruments. Instead, accounting and estimates are based on the acquisition cost of assets and liabilities.

Leasing

The company reports all lease agreements as though they were operational.

Intangible assets

Expenditure for internally accumulated assets is written off on an ongoing basis.

Untaxed reserves

The amounts allocated as untaxed reserves constitute taxable temporary differences. Due to the relationship between accounting and taxation, the deferred tax liability attributable to the untaxed reserves in the company is not reported separately.

Accounting principles applied

Significant estimates and assessments for accounting purposes

A number of accounting estimates need to be made in the preparation of financial reports. The executive management is also required to make certain assumptions in the application of the company's accounting principles. Estimates and assumptions are reviewed regularly and are based mainly on historical experience and other factors, including expectations of future events that are deemed reasonable in the present circumstances.

The areas that involve a high degree of assumption or complexity, or those areas in which the assumptions and estimates are of significance for the figures reported, relate to the measurement of deficits for tax purposes and the valuation of warrants issued to employees, as well as decisions concerning the expensing or capitalization of development expenses.

Classification

Fixed assets and long-term liabilities essentially consist of amounts which are expected to be recovered or paid more than twelve months after the closing date.

Current assets and current liabilities essentially consist of amounts expected to be recovered or paid within twelve months of the closing date.

Foreign currency

Transactions in foreign currency are translated into Swedish kronor using the exchange rate applicable on the date of the transaction. Monetary assets and liabilities in foreign currency are converted into Swedish kronor at the exchange rate in force on the closing date. Exchange differences arising on such translation are recognized in the income statement.

Revenue recognition

Revenue is recognized to the extent that it is likely that the financial benefit will be allotted to Kancera and the revenue can be reliably calculated.

Revenue from strategic research partnerships

There are four types of revenue that Kancera may earn from strategic research partnerships: cash deposits, compensation for research, milestone payments and royalties. The specific accounting criteria for the various types of revenue described below must be satisfied before the revenue is recognized. Cash deposits are received when a research partnership is begun; there is no obligation to repay these. Cash deposits are recognized as revenue when no further commitments are incumbent upon Kancera in order to receive the cash deposit. Compensation for research is received on an ongoing basis, often quarterly in advance, as a fixed amount for a defined number of Kancera's researchers who work on the project during the period. Payments received as compensation for research are distributed across the period to which they relate.

Milestone payments occur when a particular result is achieved or when a particular event has occurred, such as when compounds move into or complete a significant stage in the development process in accordance with definitions in the respective partnership agreement. These stages are generally linked to important decision points in the partner's drug development process. Milestone payments are recognized when all the conditions for entitlement to the payment are met in accordance with the agreement. Royalties are based on sales of finished products originating from a partnership. Royalties are recognized when they are recognized by the partner.

Other income

Income from agreements on licensing out that are not research and development partnerships may comprise either cash deposits, which are recognized as revenue once all the conditions for receiving them are met, or license maintenance charges that are distributed across the term of the license period. State subsidies are recognized as other operating income in the income statement over the same period as the expenses which the subsidies are intended to compensate.

Interest income is recognized in the period to which it relates, based on the effective interest method. Interest income is recognized as financial income and is not included in operating profit.

Taxes

Income tax

Income tax consists of current tax and deferred tax. Income tax is recorded in the income statement in respect of income statement items and is recognized directly in equity when the tax relates to items recognized directly in equity.

Deferred tax is calculated on the difference arising between reported and fiscal values of assets and liabilities (temporary differences). Deferred tax is calculated based on current tax rates. In accordance with IAS 12: Income Taxes, deferred tax liabilities are reported for all taxable temporary differences using the balance sheet liability method. Deferred tax claims relating to unutilized deficits and deductible temporary differences are recognized only to the extent that it is likely that it will be possible to offset these against future taxable profits. There is no sufficiently convincing evidence at present that surpluses for tax purposes will exist in the future that may justify capitalization of the deficit.

Value added tax (VAT)

Income, expenses and assets are reported exclusive of VAT. VAT refunds due or VAT owed to the tax authority is included in assets and liabilities in the balance sheet.

Intangible fixed assets

Acquired intangible assets are reported as assets in the balance sheet. Intangible assets acquired separately are initially measured at acquisition cost. Thereafter intangible assets are recognized at acquisition cost minus any accumulated amortization and impairment.

Internally generated intangible assets are not capitalized and expenses for these are set off against profits in the year in which the expense is incurred.

The useful life of all Kancera's intangible assets has been judged to be limited. Intangible assets with a limited useful life are amortized over the established useful life and tested for impairment when impairment is indicated. The amortization period and method for an intangible asset are reviewed at the end of each financial year as a minimum. Changes in the expected useful life or expected pattern of utilization of future financial benefits associated with the asset are taken into account by changing the amortization period or method when required and are treated as changes in accounting estimates. The amortization cost is recognized in the income statement in the expense category corresponding to the function of the intangible asset.

Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost less accumulated depreciation and any accumulated impairment losses. In addition to the purchase price, acquisition cost includes expenses directly attributable to allowing the asset to be utilized. The difference between the cost and the estimated residual value is depreciated linearly over the asset's estimated useful life.

The reported value of property, plant and equipment is reviewed to assess any reduction in value whenever events or changes in circumstances indicate that the reported value is not recoverable. The residual values and estimated useful life of the assets are tested at the end of each financial year and adjusted as necessary.

Depreciation/amortization of fixed assets

Property, plant and equipment and intangible fixed assets are depreciated and amortized linearly over the estimated useful life of the asset, based on the asset's acquisition cost, as follows:

- Licenses 3-10 years
- Laboratory equipment 3, 5, 7 and 10 years
- Alterations to premises, IT infrastructure and equipment 3 years

Impairment of fixed assets

At each reporting date Kancera assesses whether there is any indication that an asset may have reduced in value. If there is any such indication, Kancera estimates the asset's recoverable amount. If the reported value is higher than the recoverable amount, the asset is written down to this amount. Impairment of fixed assets in operating activities is recognized as a cost in the income statement in the expense category corresponding to the function of the asset concerned.

Intangible fixed assets that have not yet been taken into use are tested annually for impairment even if there is no indication of a reduction in value.

Financial assets and liabilities

Financial assets and liabilities that are recognized in the balance sheet include on the assets side cash and cash equivalents, trade receivables, other receivables and prepaid income and expenses. On the liabilities side are accounts payable, advances from customers, other liabilities and deferred income and expenses. A financial asset or financial liability is recognized in the balance sheet when the company becomes a party in accordance with the agreed terms of the instrument. Trade receivables are recognized in the balance sheet when an invoice has been sent. Liabilities are recognized when the counterparty has performed and there is an obligation to pay as stipulated in the contract, even if no invoice has yet been received. Accounts payable are recognized when an invoice has been received. A financial asset is removed from the balance sheet when the rights in the contract have been realized, fall due, or when the company loses control over them. The same applies to parts of a financial asset. A financial liability is removed from the balance sheet when the obligation in the contract is fulfilled or otherwise terminated. The same applies to parts of a financial liability. A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only where there is a legal right to offset the amounts and it is intended that the items will be settled by a net amount or that the asset will be realized and the liability settled simultaneously. Acquisitions and disposals of financial assets are recognized on the transaction date.

Classification and measurement of financial assets and liabilities

When first reported, a financial instrument is classified according to the purpose for which the instrument was acquired. Below is a description of the types of financial assets and liabilities that exist within Kancera, and how these are measured. Kancera has classified its financial instruments in the following categories:

Trade receivables and other receivables

Trade receivables, which are normally due for payment at 30 days, are recognized and reported at the invoiced amount less a deduction for bad debts. They are written down in the event that there is objective evidence that Kancera will not be able to collect the receivables.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet consist of cash and bank deposits as well as short-term investments with a maximum remaining term of 90 days at the time of acquisition.

Short-term investments that do not fall within this definition are reported as other short-term investments. In Kancera's cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above. The cash flow statements for each year show direct cash flows from investing and financing activities. Cash flow from operating activities is based on the indirect method.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially reported at fair value less transaction expenses attributable to the borrowing. Interest-bearing loans and borrowings are subsequently reported at accrued acquisition value in accordance with effective interest method.

Gains and losses are reported in net profit or loss when the liabilities are removed from the balance sheet. Borrowing expenses, including set-up charges, are recognized as an expense in the income statement in the period to which they relate.

Provisions

Provisions are reported when Kancera has a legal or formal obligation as a result of an event occurring and it is likely that an outflow of resources will be required for the obligation to be discharged and when the amount can be reliably estimated. Expenses relating to provisions are recognized in the income statement net of any reimbursement.

Pension expenses and other commitments to pay benefits after employment has ended

Kancera has only defined contribution pension plans for all employees.

Defined contribution plans and other short-term benefits to employees are reported as personnel expenses in the period when the employee performs the service to which the benefit relates. Severance pay shall be paid when employment is terminated before normal pension age, or whenever an employee accepts voluntary redundancy in return for such a benefit. Kancera reports severance pay only if the company is demonstrably obliged either to terminate the employment of current personnel in accordance with a detailed formal plan with no possibility of revocation or to provide redundancy pay as a result of an offer to encourage staff to leave voluntarily.

Leasing

Kancera has entered into lease contracts with third parties as part of its operating activities. These contracts relate to offices and laboratories, laboratory equipment and other equipment. In accordance with RFR 2, the company reports all lease contracts as if they were operating leases, which means that lease payments in respect of all lease contracts are expensed in the period to which they relate.

Share-based incentive schemes

In accordance with IRFS 2: Share-based Payment, expenses for share-based payments to employees are recognized at fair value as at the date of allocation. The expenses are reported – along with an equivalent increase in equity – during the period in which the performance and earnings conditions are met, up to and including the date when the employees concerned are fully entitled to the payment (earnings date). The accumulated expense recognized on each reporting date up to the next earnings date reflects the extent to which the earnings period has been used up and Kancera's estimate of the number of share-based instruments that will be fully earned in the final event.

Segment reporting

Operating segments shall be reported in a way that accords with the internal reporting provided to the highest executive decision-maker. The highest executive decision-maker is the function responsible for allocating resources and evaluating the results of the operating segment. In Kancera this function has been identified as Kancera's Board of Directors. Kancera's operations comprise two segments: Pharmaceutical Development and Industrial Research & Development.

Contingent liabilities

A contingent liability is reported where there is a possible obligation originating from events which have taken place, the existence of which will be confirmed only by one or more uncertain future events, or where there is an obligation which is not reported as a liability or provision due to the fact that it is unlikely that an outflow of resources will be required.

Earnings per share

The calculation of earnings per share is based on the net result for the period attributable to the company's shareholders (including 73.7 percent of year-end appropriations) and on the weighted average number of outstanding shares during the period. On the calculation of earnings per share after dilution, the result and average number of shares are adjusted to take account of the effects of diluting common stock which derives from warrants issued to employees during in the periods reported. Dilution arises only when the exercise price of the warrants is lower than the share price on the stock market. Earnings per share do not deteriorate when the company reports a loss or when the exercise price is higher than the share price on the stock market.

State subsidies

State subsidies are recognized in the balance sheet and income statement when there is reasonable certainty that the conditions associated with the subsidy will be met and that the subsidy will be received. The subsidies are accrued systematically in the same way and over the same periods as the expenses which the subsidies are intended to compensate.

Note 2. Segment report

	1 October – December 31		April 28 – December 31	
SEK 000´s (if otherwise not specified)	2010	2009	2010	2009
Pharmaceutical development	–3.654	–	–4.763	–
New projects	–	–	–	–
Contract research	–	–	–	–
Total segment	–3.654	–	–4.763	–
Central expenses*	–1.974	–	–2.405	–
Group eliminations	–	–	–	–
Total	–5.628	–	–7.168	–

Note 3. Related party disclosures

Kancera was founded by Sprint Bioscience AB, Professor Håkan Mellstedt and iNovacia AB along with a group of private investors. When Kancera was founded, Sprint Bioscience AB, Håkan Mellstedt and iNovacia AB transferred assets to Kancera in a non-cash issue as follows.

Sprint Bioscience transferred all its rights in respect of the PFKFB3 project. Up to and including December 31, 2010 Kancera paid compensation to Sprint Bioscience for services at an amount of approximately SEK 630,000. Kancera's Board member Anders Åberg is the founder, Managing Director and part-owner (16 percent) of Sprint Bioscience AB.

iNovacia transferred all its rights in respect of the ROR project. Up to and including December 31, 2010 Kancera paid compensation to iNovacia for services at an amount of approximately SEK 2,340,000.

Kancera's Board member and CEO Thomas Olin is the CEO and Chairman of the Board of iNovacia AB, which he helped to found in 2006. Thomas Olin owns 10 percent of the shares in iNovacia and, along with the other shareholders in iNovacia, issued an option to Kancera to acquire all the shares. The strike price for Thomas Olin's shares under the option is SEK 25,000.

The agreements with iNovacia AB and Sprint Bioscience AB relate to contract research and aim to ensure laboratory capacity for the development of Kancera's research projects. The agreements are designed as framework agreements, including regulation of basic conditions including rights to results, publication, confidentiality and payment models for services performed. The framework agreement is supplemented with individual orders as necessary; these orders define services requested, delivery terms and costs. The framework agreements involve no commitment from Kancera regarding order levels and may be terminated by Kancera at no further expense other than as stipulated in active orders.

Before joining the Board of Kancera, Bernt Magnusson performed consulting services for Kancera relating to financing and structural matters, among other things, for which Kancera paid consulting fees of SEK 60,000 to a company fully owned by Bernt Magnusson. In addition, Kancera paid consulting fees of SEK 370,000 to the same company for assistance with new share issues. Kancera entered into a contract with Bernt Magnusson for consulting services in connection with Kancera's new share issue and listing on First North. Kancera utilized no consulting services from Bernt Magnusson and no fee will be paid. Since Kancera's listing on First North, no agreement has been in force between Kancera and Bernt Magnusson in respect of consulting services.

Board member Anders Essen-Möller has performed consulting services for Kancera relating to patent and contract matters, among other things, for which Kancera paid consulting fees of SEK 60,000 to a company fully owned by Anders Essen-Möller. Since Kancera's listing on First North, no agreement has been in force between Kancera and Anders Essen-Möller in respect of consulting services.

There are no outstanding loans, warranties or guarantees from Kancera for the benefit of Board members, senior executives or auditors of Kancera. Other than what is stated above, none of Kancera's Board members, senior executives or auditors has had any direct or indirect involvement in agreements or business transactions with Kancera that are or were unusual in nature or in respect of the conditions.

Note 4. Incentive schemes

Further to a decision taken by the Extraordinary General Meeting held on May 27, 2010, Kancera has issued 250,000 share warrants which, following a split, will provide entitlement to subscribe to 500,000 new shares at an issue price of SEK 7 per share. The warrants can be exercised during the period August 1, 2012 – October 31, 2012. The Extraordinary General Meeting held on October 14, 2010 resolved to assign the share warrants to members of the Board of Directors and senior executives of Kancera at market value.

A total of 150,000 share warrants were subsequently assigned to the directors Anders Essen-Möller (75,000) and Bernt Magnusson (75,000) at a price of SEK 0.80 per warrant (each warrant gives entitlement to subscribe for two shares). The price corresponds to the estimated market price based on a valuation according to the Black & Scholes formula for option assessment. The remaining 100,000 share warrants remain in the custody of the company. The Board does not intend to allocate these.

If all the outstanding warrants are exercised to subscribe for 300,000 new shares, this would entail a dilution of approximately 3.1 percent (calculated as the number of new shares divided by the number of shares as at December 31, 2010), and the new shares will constitute approximately 3.0 percent of the total number of outstanding shares. If the dilution is instead calculated based on the number of shares following the new public share issue carried out in 2011 (13,248,000), the dilution effect is 2.3 and 2.2 percent respectively.

Note 5. Financial definitions

Risk-bearing capital, %
The sum of equity and deferred tax liabilities as a percentage of total assets.

Return on equity (ROE)
Net profit for the period as a percentage of average equity.

Return on capital employed (ROCE)
Profit before tax plus financial expenses as a percentage of average capital employed.

Return on total capital (ROTC)
Profit before tax plus financial expenses as a percentage of average total assets.

Gross margin
Operating profit before depreciation and amortization as a percentage of net sales.

Equity per share
Equity divided by the number of shares on the reporting date.

Cash flow per share
Cash flow from operating activities divided by the average number of shares.

Operating capital
Property, plant and equipment plus trade receivables plus inventories minus accounts payable.

Earnings per share
Profit for the period divided by average number of shares.

Net interest-bearing liabilities
The net value of interest-bearing liabilities minus financial assets including cash and cash equivalents.

Interest coverage ratio
Profit before tax plus financial expenses excluding exchange losses, divided by financial expenses excluding exchange losses.

Operating margin
Operating profit as a percentage of net sales.

Debt/equity ratio
Interest-bearing liabilities divided by equity.

Capital employed
Total assets less non-interest bearing liabilities.

Solvency ratio
Equity as a percentage of total assets.

Profit margin
Profit before tax as a percentage of net sale

Note 6. Acquisition of iNovacia

The acquisition analysis prepared in respect of the acquisition of iNovacia in 2011 is provisional and is based on an unaudited annual report as at December 31, 2010. The final acquisition analysis may differ from this analysis once a final calculation has been made of the assets and liabilities taken over as at the date of acquisition.

The provisional acquisition analysis is shown below.

	2010-12-31
Tangible assets	14 620
Other current assets	9 013
Cash equivalents	5 674
Total assets	29 307
Equity	10 944
Long-term liabilities	9 000
Short-term liabilities	9 363
Total equity and liabilities	29 307

Acquired net assets (equity) as stated above total SEK 10,944,000.

The estimated consideration for all the shares in iNovacia amounts to SEK 320,000 and the value of warrants issued to Biovitrum totals SEK 2,000,000; that is, SEK 2,320,000 in total. This means that acquired net assets exceed the total consideration. The difference of SEK 8,624,000 is treated as negative goodwill and will be eliminated via the income statement in conjunction with the acquisition.

Other information

Formation of Kancera

Kancera was registered with the Swedish Companies Registration Office on April 28, 2010. In 2010 Extraordinary General Meetings were held on May 5, May 27, October 8 and October 14.

At the Extraordinary General Meeting held on May 5, 2010 Håkan Mellstedt (Chairman), Thomas Olin and Erik Nerpin were elected to the Board. The meeting adopted new articles of association, which included the new company name. Ernst & Young was elected as the company's auditor, with Ola Wahlqvist as Auditor in Charge. The Extraordinary General Meeting held on May 27, 2010 approved a new share issue, which injected SEK 2m into the company. Johan Munck (Chairman) and Anders Åberg joined the Board of

Directors. The meeting approved the acquisition of the ROR project and the PFKFB3 project through a non-cash issue, and also approved the issue of warrants. The Extraordinary General Meetings held on October 8 and October 14, 2010 approved directed new share issues, as a result of which a total of SEK 11.8m was injected into the company after issue expenses. The current articles of association were adopted, one of the results of which was that Kancera became a public company. Through a combined merger and reverse split the share capital after the new share issues totaled SEK 804,000, spread over 9,648,000 shares with a quotient value (rounded off) of SEK 0.083 (1/12 of a krona) per share. Anders Essen-Möller and Bernt Magnusson joined the Board of Directors. Johan Munck left the Board and Erik Nerpin was appointed as the new Chairman of the Board. The Board of Directors was authorized to decide on a new share issue before the next Annual General Meeting.

On October 4, 2010 Kancera entered into an agreement with Swedish Orphan Biovitrum AB in respect of iNovacia AB. Among other things, the agreement resulted in Biovitrum reducing its claim on iNovacia to SEK 5m. The claim, which is secured by a corporate mortgage, accrues no interest and falls due on October 1, 2014. At the same time Kancera entered into an agreement with iNovacia's shareholders that gave Kancera the right to acquire all the shares in iNovacia for a total consideration of around SEK 320,000 by December 31, 2010 at the latest. The option was later extended and was exercised on February 17, 2011. As a result, iNovacia became a fully owned subsidiary of Kancera.

Based on this authorization, on November 15, 2010 the Board approved a new share issue of 3,600,000 shares at an issue price of SEK 7 per share. The prospectus was registered by the Swedish Financial Supervisory Authority on November 29, 2010. The subscription period ran from November 30 to December 14, 2010. Upon expiry of the subscription period the Board resolved to extend the subscription period until January 31, 2011. The new share issue was oversubscribed and was registered by the Swedish Companies Registration Office on February 18, 2011.

The company's operations and risk factors

In assessing Kancera's future development it is important to consider risk factors alongside potential growth in earnings. Kancera's operations are affected by a number of risks, and the degree to which the company is able to influence the impact of these on its earnings and financial position varies. The following account does not list the risk factors in order of significance. For obvious reasons not all factors can be predicted or described in detail, and consequently a general assessment of external factors should be made.

For a more detailed list of risk factors refer to Kancera's prospectus, which is available on the company's website www.kancera.com.

Liquidity risk
The company will need to approach the capital market in the future. It cannot be guaranteed that new capital will be able to be obtained when the need arises or that it will be able to be obtained on advantageous terms, or even that such procured capital would be sufficient to finance the operations as planned.

Product concentration
Since the majority of Kancera's products are at an early stage of development, Kancera's value is largely dependent on any success enjoyed by the company's leading candidates in the ROR-1 and PFKFB3 projects. The company would therefore be negatively affected by a setback.

Business model
Even if the company enters into partnership agreements for the development and commercialization of the ROR-1 and PFKFB3 projects, there is no guarantee that this will result in commercial success.

Patents
Kancera's success is partly dependent on the company being able to obtain patent protection for potential products. It cannot be guaranteed that Kancera will develop products that can be patented, that patents granted will be able to be maintained, that future discoveries will result in patents, or that patents granted will provide sufficient protection for Kancera's rights.

Competition
There is considerable competition within Kancera's area of operations and Kancera's competitors could develop and market drugs that are more effective, safer and cheaper than Kancera's. Kancera's competitors include multinational pharmaceutical companies, specialist biotechnology companies as well as universities and other research institutions.

Key personnel
The company is highly dependent on a number of key individuals, particularly members of the company's executive management. Any loss of such an individual or individuals could have negative financial and commercial effects

---

We hereby give an assurance that this Full Year Report provides a true and fair overview of Kancera's operations, financial position and results, and that it describes the significant risks and uncertainties faced by Kancera.

Stockholm, February 24, 2011

Erik Nerpin *Chairman of the Board*	Anders Essen-Möller *Director*	Håkan Mellstedt *Director*
Anders Åberg *Director*	Bernt Magnusson *Director*	Thomas Olin *CEO/Director*

This Full Year Report has not been reviewed by the company's auditors.

Financial calendar

• Annual General Meeting in Stockholm	May 27, 2011
• Interim Report January – March	May 25, 2011
• Interim Report January – June	August 25, 2011
• Interim Report January – September	November 24, 2011
• Full Year Report 2011	February 23, 2012

For further information, please contact:
- Thomas Olin, CEO, tel.: +46 735 20 40 01

Kancera AB (publ)
Lindhagensgatan 133
SE-112 51 Stockholm
Please visit the company's website www.kancera.com