Press release May 24, 2012

Interim Report for Kancera AB (publ) Q1 2012

January 1 – March 31, 2012

All figures relate to the Kancera Group unless otherwise specified. The 2011 comparison figures for operating income and income after financial items were affected by the release of negative goodwill of SEK 7m that arose in connection with the acquisition of iNovacia; the entire amount was recognized as revenue during Q1 2011. Furthermore, comparison figures for 2011 were affected by the fact that Kancera acquired iNovacia on February 17; consequently, figures for Q1 2011 include iNovacia's sales and income for 1.5 months only.

Q1 2012 in brief

- Net sales of external contract research for the quarter totaled SEK 0.7m (SEK 0.6m).
- R&D expenses for the quarter totaled SEK 4.7m (SEK 4.6m).
- Operating income for the quarter totaled SEK -7.8m (SEK 0.9m).
- Income after financial items for the quarter totaled SEK -7.8m (SEK 0.7m).
- Earnings per share were SEK -0.52 (SEK 0.06).
- Cash flow from operating activities for the quarter totaled SEK -7.9m (SEK -5.0m).
- Equity as of March 31, 2012 totaled SEK 18.1m (SEK 38.1m) or SEK 1.19 (SEK 3.33) per share. The equity/assets ratio on the reporting date was 57 percent (72 percent).
- Cash and cash equivalents totaled SEK 12.6m (SEK 34.4m) on March 31, 2012 and SEK 6.7m (SEK 25.1m) for the Parent Company.

Significant events in the first quarter

- In collaboration with Professor Matthias Löhr of the Karolinska Institute, Kancera demonstrated that its ROR inhibitors are effective in a highly challenging human pancreatic cancer model. Efficacy is significantly superior to that of gemcitabine, today's standard treatment. Kancera presented these results at Bio Europe Spring in Amsterdam.
- Kancera presented its structure-based design of active compounds targeting cancer metabolism at the World Cancer Metabolism Summit in Washington.
- Kancera presented results from its ROR project which demonstrate that the company's active compounds are significantly more specific than four competing kinase inhibitors that are being developed to target chronic lymphocytic leukemia. The results were achieved in collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Cancer Center.
- Kancera filed a patent application for a chemical series of ROR-inhibiting small molecules with pharmaceutical properties.
- iNovacia AB reported that it had entered into a collaboration with Boston-based Agios Pharmaceuticals relating to the identification of chemical starting points for one project using iNovacia's high-speed screening and chemical library.

Significant events after the end of the reporting period

- Kancera announced that its ROR inhibitors have the capacity to kill leukemia cells from 50 percent of patients who are no longer benefiting from the drugs currently available for chronic lymphocytic leukemia, opening the way for a possible breakthrough in the treatment of the most common form of chronic leukemia. The studies were carried out in collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Cancer Center.
- Kancera announced that, in cooperation with Professor Håkan Mellstedt and his research team at the Karolinska Cancer Center, it had developed antibodies that allow the development of a diagnostic tool for the identification of patient response to treatment with Kancera ROR inhibitors.
- Kancera's ROR project was selected by the American Society of Clinical Oncology for presentation at this year's major conference in Chicago on June 1-5, 2012. The scientific results will be presented by Professor Håkan Mellstedt in a paper entitled "Effect of ROR1 targeting small molecules on chronic lymphocytic leukemia cells".
- Kancera presented its cancer projects at a seminar on "Lead Generation and Structure-Based Drug Design in Cancer Research" at the Cambridge Innovation Center in Boston, USA, on Friday, April 27, 2012.

- The board has based on the resolution taken by the Extraordinary General Meeting of Kancera AB held on November 10, 2011, decided to issue new shares with preferential rights against payment in cash. The share issue shall not exceed 3 787 000 shares and the price shall be 2.30 SEK per share. A fully subscribed new share issue would provide Kancera AB circa 8,7 MSEK before issue costs.

Statement from the CEO

In September 2011 we reported that Kancera's ROR active compounds could potentially target pancreatic cancer. The first step was therefore taken to expand the area of use of the ROR technology, which had originally been aimed only at leukemia, to additionally cover solid tumors. In parallel, Håkan Mellstedt – Kancera's co-founder and a professor at the Karolinska Institute – and his research team have shown that ROR is actively present as a target in prostate cancer, while at the same time independent researchers have shown that breast cancer and lung cancer are also driven by ROR.

This has broadened the possible indications for the drug candidates that Kancera is developing to include the most common types of solid cancer, such as breast cancer and prostate cancer, and also the most difficult to treat forms of tumor such as those in lung cancer and pancreatic cancer.

These successes are putting us under severe, but positive, pressure to continue our fast pace of development, in order to retain the advantage over our competitors. In view of this, we are now implementing a new share issue with preferential rights against payment in cash (for further information, see www.kancera.se, offering only announced in Swedish) that aims to provide the company with resources to develop Kancera's ROR active compounds further, so that they enter the tumor effectively, and to document the necessary safety of the compounds in initial toxicology studies.

In the light of recently reported positive results from our research into how to attack cancer through its metabolism (the PFKFB3 project), we intend to further intensify development of pancreatic cancer therapies – for example, through a preclinical combined treatment that not only starves the cancer cell, but also attacks the survival signals generated by the cancer cell itself. This will enable us to exploit the full potential of Kancera's portfolio of pharmaceutical projects to target a very severe form of cancer.

This initiative represents further progress by Kancera towards the delivery of drug candidates in accordance with the original schedule, and towards future partnerships with pharmaceutical companies that will take Kancera's projects effectively towards clinical trials.

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 developing drugs for the treatment of leukemia and solid tumors, based partly by blocking survival signals in the cancer cell and partly on metabolic strangulation. Kancera also develops stem cell-based models to study the efficacy of the cancer drugs before they are tested on humans. Kancera's operations are based in Stockholm and the company employs around 20 people. Kancera shares are traded on NASDAQ OMX First North and are held by around 1 500 shareholders. Remium AB is Kancera's Certified Adviser.

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 delivered around 35 projects, commissioned by pharmaceutical companies in both Europe and the United States. In 2008, a partnership was started with the Karolinska Institute's cancer research center (CCK); later, a partnership was also initiated with Sprint Bioscience AB which focuses on fragment-based pharmaceutical development. In May 2010, Kancera AB was formed by iNovacia AB, Sprint Bioscience AB, expertise from the Karolinska Institute and a group of private investors through capital contributions and the contribution-in-kind of two developed drug projects focusing on cancer. NASDAQ OMX approved Kancera's listing on First North with the first day of trading being February 25, 2011. In February 2011, Kancera also acquired iNovacia AB, which is now a wholly-owned subsidiary of Kancera.

Financial development, summary

SEK 000´s (if otherwise not specified)

Kancera Group	Jan-March		1 Jan-31 Dec
	2012	2011	2011
Net turnover	657	592	7 069
R&D expenses	-4 660	-4 601	-23 038
Operating Income	-7 814	868	-18 372
Income after financial items	-7 802	733	-18 410
Net income	-7 802	733	-18 410
Cash-flow from operating activities	-7 926	-4 981	-23 214
Earnings per share, before and after dilution	-0,52	0,06	-1,35
Cash on hand at closing date	12 632	34 424	20 838
Solvency ratio	57%	72%	65%
Key ratios			
Return on equity, %	neg	neg	neg
Return on capital employed, %	neg	neg	neg
Solvency ratio	57%	72%	65%
Net investments in tangible assets in relation to net turnover, %	280	-	1 550
No. of employees	18	18	19
Earnings per share, before dilution	-0,52	0,06	-1,35
Earnings per share, after dilution	-0,52	0,06	-1,35
Equity by share, kr	1,19	3,33	1,89
Cash-Flow by share, kr	-0,54	2,43	1,04

Sales
Following the acquisition of iNovacia AB in 2011, Kancera's future earnings will consist in part of sales of drug candidates and in part of payments for contract research. The Group's operations during the first quarter have been financed mainly by equity capital and income from external contract research, which amounted to SEK 0.7m (SEK 0.6m).

R&D activities
R&D expenses for the first quarter totaled SEK 4.7m (SEK 4.6m).

Earnings
Earnings for the first quarter totaled SEK -7.8m (SEK 0.7m).

Comments on financial development

All figures relate to the Kancera Group unless otherwise specified. The 2011 comparison figures for operating income and income after financial items were affected by the release of negative goodwill of SEK 7m that arose in connection with the acquisition of iNovacia, the entire amount of which was recognized as revenue during Q1 2011, and by a reclassification of the costs of services sold. In addition, comparison figures for 2011 were affected by the fact that Kancera acquired iNovacia on February 17 and accordingly, iNovacia's sales and earnings only include 1.5 months of Q1 2011.

Net sales
Net sales in the first quarter 2012 totaled SEK 0.7m (SEK 0.6m).

Expenses
Expenses in the first quarter totaled SEK 8.5m (SEK 6.7m), which breaks down into costs of services sold of SEK 0.5m (SEK 0.5m), research and development expenses of SEK 4.7m (SEK 4.6m) and other sales and administrative expenses of SEK 3.3m (SEK 1.6m).

Earnings
Income after financial items for the first quarter totaled SEK -7.8m (SEK 0.7m).

Cash flow and liquidity
Cash flow totaled SEK -8.2m (SEK 27.9m) in the first quarter. Cash flow from operating activities for the first quarter totaled SEK -7.9m (SEK -5.0m). Cash flow from financing activities for the first quarter amounted to SEK 0m (SEK 24.2m).

The Kancera Group's cash and cash equivalents as at March 31, 2012 totaled SEK 12.6m (SEK 34.4m),of which SEK 6.7m (SEK 25.1m) for the Parent Company. It is the Board's opinion that additional capital needs to be obtained in 2012 in order to pursue planned projects. Options available with regard to financing are issuance of new shares or raising of loans. A new share issues is planes to for the 2nd quarter according to terms announced in a press-release and at the company home-page (www.kancera.com, offering only in Swedish)

Investments
Investments in property, plant and equipment in the first quarter totaled SEK 0.3m (SEK 0m).

Investments in intangible assets in the first quarter 2012 totaled SEK 0m (SEK 0m).

Equity and share data
Total equity as at March 31, 2012 was SEK 18.1m (SEK 38.1m).

Share capital as at March 31, 2012 amounted to SEK 1,262,000 spread over 15,148,000 shares with a quotient value (rounded off) of SEK 0.0833 per share.

Earnings per share for the first quarter, based on a weighted average of the number of outstanding shares, were SEK -0.52 (SEK 0.06).

Kancera's equity/assets ratio as at March 31, 2012 was 57 percent (72 percent). Equity per share was SEK 1.19 (SEK 3.33), based on the fully diluted number of shares at the end of the quarter.

Deficits for tax purposes
Kancera's operations are expected to initially result in negative earnings and deficits for tax purposes. There is no sufficiently convincing evidence at present that tax surpluses 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 a drug candidate is sold, profits will be reported which may be offset for tax purposes against the deficits. This signifies a low tax burden for the company when a project is sold.

Personnel
Kancera AB (the Parent Company) had 0 employees (0) as at March 31, 2012. The CEO of iNovacia acts as Kancera's CEO. Following the acquisition of iNovacia AB, the number of people employed in the Group as at March 31, 2012 is 18; 10 are men and 8 are women.

Parent Company
Kancera AB (publ), corporate ID number 556806-8851, is the Parent Company of the Group. Its business comprises mainly research and development, and administrative functions. Net sales in the Parent Company totaled SEK 0m (SEK 0m). For the first quarter 2012 expenses totaled SEK 7.7m (SEK 6.3m), of which costs of services sold accounted for SEK 0m (SEK 0m) and R&D expenses for SEK 6.0m (SEK 5.2m). Other expenses totaled SEK 1.7m (SEK 1.1m). Income after financial items for the period totaled SEK -7.7m (SEK -6.5m). Investments in property, plant and equipment in the period totaled SEK 0m (SEK 0m). Investments in intangible assets during the period totaled SEK 0m (SEK 0m). Ongoing investments in intangible assets are expensed as R&D and totaled SEK 6.0m (SEK 5.2m) in the period. At the end of the period cash and cash equivalents amounted to SEK 6.7m (SEK 25.1m).

Segment report

Operating segments are reported in a way that corresponds with the internal reporting provided to the highest executive decision-maker. The highest executive decision-maker is the body responsible for allocating resources and assessing the results of the operating segments. Within Kancera this body has been identified as Kancera's Board of Directors. Kancera's operations consist of two segments: Pharmaceutical Development and Industrial Research & Development.

Earnings
Operating income for the Pharmaceutical Development segment in the first quarter 2012 totaled SEK -5.7m (SEK -5.1m). During the first quarter the Pharmaceutical Development segment was charged with expenses for research and development, which included patent expenses and cost of ingredients, of SEK 4.7m (SEK 4.6m).

Earnings for the Industrial Research & Development segment in the first quarter 2012 totaled SEK 0.7m (SEK 0.6m). These earnings are commented on below under the heading "Market outlook" in the section "Industrial Research & Development". Operating income from contract research in the first quarter 2012 totaled SEK -0.5m (SEK -0.1m).

Segment Report

SEK 000´s (if otherwise not specified) **Kancera Group**	Jan-March 2012				Jan-March 2011				Jan-Dec 2011			
	Drug-develop-ment	CRO business	Central Costs & Other	Total	Drug-develop-ment	CRO business	Central Costs & Other	Total	Drug-develop-ment	CRO business	Central Costs & Other	Total
Net sales		657		657		592		592		7 069		7 069
Cost of sales & services		-460		-460		-468		-468		-5 611		-5 611
Gross profit	0	197	0	197	0	124	0	124	0	1 458		1 458
General & administrative expenses	-419	-213	-1 571	-2 204	-414	-198	-887	-1 499	-2 073	-213	-84	-2 370
Selling expenses	-597	-435	-115	-1 147	-72	-52	-14	-138	-730	-532	-141	-1 403
Research & development expenses	-4 660			-4 660	-4 601			-4 601	-23 038			-23 038
Total operating expenses	-5 676	-649	-1 686	-8 011	-5 087	-251	-900	-6 238	-25 841	-745	-225	-26 811
Negative Goodwill				0			6 982	6 982			6 982	6 982
Operating income	**-5 676**	**-452**	**-1 686**	**-7 814**	**-5 087**	**-126**	**6 082**	**868**	**-25 841**	**713**	**6 757**	**-18 371**

Pharmaceutical Development segment

Kancera develops cancer drugs, starting with a new treatment concept and ending with a patent-pending drug candidate that is offered for sale before it has reached the clinical phase in the product development chain. Kancera is currently running three projects aimed at developing new effective treatments for hematological malignancies (leukemia) and solid tumors. What links the projects is the goal to develop effective drugs which increase effectiveness and reduce unwanted side effects from treatment by being aimed directly at tumors and not at the surrounding healthy tissue. The goal over the next eighteen months is to deliver drug candidates for cancer that attack the properties that currently result in tumors spreading and in some cases returning in a more malignant and resistant form.

Kancera's Board of Directors has decided not to communicate financial goals for this segment because Kancera's projects are in the early phases of development, which means the risk is high and the overall financial goals are hard to assess.

ROR technology – two drug candidates for the treatment of chronic leukemia and solid tumors
Kancera is developing synthetic compounds that enter the tumor cell and work on the part of the ROR-1 receptor that is inside the tumor cell, with the aim of blocking the cell's survival signal.

In 2011, Kancera's co-founder and scientific adviser Professor Håkan Mellstedt showed in patient studies that ROR-1 occurs in greater numbers in tumor cells of patients with an increasingly aggressive (progressive) form of leukemia. Kancera has generated results suggesting that the company's future drug candidates may be effective in the treatment of other hematological malignancies. This would reduce the project's clinical risk and increase its market potential. Mechanisms of action for Kancera's treatment for leukemia have also been documented. The studies show that the cancer cell's "power switch" for survival and cellular suicide is turned off and on respectively by Kancera's active compounds. Results support the idea that Kancera's active compounds are cancer target-specific. This will facilitate the further development and marketing of the project. Kancera has also generated research results showing how the structure of the company's active compounds is linked with their ability to kill cancer cells. This knowledge provides new tools to further develop Kancera's future drug candidates.

During 2011, progress within Kancera's ROR technology has additionally made it possible also to attack ROR-2. This is a receptor on solid tumor cells that is closely related to ROR-1. Combined with new biological knowledge on Kancera's current target ROR-1, development work on a drug candidate against solid tumors – such as pancreatic cancer and prostate cancer – has been initiated.

It is possible to run this parallel development more cost effectively than is normally the case for new projects because the ROR technology developed for ROR-1 can be reused for a drug candidate aimed at ROR-2.

In collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Institute, Kancera has found active compounds that block ROR's survival signal and effectively kill cancer cells from the pancreas. Pancreatic cancer affects more than 100,000 patients annually in Europe and the US. The survival rate among these patients five years after diagnosis is less than two percent.

Events during the period

In collaboration with Professor Matthias Löhr of the Karolinska Institute, Kancera intensified its study of the effect of ROR inhibitors on cancer cells from the pancreas. These new studies were performed in a demanding three-dimensional experimental model. Experience suggests that in this type of model, it is more difficult to find compounds that attack the cancer cells effectively. Kancera's ROR inhibitors not only demonstrated a good effect in the study, but also proved to be more effective than a high dose of the standard treatment gemcitabine (see Figure 1). Professor Löhr commented: "The effect of Kancera's compound is by far the best we have seen in our model system. If you can see the effect in this three-dimensional tumor model, it increases the chances of it also having the same effect in clinical studies in patients." Kancera presented these results at Bio Europe Spring in Amsterdam in February 2012.

Kancera also presented new results from its ROR project which demonstrate that the company's active compounds are significantly more specific than four competing kinase inhibitors that are being tested in the treatment of chronic lymphocytic leukemia. The results were achieved in collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Cancer Center. Kancera also filed a new patent application (EP12153357) for a chemical series of ROR-inhibiting small molecules with pharmaceutical properties.

Figure 1.

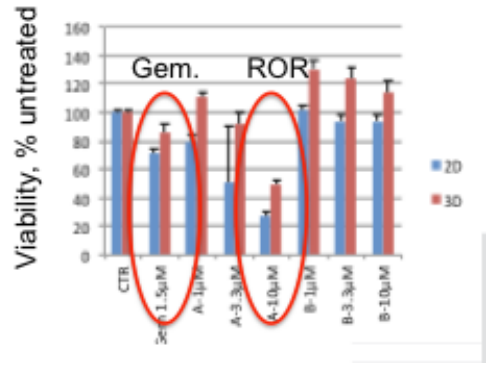


Figure 1 shows survival of the cancer cell PACA-1 from the pancreas after 48 hours' exposure to Kancera's ROR inhibitor or gemcitabine. Gemcitabine is currently the most commonly used drug in the treatment of pancreatic cancer. The red bars show the cell-killing effect on cancer cells that are growing in three dimensions (3D), which represents a more difficult to treat model of the tumor – and one that is closer to reality – than cells that are growing in two dimensions (blue bars). Note that the concentration for demonstrating an effect of gemcitabine (1.5 µM) is higher than the concentration tolerated by a patient. The tolerated dose of Kancera's ROR inhibitors is not yet clear. However, it has been shown that 10 µM of Kancera's ROR inhibitors has only a very limited effect on human white blood cells.

Events after the end of the reporting period

Kancera announced that its ROR inhibitors have the capacity to kill leukemia cells from 50 percent of patients who are no longer benefiting from the drugs currently available for chronic lymphocytic leukemia, which opens the way for a possible breakthrough in the treatment of the most common form of chronic leukemia.

Kancera announced that, in cooperation with Professor Håkan Mellstedt and his research team at the Karolinska Cancer Center, it had developed antibodies that allow the development of a diagnostic tool for the identification of patient response to treatment with Kancera ROR inhibitors. Kancera is now planning to develop these diagnostic antibodies further, into products that can be used for both research and clinical diagnostics.

Both the above studies were carried out in collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Cancer Center.

PFKFB3 project – a candidate that blocks glycolysis in solid tumors
The project aims to develop a PFKFB3 enzyme inhibitor to block glycolysis in cancer cells, thereby rendering the cancer cells more sensitive to chemotherapy and radiotherapy, without significantly affecting healthy cells.

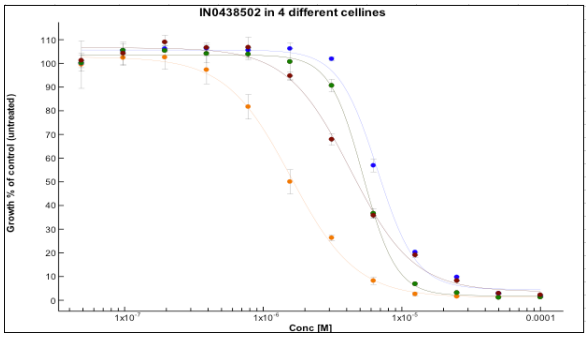
In 2011, new active compounds were developed that strengthen the company's existing domestic patent applications, resulting in the filing of two international patent applications (PCT/EP2011/066250 and PCT/EP2011/060526) in June and September respectively. In addition, in December Kancera strengthened its patent portfolio in cancer metabolism further by filing a patent application covering new active compounds and also a strategy for enhancing uptake of these compounds in cancer cells (EP11195456).

Moreover, during the year extensive crystallography studies established Kancera as an international leader in structure-based design of drugs targeting the PFKFB family of enzymes. This also strengthened Kancera's patent position for continued development towards delivery of a drug candidate in 2012.

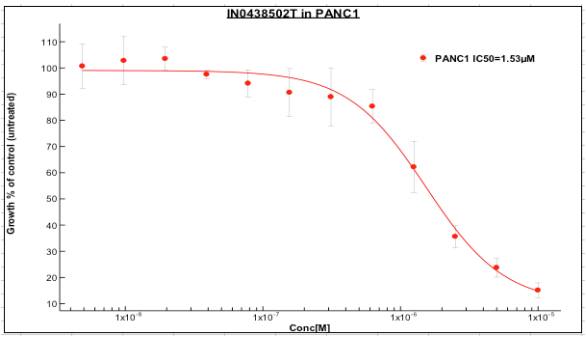
Certain active compounds have, in cell studies, demonstrated an improvement in the effectiveness of cisplatin, a clinically well-tested chemotherapy targeting a number of types of cancer. This moved the project a step closer to reaching the intended product profile. Kancera's active compound in itself also inhibits growth of the stomach cancer cell studied, independently of cisplatin.

Figure 2.

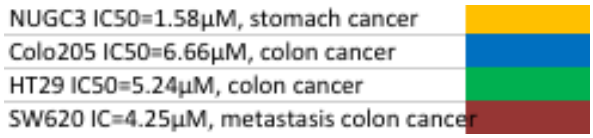
a)



b)



2a) The figure shows inhibition of the growth of various ***gastrointestinal cancer cells*** after 72 hours' exposure to Kancera's active compound KAN0438502. The study shows that 50% of full effect is achieved at a concentration of 1.6 to 6.7 µM, depending on the type of cancer cell. The margin of error at each measuring point is shown as a vertical span corresponding to the standard error of mean (SEM).



2b) The figure shows inhibition of the growth of the ***cancer cell PANC-1, taken from the pancreas,*** after 72 hours' exposure to Kancera's active compound KAN0438502. The study shows that 50% of full effect is achieved at a concentration of 1.5 µM. The margin of error at each measuring point is stated as a vertical span corresponding to the standard error of mean (SEM).

Events during the period
Kancera developed more potent PFKFB3 inhibitors and intensified studies of how effectively the growth of cancer cells can be inhibited merely through metabolic strangulation via Kancera's compounds. Results of studies of stomach cancer (cell line NUGC-3), colon cancer (cell lines SW48, SW620, Colo205 and HT29) and pancreatic cancer (cell lines MiaPaCa-2 and PANC-1) cells show (Figure 2) that Kancera's compounds are sufficiently effective to inhibit the growth of the cancer cells on their own, without being combined with a cytostatic such as cisplatin. These results support the value of PFKFB3 as a significant target in the treatment of cancer, even if future clinical use is likely to be in combination with other drugs. Kancera presented its structure-based design of active compounds targeting cancer metabolism via PFKFB3 at the World Cancer Metabolism Summit in Washington in February 2012.

Events after the end of the reporting period
Kancera's further development of PFKFB3 targeted drugs is now focusing on improving the compounds' capacity to enter the tumor effectively.

Market outlook for Kancera's development projects
In April, the latest deal between a preclinical biotech company and a pharmaceutical company was announced. Once again, it was Boston-based Epizyme that signed an agreement based on preclinical drug development targeting gene regulation in cancer. The agreement involved an upfront payment of USD 90m including equity. This time, the other party to Epizyne's agreement was Celgene, which – since the beginning of 2011 – has made other preclinical deals relating to oncology with GSK and Esai.

The company thus notes that the trend observed during the period 2009-2011, involving a significant number of option-based deals in the same early phase as Kancera's projects, is continuing. It is also noted that two new cancer drugs approved during 2011 (Zelboraf from Roche and Xalkori from Pfizer) were launched along with a diagnostic which indicates how the preparation is to be used in order to be most effective. This trend supports Kancera's investment in products that provide individually tailored treatments. Also of interest is Daichii-Sankyo's acquisition of Plexxikon, the biotech company that originally developed Zelboraf and that retains co-promotion rights in the US, for close to USD 1 billion. At Europe's biggest pharmaceutical trade fair in 2011 (BIO-Europe in Dusseldorf) PharmaPlus published a report on deals made in the past ten years for early stage R&D projects in the field of oncology. The report found an increase in upfront cash payments, as well as increasing milestone payments alongside royalties. Furthermore, higher payment per project was noted in deals where the big pharmaceutical companies are the buyer compared with deals made with smaller pharmaceutical companies. Of particular interest for Kancera's ROR project are two deals announced in December 2011 and January 2012, in which J&J and Celgene Corp. acquired clinical phase BTK inhibitors for the treatment of leukemia, including chronic lymphocytic leukemia (CLL). On signing the agreement for a clinical phase II BTK inhibitor J&J is paying USD 150m in addition to installments of USD 825m. Celgene is acquiring the company Avila Therapeutics including its primary asset, which is a BTK inhibitor targeting leukemia in clinical phase I, for USD 350m on signature plus up to USD 195m in installments. Kancera's ROR project is in the preclinical phase for targeting leukemia and is therefore not directly comparable with the projects from Pharmacyclics and Avila. However, it is worth noting that results from the Karolinska Cancer Center indicate that Kancera's active compounds targeting ROR exhibit significantly greater specificity against leukemia cells than Pharmacyclics' BTK inhibitor that was acquired by J&J in December 2011.

Industrial Research & Development segment

This segment consists primarily of the operations of the acquired company iNovacia. With the aim of further strengthening relations with selected clients and covering costs, Kancera is providing expertise on a consultancy basis for drug candidate development. Kancera is also developing stem cell-based cancer models for third party collaborations. Since September 2011, iNovacia has conducted its operations in specially designed laboratories at the Karolinska Institutet Science Park in Solna, Hagalund.

In addition to sales of research services to the industry, iNovacia is working in partnership with researchers in Europe and South America on an EU-financed project to develop drugs to treat the parasite Schistosoma. Highly potent inhibitors of a target protein in the parasite Schistosoma have now been identified for further development into drug candidates. This parasite infects about 200 million individuals annually in tropical or subtropical regions, resulting in over 280,000 deaths each year from the disease schistosomiasis (also known as bilharzia or snail fever).

Events during the period
In a press release iNovacia AB announced that it has entered into a collaboration with Boston-based Agios Pharmaceuticals relating to the identification of chemical starting points for one project using iNovacia's high-speed screening and chemical library.

Events after the end of the reporting period
In addition to individual assignments involving specialist analysis, iNovacia's resources have mainly been used by Kancera for the development of cancer therapies.

Market outlook
In January 2012, iNovacia entered into a new agreement with Agios Pharmaceuticals that will help the company win new contracts in an international market. However, the present financial uncertainty is expected to continue, as a result of which the Board of Directors declines to make any forecast regarding CRO revenues in 2012.

Income Statement

SEK 000´s (if otherwise not specified)	Jan-March 2012	Jan-March 2011	1 Jan-31 Dec 2011
Kancera Group			
Revenues			
Net sales	**657**	**592**	**7 069**
Cost of sales & services	-460	-468	-5 611
Gross profit	**197**	**124**	**1 458**
Operating Expenses			
General & administrative expenses	-2 204	-1 499	-2 371
Selling expenses	-1 147	-138	-1 403
Research & development expenses	-4 660	-4 601	-23 038
Negative Goodwill	-	6 982	6 982
Total expenses	**-8 011**	**744**	**-19 830**
Operating income	**-7 814**	**868**	**-18 372**
Income from Financial Investments			
Financial net	12	-135	-38
Income after financial items	**-7 802**	**733**	**-18 410**
Taxation	-	-	-
Net income	**-7 802**	**733**	**-18 410**
Income attributable to:	-7 802	733	-18 410
The shareholders of the parent company	-	-	-
Minority interests			
Earnings per share, before and after dilution	-0,52 kr	0,06 kr	-1,35 kr

Statement of Comprehensive Income

SEK 000´s (if otherwise not specified)	Jan-Mars 2012	Jan-Mars 2011	1 Jan-31 Dec 2011
Net Income	-7 802	733	-18 410
Other comprehensive income	-	-	-
The period´s comprehensive income	-7 802	733	-18 410
Income attributable to:	-7 802	733	-18 410
The shareholders of the parent company	-	-	-
Minority interests			

Balance Sheet

SEK 000´s (if otherwise not specified)	31 March 2012	31 March 2011	31 Dec 2011
Kancera Group			
Assets			
Non-current Assets			
Intangible assets, activated R&D expenses	6 000	6 000	6 000
Tangible assets	9 404	9 300	9 919
Total fixed assets	**15 404**	**15 300**	**15 919**
Current Assets			
Receivables	3 568	2 843	2 984
Cash and cash equivalents	12 632	34 424	20 838
Total current asstes	**16 200**	**37 267**	**23 822**
TOTAL ASSETS	**31 604**	**52 567**	**39 741**
Equity and Liabilities			
Equity			
Equty	18 101	38 091	25 903
Total equity	**18 101**	**38 091**	**25 903**
Provisions and liabilities			
Long-term liabilities	6 741	8 214	6 741
Short-term liabilities	6 762	6 262	7 097
Total provisions and liabilities	**13 503**	**14 476**	**13 838**
TOTAL EQUITY and LIABILITIES	**31 604**	**52 567**	**39 741**

Statement of Changes in Equity

SEK 000´s (if otherwise not specified)

Kancera Group

	2012
Total equity, opening balance on the 1st of Jan 2012	**25 903**
Q1 net income	-7 802
Total equity, closing balance on the 31st of March 2012	**18 101**

	2011
Total equity, opening balance on the 1st of Jan 2012	**11 189**
Proceeds on issue of shares	25 200
Costs related to issue of shares	-1 031
Exercise of warrant	2 000
Q1 net income	733
Total equity, closing balance on the 31st of March 2012	**38 091**

Cash-Flow Statement

SEK 000´s (if otherwise not specified)	Jan-March 2012	Jan-March 2011	1 Jan-31 Dec 2011
Kancera Group			
Cash-flow from operating activities			
Operating income after financial items	-7 802	733	-18 410
Depreciation	795	879	3 842
Other non-cash-flow affecting items	-	-6 982	-6 982
Cash-flow from operating activities before working capital change	**-7 007**	**-5 370**	**-21 550**
Change in working capital	-919	389	-1 664
Cash-flow from operating activities	**-7 926**	**-4 981**	**-23 214**
Investment activities			
Net investments in financial assets	-280	-	-1 550
Acquisition of operations	-	8 664	8 664
Cash-flow from investment activities	-280	**8 664**	**7 114**
FREE CASH-FLOW available to INVESTORS	**-8 206**	**3 683**	**-16 100**
Financing activities			
Issue of shares	-	24 169	31 123
New(+)/repayment of(-) loans	-	-	-757
Cash-flow from financing activities	**0**	**24 169**	**30 366**
CASH-FLOW for the YEAR	**-8 206**	**27 852**	**14 266**
Cash and cash equivalents at the beginning of the year	20 838	6 572	6 572
Cash and cash equivalents at the end of the year	12 632	34 424	20 838

Income Statement

SEK 000´s (if otherwise not specified)	Jan-March 2012	Jan-March 2011	1 Jan-31 Dec 2011
Parent Company			
Revenues			
Net sales	**-**	**-**	**-**
Cost of sales & services	-	-	-
Gross profit	**-**	**-**	**-**
Operating Expenses			
General & administrative expenses	-961	-1 110	-4 825
Selling expenses	-763	-49	-1 787
Research & development expenses	-6 013	-5 171	-17 136
Total expenses	**-7 737**	**-6 330**	**-23 748**
Operating income	**-7 737**	**-6 330**	**-23 748**
Income from Financial Investments			
Financial net	37	-180	83
Income after financial items	**-7 700**	**-6 510**	**-23 665**
Taxation	-	-	-
Net income	**-7 700**	**-6 510**	**-23 665**

Statement of Comprenhensive Incom

SEK 000`s (if otherwise not specified)	Jan - March 2012	Jan - March 2011	1 Jan-31 Dec 2011
Net Income	-7 700	-6 510	-23 665
Other comprenhensive income	-	-	-
The Period´s comprenhensive income	-7 700	-6 510	-23 665

Balance Sheet

SEK 000´s (if otherwise not specified)	31 March 2012	31 March 2011	31 Dec 2011
Parent Company			
Assets			
Non-current Assets			
Intangible assets, activated R&D expenses	6 000	6 000	6 000
Tangible assets	-	-	-
Shares in subsidiaries	2 320	2 320	2 320
Financial assets	-	-	-
Total fixed assets	**8 320**	**8 320**	**8 320**
Current Assets			
Receivables	688	1 016	843
Cash and cash equivalents	6 676	25 073	14 558
Total current asstes	**7 364**	**26 089**	**15 401**
TOTAL ASSETS	**15 684**	**34 409**	**23 721**
Equity and Liabilities			
Equity			
Restricted equity	1 262	1 104	1 262
Non-restricted equity	11 681	29 744	19 381
Total equity	**12 943**	**30 848**	**20 643**
Provisions and liabilities			
Short-term liabilities	2 741	3 561	3 078
Total provisions and liabilities	**2 741**	**3 561**	**3 078**
TOTAL EQUITY and LIABILITIES	**15 684**	**34 409**	**23 721**

Cash-Flow Statement

SEK 000´s (if otherwise not specified)	1 Jan- 31 March 2012	1 Jan- 31 March 2011	1 Jan-31 Dec 2011
Parent Company			
Cash-flow from operating activities			
Operating income after financial items	-7 700	-6 510	-23 665
Depreciation	-	-	-
Other non-cash-flow affecting items	-	-	-
Cash-flow from operating activities before working capital change	**-7 700**	**-6 510**	**-23 665**
Change in working capital	-182	1 282	851
Cash-flow from operating activities	**-7 882**	**-5 228**	**-22 814**
Investment activities			
Investment in financial assets	**-**	**-320**	**-320**
Cash-flow from investment activities	**-**	**-320**	**-320**
FREE CASH-FLOW available to INVESTORS	**-7 882**	**-5 548**	**-23 134**
Financing activities			
Issue of shares	-	24 049	31 120
Cash-flow from financing activities	**-**	**24 049**	**31 120**
CASH-FLOW for the YEAR	**-7 882**	**18 501**	**7 986**
Cash and cash equivalents at the beginning of the year	14 558	6 572	6 572
Cash and cash equivalents at the end of the year	6 676	25 073	14 558

Notes

Note 1. Accounting and valuation principles

This interim report has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting,* and the International Financial Reporting Standards (IFRS) as adopted by the EU. With respect to the Parent Company, this interim report has been prepared in accordance with the Swedish Annual Accounts Act and in compliance with RFR 2, *Accounting for Legal Entities*.

The Group applies the same accounting and valuation principles as described in the Annual Report 2011. A number of new or revised standards, interpretations and improvements have been adopted by the EU and are to be applied with effect from January 1, 2012. These changes have not had any effect on the Group. The accounting principles of the Parent Company are also as described in the latest published Annual Report.

Unless otherwise indicated, amounts are reported in Swedish kronor and rounded off to the nearest thousand. As a result of the rounding off to the nearest thousand kronor, adding up the amounts stated may not correspond exactly to the total given. Amounts and figures in parentheses are comparison figures for the same period last year.

Note 2. Related party disclosures

In the first quarter 2012, Kancera paid compensation at market rates to Sprint Bioscience at an amount of SEK 173,000 for services including protein production and structural studies of Kancera's targets for pharmaceutical development. Sprint Bioscience AB is the largest shareholder in Kancera AB. During the period, Kancera also paid compensation to F:a Mellstedt Medical for scientific consulting and scientific marketing services at an amount of SEK 18,750. Håkan Mellstedt, a Board member at Kancera, is the Managing Director and owner of F:a Mellstedt Medical.

Note 3. Incentive schemes

Further to a decision taken by an Extraordinary General Meeting on May 27, 2010, Kancera issued 250,000 share warrants which, following a split, will entitle holders to subscribe for 500,000 new shares at an issue price of SEK 7 per share. Warrants can be exercised during the period August 1, 2012 – October 31, 2012. A total of 100,000 warrants remain in the custody of the company. The Board does not intend to allocate these. If all outstanding warrants are exercised to subscribe for 300,000 new shares, dilution would be approximately 2.0 percent based on the current number of shares (15,148,000).

In addition, a resolution passed by the Annual General Meeting on May 26, 2011 introduced an incentive scheme for employees of the Group and certain contractors, involving the issue of 400,000 warrants. If all the warrants are exercised to subscribe for 400,000 new shares, the dilution of the share capital will amount to approximately 2.6 percent.

Note 4. Financial definitions

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.

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.

Option-based deal
Agreement between two parties giving one party the right through prepayment to later acquire sole rights to the asset concerned.

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

Capital employed
Total assets less non-interest bearing liabilities.

Equity/assets ratio
Equity as a percentage of total assets.

The company's operations and risk factors

The Board of Directors and CEO give an assurance that the interim report provides a true and fair overview of the company's and the Group's operations, financial position and results, and describes the significant risks and uncertainties faced by the company and the companies in the Group.

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 that may affect Kancera's earnings and financial position to varying degrees. For further information regarding company risks, see the company's Annual Report 2011.

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Stockholm, May 24, 2012

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

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

Financial calendar

- Annual General Meeting May 28, 2012
- Interim Report January – June 2012 August 23, 2012
- Interim report January – September 2012 November 22, 2012

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