Press release February 22, 2013

Full Year Report 2012 for Kancera AB (publ)

January 1 – December 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 of which was recognized as revenue during Q1 2011. 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 10.5 months of the comparison period January to December 2011.

January – December and Q4 2012 in brief

- R&D expenses for the period totaled SEK 28.9m (SEK 23.0m), of which Q4 expenses accounted for SEK 9.3m (SEK 5.0m). Write-down of instruments and chemical library amounted to SEK 2,9m during Q4.
- Net sales of external contract research for the period totaled SEK 3.5m (SEK 7.1m), of which the Q4 sales accounted for SEK 1.4m (SEK 3.2m).
- Operating income for the period totaled SEK -33.3m (SEK -18.4m after release of negative goodwill of SEK 7.0m), of which Q4 income accounted for SEK -10.5 (SEK -5.2m).
- Income after financial items for the period totaled SEK -33.5m (SEK -18.4m after release of negative goodwill of SEK 7.0m), of which Q4 income accounted for SEK -10.7 (SEK -5.0m). Q4 income included write-down of instruments and chemical library to an amount of SEK 2,9m.
- Earnings per share for the period were SEK -2.02 (SEK -1.35), and for Q4 were SEK -0.60 (SEK -0.33).
- Cash flow from operating activities for the period totaled SEK -26.9m (SEK -23.2m), of which Q4 accounted for SEK -3.4m (SEK -3.3m).
- Equity as of December 31, 2012 totaled SEK 5.5m (SEK 25.9m) or SEK 0.29 (SEK 1.71) per share. The equity/assets ratio on the reporting date was 30 percent (65 percent).
- Cash and cash equivalents totaled SEK 6.8m (SEK 20.8m) on December 31, 2012 and SEK 5.1m (SEK 14.6m) for the Parent Company.
- In deciding on the restructuring of the subsidiary, iNovacia AB, a lump sum of SEK 0,17 m was charged on income in Q4

Significant events during the period

- In collaboration with Professor Matthias Löhr of the Karolinska Institute, Kancera demonstrated that its ROR inhibitors are effective at killing cells in a 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 Cancer Center Karolinska.
- Kancera filed a patent application for a chemical series of small molecular ROR inhibitors 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 a project using iNovacia's high-speed screening and chemical library.
- 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 current drugs 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 Cancer Center Karolinska.

- Kancera announced that, in cooperation with Professor Håkan Mellstedt and his research team at the Karolinska Institute, it had developed antibodies that allow the development of a diagnostic tool for the identification of patients and for follow-up of individual patient response to treatment with ROR inhibitors.
- Kancera's cancer projects were presented at a seminar on "Lead Generation and Structure-Based Drug Design in Cancer Research" at the Cambridge Innovation Center in Boston, USA, in April 2012.
- On June 8 Kancera AB completed a new share issue with preferential rights for existing shareholders. The issue was 95 percent subscribed and involved the issue of 3,608,208 shares at an issue price of SEK 2.30 per share, which raised SEK 8.3m for Kancera AB before issue costs and represents dilution of 19.2 percent based on a total of 18,756,208 shares.
- On May 28, 2012 the Annual General Meeting approved the Board's proposal that the Board be authorized to decide to issue new shares on one or more occasions during the period up to the next Annual General Meeting against payment in cash and/or in kind or by set-off. The total number of shares which may be issued under this authority shall not exceed 20 percent of the total number of shares.
- Kancera announced that Professor Carl-Henrik Heldin had been appointed to the Board of Kancera. Professor Heldin has been director of the Ludwig Institute for Cancer Research in Uppsala since 1986 and a professor of molecular cell biology at Uppsala University since 1992. Professor Heldin has a solid reputation and an extensive network from assignments as advisor to several academic institutions and among successful biotech entrepreneurs, and thus brings an international view of how Kancera´s projects are valued scientifically and industrially.
- Professor Håkan Mellstedt presented Kancera's ROR project under the title "Effect of ROR1 targeting small molecules on chronic lymphocytic leukemia cells" at the American Society of Clinical Oncology (ASCO) in Chicago, USA, in June 2012.
- In June 2012, Kancera presented the company's cancer projects at the BIO International Convention in Boston, USA, a conference which attracted corporate leaders and business developers from more than 2,500 companies.
- Kancera announced that it had strengthened its patent rights for biological drugs targeting ROR-1 through the acquisition of BioInvent's share of patent application WO 2011/079902. The acquisition is based on an agreement that imposes no financial burden on Kancera until revenue is generated. Through the company's co-founder, Professor Håkan Mellstedt, Kancera already had an interest in patent application WO 2011/079902 covering therapeutic antibodies targeting ROR for treatment of cancer. This patent application was developed in collaboration with BioInvent and other members of the research team at the Cancer Center Karolinska. Kancera aims to develop these ROR antibodies in partnership with a company specializing in biological drugs.
- Kancera announced that its PFKFB3 inhibitors targeting cancer are now entering preclinical efficacy studies in animals. This first generation of Kancera PFKFB3 inhibitors has been selected following two animal studies that have shown satisfactory distribution and tolerance. Following the Board's decision on October 16 (see press release summarized below), no further significant investments will be made in the PFKFB3 project, which will be the subject of more detailed assessment at a later date.
- Kancera announced that its wholly-owned subsidiary iNovacia AB had entered into an agreement with Intellect Neurosciences New York, USA, for contract research services. The agreement relates to the evaluation of preclinical compounds for the optimization of Intellect's antibody drug conjugate.
- On October 16, 2012 Kancera announced that the company intends to issue new shares, has modified its business model and is focusing on one drug project. Kancera subsequently announced that:
  - As part of the current modification of the company, on November 27, 2012 restructuring of iNovacia AB was initiated. In Kancera's new organization available resources are focused on the delivery of a drug candidate in the ROR project during 2013.
  - A new share issue was completed on December 21, 2012. In total 13,511,466 shares were subscribed for, of which 7,069,249 with preferential rights (supported by warrants) and 6,442,217 without preferential rights. The new share issue was thus approximately 72 percent subscribed. The new share issue injected around SEK 9.3m into Kancera before issue costs.
  - The business model is being changed so as to run the business with a limited organization and a significant reduction in fixed costs. In parallel with this, opportunities to restructure iNovacia are being investigated. If this cannot be done, iNovacia will be sold or wound up.
  - Kancera's Board has judged that the company's limited financial and human resources require it to focus the business on one project, and has decided to continue investments focusing on the ROR project.
- Kancera announced that the company's first generation of PFKFB3 inhibitors slows down the growth of pancreatic cancer in preclinical efficacy studies in animals. The slowdown effect of Kancera's first generation PFKFB inhibitors was around 20 percent better than placebo treatment. 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, which underlines the fact that there is a great need for new drugs to treat pan-

creatic cancer. However, Kancera is standing by its previously announced decision to prioritize the company's ROR project, and consequently further development of the PFKFB project will only be resumed once adequate financing has been secured.

- Kancera announced that the company's project portfolio was presented at the conference of the European Cancer Cluster in Hamburg and also at BioEurope 2012, which likewise took place in Hamburg, Germany.
- Kancera reported results showing that pancreatic cancer cells cannot exist without a functioning ROR-1 protein. The results that support this were generated in collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Institute. The results provide increased support for Kancera's ROR project, which aims to develop an effective drug to treat this serious form of cancer.

Significant events after the end of the reporting period

- In an update on its project portfolio Kancera reported that:
  - Publications under the American Society for Hematology (ASH) in Atlanta, USA, from Kancera, its co-founder Professor Håkan Mellstedt of the Karolinska Institute, and researchers at the University of California, San Diego, have demonstrated the significance of ROR for the development of new drugs to treat the most common chronic (CLL) and the most common acute (AML) forms of leukemia.
  - Further investments have been made in patent protection within the ROR project by registering an international patent application (PCT/EP2013/051772) in January 2013 and through the acquisition of exclusive rights to a patent application concerning human monoclonal antibodies (WO 2012/076727).
  - Supplementary analyses of Kancera's results have shown that the level of inhibition of the PFKFB3 protein inside the cancer cell correlates well with the growth inhibition noted in both individual cancer cells and in a complete tumor. This further strengthens PFKFB3 as a target for the treatment of cancer.
- In an update on its organization and laboratory capacity, Kancera reported that the following agreements have been signed to allow access to high performance labs for the company's new down-sized organization:
  - Humlegården Fastigheter AB concerning rent of more cost-effective laboratories fitted to the needs of the ROR project.
  - Sobi AB concerning takeover of Sobi ABs claim against iNovacia of SEK 5m that is secured by a floating charge on assets including iNovacia laboratory equipment and instruments. Claim is taken over for a payment of SEK 2 m to Sobi AB.
- On October 16, 2012 Kancera AB announced an action plan to give the company more flexibility in terms of both capacity and costs. As part of this action plan, reconstruction of the subsidiary iNovacia AB was initiated on November 27, 2012.On February 21, the decision was made to abandon the reconstruction of iNovacia due to the remaining uncertainty in terms external income that would enable continued operation. For this reason, iNovacia has filed for bankruptcy. Kancera has not provided financial guarantees for iNovacia.

Statement from the CEO

At the 2012 major cancer congress of the American Society for Hematology (ASH) held in December in Atlanta, USA, ROR was once again a central topic among researchers and representatives of the industry as a starting point for new drugs to combat certain currently incurable diseases.

Researchers from the University of California, San Diego, showed that ROR inhibition could become an important treatment for the severe form of cancer Acute Myeloid Leukemia (AML). Along with Kancera's own studies, this shows that substances that block ROR have the potential to combat both the most common chronic and the most common acute form of leukemia. Kancera and its co-founder, Professor Håkan Mellstedt of the Karolinska Institute, along with their research team, were behind two scientific studies that were presented at ASH: a study showing how patients who are expected to respond best to treatment with ROR inhibitors can be identified, and a study showing that antibodies and small molecules that target ROR have a similar impact on the cancer cells.

Kancera recently succeeded in developing further the properties of the company's small molecular ROR inhibitors so that they demonstrate even greater efficacy when it comes to destroying cancer cells from leukemia patients who are no longer benefitting from the available drugs. This was achieved while at the same time Kancera's compounds maintain, or increase, their efficacy at targeting the cancer itself compared with the body's healthy cells. What remains to be achieved by Kancera is to increase the stability of the ROR inhibitors in the liver so that a sufficient quantity of active drug gets into the tumor. Kancera is continuing to invest in patent protection for the company's future drugs targeting ROR, most recently by registering an international patent application (PCT/EP2013/051772) in January 2013 and through the acquisition of exclusive rights to a patent application concerning human monoclonal antibodies (WO 2012/076727).

Kancera has reported previously that the company's PFKFB3 inhibitors slow down pancreatic cancer in animal models. Follow-up analysis of Kancera's results shows that the level of inhibition of the PFKFB3 protein inside the cancer cell correlates well with the growth inhibition noted in both individual cancer cells and in a complete tumor. This further strengthens PFKFB3 as a target for the treatment of cancer. An international patent application (PCT/EP2012/076836) was registered in December 2012 with a view to maintaining opportunities for future strong patent protection for Kancera's priority PFKFB3 inhibitors. However, Kancera intends to secure additional financing before further development of the PFKFB project is resumed.

Since October 16, when Kancera announced the company's intention to modify its business model and focus on the ROR project, we have acted to strengthen the company's financial position and increase its operational flexibility. Together with Humlegården Fastigheter AB, we have created the conditions for laboratory solutions within the Karolinska Science Park that will be affordable to small businesses and that provide technical capacity that is otherwise generally only available in big corporations. We have also taken steps towards reducing the organization in order to be able to focus cost-effectively on the ROR project.

Through the share issue effected in December 2012, which brought in SEK 9.3m before issue costs, we have also laid the foundations for an exciting year in 2013 in which we aim to deliver a drug candidate in the ROR project - a drug candidate that may make the difference in the care of a number of difficult to treat cancers.

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 on 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 10 people. Kancera shares are traded on NASDAQ OMX First North and are held by around 1 200 shareholders. Remium Nordic 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 that 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

Financial development, summary

Kancer Group	1 Oct-31 Dec		1 Jan-31 Dec	
SEK (if otherwise not specified)	2012	2011	2012	2011
Net turnover	1 362	3 224	3 517	7 069
R&D expenses	-9 326	-5 034	-28 882	-23 038
Operating income	-10 537	-5 159	-33 293	-18 372
Income after financial items	-10 726	-5 020	-33 488	-18 410
Net income	-10 726	-5 020	-33 488	-18 410
Cash-flow from operating activities	-3 427	-3 280	-26 928	-23 214
Earnings per share, before and after dilution	-0,60	-0,33	-2,02	-1,35
Cash on hand at closing date	6 841	20 838	6 841	20 838
Solvency ratio	30%	65%	30%	65%
Key ratios				
Return on equity, %	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg
Solvency ratio	30%	65%	30%	65%
Net investments in tangible assets	-	1 659	-	1 550
in relation to net turnover, %	0%	51%	0,0%	21,9%
No.of employees	18	19	16	19
Earnings per share, before dilution	-0,60	-0,33	-2,02	-1,35
Earnings per share, after dilution	-0,60	-0,33	-2,02	-1,35
Equity by share, kr	0,29	1,71	0,29	1,71
Cash-flow by share, kr	0,08	-0,37	-0,85	1,04

Sales
The Group's operations during the fourth quarter have been financed mainly by equity capital and income from external contract research, which amounted to SEK 3.5m (SEK 7.1m).

R&D activities
R&D expenses for the period totaled SEK 28.9m (SEK 23.0m), of which Q4 expenses accounted for SEK 9.3m (SEK 5.0m).

Earnings
Earnings for the period totaled SEK -33.5m (SEK -18.4m), with fourth quarter earnings of SEK -10.7m (SEK -5.0m).

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 10.5 months of the comparison period January to December 2011.

Net sales
Net sales in the fourth quarter 2012 totaled SEK 1.4m (SEK 3.2m) and for the period, SEK 3.5m (SEK 7.1m). Revenue in the fourth quarter derives from deliveries to four clients in the US, including Agios Inc.

Expenses
Expenses in the fourth quarter totaled SEK 11.9m (SEK 8.4m), which breaks down into costs of services sold of SEK 1.1m (SEK 2.3m), research and development expenses of SEK 9.3m (SEK 5.0m) and other sales and administrative expenses of SEK 1.5m (SEK 1.1m). Expenses in the period January 1 – December 31, 2012 totaled SEK 36.8m (SEK 32.4m), which breaks down into costs of services sold of SEK 2.5m (SEK 5.6m), research and development expenses of SEK 28.9m (SEK 23.0m), other sales and administrative expenses of SEK 5.4m (SEK 3.8m) and negative goodwill of SEK 0.0m (SEK 7.0m).

Earnings
Income after financial items for the fourth quarter totaled SEK -10.7m (SEK -5.0m) and for the period, SEK -33.5m (SEK -18.4m).

Cash flow and liquidity
Cash flow totaled SEK +1.5m (SEK -5.7m) in the fourth quarter. Cash flow from operating activities for the fourth quarter totaled SEK -3.4m (SEK -4.9m). Cash flow from financing activities for the fourth quarter amounted to SEK 4.9m (SEK -0.7m). After the end of the period a further SEK 4.4m was paid in from the new share issue effected in December 2012.

Cash flow for the period amounted to SEK -14.0m (SEK +14.3m). Cash flow from operating activities for the period totaled SEK -26.9m (SEK -23.2m). Cash flow from financing activities for the period totaled SEK 12.9m (SEK 30.4m).

The Kancera Group's cash and cash equivalents as at December 31, 2012 totaled SEK 6.8m (SEK 20.8m), of which SEK 5.1m (SEK 14.6m) for the Parent Company. The new share issue was carried out in December, with preferential rights for existing shareholders. Kancera reported that the new share issue was completed on December 21,2012. In total 13,511,466 shares were subscribed for, of which 7,069,249 with preferential rights (supported by warrants) and 6,442,217 without preferential rights. The new share issue was thus approximately 72 percent subscribed. The new share issue injected around SEK 9.3m into Kancera before issue costs. During the financial year SEK 4.9m of this amount was paid in to Kancera. The Board has also announced that fixed costs are to be reduced in 2012 and 2013 by restructuring the subsidiary iNovacia AB and by focusing the business on one project, the ROR project.

Investments
Investments in property, plant and equipment totaled SEK 0.0m (SEK 1.7m) in the fourth quarter, and SEK 0.0m (SEK 1.6m) for the period.

Investments in intangible assets in the fourth quarter 2012 totaled SEK 0m (SEK 0m) and for the period, SEK 0m (SEK 0m). Ongoing investments in intangible assets (R&D expenses) are expensed as R&D and totaled SEK 26.1m (SEK 23.0m) for the period.

Equity and share data
Total equity as at December 31, 2012 was SEK 5.5m (SEK 25.9m).

Share capital as at December 31, 2012 amounted to SEK 1,563,000 spread over 18,756,208 shares with a quotient value (rounded off) of SEK 0.0833 per share. Taking into account the new share issue in December 2012, the share capital will increase by SEK 1,126,000 to SEK 2,689,000.

Earnings per share for the period, based on a weighted average of the number of outstanding shares, were SEK -2.02 (SEK -1.35). In conjunction with the new share issue a bonus issue element was identified, which means that the weighted average number of shares when calculating earnings per share has been adjusted. Previous periods have been restated with the bonus issue element. Moreover, the number of shares converted into the part of the ongoing issue earned in 2012 has also been accounted for (SEK 4.9m).

Kancera's equity/assets ratio as at December 31, 2012 was 30 percent (65 percent). Equity per share was SEK 0.29 (SEK 1.71), based on equity divided by the number of shares on the closing date 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 which currently amounts to SEK 54,2m. 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 December 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 December 31, 2012 is 15; 8 are men and 7 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 fourth quarter 2012, expenses totaled SEK 1.7m (SEK 7.9m), of which costs of services sold accounted for SEK 0m (SEK 0m) and R&D expenses for SEK 0.4m (SEK 7.2m). Other expenses totaled SEK 1.3m (SEK 0.7m). Income after financial items for the period totaled SEK -23.5m (SEK -23.7m). 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. At the end of the period cash and cash equivalents amounted to SEK 5.1m (SEK 14.6m). The new share issue implemented in December 2012 will inject SEK 9.3m into the company before issue costs.

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 fourth quarter 2012 totaled SEK -9.8m (SEK -6.7m) and for the period, SEK -30.5m (SEK -19.2m). During the fourth quarter the Pharmaceutical Development segment was charged with expenses for research and development, which included patent expenses, cost of ingredients and write-down of instruments and chemical library, of SEK 9.3m (SEK 4.7m), and for the period, SEK 28.9m (SEK 18.4m). During the period, 38% of resources were invested in the ROR project and 62% in the PFKFB3 project. The greater investment in the PFKFB3 project was due to higher costs for animal studies. In addition, the ROR project received SEK 0.4 m of funding from Vinnova in 2012 (SEK 7.5m in total during 2009 -2012) for efficacy studies in cancer cells in collaboration with Professor Håkan Mellstedt at the Karolinska Institute.

Earnings for the Industrial Research & Development segment in the fourth quarter 2012 totaled SEK 1.4m (SEK 3.2m). These earnings are commented on below under the heading "Market outlook" in the section "Industrial Research & Development". Operating income from contract research in the fourth quarter 2012 totaled SEK 0.0m (SEK 0.2m).

Segment Report 2012

SEK 000´s (if otherwise not specified), **Kancera Group**	Jan-Dec 2012				Jan-Dec 2011			
	Drug development	CRO business	Central costs & other	Total	Drug development	CRO business	Central costs & other	Total
Net Sales		3 517		3 517		7 069		7 069
Cost of sales & services		-2 545		-2 545		-5 611		-5 611
Gross Profit	0	972	0	972	0	1458	0	1458
General & administrative expenses	-660	-337	-2 476	-3 473	-2 073	-213	-84	-2 371
Selling expenses	-993	-726	-191	-1910	-730	-533	-141	-1403
Research & development expenses	-28 882			-28 882	-23 038			-23 038
Total operating expenses	-30 535	-1063	-2 667	-34 265	-25841	-746	-225	-26 812
Negative Goodwill				0			6 982	6 982
Operating income	**-30 535**	**-91**	**-2 667**	**-33 293**	**-25 841**	**712**	**6 757**	**-18 372**

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. Following the Board's decision of October 16 (see press release of October 16, 2012) to focus the business on one project, all efforts are now being devoted to the ROR project, with the aim of developing effective treatments for both hematological and solid forms of cancer. Since ROR is found selectively in the cancer cell and not in surrounding healthy tissue, good opportunities exist within Kancera's project to develop an effective drug with limited side effects that could help improve the quality of life for the patient and reduce costs on society. The aim is to deliver a drug candidate targeting ROR in the coming 12-18 months.

For the time being, no further investments of significance will be made in the PFKFB3 project until adequate financing has been secured. The project will be the subject of a more detailed assessment at a later date. PFKFB3 has been valued at SEK 3m in the Balance Sheet, which is the acquisition cost of the project. In the Board's assessment this value, which is based on currently known results of Kancera's research, is warranted based on the current price level for comparable projects.

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.

Kancera presented results generated during the period for the ROR-1 and PFKFB3 projects at BIO Europe Spring in Amsterdam in February 2012 and at the BIO International Convention in Boston, USA in June 2012, which attracted corporate leaders and business developers from more than 2,500 companies.

A summary presentation of the part of the ROR-1 project targeting chronic lymphocytic leukemia (CLL) was given by Professor Håkan Mellstedt under the title "Effect of ROR-1 targeting small molecules on chronic lymphocytic leukemia cells" at the American Society of Clinical Oncology (ASCO) in Chicago in June 2012. At the 2012 conference of the American Society of Hematology (ASH) held during December in New Orleans, two scientific works on ROR by Professor Håkan Mellstedt's research team in collaboration with Kancera were presented. These presentations described how various antibodies targeting ROR can be used to actively identify ROR on the surface of the cancer cell and to chart how ROR helps the cancer cell to survive.

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 addition, Kancera owns exclusive rights to a patent application covering human therapeutic antibodies targeting ROR as well as non-exclusive rights to a patent application covering experimental antibodies targeting ROR. Both these types of antibodies work on the part of the ROR-1 receptor that extends outside the cell, with the aim of blocking the cell's survival signal. Kancera aims to develop these ROR antibodies in partnership with a company specializing in biological drugs.

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.

Progress made within Kancera's ROR technology has also shown that solid tumor cells may likewise be dependent on ROR. Professor Håkan Mellstedt showed that cancer in the pancreas expresses ROR. 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. Again, in the case of pancreatic cancer, it has been reported that ROR-1 occurs in greater numbers in tumor cells of patients with an increasingly aggressive (progressive) form of leukemia.

In parallel with this, independent researchers in the US and Japan have shown that ROR is also a promising target for the development of drugs to treat breast cancer and lung cancer (Yamaguchi *et al, Cancer Cell 2012, Zhang et al, PLoS One 2012).*

Kancera filed a new patent application (EP12153357) for a chemical series of small molecular ROR inhibitors with pharmaceutical properties.

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 – from a clinical perspective – of the standard treatment gemcitabine. 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." In 2012 Kancera also reported results from a collaboration with Professor Håkan Mellstedt's research team at the Karolinska Institute which show that an aggressive type of cancer cell from pancreatic cancer in humans is dependent on ROR-1 for its existence. The results thus provide increased support for Kancera's ROR project, which aims to develop an effective drug to treat this serious form of cancer.

During the period Kancera showed that a further three central objectives had been achieved within the ROR project, these being:

- better selectivity against chronic lymphocytic leukemia compared with three competing drug candidates
- better selectivity against chronic lymphocytic leukemia compared with four currently successful drugs
- highly effective against cancer cells from patients with chronic lymphocytic leukemia who have developed resistance to the drug most commonly used to treat the disease at present (fludarabine)

In collaboration with Professor Håkan Mellstedt's research team at the Cancer Center Karolinska, Kancera generated new results within its ROR project which demonstrate that the company's active compounds are significantly more specific than three competing kinase inhibitors targeting BTK, PI3K and SYK.

During the period Kancera showed – again in collaboration with Professor Håkan Mellstedt's research team – that four successful drugs (Datasinib, Gefitinib, Sorafinib and Sunifinib) all belonging to the same family of drugs as ROR inhibitors do not have the capacity to eliminate ROR-1. In line with these results, the studies also showed that these drugs are not selective against cancer, which means that healthy white blood cells are also killed. The killing of healthy white blood cells can result in the patient becoming more susceptible to infection. According to the study, Kancera's ROR inhibitors spare the healthy white blood cells, which could help patients given this drug in the future to be more resistant to serious infections than those receiving today's drugs.

Kancera also announced that its ROR inhibitors have the capacity to kill leukemia cells from 50 percent of patients who are no longer benefiting from fludarabine, the small molecular drug that is most often prescribed for the treatment of chronic lymphocytic leukemia. Patients approaching a stage of their illness in which fludarabine no longer helps hold back the disease have a very poor prognosis. Figure 1 shows how further development of Kancera's small molecular drug targeting ROR has resulted in significantly improved efficacy against leukemia cells that are resistant to treatment with fludarabine, opening the way for a possible breakthrough in the treatment of the most common form of chronic leukemia.

Figure 1. Efficacy of Kancera's small molecular ROR inhibitors in killing leukemia cells that are currently resistant to treatment

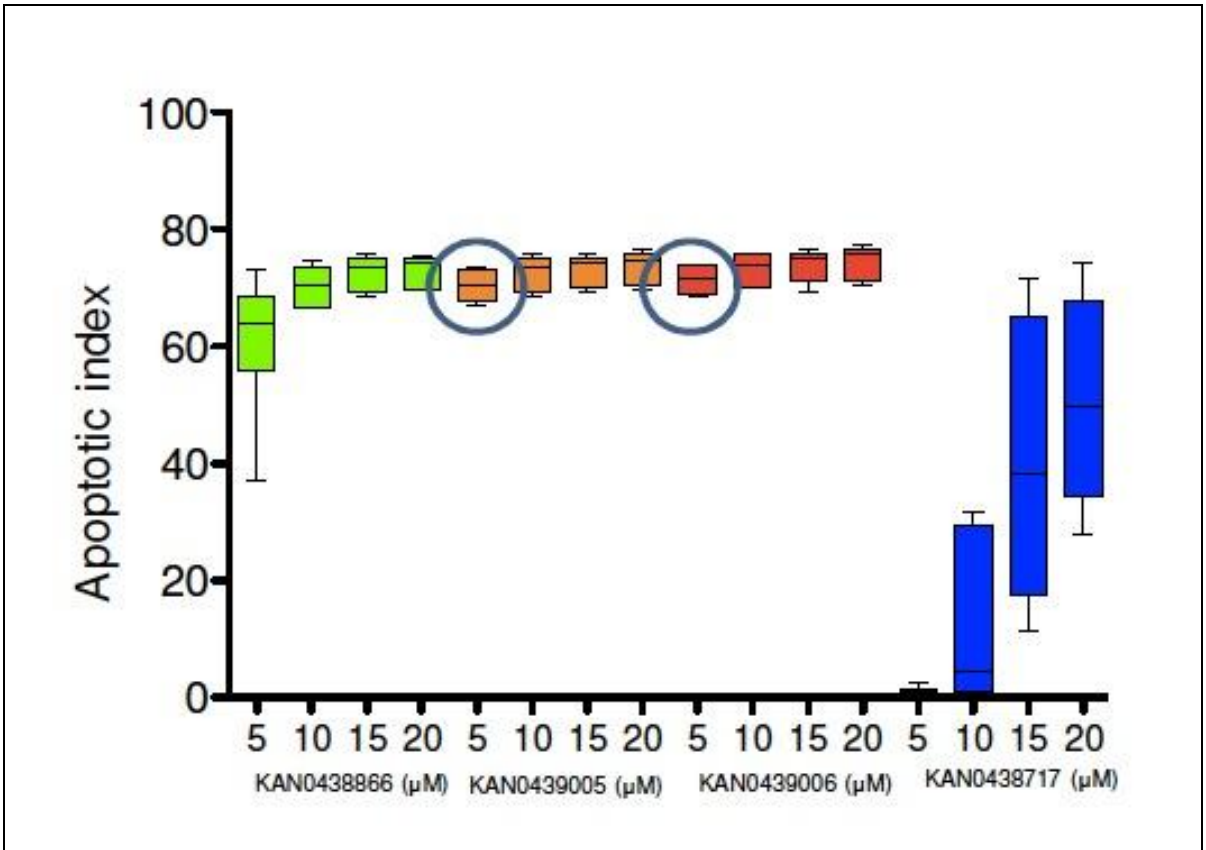

Figure 1 shows on the Y axis (0-100%) the cell-killing effect of Kancera's ROR inhibitors on ***Leukemia cells from patients in which the disease is no longer responding to fludarabine, currently the main clinical option for trreatment***. Prior to the reading of cell death in the study the leukemia cells were exposed for 24 hours to various concentrations (5, 10, 15 uM, as per the X axis) of Kancera's ROR inhibitors. From each result, percent cell death in

the absence of inhibitor is subtracted. The blue box represents one of Kancera's first generation ROR inhibitors. The green, brown and red boxes represent new ROR inhibitors that Kancera developed during the third and fourth quarters of 2012.

Kancera further announced that it had developed first generation antibodies that allow the identification of patient response to treatment with Kancera's future 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 these studies were carried out in collaboration with Professor Håkan Mellstedt and his research team at the Cancer Center Karolinska.

Kancera announced that it had strengthened its non-exclusive patent rights for biological drugs targeting ROR-1 through the acquisition of BioInvent's share of the rights to patent application WO 2011/079902. In addition, through an agreement with BioInvent AB Kancera has secured *exclusive rights to patent application WO 2012/076727, which covers fully human monoclonal antibodies targeting ROR-1.* Both acquisitions of patent rights are based on an agreement with BioInvent that imposes no financial burden on Kancera until revenue is generated. Through the company's co-founder, Professor Håkan Mellstedt, Kancera had already participated in the development of these therapeutic antibodies targeting ROR for treatment of cancer. Professor Håkan Mellstedt is also listed as joint inventor in patent application WO 2011/079902. Kancera aims to develop these ROR antibodies in partnership with a company specializing in biological drugs.

Events after the end of the reporting period
Kancera reports that its 2012 patent application (EP12153357) has been registered for the international phase and further examination in January 2013. The patent application covers a chemical series of small molecular ROR inhibitors with pharmaceutical properties.

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.

In 2011 two international patent applications (PCT/EP2011/066250 and PCT/EP2011/060526) were registered, and also a new application EP11195456, all of which have claims protecting PFKFB3 inhibitors.
Moreover, 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.
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.

Events during the period
Kancera developed more potent PFKFB3 inhibitors and showed 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) showed 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. The studies of stomach and colon cancer cells also showed that 50 percent of full effect is achieved at a concentration of 1.6 to 6.7 µM, while an equivalent effect is achieved in studied pancreatic cancer cells at a concentration of 1.5 µM. The lethal effect of Kancera's PFKFB inhibitors on cancer cells was shown to correlate well with the capacity to eliminate the actual PFKFB enzyme in the cancer cell. These results support the potential of PFKFB as a 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.

Kancera announced that its PFKFB3 inhibiting compounds against cancer are now entering preclinical efficacy studies in animals. This first generation of Kancera PFKFB3 inhibitors was selected following two animal studies that showed satisfactory distribution and tolerance.

Kancera further reported that the company's first generation of PFKFB3 inhibitors slowed down the growth of pancreatic cancer in preclinical efficacy studies in animals. The slowdown effect of Kancera's first generation of PFKFB inhibitors was around 20 percent compared with placebo treatment.

The fact that PFKFB inhibitors on their own reduced the growth of a pancreatic cancer supports Kancera's strategy for how this serious illness can be attacked. The next step in the project is to further improve the pharmaceutical properties of the PFKFB inhibitors and evaluate effects on tumor growth when combined with standard treatments for pancreatic cancer.

During the period patent application PCT/EP2011/060526 was withdrawn by Kancera, while patent application EP11195456 was registered for the international phase as PCT/EP2012/076836. This international application covers new PFKFB3 inhibitors and also a strategy for facilitating uptake of the compounds in cancer cells.

Events after the end of the reporting period
Further investment in the PFKFB3 project will only be made once adequate financing for this has been secured.

Market outlook for Kancera's development projects

The international pharmaceutical industry association BIO Industry Organization (http://www.bio.org/) reports that 2012 was a big year for approval of new drugs by the FDA in the US. Not since 1990 have so many new drugs been approved as in 2012, when 40 new products were made available to patients. In view of the fact that Kancera is focused on developing small molecular drugs to treat cancer, it is interesting to note that of these 40 new drugs, a full 35 percent targeted cancer and 70 percent were small molecular. A large proportion of the products approved – more than 50 percent – are aimed at less common diseases, known as orphan designations. Industry interest in these less common diseases has increased because the patient group is clearly defined, which facilitates clinical studies, and because there is still significant medicinal need here. As a result, authorities are facilitating the development of and protection for products to treat these diseases. In preclinical studies Kancera's ROR project was shown to be a possible means of treating a number of types of blood malignancies meeting the requirements for classification as orphans (in the US, fewer than 200,000 individuals affected).

In April 2012 an agreement was announced between Boston-based Epizyme and Celgene in respect of a preclinical pharmaceutical development project targeting gene regulation in cancer. The agreement involved an upfront payment of USD 90m including equity. Epizyme is a biotech company that has been at the forefront of a new treatment concept targeting cancer and has succeeded in concluding a number of preclinical deals in the field of cancer since the beginning of 2011 with GSK and Esai.

Agreements in a preclinical development phase, as exemplified by that between Epizyme and Celgene, dominated over clinical phase agreements during 2012 and together accounted for 46 percent of global partnering agreements, according to the analyst Burrill & Company (http://www.burrillandco.com/). This confirms that the trend observed during the period 2009-2011, involving a significant number of 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), from the biotech company Pharmacyclics. On signing the agreement for a clinical phase II BTK inhibitor J&J is paying USD 150m in addition to installments of USD 825m. In October 2012, J&J paid Pharmacyclics USD 50m at the start of clinical phase III studies. 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 Cancer Center Karolinska 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.

The fact that the pharmaceutical industry is greatly in need of innovation is clear from a report summarized by Bruce Booth of the venture capital company Atlas Ventures entitled "March of the Lemmings" (lifescivc.com/2012/06/cancer-drug-targets-the-march-of-the-lemmings/). This report states that of the industry's 990 cancer projects around the world, around 200 projects address just eight targets in the cancer cell.

The fact that the industry is making so many attempts to develop the same type of drugs means both that significant resources are not available for testing out new treatment methods and that many patients are included in studies that are not effectively contributing to new drugs becoming available. The report was released just ahead of this year's major cancer conference ASCO (American Society for Clinical Oncology), at which Kancera's ROR project was presented and attracted attention as a new way of attacking drug-resistant cancers.

Industrial Research & Development segment

This segment consists primarily of the operations of the subsidiary 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 its own 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 had entered into a collaboration with Boston-based Agios Pharmaceuticals relating to the identification of chemical starting points for a project using iNovacia's high-speed screening and chemical library. This project was completed in the third quarter 2012. Contracts were also signed in the third quarter with two new clients in the US, one of which with Intellect Neurosciences (New York), as announced in a press release on October 4, 2012. These two projects were divided into a preliminary study and a main study. The revenue from the preliminary studies was received in the fourth quarter. Negotiations in respect of the main studies were not completed because iNovacia began restructuring on November 27.

With Kancera's modified business model, which aims to focus on the ROR project and to run the business with a limited organization and a significant reduction in fixed costs – as communicated on October 16, 2012 – the level of projects commissioned from iNovacia also reduced in the fourth quarter. On November 27, 2012 restructuring of iNovacia AB was commenced with a view to investigating the possibilities for making it independent of Kancera AB by reducing the company's fixed costs and generating revenue from new business. Negotiations on the leasing of instruments have taken place with lessors and partners. The results of these negotiations indicate opportunities for iNovacia to significantly reduce the company's fixed costs once an arrangement has been finalized and subsequent restructuring has been completed. The number of salaried employees has been reduced by two as of February 1, 2013 and is expected to reduce by a further three by March 1, 2013, leaving a total of 10 employees. These staff cuts can be implemented without significant costs. In conjunction with the commencement of restructuring an inventory was taken using new internal valuations, and this resulted in equipment being written down by SEK 2,2m and inventories by SEK 1,8m. In deciding on the restructuring of the subsidiary, iNovacia AB, a lump sum of SEK 0,17m was charged on income in Q4.

Events after the end of the reporting period

On February 21, the decision was made to abandon the reconstruction of iNovacia due to the remaining uncertainty in terms external income that would enable continued operation. For this reason iNovacia has filed for bankruptcy. Kancera has not provided financial guarantees for iNovacia.

The value of iNovacia AB was accordingly written down from SEK 2.32m to SEK 1 in the Balance Sheet of the Kancera group. CEO and key personel from the ROR project will become directly employed by Kancera AB.

In order to allow continued access to a well-equipped laboratory for Kancera's new smaller organization and facilitate access to external specialist services within the Karolinska Science Park, Kancera has signed agreements with Humlegården Fastigheter AB and Sobi AB respectively that provide Kancera a) access to more cost-effective laboratories that are better suited to the ROR project needs than the premises previously leased by iNovacia and b) priorized claim on iNovacia AB that is secured by a floating charge on assets, including iNovacia laboratory equipment and instruments, to a value of SEK 5m against a payment of SEK2 m.

Kancera and Humlegården Fastigheter AB will continue to work to further develop the Karolinska Science Park Hagalund to a center for Life Science R&D. Humlegården Fastigheter AB can accordingly offer other R & D companies resource efficient laboratory solutions in proximity of Kancera which allows for collaboration and synergies.

Income Statement

SEK 000´s (if otherwise not specified)	1 Oct-31 Dec 2012	1 Oct-31 Dec 2011	1 Jan-31 Dec 2012	1 Jan-31 Dec 2011
Kancera Group				
Revenues				
Net sales	**1 362**	**3 224**	**3 517**	**7 069**
Cost of sales & services	-1 057	-2 247	-2 545	-5 611
Gross profit	**305**	**977**	**972**	**1 458**
Operating expenses				
General & administrative expenses	-1 041	-555	-3 473	-2 371
Selling expenses	-475	-547	-1 910	-1 403
Research & development expenses	-9 326	-5 034	-28 882	-23 038
Negative Goodwill	0	0	0	6 982
Total operating expenses	**-10 842**	**-6 136**	**-34 265**	**-19 830**
Operating income	**-10 537**	**-5 159**	**-33 293**	**-18 372**
Income from finansial investments				
Financial net	-189	139	-195	-38
Income after financial net	**-10 726**	**-5 020**	**-33 488**	**-18 410**
Taxation	-	-	-	-
Net income	**-10 726**	**-5 020**	**-33 488**	**-18 410**
Income attributable to:				
The shareholders of the parent company	-10 726	-5 020	-33 488	-18 410
Minority shareholders	-	-	-	-
Earnnings per share, before and after dilution	-0,60 k	-0,33 kr	-2,02 kr	-1,35 kr

Statement of Comprehensive Income

SEK 000´s (if otherwise not specified)	1 okt-31 dec 2012	1 okt-31 dec 2011	1 jan-31 dec 2012	1 jan-31 dec 2011
Net income	**-10 726**	**-5 020**	**-33 488**	**-18 410**
Other comprehensive income	-	-	-	-
The period´s comprehensive income	**-10 726**	**-5 020**	**-33 488**	**-18 410**
Income attributable to:				
The shareholders of the parent company	-10 726	-5 020	-33 488	-18 410
Minority shareholders	-	-	-	-

Balance Sheet

SEK 000´s (if otherwise not specified)	31 Dec 2012	2011
Kancera Group		
Assets		
Non-current assets		
Intangible assets, activated R&D expenses	6 000	6 000
Tangible assets	3 098	9 919
Total non-current assets	**9 098**	**15 919**
Current assets		
Receivables	2 671	2 984
Cash and cas equivalents	6 841	20 838
Total current assets	**9 512**	**23 822**
TOTAL ASSETS	**18 610**	**39 741**
Equity and liabilities		
Equity		
Equity	5 499	25 903
Total equity	**5 499**	**25 903**
Provisions and liabilities		
Long-term liabilities	5 642	6 741
Short-term liabilities	7 469	7 097
Totsl provisions and liabilities	**13 111**	**13 838**
TOTAL EQUITY and LIABILITIES	**18 610**	**39 741**

Statement of Changes in Equity

SEK 000´s (if otherwise not specified)

Kancera Group

	2012		2011
Total equity, opening balance on the 1st of Jan 2012	**25 903**	**Total equity, opening balance on the 1st of Jan 2011**	**11 189**
Q1 net income	-7 802	Proceeds on issue of shares	25 200
Total equity, closing balance on the 31st of March 2012	**18 101**	Costs related to issue of shares	-1 031
Proceeds on issue of shares	8 299	Exercise of warrants	2 000
Costs related to issue of shares	-97	Q1 net income	733
		Total equity, closing balance	
Exercise of warrants	4	**on the 31st of March 2011**	**38 091**
Q2 net income	-8 530	Q2 net income	-8 892
Total equity, closing balance on the 30th of June 2012	**17 777**	**Total equity, closing balance on the 30th of June 2011**	**29 199**
Q3 net income	-6 430	Q3 net income	-5 231
Total equity, closing balance			
on the 30th of Sept 2012	**11 347**	Proceeds on issue of shares	7 600
On-going issue of shares	4 878	Costs related to issue of shares	-684
		Total equity, closing balance	
Q4 net income	-10 726	**on the 30th of Sept 2011**	**30 884**
Total equity, closing balance			
on the 31st of Dec 2012	**5 499**	Optionspremier, teckningsoptioner	**39**
		Exercise of warrants	**-5 020**
		Total equity, closing balance	
		on the 31st of Dec 2011	**25 903**

Cash-Flow Statement

SEK 000's (if otherwise not specified)

Kancera Group

	1 Oct-31 Dec		1 Jan-31 Dec	
	2012	2011	2012	2011
Cash-flow from operating activities				
Operating income after financial items	-10 726	-5 020	-33 488	-18 410
Depreciation	5 492	878	7 053	3 842
Other non-cash-flow affecting items	-	-	-	-6 982
Cash-flow from operating activities before working capital change	**-5 234**	**-4 142**	**-26 435**	**-21 550**
Chenge in working capital	1 807	862	-493	-1 664
Cash-flow from operating activities	**-3 427**	**-3 280**	**-26 928**	**-23 214**
Investment activities				
Net investments in tangible assets	0	-1 659	0	-1 550
Acquisition of operations	-	-	-	8 664
Cash-flow from investment activities	**0**	**-1 659**	**0**	**7 114**
FREE-CASH available ti INVESTORS	**-3 427**	**-4 939**	**-26 928**	**-16 100**
Financing activities				
Issue of shares	4 878	38	12 931	31 123
New (+) /repayment of (-) loans	-	-756	-	-757
Cash-flow from financing activities	**4 878**	**-718**	**12 931**	**30 366**
CASH-FLOW for the YEAR	**1 451**	**-5 657**	**-13 997**	**14 266**
Cash and cash-flow equivalents at the beginning of the year	5 390	26 495	20 838	6 572
Cash and cash-flow equivalents at the end of the year	6 841	20 838	6 841	20 838

Income Statement

SEK 000's (if otherwise not specified)	1 Oct-31 Dec 2012	1 Oct-31 Dec 2011	1 Jan-31 Dec 2012	1 Jan-31 Dec 2011
Parent Company				
Revenues	-	-	-	-
Net sales	-	-	-	-
Cost of sales & services	-	-	-	-
Gross profit	-	-	-	-
Operating expenses				
General & administrative expenses	-1 251	-337	-4 564	-4 825
Selling expenses	-100	-380	-1 956	-1 787
Research & development expenses	-354	-7 166	-14 723	-17 136
Total expenses	**-1 705**	**-7 883**	**-21 243**	**-23 748**
Operating income	**-1 705**	**-7 883**	**-21 243**	**-23 748**
Income from financial investments				
Financial net	-2 320	118	-2 257	83
Income after financial items	**-4 025**	**-7 765**	**-23 500**	**-23 665**
Taxation	-	-	-	-
Net income	**-4 025**	**-7 765**	**-23 500**	**-23 665**

Statement of Comprenhensive Income

SEK 000´s (if otherwise not specified)	1 okt-31 dec 2012	1 okt-31 dec 2011	1 jan-31 dec 2012	1 jan-31 dec 2011
Net Income	**-4 025**	**-7 765**	**-23 500**	**-23 665**
Other comprenhensive income	-	-	-	-
The Period´s comprenhensive income	**-4 025**	**-7 765**	**-23 500**	**-23 665**

Balance Sheet

SEK 000's (if otherwise not specified)	31 Dec 2012	2011
Parent Company		
Assets		
Non-current assets		
Intangible assets, activated R&D expenses	6 000	6 000
Shares in subsidiary	0	2 320
Total non-current assets	**6 000**	**8 320**
Current assets		
Receivables	194	843
Cash and cash equivalents	5 107	14 558
Total current assets	**5 301**	**15 401**
TOTAL ASSETS	**11 301**	**23 721**
Equity and liabilities		
Equity		
Restricted equity	1 563	1 262
Non-restricted equity	8 662	19 381
Total equity	**10 225**	**20 643**
Provisions and liabilities		
Short-term liabilities	1 076	3 078
Total provisions and liabilities	**1 076**	**3 078**
TOTAL EQUITY and LIABILITIES	**11 301**	**23 721**

Cash-flow Statement

000¨s (if otherwise not specified)

Parent Company

	1 Oct-31 Dec		1 Jan-31 Dec	
	2012	2011	2012	2011
Cash-flow from operating activities				
Operating income financial items	-4 025	-7 765	-23 500	-23 665
Depreciation	-	-	-	-
Other non-cash-flow affecting items	2 320	-	2 320	-
Cash-flow from operating activities before working capital change	**-1 705**	**-7 765**	**-21 180**	**-23 665**
Change in working capital	-5 482	721	-1 356	851
Cash-flow from operating activities	**-7 187**	**-7 044**	**-22 536**	**-22 814**
Investmnet activities				
Investments in financial assets	-	-	-	-320
Cash-flow from investment activities	**-**	**-**	**-**	**-320**
FREE CASH-FLOW available to INVESTORS	**-7 187**	**-7 044**	**-22 536**	**-23 134**
Financing activities				
Issue of shares	4 878	39	13 085	31 120
Cash-flow from financing activities	**4 878**	**39**	**13 085**	**31 120**
CASH-FLOW for the YEAR	**-2 309**	**-7 005**	**-9 451**	**7 986**
Cash and cash equivalents at the beginning of the year	7 416	21 563	14 558	6 572
Cash and cash equivalents at the end of the year	5 107	14 558	5 107	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 for the fiscal year starting January 1st 2013 or later. These revisions have not been used by the group prior to January 1st 2013. The Group will apply new and adopted standards according to decisions for applications made by the EU meaning that IFRS 13 Valuation of real value, revisions of IAS 1, Form for financial reports, and revisions of IAS 19 Compensation to employees will be applied as of January 1st 2013. These changes are not expected to exert significant effects 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.

Below is a description of both the additional accounting principles in respect of the consolidated financial statements, and the areas where the accounting principles applied in the consolidated financial statements differ from the accounting principles applied by the Parent Company, where RFR 2 has been applied.

Basis of consolidation

The consolidated financial statements consist of the annual report for Kancera AB and its subsidiary as at December 31 each year.

The annual report for the subsidiary is prepared for the same reporting year as the Parent Company, using the same accounting principles. All intra-group transactions, income and expenses, profits and losses and balance sheet items resulting from intra-group transactions are eliminated in full in the consolidated financial statements.

A subsidiary is a company over which the Parent Company has a controlling influence, generally as a consequence of a holding of shares that, directly or indirectly, provides the Parent Company with control over more than 50 percent of the voting power. A subsidiary is included in the consolidated financial statements as of the date of its acquisition, being the day on which the Parent Company acquires a controlling influence, and is included in the financial statements until the date on which the controlling influence ceases.

Business combinations and goodwill
Business combinations are accounted for using the acquisition accounting method.

The acquisition is considered to be a transaction by which the Group indirectly acquires the assets of the subsidiary and assumes its liabilities and other obligations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is reported as an asset in the balance sheet.

If the difference is a negative amount, it is recognized directly in the income statement. The shareholders' equity in the subsidiary is entirely eliminated upon acquisition. The Group's equity consists of the equity in the Parent Company and the portion of equity in the subsidiaries earned after the acquisition.

Cost of services sold
The cost of services sold within CRO operations is based on hourly expenses for research staff on client projects multiplied by the time spent on these projects.

Research and development costs
As stipulated by IAS 38 *Intangible Assets*, costs relating to development activities are capitalized and reported in the balance sheet if certain criteria are met, while research costs are expensed as incurred. An intangible asset arising from capitalized development expenditure is recognized only when the Group can demonstrate the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete and its ability to use or sell the asset; how the asset will generate future economic benefits; the availability of resources to complete the asset; and the ability to reliably measure development expenditure.

To date the Group has expensed all development costs as incurred since they mainly consist of research investment and the recognition criteria for capitalization have not been met.

Lease agreements
Kancera has entered into lease agreements with third parties in the ordinary course of business. These agreements are for office and laboratory space, laboratory equipment, automobiles and other equipment.

Lease agreements are classified as either financial or operating depending on the terms of the lease. A financial lease transfers substantially all the financial risks and benefits incidental to ownership of the leased asset to Kancera. All other lease agreements are considered operating leases.

Financial leases are capitalized at the inception of the lease at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Thus, the leased equipment is recorded as an asset and the net present value of future minimum lease payments is recorded as a liability. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Kancera Group will obtain ownership by the end of the lease term. Property, plant and equipment are depreciated.

Operating lease payments are recognized in the income statement over the lease term in the period they relate to.

Note 2. Related party disclosures

During the period, Kancera also paid compensation to F:a Mellstedt Medical for scientific consulting and scientific marketing services at an amount of SEK 50,000. Håkan Mellstedt, a Board member at Kancera, is the Managing Director and owner of F:a Mellstedt Medical.

Note 3. Incentive schemes

In addition, in accordance with a resolution passed by the Annual General Meeting held on May 26, 2011 Kancera introduced an incentive scheme for the employees of the Group and certain contractors, involving the issue of 400,000 warrants. Under this incentive scheme, Carl-Henrik Heldin – newly appointed to Kancera's Board – acquired 10,000 warrants in June 2012 for a purchase price of SEK 4,000. The warrants were sold at market price, determined according to the Black & Scholes valuation formula. 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. All the warrants can be exercised to acquire shares during the period March 1 – May 31, 2014.

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 full year 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.

_____

Stockholm, 22 February 2013

Erik Nerpin *Chairman of the Board*	Håkan Mellstedt *Director*	Bernt Magnusson *Director*
Carl-Henrik Heldin *Director*	Thomas Olin *CEO/Director*	

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

Financial calendar

• Annual Report 2012	May 3, 2013
• Interim Report January – March 2013	May 24, 2013
• Annual General Meeting	May 28, 2013
• Interim Report January – June 2013	August 23, 2013
• Interim Report January – September 2013	November 22, 2013

For further information, please contact:
- Thomas Olin, CEO: +46 735 20 40 01
- Erik Nerpin, Chairman of the Board and Election Committee: +46 8 505 646 04

Kancera AB (publ)
Karolinska Institutet Science Park
Banvaktsvägen 22
SE-171 48 Solna
SWEDEN

Please visit the company's website www.kancera.com