Press release May 23, 2014

Interim Report for Kancera AB (publ) Q1 2014

January 1 – March 31, 2014

All figures from the first quarter 2013 relate only to Kancera AB as a consequence of the liquidation of the subsidiary iNovacia AB in the beginning of 2013. Therefore there are no consolidated accounts for the Kancera Group produced which was done until the accounting year 2012. In connection with this Kancera has passed from the RFR2 regulations, applicable to companies in groups, to BFN´s complementary regulation K3. The full year report and consolidated accounts fulfill the requirements of Nasdaq OMX First North for the accounting of Kancera AB. The transition to K3 did not affect the income statement or the balance sheet for 2012. The result for the period January 1, 2013 - December 31, 2013 and the balance sheet as of December 31, 2013 correspond to those accounted for according to earlier accounting principles. Comparative figures from the preceding year relate to the mother company Kancera AB.

The first quarter 2014 in brief

- R&D expenses for the period totaled SEK 3.5m (SEK 1.5m).
- Operating income for the period totaled SEK -4.1m (SEK -2.3m).
- Income after financial items for the period totaled SEK -4.2m (SEK 0.7m).
- Earnings per share for the period were SEK -0.06 (SEK 0.04).
- The preferential rights issue and the directed share issue that was fully subscribed in December 2013 amounting to SEK 22.1m before issue expenses brought in SEK 7.5m during the period.
- Cash flow from operating activities for the period totaled SEK -3.2m (SEK -2.2m).
- Equity as of March 31, 2014 totaled SEK 22.2m (SEK 15.4m) or SEK 0.31 (SEK 1.01) per share. The equity/assets ratio as of March 31, 2014 was 72 percent (93 percent).
- Cash and cash equivalents as of March 31, 2014 totaled SEK 19.8m (SEK 5.3m). During the period March 1 to May 31, Kancera implements a directed share issue to employees and certain related parties as decided at the 2011 Annual General Meeting. The issue is partly recorded. Currently, the issue has yielded SEK 652,386 which is not included in the reported cash and cash equivalents as of March 31, 2014.

Significant events during the period

- Kancera reports that the company is initiating the development of a vaccine directed against ROR. This initiative is motivated by the residual disease in the form of a small number of cancer cells that remain in some patients despite treatment. These cancer cells are difficult to detect and are expected to contribute to relapse of cancer disease. In the most common form of leukemia (CLL) these remaining cancer cells often express ROR. A vaccine can teach the patient's own immune system to recognize and destroy these ROR-expressing cancer cells. Thus it is expected that a vaccine will add to the suppression of the disease leading to a longer and healthier life for the patient compared to what is possible today. Kancera´s strategy is to use its future small-molecule ROR inhibitors as a first line treatment for the disease to remove the main part of the tumor and the symptoms, and thereafter follow with a prophylactic ROR vaccine to prevent relapse. Thus, there are possible synergies between Kancera´s small molecule products and the vaccine against ROR.

- Kancera announced that the company has received a first payment from the EU of 523,655 Euro for the execution of the A-PARADDISE project and that the project thus has started. In August 2013 Kancera announced that the company together with international research groups in the project A-PARADDISE has been awarded a grant from the European Union Seventh Framework Programme to develop drugs to combat severe parasitic diseases including malaria, schistosomiasis, leishmaniasis and Chagas disease. The total three-year project budget is 6 M€ where the Kancera part of about € 950,000 is the largest.

Significant events after the end of the reporting period

- Kancera has reported results from the collaboration on PFKFB3 inhibitors with Professor Thomas Helleday at the Science for Life Laboratory which was initiated in 2013. Within the framework of the collaboration a large-scale laboratory evaluation of synergistic effects between Kancera's PFKFB3 inhibitors and a large number of approved drugs has been performed. The results show that synergistic effect against cancer cells can be achieved by combining PFKFB3 inhibitors and some defined classes of approved drugs. In light of the present results, new experiments are planned using preclinical disease models to verify whether PFKFB3 inhibitors can improve the treatment of advanced lung cancer and metastatic breast cancer.

- Kancera reports that the company has registered a patent application (EP14167988.6) for new compounds against cancer that selectively inhibit the enzyme HDAC6. The new patent application is based on the ability of HDAC6 inhibitors to influence mechanisms both inside and outside of the cell nucleus. It has been shown that the major biological role of HDAC6 is in the regulation of the cancer cell´s ability to migrate and form metastases.

Statement from the CEO

In the 2014 report from the World Health Organization (WHO) cancer is described as one of the most serious threats to public health in Europe. Research progress during the last decades has provided clear results in the combat against cancer. One result of this progress is that the survival rate five years after start of treatment has increased to over 65%. This consequence is that more people are cured or are living with cancer as a controllable chronic disease. The number of individuals who are ill with cancer is expected to increase by 75 % over the next twenty years. The main reasons are that the number of new cancer cases is increasing for instance due to our life styles and the fact that more people are living a long time with the disease.

The spread of the cancer by metastasis and increasing resistance against available treatments cause more than 90% of all cancer related deaths. The underlying causes of these cancer characteristics are now targeted by Kancera´s drugs.

Four years after the start of Kancera, the company has a first drug candidate within reach in the ROR project in the form of a synthetic small molecule. With this drug candidate in place, negotiations will commence with internationally established pharmaceutical companies in order to identify a partner able to effectively take the product to the market.

Kancera´s ten scientists and two academic research teams, led by Professor Mellstedt at the Cancer Center Karolinska and professor Helleday at the Science for Life Laboratory, combine experience in product development with research at a high international level to attack cancer via three mechanisms: ROR, PFKFB3 and HDAC6 .

While the small-molecule ROR inhibitors are approaching selection of a drug candidate, we have just started the evaluation of vaccine leads in animals during May.. The PFKFB3 project has acquired additional strength through the collaboration with Prof. Thomas Helleday, where we have identified synergies with other drugs against intractable cancer. Also the HDAC project makes progress which recently has been documented in a patent application.

During May we follow up the unit issue of December by offering the redemption of warrants. This may provide the company with up to ca SEK 16 million. The payment provided to Kancera through the warrants gives us additional resources to develop Kancera´s product portfolio with the main focus on the delivery of a drug candidate in the ROR project.

The technical difficulties in producing these products remain high, while the benefit of a successful project is significant. We will do our utmost to develop new drugs against cancer and invite you to participate in Kancera´s important campaign.

Thomas Olin
CEO Kancera

About Kancera AB (publ)
Kancera develops the basis for new therapeutics, starting with new treatment concepts and ending with the sale of a drug candidate to international pharmaceutical companies. 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's operations are based in the Karolinska Institutet Science Park in Stockholm and the company employs around 10 people. The Kancera shares are traded on NASDAQ OMX First North and the number of share holders is ca 5400 as of January 31, 2014. Remium Nordic AB is Kancera's Certified Adviser. Professor Carl-Henrik Heldin and Professor Håkan Mellstedt are Kancera´s scientific advisors.

Kancera's history
In 2006, Pharmacia's and Biovitrum's unit for the development of drug candidates was spun-out to create iNovacia AB. In 2008, iNovacia started the development of the ROR project in collaboration with the Karolinska Institute. In May 2010, Kancera AB was formed by scientists from Cancer Center Karolinska, iNovacia AB and a group of private investors through capital contributions and two developed drug projects focusing on cancer: the ROR project and the PFKFB-project, the latter had been initiated by Biovitrum AB. NASDAQ OMX approved Kancera's listing on First North with the first day of trading being February 25, 2011. In March 2013 Kancera acquired a complete drug development laboratory from its former subsidiary iNovacia AB and the drug development is since then performed within Kancera AB at the Karolinska Institutet Science Park, Stockholm.

Financial development, summary

Financial development, summary

SEK 000´s (if otherwise not specified)

Kancera AB	1 Jan-31 march 2014	2013	1 Jan-31 Dec 2013
Net turnover	212		1 813
R&D expenses	-3 468	-1 492	-7 533
Operating Income	-4 149	-2 311	-10 404
Income after financial items	-4 173	690	-7 418
Net income	-4 173	690	-7 418
Cash-flow from operating activities	-3 173	-2 236	-6 638
Earnings per share, before and after dilution	-0,06	0,04	-0,22
Cash on hand at closing date	19 756	5 316	14 118
Solvency ratio	72%	93%	74%
Key ratios			
Return on equity, %	neg	neg	neg
Return on capital employed, %	neg	neg	neg
Solvency ratio	72%	93%	74%
No. of employees	10	-	7,5
Earnings per share, before dilution	-0,06	0,04	-0,22
Earnings per share, after dilution	-0,06	0,04	-0,22
Equity by share, kr	0,31	1,01	0,56
Cash-Flow by share, kr	0,08	0,01	0,27

Comments on the financial development

The decreased negative cash flow for the period compared to the corresponding period in 2013 can be attributed to a net investment of SEK 2 million in fixed assets in 2013. The enhanced liquidity for the period compared to the corresponding period in 2013 can be attributed to a rights issue completed in the fourth quarter of 2013. The lower income after financial items and earnings per share for the period compared to the corresponding period in 2013 can be attributed to a capital gain that arose in 2013 in connection with an acquisition of floating charge in the former subsidiary. Comparative figures from the preceding year relate to the parent company Kancera AB.

Net sales

Kancera´s activities have mainly covered internal drug development projects alongside smaller consultancy projects which raised net sales during the period of SEK 0.2m (SEK 0,0m). The turnover excludes financial support from the EU project A-Paraddise where the support is offset against incurred costs of consumables, performed months of work plus 60% overhead on the sum of these costs as will be summarized in an interim report.

Expenses

Expenses in the first quarter totaled SEK 4.4m (SEK 2.3m), which breaks down into costs of services sold of SEK 0.1m (SEK 0.0m), research and development expenses of SEK 3.5m (SEK 1.5m) and other sales and administrative

expenses of SEK 0.8m (SEK 0.8m).

Earnings
Income after financial items for the first quarter totaled SEK -4.2m (SEK 0.7m).

Cash flow and liquidity

Cash flow totaled SEK 5.6m (SEK 0.2m) in the first quarter. Cash flow from financing activities for the first quarter amounted to SEK 9.3m (SEK 4.4m) which mainly can be attributed to the share issue and the EU support received.

Kancera has been awarded a grant of 523,655 Euros from the European Union's 7th Framework Programme for the A-Paraddise project that targets parasitic diseases. The grant is accounted for as a recognized as a liability until the project's interim report has been approved by the EU 20 months after the project start.

Kancera´s cash and cash equivalents as of March 31, 2014 totaled SEK 19.8m (SEK 5.3m). During the period March 1 to May 31, Kancera implements a directed share issue to employees and certain related parties as decided at the 2011 Annual General Meeting. The issue is partly recorded. Currently, the issue has yielded SEK 652,386 which is not included in the reported cash and cash equivalents as of March 31, 2014.

The assessment of the Board was that additional capital needs to be procured in order to implement planned projects in 2014. Kancera AB announced the decision, with the authorization of the Extraordinary General Meeting on October 30, to conduct a share issue. On December 18, 2013, it was announced that the preferential rights issue, including the over-allotment space, was fully subscribed thus bringing the company SEK 22.1m before issue costs. In accordance with the decision of the Board of Kancera AB (publ) on November 7, 2013 and pursuant to the authorization from the Extraordinary General Meeting on October 30, 2013, Kancera solves warrants TO 1 2013 during the period May 1-31, 2014. The warrants may provide the company with a further SEK 16.6 million before issue costs assuming a fully subscribed offering.

Investments
Investments in fixed assets in the first quarter totaled SEK 0.5m (SEK 0.0m).

Investments in intangible assets in the fourth quarter 2013 totaled SEK 0.0m (SEK 2.0m).

The company continuously invests in research projects that increase the company's technology knowledge, and where also a patent application covering the technology can be included. In the accounts these investments including patent costs, are entered as costs since the time of activation for projects is based on the time when the project will be commercialized and that time point has not yet occurred. R & D costs, which therefore are entered as R & D, amounted to SEK 3.5m (SEK 1.5m) for the first quarter.
During the first quarter Kancera acquired instruments previously leased by the previous subsidiary iNovacia AB from Handelsbanken Finans AB for SEK 500,000 considered by the company to be an estimated market price.

Equity and share data
Total equity as of March 31, 2014 was SEK 22.2m (SEK 15.4m).

Share capital as of March 31, 2014 amounted to SEK 6 377 946 spread over 76 535 348 shares with a quotient value (rounded off) of SEK 0.0833 per share.

Earnings per share for the quarter, based on a weighted average of the number of outstanding shares, were SEK -0.06 (SEK 0.04). In connection with the share issue a bonus element was identified, which means that the weighted average number of shares used to calculate earnings per share has been adjusted. Prior periods have been recalculated to reflect the bonus element.

Deficits for tax purposes
Kancera's present operations are expected to initially result in negative earnings and deficits for tax purposes. There are 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. The tax losses amount to SEK 63.4m.

Personnel

Kancera AB had 10 full time employees (0) as of March 31, 2014 of which 7 are men and 3 are women.

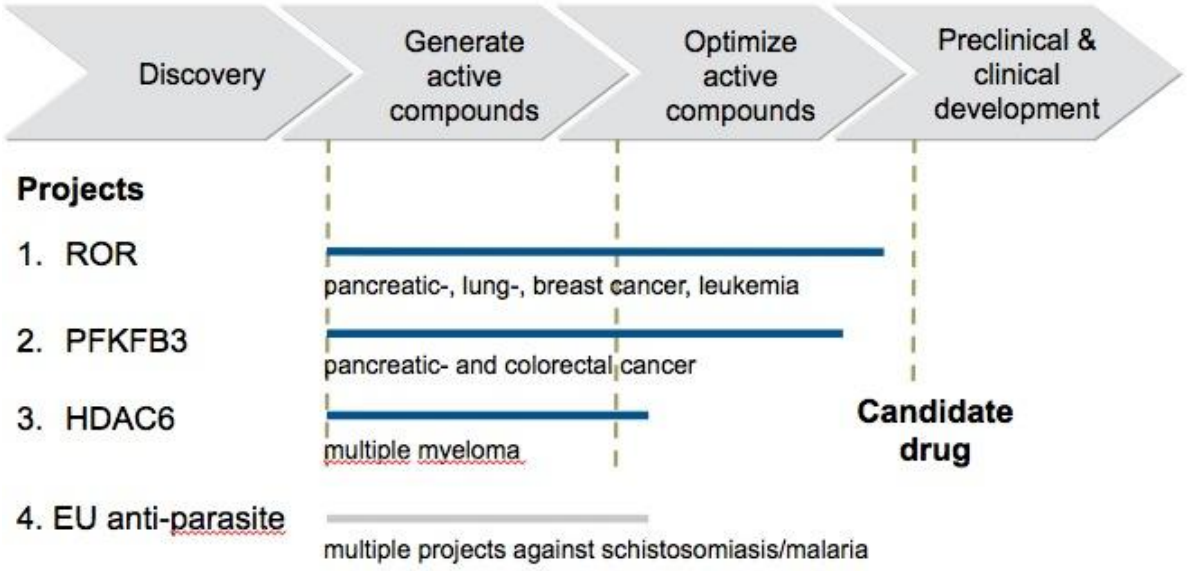
Pharmaceutical Development

Kancera develops cancer drugs, starting with a new treatment concept and ending with a patent-pending drug candidate that is offered for sale to larger pharmaceutical and biotech companies before it has reached the clinical phase in the product development chain.

The company has four drug development projects in the portfolio.

- **ROR inhibitors** that reprogram the cancer so that it destroys itself. In the laboratory, the ROR technology has been shown to work in both solid tumors and leukemia.
- **PFKB inhibitors** that strangle the energy supply from glucose to solid tumors, thereby increasing tumor sensitivity to other anticancer drugs.
- **HDAC6 inhibitors** that primarily aim to neutralize blood cancer by controlling the cancer cell genome and ability to move.
- **Inhibitors of epigenetic processes in parasites** to develop new treatments against e.g. malaria and schistosomiasis (snail fever)

Figure 1. Kancera´s product portfolio



The product development in the ROR project has advanced so far that the company now sets the goal to deliver a drug candidate during the third quarter with the potential to treat refractory solid cancers as well as hematologic cancers. This means that also the commercialization of this project will commence in 2014. A successful commercialization may involve a sale probably with a stepwise compensation at signing of the agreement and when the project reaches milestones, or a partnership that yields net income and funding of a continued drug development.

In line with the Board's goal to increase the financial flexibility of the company and at the same time keep sufficient capacity to deliver a drug candidate it was decided to mainly focus the activities on the ROR project and the EU-financed epigenetically directed anti-parasite project.

For the EU-project, Kancera has been awarded funding of € 950,000 for research and product development. This funding covers 75% of the project costs, including "overhead" such as rent and administration which means that the project also bears a part of Kancera´s administrative costs.

The company's product development of epigenetically acting drugs against parasites also makes it possible for Kancera to efficiciently develop epigenetically acting drugs against cancer, including HDAC6 inhibitors, since a similar technical expertise and capacity are needed for both types of epigenetic projects.

Kancera has developed inhibitors of PFKFB3 which in the laboratory have been shown to potentiate other cancer treatments and single-handedly slow the growth of pancreatic cancer in an experimental model. The PFKFB3 project is now developed in collaboration with Professor Thomas Helleday´s research group at the Science for Life Laboratory at the Karolinska Institute. The goal of this collaboration is to identify how Kancera´s PFKFB3 inhibitors most effectively can be combined with other drugs to achieve the best clinical outcome. Based on the results from this research Kancera will decide how the further optimization of the company´s PFKFB3 inhibitors towards the selection of a candidate drug is to be done. This product development depends on that adequate funding for the project is secured. The PFKFB3 project has been valued to SEK 3m in the balance sheet which was the original purchase value of the project. It is the opinion of the Board that the value, based on the currently known results of Kancera´s research, can be defended on the basis of currently prevailing prices of comparable projects and the potential to further develop the project in the future.

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

ROR technology – candidate drug is developed for the treatment of leukemia and solid tumors
Since ROR is present in higher amounts in cancer cells from refractory patients and is selectively found in cancer cells and not in the surrounding healthy tissue, the Kancera project offers good possibilities to develop effective drugs with fewer side effects that may contribute to increased quality of life for patients and lower costs for society.

Kancera develops 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 and thus re-program the cancer so that it destroys itself. In addition, Kancera develops a vaccine based on the part of ROR situated on the outside of the cancer cell. Vaccines are able to stimulate the patient's own immune system to recognize cancer cells and destroy them by means of antibodies and white blood cells (for more information about the ROR vaccine, see below under Events during the period).

A comparative study has been performed with four successful drugs (Dasatinib, Gefitinib, Sorafinib, Sunitinib) in order to examine the competitiveness of ROR inhibitors. The results show that these four drugs are unable to efficiently inhibit ROR1 and that they kill cancer cells from leukemia patients less selectively compared to ROR inhibitors. Further, the study shows that these drugs also kill healthy white blood cells, which cause the patient to become more susceptible to infections. According to the study Kancera´s ROR inhibitors spare the healthy white blood cells. Thus a future patient receiving this drug may withstand severe infections better compared to those receiving today´s medications.

Kancera´s ROR1 inhibitors have been shown to be more effective and more selective when killing cancer cells from leukemia patients than two comparable classes of reversible cancer drugs that inhibit the kinases BTK, PI3K and Syk. In collaboration with Professor Håkan Mellstedt and his research group at Karolinska Institutet, Kancera studied how effective these competing candidate drugs kill cancer cells derived from CLL patients whose cancer is no longer sensitive to today's most widely used small molecule drug (Fludarabine). This study included leukemia cells from 7 patients and compared the killing effect of Kancera´s ROR inhibitor KAN0439363 with the effect of four newly developed drugs including Ibrutinib (PCI-32765). The competing kinase inhibitors reach maximum ca 15-50% killed cancer cells at a concentration of about 5 µM while *Kancera´s ROR inhibitor show higher effect at a lower concentration* (70% killing of cancer cells at about 3 µM). The maximum killing effect on cancer cells is negligible after 24 hours for the BTK inhibitor (Ibrutinib) and the PI3K inhibitor. It should, however, be emphasized that the study does not indicate whether the competing substances have an improved effect over a longer time course, but Kancera´s negative result for Ibrutinib agrees with recently published findings showing that the cancer can develop resistance against Ibrutinib (Chang et al. ASCO 2013). The results thus point to that Kancera´s ROR-inhibiting drug will have a clear and important place in the treatment of severely ill cancer patients.

Thus, the road opens for a possible breakthrough in the treatment of the most common form of chronic leukemia. Independent of Kancera, Professor Thomas Kipps at the University of California San Diego has showed that ROR-inhibition may become an important treatment of the severe cancer form acute myeloid leukemia (AML). Together with

Kancera´s own studies, this shows that ROR inhibiting substances have the potential to combat both the most common chronic and the acute form of blood cancers (CLL respective AML).

Kancera also reported progress in the development of the substance KAN0439365 which is effective against cancer cells from patients and shows good metabolic stability in human liver cells and blood and thus meets the requirements that the company places on a candidate drug in these respects. In addition, in vitro laboratory methods have shown that KAN0439365 meet the company's requirements regarding a low risk for adverse drug-drug interaction (CYP inhibition) and cardiac side effects (hERG activation). After 24 hours in vitro, KAN0439365 shows a significantly higher killing effect against cancer cells from treatment-resistant patients than the new and groundbreaking drug Ibrutinib which is now on the market.

Kancera has also developed ROR inhibitors that meet the company's requirements for stability in the liver of both humans and the type of rodent that is studied in human cancer models. Thus, pharmacokinetic studies and tolerance studies have started to select the appropriate ROR inhibitor for efficacy studies and selection of a candidate drug.

Kancera has applied for intellectual property protection for small-molecule ROR inhibitors by the patent application EP13180941.0.

International research shows that many types of solid tumor cells can be ROR dependent. Kancera, in collaboration with Professor Håkan Mellstedt´s and Professor Matthias Löhr´s research groups at Karolinska Institutet, has found that Kancera´s substances effectively kill pancreatic cancer cells. Pancreatic cancer affects more than 100 000 patients anually in Europe and USA. The survival rate among these patients is less than two per cent five years after diagnosis. As with leukemia it has been demonstrated also for pancreatic cancer that ROR1 levels increase in tumor cells of patients with progressive (aggressive) cancer.

In parallel, independent researchers from the U.S. and Japan have shown that ROR is a promising target for development of drugs also against breast cancer and lung cancer (Yamaguchi et al, Cancer Cell 2012, Zhang et al, PLoS One 2012), indicating a potentially wide range of use for a future ROR inhibiting drug.

Kancera has developed a first generation of diagnostic antibodies that allow the identification of patients who may benefit from Kancera´s future cancer treatment directed against ROR. This will guide future clinical studies and demonstrate the commercial value of the ROR-inhibiting drug.

By an agreement with Bioinvent AB, Kancera has secured rights to both human monoclonal (exclusive rights to the patent application WO 2012/076727) and mouse monoclonal (partial rights to the patent application WO 2011/079902) antibodies against ROR. The acquisition of the patent rights is based on an agreement with Bioinvent that does not involve any financial burden for Kancera (except future patent expenses) before revenues are generated. Kancera, through the company's co-founder Professor Håkan Mellstedt, has been involved in the development of these human monoclonal antibodies directed against ROR. These antibodies are currently used primarily to identify and validate new indications for future ROR-inhibiting drugs. Any further development of the ROR-targeted monoclonal antibodies for therapeutic purposes will only be done in a partnership that provides funding and access to expertise in development of antibody-based drugs.

Events during the period

Kancera reports that the company is initiating the development of a vaccine directed against ROR. This initiative is motivated by the residual disease in the form of a small number of cancer cells that remain in some patients despite treatment. These cancer cells are difficult to detect and are expected to contribute to relapse of cancer disease. In the most common form of leukemia (CLL) these remaining cancer cells often express ROR. A vaccine can teach the patient's own immune system to recognize and destroy these ROR-expressing cancer cells. Thus it is expected that a vaccine will add to the suppression of the disease leading to a longer and healthier life for the patient.

Kancera considers it possible that, by the means of a vaccine, act in synergy with pharmaceutical intervention, surgery and radiation to create a long lasting effect of the treatment given initially. It is Kancera´s strategy to use its future small-molecule ROR inhibitors as a first line treatment for the disease and thereafter follow with a prophylactic ROR vaccine to prevent relapse. Thus, there are possible synergies between Kancera´s small molecule products and the vaccine against ROR.

Current research on ROR has led to the discovery of surface elements on the ROR molecule suitable for the development of an effective vaccine. Kancera now takes these findings further to develop a proprietary product for

prophylactic treatment that will improve the situation for patients with a cancer known to relapse. The development of this product is accelerated by Kancera´s existing knowledge of ROR and the close collaboration with Professor Håkan Mellstedt, at the Karolinska Institute, who is an internationally recognized expert in the development of cancer vaccines.

The principle to use a ROR vaccine for treatment is also supported by a preclinical study published by Professor Thomas Kipps at the University of California, San Diego.

In 2014, studies are planned to demonstrate both the immune stimulating performance of the vaccine and its therapeutic effect. A vaccine drug candidate is expected to be delivered in 2015. The vaccine development costs during 2014 are accommodated within the existing budget, due to the synergies between the company's development of small molecules and vaccines.

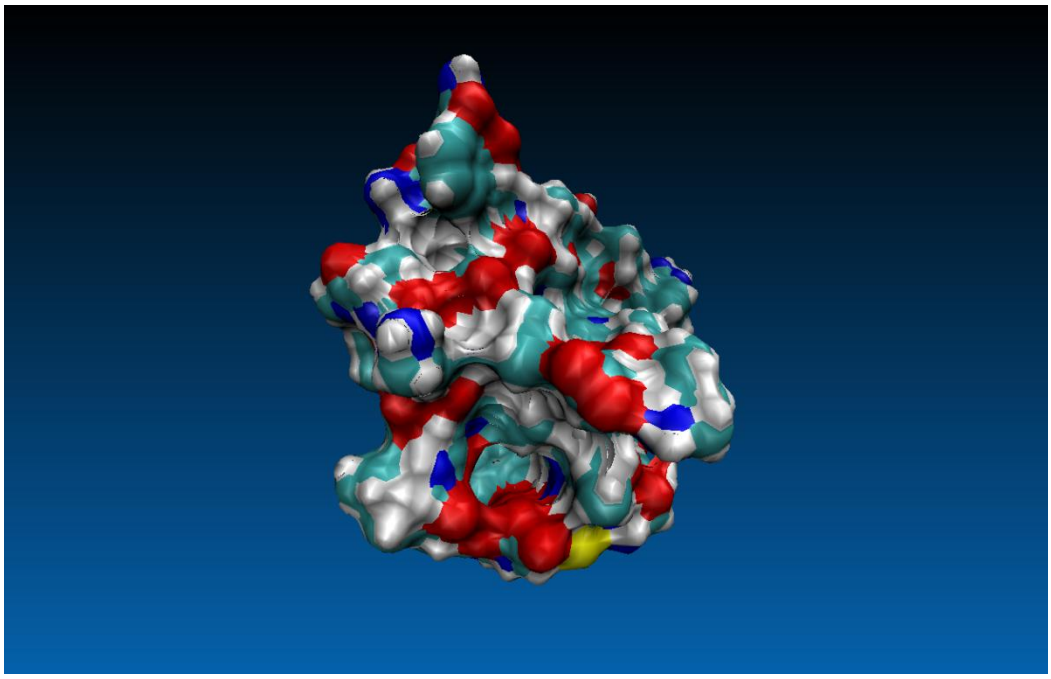


Figure 2. A schematic picture of the antigene for the ROR vaccine.

Events after the end of the period

After the period progress has been made showing that the cancer cell killing effect of Kancera´s ROR inhibitors against treatment resistant cells have quadrupled which further strengthens the possibility of creating an effective drug with an improved efficacy profile compared to the newest anticancer drugs such as ibrutinib and Idelalisib. Meanwhile, the size of the ROR inhibitors has been reduced by approximately 20%, which may contribute to an improved uptake of the drug in the tumor. These advances have also led to new patentable structures and that a new security profiling is required. Overall, the results support the continued development of a small molecule drug candidate against ROR.

In the vaccine directed part of the ROR project vaccine candidates have now been synthesized. Animal studies have started during May in order to demonstrate the immunostimulatory ability of the vaccine candidates. This work is a step in the development of an optimized vaccine candidate which is expected to continue throughout 2014.

The PFKFB3 project – a candidate that blocks glycolysis in solid tumors

The project aims to develop PFKFB3 enzyme inhibitors to strangulate the energy metabolism in cancer cells, thereby rendering the cancer cells more sensitive to chemotherapy and radiotherapy. Through extensive crystallography studies Kancera has been established as an international leader in structure-based design of drugs targeting the PFKFB family of enzymes. Kancera has also reported a synergistic inhibitory effect on cancer cells of PFKFB3 inhibitors in combination with cisplatin (a commonly used cytostatic) in the laboratory and reported an inhibitory effect of Kancera´s PFKFB3 inhibitors on tumor growth in an animal study of pancreatic cancer. Two independent patent applications are registered in order to protect Kancera´s PFKFB3 inhibitors. The next step in the project is to improve the ability of the PFKFB3 inhibitors to penetrate the tumor.

During 2013 Kancera has initiated a collaboration with Professor Thomas Helleday and his research group at Karolinska Institutet and the Science for Life Laboratory (SciLifeLab) in order to advance unique research on energy metabolism in cancer and Kancera´s PFKFB3 project. During the collaboration Professor Helleday and Kancera combine their strengths in research on disease mechanisms and product development in order to deliver a new treatment against cancer with the goal to break down the resistance of the cancer to existing drugs. The partnership means that Kancera contribute know-how and drug-like PFKFB3 inhibitors while Professor Helleday´s research team invest their own resources in the project to investigate the best combination with other drugs, mechanisms of how PFKFB3 inhibitors act, as well as markers that show how and when a future drug is best used. In a future out-licensing or sale of the project Kancera shall compensate the scientists in proportion to the work performed. Within the collaboration Kancera retains exclusive ownership of its PFKFB inhibitors. An agreement has been reached between Kancera and the researchers providing Kancera exclusive rights to acquire inventions that may arise within the framework of the collaboration.

Events after the end of the period

Within the framework of the collaboration a large-scale laboratory evaluation of synergistic effects between Kancera's PFKFB3 inhibitors and a large number of approved drugs has been performed. The results show that a synergistic effect against cancer cells can be achieved by combining PFKFB3 inhibitors and some defined classes of approved drugs. In light of the present results, new experiments are planned using preclinical disease models to verify whether PFKFB3 inhibitors can improve the treatment of advanced lung cancer and metastatic breast cancer.

Besides investments in the national phase of patent applications covering PFKFB inhibitors for the time being there will be no further investments of significance in the chemistry development part of the PFKFB3 project until adequate funding has been secured.

The HDAC project - a candidate acting against cancer by controlling the cancer cell's genome and mobility
Histone deacetylases (HDACs) are primarily involved in removing the acetyl groups from the so-called histones that are an essential part of how our genome is stored in the cell nucleus. Some HDACs also affect cell function outside the cell nucleus. HDAC6 belongs to that group of HDACs with its major biological role as regulator of the cytoskeleton and mechanical properties of the cell which are closely linked to the formation of tumors and metastases.

The link to tumor formation is partly explained by the fact that several so-called "oncogenes" such as "Ras" are dependent on a functional HDAC6 which allows the cancer cell to divide freely without being part of a tissue. Active HDAC6 also affects the tumor's ability to invade surrounding healthy tissue and metastasize. Larger amounts of active HDAC6 lead to an increased division of the cancer cells and increased metastasis. This property of HDAC6 is attributed partly to that the enzyme contributes to the growth of circulating cancer cells in e.g. blood, and partly to that high HDAC6 activity increases the cancer cell´s ability to move and to resist mechanical stress. HDAC6 has also been shown to be a valuable marker indicating how difficult the cancer in an individual patient will be to treat. Taken together, these observations point to that HDAC6 contributes to cell changes that lead to tumor formation and invasion of tumor cells into healthy tissue and therefore is an attractive target for development of new effective drugs against cancer.

The use of HDAC inhibitors in the treatment of cancer patients has so far shown promising results, but has been limited due to severe side effects. For this reason, the pharmaceutical industry is now looking for HDAC inhibitors with a higher level of selectivity within this family of enzymes. Kancera´s discovery of selective HDAC6 inhibitors may provide a solution to how physicians could take advantage of HDAC inhibitors in the treatment of cancer without causing the patient severe side effects.

There are currently two HDAC inhibitors on the market for the treatment of various forms of T-cell lymphoma. These inhibitors are active against several members of the HDAC family of enzymes leading to severe side effects on e.g. stomach and intestine. Also, the risk of significant negative impact on cardiac function is considered to be large. Selective inhibition of HDAC6 is expected to reduce these side effects, while activity against cancer cells is maintained.

Laboratory tests have shown that Kancera's substances are able to kill cancer cells and they have a higher level of selectivity against the HDAC6 enzyme as compared to a competing inhibitor, ACY-1215, developed by the Boston based Acetylon Pharmaceuticals.

In collaboration with Professor Håkan Mellstedt´s group at Karolinska Institutet, Kancera has demonstrated lethal effect of Kancera´s HDAC6 inhibitors on cells from three different cancer forms: multiple myeloma, osteosarcoma and pancreatic cancer.

Events during the period

During the first quarter 2014 Kancera has commenced chemical synthesis in order to further develop the company´s HDAC6 inhibitors with the goal of delivering a competitive candidate drug. The development has led to inventions claimed in the patent application EP14167988.6 after the period.

Anti Parasite Project - an EU-funded international cooperation against deadly diseases

The project is coordinated by the Institut Pasteur and includes collaborations with epigenetic experts from Germany, France, UK, Italy, Australia and Brazil. Kancera´s primary focus during the first phase of the project is to optimize the pharmaceutical properties of the anti-parasitic substances.

The project focus on target proteins in the following diseases (parasites): Malaria (*Plasmodium falciparum*), Schistosomiasis (*Schistosoma mansoni*), Leishmaniasis (*Leishmania*) and Chagas disease (*Trypanosoma cruzi*).

Kancera is the only pharmaceutical development company in the A PARADDISE consortium and is well positioned to commercialize the drug candidates that the company develops and owns together with its partners. For clinical development and commercialization of drugs for neglected diseases, it is likely that Kancera will seek cooperation with internationally established pharmaceutical companies and nonprofit organizations that have chosen to take social responsibility by investing in the development therapies against diseases that primarily affect poor countries in tropical and subtropical areas.

In addition to parasitic diseases, analyses at Kancera show that some of the lead substances now being developed against targets in the parasite also inhibit similar human target proteins that are linked to cancer.

Overall, the project's potential application in cancer and the fact that countries that currently suffer from serious parasitic diseases have an increasing financial capacity to invest in drugs, show that the project´s future drug candidates have a good commercial potential.

Events after the end of the reporting period

In February 2014, Kancera together with international research teams in the project A-PARADDISE (Anti-Parasitic Drug Discovery in Epigenetics), have launched the next phase in the development of these drugs, which will run for three years and result in one or more lead substances and drug candidates. The project has commenced with the start of optimization of the anti-parasitic substances that Kancera successfully initiated during the completed EU funded project Settrend.

Market outlook for Kancera's development projects

In 2013, the European Medicines Agency EMA approved 38 new drugs which represent a steady increase in numbers from the 10 new approved drugs in 2010. EMA now approves more new drugs than the corresponding American authority (FDA) which approved 27 new drugs in 2013. Of these, the vast majority were synthetic drugs, which is Kancera´s focus, while only two were biologics. The cancer indication still dominates by constituting 37% of these new approved drugs (Source: EMA and FDA).

Kancera primary market is based on business-to-business sales of drug candidates for further clinical development and marketing by internationally established pharmaceutical companies.

The prioritized deal is based on an option model where Kancera signs agreements in the preclinical phase, before regulatory studies have been initiated, with a selected international partner possessing the resources and capacity for effective clinical development and marketing internationally. The option model provides Kancera with a cash flow during the more expensive parts of the project's development, and at the same time the cooperation gives partners the opportunity to influence the direction of the project during the critical phase between preclinical and clinic. This also increases the possibility of a rapid start of a clinical program. A quick and successful transition from Kancera´s preclinical to the partner´s further clinical development also increases the likelihood that the schedule for milestone payments to Kancera is kept.

Deals in preclinical development dominated over deals in the clinical phase in 2012 and represented 46% of global partnering agreements regarding rights related to pharmaceuticals according to the analyst Burrill & Company (Source: http://www.burrillandco.com/). Thus it can be concluded that the trend in 2009-2011, with a significant number of deals

in the same early phase as the Kancera projects, continues.

There are several examples of license sales in the oncology area in preclinical phase amounting to several hundred million USD. Two of the most influential deals between biotech companies and pharmaceutical companies during the period 2010-2011 were made by companies whose projects had been partially developed by Kancera´s former subsidiary iNovacia AB, including Agios Inc. contracts with Celegene which included a payment upon signature of 130 million USD (however, this deal is regarded as an exception with respect to the size of the payment).

Another recent example is AstraZeneca´s subsidiary MedImmune´s acquisition of Amplimmune, a company with preparations in late preclinical phase, for the initial purchase price of 225 million USD, which may be increased later. J & J paid 150 million USD to Pharmacyclics for a BTK inhibitor Ibrutinib in clinical phase II, in addition to future installments of 825 million USD.

In April 2012 an agreement was announced between Boston-based Epizyme and Celgene regarding a preclinical drug development project directed against epigenetic targets in cancer, i.e. drugs active against the same target group as Kancera´s HDAC inhibitors. The agreement involved an upfront payment of 90 million USD including equity. Epizyme is a biotech company that has been a frontrunner for a new cancer treatment concept and has managed to close a series of preclinical deals in the cancer area since early 2011 with GSK and Esai.

Another example of the interest in this type of inhibitors is that Celgene in July 2013 for 100 million USD in cash acquired an option to purchase the Boston-based Acetylon Pharmaceuticals. The other conditions for the option mean that a completion of the deal gives the sellers a minimum of 1.7 billion USD. Acetylon´s leading drug candidate is an HDAC6 inhibitor and the most advanced project is in Phase Ib for a potential treatment of leukemia.

There are several reasons for preclinical projects to be met with increased interest from large pharmaceutical companies. The development departments at pharmaceutical companies want to influence the selection and design of an active substance themselves. It could be disastrous if a substance that has reached phase II or phase III proves to be suboptimal or insufficiently suited to its task. Time and money will be lost if a clinical trial needs to be redone from the beginning. Historically, there are many examples of projects that need to be corrected and where the clinical trial needs to be repeated from the start. Sometimes pharmaceutical companies also choose to run several parallel phase I and phase II studies to ensure that they cover several different patient populations and diseases, as well as schedules for treatment, and thereby position the product optimally for the costly phase III clinical trials.

The underlying demand for Kancera´s drug candidates is driven by the medical need to make the combat against cancer more efficient.

The trend is towards

- diagnostic methods that provide genetic information about exactly what factors in the individual patient's cancer drive the disease and whether there are mutations that render a traditional drug inactive

- drugs that attack the driving mechanisms of the cancer, that overcome causes of resistance and act selectively against cancer to reduce the side effects that would otherwise contribute to increased mortality and high medical costs

Consequently, more patients will be offered a personalized cancer treatment resulting in a longer and better life. The number of drug development projects within the cancer area has steadily increased, but many of them follow the same path as others (Source : lifescivc.com/2012/06/cancer-drug-targets-the-march-of-the-lemmings /) why pharmaceutical companies now focus their search for drug candidates that distinguish themselves from the mainstream and have the potential to fundamentally change the conditions for the treatment of life-threatening diseases. Drugs targeting ROR1 qualify for such an interest from the pharmaceutical industry and Kancera as a biotech company leads this development.

Kancera´s focus is on target molecules in the cancer that opens opportunities to break the resilience of life-threatening cancer forms as well as the development of diagnostics that allow early identification of patients who benefit from the new treatment.

Currently Kancera evaluates applications of future drugs against ROR, PFKFB and HDAC6 in

- Solid tumors in the pancreas, lung, bowel and breast. The three first mentioned forms of cancer are among the four types of cancer that causes most deaths in both men and women. Breast cancer is with the exception

of lung cancer the form of cancer that causes most deaths in women.

- Chronic lymphocytic leukemia (CLL) and acute myeloid leukemia (AML), which is the most common chronic and acute form of leukemia in adults, as well as multiple myeloma (MM).

These cancer indications each represent a world market in the range of 3.5 to >10 billion SEK annually (Source : GlobalData). A drug able to contribute to a 6-months prolonged life at a cost of less than about 1 million SEK is today regarded by the price authorities such as TVL to represent a significant value for patients and society.

Kancera´s own published results, as well as publications from independent research groups in the ROR and PFKFB area (see sources in each project section) support that future drugs acting through ROR and PFKFB have the potential to improve treatment of the aforementioned cancers. How well this potential can be translated into clinical practice remains to be proven in clinical studies.

In addition, the industry's interest in rare diseases, so-called Orphan diseases, has increased in recent time given that they represent significant unmet medical need and that the patient group often is clearly defined thus facilitating clinical studies. This has led the authorities to facilitate the development of, and the protection of products against these diseases. The European Medicines Agency EMA has steadily increased the number of approved drugs for the treatment of rare diseases from four approved products in 2011 to eight in 2012 and eleven in 2013. Kancera´s projects have in preclinical studies been shown to be a possible way to treat several forms of cancer that meet the requirements for designation as an Orphan disease (in the U.S. fewer than 200,000 affected individuals) *. The need for improved treatments is exemplified below for two of the cancer forms that Kancera addresses with its drug projects and that qualify as Orphan diseases.

Cancer of the pancreas annually affects more than 100 000 patients in Europe and the U.S. The survival of these patients is less than two percent five years after diagnosis. A combination of chemotherapy and radiotherapy is used to enable removal of the tumor by surgery. The life sustaining drug treatment mainly consists of various types of cell poisons (Gemcitabine and FOLFIRINOX which contain combinations of Fluorouracil, Irinotecan, and Oxaliplatin). Today, there is no recommended drug targeting pancreatic cancer. The market for pancreatic cancer in the United States in 2009 totaled 781 million USD and the expected growth was -4 to +8% in 2017, (Source : Global Data Healthcare).

Chronic lymphocytic leukemia (CLL) annually affects approximately 30 000 patients in Europe and the U.S., which makes CLL to the most common chronic form of leukemia. The traditional treatment of cancers such as CLL is currently not sufficiently effective and selective. The most common type of treatment of CLL is a combination of the antibody Rituximab and chemotherapy such as Fludarabine and Cyclophosphamid. This combination of drugs is used in 19 percent of the treatments in the seven countries that represent the largest pharmaceutical markets. Following the initial treatment of patients approximately 50 percent are symptom free, but already after four years about 80 percent regained clear symptoms of cancer disease. New, increasingly tougher treatments are required in this phase of the disease, but the treatment results become progressively worse. New drugs with other effects on refractory CLL is now being introduced, such as ibrutinib and idelalisib. The market for CLL is estimated at 800 million USD in 2017 (Source: Global Data Healthcare 2013). Kancera also expects that there are good opportunities to expand into other cancers, given that ROR-1 is found in at least eight other blood cancers.

* Professor Mellstedt , along with independent researchers, have shown that the presence of ROR is higher in the aggressive stages of Chronic Lymphocytic Leukemia , pancreatic cancer, breast cancer and lung cancer.

Income Statement

SEK 000´s (if otherwise not specified)

Kancera AB

	1 Jan-31 march 2014	1 Jan-31 march 2013	1 Jan-31 Dec 2013
Revenues			
Net sales	**212**	**-**	**1 813**
Cost of sales & services	-106	-	-530
Gross profit	**106**	**-**	**1 283**
Operating Expenses			
General & administrative expenses	-579	-704	-3 375
Selling expenses	-208	-115	-779
Research & development expenses	-3 468	-1 492	-7 533
	-	-	-
Total expenses	**-4 255**	**-2 311**	**-11 687**
Operating income	**-4 149**	**-2 311**	**-10 404**
Income from Financial Investments			
Financial income	34	3 001	3 001
Financial expenses	-58		-15
Financial net	-24	3 001	2 986
Income after financial items	**-4 173**	**690**	**-7 418**
Taxation	**-**	**-**	-
Net income	**-4 173**	**690**	**-7 418**
Earnings per share, before and after dilution	-0,06	0,04	-0,22

Balance Sheet

SEK 000´s (if otherwise not specified)

Kancera AB

	31 March 2014	31 March 2013	31 Dec 2013
Assets			
Non-current Assets			
Intangible assets, activated R&D expenses	6 000	6 000	6 000
Tangible assets	4 550	5 000	4 291
Financial assets	0	0	0
Total non-current assets	**10 550**	**11 000**	**10 291**
Current Assets			
Receivables	525	137	1 240
Cash and cash equivalents	19 756	5 316	14 118
Total current asstes	**20 281**	**5 453**	**15 358**
TOTAL ASSETS	**30 831**	**16 453**	**25 649**
Equity and Liabilities			
Equity			
Restricted equity	6 378	2 689	17 989
Non-restricted equity	15 894	12 671	967
Total equity	**22 272**	**15 360**	**18 956**
Provisions and liabilities			
Long-term liabilities	**3 322**	**-**	**1 500**
Short-term liabilities	5 237	1 093	5 193
Total provisions and liabilities	**8 559**	**1 093**	**6 693**
TOTAL EQUITY and LIABILITIES	**30 831**	**16 453**	**25 649**

Statement of Changes in Equity

SEK 000´s (if otherwise not specified)

Kancera AB

	2014		2013
Total equity, opening balance on the 1st of Jan 2014	**18 956**	**Total equity, opening balance on the 1st of Jan 2013**	**10 225**
Proceeds on issue of shares	7 489	Proceeds on issue of shares	4 834
Costs related to issue of shares	-	Costs related to issue of shares	**-389**
Q1 net income	-4 173	Q1 net income	690
Total equity, closing balance on the 31st of March 201	**22 272**	**Total equity, closing balance on the 31st of March 2**	**15 360**

Cash-Flow Statement	1 Jan-31 march		1 Jan-31 Dec
SEK 000´s (if otherwise not specified)	2014	2013	2013
Kancera AB			
Cash-flow from operating activities			
Operating income after financial items	-4 173	690	-7 418
Depreciation	241	-	709
Other non-cash-flow affecting items	-	-3 000	-3 000
Cash-flow from operating activities before working ca change	**-3 932**	**-2 310**	**-9 709**
Change in working capital	759	74	3 071
Cash-flow from operating activities	**-3 173**	**-2 236**	**-6 638**
Investment activities			
Investment in tangible assets	-500	-2 000	-2 000
Cash-flow from investment activities	**-500**	**-2 000**	**-2 000**
FREE CASH-FLOW available to INVESTORS	**-3 673**	**-4 236**	**-8 638**
Financing activities			
Issue of shares	7 489	4 445	16 149
New loans	1 822	-	1 500
Cash-flow from financing activities	**9 311**	**4 445**	**17 649**
CASH-FLOW for the YEAR	**5 638**	**209**	**9 011**
Cash and cash equivalents at the beginning of the yea	14 118	5 107	5 107
Cash and cash equivalents at the end of the year	19 756	5 316	14 118

In 2013 an extraordinary net income of SEK 3 million occurred in connection with the acquisition of a preferential claim from SOBI AB in 2013.

Under ”New loans”, part of the EU-funding granted to the A-Paraddise project is accounted for. This funding is taken up as revenue following EU acceptance of the half-time project report under the third quarter 2015.

Notes

Note 1. Accounting and valuation principles

This interim report has been prepared in accordance with BFNAR 2007:1, Voluntary interim reporting and adheres to the listing requirements of First North. From 2013 Kancera applies the Swedish Annual Accounts Act and BFN:s supplementary regulations BFNAR 2012:1 Annual Report and consolidated accounts (K3).

The accounting principles of the company are described in the latest published Annual Report (2013).

Unless otherwise indicated, amounts are reported in Swedish kronor (SEK) 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

No remuneration was paid to related parties with the exception of Board fees.

Note 3. Incentive schemes

Following a resolution passed by the Annual General Meeting on May 26, 2011 Kancera introduced an incentive scheme for employees of the Group and certain contractors, involving the issue of 400,000 warrants. Staff and contractors subscribed for 342 000 options. Within this incentive scheme, Carl-Henrik Heldin, newly appointed Board member of Kancera, has acquired 10 000 options at a price of 4,000 SEK in June 2012. The options have been sold at market price determined by the Black & Scholes valuation model. In 2013 70 140 options expired due to staff departures. During the year, all warrants have been recalculated with a factor 1.86 taking into account last year's rights issue and the rights issue that was ongoing in the end of the year. Following the recalculation, the number of options amount to 613 800. If all warrants are exercised to subscribe for 613,800 new shares, the dilution of the share capital will amount to approximately 0.8 percent. All options can be exercised to purchase shares during the period 1 March to 31 May 2014.

Note 4. 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 operations, financial position and results, and describes the significant risks and uncertainties faced by the company.

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 2013.

_____

Stockholm, May 23, 2014

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

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

Financial calendar

• Annual General Meeting	May 26, 2014
• Interim report January-June 2014	August 22, 2014
• Interim report January-September 2014	November 21, 2014

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

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