Press release August 23, 2012

Interim Report for Kancera AB (publ) Q2 2012

January 1 – June 30, 2012

All figures relate to the Kancera Group unless otherwise specified. The 2011 comparison figures for operating income and income after financial items were affected by the release of negative goodwill of SEK 7m that arose in connection with the acquisition of iNovacia; the entire amount was recognized as revenue during Q1 2011. Furthermore, comparison figures for 2011 were affected by the fact that Kancera acquired iNovacia on February 17; consequently, figures for the first half of 2011 include iNovacia's sales and income for 4.5 months only.

January – June and Q2 2012 in brief

- R&D expenses for the period totaled SEK 13.8m (SEK 13.9m), of which Q2 expenses accounted for SEK 7.2m (SEK 8.1m).Net sales of external contract research for the period totaled SEK 1.2m (SEK 2.3m), of which Q2 sales accounted for SEK 0.5m (SEK 1.7m).Operating income for the period totaled SEK -16.4m (SEK -7.9m after the release of negative goodwill of SEK 7m), of which Q2 income accounted for SEK -8.6m (SEK -8.9m).
- Income after financial items for the period totaled SEK -16.3m (SEK 8.2m after reversal of negative goodwill of SEK 7m), of which Q2 accounted for SEK -8.5 (SEK -8.9m).
- Earnings per share for the period were SEK -1.08 (SEK -0.66), and for Q2 were SEK -0.56 (SEK -0.67).
- Cash flow from operating activities for the period totaled SEK -15.3m (SEK 12.6m), of which Q2 accounted for SEK -7.3m (SEK -7.7m).
- Equity as of June 30, 2012 totaled SEK 17.6m (SEK 29.2m) or SEK 1.16 (SEK 2.36) per share. The equity/assets ratio on the reporting date was 57 percent (60 percent).
- Cash and cash equivalents totaled SEK 13.3m (SEK 26.8m) on June 30, 2012 and SEK 7.4m (SEK 17.6m) for the Parent Company.

Significant events during the period

- In collaboration with Professor Matthias Löhr of the Karolinska Institute, Kancera demonstrated that its ROR inhibitors are effective 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 Karolinska Cancer Center.
- Kancera filed a patent application for a chemical series of ROR-inhibiting small molecules with pharmaceutical properties.
- iNovacia AB reported that it had entered into a collaboration with Boston-based Agios Pharmaceuticals relating to the identification of chemical starting points for 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 drugs currently available for chronic lymphocytic leukemia, opening the way for a possible breakthrough in the treatment of the most common form of chronic leukemia. The studies were carried out in collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Cancer Center.
- Kancera announced that, in cooperation with Professor Håkan Mellstedt and his research team at the Karolinska Cancer Center, it had developed antibodies that allow the development of a diagnostic tool for the identification of 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.

- Following authorization by the Extraordinary General Meeting held on November 10, 2011, Kancera implemented a new share issue with preferential rights for existing shareholders. The issue was 95% 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. He 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 in June 2012.
- In June 2012, Kancera presented the company's cancer projects at the BIO International Convention in Boston, USA, 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 the rights to 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, which covers therapeutic antibodies targeting ROR for the treatment of cancer. This patent application was developed in collaboration with BioInvent and other members of the research team at the Karolinska Cancer Center. Kancera aims to develop these ROR antibodies in partnership with a company specializing in biological drugs.

Significant events after the end of the reporting period

- Kancera announced that its PFKFB3 inhibiting compounds against solid cancers now enters 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. Results from the study will be reported during 2012.

Statement from the CEO

During the spring and summer, Kancera's latest research results were marketed through presentations at business conferences and scientific congresses in Chicago, Boston and Amsterdam. The response we are getting shows once again very clearly that ROR and PFKFB are attractive to the industry as next generation targets for new cancer drugs.

To get the desired commercial return on Kancera's R&D investment, we now need to succeed in elevating product development from promising active compounds with the desired effect profile in cancer cells to competitive drug candidates that effectively get into the tumor and demonstrate the necessary safety.

With these aims in mind, a new share issue was implemented in June, which was 95% subscribed and raised SEK 8.3m for Kancera AB before issue costs. With effect from June this injection of resources has been invested with a focus on *in vivo* studies in order to develop and demonstrate desired drug properties. The results will be reported in several stages during the third and fourth quarters of 2012.

Initial steps towards the goals set have already been taken with the PFKFB project's delivery as planned of two active compounds that are absorbed into the body and result in a concentration in blood at a level desirable in a drug, while at the same time tissue analyses indicate the desired safety. Efficacy studies on solid tumors come next.

In the ROR project, in collaboration with research teams at the Karolinska Institute we demonstrated the desired effect against leukemia cells from treatment-resistant patients and against cancer cells from the pancreas. As mentioned previously, independent researchers have shown in the international press that ROR is a factor that drives a number of other difficult to treat forms of cancer, such as lung cancer and breast cancer.

The increasing support for ROR as a target for pharmaceutical development, both from clinical researchers and from the pharmaceutical industry, has stimulated Kancera to supplement the development of ROR-oriented small molecular drugs with investment in patented technology for the production of antibodies targeting ROR.

This strengthens Kancera's position in that the company's small molecular ROR projects, which aim to block the cancer's survival signal from inside the cell, are supplemented with antibodies that attack the cancer's survival capacity from outside the cell.

The ROR-targeting antibodies are already at a development stage that allows Kancera to assess their commercial potential. This will be done in partnership with independent specialists over the coming six months, with limited financial commitments.

We are now approaching a phase towards the end of 2012 in which Kancera must be prepared to enter into negotiations on project sales or industrial partnerships, which will put the company's international contacts to the test. In the light of this, we are particularly pleased to welcome Carl-Henrik Heldin – with his sound expertise in the field of cancer and international network of entrepreneurs – to the Board of Kancera.

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 20 people. Kancera shares are traded on NASDAQ OMX First North and are held by around 1 500 shareholders. Remium AB is Kancera's Certified Adviser.

Kancera's history
In 2006, Pharmacia's and Biovitrum's unit for the development of drug candidates was hived off to create iNovacia AB. iNovacia AB has since delivered around 35 projects, commissioned by pharmaceutical companies in both Europe and the United States. In 2008, a partnership was started with the Karolinska Institute's cancer research center (CCK); later, a partnership was also initiated with Sprint Bioscience AB 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
SEK 000´s (if otherwise not specified)

Kancera Group	Jan-March		Apr-June		Jan-June		1 Jan-31 Dec
	2012	2011	2012	2011	2012	2011	2011
Net turnover	657	592	545	1 661	1 202	2 253	7 069
R&D expenses	-6 616	-5 721	-7 208	-8 149	-13 824	-13 870	-23 038
Operating Income	-7 814	868	-8 599	-8 768	-16 413	-7 900	-18 372
Income after financial items	-7 802	733	-8 530	-8 892	-16 332	-8 159	-18 410
Net income	-7 802	733	-8 530	-8 892	-16 332	-8 159	-18 410
Cash-flow from operating activities	-7 926	-4 981	-7 345	-7 734	-15 271	-12 595	-23 214
Earnings per share, before and after dilution	-0,52	0,06	-0,56	-0,66	-1,08	-0,66	-1,35
Cash on hand at closing date	12 632	34 424	13 250	26 810	13 250	26 810	20 838
Solvency ratio	57%	72%	57%	60%	57%	60%	65%
Key ratios							
Return on equity, %	neg	neg	neg	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg	neg	neg	neg
Solvency ratio	57%	72%	57%	60%	57%	60%	65%
Net investments in tangible assets	280	-	90	-	370	-	1 550
in relation to net turnover, %	42,6%	-	16,5%	-	30,8%	-	21,9%
No. of employees	19	18	18	18	18	18	19
Earnings per share, before dilution	-0,52	0,06	-0,56	-0,66	-1,08	-0,66	-1,35
Earnings per share, after dilution	-0,52	0,06	-0,56	-0,66	-1,08	-0,66	-1,35
Equity by share, kr	1,19	3,33	1,16	2,36	1,16	2,36	1,89
Cash-Flow by share, kr	-0,54	2,43	0,04	-0,57	-0,50	1,64	1,04

Sales
Following the acquisition of iNovacia AB in 2011, Kancera's future earnings will consist in part of sales of drug candidates and in part of payments for contract research. The Group's operations during the second quarter have been financed mainly by equity capital and income from external contract research, which amounted to SEK 0.5m (SEK 1.7m).

R&D activities
R&D expenses for the period totaled SEK 13.8m (SEK 13.9m), of which the second quarter accounted for SEK 7.2m (SEK 8.1m).

Earnings
Earnings for the period totaled SEK -16.3m (SEK -8.2m), with second quarter earnings of SEK -8.5m (SEK -8.9m).

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 for the first half of 2011 include only 4.5 months.

Net sales
Net sales in the second quarter 2012 totaled SEK 0.5m (SEK 1.7m) and for the period, SEK 1.2m (SEK 2.3m). Revenue from the project commissioned by Agios Inc., which started in late June, is expected to arise during the third and fourth quarters of 2012.

Expenses
Expenses in the second quarter totaled SEK 9.1m (SEK 10.4m), which breaks down into costs of services sold of SEK 0.5m (SEK 0.8m), research and development expenses of SEK 7.2m (SEK 8.1m) and other sales and administrative expenses of SEK 1.4m (SEK 1.5m). Expenses in the period January 1 – June 30, 2012 totaled SEK 17.6m (SEK 10.2m), which breaks down into costs of services sold of SEK 1.0m (SEK 1.3m), research and development expenses of SEK 13.8m (SEK 13.9m), other sales and administrative expenses of SEK 2.8m (SEK 2.0m) and negative goodwill of SEK 0.0m (SEK 7.0m).

Earnings
Income after financial items for the second quarter totaled SEK -8.5m (SEK -8.9m) and for the period, SEK -16.3m (SEK -8.2m). The parent company has concluded a new share issue during the period. In connection with the new share issue, a bonus element was identified, meaning that the weighed average number of shares have been adjusted when calculating earnings per share. Earlier periods have been re-calculated taking the bonus element into account.

Cash flow and liquidity
Cash flow totaled SEK +0.6m (SEK -7.6m) in the second quarter. Cash flow from operating activities for the second quarter totaled SEK -7.3m (SEK -7.7m). Cash flow from financing activities for the second quarter amounted to SEK +8.0m (SEK +0.1m).

Cash flow for the period amounted to SEK -7.6m (SEK +20.2m). Cash flow from operating activities for the period totaled SEK -15.3m (SEK -12.6m). Cash flow from financing activities for the second quarter amounted to SEK +8.0m (SEK +24.2m).

The Kancera Group's cash and cash equivalents as at June 30, 2012 totaled SEK 13.3m (SEK 26.8m), of which SEK 7.4m (SEK 17.6m) for the Parent Company. It is the Board's opinion that additional capital needs to be obtained in 2012 in order to pursue projects planned for late 2012 and 2013. The financing options available are to issue new shares or to take out loans.

Investments
Investments in property, plant and equipment totaled SEK 0.1m (SEK 0m) in the second quarter, and SEK 0.4m (SEK 0m) for the period.

Investments in intangible assets in the second quarter 2012 totaled SEK 0m (SEK 0m) and for the period, SEK 0m (SEK 0m). Ongoing investments in intangible assets are expensed as R&D and totaled SEK 13.8m (SEK 13.9m) for the period.

Equity and share data
Total equity as at June 30, 2012 was SEK 17.6m (SEK 29.2m).

Share capital as at June 30, 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.

Earnings per share for the period, based on a weighted average of the number of outstanding shares, were SEK -1.08 (SEK -0.66). The parent company has concluded a new share issue during the period. In connection with the new share issue, a bonus element was identified, meaning that the weighed average number of shares have been adjusted when calculating earnings per share. Earlier periods have been re-calculated taking the bonus element into account.

Kancera's equity/assets ratio as at June 30, 2012 was 57 percent (60 percent). Equity per share was SEK 1.16 (SEK 2.36), 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. 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 June 30, 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 June 30, 2012 is 18; 10 are men and 8 are women.

Parent Company
Kancera AB (publ), corporate ID number 556806-8851, is the Parent Company of the Group. Its business comprises mainly research and development, and administrative functions. Net sales in the Parent Company totaled SEK 0m (SEK 0m). For the second quarter 2012, expenses totaled SEK 8.0m (SEK 6.5m), of which costs of services sold accounted for SEK 0m (SEK 0m) and R&D expenses for SEK 5.9m (SEK 3.5m). Other expenses totaled SEK 2.1m (SEK 2.9m). Income after financial items for the period totaled SEK -15.8m (SEK -12.8m). 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 7.4m (SEK 17.6m).

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 second quarter 2012 totaled SEK -7.5m (SEK -7.4m) and for the period, SEK -14.7m (SEK -14.5m). During the second quarter the Pharmaceutical Development segment was charged with expenses for research and development, which included patent expenses and cost of ingredients, of SEK 7.2m (SEK 8.1m), and for the period, SEK 13.8m (SEK 13.9m).

Earnings for the Industrial Research & Development segment in the second quarter 2012 totaled SEK 0.5m (SEK 1.7m). These earnings are commented on below under the heading "Market outlook" in the section "Industrial Research & Development". Operating income from contract research in the second quarter 2012 totaled SEK -0.1m (SEK +0.2m).

Segment Report	Jan-June 2012				Jan-June 2011				Jan-Dec 2011			
SEK 000´s (if otherwise not specified)	Drug-development	CRO business	Central Costs & Other	Total	Drug-development	CRO business	Central Costs & Other	Total	Drug-development	CRO business	Central Costs & Other	Total
Kancera Group												
Net sales		1 202		1 202		2 253		2 253		7 069		7 069
Cost of sales & services		-985		-985		-1 284		-1 284		-5 611		-5 611
Gross profit	0	217	0	217	0	969	0	969	0	1 458		1 458
General & administrative expenses	-331	-169	-1 241	-1 741	-237	-121	-891	-1 249	-2 073	-213	-84	-2 370
Selling expenses	-554	-404	-107	-1 065	-381	-278	-73	-732	-730	-532	-141	-1 403
Research & development expenses	-13 824			-13 824	-13 870			-13 870	-23 038			-23 038
Total operating expenses	-14 709	-573	-1 348	-16 630	-14 488	-399	-964	-15 851	-25 841	-745	-225	-26 811
Negative Goodwill				0			6 982	6 982			6 982	6 982
Operating income	**-14 709**	**-356**	**-1 348**	**-16 413**	**-14 488**	**570**	**6 018**	**-7 900**	**-25 841**	**713**	**6 757**	**-18 371**

Pharmaceutical Development segment

Kancera develops cancer drugs, starting with a new treatment concept and ending with a patent-pending drug candidate that is offered for sale before it has reached the clinical phase in the product development chain. Kancera is currently running three projects aimed at developing new effective treatments for hematological malignancies (leukemia) and solid tumors. What links the projects is the goal to develop effective drugs which increase effectiveness and reduce unwanted side effects from treatment by being aimed directly at tumors and not at the surrounding healthy tissue. The goal over the next 12-18 months is to deliver drug candidates for cancer that attack the properties that currently result in tumors spreading and in some cases returning in a more malignant and resistant form.

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

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.

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 holds non-exclusive rights to antibodies that 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.

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

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

In collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Institute, Kancera has found active compounds that block ROR's survival signal and effectively kill cancer cells from the pancreas. Pancreatic cancer affects more than 100,000 patients annually in Europe and the US. The survival rate among these patients five years after diagnosis is less than two percent. In the case of pancreatic cancer, too, it has been reported that ROR-1 occurs in greater numbers in tumor cells of patients with an increasingly aggressive (progressive) form of leukemia.

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 addition, in collaboration with Professor Håkan Mellstedt's research team at the Karolinska Cancer Center, Kancera generated new results from its ROR project which demonstrate that the company's active compounds are significantly more specific than four competing kinase inhibitors that are being tested in the treatment of chronic lymphocytic leukemia.

Kancera 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, opening the way for a possible breakthrough in the treatment of the most common form of chronic leukemia. 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 Karolinska Cancer Center.

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

Kancera also announced that it had strengthened its patent rights for biological drugs targeting ROR-1 through the acquisition of BioInvent's share of the rights to 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, which covers therapeutic antibodies targeting ROR for the treatment of cancer. This patent application was developed in collaboration with BioInvent AB and other members of the research team at the Karolinska Cancer Center. Kancera aims to develop these ROR antibodies in partnership with a company specializing in biological drugs.

Figure 1. Evaluation of diagnostic antibodies targeting activated ROR

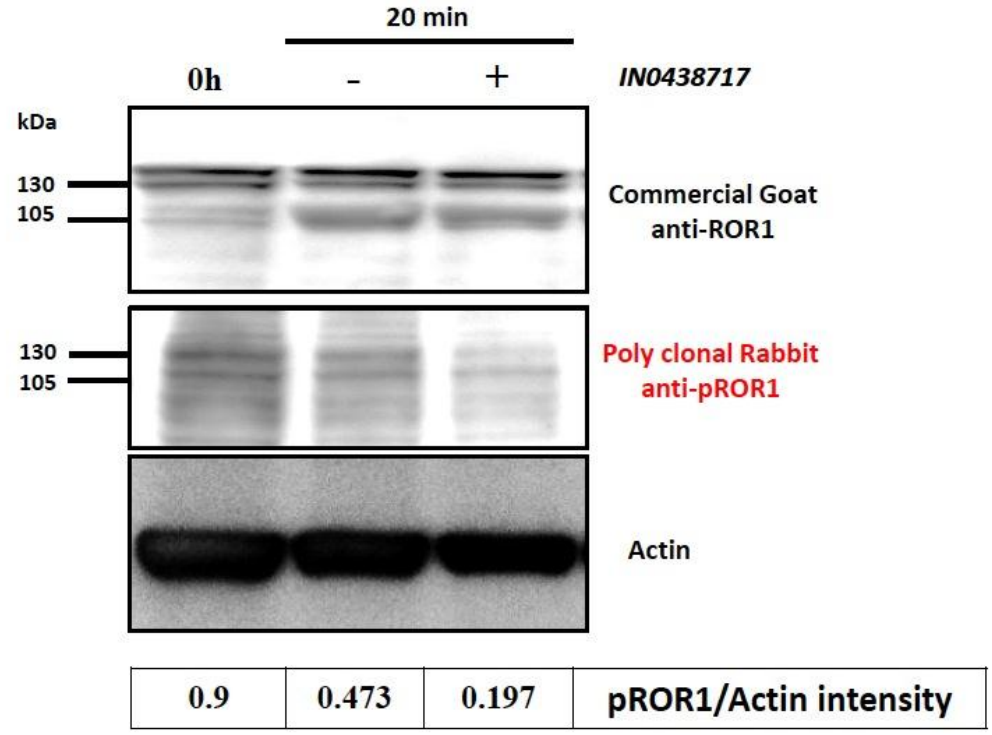

Figure 1. In the figure result's are shown from a study of diagnostic antibodies that have been developed by Kancera in collaboration with Professor Håkan Mellstedt and his group at the Karolinska Institute. The study was designed to evaluate whether the antibodies discriminate between the phosphorylated (active) and non-phosphorylated (inactive) state of ROR-1 in cancer cells.

In the upper picture segment presence of ROR-1 in a protein size separating gel at the 130 KD mark is shown using a commercially available antibody. This antibody does not discriminate between phosphorylated and non-phosphorylated ROR-1. In the middle picture segment, the level of phosphorylated ROR-1 is shown. In the lower picture segment, the level of a control protein is shown indicating that there is comparable amount of protein in each sample analyzed.

The left column shows a sample of leukemia cells from patients taken before the study start. The middle column shows a sample taken after 20 minutes of incubation without any addition of reagent. The right column shows a protein sample taken after 20 minutes of incubation in presence of the Kancera ROR-1 inhibitor KAN438717.

Results indicate, as reflected by the intensity of the gel-bands, that the commercial antibody recognizes ROR-1 independently of the level of phosphorylation. The Kancera developed antibodies, on the other hand, discriminates between phosphorylated (active) and non-phosphorylated (inactive) ROR-1. This qualitative property can be used in clinical trials to determine the efficacy by which Kancera ROR-1 inhibitors silence the ROR-1 survival signal in cancer cells.

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.

Events after the end of the reporting period
Optimization of ROR-1 substances has been continued with regard to drug 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 were registered (PCT/EP2011/066250 and PCT/EP2011/060526) with claims protecting PFKFB3 inhibitors. In addition, in 2011 Kancera filed a further patent application covering new PFKFB3 inhibitors and also a strategy for enhancing uptake of these inhibitors in cancer cells (EP11195456).

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 intensified studies of how effectively the growth of cancer cells can be inhibited merely through metabolic strangulation via Kancera's compounds. Results of studies of stomach cancer (cell line NUGC-3), colon cancer (cell lines SW48, SW620, Colo205 and HT29) and pancreatic cancer (cell lines MiaPaCa-2 and PANC-1) show 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 show 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. These results support the potential of PFKFB3 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's further development of PFKFB3 targeted drugs is now focusing on improving the compounds' capacity to enter the tumor effectively.

Events after the end of the reporting period
Kancera announced that its PFKFB3 inhibiting compounds against solid cancers now enters 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. Results from the study will be reported during 2012.

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

This confirms that the trend observed during the period 2009-2011, involving a significant number of option-based deals in the same early phase as Kancera's projects, is continuing. It is also noted that two new cancer drugs approved during 2011 (Zelboraf from Roche and Xalkori from Pfizer) were launched along with a diagnostic which indicates how the preparation is to be used in order to be most effective. This trend supports Kancera's investment in products that provide individually tailored treatments. Also of interest is Daichii-Sankyo's acquisition of Plexxikon, the biotech company that originally developed Zelboraf and that retains co-promotion rights in the US, for close to USD 1 billion. At Europe's biggest pharmaceutical trade fair in 2011 (BIO-Europe in Dusseldorf) PharmaPlus published a report on deals made in the past ten years for early stage R&D projects in the field of oncology. The report found an increase in upfront cash payments, as well as increasing milestone payments alongside royalties. Furthermore, higher payment per project was noted in deals where the big pharmaceutical companies are the buyer compared with deals made with smaller pharmaceutical companies. Of particular interest for Kancera's ROR project are two deals announced in December 2011 and January 2012, in which J&J and Celgene Corp. acquired clinical phase BTK inhibitors for the treatment of leukemia, including chronic lymphocytic leukemia (CLL). On signing the agreement for a clinical phase II BTK inhibitor J&J is paying USD 150m in addition to installments of USD 825m. Celgene is acquiring the company Avila Therapeutics including its primary asset, which is a BTK inhibitor targeting leukemia in clinical phase I, for USD 350m on signature plus up to USD 195m in installments. Kancera's ROR project is in the

preclinical phase for targeting leukemia and is therefore not directly comparable with the projects from Pharmacyclics and Avila. However, it is worth noting that results from the Karolinska Cancer Center indicate that Kancera's active compounds targeting ROR exhibit significantly greater specificity against leukemia cells than Pharmacyclics' BTK inhibitor that was acquired by J&J in December 2011.

Industrial Research & Development segment

This segment consists primarily of the operations of the acquired company iNovacia. With the aim of further strengthening relations with selected clients and covering costs, Kancera is providing expertise on a consultancy basis for drug candidate development. Kancera is also developing stem cell-based cancer models for third party collaborations. Since September 2011, iNovacia has conducted its operations in 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 has 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 initiated in June 2012.

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

Market outlook
In January 2012, iNovacia entered into a new agreement with Agios Pharmaceuticals that will help the company win new contracts in an international market. Revenue from the Agios project, which started in late June, is expected to arise during the third and fourth quarters 2012.

However, the present financial uncertainty is expected to continue, as a result of which the Board of Directors declines to make any forecast regarding CRO revenues in 2012.

Income Statement	1 Jan- 31 March		1 Apr- 30 June		1 Jan- 30 June		1 Jan-31 Dec
SEK 000´s (if otherwise not specified)	2012	2011	2012	2011	2012	2011	2011
Kancera Group							
Revenues							
Net sales	**657**	**592**	**545**	**1 661**	**1 202**	**2 253**	**7 069**
Cost of sales & services	-460	-458	-525	-826	-985	-1 284	-5 611
Gross profit	**197**	**134**	**20**	**835**	**217**	**969**	**1 458**
Operating Expenses							
General & administrative expenses	-871	-323	-870	-926	-1 741	-1 249	-2 371
Selling expenses	-524	-204	-541	-528	-1 065	-732	-1 403
Research & development expenses	-6 616	-5 721	-7 208	-8 149	-13 824	-13 870	-23 038
Negative Goodwill	-	6 982				6 982	6 982
Total expenses	**-8 011**	**734**	**-8 619**	**-9 603**	**-16 630**	**-8 869**	**-19 830**
Operating income	**-7 814**	**868**	**-8 599**	**-8 768**	**-16 413**	**-7 900**	**-18 372**
Income from Financial Investments							
Financial net	12	-135	69	-124	81	-259	-38
Income after financial items	**-7 802**	**733**	**-8 530**	**-8 892**	**-16 332**	**-8 159**	**-18 410**
Taxation	-	-	-	-	-	-	-
Net income	**-7 802**	**733**	**-8 530**	**-8 892**	**-16 332**	**-8 159**	**-18 410**
Income attributable to:	-7 802	733	-8 530	-8 892	-16 332	-8 159	-18 410
The shareholders of the parent company	-	-	-	-	-	-	-
Minority interests							
Earnings per share, before and after dilution	-0,52 kr	0,06 kr	-0,56 kr	-0,66 kr	-1,08 kr	-0,66 kr	-1,35 kr

Statement of Comprehensive Income	1 Jan- 31 March		1 Apr- 30 June		1 Jan- 30 June		1 Jan-31 Dec
SEK 000´s (if otherwise not specified)	2012	2011	2012	2011	2012	2011	2011
Net Income	-7 802	733	-8 530	-8 892	-16 332	-8 159	-18 410
Other comprehensive income	-	-	-	-	-	-	-
The period´s comprehensive income	-7 802	733	-8 530	-8 892	-16 332	-8 159	-18 410
Income attributable to:	-7 802	733	-8 530	-8 892	-16 332	-8 159	-18 410
The shareholders of the parent company	-	-	-	-	-	-	-
Minority interests							

Balance Sheet

SEK 000´s (if otherwise not specified)	31 March 2012	31 March 2011	30 June 2012	30 June 2011	31 Dec 2011
Kancera Group					
Assets					
Non-current Assets					
Intangible assets, activated R&D expenses	6 000	6 000	6 000	6 000	6 000
Tangible assets	9 404	9 300	8 728	6 561	9 919
Total fixed assets	**15 404**	**15 300**	**14 728**	**12 561**	**15 919**
Current Assets					
Receivables	3 568	2 843	2 927	8 962	2 984
Cash and cash equivalents	12 632	34 424	13 250	26 810	20 838
Total current asstes	**16 200**	**37 267**	**16 177**	**35 772**	**23 822**
TOTAL ASSETS	**31 604**	**52 567**	**30 905**	**48 333**	**39 741**
Equity and Liabilities					
Equity					
Equty	18 101	38 091	17 623	29 199	25 903
Total equity	**18 101**	**38 091**	**17 623**	**29 199**	**25 903**
Provisions and liabilities					
Long-term liabilities	6 741	8 214	6 551	7 996	6 741
Short-term liabilities	6 762	6 262	6 731	11 138	7 097
Total provisions and liabilities	**13 503**	**14 476**	**13 282**	**19 134**	**13 838**
TOTAL EQUITY and LIABILITIES	**31 604**	**52 567**	**30 905**	**48 333**	**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 warrant	2 000
Costs related to issue of shares	-251	Q1 net income	733
Exercise of warrant	4	**Total equity, closing balance 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	**17 623**	**Total equity, closing balance on the 30th of June 2011**	**29 199**

Cash-Flow Statement	1 Jan- 31 March		1 Apr- 30 June		1 Jan- 30 June		1 Jan-31 Dec
SEK 000´s (if otherwise not specified)	2012	2011	2012	2011	2012	2011	2011
Kancera Group							
Cash-flow from operating activities							
Operating income after financial items	-7 802	733	-8 530	-8 892	-16 332	-8 159	-18 410
Depreciation	795	879	766	879	1 561	2 158	3 842
Other non-cash-flow affecting items	-	-6 982	-	-	-	-6 982	-6 982
Cash-flow from operating activities before working capital change	**-7 007**	**-5 370**	**-7 764**	**-8 013**	**-14 771**	**-12 983**	**-21 550**
Change in working capital	-919	389	419	279	-500	388	-1 664
Cash-flow from operating activities	**-7 926**	**-4 981**	**-7 345**	**-7 734**	**-15 271**	**-12 595**	**-23 214**
Investment activities							
Net investments in financial assets	-280	-	-90	-	-370	-	-1 550
Acquisition of operations	-	8 664	-	-	-	8 664	8 664
Cash-flow from investment activities	**-280**	**8 664**	**-90**	**0**	**-370**	**8 664**	**7 114**
FREE CASH-FLOW available to INVESTORS	**-8 206**	**3 683**	**-7 435**	**-7 734**	**-15 641**	**-3 931**	**-16 100**
Financing activities							
Issue of shares	-	24 169	8 053	120	8 053	24 169	31 123
New(+)/repayment of(-) loans	-	-	-	-	-	-	-757
Cash-flow from financing activities	**-**	**24 169**	**8 053**	**120**	**8 053**	**24 169**	**30 366**
CASH-FLOW for the YEAR	**-8 206**	**27 852**	**618**	**-7 614**	**-7 588**	**20 238**	**14 266**
Cash and cash equivalents at the beginning of the year	20 838	6 572	12 632	34 424	20 838	6 572	6 572
Cash and cash equivalents at the end of the year	12 632	34 424	13 250	26 810	13 250	26 810	20 838

Income Statement	1 Jan- 31 March		1 Apr- 30 June		1 Jan- 30 June		1 Jan-31 Dec
SEK 000´s (if otherwise not specified)	2012	2011	2012	2011	2012	2011	2011
Parent Company							
Revenues							
Net sales	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cost of sales & services	-	-	-	-	-	-	-
Gross profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Operating Expenses							
General & administrative expenses	-961	-1 110	-1 401	-1 831	-2 362	-2 941	-4 825
Selling expenses	-763	-49	-690	-1 119	-1 453	-1 168	-1 787
Research & development expenses	-6 013	-5 171	-5 930	-3 518	-11 943	-8 689	-17 136
	-	-	-	-	-	-	-
Total expenses	**-7 737**	**-6 330**	**-8 021**	**-6 468**	**-15 758**	**-12 798**	**-23 748**
Operating income	**-7 737**	**-6 330**	**-8 021**	**-6 468**	**-15 758**	**-12 798**	**-23 748**
Income from Financial Investments							
Financial net	37	-180	14	47	51	-133	83
Income after financial items	**-7 700**	**-6 510**	**-8 007**	**-6 421**	**-15 707**	**-12 931**	**-23 665**
Taxation	-	-	-	-	-	-	-
Net income	**-7 700**	**-6 510**	**-8 007**	**-6 421**	**-15 707**	**-12 931**	**-23 665**

Balance Sheet

SEK 000´s (if otherwise not specified)	31 March 2012	31 March 2011	30 June 2012	30 June 2011	31 Dec 2011
Parent Company					
Assets					
Non-current Assets					
Intangible assets, activated R&D expenses	6 000	6 000	6 000	6 000	6 000
Tangible assets	2 320	2 320	2 320	2 320	2 320
Total fixed assets	**8 320**	**8 320**	**8 320**	**8 320**	**8 320**
Current Assets					
Receivables	688	1 016	753	1 171	843
Cash and cash equivalents	6 676	25 073	7 416	17 648	14 558
Total current asstes	**7 364**	**26 089**	**8 169**	**18 819**	**15 401**
TOTAL ASSETS	**15 684**	**34 409**	**16 489**	**27 139**	**23 721**
Equity and Liabilities					
Equity					
Restricted equity	1 262	1 104	1 563	1 104	1 262
Non-restricted equity	11 681	29 744	11 426	23 323	19 381
Total equity	**12 943**	**30 848**	**12 989**	**24 427**	**20 643**
Provisions and liabilities					
Short-term liabilities	2 741	3 561	3 500	2 712	3 078
Total provisions and liabilities	**2 741**	**3 561**	**3 500**	**2 712**	**3 078**
TOTAL EQUITY and LIABILITIES	**15 684**	**34 409**	**16 489**	**27 139**	**23 721**

Cash-Flow Statement	1 Jan- 31 March		1 Apr- 30 June		1 Jan- 30 June		1 Jan-31 Dec
SEK 000´s (if otherwise not specified)	2012	2011	2012	2011	2012	2011	2011
Parent Company							
Cash-flow from operating activities							
Operating income after financial items	-7 700	-6 510	-8 007	-6 421	-15 707	-12 931	-23 665
Depreciation	-	-	-	-	-	-	-
Other non-cash-flow affecting items	-	-	-	-	-	-	-
Cash-flow from operating activities before working capital change	**-7 700**	**-6 510**	**-8 007**	**-6 421**	**-15 707**	**-12 931**	**-23 665**
Change in working capital	-182	1 282	694	-1 124	512	158	851
Cash-flow from operating activities	**-7 882**	**-5 228**	**-7 313**	**-7 545**	**-15 195**	**-12 773**	**-22 814**
Investment activities							
Investment in financial assets	-	-320	-	-	-	-320	-320
Cash-flow from investment activities	**-**	**-320**	**-**	**-**	**-**	**-320**	**-320**
FREE CASH-FLOW available to INVESTORS	**-7 882**	**-5 548**	**-7 313**	**-7 545**	**-15 195**	**-13 093**	**-23 134**
Financing activities							
Issue of shares	-	24 049	8 053	120	8 053	24 169	31 120
Cash-flow from financing activities	**-**	**24 049**	**8 053**	**120**	**8 053**	**24 169**	**31 120**
CASH-FLOW for the YEAR	**-7 882**	**18 501**	**740**	**-7 425**	**-7 142**	**11 076**	**7 986**
Cash and cash equivalents at the beginning of the year	14 558	6 572	6 676	25 073	14 558	6 572	6 572
Cash and cash equivalents at the end of the year	6 676	25 073	7 416	17 648	7 416	17 648	14 558

Notes

Note 1. Accounting and valuation principles

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

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

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

Note 2. Related party disclosures

In the second quarter 2012, Kancera paid compensation at market rates to Sprint Bioscience at an amount of SEK 349 150 for services including protein production and structural studies of Kancera's targets for pharmaceutical development. Sprint Bioscience AB is the largest shareholder in Kancera AB. During the period, Kancera also paid compensation to F:a Mellstedt Medical for scientific consulting and scientific marketing services at an amount of SEK 50 000. Håkan Mellstedt, a Board member at Kancera, is the Managing Director and owner of F:a Mellstedt Medical.

Note 3. Incentive schemes

Further to a decision taken by an Extraordinary General Meeting held on May 27, 2010, Kancera issued 250,000 share warrants which, following a split, will entitle holders to subscribe for 500,000 new shares at an issue price of SEK 7 per share. Warrants can be exercised during the period August 1, 2012 – October 31, 2012. A total of 100,000 warrants remain in the custody of the company. The Board does not intend to allocate these. If all outstanding warrants are exercised to subscribe for 300,000 new shares, dilution would be approximately 1.6 percent based on the current number of shares (18,756,208).

In addition, a resolution passed by the Annual General Meeting on May 26, 2011 introduced an incentive scheme for employees of the Group and certain contractors, involving the issue of 400,000 warrants. Under this warrants scheme, Carl-Henrik Heldin – newly appointed to Kancera's Board – acquired 10,000 warrants in June 2012 for a pur-

chase 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.

Note 4. Financial definitions

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

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

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

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

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

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

Capital employed
Total assets less non-interest bearing liabilities.

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

The company's operations and risk factors

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

In assessing Kancera's future development it is important to consider risk factors alongside potential growth in earnings. Kancera's operations are affected by a number of risks that may affect Kancera's earnings and financial position to varying degrees. For further information regarding company risks, see the company's Annual Report 2011.

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Stockholm, August 23, 2012

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

- Interim Report January – September 2012 November 22, 2012
- Full Year Report 2012 February 22, 2012

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