Press release November 22, 2012

Interim Report for Kancera AB (publ) Q3 2012

January 1 – September 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 of which was recognized as revenue during Q1 2011. In addition, comparison figures for 2011 were affected by the fact that Kancera acquired iNovacia on February 17 and accordingly, iNovacia's sales and earnings only include 7.5 months of the comparison period January to September 2011.

January – September and Q3 2012 in brief

- R&D expenses for the period totaled SEK 19.6m (SEK 18.4m), of which Q3 expenses accounted for SEK 5.7m (SEK 4.5m).
- Net sales of external contract research for the period totaled SEK 2.2m (SEK 3.8m), of which the Q3 sales accounted for SEK 1.0m (SEK 1.6m).
- Operating income for the period totaled SEK -22.8m (SEK -13.2m after release of negative goodwill of SEK 7.0m), of which Q3 income accounted for SEK -6.3 (SEK -5.3m).
- Income after financial items for the period totaled SEK -22.8m (SEK 13.3m after release of negative goodwill of SEK 7.0m), of which Q3 income accounted for SEK -6.4m (SEK -5.2m).
- Earnings per share for the period were SEK -1.50 (SEK -1.02), and for Q3 were SEK -0.42 (SEK -0.35).
- Cash flow from operating activities for the period totaled SEK -23.5m (SEK -18.9m), of which Q3 accounted for SEK -7.9m (SEK -6.3m).
- Equity as of September 30, 2012 totaled SEK 11.2m (SEK 30.9m) or SEK 0.74 (SEK 2.35) per share. The equity/assets ratio on the reporting date was 51 percent (67 percent).
- Cash and cash equivalents totaled SEK 5.4m (SEK 26.5m) on September 30, 2012 and SEK 2.2m (SEK 21.6m) 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 at killing cells in a challenging human pancreatic cancer model. Efficacy is significantly superior to that of gemcitabine, today's standard treatment. Kancera presented these results at Bio Europe Spring in Amsterdam.
- Kancera presented its structure-based design of active compounds targeting cancer metabolism at the World Cancer Metabolism Summit in Washington.
- Kancera presented results from its ROR project which demonstrates 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 small molecular ROR inhibitors with pharmaceutical properties.
- iNovacia AB reported that it had entered into a collaboration with Boston-based Agios Pharmaceuticals relating to the identification of chemical starting points for a project using iNovacia's high-speed screening and chemical library.
- Kancera announced that its ROR inhibitors have the capacity to kill leukemia cells from 50 percent of patients who are no longer benefiting from the 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 Institute, it had developed antibodies that allow the development of a diagnostic tool for the identification of patients and for follow-up of individual patient response to treatment with ROR inhibitors.
- Kancera's cancer projects were presented at a seminar on "Lead Generation and Structure-Based Drug Design in Cancer Research" at the Cambridge Innovation Center in Boston, USA, in April 2012.

- 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 percent subscribed and involved the issue of 3,608,208 shares at an issue price of SEK 2.30 per share, which raised SEK 8.3m for Kancera AB before issue costs and represents dilution of 19.2 percent based on a total of 18,756,208 shares.
- Om 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, USA, 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 covering therapeutic antibodies targeting ROR for treatment of cancer. This patent application was developed in collaboration with BioInvent and other members of the research team at the Karolinska Cancer Center. Kancera aims to develop these ROR antibodies in partnership with a company specializing in biological drugs.
- Kancera announced that its PFKFB3 inhibitors targeting colon cancer are now entering preclinical efficacy studies in animals. This first generation of Kancera PFKFB3 inhibitors has been selected following two animal studies that have shown satisfactory distribution and tolerance. Following the Board's decision on October 16 (see press release summarized below), no further significant investments will be made in the PFKFB3 project, which will be the subject of more detailed assessment at a later date.
- Kancera announced that its wholly-owned subsidiary iNovacia AB had entered into an agreement with Intellect Neurosciences New York, USA, for contract research services. The agreement relates to the evaluation of preclinical compounds for the optimization of Intellect's antibody drug conjugate.

Significant events after the end of the reporting period

- Kancera has announced that the company is to issue new shares, has modified its business model and is focusing on one drug project:
  - Subject to the approval of the General Meeting, a new share issue will be effected with preferential rights for existing shareholders. Each existing share will entitle to holder to subscribe for one new share at a price of SEK 0.69. The new share issue will encompass up to 18,756,208 shares and if fully subscribed will raise SEK 12.9m for Kancera before issue costs.
  - Since the company was formed, Kancera's business model has been to conduct development of the projects using its own laboratory resources through its subsidiary iNovacia AB. Since conditions for financing biotech companies have changed radically, and demand for iNovacia's services from external users has fallen, Kancera's Board has decided to change its business model and instead conduct operations with a limited organization and a significant reduction in fixed costs. In parallel with this, Kancera will investigate opportunities to restructure iNovacia. If this cannot be done, iNovacia will be sold or wound up.
  - Kancera is developing two preclinical drug candidates targeting cancer. Kancera's Board has judged that the company's limited financial and human resources require it to focus the business on one project, and has decided to continue investments focusing on the ROR project, which is judged to be the project with the greatest potential in both medical and commercial terms. The ROR project is developing small molecular and monoclonal antibodies for the treatment of leukemia and solid tumors.

- At an Extraordinary General Meeting held on November 1, Kancera approved the Board's decision of October 15 on the issue of new shares.
- Kancera has announced that the company's first generation of PFKFB3 inhibitors slows down the growth of pancreatic cancer in preclinical efficacy studies in animals. The slowdown effect of Kancera's first generation PFKFB inhibitors was around 20 percent compared with placebo treatment. Pancreatic cancer affects more than 100,000 patients annually in Europe and the US. The survival rate among these patients five years after diagnosis is less than two percent, which underlines the fact that there is a great need for new drugs to treat pancreatic cancer. However, Kancera is standing by its previously announced decision to prioritize the company's ROR project, and consequently further development of the PFKFB project will only be resumed once adequate financing has been secured.
- Kancera has announced that the company's project portfolio was presented at the conference of the European Cancer Cluster in Hamburg and also at BioEurope 2012, which likewise took place in Hamburg, Germany.
- Kancera has reported results that suggest that cells from pancreatic cancer are dependent on ROR for their existence. The results that support this were generated in collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Institute. The results thus provide increased support for Kancera's ROR project, which aims to develop an effective drug to treat this serious form of cancer.

Statement from the CEO

In 2012, the progress made in Kancera's ROR project targeting leukemia and pancreatic cancer was presented in Washington, Chicago, Boston, Amsterdam and Hamburg. In parallel with this, research teams from the US and Japan published scientific works that support Professor Mellstedt's research into ROR and suggest that ROR may also be an Achilles heel for breast and lung cancer.

Overall, increasingly convincing research and development is showing that ROR is a suitable target for a new class of drugs to treat a number of serious forms of cancer. One of the more important pieces of evidence for this is that when researchers remove the ROR protein the cancer cell dies, while healthy cells manage excellently without ROR.

The question that the research world and the pharmaceutical industry are now asking is whether it is possible to develop drugs that remove the ROR signal in cancer cells in the same way as researchers are doing in the laboratory. Anyone who succeeds in this will have significant opportunities to create an important and commercially valuable drug.

Kancera is on the front line of pharmaceutical development targeting ROR, which could result in new options for effective treatment of cancers such as leukemia, breast cancer, pancreatic cancer and lung cancer. Whether this is possible is still unknown as yet. However, we know that Kancera's small molecular and experimental antibodies, both of which target ROR, can effectively and reliably eliminate a number of types of cancer cells while healthy cells remain healthy. We also know that leukemia cells that are resistant to the standard drugs used today are sensitive to Kancera's small molecular ROR inhibitors.

If our pharmaceutical project succeeds in technical terms, it could mean the following for patients and healthcare costs:

- a longer period for control of the disease
- improved quality of life and reduced costs of side effects
- tailored treatment by virtue of Kancera's ROR diagnostics, which show who might benefit from the treatment

The next step is to build into our small molecules properties that mean that it is distributed in the body and gets into the cancer cells in sufficient quantity to reliably kill them. This work was initiated in the second quarter of this year and was also one of the aims of the last share issue in June 2012. Today, we have results that suggest we are on the right track in this work, but we have not yet reached the goal.

By now focusing the funds generated by the forthcoming share issue on the ROR project, we will inject further vigor into the development work and have the opportunity to achieve the properties that will make Kancera's promising small molecular ROR-inhibitor into a competent drug candidate. In parallel with this, work to expand the ROR product scope will be intensified and we will initiate negotiations concerning collaborations within ROR as preparation for a future sale of the project.

With a view to achieving these goals, Kancera's Board is taking measures to strengthen the company's financial position and to increase its operational flexibility and supply capacity by:

- in accordance with the decision taken at the Extraordinary General Meeting on November 1, 2012, effecting a new share issue with preferential rights for shareholders that entitles shareholders to subscribe for one new share at a price of SEK 0.69 for each existing share held, amounting to a maximum of 18,756,208 shares which, if fully subscribed, will raise SEK 12.9m for Kancera before issue costs;
- changing its business model such that, instead of primarily conducting pharmaceutical development through its wholly-owned subsidiary iNovacia, the business will instead be operated using a limited organization, with a significant reduction in fixed costs;
- focusing future investments on the ROR project, which is judged to have the larger potential to deliver a drug targeting drug-resistant cancers and to generate good returns for Kancera's shareholders.

In view of the cost savings that will arise, the forthcoming new share issue is expected to meet the capital requirements for Kancera's business within the context of the new business model for the coming 12 months. It must be emphasized that the ROR project is in a phase in which the technical risk of not achieving the desired drug properties is high.

We will do our utmost to produce a drug targeting ROR to treat drug-resistant cancers and invite you to join us in participating in Kancera's risky, but important, investment.

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	July-Sept		Jan-Sept		1 Jan-31 Dec
	2012	2011	2012	2011	2011
Net turnover	953	1 592	2 155	3 845	7 069
R&D expenses	-5 732	-4 511	-19 556	-18 381	-23 038
Operating Income	-6 343	-5 276	-22 756	-13 176	-18 372
Income after financial items	-6 430	-5 231	-22 762	-13 390	-18 410
Net income	-6 430	-5 231	-22 762	-13 390	-18 410
Cash-flow from operating activities	-8 230	-6 301	-23 501	-18 896	-23 214
Earnings per share, before and after dilution	-0,42	-0,35	-1,50	-1,02	-1,35
Cash on hand at closing date	5 390	26 495	5 390	26 495	20 838
Solvency ratio	51%	67%	51%	67%	65%
Key ratios					
Return on equity, %	neg	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg	neg
Solvency ratio	51%	67%	51%	67%	65%
Net investments in tangible assets	-	929	-	929	1 550
in relation to net turnover, %	0%	58%	0,0%	24,2%	21,9%
No. of employees	18	18	18	18	19
Earnings per share, before dilution	-0,42	-0,35	-1,50	-1,02	-1,35
Earnings per share, after dilution	-0,42	-0,35	-1,50	-1,02	-1,35
Equity by share, SEK	0,74	2,35	0,74	2,35	1,89
Cash-Flow by share, SEK	-0,52	-0,02	-1,02	1,51	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 third quarter have been financed mainly by equity capital and income from external contract research, which amounted to SEK 2.2m (SEK 3.8m).

R&D activities
R&D expenses for the period totaled SEK 19.6m (SEK 18.4m), of which Q3 expenses accounted for SEK 5.7m (SEK 4.5m).

Earnings
Earnings for the period totaled SEK -22.8m (SEK -13.4m), with third quarter earnings of SEK -6.4m (SEK -5.2m).

Comments on financial development

All figures relate to the Kancera Group unless otherwise specified. The 2011 comparison figures for operating income and income after financial items were affected by the release of negative goodwill of SEK 7m that arose in connection with the acquisition of iNovacia, the entire amount of which was recognized as revenue during Q1 2011, and by a reclassification of the costs of services sold. In addition, comparison figures for 2011 were affected by the fact that Kancera acquired iNovacia on February 17 and accordingly, iNovacia's sales and earnings only include 7.5 months of the comparison period January to September 2011.

Net sales
Net sales in the third quarter 2012 totaled SEK 1.0m (SEK 1.6m) and for the period, SEK 2.2m (SEK 3.8m). Revenue from the project commissioned by Agios Inc. is included partly in sales for the third quarter and partly in sales for the fourth quarter of 2012. In the third quarter, contracts were signed with two new clients in the US. These two

projects are divided into a preliminary study and a main study. Revenue from the preliminary studies will arise in the fourth quarter. Decisions have yet to be taken on whether the main studies will start in the fourth quarter.

Expenses
Expenses in the third quarter totaled SEK 7.3m (SEK 6.8m), which breaks down into costs of services sold of SEK 0.5m (SEK 1.4m), research and development expenses of SEK 5.7m (SEK 4.5m) and other sales and administrative expenses of SEK 1.1m (SEK 0.9m). Expenses in the period January 1 – September 30, 2012 totaled SEK 24.9m (SEK 17.0m), which breaks down into costs of services sold of SEK 1.5m (SEK 2.7m), research and development expenses of SEK 19.6m (SEK 18.4m), other sales and administrative expenses of SEK 3.8m (SEK 2.9m) and negative goodwill of SEK 0.0m (SEK 7.0m).

Earnings
Income after financial items for the third quarter totaled SEK -6.4m (SEK -5.2m) and for the period, SEK -22.8m (SEK -13.4m). During the period the Parent Company issued shares. In conjunction with the new share issue a bonus issue element was identified, which means that the weighted average number of shares when calculating earnings per share has been adjusted. Previous periods have been restated with the bonus issue element.

Cash flow and liquidity
Cash flow totaled SEK -7.9m (SEK -0.3m) in the third quarter. Cash flow from operating activities for the third quarter totaled SEK -7.9m (SEK -6.3m). Cash flow from financing activities for the third quarter amounted to SEK 0.0m (SEK 6.9m).

Cash flow for the period amounted to SEK -15.4m (SEK 19.9m). Cash flow from operating activities for the period totaled SEK -23.5m (SEK -18.9m). Cash flow from financing activities for the period totaled SEK 8.1m (SEK 31.1m).

The Kancera Group's cash and cash equivalents as at September 30, 2012 totaled SEK 5.4m (SEK 26.5m), of which SEK 2.2m (SEK 21.6m) 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. Subject to approval by the General Meeting, on October 16 the Board announced that a new share issue would be effected with preferential rights for existing shareholders. Each existing share will entitle to holder to subscribe for one new share at a price of SEK 0.69. The new share issue will encompass up to 18,756,208 shares and, if fully subscribed, will raise SEK 12.9m for Kancera before issue costs. The subscription period will be November 13-27, 2012. The Board has also announced that fixed costs are to be reduced in 2012 by restructuring the subsidiary iNovacia AB and by focusing the business on one project, the ROR project.

Investments
Investments in property, plant and equipment totaled SEK 0.0m (SEK 0.9m) in the third quarter, and SEK 0.0m (SEK 0.9m) for the period.

Investments in intangible assets in the third quarter 2012 totaled SEK 0m (SEK 0m) and for the period, SEK 0m (SEK 0m). Ongoing investments in intangible assets (R&D expenses) are expensed as R&D and totaled SEK 19.6m (SEK 18.4m) for the period.

Equity and share data
Total equity as at September 30, 2012 was SEK 11.2m (SEK 30.9m).

Share capital as at September 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 -1.50 (SEK -1.02).

Kancera's equity/assets ratio as at September 30, 2012 was 51 percent (67 percent). Equity per share was SEK 0.74 (SEK 2.35), 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 employee (0) as at September 30, 2011. 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 September 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 third quarter 2012, expenses totaled SEK 3.8m (SEK 3.1m), of which costs of services sold accounted for SEK 0m (SEK 0m) and R&D expenses for SEK 2.4m (SEK 1.3m). Other expenses totaled SEK 1.4m (SEK 1.8m). Income after financial items for the period totaled SEK -19.5m (SEK -15.9m). 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 2.2m (SEK 21.6m).

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 third quarter 2012 totaled SEK -6.1m (SEK -4.7m) and for the period, SEK -20.8m (SEK -19.2m). During the third quarter the Pharmaceutical Development segment was charged with expenses for research and development, which included patent expenses and cost of ingredients, of SEK 5.7m (SEK 4.5m), and for the period, SEK 1.2m (SEK 0.8m).

Earnings for the Industrial Research & Development segment in the third quarter 2012 totaled SEK 1.0m (SEK 1.6m). These earnings are commented on below under the heading "Market outlook" in the section "Industrial Research & Development". Operating income from contract research in the third quarter 2012 totaled SEK 0.2m (SEK 0.0m).

Segment Report

SEK 000´s (if otherwise not specified)	Jan-Sept 2012				Jan-Sept 2011				Jan-Dec 2011			
Kancera Group	Drug-develop-ment	CRO business	Central Costs & Other	Total	Drug-develop-ment	CRO business	Central Costs & Other	Total	Drug-develop-ment	CRO business	Central Costs & Other	Total
Net sales		2 155		2 155		3 845		3 845		7 069		7 069
Cost of sales & services		-1488		-1488		-2 720		-2 720		-5 611		-5 611
Gross profit	0	667	0	667	0	1125	0	1125	0	1458		1458
General & administrative expenses	-462	-236	-1734	-2 432	-312	-211	-1452	-1975	-2 073	-214	-84	-2 371
Selling expenses	-746	-545	-144	-1435	-482	-352	-93	-927	-730	-532	-141	-1403
Research & development expenses	-19 556			-19 556	-18 381			-18 381	-23 038			-23 038
Total operating expenses	-20 764	-781	-1878	-23 423	-19 175	-563	-1545	-21283	-25841	-746	-225	-26 812
Negative Goodwill				0			6 982	6 982			6 982	6 982
Operating income	**-20 764**	**-114**	**-1 878**	**-22 756**	**-19 175**	**562**	**5 437**	**-13 176**	**-25 841**	**712**	**6 757**	**-18 372**

Pharmaceutical Development segment

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

For the time being, no further investments of significance will be made in the PFKFB3 project until adequate financing has been secured. The project will be the subject of a more detailed assessment at a later date. PFKFB3 has been valued at SEK 3m in the Balance Sheet. In the Board's assessment, which is based on present results from the company's R&D, this value remains. This assessment is supported by reported slowdown effects on tumor growth of Kancera's PFKFB3 inhibitors in an animal model of human pancreatic cancer.

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

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

A summary presentation of the part of the ROR-1 project targeting chronic lymphocytic leukemia (CLL) was given by Professor Håkan Mellstedt under the title "Effect of ROR-1 targeting small molecules on chronic lymphocytic leukemia cells" at the American Society of Clinical Oncology (ASCO) in Chicago in June 2012.

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.

In 2011, progress made within Kancera's ROR technology showed that solid tumor cells may also be dependent on ROR. Professor Håkan Mellstedt showed that cancer in the pancreas expresses ROR. In collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Institute, Kancera has found active compounds that block ROR's survival signal and effectively kill cancer cells from the pancreas. Pancreatic cancer affects more than 100,000 patients annually in Europe and the US. The survival rate among these patients five years after diagnosis is less than two percent. Again, in the case of pancreatic cancer, it has been reported that ROR-1 occurs in greater numbers in tumor cells of patients with an increasingly aggressive (progressive) form of leukemia.

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

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 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 covering therapeutic antibodies targeting ROR for 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.

During the period, Kancera's collaboration with the Karolinska Institute showed that four successful drugs (Datasinib, Gefitinib, Sorafinib and Sunifinib) belonging to the same family of drugs as ROR inhibitors do not have the capacity to eliminate ROR-1 and selectively kill cancer cells from leukemia patients (Figure 1). Due to the lack of selectivity, these drugs also kill healthy white blood cells, which can make patients more susceptible to infection. According to the study, Kancera's ROR inhibitor spares the healthy white blood cells, which could help patients given this drug in the future to be more resistant to serious infections than those receiving today's drugs.

Figure 1.

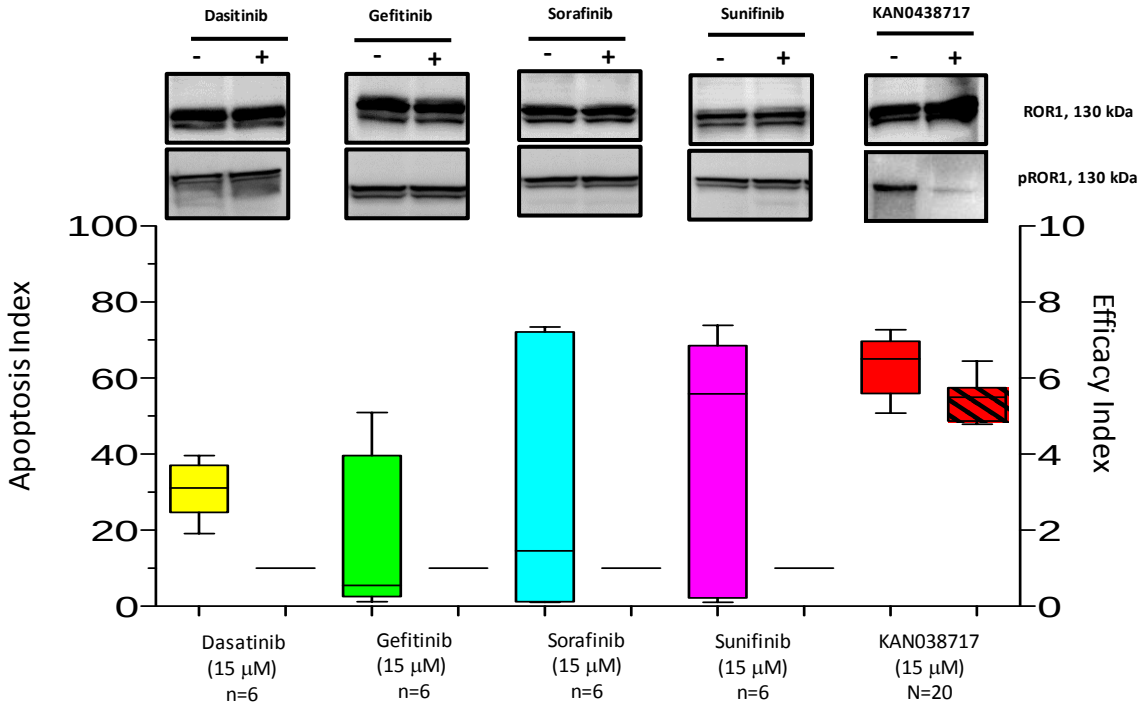
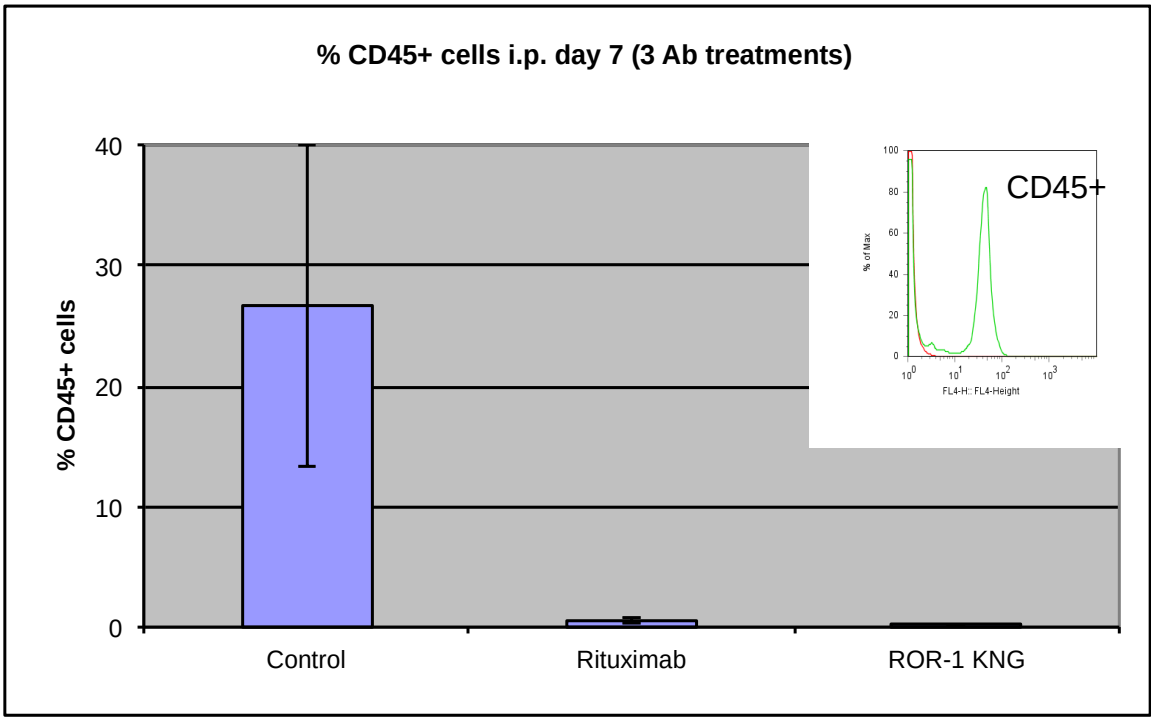


Figure 1 shows results from a study demonstrating the capacity to eliminate the active form of ROR and thus selectively kill cells from patients with chronic lymphocytic leukemia (CLL). The study compares Kancera's ROR-1 inhibitor with four successful drugs belonging to the same class of drugs as ROR-1 inhibitors (RTK inhibitors). The series of images above shows how the active form of ROR-1 (pROR1) is silenced in presence of KAN0438717 (see "+" in image second from top on the right). At the same time, the graph shows that KAN0438717 has the capacity to kill CLL cells (red box, left y-axis, average 65% cell death) with a close to 6x selectivity over healthy white blood cells (box labeled red/black, right y-axis). In contrast, the four drugs studied – Datasinib, Gefitinib, Sorafinib and Sunifinib – kill healthy white blood cells just as effectively as CLL cells. The latter is shown in the graph as selectivity = 1, which is represented by a horizontal line at the bottom to the right of each box.

Figure 2 shows the results of an animal study carried out using ROR-1 targeted antibodies (ROR-1 KNG). These antibodies were developed by Kancera's co-founder Professor Håkan Mellstedt of the Karolinska Institute. Kancera currently owns non-exclusive rights to the patent application that covers these antibodies. The study aims to investigate whether the ROR-1 antibodies are able to kill cancer cells in an animal model for chronic lymphocytic leukemia (CLL) and compare them with the effect of Rituxan, which is the antibody drug most frequently used to treat CLL at present.

The results show that seven days' treatment with ROR-1 antibodies, at two doses per day, more or less eliminates CLL cells from the abdomen of the animals treated. In this study the effect is equal to that of Rituxan. In comparison with Rituxan, the ROR-1 antibody may have an advantage in that it is more selective of cancer cells compared with healthy cells and that it may be effective against types of hematological cancer other than CLL. However, this study is to be seen as an initial study that requires follow-up evaluation in order to decide whether these particular antibodies are a suitable starting point for further development of a ROR-1 targeted antibody drug.

Figure 2.



Events after the end of the reporting period

Kancera has reported results that suggest that cells from pancreatic cancer are dependent on ROR for their existence. The results that support this were generated in collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Institute. The results thus provide increased support for Kancera's ROR project, which aims to develop an effective drug to treat this serious form of cancer.

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.

For the time being, no further investments of significance will be made in the PFKFB3 project until adequate financing has been secured. PFKFB3 has been valued at SEK 3m in the Balance Sheet. In the Board's assessment, which is based on present results from the company's R&D, this value remains. This assessment is supported by reported slowdown effects on tumor growth of Kancera's PFKFB3 inhibitors in an animal model of human pancreatic cancer (see "Events after the end of the reporting period" below).

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

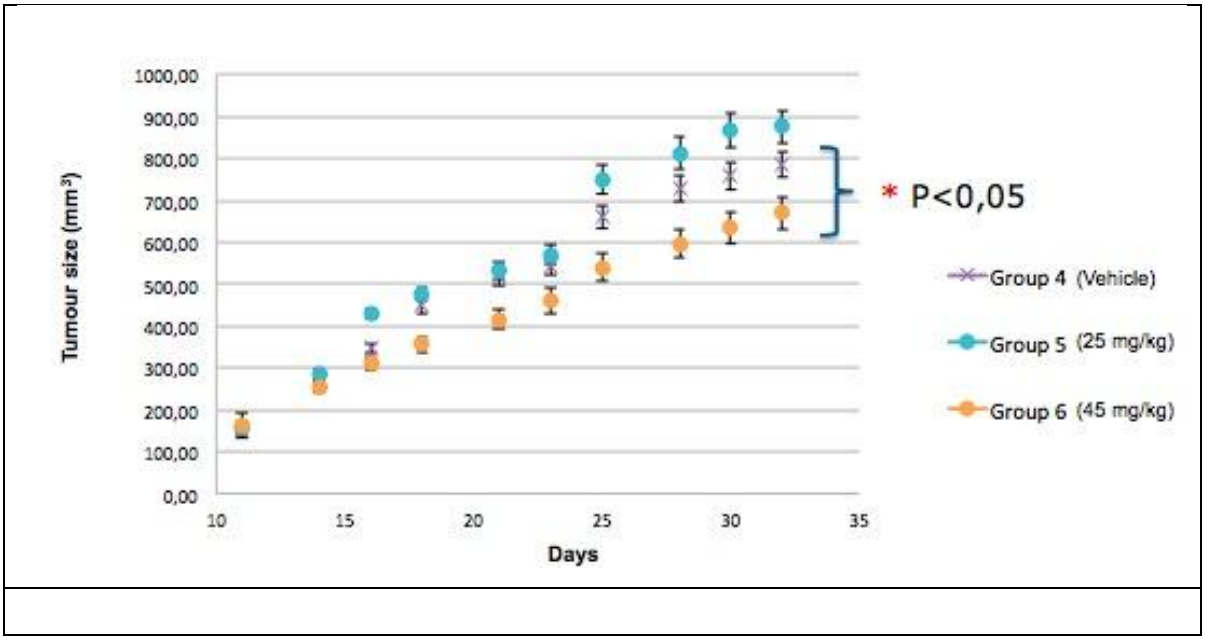
Events after the end of the reporting period

Kancera has reported that the company's first generation of PFKFB3 inhibitors slows down the growth of pancreatic cancer in preclinical efficacy studies in animals.

In an initial preclinical study no convincing effect could be achieved in an animal model for colon cancer. Further studies, designed based on the results of the initial study, showed that growth of a tumor originating from pancreatic cancer in humans was slowed down. The slowdown effect of Kancera's first generation of PFKFB inhibitors was around 20 percent compared with placebo treatment (see Figure 3).

The fact that PFKFB inhibitors can on their own reduce the growth of a pancreatic cancer supports Kancera's strategy for how this serious illness can be attacked. The next step in the project is to further improve the pharmaceutical properties of the PFKFB inhibitors and evaluate effects on tumor growth when combined with standard treatments for pancreatic cancer. However, further investment in the PFKFB3 project will only be made once adequate financing for this has been secured.

Figure 3.



Market outlook for Kancera's development projects

In April, the latest deal between a preclinical biotech company working in the field of cancer 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 Epizyme'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), from the biotech company Pharmacyclics. On signing the agreement for a clinical phase II BTK inhibitor J&J is paying USD 150m in addition to installments of USD 825m. In October 2012, J&J paid Pharmacyclics USD 50m at the start of clinical phase III studies. Celgene is acquiring the company Avila Therapeutics including its primary asset, which is a BTK inhibitor targeting leukemia in clinical phase I, for USD 350m on signature plus up to USD 195m in installments. Kancera's ROR project is in the preclinical phase for targeting leukemia and is therefore not directly comparable with the projects from Pharmacyclics and Avila. However, it is worth noting that results from the 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.

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

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

Industrial Research & Development segment

This segment consists primarily of the operations of the 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. Contracts were also signed in the third quarter with two new clients in the US, one of which with Intellect Neurosciences (New York), as announced in a press release on October 4, 2012. These two projects are divided into a preliminary study and a main study. Revenue from the preliminary studies will arise in the fourth quarter. Decisions have yet to be taken on whether the main studies will start in the fourth quarter.

Events after the end of the reporting period

Since the company was formed, Kancera's business model has been to conduct development of the projects using its own laboratory resources through its subsidiary iNovacia AB. Since conditions for financing biotech companies have changed radically and demand for iNovacia's services from external users has fallen, Kancera's Board has decided to change its business model and instead conduct operations using a limited organization, with a significant reduction in fixed costs. As announced in a press release on October 16, 2012, in parallel with this Kancera will investigate the possibilities for restructuring iNovacia. If this cannot be done, iNovacia will be sold or wound up.

Market outlook

In 2012 iNovacia entered into three new contracts with US clients, which demonstrates that the company is capable of winning new contracts in an international market.

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

Income Statement

SEK 000´s (if otherwise not specified)	1 July- 30 Sept 2012	1 July- 30 Sept 2011	1 Jan- 30 Sept 2012	1 Jan- 30 Sept 2011	1 Jan-31 Dec 2011
Kancera Group					
Revenues					
Net sales	**953**	**1 592**	**2 155**	**3 845**	**7 069**
Cost of sales & services	-503	-1 436	-1 488	-2 720	-5 611
Gross profit	**450**	**156**	**667**	**1 125**	**1 458**
Operating Expenses					
General & administrative expenses	-691	-726	-2 432	-1 975	-2 371
Selling expenses	-370	-195	-1 435	-927	-1 403
Research & development expenses	-5 732	-4 511	-19 556	-18 381	-23 038
Negative Goodwill	0	0	0	6 982	6 982
Total expenses	**-6 793**	**-5 432**	**-23 423**	**-14 301**	**-19 830**
Operating income	**-6 343**	**-5 276**	**-22 756**	**-13 176**	**-18 372**
Income from Financial Investments					
Financial net	-87	45	-6	-214	-38
Income after financial items	**-6 430**	**-5 231**	**-22 762**	**-13 390**	**-18 410**
Taxation	-	-	-	-	-
Net income	**-6 430**	**-5 231**	**-22 762**	**-13 390**	**-18 410**
Income attributable to:					
The shareholders of the parent company	-6 430	-5 231	-22 762	-13 390	-18 410
Minority interests	-	-	-	-	-
Earnings per share, before and after dilution					
SEK	-0,42	-0,35	-1,50	-1,02	-1,35

Statement of Comprehensive Income

SEK 000´s (if otherwise not specified)	1 July- 30 Sept 2012	1 July- 30 Sept 2011	1 Jan- 30 Sept 2012	1 Jan- 30 Sept 2011	1 Jan-31 Dec 2011
Net Income	**-6 430**	**-5 231**	**-22 762**	**-13 390**	**-18 410**
Other comprenhensive income	-	-	-	-	-
The Period´s comprenhensive income	**-6 430**	**-5 231**	**-22 762**	**-13 390**	**-18 410**
Income attributable to:					
The shareholders of the parent company	-6 430	-5 231	-22 762	-13 390	-18 410
Minority interests	-	-	-	-	-

Balance Sheet

SEK 000´s (if otherwise not specified)	30 Sept 2012	30 Sept 2011	31 dec 2011
Kancera Group			
Assets			
Non-current Assets			
Intangible assets, activated R&D expenses	6 000	6 000	6 000
Tangible assets	7 653	6 834	9 919
Total fixed assets	**13 653**	**12 834**	**15 919**
Current Assets			
Receivables	2 813	6 932	2 984
Cash and cash equivalents	5 390	26 495	20 838
Total current asstes	**8 203**	**33 427**	**23 822**
TOTAL ASSETS	**21 856**	**46 261**	**39 741**
Equity and Liabilities			
Equity			
Equty	11 193	30 884	25 903
Total equity	**11 193**	**30 884**	**25 903**
Provisions and liabilities			
Long-term liabilities	6 367	7 635	6 741
Short-term liabilities	4 296	7 742	7 097
Total provisions and liabilities	**10 663**	**15 377**	**13 838**
TOTAL EQUITY and LIABILITIES	**21 856**	**46 261**	**39 741**

Statement of Changes in Equity

SEK 000´s (if otherwise not specified)

Kancera Group

	2012
Total equity, opening balance on the 1st of Jan 2012	**25 903**
Q1 net income	-7 802
Total equity, closing balance on the 31st of March 2012	**18 101**
Proceeds on issue of shares	8 299
Costs related to issue of shares	-251
Exercise of warrant	4
Q2 net income	-8 530
Total equity, closing balance on the 30th of June 2012	**17 623**
Q3 net income	-6 430
Total equity, closing balance on the 30th of Sept 2012	**11 193**

	2011
Total equity, opening balance on the 1st of Jan 2011	**11 189**
Proceeds on issue of shares	25 200
Costs related to issue of shares	-1 031
Exercise of warrant	2 000
Q1 net income	733
Total equity, closing balance on the 31st of March 2011	**38 091**
Q2 net income	-8 892
Total equity, closing balance on the 30th of June 2011	**29 199**
Q3 net income	-5 231
Proceeds on issue of shares	7 600
Costs related to issue of shares	-684
Total equity, closing balance on the 30th of Sept 2011	**30 884**

Cash-Flow Statement

SEK 000´s (if otherwise not specified)	1 July- 30 Sept 2012	1 July- 30 Sept 2011	1 Jan- 30 Sept 2012	1 Jan- 30 Sept 2011	1 Jan-31 Dec 2011
Kancera Group					
Cash-flow from operating activities					
Operating income after financial items	-6 430	-5 231	-22 762	-13 390	-18 410
Depreciation	766	806	2 327	2 964	3 842
Other non-cash-flow affecting items	-	-	-	-6 982	-6 982
Cash-flow from operating activities before working capital change	**-5 664**	**-4 425**	**-20 435**	**-17 408**	**-21 550**
Change in working capital	-2 196	-1 876	-3 066	-1 488	-1 664
Cash-flow from operating activities	**-7 860**	**-6 301**	**-23 501**	**-18 896**	**-23 214**
Investment activities					
Net investments in financial assets	0	-929	0	-929	-1 550
Acquisition of operations	-	-	-	8 664	8 664
Cash-flow from investment activities	**0**	**-929**	**0**	**7 735**	**7 114**
FREE CASH-FLOW available to INVESTORS	**-7 860**	**-7 230**	**-23 501**	**-11 161**	**-16 100**
Financing activities					
Issue of shares	0	6 915	8 053	31 084	31 123
New(+)/repayment of(-) loans	-	-	-	-	-757
Cash-flow from financing activities	**0**	**6 915**	**8 053**	**31 084**	**30 366**
CASH-FLOW for the YEAR	**-7 860**	**-315**	**-15 448**	**19 923**	**14 266**
Cash and cash equivalents at the beginning of the year	13 250	26 810	20 838	6 572	6 572
Cash and cash equivalents at the end of the year	5 390	26 495	5 390	26 495	20 838

Income Statement

SEK 000´s (if otherwise not specified)	1 July- 30 Sept 2012	1 July- 30 Sept 2011	1 Jan- 30 Sept 2012	1 Jan- 30 Sept 2011	1 Jan-31 Dec 2011
Parent Company					
Revenues	-	-	-	-	-
Net sales	-	-	-	-	-
Cost of sales & services	-	-	-	-	-
Gross profit	-	-	-	-	-
Operating Expenses					
General & administrative expenses	-951	-1 547	-3 313	-4 488	-4 825
Selling expenses	-403	-239	-1 856	-1 407	-1 787
Research & development expenses	-2 426	-1 281	-14 369	-9 970	-17 136
	-	-	-	-	-
Total expenses	**-3 780**	**-3 067**	**-19 538**	**-15 865**	**-23 748**
Operating income	**-3 780**	**-3 067**	**-19 538**	**-15 865**	**-23 748**
Income from Financial Investments					
Financial net	12	-168	63	-35	83
Income after financial items	**-3 768**	**-3 235**	**-19 475**	**-15 900**	**-23 665**
Taxation	-	-	-	-	-
Net income	**-3 768**	**-3 235**	**-19 475**	**-15 900**	**-23 665**

Statement of Comprenhensive Income

SEK 000`s (if otherwise not specified)	1 July- 30 Sept 2012	1 July- 30 Sept 2011	1 Jan- 30 Sept 2012	1 Jan- 30 Sept 2011	1 Jan-31 Dec 2011
Net Income	**-3 768**	**-3 235**	**-19 475**	**-15 900**	**-23 665**
Other comprenhensive income	-	-	-	-	-
The Period´s comprenhensive income	**-3 768**	**-3 235**	**-19 475**	**-15 900**	**-23 665**

Balance Sheet

SEK 000´s (if otherwise not specified)	30 June 2012	30 June 2011	30 Sept 2012	30 Sept 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	753	1 171	373	575	843
Cash and cash equivalents	7 416	17 648	2 206	21 563	14 558
Total current asstes	**8 169**	**18 819**	**2 579**	**22 138**	**15 401**
TOTAL ASSETS	**16 489**	**27 139**	**10 899**	**30 458**	**23 721**
Equity and Liabilities					
Equity					
Restricted equity	1 563	1 104	1 563	1 262	1 262
Non-restricted equity	11 426	23 323	7 658	27 111	19 381
Total equity	**12 989**	**24 427**	**9 221**	**28 373**	**20 643**
Provisions and liabilities					
Short-term liabilities	3 500	2 712	1 678	2 085	3 078
Total provisions and liabilities	**3 500**	**2 712**	**1 678**	**2 085**	**3 078**
TOTAL EQUITY and LIABILITIES	**16 489**	**27 139**	**10 899**	**30 458**	**23 721**

Cash-Flow Statement

SEK 000´s (if otherwise not specified)

Parent Company

	1 July- 30 Sept		1 Jan- 30 Sept		1 Jan-31 Dec
	2012	2011	2012	2011	2011
Cash-flow from operating activities					
Operating income after financial items	-3 768	-2 969	-19 475	-15 900	-23 665
Depreciation	-	-	-	-	-
Other non-cash-flow affecting items	-	-	-	-	-
Cash-flow from operating activities before working capital change	**-3 768**	**-2 969**	**-19 475**	**-15 900**	**-23 665**
Change in working capital	-1 442	-31	-930	127	851
Cash-flow from operating activities	**-5 210**	**-3 000**	**-20 405**	**-15 773**	**-22 814**
Investment activities					
Investment in financial assets	-	-	-	-320	-320
Cash-flow from investment activities	**-**	**-**	**-**	**-320**	**-320**
FREE CASH-FLOW available to INVESTORS	**-5 210**	**-3 000**	**-20 405**	**-16 093**	**-23 134**
Financing activities					
Issue of shares	0	6 915	8 053	31 084	31 120
Cash-flow from financing activities	**0**	**6 915**	**8 053**	**31 084**	**31 120**
CASH-FLOW for the YEAR	**-5 210**	**3 915**	**-12 352**	**14 991**	**7 986**
Cash and cash equivalents at the beginning of the year	7 416	17 648	14 558	6 572	6 572
Cash and cash equivalents at the end of the year	2 206	21 563	2 206	21 563	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 third quarter 2012, Kancera paid compensation at market rates to Sprint Bioscience at an amount of SEK 243,410 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, entitle holders to subscribe for 500,000 new shares at an issue price of SEK 7 per share. The exercise period for the warrants is 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, in accordance with a resolution passed by the Annual General Meeting held on May 26, 2011 Kancera introduced an incentive scheme for the employees of the Group and certain contractors, involving the issue of 400,000 warrants. Under this incentive scheme, Carl-Henrik Heldin – newly appointed to Kancera's Board – acquired 10,000 warrants in June 2012 for a purchase price of SEK 4,000. The warrants were sold at market price, determined according to the Black & Scholes valuation formula. If all the warrants are exercised to subscribe for 400,000 new shares, the dilution of the share capital will amount to approximately 2.6 percent.

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, November 22, 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
- Full Year Report 2012 February 22, 2013

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