

Press release
Stockholm, 29 November 2010

Consolidation within Swedish cancer research

Kancera AB (publ) is carrying out a new share issue, will be listed on First North, and is acquiring the research company iNovacia AB – thereby creating an international and highly competitive cancer drug company.

Kancera is running two innovative pharmaceutical projects, one targeting leukaemia and one targeting solid tumours. Kancera is also developing new types of cancer models and stem cell techniques which, at a very early stage in the development of a drug candidate – long before clinical studies – make it possible both to demonstrate the actual effect and to show whether the drug candidate is able to combat cancer's ability to spread. The models that have received attention within international cancer research will form the crux of Kancera's business development, whereby new pharmaceutical development projects will quickly be validated and added to Kancera's existing project portfolio.

"There is a large demand for preclinical drug candidates for cancer. This, together with a distinct trend within the pharmaceutical industry towards increased outsourcing, is creating major business opportunities for Kancera. Following the acquisition, iNovacia's operations will be changed so that its internationally established R&D resources will mainly be used to accelerate the development of Kancera's drug candidates. In future, too, selected partners and clients will be offered access to iNovacia's expertise, which will provide Kancera with a network at the forefront of international pharmaceutical research", says Thomas Olin, CEO at Kancera.

Industrial foundation – academic top-level expertise

Kancera AB was founded in May 2010 through the acquisition of pharmaceutical projects targeting cancer from iNovacia AB and Sprint Bioscience AB, as well as researchers at Karolinska Institutet. The projects had then been under development since 2003. In the leukaemia project, Kancera has a candidate under development that may be able to "strangle" the cancer cells' capacity for survival. In the other project, Kancera is working on the metabolism of cancer. The candidate which Kancera has under development is envisaged as being able to "starve" solid tumours to death by stopping their ability to convert sugar into energy and the building blocks of cells.

"I see major potential in Kancera. Our research in cancer therapy is right at the forefront. There is a large demand for new concepts and methods of treatment, and the rewards for those that succeed are high. Kancera has techniques that make us unique in that we can test our drug candidates at an early stage in new disease models that closely resemble the patient's cancer, giving us good opportunities to succeed", says Professor Håkan Mellstedt, founder and member of the Board of Directors.

The Board of Directors consists of:

- Anders Essen-Möller, founder and working Chairman of the Board at Diamyd Medical AB
- Bernt Magnusson, who has long experience from several companies, including: Pharmacia, Volvo PV, AssiDomän, Swedish Match, NCC and Nordea
- Håkan Mellstedt, professor of oncological biotherapy at the Karolinska Institutet and the Karolinska University Hospital
- Erik Nerpin, a lawyer and part-owner of the Kilpatrick Stockton firm of lawyers, and Chairman of the Board
- Anders Åberg, PhD, CEO and founder of Sprint Bioscience AB, with many years' experience of pharmaceutical development from several companies – for example, Head of Structural Biology at AstraZeneca in Mölndal
- Thomas Olin, PhD, CEO of Kancera, with many years' experience of the pharmaceutical industry in senior positions in both business development and R&D at Pharmacia and Biovitrum.

Strengthened commercial organisation

Through its acquisition of iNovacia, which is conditional on Kancera's new share issue being fully subscribed, Kancera will be able to make use of iNovacia's knowledge of industrial pharmaceuticals, with the aim of achieving effective further development of Kancera's own projects. In organisational terms, iNovacia will become a fully-owned subsidiary of Kancera.

iNovacia was established in 2006 by hiving off the Pharmacia/Biovitrum unit for the development of drug candidates, and today is an international contract research company. Since the hiving off, iNovacia has delivered more than thirty development projects, commissioned by pharmaceutical companies both in Europe and the United States. Satisfied clients include major pharmaceutical companies such as AstraZeneca, medium-sized pharmaceutical companies such as Leo A/S, and small biotechnology companies such as Aprea AB. iNovacia's core operation includes a research laboratory that carries out analytical development as well as the identification, validation and further optimization of drug candidates. iNovacia consists of three line functions: molecular pharmacology, pharmaceutical chemistry, and analytical chemistry.

iNovacia's strengths:

- A hand-picked, specially designed chemical library of more than 280,000 pharmaceutically compatible substances that have been validated by a number of international clients. The library has delivered strong starting points for the further development of drugs in over 90% of client projects.
- Over 20 years' experience of designing and conducting pharmaceutical projects has resulted in know-how that paves the way for clinically urgent yet technically complex pharmaceutical projects.
- An arsenal of biophysical methods that provide an early understanding of which series of substances have the best chance of success in the continued progress towards clinical studies, and how these substances can be optimized to produce a strong drug candidate.

A very large amount of data is generated daily in iNovacia's laboratories. In order to guarantee its integrity and enable searches and analyses to be performed on these data, iNovacia has a tailored database system (BeeHive), developed in conjunction with researchers at the Scripps Research Institute. In addition to this, researchers at iNovacia have contributed to the development of an integrated electronic lab notebook (ELN) system. This system is now sold and marketed internationally by Contur Software, and iNovacia receives royalty payments on sales.

iNovacia's registered office is in Stockholm, and the company currently employs nineteen people, of whom ten are PhDs and of whom eight have been educated at university to Master's level.

Earnings for the first three quarters of 2010 amounted to SEK 15 million, with a loss of SEK 8.9 million after investments in its own projects. As at the end of October 2010, iNovacia had an interest-free loan of SEK 5 million to Biovitrum that will be due for payment in 2014.

The acquisition will take place for an estimated purchase price of SEK 320,000, paid in cash. The deal is considered to be advantageous to Kancera's shareholders. iNovacia has been hit hard after several major clients cut down on their research investments as a result of the financial crisis, and iNovacia has been rebuilt during the autumn. In October, iNovacia entered into an agreement with the company's largest creditor Biovitrum, as well as shareholders, on the repayment of a loan of SEK 14 million, in the form of an unconditional shareholders' contribution. Under the same agreement, Kancera has acquired Biovitrum's shares in iNovacia, corresponding to an ownership share of 9.75%. As part of the agreement, Biovitrum is also being given the opportunity to acquire warrants in Kancera.

iNovacia's operation following the acquisition

Following Kancera's acquisition of iNovacia, the operations will change so that iNovacia's R&D resources are mainly used to speed up the development of Kancera's drug candidates. Selected partners and clients will continue to be offered access to iNovacia's expertise in the development and validation of candidates for drug development, thus providing the company with revenue and a valuable international business network.

A preliminary acquisition analysis and pro-forma are included in the prospectus, which is published today, 29 November 2010, on the company's website, www.kancera.com.

About the share issue

Until now, Kancera has picked up around SEK 14 million through new share issues. In conjunction with the listing, a new share issue is now being carried out of approximately SEK 25 million. It is considered that these funds will be able to lead Kancera to a choice of drug candidate, a creative milestone in Kancera's product development.

The acquisition of iNovacia is being made possible by a new share issue of 3,600,000 shares. The issue price is SEK 7 per share, which means the share issue will bring in SEK 25.2 million to Kancera before issue expenses.

As well as making possible the acquisition of iNovacia, the share issue aims to speed up the development of Kancera's existing projects, develop the cancer models, and fulfill the spread requirements of First North.

The subscription period is planned to run from 30 November until 14 December 2010. The prospectus will be published on 29 November 2010. The issuing institute is SEB and the Certified Advisor is Remium Securities AB.

Information meetings in connection with the new share issue:

- **30 November at 12.00** on the Opera Terrace, Café Opera
- **1 December at 15.30** on the Opera Terrace, Café Opera, Financial Hearing
- **7 December at 18.00** at IVA, Grev Turegatan 16

To register and for further information, please visit www.kancera.com

About the listing on First North

In order to take advantage of the unique opportunities of the iNovacia acquisition, the Board of Directors at Kancera has applied for Kancera's shares to be listed on NASDAQ OMX First North. Provided the Offering is completed, it is anticipated that trading on First North will begin around 21 December 2010.

This is Kancera AB (publ)

Kancera works on the development of drugs, starting with new treatment concepts and ending with a drug candidate. Kancera is currently developing a project for the treatment of leukaemia, as well as a project for the treatment of solid tumours. Both target a type of property of the cancer that can result in safer, more effective treatments. Kancera is also developing new types of model for the effective evaluation of drug candidates. The models, which are based on tumour preparations and stem cells, aim to make it possible to test with more certainty whether the drug candidate has the desired effect – at an early stage in the development of a drug and long before clinical studies. With a view to further strengthening the relationship with the established industry and creating contributions to internal product development, these models and techniques will be offered to third parties. Kancera's operations are run at Pharmacia's former premises at Kungsholmen in Stockholm. It is estimated that Kancera will employ around 20 people in 2011.

Future reporting occasions:

- Year-end report – 28 February 2011
- Interim report January-March, 3 months – 25 May 2011
- Annual General Meeting in Stockholm – 27 May 2011

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