

Press release May 25, 2011

Interim Report for Kancera AB (publ)

January 1 – March 31, 2011

This Interim Report covers the period January 1 – March 31, 2011. As Kancera was established on April 28, 2010, there are no historical comparison figures. All figures relate to the Kancera Group unless otherwise specified.

Q1 January 1 – March 31, 2011 in brief

- Net sales totaled SEK 0.6m for the quarter
- R&D expenses totaled SEK 3.9m for the quarter
- Operating income was SEK 0.9m for the quarter
- Income after net financial items was SEK 0.7m for the quarter
- Operating income and income after financial items were affected by the release of negative goodwill of SEK 7m that arose as a result of the acquisition of iNovacia; this negative goodwill was recognized as revenue during the period
- Earnings per share were SEK 0.06 for the quarter
- Equity totaled SEK 38.1m, or SEK 3.95 per share, at the end of March 2011 and the equity/assets ratio on the reporting date was 72 percent
- Cash flow from operating activities totaled SEK -5.0m for the quarter
- Cash and cash equivalents totaled SEK 34.4m and in the Parent Company SEK 25.1m at March 31, 2011
- New share issues during the period injected SEK 25.2m before issue expenses

Significant events in the first quarter

- Kancera's new public share issue was completed and provided the company with SEK 25.2m; expenses related to this share issue were SEK 2.1m in 2010 and SEK 1.0m in 2011
- Kancera exercised its option to acquire iNovacia AB on February 17 for SEK 2.3m, which resulted in a group relationship and an obligation to draw up consolidated financial statements
- Before Kancera acquired iNovacia, iNovacia sold its shareholding in Kancera for SEK 6m (SEK 7 per share); the sale related to existing shares and results in no dilution, but injects liquidity into the company
- NASDAQ OMX First North approved Kancera's listing on First North; the first day of trading was February 25, 2011
- Kancera has developed new active compounds that target the energy metabolism of cancer, which have provided the basis for the first of two international patent applications planned for 2011
- Results from Kancera's leukemia project suggest that the active compounds developed may also be of relevance in the development of therapeutics against eight other blood malignancies; this will facilitate the further development and marketing of the project

Significant events after the end of the reporting period

- Kancera has established a collaboration with the Northwestern University Feinberg School of Medicine, Chicago, USA to develop drugs to combat aggressive cancer
- Kancera has signed a lease with the Karolinska Institute Science Park for specially designed drug discovery laboratories that will be ready for use as of September 2011

Statement from the CEO

For Kancera, 2011 started with a fully subscribed public share issue in January, the acquisition of iNovacia AB, and on 26 February, the first day of trading in its shares on Nasdaq OMX First North. This places us in a good position from which to develop the company at a faster pace.

The operating result was SEK 773,000 for the quarter, which includes lump sum income of SEK 7m that arose as a result of the acquisition of iNovacia. Consolidated cash and cash equivalents amounted to SEK 34.4m at March 31 and SEK 32.3m at April 29.

In the first quarter of 2011 Kancera's cancer projects focused on further strengthening protection of the company's products that are currently being developed. This work has laid the foundation for the first of two international patent applications that we intend to register during the year within the PFKFB3 project, which attacks cancer glycolysis.

In addition, mechanisms of action for Kancera's ROR-1 project targeting leukemia have been charted. Recent results indicate a cancer-specific effect, which facilitates the further development and marketing of the leukemia project. Results also indicate that the leukemia project has the potential to be effective in a further eight types of blood cancer which, of course, adds extra weight to the project.

Thanks to the company's strengths within cancer research and product development, a strategic collaboration agreement has been concluded with Professor Mary Hendrix of the Northwestern University Feinberg School of Medicine, Chicago, USA, with the aim to develop drugs to combat aggressive cancers. Professor Hendrix, who is an advisor to the National Cancer Institute (NCI) as well as the National Institutes of Health (NIH), will contribute expertise and models that enhance the development of Kancera's existing and new drug projects.

Our assessment remains that Kancera's first project sales are expected in about two years' time. The market for such drug candidates remains strong in view of the outreach activities by the major pharmaceutical companies that are being noted by biotech companies.

As described in Kancera's Full Year Report for 2010, the business segment for consulting services within pharmaceutical development is expected to generate sales of SEK 10-15m on an annual basis. The company currently has an order stock of around SEK 7m, as a result of which we have confidence in the further deliveries and development of this business.

The company is preparing to relocate on September 2011 to specially designed laboratories within the Karolinska Institute Science Park, Hagalund. We are very pleased at the positive reception given to Kancera by the KI Science Park and certain that this new location will provide benefits in both academic and industrial collaborations.

In March, Douglas Hanahan and Robert Weinberg – two high-profile cancer researchers – published a further article "Hallmarks of Cancer" in the journal Cell, describing the challenges and opportunities facing cancer research. In the article the authors describe the factors driving cancer and the most promising approaches to combating cancer. Both the routes that Kancera is prioritizing in the ROR-1 and PFKFB3 projects are among the stated priority approaches for cancer, these being:

- receptors on the cell surface that control cancer growth and survival, and
- cancer's ability to generate energy.

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 running two projects, one to develop a treatment for leukemia and one project targeting cancer's ability to generate energy in order to survive. Kancera also develops cancer models that allow the effect of the candidates to be studied before clinical trials are started. These models and techniques will be offered to third parties in order to further strengthen relations with the established industry and create future cost coverage for our own project development. Kancera's operations are run at Pharmacia's former premises at Kungsholmen in Stockholm. Kancera expects to employ around 20 people in 2011. Remium AB is the Certified Advisor to Kancera.

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 then delivered more than thirty 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 centre (CCK); later, a partnership was also initiated with Sprint Bioscience AB, which focuses on fragment-based pharmaceutical development. In May 2010 Kancera AB was formed by iNovacia, Sprint Bioscience, expertise from the Karolinska Institute and a group of private investors through capital contributions and the contribution-in-kind of two cancer drug projects that had been developed individually and jointly since 2003 and 2007 respectively. In February 2011 Kancera acquired iNovacia, which has since then been a fully owned subsidiary of Kancera.

Financial development in brief

<i>SEK 000s (unless otherwise specified)</i>	Jan-Mar		Apr 28-Dec 31,
	2011	2010	2010
Net sales	592	-	-
R&D expenses	-3,944	-	-4,763
Operating Income	868	-	-7,168
Income after financial items	733	-	-7,147
Net income	733	-	-7,147
Cash flow from operating activities	-4,981	-	-5,764
Earnings per share, before and after dilution	0.06	-	-0.96
Cash and cash equivalents at closing date	34,424	-	7,072
Equity/assets ratio	72%	-	79%
Key ratios			
Return on equity, %	neg	-	neg
Return on capital employed, %	neg	-	neg
Equity/assets ratio	72%	-	79%
Net investments in tangible assets in relation to net sales, %			
No. of employees, Dec 31	18	-	18
Earnings per share, before dilution	0.06	-	-0.96
Earnings per share, after dilution	0.06	-	-0.96
Equity per share, SEK	3.95	-	1.16
Cash flow per share, SEK	2.43	-	0.88

Sales

Following the acquisition of iNovacia AB on February 17, 2011 Kancera's future earnings will come partly from sales of drug candidates and partly from payments for contract research. During the first quarter 2011 the company's operations were financed mainly from equity capital and from payments of SEK 0.6m for contract research.

R&D activities

Research and development expenses for the first quarter totaled SEK 3.9m.

Earnings

The result for the first quarter was SEK 0.7m.

Pharmaceutical Development segment

Segment report

SEK 000s (unless otherwise specified)

Kancera Group

	Jan-Mar 2011	2010	Apr 28-Dec 31, 2010
Pharmaceutical development	-3,944	-	-4,763
New projects	-	-	-
CRO activities	-	-	-
Sub-total for segment	-3,944	-	-4,763
Central overheads	-1,637	-	-2,405
Group eliminations	-	-	-
Operating income	-5,581	-	-7,168

Kancera develops cancer drugs, starting with a new treatment concept and ending with a patent-pending drug candidate that is offered for sale.

Earnings

Research and development expenses of SEK 3.9m, which included patent expenses and the cost of ingredients, were charged to the result for the fourth quarter.

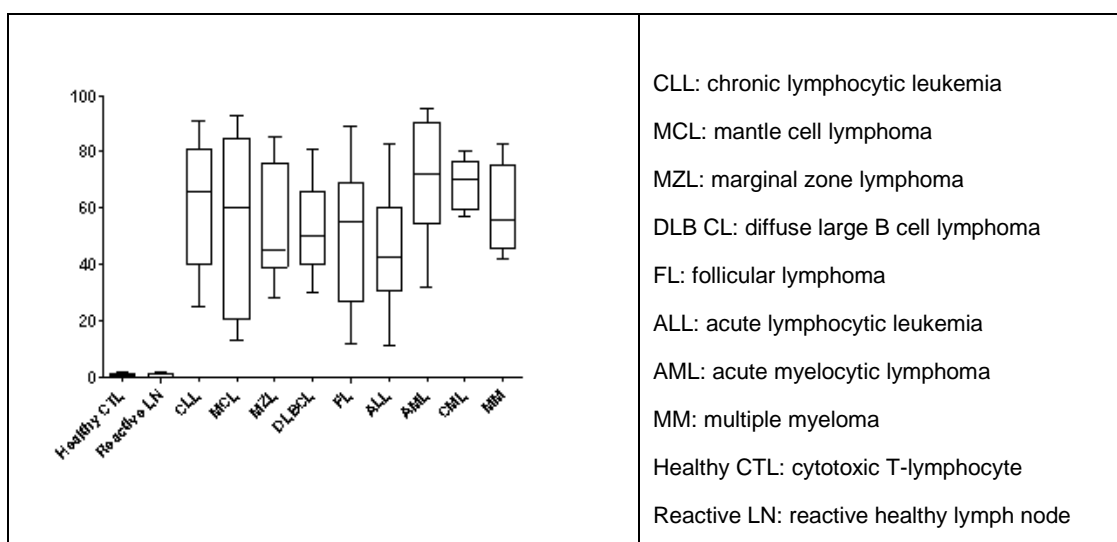
In 2011 research and development expenses are expected to total SEK 17m-20m.

Events during the period

ROR project – a candidate for the treatment of chronic leukemia

Kancera is currently developing synthetic compounds that work inside the cancer cell. During the period Kancera has generated results suggesting that the future Kancera candidate drug may be effective in the treatment of other blood malignancies, which implies reduced development risk and enhanced market potential (Figure 1). Furthermore, mechanisms responsible for the treatment under development have been characterized. Studies show that the “power switch” for survival and death of the cancer cell is turned off and on respectively by Kancera’s active compounds. Results support the idea that Kancera’s active compounds are cancer target-specific, which facilitates the further development and marketing of the project.

Figure 1 shows the presence of the target for the Kancera leukemia project, ROR-1, in cells from blood malignancies donated by patients. The results suggest that ROR-1 is present in at least eight other blood malignancies in addition to chronic lymphocytic leukemia. The Y-axis shows the frequency of cells in each blood malignancy expressing ROR-1 in percent. Future studies will show whether the Kancera compounds against ROR-1 are active in killing cancer cells emanating from the described diseases.



PFKFB3 project – a candidate that blocks glycolysis in solid tumors

The project aims to block glycolysis by cancer cells without significantly affecting healthy cells, rendering the cancer cells sensitive to chemotherapy and radiotherapy. During the first quarter Kancera developed a panel of active compounds and more than 15 crystal structures of these compounds, providing information that strengthens the competitive position of the company and provides the basis for registration of an international patent application during June 2011. Furthermore, crystal structures have been produced with new compounds that direct the project towards the delivery of a candidate drug during 2012.

Market outlook for Kancera's development projects

Kancera's Board of Directors has decided not to set any financial targets for this segment since Kancera's projects are at an early phase of R&D work and the level of risk is therefore high. The company can state that in 2009 and 2010 there was an increase in the number of international option-based transactions between established pharmaceutical companies and innovative providers of drug candidates at the same early phase as Kancera's projects. The agreement concluded between Epizyme, GlaxoSmithKline and Eisai during the first quarter 2011 covering joint preclinical development of cancer drugs indicates that this trend is continuing.

Industrial Research & Development segment

January 1 – March 31

SEK 000s (unless otherwise specified)	2011	2010
Net sales	592	–
Operating income	-4,477	–

With the aim to further strengthening relations with selected clients and creating cost coverage, Kancera provides expertise on a consultancy basis for the discovery and development of candidate drugs. Furthermore, Kancera develops stem cell based cancer models for third party collaborations.

Earnings

This segment was acquired as part of iNovacia on February 17. For this reason sales and earnings from this segment includes only 1.5 months of the period.

Events during the period

Prior to the acquisition of iNovacia AB, Kancera did not have specialist expertise in lead generation and optimization or a validated environment for the development of Kancera's models. These services were procured mainly from iNovacia AB, which was Kancera's main subcontractor and was also one of Kancera's founders.

The acquisition of iNovacia was completed on February 17. Since then iNovacia has been a fully owned subsidiary of Kancera, and Kancera's Interim Report for January – March 2011 Kancera contains consolidated financial statements in which iNovacia is included from the date of acquisition. Further information on the acquisition is provided in Note 6 in the Annual Report 2010 and in Note 6 in this Interim Report.

Events after the closing date

iNovacia has initiated the delivery of a new drug discovery project on a contract basis on behalf of a US customer.

Market outlook

The segment is expected to generate cost coverage for the company's laboratory operations of SEK 10m-15m. The company currently has an order stock of around SEK 7m on an annual basis.

Comments on financial development

This Interim Report covers the period January 1 – March 31, 2011. As Kancera was founded on April 28, 2010 there are historical comparison figures for the corresponding quarter last year. The acquisition of iNovacia was completed on February 17, 2011. iNovacia's operations are included in the financial statements with effect from this date.

Net sales

Kancera's consolidated net sales in the first quarter 2011 totaled SEK 0.6m.

Expenses

Expenses in the first quarter 2011 (January 1 – March 31) totaled SEK 5.6m, which breaks down into research and development expenses (SEK 3.9m), share issues and listing of the company's shares on First North (SEK 0.3m), as well as other sales and administrative expenses (SEK 1.3m).

Earnings

The result after financial items for the first quarter (January 1 – March 31) was SEK 0.7m, which includes a release of negative goodwill that positively affected earnings by SEK 7.0m.

Cash flow and liquidity

Cash flow totaled SEK 27.9m in the first quarter. Cash flow from operating activities for the period totaled SEK -5.0m. Cash flow from financing activities for the period totaled SEK 24.2m. As part of the acquisition of iNovacia, SEK 8.7m in cash was provided.

The company's cash and cash equivalents at March 31, 2011 totaled SEK 34.4m for the Group and SEK 25.1m for the Parent Company.

Investments

Investments in property, plant and equipment in the first quarter were SEK 0.0m. Through the acquisition of iNovacia the Group has gained property, plant and equipment with a value of SEK 7.6m (see Note 6).

Investments in intangible assets in the first quarter 2011 (January 1 – March 31) totaled SEK 0.0m.

Equity and share data

Total equity as at March 31, 2011 amounted to SEK 38.1m.

Share capital at March 31, 2011 amounted to SEK 1,104,000, spread over 13,248,000 shares with a quotient value (rounded off) of SEK 0.0833 per share.

Earnings per share at March 31, 2011, based on a weighted average of the number of outstanding shares, were SEK 0.06.

Kancera's equity/assets ratio as at March 31, 2011 was 72 percent, and equity per share was SEK 3.95 based on the fully diluted number of shares at the end of the period.

In January 2011, a new share issue injected SEK 25.2m into the Group before issue expenses. Issue expenses totaled SEK 3.1m, of which SEK 2.1m was recognized in 2010 and SEK 1.0m in the first quarter 2011.

Deficits for tax purposes

Kancera's operations are expected initially to result in negative earnings and deficits for tax purposes. There is no sufficiently convincing evidence at present that surpluses for tax purposes 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 of sale of a candidate drug, profits will be reported which may be offset for tax purposes against the deficits, which signifies a low tax burden for the company when a project is sold.

Personnel

Kancera had 1 employee at March 31, 2011.

Following the acquisition of iNovacia the number of people employed in the Group is 18, comprising 10 men and 8 women. Personnel expenses for the Group during 2011 are expected to amount to approximately SEK14.4m.

Income Statement

SEK 000s (unless otherwise specified)

Kancera Group

	Jan-Mar 2011	2010	Apr 28-Dec 31, 2010 Parent Company
<i>Revenue</i>			
Net sales	592	-	-
Cost of sales & services	-1,125	-	-
Gross profit	-533	-	-
<i>Operating expenses</i>			
General & administrative expenses	-1,499	-	-2,405
Selling expenses	-138	-	-
Research & development expenses	-3,944	-	-4,763
Negative goodwill	6,982	-	-
Total expenses	1,401	-	-7,168
Operating income	868	-	-7,168
<i>Income from financial investments</i>			
Net financial income	-135	-	21
Income after financial items	733	-	-7,147
Taxes	-	-	-
Net income	733	-	-7,147
Income attributable to:	733	-	-7,147
The shareholders of the Parent Company	-	-	-
Minority interests	-	-	-
Earnings per share, before and after dilution	0.06	-	-0.96

Statement of Comprehensive Income

SEK 000s (unless otherwise specified)

	Jan-Mar 2011	2010	Apr 28-Dec 31, 2010
Net income	733	-	-7,147
Other comprehensive income	-	-	-
Comprehensive income for the period	733	-	-7,147
Income attributable to:	733	-	-7,147
The shareholders of the Parent Company	-	-	-
Minority interests	-	-	-

Balance Sheet

SEK 000s (unless otherwise specified)

Kancera Group

March 31, Dec 31,
2011 2010 2010
Parent Company

Assets

Non-current assets

Intangible assets, capitalized R&D expenses	6,000	-	6,000
Tangible assets	7,283	-	-
Financial assets	-	-	-
	<u>13,283</u>	<u>-</u>	<u>6,000</u>

Total non-current assets

Current assets

Receivables	2,017	-	-
Cash and cash equivalents	2,843	-	1,062
	<u>34,424</u>	<u>-</u>	<u>7,072</u>
Total current assets	39,284	-	8,134

TOTAL ASSETS

	<u>52,567</u>	<u>-</u>	<u>14,134</u>
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Equity and liabilities

Equity

Total equity	38,091	-	11,189
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Provisions and liabilities

Current liabilities	8,214	-	-
	<u>6,262</u>	<u>-</u>	<u>2,945</u>
Total provisions and liabilities	14,476	-	2,945
TOTAL EQUITY AND LIABILITIES	52,567	-	14,134

Equity per share	3.95		1.16
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Equity/assets ratio	72%		79%
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Cash Flow Statement

SEK 000s (unless otherwise specified)

Kancera Group

	Jan-Mar 2011	2010	Apr 28-Dec 31, 2010 Parent Company
<i>Cash flow from operating activities</i>			
Operating income after financial items	733	-	-7,147
Depreciation	879	-	-
Other non-cash-flow affecting items	-6,982	-	-
Cash flow from operating activities before changes in working capital	-5,370	-	-7,147
Changes in working capital	389	-	1,383
Cash flow from operating activities	-4,981	-	-5,764
<i>Investment activities</i>			
Net investments in intangible assets	-	-	-
Net investments in financial assets	8,664	-	-
Cash flow from investment activities	8,664	-	-
FREE CASH FLOW AVAILABLE TO SHAREHOLDERS	3,683	-	-5,764
<i>Financing activities</i>			
Issue of shares	24,169	-	12,336
Cash flow from financing activities	24,169	-	12,336
CASH FLOW FOR THE YEAR	27,852	-	6,572
Cash and cash equivalents at the beginning of the year	6,572	-	0
Cash and cash equivalents at the end of the year	34,424	-	6,572

Statement of Changes in Equity

SEK 000s (unless otherwise specified)

Kancera Group

	Total
Total equity, opening balance at Dec 31, 2010	11,189
Proceeds of share issue	25,200
Costs related to share issue	-1,031
Exercise of warrants	2,000
Net income for the period	733
Total equity, closing balance at Mar 31, 2011	38,091

Income Statement

SEK 000s (unless otherwise specified)

Parent Company

Revenue

Net sales

Cost of sales & services

Gross profit

Operating expenses

General & administrative expenses

Selling expenses

Research & development expenses

Total expenses

Operating income

Income from financial investments

Net financial income

Income after financial items

Taxes

Net income

Income attributable to:

The shareholders of the Parent Company

Minority interests

Statement of Comprehensive Income

SEK 000s (unless otherwise specified)

Net income

Other comprehensive income

Comprehensive income for the period

Jan-Mar
2011 2010 Apr 28-Dec 31,
2010

	-	-	-
	-	-	-
	-----	-----	-----
	-	-	-
	-1,110	-	-2,405
	-49	-	-
	-5,171	-	-4,763
	-----	-----	-----
	-6,330	-	-7,168
	-----	-----	-----
	-6,330	-	-7,168
	-180	-	21
	-----	-----	-----
	-6,510	-	-7,147
	-	-	-
	-----	-----	-----
	-6,510	-	-7,147
	-6,510	-	-7,147
		-	
	-----	-----	-----
	-6,510	-	-7,147

Balance Sheet

SEK 000s (unless otherwise specified)

Parent Company

Assets

Non-current assets

	Mar 31,		Dec 31,
	2011	2010	2010
Intangible assets, capitalized R&D expenses	6,000	-	6,000
Tangible assets	-	-	-
Financial assets	2,320	-	=
Total non-current assets	8,320	-	6,000

Current assets

Receivables	1,016	-	1,062
Cash and cash equivalents	25,073	-	7,072
Total current assets	26,089	-	8,134

TOTAL ASSETS

34,409	-	14,134
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Equity and liabilities

Equity

Restricted equity	1,104	-	804
Non-restricted equity	29,744	-	10,385
Total equity	30,848	-	11,189

Provisions and liabilities

Current liabilities	3,561	-	2,945
Total provisions and liabilities	3,561	-	2,945
TOTAL EQUITY AND LIABILITIES	34,409	-	14,134

Equity per share	3.20	1.16
Equity/assets ratio	90%	79%

Notes

Note 1. Accounting and valuation principles

This interim report has been prepared in accordance with International Accounting Standard (IAS) 34 on Interim Financial Reporting and International Financial Reporting Standards (IFRS) as adopted by the EU. For 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 accounting principles of the Parent Company are described in the latest published Annual Report. As a consequence of the acquisition of iNovacia, consolidated financial statements has been prepared for the first time for the first quarter of 2011.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kancera AB and its subsidiary as at December 31 each year. The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All intra-group transactions, income and expenses, profits and losses and balance sheet items resulting from intra-group transactions are eliminated in full in the consolidated financial statements.

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. The acquisition is considered to be a transaction by which the Group indirectly acquires the assets of the subsidiary and assumes its liabilities and other obligations.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is reported as an asset in the balance sheet.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement. The shareholders' equity in the subsidiary is entirely eliminated upon acquisition. The Group's equity comprises the equity in the Parent Company and the equity in the subsidiaries earned after the acquisition.

Research and development costs

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

To date the Group has expensed all development costs as incurred since the recognition criteria for capitalization have not been met.

Lease agreements

Kancera has entered into lease agreements with third parties in the ordinary course of business. These contracts are for office and laboratory space, laboratory equipment, automobiles and other equipment. Leasing contracts are classified as either financial or operating depending on the terms of the lease. A financial lease transfers substantially all the risks and benefits incidental to ownership of the leased asset to Kancera. All other lease contracts are considered operating leases.

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

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

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

Note 2. Segment reporting

	January 1 – March 31	
SEK 000s (unless otherwise specified)	2011	2010
Pharmaceutical development	-3.9	–
New projects	–	–
Contract research	-	–
Total segments	-3.9	–
Central overheads	-1.6	–
Group eliminations	–	–
Total	-5.5	–

Note 3. Related party disclosures

Up to and including March 31, 2011 Kancera has paid compensation to Sprint Bioscience for services at an amount of SEK 571,690. Kancera's Board member Anders Åberg is the founder, Managing Director and part-owner (16 percent) of Sprint Bioscience AB. Major Shareholders in iNovacia, which has been acquired by Kancera, are also now shareholders in Kancera.

Note 4. Incentive schemes

Further to a decision taken by the Extraordinary General Meeting held on May 27, 2010, Kancera issued 250,000 share warrants which, following a split, will provide entitlement to subscribe to 500,000 new shares at an issue price of SEK 7 per share. The warrants can be exercised during the period August 1, 2012 – October 31, 2012. The Extraordinary General Meeting held on October 14, 2010 resolved to allocate the share warrants to members of the Board of Directors and senior executives of Kancera at market value.

A total of 150,000 share warrants were subsequently allocated to the directors Anders Essen-Möller (75,000) and Bernt Magnusson (75,000) at a price of SEK 0.80 per warrant (each warrant entitles the holder to subscribe for two shares). The price corresponds to the estimated market price based on a valuation according to the Black & Scholes formula for option assessment. The remaining 100,000 share warrants remain in the custody of the company. The Board does not intend to allocate these.

If all the outstanding warrants are exercised to subscribe for 300,000 new shares, this would entail a dilution of approximately 2.3 percent based on the number of shares following the public new share issue carried out in 2011 (13,248,000).

Note 5. Financial definitions

Risk-bearing capital, %

The sum of equity and deferred tax liabilities as a percentage of total assets.

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.

Return on total capital (ROTC)

Profit before tax plus financial expenses as a percentage of average total assets.

Gross margin

Operating profit before depreciation and amortization as a percentage of net sales.

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.

Operating capital

Property, plant and equipment plus trade receivables plus inventories minus accounts payable.

Earnings per share

Profit for the period divided by average number of shares.

Net interest-bearing liabilities

The net value of interest-bearing liabilities minus financial assets including cash and cash equivalents.

Interest coverage ratio

Profit before tax plus financial expenses excluding exchange losses, divided by financial expenses excluding exchange losses.

Operating margin

Operating profit as a percentage of net sales.

Debt/equity ratio

Interest-bearing liabilities divided by equity.

Capital employed

Total assets less non-interest bearing liabilities.

Equity/assets ratio

Equity as a percentage of total assets.

Profit margin

Profit before tax as a percentage of net sales.

Note 6. Acquisition of iNovacia

The acquisition analysis below relating to the acquisition of iNovacia is based on a preliminary balance sheet as at the date of acquisition, which was February 17, 2011.

	Feb 17, 2011
Non-current assets	7,626
Current assets	6,617
Cash and cash equivalents	8,984
Total assets	23,227
Equity	9,302
Long-term liabilities	8,367
Current liabilities	5,558
Total equity and liabilities	23,227

Acquired net assets (equity) as stated above total SEK 9.3m.

The estimated consideration for all the shares in iNovacia amounts to SEK 320,000 and the value of

warrants issued to Biovitrum totals SEK 2,000,000; that is, SEK 2,320,000 in total. This means that acquired net assets exceed the total consideration. The difference between the price of the shares and the net assets of iNovacia, SEK 7.0m, is reported as negative goodwill and has been recognized as revenue in this interim period.

As at March 31, 2011 Biovitrum had not made use of its right to exercise warrants issued, these having been measured in the acquisition analysis at a value of SEK 2m.

The company's operations and risk factors

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, and the degree to which the company is able to influence the impact of these on its earnings and financial position varies. For further information regarding company risks, see the company's Annual Report 2010.

We hereby give an assurance that this Interim Report provides a true and fair overview of Kancera's operations, financial position and results, and that it describes the significant risks and uncertainties faced by Kancera.

Stockholm, May 24, 2011

Erik Nerpin
Chairman of the Board

Anders Essen-Möller
Director

Håkan Mellstedt
Director

Anders Åberg
Director

Bernt Magnusson
Director

Thomas Olin
CEO/Director

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

Financial calendar

- | | |
|---------------------------------------|-------------------|
| • Annual General Meeting in Stockholm | May 26, 2011 |
| • Interim Report January – June | August 25, 2011 |
| • Interim Report January – September | November 24, 2011 |
| • Full Year Report 2011 | February 23, 2012 |

For further information, please contact:

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