

Press release August 31, 2011

Interim Report for Kancera AB (publ)

January 1 – June 30, 2011

All figures relate to the Kancera Group unless otherwise specified. Kancera's acquisition of iNovacia AB was completed on February 17, 2011 and iNovacia AB's operations are therefore included in the financial statements with effect from this date.

January – June and Q2 2011 in brief

- Net sales for the period totaled SEK 2.3m, of which Q2 accounted for SEK 1.7m.
- R&D expenses for the period totaled SEK 13.2m, of which Q2 accounted for SEK 8.3m.
- Operating income for the period totaled SEK -7.9m, of which Q2 accounted for SEK -8.8m.
- Income after net financial items for the period totaled SEK -8.2m, of which Q2 accounted for SEK -8.9m.
- Operating income and income after net financial items were affected by the release of negative goodwill of SEK 7m in connection with the acquisition of iNovacia. The entire amount was recognized as revenue during the period.
- Earnings per share were SEK -0.66, of which Q2 accounted for SEK -0.67.
- Cash flow from operating activities for the period totaled SEK -12.6m, of which Q2 accounted for SEK -7.6m.
- Equity as of June 30, 2011 totaled SEK 29.2m or SEK 2.36 per share. The equity/assets ratio on the reporting date was 60 percent.
- Cash and cash equivalents on June 30, 2011 totaled SEK 26.8m and SEK 17.6m for the Parent Company.

Significant events during the period

- Kancera's public new share issue was completed and raised SEK 25.2m for the company. Expenses relating to the share issue amounted to SEK 2.1m for 2010 and SEK 1.0m for 2011.
- Kancera exercised its option to acquire iNovacia AB on February 17 for SEK 2.3m.
- Before Kancera acquired iNovacia, iNovacia sold its shareholding in Kancera for SEK 6m (SEK 7 per share). The sale consisted of existing shares and resulted in no dilution, but the acquisition injected liquidity into the company.
- NASDAQ OMX First North approved Kancera's listing on First North. The first day of trading was February 25, 2011.
- Results from Kancera's leukemia drug project show that the company's active compounds may also have the potential to be of relevance in the development of therapeutics against eight other blood malignancies. Mechanisms of action for Kancera's active compounds have also been documented. These results indicate a cancer-specific effect, which will facilitate the further development and marketing of the leukemia project.
- Kancera has demonstrated that the company's compounds targeting the energy metabolism of cancer increase the effectiveness of chemotherapy in a cell model in cancer of the stomach. New compounds targeted at the energy metabolism of cancer were registered by Kancera in an international patent application in June 2011.
- Kancera has established a collaboration agreement with Professor Mary Hendrix of Northwestern University Feinberg School of Medicine, Chicago, USA, to develop products to combat aggressive cancers. Professor Hendrix, who is an advisor to the National Cancer Institute (NCI) and the National Institutes of Health (NIH), is contributing expertise and models to identify or attack metastasizing cancer at an early stage of the disease.
- The Annual general meeting resolved to implement an incentive scheme to the employees of the group and persons with corresponding positions. The incentive scheme includes the issuance of not more than 400,000 warrants. If all warrants are exercised the dilution of the share capital will amount to approximately 2.9 per cent.
- A new lease agreement was signed for specialized laboratories within the Karolinska Institutet Science Park for move-in in September 2011.

Significant events after the end of the reporting period

- Due to the success of Kancera's ROR technology, Kancera has also initiated the development of drug candidates to attack solid tumors, such as in pancreatic and prostate cancer.
- A rights issue of new shares as authorized by the Annual General Meeting has raised SEK 7.6m before issue costs. The issue price was SEK 4 and 1,900,000 shares were issued, making an increase in the number of shares of 14.3 percent. The capital raised is to be used first and foremost for further development of Kancera's ROR technology.

Statement from the CEO

Cancer is a widespread disease that today results in considerable costs for society. These costs are expected to rise with the increasing number of cases of cancer and the fact that more and more patients are being treated chronically for diseases that in the past were acute in nature (a result of ever more effective treatments). As a result of the rising healthcare costs there is a growing demand from society for cost effective treatments.

Cost effectiveness is the aim in so-called personalized medicine, where needs can be prioritized (e.g. identifying patients with a risk for fast and serious disease development) and treatment based on the individual patient's pathology can more accurately target the disease.

Kancera's cancer projects are focused on this development and greatly emphasize the existence of markers to identify which patients can benefit from Kancera's future drugs. In order to further improve our ability to identify markers specific to malignant cancers, we entered into a collaboration agreement with Professor Mary Hendrix from Northwestern University's Feinberg School of Medicine in Chicago in the second quarter. This collaboration has developed well and we are very optimistic about jointly verifying a product concept for further development as early as in 2011.

Kancera's two cancer projects are being developed according to plan, which in the second quarter meant that we strengthened our existing domestic patent application for compounds that attack the energy metabolism of cancer (the PFKFB3 project) and filed an international patent application. We have also demonstrated that certain compounds covered by this patent application significantly increase the effectiveness of Cisplatin in cell studies. Cisplatin is a well-established chemotherapy for a number of forms of cancer. In addition, the development of Kancera's ROR technology has made it possible for ROR-2 to be added as a target to attack cancer. This means that the clinical applications can be expanded from blood malignancies to solid tumors and that Kancera AB can cost-effectively develop an additional product aimed at pancreatic and prostate cancer. To this end, a new issue of shares was implemented after the reporting period and raised SEK 7.6m.

The earnings for the period totaled SEK -8.9m. Cash and cash equivalents totaled SEK 26.8m on June 30. The earnings and liquidity are in line with the budget although due to a delayed client project, some income will not be received until the second half of the year. Fortunately Kancera was able to complete the successful delivery of a project for a US client at the end of June at the same time as preparations were being made to move iNovacia's lab to a different location.

In July Kancera marketed the company's projects and services in Washington at the main biotech conference of the year, BIO International Convention. The market agrees on the high value of innovative power. This is, for example, reflected in the fact that biotech company Genentech was valued higher in 2010 than the dominant and many times bigger pharmaceutical company Pfizer. The value of innovative power is also reflected in the fact that more and more important contracts are being signed between industry and strong universities to guarantee access to new ideas and product concepts. In the first week of September, Kancera will open the doors to its new lab within Karolinska Institutet Science Park. The lab will accelerate the development of products and services to help find more effective treatments for cancer.

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 projects to develop treatments for leukemia and a 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 currently run at Pharmacia's former premises in Kungsholmen, Stockholm. The Kancera Group employs around 20 people.

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 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 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 that have been in progress since 2003 and 2007 respectively. NASDAQ OMX First North approved Kancera's listing on First North with first trading day 25th of February 2011. Also in February 2011, Kancera acquired iNovacia AB, which is now a wholly-owned subsidiary of Kancera.

Financial development in brief

SEK 000's (if otherwise not specified)	Jan-March		Apr-June		Jan-June		28 Apr-31 Dec
	2011	2010	2011	2010	2011	2010	2010
	parent		parent		parent		parent
Net turnover	592	-	1 661	-	2 253	-	-
R&D expenses	-4 854	-	-8 327	-574	-13 181	-574	-4 763
Operating Income	868	-	-8 768	-711	-7 900	-711	-7 168
Income after financial items	733	-	-8 892	-711	-8 159	-711	-7 147
Net income	733	-	-8 892	-711	-8 159	-711	-7 147
Cash-flow from operating activities	-4 981	-	-7 614	-437	-12 595	-437	-5 764
Earnings per share, before and after dilution	0,06	-	-0,67	-0,20	-0,66	-0,20	-0,96
Cash on hand at closing date	34 424	-	26 810	1 614	26 810	1 614	6 572
Solvency ratio	72%	-	60%	94%	60%	94%	79%
Key ratios							
Return on equity, %	neg	-	neg	neg	neg	neg	neg
Return on capital employed, %	neg	-	neg	neg	neg	neg	neg
Solvency ratio	72%	-	60%	94%	60%	94%	79%
Net investments in tangible assets in relation to net turnover, %							
No of employees dec 31st	19	-	19	-	19	-	19
Earnings per share, before dilution	0,06	-	-0,67	-0,20	-0,66	-0,20	-0,96
Earnings per share, after dilution	0,06	-	-0,67	-0,20	-0,66	-0,20	-0,96
Equity by share, kr	3,95	-	2,36	2,04	2,36	2,04	1,16
Cash-Flow by share, kr	2,43	-	-0,57	0,45	1,64	0,45	0,88

Sales

Following the acquisition of iNovacia AB on February 17, 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 period have been financed mainly by equity capital and income from contract research in the amount of SEK 2.3m (SEK 0m) and for the second quarter in the amount of SEK 1.7m (SEK 0m)

R&D activities

Research and development expenses for the period amounted to SEK 13.2m (SEK 0.5m), of which the second quarter expenses accounted for SEK 8.3m (SEK 0.5m). The increase during the quarter relates to iNovacia's consolidation into the Group as of February 17, 2011, and as a result, Q1 was charged with expenses for 1.5 months.

Earnings

The earnings for the period amounted to SEK -8.2m (SEK -0.7m), of which the second quarter earnings amounted to SEK -8.9m (SEK -0.7m).

Comments on financial development

This Interim Report covers the second quarter, April 1 – June 30, 2011 and the period January 1 – June 30, 2011. Kancera's acquisition of iNovacia AB was completed on February 17, 2011 and iNovacia's operations are therefore included in the financial statements with effect from this date.

Net sales

Kancera's consolidated net sales in the second quarter 2011 totaled SEK 1.7m (SEK 0m) and for the period, SEK 2.3m (SEK 0m).

Expenses

Expenses in the second quarter 2011 (April 1 – June 30) totaled SEK 10.4m (SEK 0.7m), which breaks down into research and development expenses of SEK 8.3m (SEK 0.6m) and other sales and administrative expenses of SEK 2.1m (SEK 0.1m). For the January – June 2011 period expenses totaled SEK 17,2 0m (SEK 0.7m) of which R&D accounted for SEK 13.2m (SEK 0.6m). Other expenses totaled SEK 4,0 m (SEK 0.1m) and negative goodwill was SEK +7.0m (SEK 0.0m).

Earnings

The income after financial items for the second quarter 2011 (April 1 – June 30) totaled SEK -8.9m (SEK -0.7m), and for the period, SEK -8.2m (SEK -0.7m).

Cash flow and liquidity

Cash flow totaled SEK -7.6m (SEK 1.6m) in the second quarter. Cash flow from operating activities for the quarter totaled SEK -7.6m (SEK -0.4m). Cash flow from financing activities for the quarter totaled SEK 0m (SEK 2.0m). As part of the acquisition of iNovacia AB, SEK 8.7m in cash was provided. Cash flow for the period totaled SEK 20.2m (SEK 1.6m), for operating activities the cash flow was SEK -12.6m (SEK -0.4m) and for financing activities, SEK 24.2m (SEK 2.0m)

The Kancera Group cash and cash equivalents as at June 30, 2011 totaled SEK 26.8m of which SEK 17.6m (SEK 1.6m) for the Parent Company.

Investments

Investments in property, plant and equipment in the second quarter totaled SEK 0m (SEK 0m). Through the acquisition of iNovacia AB the Group has gained property, plant and equipment with a value of SEK 7.6m (SEK 0m), see note 5.

Investments in intangible assets in the second quarter 2011 totaled SEK 0m (SEK 6m) and for the period, SEK 0m (SEK 6m).

Equity and share data

Total equity as at June 30, 2011 was SEK 29.2m (SEK 7.3m).

Share capital as at June 30, 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 for the period, based on a weighted average of the number of outstanding shares, were SEK -0.66 and SEK 0.67 for the quarter.

Kancera's equity/assets ratio as at June 30, 2011 was 60 percent (94 percent). Equity per share was SEK 2.36 (SEK 2.06), based on the fully diluted number of shares at the end of the period.

On March 31 it was noted that Biovitrum had not made use of its right to exercise warrants issued to it.

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. No established loss carry-forwards for the Parent Company exist at this time as the Company only launched its operation in 2010.

Personnel

Kancera AB (the Parent Company) had 1 employee (0) as at June 30, 2011.

Following the acquisition of iNovacia AB the number of people employed in the Group is 19; 10 are men and 9 are women.

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 position/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.

	Jan-June, 2011				Jan-June, 2010				Apr-Dec, 2010			
	Drug-develop-ment		Central Costs		Drug-develop-ment		Central Costs		Drug-develop-ment		Central Costs	
	business	CRO	& Other	Totalt	business	CRO	& Other	Totalt	business	CRO	& Other	Totalt
Net sales		2 253		2 253		-		-		-		-
Cost of sales & services		-592		-592		-		-		-		-
Gross profit	0	1 661	0	1 661	0	0	0	-	0	-	0	0
General & administrative expenses	-1 167	-306	-1 583	-3 055	-55	-	-	-55	-452	-	-1 953	-2 405
Selling expenses	-154	-153		-307	-	-		-	-	-		-
Research & development expenses	-12 280	-901		-13 181	-574	-82		-656	-4 763	-		-4 763
Total operating expenses	-13 600	-1 360	-1 583	-16 543	-629	-82	0	-711	-5 215	-	-1 953	-7 168
Negative Goodwill			6 982	6 982				-				-
Operating income	-13 600	301	5 399	-7 900	-629	-82	0	-711	-5 215	-	-1 953	-7 168

Earnings

The Pharmaceutical development segment operating income during the period amounted to SEK -13.6m (SEK -0.6m), and for the quarter, SEK -8.6m (SEK -0.6m). Negative goodwill affected the operating income in the amount of SEK 7.0m. This is not allocated by segment. During the period, the Pharmaceutical development segment has been charged with expenses for research and development, which included patent expenses and cost of ingredients, of SEK 13,1m. Research and development expenses of SEK 8,9m, were charged to the result for the second quarter. The increased expenses per quarter are mainly due to the acquisition of iNovacia on February 17 2011.

Earnings for the Industrial research and development segment during the period amounted to SEK 2.3m (SEK 0.0m), of which the second quarter accounted for SEK 1.7m (SEK 0.0m). Operating income from contract research during the period amounted to SEK 0.3m (SEK 0.0), of which the second quarter accounted for SEK 0.4m (SEK 0.0).

Kancera acquired iNovacia AB on February 17 and accordingly, sales and earnings from this segment only include 4.5 months of the period January 1 – June 30.

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 when it has reached the clinical phase in the product development chain. Kancera is currently running two projects aimed at developing a new effective treatment for hematological malignancies (leukemia) and for solid tumors. What links the projects is the goal to develop effective drugs which, by being aimed directly at tumors and not at the surrounding healthy tissue, increase effectiveness and reduce unwanted side effects from treatment. The goal over the next two years is to deliver drug candidates for cancer that attack the properties that currently result in tumors spreading and in some cases returning in a more malignant and resistant form.

Kancera's Board of Directors has decided not to communicate any 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.

Events during the period**ROR project – a candidate for the treatment of chronic leukemia and one for the treatment of solid tumors**

Kancera has been developing a synthetic compound that enters the tumor cell and works on the part of the ROR-1 receptor that is inside the tumor cell.

During the period Kancera generated results suggesting that the future drug candidate may be effective in the treatment of other blood malignancies. This would reduce the project's clinical risk and increase its market potential. Also, mechanisms of action for Kancera's treatment for leukemia are being 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.

During the period Kancera also generated research results showing how the structure of the company's active compounds are linked together by their ability to kill cancer cells. This knowledge provides new tools to further develop Kancera's future drug candidate.

Events after the end of the report period

Progress within Kancera's ROR technology is making it possible to attack ROR-2 as well. This is a receptor on solid tumor cells that is closely related to ROR-1. This, combined with new biological knowledge on Kancera's current target ROR-1, has led to development work on a drug candidate against solid tumors, such as pancreatic and prostate cancer.

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

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 without significantly affecting healthy cells, rendering the cancer cells more sensitive to chemotherapy and radiotherapy.

New active compounds were developed during the period, strengthening the company's existing domestic patent application. This resulted in an international patent application being filed in June. In addition, more than 15 crystal structures of PFKFB3 have been created and combined with these new compounds, providing support for the continued development towards delivery of a drug candidate in 2012.

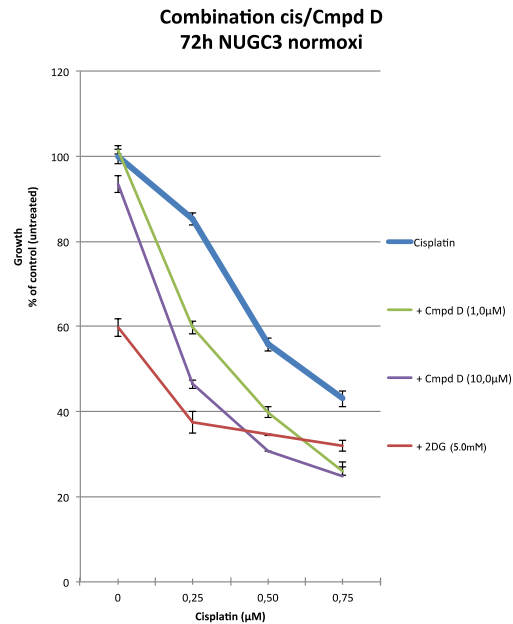
Certain compounds covered by this patent application have, in cell studies, demonstrated a significant improvement in the effectiveness of Cisplatin, a clinically well-tested chemotherapy targeting a number of types of cancer (see figure 1). This has moved the project a step closer to reaching the intended project profile.

Figure 1.

Figure 1 shows the growth in a cancer cell (NUGC3) with its origin in stomach cancer. The growth is determined after 72 hours' incubation of the cells, with or without the presence of growth inhibiting combinations of compounds. The gradient of the graph shows how effectively the cancer cell growth is reduced with the presence of Cisplatin alone (a clinically well-tested chemotherapy used widely in the treatment of cancer) or in combination with the reference compound (2-deoxyglucose/"2DG"), or with Kancera's active compound "D".

The results show that the growth inhibiting effect of Cisplatin is increased when combined with Kancera's active compound and a lower dose of Cisplatin is therefore required.

Kancera's active compound provides a more effective combination with chemotherapy compared to 2DG, a well-known inhibitor of glucose uptake in cancer cells.



Market outlook for Kancera's development projects

The company has noted that from 2009 to 2011 there was an increase in the number of international option-based transactions between established pharmaceutical companies and innovative providers of drug candidates in the same early phase as Kancera's projects. The agreements concluded between Epizyme and GlaxoSmithKline and then Eisai as published in Q2 2011, covering joint preclinical development of cancer drugs, indicate that this trend is continuing.

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.

Events during the period and the second quarter

The acquisition of iNovacia AB was concluded on February 17. On that date iNovacia AB became a wholly-owned subsidiary of Kancera. During the period iNovacia delivered specialized drug analysis and developed new active compounds to further develop drugs for clients in Europe and the US.

Events after the end of the reporting period

Construction has begun on a custom-designed lab within the Karolinska Institutet Science Park for move-in in September 2011. The moving expenses are estimated at SEK 2m.

Market outlook

The current financial uncertainty around the world could reduce the willingness of pharmaceutical and biotech companies to invest, which could have a negative effect on the segment's income as compared to the expected income of SEK 10-15m during 2011.

Income Statement

<i>SEK 000's (if otherwise not specified)</i>	Jan-March		Apr-June		Jan-June		28 Apr-31 Dec
	2011	2010	2011	2010 parent	2011	2010 parent	2010 parent
Kancera Group							
<i>Revenues</i>							
Net sales	592	-	1 661	-	2 253	-	-
Cost of sales & services	-215	-	-377	-	-592	-	-
Gross profit	377	-	1 284	-	1 661	-	-
<i>Operating Expenses</i>							
General & administrative expenses	-1 499	-	-1 556	-137	-3 055	-137	-2 405
Selling expenses	-138	-	-169	-	-307	-	-
Research & development expenses	-4 854	-	-8 327	-574	-13 181	-574	-4 763
Negative Goodwill	6 982	-	0	-	6 982	-	-
Total expenses	491	-	-10 052	-711	-9 561	-711	-7 168
Operating income	868	-	-8 768	-711	-7 900	-711	-7 168
<i>Income from Financial Investments</i>							
Financial net	-135	-	-124	-	-259	-	21
Income after financial items	733	-	-8 892	-711	-8 159	-711	-7 147
Taxation	-	-	-	-	-	-	-
Net income	733	-	-8 892	-711	-8 159	-711	-7 147
Income attributable to:							
The shareholders of the parent company	733	-	-8 892	-711	-8 159	-711	-7 147
Minority interests	-	-	-	-	-	-	-
Earnings per share, before and after dilution	kr 0,06	-	-0,67	-0,20	-0,66	-0,20	kr -0,96

Statement of Comprehensive Income

<i>SEK 000's (if otherwise not specified)</i>	Jan-March		Apr-June		Jan-June		28 Apr-31 Dec
	2011	2010	2011	2010 parent	2011	2010 parent	2010 parent
Net Income	733	-	-8 892	-711	-8 159	-711	-7 147
Other comprehensive income	-	-	-	-	-	-	-
The period's comprehensive income	733	-	-8 892	-711	-8 159	-711	-7 147
Income attributable to:							
The shareholders of the parent company	733	-	-8 892	-711	-8 159	-711	-7 147
Minority interests	-	-	-	-	-	-	-

Balance Sheet

SEK 000's (if otherwise not specified)

Kancera Group

	31 March		30 June		31 Dec
	2011	2010	2011	2010	2010
	parent		parent		parent
Assets					
<i>Non-current Assets</i>					
Intangible assets, activated R&D expenses	6 000	-	6 000	6 000	6 000
Tangible assets	7 283	-	6 561	-	-
Financial assets	-	-	-	-	-
	<u>13 283</u>	<u>-</u>	<u>12 561</u>	<u>6 000</u>	<u>6 000</u>
Total fixed assets					
<i>Current Assets</i>					
Receivables	2 017	-	5 215	-	-
Cash and cash equivalents	2 843	-	3 747	178	1 562
	<u>34 424</u>	<u>-</u>	<u>26 810</u>	<u>1 614</u>	<u>6 572</u>
Total current assets	39 284	-	35 772	1 792	8 134
TOTAL ASSETS	<u>52 567</u>	<u>-</u>	<u>48 333</u>	<u>7 792</u>	<u>14 134</u>
<i>Equity and Liabilities</i>					
<i>Equity</i>					
Total equity	38 091	-	29 199	7 340	11 189
<i>Provisions and liabilities</i>					
Short-term liabilities	8 214	-	7 996	-	-
	<u>6 262</u>	<u>-</u>	<u>11 138</u>	<u>452</u>	<u>2 945</u>
Total provisions and liabilities	14 476	-	19 134	452	2 945
TOTAL EQUITY and LIABILITIES	<u>52 567</u>	<u>-</u>	<u>48 333</u>	<u>7 792</u>	<u>14 134</u>
Equity per share	3,95		2,36	2,04	1,16
Solvency ratio	72%		60%	94%	79%

Cash-Flow Statement

SEK 000's (if otherwise not specified)

Kancera Group	Jan-March		Apr-June		Jan-June		28 Apr-31 Dec
	2011	2010	2011	2010	2011	2010	2010
			parent		parent		parent
<i>Cash-flow from operating activities</i>							
Operating income after financial items	733	-	-8 892	-711	-8 159	-711	-7 147
Depreciation	879	-	1 279	-	2 158	-	-
Other non-cash-flow affecting items	-6 982	-	0	-	-6 982	-	-
Cash-flow from operating activities before working capital change	-5 370	-	-7 613	-711	-12 983	-711	-7 147
Change in working capital	389	-	-1	274	388	274	1 383
Cash-flow from operating activities	-4 981	-	-7 614	-437	-12 595	-437	-5 764
<i>Investment activities</i>							
Net investments in intangible assets	-	-	-	-	-	-	-
Net investments in financial assets	8 664	-	0	0	8 664	-	-
Cash-flow from investment activities	8 664	-	0	0	8 664	-	-
FREE CASH-FLOW available to INVESTORS	3 683	-	-7 614	-437	-3 931	-437	-5 764
<i>Financing activities</i>							
Issue of shares	24 169	=	0	2 051	24 169	2 051	12 336
Cash-flow from financing activities	24 169	-	0	2 051	24 169	2 051	12 336
CASH-FLOW for the YEAR	27 852	-	-7 614	1 614	20 238	1 614	6 572
Cash and cash equivalents at the beginning of the year	6 572	-	34 424	-	6 572	-	0
Cash and cash equivalents at the end of the year	34 424	-	26 810	1 614	26 810	1 614	6 572

Statement of Changes in Equity

SEK 000's (if otherwise not specified)

Kancera Group	2011	Parent company	2010
Total equity, opening balance on the 31st of Dec 2010	11 189	Total equity, opening balance on the 31st of Dec 2010	-
Proceeds on issue of shares	25 200	Total equity, closing balance on the 31st of March 2010	-
Costs related to issue of shares	-1 031	Capital Introduction	50
Exercise of warrant	2 000	On-going Capital Introduction	8 001
Q1 net income	733	Q2 net income	-711
Total equity, closing balance on the 31st of March 2011	38 091	Total equity, closing balance on the 30th of June 2011	7 340
Q2 net income	-8 892		
Total equity, closing balance on the 33th of June 2011	29 199		

Income Statement

SEK 000's (if otherwise not specified)

Parent Company

Revenues

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

Financial net

Income after financial items

Taxation

Net income

Income attributable to:

The shareholders of the parent company

Minority interests

Statement of Comprehensive Income

SEK 000's (if otherwise not specified)

Net Income

Other comprehensive income

The period's comprehensive income

	Jan-March		Apr-June		Jan-June		28 Apr-31 Dec
	2011	2010	2011	2010	2011	2010	2010
Parent Company							
<i>Revenues</i>							
Net sales	-	-	-	-	-	-	-
Cost of sales & services	-	-	-	-	-	-	-
Gross profit	-	-	-	-	-	-	-
<i>Operating Expenses</i>							
General & administrative expenses	-1 110	-	-886	-137	-1 996	-137	-2 405
Selling expenses	-49	-	-155	-	-204	-	-
Research & development expenses	-5 171	-	-5 427	-574	-10 598	-574	-4 763
Total expenses	-6 330	-	-6 468	-711	-12 798	-711	-7 168
Operating income	-6 330	-	-6 468	-711	-12 798	-711	-7 168
<i>Income from Financial Investments</i>							
Financial net	-180	-	47	-	-133	-	21
Income after financial items	-6 510	-	-6 421	-711	-12 931	-711	-7 147
Taxation	-	-	-	-	-	-	-
Net income	-6 510	-	-6 421	-711	-12 931	-711	-7 147
Income attributable to:	-6 510	-	-6 421	-711	-12 931	-711	-7 147
The shareholders of the parent company	-	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-	-
Statement of Comprehensive Income	-6 510	-	-6 421	-711	-12 931	-711	-7 147
<i>SEK 000's (if otherwise not specified)</i>							
Net Income	-6 510	-	-6 421	-711	-12 931	-711	-7 147

Balance Sheet	30 June		31 Dec
	2011	2010	2010
<i>SEK 000's (if otherwise not specified)</i>			
Parent Company			
<i>Assets</i>			
<i>Non-current Assets</i>			
Intangible assets, activated R&D expenses	6 000	6 000	6 000
Tangible assets	-	-	-
Financial assets	2 320	-	-
Total fixed assets	8 320	6 000	6 000
<i>Current Assets</i>			
Receivables	1 171	178	1 562
Cash and cash equivalents	17 648	1 614	6 572
Total current assets	18 819	1 792	8 134
TOTAL ASSETS	27 139	7 792	14 134
<i>Equity and Liabilities</i>			
<i>Equity</i>			
Restricted equity	1 104	50	804
Non-restricted equity	23 323	7 290	10 385
Total equity	24 427	7 340	11 189
<i>Provisions and liabilities</i>			
Short-term liabilities	2 712	452	2 945
Total provisions and liabilities	2 712	452	2 945
TOTAL EQUITY and LIABILITIES	27 139	7 792	14 134
Equity per share	2,53	2,04	1,16
Solvency ratio	90%	94%	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 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 accounting principles of the Parent Company are described in the latest published Annual Report. As a consequence of the acquisition of iNovacia AB, consolidated financial statements have also been prepared starting from Q1 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 in 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 consist of the annual report for Kancera AB and its subsidiary as at December 31 each year.

The annual report for the subsidiary is prepared for the same reporting year as the Parent Company, using the same accounting principles. 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 its 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 difference is a negative amount, it is recognized directly in the income statement. The shareholders' equity in the subsidiary is entirely eliminated upon acquisition. The Group's equity consists of the equity in the Parent Company and the portion of 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 capitalized development expenditure is recognized only when the Group can demonstrate the following: 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 the asset; and the ability to reliably measure development expenditure.

To date the Group has expensed all development costs as incurred since they mainly consist of research investment and 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 agreements are classified as either financial or operating depending on the terms of the lease. A financial lease transfers substantially all the financial risks and benefits incidental to ownership of the leased asset to Kancera. All other lease agreements 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 leased equipment 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. Related party disclosures

Up to and including June 30, 2011, Kancera had paid compensation to Sprint Bioscience for services at an amount of around SEK 1,069,000. Anders Åberg, Board member of Kancera up until May 26, 2011, is the founder, Managing Director and part-owner (16 percent) of Sprint Bioscience AB.

Note 3. 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 entitle the holders to subscribe for 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 valuation. The remaining 100,000 warrants remain in the custody of the company. The Board does not intend to allocate these warrants.

If all of the outstanding warrants are exercised to subscribe for 300,000 new shares, the result would be 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 4. 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 5. Acquisition of iNovacia AB

The acquisition analysis below relating to the acquisition of iNovacia AB in 2011 is based on a preliminary balance sheet on 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 9,302,000.

The estimated consideration for all of the shares in iNovacia AB is SEK 320,000 and the value of warrants issued to Biovitrum totals SEK 2,000,000; i.e. SEK 2,320,000 in total. This means that the acquired net assets exceed the total consideration. The difference of SEK 6,982,000 was reported as negative goodwill and was recognized through profit and loss at the time of the acquisition. It was reported in the first quarter of 2011.

As at March 31, 2011 Biovitrum had not utilized its right to exercise warrants issued to it. These were measured in the acquisition analysis at a value of SEK 2m.

The company's operations and risk factors

The Board of Directors and CEO give an assurance that the half-year 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, 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.

Stockholm, August 31, 2011

Erik Nerpin
Chairman of the Board

Anders Essen-Möller
Director

Håkan Mellstedt
Director

Bernt Magnusson
Director

Thomas Olin
CEO/Director

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

Financial calendar

- Interim Report January – September November 24, 2011
- Full Year report 2011 February 23, 2012

For further information, please contact

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