Press release February 23, 2012

Full Year Report 2011 for Kancera AB (publ)

January 1 – December 31, 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.

Full year period 2011 and Q4 2011 in brief

- Net sales of external contract research for the full year period totaled SEK 7.1m, of which Q4 accounted for SEK 3.2m. As a result, net sales for the full year totaled SEK 6.5m, as communicated in the interim report for Q3 2011.
- R&D expenses for the period totaled SEK 23.0m, of which Q4 accounted for SEK 5,0m.
- Operating income for the period totaled SEK -18.4m, of which Q4 accounted for SEK -5.2m.
- Income after net financial items for the period totaled SEK -18.4m, of which Q4 accounted for SEK -5.0m.
- 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 for Q4 were SEK -0.33 and for the full year SEK -1.35.
- Cash flow from operating activities for the period totaled SEK -22.2m, of which Q4 accounted for SEK -3.3m.
- Equity as of December 31, 2011 totaled SEK 25.9m or SEK 1.71 per share. The equity/assets ratio on the reporting date was 66 percent.
- Cash and cash equivalents totaled SEK 20.8m on December 31, 2011 and SEK 14.6m for the Parent Company.

  The Board of Directors proposes that the net result for the Parent Company, Kancera AB, of SEK -23,665,245 is carried forward.

Significant events in full year 2011

- Kancera's public new share issue was completed and raised SEK 25.2m during 2011 for the company before issue costs. Expenses relating to this share issue amounted to SEK 2.1m for 2010 and SEK 1.7m for 2011.
- Kancera exercised its call 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.
- Research results from Kancera's leukemia drug project during the year showed 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 were also mapped. Recent results have demonstrated a cancer target-specific effect. This 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 of stomach cancer. New compounds targeting the energy metabolism of cancer were registered by Kancera in two international patent applications, in June and September 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 for the employees of the group and certain contractors, involving the issue of 400,000 warrants. If all warrants are exercised the dilution of the

share capital will amount to approximately 2.6 percent. Signed warrants in 2011 was 342,000 warrants, which if fully redeemed would equate to dilation of the share capital by 2.2 percent. The premiums paid for warrant subscriptions amounted to SEK 95,000, which was accounted for under equity capital.

- A new lease agreement was signed for specialized laboratories within the Karolinska Institutet Science Park for move-in in September 2011.
- Due to the success of Kancera's ROR technology, Kancera 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 raised SEK 7.6m in July before issue costs. Expenses relating to this share issue amounted to SEK 685 000. 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.
- In August and September Kancera and its wholly-owned subsidiary iNovacia AB moved their operations into new laboratories at the Karolinska Institutet Science Park, Solna. Costs related to the moving of operations were SEK 1,6m. The full year result was charged with the same amount.
- In partnership with Professor Håkan Mellstedt and his research team at the Karolinska Institute, Kancera found active compounds that effectively kill cancer cells from the pancreas. Pancreatic cancer affects more than 100,000 patients annually in Europe and the US. Fewer than two percent of these patients live for five years or more after diagnosis.
- Kancera's wholly-owned subsidiary iNovacia reported that, in partnership with researchers in Europe and South America, the company had developed inhibitors of a target protein in the parasite Schistosoma. 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).

Significant events in the fourth quarter

- The Extraordinary General Meeting of Kancera AB held on November 10, 2011 passed the following resolution, proposed by the Board of Directors: (a) to authorize the Board to decide to issue new shares on one or more occasions during the period up to the next Annual General Meeting with preferential rights against payment in cash and without preferential rights for existing shareholders against payment in cash and/or in kind or by set-off. The total number of shares which may be issued shall not exceed 20 percent of the number of shares in the company.
- The Kancera Cancer Award 2011 was awarded a team of PhD students including Hanna Zirath, member of the research group headed by Professor Marie Henriksson, Department of Microbiology, Tumor and Cell Biology (MTC), the Karolinska Institute, for the best presentation at the Karolinska Institute's 10th annual network meeting for cancer researchers.
- Kancera's co-founder and scientific adviser Professor Håkan Mellstedt showed in patient studies that ROR-1 – Kancera's pharmaceutical development target for treatment of chronic lymphocytic leukemia (CLL) – occurs in greater numbers in tumor cells of patients with an increasingly aggressive (progressive) form of the disease.
- In collaboration with GE Healthcare of Sweden and researchers at the Department of Medical Biochemistry and Biophysics (MBB) at the Karolinska Institute, iNovacia AB demonstrated how fragment screening techniques can be effectively used in pharmaceutical production.
- Kancera strengthened its patent portfolio in cancer metabolism by filing a patent application covering new active compounds and a strategy for enhancing uptake of these in cancer cells.

Significant events after the end of the reporting period

- Kancera presented its structure-based design of active compounds targeting cancer metabolism at the World Cancer Metabolism Summit in Washington.
- Kancera presented results from its ROR project which demonstrate that the company's active compounds are significantly more specific than four competing kinase inhibitors that are being developed to target chronic lymphocytic leukemia. The results were achieved in collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Cancer Center.
- Kancera has filed a patent application for a chemical series of ROR-inhibiting small molecules with pharmaceutical properties.
- iNovacia AB reports that it has entered into a collaboration with Boston-based Agios Pharmaceuticals relating to the identification of chemical starting points using iNovacia's high-speed screening and chemical library.

Statement from the CEO

In 2011 the US Food and Drug Administration (FDA) sent out a positive message to the pharmaceutical industry by presenting the highest number of approved drugs since 2004. Not only was the number of approved drugs high in 2011, but approvals were also issued more quickly – in the case of cancer drugs, even before the stipulated response period. All this benefits both patients and cancer-focused companies such as Kancera.

In the auditing and consultancy company Deloitte's annual interviews with representatives of the 12 largest pharmaceutical companies it emerged that the expected return on the companies' internal R&D has reduced, which Deloitte believes will result in increased cost control and an increased willingness to collaborate with other companies in order to speed up the development of new drugs. The CEO of Roche believes that reduced productivity, slow economic development and regulatory requirements *favor both innovation* and also the really cheap drug copies, while those merely following in others' footsteps in the development of new drugs will lose ground.

In Q4 2011 and early 2012 Kancera has made progress both in the development of active compounds and in studies of the potential of our future drugs. We have filed two new patent applications, one focused on a strategy for enhancing uptake of metabolic active compounds in cancer cells and one for new compounds that block ROR's survival signal to cancer cells.

In addition, we have reported patient studies in which ROR-1, Kancera's target for the treatment of diseases such as chronic lymphocytic leukemia (CLL), occurs in greater numbers in tumor cells of patients with an increasingly aggressive form of the disease. These results, generated by the co-founder of Kancera, Professor Håkan Mellstedt, indicate that a ROR-targeted drug could be effective in cases of CLL that are difficult to treat. In Zurich, Kancera presented new laboratory results for the treatment of leukemia to a Swiss-Scandinavian Biotech Conference, showing a clear competitive advantage compared with a panel of competing drug candidates. These studies showed that Kancera's ROR-inhibitor targets cancer cells with significantly greater specificity than inhibitors of BTK, PI3Kδ and SYK. The fact that ROR compounds stand up so well in an international comparison is of particular interest in view of the fact that drug candidates targeting BTK and PI3Kδ have been licensed out by biotech companies to pharmaceutical companies on attractive terms during the past 12 months (for more information, see under "Pharmaceutical Development segment").

At the World Cancer Metabolism Summit in Washington, before an audience made up of cancer experts from the worlds of industry and academia, Kancera presented its metabolic cancer project under the title "Attacking PFKFB3 Using a Structure-Based Approach". Judging from the results presented at the meeting and the response we got from pharmaceutical companies both as regards pharmaceutical design and synergy effects between our compounds and existing drugs, this Kancera project is also at the forefront of the development of pharmaceuticals that attack cancer metabolism.

Over the past 12 months Kancera has positioned itself by means of competitive projects and interest-provoking results. We are now looking forward to the next leap, in which we intensify the international marketing of our projects with a view to agreements with a partner dedicated to the task of developing future cancer drugs.

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 effects of the candidates to be studied before clinical trials are started. Kancera's operations are run at the Karolinska Institutet Science Park in Solna. The Kancera Group employs around 20 people. Kancera' shares are traded on NASDAQ OMX First North with the ticker KAN. Kancera's Certified Adviser is Remium Nordic AB.

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 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. 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 in brief

	Oct-Dec		1 Jan-31 Dec	28 Apr-31 Dec
SEK 000´s (if otherwise not specified)	2011	2010 Parent	2011	2010 Parent
Net turnover	3 224	-	7 069	-
R&D expenses	-5 034	-3 654	-23 038	-4 763
Operating Income	-5 159	-5 628	-18 372	-7 168
Income after financial items	-5 020	-5 607	-18 410	-7 147
Net income	-5 020	-5 607	-18 410	-7 147
Cash-flow from operating activities	-3 280	-4 407	-22 176	-5 764
Earnings per share, before and after dilution	-0,33	-1,56	-1,35	-0,60
Cash on hand at closing date	20 838	6 572	20 838	6 572
Solvency ratio	66%	79%	66%	79%
Key ratios				
Return on equity, %	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg
Solvency ratio	66%	79%	66%	79%
Net investments in tangible assets in relation to net turnover, %	1 659	-	2 588	-
No of employees dec 31st	19	1	19	1
Earnings per share, before dilution	-0,33	-1,56	-1,35	-0,60
Earnings per share, after dilution	-0,33	-1,56	-1,35	-0,60
Equity by share, kr	1,71	1,16	1,71	1,16
Cash-Flow by share, kr	-0,37	0,86	1,04	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 full year 2011 have been financed mainly by equity capital and income from external contract research, which amounted to SEK 7.1m (SEK 0m) for the full year and SEK 3.2m (SEK 0m) for the fourth quarter.

R&D activities

Research and development expenses for 2011 amounted to SEK 23.0m (SEK 4.8m), of which fourth quarter expenses accounted for SEK 5,0m (SEK 3.7m).

Earnings

Earnings for 2011 amounted to SEK -18.4m (SEK -7.1m), with fourth quarter earnings of SEK -5.0m (SEK -5.6m).

Comments on financial development

This Full Year Report relates to Kancera's second financial year, covering the period January 1 – December 31, 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 totaled SEK 3.2m (SEK 0m) in the fourth quarter 2011, and SEK 7.1m (SEK 0m) for full year 2011.

Expenses
Expenses in the fourth quarter totaled SEK 8.4m (SEK 5.6m), which breaks down into costs of services sold of SEK 2,3m (SEK 0m), research and development expenses of SEK 5,0m (SEK 3.7m) and other sales and administrative expenses of SEK 1,1m (SEK 2.0m). For full year 2011 expenses totaled SEK 32.4m (SEK 7.2m), of which costs of services sold accounted for SEK 5.6m (SEK 0m) and R&D expenses for SEK 23.0m (SEK 4.8m). Other expenses totaled SEK 3.8m (SEK 2.4m) and negative goodwill was SEK 7.0m (SEK 0m). Research and development expenses as well as expenses for sales and administration have been re-classified through an improved internal cost accounting, which has led to a change in the Q3 2011 interim report with regard to cost allocation between functions.

Earnings
Income after financial items for the fourth quarter totaled SEK -5.0m (SEK -5.6m), and for full year 2011 totaled SEK -18.4m (SEK -7.2m).

Cash flow and liquidity
Cash flow totaled SEK -5.7m (SEK 3.0m) in the fourth quarter. Cash flow from operating activities for the fourth quarter totaled SEK -3.3m (SEK -4.4m). Cash flow from financing activities for the fourth quarter amounted to SEK -0.7m (SEK 7.5m). Cash flow for full year 2011 totaled SEK 14.3m (SEK 6.6m). For operating activities the cash flow was SEK -22.2m (SEK -5.8m) and for financing activities, SEK 30.4m (SEK 12.3m).

The Kancera Group's cash and cash equivalents as at December 31, 2011 totaled SEK 20.8m, of which SEK 14.6m (SEK 6.6m) for the Parent Company. It is the board opinion that additional capital is needed to pursue planned projects during 2012.

Investments
Investments in property, plant and equipment totaled SEK 1.7m (SEK 0m) in the fourth quarter, and SEK 2.6m (SEK 0m) for full year 2011. The acquisition of iNovacia AB added to the Group property, plant and equipment with a value of SEK 8.7m (SEK 0m) during full year 2011 (see Note 5).

Investments in intangible assets totaled SEK 0m (SEK 0m) in the fourth quarter 2011, and SEK 0m (SEK 6.0m) for the full year period.

Equity and share data
Total equity as at December 31, 2011 was SEK 25.9m (SEK 11.2m).

Share capital as at December 31, 2011 amounted to SEK 1,262,000 spread over 15,148,000 shares with a quotient value (rounded off) of SEK 0.0833 per share.

Earnings per share, based on a weighted average of the number of outstanding shares, were SEK -1.35 for full year 2011 and SEK -0.33 for the fourth quarter.

Kancera's equity/assets ratio as at December 31, 2011 was 66 percent (79 percent). Equity per share was SEK 1.71 (SEK 1.16), based on the fully diluted number of shares at the end of full year 2011.

On March 31, 2011 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.

Personnel
Kancera AB (the Parent Company) had 0 employees (0) as at December 31, 2011. The CEO of iNovacia executes the CEO function of Kancera. 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 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-Dec 2011				28 Apr-Dec 2010			
	Drug-develop-ment	CRO business	Central Costs & Other	Total	Drug-develop-ment	CRO business	Central Costs & Other	Total
Net sales		7 069		7 069		-		-
Cost of sales & services		-5 611		-5 611		-		-
Gross profit	0	1 458	0	1 458	0	0	0	-
General & administrative expenses	-2 073	-213	-84	-2 371	-2 405	-		-2 405
Selling expenses	-730	-532	-141	-1 403	-	-		-
Research & development expenses	-23 038			-23 038	-4 763			-4 763
Total operating expenses	-25 841	-746	-225	-26 812	-7 168	0	0	-7 168
Negative Goodwill			6 982	6 982			-	-
Operating income	**-25 841**	**712**	**6 757**	**-18 372**	**-7 168**	**0**	**0**	**-7 168**

Earnings

Operating income for the Pharmaceutical Development segment for full year 2011 amounted to SEK -25.8m (SEK -7.2m), and for the fourth quarter SEK -10.2m (SEK -5.6m). Negative goodwill affected operating income by SEK 7.0m. This is not allocated by segment. In full year 2011 the Pharmaceutical Development segment was charged with expenses for research and development, which included patent expenses and cost of ingredients, of SEK 23.0m. The equivalent expenses for the fourth quarter were SEK 5,0m.

Earnings for the Industrial Research & Development segment for full year 2011 amounted to SEK 7.1m (SEK 0m), of which the fourth quarter accounted for SEK 3.3m (SEK 0m). These earnings are commented on below under the heading "Market outlook" in the section "Industrial Research & Development". Operating income from contract research amounted to SEK 0.7m (SEK 0m) for full year 2011, and to SEK 0.7m (SEK 0m) for the fourth quarter. Kancera acquired iNovacia AB on February 17 and accordingly, sales and earnings from this segment only include 10.5 months of the period January 1 – December 31.

Pharmaceutical Development segment

Kancera develops cancer drugs, starting with a new treatment concept and ending with a patent-pending drug candidate that is offered for sale before it has reached the clinical phase in the product development chain. Kancera is currently running three projects aimed at developing new effective treatments for hematological malignancies (leukemia) and solid tumors. What links the projects is the goal to develop effective drugs which increase effectiveness and reduce unwanted side effects from treatment by being aimed directly at tumors and not at the surrounding healthy tissue. The goal over the next 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 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 full year period

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 2011 Kancera's co-founder and scientific adviser Professor Håkan Mellstedt showed in patient studies that ROR1 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 blood malignancies. This would reduce the project's clinical risk and increase its market potential. Mechanisms of action for Kancera's treatment for leukemia have also been documented. The studies show that the cancer cell's "power switch" for survival and cellular suicide is turned off and on respectively by Kancera's active compounds. Results support the idea that Kancera's active compounds are cancer target-specific. This will facilitate the further development and marketing of the project. Kancera has also generated research results showing how the structure of the company's active compounds is linked with their ability to kill cancer cells. This knowledge provides new tools to further develop Kancera's future drug candidates.

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

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

In cooperation 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.

Figure 1.

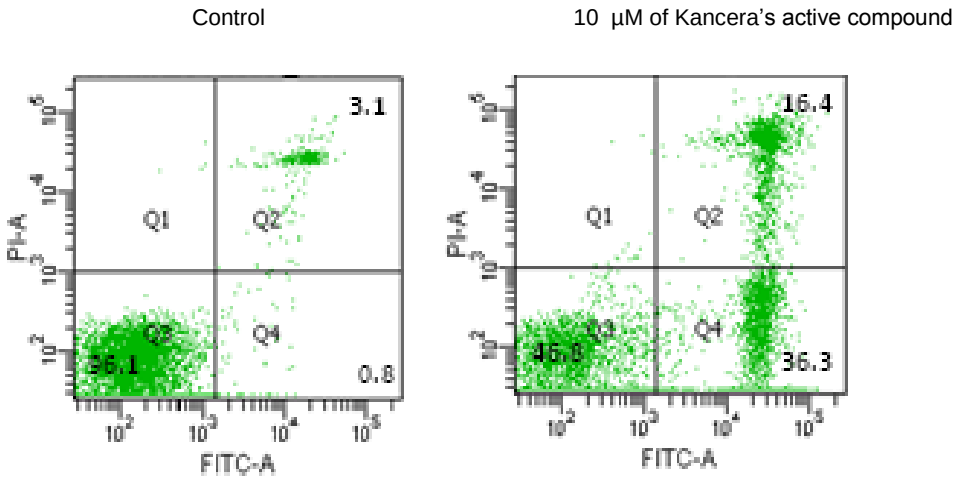

Figure 1 shows – with the aid of a cell sorter – the number of human cancer cells from the pancreas (PACA II cells) surviving in the bottom left square and dead cells in the two squares on the right 48 hours after experimental treatment of these cells was started in the laboratory. The control (untreated) is shown in (a) and Kancera's active compound is shown in (b). After 48 hours Kancera's active compound has killed around 50 percent of the cancer cells. Data not shown here indicates that the effect is dose-dependent.

Events after the end of the reporting period

Kancera presented 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. The results were achieved in collaboration with Professor Håkan Mellstedt and his research team at the Karolinska Cancer Center. Kancera has also filed a new patent application (EP12153357) for a chemical series of ROR-inhibiting small molecules with pharmaceutical properties.

Figure 2.

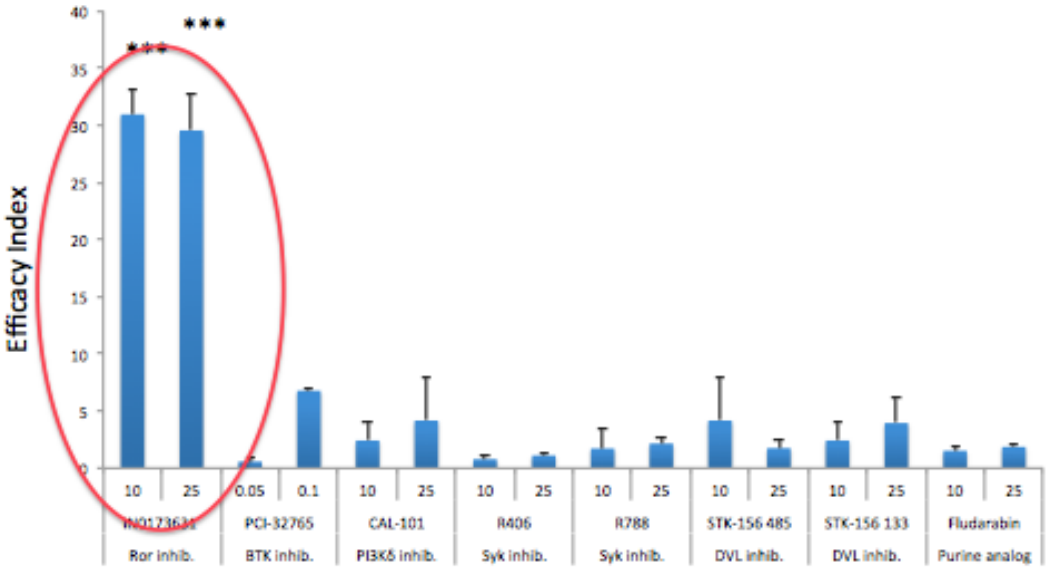

Figure 2 shows "Efficacy Index" (mean±SEM) measured as number of leukemic cells killed divided by the number of healthy B-lymphocytes killed (red bar) 48 hours after the start of experimental treatment of these cells in the laboratory with Kancera's active compound (IN0173631) or a competing compound or with Fludarabine, which is the most commonly used cytostatic drug in the treatment of CLL at present. The concentration of each substance is given in uM. At a concentration that gives a comparable cell killing effect, Kancera's ROR inhibitor IN0173631 is significantly more specific in targeting cancer cells compared with B-lymphocytes than all the competing compounds studied.

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.

In 2011 new active compounds were developed that strengthen the company's existing domestic patent applications, resulting in the filing of two international patent applications (PCT/EP2011/066250 and PCT/EP2011/060526) in June and September respectively. In addition, in December Kancera strengthened its patent portfolio in cancer metabolism further by filing a patent application covering new active compounds and also a strategy for enhancing uptake of these compounds in cancer cells (EP11195456).

Moreover, during the year 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 in 2012.

Certain active compounds have, in cell studies, demonstrated an improvement in the effectiveness of cisplatin (see Figure 3), 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. Kancera's active compound in itself also inhibits growth if the stomach cancer cell studied, independently of cisplatin. These results are not shown in Figure 3, however.

Figure 3.

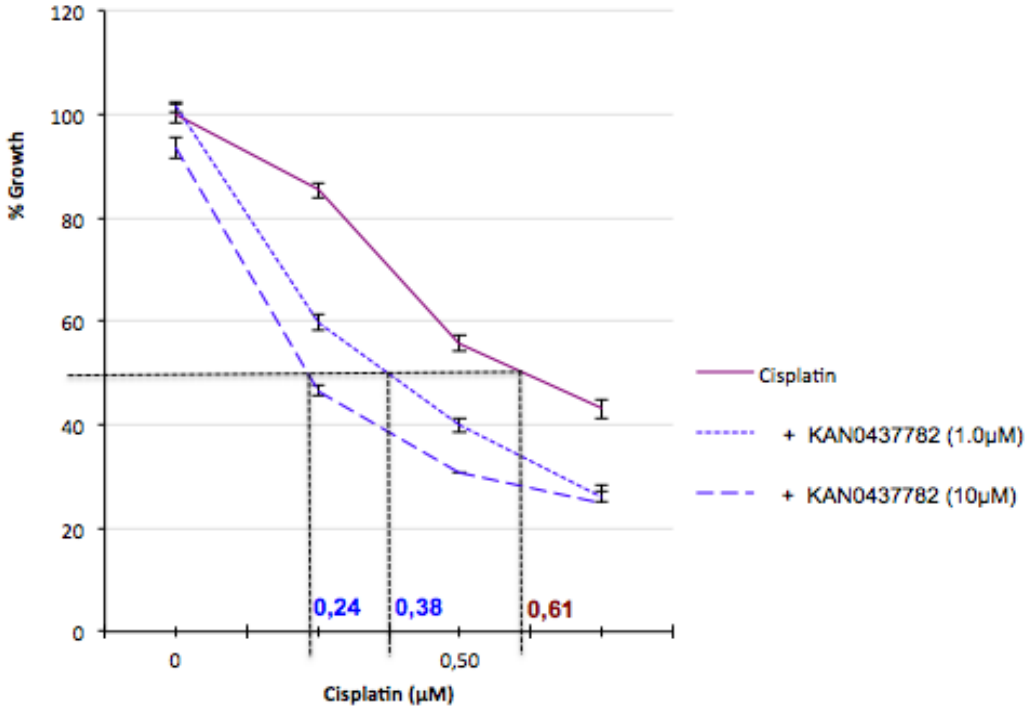

Figure 3 shows the growth in a cancer cell (NUGC3) with its origin in stomach cancer. The growth is determined after 72 hours' incubation of the cells, with or without the presence of growth inhibiting compounds. The gradient of the graph shows how effectively the cancer cell growth is reduced with the presence of cisplatin alone (a clinically well-tested chemotherapy used widely in the treatment of cancer) or in combination with Kancera's active compound KAN0437782 at a concentration of 1.0 and 10.0 µM. The results show that the growth inhibiting effect of cisplatin is increased when combined with Kancera's active compound. This could allow more effective inhibition of cancer cells at a given concentration of cisplatin or a lower concentration of cisplatin in order to achieve a given effect on the cancer cells, in order thereby to reduce undesirable side effects.

Events after the end of the reporting period

Kancera presented its structure-based design of active compounds targeting cancer metabolism at the World Cancer Metabolism Summit in Washington.

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 deals between established pharmaceutical companies and innovative providers of drug candidates in the same early phase as Kancera's projects. Examples that indicate that this trend is continuing include the agreements between Epizyme and GlaxoSmithKline and then Eisai as published in Q2 2011, covering joint preclinical development of new cancer drugs. It is also noted that two new cancer drugs approved during Q3 2011 (Zelboraf from Roche and Xalkori from Pfizer) were launched along with a diagnostic which indicates how the preparation is to be used in order to be most effective. This trend supports Kancera's investment in products that provide individually tailored treatments. Also of interest is Daichii-Sankyo's acquisition of Plexxikon, the biotech company that originally developed Zelboraf and that retains co-promotion rights in the US, for close to USD 1 billion. At Europe's biggest pharmaceutical trade fair in 2011 (BIO-Europe in Dusseldorf) PharmaPlus published a report on deals made in the past ten years for early stage R&D projects in the field of oncology. The report found an increase in upfront cash payments, as well as increasing milestone payments alongside royalties. Furthermore, higher payment per project was noted in deals where the big pharmaceutical companies are the buyer compared with deals made with smaller pharmaceutical companies. Of particular interest for Kancera's ROR project are two deals announced in December 2011 and January 2012, in which J&J and Celgene Corp. acquired clinical phase BTK inhibitors for the treatment of leukemia,

including chronic lymphocytic leukemia (CLL). On signing the agreement for a clinical phase II BTK inhibitor J&J is paying USD 150m in addition to installments of USD 825m. Celgene is acquiring the company Avila Therapeutics including its primary asset, which is a BTK inhibitor targeting leukemia in clinical phase I, for USD 350m on signature plus up to USD 195m in installments. Kancera's ROR project is in the preclinical phase for targeting leukemia and is therefore not directly comparable with the projects from Pharmacyclics and Avila. However, it is worth noting that results from the Karolinska Cancer Center indicate that Kancera's active compounds targeting ROR exhibit significantly greater specificity against leukemia cells (see Figure 2) than Pharmacyclics' BTK inhibitor that was acquired by J&J in December 2011.

Industrial Research & Development segment

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

Events during full year 2011 and in the fourth quarter

The acquisition of iNovacia AB was completed on February 17, since when iNovacia AB has been 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. In line with the company's strategy to continually develop, improve and offer a world-leading compound library to international pharmaceutical and biotech companies, iNovacia – through its collaboration with the Russian chemical company Asinex Ltd. – has added more than 20,000 unique compounds to the company's chemical library. iNovacia is also delivering research services to the parent company, which have amounted to SEK 17m for 2011.

Specialized laboratories within the Karolinska Institutet Science Park were completed and the move-in was accomplished within the budget of SEK 2m. The companies moved in on September 1, 2011.

In partnership with researchers in Europe and South America, highly potent inhibitors of a target protein in the parasite Schistosoma have been developed. 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).

In addition, iNovacia AB presented results achieved in collaboration with GE Healthcare of Sweden and researchers at the Department of Medical Biochemistry and Biophysics (MBB) at the Karolinska Institute which demonstrated how fragment screening techniques can be effectively used in pharmaceutical production.

Events after the end of the reporting period

iNovacia AB has in a press-release reported that it has entered into a collaboration with Boston-based Agios Pharmaceuticals relating to the identification of chemical starting points using iNovacia's high-speed screening and chemical library.

Market outlook

Kancera announced previously that the segment was expected to generate revenues of SEK 10m-15m in 2011, but that the current international financial uncertainty has reduced the pharmaceutical and biotech companies' willingness to invest and thereby contributed to a decrease in revenues. In full year 2011 revenues totaled SEK 7.1m, with the fourth quarter accounting for SEK 3.2m. In January 2011 iNovacia entered into a new agreement with Agios Pharmaceuticals, which will help the company win 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)	Oct-Dec 2011	Oct-Dec 2010	1 Jan-31 Dec 2011	28 Apr-31 Dec 2010
Kancera Group		Parent		Parent
Revenues				
Net sales	**3 224**	**-**	**7 069**	**-**
Cost of sales & services	-2 247	-	-5 611	-
Gross profit	**977**	**-**	**1 458**	**-**
Operating Expenses				
General & administrative expenses	-555	-1 974	-2 371	-2 405
Selling expenses	-547	-	-1 403	-
Research & development expenses	-5 034	-3 654	-23 038	-4 763
Negative Goodwill	-	-	6 982	-
Total expenses	**-6 136**	**-5 628**	**-19 830**	**-7 168**
Operating income	**-5 159**	**-5 628**	**-18 372**	**-7 168**
Income from Financial Investments				
Financial net	139	21	**-38**	**21**
Income after financial items	**-5 020**	**-5 607**	**-18 410**	**-7 147**
Taxation	-	-	-	-
Net income	**-5 020**	**-5 607**	**-18 410**	**-7 147**
Income attributable to:	-5 020	-5 607	-18 410	-7 147
The shareholders of the parent company	-	-	-	-
Minority interests				
Earnings per share, before and after dilution	-0,33	-1,56 kr	-1,35	-0,60 kr

Statement of Comprehensive Income

SEK 000´s (if otherwise not specified)	Oct-Dec 2011	Oct-Dec 2010	1 Jan-31 Dec 2011	1 Jan-31 Dec 2010
Net Income	-5 020	-5 607	-18 410	-7 147
Other comprehensive income	-	-	-	-
The period´s comprehensive income	-5 020	-5 607	-18 410	-7 147
Income attributable to:	-5 020	-5 607	-18 410	-7 147
The shareholders of the parent company	-	-	-	-
Minority interests				

Balance Sheet

SEK 000´s (if otherwise not specified)	30 Sept 2011	30 Sept 2010	31 Dec 2011	31 Dec 2010
Kancera Group		Parent		Parent
Assets				
Non-current Assets				
Intangible assets, activated R&D expenses	6 000	6 000	6 000	6 000
Tangible assets	6 834	-	6 372	-
Financial assets	-	-	-	-
Total fixed assets	**12 834**	**6 000**	**12 372**	**6 000**
Current Assets	5 009	-	3 283	-
Receivables	1 923	1 562	2 677	1 562
Cash and cash equivalents	26 495	6 572	20 838	6 572
Total current asstes	**33 427**	**8 134**	**26 798**	**8 134**
TOTAL ASSETS	**46 261**	**14 134**	**39 170**	**14 134**
Equity and Liabilities				
Equity				
Total equity	**30 884**	**11 189**	**25 902**	**11 189**
Provisions and liabilities				
Long-term liabilities	7 635	-	7 610	-
Short-term liabilities	7 742	2 945	5 658	2 945
Total provisions and liabilities	**15 377**	**2 945**	**13 268**	**2 945**
TOTAL EQUITY and LIABILITIES	**46 261**	**14 134**	**39 170**	**14 134**

Cash-Flow Statement

SEK 000´s (if otherwise not specified)	Oct-Dec 2011	Oct-Dec 2010	1 Jan-31 Dec 2011	28 Apr-31 Dec 2010
Kancera Group		Parent		Parent
Cash-flow from operating activities				
Operating income after financial items	-5 020	-5 607	-18 410	-7 147
Depreciation	878	-	3 842	-
Other non-cash-flow affecting items	-	-	-6 982	-
Cash-flow from operating activities before working capital change	**-4 142**	**-5 607**	**-21 550**	**-7 147**
Change in working capital	862	1 200	-626	1 383
Cash-flow from operating activities	**-3 280**	**-4 407**	**-22 176**	**-5 764**
Investment activities	-	-	-	-
Net investments in intangible assets	-1 659	-	-2 588	-
Net investments in financial assets	-	-	8 664	-
Cash-flow from investment activities	-1 659	**-**	**6 076**	**-**
FREE CASH-FLOW available to INVESTORS	**-4 939**	**-4 407**	**-16 100**	**-5 764**
Financing activities				
Issue of shares	38	7 486	31 122	12 336
Nyupptagna lån	-756	-	-756	-
Cash-flow from financing activities	**-718**	**7 486**	**30 366**	**12 336**
CASH-FLOW for the YEAR	**-5 657**	**3 079**	**14 266**	**6 572**
Cash and cash equivalents at the beginning of the year	26 495	3 493	6 572	-
Cash and cash equivalents at the end of the year	20 838	6 572	20 838	6 572

Statement of Changes in Equity

SEK 000´s (if otherwise not specified)

Kancera Group	**2011**	**Parent Company**	**2010**
Total equity, opening balance 2011 01 01	**11 189**	**Total equity, opening balance 2011 01 01**	**-**
Proceeds on issue of shares	25 200	**Total equity, closing balance 2011 03 31**	-
Costs related to issue of shares	-1 031	Capital Introduction	50
Exercise of warrant	2 000	On-going Capital Introduction	2 450
Q1 net income	733	Capital Introduction, intangible assets	6 000
Total equity, closing balance 2011 03 31	38 091	Q2 net income	-711
Q2 net income	-8 892	**Total equity, closing balance 2011 06 30**	7 789
Total equity, closing balance 2011 06 30	29 199	Capital Introduction	2 350
Proceeds on issue of shares	7 600	Q3 net income	-829
Costs related to issue of shares	-684	**Total equity, closing balance 2011 09 30**	**9 310**
Q3 net income	-5 231	Capital Introduction	9 440
Total equity, closing balance 2011 09 30	30 884	Proceeds on issue of options	120
Proceeds on issue of options	38	Costs related to issue of shares	-2 074
Q4 net income	-5 020	Q4 net income	-5 607
Total equity, closing balance 2011 12 31	**25 902**	**Total equity, closing balance 2011 12 31**	**11 189**

Income Statement

SEK 000´s (if otherwise not specified)	Oct-Dec		1 Jan-31 Dec	28 Apr-31 Dec
Parent Company	2011	2010	2011	2010
Revenues				
Net sales	**-**	**-**	**-**	**-**
Cost of sales & services	-	-	-	-
Gross profit	**-**	**-**	**-**	**-**
Operating Expenses				
General & administrative expenses	-2 417	-1 974	-4 825	-2 405
Selling expenses	-1 583	-	-1 787	-
Research & development expenses	-3 883	-3 654	-17 136	-4 763
Total expenses	-	-	-	-
Total expenses	**-7 883**	**-5 628**	**-23 748**	**-7 168**
Operating income	**-7 883**	**-5 628**	**-23 748**	**-7 168**
Income from Financial Investments				
Financial net	118	21	**83**	**21**
Income after financial items	**-7 765**	**-5 607**	**-23 665**	**-7 147**
Taxation	-	-	-	-
Net income	**-7 765**	**-5 607**	**-23 665**	**-7 147**
Income attributable to:	-7 765	-5 607	-23 665	-7 147
The shareholders of the parent company		-		-
Minority interests				

Balance Sheet

SEK 000´s (if otherwise not specified)	31 Dec 2011	2010
Parent Company		
Assets		
Non-current Assets		
Intangible assets, activated R&D expenses	6 000	6 000
Tangible assets	-	-
Financial assets	2 320	-
	-	-
Total fixed assets	**8 320**	**6 000**
Current Assets		
Receivables	843	1 562
Cash and cash equivalents	14 558	6 572
Total current asstes	**15 401**	**8 134**
TOTAL ASSETS	**23 721**	**14 134**
Equity and Liabilities		
Equity		
Restricted equity	1 262	804
Non-restricted equity	19 381	**10 385**
Total equity	**20 643**	**11 189**
Provisions and liabilities		
Short-term liabilities	3 078	2 945
Total provisions and liabilities	**3 078**	**2 945**
TOTAL EQUITY and LIABILITIES	**23 721**	**14 134**

Notes

Note 1. Accounting and valuation principles

This financial statement 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 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.

Cost of services sold
In conjunction with the company's move into new premises, reporting of the cost of services sold was reviewed. As a result of this review, earlier quarters of the year have also been recalculated. The cost of services sold within CRO operations is based on hourly expenses for research staff on client projects multiplied by the time spent on these projects.

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 agreements are for office and laboratory space, laboratory equipment, automobiles and other equipment.

Lease 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 December 31, 2011 Kancera had paid compensation to Sprint Bioscience at an amount of SEK 1,798,786 for services including protein production and structural studies of Kancera's targets for pharmaceutical development. Anders Åberg, a Board member at Kancera until May 26, 2011, is the founder, Managing Director and part-owner (16 percent) of Sprint Bioscience AB. Up to and including December 31, 2011 Kancera had also paid compensation to Mellstedt Medical for services including scientific advice and scientific marketing at an amount of SEK 50 000. Håkan Mellstedt, a Board member at Kancera, is CEO and owner of Mellstedt Medical.

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 (75000) 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 2.0 percent based on the current number of shares (15,148,000).

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. 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. The warrant premiums were valued according to the Black & Scholes model for valuation of warrants. The result of the warrants program in 2011 was 342,000 warrants, which if fully redeemed would dilute the share capital by 2.2 percent. The premiums paid for warrant subscriptions amounted to SEK 95,000, which was accounted for under equity capital.

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.

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

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 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 at the time of acquisition 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 in Q1 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.

iNovacia has a debt to Biovitrum in the amount of SEK 5m, which is due on October 1, 2014. The debt is non-interest bearing and without amortization.

The company's operations and risk factors

The Board of Directors and CEO give an assurance that the financial statement 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, February 23, 2012

Erik Nerpin	Anders Essen-Möller	Håkan Mellstedt
Chairman of the Board	*Director*	*Director*

Bernt Magnusson	Thomas Olin
Director	*CEO/Director*

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

Financial calendar

- Annual Report 2011 May 3, 2012
- Interim Report January – March 2012 May 24, 2012
- Annual General Meeting May 28, 2012
- Interim Report January – June 2012 August 23, 2012
- Interim Report January – September 2012 November 22, 2012

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