Interim report for third quarter 2021

1 January – 30 September 2021
Kancera AB (publ.), org.nr. 556806-8851

Contents

About Kancera

Kancera’s discoveries pave the way for the development of a new class of drugs - Fractalkine blockers - against inflammation and cancer

Kancera is developing new drugs for inflammation and cancer. The most advanced drug candidate, the Fractalkine blocker KAND567 is being developed clinically towards the goal of minimizing the damage that occurs in vital organs in connection with excessive inflammatory reaction, so-called hyperinflammation. Kancera’s main study to demonstrate the protective effect of KAND567 in connection with acute hyperinflammation is being conducted in heart attack patients. The study is now being carried out at two university hospitals in England and the final recruitment is expected in 2022. Top-line data from the Kancera COVID-19 phase IIa study was published November 2021. Results show safety, predicted plasma concentration of KAND567 and a pharmacological effect on immune cells as proof of principle for its mechanism of action.

During the first quarter of 2021, preclinical studies revealed that Kancera's drug candidates have the potential to improve the treatment of difficult-to-treat cancer by disrupting the cancer's resistance to chemotherapy. Thanks to these results, Kancera is now in a leading position in this clinically and commercially dynamic area for the development of future cancer drugs. Since this spring, significant progress has been made in studies with KAND145 to prepare for the start of a clinical study with the aim of treating ovarian cancer. If these studies are successful, there will be good prerequisites for starting a clinical phase IIa study in advanced cancer already in 2022 with the goal of showing efficacy and safety through established biomarkers.

Kancera AB conducts research and development at Karolinska Institutet Science Park in Stockholm and employs 7 people. The stock is traded on NASDAQ First North Premier. The number of shareholders as of September 30, 2021 was approximately 21,500. FNCA Sweden AB is the company's Certified Adviser. FNCA can be reached at info@fnca.se and at 08-528 00 399. MD PhD Petter Brodin, MD PhD Charlotte Edenius, MD PhD Anders Gabrielsen, Professor Carl-Henrik Heldin and Professor Håkan Mellstedt are all scientific advisors and board members of Kancera AB.

Business model

To develop patent-protected drugs that can normalize life and reduce healthcare costs for sales to the international pharmaceutical industry and further clinical development and marketing. Out-licensing of drug candidates is expected to take place in return for partial payments for signatures and milestones in product development (typically at the start of clinical phase I, II, III and at registration) as well as royalty income.

Background

Kancera's team has extensive experience in drug research from discoveries of new disease processes to clinical development within AstraZeneca, Biovitrum (formerly Pharmacia) and Karolinska Institutet. As former research consultants, Kancera's team has carried out projects for both pharmaceutical companies and biotech companies in the USA and in Europe. Among these assignments is the development of the chemistry that laid the foundation for Enasidenib, a drug that has been marketed since 2017 by the American pharmaceutical company Bristol-Myers Squibb for the treatment of acute leukemia (AML).

NASDAQ approved Kancera AB for admission to trading on First North with the first trading day on February 25, 2011. Since 2013, Kancera AB has been conducting drug development within Karolinska Institutet Science Park, Stockholm. In connection with listing on Nasdaq First North Premier on 28 January 2016, the subsidiary Kancera Förvaltning AB was formed, after which, from the second quarter of 2016, Kancera AB was transferred to accounting in accordance with IFRS in the Group and RFR2 in the Parent Company.

The year in brief

Juli – September

Financial summary of the third quarter

- Net sales amounted to SEK 0 million (0,05 million).
- R&D costs amounted to SEK 10,9 million (8,8 million).
- Operating profit for the third quarter amounted to SEK – 10,9 million (-9,3 million).
- Profit after financial items for the third quarter amounted to SEK –11,0 million (-9,3 million).
- Earnings per share for the third quarter amounted to -0,20 kr (-0,21 kr).
- Cash flow from operating activities for the third quarter amounted to SEK –6,2 million (-10,9 million).
- Equity on 30 September 2021 amounted to SEK 133,3 million (85 million) or 2,38 kr (1,95 kr) per share.
- The equity/assets ratio on 30 September 2021 amounted to 91 percent (88 percent).
- Cash and cash equivalents on 30 September 2021 amounted to SEK 118,7 million (47,6 million).

January – September

Financial summary of the entire period

- Net sales amounted to SEK 0 million (0,09 million).
- R&D costs amounted to SEK 29,7 million (28,1 million).
- Operating profit for the period amounted to SEK -32,5 million (-26,6 million).
- Profit after financial items for the period amounted to SEK -32,8 million (-27,8 million).
- Earnings per share for the period amounted to -0,59 kr (-0,85 kr).
- Cash flow from operating activities for the period amounted to SEK –29,5 million (-27,9,0 million).
- Equity on 30 September 2021 amounted to SEK 133,3 million (85 million) or 2,38 kr (1,95 kr) per share.
- The equity/assets ratio on 30 September 2021 amounted to 91 percent (88 percent).
- Cash and cash equivalents on 30 September 2021 amounted to SEK 118,7 million (47,6 million).

Important events during the third quarter

- Kancera announced that the UK's drug and ethics testing authorities have approved the start of a Phase IIa clinical trial of KAND567 following myocardial infarction.
- Warrant 5 (TO5) was exercised early until the end of September 2021 and provided the company with SEK 1.3 million. The last date for redemption of TO5 is 30th November 2021.

Important events after the end of the third quarter

- Kancera has announced that the Phase IIa clinical trial of KAND567 in patients with myocardial infarction has started in Newcastle.
- Kancera has announced the planned start of pre-clinical toxicological studies of KAND145.
- Kancera has reported top-line results from the Phase IIa clinical trial of KAND567 in acute COVID-19. Results show safety, predicted plasma concentration of KAND567 and a pharmacological effect on immune cells as proof of principle for its mechanism of action. For additional information, see "Drug development".

CEO statement

Start of Kancera's second clinical phase IIa study of KAND567 against hyperinflammation and pre-clinical effect studies of KAND145 against ovarian cancer

Kancera is currently developing two innovative drug candidates, KAND567 and KAND145, both of which have the ability to inhibit the Fractalkine receptor - a key player in the regulation of both immune cells and cancer cells. By reducing the activity of the Fractalkine receptor, it is possible to counteract life-threatening complications due to excessive inflammation in the heart, kidney and lung, but this also has the potential to increase the effect of conventional treatments for cancer and thus help to normalize life for the seriously ill. During the third quarter of the year, we made progress in both the clinical development programs for KAND567 and in the clinical preparation program for KAND145.

The FRACTAL study of KAND567 in patients with myocardial infarction is progressing according to plan

This summer, Kancera received approval from the UK Drug and Ethics Review Authority to launch the Phase IIa clinical trial of KAND567 in patients with myocardial infarction. In October, the clinical start-up meeting for the study was conducted. The placebo-controlled study is being conducted in collaboration with the Newcastle upon Tyne Hospitals NHS Foundation Trust at Freeman Hospital and James Cook Hospital and aims to evaluate the clinical efficacy and safety profile of KAND567 in a total of 60 patients with myocardial infarction (STEMI). Patients are treated for three days and an evaluation of markers for cardioprotective effect, inflammation and general health takes place at days 30 and 90 after the first dose. Through this thorough evaluation, we will create a more solid knowledge base for the continued development of both KAND567 and other drug substances in our project portfolio.

According to the schedule, the last patient is expected to be included during the fourth quarter of 2022, and top line data can be presented four to six months after.

Results from our Phase II clinical trial of KAND567 in COVID-19 patients

In the spring of 2020, the world was hit by the first wave of COVID-19. Lack of knowledge of the disease led to high mortality and required a major effort from the healthcare system. Medical expertise indicated that hyperinflammation could be a significant contributor to the severe symptoms that afflicted some patients. Together with the scientific and clinical professions, Kancera decided to meet the healthcare challenges by evaluating the potential of KAND567 to counteract hyper-inflammation in a clinical study and thereby limit disease in COVID patients. We are proud of our decision and of the extensive work by our clinical partners that made the study possible and happy about top-line results supporting a pharmacological effect of KAND567 on the immune system, strengthening the continued development of this drug candidate for the treatment of severe inflammatory conditions.

The results provide evidence for that the chosen dose of KAND567 resulted in an pharmacologically active concentration in blood plasma which was well tolerated in patients suffering from an acute and severe inflammatory condition. Retrospectively it was concluded that the majority of patients showing the highest level of inflammation were accumulated in the KAND567-treated group. Following a 7-day treatment with KAND567, this difference in inflammation had levelled out and there were no differences between groups with regards to lung lesions and respiratory capacity. Due to the random difference between groups from start, the study cannot distinguish if the course of clinical development was influenced by KAND567 treatment. Results do

support that KAND567 triggers a de-activation of inflammatory immune cells and inhibits their escape from blood circulation. This effect on the immune system is expected to prevent an escalating inflammation and constitute a proof of concept for the KAND567 mechanism of action.

Several established and broadly acting anti-inflammatory drugs have already proven to help patients suffering from severe COVID-19. For this reason, Kancera chooses to continue to focus on the company's main track, that is inflammatory conditions with a clear trigger for the start of treatment and which are not sufficiently treated by use of broadly acting anti-inflammatory drugs. Such conditions include inflammation in conjunction with acute cardiac ischemia-reperfusion and relapsing-remitting auto-immune disease. Kancera's direction and focus is exemplified by the initiated phase IIa-trial of KAND567 in myocardial infarction patients active at the Freeman Hospital in Great Britain.

Clinical trials in cancer determine the development of KAND145

A number of new and important research advances indicate that KAND145, our second drug candidate that acts against the Fractalkine receptor, has the ability to break down resistance to the type of chemotherapy used to treat ovarian and lung cancer. In 2021, we therefore decided to raise new capital to start a clinical development program for KAND145, with ovarian cancer as the first indication. The Fractalkine receptor supports the repair of DNA in tumor cells, which helps the tumors to neutralize the damage that chemotherapies are designed to cause. This in turn results in the cancer becoming resistant (insensitive) to the best chemotherapies available.

Prior to the start of a clinical development program with KAND145, we have successfully produced the substance in kilogram quantities. We are now conducting a preclinical study package consisting of toxicological studies and studies in disease models for human ovarian cancer towards the goal of applying for study start in 2022 for a combined clinical phase I / IIa study of KAND145, first in healthy (phase I) and then in cancer patients (phase IIa).

Pioneering research with high commercial potential

Kanceras has, based on scientific and experience from translating medical inventions into clinical trials and products, established a portfolio of assets with good opportunities to generate new classes of sought-after drugs. We continue our intensive and structured work towards the goal of bringing effective treatments to large patient groups.

Solna, 19 November 2021
Kancera AB
Thomas Olin, CEO

Drug development

Clinical cardiac study has started in collaboration with Freeman Hospital, Newcastle, and positive results for KAND145 bring Kancera closer to start of clinical study against ovarian cancer.

Kancera AB is developing a new class of drugs for inflammation and cancer. The company's drug candidates work specifically through a newly discovered control system for immune cells and cancer cells, the so-called Fractalkine system.

The Fractalkine blocker KAND567 is primarily developed to effectively counteract damage that occurs when our immune system overreacts, so-called hyperinflammation. Hyperinflammation is a common and disease-causing factor that increases the risk of life-threatening complications in the heart, kidney and lungs associated with infarction, surgery or infection. Of these, priority is given to the disease states where there is a clear trigger for when treatment with Kancera's drug candidates should start to give the best effect. These include inflammation triggered by vasodilation after a heart attack. Myocardial infarction is also at the heart of Kancera's second Phase II clinical trial.

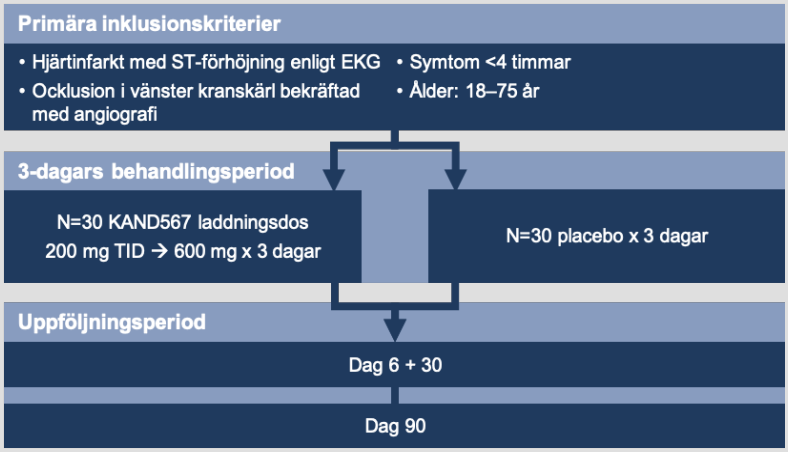
This cardiac study is performed by Kancera mainly at Freeman Hospital, Newcastle, UK which was nominated in 2020 as one of the world's 50 leading University Hospitals. The goal is to increase survival and reduce the risk of serious complications after a severe heart attack. In addition to documenting the drug candidate's tolerability and safety in patients, this phase IIa study in a total of 60 patients aims to capture early signals of effect against the inflammatory damage that occurs in connection with infarction and positive effects on heart pump function.

The expected cardiovascular protective effect will be monitored with magnetic resonance imaging (MRI) and blood markers for inflammation and heart damage.

Successful results open up opportunities to treat other conditions that are triggered by an acute vasculitis such as acute renal failure.

This is how Kancera's clinical phase IIa study in myocardial infarction works

The patient arrives at the emergency room within four hours of the first symptoms and undergoes an ECG examination where it is established that a major infarction in the anterior wall of the heart (STEMI) has taken place. The patient is offered the chance to participate in the study and if they agree, the first intravenous infusion of KAND567 is given, which generates tissue-protective concentrations in the heart within a few minutes. Then the vital vasodilation is performed within 90 minutes and administration with KAND567 continues. Thereafter, the patient is moved to a cardiac clinic and begins standard medication, treatment with KAND567 takes place in parallel, and after about six hours switches to oral treatment with a capsule. Kancera's preclinical research results show that KAND567 improves the chances for the patient to be able to return to a normal life.



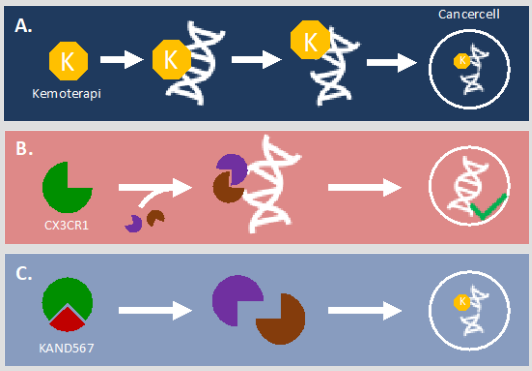
Sweden being hit by a pandemic wave in 2020, combined with a lack of effective treatments, resulted in large death rates from COVID-19, Kancera, in consultation with medical experts, chose to investigate whether KAND567 could help alleviate the acute hyperinflammation that was thought to contribute to complications. The randomized double-blind study achieved its primary objective, which was to confirm that KAND567 has a favorable safety and tolerability profile even in severely ill patients. With a maintenance dose of 250 mg KAND567 twice daily, the desired plasma concentration of KAND567 was reached, which is in line with the calculated effective concentration. When decoding after study completion, an imbalance was found regarding the inflammatory status between the treatment groups. This in combination with the limited size of the study meant that no conclusions could be drawn regarding the secondary goal, to evaluate a potential effect of KAND567 on clinical disease parameters. However, the analyzes of the immune system's regulation at the cellular and protein level show that KAND567 has a significant pharmacological effect on a type of immune cell that is linked to several types of inflammatory conditions. The results support that so-called "classical monocytes" with the activity marker CD163 are inactivated over time and prevented from escaping blood circulation. This effect of KAND567 is expected to prevent an escalating inflammation in the patient.

Kancera has previously shown that the effect of KAND567 is most pronounced in disease states (preclinical results) which are caused by specific inflammatory immune cells and when dosing can start in close proximity to the inflammation building up. Today, however, several broad-spectrum and established anti-inflammatory drugs have shown good effect against COVID-19 in patients who are already in an advanced inflammation.

Against this background, Kancera has decided to continue to focus available resources on the company's main focus for KAND567, ie treatment of such inflammatory conditions where the trigger for starting treatment is clear and which is not helped by broadly acting anti-inflammatory drugs. Such conditions include inflammation in connection with myocardial ischemia-reperfusion and and relapsing-remitting autoimmune disease.During the first quarter of 2021, Kancera reported preclinical findings that show that the company's Fractalkine blockers also have the potential to break down cancer cells' resistance to chemotherapy and thereby significantly improve the treatment of advanced cancer such as ovarian cancer. Since last spring, significant progress has been made, including the production on a kilo scale of KAND145, the start of toxicological studies and an efficacy study to map how KAND145 is best dosed to achieve the concentrations required to disrupt treatment resistance in advanced tumor disease. Positive results would enable the start of a clinical study in cancer patients as early as 2022.

The goal for the development of Kancera's product portfolio over the next 12 to 24 months is to:

- conduct and report Phase IIa clinical trials with KAND567 against inflammatory heart disease following infarction
- start a phase I / IIa study of KAND145 to document the potential to disrupt treatment resistance to chemotherapy in ovarian cancer.



KAND567 fights cancer cells by disrupting their resistance to chemotherapy

A. In the early stages of a cancerous disease, chemotherapy, e.g. with platinum compounds, works effectively by causing damage to the cancer cell's DNA.

B. In advanced disease, activation of the Fractalkine receptor (CX3CR1) increases, thereby coordinating the repair of DNA damage in the cell nucleus of tumor cancer cells. The repaired cancer cell survives, and the disease is likely to worsen.

C. Preclinical research shows that KAND567 can block the Fractalkine receptor (CX3CR1). This means that the repair of the cancer cell's DNA can no longer be coordinated in a sufficiently efficient way. This accumulates the number of DNA damage in the cancer cell, which leads to death of the cancer cell.

Project in preclinical research phase

ROR1 (cancer)

Kancera has shown that substances that inhibit ROR-1, a growth factor receptor found in some cancer tumors, can be used to reprogram the cancer cells so that they destroy themselves by cellular suicide.

External research groups have shown that ROR-1 is involved in blood cancers such as chronic lymphocytic leukemia (CLL) and certain difficult-to-treat solid tumor diseases such as pancreatic cancer, ovarian cancer and triple-negative breast cancer (a particularly difficult-to-treat form of breast cancer that lacks three common cancers).

The continued development of the project takes place mainly through collaborations with independent academic research groups.

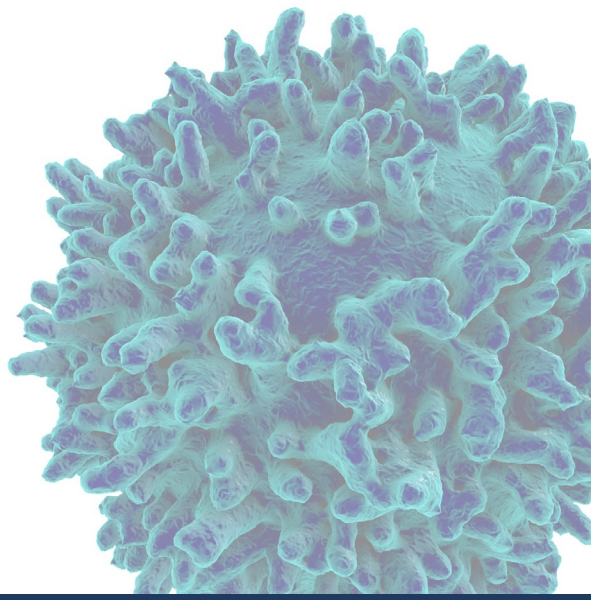
HDAC (inflammation, cancer)

For two years until the fourth quarter of 2020, Kancera's HDAC project has been developed in partnership with and financed by the pharmaceutical company Grünenthal in order to counteract nerve inflammation and pain. Kancera owns all rights to preclinical results generated during the collaboration. Kancera has decided to uphold a patent application that includes the most promising chemical series of HDAC inhibitors and for the time being run the low-budget project through collaborations.

PFKFB3 (cancer)

Research studies published in 2021 by Kancera's researchers in collaboration with Karolinska Institutet show that KAND757 increases the sensitivity of cancer cells to radiation therapy and chemotherapy. In 2021, a research group from University Medical Center Göttingen has also shown that KAND757 effectively kills tumor preparations from rectal cancer patients by selectively blocking metabolism. Taken together, these results show that KAND757 has the potential to meet the characteristics sought for the next generation of rectal cancer drugs. Against this background, Kancera has chosen to nominate KAND757 as a drug candidate for preclinical development. The next step is to evaluate the effect of a larger tumor sample material from rectal cancer and develop a suitable technique for local delivery of KAND757 to the tumor before deciding on any clinical development.

For supplementary information on projects and market prospects, see Annual Report 2020 via Kancera's website www.kancera.com.



Financial development in summary

Financial development, a summary

Kancera Group	July-Sept		Jan-sept		Jan-Dec
SEK 000´s (if otherwise not specified)	2021	2020	2021	2020	2020
Net turnover	0	49	0	90	90
Other operating revenues	416	355	567	4 671	5 295
Operating expenses	-11 309	-9 725	-33 092	-31 315	-44 815
R&D expenses	-10 936	-8 815	-29 739	-28 108	-39 279
Operating Income	-10 893	-9 321	-32 525	-26 581	-39 457
Income after financial items	-10 998	-9 369	-32 733	-27 782	-40 500
Net income	-10 998	-9 369	-32 733	-27 782	-40 500
Cash-flow from operating activities	-12 032	-10 892	-29 513	-27 911	-38 988
Cash on hand	118 697	47 567	118 697	47 567	55 008
Equity	133 287	85 000	133 287	85 000	72 283
Key ratios					
Return on equity, %	neg	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg	neg
Earnings by share, before and after dilution	-0,20	-0,21	-0,59	-0,85	-1,12
Cash-Flow from operating activities by share, kr	-0,22	-0,25	-0,53	-0,85	-1,07
Solvency ratio	91%	88%	91%	88%	87%
Equity by share, kr	2,38	1,95	2,38	1,95	1,52
No. of employees	7	9	7	9	8

Comparative figures for equity and cash flow per share in 2020 have been multiplied by ten (10) as the number of shares decreased in Kancera February 2021 through aggregation in which ten (10) shares were combined into one (1) share. See note 5 for key figure definitions.

Comments on the financial development

Kancera AB's operations are mainly the development of drugs for future out-licensing to marketing partners.

Increased operating expenses in the third quarter compared to the previous corresponding period are mainly attributable to the ongoing Phase II clinical study in COVID-19, which began in the third quarter of 2020 and the increased cash and cash equivalents through new issues carried out in the second quarter of 2021.

Impact on results of changes, reporting of guarantee costs and EU projects

Guarantee costs

Guarantee costs for 2020 have been converted from the income statement administration costs to equity new issue expenses by SEK 7,1 thousand, which also affected the report on changes in equity and the report on cash flows.

For the period January - June 2021, the transfer took place in the same way with SEK 6,3 million.

The impact on earnings for 2020 will thus be positive by SEK 7,1 thousand and for the period January - June 2021 positive by SEK 6,3 thousand. During the third quarter July - September 2021,

guarantee costs of SEK 0,05 million were reversed, which led to a positive effect on earnings.

Reporting of EU projects

During the period January - June 2021, an EU project has been reported with a higher income than the actual outcome. The profit effect is positive and consists of a corrected income of SEK 0,7 million and a reduced cost of SEK 1,8 million.

Income and profits

Third quarter, July – September 2021

- Net sales during the quarter amounted to SEK 0 million (0,05 million).
- Expenses during the quarter amounted to SEK 11,3 million (9,7 million) broken down into costs for research and development, SEK 10,9 million (8,8 million), and other sales and administrative costs SEK 0,4 million (0,9 million).
- Profit after financial items for the quarter amounted to SEK –11,0 million (-9,4 million).
- Earnings per share for the quarter, based on a weighted average number of shares outstanding, amounted to -0,20 kr (-0,21 kr).
- Management and the Board assess that research and development costs and operating profit are in line with the company's budget and cash flow forecast.

Period, January – September 2021

- Net sales during the period amounted to SEK 0 million (0,09 million).
- Expenses during the period amounted to SEK 33,1,0 million (31, million) broken down into costs for research and development, SEK 29,7, million (28,1 million), and other sales and administrative costs SEK 3,4 million (3,2 million).
- Profit after financial items for the period amounted to SEK -32,7 million (-27,8 million).
- Earnings per share for the period, based on a weighted average number of shares outstanding, amounted to -0,59 kr (-0,85 kr).

Financial position and liquidity

Balance sheet and cash flow

- Total equity as of September 30, 2021 amounted to SEK 133,3 million (85,0 million).
- Kancera AB's equity/assets ratio as of September 30, 2021 was 91 percent (88 percent). Equity per share was 2,38 kr (1,95 kr).
- Cash flow amounted to SEK -11,2 million (-8,9 million) during the third quarter. Cash flow from operating activities amounted to SEK -6,2 million (-10,9 million) or –0,11 kr per share (-0,25 kr) and from financing activities it amounted to SEK -5,0 million (2,0 million).
- As of September 30, 2021, Kancera AB's cash and cash equivalents amounted to SEK 118,7 million (47,6 million). Increased cash and cash equivalents compared with the previous period are attributable to the new share issue in the second quarter of 2021.
- On April 19, 2021, Kancera carried out a combined directed and rights issue, on the same terms, of a total of 79 778 61 shares. The issue was decided by the Board of Directors on April 19, with the support of authorization from the Annual General Meeting on May 28, 2020. The rights issue was subscribed for approximately SEK 66.6 million, corresponding to a subscription ratio of approximately 65.8 percent, which means that approximately 14.2 percent of the rights issue's total volume was allocated to the issue guarantors. The private placement of approximately SEK 20.4 million was fully subscribed.

Through the two new issues and redemption of warrants, Kancera will receive a total of approximately SEK 93.7 million after deductions for issue costs of SEK 12.2 million. The added liquid funds will mainly be used to develop the Fractalkine project against cancer indication.

- After the period, redeemed TO5 have been registered comprising 23,478 shares at an exercise price of SEK 9.93, which added approximately SEK 0.2 million to Kancera after issue costs.

Employees

Kancera AB had about 6 full-time employees, including 1 EU-funded doctoral student as of September 30 2021, of which 5 are men and 2 are women.

Investments and depreciation

Intangible fixed assets in the balance sheet amount to a total of SEK 21 million, which is divided into two projects: the ROR1 project, SEK 3 million and the Fractalkine project, SEK 18 million. The item for the ROR1 project arose as a result of a non-cash issue at the formation of Kancera AB. The item for the Fractalkine project is the sum of three off-set issues carried out in accordance with the acquisition agreement. The Board conducts assessments on an ongoing basis if there are indications of impairment. In the event of an indication of impairment, an impairment test is performed. As of September 30, 2021, there are no indications of a decline in value. No investments were made in fixed assets during the third quarter.

The Group

Kancera consists of two companies, the parent company Kancera AB (publ) in which all research and product development takes place and the wholly owned subsidiary Kancera Förvaltnings AB in which warrants are invested. The parent company in the group is the Swedish public limited company Kancera AB (publ.) Whose shares are listed on Nasdaq First North, the Premier Segment from on October 28, 2016.

The share capital and the share

On 30 September 2021, the share capital amounted to SEK 46 582 281.68 (SEK 36 367 051) divided into 55 898 738 (436 404 617) shares with a rounded off quota value of SEK 0.83 (0.083) per share. The changed share capital, quota value and number of shares are attributable to: i. A merger which meant that ten (10) shares were merged into one (1) share, according to a decision at the Annual General Meeting in Kancera 2020, ii. new issue of shares completed in April 2021 and iii. redemption of TO5 which took place in July 2021.

Tax deficits

Kancera AB's current operations are initially expected to result in negative results and tax losses. There are currently not enough convincing reasons that indicate that taxable surpluses will exist in the future that can defend an activation of the value of the deficits, and no deferred tax assets have been reported.
In the case of a sale of a drug candidate, profits are expected to be reported which are currently deemed to be tax-deductible against previous years' tax losses, which would entail a low tax burden for the Company when a project is sold. As of December 31, 2020, the tax deficits amounted to SEK 301 276 000. No deferred tax assets are reported for these tax deficits.

Report on comprehensive income

SEK 000´s (if otherwise not specified)	July 1 - Sept 30		Jan 1 - Sept 30		Jan 1 - Dec 31
	2021	2020	2021	2020	2020
Kancera Group					
Revenues					
Net sales	0	49	0	90	90
Other operating revenues	416	355	567	4 671	5 295
Cost of sales & services	**0**	**0**	**0**	**-27**	**-27**
Gross profit	416	404	567	4 734	5 358
Operating Expenses					
General & administrative expenses	-132	-805	-2 806	-2 540	-4 602
Selling expenses	-241	-105	-547	-667	-934
Research & development expenses	-10 936	-8 815	-29 739	-28 108	-39 279
Total operating expenses	-11 309	-9 725	-33 092	-31 315	-44 815
Operating income	-10 893	-9 321	-32 525	-26 581	-39 457
Income from Financial Investments					
Financial net	-105	-48	-208	-1 201	-1 043
Income after financial items	-10 998	-9 369	-32 733	-27 782	-40 500
Taxation	0	0	0	0	0
Net income	-10 998	-9 369	-32 733	-27 782	-40 500
Average number of shares (thousands), before	55 860	43 641	55 860	32 693	36 301
Number of shares at closing date (thousands)	55 899	43 641	55 899	43 641	47 420
Earnings per share, before and after dilutio kr	-0,20	-0,21	-0,59	-0,85	-1,12

Report on financial position

SEK 000´s **Kancera Group**	Sept 30 2021	 2020	Dec 31 2020
Assets			
Non-current Assets			
Intangible assets			
Capitalized R&D	21 000	24 000	21 000
Tangible assets			
Lease assets	657	1 195	927
Financial assets			
Financial placements	1	1	1
Total non-current assets	**21 657**	**25 196**	**21 928**
Current Assets			
Trade receivables and other receivables	5 480	23 881	6 166
Cash and cash equivalents	118 697	47 567	55 008
Total current assets	**124 177**	**71 448**	**61 174**
TOTAL ASSETS	**145 834**	**96 644**	**83 102**
Equity and Liabilities			
Equity			
Equity	133 287	85 000	72 283
total equity	**133 287**	**85 000**	**72 283**
Liabilities			
Long-term liabilities	442	725	977
Short-term liabilities	12 105	10 919	9 842
Total liabilities	**12 547**	**11 644**	**10 819**
TOTAL EQUITY and LIABILITIES	**145 834**	**96 644**	**83 102**

Consolidated report on changes in equity

Kancera Group, Jan 1 2020 - Sept 30 2020 SEK 000´s	Sharecapital	Ongoing share issue	Other capital contributions	Accumulated deficit	Total equity
Third quarter					
Opening balance 2020-07-01	**36 367**	**0**	**59 311**	**-18 413**	**77 265**
Comprehensive income					
Net income for the period	0	0	0	-9 369	-9 369
Total comprehensive income	0	0	0	-9 369	-9 369
Transactions with shareholders					
Capital injections	0	0	0	0	0
Capital injection costs	0	0	-658	0	-658
Ongoing share issue	0	3 149	14 613	0	17 762
Total transactions with shareholders	0	3 149	13 955	0	17 104
Closing balance 2020-09-30	**36 367**	**3 149**	**73 266**	**-27 782**	**85 000**
The period January-Sept					
Opening balance 2020-01-01	**17 485**	**0**	**36 028**	**-36 095**	**17 418**
Comprehensive income					
Appropriation of last year´s net income	*0*	*0*	*-36 095*	*36 095*	*0*
Net income for the period	0	0	0	-27 782	-27 782
Total comprehensive income	0	0	-36 095	8 313	-27 782
Transactions with shareholders					
Capital injections	18 882	0	73 261	0	92 143
Capital injection costs	0	0	-7 483	0	-7 483
Ongoing share issue	0	3 149	7 555	0	10 704
Total transactions with shareholders	18 882	3 149	73 333	0	95 364
Closing balance 2020-09-30	**36 367**	**3 149**	**73 266**	**-27 782**	**85 000**

Kancera Group, Jan 1 2021-30 Sept 2021	Sharecapital	Ongoing share issue	Other capital contributions	Accumulated deficit	Total equity
Third quarter					
Opening balance 2021-07-01	46 485	0	118 295	-21 735	143 045
Comprehensive income					
Net income for the period	0	0	0	-10 998	-10 998
Total comprehensive income	0	0	0	-10 998	-10 998
Transactions with shareholders					
Capital injections	97	0	1 058	0	1 155
Capital injection costs	0	0	-148	0	-148
Ongoing share issue	0	233	0	0	233
Total transactions with shareholders	97	233	910	0	1 240
Closing balance 2021-09-30	**46 582**	**233**	**119 205**	**-32 733**	**133 287**
The period January-Sept					
Opening balance 2021-01-01	39 516	0	73 267	-40 500	72 283
Comprehensive income					
Appropriation of last year´s net income	0	0	-40 500	40 500	0
Net income for the period	0	0	0	-32 733	-32 733
Total comprehensive income	0	0	-40 500	7 767	-32 733
Transactions with shareholders					
Capital injections	7 066	0	98 682	0	105 748
Capital injection costs	0	0	-12 244	0	-12 244
Ongoing share issues					
Total transactions with shareholders	**7 066**	**233**	**86 438**	**0**	**93 737**
Closing balance 2021-09-30	**46 582**	**233**	**119 205**	**-32 733**	**133 287**

Condensed Consolidated Statement of Cash-Flow

SEK 000´s	July 1 - 30 Sept		Jan 1 - 30 Sept		Jan 1 - Dec 31
Kancera Group	2021	2020	2021	2020	2020
Cash-flow from operating activities					
Operating income after financial items	-10 998	-9 369	-32 733	-27 782	-40 500
Depreciation	90	429	270	1 611	1 696
Taxes paid	-317	-105	-317	-377	-387
Other non-cash flow items	0	0	0	0	3 000
Cash-flow from operating activities before working capital change	**-11 225**	**-9 045**	**-32 780**	**-26 548**	**-36 191**
Change in working capital	-807	-1 847	3 267	-1 363	-2 797
Cash-flow from operating activities	**-12 032**	**-10 892**	**-29 513**	**-27 911**	**-38 988**
Investment activities					
Investments in financial assets	0	0	0	0	0
Cash-flow from investment activities	**0**	**0**	**0**	**0**	**0**
FREE CASH-FLOW available to INVESTORS	**-12 032**	**-10 892**	**-29 513**	**-27 911**	**-38 988**
Financing activities					
Change in debt referrable to financing activities	211	2 016	-535	1 871	**2 306**
Issue of shares/other capital infusions	574	0	93 737	75 759	93 842
Repayment of loans	0	0	0	-14 000	-14 000
Cash-flow from financing activities	**785**	**2 016**	**93 202**	**63 630**	**82 148**
CASH-FLOW for the PERIOD	**-11 247**	**-8 876**	**63 689**	**35 719**	**43 160**
Cash and cash equivalents at the beginning of the period	129 944	56 443	55 008	11 848	11 848
Cash and cash equivalents at the end of the period	118 697	47 567	118 697	47 567	55 008

Condensed Parent Company Income Statement

SEK 000´s

The Parent Company Kancera AB	July 1 - Sept 30		Jan 1 - Sept 30		Jan 1 - Dec 31
	2021	2020	2021	2020	2020
Revenues					
Net sales	0	49	0	90	90
Other revenues	416	192	567	4 508	5 132
Cost of sales & services	0	0	0	-27	-27
Gross profit	**416**	**241**	**567**	**4 571**	5 195
Operating Expenses					
General & administrative expenses	49	-807	-2 806	-2 544	-4 605
Selling expenses	-241	-105	-547	-667	-934
Research & development expenses	-10 936	-8 814	-29 739	-28 107	-39 279
Total expenses	**-11 128**	**-9 726**	**-33 092**	**-31 318**	**-44 818**
Operating income	**-10 712**	**-9 485**	**-32 525**	**-26 747**	**-39 623**
Income from Financial Investments					
Financial revenues	0	0	0	0	0
Financial expenses	-100	-35	-193	-1 148	-983
Income after financial items	**-10 812**	**-9 520**	**-32 718**	**-27 895**	**-40 606**
Taxation	0	0	0	0	0
Net income	**-10 812**	**-9 520**	**-32 718**	**-27 895**	**-40 606**

Condensed Parent Company Balance Sheet

SEK 000´s

The Parent Company Kancera AB

	Sept 30 2021	Sept 30 2020	Dec 31 2020
Assets			
Non-current Assets			
Intangible assets			
Capitalized R&D	21 000	24 000	21 000
Financial assets			
Shares in subsidiaries	50	50	50
Financial placements	1	1	1
Total non-current assets	**21 051**	**24 051**	**21 051**
Current Assets			
Intercompany receivables	1	1	1
Trade receivables and other receivables	5 314	23 881	6 230
Cash and cash equivalents	118 649	47 519	54 960
Total current assets	**123 964**	**71 401**	**61 191**
TOTAL ASSETS	**145 015**	**95 452**	**82 242**
Equity and Liabilities			
Equity			
Restricted equity	46 582	36 367	39 516
Non-restricted equity	86 499	48 638	32 780
Total equity	**133 081**	**85 005**	**72 296**
Liabilities			
Long-term liabilities	0	0	448
Short-term liabilities	11 932	10 447	9 498
Total liabilities	**11 932**	**10 447**	**9 946**
TOTAL EQUITY and LIABILITIES	**145 013**	**95 452**	**82 242**

Notes

Note 1: Accounting and valuation principles

The interim report has been prepared in accordance with IAS 34 and the Annual Accounts Act. The Group's and the Parent Company's accounting principles and valuation principles as well as the calculation bases for the report are unchanged compared with the most recent annual report for the financial year, which ended on 31 December 2020 and must be read in conjunction with it.
The Group invests continuously in research and development projects that increase the Group's knowledge of technology in which intangible assets such as patent applications for technology can also be included. Intangible assets are capitalized and reported in the balance sheet if certain criteria are met, while expenses for research are expensed when they arise.
Kancera has continuously expensed all development costs when they arise because they mainly consisted of research efforts and Group management has assessed that the criteria for capitalization have not been met.
Amounts are stated in Swedish kronor, rounded to the nearest thousand unless otherwise stated. Rounding to thousands of kronor can mean that the amounts are not correct if they are summed up. Amounts and figures given in parentheses refer to comparative figures for the corresponding period last year.

Note 2: Related party transactions

During the period, Kancera AB paid compensation of SEK 60,000 (SEK 0,000) to Mellstedt Consulting AB for services comprising scientific advice and scientific marketing. Kancera's board has also approved the payment of research funding of SEK 192,988 to Karolinska Institutet as support for research on the Fraktalkine system in cancer, with Håkan Mellstedt as representative. Håkan Mellstedt, board member of Kancera AB, is the CEO and owner of Mellstedt Consulting AB. Beyond this, Kancera AB has not paid remuneration to related parties in addition to board fees and expenses for costs.

Note 3: Grants received that will be reported at a later date

Awarding body	Amount awarded, tkr	Amount paid, tkr	Date for reporting
EU SYNTRAIN[1]	4 986	4 237	Final report delivered
EU TOBEATPAIN[2]	2 637	1 791	Next: July 2022
Total	7 623	6 028	Independent

1. According to EUR exchange rate SEK 10. Approved amount of approx. SEK 4 986 000. Amount paid of approximately SEK 4 237 000. As the final report for the project has been approved by the EU, an additional SEK 0.6 million has been paid to Kancera in 2021.

2. According to EUR exchange rate SEK 10. Approved amount of approx. SEK 2 637 000. Amount paid of approximately SEK 1 791 000. The remaining amount of the grant, of which approximately SEK 248 000 is transferred for administration and education to the coordinating university, will be paid out after approved final report submitted in July 2022.

Note 4: The Group's operations and risk factors

When assessing the Group's future development, it is important to consider risk factors in addition to potential earnings growth. The Group's operations are affected by a number of risks that can have an effect on the Group's earnings and financial position to varying degrees. For a description of the Group's risks, see page 28 in the annual report for 2019. In addition to these reported risks, the COVID-19 pandemic is a new risk as the healthcare system's capacity to conduct clinical studies may decrease, which may affect the timelines for the company's clinical studies.

Note 5: Definitions

Alternative key ratios

In addition to the financial key ratios prepared in accordance with IFRS, Kancera AB presents financial key ratios that are not defined according to IFRS, such as return on equity, return on capital employed and cash flow per share. These alternative key ratios are considered to be important results and performance indicators for investors and other users of the interim report. The alternative key ratios should be seen as a complement to, but not a replacement for, the financial information prepared in accordance with IFRS. Because not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies.

Return on equity

Profit for the period as a percentage of average equity

Return on capital employed

Profit before tax plus financial expenses as a percentage of average capital employed.

Equity per share

Shareholders' equity divided by the number of shares on the balance sheet date.

Cash flow per share

Cash flow from operating activities divided by the average number of shares.

Option-based business

Agreement between two parties where one party acquires by prepayment the option of subsequently acquiring exclusive right to the asset in question.

Capital employed

Balance sheet total reduced by non-interest-bearing liabilities.

The Board’s declaration

The Board of Directors and the CEO assure that the year-end report provides a true and fair view of the company's operations, position and results, and describes the material risks and uncertainties that the company and the Group face.

Stockholm 19 November 2021

Erik Nerpin
Chairman

Håkan Mellstedt
Board member

Charlotte Edenius
Board member

Carl-Henrik Heldin
Board member

Anders Gabrielsen
Board member

Petter Brodin
Board member

Thomas Olin
CEO/ Board member

This report has been subject to a review by the company's auditors.

Upcoming reports and the Annual General Meeting

Year-end report 2021	18 February 2022
Annual report 2021	29 April 2022
Interim report January-March 2022	20 May 2022
Annual General Meeting 2022	25 May 2022
Interim report January-June 2022	19 August 2022
Interim report January-September 2022	18 November 2022
Year-end report January-December 2022	21 February 2023

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