kancera

Interim Report Second Quarter 2023

April 1 – June 30 2023
Kancera AB (publ.), org.no. 556806-8851

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About Kancera

Kancera is developing a new class of drugs for life-threatening diseases that lack effective treatment

Kancera develops pharmaceutical drugs for life-threatening diseases that currently lack effective treatments. The company conducts its business at Karolinska Institutet Science Park in Solna. Kancera's vision is to develop new drugs that contribute to more efficient care and a normalized life for patients. The company is focusing its resources on developing a new class of small molecule drug candidates that target the fractalkine axis. Kancera is developing two drug candidates in this area, the small molecule fractalkine blockers KAND567 and KAND145, which control immune cells and cancer cells with high precision. The fractalkine axis plays an important role in promoting severe inflammatory diseases and cancers. Kancera primarily sees opportunities within two disease areas: acute organ injuries caused by excessive inflammatory responses and treatment-resistant cancer, both with significant medical need and market potential.

Kancera is operated by a management team and board of directors, with solid expertise and experience in translating discoveries of new disease mechanisms into drug candidates and developing these through clinical studies up to and including market approval. Since its foundation in 2010, Kancera has researched, patented and published several new disease mechanisms and preclinical drug candidates. The company has subsequently demonstrated the ability to advance these preclinical projects into clinical development phase and demonstrate pharmacological effect in human.

In 2023, Kancera will have three ongoing clinical development projects with significant value potential:

- The FRACTAL study: a phase IIa study of KAND567 in myocardial infarction patients undergoing percutaneous coronary intervention
- The KANDOVA study: a combined phase Ib/IIa study of KAND567 in ovarian cancer with relapse from platinum chemotherapy
- The KAND145 First-In-Human study: a phase 1 study of Kancera's second generation fractalkine blocker

Business model

Kancera's business model is to develop innovative drug candidates with solid IP, demonstrate efficacy in patients in clinical studies and, based on these, enter into collaboration agreements with other pharmaceutical companies, that are focusing on hospital care and specialty care products. Through this business model, the portfolio risk and need for capital is reduced. Partner agreements allow Kancera to out-license rights to development and commercialization in defined territories in exchange for revenue in the form of payment at signing, milestone payments and royalty revenues on partner sales.

The period in brief

April – June
Financial summary for the second quarter

- Net sales amounted to SEK 0 million (SEK 0).
- R&D expenses amounted to SEK 16.5 million (SEK 14.7 million).
- Operating income for the second quarter amounted to SEK -18.3 million (SEK -15.4 million).
- Income after financial items for the second quarter amounted to SEK -18.2 million (SEK -15.6 million).
- Earnings per share, before and after dilution, for the second quarter amounted to SEK -0.22 (SEK -0.28).
- Cash flow from operating activities for the second quarter amounted to SEK -14.8 million (SEK -14.4 million).
- As of June 30, equity amounted to SEK 76.9 million (SEK 95.0 million) or SEK 0.94 (SEK 1.69) per share.
- The equity/assets ratio on June 30 2023 was 84 percent (87 percent).
- Cash and cash equivalents on June 30 2023 amounted to SEK 67.0 million (SEK 82.3 million).

Significant events during the second quarter

- Kancera reported that the company has submitted the regulatory application to conduct a First-In-Human study of its fractalkine blocker KAND145.
- Kancera reported that patient screening to the KANDOVA-study, a combined phase Ib/IIa study of the fractalkine blocker KAND567 in ovarian cancer patients, has been started at the Karolinska University Hospital.
- Kancera reported the outcome of the exercise period for warrants of series TO6: approximately 25 percent of outstanding warrants were utilized adding approximately SEK 5.9 million (before transaction costs) in cash to Kancera.
- Kancera reported that Peter Selin is appointed as new Chief Executive Officer as of July 1 2023.
- Kancera reported that the first patient in the KANDOVA study has been dosed with KAND567.

Significant events after the end of the reporting period

- USPTO has granted a product patent for KAND567, manufactured according to Kancera's patented manufacturing process that enables Kancera to apply for data exclusivity and market protection for up to 7.5 year for the first indication approved in the United States.

CEO statement

Three clinical studies in pipeline, addressing medical needs in diseases with significant market opportunities, builds confidence going forward.

Being the first time for me to write the CEO statement, I would like to start with expressing my appreciation to Thomas Olin for what Kancera has achieved during his management – starting as a research company the company now has several projects in clinical development. I am very enthusiastic and confident about where we are as a company, now when I am taking on the role as CEO for Kancera:

Our most advanced project - the **FRACTAL** study, an ongoing phase IIa study of KAND567 in myocardial infarction, is progressing according to plan. All analytical testing of data related to the primary and secondary endpoints have been completed and the study database has been validated. Our collaboration partner and the study sponsor, NHS Foundation, is now working with unblinding and compilation of data, data integrity and statistical analysis of results. NHS has estimated that these activities will take approximately two months to finalize. Our aim to present top line results in September remains, but our expectation is that this might be postponed into the forth quarter.

A newly published research publication in the Journal of Clinical Medicine summarizes the clinical research conducted in the field of the fractalkine axis and its role in cardiovascular disease. The publication describes in general that the fractalkine axis is an attractive future pharmaceutical target for treatment and prevention of life-threatening cardiovascular disease, but also specifically KAND567's potential as a representative of new class of drugs in the field of cardiovascular disease. This publication confirms the strong scientific rationale for the ongoing FRACTAL study and we are now looking forward to the upcoming data read out. If the study results will demonstrate that KAND567 is impacting pro-inflammatory immune cells linked to cardiovascular diseases it will be a huge success for Kancera. If we in addition can demonstrate that KAND567 has heart protective effects, we have the opportunity to revolutionize the treatment in the field.

The **KANDOVA** study is our second ongoing clinical study of KAND567. The study, that was started during the reporting period is a combined phase Ib/IIa study in ovarian cancer patients with relapse from platinum chemotherapy. As of today, one patient has been enrolled to the first part of the study (phase Ib), which is a dose escalation study aiming to define the highest tolerable and recommended dose for the second part of the study (phase IIa), aiming to evaluate treatment effect. As of today, the first patient has gone through three treatment cycles and accordingly tolerated the first three initial dose levels of KAND567. The KANDOVA study is planned to be conducted at several leading university hospitals in Sweden, Norway and Denmark. As of today, screening of patients has been initiated at the Karolinska University Hospital in Solna, Sweden. During the third quarter, we expect to initiate patient screening at three additional sites in Sweden, Norway and Denmark. Based on the current status, we expect that the phase Ib part of the study will be completed during the first half of next year. The objective to finalize the phase IIa part of the study before end of 2024 remains, but it will of course be depending on how patient enrollment progresses.

The KANDOVA study is for several reasons a very important study for Kancera. Not only is this our first study in the field of cancer, the outcome of the study will also be valuable to our development program in the field of inflammation diseases. In our previous clinical studies, patients have only been treated with KAND567 for a maximum of one week. In the KANDOVA study, patients are treated with KAND567 for two weeks every third week. In addition, the treatment dose is higher than in previous clinical studies. Hence, if the KANDOVA study can demonstrate that this treatment is tolerable it will open up opportunities for treatment of chronic inflammatory diseases as well as autoimmune diseases.

The regulatory review process of Kancera's application to conduct a phase I / **first-in-human study of KAND145** is still ongoing. KAND145 is our second generation fractalkine blocking drug candidate, primarily intended for treatment of cancer. As is further described in the "Kancera's research

and development" section, KAND145 is a so called "pro drug" to KAND567, meaning that it is converted to KAND567 in the human body after administration. Compared to KAND567, KAND145 has certain improved product properties, e.g. improved solubility in water, enabling higher peroral dosing which makes it more suitable for treatment of cancer. If KAND145's safety and tolerability can be confirmed in the phase I study and the concept of treating ovarian cancer with a fractalkine blocker that is being studied in the KANDOVA study, our intention is to switch over from KAND567 to KAND145 in the further clinical development in cancer, following the KANDOVA study. By using this approach we expect to reduce the overall lead time to market approval. Given the current status of the regulatory review process, we expect that the study can start in the fourth quarter this year and that top line results can be presented in Q2 2024, which is still well in line with the overall time line for switching over from KAND567 to KAND145 in cancer.

The financial result for the period is in line with expectations and our plan. The decreased operating income and increased operating cash flow vs previous year are primarily explained by higher costs for clinical development, as we now have three clinical studies ongoing compared to two studies last year. Cash flow is expected to stay at this level in Q3 and Q4 this year, but then decrease in 2024 when the FRACTAL and first in human studies are completed.

At the end of the second quarter, Kancera's cash position was 67.0 MSEK. As we previously have reported, the capital raised in the rights issue last year will enable funding of the three ongoing clinical studies; FRACTAL, KANDOVA and KAND145 first in human study. At the same time, we have communicated that certain activities have been down prioritized as a consequence of the 51 percent subscription outcome of the rights issue. Activities that have been put on hold include manufacturing of additional study drug and preclinical research activities. The latter meaning that additional studies of KAN571 (ROR1i) in mice are on hold.

During the reporting period, Kancera reported the outcome of the exercise period for warrants of series TO6 - approximately 25 percent of outstanding warrants were utilized adding approximately SEK 5.9 million before transaction costs in cash to Kancera. This capital injection will primarily be allocated to preparations for upcoming manufacturing campaigns – access to study drug for future clinical studies are believed to be critical when negotiating partnering deals with other pharmaceutical companies.

During the reporting period, changes of the organizational structure of Kancera were prepared for, which were implemented on July 1st. One component of this was the appointment of myself as new CEO, but in addition other changes were also implemented. Kancera now has a smaller fixed number of inhouse personnel. We also have a smaller management team consisting of the CEO, Chief Scientific Officer (CSO) and Chief Medical Officer (CMO). Line managers within R&D that previously were members of the management team are now reporting directly to the CSO. I would like to underline that, even though having a smaller inhouse organization, Kancera maintains its operational ability to manage the prioritized business, including the ongoing three clinical studies.

Wrapping up, I would like to go back to my introduction - I am very enthusiastic and feel very confident about our opportunities. Having three clinical studies in the pipeline, all with the potential to address medical needs in diseases with significant market opportunities, Kancera is in an exciting position going into the future!

Solna, August 18 2023

Kancera AB
Peter Selin, CEO

Kancera's research and development

A new class of drugs for the treatment of severe inflammatory diseases and treatment-resistant cancer

The fractalkine axis

Chemokines are a family of small cytokines, i.e. signaling proteins, that induce directional movement of leukocytes, as well as other cell types, including endothelial and epithelial cells, and they play a major role in the activation of immune responses. Chemokines are important for several biological processes, including morphogenesis and wound healing, as well as in the pathogenesis of diseases like cancers. Chemokines are divided into families depending on biological function and target protein. Fractalkine is one family of chemokines, characterized by the unique ligand-receptor pair CXRCL1-CX3CR1, the so called fractalkine axis.

Research conducted by Kancera as well as independent research groups has shown that the fractalkine axis, through its function as a master regulator of certain immune cells and cancer cells, plays an important role in a number of diseases. Examples of diseases in which the fractalkine axis has been proven to promote disease progression are organ injuries, e.g. to heart, kidney and lung, caused by excessive inflammatory responses, both acute and chronic, and autoimmune diseases. The fractalkine axis has also been shown to play a key role in a number of cancer diseases, both solid tumor cancers such as ovarian, lung and breast cancer, and blood cancers, such as B-cell malignancies.

Focus areas for Kancera

Kancera is developing two drug candidates targeting the fractalkine axis: KAND567 and KAND145. These drug candidates have the same mechanism of action which is to block the fractalkine receptor CX3CR1 and thereby control the expression of immune cells and cancer cells. Kancera's business strategy is to develop new drug therapies in diseases with high medical needs. Kancera has identified a number of inflammatory related diseases as well as cancer diseases where there are significant medical needs for more effective treatments. Initially the company is focusing on the following two areas:

- Prevention of heart injury in myocardial infarction patients undergoing percutaneous intervention (PCI)
- Treatment of ovarian cancer patients with relapse from platinum chemotherapy

The fractalkine axis and myocardial infarction

Myocardial infarction is the most serious acute manifestation of cardiovascular disease leading to heart failure, both short and long term. Despite the advanced treatments available today, such as the life-saving PCI, complications that can be life threatening are common following a myocardial infarction. The fractalkine axis, through its ability to control pro-inflammatory immune cells, plays an important role in promoting cardiovascular diseases. The objective for treating this patient group with fractalkine blockers is to prevent excessive inflammation and thereby reduce the risk of serious complications following myocardial infarction.

The fractalkine axis and treatment-resistant cancer

In the early phase of cancer, the cancer is in most cases treated with chemotherapy, e.g. platinum compounds. Initially, chemotherapy can effectively cause damage to the cancer cell's DNA. In advanced disease, however, cancer cells develop the ability to repair the DNA damage created by chemotherapy and the patient develops resistance to treatment. Kancera's fractalkine blockers have the potential to inhibit this resistance through two different mechanisms of action, both of which contribute to reducing tumor growth:

- *Blocking DNA damage repair*

Kancera has published results showing that its fractalkine blockers can block the cancer's ability to repair the damage that platinum-chemotherapy cause to the cancer's DNA. A similar effect is sought in treatment with the PARP inhibitor drug class. However, KAND567 and KAND145 may supplement PARP inhibitors where these fail to be effective, as Kancera's drug candidates act through another pathway (the Fanconi anemia pathway) and target (CX3CR1). Kancera sees significant opportunities for its fractalkine blockers in solid tumors such as ovarian cancer, lung cancer and breast cancer.

- *Blocking of tumor promoting cells in the tumor microenvironment*

The microenvironment of a tumor consists of various supporting cells. Levels of these supporting cells impact how the tumor grows, spreads and responds to drug therapies. In ovarian cancer, certain immune cells and tissue cells, so-called tumor-associated macrophages and fibroblasts, have been shown to negatively affect the development of the disease and increase the tumor's resistance to chemotherapy. In preclinical studies, Kancera has shown that fractalkine blockers have the ability to prevent these disease-promoting cells. Thereby, Kancera's drug candidates have the potential to deprive the tumor of supporting cells that contribute to the tumor growth, spread and resistance to chemotherapy.

Kancera's fractalkine blocking drug candidates

Kancera is developing two small molecule-based drug candidates, KAND567 and KAND145, having the same mechanism of action which is to inhibit the fractalkine receptor CX3CR1. KAND567 and KAND145 represent a new class of drugs, meaning that there are no approved pharmaceutical drugs with the same mechanism of action. Kancera's drug candidates thereby have the potential to become "first in class", this being both a challenge and an opportunity:

- The *challenge* is that the treatment concept is less known and less validated, creating a greater uncertainty about the pharmacological effects in human.
- The *opportunity* is to be the first product on the market with a new unique treatment option.

KAND567 is Kancera's most advanced drug candidate. The compound was initially developed by Astra Zeneca and intended for treatment of multiple schlerosis. Seeing opportunities in inflammatory diseases and cancer, Kancera acquired the project in 2016. So far, Kancera has demonstrated safety and tolerability in three phase I studies and one phase IIa study in COVID patients. In the latter, pharmacological effect in human was also demonstrated. Currently KAND567 is studied in two ongoing trials; the FRACTAL and KANDOVA studies.

KAND145 is Kancera's second generation fractalkine blocker, solely developed by the company. KAND145 is a so called "pro drug", i.e. after administration the compound is metabolized to KAND567 in the human body. As a result, KAND567 and KAND145 have the same mechanism of action. The difference between the compounds is comprised of different product properties; KAND145 has certain improved product properties, such as higher solubility in water, enabling formulation in higher peroral doses and longer i.v. infusion time. However, compared to the pro drug, KAND567 has one advantage and that is the ability, when given intravenously, to more or less instantly be present in the targeted tissue and provide protection. Taking the FRACTAL study as an example, this means that when the bolus dose of KAND567 is given, the drug is present in the heart after only a few minutes and prior to the PCI being conducted.

Targeted indications and development strategies

Kancera's overall strategy is to develop

- KAND567 for treatment of organ injuries caused by excessive inflammatory responses, such as myocardial infarction patients undergoing PCI
- KAND145 for treatment of cancer, where higher peroral dosing is perceived to be required

However, based on the fact that KAND145 can be given as i.v. infusion during a longer period of time vs KAND567, Kancera see a potential role for KAND145 also in the treatment of inflammation diseases, in combination with KAND567. Important to note though, is that this will require further clinical development. As Kancera's objective is to reach market approval as quickly as possible, no modifications of the development plan in cardiovascular disease will be made that will have a negative impact on the timeline and delay launch.

As described, the strategy is to develop KAND145 for treatment of cancers. Despite this strategy, Kancera has initiated the clinical development in the field of cancer based on KAND567, through the ongoing KANDOVA study. The rationale for this approach is that this will allow for a shorter overall development lead time. Having the same mechanism of action, Kancera can allow us to evaluate the treatment concept based on KAND567. In the scenario that the treatment concept can be confirmed in the KANDOVA study and the phase I study of KAND145 demonstrates safety and tolerability, the plan is to switch over from KAND567 to KAND145 for the further clinical development in cancer.

Kancera's development projects

More than 90 percent of the company's resources are allocated to the fractalkine project and the drug candidates KAND567 and KAND145. With current financing, Kancera intends to advance the project portfolio according to the following objectives:

- Finalize the FRACTAL study, a phase IIa study of KAND567 in myocardial infarction patients undergoing percutaneous coronary intervention, with expected reporting of top line results in Q4 2023.
- Conduct the KANDOVA study, a combined phase Ib/IIa study of KAND567 in ovarian cancer aiming to report top line results before end of 2024.
- Conduct the first-in-human study of KAND145 with expected top line results in the second quarter of 2024.

FRACTAL - ongoing phase IIa study of KAND567 in myocardial infarction

The FRACTAL study is an ongoing clinical phase IIa study of Kancera's fractalkine blocking drug candidate KAND567 in myocardial infarction patients undergoing percutaneous coronary intervention. The study, a randomized, two-arm, placebo-controlled, double-blind study, is conducted in collaboration with the NHS Foundation, sponsor of the study, at the two hospitals Freeman Hospital in Newcastle and James Cook Hospital in Middlesbrough.

In the FRACTAL study, treatment with KAND567 starts with a bolus dose, given i.v. prior to the PCI. After PCI, the patient continues to receive KAND567 through i.v. infusion for approximately 6 hours, followed by peroral administration for up to 72 hours until the patient is discharged from the hospital after three days.

Patient enrollment has been completed with a total of 71 patients recruited. The primary objective is to evaluate safety and tolerability. The secondary objective is to evaluate signals of heart protective effects. In addition, the effects of treatment with KAND567 are evaluated in a number of exploratory endpoints. Kancera expects to present top line data in Q4 2023.

KANDOVA - combined phase Ib/IIa study of KAND567 in ovarian cancer

The KANDOVA-study is a one-arm, open-label, multi-centre combined phase Ib/IIa study of KAND567 in combination with carboplatin therapy in ovarian cancer patients with relapsed disease.

The study has received regulatory approvals to be conducted in Sweden, Norway and Denmark and is planned to be conducted at several leading university hospitals in these countries. The KANDOVA study is conducted in collaboration with the clinical trials unit of the Nordic Society of Gynaecological Oncology (NSGO-CTU), a society among the leading academic hospitals and gynaecological clinicians in the Nordic countries. NSGO aims to set Nordic treatment guidelines for women with gynaecological cancers and through the collaboration Kancera aims to ensure that the KANDOVA study is designed and conducted in alignment with these guidelines.

In the KANDOVA study, patients receive KAND567 treatment during two weeks in connection with each carboplatin treatment cycle. Carboplatin treatment is given every third week, provided that the patient tolerates chemotherapy. The first part of the study (phase Ib), has a dose escalation design. This means that the patient starts to receive a low dose of KAND567. If this is tolerable the dose is increased in the next treatment cycle. The objective with this first part of the study is to identify the maximum tolerable dose of KAND567 which will then be the recommended dose for the second part (phase IIa).

Patient screening was initiated in April this year and treatment of the first enrolled patient started in June. The primary objective is to evaluate safety and tolerability. The secondary objective is to evaluate signs of KAND567 treatment efficacy. In addition, the effects of treatment with KAND567 are evaluated in a number of exploratory endpoints. Kancera's objective is to present top line results before end of 2024.

First in human study of KAND145

The study design is a randomized, double-blind and placebo-controlled phase I study of KAND145 in healthy subjects to evaluate safety, tolerability, pharmacological effect, food effect after oral single and multiple ascending dosing of KAND145 and drug-

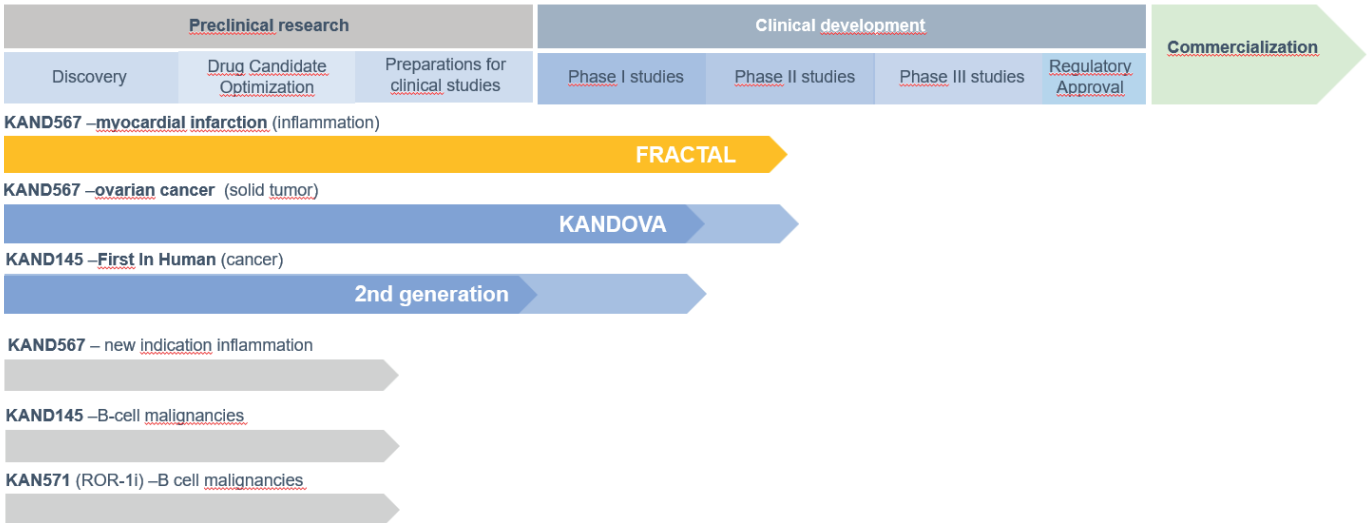
drug interaction after multiple ascending dosing. The study is being conducted at two sites in Finland and in total approximately 50 study subjects are expected to be enrolled, of which approximately ¾ of subjects will receive active substance and ¼ of subjects will receive placebo.

The study is expected to start in Q4 2023. Top line results are expected to be reported in Q2 2024.

Preclinical projects

- *KAND567 in new inflammation indication:* through its function as a master regulator of certain immune cells, the fractalkine axis plays an important role in several acute and chronic inflammatory diseases, autoimmune disease as well as complications in connection with transplantations. Kancera is evaluating opportunities for treatment of new inflammatory diseases with high medical need of more effective treatments.
- *KAND145 in B-cell malignancies:* Kancera has presented preclinical results supporting the potential for KAND145 to increase the efficacy of standard-of-care drug treatment of B-cell l ymphomas, such as chronic lymphocytic leukemia (CLL).
- *KAN571 in B-cell malignancies:* Kancera has presented preclinical results supporting the potential for KAN571, a ROR1 inhibitor, for treatment of mantle cell lymphoma (MCL), a subtype of B-cell malignancies. Preclinical studies of KAN571 in MCL cell lines show that KAN571 effectively eliminates cancer cells that are resistant to established therapies.

Kancera's pipeline



For additional information on projects and market prospects, see Annual Report 2022 on Kancera's website www.kancera.com/en

Financial development in summary

Financial development, a summary

Kancera Group	Apr-Jun		Jan-Jun		Jan-Dec
SEK 000´s (if otherwise not specified)	2023	2022	2023	2022	2022
Net turnover	0	0	0	0	0
Other operating revenues	456	227	592	506	753
Operating expenses	-18 779	-15 592	-36 102	-27 743	-52 687
R&D expenses	-16 546	-14 674	-31 714	-25 266	-45 608
Operating Income	-18 323	-15 365	-35 510	-27 237	-51 934
Income after financial items	-18 189	-15 562	-35 688	-27 570	-52 484
Net income	-18 189	-15 562	-35 688	-27 570	-52 484
Cash-flow from operating activities	-9 159	-14 441	-33 795	-23 794	-48 158
Cash on hand	66 972	82 286	66 972	82 286	95 149
Equity	76 851	94 967	91 435	108 810	106 912
Key ratios					
R&D costs / total costs, %	88%	94%	88%	91%	87%
Earnings by share, before and after dilution, kr	-0,22	-0,28	-0,45	-0,49	-0,90
Cash-Flow by share, kr	-0,18	-0,26	-0,42	-0,42	-0,61
Equity by share, kr	0,96	1,69	0,94	1,69	1,34
Total assets	91 435	108 810	91 435	108 810	120 738
Solvency, %	84%	87%	84%	87%	89%
No. of employees	4	6	4	6	5

See Note 5 for key ratio definitions.

Comments on financial developments

Kancera AB's business is to develop drug candidates, demonstrate efficacy in patients in clinical studies and, based on these, enter into collaboration agreements with other pharmaceutical companies by licensing out rights to development and commercialization in defined territories in exchange for milestone payments and royalties.

Income and profit
Second quarter, April to June 2023

- Net sales during the quarter amounted to SEK 0 million (MSEK 0).
- Costs during the quarter were in accordance with plan and amounted to SEK 18.8 million (SEK 15.6 million), divided between costs for research and development costs SEK 16.6 million (SEK 14.7 million), and other selling and administrative expenses SEK 2.2 million (SEK 0.9 million).
  The increased costs vs the previous year are the result of more projects in clinical development phase and increased business development and commercialization activities.
- Income after financial items was according to plan and amounted to SEK -18.2 million (SEK -15.6 million) during the quarter. The lower operating income vs the previous year is explained by higher operational costs as described above.
- Earnings per share for the quarter, based on a weighted average of the number of shares outstanding, amounted to -0.23 kr (-0.28 kr).

Financial position and cash flow

Balance sheet and cash flow

- Total equity amounted to SEK 76.9 million (SEK 95.0 million) as of 30 June 2023.
- Kancera's equity/assets ratio as of 30 June 2022 was 84 per cent (87 per cent).
- Equity per share was SEK 0.94 (SEK 1.69).
- Cash flow from operating activities amounted to SEK -14.8 million (SEK -14.4 million) or SEK –0.18 per share (SEK -0.26) and from financing activities it amounted to SEK 5.6 million (SEK 0 million). Cash flow is in line with Kancera's operating expenses, and the higher negative cash flow compared to the same period last year is explained by increased operating expenses.
- As of 30 June 2023, Kancera's cash and cash equivalents amounted to SEK 67.0 million (SEK 82.3 million).

Employees

Kancera AB had approximately 4 (6) full-time employees as of June 30 2023, of which 4 (5) are men and 0 (1) are women.

Investments and depreciation

Intangible fixed assets in the balance sheet amount to a total of SEK 21 million, which is derived from 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 in connection with the formation of Kancera AB. The item for the Fractalkine project is the sum of three set-off issues carried out under acquisition agreements. The valuation of these two immaterial assets in the balance sheet is therefore the result of the contractual terms of the acquisitions of the projects and not the market valuation of the projects. For a description of the market outlook for Kancera's projects, please refer to this section of the Annual Report for 2022. The Board conducts an impairment assessment on an ongoing basis and at least once a year to ensure that the values raised are justified.

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 Förvaltning AB. The parent company in the group is the Swedish public limited company Kancera AB (publ.) whose shares are listed on Nasdaq First North, Premier Segment from on 28 October 2016. Kancera Förvaltning AB is a dormant company.

Share capital and share

The share capital on June 30 2023 amounted to SEK 67,9 million (SEK 46,8 million) divided into 81 505 799 (56 143 948) shares with a quotient value of, rounded off, SEK 0.83 (0.83) per share. The increase in the number of shares is attributable to the new issue of shares carried out in November 2022.

Tax deficits

Kancera AB's current operations are initially expected to result in negative results and fiscal deficits. There are currently not sufficiently convincing reasons to believe that tax surpluses will exist in the future that can justify a capitalization of the value of the deficits, and no deferred tax asset has been reported. In the event of a sale of a drug candidate, it is expected that profits can be reported, which are currently deemed to be able to be taxed against previous years' tax losses, which would mean a low tax burden for the Company when a project is sold. The fiscal deficits amounted to SEK 397 636 000 as of December 31, 2022. No deferred tax asset is recognized for these tax losses.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income

SEK 000´s (if otherwise not specified)

	1 jan - 31 mar		1 jan - 30 jun		1 jan - 31 dec
	2022	2021	2022	2021	2021
Kancera Group					
Net sales	0	0	0	0	0
Other operating revenues	456	227	592	506	753
Cost of sales & services	0	0	0	0	0
Gross profit	**456**	**227**	**592**	**506**	**753**
Operating Expenses					
General & administrative expenses	-1 742	-899	-3 479	-1 936	-4 685
Selling expenses	-491	-19	-909	-540	-2 394
Research & development expenses	-16 546	-14 674	-31 714	-25 266	-45 608
Total operating expenses	**-18 779**	**-15 592**	**-36 102**	**-27 743**	**-52 687**
Operating income	**-18 323**	**-18 240**	**-35 510**	**-27 237**	**-51 934**
Income from Financial Investments					
Other interest income and similar profit items	352	0	353	0	68
Other interest expense and similar loss items	-218	-197	-531	-334	-618
Financial net	**134**	**-197**	**-178**	**-333,5**	**-550**
Income after financial items	**-18 189**	**-15 562**	**-35 688**	**-27 570**	**-52 484**
Taxation	0	0	0	0	0
Net income	**-18 189**	**-15 562**	**-35 688**	**-27 570**	**-52 484**
Average number of shares (thousands), before and after dilution	80 363	56 144	79 946	56 144	58 158
Number of shares at closing date (thousands)	81 506	56 144	81 506	56 144	79 528
Earnings per share, before and after dilution	-0,23	-0,28	-0,45	-0,49	-0,90

Condensed Consolidated Statement of Financial Position

Condensed Consolidated Statement of Financial Position

SEK 000´s

Kancera Group	30-jun		31-dec
	2023	2022	2022
Assets			
Non-current Assets			
Intangible assets			
Capitalized R&D	21 000	21 000	21 000
Tangible assets			
Lease assets	0	0	0
	67	427	247
Financial assets			
Financial placements	1	1	1
Total non-current assets	**21 068**	**21 428**	**21 248**
Current Assets			
Trade receivables and other receivables	3 395	5 096	4 341
Cash and cash equivalents	66 972	82 286	95 149
Total current assets	**70 367**	**87 382**	**99 490**
TOTAL ASSETS	**91 435**	**108 810**	**120 738**
Equity and Liabilities			
Equity			
Equity	76 851	94 967	106 912
total equity	**76 851**	**94 967**	**106 912**
Liabilities			
Long-term liabilities	0	0	0
Short-term liabilities	14 584	13 843	13 826
Total liabilities	**14 584**	**13 843**	**13 826**
TOTAL EQUITY and LIABILITIES	**91 435**	**108 810**	**120 738**

Statement of changes in equity

Consolidated report on changes in equity

Kancera Group, Jan 1 2022 - Dec 31 2022 SEK 000´s	Sharecapital	Ongoing share issue	Other capital contributions	Accumulated deficit	Total equity
Second quarter					
Opening balance 2022-04-01	46 786		75 750	-12 008	110 529
Comprehensive income					
Net income for the period				-15 562	-15 562
Total comprehensive income	0		0	-15 562	-15 562
Transactions with shareholders					
Capital injections					
Capital injection costs					
Ongoing share issue					
Total transactions with shareholders	0	0	0		0
Closing balance 2022-06-30	**46 786**	**0**	**75 750**	**-27 570**	**94 967**
The period January-Dec					
Opening balance 2022-01-01	**46 786**	**0**	**121 436**	**-45 686**	**122 536**
Comprehensive income					
Appropriation of last year´s net income			-45 686	45 686	
Net income for the period				-27 570	-27 570
Total comprehensive income	0	0	-45 686	18 117	-27 570
Transactions with shareholders					
Capital injections					
Capital injection costs					
Ongoing share issue					
Total transactions with shareholders	0	0	0	0	0
Closing balance 2022-06-30	**46 786**	**0**	**75 750**	**-27 570**	**94 967**

Statement of changes in equity, continued

Kancera Group, Jan 1 2023 - Jun 31 2023 SEK 000´s	Sharecapital	Ongoing share issue	Other capital contributions	Accumulated deficit	Total equity
Second quarter					
Opening balance 2023-04-01	66273		40 638	-17499	89413
Comprehensive income					
Net income for the period				-18 189	-18 189
Total comprehensive income	0	0	0	-18 189	-18 189
Transactions with shareholders					
Capital injections	1 648		4 284		5 932
Capital injection costs			-305		-305
Ongoing share issues					
Total transactions with shareholders	1 648	0	3 979	0	5 627
Closing balance 2023-06-30	67 921	**0**	**40 638**	**-35 688**	**76 851**
The period January-June					
Opening balance 2023-01-01	**66 273**		**93 122**	**-52 484**	**106 912**
Comprehensive income					
Appropriation of last year´s net income			-52 484	52 484	
Net income for the period				-35 688	-35 688
Total comprehensive income	0	0	-52 484	-35 688	-35 688
Transactions with shareholders					
Capital injections	1 648		4 284		5 932
Capital injection costs			-305		-305
Ongoing share issue					
Total transactions with shareholders	1 648	0	3 979	0	5 627
Closing balance 2023-06-30	**67 921**	**0**	**44 617**	**-35 688**	**76 851**

Cash flow statement

Condensed Consolidated Statement of Cash-Flow

SEK 000´s	1 apr-30 jun		1 jan-30 jun		1 jan-31 dec
Kancera Group	2023	2022	2023	2022	2022
Cash-flow from operating activities					
Operating income after financial items	-18 189	-15 562	-35 688	-27 570	-52 484
Depreciation	90	90	180	180	360
Taxes paid	-4	-186	14	-338	732
Other non-cash flow items	0	0	0	0	-40
Cash-flow from operating activities before working capital change	**-18 103**	**-15 658**	**-35 494**	**-27 728**	**-51 432**
Change in working capital	3 313	1 217	1 699	3 934	3 274
Cash-flow from operating activities	**-14 790**	**-14 441**	**-33 795**	**-23 794**	**-48 158**
Investment activities					
Investments in financial assets	0	0	0	0	0
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	**-14 790**	**-14 441**	**-33 795**	**-23 794**	**-48 158**
Financing activities					
Change in debt referrable to financing activities	-19	0	-32	-442,4	0
Issue of shares/other capital infusions	5650	0	5650	0	36 759
Repayment of loans	0	0	0	0	27
Increase in short-term financing	0	0	0	0	0
Cash-flow from financing activities	**5631**	**0**	**5618**	**-442**	**36 786**
CASH-FLOW for the PERIOD	**-9 159**	**-14 441**	**-28 177**	**-24 237**	**-11 372**
Cash and cash equivalents at the beginning of the period	76 131	96 727	95 149	106 521	106 521
Cash and cash equivalents at the end of the period	66 972	82 286	66 972	82 286	95 149

Condensed Income Statement – Parent company

Consolidated Statement of Comprehensive Income

SEK 000´s (if otherwise not specified)

	1 jan - 31 mar		1 jan - 30 jun		1 jan - 31 dec
	2022	2021	2022	2021	2021
Kancera Group					
Net sales	0	0	0	0	0
Other operating revenues	456	227	592	506	753
Cost of sales & services	0	0	0	0	0
Gross profit	**456**	**227**	**592**	**506**	**753**
Operating Expenses					
General & administrative expenses	-1 742	-899	-3 479	-1 936	-4 685
Selling expenses	-491	-19	-909	-540	-2 394
Research & development expenses	-16 546	-14 674	-31 714	-25 266	-45 608
Total operating expenses	**-18 779**	**-15 592**	**-36 102**	**-27 743**	**-52 687**
Operating income	**-18 323**	**-18 240**	**-35 510**	**-27 237**	**-51 934**
Income from Financial Investments					
Other interest income and similar profit items	352	0	353	0	68
Other interest expense and similar loss items	-218	-197	-531	-334	-618
Financial net	**134**	**-197**	**-178**	**-333,5**	**-550**
Income after financial items	**-18 189**	**-15 562**	**-35 688**	**-27 570**	**-52 484**
Taxation	0	0	0	0	0
Net income	**-18 189**	**-15 562**	**-35 688**	**-27 570**	**-52 484**
Average number of shares (thousands), before and after dilution	80 363	56 144	79 946	56 144	58 158
Number of shares at closing date (thousands)	81 506	56 144	81 506	56 144	79 528
Earnings per share, before and after dilution	-0,23	-0,28	-0,45	-0,49	-0,90

Condensed Balance Sheet – Parent company

Condensed Parent Company Balance Sheet

SEK 000´s

The Parent Company Kancera AB

	30 Jun		31 Dec
Assets	2023	2022	2022
Non-current Assets			
Intangible assets			
Capitalized R&D	21 000	21 000	21 000
Financial assets			
Shares in subsidiaries	50	50	50
Financial placements	1	1	1
Total non-current assets	**21 051**	**21 051**	**21 051**
Current Assets			
Intercompany receivables	1	1	1
Trade receivables and other rec	3 391	4 909	4 342
Cash and cash equivalents	66 924	82 238	95 101
Total current assets	**70 316**	**87 148**	**99 444**
TOTAL ASSETS	**91 367**	**108 199**	**120 495**
Equity and Liabilities			
Equity			
Equity	76 851	95 046	107 059
Total equity	**76 851**	95 046	**107 059**
Liabilities			
Short-term liabilities	14 516	13 153	13 434
Total liabilities	**14 516**	**13 153**	**13 434**
TOTAL EQUITY and LIABILITIES	**91 367**	**108 199**	**120 494**

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 2021 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 and where 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 research costs when they arise because they mainly consisted of research efforts and the Group management has assessed that the criteria for capitalization have not been met.

Amounts are stated in Swedish kronor, rounded off 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: Transactions with related parties

During the period, Kancera AB paid compensation of SEK 90 000 (SEK 60 000) to Mellstedt Consulting AB for services including scientific advice and scientific marketing. Mellstedt Consulting AB is owned by Håkan Mellstedt, board member of Kancera AB.

During the period, Kancera AB paid compensation of SEK 20 000 (SEK 0) to MobitrIQE AB for services including scientific advice and scientific marketing. MobitrIQE AB is owned by Anders Gabrielsen, board member of Kancera AB.

These two transactions have been entered into on financial terms in line with market standards and in accordance with board approval procedures. Other than board fees and expenses no other compensations to related parties have been paid.

Note 3: Received grants to be finalized at a later time

Awarding body	Amount awarded tkr	Amount paid, tkr	Date for reporting
EU TOBEATPAIN1	2 900	1 970	Final report reviewed in June 2023

[1] Using EUR exchange rate SEK 11. Granted amount of approximately SEK 2,900 thousand. Paid amount of approximately SEK 1,970 thousand. The remaining amount of the grant, of which approximately SEK 273 thousand is used for administration and education to the coordinating university, will be paid in July 2023.

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 profit growth. The group's operations are affected by a number of risks that can have an effect on the group's results and financial position to varying degrees. For a description of the group's risks, refer to the section Risks and risk management of the annual report for 2022. In addition to these reported risks, the prevailing macroeconomic situation, with higher inflation, increased interest and energy costs, generally means increased uncertainty. However, the company assesses that the effects of this uncertainty are relatively limited. Kancera has no loans, and its own operations have very limited energy consumption. However, the increased costs in these areas indirectly impact the company in the form of increased costs for contracted development and production. The company has taken this into account in the financial forecast developed for 2023 and 2024 and the company has concluded that it will be possible to execute the business plan as planned with existing funding.

Note 5: Definitions of key ratios

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.

R&D costs as share of total costs

The key ratio provides information on the share of the company's research and development costs in relation to the total cost of business. This gives a view of cost allocation and an indication of how resources are allocated to core business versus general administration.

Return on equity

Profit for the period as a percentage of average equity. The key figure shows the company's performance and gives an indication of how well equity has been used.

Return on capital employed

Calculated by dividing Equity by the number of shares on the balance sheet date. The change of this key ratio between years gives an indication that changes have taken place in the company's equity, for example if a new issue has been carried out and how much of such a capital injection remains per balance sheet date.

Equity per share

Calculated by dividing Equity by the number of shares on the balance sheet date. The change of this key ratio between years gives an indication that changes have taken place in the company's equity, for example if a new issue has been carried out and how much of such a capital injection remains per balance sheet date.

Cash flow per share from current operations

Cash flow from operating activities divided by average number of shares. Given the company's phase where revenues are still fictitious, the number, together with equity per share, provides information about the company's capital acquisition and financing.

Solidity

Equity as a percentage of total assets. The key ratio shows how much of the assets were financed via equity and thus indicates the company's financial robustness.

Declaration by the Board of Directors

The Board of Directors and the CEO ensure that the interim report provides a fair overview of the company's and the Group's operations, financial position and results and describes the significant risks and uncertainties facing the company and the Group.

Stockholm, August 18 2023

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
Board member

Peter Selin
CEO

This interim report has not been audited by the company's financial auditors.

Upcoming reporting dates and Annual General Meeting

Interim report January-September 2023	November 17 2023
Year-end report January-December 2023	February 23 2024

For further information, contact:
Peter Selin, CEO: +46 (0)8 5012 60 80
Erik Nerpin, Chairman of the Board & convener of the Nomination Committee: +46 (0)70 620 73 59

Kancera AB (publ)
Karolinska Institutet Science Park
Nanna Svartz väg 4
SE 171 65 Solna

Visit our website at www.kancera.com/en