

YEAR END REPORT

KANCERA AB (publ)

1st January – 31st December 2017



1st January– 31st December 2017

THIS IS KANCERA

Kancera AB develops medicines for cancer and inflammatory diseases in laboratories at Karolinska Institutet Science Park in Stockholm and employs approximately 20 people. The share is traded on NASDAQ First North Premier. The number of shareholders amounted to approximately 7300 per 29 December 2017.

FNCA Sweden AB is Kancera AB's Certified Advisor. Professor Carl-Henrik Heldin, Professor Håkan Mellstedt and Dr. Charlotte Edenius are scientific advisors and board members in Kancera AB.

Business model

To develop patent-protected drugs that can prolong life and reduce healthcare costs, for sale to the international pharmaceutical industry and further clinical trials.

Outsourcing of drug candidates is expected to take place at signature, with milestones during product development (typically at the start of Phase I, II, III, and Registration) and royalties.

History

In 2006, Pharmacia's and Biovitrum's unit for the development of drug candidates was spun-out to create iNovacia AB. In 2008, iNovacia started drug development in collaboration with the Karolinska Institute. In May 2010, Kancera AB was formed by scientists from Cancer Center Karolinska, iNovacia AB and a group of private investors through capital contributions and two drug projects focusing on cancer.

NASDAQ approved Kancera's listing on First North with the first day of trading being February 25th, 2011. In March 2013 Kancera acquired a complete drug development laboratory from its former subsidiary iNovacia AB and since then drug development is performed within Kancera AB at the Karolinska Institutet Science Park, Stockholm. Prior to replacing Nasdaq First North with Nasdaq First North Premier, which took place on 28th October 2016, the subsidiary Kancera Förvaltning AB was formed, whereby accounting principles were changed to comply with IFRS with regards to the group and to RFR2 and the Annual Accounts Act with regards to the parent company Kancera AB.



STATEMENT FROM THE CEO

During 2017, the number of newly registered drugs increased compared to 2016. Cancer was the disease against which most new drugs were targeted. Kancera contributed to the development of one of these, Enasidenib, by identifying the basic chemical substance on which the drug is based¹. Enasidenib is used to treat acute myeloid leukemia (AML).

In the field of inflammation, the presentation of the results from Novartis' so-called CANTOS study (Canakinumab² Anti-inflammatory Thrombosis Outcomes Study) was one of the major events in 2017.

The study showed for the first time convincing clinical evidence that anti-inflammatory treatment reduces the risk of complications following myocardial infarction. In addition, the follow-up analysis of the study showed a surprisingly strong and dose-dependent decrease in lung cancer in patients treated with Novartis anti-inflammatory drug.

The findings of the CANTOS study thus also support the further development of Kancera's KAND567, which in a new way controls the immune system. Kancera's choice to develop KAND567 against cancer and cardiovascular inflammation is further supported by both our own and independent researchers' results in disease models and studies of human biomarkers. The goal of this development is to slow down the aggressive development of some forms of lymphoma (a form of blood cancer) and reduce cardiovascular injury after infarction.

In the recently completed Phase I clinical trial in the Fractalkine project, the results show that KAND567 blocks the Fractalkine system as hoped and the drug candidate is well tolerated in doses up to five to ten times above the calculated effective dose.

We will now continue to deepen our understanding of how KAND567 affects the liver in relation to the desired pharmacological effects in order to develop a clinical development plan for both chronic and acute treatment of inflammatory diseases and cancer. The fact that there is support for the benefit of short-term treatment with KAND567 against, for example, myocardial infarction, gives the project additional opportunities with the good safety margin we have seen in acute treatment.

As Kancera's main resources were dedicated to the Fractalkine project in 2017, the progress of our other pharmaceutical projects have slowed down slightly. However, studies are ongoing to identify the company's next drug candidate for clinical development in the ROR, PFKFB3 and HDAC6 projects.

Thomas Olin
CEO Kancera AB (publ)



1. Kancera has been fully paid for the company's contribution to the development of Enasidenib. Enasidenib is owned by American Agios and Celgene.

2. Canakinumab is an antibody to IL1beta.

PERIOD 1 JAN - 31 DEC 2017

IN BRIEF

- Net turnover for the period amounted to SEK 0.1 million (0.3 million). For the fourth quarter, turnover amounted to 0.0 MEK (0.1 M).
- R & D expenses for the period amounted to SEK 51.1 million (19.1 million), of which the fourth quarter amounted to SEK 11.2 million (5.8 million)
- Operating profit for the period amounted to SEK -56.1 million (-22.3 million), of which fourth quarter amounted to SEK -11.9 million (-6.5 million)
- Profit after financial items for the period amounted to SEK -56.2 million (-22.3 million), of which fourth quarter amounted to SEK -12.0 million (-6.5 million)
- Earnings per share for the period amounted to SEK -0.39 (-0.19), of which fourth quarter amounted to SEK -0.08 kr (-0.05)
- Cash flow from operating activities for the period amounted to SEK -53.5 million (-23.1), of which the fourth quarter amounted to SEK -18.6 million (-5.7 million)
- Shareholders' equity amounted to SEK 38.7 million (59.5 million) as of 31st December 2017, or SEK 0.26 (0.45) per share
- The equity ratio at 31st December 2017 was 76 percent (82 percent). Liquid funds amounted to SEK 27.8 million (57.8 million) on December 31st 2017.

SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

- Kancera AB reported that the company's ROR inhibitor KAN0441571, after treatment every third day for thirteen days, effectively eliminated ROR1-bearing leukemic cells in a mouse model of human chronic lymphocytic leukemia.
- Kancera AB announced that the company has made the second installment for the Fractalkine project in accordance with an agreement with Acturum Real Estate AB.
- Kancera AB announced that rights to the Fractalkine project in the field of lung disease were acquired from AstraZeneca AB and Acturum Real Estate AB, which means that Kancera AB now has full control over the rights to the project.
- Kancera AB reported that the Phase I study in the Fractalkine project has been completed. In the study, drug properties, safety and tolerability have been documented for KAND567. The results are now subject to quality control and analysis. According to the present plan, these results are expected to be communicated in February 2018.







SIGNIFICANT EVENTS AFTER THE END OF THE FOURTH QUARTER

- Kancera AB has reported results from a Phase I study in healthy subjects with the immunosuppressant drug candidate KAND567. The study has shown that KAND567 is safe and well tolerated up to plasma concentrations that were five to ten times higher than the calculated effective level for therapeutic effect in humans. Upon further increase of the dose, a reversible increase in markers for liver effect was noted. The results also showed that KAND567 blocks the Fractalkine system by reducing the number of Fractalkine receptors on the surface of immune cells.
- Kancera has also reported results from three preclinical disease models showing cardiovascular protection properties of KAND567.
- The company has announced that it is now evaluating the conditions for continued clinical development of KAND567 against cancer and inflammatory cardiovascular injuries, eg. in connection with infarction.

PHARMACEUTICAL DEVELOPMENT

The company has four drug development projects in the portfolio:

- **KAND567 – Antagonist of Fractalkine receptor CX3CR1 for the treatment of inflammatory diseases and cancer.** Blocking CX3CR1 counteracts inflammation and metastasis by preventing cancer and immune cells from infiltrating healthy tissues.
- **ROR inhibitors for the treatment of cancer.** ROR inhibitors reprogram the cancer cells to destroy themselves. In the laboratory, ROR inhibitors have been shown to act on cells from both solid tumors and blood cancer (leukemia and lymphoma).
- **PFKFB3 inhibitor for the treatment of cancer.** PFKFB3 inhibitors inhibit the energy supply of glucose to solid tumors, as well as reduce the ability of cancer cells to repair their DNA, which together can increase the sensitivity of the tumor to other cancer therapies..
- **HDAC6 inhibitor for the treatment of cancer.** HDAC6 inhibitors primarily aim at increasing the patient's immune system's capacity to recognize and eliminate cancer cells, as well as to prevent the ability of cancer cells to spread.

Project	Target validation	Lead Optimization	Pre-CD	Candidate Drug	Phase I	Phase II
KAND567 – Fractalkine – CX3CR1 (Inflammation/Oncology)						
ROR1 (Oncology)						
PFKFB3 (Oncology)						
HDAC6 (Oncology)						

Read more about the project portfolio, current project status and patent portfolio in the Project Report on our website: www.kancera.com/en

FINANCIAL DEVELOPMENT, SUMMARY

Financial development, summary

SEK 000's (unless otherwise specified)

Kancera Group

	1 Oct-31 Dec		1 Jan-31 Dec	
	2017	2016	2017	2016
Net turnover	27	134	113	308
Operating expenses	-12 160	-6 611	-56 445	-22 527
R&D expenses	-11 241	-5 789	-51 069	-19 089
Operating Income	-11 915	-6 497	-56 143	-22 282
Income after financial items	-12 047	-6 438	-56 198	-22 308
Net income	-12 047	-6 438	-56 198	-22 308
Cash-flow from operating activities	-18 641	-5 699	-53 541	-23 103
Investments in intangible assets	0	0	12 000	0
Sale of tangible assets	364	0	364	0
Investments in tangible assets	0	0	0	0
Cash on hand at closing date	27 775	57 759	27 775	57 759
Equity at closing date	38 711	59 525	38 711	59 525
Key ratios				
Return on equity, %	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg
Earnings by share, before dilution	-0,08	-0,05	-0,39	-0,19
Earnings by share, after dilution	-0,08	-0,05	-0,39	-0,19
Cash-Flow from operating activities by share, kr	-0,12	-0,04	-0,37	-0,20
Solvency ratio	76%	82%	76%	82%
Equity by share, kr	0,26	0,45	0,26	0,45
No. of employees	20	15	20	15

COMMENTS ON THE FINANCIAL DEVELOPMENT

Increased costs for the period compared to the corresponding period 2016 are mainly attributable to increased research and development costs that arise as a result of Kancera's pharmaceutical projects being advanced from research to development phase. Following acquisition of the subsidiary Kancera Förvaltning AB, interim reports are prepared from quarter 2, 2016, in accordance with IAS 34 and the Annual Accounts Act. The transition to new accounting principles did not have any effect on the income statement or balance sheet for the period 1 January to 31 March 2016, which has been reported in accordance with previous principles, or the comparative figures used below under comments from the previous year concerning the parent company Kancera AB.

REVENUES AND EARNINGS

Fourth quarter, October – December 2017

- Kancera's activities have mainly covered drug development.
- Net turnover in the fourth quarter amounted to MSEK 0.0 (0.1 million)
- Costs for the fourth quarter amounted to SEK 12.1 million (6.6 million), distributed between research and development costs, SEK 11.2 million (5.8 million), and other sales and administrative expenses SEK 0.9 million (0.8 million).
- Earnings per share for the third quarter, based on a weighted average of the number of outstanding shares, amounted to SEK -0.08 (-0.05).
- Profit after financial items amounted to SEK -12.0 million (-6.4).

Period January – December 2017

- Net turnover during the fiscal year amounted to SEK 0.1 million (0.3 million)
- Costs during the period amounted to SEK 56.4 million (22.5 million), distributed between research and development costs SEK 51.1 million (19.1 million), and other sales and administrative expenses SEK 5.3 million (SEK 3.4 million).
- In total, the EU has paid SEK 7.5 million to Kancera AB for the A-PARADDISE project, which is part of the European Union's 7th Framework Program. After the approved final report of the project, the EU has paid the final part of the contribution of approximately SEK 1.4 million and an additional payment in addition to the budget of approximately SEK 180,000 as compensation for costs in excess of budget. In total, this means that 2017 will be charged with approximately SEK 76,000 for the project. As a result of EU approval of the final report, ongoing work is reported equivalent to SEK 4.3 million, which is settled against incurred costs.
- Earnings per share for the period, based on a weighted average of the number of outstanding shares, amounted to SEK -0.39 (-0.19).
- Profit after financial items amounted to SEK -56.2 million (-22.3 million).

FINANCIAL POSITION AND LIQUIDITY

BALANCE SHEET AND CASH FLOW

Total equity at 31st December 2017 amounted to SEK 38.7 million (59.5 million).

Kancera AB's equity ratio as at 31st December 2017 was 76 percent (82 percent). Equity per share was SEK 0.26 (0.45).

Cash flow amounted to SEK -18.3 million (-5.2 million) during the fourth quarter. Cash flow from operating activities amounted to SEK -18.6 million (-5.7 million) or SEK -0.12 per share (-0.04) and from financing activities amounted to SEK 0.0 million (3.1 million).

Kancera AB's liquid assets amounted to SEK 27.8 million (57.8 million) as at December 31st, 2017.

PERSONNEL

Kancera AB had 20 full-time employees, including 2 EU-funded doctoral students on 31st December 2017, of which 11 are men and 9 are women.

INVESTMENTS AND DEPRECIATIONS

Investments in fixed assets amounted to SEK 0.0 million (0.0 million) during the fourth quarter. The sales price of sold fixtures amounted to SEK 0.4 million (0.0 million).

CURRENT INCENTIVE SCHEME

With the approval of the Extraordinary General Meeting of 28th September 2017, a decision has been taken regarding the issue of warrants, which means that Kancera issues no more than 4 million warrants to a wholly owned subsidiary. The warrants shall serve as the basis for the issuance of a maximum of 3 million employee stock options to employees and executives. Each option shall entitle the holder to acquire one share at a price corresponding to 130 per cent of the volume-weighted share price of the company's share on Nasdaq First North during the period 22 September to 5 October 2017, which corresponds to approximately 3 kr. The employee stock options are expected to be awarded to staff during the first half of 2018. They are granted free of charge and are not transferable. The stock options shall have a maturity of three years. Kancera retains 1 million warrants to cover the company's obligation to pay social security benefits on the exercise of employee stock options. If all 4 million warrants are exercised for subscription of new shares, the newly subscribed shares will amount to approximately 2.7 percent of the share capital.

THE SHARE CAPITAL AND THE SHARE

The Board of Directors of Kancera AB has completed a cash issue of approximately SEK 23.7 million before issue costs amounting to SEK 0.4 million. The new issue that was over-subscribed occurred in May 2017 with pre-emptive rights for the shareholders to subscribe for one new share for every 10 old at the price of 1.80 kr.

During the period, the Board of Directors of Kancera AB, with the support of the extraordinary meeting of 28 September 2017, completed the issue number two (out of three) of 2,000,000 shares directed to Acturum Real Estate AB as part payment for the Fractalkine project under the Option and Acquisition Agreement signed between the parties on 7th September 2015.

Share capital on December 31st, 2017 amounted to SEK 12,386,283 divided into 148,635,392 shares with a quota value, rounded off, at SEK 0.08 per share.



DEFICITS FOR TAX PURPOSES

Kancera AB's current operations are expected to initially lead to negative results and tax losses. At present, there are insufficient convincing reasons which indicate that there will be tax surpluses in the future that can defend an asset value of the deficits, and no deferred tax asset has been reported. In the event of sale of a drug candidate, profits are expected to be reported which are currently judged to be tax-deductible against previous years' tax losses, which would entail a low tax burden on the Company when a project is sold. The tax deficits per 2017-12-31 amount to SEK 173 million.

PROPOSAL FOR PROFIT DISTRIBUTION

The Board intends to propose to the Annual General Meeting that no dividend is paid.

THE GROUP

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



Consolidated Statement of Comprehensive Income

SEK 000's (unless otherwise specified)

	1 Oct-31 Dec		1 Jan-31 Dec	
	2017	2016	2017	2016
Kancera Group				
<i>Revenues</i>				
Net sales	27	134	113	308
Other income	263	0	263	0
Cost of sales & services	-45	-20	-74	-63
Gross profit	245	114	302	245
<i>Operating Expenses</i>				
General & administrative expenses	-710	-653	-3 930	-2 907
Selling expenses	-209	-169	-1 446	-531
Research & development expenses	-11 241	-5 789	-51 069	-19 089
Total operating expenses	-12 160	-6 611	-56 445	-22 527
Operating income	-11 915	-6 497	-56 143	-22 282
<i>Income from Financial Investments</i>				
Financial net	-132	59	-55	-26
Income after financial items	-12 047	-6 438	-56 198	-22 308
Taxation	0	0	0	0
Net income	-12 047	-6 438	-56 198	-22 308
Net income attributable to the shareholder's of the parent company	-12 047	-6 438	-56 198	-22 308
Non-controlling interests	0	0	0	0
Average number of shares (thousands), before dilution	151 294	131 487	143 886	118 472
Average number of shares (thousands), after dilution	151 294	131 487	143 886	118 472
Number of shares at closing date (thousands)	146 929	131 487	146 929	131 487
Earnings per share, before and after dilution	-0,08	-0,05	-0,39	-0,19
Comprehensive Income for the Period	1 Oct-31 Dec	1 Jan-31 Dec		
SEK 000's (if otherwise not specified)	2017	2016	2017	2016
Net income for the period	-12 047	-6 438	-56 198	-22 308
Other comprehensive income, net before tax	0	0	0	0
Total comprehensive income for the period	-12 047	-6 438	-56 198	-22 308
Attributable to the shareholder's of the parent company	-12 047	-6 438	-56 198	-22 308
Non-controlling interests	0	0	0	0

Condensed Consolidated Statement of Financial Position

SEK 000's (unless otherwise specified)

Kancera Group

	31 Dec	
	2017	2016
Assets		
Non-current Assets		
<i>Intangible assets</i>		
Capitalized R&D	18 000	6 000
<i>Tangible assets</i>		
Equipment and chemical library	632	2 028
Total non-current assets	18 632	8 028
Current Assets		
Work in progress	1 580	5 760
Trade receivables and other receivables	3 238	1 485
Cash and cash equivalents	27 775	57 759
Total current assets	32 593	65 004
TOTAL ASSETS	51 225	73 032
Equity and Liabilities		
Equity		
Equity	38 711	59 525
Provisions and Liabilities		
Long-term liabilities	2 946	2 862
Short-term liabilities	9 568	10 645
Total provisions and liabilities	12 514	13 507
TOTAL EQUITY and LIABILITIES	51 225	73 032



Consolidated Statement of Changes in Equity

SEK 000's (unless otherwise specified)

Kancera Group

Kancera Group, January - December 2016

	Share capital	Other capital contributions	Accumulated deficit	Total equity
Fourth quarter October-December 2016				
Opening balance 2016-10-01	10 957	106 248	-51 461	65 744
<i>Comprehensive income</i>				
Net income for the period			-6 438	-6 438
<i>Transactions with shareholders</i>				
Capital injections				0
Costs related to issue of shares		78		78
Employee stock option programme		142		142
Closing balance 2016-12-31	10 957	106 468	-57 899	59 526
Period January-December				
Opening balance 2016-01-01	8 660	48 856	-35 591	21 925
<i>Comprehensive income</i>				
Net income for the period			-22 308	-22 308
<i>Transactions with shareholders</i>				
Capital injections	2 297	66 605		68 902
Costs related to issue of shares		-9 351		-9 351
Employee stock option programme		358		358
Closing balance 2016-12-31	10 957	106 468	-57 899	59 526

Kancera Group, January - December 2017

	Share capital	Other capital contributions	Accumulated deficit	Total equity
Fourth quarter October-December 2017				
Opening balance 2017-10-01	12 219	133 989	-101 437	44 771
<i>Comprehensive income</i>				
Net income for the period			-12 047	-12 047
<i>Transactions with shareholders</i>				
Capital injections	167	5 833		6 000
Costs related to issue of shares		-26		-26
Employee stock option programme			13	13
Closing balance 2017-12-31	12 386	139 796	-113 471	38 711
Period January-December				
Opening balance 2017-01-01	10 957	106 032	-57 464	59 525
<i>Comprehensive income</i>				0
Net income for the period			-56 198	-56 198
<i>Transactions with shareholders</i>				0
Capital injections	1 429	34 227		35 656
Costs related to issue of shares		-463		-463
Employee stock option programme			191	191
Closing balance 2017-12-31	12 386	139 796	-113 471	38 711

Condensed Consolidated Statement of Cash-Flow

SEK 000's (if otherwise not specified)	1 Oct-31 Dec		1 Jan-31 Dec	
	2017	2016	2017	2016
Kancera Group				
<i>Cash-flow from operating activities</i>				
Operating income after financial items	-12 047	-6 438	-56 198	-22 308
Depreciation	288	279	1 168	1 117
Taxes paid	-132	-174	-258	-174
Other non-cash-flow affecting items	-39	104	139	465
Cash-flow from operating activities before working capital change	-11 930	-6 229	-55 149	-20 900
Change in working capital	-6 711	530	1 608	-2 203
Cash-flow from operating activities	-18 641	-5 699	-53 541	-23 103
<i>Investment activities</i>				
Sale of tangible assets	364	0	364	0
Investments in tangible assets	0	0	0	0
Cash-flow from investment activities	364	0	364	0
FREE CASH-FLOW available to INVESTORS	-18 277	-5 699	-53 177	-23 103
<i>Financing activities</i>				
Issue of shares/other capital infusions	-26		23 193	59 552
Financing from the EU/Vinnova	0	-36	0	5 743
Cash-flow from financing activities	-26	-36	23 193	65 295
CASH-FLOW for the PERIOD	-18 303	-5 735	-29 984	42 192
Cash and cash equivalents at the beginning of the period	46 078	63 494	57 759	15 567
Cash and cash equivalents at the end of the period	27 775	57 759	27 775	57 759

Condensed Parent Company Income Statement

SEK 000's (unless otherwise specified)	1 Oct-31 Dec		1 Jan-31 Dec	
	2017	2016	2017	2016
The Parent Company Kancera AB				
<i>Revenues</i>				
Net sales	27	134	113	308
Other income	263	0	263	0
Cost of sales & services	-45	-20	-74	-63
Gross profit	245	114	302	245
<i>Operating Expenses</i>				
General & administrative expenses	-709	-653	-3 929	-2 907
Selling expenses	-209	-169	-1 446	-531
Research & development expenses	-11 241	-5 789	-51 069	-19 089
Total expenses	-12 159	-6 611	-56 444	-22 527
Operating income	-11 914	-6 497	-56 142	-22 282
<i>Income from Financial Investments</i>				
Financial net	-132	59	-55	-26
Income after financial items	-12 046	-6 438	-56 197	-22 308
Taxation	0	0	0	0
Net income	-12 046	-6 438	-56 197	-22 308

Condensed Parent Company Balance Sheet

	31 Dec	
SEK 000's (unless otherwise specified)	2017	2016
The Parent Company Kancera AB		
<i>Assets</i>		
<i>Non-current Assets</i>		
<i>Intangible assets</i>		
Capitalized R&D	18 000	6 000
<i>Tangible assets</i>		
Equipment and chemical library	632	2 028
<i>Financial assets</i>		
Shares in subsidiaries	50	50
Total non-current assets	18 682	8 078
<i>Current Assets</i>		
Work in progress	1 580	5 760
Trade receivables and other receivables	3 237	1 485
Cash and cash equivalents	27 726	57 709
Total current assets	32 543	64 954
TOTAL ASSETS	51 225	73 032
<i>Equity and Liabilities</i>		
<i>Equity</i>		
Restricted equity	12 386	10 957
Non-restricted equity	26 326	48 568
Total equity	38 712	59 525
<i>Provisions and Liabilities</i>		
Long-term liabilities	2 946	2 862
Short-term liabilities	9 567	10 645
Total provisions and liabilities	12 513	13 507
TOTAL EQUITY and LIABILITIES	51 225	73 032

NOTES

Note 1. Accounting and valuation principles

This report has been prepared in accordance with IAS 34 and the Annual Accounts Act. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. The Parent Company's accounts have been prepared in accordance with the Annual Accounts Act and the Financial Reporting Recommendation RFR 2, including a number of new or revised standards, interpretations and improvements, that have been adopted by the EU and will be applied from January 1st, 2017.

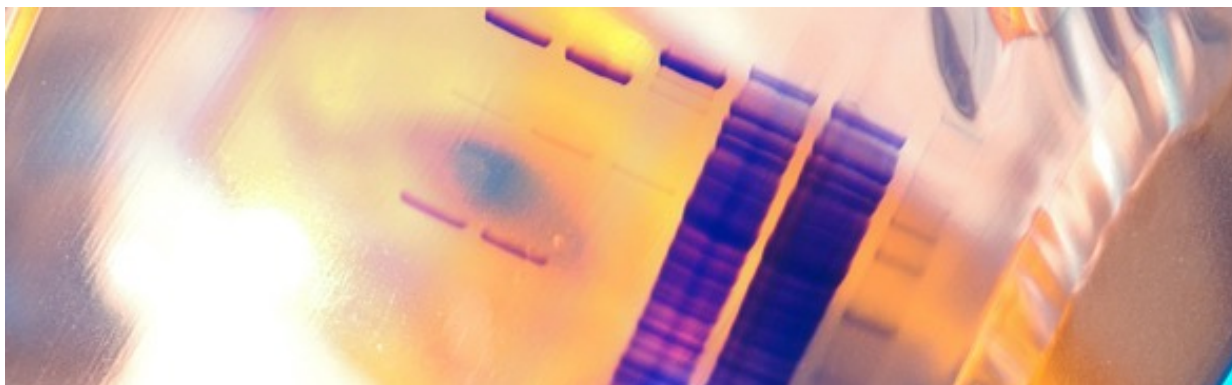
The accounting policies and accounting principles of the Group and Parent Company for the report are unchanged compared to the most recent annual report for the financial year ending 31st December 2016 and should be read together with it. None of the new or amended standards and interpretations introduced January 1st, 2017 have had a significant impact on the company's financial reporting.

During the period, capitalization of balanced development expenditure has been incurred as a part payment for the Fractalkine project. Activation of payments takes place as they become due in accordance with agreements.

Amounts are given in Swedish kronor, rounded to the nearest thousand unless otherwise stated. Rounding to the nearest thousand kronor may result in the amounts failing to match when they are summed. Amounts and figures given in brackets refer to comparative figures for the corresponding period of the previous year.

Note 2. Transactions with related parties

During the period, Kancera AB has paid compensation to Mellstedt Consulting AB for services comprising scientific advice and scientific marketing to the sum of SEK 480,000 (186,000) and SEK 227,000 (165,000) to Allmora Life Science AB. Håkan Mellstedt, a member of Kancera AB's Board of Directors is the CEO and owner of F:a Mellstadt Medical. Charlotte Edenius, Board member of Kancera AB, is CEO and owner of Allmora Life Science AB. No other remuneration has been paid to related parties apart from board fees and expenses.



Note 3. Options program

See information about employee stock option programs under the heading Financial Position and Liquidity.

Note 4. Grants awarded, to be reported at a later date

Awarding body	Amount granted, tkr	Amount paid, tkr	Reporting date
Vinnova Fractalkine	1000	1000	July 2018
EU SYNTRAIN	4 462*	2 677	Sept. 2018
Total	5 482	3 677	

*According to EUR conversion rate of 8.95 kr. The amount paid of SEK 2 677 000 corresponds to 60% of the contribution. An additional 25% of the contribution will be paid after approved reporting for period 1, submitted in September 2018, and 15% after the approved final report to be submitted in October 2020.

Note 5. The company's operations and risk factors

When assessing Kancera future development, it is important to consider risk factors alongside potential growth in earnings. Kancera's operations are affected by a number of risks that may affect Kancera's results and financial position to varying degrees. For a description of the risks associated with the Company, see the company's Annual Report 2016.

Changes in IFRS, which entered into force in 2017, have not had a material impact on the financial statements.

Changes to IFRS that enter into force 2018, IFRS 15 Revenue from agreements with customers and IFRS 9 Financial instruments are not expected to have any material impact on the Group's financial reports since Kancera AB's commissioned research for customers does not occur to a significant extent and Kancera AB does not own financial instruments or leases. The Group is investigating the impact of IFRS 16 Leases that replace IAS 17 from January 2019.

Note 6. Definitions

Alternative key ratios

In addition to the financial ratios drawn up in accordance with IFRS, Kancera presents financial key figures that are not defined in accordance with IFRS, such as return on equity, return on capital employed, cash flow per share. These alternative key ratios are considered to be important result and performance indicators for investors and other readers of the interim report. The alternative key figures should be seen as a supplement to, but not a compensation for, the financial information prepared in accordance with IFRS. Since not all companies calculate financial measurements in the same way, these are not always comparable to measurements 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 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.

Earnings per share

Profit for the period divided by the average number of shares.

Capital employed

Balance sheet total reduced by non-interest bearing liabilities.

Solidity

Shareholders' equity as a percentage of total assets.



The Board and Chief Executive Officer hereby declare that the interim report gives a true and fair view of the company's business, position and results and describes the significant risks and uncertainties faced by the company and the Group.

Stockholm 19th February 2017

Erik Nerpin
Chairman

Håkan Mellstedt
Director

Charlotte Edenius
Director

Carl-Henrik Heldin
Director

Thomas Olin
CEO/Director

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

Financial calendar

Annual report 2017:	4 May 2018
Interim Report January-March 2018:	18 May 2018
Annual General Meeting:	30 May 2018
Interim Report January-June 2018:	24 August 2018
Interim Report January-September 2018:	23 November 2018
Year end report January-December 2018:	22 February 2019

FOR FURTHER INFORMATION PLEASE CONTACT:

Thomas Olin, CEO: +46 73 520 40 01

Erik Nerpin, Chairman of the Board and Election Committee
+46 70 620 73 59

Kancera AB (publ)
Karolinska Institutet Science Park
Banvaktsvägen 22
SE 171 48 Solna

Visit the company's website at: www.kancera.com