

INTERIM REPORT FOR KANCERA AB (publ)

1st January – 30th June 2018



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THIS IS KANCERA

Kancera AB develops medicines for cancer and autoimmune diseases in laboratories at Karolinska Institutet Science Park in Stockholm and employs approximately 18 people. The share is traded on NASDAQ First North Premier. The number of shareholders amounted to approximately 7300 as per 29th June 2018.

FNCA Sweden AB is Kancera AB's Certified Advisor. MD PhD Charlotte Edenius, MD PhD Anders Gabrielsen, Professor Carl-Henrik Heldin and Professor Håkan Mellstedt are all 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 the second quarter of 2018, several key goals for the company were achieved. New patent applications strengthened the Fractalkine project, the board was supplemented with current experience from major pharmaceutical companies and the company was funded for future clinical studies.

The new issue, which gave shareholders preference, yielded approximately 48 MSEK before issue costs. The liquidity will be used primarily for the preparation and implementation of a clinical phase IIa study of KAND567, which is expected to start in the first half of 2019. Payment to guarantors and advisors took the form of units (shares as options) and cash according to a distribution reported under the heading "The share capital and the share."

While Kancera's main resources are now being invested in the Fractalkine project, Kancera's ongoing work in the ROR1, HDAC6 and PFKFB3 projects is aimed at establishing external collaborations for the further development of these projects in blood cancer (ROR1 inhibitors), ovarian cancer (PFKFB3) and HDAC6-related disease states affecting the brain.



Strengthened by Kancera's positive preclinical research findings, which show that KAND567 significantly reduces cardiac damage after infarction, and clinical trials that show that active doses can be achieved in humans, we have sought to add skills to the board in the cardiovascular field. We are therefore pleased to welcome Anders Gabrielsen as new board member. He has long experience in drug development and situation analyses in cardiovascular disease from three major pharmaceutical companies, which further strengthens Kancera's strategy work.

In the Fractalkine project, we developed two product formulations of the clinical drug candidate KAND567 in the spring. These together provide for both oral and intravenous treatment. Intravenous treatment becomes relevant in a Phase II study where KAND567 is delivered directly into the bloodstream to protect the heart when the patient arrives at the hospital after an infarction.

In May, Kancera applied for patent protection for an improved method of manufacturing products based on KAND567. In July we filed a further patent application, this time to protect new antagonists of the fractalkine system. Kancera's knowledge of these new antagonist properties is already so great that we see good opportunities to select a new drug candidate in the next year. Such a drug candidate would enable us to develop unique products against multiple diseases (such as cardiovascular disease, inflammation and cancer), which in turn strengthens Kancera in the commercialization of the Fractalkine project.

Thomas Olin
CEO Kancera AB (publ)

PERIOD 1 JAN - 30 JUNE 2018

IN BRIEF

- Net sales for the period amounted to MSEK 0.0 (0.1 million). Sales for the second quarter were 0.0 MEK (0.1 M)
- R & D expenses for the period amounted to SEK 20.8 M (25.1 M), of which the second quarter amounted to SEK 8.9 M (16.8 M)
- Operating profit for the period amounted to SEK -22.9 million (-27.7 million), of which the second quarter amounted to SEK -10.2 million (SEK -18.0 million)
- Profit after financial items for the period amounted to SEK -23.1 million (-27.7 million), of which the second quarter amounted to SEK -10.6 million (SEK -18.0 million)
- Earnings per share for the period amounted to SEK -0.15 (-0.20), of which the second quarter amounted to -0.07 SEK (-0.13)
- Cash flow from operating activities for the period amounted to SEK -13.4 million (-25.6 million), of which the second quarter amounted to SEK -3.5 million (-16.2 million)
- Shareholders' equity amounted to SEK 56.2 million (SEK 60.1 million) or SEK 0.30 (0.41) per share as per June 30, 2018
- The equity ratio at June 30, 2018 was 75 percent (79 percent). Liquid funds amounted to SEK 52.7 million (SEK 54.1 million) on 30 June 2018.

SIGNIFICANT EVENTS DURING THE SECOND QUARTER

- Kancera AB reported results from a Phase I study in healthy subjects with the immunoregulating drug candidate KAND567. The study showed that KAND567 is safe and well tolerated up to plasma concentrations that were five to ten times higher than the calculated effective level of 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 in humans.
- Kancera reported results from three preclinical disease models showing cardiovascular protection properties of KAND567.
- Kancera announced that it is now evaluating the conditions for continued clinical development of KAND567 against cancer and inflammatory heart and cardiovascular damage, e.g. in connection with infarction.
- Kancera announced that the scientific article "First-in-class oral small molecule inhibitor of the tyrosine kinase ROR1 (KAN0439834) induced significant apoptosis of chronic lymphocytic leukemia cells" was published in the journal Leukemia (Nature Publications).
- Kancera reported that the company's HDAC6 inhibitors and ROR inhibitors are effectively absorbed in the brain and bone marrow, which allows the development of these substances against new clinical uses, and that the European Patent Office has given Kancera's HDAC6 inhibitors the opportunity for rapid approval process due to its level of invention.
- Kancera reported that a patent application has been filed comprising a new synthesis pathway for KAND567 which provides an improved quality of active substance and the possibility of extended protection for a future drug. Furthermore, Kancera reported that new formulations of KAND567 have been developed for oral and intravenous administration.
- Kancera announced that the new share issue, which was decided upon at the Extraordinary General Meeting on April 20th, 2018, was subscribed to 48 MSEK (approximately 80.7 percent). The Board of Directors of Kancera estimates that this cash contribution covers the costs of the main objectives of the emission, i.e. to prepare and conduct a clinical Phase IIa study of KAND567 within the Fractalkine project.
- Kancera's Annual General Meeting on May 30th, 2018 decided that, in addition to re-election of the Board, Anders Gabrielsen will be elected as new Board member.



SIGNIFICANT EVENTS AFTER THE END OF THE SECOND QUARTER

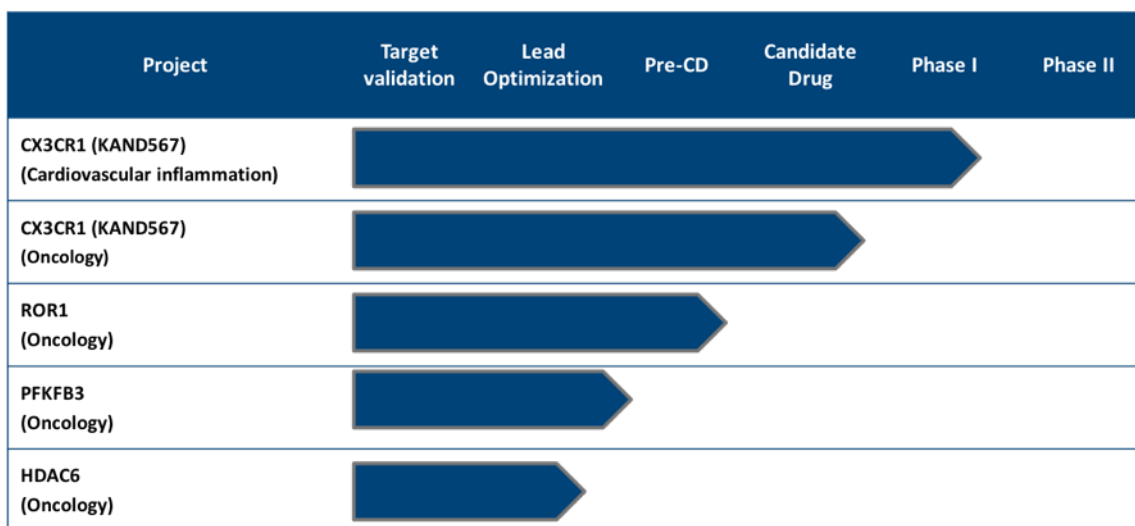
- Kancera AB (publ) has announced the submission of patent application for unique antagonists of the Fractal System. From these antagonists, Kancera intends to further develop a new drug candidate, which is estimated to take about 12 months. The development of this new drug candidate is not expected to affect the planned clinical phase IIa study of KAND567.

PHARMACEUTICAL DEVELOPMENT

The company has four drug development projects in the portfolio:

- **Antagonist of the Fractalkine Receptor CX3CR1.** Kancera is developing the small molecule drug candidate KAND567, which blocks the receptor for Fractalkine, and hence specific parts of the immune system, for treatment against cardiac injury after myocardial infarction and against aggressive blood cancer.
- **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 inhibitors for the treatment of brain tumor and other central nervous system disorders.** Inhibition of HDAC6 is primarily aimed at controlling the cell's ability to move and transport substances through the cell. In cancer this can increase sensitivity to other cancer therapies and increase the capacity of the patient's immune system to recognize and eliminate cancer cells.

Kancera's project portfolio:



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

FINANCIAL DEVELOPMENT SUMMARY

Financial development, summary

SEK 000's (unless otherwise specified)

Kancera Group

	April-June		Jan-June		1 Jan-31 De
	2018	2017	2018	2017	2017
Net turnover	0	86	0	86	113
Other operating revenues	43	0	87	0	263
Operating expenses	-10 194	-18 026	-22 960	-27 717	-56 445
R&D expenses	-8 938	-16 815	-20 777	-25 099	-51 069
Operating Income	-10 151	-17 969	-22 873	-27 660	-56 143
Income after financial items	-10 621	-17 986	-23 093	-27 650	-56 198
Net income	-10 621	-17 986	-23 093	-27 650	-56 198
Cash-flow from operating activities	-3 546	-16 209	-13 363	-25 645	-53 541
Cash on hand at closing date	52 703	54 101	52 703	54 101	27 775
Equity at closing date	56 198	60 092	56 198	60 092	38 711
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, kr	-0,07	-0,13	-0,15	-0,20	-0,39
Cash-Flow from operating activities by share, kr	-0,02	-0,12	-0,09	-0,19	-0,37
Solvency ratio	75%	79%	75%	79%	76%
Equity by share, kr	0,30	0,41	0,30	0,41	0,26
No. of employees	20	18	20	18	20

COMMENTS ON THE FINANCIAL DEVELOPMENT

Reduced costs for the period compared to the corresponding period 2017 are mainly attributable to the fact that the Phase I clinical trial initiated during the second quarter of 2017 is now completed and less expensive preclinical studies are currently being conducted as part of preparation for the planned Phase IIa study. 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.

REVENUES AND EARNINGS

Second quarter, April – June 2018

- Kancera AB's operations were mainly the development of pharmaceuticals.
- Net sales during the quarter amounted to MSEK 0.0 (0.1 million)
- Costs during the quarter amounted to SEK 10.2 million (SEK 18.0 million) divided between costs of research and development costs SEK 8.9 million (SEK 16.8 million), and other sales and administrative expenses SEK 1.3 million (SEK 1.2 million)).
- Earnings per share for the quarter, based on a weighted average of the number of outstanding shares, amounted to SEK -0.07 (-0.13).
- Profit after financial items amounted to SEK -10.6m (-18.0m) during the quarter.

Period January – June 2018

- Net sales during the fiscal year amounted to MSEK 0.0 (0.1 million)
- Costs during the period amounted to SEK 22.9 million (SEK 27.7 million) divided between costs for research and development costs SEK 20.8 million (SEK 25.1 million), and other sales and administrative expenses SEK 2.1 million (SEK 2.6 million)).
- Earnings per share for the period, based on a weighted average of the number of outstanding shares, amounted to SEK -0.15 (-0.20).
- Profit after financial items amounted to SEK -23.1 million (-27.7 million).

FINANCIAL POSITION AND LIQUIDITY

BALANCE SHEET AND CASH FLOW

Total equity amounted to SEK 56.2 million (SEK 60.1 million) as at June 30th, 2018.

Kancera AB's equity ratio as at 31st June 2018 was 75 percent (79 percent). Equity per share was SEK 0.30 (0.41).

Cash flow amounted to SEK 34,7 million (5,8 million) during the second quarter. Cash flow from operating activities amounted to SEK -3,5 million (-16,2 million) or -0.02 SEK per share (-0.12) and from financing activities to SEK 38.3 million (22 million).

Kancera AB's liquid assets amounted to SEK 52,7 million (54,1 million) as of June 30th, 2018.

PERSONNEL

Kancera AB had 20 (18) full-time employees, including 2 EU-funded doctoral students on 30th June 2018, of which 11 are men and 9 are women.

INVESTMENTS AND DEPRECIATIONS

Investments in fixed assets amounted to SEK 0 million (0 million) during the second quarter.

CURRENT INCENTIVE SCHEME

With the approval of the Extraordinary 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. They are then awarded 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

Kancera announced that the new share issue, which was decided upon at the Extraordinary General Meeting on April 20th, 2018, was subscribed to 48 MSEK (approximately 80.7 percent).

Share capital on June 30, 2018 amounted to SEK 15,719,616 divided into 188,635,392 shares with a quota value, rounded off, of SEK 0.08 per share. These data include the registration of a new issue with preferential rights in May 2018, but excludes the directed issue to guarantors and advisors of 1,907,500 shares executed in parallel with the rights issue. Guarantees and advisors were paid a total of SEK 7.3 million in cash.



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.

On the sale of a drug candidate, profits are expected to be reported which may be estimated to be tax-deductible from previous years' tax losses, which would entail a low tax burden on the Company when a project is sold. The tax deficits amounted to 173 million SEK on 31st December 2017.

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)

	April-June		Jan-June		1 Jan-31 Dec
	2018	2017	2018	2017	2017
Kancera Group					
<i>Revenues</i>					
Net sales	0	86	0	86	113
Other income	43	0	87	0	263
Cost of sales & services	0	-29		-29	-74
Gross profit	43	57	87	57	302
<i>Operating Expenses</i>					
General & administrative expenses	-953	-984	-1 592	-1 973	-3 930
Selling expenses	-303	-227	-591	-645	-1 446
Research & development expenses	-8 938	-16 815	-20 777	-25 099	-51 069
Total operating expenses	-10 194	-18 026	-22 960	-27 717	-56 445
Operating income	-10 151	-17 969	-22 873	-27 660	-56 143
<i>Income from Financial Investments</i>					
Financial net	-470	-17	-220	10	-55
Income after financial items	-10 621	-17 986	-23 093	-27 650	-56 198
Taxation	0	0	0	0	0
Net income	-10 621	-17 986	-23 093	-27 650	-56 198
Net income attributable to the shareholder's of the parent company	-10 621	-17 986	-23 093	-27 650	-56 198
Non-controlling interests	0	0	0	0	0
Average number of shares (thousands), before and after dilution	155 222	138 084	153 000	136 968	144 101
Number of shares at closing date (thousands)	188 635	145 951	188 635	145 951	148 635
Earnings per share, before and after dilution	-0,07	-0,13	-0,15	-0,20	-0,39
Comprehensive Income for the Period					
SEK 000's (if otherwise not specified)	April-June		Jan-June		1 Jan-31 Dec
	2018	2017	2018	2017	2017
Net income for the period	-10 621	-17 986	-23 093	-27 650	-56 198
Other comprehensive income, net before tax	0	0	0	0	0
Total comprehensive income for the period	-10 621	-17 986	-23 093	-27 650	-56 198
Attributable to the shareholder's of the parent company	-10 621	-17 986	-23 093	-27 650	-56 198
Non-controlling interests	0	0	0	0	0

Condensed Consolidated Statement of Financial Position

SEK 000's (unless otherwise specified)

Kancera Group

	30 June		31 Dec
	2018	2017	2017
Assets			
<i>Non-current Assets</i>			
<i>Intangible assets</i>			
Capitalized R&D	18 000	12 000	18 000
<i>Tangible assets</i>			
Equipment and chemical library	212	1 441	632
Total non-current assets	18 212	13 441	18 632
<i>Current Assets</i>			
Work in progress	1 837	6 652	1 580
Trade receivables and other receivables	2 300	1 893	3 238
Cash and cash equivalents	52 703	54 101	27 775
Total current assets	56 840	62 646	32 593
TOTAL ASSETS	75 052	76 087	51 225
<i>Equity and Liabilities</i>			
<i>Equity</i>			
Equity	56 198	60 092	38 711
<i>Provisions and Liabilities</i>			
Long-term liabilities	0	2 894	2 946
Short-term liabilities	18 854	13 101	9 568
Total provisions and liabilities	18 854	15 995	12 514
TOTAL EQUITY and LIABILITIES	75 052	76 087	51 225

Consolidated Statement of Changes in Equity

SEK 000's (unless otherwise specified)

Kancera Group	Share capital	Other capital contributions	Accumulated deficit	Total equity
Second quarter April-June 2017				
Opening balance 2017-04-01	10 957	106 032	-67 012	49 977
<i>Comprehensive income</i>				
Net income for the period			-17 986	-17 986
<i>Transactions with shareholders</i>				
Capital injections	1 205	27 231		28 436
Costs related to issue of shares		-449		-449
Employee stock option programme			114	114
Closing balance 2017-06-30	12 162	132 814	-84 884	60 092
Period januari-June 2017				
Opening balance 2017-01-01	10 957	106 032	-57 464	59 525
<i>Comprehensive income</i>				
Net income for the period			-27 650	-27 650
<i>Transactions with shareholders</i>				
Capital injections	1 205	27 231		28 436
Costs related to issue of shares		-449		-449
Employee stock option programme			230	230
Closing balance 2017-06-30	12 162	132 814	-84 884	60 092
Kancera Group, 1 jan 2018-30 juni 2018	Share capital	Other capital contributions	Accumulated deficit	Total equity
Second quarter April-June 2018				
Opening balance 2018-04-01	12 386	140 232	-126 379	26 239
<i>Comprehensive income</i>				
Net income for the period			-10 621	-10 621
<i>Transactions with shareholders</i>				
Capital injections	3 333	44 667		48 000
Costs related to issue of shares		-9 709		-9 709
Ongoing capital injection	159	2 130		2 289
Closing balance 2018-06-30	15 878	177 320	-137 000	56 198
Period januari-June 2018				
Opening balance 2018-01-01	12 386	140 232	-113 907	38 711
<i>Comprehensive income</i>				0
Net income for the period			-23 093	-23 093
<i>Transactions with shareholders</i>				0
Capital injections	3 333	44 667		48 000
Costs related to issue of shares		-9 709		-9 709
Ongoing capital injection	159	2 130		2 289
Closing balance 2018-06-30	15 878	177 320	-137 000	56 198

Condensed Consolidated Statement of Cash-Flow

	April-June		Jan-June		1 Jan-31 Dec
SEK 000's (unless otherwise specified)	2018	2017	2018	2017	2017
Kancera Group					
<i>Cash-flow from operating activities</i>					
Operating income after financial items	-10 621	-17 986	-23 093	-27 650	-56 198
Depreciation	162	293	419	586	1 168
Taxes paid	-67	-67	-184	-126	-258
Other non-cash-flow affecting items	171	96	171	104	139
Cash-flow from operating activities before working capital change	-10 355	-17 664	-22 687	-27 086	-55 149
Change in working capital	6 809	1 455	9 324	1 441	1 608
Cash-flow from operating activities	-3 546	-16 209	-13 363	-25 645	-53 541
<i>Investment activities</i>					
Sale of tangible assets	0	0	0	0	364
Investments in tangible assets	0	0	0	0	0
Cash-flow from investment activities	0	0	0	0	364
FREE CASH-FLOW available to INVESTORS	-3 546	-16 209	-13 363	-25 645	-53 177
<i>Financing activities</i>					
Issue of shares/other capital infusions	38 291	21 987	38 291	21 987	23 193
Financing from the EU/Vinnova	0	0	0	0	0
Cash-flow from financing activities	38 291	21 987	38 291	21 987	23 193
CASH-FLOW for the PERIOD	34 745	5 778	24 928	-3 658	-29 984
Cash and cash equivalents at the beginning of the period	17 958	48 323	27 775	57 759	57 759
Cash and cash equivalents at the end of the period	52 703	54 101	52 703	54 101	27 775

Condensed Parent Company Income Statement

	April-June		Jan-June		1 Jan-31 Dec
SEK 000's (unless otherwise specified)	2018	2017	2018	2017	2017
The Parent Company Kancera AB					
<i>Revenues</i>					
Net sales	0	86	0	86	113
Other income	43	0	87	0	263
Cost of sales & services	0	-29	0	-29	-74
Gross profit	43	57	87	57	302
<i>Operating Expenses</i>					
General & administrative expenses	-954	-984	-1 592	-1 973	-3 929
Selling expenses	-303	-227	-591	-645	-1 446
Research & development expenses	-8 938	-16 815	-20 777	-25 099	-51 069
Total expenses	-10 195	-18 026	-22 960	-27 717	-56 444
Operating income	-10 152	-17 969	-22 873	-27 660	-56 142
<i>Income from Financial Investments</i>					
Financial net	-470	-17	-220	10	-55
Income after financial items	-10 622	-17 986	-23 093	-27 650	-56 197
Taxation	0	0	0	0	0
Net income	-10 622	-17 986	-23 093	-27 650	-56 197

Condensed Parent Company Balance Sheet

	30 June		31 Dec
SEK 000's (unless otherwise specified)	2018	2017	2017
The Parent Company Kancera AB			
<i>Assets</i>			
<i>Non-current Assets</i>			
<i>Intangible assets</i>			
Capitalized R&D	18 000	12 000	18 000
<i>Tangible assets</i>			
Equipment and chemical library	212	1 441	632
Total non-current assets	-	-	-
<i>Financial assets</i>			
Shares in subsidiaries	50	50	50
Total non-current assets	18 262	13 491	18 682
<i>Current Assets</i>			
Work in progress	1 837	6 652	1 580
Trade receivables and other receivables	2 300	1 893	3 237
Cash and cash equivalents	52 656	54 052	27 726
Total current assets	56 793	62 597	32 543
TOTAL ASSETS	75 055	76 088	51 225
<i>Equity and Liabilities</i>			
<i>Equity</i>			
Restricted equity	18 009	12 163	12 386
Non-restricted equity	38 192	47 930	26 326
Total equity	56 201	60 093	38 712
<i>Provisions and Liabilities</i>			
Long-term liabilities	0	2 894	2 946
Short-term liabilities	18 854	13 101	9 567
Total provisions and liabilities	18 854	15 995	12 513
TOTAL EQUITY and LIABILITIES	75 055	76 088	51 225

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 have been applied since 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.

As of January 1, 2018, Kancera applies IFRS 9 Financial Instruments and IFRS 15 Revenues from agreements with customers. IFRS 15 has not had a material impact on the Group's financial reports as Kancera AB does not carry out to commissioned research for customers to a significant extent. IFRS 9 has not had any effect on the Group since the Group's financial instruments consist of accounts receivable and other receivables and borrowings reported at accrued acquisition value.

IFRS 16 Leases that replace IAS 17 will be applied as of January 1st, 2019. The management team is currently working on mapping the Group lease agreements to investigate the effects that this standard may have on the Group's financial statements.

The company continuously invests in research and development projects that increase the company's knowledge of technology and where patent applications for technology can also be included. These investments are registered, including costs for preclinical and clinical studies and patents, when project costs are activated. This takes place at the time when the project is expected to be commercialized, which has not yet taken place.

During 2017, capitalization of balanced development expenditure has been used for part payment of the Fractalkine project. Activation of payments occurs as they are updated in accordance with agreements.

Amounts are given in Swedish kronor, rounded to the nearest thousand unless otherwise stated. Rounding to thousands of kronor may mean that the amounts do not match if they are summed up. 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 been paid compensation to Mellstedt Consulting AB for comprehensive services within scientific advice and scientific marketing to a sum of SEK 180,000 (240,000), SEK 36,000 (180,000) to Allmora Life Science AB and SEK 30,000 to Fomaga AB. Håkan Mellstedt, board member of Kancera AB is the CEO and owner of Mellstedt Consulting AB. Charlotte Edenius, Board member of Kancera AB, is CEO and owner of Allmora Life Science AB. Anders Gabrielsen, Board member is Deputy CEO of Fomaga AB. No other remuneration has been paid to related parties in addition to 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 page 19 in the company's Annual Report 2017.



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 24th August 2018

Erik Nerpin
Chairman

Håkan Mellstedt
Director

Charlotte Edenius
Director

Carl-Henrik Heldin
Director

Anders Gabrielsen
Director

Thomas Olin
CEO/Director

This report has been subjected to a general overview by the company's auditors.

Financial calendar

Interim Report January-September 2018:
Year end report January-December 2018:

23rd November 2018
22nd 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