

INTERIM REPORT FOR KANCERA AB (publ)

1st January – 30th September 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

In the Fractalkine project, we have strengthened our patent protection against competition and conducted a series of studies aimed at both preparing for Phase IIa cardiovascular patients and evaluating the possibility of an effect on blood cancer (lymphoma).

The protection has been further strengthened after our patenting of a new series of Fractalkine blockers that allow for the development of several independent products within the project.

Prior to the cardiac study in humans, the choice of intravenous dosing with KAND567 has been evaluated for efficacy and safety. The effect has been evaluated in a disease model of myocardial infarction and safety in a toxicological GLP study. The efficacy study showed that lower doses than expected provide a significant heart-protecting effect. Preliminary results from the toxicology study provide evidence pointing towards the safety of the calculated effective dose of KAND567 (final results from this study are expected in January). The next step in the preparation is the start of manufacturing KAND567 for intravenous treatment in clinical trials, which will occur within a few weeks. This means that the application for authorization for implementation of Fas Ib is planned to be submitted to the Medical Products Agency during the first quarter and completed during the second quarter of 2019 and that the corresponding Phase IIa application is scheduled for submission during the second quarter.



In May, we started a biomarker study (Phase 0) in lymphoma patients together with partners at Karolinska Hospital and the Institute. The aim of the study is to investigate whether there are groups of lymphoma patients in which the Fractalkine system is activated and possibly pervasive in the disease. Recruitment of patients has proceeded at a high rate in parallel with immunological analysis of blood samples. This means that sample collection can be completed in December and be analyzed in January. The results will determine whether continued evaluation of the role of the Fractalkine system in cancer continues toward lymphoma or focuses on the EU-funded solid tumor research project.

Interest in how Fractalkine affects various diseases in humans increases with continuous research progress, in the field of dementia and nerve pain amongst others. This has resulted in an invitation to participate in a further EU-funded research project with European research groups and pharmaceutical companies with the above focus. Kancera has participated in the application for this now approved EU project, starting in the spring of 2019.

The fact that Kancera is developing in the right direction we believe also forms the basis for the interest from the family-owned company GC Finance to invest in the company. The intention is to use capital injection from GC F (to be decided by an extraordinary general meeting) to expand to evaluate additional indications for the portfolio of Fractalkine blockers, expand clinical studies and for operations.

Thomas Olin
CEO Kancera AB (publ)

PERIOD JAN - SEPTEMBER 2018, AND THIRD QUARTER IN BRIEF

- Net sales for the period (January to September) amounted to SEK 0.1 million (SEK 0.1 million) of which the third quarter amounted to SEK 0.1 million (SEK 0.0 million).
- R & D expenses for the period amounted to SEK 31.3 million (SEK 39.8 million), of which Q3 amounted to SEK 10.5 million (SEK 14.7 million).
- Operating profit for the period amounted to SEK -33.5 million (SEK -44.2 million), of which third quarter amounted to SEK -10.6 million (SEK -16.6 million).
- Profit after financial items for the period amounted to SEK -33.8 million (SEK -44.2 million), of which third quarter amounted to SEK -10.7 million (SEK -16.5 million).
- Earnings per share for the period amounted to SEK -0.21 (-0.31), of which third quarter amounted to -0.06 SEK (-0.12).
- Cash flow from operating activities for the period amounted to SEK -31.2 million (-34.9 million), of which third quarter amounted to SEK -17.8 million (SEK -9.3 million).
- Shareholders' equity amounted to SEK 45.5 million (SEK 44.8 million) as of 30 September 2018, or SEK 0.24 (0.3) per share.
- The equity ratio at September 30th, 2018 was 77 percent (65 percent). Liquid funds amounted to SEK 34.8 million (SEK 46.1 million) on September 30th, 2018.

SIGNIFICANT EVENTS DURING THE THIRD QUARTER

- Kancera AB (publ) announced that unique blockers of the Fractal System have been patented. From the patented blockers, Kancera intends to further develop a new drug candidate, which is estimated to take about 12 months.
- Kancera provided an operational update for the Fractalkine project as follows
 - Research results show that blockade of the Fractal system can be expected to protect both heart and kidney function in inflammation
 - Clinical studies focusing on cardiovascular inflammation of myocardial infarction are expected to start in the first half of 2019
 - Kancera's research in cancer continues with a focus on lymphoma (biomarker study scheduled for completion in the fourth quarter of 2018) and ovarian cancer (EU-funded preclinical research), while the Vinnova-funded study of neuroblastoma has been reported and completed.
- Kancera announced that the company is reorganizing to focus on Fractalkine projects.
- Kancera announced that results of cooperation with Karolinska Institutet were published in the journal Nature Communications under the title "Targeting PFKFB3 radiosensitizes cancer cells and suppresses homologous recombination".



SIGNIFICANT EVENTS AFTER THE END OF THE THIRD QUARTER

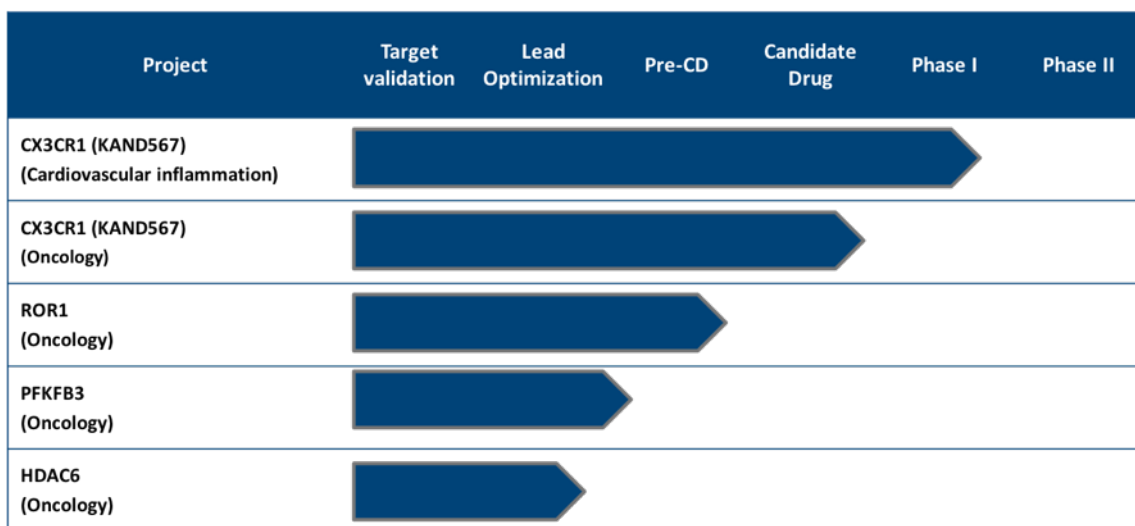
- Kancera has reported that the company has registered a patent application (EP18205819.8) for a third series of novel substances that selectively inhibit the enzyme HDAC6 for the treatment of inflammation and cancer.
- In the framework of EU research program Horizon 2020, Kancera has been awarded a research grant of a total of approximately 250,000 Euro for funding a doctoral student in order to explore the role of the Fractalkine system in the development of pain in arthritis.
- Kancera has announced that terms have been developed for shareholders' investment decisions in the company by Global Corporate Finance Inc. (GCF), New York. The investment, which covers a maximum of SEK 60 million over 30 months, is intended to take place in tranches (rounds) of which Kancera determines the timing.
- Kancera hereby provides a status update for the Fractalkine project:
 - New effect study in animal model of myocardial infarction showed that lower doses than expected give a significant cardiovascular effect
 - Preliminary results from the GLP toxicology study showed that the calculated effective dose of KAND567 was safe (final results from this study are expected in January).
 - Phase 0 study in lymphoma patients will be completed in December and the analyzes are expected to be completed in January 2019.

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

	July-Sept		July-Sept		1 Jan-31 De
	2018	2017	2018	2017	2017
Net turnover	63	0	63	86	113
Other operating revenues	317	0	404	0	263
Operating expenses	-10 961	-16 568	-33 921	-44 285	-56 445
R&D expenses	-10 481	-14 729	-31 258	-39 828	-51 069
Operating Income	-10 622	-16 568	-33 495	-44 228	-56 143
Income after financial items	-10 742	-16 501	-33 835	-44 151	-56 198
Net income	-10 742	-16 501	-33 835	-44 151	-56 198
Cash-flow from operating activities	-17 865	-9 255	-31 228	-34 899	-53 541
Cash on hand at closing date	34 838	46 079	34 838	46 079	27 775
Equity at closing date	45 456	44 772	45 456	44 772	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	-0,06	-0,12	-0,21	-0,31	-0,39
Cash-Flow from operating activities by share, kr	-0,09	-0,07	-0,19	-0,25	-0,37
Solvency ratio	77%	65%	77%	65%	76%
Equity by share, kr	0,24	0,31	0,24	0,31	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 the second quarter, 2016, in accordance with IAS 34 and the Annual Accounts Act.

REVENUES AND EARNINGS

Third quarter, July – September 2018

- Kancera AB's operations were mainly the development of pharmaceuticals.
- Net sales during the quarter amounted to SEK 0.1 million (SEK 0.0 million)
- Costs during the quarter amounted to SEK 11.0 million (SEK 16.6 million), distributed between research and development costs SEK 10.5 million (SEK 14.7 million), and other sales and administrative expenses SEK 0.5 million (SEK 1.9 million).
- Earnings per share for the quarter, based on a weighted average of the number of outstanding shares, amounted to SEK -0.06 (-0.12).
- The result after financial items amounted to SEK -10.7 million (SEK -16.5 million) during the quarter.

Period January – September 2018

- Net sales during the fiscal year amounted to SEK 0.1 million (SEK 0.1 million)
- Costs during the period amounted to SEK 33.9 million (SEK 44.3 million), distributed between research and development costs, SEK 31.3 million (SEK 39.8 million), and other sales and administrative expenses SEK 2.6 million (SEK 4.5 million).
- Earnings per share for the period, based on a weighted average of the number of outstanding shares, amounted to SEK -0.21 (SEK -0.31).
- Profit after financial items amounted to SEK -33.8 million (SEK -44.2 million).

FINANCIAL POSITION AND LIQUIDITY

BALANCE SHEET AND CASH FLOW

Total equity amounted to SEK 45.5 million (SEK 44.8 million) as at 30th September 2018.

Kancera AB's equity ratio as of 30th September 2018 was 77 percent (65 percent). Equity per share was SEK 0.24 (SEK 0.31).

Cash flow amounted to SEK -17.8 million (SEK -8.0 million) during the third quarter. Cash flow from operating activities amounted to SEK -17.9 million (SEK -9.3 million) or -0.09 SEK per share (-0.07) and from financing activities amounted to SEK 0.1 million (SEK 1.2 million).

Kancera AB's liquid assets amounted to SEK 34.8 million (SEK 46.1 million) as at 30th September 2018.

PERSONNEL

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

INVESTMENTS AND DEPRECIATIONS

Investments in fixed assets amounted to SEK 0.0 M (0.0 M) in the third 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 22nd September to 5th 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 September 30th, 2018 amounted to SEK 15,878,574 divided into 190,542,892 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, as well as the targeted issue of warrants to guarantors and advisors of 1,907,500 shares executed in parallel with the rights issue. Guarantors and advisors 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 SEK 173 million 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)

	July-Sept		July-Sept		1 Jan-31 Dec
	2018	2017	2018	2017	2017
Kancera Group					
<i>Revenues</i>					
Net sales	63	0	63	86	113
Other income	317	0	404	0	263
Cost of sales & services	-41	0	-41	-29	-74
Gross profit	339	0	426	57	302
<i>Operating Expenses</i>					
General & administrative expenses	-209	-1 247	-1 801	-3 220	-3 930
Selling expenses	-271	-592	-862	-1 237	-1 446
Research & development expenses	-10 481	-14 729	-31 258	-39 828	-51 069
Total operating expenses	-10 961	-16 568	-33 921	-44 285	-56 445
Operating income	-10 622	-16 568	-33 495	-44 228	-56 143
<i>Income from Financial Investments</i>					
Financial net	-120	67	-340	77	-55
Income after financial items	-10 742	-16 501	-33 835	-44 151	-56 198
Taxation	0	0	0	0	0
Net income	-10 742	-16 501	-33 835	-44 151	-56 198
Net income attributable to the shareholder's of the parent company	-10 742	-16 501	-33 835	-44 151	-56 198
Non-controlling interests	0	0	0	0	0
Average number of shares (thousands), before and after dilution	190 289	138 084	163 261	141 417	144 101
Number of shares at dosing date (thousands)	190 542	145 951	190 542	145 951	148 635
Earnings per share, before and after dilution	-0,06	-0,12	-0,21	-0,31	-0,39
Comprehensive Income for the Period					
SEK 000's (if otherwise not specified)	July-Sept		July-Sept		1 Jan-31 Dec
	2018	2017	2018	2017	2017
Net income for the period	-10 742	-16 501	-33 835	-44 151	-56 198
Other comprehensive income, net before tax	0	0	0	0	0
Total comprehensive income for the period	-10 742	-16 501	-33 835	-44 151	-56 198
Attributable to the shareholder's of the parent company	-10 742	-16 501	-33 835	-44 151	-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 Sept		31 Dec
	2018	2017	2017
Assets			
Non-current Assets			
<i>Intangible assets</i>			
Capitalized R&D	18 000	18 000	18 000
<i>Tangible assets</i>			
Equipment and chemical library	145	1 148	632
Total non-current assets	18 145	19 148	18 632
Current Assets			
Work in progress	2 282	714	1 580
Trade receivables and other receivables	3 522	3 054	3 238
Cash and cash equivalents	34 838	46 079	27 775
Total current assets	40 642	49 847	32 593
TOTAL ASSETS	58 787	68 995	51 225
Equity and Liabilities			
Equity			
Equity	45 456	44 772	38 711
Provisions and Liabilities			
Long-term liabilities	3 079	2 862	2 946
Short-term liabilities	10 252	21 361	9 568
Total provisions and liabilities	13 331	24 223	12 514
TOTAL EQUITY and LIABILITIES	58 787	68 995	51 225

Consolidated Statement of Changes in Equity

SEK 000's (unless otherwise specified)

Kancera Group

Kancera group 1 Jan 2017-30 Sept 2017

Third quarter July-Sept 2017

	Share capital	Other capital contributions	Accumulated deficit	Total equity
Opening balance 2017-07-01	12 162	132 814	-84 884	60 092
<i>Comprehensive income</i>				
Net income for the period			-16 501	-16 501
<i>Transactions with shareholders</i>				
Capital injections	57	1 175		1 232
Costs related to issue of shares				0
Employee stock option programme			-52	-52
Closing balance 2017-09-30	12 219	133 989	-101 437	44 771

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			-44 151	-44 151
<i>Transactions with shareholders</i>				
Capital injections	1 262	28 406		29 668
Costs related to issue of shares		-449		-449
Employee stock option programme			178	178
Closing balance 2017-09-30	12 219	133 989	-101 437	44 771

Kancera group 1 Jan 2018-30 Sept 2018

	Share capital	Other capital contributions	Accumulated deficit	Total equity
Third quarter July-Sept 2018				
Opening balance 2018-07-01	15 879	177 320	-137 001	56 198
<i>Comprehensive income</i>				
Net income for the period			-10 742	-10 742
<i>Transactions with shareholders</i>				
Capital injections				0
Costs related to issue of shares				0
Ongoing capital injection				0
Closing balance 2018-09-30	15 879	177 320	-147 743	45 456

Period Jan-Sept 2018

Opening balance 2018-01-01	12 386	140 232	-113 908	38 710
<i>Comprehensive income</i>				0
Net income for the period			-33 835	-33 835
<i>Transactions with shareholders</i>				0
Capital injections	3 493	46 797		50 290
Costs related to issue of shares		-9 709		-9 709
Ongoing capital injection				0
Closing balance 2018-09-30	15 879	177 320	-147 743	45 456

Condensed Consolidated Statement of Cash-Flow

SEK 000's (unless otherwise specified)	July-Sept		July-Sept		1 Jan-31 Dec
	2018	2017	2018	2017	2017
Kancera Group					
<i>Cash-flow from operating activities</i>					
Operating income after financial items	-10 742	-16 501	-33 835	-44 151	-56 198
Depreciation	0	294	419	880	1 168
Taxes paid	0	0	-184	-126	-258
Other non-cash-flow affecting items	0	74	171	178	139
Cash-flow from operating activities before working capital change	-10 742	-16 133	-33 429	-43 219	-55 149
Change in working capital	-7 123	6 878	2 201	8 320	1 608
Cash-flow from operating activities	-17 865	-9 255	-31 228	-34 899	-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	-17 865	-9 255	-31 228	-34 899	-53 177
<i>Financing activities</i>					
Issue of shares/other capital infusions	47	1 233	38 291	23 219	23 193
Financing from the EU/Vinnova	0	0	0	0	0
Cash-flow from financing activities	47	1 233	38 291	23 219	23 193
CASH-FLOW for the PERIOD	-17 818	-8 022	7 063	-11 680	-29 984
Cash and cash equivalents at the beginning of the period	52 656	54 101	27 775	57 759	57 759
Cash and cash equivalents at the end of the period	34 838	46 079	34 838	46 079	27 775

Condensed Parent Company Income Statement

SEK 000's (unless otherwise specified)	July-Sept		July-Sept		1 Jan-31 Dec
	2018	2017	2018	2017	2017
The Parent Company Kancera AB					
<i>Revenues</i>					
Net sales	63	0	63	86	113
Other income	317	0	404	0	263
Cost of sales & services	-41	0	-41	-29	-74
Gross profit	339	0	426	57	302
<i>Operating Expenses</i>					
General & administrative expenses	-209	-1 247	-1 801	-3 220	-3 929
Selling expenses	-271	-592	-862	-1 237	-1 446
Research & development expenses	-10 481	-14 729	-31 258	-39 828	-51 069
Total expenses	-10 961	-16 568	-33 921	-44 285	-56 444
Operating income	-10 622	-16 568	-33 495	-44 228	-56 142
<i>Income from Financial Investments</i>					
Financial net	-120	67	-340	77	-55
Income after financial items	-10 742	-16 501	-33 835	-44 151	-56 197
Taxation	0	0	0	0	0
Net income	-10 742	-16 501	-33 835	-44 151	-56 197

Condensed Parent Company Balance Sheet

	30 Sept		31 Dec
<i>SEK 000's (unless otherwise specified)</i>	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	18 000	18 000
<i>Tangible assets</i>			
Equipment and chemical library	145	1 148	632
<i>Financial assets</i>			
Shares in subsidiaries	50	50	50
Total non-current assets	18 195	19 198	18 682
<i>Current Assets</i>			
Work in progress	2 282	714	1 580
Trade receivables and other receivables	3 522	3 054	3 237
Cash and cash equivalents	34 791	46 029	27 726
Total current assets	40 595	49 797	32 543
TOTAL ASSETS	58 790	68 995	51 225
<i>Equity and Liabilities</i>			
<i>Equity</i>			
Restricted equity	15 879	12 220	12 386
Non-restricted equity	29 580	32 552	26 326
Total equity	45 459	44 772	38 712
<i>Provisions and Liabilities</i>			
Long-term liabilities	3 079	2 862	2 946
Short-term liabilities	10 252	21 361	9 567
Total provisions and liabilities	13 331	24 223	12 513
TOTAL EQUITY and LIABILITIES	58 790	68 995	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 9 has not had any effect on the Group since the Group's financial instruments, which consist of accounts receivable and other receivables and borrowings reported at accrued acquisition value do not occur to any significant extent. IFRS 15 has not had a material impact on the Group's financial reports as Kancera AB does not carry out commissioned research for customers to any significant extent.

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 270,000 (240,000), SEK 76,000 (195,000) to Allmora Life Science AB and SEK 30,000 (0 kr) 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
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 23rd November 2018

Erik Nerpin
Chairman

Håkan Mellstedt
Director

Charlotte Edenius
Director

Carl-Henrik Heldin
Director

Anders Gabrielsen
Director

Thomas Olin
CEO/Director

This report has not been subjected to inspection by the company's auditors.

Financial calendar

Year-end report January-December 2018:	February 22 nd , 2019
Annual Report 2018:	May 3 rd 2019
Interim report January-March 2019:	May 24 th , 2019
Annual General Meeting 2019:	May 27 th 2019
Interim Report January-June 2019:	August 23 rd , 2019
Interim Report January-September 2019:	November 22 nd , 2019
Year-end report January-December 2019:	February 21 st , 2020

FOR FURTHER INFORMATION PLEASE CONTACT:

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