

# Interim report for the second quarter 2019

1 January – 30 June 2019

Kancera AB (publ.), org.nr. 556806-8851

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## This is Kancera

Kancera develops drugs against inflammatory diseases and cancer. Demonstrated effect on the Fractalkine system in humans has strengthened the basis for continued clinical development in a Phase II study.

Kancera develops drugs that counteract damage during acute and chronic inflammation. The Fractalkine blocker KAND567 has primarily been developed to effectively and selectively reduce inflammation of the heart and vessels following a heart attack and is expected to enter the clinical phase II study in 2019. Since scientific studies have shown elevated levels of Fractalkine not only in heart attacks, but also in inflammatory diseases and some forms of cancer, there are several possible development opportunities for a Fractalkine inhibitor such as KAND567.

Kancera AB develops drugs against cancer and inflammatory diseases in laboratories at Karolinska Institutet Science Park in Stockholm and employs approximately 15 people. The share is traded on NASDAQ First North Premier. The number of shareholders as of 30 June 2019 to approximately 7400. FNCA Sweden AB is the company's Certified Adviser. FNCA can be reached at [info@fnca.se](mailto:info@fnca.se) and on 08-528 00 399. MD PhD Charlotte Edenius, MD PhD Anders Gabrielsen, Professor Carl-Henrik Heldin and Professor Håkan Mellstedt are all scientific advisors and board members of Kancera AB.

### Business model

To develop patent-protected drugs, which can extend life and reduce healthcare costs, for sales to the international pharmaceutical industry and further clinical trials.

Out-licensing of drug candidates is expected to take place against partial payments on signing and milestones in product development (typically when initiating clinical phase I, II, III and when registering) and royalty income.

### Background

Kancera's team has extensive experience in drug research from discoveries of new disease processes to clinical development within AstraZeneca, Biovitrum (formerly Pharmacia) and Karolinska Institutet. Kancera has mainly focused on inflammatory diseases and cancer, both for its own drug development and as research consultants. As research consultants, Kancera's team has carried out projects for both pharmaceutical companies and biotech companies in the US and Europe. These assignments include the development of the chemistry that laid the foundation for Enasidenib, a drug that has been marketed by Celgene for the treatment of lymphoma (AML) since 2017.

NASDAQ approved Kancera AB for admission to trading on First North with the first day of trading on February 25, 2011. In March 2013, Kancera AB acquired a complete development laboratory, since when drug development has taken place in-house at Karolinska Institutet Science Park, Stockholm. In connection with listing on the Nasdaq First North Premier list on October 28, 2016, the subsidiary Kancera Förvaltning AB was formed, after which Kancera AB from the beginning of the second quarter of 2016 moved over to accounting in accordance with IFRS in the Group and RFR2 in the Parent Company.

## Second quarter in brief

1 April – 30 June 2019

- Net sales for the period (January to June) amounted to SEK 3,1 Million (0 Million) of which the second quarter contributed SEK 0 Million (0 Million).
- R&D costs for the period amounted to SEK 20,3 Million (20,8 Million) of which the second quarter contributed SEK 10,1 Million (8,9 Million).
- Operating profit for the period amounted to SEK -20,6 Million (-22,9 Million) of which the second quarter contributed SEK -12,7 Million (-10,2 Million).
- Profit after financial items for the period amounted to SEK -20,8 Million (-23,1 Million) of which the second quarter contributed SEK 9 Million (10,6 Million).
- Earnings per share for the period amounted to SEK -0,11 (-0,15) of which the second quarter contributed SEK -0,06 (-0,07).
- Cash flow from operating activities for the period amounted to SEK -21,0 Million (-13,4 Million) of which the second quarter contributed SEK -13,7 Million (-3,5 Million).
- Shareholders' equity as of 30 June 2019 was SEK 19,3 Million (56,2 Million) or SEK 0,10 (0,30) per share.
- The equity/assets ratio as of 30 June 2019 was 53 percent (75 percent).
- Cash and cash equivalents on 30 June 2019 amounted to SEK 8,9 Million (52,7 Million).
- Liquid funds exclude payment for a directed issue to Global Corporate Finance of \$ 398,125 which was registered and paid during July 2019.

## Significant events during the second quarter

- Kancera has reported that the company's project portfolio was further strengthened by nominating the drug candidate KAND145. Together with the clinical drug candidate KAND567, KAND145 is covered by a patent application from July 2018 and forms the basis of a new concept for the treatment of acute and chronic inflammation.
- Kancera announced that two patent applications within the Fractalkine project are now entering international phase. The patent applications include a new production method and a new series of blockers of the Fractalkine system, including KAND145.
- Kancera announced that the European Society of Cardiology selected Kancera's research for its "outstanding quality", which will result in an oral presentation as part of the session for "New treatments for acute heart conditions" at the major ESC 2019 meeting in September.
- On June 20, Kancera announced positive interim results from the ongoing Phase Ib study of KAND567. The first exploratory part of the study shows that KAND567 has a good safety profile in the short-term intravenous infusion and that the calculated effective plasma concentration can be achieved according to plan. To achieve the required tolerability for long-term infusion, the ratio of infusion rate to concentration of KAND567 in the infusion solution will be adjusted. This adjustment implies that estimated reporting of the results will be in November this year.
- Kancera announced that the agreement with US Global Corporate Finance (GCF) was used to decide on two new issues of a total of 10,000,000 shares (of which 5,000,000 shares were registered and paid in July) against payment of a total of \$ 886 887, supported by authorization of the extraordinary Annual General Meeting on December 13, 2018 and the Annual General Meeting on May 27, 2019.

## Significant events after the end of the second quarter

- Kancera has announced that the third and final installment payment for the Fractalkine project and KAND567 has been made in accordance with the acquisition agreement. The payment that has been activated in connection with the ongoing Phase Ib study is made through a new issue of two million of the company's shares to Acturum AB.
- Kancera has announced that the company's clinical Phase Ib study according to plan will start again today. The aim is to report the study in November 2019. Kancera also announces new financing through a third new issue of 5,000,000 shares in accordance with the agreement with US Global Corporate Finance.

## CEO statement

### Kanceras research is recognized for "outstanding quality" by the European Society of Cardiology

Each year, 2 million people suffer from heart attacks in the United States and the EU. A quarter of these die or suffer from further serious heart disease within five years. The need for new treatments that can reduce the risk of complications and relapses is therefore great. Kancera's drug candidate KAND567 prevents the injuries that normally occur in a heart attack in a whole new way, something that is now becoming internationally recognized.

When the European Society of Cardiology (ESC) has its annual conference in September, Kancera's research has been selected for its "outstanding quality". ESC is the biggest scientific meeting of the year in the cardiovascular field, and the meeting brings together both researchers and global industrial players. This recognition means that we will present our preclinical results for KAND567 during a session on future treatments for acute heart disease.

The Fractalkine project, with KAND567 at the forefront, is of interest because our approach builds on the relatively new insight that the acute inflammation that occurs in a heart attack actually causes half of the serious tissue damage in a heart attack. We have reported the overall results in the past, but our position is strengthened when we now have the opportunity to describe them in more detail and to discuss them with the world's leading researchers in the field.

At the same time, the development of the project continues. During the second quarter we have both started the Phase Ib study of intravenously administered KAND567 and obtained the first interim results. In this study, KAND567 is given as an infusion to 27 healthy subjects to evaluate safety, tolerance and exposure. The purpose is to show that intravenously administered KAND567 has as good a safety profile as when the drug candidate is given orally.



The first interim results from the phase 1b study were positive and showed that KAND567 has a good safety profile for shorter infusions and that the calculated effective plasma concentration can be achieved according to plan. However, the follow-up part of the study showed that there was local irritation at the infusion site when the infusion was given for a prolonged period. This is likely to be avoided if you adjust the ratio of the concentration to the speed applied by KAND567. As such an adjustment requires a supplementary approval from the Swedish Medicines Agency, the final results of the phase 1b study will be completed somewhat later than we previously planned for, and we now expect to be able to report the results in November this year.

In connection with the start of the phase 1b study, the third and final payment to Acturum AB for the Fractalkine project was activated. The payment was completed after the end of the second quarter, in mid-July, through a new issue of two million shares to Acturum AB. During the second quarter, Kancera AB also completed two private placements of 5,000,000 shares each to Global Corporate Finance, supported by authorization from the Annual General Meeting on May 27, 2019.

In parallel with the development of KAND567, we recently put forward another drug candidate in the Fractalkine project, KAND145. With another drug candidate, it is possible to develop separate drugs for different uses. At the end of the second quarter, we were able to report that two patent applications linked to KAND567 and KAND145 entered the international phase, which contributes to a stable foundation for continued product development.

However, the focus now is on completing the phase 1b study with intravenously administered KAND567 and then purposefully working to demonstrate in a phase IIa clinical study the cardiac protective effect of KAND567 in patients affected by infarction.

Solna, 23 August 2019

Kancera AB

Thomas Olin, CEO





## Drug development

Kancera's project portfolio comprises five drug projects.  
One project is in clinical phase and four are in preclinical phase.

The drug candidate KAND567 is now being prepared for a Phase II clinical trial to test an entirely new treatment strategy to protect heart function after infarction. Although myocardial infarction is still one of the most common causes of life-threatening chronic disease, there has been a real lack of innovation in the area, until now.

New knowledge suggests that an overreaction by the immune system is behind several types of cardiovascular diseases and that KAND567 can block this disease process. Since scientific studies have also shown that similar immunologic over-reactions lie behind several forms of inflammatory diseases and certain cancers, there is significant potential for expansion of Kancera's Fractalkine-inhibiting drug candidates.

The year 2018 began with the reporting of Kancera's first clinical study with KAND567 in healthy subjects. In addition, an agreement was entered into between Kancera and the pharmaceutical company Grünenthal on the further development of Kancera's HDAC project in the field of neuritis.

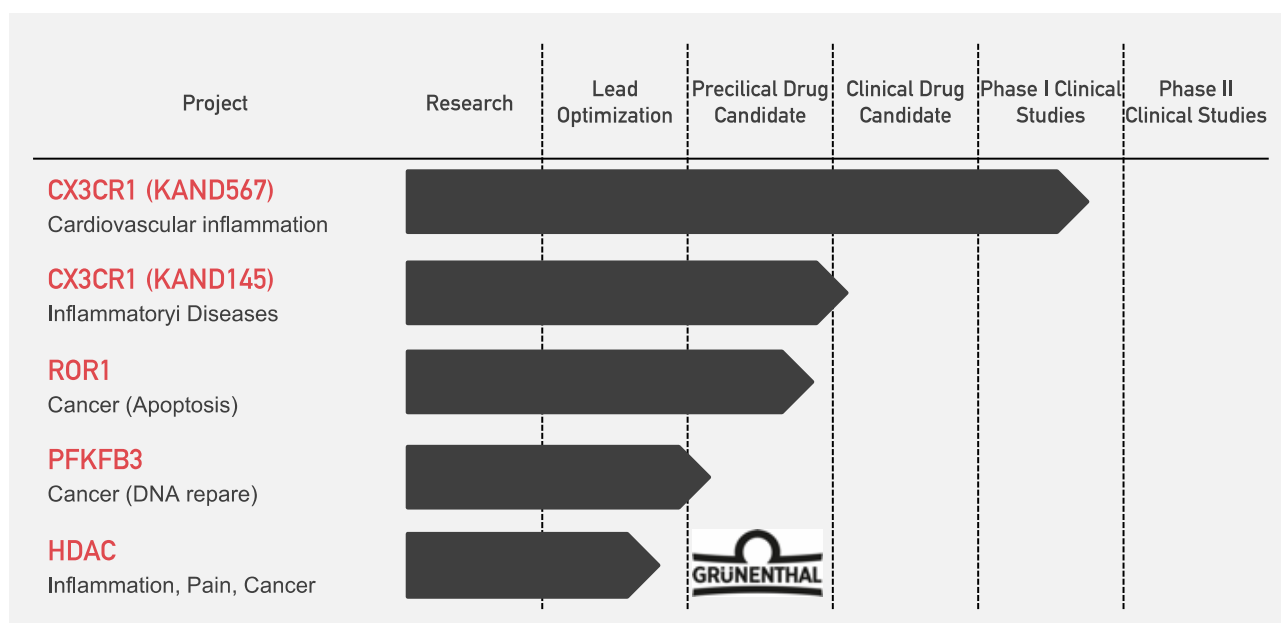
During the first half of 2019, the second phase I study (Phase Ib) was initiated with KAND567 to determine intravenous dosing strategy for the planned Phase IIa study in myocardial infarction patients. The first exploratory part of the Phase Ib study shows that KAND567 has a good safety profile in the short-term intravenous infusion and that the calculated effective plasma concentration can be achieved as planned.

The goals for the development of Kancera's product portfolio over the next 12-24 months are to:

- conduct a clinical Phase IIa study with KAND567 against inflammatory damage in myocardial infarction.
- advance Kancera's second drug candidate KAND145 through clinical preparatory steps.
- evaluate opportunities to expand the indication area for KAND567 and KAND145 in inflammatory niche diseases and cancer.







Kancera has five drug projects in the portfolio with the main resources being invested in the two Fractalkine projects. The further development of the HDAC project is externally financed through agreement with the pharmaceutical company Grünenthal. The PFKFB3 project is funded through an EU Horizon2020 project and ROR1 mainly through academic collaborations.

#### Project in clinical phase

- Inhibitors of the Fractalkine receptor CX3CR1. Kancera is developing the small molecule drug candidates KAND567 and KAND145, both of which block the Fractalkine receptor and thus specific parts of the immune system. The first indication for Kancera's Fractalkine inhibitor is treatment for heart injury after myocardial infarction. Expansion possibilities for the inhibitors of the Fractalkine system are also being evaluated in inflammatory diseases and cancer.

#### Project in pre-clinical phase

- Kancera's HDAC project is being evaluated and developed in partnership with Grünenthal for nerve inflammation and pain.
- ROR inhibitors for the treatment of cancer. Inhibitors of ROR re-program cancer cells to destroy themselves. In the laboratory, ROR inhibitors have been shown to work on cells from both solid tumors and blood cancer (leukemia and lymphoma).
- PFKFB3 inhibitor for the treatment of cancer. Inhibitors of PFKFB3 throttle the energy supply to solid tumors, and reduce the ability of cancer cells to repair their DNA, which together can increase the tumor's sensitivity to other cancer therapies.

Read more about the project portfolio, the current project status and the patent portfolio in the Project Report which can be downloaded from our website [www.kancera.com](http://www.kancera.com)

## Financial development in brief

<b>Financial development, summary</b> <i>SEK 000's (unless otherwise specified)</i>	April-June		April-June		1 Jan-31 Dec
	2019	2018	2019	2018	2018
<b>Kancera Group</b>					
Net turnover	0	0	3 099	0	358
Other operating revenues	648	43	1 064	87	4 472
Operating expenses	-13 290	-10 194	-24 706	-22 960	-50 679
R&D expenses	-10 108	-8 938	-20 270	-20 777	-45 240
Operating Income	-12 718	-10 151	-20 619	-22 873	-45 921
Income after financial items	-12 862	-10 621	-20 818	-23 093	-45 935
Net income	-12 862	-10 621	-20 818	-23 093	-45 935
Cash-flow from operating activities	-13 684	-3 546	-21 021	-13 363	-45 043
Cash on hand at closing date	8 880	52 703	8 880	52 703	21 023
Equity at closing date	19 271	56 198	19 271	56 198	33 357
<b>Key ratios</b>					
Return on equity, %	neg	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg	neg
Earnings by share, before and after dilution	-0,06	-0,07	-0,11	-0,15	-0,26
Cash-Flow from operating activities by share, kr	-0,07	-0,02	-0,11	-0,09	-0,26
Solvency ratio	53%	75%	53%	75%	73%
Equity by share, kr	0,10	0,30	0,10	0,30	0,18
No. of employees	19	20	19	18	20

## Comments on the financial development

Increased operating income for the period compared to the corresponding period 2018 is mainly attributable to a one-off payment received in connection with the signed agreement regarding the HDAC project with Grünenthal.

Increased costs for the second quarter compared to the corresponding period 2018 are mainly attributable to the production of clinical intravenous preparation of KAND567 and the start of a Phase I clinical trial in 2019.

## Income and results

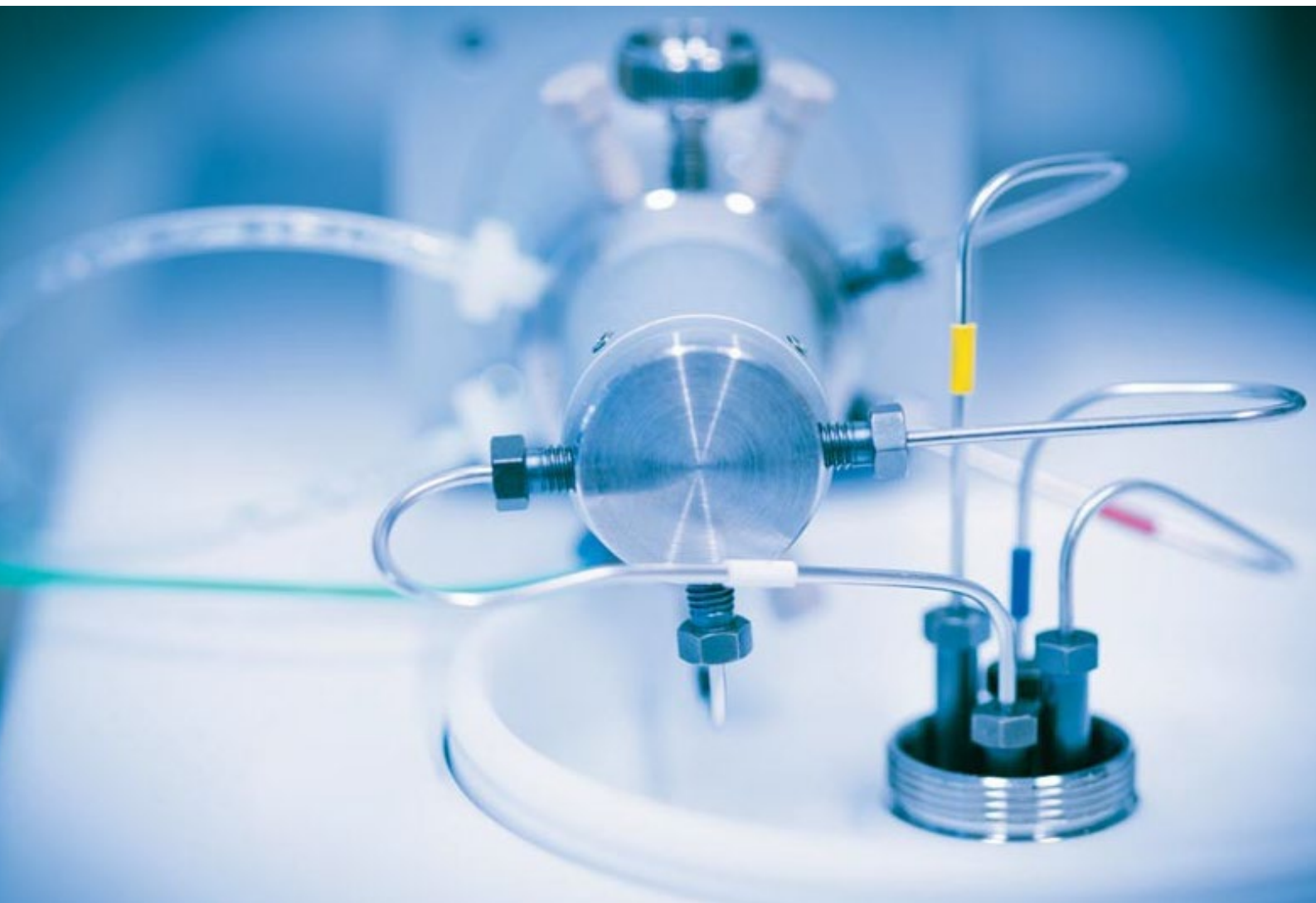
Kancera AB's operations were mainly the development of pharmaceuticals.

### Second quarter, April – June 2019

- Net sales during the quarter amounted to SEK 0.0 million (SEK 0.0 million)
- Expenses during the quarter amounted to SEK 13,3 million (10,2) divided between costs for R&D SEK 10,1 million (8,9), and other sales and administration expenses SEK 3,2 million (1,3).
- Earnings per share for the quarter, based on a weighted average number of shares outstanding, amounted to SEK -0,06 (-0,07).
- Profit after financial items amounted to SEK -12,9 million (-10,6) during the quarter.

### Period, January – June 2019

- Net sales during the period amounted to SEK 3,1 million (0 million)
- Expenses during the period amounted to SEK 24,7 million (23,0) divided between costs for R&D SEK 20,3 million (20,8), and other sales and administration expenses SEK 4,4 million (2,2).
- Earnings per share for the period, based on a weighted average number of shares outstanding, amounted to SEK -0,11 (-0,15).
- Profit after financial items amounted to SEK -20,8 million (-23,1) during the period.



## Financial position and liquidity

### Balance sheet and cash flow

Total equity as of 30 June 2019 amounted to SEK 19,3 million (56,2).

Kancera AB's solvency as of 30 June 2019 was 53 percent (75 percent). Equity per share was SEK 0.10 (SEK 0.30).

Cash flow amounted to SEK -6,3 million (34,7) during the second quarter. Cash flow from operating activities amounted to SEK -13,7 million (-3,5) or SEK -0,07 per share (-0,02) and from financing activities it amounted to SEK 7,4 million (38,3).

Kancera AB's cash and cash equivalents as of 30 June 2019 amounted to SEK 8,9 million (52,7).

### Employees

Kancera AB had about 19 employees as of 30 June 2019 (of which 15 were full-time), including 2 EU-funded doctoral students, and of which 8 are men and 7 are women

### Investments and depreciation

Intangible assets in the balance sheet total SEK 18 million, which is divided into SEK 3 million for the ROR1 project, SEK 3 million for the PFKFB3 project and SEK 12 million for the Fractalkine project. The entries for the ROR1 and PFKFB3 projects arose as a result of a non-cash issue in the formation of Kancera AB. The item for the Fractalkine project is the sum of two off-set issues carried out according to the acquisition agreement. The third and final installment payment for the Fractalkine project through an offset issue of SEK 6 million was registered in July 2019.

In accordance with the annual impairment test, the Board assesses that the values of Fractalkine, ROR1 and PFKFB3 projects meet the respective value assigned to the projects in the balance sheet.

Investments in fixed assets during the second quarter amounted to SEK 0.0 million (SEK 0.0 million).

As of January 1, 2019, usage rights of SEK 5,7 million (0.0) are reported as an effect of IFRS 16 Leases.







### The share capital and the share

The share capital on 30 June 2019 amounted to SEK16 485 457,60 divided between 197 825 492 shares with a quota value of, rounded off, SEK 0,08 per share. An ongoing issue to GCF comprises a further 5 000 000 shares and to Acturum AB, 2 000 000 shares.

### Current incentive scheme

With the approval of the Extraordinary Meeting of 28<sup>th</sup> 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<sup>nd</sup> September to 5<sup>th</sup> October 2017, which corresponds to approximately SEK 3. 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 percent of the share capital.

### Tax deficits

Kancera AB's current operations are initially expected to result in negative results and tax losses. There are currently not enough convincing reasons that indicate that taxable surpluses will exist in the future that can defend an activation of the value of the deficits, and no deferred tax assets have been reported.

In the case of a sale of a drug candidate, profits are expected to be reported which are currently deemed to be tax-deductible against previous years' tax losses, which would entail a low tax burden for the Company when a project is sold. The tax deficits at December 31, 2018 amounted to SEK 219 million.

### The group

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

## Report on comprehensive income

### Consolidated Statement of Comprehensive Income

SEK 000's (unless otherwise specified)

	April-June		April-June		1 Jan-31 Dec
	2019	2018	2019	2018	2018
<b>Revenues</b>					
<b>Net sales</b>	0	0	3 099	0	358
Other operating revenues	648	43	1 064	87	4 472
Cost of sales & services	-76	0	-76	0	-72
<b>Gross profit</b>	<b>572</b>	<b>43</b>	<b>4 087</b>	<b>87</b>	<b>4 758</b>
<b>Operating Expenses</b>					
General & administrative expenses	-2 990	-953	-3 863	-1 592	-4 307
Selling expenses	-192	-303	-573	-591	-1 132
Research & development expenses	-10 108	-8 938	-20 270	-20 777	-45 240
<b>Total operating expenses</b>	<b>-13 290</b>	<b>-10 194</b>	<b>-24 706</b>	<b>-22 960</b>	<b>-50 679</b>
<b>Operating income</b>	<b>-12 718</b>	<b>-10 151</b>	<b>-20 619</b>	<b>-22 873</b>	<b>-45 921</b>
<b>Income from Financial Investments</b>					
<b>Financial net</b>	-144	-470	-199	-220	-14
<b>Income after financial items</b>	<b>-12 862</b>	<b>-10 621</b>	<b>-20 818</b>	<b>-23 093</b>	<b>-45 935</b>
Taxation	0	0	0	0	0
<b>Net income</b>	<b>-12 862</b>	<b>-10 621</b>	<b>-20 818</b>	<b>-23 093</b>	<b>-45 935</b>
Average number of shares (thousands), before and after dilution	201 099	155 222	197 458	153 000	173 355
Number of shares at closing date (thousands)	197 825	188 635	197 825	188 635	190 543
Earnings per share, before and after dilution	-0,06	-0,07	-0,11	-0,15	-0,26

## Report on financial position

### Condensed Consolidated Statement of Financial Position

SEK 000's

**Kancera Group**

30 June  
2019      2018      31 Dec  
2018

#### *Assets*

##### *Non-current Assets*

##### *Intangible assets*

Capitalized R&D      18 000      18 000      18 000

##### *Tangible assets*

Equipment and chemical library      44      212      111

Lease assets      5 746      0      0

**Total non-current assets**      **23 790**      **18 212**      **18 111**

##### *Current Assets*

Work in progress      0      1 837      0

Trade receivables and other receivables      3 674      2 300      6 399

Cash and cash equivalents      8 880      52 703      21 023

**Total current assets**      **12 554**      **56 840**      **27 422**

**TOTAL ASSETS**      **36 344**      **75 052**      **45 533**

#### *Equity and Liabilities*

##### *Equity*

Equity      **19 271**      **56 198**      **33 357**

##### *Provisions and Liabilities*

Long-term liabilities      8 547      0      655

Short-term liabilities      8 526      18 854      11 521

**Total provisions and liabilities**      **17 073**      **18 854**      **12 176**

**TOTAL EQUITY and LIABILITIES**      **36 344**      **75 052**      **45 533**



## Report on changes in equity

### Consolidated Statement of Changes in Equity

SEK 000's

#### Kancera Group

#### Period January-June 2018

	Share capital	Other capital contributions	Accumulated deficit	Total equity
<b>Opening balance 2018-04-01</b>	12 386	140 232	-126 379	26 239
<i>Comprehensive income</i>				
Net income for the period			-10 621	-10 621
Total comprehensive income	0	0	-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
On-going issue of shares	159	2 130		2 289
Total transactions with shareholders	3 492	37 088	0	40 580
<b>Closing balance 2018-06-30</b>	<b>15 878</b>	<b>177 320</b>	<b>-137 000</b>	<b>56 198</b>

#### Period January-December 2018

<b>Opening balance 2018-01-01</b>	12 386	140 232	-113 907	38 711
<i>Comprehensive income</i>				
Net income for the period			-23 093	-23 093
Total comprehensive income	0	0	-23 093	-23 093
<i>Transactions with shareholders</i>				
Capital injections	3 333	44 667		48 000
Costs related to issue of shares		-9 709		-9 709
On-going issue of shares	159	2 130		2 289
Total transactions with shareholders	3 492	37 088	0	40 580
<b>Closing balance 2018-06-30</b>	<b>15 878</b>	<b>177 320</b>	<b>-137 000</b>	<b>56 198</b>

#### Period January-June 2019

	Share capital	Other capital contributions	Accumulated deficit	Total equity
<b>Second quarter</b>				
<b>Opening balance 2018-04-01</b>	15 879	63 413	-53 891	25 401
<i>Comprehensive income</i>				
Net income for the period			-12 862	-12 862
Total comprehensive income	0	0	-12 862	-12 862
<i>Transactions with shareholders</i>				
Capital injections	607	6 125		6 732
Costs related to issue of shares				0
Total transactions with shareholders	607	6 125	0	6 732
<b>Closing balance 2019-06-30</b>	<b>16 486</b>	<b>69 538</b>	<b>-66 753</b>	<b>19 271</b>

#### Period January-June 2019

<b>Opening balance 2019-01-01</b>	15 879	63 413	-45 935	33 357
<i>Comprehensive income</i>				0
Net income for the period			-20 818	-20 818
Total comprehensive income	0	0	-20 818	-20 818
<i>Transactions with shareholders</i>				0
Capital injections	607	6 125		6 732
Costs related to issue of shares				0
Total transactions with shareholders	607	6 125	0	6 732
<b>Closing balance 2019-06-30</b>	<b>16 486</b>	<b>69 538</b>	<b>-66 753</b>	<b>19 271</b>



## Cash flow report

### Condensed Consolidated Statement of Cash-Flow

SEK 000's

**Kancera Group**

	April-June		April-June		1 Jan-31 Dec
	2019	2018	2019	2018	2018
<i>Cash-flow from operating activities</i>	-12 862	-10 621	-20 818	-23 093	-45 935
Operating income after financial items	33	162	67	419	520
Depreciation	-97	-67	-271	-184	-36
Taxes paid	-17	171		171	0
<b>Cash-flow from operating activities before working capital change</b>	<b>-12 943</b>	<b>-10 355</b>	<b>-21 022</b>	<b>-22 687</b>	<b>-45 451</b>
Change in working capital	-741	6 809	1	9 324	408
<b>Cash-flow from operating activities</b>	<b>-13 684</b>	<b>-3 546</b>	<b>-21 021</b>	<b>-13 363</b>	<b>-45 043</b>
<b>FREE CASH-FLOW available to INVESTORS</b>	<b>-13 684</b>	<b>-3 546</b>	<b>-21 021</b>	<b>-13 363</b>	<b>-45 043</b>
<i>Financing activities</i>					
Change in debt referable to financing activities	639	0	2 146	0	-2 291
Issue of shares/other capital infusions	6 732	38 291	6 732	38 291	40 582
<b>Cash-flow from financing activities</b>	<b>7 371</b>	<b>38 291</b>	<b>8 878</b>	<b>38 291</b>	<b>38 291</b>
<b>CASH-FLOW for the PERIOD</b>	<b>-6 313</b>	<b>34 745</b>	<b>-12 143</b>	<b>24 928</b>	<b>-6 752</b>
Cash and cash equivalents at the beginning of the period	15 193	17 958	21 023	27 775	27 775
Cash and cash equivalents at the end of the period	8 880	52 703	8 880	52 703	21 023

## Income Statement

### Condensed Parent Company Income Statement

SEK 000's

The Parent Company Kancera AB	April-June		April-June		1 Jan-31 Dec
	2019	2018	2019	2018	2018
<i>Revenues</i>					
<b>Net sales</b>	0	0	3 099	0	358
Other income	648	43	1 064	87	4 472
Cost of sales & services	-76	0	-76	0	-72
<b>Gross profit</b>	<b>572</b>	<b>43</b>	<b>4 087</b>	<b>87</b>	<b>4 758</b>
<i>Operating Expenses</i>					
General & administrative expenses	-2 930	-954	-3 829	-1 592	-4 305
Selling expenses	-179	-303	-573	-591	-1 132
Research & development expenses	-10 199	-8 938	-20 338	-20 777	-45 240
<b>Total expenses</b>	<b>-13 308</b>	<b>-10 195</b>	<b>-24 740</b>	<b>-22 960</b>	<b>-50 677</b>
<b>Operating income</b>	<b>-12 736</b>	<b>-10 152</b>	<b>-20 653</b>	<b>-22 873</b>	<b>-45 919</b>
<i>Income from Financial Investments</i>					
<b>Financial net</b>	-113	-470	-135	-220	-14
<b>Income after financial items</b>	<b>-12 849</b>	<b>-10 622</b>	<b>-20 788</b>	<b>-23 093</b>	<b>-45 933</b>
Taxation	0	0	0	0	0
<b>Net income</b>	<b>-12 849</b>	<b>-10 622</b>	<b>-20 788</b>	<b>-23 093</b>	<b>-45 933</b>

## Balance sheet

### Condensed Parent Company Balance Sheet

SEK 000's

#### The Parent Company Kancera AB

	30 June 2019	2018	31 Dec 2018
<b>Assets</b>			
<b>Non-current Assets</b>			
<i>Intangible assets</i>			
Capitalized R&D	18 000	18 000	18 000
<i>Tangible assets</i>			
Equipment and chemical library	44	212	111
<i>Financial assets</i>			
Shares in subsidiaries	50	50	50
<b>Total non-current assets</b>	<b>18 094</b>	<b>18 262</b>	<b>18 161</b>
<b>Current Assets</b>			
Work in progress	0	1 837	0
Intercompany receivables	1	0	1
Trade receivables and other receivables	3 674	2 300	6 399
Cash and cash equivalents	8 833	52 656	20 976
<b>Total current assets</b>	<b>12 508</b>	<b>56 793</b>	<b>27 376</b>
<b>TOTAL ASSETS</b>	<b>30 602</b>	<b>75 055</b>	<b>45 537</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Restricted equity	16 486	15 878	15 878
Non-restricted equity	2 818	40 323	17 483
<b>Total equity</b>	<b>19 304</b>	<b>56 201</b>	<b>33 361</b>
<b>Provisions and Liabilities</b>			
Long-term liabilities	3 894	0	655
Short-term liabilities	7 404	18 854	11 521
<b>Total provisions and liabilities</b>	<b>11 298</b>	<b>18 854</b>	<b>12 176</b>
<b>TOTAL EQUITY and LIABILITIES</b>	<b>30 602</b>	<b>75 055</b>	<b>45 537</b>

# Notes

## **Note 1 Accounting and valuation principles**

The interim 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 Swedish Financial Reporting Board's recommendation RFR 2, including a number of new or revised standards, interpretations and improvements have been adopted by the EU.

In addition to what is stated below, the Group's and the parent company's accounting principles and calculation bases for the report are unchanged compared with the most recent annual report for the financial year ending December 31, 2018 and should be read together with it.

The company continuously invests in research and development projects that increase the company's knowledge of technology and which may also include patent applications for technology. These investments are expensed, including costs for preclinical and clinical studies as well as patents when the activation time for projects is based on the time when the project is deemed to be commercialized and when this time has not yet occurred. In 2017, Capitalized Development Expenses were capitalized, which relates to part payment for the Fractalkine project. Payments are activated as they are updated in accordance with agreements.

Amounts are stated in Swedish kronor, rounded to the nearest thousand unless otherwise stated. Rounding off to thousands of kronor can mean that the amounts are not correct when added up. Amounts and figures stated in brackets refer to comparative figures for the corresponding period last year.

### **IFRS 16 Leasing Agreement**

As of January 1, 2019, the Group applies the new standard IFRS 16 Leasing Agreement. IFRS 16 introduces a single accounting method for leasing agreements, which means that the Group's leasing agreements for premises previously classified as operational leasing in accordance with IAS 17 are recognized in the balance sheet as an asset in the form of a right of use and leasing liability. The Group applies the relief rules when leasing agreements of lesser value and contracts that run for a shorter period than 12 months from the transition date are not included. The Group applies partial retroactivity where comparative years are not recalculated and the accumulated effect is reported as an adjustment of opening equity at the first application date. According to calculations, the Group's assets as of January 1, 2019 increased by SEK 6,320,000 and the Group's liabilities by SEK 6,320,000. The equity / assets ratio at the transition is adversely affected by approximately 9% units. Accounting has a positive effect on operating profit as the Group reports depreciation of the asset instead of leasing fees.

## **Note 2 Transactions with related parties**

During the period, Kancera AB paid compensation to Mellstedt Consulting AB for services comprising scientific advice and scientific marketing to an amount of 120 KSEK (180), and 49 KSEK (36) to Allmora Life Science AB. Håkan Mellstedt, member of the board of Kancera AB is the CEO and owner of Mellstedt Consulting AB. Charlotte Edenius, member of the board of Kancera AB, is the CEO and owner of Allmora Life Science AB. No other remuneration has been paid to related parties other than board fees and expenses for 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	Grant awarded, tkr	Amount paid, tkr	Reporting date
EU SYNTRAIN <sup>1</sup>	4986	4 237	Next: April 2020
EU TOBEATPAIN <sup>2</sup>	2637	1 791	Next: Juli 2020
Total	7623	6 028	

1. According to EUR rate SEK 10. Granted amount of about SEK 4,986,000. Amount paid out of about SEK 4,237,000. The remaining amount of the grant is paid after the approved final report, which will be submitted in October 2020.
2. According to EUR rate SEK 10. Granted amount of about SEK 2,637,000. Amount paid out of about SEK 1791 thousand. The remaining amount will be paid out after approved reporting for period 1, which is expected to be submitted in July-September 2020 and also after approval of the final report submitted in July 2022.

**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 24 in the company's Annual Report 2018.



## **Note 6 Definitions**

### **Alternative key ratios**

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

### **Return on equity**

Profit for the period as a percentage of average equity

### **Return on capital employed**

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

### **Equity per share**

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

### **Cash flow per share**

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

### **Option-based business**

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

### **Capital employed**

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

### **Solidity**

Shareholders' equity as a percentage of total assets

## The Board's declaration

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

*Stockholm 23 August 2019*

Erik Nerpin  
*Chairman*

Håkan Mellstedt  
*Board member*

Charlotte Edenius  
*Board member*

Carl-Henrik Heldin  
*Board member*

Anders Gabrielsen  
*Board member*

Thomas Olin  
*CEO/ Board member*

This report has not been subject to review by the company's auditors.

### Upcoming reports and the Annual General Meeting

Interim report January-September 2019	22 November 2019
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Year-end report January-December 2019	21 February 2020
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