Interim report for the second quarter 2020

1 January – 30 June 2020

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

kancera

Contents

This is Kancera

Kancera develops drugs against inflammatory diseases and cancer. KAND567 on the way to a phase II clinical study in hyperinflammation

Kancera develops drugs that counteract damage in acute and chronic inflammation. The Fractalkine blocker KAND567 has primarily been developed to effectively counteract hyper-inflamation in various disease states, thereby protecting vital organs in connection with, for example, myocardial infarction or severe viral infections. Kancera has obtained approvals from the Swedish Medicines Agency and the Ethics Committee for a clinical phase II study of KAND567 in covid-19 patients. The study is planned to start September 2020. Because scientific studies have revealed increased activity in the Fractalkine system in several other inflammatory conditions and certain forms of cancer, there are several possible development opportunities for Kancera's Fractalkine blockers KAND567 and KAND145.

Kancera AB conducts research and development in laboratories at the Karolinska Institutet Science Park in Stockholm and employs about 15 people. The stock is traded on NASDAQ First North Premier. As of June 30, 2020, the number of shareholders was approximately 17000. FNCA Sweden AB is the company's Certified Adviser. FNCA can be reached at 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 medicines that can normalize lives and reduce healthcare costs, for sales to the international pharmaceutical industry and further clinical development and marketing.

Licensing of drug candidates is expected to be made against partial payments at signature and milestones in product development (typically when initiating clinical phase I, II, III and at registration) as well as royalty revenues.

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. Among these assignments is the development of the chemistry that laid the foundation for Enasidenib, a drug that since 2017 has been marketed by the American pharmaceutical company Celegene for the treatment of lymphoma (AML). In 2018, an agreement was signed with German pharmaceutical company Grünenthal on the development of Kancera's patent-pending HDAC inhibitor for the treatment of nerve inflammation and pain.

Kancera's furthest-developed drug candidate KAND567 is based on research that was awarded the Nobel Prize in Physiology or Medicine in 2019, i.e. the knowledge of how cells sense and adapt to oxygen supply. That adaptation includes, for example, how immune responses are controlled by the Fractalkine system through which drug candidates KAND567 and KAND145 act.

NASDAQ approved Kancera AB for admission to trading on First North with the first day of trading on February 25, 2011. Since 2013, Kancera AB has been conducting drug development at the Karolinska Institutet Science Park, Stockholm. In connection with listing on the Nasdaq First North Premier list on 28 January 2016, the subsidiary Kancera Förvaltning AB was formed, after which Kancera AB, from the second quarter of 2016, was transferred to accounting in accordance with IFRS in the Group and RFR2 in the Parent Company.

Second quarter in brief

and the period 1 January – 30 June 2020

Net sales for the period (January to June) amounted to SEK 2,6 million (3,1 million), of which the second quarter contributed SEK 2,6 million (0).

R&D costs for the period amounted to SEK 19,3 million (20,3 million), of which the second quarter contributed SEK 9,6 million (10,1 million).

Operating profit for the period amounted to SEK -25,0 million (-20,6 million), of which the second quarter contributed SEK -13,9 million (-12,7 million).

Profit after financial items for the period amounted to SEK -25,5 million (-20,8 million), of which the second quarter contributed SEK -13,8 million (-12,0 million).

Earnings per share for the period amounted to -0,09 kr (-0,11 kr), of which the second quarter contributed -0,04 kr (-0,06 kr).

Cash flow from operating activities for the period amounted to SEK -24,1 million (-21,0), of which the second quarter contributed SEK -15,4 million (-13,7 million).

Equity amounted on 30 June 2020 to SEK 77,3 million (19,3 million) or 0,18 kr (0,10 kr) per share.

The equity/assets ratio amounted on 30 June 2020 to 84 percent (53 percent).

Cash and cash equivalents amounted on 30 June 2020 to SEK 56,4 million (8,9 million).

Significant events during the second quarter

- Kancera announced that the new issue of 157 369 119 units consisting of one share and two warrants has been completed. The issue, which was decided at the Extraordinary General Meeting on January 13, 2020, was fully subscribed through a guarantee of SEK 61.4 million. Of these, as of March 31, SEK 19.3 million was received by shareholders with preferential rights. Cash issue costs are estimated at approximately SEK 4.8 million. In addition, guarantors and advisers are reimbursed through 22 000 203 Units. In total, the number of shares increases to 389 194 814 shares, which corresponds to a dilution of 85%. The share capital increases to SEK 32 432 901.
- An Extraordinary General Meeting on April 9, 2020 decided in accordance with the Board's proposal to extend the subscription period for TO4 until the end of September 2020.
- Kancera decided to focus its operations on the continued clinical development of the drug candidate KAND567. Against this background, the company plans to reduce the workforce in the preclinical research organization. After the organizational change has been implemented, the cost reduction on an annual basis is expected to amount to approximately SEK 8 million annually. In addition to KAND567, the company's resources will primarily be concentrated on bringing the preclinical drug candidate KAND145 into the clinical phase.
- Kancera filed a patent application regarding the drug candidates KAND567 and KAND145. The new patent application concerns the treatment and prevention of hyper-inflammation in viral infections, a condition that is seen in severely ill patients in the ongoing covid-19 pandemic.
- Kancera submitted an application to the Medical Products Agency for approval to carry out a clinical phase II study of the drug candidate KAND567 in covid-19 patients. The ultimate goal of clinical development is to slow down hyperinflammation and thus avoid intensive care and long-term rehabilitation for patients with covid-19. The study is intended to be carried out in collaboration with Capio St. Göran's Hospital and Science for Life Laboratory.
- The Annual General Meeting resolved to i) authorize the Board of Directors to decide on a new issue of shares against cash payment and/or with a provision for non-cash or offset and to deviate from the shareholders' preferential rights in order to raise working capital up to a maximum of 20 percent of the company's shares. ii) amendment of the Articles of Association's provision on the number of outstanding shares and amendment of the Articles of Association's rules regarding share capital limits iii) a merger (so-called reverse split) whereby ten shares are merged into one share (1:10) and iv) reduction of the company's share capital capital.
- Kancera announced that an independent research group has published results that show that the company's drug candidate KAND567 has a protective effect on nerve tissue and its function in a preclinical disease model of spinal cord injury. These new research findings underscore the potential of KAND567 to protect vital organs by blocking hyperinflammation in a variety of disease states.
- Kancera AB announced that the first redemption opportunity for TO4 provided Kancera with approximately SEK 22 million, which the Board considers will provide funding for the planned phase IIa study of KAND567 in myocardial infarction patients. Priority partners for the study are the R & D Foundation Newcastle NHS Foundation Trust and Freeman Hospital, UK. Recruitment of patients for the study is planned to start in early 2021.
- Kancera announced the transfer of its laboratory to Oncopeptides AB in order to optimize the conditions for clinical development of the Fraktalkine project. The agreement between the companies gives Kancera the opportunity to maintain necessary capacity in connection with the company's biobank and to strengthen the company's cash flow by approximately SEK 7 million compared with if the company would retain the laboratory by 2021.

Important events after the end of the second quarter

- Kancera has announced that approval has been obtained from the Medical Products Agency for the planned clinical phase II study of the drug candidate KAND567 in covid-19 patients. In consultation with the Medical Products Agency, the company has decided to expand the study with a placebo group. Kancera has further announced that a new application has been submitted to the Ethics Committee for priority treatment on a permit for the same study and that this, following a decision from the EPM, can start August - September 2020.
- Kancera has announced that independent researchers have published results that show that the Fractalkine system is activated in covid-19 and that increased levels of Fractalkine are linked to more severe disease. The results mean that the probability increases that the company's drug candidate KAND567 will be able to counteract serious complications as a result of covid-19.
- Kancera has announced that a new complementary patent application has been filed as part of the Grünenthal collaboration to cover a chemical series of HDAC-inhibitors intended for development of a new treatment of neuroinflammation and pain.
- Kancera has announced that appproval has been obtained from the Ethics committee (Etikprövningsmyndigheten) for a Phase II-study of KAND567 in covid-19-patients. This means that all approvals required for start of the study have been obtained as the Medical Products Agency already have provided a positive decision. Kancera plans to start the study September 2020.
- The Board has assessed that the covid-19 pandemic may have a negative effect on the company's operations in 2020, but the Board cannot currently assess how large that effect may be. However, up to the date of publication of this report, no significant adverse effect of the covid-19 pandemic has been noted.

CEO statement

Kancera has secured financial resources for two patient studies of KAND567

During the past quarter, Kancera decided to focus its operations on the clinical development of the drug candidate KAND567. The background to the decision is the convincing data generated for KAND567 in the recently completed phase Ib program and that new research findings support the use of Fractalkine inhibitors in more and more inflammatory diseases. In addition, the focus will lead to a reduction in our costs by approximately SEK 12 million through 2021.

At the same time, our financial situation has been significantly strengthened through a successful rights issue and redemption of warrants, which in total provided the company with approximately SEK 76 million after issue costs. Thus, we have now secured sufficient resources to conduct a phase II study of KAND567 in patients undergoing treatment for acute myocardial infarction and also a phase II study in patients affected by covid-19 - two very different patient groups but with hyperinflammation as a common denominator.

The focus on our Fractalkine projects also generated a need for complementary new recruitments, and we are pleased to have been able to welcome Torbjörn Lundström as the new Chief Medical Officer during the

quarter. Torbjörn is a doctor of medicine and a clinician with extensive experience in clinical cardiology and internal medicine, and he has worked with clinical drug development within AstraZeneca for 20 years. Our team is now working intensively to prepare for the initiation of the two planned phase II studies with KAND567.

One study of KAND567 will be performed in patients with acute myocardial infarction, in order to continue to evaluate the safety profile of the drug candidate and hopefully also be able to document a cardio-protective effect of the treatment. The study is planned to be carried out at one of the world's most reputable university hospitals, Freeman Hospital in the UK, and is expected to begin in early 2021.

The second planned study will explore the potential of KAND567 to protect patients with covid-19 from life-threatening hyperinflammation. Approvals have been obtained by the Medical Products Agency and the Ethics Committee. The study is expected to start at St. Göran's Hospital, Stockholm, in September 2020, with the aim of slowing down hyperinflammation through treatment with KAND567 and thereby avoiding intensive care and long-term rehabilitation for patients with covid-19. The rationale for this treatment concept was recently strengthened, when independent researchers published results showing that the Fractalkine system is activated in covid-19 and that increased levels of Fractalkine are linked to more severe disease.

The Covid-19 pandemic has not had any significant negative consequences for our operations, although it has led to some changes in the way we work - we have, for example, increased the proportion of digital meetings. We see it as a sign of strength that in the midst of the pandemic we were able to successfully carry out both a rights issue and the redemption of outstanding warrants. The concept of counteracting hyperinflammation with the help of Fractalkine inhibitors is growing stronger, at the same time as the potential areas of use are broadening as new research findings are presented. Uncontrolled immune reactions in severe viral infections are one example, use in connection with spinal cord injuries another. Our main focus is still to reduce tissue and vital organ damage in connection with myocardial infarction, but the results from the upcoming phase II studies may open up opportunities in even more areas of use.

Solna, 21 August 2020

Kancera AB

Thomas Olin, CEO

Drug development

KAND567 is being developed to reduce the consequences of hyperinflammation. Two Phase II clinical trials are being prepared.

In December 2018, collaboration was initiated with the German pharmaceutical company Grünenthal based on Kancera's preclinical HDAC project for the development of new drugs for neuritis and pain. In September 2019, Kancera was invited to this year's largest heart congress to present KAND567 during the central session for scientific progress in the field of "acute coronary heart disease" with the motive that the results are of exceptionally high scientific quality.

The drug candidate KAND567 is now being prepared for Phase II clinical trials that will test a completely new treatment strategy to protect vital organs in connection with an overreaction of the part of the immune system that can lead to hyperinflammation.

The cause of hyperinflammation is an imbalance in the immune system such as that which can be triggered by medical procedures such as vasodilation after a heart attack, physical trauma such as spinal cord injury or by certain types of viral infections that lead to diseases like covid-19.

New knowledge indicates that an overreaction of the immune system is behind several types of cardiovascular disease and that KAND567 can block this disease process. A similar overreaction can occur when the immune system fails in the first stage to fight a virus such as Sars CoV-2 (which causes covid-19). This risks leading to a second wave of inflammation - hyperinflammation - where vital organs are overloaded and, in the worst case, damaged. Taken together, these examples of disease states with hyperinflammation show that there are significant expansion opportunities for Kancera's Fractalkine-blocking drug candidates.

Results from the phase I studies with orally and intravenously administered KAND567 show good pharmacokinetic properties and a favorable safety profile. An in-depth immunological analysis of blood samples from a number of healthy subjects shows that KAND567 effectively blocks certain specific immune cells that are known to cause acute and chronic inflammatory diseases. In total, KAND567 has now been administered to 92 healthy subjects in phase I studies.

Two Phase II clinical trials are now being prepared for launch. The first aims to counteract hyper-inflammation in covid-19 and thereby reduce the need for intensive care and accelerate rehabilitation from the disease. The Medical Products Agency has given approval for the start of the study, which can take place at short notice at St Göran's Hospital after approval from the Ethics Committee. The second Phase II study aims to increase survival after a severe heart attack. This study is scheduled to start in early 2021 at Freeman Hospital, Newcastle, UK which is one of the world's most reputable hospitals for acute cardiac medicine.

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

- conduct two or more Phase IIa clinical trials with KAND567 against inflammatory lesions
- advance Kancera's second drug candidate KAND145 through clinical preparatory studies.
- evaluate expansion opportunities for KAND567 and KAND145 in inflammatory niche diseases and cancer.

Kancera has five pharmaceutical projects in its portfolio. Kancera's main resources are invested in the two Fraktalkine projects. The further development of the HDAC project is externally financed through an 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

Blockers of the Fractalkine receptor CX3CR1. Kancera develops 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 blocker is treatment for hyperinflammation that leads to tissue damage in conjunction with medical interventions such as vasodilatation after myocardial infarction, physical trauma as on spinal cord injury, and in some viral infections such as covid-19 disease. Expansion possibilities for blockers of the Fractalkine system are also being evaluated in other inflammatory diseases and cancers.

Project in pre-clinical phase

Kancera's HDAC projects are being evaluated and developed in partnership with Grünenthal in nerve inflammation and pain.

ROR inhibitors for the treatment of cancer. Inhibitors of ROR reprogram cancer cells to destroy themselves. In the laboratory, ROR inhibitors have been shown to work on cells from both solid tumors and blood cancers (leukemia and lymphoma).

PFKFB3 inhibitor for the treatment of cancer. Inhibitors of PFKFB3 suppress the energy supply to solid tumors, as well as 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 patent status in a report which can be downloaded from our website www.kancera.com

Financial development in brief

Kancera Group	April-June		Jan-June		1 Jan-31 Dec
SEK 000´s (if otherwise not specified)	2020	2019	2020	2019	2019
Net turnover	2 600	0	2 641	3 099	3 216
Other operating revenues	971	648	1 716	1 064	2 338
Operating expenses	-17 459	-13 290	-29 348	-24 706	-41 111
R&D expenses	-9 599	-10 108	-19 293	-20 270	-34 505
Operating Income	-13 888	-12 718	-25 018	-20 619	-35 653
Income after financial items	-13 801	-12 862	-25 471	-20 818	-36 095
Net income	-13 801	-12 862	-25 471	-20 818	-36 095
Cash-flow from operating activities	-15 450	-13 684	-24 077	-21 021	-32 724
Cash on hand at closing date	56 443	8 880	56 443	8 880	11 848
Equity at closing date	77 265	19 271	77 265	19 271	17 419
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	-0,04	-0,06	-0,09	-0,11	-0,18
Cash-Flow from operating activities by share, kr	-0,05	-0,07	-0,09	-0,11	-0,16
Solvency ratio	84%	53%	84%	53%	39%
Equity by share, kr	0,18	0,10	0,18	0,10	0,08
No. of employees	19	18	19	18	20

Comments on the financial development

Increased operating income for the second quarter compared to the first quarter is mainly attributable to a one-time payment received in connection with the sale of instruments in connection with the transfer of the laboratory to Onco Peptides. Increased liquidity and a strengthened equity / assets ratio for the second quarter are attributable to a new share issue during the first quarter and the exercise of options during the second quarter.

Income and profits

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

Second quarter, January – June 2020

Net sales during the quarter amounted to SEK 2,6 million (0)

Expenses during the quarter amounted to SEK 17,5 million (13,3 million) broken down into costs for research and development costs SEK 9,5 million (10,1 million), and other sales and administrative costs SEK 8,0 million (3,2 million).

Earnings per share for the quarter, based on a weighted average number of shares outstanding, amounted to -0,04 kr (-0,06 kr).

Profit after financial items during the quarter amounted to SEK -13,8 million (-12,0 million).

Period, January – June 2020

Net sales during the quarter amounted to SEK 2,6 million (3,1 million)

Expenses during the quarter amounted to SEK 29,4 million (24,7 million) broken down into costs for research and development costs SEK 19,3 million (20,3 million), and other sales and administrative costs SEK 10,1 million (4,4 million).

Earnings per share for the quarter, based on a weighted average number of shares outstanding, amounted to -0,09 kr (-0,11 kr).

Profit after financial items during the quarter amounted to SEK -25,5 million (-20,8 million)

Financial position and liquidity

Balance sheet and cash flow

Total equity as of June 30, 2020 amounted to SEK 77.3 million (SEK 19.3 million).

Kancera AB's equity/assets ratio as of June 30, 2020 was 84 percent (53 percent). Equity per share was SEK 0.18 (SEK 0.10).

Cash flow amounted to SEK 53.2 million (-6.3 million) during the second quarter. Cash flow from operating activities amounted to SEK -15.4 million (SEK -13.7 million) or SEK –0.05 per share (SEK -0.07) and from financing activities it amounted to SEK 68.7 million (SEK 7.3 million).

As of June 30, 2020, Kancera AB's cash and cash equivalents amounted to SEK 56.4 million (SEK 8.9 million).

With a last subscription date on March 31, 2020, Kancera carried out a new issue of 157 369 119 units, each consisting of one share and two warrants. The issue, which was decided upon at the Extraordinary General Meeting on January 13, 2020, was fully subscribed through a guarantee of SEK 61.4 million. Cash issue costs are estimated at approximately SEK 4.8 million. In addition, guarantors and advisers are reimbursed through 22 000 203 Units. In total, the number of shares increases to 389 194 814, which corresponds to a dilution of 85%. The share capital increases to SEK 32 432 901.

At the first redemption date for TO4, 47 209 803 shares were converted at an exercise price of SEK 0.47, which provided Kancera with approximately SEK 21 million after issue costs.

Employees

Kancera AB had about 15 full-time employees, including 3 EU-funded doctoral students as of June 30, 2020, of which 7 are men and 8 are women.

Investments and depreciation

Intangible fixed assets in the balance sheet amount to a total of SEK 24 million, which is divided into SEK 3 million for the ROR1 project, SEK 3 million for the PFKFB3 project and SEK 18 million for the Fractalkine project. The items 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 in accordance with the acquisition agreement. The third and final installment for the Fractalkine project through an off-set issue of SEK 6 million was registered in July 2019.

In accordance with the annual impairment test, the Board assesses that the value of the Fractalkine, ROR1 and PFKFB3 projects in the balance sheet can be justified.

No investments were made in fixed assets during the second quarter.

As of 1 January 2019, the right of use is reported at SEK 3.4 million (SEK 5.8 million) as an effect of IFRS 16 Leasing Agreements.

The share capital and the share

The share capital on June 30, 2020 amounted to SEK 36 367 051 divided into 436 404 617 shares with a quota value of, rounded off, SEK 0.08 per share.

Current incentive scheme

There are no active stock option programs in the Company.

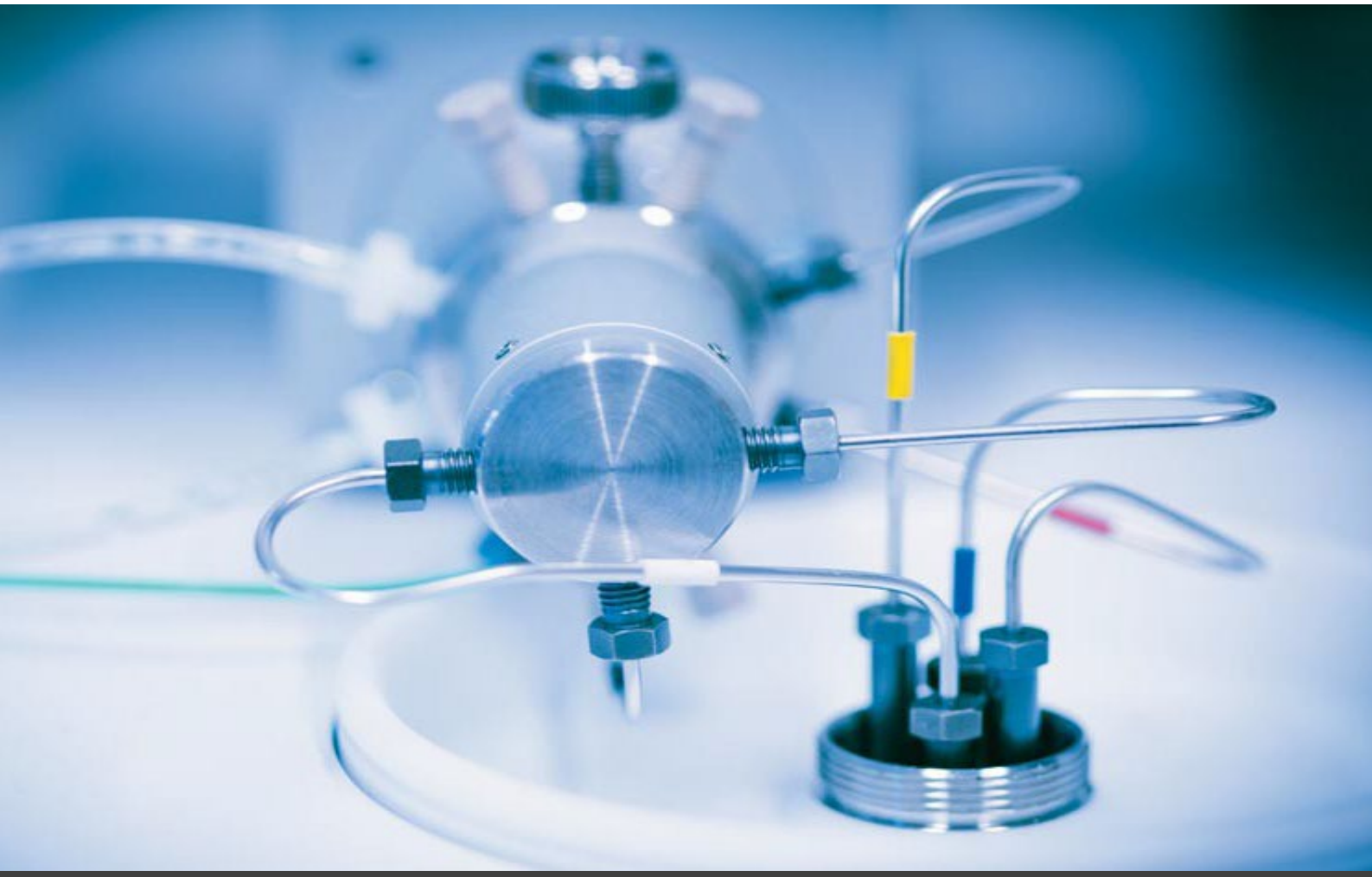
Tax deficits

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 as of the 2019 tax return amounted to SEK 255 041 000.

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.



Consolidated Statement of Comprehensive Income

SEK 000´s (unless otherwise specified)	April-June		Jan-June		1 Jan-31 Dec
Kancera Group	2020	2019	2020	2019	2019
Revenues	2 600	0	2 641	3 099	3 216
Net sales	971	648	1 716	1 064	2 338
Cost of sales & services	0	-76	-27	-76	-96
Gross profit	**3 571**	**572**	**4 330**	**4 087**	**5 458**
Operating Expenses					
General & administrative expenses	-7 767	-2 990	-9 493	-3 863	-5 404
Selling expenses	-93	-192	-562	-573	-1 202
Research & development expenses	-9 599	-10 108	-19 293	-20 270	-34 505
Total operating expenses	**-17 459**	**-13 290**	**-29 348**	**-24 706**	**-41 111**
Operating income	**-13 888**	**-12 718**	**-25 018**	**-20 619**	**-35 653**
Income from Financial Investments					
Financial net	87	-144	-453	-199	-442
Income after financial items	**-13 801**	**-12 862**	**-25 471**	**-20 818**	**-36 095**
Taxation	0	0	0	0	0
Net income	**-13 801**	**-12 862**	**-25 471**	**-20 818**	**-36 095**
Average number of shares (thousands), before and after dilution	335 600	201 099	274 350	197 458	198 712
Number of shares at closing date (thousands)	436 405	197 825	436 405	197 825	209 825
Earnings per share, before and after dilution	-0,04	-0,06	-0,09	-0,11	-0,18

Condensed Consolidated Statement of Financial Position

SEK 000´s	30 June 2020	30 June 2019	31 Dec 2019
Kancera Group			
Assets			
Non-current Assets			
Intangible assets			
Capitalized R&D	24 000	18 000	24 000
Tangible assets			
Lease assets	0	44	0
Equipment and chemical library	3 349	5 746	4 531
financial assets			
Financial placements	1		1
Total non-current assets	**27 350**	**23 790**	**28 532**
Current Assets			
Trade receivables and other receivables	8 284	3 674	3 973
Cash and cash equivalents	56 443	8 880	11 848
Total current assets	**64 727**	**12 554**	**15 821**
TOTAL ASSETS	**92 077**	**36 344**	**44 353**
Equity and Liabilities			
Equity			
Equity	**77 265**	**19 271**	**17 419**
Liabilities			
Long-term liabilities	434	8 547	579
Short-term liabilities	14 378	8 526	26 355
Total liabilities	**14 812**	**17 073**	**26 934**
TOTAL EQUITY and LIABILITIES	**92 077**	**36 344**	**44 353**

Report on changes in equity

Kancera Group, 1 Jan 2019-30 June 2019 *SEK 000's*	Share capital	Other capital contributions	Accumulated deficit	Total equity
Second quarter				
Opening balance 2019-04-01	15 879	63 413	-53 891	25 401
Comprehensive income				
Net income for the period			-12 862	-12 862
Total comprehensive income	0	0	-12 862	-12 862
Transactions with shareholders				
Capital injections	607	6 125		6 732
Total transactions with shareholders	607	6 125	0	6 732
Closing balance 2019-06-30	**16 486**	**69 538**	**-66 753**	**19 271**
Period January-June				
Opening balance 2019-01-01	15 879	63 413	-45 935	33 357
Comprehensive income				
Net income for the period			-20 818	-20 818
Total comprehensive income	0	0	-20 818	-20 818
Transactions with shareholders				
Capitalinjection	607	6 125		6 732
Nyemissionsutgifter		0		0
Total transactions with shareholders	607	6 125	0	6 732
Closing balance 2019-06-30	**16 486**	**69 538**	**-66 753**	**19 271**

Kancera Group, 1 Jan 2020-30 June 2020	Share capital	Other capital contributions	Accumulated deficit	Total equity
Second quarter				
Opening balance 2020-04-01	17 486	19 219	-11 670	25 035
Comprehensive income				
Net income for the period			-13 801	-13 801
Total comprehensive income	0	0	-13 801	-13 801
Transactions with shareholders				
Capital injections	18 881	73 261		92 142
Costs related to issue of shares		-6 825		-6 825
Ongoing capital injection		-19 286		-19 286
Total transactions with shareholders	18 881	47 150	0	66 031
Closing balance 2020-06-30	**36 367**	**66 369**	**-25 471**	**77 265**
Period January-June				
Opening balance 2020-01-01	17 486	36 028	-36 095	17 419
Comprehensive income				
Appropriation of previous year´s income		-36 095	36 095	
Net income for the period			-25 471	-25 471
Total comprehensive income	0	-36 095	10 624	-25 471
Transactions with shareholders				
Capital injections	18 881	73 261		92 142
Costs related to issue of shares		-6 825		-6 825
Total transactions with shareholders	18 881	66 436	0	85 317
Closing balance 2020-06-30	**36 367**	**66 369**	**-25 471**	**77 265**

Condensed Consolidated Statement of Cash-Flow

SEK 000´s	April-June		Jan-June		1 Jan-31 Dec
	2020	2019	2020	2019	2019
Kancera Group					
Cash-flow from operating activities	-13 801	-12 862	-25 471	-20 818	-36 095
Operating income after financial items	607	33	1 182	67	111
Depreciation	-51	-97	-272	-271	-80
Taxes paid	23	-17			0
	-13 222	**-12 943**	**-24 561**	**-21 022**	**-36 064**
Cash-flow from operating activities before working capital change					
Change in working capital	-2 228	-741	484	1	3 340
Cash-flow from operating activities	**-15 450**	**-13 684**	**-24 077**	**-21 021**	**-32 724**
Investment activities					
Sale of tangible assets	0	0	0	0	0
Cash-flow from investment activities	**0**	**0**	**0**	**0**	**-1**
FREE CASH-FLOW available to INVESTORS	**-15 450**	**-13 684**	**-24 077**	**-21 021**	**-32 725**
Financing activities					
Change in debt referrable to financing activities	-139	639	-145	2 146	-4 607
Issue of shares/other capital infusions	82 817	6 732	82 817	6 732	14 157
Repayment of loans	-14 000	0	-14 000	0	0
Increase in short-term financing	0	0	0	0	14 000
Cash-flow from financing activities	**68 678**	**7 371**	**68 672**	**8 878**	**23 550**
CASH-FLOW for the PERIOD	**53 228**	**-6 313**	**44 595**	**-12 143**	**-9 175**
Cash and cash equivalents at the beginning of the period	3 215	15 193	11 848	21 023	21 023
Cash and cash equivalents at the end of the period	56 443	8 880	56 443	8 880	11 848

Condensed Parent Company Income Statement

SEK 000´s	April-June		Jan-June		1 Jan-31 Dec
The Parent Company Kancera AB	2020	2019	2020	2019	2019
Revenues					
Net sales	2 600	0	2 641	3 099	3 216
Other revenues	971	648	1 716	1 064	2 338
Cost of sales & services	0	-76	-27	-76	-96
Gross profit	**3 571**	**572**	**4 330**	**4 087**	**5 458**
Operating Expenses					
General & administrative expenses	-7 751	-2 930	-9 495	-3 829	-5 404
Selling expenses	-93	-179	-562	-573	-1 202
Research & development expenses	-9 600	-10 199	-19 293	-20 338	-34 505
Total expenses	**-17 444**	**-13 308**	**-29 350**	**-24 740**	**-41 111**
Operating income	**-13 873**	**-12 736**	**-25 020**	**-20 653**	**-35 653**
Income from Financial Investments					
Financial revenues					2
Financial expenses	104	-113	-413	-135	-327
Income after financial items	**-13 769**	**-12 849**	**-25 433**	**-20 788**	**-35 978**
Taxation	0	0	0	0	0
Net income	**-13 769**	**-12 849**	**-25 433**	**-20 788**	**-35 978**

Balance sheet

Condensed Parent Company Balance Sheet

SEK 000's	30 June		31 Dec
The Parent Company Kancera AB	2020	2019	2019
Assets			
Non-current Assets			
Intangible assets			
Capitalized R&D	24 000	18 000	24 000
Tangible assets			
Equipment and chemical library	0	44	0
Financial assets			
Shares in subsidiaries	50	50	50
Financial placements	1		1
Total non-current assets	**24 051**	**18 094**	**24 051**
Current Assets			
Intercompany receivables	1	1	1
Trade receivables and other receivables	8 876	3 674	4 565
Cash and cash equivalents	56 395	8 833	11 800
Total current assets	**65 272**	**12 508**	**16 366**
TOTAL ASSETS	**89 323**	**30 602**	**40 417**
Equity and Liabilities			
Equity			
Restricted equity	36 367	16 486	17 485
Non-restricted equity	41 055	2 818	52
Total equity	**77 422**	**19 304**	**17 537**
Liabilities			
Long-term liabilities	0	3 894	0
Short-term liabilities	11 901	7 404	22 880
Total liabilities	**11 901**	**11 298**	**22 880**
TOTAL EQUITY and LIABILITIES	**89 323**	**30 602**	**40 417**

Notes

Note 1 Accounting and valuation principles

The interim report has been prepared in accordance with IAS 34 and the Annual Accounts Act. In addition to what is shown below, the Group's and the Parent Company's accounting principles and valuation principles as well as the basis of calculation for the report are unchanged compared to the latest annual report for the financial year ending December 31, 2019 and should be read together with it.

The Group continuously invests in research and development projects that increase the Group's knowledge of technology and which may also include intangible assets such as patent applications for technology.

Intangible assets are capitalized and recognized in the balance sheet if certain criteria are met, while expenses for research are expensed as they arise. An intangible asset based on capitalized development costs is recognized only when Kancera can demonstrate that it is technically feasible to complete the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the resource availability for completion and the ability to reliably measure development costs.

Kancera has continuously expensed all development costs as they arise, since they mainly constituted research efforts and the Group management judged that the criteria for activation were not met.

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 if they are summed. 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 lease agreements for premises that were previously expensed in accordance with IAS 17 are now recognized in the balance sheet as rights of use and leasing liabilities. The Group applies the relief rules as leases of lesser value and contracts that run for a shorter period of time than 12 months from the transition date are not recognized in the balance sheet but are expensed on a straight-line basis over the lease period. 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 at 31 January 2019 had increased by 6 320 KSEK and the Group's liabilities by 6 320 KSEK. The equity / assets ratio at the transition was negatively affected by approximately 9% units. As of 30 June 2020, the right to use the asset's value is SEK 3 349 000, the leasing fee SEK -1 183 000, depreciation SEK 1 182 000 and the interest expense SEK 40 000, which gives a net profit effect of SEK -39 000. Accounting has a positive effect on operating profit as the Group reports depreciation and interest on the asset instead of leasing fees.

Note 2 Related party transactions

During the period, Kancera AB paid compensation to Mellstedt Consulting AB for services comprising scientific advice and scientific marketing with an amount of 60 KSEK (60 KSEK). Håkan Mellstedt, board member of Kancera AB is the CEO and owner of Mellstedt Consulting AB. No other remuneration has been paid to related parties other than board fees and expenses for expenses.

Note 3 Options programme

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

Note 4 Grants received to be reported at a later date

Awarding body	Grant awarded, tkr	Amount paid tkr	Date for reporting
EU SYNTRAIN[1]	4986	4 237	Next: October 2020
EU TOBEATPAIN[2]	2637	1 791	Next: July 2020
Total	7623	6 028	

1. According to EUR rate SEK 10. Granted amount of about 4 986 KSEK. Amount paid out of about 4 237 KSEK. The remaining amount of the grant is paid after the approved final report, which is submitted in October 2020.

2. According to EUR rate SEK 10. Granted amount of about 2 637 KSEK. Amount paid out of about 1 791 KSEK. The remaining amount will be paid after approved reporting for period 1, which is expected to be submitted in July-September 2020 and also after the approved final report, submitted in July 2022.

Note 5 The Group's operations and risk factors

When assessing the Group's future development, it is important to consider, in addition to potential profit growth, risk factors. The Group's operations are affected by a number of risks that can have varying degrees of impact on the Group's results and financial position. For a description of the Group's risks, refer to page 28 of the 2019 Annual Report.

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 21 August 2020

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 2020	20 November 2020
Year-end report January-December 2020	19 February 2021

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