

# INTERIM REPORT FOR KANCERA AB (PUBL) Q4 2016



January 1<sup>st</sup> – December 31<sup>st</sup> 2016

# THIS IS KANCERA

Kancera develops the basis for new therapeutics, starting with new treatment concepts and ending with the sale of a drug candidate to international pharmaceutical companies.

Kancera's operations are based in the Karolinska Institutet Science Park in Stockholm and the Company employs around 16 people.

The Kancera shares are traded on NASDAQ OMX First North. The number of shareholders was around 7700 as of January 13, 2017.

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

## Business model

Kancera develops proprietary drugs that can prolong life and reduce health care costs, for the sale to the international pharmaceutical industry and further clinical trials. Drug candidates are out-licensed against installments at signature and reached milestones in the product development (typically at the start of Phase I, II, III and registration) as well as incomes from 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 OMX approved Kancera's listing on First North with the first day of trading being February 25, 2011.

In March 2013 Kancera acquired a complete drug development laboratory from its former subsidiary iNovacia AB and the drug development is since then performed within Kancera AB at the Karolinska Institutet Science Park, Stockholm.



# STATEMENT FROM THE CEO

Kancera has recently selected a contract research company for the upcoming clinical study in the Fractalkine project following a competitive selection process. In the next step the final negotiations of the agreement with that company are to be concluded, and in parallel the application to the relevant Medical Products Agency and the ethics committee for permission to start a clinical Phase I study is to be submitted. Thus, the Fractalkine project proceeds in accordance with the plans presented in the prospectus for the rights issue in May, 2016.

Furthermore, we have been able to show that the company's Fractalkine antagonist KAND567 (formerly KAN0440567) effectively counteract pain caused by vincristine which is used to treat several forms of both hematological and solid tumors. The goal for the KAND567 treatment is to enable effective cancer treatment without dose-limiting pain as well as to prevent permanent nerve- and pain-complications after a successful treatment. Today there is no effective treatment for this type of nerve damage.

We have also been able to show that treatment with KAND567 prevents immune cell (monocyte) infiltration of nerves and spinal cord, which in turn prevents nerve damage and enhanced pain sensitivity. This effect pattern reflects the neuro-protective effect previously shown for KAND567 in a disease model for the autoimmune disease multiple sclerosis.

Overall, the findings suggest that KAND567 has the potential to significantly improve the treatment of cancer as well as autoimmune diseases.

We also see progress in other parts of the project portfolio exemplified by a new ROR inhibitor whose effect is maintained throughout the day opening up the possibility of more indications, that milestones for the Vinnova-supported HDAC6 project have been achieved, and that PFKFB3 inhibitors become more effective against cells upon activation of RAS which is one of the cancer driving genes most difficult to inhibit.



Moreover, in the final phase of the EU-funded anti-parasite project we can note that Kancera's newly developed compounds, directed against the parasite's genome, show promising efficacy against infection caused by the parasite *Trypanosoma cruzi*. The parasite causes Chagas disease which affects approximately 8 million people today. With these results, Kancera reached the ambitious goals of the EU-project to develop a new class of compounds active in an animal model of one of the most difficult parasitic diseases affecting man.

Thomas Olin  
CEO Kancera AB (publ)

# THE PERIOD JANUARY - DECEMBER 2016 IN BRIEF

- R&D expenses for the period amounted to SEK 19,1M (SEK 20,4M) of which the fourth quarter constituted SEK 5.8M (SEK 8,3M).
- Operating income for the period amounted to SEK -22,3M (SEK -19.7M) of which the fourth quarter constituted SEK -6.5M (SEK -5,9M).
- Income after financial items for the period amounted to SEK -22,3M (SEK -19,6M) of which the fourth quarter constituted SEK -6.4m (SEK -5.9m).
- Earnings per share for the period were SEK -0.19 (SEK -0.19) of which the fourth quarter constituted SEK -0.05 (SEK -0.06).
- Cash flow from operating activities for the period amounted to SEK -23.1M (SEK -20,7M) of which the fourth quarter constituted SEK -5,7M (SEK -4.5M).
- Equity as of December 31, 2016 amounted to SEK 59,5M (SEK 21,9M) or SEK 0.45 (SEK 0.21) per share.
- The equity/assets ratio as of December 31, 2016 was 82 percent (80 percent). Cash and cash equivalents as of December 31, 2016 amounted to SEK 57,8M (SEK 15,6M).

# SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

- In the Fractalkine project, the procurement process has begun of a CRO that will conduct the first clinical study, as well as of a company for the development and manufacture of the formulation of KAND567, formerly KAN0440567, to be used in this study.
- In the HDAC6 project Kancera substances have been shown to have the ability to down-regulate the immunological “braking” protein found in cancer cells, which may help cancer cells escape the patient’s immune system. Furthermore, the project has developed a crystal structure that shows how Kancera substances bind to “Target 2”, which provides information on how HDAC6/Target 2 inhibitory drugs can be further optimized.
- Kancera has reported progress in the ROR project on
  - possible broadened use of ROR inhibitors against lymphoma disease “Richter’s syndrome,” according to analysis of tumor samples. The disease affects approximately 15% of patients with chronic lymphocytic leukemia (CLL) and there is a lack of effective treatment.
  - The production method for KAN0439834 has been developed to allow straightforward and efficient implementation in a way that the company believes paves the way for the further preclinical and clinical development of the compound.
- Kancera announced that Nasdaq has approved Kancera’s application for listing on First North Premier segment. The first day of trading in Kancera shares on this list was 31 October 2016.



## SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- Kancera AB (publ) has presented new information showing
  - how the company’s Fractalkine blocker prevents immune cells (monocytes) to infiltrate the nerves and spinal cord, which prevents nerve damage and enhanced pain sensitivity associated with cancer treatment
  - that the effect of a new ROR inhibitor is maintained throughout the day, which opens up for more indications
  - achieved milestones for the HDAC6 project
  - how PFKFB3 inhibitors seems more effective in cells being transformed to cancer cells
  - success in the development of drugs against Chagas (parasitic) disease
  - Furthermore, Kancera has announced that an agreement in the form of a “Letter of Intent” has been concluded with a company for the implementation of a Phase I clinical study of KAND567.

# PHARMACEUTICAL DEVELOPMENT

The company has five drug development projects in the portfolio.

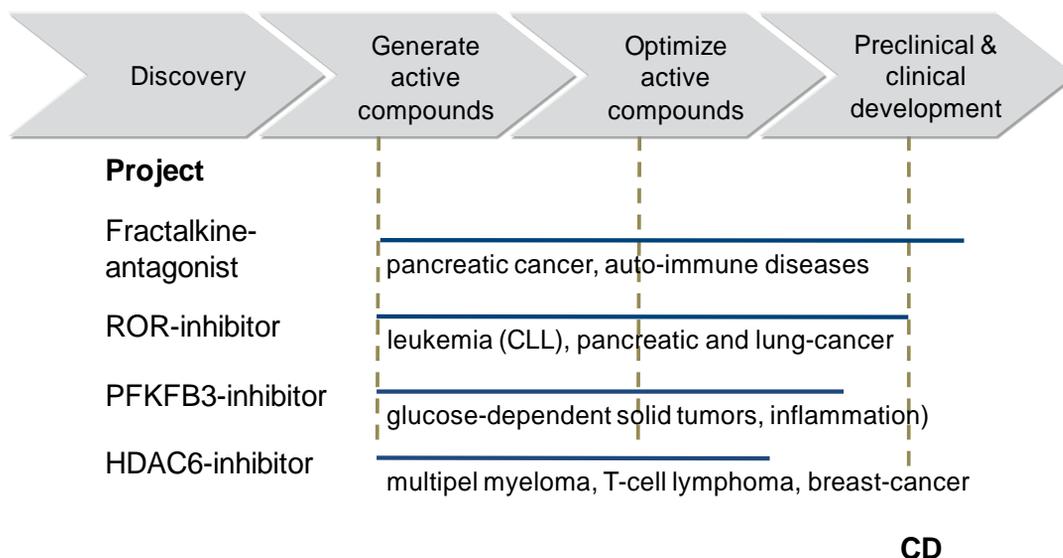
**Small molecule ROR inhibitors** that reprogram the cancer cells so that they destroy themselves. In the laboratory, the ROR technology has been shown to work in both solid tumors and leukemia.

**Small-molecule antagonists of the Fractalkine receptor CX3CR1** that control cancer cells and the immune system to counter tumor growth and spread as well as to counter cancer pain in connection with nerve damages and inflammation.

**Small molecule PFKFB3 inhibitors** that strangle the energy supply from glucose to solid tumors and decrease the ability of the cancer cells to repair their DNA, which together may increase the tumor's sensitivity to other cancer therapies.

**Small molecule HDAC6 inhibitors** that primarily aim to neutralize blood cancer (e.g. myeloma) by decreasing the cancer cell's ability to move and support the patient's immune system to identify and eliminate cancer cells.

**Small molecule inhibitors of epigenetic processes in parasites** to develop new treatments against e.g. malaria and schistosomiasis (snail fever). This EU-financed project ended on 31 January, 2017.



Read more about the project portfolio, current project status and patent portfolio in the project report on our website. [Click here for a direct link.](#)

# FINANCIAL DEVELOPMENT, SUMMARY

## Financial development, summary

SEK 000's (if otherwise not specified)

Kancera Group (previous year, parent company Kancera AB)

	Oct-Dec		Jan-Dec	
	2016	2015	2016	2015
Net turnover	134	15	308	282
Operating expenses	-6 611	-5 894	-22 527	-19 894
R&D expenses	-5 789	-8 300	-19 089	-20 355
Operating Income	-6 497	-5 889	-22 282	-19 686
Income after financial items	-6 438	-5 871	-22 308	-19 612
Net income	-6 438	-5 871	-22 308	-19 612
Cash-flow from operating activities	-5 699	-4 509	-23 103	-20 658
Cash on hand at closing date	57 759	15 567	57 759	15 567
Equity at closing date	59 526	21 925	59 526	21 925
<b>Key ratios</b>				
Return on equity, %	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg
Investments in intangible assets	-	-	-	-
Investments in tangible assets	-	-	-	-366
Solvency ratio	82%	80%	82%	80%
No. of employees	15	13	15	13
Earnings per share, before dilution	-0,05	-0,06	-0,19	-0,19
Earnings per share, after dilution	-0,05	-0,06	-0,19	-0,19
Equity by share, kr	0,45	0,21	0,45	0,21
Cash-Flow by share, kr	-0,04	-0,04	-0,20	-0,20



# COMMENTS ON THE FINANCIAL DEVELOPMENT

Increased costs for the period compared with the corresponding period in 2015 are primarily attributable to increased research and development costs incurred due to that Kancera operates one additional project in an advanced preclinical phase. As a consequence of the acquisition of the subsidiary Kancera Förvaltning AB, Interim Reports from Q2 2016 is prepared in accordance with IAS 34 and related parts of the Annual Accounts Act. Comparative figures from the previous year used below pertain to the parent company Kancera AB. The transition to the new accounting standards did not affect the income statement or balance sheet for the period January 1 - March 31, 2016 accounted for using the previous principles, or the comparison figures used below in the comments from the previous year regarding the parent company Kancera AB.

## REVENUES AND EARNINGS

### Fourth quarter

October – December 2016

- Kancera's activities have mainly covered internal drug development projects alongside smaller consultancy projects which raised net sales during the period of SEK 0.1M (SEK 0.0M).
- Expenses in the fourth quarter amounted to SEK 6.6M (net cost SEK 5.9M), which breaks down into costs of services sold of SEK 0.0M (SEK 0.0M), research and development expenses of SEK 5.8M (SEK 8.3M) and other sales and administrative expenses of SEK 0.8M (SEK 2.8M).
- Earnings per share for the fourth quarter, based on a weighted average of outstanding shares, amounted to SEK -0.05 (SEK -0.06).
- Income after financial items for the fourth quarter amounted to SEK -6.4M (SEK -5.9M).

### Period

January – December 2016

- In the first quarter 2016, Kancera was awarded a grant of SEK 2.8M from the European Union's 7th Framework Program for the A-PARADDISE project which targets parasitic diseases. In total, the EU has paid SEK 7.5M to Kancera for the project. Ongoing work for the period amounts to SEK 5.8M. The grant is accounted for as a current liability until approval of the final report which is expected in the third quarter 2017 when the remaining grant of ca SEK 1.5M is paid to Kancera and the work will be registered as revenue and settled against accumulated costs.
- The company has received a grant of EUR 299,000 for another EU project called SYNTRAIN. This amount represents 60% of the total grant that Kancera will receive from the EU.
- Expenses during the period amounted to SEK 22.5M (net cost SEK 19.9M), which breaks down into costs of services sold of SEK 0.1M (SEK 0.1M), research and development expenses of SEK 19.1M (SEK 20.4M) and other sales and administrative expenses of SEK 3.3M (SEK 4.7M).
- Income after financial items for the period amounted to SEK -22.3M (SEK -19.6M) or SEK 0.19 per share (SEK -0.19).

# FINANCIAL POSITION AND LIQUIDITY

## BALANCE SHEET AND CASH FLOW

Equity as of December 31, 2016 amounted to SEK 59.5M (SEK 15.6M).

The equity/assets ratio as of December 31, 2016 was 82 percent (80 percent). Equity per share was SEK 0.45 (SEK 0.21) based on equity divided by the number of shares on the closing date at the end of the quarter.

Cash flow for the fourth quarter amounted to SEK -5.7M (SEK -4.6M). Cash flow from operating activities amounted to SEK -5.7M (SEK -4.5M) or SEK -0.04 per share (SEK -0.04) and from financing activities SEK 0.0M (-0.1M).

Cash and cash equivalents as of December 31, 2016 amounted to SEK 57.8M (SEK 15.6M).

## PERSONNEL

Kancera AB had 16 full time employees as of December 31, 2016 of which 11 are men and 5 are women.

## INVESTMENTS AND DEPRECIATIONS

Investments in fixed assets during the fourth quarter amounted to SEK 0.0M (SEK 0.0M).

## DEFICITS FOR TAX PURPOSES

Kancera's present operations are expected to initially result in negative earnings and deficits for tax purposes. There are no sufficiently convincing evidence at present that tax surpluses will exist in the future that may justify capitalization of the value of the deficit, and no deferred tax claim has therefore been reported. In the event a drug candidate is sold, profits will be reported which may be offset for tax purposes against the deficits. This signifies a low tax burden for the company when a project is sold. The determined tax deficits as of December 31, 2016 amount to SEK 94.7M.

## THE SHARE CAPITAL AND THE SHARE

On April 22, 2016, the Board of Kancera AB decided on an issue of units consisting of one share and one warrant at a price of SEK 2.50 per unit. The rights issue was fully subscribed in May 2016 brought Kancera AB approximately SEK 61.9M before issue costs. The share capital as of December 31, 2016 amounted to SEK 10,957,227 divided into 131,486,720 shares with a quotient value (rounded off) of 0.0833 per share.

## INCENTIVE SCHEME

Costs for the incentive scheme for employees and other executives in the fourth quarter amounted to SEK 0.1M (SEK 0.1M).



## Consolidated Statement of Comprehensive Income

SEK 000's (if otherwise not specified)

	Oct-Dec		Jan-Dec	
	2016	2015	2016	2015
<b>Kancera Group</b>				
<i>Revenues</i>				
<b>Net sales</b>	<b>134</b>	<b>15</b>	<b>308</b>	<b>282</b>
Cost of sales & services	-20	-10	-63	-74
<b>Gross profit</b>	<b>114</b>	<b>5</b>	<b>245</b>	<b>208</b>
<i>Operating Expenses</i>				
General & administrative expenses	-653	-2 455	-2 907	-3 943
Selling expenses	-169	-348	-531	-805
Research & development expenses	-5 789	-8 300	-19 089	-20 355
	-	5 209	-	5 209
Total operating expenses	<b>-6 611</b>	<b>-5 894</b>	<b>-22 527</b>	<b>-19 894</b>
<b>Operating income</b>	<b>-6 497</b>	<b>-5 889</b>	<b>-22 282</b>	<b>-19 686</b>
<i>Income from Financial Investments</i>				
<b>Financial net</b>	<b>59</b>	<b>18</b>	<b>-26</b>	<b>74</b>
<b>Income after financial items</b>	<b>-6 438</b>	<b>-5 871</b>	<b>-22 308</b>	<b>-19 612</b>
Taxation	-	-	-	-
<b>Net income</b>	<b>-6 438</b>	<b>-5 871</b>	<b>-22 308</b>	<b>-19 612</b>
Net income attributable to the shareholder's of the parer	-6 438	-5 871	-22 308	-19 612
Non-controlling interests	-	-	-	-
Average number of shares (thousands), before dilution	131 487	103 925	118 472	105 272
Average number of shares (thousands), after dilution	131 487	103 925	118 472	105 272
Number of shares at closing date (thousands)	131 487	103 925	131 487	103 925
Earnings per share, before and after dilution	-0,05	-0,06	-0,19	-0,19

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## Comprehensive Income for the Period

SEK 000's (if otherwise not specified)

	Oct-Dec		Jan-Dec	
	2016	2015	2016	2015
<b>Net income for the period</b>	-6 438	-5 871	-22 308	-19 612
Other comprehensive income, net before tax				
Total comprehensive income for the period	-6 438	-5 871	-22 308	-19 612
Attributable to the shareholder's of the parent company	-6 438	-5 871	-22 308	-19 612
Non-controlling interests	-	-	-	-



## Condensed Consolidated Statement of Financial Position

SEK 000's (if otherwise not specified)

### Kancera Group

	31 Dec	
<i>Assets</i>	2016	2015
<i>Non-current Assets</i>		
<i>Intangible assets</i>		
Capitalized R&D	6 000	6 000
<i>Tangible assets</i>		
Equipment and chemical library	2 028	3 145
<b>Total non-current assets</b>	<b>8 028</b>	<b>9 145</b>
<i>Current Assets</i>		
Work in progress	5 760	1 486
Trade receivables and other receiva	1 485	1 213
Cash and cash equivalents	57 759	15 567
<b>Total current assets</b>	<b>65 004</b>	<b>18 266</b>
<b>TOTAL ASSETS</b>	<b>73 032</b>	<b>27 411</b>
<i>Equity and Liabilities</i>		
<i>Equity</i>		
Equity	59 526	21 925
<i>Provisions and Liabilities</i>		
Long-term liabilities	2 862	1 500
Short-term liabilities	10 644	3 986
<b>Total provisions and liabilities</b>	<b>13 506</b>	<b>5 486</b>
<b>TOTAL EQUITY and LIABILITIES</b>	<b>73 032</b>	<b>27 411</b>

## Consolidated Statement of Changes in Equity

SEK 000's (if otherwise not specified)

### Kancera Group

	Sharecapital	Other capital contributions	Accumulated deficit	Total equity
<b>Fourth quarter September-December</b>				
<b>Opening balance 2015-10-01</b>	8 660	48 798	-26 302	31 156
<i>Comprehensive income</i>				
Net income for the period			-5 871	-5 871
<i>Transactions with shareholders</i>				
Employee stock option programme		60		60
<b>Closing balance 2015-12-31</b>	<b>8 660</b>	<b>48 858</b>	<b>-32 173</b>	<b>25 345</b>

### Kancera Group, 1 January 2015-31 December 2015

#### Period January-December

<b>Opening balance 2015-01-01</b>	8 212	35 056	-15 979	27 289
<i>Comprehensive income</i>				
Net income for the period			-19 612	-19 612
<i>Transactions with shareholders</i>				
Capital injections	448	13 594		14 042
Costs related to issue of shares		-425		-425
Employee stock option programme		631		631
<b>Closing balance 2015-12-31</b>	<b>8 660</b>	<b>48 856</b>	<b>-35 591</b>	<b>21 925</b>

### Kancera Group, 1 January 2016-31 December 2016

	Sharecapital	Other capital contributions	Accumulated deficit	Total equity
<b>Fourth quarter September-December</b>				
<b>Opening balance 2016-10-01</b>	10 957	106 248	-51 461	65 744
<i>Comprehensive income</i>				0
Net income for the period			-6 438	-6 438
<i>Transactions with shareholders</i>				0
Capital injections		78		78
Employee stock option programme		142		142
<b>Closing balance 2016-12-31</b>	<b>10 957</b>	<b>106 468</b>	<b>-57 899</b>	<b>59 526</b>

**Kancera Group, 1 January 2016-31 December 2016**

**Period January-December**

<b>Opening balance 2016-10-01</b>	8 660	48 856	-35 591	21 925
<i>Comprehensive income</i>				
Net income for the period			-22 308	-22 308
<i>Transactions with shareholders</i>				
Capital injections	2 297	66 605		68 902
Costs related to issue of shares		-9 351		-9 351
Employee stock option programme		358		358
<b>Closing balance 2016-12-31</b>	<b>10 957</b>	<b>106 468</b>	<b>-57 899</b>	<b>59 526</b>



## Condensed Consolidated Statement of Cash-Flow

<i>SEK 000's (if otherwise not specified)</i>	Oct-Dec		Jan-Dec	
	2016	2015	2016	2015
<b>Kancera Group</b>				
<i>Cash-flow from operating activities</i>				
Operating income after financial items	-6 438	-5 871	-22 308	-19 612
Depreciation	279	279	1 117	1 088
Other non-cash-flow affecting items	104	77	465	631
<b>Cash-flow from operating activities before working capital change</b>	<b>-6 055</b>	<b>-5 515</b>	<b>-20 726</b>	<b>-17 893</b>
Change in working capital	356	1 006	-2 377	-2 765
<b>Cash-flow from operating activities</b>	<b>-5 699</b>	<b>-4 509</b>	<b>-23 103</b>	<b>-20 658</b>
<i>Investment activities</i>				
Investment in tangible assets	0	0	0	-366
<b>Cash-flow from investment activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-366</b>
<b>FREE CASH-FLOW available to INVESTORS</b>	<b>-5 699</b>	<b>-4 509</b>	<b>-23 103</b>	<b>-21 024</b>
<i>Financing activities</i>				
Issue of shares/other capital infusions	0	-79	59 552	13 617
Financing from the EU/Vinnova	-36	0	5 743	0
<b>Cash-flow from financing activities</b>	<b>-36</b>	<b>-79</b>	<b>65 295</b>	<b>13 617</b>
<b>CASH-FLOW for the PERIOD</b>	<b>-5 735</b>	<b>-4 588</b>	<b>42 192</b>	<b>-7 407</b>
Cash and cash equivalents at the beginning of the period	63 494	20 155	15 567	22 974
Cash and cash equivalents at the end of the period	57 759	15 567	57 759	15 567

## Condensed Parent Company Income Statement

<i>SEK 000's (if otherwise not specified)</i>	Oct-Dec		Jan-Dec	
	2016	2015	2016	2015
<b>The Parent Company Kancera AB</b>				
<i>Revenues</i>				
<b>Net sales</b>	<b>134</b>	<b>15</b>	<b>308</b>	<b>282</b>
Cost of sales & services	-20	-10	-63	-74
<b>Gross profit</b>	<b>114</b>	<b>5</b>	<b>245</b>	<b>208</b>
<i>Operating Expenses</i>				
General & administrative expenses	-653	-2 455	-2 907	-3 943
Selling expenses	-169	-348	-531	-805
Research & development expenses	-5 789	-8 300	-19 089	-20 355
	-	5 209	-	5 209
<b>Total expenses</b>	<b>-6 611</b>	<b>-5 894</b>	<b>-22 527</b>	<b>-19 894</b>
<b>Operating income</b>	<b>-6 497</b>	<b>-5 889</b>	<b>-22 282</b>	<b>-19 686</b>
<i>Income from Financial Investments</i>				
<b>Financial net</b>	<b>59</b>	<b>18</b>	<b>-26</b>	<b>74</b>
<b>Income after financial items</b>	<b>-6 438</b>	<b>-5 871</b>	<b>-22 308</b>	<b>-19 612</b>
Taxation	-	-	-	-
<b>Net income</b>	<b>-6 438</b>	<b>-5 871</b>	<b>-22 308</b>	<b>-19 612</b>

## Condensed Parent Company Balance Sheet

	31 Dec	
<i>SEK 000's (if otherwise not specified)</i>	2016	2015
<b>The Parent Company Kancera AB</b>		
<i>Assets</i>		
<i>Non-current Assets</i>		
<i>Intangible assets</i>		
Capitalized R&D	6 000	6 000
Goodwill & Immateriella rättigheter		
<i>Tangible assets</i>		
Equipment and chemical library	2 028	3 145
<i>Financial assets</i>		
Shares in subsidiaries	50	0
<b>Total non-current assets</b>	<b>8 078</b>	<b>9 145</b>
<i>Current Assets</i>		
Work in progress	5 760	1 486
Trade receivables and other receivables	1 485	1 213
Cash and cash equivalents	57 709	15 567
<b>Total current assets</b>	<b>64 954</b>	<b>18 266</b>
<b>TOTAL ASSETS</b>	<b>73 032</b>	<b>27 411</b>
<i>Equity and Liabilities</i>		
<i>Equity</i>		
Restricted equity	10 957	8 660
Non-restricted equity	48 569	13 265
<b>Total equity</b>	<b>59 526</b>	<b>21 925</b>
<i>Provisions and Liabilities</i>		
Long-term liabilities	2 862	1 500
Intercompany payables	0	0
Short-term liabilities	10 644	3 986
<b>Total provisions and liabilities</b>	<b>13 506</b>	<b>5 486</b>
<b>TOTAL EQUITY and LIABILITIES</b>	<b>73 032</b>	<b>27 411</b>

# NOTES

## Note 1. Accounting and valuation principles

As a consequence of the acquisition of the subsidiary Kancera Förvaltning AB prepared this Interim Report Q2 2016 in accordance with IAS 34 and the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The accounting of the parent company has 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 adopted by the EU and apply from January 1, 2016.

The transition to IFRS / RFR 2 did not affect the income statement or balance sheet for the period January 1 - March 31, 2016 accounted for using the previous principles. For comparative figures between the two accounting principles, see the Interim Report Q2, 2016.

### Balance Sheet

#### The Kancera Group

SEK 000's (if otherwise not specified)

#### Assets

##### Non-current Assets

Intangible assets, activated R&D expenses	6 000	0
Tangible assets		
<b>Total fixed assets</b>	<b>2 586</b>	<b>0</b>
<b>Total non-current assets</b>	<b>8 586</b>	

##### Current Assets

Work in progress	2 863	0
Receivables	2 154	0
Cash and cash equivalents	68 686	0
<b>Total current assets</b>	<b>73 703</b>	<b>0</b>

#### TOTAL ASSETS

### At balance date 2016-06-30

Accounting according to K3 Swedish GAAP

Adjustments

Accounting according to IFRS

**82 289**

**0**

**82 289**

### Condensed Consolidated Statement of Financial Position

SEK 000's (if otherwise not specified)

#### Kancera Group

#### Assets

##### Non-current Assets

Intangible assets	6 000
Capitalized R&D	
Tangible assets	
Equipment and chemical library	2 586
<b>Total non-current assets</b>	<b>8 586</b>

##### Current Assets

Work in progress	2 863
Trade receivables and other receivables	2 154
Cash and cash equivalents	68 686
<b>Total current assets</b>	<b>73 703</b>

#### TOTAL ASSETS

#### Equity and Liabilities

##### Equity

Restricted equity	10 957
Non-restricted equity	60 147
<b>Total equity</b>	<b>71 104</b>

##### Provisions and liabilities

Long-term liabilities	2 800
Short-term liabilities	8 385
<b>Total provisions and liabilities</b>	<b>11 185</b>

#### TOTAL EQUITY and LIABILITIES

**71 104**

**0**

**71 104**

#### Equity and Liabilities

##### Equity

Equity

##### Provisions and Liabilities

Long-term liabilities	2 800
Short-term liabilities	8 385
<b>Total provisions and liabilities</b>	<b>11 185</b>

**82 289**

**82 289**

Unless otherwise indicated, amounts are reported in Swedish kronor (SEK) and rounded off to the nearest thousand. As a result of the rounding off to the nearest thousand kronor, adding up the amounts stated may not correspond exactly to the total given. Amounts and figures in parentheses are comparison figures for the same period the previous year.

## **Note 2. Related party disclosures**

During the period, Kancera paid compensation to F:a Mellstedt Medical for scientific consulting and scientific marketing services at an amount of SEK 233,000 and SEK 169,000 to Allmora Life Science AB. Håkan Mellstedt, a Board member at Kancera, is the CEO and owner of F:a Mellstedt Medical. Charlotte Edenius, a Board member at Kancera, is the CEO and owner of Allmora Life Science AB. No other remuneration was paid to related parties with the exception of Board fees and outlays for expenses.

## **Note 3. Incentive schemes**

The Annual General Meeting on May 26, 2014 decided to introduce an incentive scheme for employees of the company and corresponding executives and Board members. The incentive scheme involves the issue of maximum 2 800 000 warrants. Of these, 2 200 000 will form the base for the issue of maximum 1 650 000 warrants for the employees. Each warrant will entitle the holder to acquire one share for a price corresponding to 130 percent of the volume weighted trading price of the company's shares on NASDAQ OMX First North during the period May 27 to June 13, 2014. The warrants shall have a term of three years. During the period, the staff may choose to exercise  $\frac{1}{4}$  of the number of granted options after one and two years, respectively, leaving, in this example,  $\frac{1}{2}$  of the number of options to exercise after three years.

The remaining 600 000 warrants are issued to the Board members Bernt Magnusson, Håkan Mellstedt and Carl-Henrik Heldin. Each warrant shall have a term of three years. The price of the warrants is a market price determined by the Black & Scholes valuation model. The warrants to staff and contractors are issued without charge. At full subscription and full exercise of all warrants, the share capital increases with SEK 233 333,33. If all warrants are exercised to subscribe for 2 800 000 shares, the dilution of the share capital will amount to about 2.8 percent.

The first period for exercising the options was closed in June 2015. In total 450 246 new shares were signed. There now remains 2,349,754 warrants. Warrants in the company's treasury amounted to 560 000 as of December 30, 2015, and has been admitted to SEK 0 in the balance sheet. The company management counts on that these can be sold with income in the future.

In connection with the rights issue in June 2016 27,561,356 warrants were issued. Two (2) warrants of series TO2 entitles the holder to subscribe for one new share. The warrants are valid until April 30, 2018. During the period from October 1, 2016 - June 30, 2017 the exercise price is SEK 5 to subscribe for one share with the support of two warrants; during the remaining term until April 30, 2018 the strike price is SEK 6 to subscribe for one share, with the support of two warrants.

The dilution effect on the exercise of all warrants amounts to approximately 12.2%.

#### Note 4. Current grants to be accounted for at a later date

Funded by	Amount granted, kSEK	Amount paid, kSEK	Reporting date
Vinnova	2 000	1 455	July 2017
EU PARADDISE	8 520*	7 487	March 2017
EU SYNTRAIN	4 462**	2 677	Sept. 2018
	<b>10 520</b>	<b>8 942</b>	

\* Assuming an EUR exchange rate of SEK 8.95. The paid amount SEK 7,487,000 corresponds to 85% of the grant. An additional 15% of the grant is paid following an approved final report which will be submitted in March 2017.

\*\* Assuming an EUR exchange rate of SEK 8.95. The paid amount SEK 2,677,000 corresponds to 60% of the grant. An additional 25% of the grant is paid following an approved report for period 1 which will be submitted in September 2018 and an additional 15% is paid following an approved final report which will be submitted in October 2020.

#### Note 5. The company's operations and risk factors

The Board of Directors and the CEO certify that the interim report provides a true and fair overview of the company's operations, financial position and results, and describes the significant risks and uncertainties faced by the company.

When assessing Kancera future development, it is important to consider risk factors alongside potential growth in earnings. Kancera's operations are affected by a number of risks that may affect Kancera's results and financial position to varying degrees. For a description of the risks associated with the Company, see the company's Annual Report 2015.



#### Note 6. Definitions

##### Return on equity (ROE)

Net profit for the period as a percentage of average equity.

##### Return on capital employed (ROCE)

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

##### Equity per share

Equity divided by the number of shares on the reporting date.

##### Cash flow per share

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

##### Option-based deal

Agreement between two parties, giving one party the right through prepayment to later acquire sole rights to the asset concerned.

##### Earnings per share

Profit for the period divided by average number of shares.

##### Capital employed

Total assets reduced with non-interest bearing liabilities.

##### Equity/assets ratio

Equity as a percentage of total assets.

Stockholm February 20th 2017

Erik Nerpin  
*Chairman of the Board*

Håkan Mellstedt  
*Director*

Charlotte Edenius  
*Director*

Carl-Henrik Heldin  
*Director*

Thomas Olin  
*CEO/Director*

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

## **Financial calendar**

Annual Report 2016:	May 5, 2017
Interim Report January 1 – March 31, 2017:	May 19, 2017
Annual General Meeting:	May 30, 2017
Interim Report January 1 – June 30, 2017:	August 22, 2017
Interim Report January 1 – September 30, 2017:	November 17, 2017
Full Year Report 2017:	February 20, 2018

# FOR FURTHER INFORMATION, PLEASE CONTACT:

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