

INTERIM REPORT FOR KANCERA  
AB (publ)  
JANUARI 1ST – JUNE 30TH 2017



1st January– 30th June 2017

# THIS IS KANCERA

Kancera AB develops medicines for cancer and autoimmune diseases in laboratories at Karolinska Institutet Science Park in Stockholm and employs approximately 18 people. The share is traded on NASDAQ First North Premier. The number of shareholders amounted to approximately 7500 per 30 June 2017.

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

## Business model

To develop patent-protected drugs that can prolong life and reduce healthcare costs, for sale to the international pharmaceutical industry and further clinical trials.

Outsourcing of drug candidates is expected to take place at signature, with milestones during product development (typically at the start of Phase I, II, III, and Registration) and royalties.

## History

In 2006, Pharmacia's and Biovitrum's unit for the development of drug candidates was spun-out to create iNovacia AB. In 2008, iNovacia started drug development in collaboration with the Karolinska Institute. In May 2010, Kancera AB was formed by scientists from Cancer Center Karolinska, iNovacia AB and a group of private investors through capital contributions and two drug projects focusing on cancer.

NASDAQ approved Kancera's listing on First North with the first day of trading being February 25, 2011. In March 2013 Kancera acquired a complete drug development laboratory from its former subsidiary iNovacia AB and since then drug development is performed within Kancera AB at the Karolinska Institutet Science Park, Stockholm. Prior to replacing Nasdaq First North with Nasdaq First North Premier, which took place on 28 October 2016, the subsidiary Kancera Förvaltning AB was formed, whereby accounting principles were changed to comply with IFRS with regards to the group and to RFR2 and the Annual Accounts Act with regards to the parent company Kancera AB.



# STATEMENT FROM THE CEO

During the second quarter, Kancera started a Phase I study in the Fractalkine project. The study aims to document the drug properties, safety and tolerance of the drug candidate KAND567 in healthy subjects. The study is now proceeding according to plan, with incrementally increasing single doses.

The next step in the clinical development of KAND567 is to study safety as well as the effect on disease markers in patients with cancer and/or autoimmune diseases. Preparations for these studies have begun during the summer thanks to the share issue carried out in June that contributed approximately SEK 23 million to the company. The preparations include development of a capsule formulation for oral treatment and the safety studies required for a three-month treatment with KAND567.



In June, Kancera participated in the largest biotech conference of the year which this year was held in San Diego. Kancera received attention during the conference both in the magazine "Bio Buzz" (<http://kancera.com/sv/Press/Nyheter/Artikel-om-Fraktalkin-projektet-i-BIO-Buzz/>) and from American radio who interviewed us for the upcoming program "Tech Nation". These media were particularly attracted to write about Kancera due to the fact that drugs that affect the Fractalkine system could counteract diseases that arise in an aging immune system, including cancer, inflammation and autoimmune diseases.

During the Bio Meeting in San Diego we were given the opportunity to present all of Kancera's four projects for major pharmaceutical companies and some of the medium-sized American biotech companies. Several of these Biotech companies are enjoying strong growth after successfully developing their own revolutionary drugs. The companies showed special interest in the Fractalkine blocker as a new clinical phase inhibitor, and in the PFKFB3 inhibitors for the opportunity to combine them with PARP inhibitors against severe ovarian and breast cancer.

Thomas Olin  
CEO Kancera AB (publ)

# PERIOD 1 APRIL - 30 JUNE 2017

## IN BRIEF

- R & D expenses for the period amounted to SEK 25,1 million (SEK 8,7 million) of which the second quarter amounted to SEK 16,8 million (SEK 4,4 million)
- Operating profit for the period amounted to SEK -27,7 million (SEK -10,5 million) of which the second quarter amounted to SEK -18,0 million (SEK -5,5 million)
- Profit after financial items for the period amounted to SEK -27,7 million (SEK -10,5 million) of which the second quarter amounted to SEK -18,0 million (SEK -5,5 million)
- Earnings per share for the period amounted to -0,20 kr (-0,10 kr) of which the second quarter amounted to -0,13 kr (-0,05 kr)
- Cash flow from operating activities for the period amounted to SEK -25,6 million (SEK -9,2 million) of which the second quarter amounted to SEK -16,2 million (SEK -2,9 million)
- Shareholders' equity amounted on 30th June 2017 to SEK 60,1 million (SEK 71,1 million) or 0,41 kr (0,54 kr) per share
- The equity ratio on 30th June 2017 was 79 percent (86 percent). Liquid funds on 30th June 2017 amounted to SEK 54,1 million (SEK 68,7 million).

# SIGNIFICANT EVENTS DURING THE SECOND QUARTER

- Kancera has announced that the company has completed the acquisition of the Fractalkine project, for autoimmune diseases and cancer, from Acturum Real Estate AB.
- Kancera has, in collaboration with Thomas Helleday's research team at Karolinska Institutet, reported that the company's inhibitor of PFKFB3 works in synergy with a new class of drugs called PARP inhibitors which have proved to be effective against hard-to-treat forms of ovarian and breast cancer.
- Kancera announced that the company, within the framework of the EU research program SYNTRAIN, has hired two international industry graduates to strengthen the company's research on how DNA repair can be disturbed in cancer cells - a new way of attacking the disease. The first three years of research are funded entirely by the EU through a grant of approximately 500 000 Euro.
- Kancera announced that a clinical Phase I study with KAND567 has started in The Netherlands in collaboration with the clinical contract company QPS.
- The Annual General Meeting of 30th May 2017 adopted the results and balance sheet, granted the Board of Directors and the CEO discharge for the financial year 2016 and resolved to re-elect all Board members and auditors.
- Kancera announced that Sweden's Innovation Authority VINNOVA has awarded the company's Fractalkine project a grant of a total of SEK 1,000,000 aimed at projects identified as having "a very high level of innovation and commercialization potential". The purpose of the grant is to contribute to preparation for phase II studies.
- The Board of Directors of Kancera AB (publ), with the authorization of the Extraordinary General Meeting of 19th June 2017, implemented a new share issue of SEK 23.7 million before issue costs. Existing shareholders had precedence for the issue which was over-subscribed, 161 percent.



## SIGNIFICANT EVENTS AFTER THE END OF THE SECOND QUARTER

- Kancera's final report of the HDAC6 project to Vinnova has been approved. Vinnova has part-financed the HDAC6 project for two years, up to 30th June 2017, with a grant of SEK 2 million.

# PHARMACEUTICAL DEVELOPMENT

The company has four drug development projects in the portfolio:

- **KAND567 – Antagonist of Fractalkine receptor CX3CR1 for the treatment of autoimmune diseases, pain and cancer.** Blocking CX3CR1 counteracts inflammation and metastasis by preventing cancer and immune cells from infiltrating healthy tissues.
- **ROR inhibitors for the treatment of cancer.** ROR inhibitors reprogram the cancer cells to destroy themselves. In the laboratory, ROR inhibitors have been shown to act on cells from both solid tumors and blood cancer (leukemia and lymphoma).
- **PFKFB3 inhibitor for the treatment of cancer.** PFKFB3 inhibitors inhibit the energy supply of glucose to solid tumors, as well as reduce the ability of cancer cells to repair their DNA, which together can increase the sensitivity of the tumor to other cancer therapies..
- **HDAC6 inhibitor for the treatment of cancer.** HDAC6 inhibitors primarily aim at increasing the patient's immune system's capacity to recognize and eliminate cancer cells, as well as to prevent the ability of cancer cells to spread.

Project	Target validation	Lead Optimization	Pre-CD	Candidate Drug	Phase I	Phase II	
KAND567 Fractalkine - CX3CR1 (Autoimmunity/Oncology/Pain)	[Progress bar spanning Target validation, Lead Optimization, Pre-CD, and Candidate Drug]						
ROR1 (Oncology)	[Progress bar spanning Target validation and Lead Optimization]						
PFKFB3 (Oncology)	[Progress bar spanning Target validation]						
HDAC6 (Oncology/Fibrosis)	[Progress bar spanning Target validation]						

# FINANCIAL DEVELOPMENT, SUMMARY

## Financial development, summary

SEK 000's (unless otherwise specified)

### Kancera Group

	April-June		Jan-June		Jan-Dec
	2017	2016	2017	2016	2016
Net turnover	86	18	86	132	308
Operating expenses	-18 026	-5 490	-27 717	-10 640	-22 527
R&D expenses	-16 815	-4 406	-25 099	-8 655	-19 089
Operating Income	-17 969	-5 484	-27 660	-10 539	-22 282
Income after financial items	-17 986	-5 475	-27 650	-10 510	-22 308
Net income	-17 986	-5 475	-27 650	-10 510	-22 308
Cash-flow from operating activities	-16 209	-2 871	-25 645	-9 155	-23 103
Investments in intangible assets	0	0	0	0	0
Investments in tangible assets	0	0	0	0	0
Cash on hand at closing date	54 101	68 686	54 101	68 686	57 759
Equity at closing date	60 092	71 104	60 092	71 104	59 525
<b>Key ratios</b>					
Return on equity, %	neg	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg	neg
Earnings per share, before dilution	-0,13	-0,05	-0,20	-0,10	-0,19
Earnings per share, after dilution	-0,13	-0,05	-0,20	-0,10	-0,19
Cash-Flow from operating activities by share, kr	-0,12	-0,03	-0,19	-0,08	-0,19
Solvency ratio	79%	86%	79%	86%	82%
Equity by share, kr	0,41	0,54	0,41	0,54	0,45
No. of employees	18	13	18	13	16



# COMMENTS ON THE FINANCIAL DEVELOPMENT

Increased costs for the period compared to the corresponding period 2016 are mainly attributable to increased research and development costs incurred as a result of Kancera's pharmaceutical project being advanced from research to development phase. Following acquisition of the subsidiary Kancera Förvaltning AB, interim reports have been prepared from quarter 2, 2016 in accordance with IAS 34 and the Annual Accounts Act. Comparative figures used below from the previous year refer to parent company Kancera AB. The transition to new accounting principles did not have any effect on the income statement or balance sheet for the period 1st January to 31st March 2016, which has been reported in accordance with previous principles or with comparative figures used below under comments from the previous year concerning the parent company Kancera AB.

## REVENUES AND EARNINGS

### Second quarter, April – June 2017

- Kancera's activities have mainly covered internal drug development projects alongside smaller consultancy projects which raised net sales during the period of SEK 0.1 million (SEK 0.0 million).
- Costs during the second quarter amounted to SEK 18,0 million (SEK 5,5 million) divided into costs of services sold SEK 0,0 million (0,0 million) research and development costs SEK 16,8 million (SEK 4,4 million), and other sales and administrative expenses SEK 1,2 million (SEK 1,1 million).
- Earnings per share for the second quarter, based on a weighted average of the number of outstanding shares, amounted to -0,13 kr (-0,05 kr).
- Profit after financial items amounted to SEK -18,0 million (SEK -5,5 million).
- In total, the EU has paid SEK 7.5 million to Kancera AB for the A-PARADISE project, which is part of the European Union's 7th Framework Program. Ongoing work, up to the end of the project in February 2017, amounts to SEK 6.1 million. The result at the end of June 2017 is reduced with SEK 256,000 in respect of costs exceeding the budgeted costs of the project. The contribution is reported as a short-term liability until the final project report has been approved by the EU during the third quarter of 2017, after which remaining contributions of approximately SEK 1.5 million are paid to Kancera AB and SEK 4.3 million is recognized as income and offset against expenses incurred.

### Period January – June 2017

- Costs during the period amounted to SEK 27,7 million (SEK 10,6 million) divided into costs of services SEK 0,0 million (SEK 0,0 million) research and development costs SEK 25,1 million (SEK 8,7 million), and other sales and administrative expenses SEK 2,6 million (SEK 1,9 million).
- Earnings per share for the second quarter, based on a weighted average of the number of outstanding shares, amounted to -0,20 kr (-0,10 kr).
- Profit after financial items amounted to SEK -27,7 million (SEK -10,5 million).

# FINANCIAL POSITION AND LIQUIDITY

## BALANCE SHEET AND CASH FLOW

Total equity at 30th June 2017 amounted to SEK 60.1 million (SEK 71.1 million). Kancera AB's equity ratio as of June 30th, 2017 was 79 percent (86 percent). Equity per share was SEK 0.41 (SEK 0.54), based on equity divided by the number of shares on the balance sheet at the end of the quarter.

Cash flow amounted to SEK 5,8 million (SEK 56,6 million) during the second quarter. Cash flow from operating activities amounted to SEK -16,2 million (SEK -2,9 million) or -0,12 kr per aktie (-0,03 kr) and from financial activities amounted to SEK 22,0 million (SEK 59,5 million).

Kancera AB's cash and cash equivalents amounted on 30th June 2017 to SEK 54,1 million (SEK 68,7 million).

## PERSONNEL

Kancera AB had 18 full-time employees, including 2 EU-funded doctoral students on 30th June 2017, of which 11 are men and 7 are women.

## INVESTMENTS AND DEPRECIATIONS

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

Booked intangible fixed assets increased during the second quarter by SEK 6 million (SEK 0 million) as a result of partial financing of the Fractalkine project through a 2 million offset share issue.

## DEFICITS FOR TAX PURPOSES

Kancera AB's current operations are expected to initially lead to negative results and deficits for tax purposes. At present, there is insufficient convincing evidence that there will be tax surpluses 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 of sale of a drug candidate, profits are expected to be reported which may be offset for tax purposes against the deficits, which would lead to a low tax burden for the Company when a project is sold. The tax deficits per 2016-12-31 amount to SEK 117.0 million.

## THE GROUP

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

## THE SHARE CAPITAL AND THE SHARE

The Board of Directors of Kancera AB, with the support of the 2016 Annual General Meeting, has implemented a redemption issue of 2,000,000 shares directed to Acturum Real Estate AB as a sub-payment for the Fractalkine project under Option and Acquisition Agreement signed by the parties on 7th September 2015.

The Board of Directors of Kancera AB, with the authorization of the Extraordinary General Meeting on 19th June 2017, implemented a cash issue of approximately SEK 23.7 million before issue costs which amounted to SEK 0.4 million. The new issue took place in May 2017 with preferential rights for the shareholders to subscribe for one new share for every 10 held at the price of 1.80 kr. SEK 22.4 million of a total subscribed amount of SEK 23.7 million has been received during June, while the remaining SEK 1.3 million will be paid during the month of August.

The share capital was SEK 12 162 591 on 30th June 2017, divided between 145 951 095 shares with a quota value, rounded off, at SEK 0.08 per share.

## INCENTIVE SCHEME

Costs for the employee stock option program and other senior executives amounted to SEK 0.1 million (0.1 million) during the first quarter. This option program expired in the second quarter of 2017 and no-one exercised their option to subscribe for new shares during the second quarter.

## Consolidated Statement of Comprehensive Income

SEK 000's (unless otherwise specified)

	April-June		Jan-June		Jan-Dec
	2017	2016	2017	2016	2016
<b>Kancera Group</b>					
<i>Revenues</i>					
<b>Net sales</b>	<b>86</b>	<b>18</b>	<b>86</b>	<b>132</b>	<b>308</b>
Cost of sales & services	-29	-12	-29	-31	-63
<b>Gross profit</b>	<b>57</b>	<b>6</b>	<b>57</b>	<b>101</b>	<b>245</b>
<i>Operating Expenses</i>					
General & administrative expenses	-984	-966	-1 973	-1 638	-2 907
Selling expenses	-227	-118	-645	-347	-531
Research & development expenses	-16 815	-4 406	-25 099	-8 655	-19 089
<b>Total operating expenses</b>	<b>-18 026</b>	<b>-5 490</b>	<b>-27 717</b>	<b>-10 640</b>	<b>-22 527</b>
<b>Operating income</b>	<b>-17 969</b>	<b>-5 484</b>	<b>-27 660</b>	<b>-10 539</b>	<b>-22 282</b>
<i>Income from Financial Investments</i>					
<b>Financial net</b>	<b>-17</b>	<b>9</b>	<b>10</b>	<b>29</b>	<b>-26</b>
<b>Income after financial items</b>	<b>-17 986</b>	<b>-5 475</b>	<b>-27 650</b>	<b>-10 510</b>	<b>-22 308</b>
Taxation	0	0	0	0	0
<b>Net income</b>	<b>-17 986</b>	<b>-5 475</b>	<b>-27 650</b>	<b>-10 510</b>	<b>-22 308</b>
Net income attributable to the shareholder's of the parent company	-17 986	-5 475	-27 650	-10 510	-22 308
Non-controlling interests	0	0	0	0	0
Average number of shares (thousands), before dilution	138 084	110 839	136 968	109 572	120 533
Average number of shares (thousands), after dilution	138 084	110 839	136 968	109 572	120 533
Number of shares at closing date (thousands)	145 951	131 487	145 951	131 487	131 487
Earnings per share, before and after dilution	-0,13	-0,05	-0,20	-0,10	-0,19
<b>Comprehensive Income for the Period</b>					
<i>SEK 000's (if otherwise not specified)</i>					
<b>Net income for the period</b>	<b>-17 986</b>	<b>-5 475</b>	<b>-27 650</b>	<b>-10 510</b>	<b>-22 308</b>
Other comprehensive income, net before tax	0	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>-17 986</b>	<b>-5 475</b>	<b>-27 650</b>	<b>-10 510</b>	<b>-22 308</b>
Attributable to the shareholder's of the parent company	-17 986	-5 475	-27 650	-10 510	-22 308
Non-controlling interests	0	0	0	0	0

## Condensed Consolidated Statement of Financial Position

SEK 000's (unless otherwise specified)

### Kancera Group

	30 June		31 Dec
	2017	2016	2016
<b>Assets</b>			
<b>Non-current Assets</b>			
<i>Intangible assets</i>			
Capitalized R&D	12 000	6 000	6 000
<i>Tangible assets</i>			
Equipment and chemical library	1 441	2 586	2 028
<b>Total non-current assets</b>	<b>13 441</b>	<b>8 586</b>	<b>8 028</b>
<b>Current Assets</b>			
Work in progress	6 652	2 863	5 760
Trade receivables and other receivables	1 893	2 154	1 485
Cash and cash equivalents	54 101	68 686	57 759
<b>Total current assets</b>	<b>62 646</b>	<b>73 703</b>	<b>65 004</b>
<b>TOTAL ASSETS</b>	<b>76 087</b>	<b>82 289</b>	<b>73 032</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>	<b>60 092</b>	<b>71 104</b>	<b>59 525</b>
<b>Provisions and Liabilities</b>			
Long-term liabilities	2 894	0	2 862
Short-term liabilities	13 101	11 185	10 645
<b>Total provisions and liabilities</b>	<b>15 995</b>	<b>11 185</b>	<b>13 507</b>
<b>TOTAL EQUITY and LIABILITIES</b>	<b>76 087</b>	<b>82 289</b>	<b>73 032</b>



## Consolidated Statement of Changes in Equity

SEK 000's (unless otherwise specified)

### Kancera Group

	Sharecapital	Other capital contributions	Accumulated deficit	Total equity
<b>Second quarter April-June 2016</b>				
<b>Opening balance 2016-04-01</b>	8 660	48 856	-40 511	17 005
<i>Comprehensive income</i>				
Net income for the period			-5 475	-5 475
<i>Transactions with shareholders</i>				
Capital injections	2 297	66 605		68 902
Costs related to issue of shares		-9 429		-9 429
Employee stock option programme			101	101
<b>Closing balance 2016-06-30</b>	<b>10 957</b>	<b>106 032</b>	<b>-45 885</b>	<b>71 104</b>

### Period January-June

<b>Opening balance 2016-01-01</b>	8 660	48 856	-35 591	21 925
<i>Comprehensive income</i>				
Net income for the period			-10 510	-10 510
<i>Transactions with shareholders</i>				
Capital injections	2 297	66 605		68 902
Costs related to issue of shares		-9 429		-9 429
Employee stock option programme			216	216
<b>Closing balance 2016-06-30</b>	<b>10 957</b>	<b>106 032</b>	<b>-45 885</b>	<b>71 104</b>

### Kancera Group, January - June 2017

	Sharecapital	Other capital contributions	Accumulated deficit	Total equity
<b>Second quarter April-June 2017</b>				
<b>Opening balance 2017-04-01</b>	10 957	106 032	-67 012	49 977
<i>Comprehensive income</i>				
Net income for the period			-17 986	-17 986
<i>Transactions with shareholders</i>				
Capital injections	1 205	27 231		28 436
Costs related to issue of shares		-449		-449
Employee stock option programme			114	114
<b>Closing balance 2017-06-30</b>	<b>12 162</b>	<b>132 814</b>	<b>-84 884</b>	<b>60 092</b>

### Period January-June

<b>Opening balance 2017-01-01</b>	10 957	106 032	-57 464	59 525
<i>Comprehensive income</i>				0
Net income for the period			-27 650	-27 650
<i>Transactions with shareholders</i>				0
Capital injections	1 205	27 231		28 436
Costs related to issue of shares		-449		-449
Employee stock option programme			230	230
<b>Closing balance 2017-06-30</b>	<b>12 162</b>	<b>132 814</b>	<b>-84 884</b>	<b>60 092</b>

## Condensed Consolidated Statement of Cash-Flow

SEK 000's (unless otherwise specified)	April-June		Jan-June		Jan-Dec
	2017	2016	2017	2016	2016
<b>Kancera Group</b>					
<i>Cash-flow from operating activities</i>					
Operating income after financial items	-17 986	-5 475	-27 650	-10 510	-22 308
Depreciation	293	280	586	559	1 117
Taxes paid	-67	0	-126	0	-174
Other non-cash-flow affecting items	96	315	104	323	465
<b>Cash-flow from operating activities before working capital change</b>	<b>-17 664</b>	<b>-4 880</b>	<b>-27 086</b>	<b>-9 628</b>	<b>-20 900</b>
Change in working capital	1 455	2 009	1 441	473	-2 203
<b>Cash-flow from operating activities</b>	<b>-16 209</b>	<b>-2 871</b>	<b>-25 645</b>	<b>-9 155</b>	<b>-23 103</b>
<i>Investment activities</i>					
Investments in tangible assets	0	0	0	0	0
<b>Cash-flow from investment activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FREE CASH-FLOW available to INVESTORS</b>	<b>-16 209</b>	<b>-2 871</b>	<b>-25 645</b>	<b>-9 155</b>	<b>-23 103</b>
<i>Financing activities</i>					
Issue of shares/other capital infusions	21 987	59 474	21 987	59 474	59 552
Financing from the EU/Vinnova	0	0	0	2 800	5 743
<b>Cash-flow from financing activities</b>	<b>21 987</b>	<b>59 474</b>	<b>21 987</b>	<b>62 274</b>	<b>65 295</b>
<b>CASH-FLOW for the PERIOD</b>	<b>5 778</b>	<b>56 603</b>	<b>-3 658</b>	<b>53 119</b>	<b>42 192</b>
Cash and cash equivalents at the beginning of the period	48 323	12 083	57 759	15 567	15 567
Cash and cash equivalents at the end of the period	54 101	68 686	54 101	68 686	57 759

## Condensed Parent Company Income Statement

SEK 000's (unless otherwise specified)	April-June		Jan-June		Jan-Dec
	2017	2016	2017	2016	2016
<b>The Parent Company Kancera AB</b>					
<i>Revenues</i>					
<b>Net sales</b>	<b>86</b>	<b>18</b>	<b>86</b>	<b>132</b>	<b>308</b>
Cost of sales & services	-29	-12	-29	-31	-63
<b>Gross profit</b>	<b>57</b>	<b>6</b>	<b>57</b>	<b>101</b>	<b>245</b>
<i>Operating Expenses</i>					
General & administrative expenses	-984	-966	-1 973	-1 638	-2 907
Selling expenses	-227	-118	-645	-347	-531
Research & development expenses	-16 815	-4 406	-25 099	-8 655	-19 089
<b>Total expenses</b>	<b>-18 026</b>	<b>-5 490</b>	<b>-27 717</b>	<b>-10 640</b>	<b>-22 527</b>
<b>Operating income</b>	<b>-17 969</b>	<b>-5 484</b>	<b>-27 660</b>	<b>-10 539</b>	<b>-22 282</b>
<i>Income from Financial Investments</i>					
<b>Financial net</b>	<b>-17</b>	<b>9</b>	<b>10</b>	<b>29</b>	<b>-26</b>
<b>Income after financial items</b>	<b>-17 986</b>	<b>-5 475</b>	<b>-27 650</b>	<b>-10 510</b>	<b>-22 308</b>
Taxation	0	0	0	0	0
<b>Net income</b>	<b>-17 986</b>	<b>-5 475</b>	<b>-27 650</b>	<b>-10 510</b>	<b>-22 308</b>

## Condensed Parent Company Balance Sheet

	30 June		31 Dec
<i>SEK 000's (unless otherwise specified)</i>	2017	2016	2016
<b>The Parent Company Kancera AB</b>			
<i>Assets</i>			
<i>Non-current Assets</i>			
<i>Intangible assets</i>			
Capitalized R&D	12 000	6 000	6 000
<i>Tangible assets</i>			
Equipment and chemical library	1 441	2 586	2 028
<b>Total non-current assets</b>	-	-	-
Shares in subsidiaries	50	50	50
<b>Total non-current assets</b>	<b>13 491</b>	<b>8 636</b>	<b>8 078</b>
<i>Current Assets</i>			
Work in progress	6 652	2 863	5 760
Trade receivables and other receivables	3 125	2 154	1 485
Cash and cash equivalents	54 051	68 636	57 709
<b>Total current assets</b>	<b>63 828</b>	<b>73 653</b>	<b>64 954</b>
<b>TOTAL ASSETS</b>	<b>77 319</b>	<b>82 289</b>	<b>73 032</b>
<i>Equity and Liabilities</i>			
<i>Equity</i>			
Restricted equity	12 219	10 957	10 957
Non-restricted equity	49 105	60 147	48 568
<b>Total equity</b>	<b>61 324</b>	<b>71 104</b>	<b>59 525</b>
<i>Provisions and Liabilities</i>			
Long-term liabilities	2 894	0	2 862
Short-term liabilities	13 101	11 185	10 645
<b>Total provisions and liabilities</b>	<b>15 995</b>	<b>11 185</b>	<b>13 507</b>
<b>TOTAL EQUITY and LIABILITIES</b>	<b>77 319</b>	<b>82 289</b>	<b>73 032</b>

# NOTES

## Note 1. Accounting and valuation principles

Due to the acquisition of the subsidiary Kancera Förvaltning AB, interim reports are prepared from the beginning of quarter 2, 2016, in accordance with IAS 34 and the Annual Accounts Act. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. The Parent Company's accounts have been prepared in accordance with the Annual Accounts Act and the Financial Reporting Recommendation RFR 2, including a number of new or revised standards, interpretations and improvements, that have been adopted by the EU and will be applied from January 1st, 2017.

The accounting policies and accounting principles of the Group and Parent Company for the report are unchanged compared to the most recent annual report for the financial year ending 31st December 2016 and should be read together with it. None of the new or amended standards and interpretations introduced January 1st, 2017 have had a significant impact on the company's financial reporting. During the period, capitalization of balanced development expenditure has been incurred as a part payment for the Fractalkine project. Activation of payments takes place as they become due in accordance with agreements.

Amounts are given in Swedish kronor, rounded to the nearest thousand unless otherwise stated. Rounding to the nearest thousand kronor may result in the amounts failing to match when they are summed. Amounts and figures given in brackets refer to comparative figures for the corresponding period of the previous year.

## Note 2. Transactions with related parties

During the period, Kancera AB has paid compensation to F:a Mellstedt Medical AB for services comprising scientific advice and scientific marketing to the sum of SEK 240,000 (SEK 93,000) and SEK 180,000 (0,000) to Allmora Life Science AB. During the period, Kancera AB also paid compensation to Håkan Mellstedt, a member of Kancera AB's Board of Directors and the CEO and owner of F:a Mellstadt Medical AB. Charlotte Edenius, Board member of Kancera AB, is CEO and owner of Allmora Life Science AB. No other remuneration has been paid to related parties apart from board fees and expenses.



### Note 3. Options program

The AGM resolved on May 26th, 2014 to introduce an options program for the company's employees and corresponding executives and board members. This options program expired on June 30th, 2017.

The option program comprised a maximum of 2,800,000 warrants. Of these, 2 200 000 would be the basis for the issuance of a maximum of 1 650 000 employee stock options. Each option entitled to the acquisition of one share at a price corresponding to 130 percent of the volume weighted stock price of the company's share on NASDAQ First North during the period May 27th to June 13th, 2014. The stock options had a maturity of three years.

The remaining 600,000 warrants were issued to Board members Bernt Magnusson, Håkan Mellstedt and Carl-Henrik Heldin. Each warrant was valid for three years. The options to the Board members were priced at market price determined according to the Black & Scholes valuation formula. The warrants to employees and contractors were issued without consideration. The first subscription period for exercising the options was completed in June 2015. In total, 450 246 new shares were subscribed. Subsequently, 2,349,754 warrants remained outstanding and have now expired.

In connection with the rights issue in June 2016, 27,561,356 warrants were issued. Two (2) warrants of series TO2 entitle to subscription to one new share. The warrants will expire on April 30th, 2018. During the period 1st October 2016 – 30th June 2017, the exercise price was SEK 5 for subscription of one share on the basis of two warrants. For the remaining period until April 30th, 2018, the exercise price is SEK 6 for subscription of one share under two warrants.

The dilution effect on the disposal of all warrants amounts to approximately 9.4 percent.

### Note 4. Grants awarded, to be reported at a later date

Awarding body	Amount granted (k SEK)	Amount paid out (k SEK)	Reporting date
Vinnova HDAC6	2 000	1 455	July 2017, approved
Vinnova Fractalkine	1000	0	nov. 2017/apr. 2018
EU PARADISE	8 520*	7 487	March 2017
EU SYNTRAIN	4 462**	2 677	Sept. 2018
<b>Total</b>	<b>15 982</b>	<b>11 619</b>	

\*According to EUR price 8.95 kr. Amount paid of SEK 7,487,000 corresponds to 88% of the contribution. An additional 12% of the contribution will be paid on approval of the final report submitted in March 2017.

\*\* according to EUR price 8.95 kr. The paid amount of 2 677 k SEK corresponds to 60% of the contribution. An additional 25% of the contribution will be paid after approved accounts for period 1 are submitted in September 2018 and another 15% after the finalized final report, submitted in October 2020.

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

When assessing Kancera future development, it is important to consider risk factors alongside potential growth in earnings. Kancera's operations are affected by a number of risks that may affect Kancera's results and financial position to varying degrees. For a description of the risks associated with the Company, see the company's Annual Report 2016.



## Note 6. Definitions

### Return on equity

Profit for the period as a percentage of average equity.

### Return on capital employed

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

### Equity per share

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

### Cash flow per share

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

### Option-based business

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

### Earnings per share

Profit for the period divided by the average number of shares.

### Capital employed

Balance sheet total reduced by non-interest bearing liabilities.

### Solidity

Shareholders' equity as a percentage of total assets.



The Board and Chief Executive Officer hereby declare that the interim report gives a true and fair view of the company's business, position and results and describes the significant risks and uncertainties faced by the company and the Group.

Stockholm 21st August 2017

Erik Nerpin  
*Chairman*

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**

Interim Report January 1st – September 30th, 2017:  
Full Year Report 2017:

November 17th, 2017  
February 20th, 2018

# FOR FURTHER INFORMATION PLEASE CONTACT:

Thomas Olin, CEO: +46 73 520 40 01

Erik Nerpin, Chairman of the Board and Election Committee  
+46 70 620 73 59

**Kancera AB (publ)**  
Karolinska Institutet Science Park  
Banvaktsvägen 22  
SE 171 48 Solna

Visit the company's website at: [www.kancera.com](http://www.kancera.com)