

Interim report for the third quarter 2019

1 January – 30 September 2019

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

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This is Kancera

Kancera develops drugs against inflammatory diseases and cancer. KAND567 heading for a Phase II clinical study in myocardial infarction patients.

Kancera develops drugs that counteract damage during acute and chronic inflammation. The Fractalkine blocker KAND567 has primarily been developed to effectively and selectively reduce inflammation of the heart and vessels following a heart attack. Kancera plans to apply for a clinical Phase II study during the second quarter 2020. Since scientific studies have shown elevated levels of Fractalkine not only in heart attacks, but also in inflammatory diseases and some forms of cancer, there are several possible development opportunities for Kancera's Fractalkine antagonists KAND567 and KAND145.

Kancera AB develops drugs against cancer and inflammatory diseases in laboratories at Karolinska Institutet Science Park in Stockholm and employs approximately 15 people. The share is traded on NASDAQ First North Premier. The number of shareholders as of 30 September 2019 was approximately 7400. 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 drugs, which can extend life and reduce healthcare costs, for sales to the international pharmaceutical industry and further clinical trials and marketing.

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

Background

Kancera's team has extensive experience in drug research from discoveries of new disease processes to clinical development within AstraZeneca, Biovitrum (formerly Pharmacia) and Karolinska Institutet. Kancera has mainly focused on inflammatory diseases and cancer, both for its own drug development and as research consultants. As research consultants, Kancera's team has carried out projects for both pharmaceutical companies and biotech companies in the US and Europe. These assignments include the development of the chemistry that laid the foundation for Enasidenib, a drug that has been marketed by Celgene for the treatment of lymphoma (AML) since 2017. In 2018 Kancera signed an agreement with Grünentahl concerning development of Kancera's HDAC inhibitors for the treatment of neuro inflammation and pain.

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

Third quarter in brief

1 July – 30 September 2019

- Net sales for the period (January to September) amounted to SEK 3,3 Million (0,1 Million) of which the third quarter contributed SEK 0,2 Million (0,0 Million).
- R&D costs for the period amounted to SEK 27,5 Million (31,3 Million) of which the third quarter contributed SEK 7,2 Million (10,5 Million).
- Operating profit for the period amounted to SEK -28,1 Million (-33,5 Million) of which the third quarter contributed SEK -7,5 Million (-10,7 Million).
- Profit after financial items for the period amounted to SEK -28,4 Million (-33,8 Million) of which the third quarter contributed SEK -7,6 Million (-10,8 Million).
- Earnings per share for the period amounted to SEK -0,14 (-0,21) of which the third quarter contributed SEK -0,04 (-0,06).
- Cash flow from operating activities for the period amounted to SEK -32,6 Million (-31,2 Million) of which the third quarter contributed SEK -11,6 Million (-17,9 Million).
- Shareholders' equity as of 30 September 2019 was SEK 23,6 Million (45,5 Million) or SEK 0,11 (0,24) per share.
- The equity/assets ratio as of 30 September 2019 was 65 percent (77 percent).
- Cash and cash equivalents on 30 September 2019 amounted to SEK 3,9 Million (34,8 Million). For information about a 100% guaranteed rights issue of SEK 61 million, see the section "Significant events after the end of the third quarter".

Significant events during the third quarter

- Kancera announced that the third and final installment payment for the Fractalkine project and KAND567 has been made in accordance with the acquisition agreement. The payment that has been activated in connection with the ongoing Phase Ib study is made through a new issue of two million of the company's shares to Acturum AB.
- Kancera announced that a further developed dosing strategy for KAND567 is intended to be introduced, which means an added delay of the Phase 1b study. The new dosing strategy is consistent with clinical practice for the cardiac protection of patients with myocardial infarction. The results obtained from the Phase 1 studies support that such dosing provides the desired effect and tolerability. For more information on the completion of the Phase Ib study, see under "Significant events after the end of the third quarter".
- Kancera presented new preclinical findings for its lead compound KAND567 at the world's largest cardiac congress, which is a joint arrangement between the ESC Congress and the World Congress of Cardiology. The preclinical results were considered by the ESC to be of "outstanding quality" and were thus selected for oral presentation during the central session for scientific progress in the area of "acute coronary artery disease". The results show that Kancera's drug candidate KAND567 has an anti-inflammatory effect that protects the heart and blood vessels from damage associated with myocardial infarction and atherosclerosis. [Click here for a link to a video recording of the presentation.](#)

Significant events after the end of the third quarter

- Kancera described the importance of the 2019 Nobel Prize in Physiology or Medicine for Kancera's drug discovery research (see <http://kancera.com/en/press/news/nobel-price-2019/>)
- Kancera announced a revised patent strategy in collaboration with Grünenthal for the development of HDAC inhibitors for the treatment of pain and inflammation. This means that a patent application covering a series of HDAC inhibitors will be withdrawn in order to submit a new supplementary application at a later stage. The existing cooperation agreements have been supplemented in accordance with this revised strategy to allow both parties to reap the benefits of this revised patent strategy.
- Kancera announced that the company intends to complete the final step in the Phase Ib study of the drug candidate KAND567 in Finland instead of as previously planned in Sweden. In August 2019, Kancera applied for permission from the Swedish Medical Products Agency to change the dosing strategy in the study to enable an optimal dosage for patients. The Swedish Medicinal Products Agency has announced that the authority wants supplementary information and a new application for a permit to continue the study. Kancera has compiled the requested information and prepared a new application, but in order to maintain the timetable for the Phase IIa study, the company chooses to apply for the final part of the study in Finland. The company's assessment is that this will allow the Phase Ib study to be completed with unchanged budget during the first quarter of 2020. The previously announced plan to apply for a Phase IIa study during the second quarter of 2020 thus remains unchanged.
- The Board of Directors of Kancera announced a decision to propose a rights issue of shares and warrants, which upon full subscription gives Kancera approximately SEK 61.4 million before warrants and issue costs. The issue is 100% guaranteed through guarantee commitments. The new share issue will be submitted for approval at an Extraordinary General Meeting scheduled to take place on January 13, 2020. The main purpose of the share issue is to raise capital for the continued clinical development of KAND567.

CEO statement

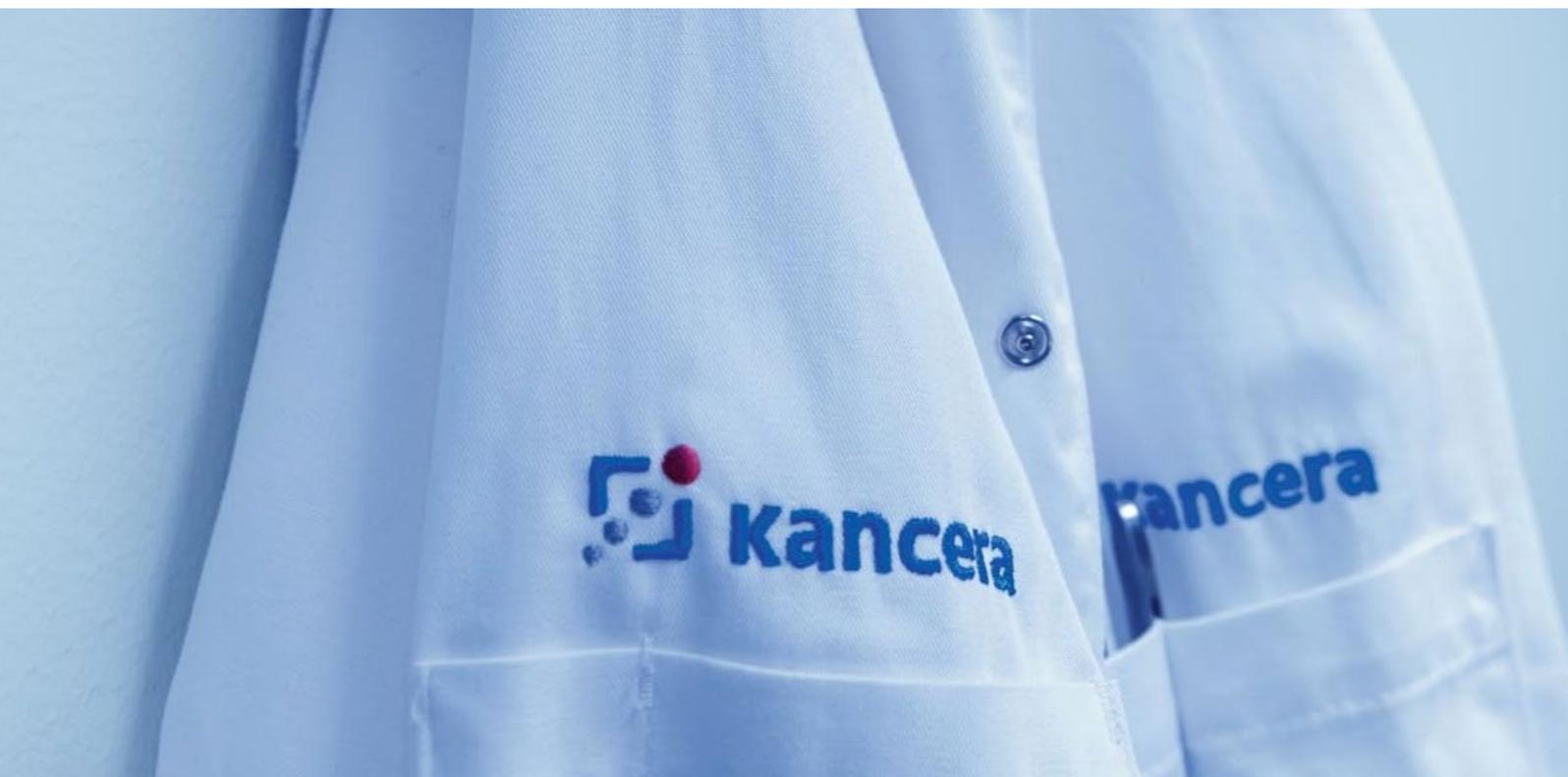
Funding for the trial of KAND567 with life-saving potential following myocardial infarction and patent strategic decisions to strengthen the HDAC project in the fight against nerve pain

The recently announced, fully guaranteed issue enables Kancera to conduct planned clinical trials of the drug candidate KAND567 which could normalize and extend the lives of patients affected by a major heart attack. The financing consists of a bridge financing of approximately SEK 14.0 million for the completion of the Phase Ib study and a new issue of Units of approximately SEK 61.4 million during the first quarter of 2020, including the opportunity to redeem an attractive priced option during Q2 2020. Together, this is estimated to add up sufficient funds to carry out the Phase IIa study.

According to our overall schedule, the development program continues for KAND567, which protects both the heart and blood vessels from injuries in connection with acute and chronic heart disease, although there have been some delays in certain interim goals during the quarter.

Early in the summer, the first interim results from the Phase 1b study showed that we had achieved the goal of reaching the heart with the estimated effective concentration of KAND567 already within five minutes and that the safety profile was satisfactory during a short period of intravenous infusion. However, a local irritation occurred at the infusion site when the infusion was given for an extended period of time. The concentration and infusion rate correction tested during the summer produced better results, but the tolerance was not good enough for an intravenous infusion over three days. Together with our clinical advisors, we have therefore made the decision to further develop the dosing strategy by switching to a combination of shorter intravenous infusion and up to three days of oral treatment.

With a retained plan to apply for a Phase IIa study on myocardial infarction in the second quarter of 2020, we are now going to Finland to complete the Phase Ib study in February 2020. The reason for this is that Finland offers attractive timeframes for conducting a high-quality study with a maintained budgetary framework.



Kancera already has good Phase 1 data for orally administered KAND567, and the new proposed dosage is consistent with clinical practice for care following myocardial infarction. Our overall assessment, based on all available data, is that there is strong support that the new dosing strategy will provide the desired effect and safety.

The interest in the role of inflammation in myocardial infarction in general, and the importance of the fractalkine receptor in particular, remains high. In early September, we gave the first scientific presentation of our data from preclinical studies of KAND567 at the world's largest cardiac congress, ESC Congress 2019 in Paris. The congress attracted over 33,000 participants and Kancera's research was presented during the main session for scientific progress in the next generation of treatments for acute heart disease. The reception was very good among the researchers, companies and key opinion leaders who attended and the dialogue with key people continued during the American Heart congress (AHA) earlier this week. In connection with the meeting, Kancera's presentation was also highlighted in the international trade press, where BioCentury, BioSpace and Labiotech all referred to our research results. [You may find a link to a video recording of the presentation at ECS here.](#)

When this year's Nobel Prize in Medicine was presented at the beginning of October, we received yet another proof that our research is linked to major scientific breakthroughs. This year, the discovery of how cells sense and adapt to oxygen supply was rewarded, and in particular, focus the interest on proteins regulated by the oxygen-sensitive factor HIF-1 α . Among them are the Fractalkine receptor CX3CR1 and the enzyme PFKFB3. In our ongoing work to pursue KAND567, it is beneficial that more and more people see the importance of inflammation and the Fractalkine system in the oxygen deficiency that occurs after a heart attack.

In parallel to the development of KAND567, our collaboration with Grünenthal continues on our HDAC inhibitors for the treatment of pain and inflammation. After the end of the quarter, the decision was made to strengthen the patent strategy within the collaboration, and, as part of this, we withdrew a patent application for a series of HDAC inhibitors in order to be able to submit a new supplementary application at a later stage. Existing collaboration agreements have been supplemented to allow both parties to reap the benefits of this revised patent strategy. Constantly reviewing and strengthening the patent strategy is a natural part of the work in this type of drug development project. Together with Grünenthal we look forward to achieve a breakthrough in the fight against nerve pain.

Solna, November 22, 2019

Kancera AB

Thomas Olin, CEO



Drug development

Kancera's drug development has attracted international attention through commercial cooperation and nomination for outstanding high scientific quality.

In December 2018, a collaboration with German pharmaceutical company Grünenthal was initiated based on Kancera's preclinical HDAC project for the development of new drugs for nerve inflammation and pain. In September 2019, Kancera was invited to this year's largest cardiac congress to present KAND567 during the central scientific advancement session in the area of "acute coronary artery disease" with the motivation that the company's research is of outstanding quality.

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

New knowledge indicates that an overreaction on the part of the immune system is behind several types of cardiovascular disease and that KAND567 can block this disease process. Because scientific studies have also shown that similar immunological overreactions are behind several forms of inflammatory diseases and certain cancers, there
The year 2018 began with the reporting of

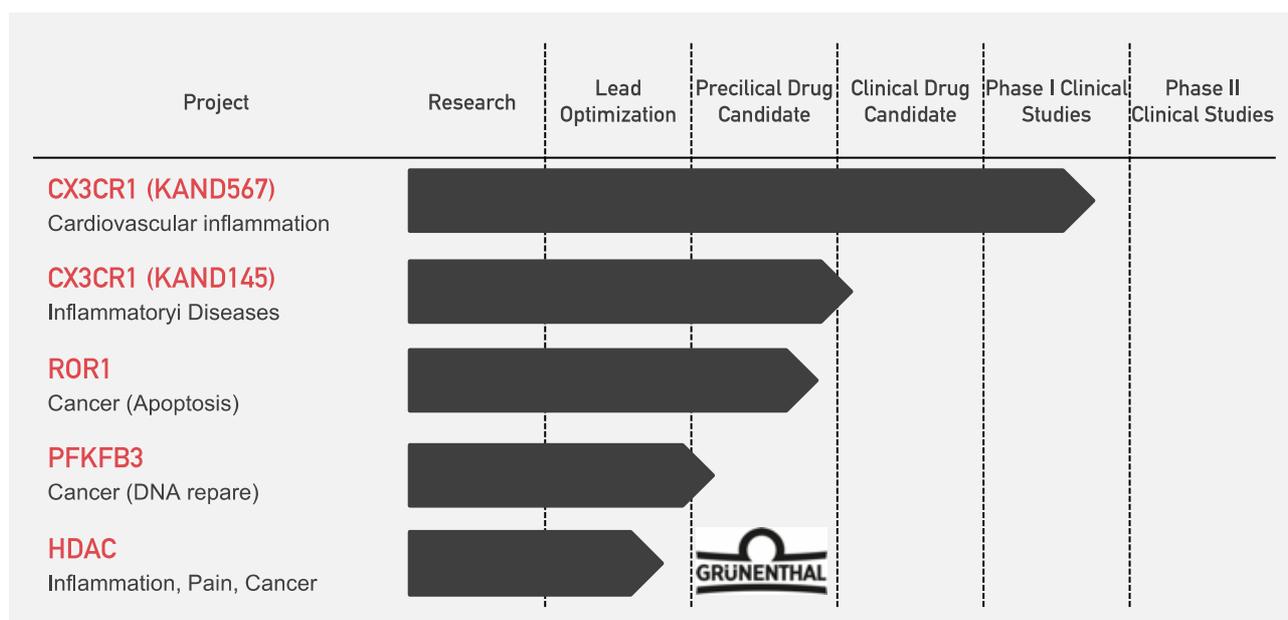
Kancera's first clinical study with KAND567 in healthy subjects.

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

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

- conduct a Phase IIa clinical trial with KAND567 for inflammatory injury in myocardial infarction.
- advance Kancera's second drug candidate KAND145 through clinic preparatory development steps.
- evaluate opportunities to expand the indication range for KAND567 and KAND145 in inflammatory niche diseases and cancer.





Kancera has five drug development projects in its portfolio. Kancera's main resources are being invested in the two Fractalkine projects. The further development of the HDAC project is financed externally 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 is developing the small molecule drug candidates KAND567 and KAND145, both of which block the Fractalkine receptor and thus specific parts of the immune system. The first indication for Kancera's Fractalkine blocker is treatment for heart attack after myocardial infarction. Expansion possibilities for blockers of the Fractalkine system are also being evaluated in inflammatory diseases and cancer.

Project in pre-clinical phase

- Kancera's HDAC project is being evaluated and developed in partnership with Grünenthal in the area of 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 function on cells from both solid tumors and blood cancers (leukemia and lymphoma).
- PFKFB3 inhibitors 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.

Financial development in brief

Financial development, summary <i>SEK 000's (if otherwise not specified)</i>	July-Sept		Jan-Sept		1 Jan-31 Dec
	2019	2018	2019	2018	2018
Kancera Group					
Net turnover	244	0	3 343	63	358
Other operating revenues	524	317	1 588	404	4 472
Operating expenses	-8 224	-10 961	-32 930	-33 921	-50 679
R&D expenses	-7 218	-10 481	-27 488	-31 258	-45 240
Operating Income	-7 476	-10 685	-28 095	-33 495	-45 921
Income after financial items	-7 617	-10 805	-28 435	-33 835	-45 935
Net income	-7 617	-10 805	-28 435	-33 835	-45 935
Cash-flow from operating activities	-11 561	-17 865	-32 582	-31 228	-45 043
Cash on hand at closing date	3 896	34 838	3 896	34 838	21 023
Equity at closing date	23 608	45 456	23 608	45 456	33 357
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	-0,14	-0,21	-0,26
Cash-Flow from operating activities by share, kr	-0,05	-0,09	-0,16	-0,19	-0,26
Solvency ratio	65%	77%	65%	77%	73%
Equity by share, kr	0,11	0,24	0,11	0,24	0,18
No. of employees	20	20	20	20	20

Comments on the financial development

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

Income and results

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

Third quarter, July – September 2019

- Net sales during the quarter amounted to SEK 0.2 million (SEK 0.0 million)
- Expenses during the quarter amounted to SEK 8,2 million (11,0) divided between costs for R&D SEK 7,2 million (10,5), and other sales and administration expenses SEK 1,0 million (0,5).
- Earnings per share for the quarter, based on a weighted average number of shares outstanding, amounted to SEK -0,04 (-0,06).
- Profit after financial items amounted to SEK -7,6 million (-10,8) during the quarter.

Period, January – September 2019

- Net sales during the period amounted to SEK 3,3 million (0,1 million)
- Expenses during the period amounted to SEK 32,9 million (33,9) divided between costs for R&D SEK 27,5 million (31,3), and other sales and administration expenses SEK 5,4 million (2,6).
- Earnings per share for the period, based on a weighted average number of shares outstanding, amounted to SEK -0,14 (-0,21).
- Profit after financial items amounted to SEK -28,4 million (-33,8) during the period.



Financial position and liquidity

Balance sheet and cash flow

Total equity as of 30 September 2019 amounted to SEK 23,6 million (45,5).

Kancera AB's solvency as of 30 September 2019 was 65 percent (77 percent). Equity per share was SEK 0,11 (SEK 0,24).

Cash flow amounted to SEK -5,0 million (17,8) during the third quarter. Cash flow from operating activities amounted to SEK -11,6 million (-17,9) or SEK -0,05 per share (-0,09) and from financing activities it amounted to SEK 6,6 million (0,0).

Kancera AB's cash and cash equivalents as of 30 September 2019 amounted to SEK 3,9 million (34,8). Kancera has announced a decision to propose a 100% guaranteed issue with preferential rights totaling SEK 61,4 million. Every four old shares give the right to subscribe for three Units consisting of one share and two options. Subscription takes place during the period February 29 - March 13, 2020.

Employees

Kancera AB had about 20 employees as of 30 September 2019 (of which 16 were full-time), including 3 EU-funded doctoral students, and of which 8 are men and 8 are women

Investments and depreciation

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

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

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

As of January 1, 2019, usage rights of SEK 5,2 million (0.0) are reported as an effect of IFRS 16 Leases.

The share capital and the share

The share capital on 30 September 2019 amounted to SEK 17 068 791 divided between 204 825 492 shares with a quota value of, rounded off, SEK 0,08

per share. An ongoing issue to GCF comprises a further 5 000 000 shares.

Current incentive scheme

With the approval of the Extraordinary Meeting of 28th September 2017, a decision has been taken regarding the issue of warrants, which means that Kancera issues no more than 4 million warrants to a wholly owned subsidiary. The warrants shall serve as the basis for the issuance of a maximum of 3 million employee stock options to employees and executives. Each option shall entitle the holder to acquire one share at a price corresponding to 130 per cent of the volume-weighted share price of the company's share on Nasdaq First North during the period 22nd September to 5th October 2017, which corresponds to approximately SEK 3. They are then awarded free of charge and are not transferable. The stock options shall have a maturity of three years. Kancera retains 1 million warrants to cover the company's obligation to pay social security benefits on the exercise of employee stock options. If all 4 million warrants are exercised for subscription of new shares, the newly subscribed shares will amount to approximately 2 percent of the share capital.

Tax deficits

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

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

The group

Kancera consists of two companies, the parent company Kancera AB (publ) in which all research and product development takes place and the wholly-owned subsidiary Kancera Förvaltnings AB in which warrants are placed. The parent company

of the Group is the Swedish public limited company Kancera AB (publ.) whose shares are listed on Nasdaq First North, the Premier Segment as of October 28, 2016.

Report on comprehensive income

Consolidated Statement of Comprehensive Income

SEK 000's (if otherwise not specified)

	July-Sept		Jan-Sept		1 Jan-31 Dec
	2019	2018	2019	2018	2018
<i>Revenues</i>					
Net sales	244	0	3 343	63	358
Other operating revenues	524	317	1 588	404	4 472
Cost of sales & services	-20	-41	-96	-41	-72
Gross profit	748	276	4 835	426	4 758
<i>Operating Expenses</i>					
General & administrative expenses	-675	-209	-4 538	-1 801	-4 307
Selling expenses	-331	-271	-904	-862	-1 132
Research & development expenses	-7 218	-10 481	-27 488	-31 258	-45 240
Total operating expenses	-8 224	-10 961	-32 930	-33 921	-50 679
Operating income	-7 476	-10 685	-28 095	-33 495	-45 921
<i>Income from Financial Investments</i>					
Financial net	-141	-120	-340	-340	-14
Income after financial items	-7 617	-10 805	-28 435	-33 835	-45 935
Taxation	0	0	0	0	0
Net income	-7 617	-10 805	-28 435	-33 835	-45 935
Average number of shares (thousands), before	213 099	190 289	202 672	163 261	173 355
Number of shares at closing date (thousands)	209 825	190 542	209 825	190 542	190 543
Earnings per share, before and after dilution	-0,04	-0,06	-0,14	-0,21	-0,26

Report on financial position

Condensed Consolidated Statement of Financial Position

<i>SEK 000's</i>	30 Sept		31 Dec
Kancera Group	2019	2018	2018
<i>Assets</i>			
<i>Non-current Assets</i>			
<i>Intangible assets</i>			
Capitalized R&D	24 000	18 000	18 000
<i>Tangible assets</i>			
Equipment and chemical library	11	145	111
Lease assets	5 171	0	0
Total non-current assets	29 182	18 145	18 111
<i>Current Assets</i>			
Work in progress	0	2 282	0
Trade receivables and other receivables	3 268	3 522	6 399
Cash and cash equivalents	3 896	34 838	21 023
Total current assets	7 164	40 642	27 422
TOTAL ASSETS	36 346	58 787	45 533
<i>Equity and Liabilities</i>			
<i>Equity</i>			
Equity	23 608	45 456	33 357
<i>Provisions and Liabilities</i>			
Long-term liabilities	8 595	3 079	655
Short-term liabilities	4 143	10 252	11 521
Total provisions and liabilities	12 738	13 331	12 176
TOTAL EQUITY and LIABILITIES	36 346	58 787	45 533

Consolidated Statement of Changes in Equity

SEK 000's

Kancera Group

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

Period January-September 2018

Opening balance 2018-01-01	12 386	140 232	-113 908	38 710
<i>Comprehensive income</i>				
Net income for the period			-33 835	-33 835
Total comprehensive income	0	0	-33 835	-33 835
<i>Transactions with shareholders</i>				
Capital injections	3 493	46 797		50 290
Costs related to issue of shares		-9 709		-9 709
Total transactions with shareholders	3 493	37 088	0	40 581
Closing balance 2018-09-30	15 879	177 320	-147 743	45 456

Period July-September 2019

	Share capital	Other capital contributions	Accumulated deficit	Total equity
Second quarter				
Opening balance 2018-07-01	16 486	69 538	-66 753	19 271
<i>Comprehensive income</i>				
Net income for the period			-7 617	-7 617
Total comprehensive income	0	0	-7 617	-7 617
<i>Transactions with shareholders</i>				
Capital injections	583	9 167		9 750
Costs related to issue of shares				0
On-going issue of shares	417	1 787		2 204
Total transactions with shareholders	1 000	10 954	0	11 954
Closing balance 2019-09-30	17 486	80 492	-74 370	23 608

Period January-September 2019

Opening balance 2019-01-01	15 879	63 413	-45 935	33 357
<i>Comprehensive income</i>				
Net income for the period			-28 435	-28 435
Total comprehensive income	0	0	-28 435	-28 435
<i>Transactions with shareholders</i>				
Capital injections	1 190	15 292		16 482
Costs related to issue of shares				0
On-going issue of shares	417	1 787		2 204
Total transactions with shareholders	1 607	17 079	0	18 686
Closing balance 2019-09-30	17 486	80 492	-74 370	23 608

Cash flow report

Condensed Consolidated Statement of Cash-Flow

<i>SEK 000's</i>	July-Sept		Jan-Sept		1 Jan-31 Dec
Kancera Group	2019	2018	2019	2018	2018
<i>Cash-flow from operating activities</i>	-7 617	-10 742	-28 435	-33 835	-45 935
Operating income after financial items	34	0	101	419	520
Depreciation	-96	0	-367	-184	-36
Taxes paid	0	0		171	0
Cash-flow from operating activities before change	-7 679	-10 742	-28 701	-33 429	-45 451
Change in working capital	-3 882	-7 123	-3 881	2 201	408
Cash-flow from operating activities	-11 561	-17 865	-32 582	-31 228	-45 043
FREE CASH-FLOW available to INVESTORS	-11 561	-17 865	-32 582	-31 228	-45 043
<i>Financing activities</i>					
Change in debt referable to financing activ	623	0	2 769	0	-2 291
Issue of shares/other capital infusions	5 954	47	12 686	38 291	40 582
Cash-flow from financing activities	6 577	47	15 455	38 291	38 291
CASH-FLOW for the PERIOD	-4 984	-17 818	-17 127	7 063	-6 752
Cash and cash equivalents at the beginning	8 880	52 656	21 023	27 775	27 775
Cash and cash equivalents at the end of the	3 896	34 838	3 896	34 838	21 023

Income Statement

Condensed Parent Company Income Statement

SEK 000's	July-Sept		Jan-Sept		1 Jan-31 Dec
The Parent Company Kancera AB	2019	2018	2019	2018	2018
<i>Revenues</i>					
Net sales	244	63	3 343	63	358
Other revenues	524	317	1 588	404	4 472
Cost of sales & services	-20	-41	-96	-41	-72
Gross profit	748	339	4 835	426	4 758
<i>Operating Expenses</i>					
General & administrative expenses	-761	-209	-4 590	-1 801	-4 305
Selling expenses	-331	-271	-904	-862	-1 132
Research & development expenses	-7 150	-10 481	-27 488	-31 258	-45 240
Total expenses	-8 242	-10 961	-32 982	-33 921	-50 677
Operating income	-7 494	-10 622	-28 147	-33 495	-45 919
<i>Income from Financial Investments</i>					
Financial net	-112	-120	-247	-340	-14
Income after financial items	-7 606	-10 742	-28 394	-33 835	-45 933
Taxation	0	0	0	0	0
Net income	-7 606	-10 742	-28 394	-33 835	-45 933

Balance sheet

Condensed Parent Company Balance Sheet

SEK 000's

The Parent Company Kancera AB

	30 Sept 2019	2018	31 Dec 2018
<i>Assets</i>			
<i>Non-current Assets</i>			
<i>Intangible assets</i>	24 000	18 000	18 000
Capitalized R&D			
<i>Tangible assets</i>			
Equipment and chemical library	11	145	111
<i>Financial assets</i>			
Shares in subsidiaries	50	50	50
Total non-current assets	24 061	18 195	18 161
<i>Current Assets</i>			
Work in progress	0	2 282	0
Intercompany receivables	1	0	1
Trade receivables and other receivables	3 268	3 522	6 399
Cash and cash equivalents	3 849	34 791	20 976
Total current assets	7 118	40 595	27 376
TOTAL ASSETS	31 179	58 790	45 537
<i>Equity and Liabilities</i>			
<i>Equity</i>			
Restricted equity	19 273	15 879	15 878
Non-restricted equity	4 380	29 580	17 483
Total equity	23 653	45 459	33 361
<i>Provisions and Liabilities</i>			
Long-term liabilities	3 942	3 079	655
Short-term liabilities	3 584	10 252	11 521
Total provisions and liabilities	7 526	13 331	12 176
TOTAL EQUITY and LIABILITIES	31 179	58 790	45 537

Notes

Note 1 Accounting and valuation principles

The interim report has been prepared in accordance with IAS 34 and the Annual Accounts Act. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. The parent company's accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, including a number of new or revised standards, interpretations and improvements have been adopted by the EU.

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

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

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

IFRS 16 Leasing Agreement

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

Note 2 Transactions with related parties

During the period, Kancera AB paid compensation to Mellstedt Consulting AB for services comprising scientific advice and scientific marketing to an amount of 180 KSEK (270), and 49 KSEK (76) to Allmora Life Science AB. Håkan Mellstedt, member of the board of Kancera AB is the CEO and owner of Mellstedt Consulting AB. Charlotte Edenius, member of the board of Kancera AB, is the CEO and owner of Allmora Life Science AB. No other remuneration has been paid to related parties other than board fees and expenses for expenses.

Note 3 Options program

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

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

Awarding body	Grant awarded, tkr	Amount paid, tkr	Reporting date
EU SYNTRAIN ¹	4986	4 237	Next: April 2020
EU TOBEATPAIN ²	2637	1 791	Next: Juli 2020
Total	7623	6 028	

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

Note 5 The company's operations and risk factors

When assessing Kancera future development, it is important to consider risk factors alongside potential growth in earnings. Kancera's operations are affected by a number of risks that may affect Kancera's results and financial position to varying degrees. For a description of the risks associated with the Company, see page 24 in the company's Annual Report 2018.

Note 6 Definitions

Alternative key ratios

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

Return on equity

Profit for the period as a percentage of average equity

Return on capital employed

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

Equity per share

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

Cash flow per share

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

Option-based business

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

Capital employed

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

Solidity

Shareholders' equity as a percentage of total assets

The Board's declaration

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

Stockholm 22 November 2019

Erik Nerpin
Chairman

Håkan Mellstedt
Board member

Charlotte Edenius
Board member

Carl-Henrik Heldin
Board member

Anders Gabrielsen
Board member

Thomas Olin
CEO/ Board member

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

Upcoming reports and the Annual General Meeting

Year-end report January-December 2019	21 February 2020
Annual Report 2019	30 April 2020
Interim report January-March 2020	22 May 2020
General Annual Meeting 2020	28 May 2020
Interim report January-June 2020	21 August 2020
Interim report January-September 2020	20 November 2020
Year-end report January-December 2020	19 February 2021



For further information, contact:

Thomas Olin, VD: +46 73 520 40 01

Erik Nerpin, Chairman of the Board & convenor of the Nomination Committee: +46 70 620 73 59

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

Visit the company web site at www.kancera.se