Interim report for the fourth quarter 2019

1 January – 31 December 2019

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

This is a translation of the report in Swedish

Contents

This is Kancera

Kancera develops drugs against inflammatory diseases and cancer. KAND567 moving towards clinical phase II study in heart attack patients

Kancera develops drugs that counteract damage in acute and chronic inflammation. The Fractalkine blocker KAND567 is being developed primarily to effectively and selectively reduce heart and vessel inflammation following a heart attack and Kancera plans to apply for a phase II clinical trial in the second quarter of 2020. Since scientific studies have shown increased activity for the Fractalkine system not only in conjunction with myocardial infarction, but also in inflammatory diseases and certain cancers, there are several possible development opportunities for Kancera's Fractalkine blockers KAND567 and KAND145.

Kancera AB conducts research and development in laboratories at the Karolinska Institutet Science Park in Stockholm and employs about 15 people. The stock is traded on NASDAQ First North Premier. As of December 31, 2019, the number of shareholders was approximately 7300. FNCA Sweden AB is the company's Certified Adviser. FNCA can be reached at info@fnca.se and on 08-528 00 399. MD PhD Charlotte Edenius, MD PhD Anders Gabrielsen, Professor Carl-Henrik Heldin and Professor Håkan Mellstedt are all scientific advisors and board members of Kancera AB.

Business model

To develop patent-protected medicines that can normalize lives and reduce healthcare costs for sales to the international pharmaceutical industry and further clinical development and marketing.

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

Background

Kancera's team has extensive experience in drug research from discoveries of new disease processes to clinical development within AstraZeneca, Biovitrum (formerly Pharmacia) and Karolinska Institutet. Kancera’s staff have mainly focused on inflammatory diseases and cancer, both for Kanceras own drug development and as research consultants. As research consultants, Kancera's team have carried out projects for both pharmaceutical companies and biotech companies in the US and Europe. Among these assignments is the development of the chemistry that laid the foundation for Enasidenib, a drug that since 2017 has been marketed by the American pharmaceutical company Celegene for the treatment of lymphoma (AML). In 2018, an agreement was signed with German pharmaceutical company Grünenthal on the development of Kancera's patent-pending HDAC inhibitor for the treatment of nerve inflammation and pain.

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

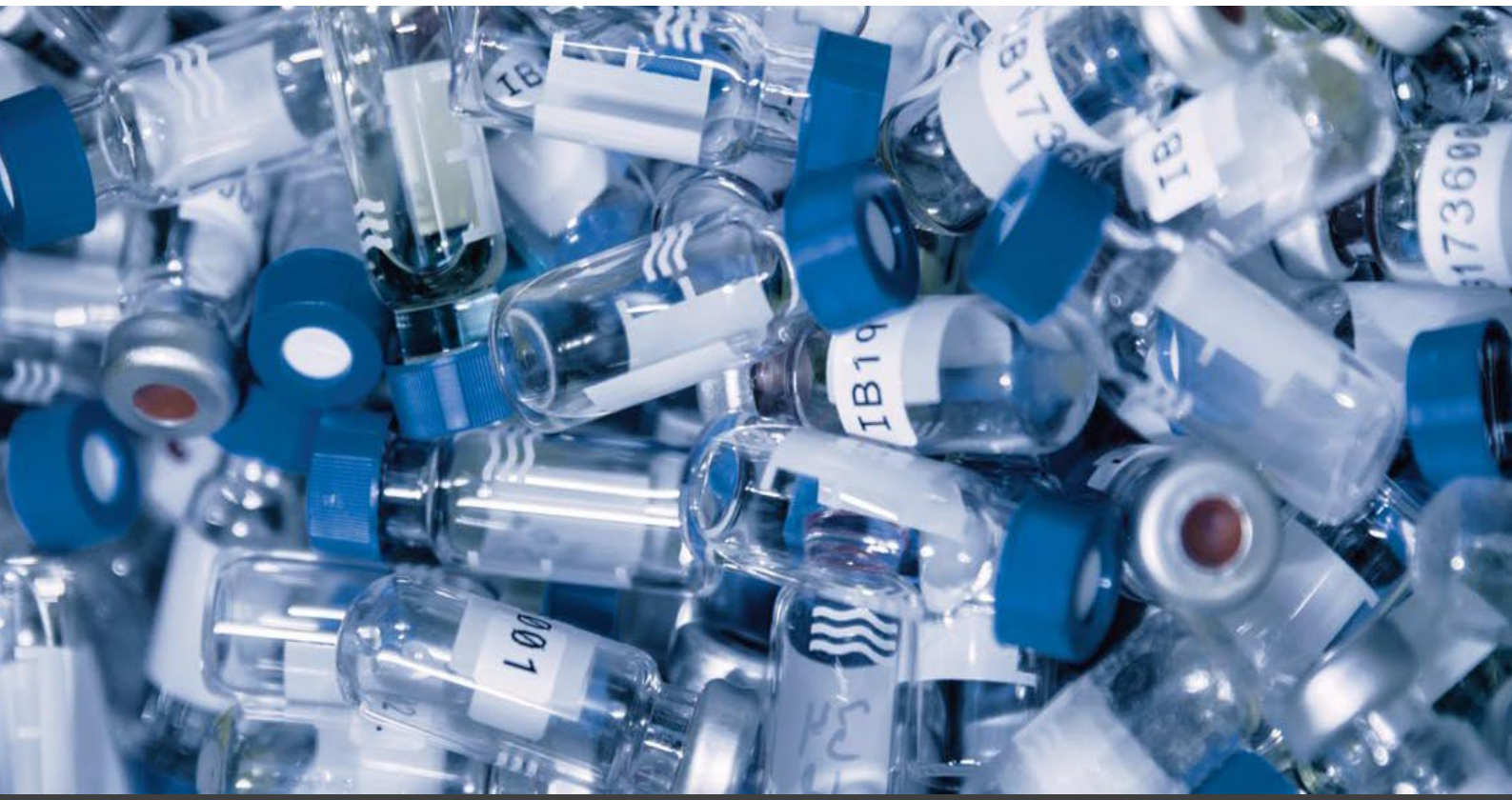
NASDAQ approved Kancera AB for admission to trading on First North with the first day of trading on February 25, 2011. In March 2013, Kancera AB acquired a complete development laboratory and since then drug development has taken place in-house at Karolinska Institutet Science Park, Stockholm. In connection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

Fourth quarter in brief

1 October – 31 December 2019

- Net sales for the period (January to December) amounted to SEK 3,24 million (0,4 million) of which the fourth quarter contributed SEK 0,0 million (0,3 million).
- R&D costs for the period amounted to SEK 34,5 million (45,2 million) of which the fourth quarter contributed SEK 7,0 million (14,0 million).
- Operating profit for the period amounted to SEK -35,6 million (-45,9 million) of which the fourth quarter contributed SEK -7,5 million (-12,4 million).
- Profit after financial items for the period amounted to SEK -36,1 million (-45,9 million) of which the fourth quarter contributed SEK -7,7 million (-12,1 million).
- Earnings per share for the period amounted to -0,18 kr (-0,26 kr) of which the fourth quarter contributed SEK -0,04 million (-0,06 million).
- Cash flow from operating activities for the period amounted to SEK -32,7 million (-45,0 million) of which the fourth quarter contributed SEK -0,13 million (-13,8 million).
- Shareholders' equity on 31 December 2019 amounted to SEK 17,4 million (33,4 million) or 0,08 kr (0,18 kr) per share.
- Cash and cash equivalents on 31 December 2019 amounted to 39 percent (73 percent) [1].
- Liquid funds on 31 December 2019 amounted to SEK 11,8 million (21,0 million) [1].

[1] For information on 100% guaranteed rights issue of SEK 61 million, see "Important events after the end of the fourth quarter".



Significant events during the fourth quarter

- Kancera presented the importance of the 2019 Nobel Prize in Physiology or Medicine for Kancera's drug research (see http://kancera.com/sv/press-swedish/nyheter/nobelpriset2019/)
- Kancera announced a new patent strategy in collaboration with Grünenthal for the development of HDAC inhibitors for the treatment of pain and inflammation. The immediate consequence of this is that a patent application was withdrawn around a series of HDAC inhibitors in order to register a new supplementary application at a later stage. Existing cooperation agreements were supplemented in accordance with this new strategy to allow both parties to enjoy the benefits of the revised patent strategy.
- Kancera announced its intention to complete the final phase of the Phase Ib study of the drug candidate KAND567 in Finland instead of as previously planned in Sweden. The company believes 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 is thus unchanged.
- The Board of Directors of Kancera announced its decision to propose a rights issue of shares and warrants, which upon full subscription will give Kancera approximately SEK 61.4 million before options and issue costs. The issue is 100 percent guaranteed. The main purpose of the issue is to raise capital for the continued clinical development of KAND567.
- Kancera reported results from an in-depth immunological analysis of blood samples from a number of healthy subjects in the ongoing Phase Ib program. The analysis shows that KAND567 effectively blocks certain specific immune cells that are known to cause acute and chronic inflammatory diseases. This is the first time this effect has been shown on clinically relevant biomarkers and the results provide further support for the potential cardiovascular protective effect of KAND567.

Significant events after the end of the fourth quarter

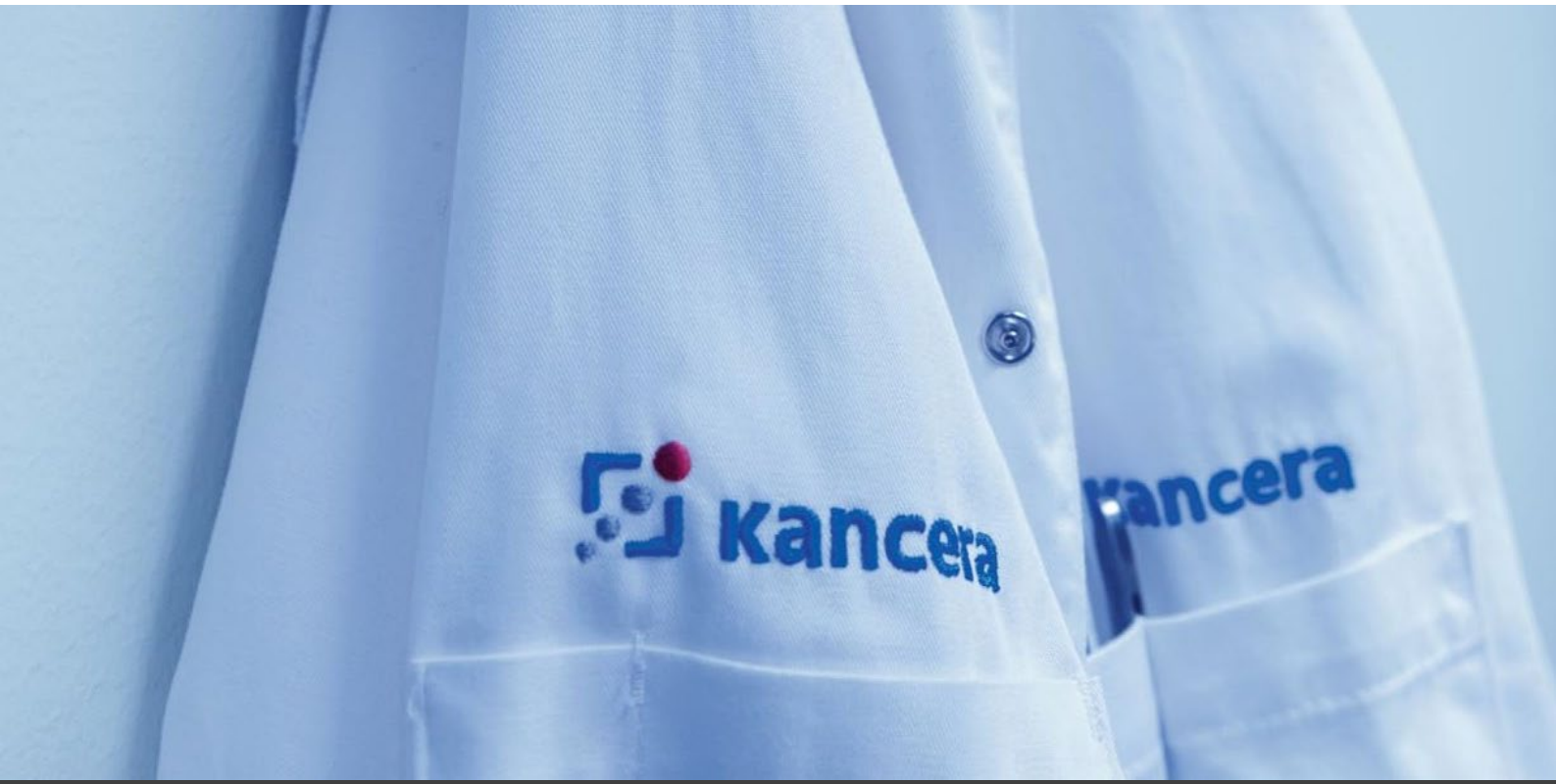
- Kancera held extraordinary general meetings on January 13 when the meeting unanimously resolved to authorize the board to decide on a new share issue in accordance with the press release on November 21, 2019 and on January 31 when the meeting resolved in accordance with the board's proposal for changes in the company's rules on the share capital and number of shares outstanding. According to the new articles of association, the share capital shall be at least SEK 16 750 000 and at most SEK 67 000 000 and the number of shares shall be at least 201 000 000 and at most 804 000 000.
- Based on i) a fully guaranteed issue of SEK 61.4 million planned for March 2020 ii) bridge financing of SEK 14 million and iii) a conservative market valuation of Kancera's project portfolio, Kancera's Board of Directors has stated that the company, with intact equity and good liquidity, has ensured continued operations and enables the implementation of projects planned for 2020.
- Kancera has announced that the company has received approval from the Finnish Medicines Agency, Fimea and the Ethics Committee to start the final part of the phase Ib program for KAND567. The company estimates that the results of the study may become available in March 2020. Thus, the timetable remains in place for the completion of the fully guaranteed issue during the current quarter.

CEO statement

We are approaching clinical phase IIa and see three external factors which strengthen our belief in KAND567 as part of future treatments of cardiovascular disease. During the final quarter of the year, we were able to present positive data from an in-depth analysis of the Phase 1b program with KAND567 - a drug candidate with the potential to protect the heart from the damage that occurs in the heart and vascular tissues following an acute heart attack. KAND567 works by inhibiting the Fractalkine system, which plays a key role in the deleterious immunological response following a heart attack. We have previously shown that KAND567 blocks the Fractalkine system in humans. Based on the new analyses we presented in December, we can now also see that blocking of the fractalkine system also hamper certain immune cells, which are known to cause acute and chronic inflammatory diseases. Taken together, the results provide additional support for the potential cardiovascular protective effect of KAND567.

During the autumn we made the decision to apply for the final part of the phase 1b program for KAND567 in Finland. After the end of the quarter, in February, we got approval from the Finnish Medicines Agency, Fimea and the relevant ethics committee to start the study. In the final part of the Phase 1b program, infusion of KAND567 will be given at lower concentration, higher flow and during a shorter time period than in the earlier part of the program. The rapid approval from the Finnish Medicines Agency means that we believe that the results of the study will be available in March 2020, which means that we continue to expect to apply for permission during the second quarter of 2020 for the upcoming Phase IIa study.

The fact that the clinical development program for KAND567 is now proceeding according to plan also means that the timetable for the implementation of the fully guaranteed issue during the first quarter of 2020 is set. The main purpose of the issue, which will initially provide Kancera SEK 61.4 million, and provides the opportunity for additional capital injection through options, is to secure resources to carry out the phase IIa study of KAND567 in patients affected by heart attack.



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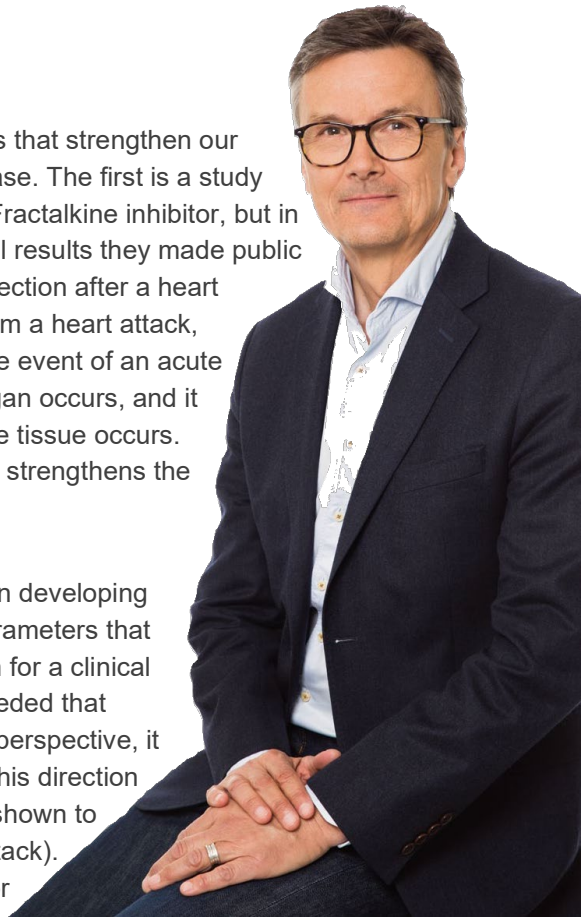


As we now summarize the year 2019, we also note three external factors that strengthen our belief in KAND567 as part of the future treatment of cardiovascular disease. The first is a study presented by the pharmaceutical company Eisai. Eisai also develops a Fractalkine inhibitor, but in the form of an antibody and with other indications in sight. The preclinical results they made public in June show that blocking the Fractalkine system reduces the risk of rejection after a heart transplant. Although heart transplantation is something quite different from a heart attack, the body's response to a transplanted heart is similar to that arising in the event of an acute myocardial infarction. In both situations, a rapid flow of blood into the organ occurs, and it is precisely then that the strong immunological reaction that damages the tissue occurs. Protecting a transplanted organ by inhibiting the Fractalkine system thus strengthens the hypothesis that the same is true in the case of a heart attack.

Another situation analysis concerns the regulatory climate. A challenge in developing drugs for acute heart disease has previously been to identify efficacy parameters that can be measured within a time frame that allows a reasonable time span for a clinical trial. Although the long-term goal is increased survival, measures are needed that enable the effect of treatment to be assessed at an earlier stage. In this perspective, it is appreciated that the US FDA during the year has taken a first step in this direction by presenting a proposal for new guidelines on the effects that must be shown to get a drug for acute heart failure approved (however, not yet for heart attack). According to the proposal, it will suffice with a demonstrated effect on, for example, symptom relief, the need for invasive procedures during the treatment period or time to discharge. Although the proposal do not specifically cover myocardial infarction, it speaks in favor of a development that could allow clinical studies in acute heart disease to be executed both faster and cheaper. Such development is also likely to enhance the interest in the development of new drugs addressing the major unmet medical needs of acute heart disease.

Finally, our own market analyses conducted during the year show that the timing is favorable for a KAND567 investment. A growing number of clinical studies in the cardiovascular field indicate a new interest in the indication of the global pharmaceutical companies and Kancera is well positioned with KAND567 when the global companies are looking for projects to fill their pipelines. In addition, the analyzes we conducted on the willingness to pay for new drugs in the event of acute myocardial infarction show that the threshold is in the range of $ 2,000 - 9,000 per treatment which would mean an estimated peak sale in the US and Europe in the range of $ 200-1,000 year. Although the uncertainty is great in this kind of analysis, it provides a picture of an area with a high demand for new treatments.

These external factors combined with the fact that we now have a drug candidate that will begin to be evaluated in a patient in 2020 create good grounds for a positive development for Kancera in the future.

Solna, 21 February 2020

Kancera AB

Thomas Olin, CEO

Drug development

Kancera's drug development is attracted international attention through commercial cooperation and nomination for extremely high scientific quality

In December 2018, 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 motive that the results are of extremely high scientific 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 is great, until now.

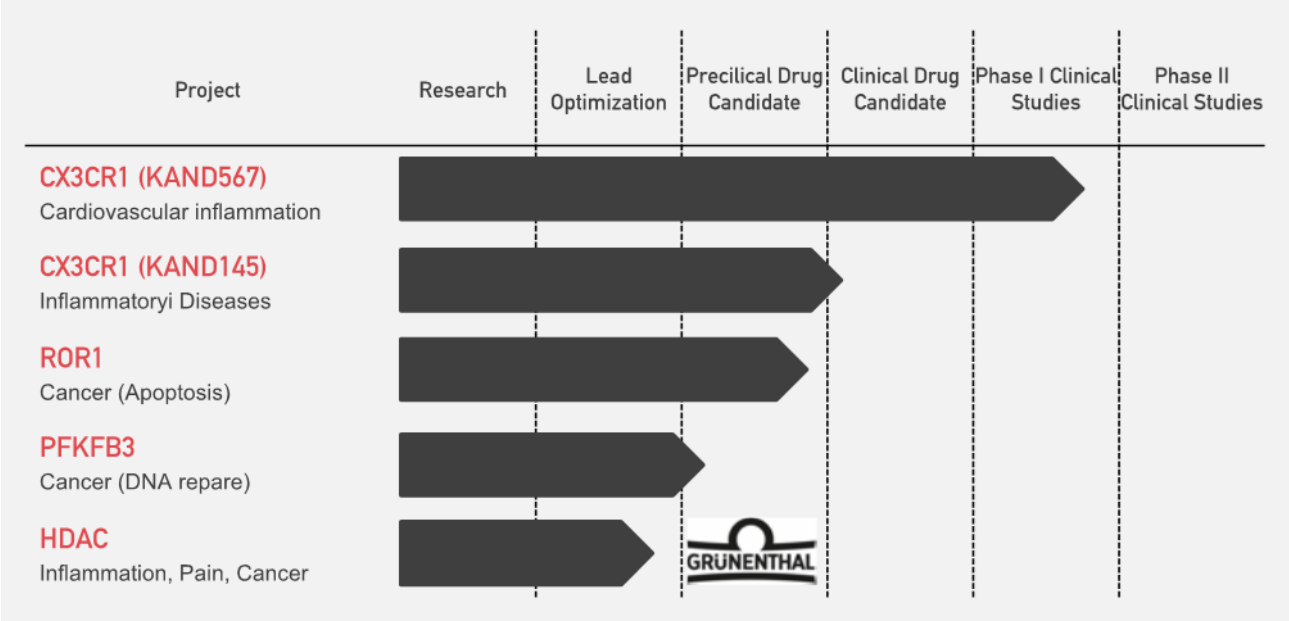
New knowledge indicates that an overreaction from the immune system is behind several types of cardiovascular diseases and that KAND567 can block this disease process. Since scientific studies have also shown that similar immunological overreactions are behind several forms of inflammatory diseases and certain cancers, there are significant expansion opportunities for Kancera's Fractalkine-blocking drug candidates.

2018 began with the reporting of Kancera's first clinical study with KAND567 in healthy subjects.

In 2019, the second phase I study with KAND567 was initiated to establish intravenous dosing strategy for the planned phase IIa study in myocardial infarction patients. The first exploratory phase of the Phase Ib study shows that the estimated effective plasma concentration of KAND567 reaches the heart within two minutes of the start of intravenous administration. This rapid distribution of KAND567 complies with the margin requirements for the emergency treatment of cardiac patients scheduled for the phase IIa study.

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-preparing development steps
- evaluate opportunities to expand the indication range of KAND567 and KAND145 in inflammatory niche diseases and cancer.



Kancera has five drug projects in its portfolio. Kancera's main resources are 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 projects are being evaluated and developed in partnership with Grünenthal in nerve inflammation and pain.

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

PFKFB3 inhibitor for the treatment of cancer. Inhibitors of PFKFB3 suppress the energy supply to solid tumors, as well as reduce the ability of cancer cells to repair their DNA, which together can increase the tumor's sensitivity to other cancer therapies.

Read more about the project portfolio, the current project status and the patent portfolio in the Project Report which can be downloaded from our website www.kancera.com

Financial development in brief

Kancera Group	Oct-Dec		Jan-Dec	
SEK 000´s (if otherwise not specified)	2019	2018	2019	2018
Net turnover	0	316	3 216	358
Other operating revenues	623	4 068	2 338	4 472
Operating expenses	-8 181	-16 758	-41 111	-50 679
R&D expenses	-7 017	-13 982	-34 505	-45 240
Operating Income	-7 558	-12 405	-35 653	-45 921
Income after financial items	-7 660	-12 079	-36 095	-45 935
Net income	-7 660	-12 079	-36 095	-45 935
Cash-flow from operating activities	-142	-13 815	-32 724	-45 043
Cash on hand at closing date	11 848	21 023	11 848	21 023
Equity at closing date	17 419	33 357	17 419	33 357
Key ratios				
Return on equity, %	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg
Earnings by share, before and after dilution	-0,04	-0,06	-0,18	-0,26
Cash-Flow from operating activities by share, kr	0,00	-0,07	-0,16	-0,26
Solvency ratio	39%	73%	39%	73%
Equity by share, kr	0,08	0,18	0,08	0,18
No. of employees	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 Grünenthal.

Revenue and earnings

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

Fourth quarter, October – December 2019

Net sales during the quarter amounted to SEK 0,0 million (0,3 million)

Costs during the quarter amounted to SEK 8.2 million (SEK 16.8 million), divided between costs for research and development costs SEK 7.0 million (SEK 14.0 million), and other sales and administrative costs SEK 1.2 million (SEK 2.8 million).

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 during the quarter amounted to SEK -7.6 million (-12.1 million).

Period, January – December 2019

Net sales during the period amounted to SEK 3.24 million (SEK 0.4 million)

Costs during the period amounted to SEK 41.1 million (SEK 50.7 million), divided between costs

for research and development costs SEK 34.5 million (SEK 45.2 million), and other sales and administrative costs SEK 6.6million (SEK 5.5 million).

Earnings per share for the period, based on a weighted average number of shares outstanding, amounted to SEK -0.18 (-0.26).

Profit after financial items during the quarter amounted to SEK -36.1 million (-45.9 million).

Financial position and liquidity

Balance sheet and cash flow

Total equity at December 31, 2019 was SEK 17.5 million (SEK 33.4 million).

Kancera AB's equity/assets ratio as of December 31, 2019 was 39 percent (73 percent). Equity per share was SEK 0.08 (0.18).

Cash flow amounted to SEK -8.0 million (-13.8 million) during the fourth quarter. Cash flow from operating activities amounted to SEK -0,13 million (SEK -13.8 million) or SEK -0.00 per share (SEK -0.07) and from financing operations it amounted to SEK 8.1 million (SEK 0.0 million).

As of December 31, 2019, Kancera AB's cash and cash equivalents amounted to SEK 11.8 million (SEK 21.0 million).

Kancera has announced its decision to strengthen liquidity and equity ratio through a 100% guaranteed issue with preferential rights totaling approximately SEK 61.4 million. Every four existing shares give the right to subscribe for three Units consisting of one share and two options. Subscription takes place during the first quarter of 2020. Based on i) a fully guaranteed issue of SEK 61.4 million planned for March 2020 ii) bridge financing of SEK 14 million and iii) a conservative market valuation of Kancera's project portfolio, Kancera's Board of Directors has stated that the company, with intact equity and good liquidity, has ensured continued operations and enables the implementation of projects planned for 2020.

Employees

As of December 31, 2019, Kancera AB had approximately 20 employees, of which 16 were full-time employees (including 3 EU-funded doctoral students). Eight are men and eight are women.

Investments and depreciation

Intangible fixed assets in the balance sheet amount to a total of SEK 24 million, which is distributed according to: SEK 3 million for the ROR1 project, SEK 3 million for the PFKFB3 project and SEK 18 million for the Fractalkine project. The items for the ROR1 and PFKFB3 projects arose as a result of a rights issue in the formation of Kancera AB. The item for the Fractalkine project is the sum of two offset issues that were completed in accordance with acquisition agreements. The third and final installment for the Fractalkine project through a SEK 6 million offset issue was registered in July 2019.

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

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

As of January 1, 2019, the right to use is reported as SEK 4.6 million (SEK 0.0 million) as the effect of IFRS 16 Leasing agreement.

The share capital and the share

On December 31, 2019, the share capital amounted to SEK 17,485,457, distributed between 209 825 492 shares with a quotient value of, rounded off, SEK 0.08 per share.

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 3 kr. 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. As of December 31, 2018, the tax deficits amounted to SEK 219 million and are expected to be SEK 256 million as of December 31, 2019.

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.

Appropriation

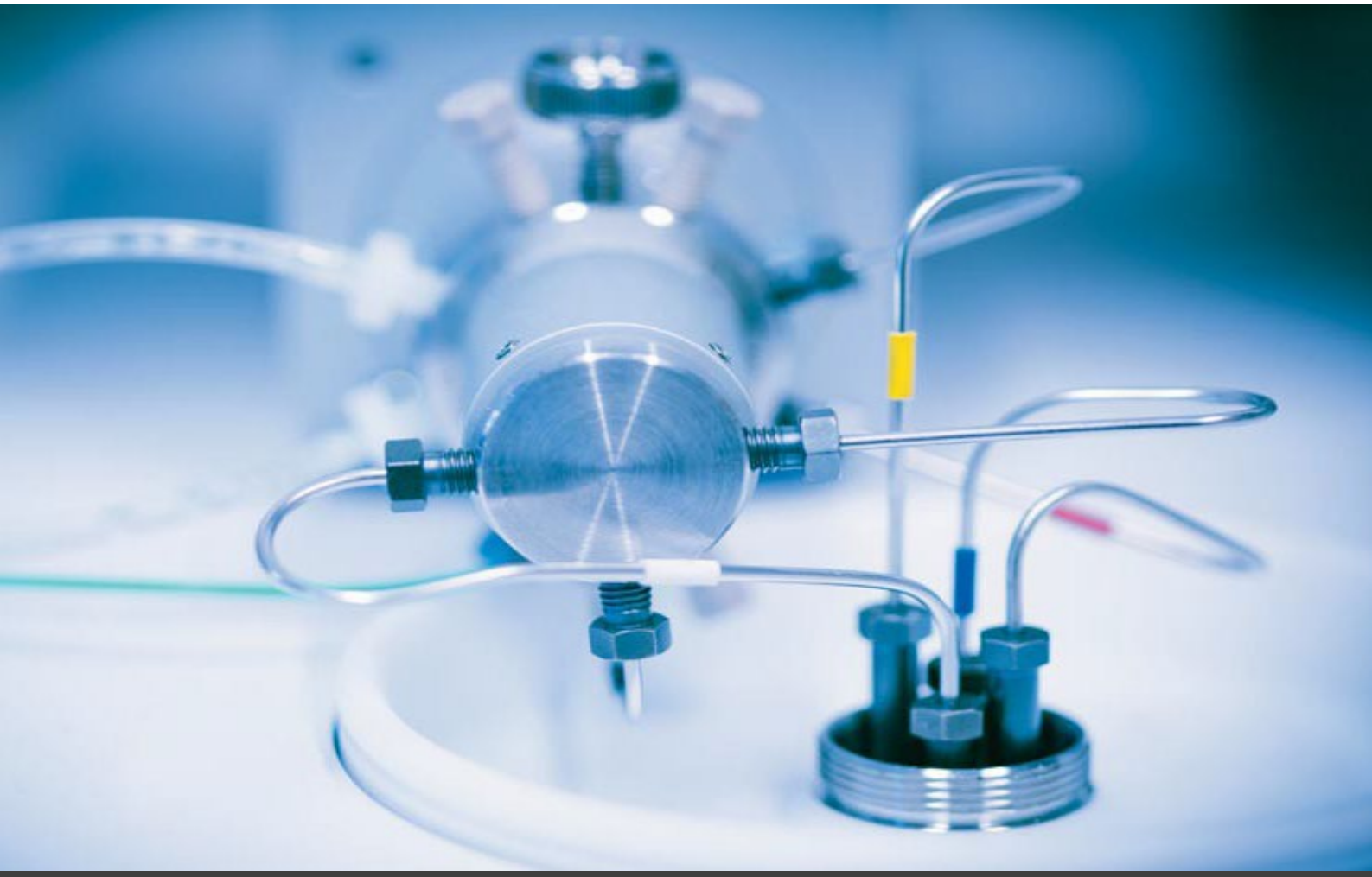
The Board proposes that available free funds be distributed as follows (SEK)

Premium fund	36 031 285
Profit for the year	-35 980 061
Total free equity	51 224

The loss of SEK 35,980,061 is deducted from the premium reserve.

After the disposition, free equity amounts to:

Premium fund	51 224



Consolidated Statement of Comprehensive Income

SEK 000´s (if otherwise not specified)

	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Revenues				
Net sales	0	316	3 216	358
Other operating revenues	623	4 068	2 338	4 472
Cost of sales & services	0	-31	-96	-72
Gross profit	**623**	**4 353**	**5 458**	**4 758**
Operating Expenses				
General & administrative expenses	-866	-2 506	-5 404	-4 307
Selling expenses	-298	-270	-1 202	-1 132
Research & development expenses	-7 017	-13 982	-34 505	-45 240
Total operating expenses	**-8 181**	**-16 758**	**-41 111**	**-50 679**
Operating income	**-7 558**	**-12 405**	**-35 653**	**-45 921**
Income from Financial Investments				
Financial net	-102	326	-442	-14
Income after financial items	**-7 660**	**-12 079**	**-36 095**	**-45 935**
Taxation	0	0	0	0
Net income	**-7 660**	**-12 079**	**-36 095**	**-45 935**
Average number of shares (thousands), before and after dilution	209 825	190 543	198 712	173 355
Number of shares at closing date (thousands)	209 825	190 543	209 825	190 543
Earnings per share, before and after dilution	-0,04	-0,06	-0,18	-0,26

Condensed Consolidated Statement of Financial Position

SEK 000´s	31 Dec	
Kancera Group	2019	2018
Assets		
Non-current Assets		
Intangible assets		
Capitalized R&D	24 000	18 000
Tangible assets		
Equipment and chemical library	0	111
financial assets		
Lease assets	4 531	0
Financial placements	1	
Total non-current assets	**28 532**	**18 111**
Current Assets		
Trade receivables and other receivables	3 973	6 399
Cash and cash equivalents	11 848	21 023
Total current assets	**15 821**	**27 422**
TOTAL ASSETS	**44 353**	**45 533**
Equity and Liabilities		
Equity		
Equity	17 419	33 357
Equity	**17 419**	**33 357**
Liabilities		
Long-term liabilities	579	655
Short-term liabilities	26 355	11 521
Total liabilities	**26 934**	**12 176**
TOTAL EQUITY and LIABILITIES	**44 353**	**45 533**

Consolidated Statement of Changes in Equity

SEK 000´s **Kancera Group**	Share capital	Other capital contributions	Accumulated deficit	Total equity
Period October-December 2018				
Opening balance 2018-10-01	15 879	63 413	-33 835	45 457
Comprehensive income				
Net income for the period			-12 100	-12 100
Total comprehensive income	0	0	-12 100	-12 100
Transactions with shareholders				
Total transactions with shareholders	0	0	0	0
Closing balance 2018-12-31	**15 879**	**63 413**	**-45 935**	**33 357**
Period January-December 2018				
Opening balance 2018-01-01	12 386	81 458	-55 133	38 711
Comprehensive income				
Provision of previous year´s net income		-55 133	55 133	
Net income for the period			-45 935	-45 935
Total comprehensive income	0	-55 133	9 198	-45 935
Transactions with shareholders				
Capital injections	3 493	46 798		50 291
Costs related to issue of shares		-9 710		-9 710
Total transactions with shareholders	3 493	37 088	0	40 581
Closing balance 2018-12-31	**15 879**	**63 413**	**-45 935**	**33 357**

Period October-December 2019	Share capital	Other capital contributions	Accumulated deficit	Total equity
Fourth quarter				
Opening balance 2019-10-01	17 486	34 557	-28 435	23 608
Comprehensive income				
Net income for the period			-7 660	-7 660
Total comprehensive income	0	0	-7 660	-7 660
Transactions with shareholders				
Capital injections		1 471		1 471
Total transactions with shareholders	0	1 471	0	1 471
Closing balance 2019-12-31	**17 486**	**36 028**	**-36 095**	**17 419**
Period January-December 2019				
Opening balance 2019-01-01	15 879	63 413	-45 935	33 357
Comprehensive income				
Provision of previous year´s net income		-45 935	45 935	
Net income for the period			-36 095	-36 095
Total comprehensive income	0	-45 935	9 840	-36 095
Transactions with shareholders				
Capital injections	1 607	18 550		20 157
Total transactions with shareholders	1 607	18 550	0	20 157
Closing balance 2019-12-31	**17 486**	**36 028**	**-36 095**	**17 419**

Condensed Consolidated Statement of Cash-Flow

SEK 000´s	Oct-Dec		Jan-Dec	
Kancera Group	2019	2018	2019	2018
Cash-flow from operating activities				
Operating income after financial items	-7 660	-12 100	-36 095	-45 935
Depreciation	10	102	111	521
Taxes paid	287	148	-80	-36
Other non cash-flow items	0	-171	0	0
Cash-flow from operating activities before working capital change	**-7 363**	**-12 021**	**-36 064**	**-45 450**
Change in working capital	7 221	-1 794	3 340	407
Cash-flow from operating activities	**-142**	**-13 815**	**-32 724**	**-45 043**
Investments in financial assets	-1	0	-1	0
Cash-flow from investment activities	**-1**	**0**	**-1**	**0**
FREE CASH-FLOW available to INVESTORS	**-143**	**-13 815**	**-32 725**	**-45 043**
Financing activities				
Change in debt referrable to financing activities	-7 376	0	-4 607	-2 291
Issue of shares/other capital infusions	1 471	0	14 157	40 582
Increase in short-term financing	14 000	0	14 000	0
Cash-flow from financing activities	**8 095**	**0**	**23 550**	**38 291**
CASH-FLOW for the PERIOD	**7 952**	**-13 815**	**-9 175**	**-6 752**
Cash and cash equivalents at the beginning of the period	3 896	34 838	21 023	27 775
Cash and cash equivalents at the end of the period	11 848	21 023	11 848	21 023

Condensed Parent Company Income Statement

SEK 000´s	Oct-Dec		Jan-Dec	
The Parent Company Kancera AB	2019	2018	2019	2018
Revenues				
Net sales	0	295	3 216	358
Other revenues	623	4 068	2 338	4 472
Cost of sales & services	0	-31	-96	-72
Gross profit	**623**	**4 332**	**5 458**	**4 758**
Operating Expenses				
General & administrative expenses	-866	-2 504	-5 404	-4 305
Selling expenses	-298	-270	-1 202	-1 132
Research & development expenses	-7 017	-13 982	-34 505	-45 240
Total expenses	**-8 181**	**-16 756**	**-41 111**	**-50 677**
Operating income	**-7 558**	**-12 424**	**-35 653**	**-45 919**
Income from Financial Investments	0	134	2	154
Financial net	-102	192	-327	-168
Income after financial items	**-7 660**	**-12 098**	**-35 978**	**-45 933**
Taxation	0	0	0	0
Net income	**-7 660**	**-12 098**	**-35 978**	**-45 933**

Condensed Parent Company Balance Sheet

SEK 000´s	31 Dec	
The Parent Company Kancera AB	2019	2018
Assets		
Non-current Assets		
Intangible assets		
Capitalized R&D	24 000	18 000
Tangible assets		
Equipment and chemical library	0	111
Financial assets		
Shares in subsidiaries	50	50
Financial placements	1	0
Total non-current assets	**24 051**	**18 161**
Current Assets		
Intercompany receivables	1	1
Trade receivables and other receivabl	4 565	6 399
Cash and cash equivalents	11 800	20 976
Total current assets	**16 366**	**27 376**
TOTAL ASSETS	**40 417**	**45 537**
Equity and Liabilities		
Equity		
Restricted equity	17 485	15 878
Non-restricted equity	52	17 483
Total equity	**17 537**	**33 361**
Liabilities		
Long-term liabilities	0	655
Short-term liabilities	22 880	11 521
Total liabilities	**22 880**	**12 176**
TOTAL EQUITY and LIABILITIES	**40 417**	**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.

In addition to that which is shown below, the Group's and the Parent Company's accounting principles and valuation principles as well as the basis of calculation for the report are unchanged compared to the latest annual report for the financial year ending December 31, 2018 and should be read together with it.

The Group continuously invests in research and development projects that increase the Group's knowledge of technology and which may also include patent applications for technology. In the accounts, 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 and 2019, rights to the Fractalkine project have been activated which pertain to payment 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 if they are summed up. Amounts and figures stated in brackets refer to comparative figures for the corresponding period last year.

IFRS 16 Leasing agreements

As of January 1, 2019, the Group applies the new standard IFRS 16 Leasing Agreement. IFRS 16 introduces a single accounting method for leasing agreements, which means that the Group's lease agreements for premises that were previously expensed in accordance with IAS 17 are now recognized in the balance sheet as rights of use and leasing liabilities. The Group applies the relief rules as leases of lesser value and contracts that run for a shorter period of time than 12 months from the transition date are not recognized in the balance sheet but are expensed on a straight-line basis over the lease period. The Group applies partial retroactivity where comparative years are not recalculated and the accumulated effect is reported as an adjustment of opening equity at the first application date. According to calculations, the Group's assets 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. As of December 31, 2019, the value of the right to use was SEK 4 597 000, the lease fee was SEK 2 366 000, depreciation was SEK 2 298 000 and the interest expense was SEK 117 000, resulting in a net profit effect of SEK -49 000. Accounting has a positive effect on operating profit as the Group reports depreciation and interest on the asset instead of leasing fees.

Note 2 Related party transactions

During the period, Kancera AB paid compensation to Mellstedt Consulting AB for services comprising scientific advice and scientific marketing with an amount of SEK 240 000 (360 000) and SEK 87 000 (126 000) to Allmora Life Science AB. During the period, Kancera AB paid compensation to Advokatfirman Nerpin AB for expenses with an amount of SEK 37 000. Håkan Mellstedt, board member of Kancera AB is the CEO and owner of Mellstedt Consulting AB. Charlotte Edenius, board member of Kancera AB, is the CEO and owner of Allmora Life Science AB. Erik Nerpin, chairman of the Kancera AB board, is the CEO and owner of Advokatfirman Nerpin AB. No other remuneration has been paid to related parties other than board fees and reimbursement of expenses.

Note 3 Options program

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

Note 4 Grants received to be reported at a later date

Awarding body	Grant awarded, tkr	Amount paid, tkr	Reporting date
EU SYNTRAIN[1]	4986	4 237	Next: October 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 1 791 000. 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 21st February 2020

Erik Nerpin ***Chairman***	**Håkan Mellstedt** ***Board member***	**Charlotte Edenius** ***Board member***
Carl-Henrik Heldin *Board member*	Anders Gabrielsen *Board member*	Thomas Olin *CEO/ Board member*

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

Upcoming reports and the Annual General Meeting

Annual report 2019	30 April 2020
Interim report January-March 2020	22 May 2020
Annual General 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

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