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# Interim report for the first quarter 2020

1 January – 31 March 2020

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

kancera

## Contents

# This is Kancera

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

Kancera develops drugs that counteract damage in acute and chronic inflammation. The Fractalkine blocker KAND567 has primarily been developed to effectively counteract hyper-inflamation in various disease states, thereby protecting vital organs in connection with, for example, myocardial infarction or severe viral infections. During the second quarter of 2020, Kancera applied for permission for a phase II clinical study in covid-19 patients. Because scientific studies have revealed increased activity in the Fractalkine system not only in conjunction with myocardial infarction, but also in several other inflammatory conditions and certain forms of cancer, there are several possible development opportunities for Kancera's Fractalkine blockers KAND567 and KAND145.

Kancera AB conducts research and development in laboratories at the Karolinska Institutet Science Park in Stockholm and employs about 15 people. The stock is traded on NASDAQ First North Premier. As of March 31, 2020, the number of shareholders was approximately 7200. FNCA Sweden AB is the company's Certified Adviser. FNCA can be reached at info@fnca.se and on 08-528 00 399. MD PhD Charlotte Edenius, MD PhD Anders Gabrielsen, Professor Carl-Henrik Heldin and Professor Håkan Mellstedt are all scientific advisors and board members of Kancera AB.

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

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

**Background**
Kancera's team has extensive experience in drug research from discoveries of new disease processes to clinical development within AstraZeneca, Biovitrum (formerly Pharmacia) and Karolinska Institutet. Kancera has mainly focused on inflammatory diseases and cancer, both for its own drug development and as research consult-ants. As research consultants, Kancera's team has carried out projects for both pharmaceutical companies and biotech companies in the US and Europe. Among these assignments is the development of the chemistry that laid the foundation for Enasidenib, a drug that since 2017 has been marketed by the American pharma-ceutical company Celgene 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, after which drug development takes place in-house at Karolinska Institutet Science Park, Stockholm. In connection with listing on Nasdaq First North Premier on January 28, 2016, the subsidiary Kancera Förvaltning AB was formed, after which Kancera AB moved to accounting in accordance with IFRS in the Group, and RFR2 in

the Parent Company, from the beginning of the second quarter of 2016.

# First quarter in brief

## 1 January – 31 March 2020

Net sales for the period (January to March) amounted to SEK 0,04 million (3,1).

R&D costs for the period amounted to SEK 9,7 million (10,2).

Operating profit for the period amounted to SEK -11,1 million (-7,9).

Profit after financial items for the period amounted to SEK -11,7 million (-8,0).

Earnings per share for the period amounted to -0,06 kr (-0,04 kr).

Cash flow from operating activities for the period amounted to SEK -8,6 million (-5,8).

Equity amounted on the 31 March 2020 to SEK 25,0 million (25,4) or 0,03 kr (0,13 kr) per share.

The equity/assets ratio amounted on the 31 March 2020 to 45 procent (60 procent).

Cash and cash equivalents amounted on the 31 March 2020 to SEK 3,2 million (15,2) [1].

[1] For information on the 100% guaranteed rights issue of SEK 61 million, see "Important events after the end of the first quarter". The issue proceeds were paid after the end of the first quarter, during April 2020.

## Significant events during the first quarter

- The Finnish Medicines Agency Fimea gave approval to start the final part of the phase Ib study of KAND567.
- At an Extraordinary General Meeting on January 13, 2020, the Board of Directors was authorized to decide on a new share issue in accordance with that which was stated in the press release on November 21, 2019 and the notice of the Annual General Meeting.
- An Extraordinary General Meeting on January 31, 2020, decided in accordance with the Board of Directors' proposal to amend the Articles of Association limits for the share capital and the number of shares outstanding. According to the new articles of association, the share capital must 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.
- The Phase Ib program for KAND567 was completed in March 2020. The results show that the drug candidate is well tolerated on intravenous administration. Kancera now intends to compile an application for permission to start a phase II clinical trial in patients with acute myocardial infarction.
- In March, it was announced that a patent application for KAND145 that was filed in June 2018 in accordance with the international patent treaty PCT has been reviewed with regard to news value, level of invention height and industrial utility. The review shows that KAND145 is performing well in all three categories, which points to the potential for a strong international patent protection for at least 20 years from the filing date.
- Conditions for conducting Kancera's Phase IIa study were described in light of the restrictions imposed as a consequence of the covid-19 pandemic. The focus of Kancera's Phase IIa study is emergency life-saving healthcare, which means that the recruitment of patients is not limited by travel restrictions linked to the pandemic. Furthermore, both the initial care and the inclusion of patients in the study are performed by dedicated cardiac specialists, which means that the risk is low that redistribution of staff to the care of covid-19 patients will hinder the study. However, the start of new studies is currently being limited. Covid-19 did not significantly affect the company's operational activities during the first quarter.

## Significant events after the end of the first quarter

- Kancera has announced that the new issue of 157 369 119 Units consisting of each one share and two warrants has been completed. The issue, which was resolved at the Extraordinary General Meeting on January 13, 2020, was fully subscribed by guarantee to SEK 61.4 million. Of these, as of March 31, SEK 19.3 million was received by shareholders with preferential rights. Cash issue costs are estimated at approximately SEK 4.8 million. In addition, guarantors and advisors are remunerated with 22 000 203 Units. In total, the number of shares increases to 389 194 814 shares, which corresponds to a dilution of 85%. The share capital increases to SEK 32 432 901.
- An Extraordinary General Meeting on April 9, 2020 has decided in accordance with the Board's proposal to extend the subscription period for TO4 until the end of September 2020.
- The company has decided to focus its operations on the continued clinical development of the drug candidate KAND567. Against this background, the company plans to reduce the workforce in the preclinical research organization. After the organizational change has been implemented, the cost reduction is expected to amount to approximately SEK 8 million annually. In addition to KAND567, the company's resources will mainly focus on taking the preclinical drug candidate KAND145 into the clinical phase.

- Kancera has filed a patent application for the drug candidates KAND567 and KAND145. The new patent application deals with the treatment and prevention of hyperinflammation in viral infections, a condition that is seen in seriously ill patients in the ongoing covid-19 pandemic, amongst others.
- Kancera has submitted an application to the Swedish Medicines Agency for permission to conduct a phase II clinical study of the drug candidate KAND567 in covid-19 patients. The ultimate goal of clinical development is to curb hyperinflammation and thus avoid intensive care and long-term rehabilitation for patients with covid-19. The study is intended to be conducted in collaboration with Capio St. Görans Hospital and the Science for Life Laboratory.
- The Board of Directors has assessed that the covid-19 pandemic can have a negative effect on the company's operations in 2020, but that the Board cannot currently assess how large that effect could be.

# CEO statement

## Kancera prepares Phase II clinical studies of KAND567 in two inflammatory conditions - acute myocardial infarction and covid-19

The development of our most advanced drug candidates KAND567 and KAND145, which work by inhibiting the Fractalkine system, continues to take clear steps forward. In February we were able to announce that the KAND567 project received approval from the Finnish medical products agency, FIMEA, to start the final stages of the phase Ib program. Already in early March, we presented positive results in the form of good tolerability and a favorable safety profile after intravenous treatment in healthy individuals. Thus, preparations could be stepped up for the next important step in the development of KAND567 - the start of a phase II study in patients with acute myocardial infarction. The introductory part of the next clinical study aims to further evaluate the safety profile and the heart-protective effect of the Fractalkine blocker in the event of a heart attack. The potential medical benefit of our drug candidate is great, and for this reason, there is strong interest from clinicians to assist in the continued development. Negotiations are currently underway with one of the world's most renowned university hospitals, Freeman Hospital, to expand the ongoing preclinical collaboration to include the Phase IIa clinical trial. Our hope is that the prevailing world situation and the burden on health care facilities will become reduced well in advance of the planned start of the phase IIa study.

In line with success in the clinical development of our leading drug candidates, the internal need for expertise is changing. Against this background, we are pleased to have appointed Torbjörn Lundström as Chief Medical Officer (CMO) with medical responsibility for Kancera's product portfolio. As a medical doctor and physician, he has extensive experience in clinical cardiology and internal medicine, but also 20 years of experience in clinical drug development, having been responsible for products in the advanced development phase of cardiovascular and metabolic diseases at AstraZeneca. At the same time, I would like to thank Joachim Forsgren for his decisive efforts as CMO during the hitherto development of the Fractalkine project. Joachim will remain as senior advisor in the area of patient safety.

In May, the decision was made to concentrate continued operations on the clinical development of the drug candidate KAND567. For this reason, Kancera will carry out a reduction of the personnel in the preclinical research organization. The planned organizational change is expected to reduce the cost base for the company by approximately SEK 8 million annually. In addition to the

development of KAND567, the company's resources will be focused on taking the preclinical drug candidate KAND145 into the clinical phase.

As a result of the ongoing covid pandemic, we have investigated the potential of our drug candidates to curb the severe and life-threatening inflammatory conditions (hyperinflammation) that can occur in connection with viral infections. In early May, we announced a patent application for KAND567 and KAND145 for the treatment and prevention of hyperinflammation in viral infections, and shortly thereafter we submitted an application to the Swedish Medicines Agency to conduct a phase II clinical study documenting the potentially protective effect of the drug candidate KAND567 in patients with covid-19. The study is intended to be conducted in collaboration with Capio St. Görans Hospital and the Science for Life Laboratory (SciLifeLab). By opening up this new area of use for Fractalkine inhibitors, we hope to contribute to the treatment of severe viral infections caused by covid-19 and other viruses that cause the same type of hyperinflammation.

Kancera's financial situation was strengthened by a successfully completed new share issue in early April. The new share issue was subscribed to 100 percent and provided the company with SEK 64 million before issue costs. The warrants that were issued at the same time may add an additional SEK 40 million in 2020, before issue costs. The funds from the issue and the exercise of TO4 are considered together to be sufficient to finance the two planned Phase II studies of KAND567. We are now looking forward to continuing the development of our most advanced Fractalkine antagonists in two separate indication areas where the need for better treatments is significant.

Solna, 22 May 2020

Kancera AB

Thomas Olin, CEO

# Pharmaceutical development

## KAND567 is being developed to reduce the effects of hyperinflammation. Phase II study is expected to start in 2020

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 motivation that the results are of extremely high scientific quality.

The drug candidate KAND567 is now being prepared for phase II clinical trials which will test an entirely new treatment strategy to protect vital organs in connection with immune system overreaction that may lead to hyperinflammation.

The cause of hyperinflammation is an imbalance in the immune system that can be triggered by medical procedures such as vasodilatation after myocardial infarction or by certain types of viral infections such as those that lead to diseases like covid-19.

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. A similar overreaction can occur when the immune system fails in the first stage to fight a virus like Sars CoV-2 (which causes covid-19), which risks leading to a second wave of inflammation - hyperinflammation - and overloading, (or in the worst case, damage) of vital organs. Taken together, these examples of hyper-inflammation in disease states show that there are significant expansion opportunities for Kancera's Fractalkine blocking drug candidates.

Results from the Phase I study with orally administered KAND567 show good pharmaco-kinetic properties and a favorable safety profile. An in-depth immunological analysis of blood samples from a number of healthy subjects in the Phase Ib program 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 protective effect of KAND567 against damage to vital organs. The Phase Ib program was completed in March 2020 and the results show that the drug candidate is well tolerated on both peroral and intravenous administration. In total, KAND567 has now been administered to 92 healthy subjects in Phase I studies.

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

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

Kancera has five 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

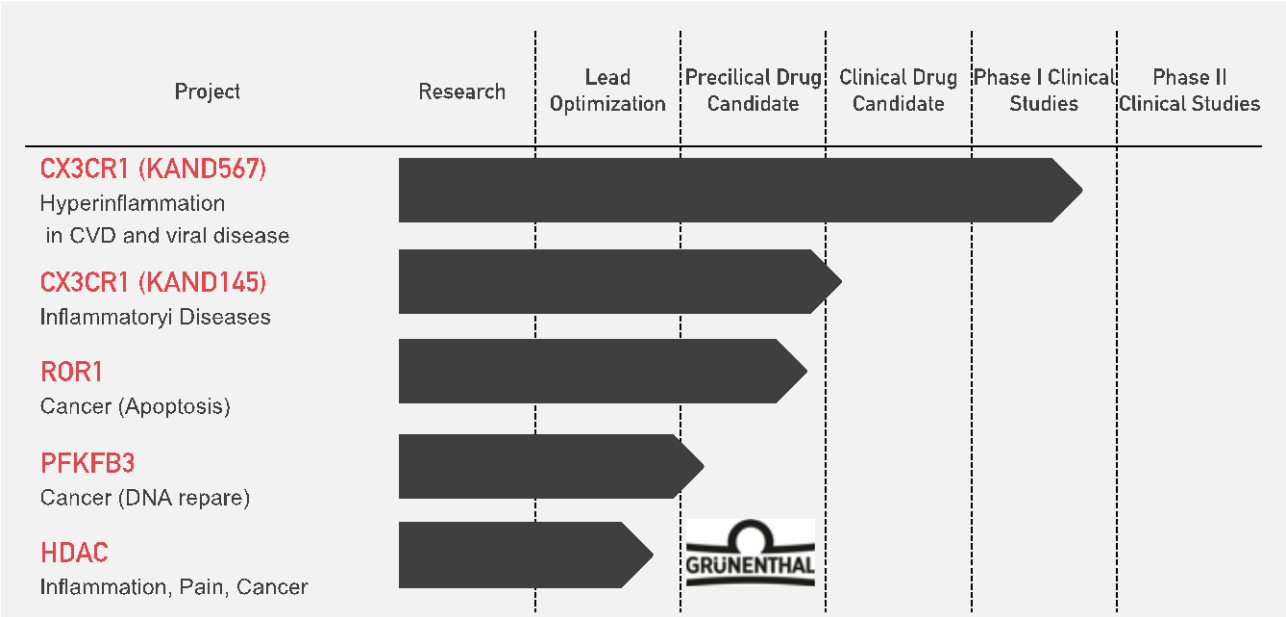
Blockers of the Fractalkine receptor CX3CR1. Kancera develops the small molecule drug candidates KAND567 and KAND145, both of which block the Fractalkine receptor and thus specific parts of the immune system. The first indication for Kancera's Fractalkine blocker is treatment for hyperinflammation that leads to tissue damage in conjunction with medical interventions such as vasodilatation after myocardial infarction and in some viral infections such as covid-19 disease. Expansion possibilities for blockers of the Fractalkine system are also being evaluated in other inflammatory diseases and cancers.

### Project in pre-clinical phase

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

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

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




Read more about the 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<br>*SEK 000´s (if otherwise not specified)* | Jan-March 2020 | Jan-March 2019 | 1 Jan-31 Dec 2019 |
|---|---|---|---|
| Net turnover | 41 | 3 111 | 3 216 |
| Other operating revenues | 745 | 404 | 2 338 |
| Operating expenses | -11 889 | -11 416 | -41 111 |
| R&D expenses | -9 694 | -10 162 | -34 505 |
| Operating Income | -11 130 | -7 901 | -35 653 |
| Income after financial items | -11 670 | -7 956 | -36 095 |
| Net income | -11 670 | -7 956 | -36 095 |
| Cash-flow from operating activities | -8 627 | -5 830 | -32 724 |
| Cash on hand at closing date | 3 215 | 15 193 | 11 848 |
| Equity at closing date | 25 035 | 25 401 | 17 419 |
| **Key ratios** | | | |
| Return on equity, % | neg | neg | neg |
| Return on capital employed, % | neg | neg | neg |
| Earnings by share, before and after dilution | -0,06 | -0,04 | -0,18 |
| Cash-Flow from operating activities by share, kr | -0,04 | -0,03 | -0,16 |
| Solvency ratio | 45% | 60% | 39% |
| Equity by share, kr | 0,12 | 0,13 | 0,08 |
| No. of employees | 20 | 20 | 20 |

# Comments on the financial development

Reduced operating income for the period compared to the corresponding period 2019 is mainly attributable to a one-off payment received in connection with the signed agreement regarding the HDAC project with Grünenthal.

## Income and profits

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

**First quarter, January – March 2020**

Net sales during the quarter amounted to SEK 0,04 million (3,1)

Expenses during the quarter amounted to SEK 11,9 million (11,4) broken down into costs for research and development costs SEK 9,7 million (10,2), and other sales and administrative costs SEK 2,2 million (1,2).

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

Profit after financial items during the quarter amounted to SEK -11,7 million (-8,0).

# Financial position and liquidity

## Balance sheet and cash flow

Total equity amounted on 31 March 2020 to 25,0 Mkr (25,4 Mkr).

Kancera AB's equity ratio as of March 31, 2020 was 45 percent (60 percent). Equity per share was SEK 0.12 (0.13).

Cash flow amounted to -8,6 Mkr (-5,8 Mkr) during the first quarter. Cash flow from operating activities amounted to -8,6 Mkr (-5,8 Mkr) or –0,04 kr per share (-0,03 kr) and from financing operations it amounted to 0 Mkr (0 Mkr).

Kancera AB's cash and cash equivalents amounted on 31 March 2020 to 3,2 Mkr (15,2 Mkr).

With the final subscription date of March 31 2020, Kancera completed a new issue of 157 369 119 Units, each consisting of one share and two warrants. The issue, which was decided at the Extraordinary General Meeting on January 13, 2020, was fully subscribed by guarantee to SEK 61.4 million. Of this, as of March 31, SEK 19.3 million was received by shareholders with preferential rights. Cash issue costs are estimated at approximately SEK 4.8 million. In addition, guarantors and advisors are remunerated by 22 000 203 Units. In total, the number of shares increases to 389 194 814 shares, which corresponds to a dilution of 85%. The share capital increases to SEK 32 432 901.

## Employees

Kancera AB had about 20 employees as of March 31, 2020 (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 fixed assets in the balance sheet total SEK 24 million, which is distributed as 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 carried out 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 first quarter.

As of January 1, 2019, the right of use is reported as SEK 4.0 million (SEK 6.3 million) as the effect of IFRS 16 Leasing agreement.

## The share capital and the share

On March 31, 2020, the share capital amounted to SEK 17 485 457, distributed between 209 825 492 shares with a quotient value of, rounded, SEK 0.08 per share.

## Current incentive scheme

There are no active stock option programs in the Company.

## Tax deficits

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

In the case of a sale of a drug candidate, profits are expected to be reported which are currently deemed to be tax-deductible against previous years' tax losses, which would entail a low tax burden for the Company when a project is sold. The tax deficits at December 31, 2019 amounted to SEK 254 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.

## Consolidated Statement of Comprehensive Income

| *SEK 000´s (if otherwise not specified)* **Kancera Group** | Jan-March 2020 | Jan-March 2019 | 1 Jan-31 Dec 2019 |
|---|---|---|---|
| *Revenues* | 41 | 3 111 | 3 216 |
| **Net sales** | 745 | 404 | 2 338 |
| Cost of sales & services | -27 | 0 | -96 |
| **Gross profit** | **759** | **3 515** | **5 458** |
| *Operating Expenses* | | | |
| General & administrative expenses | -1 726 | -873 | -5 404 |
| Selling expenses | -469 | -381 | -1 202 |
| Research & development expenses | -9 694 | -10 162 | -34 505 |
| **Total operating expenses** | **-11 889** | **-11 416** | **-41 111** |
| **Operating income** | **-11 130** | **-7 901** | **-35 653** |
| *Income from Financial Investments* | | | |
| **Financial net** | -540 | -55 | -442 |
| **Income after financial items** | **-11 670** | **-7 956** | **-36 095** |
| Taxation | 0 | 0 | 0 |
| **Net income** | **-11 670** | **-7 956** | **-36 095** |
| Average number of shares (thousands), before | 209 825 | 190 543 | 198 712 |
| Number of shares at closing date (thousands) | 209 825 | 190 543 | 209 825 |
| Earnings per share, before and after dilution | -0,06 | -0,04 | -0,18 |

Report on financial position

## Condensed Consolidated Statement of Financial Position

| *SEK 000´s* | 31 March | | 31 Dec |
|---|---|---|---|
| **Kancera Group** | 2020 | 2019 | 2019 |
| *Assets* | | | |
| *Non-current Assets* | | | |
| *Intangible assets* | | | |
| Capitalized R&D | 24 000 | 18 000 | 24 000 |
| *Tangible assets* | | | |
| Lease assets | 3 956 | 6 320 | 4 531 |
| Equipment and chemical library | 0 | 78 | 0 |
| *financial assets* | | | |
| Financial placements | 1 | 0 | 1 |
| **Total non-current assets** | **27 957** | **24 398** | **28 532** |
| *Current Assets* | | | |
| Trade receivables and other receivables | 25 047 | 2 860 | 3 973 |
| Cash and cash equivalents | 3 215 | 15 193 | 11 848 |
| **Total current assets** | **28 262** | **18 053** | **15 821** |
| **TOTAL ASSETS** | **56 219** | **42 451** | **44 353** |
| *Equity and Liabilities* | | | |
| *Equity* | | | |
| Equity | 25 035 | 25 401 | 17 419 |
| **Equity** | **25 035** | **25 401** | **17 419** |
| *Liabilities* | | | |
| Long-term liabilities | 434 | 8 482 | 579 |
| Short-term liabilities | 30 750 | 8 568 | 26 355 |
| **Total liabilities** | **31 184** | **17 050** | **26 934** |
| **TOTAL EQUITY and LIABILITIES** | **56 219** | **42 451** | **44 353** |

## Report on changes in equity

| **Kancera Group, 1 Jan 2019-31 March 2019**<br>*SEK 000´s* | Share capital | Other capital contributions | Accumulated deficit | Total equity |
|---|---|---|---|---|
| **First quarter** | | | | |
| **Opening balance 2019-01-01** | 15 879 | 63 413 | -45 935 | 33 357 |
| *Comprehensive income* | | | | |
| Net income for the period | | | -7 956 | -7 956 |
| Total comprehensive income | 0 | 0 | -7 956 | -7 956 |
| *Transactions with shareholders* | | | | |
| Total transactions with shareholders | | | | 0 |
| Total transactions with shareholders | 0 | 0 | 0 | 0 |
| **Closing balance 2019-03-31** | **15 879** | **63 413** | **-53 891** | **25 401** |
| | | | | |
| **Period January-December** | | | | |
| **Opening balance 2019-01-01** | 15 879 | 63 413 | -45 935 | 33 357 |
| *Comprehensive income* | | | | |
| Appropriation of previous year´s 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* | | | | |
| Capitalinjection | 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** |

| **Kancera Group, 1 Jan 2020-31 March 2020** | Share capital | Other capital contributions | Accumulated deficit | Total equity |
|---|---|---|---|---|
| **First quarter** | | | | |
| **Opening balance 2020-01-01** | 17 486 | 36 028 | -36 095 | 17 419 |
| *Comprehensive income* | | | | |
| Appropriation of previous year´s income | | -36 095 | 36 095 | |
| Net income for the period | | | -11 670 | -11 670 |
| Total comprehensive income | 0 | -36 095 | 24 425 | -11 670 |
| *Transactions with shareholders* | | | | |
| Ongoing capital injection | | 19 286 | | 19 286 |
| Total transactions with shareholders | 0 | 19 286 | 0 | 19 286 |
| **Closing balance 2020-03-31** | **17 486** | **19 219** | **-11 670** | **25 035** |

## Condensed Consolidated Statement of Cash-Flow

| *SEK 000´s* | Jan-March | | 1 Jan-31 Dec |
|---|---|---|---|
| **Kancera Group** | 2020 | 2019 | 2019 |
| *Cash-flow from operating activities* | | | |
| Operating income after financial items | -11 670 | -7 956 | -36 095 |
| Depreciation | 575 | 34 | 111 |
| Taxes paid | -221 | -174 | -80 |
| Other non cash-flow items | -23 | 17 | 0 |
| **Cash-flow from operating activities before wor change** | **-11 339** | **-8 079** | **-36 064** |
| Change in working capital | 2 712 | 2 249 | 3 340 |
| **Cash-flow from operating activities** | **-8 627** | **-5 830** | **-32 724** |
| *Investment activities* | | | |
| Sale of tangible assets | 0 | 0 | -1 |
| | **0** | **0** | **-1** |
| **Cash-flow from investment activities** | | | |
| **FREE CASH-FLOW available to INVESTORS** | **-8 627** | **-5 830** | **-32 725** |
| *Financing activities* | | | |
| Change in debt referrable to financing activities | -6 | 0 | -4 607 |
| Issue of shares/other capital infusions | | 0 | 14 157 |
| Increase in short-term financing | | | 14 000 |
| **Cash-flow from financing activities** | **-6** | **0** | **23 550** |
| **CASH-FLOW for the PERIOD** | **-8 633** | **-5 830** | **-9 175** |
| Cash and cash equivalents at the beginning of | 11 848 | 21 023 | 21 023 |
| Cash and cash equivalents at the end of the pe | 3 215 | 15 193 | 11 848 |

## Condensed Parent Company Income Statement

| *SEK 000´s* | Jan-March | | 1 Jan-31 Dec |
|---|---|---|---|
| **The Parent Company Kancera AB** | 2020 | 2019 | 2019 |
| *Revenues* | | | |
| **Net sales** | 41 | 3 111 | 3 216 |
| Other revenues | 745 | 404 | 2 338 |
| Cost of sales & services | -27 | 0 | -96 |
| **Gross profit** | **759** | **3 515** | **5 458** |
| *Operating Expenses* | | | |
| General & administrative expenses | -1 744 | -899 | -5 404 |
| Selling expenses | -469 | -394 | -1 202 |
| Research & development expenses | -9 693 | -10 139 | -34 505 |
| **Total expenses** | **-11 906** | **-11 432** | **-41 111** |
| **Operating income** | **-11 147** | **-7 917** | **-35 653** |
| *Income from Financial Investments* | | | |
| Financial revenues | 0 | 0 | 2 |
| Financial expenses | -517 | -22 | -327 |
| **Income after financial items** | **-11 664** | **-7 939** | **-35 978** |
| Taxation | 0 | 0 | 0 |
| **Net income** | **-11 664** | **-7 939** | **-35 978** |

## Condensed Parent Company Balance Sheet

| *SEK 000´s* | 31 mars | | 31 dec |
|---|---|---|---|
| **The Parent Company Kancera AB** | 2020 | 2019 | 2019 |
| *Assets* | | | |
| *Non-current Assets* | | | |
| *Intangible assets* | | | |
| Capitalized R&D | 24 000 | 18 000 | 24 000 |
| *Tangible assets* | | | |
| Equipment and chemical library | 0 | 78 | 0 |
| Shares in subsidiaries | 50 | 50 | 50 |
| Financial placements | 1 | 0 | 1 |
| **Total non-current assets** | **24 051** | **18 128** | **24 051** |
| *Current Assets* | | | |
| Intercompany receivables | 1 | 1 | 1 |
| Trade receivables and other receivables | 25 047 | 2 860 | 4 565 |
| Cash and cash equivalents | 3 167 | 15 146 | 11 800 |
| Total current assets | **28 215** | **18 007** | **16 366** |
| **TOTAL ASSETS** | **52 266** | **36 135** | **40 417** |
| *Equity and Liabilities* | | | |
| *Equity* | | | |
| Restricted equity | 36 771 | 15 879 | 17 485 |
| Non-restricted equity | -11 612 | 9 541 | 52 |
| **Total equity** | **25 159** | **25 420** | **17 537** |
| *Liabilities* | | | |
| Long-term liabilities | 0 | 3 829 | 0 |
| Short-term liabilities | 27 107 | 6 886 | 22 880 |
| **Total liabilities** | **27 107** | **10 715** | **22 880** |
| **TOTAL EQUITY and LIABILITIES** | **52 266** | **36 135** | **40 417** |

# Notes

## Note 1 Accounting and valuation principles

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

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

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

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

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

### IFRS 16 Leasing Agreement

As of January 1, 2019, the Group applies the new standard IFRS 16 Leasing Agreement. IFRS 16 introduces a single accounting method for leasing agreements, which means that the Group's lease agreements for premises that were previously expensed in accordance with IAS 17 are now recognized in the balance sheet as rights of use and leasing liabilities. The Group applies the relief rules as leases of lesser value and contracts that run for a shorter period of time than 12 months from the transition date are not recognized in the balance sheet but are expensed on a straight-line basis over the lease period. The Group applies partial retroactivity where comparative years are not recalculated and the accumulated effect is reported as an adjustment of opening equity at the first application date. According to calculations, the Group's assets at 31 January 2019 had increased by 6 320 KSEK and the Group's liabilities by 6 320 KSEK. The equity / assets ratio at the transition was negatively affected by approximately 9% units. As of March 31, 2020, the value of the right to use was 3 956 KSEK, the lease fee -592 KSEK, depreciation 575 KSEK and the interest cost 22 KSEK, which gives a net effect on earnings of -5 KSEK. Accounting has a positive effect on operating profit as the Group reports depreciation and interest on the asset instead of leasing fees.

## Note 2 Related party transactions

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

### Note 3 Options program

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

### Note 4 Grants received to be reported at a later date

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

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

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

### Note 5 The Group's operations and risk factors

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

## Note 6 Definitions

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

**Return on equity**
Profit for the period as a percentage of average equity

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

**Equity per share**
Shareholders' equity divided by the number of shares on the balance sheet date.

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

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

**Capital employed**
Balance sheet total reduced by non-interest-bearing liabilities.

**Solidity**
Shareholders' equity as a percentage of total assets

# The Board's declaration

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

*Stockholm 22 May 2020*

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

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

## Upcoming reports and the Annual General Meeting

| | |
|---|---|
| Interim report January-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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