

INTERIM REPORT FOR KANCERA AB (publ)

1st January – 30th September 2017



1st January– 30th September 2017

THIS IS KANCERA

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

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

Business model

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

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

History

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

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



STATEMENT FROM THE CEO

During the second quarter, Kancera started the Phase I study in the Fractalkine project according to plans. The study aims at documenting the drug characteristics, safety and tolerability of the drug candidate KAND567 in healthy subjects. During the third quarter, we moved from increasing single doses to the final regime where KAND567 is given twice a day for seven days. We expect the results to be available by the end of 2017.

Preparations for the next step in the clinical development of KAND567 continue with the goal of demonstrating the effect of treatment on biomarkers that reflect the development or stage of disease. An effect on these markers can thus indicate the likelihood of KAND567 achieving the desired effect in continued clinical development.

In essence, we consider two indication areas for KAND567, cancer and inflammatory diseases. Within both these areas there are specific diseases where the Fractalkine system is activated and the medical need for improved care is high. Two examples of such diseases are pancreatic disease (including pancreatic cancer) and kidney disease.

During the third quarter, we have taken steps in this direction by starting the development of KAND567 in the product form that is intended for use in future clinical trials. This development is being done in collaboration with Recipharm.

In the ROR project, we reported in October that treatment with the substance KAN0441571 significantly reduced the amount of cancer cells in an animal model of human leukemia. We also reported that the optimization method that Kancera has used for the development of KAN0441571 has resulted in the substance controlling cell division and inflammation signals, in addition to inducing cell death in cancer. This molecular "fingerprint" of effects, together with the substance's long-term properties, can now help us to identify more cancer diseases in which KAN0441571 can be effective.

Thomas Olin
CEO Kancera AB (publ)



PERIOD 1 JAN - 30 SEPT 2017

IN BRIEF

- R & D expenses for the period amounted to SEK 39.8 million (13.3 million), of which the third quarter amounted to SEK 14.7 million (4.6 million)
- Operating profit for the period amounted to SEK -44.2 million (-15.8 million), of which third quarter amounted to SEK -16.6 million (-5.2 million)
- Profit after financial items for the period amounted to SEK -44.2 million (-15.9 million), of which third quarter amounted to SEK -16.5 million (-5.4 million)
- Earnings per share for the period amounted to SEK -0.31 (SEK -0.14), of which third quarter amounted to SEK -0.11 kr (SEK -0.04)
- Cash flow from operating activities for the period amounted to SEK -34.9 million (-17.4), of which third quarter amounted to SEK -9.3 million (-8.2 million)
- Shareholders' equity amounted to SEK 44.8 million (SEK 65.9 million) as of 30 September 2017, or SEK 0.31 (0.50) per share
- The equity ratio at 30th September 2017 was 65 percent (85 percent). Liquid funds amounted to SEK 46.1 million (63.5 million) on September 30th, 2017.

SIGNIFICANT EVENTS DURING THE THIRD QUARTER

- Kancera AB's final report on the HDAC6 project to Vinnova was approved in August 2017. Through a grant of 2 million SEK, Vinnova has part-financed the HDAC6 project for two years up to 2017-06-30.
- Kancera AB's final report on the EU project A-PARADDISE was approved in August 2017. The approval means that the EU will carry out the final payment for the project of approximately SEK 1.4 million in the fourth quarter of 2017.
- Kancera AB initiated the second part of the ongoing clinical Phase I study of KAND567 which comprises a total of 80 healthy subjects. During this part of the study, KAND567 is administered in increasing doses twice a day for seven days. The study is scheduled to be completed in the fourth quarter of 2017.
- Kancera AB signed an agreement with Recipharm AB, a leading contract manufacturing company, for product development and manufacturing of the KAND567 drug candidate.
- The Extraordinary General Meeting of Kancera AB resolved on 28 September 2017 to approve the Board's proposal for issue authorization for the payment of the agreed purchase price for the acquisition of the Fractalkine project and issue of warrants under a staff stock option plan.







SIGNIFICANT EVENTS AFTER THE END OF THE THIRD QUARTER

- Kancera has reported that the company's ROR inhibitor KAN0441571, after treatment every third day for 13 days, effectively eliminates ROR1-bearing leukemic cells in a mouse model of human chronic lymphocytic leukemia.

PHARMACEUTICAL DEVELOPMENT

The company has four drug development projects in the portfolio:

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

Project	Target validation	Lead Optimization	Pre-CD	Candidate Drug	Phase I	Phase II
KAND567 - Fractalkine (Autoimmunity/Oncology/Pain)						
ROR1 (Oncology)						
PFKFB3 (Oncology)						
HDAC6 (Oncology)						

Read more about the project portfolio, current project status and patent portfolio in the Project Report on our website: <http://kancera.com/en/research/>

FINANCIAL DEVELOPMENT, SUMMARY

Financial development, summary

SEK 000's (unless otherwise specified)

Kancera Group

	1 July-30 Sept		1 Jan-30 Sept		1 Jan-31 Dec
	2017	2016	2017	2016	2016
Net turnover	0	42	86	174	308
Operating expenses	-16 568	-5 276	-44 285	-15 916	-22 527
R&D expenses	-14 729	-4 645	-39 828	-13 300	-19 089
Operating Income	-16 568	-5 246	-44 228	-15 785	-22 282
Income after financial items	-16 501	-5 360	-44 151	-15 870	-22 308
Net income	-16 501	-5 360	-44 151	-15 870	-22 308
Cash-flow from operating activities	-9 255	-8 249	-34 900	-17 404	-23 103
Investments in intangible assets	6 000	0	12 000	0	0
Investments in tangible assets	0	0	0	0	0
Cash on hand at closing date	46 079	63 494	46 079	63 494	57 759
Equity at closing date	44 772	65 860	44 772	65 860	59 525
Key ratios					
Return on equity, %	neg	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg	neg
Solvency ratio					
No. of employees	18	13	18	13	16
Earnings by share, before dilution	-0,11	-0,04	-0,31	-0,14	-0,19
Earnings by share, after dilution	-0,11	-0,04	-0,31	-0,14	-0,19
Equity by share, kr					
Cash-Flow from operating activities by share, kr	-0,06	-0,06	-0,25	-0,15	-0,19



COMMENTS ON THE FINANCIAL DEVELOPMENT

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

REVENUES AND EARNINGS

Third quarter, July – September 2017

- Kancera's activities have mainly covered drug development.
- Costs for the third quarter amounted to SEK 16.6 million (5.3 million), distributed between research and development costs, SEK 14.7 million (4.6 million), and other sales and administrative expenses SEK 1.9 million (0.7 million).
- Earnings per share for the third quarter, based on a weighted average of the number of outstanding shares, amounted to SEK -0.11 (-0.04).
- Profit after financial items amounted to SEK -16.5 million (-5.4).
- In total, the EU has paid SEK 7.5 million to Kancera AB for the A-PARADDISE project, which is part of the European Union's 7th Framework Program. Ongoing work is scheduled for the end of February 2017 to the sum of SEK 6.1 million. The result at the end of June 2017 is reduced by SEK 256,000 in respect of costs exceeding the budgeted costs for the project. The final reporting of the project was approved on 4th August 2017. It is therefore expected that the EU will pay the final contribution of approximately SEK 1.4 million in the fourth quarter of 2017. As a result of the EU's approval of the final report, ongoing work is reported equivalent to SEK 4.3 million, due to expenses incurred.

Period January – September 2017

- Costs during the period amounted to SEK 44.3 million (15.9 million), distributed between research and development costs SEK 39.8 million (13.3 million), and other sales and administrative expenses SEK 4.5 million (SEK 2.6 million).
- Earnings per share for the period, based on a weighted average of the number of outstanding shares, amounted to SEK -0.31 (-0.14).
- Profit after financial items amounted to SEK -44.2 million (-15.9 million).

FINANCIAL POSITION AND LIQUIDITY

BALANCE SHEET AND CASH FLOW

Total equity as of 30th September 2017 amounted to SEK 44.8 million (65.9 million).

Kancera AB's equity ratio as of September 30th, 2017 was 65 percent (85 percent). Equity per share was SEK 0.31 (0.50).

Cash flow amounted to SEK -8.0 million (SEK -5.2 million) during the third quarter. Cash flow from operating activities amounted to SEK -9.3 million (SEK -8.2 million) or -0.06 SEK per share (SEK -0.06) and from financing activities amounted to SEK 1.2 million (SEK 3.1 million).

Kancera AB's liquid assets amounted to SEK 46.1 million (SEK 63.5 million) as of September 30th, 2017.

PERSONNEL

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

INVESTMENTS AND DEPRECIATIONS

Investments in fixed assets amounted to SEK 0.0 million (0.0 million) during the third quarter. Booked intangible fixed assets increased during the third quarter by SEK 6 million (SEK 0 million) as a result of partial financing of the Fractalkine project through a 2 million offset share issue.

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 percent of the volume weighted stock price of the company's share on Nasdaq First North during the period September 22nd to October 5th, 2017. The employee stock options are granted 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 2.7 percent of the share capital.

THE SHARE CAPITAL AND THE SHARE

The Board of Directors of Kancera AB, with the authorization of the Extraordinary General Meeting on 19th June 2017, implemented a cash issue of approximately SEK 23.7 million before issue costs which amounted to SEK 0.4 million. The new issue that was over-subscribed occurred in May 2017 with preferential rights for the shareholders to subscribe for one new share for 10 old at the price of 1.80 kr.

After the end of the period, the Board of Directors of Kancera AB, with the support of the extraordinary meeting of 28 September 2017, completed the issue number two (out of three) of 2,000,000 shares directed to Acturum Real Estate AB as part payment for the Fractalkine project under the Option and Acquisition Agreement signed between the parties on 7th September 2015.

The share capital amounted to SEK 12,219,616 at 30th September 2017, divided between 146,635,392 shares with a quota value, rounded off, of SEK 0.08 per share.



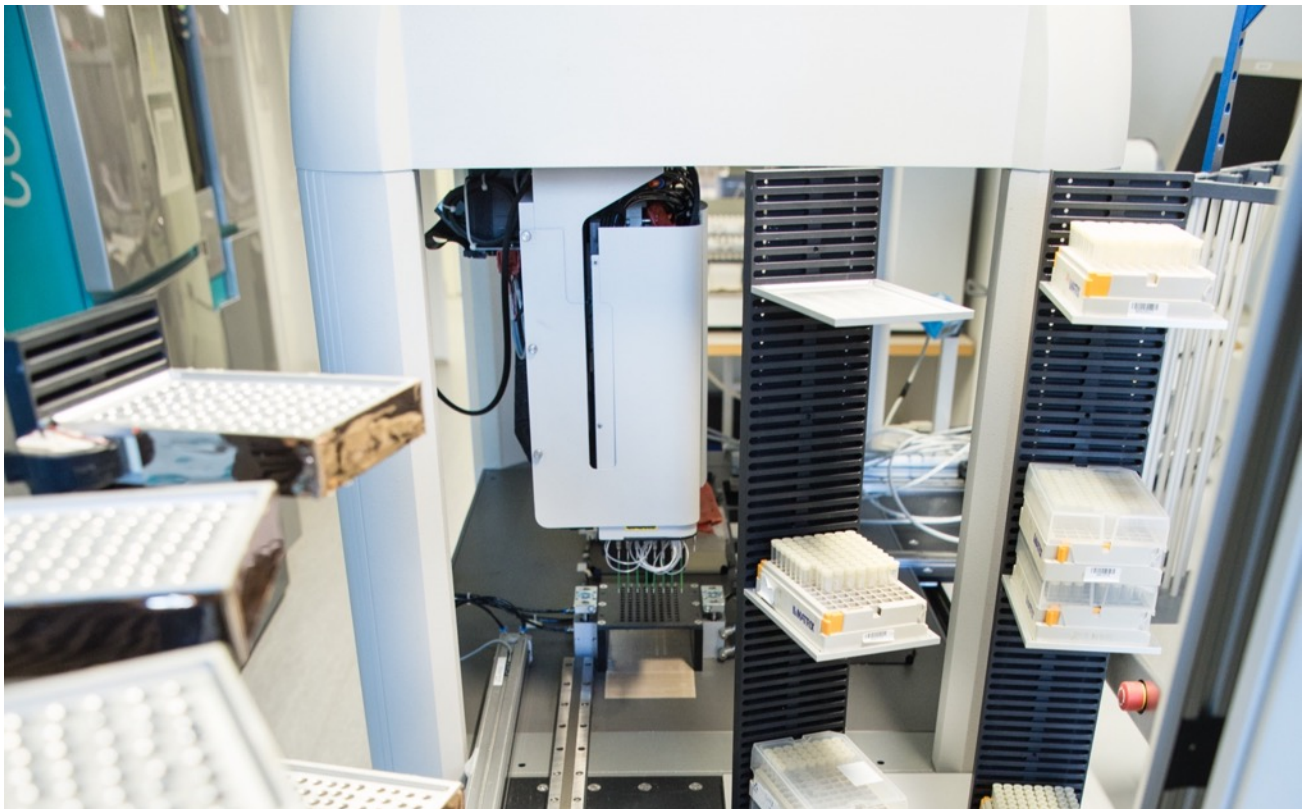
DEFICITS FOR TAX PURPOSES

Kancera AB's current operations are expected to initially lead to negative results and deficits for tax purposes. At present, there is insufficient convincing evidence that there will be tax surpluses in the future that may justify capitalization of the value of the deficit and no deferred tax claim has therefore been reported.

In the event of sale of a drug candidate, profits are expected to be reported which may be offset for tax purposes against the deficits, which would lead to a low tax burden for the Company when a project is sold. The tax deficits per 2016-12-31 amount to SEK 117.0 million.

THE GROUP

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



Consolidated Statement of Comprehensive Income

SEK 000's (unless otherwise specified)

	1 July-30 Sept		1 Jan-30 Sept		1 Jan-31 Dec
	2017	2016	2017	2016	2016
Kancera Group					
<i>Revenues</i>					
Net sales	0	42	86	174	308
Cost of sales & services	0	-12	-29	-43	-63
Gross profit	0	30	57	131	245
<i>Operating Expenses</i>					
General & administrative expenses	-1 247	-616	-3 220	-2 254	-2 907
Selling expenses	-592	-15	-1 237	-362	-531
Research & development expenses	-14 729	-4 645	-39 828	-13 300	-19 089
Total operating expenses	-16 568	-5 276	-44 285	-15 916	-22 527
Operating income	-16 568	-5 246	-44 228	-15 785	-22 282
<i>Income from Financial Investments</i>					
Financial net	67	-114	77	-85	-26
Income after financial items	-16 501	-5 360	-44 151	-15 870	-22 308
Taxation	0	0	0	0	0
Net income	-16 501	-5 360	-44 151	-15 870	-22 308
Net income attributable to the shareholder's of the parer	-16 501	-5 360	-44 151	-15 870	-22 308
Non-controlling interests	0	0	0	0	0
Average number of shares (thousands), before dilution	150 316	131 487	141 417	114 096	120 533
Average number of shares (thousands), after dilution	150 316	131 487	141 417	114 096	120 533
Number of shares at closing date (thousands)	145 951	131 487	145 951	131 487	131 487
Earnings per share, before and after dilution	-0,11	-0,04	-0,31	-0,14	-0,19

Comprehensive Income for the Period

SEK 000's (if otherwise not specified)

	1 July-30 Sept		1 Jan-30 Sept		1 Jan-31 Dec
	2017	2016	2017	2016	2016
Net income for the period	-16 501	-5 360	-44 151	-15 870	-22 308
Other comprehensive income, net before tax	0	0	0	0	0
Total comprehensive income for the period	-16 501	-5 360	-44 151	-15 870	-22 308
Attributable to the shareholder's of the parent company	-16 501	-5 360	-44 151	-15 870	-22 308
Non-controlling interests	0	0	0	0	0

Condensed Consolidated Statement of Financial Position

SEK 000's (unless otherwise specified)

Kancera Group

	30 Sept		31 Dec
	2017	2016	2016
<i>Assets</i>			
<i>Non-current Assets</i>			
<i>Intangible assets</i>			
Capitalized R&D	18 000	6 000	6 000
<i>Tangible assets</i>			
Equipment and chemical library	1 148	2 307	2 028
Total non-current assets	19 148	8 307	8 028
<i>Current Assets</i>			
Work in progress	714	3 818	5 760
Trade receivables and other receiva	3 054	1 484	1 485
Cash and cash equivalents	46 079	63 494	57 759
Total current assets	49 847	68 796	65 004
TOTAL ASSETS	68 995	77 103	73 032
<i>Equity and Liabilities</i>			
<i>Equity</i>			
Equity	44 772	65 860	59 525
<i>Provisions and Liabilities</i>			
Long-term liabilities	2 862	2 898	2 862
Short-term liabilities	21 361	8 345	10 645
Total provisions and liabilities	24 223	11 243	13 507
TOTAL EQUITY and LIABILITIES	68 995	77 103	73 032



Consolidated Statement of Changes in Equity

SEK 000's (unless otherwise specified)

Kancera Group

	Sharecapital	Other capital contributions	Accumulated deficit	Total equity
Third quarter July-September 2016				
Opening balance 2016-07-01	10 957	106 032	-45 885	71 104
<i>Comprehensive income</i>				
Net income for the period			-5 360	-5 360
<i>Transactions with shareholders</i>				
Capital injections				0
Costs related to issue of shares		78		78
Employee stock option programme			38	38
Closing balance 2016-09-30	10 957	106 110	-51 207	65 860
Period January-June				
Opening balance 2016-01-01	8 660	48 856	-35 591	21 925
<i>Comprehensive income</i>				
Net income for the period			-15 870	-15 870
<i>Transactions with shareholders</i>				
Capital injections	2 297	66 683		68 980
Costs related to issue of shares		-9 429		-9 429
Employee stock option programme			254	254
Closing balance 2016-09-30	10 957	106 110	-51 207	65 860

			Accumulated deficit	Total equity
Kancera Group, January - September 2017				
Third quarter July-September 2017				
Opening balance 2017-07-01	12 162	132 814	-84 884	60 092
<i>Comprehensive income</i>				
Net income for the period			-16 501	-16 501
<i>Transactions with shareholders</i>				
Capital injections	57	1 175		1 232
Costs related to issue of shares				0
Employee stock option programme			-52	-52
Closing balance 2017-09-30	12 219	133 989	-101 437	44 771
Period January-June				
Opening balance 2017-01-01	10 957	106 032	-57 464	59 525
<i>Comprehensive income</i>				0
Net income for the period			-44 151	-44 151
<i>Transactions with shareholders</i>				0
Capital injections	1 262	28 406		29 668
Costs related to issue of shares		-449		-449
Employee stock option programme			178	178
Closing balance 2017-09-30	12 219	133 989	-101 437	44 771

Condensed Consolidated Statement of Cash-Flow

	1 July-30 Sept		1 Jan-30 Sept		1 Jan-31 Dec
<i>SEK 000's (unless otherwise specified)</i>	2017	2016	2017	2016	2016
Kancera Group					
<i>Cash-flow from operating activities</i>					
Operating income after financial items	-16 501	-5 360	-44 151	-15 870	-22 308
Depreciation	294	279	880	838	1 117
Taxes paid	0	0	-126	0	-174
Other non-cash-flow affecting items	74	38	178	361	465
Cash-flow from operating activities before working capital change	-16 133	-5 043	-43 219	-14 671	-20 900
Change in working capital	6 878	-3 206	8 319	-2 733	-2 203
Cash-flow from operating activities	-9 255	-8 249	-34 900	-17 404	-23 103
<i>Investment activities</i>					
Investments in tangible assets	0	0	0	0	0
Cash-flow from investment activities	0	0	0	0	0
FREE CASH-FLOW available to INVESTORS	-9 255	-8 249	-34 900	-17 404	-23 103
<i>Financing activities</i>					
Issue of shares/other capital infusions	1 232	78	23 219	59 552	59 552
Financing from the EU/Vinnova	0	2 979	0	5 779	5 743
Cash-flow from financing activities	1 232	3 057	23 219	65 331	65 295
CASH-FLOW for the PERIOD	-8 023	-5 192	-11 681	47 927	42 192
Cash and cash equivalents at the beginning of the period	54 101	68 686	57 759	15 567	15 567
Cash and cash equivalents at the end of the period	46 079	63 494	46 079	63 494	57 759

Condensed Parent Company Income Statement

	1 July-30 Sept		1 Jan-30 Sept		1 Jan-31 Dec
<i>SEK 000's (unless otherwise specified)</i>	2017	2016	2017	2016	2016
The Parent Company Kancera AB					
<i>Revenues</i>					
Net sales	0	42	86	174	308
Cost of sales & services	0	-12	-29	-43	-63
Gross profit	0	30	57	131	245
<i>Operating Expenses</i>					
General & administrative expenses	-1 247	-616	-3 220	-2 254	-2 907
Selling expenses	-592	-15	-1 237	-362	-531
Research & development expenses	-14 729	-4 645	-39 828	-13 300	-19 089
Total expenses	-16 568	-5 276	-44 285	-15 916	-22 527
Operating income	-16 568	-5 246	-44 228	-15 785	-22 282
<i>Income from Financial Investments</i>					
Financial net	67	-114	77	-85	-26
Income after financial items	-16 501	-5 360	-44 151	-15 870	-22 308
Taxation	0	0	0	0	0
Net income	-16 501	-5 360	-44 151	-15 870	-22 308

Condensed Parent Company Balance Sheet

	30 Sept		31 Dec
SEK 000's (unless otherwise specified)	2017	2016	2016
The Parent Company Kancera AB			
<i>Assets</i>			
<i>Non-current Assets</i>			
<i>Intangible assets</i>			
Capitalized R&D	18 000	6 000	6 000
<i>Tangible assets</i>			
Equipment and chemical library	1 148	2 307	2 028
<i>Financial assets</i>			
Shares in subsidiaries	50	50	50
Total non-current assets	19 198	8 357	8 078
<i>Current Assets</i>			
Work in progress	714	3 818	5 760
Trade receivables and other receivables	3 054	1 484	1 485
Cash and cash equivalents	46 029	63 444	57 709
Total current assets	49 797	68 746	64 954
TOTAL ASSETS	68 995	77 103	73 032
<i>Equity and Liabilities</i>			
<i>Equity</i>			
Restricted equity	12 220	10 957	10 957
Non-restricted equity	32 552	54 903	48 568
Total equity	44 772	65 860	59 525
<i>Provisions and Liabilities</i>			
Long-term liabilities			
Short-term liabilities	2 862	2 898	2 862
TOTAL EQUITY and LIABILITIES	21 361	8 345	10 645
Summa avsättningar och skulder	24 223	11 243	13 507
TOTALT EGET KAPITAL och SKULDER	68 995	77 103	73 032

NOTES

Note 1. Accounting and valuation principles

This 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 Financial Reporting Recommendation RFR 2, including a number of new or revised standards, interpretations and improvements, that have been adopted by the EU and will be applied from January 1st, 2017.

The accounting policies and accounting principles of the Group and Parent Company for the report are unchanged compared to the most recent annual report for the financial year ending 31st December 2016 and should be read together with it. None of the new or amended standards and interpretations introduced January 1st, 2017 have had a significant impact on the company's financial reporting.

During the period, capitalization of balanced development expenditure has been incurred as a part payment for the Fractalkine project. Activation of payments takes place as they become due in accordance with agreements.

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

Note 2. Transactions with related parties

During the period, Kancera AB has paid compensation to Mellstedt Consulting AB for services comprising scientific advice and scientific marketing to the sum of SEK 240,000 (SEK 140,000) and SEK 195,000 (0,000) to Allmora Life Science AB. During the period, Kancera AB also paid compensation to Håkan Mellstedt, a member of Kancera AB's Board of Directors is the CEO and owner of F:a Mellstadt Medical. Charlotte Edenius, Board member of Kancera AB, is CEO and owner of Allmora Life Science AB. No other remuneration has been paid to related parties apart from board fees and expenses.



Note 3. Options program

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

Note 5. The company's operations and risk factors

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

New IFRS and interpretations that have not yet been applied:

IFRS 15 Revenue from agreements with customers, replaces from 2018 existing standards related to revenue reporting. The company is in the final phase of analyzing the effects of IFRS 15. As yet, no significant effects have been identified.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: accounting and valuation, starting in 2018. The Company is currently investigating the impact of IFRS 9 on the Group's earnings and financial position. A certain impact is expected on the reporting of loan losses due to the fact that the standard requires that reservations are made for expected loan losses.

IFRS 16 leasing agreements replace IAS 17 as of January 1st, 2019. The company is not planning to apply IFRS 16 ahead of time. For the Company, the balance sheet total is expected to increase by activating agreements that are currently classified as operational. No significant effects have yet been identified, but the analysis must be completed before final effects can be quantified.

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

Awarding body	Amount granted, tkr	Amount paid, tkr	Reporting date
Vinnova Fractalkine	1000	500	Nov. 2017/Apr. 2018
EU SYNTRAIN	4 462*	2 677	Sept. 2018
Total	5 482	3 177	

*According to EUR conversion rate of 8.95 kr. The amount paid of SEK 2 677 000 corresponds to 60% of the contribution. An additional 25% of the contribution will be paid after approved reporting for period 1, submitted in September 2018, and 15% after the approved final report to be submitted in October 2020.

Note 6. Definitions

Alternative key ratios

In addition to the financial ratios drawn up in accordance with IFRS, Kancera presents financial key figures that are not defined in accordance with IFRS, such as return on equity, return on capital employed, cash flow per share. These alternative key ratios are considered to be important result and performance indicators for investors and other readers of the interim report. The alternative key figures should be seen as a supplement to, but not a compensation for, the financial information prepared in accordance with IFRS. Since not all companies calculate financial measurements in the same way, these are not always comparable to measurements 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 average number of shares.

Option-based business

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

Earnings per share

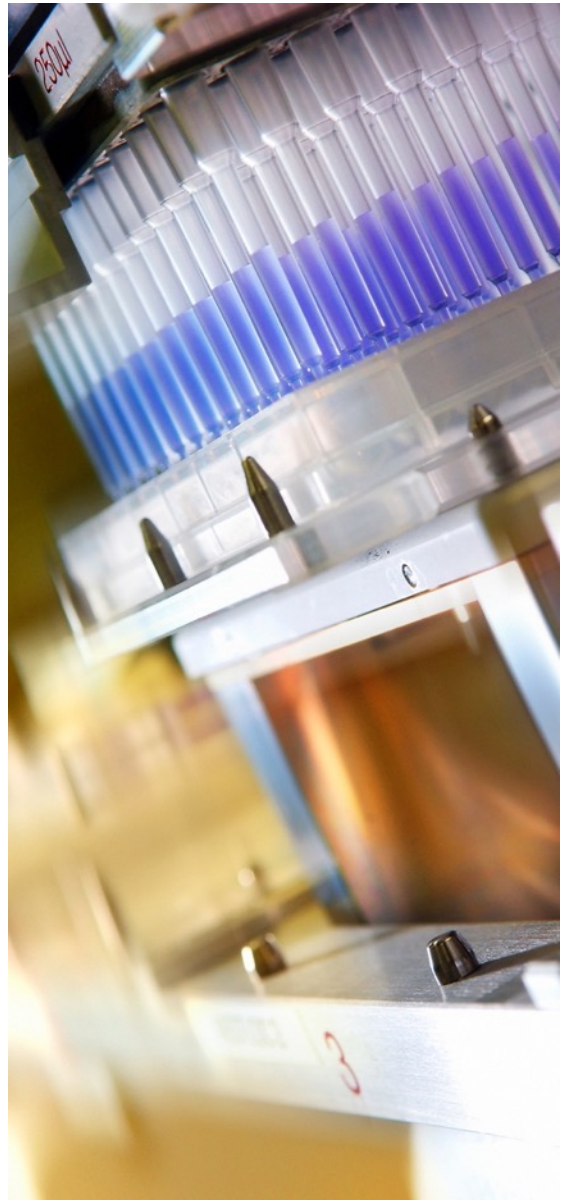
Profit for the period divided by the average number of shares.

Capital employed

Balance sheet total reduced by non-interest bearing liabilities.

Solidity

Shareholders' equity as a percentage of total assets.



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

Stockholm 17th November 2017

Erik Nerpin
Chairman

Håkan Mellstedt
Director

Charlotte Edenius
Director

Carl-Henrik Heldin
Director

Thomas Olin
CEO/Director

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

Financial calendar

Year end report 2017:	20 February 2018
Annual report 2017:	4 May 2018
Interim Report January-March 2018:	18 May 2018
Interim Report January-June 2018:	24 August 2018
Interim Report January-September 2018:	23 November 2018
Year end report January-December 2018:	22 February 2019

FOR FURTHER INFORMATION PLEASE CONTACT:

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