Interim Report
1 January 2017 – 31 March 2017

Cantargia AB | 556791-6019

SEDERMERA
FONDKOMMISSION

"Cantargia" refers to Cantargia AB (publ), corporate ID number 556791-6019.

Focusing on the start of clinical trials

Highlights

First quarter (1 Jan 2017 – 31 Mar 2017)

- Other operating income was kSEK 321 (0).
- Earnings after financial items were kSEK -17,175 (-8,097).
- Earnings per share* were approximately SEK -0.54 (-0.60).
- The equity/assets ratio** was approximately 89 (78) per cent.

Definitions

** Earnings per share: Profit for the period divided by 32,075,508 shares as at 31 March 2017.*
*** Equity/assets ratio: Equity divided by total capital.*
Unless otherwise indicated, figures in parentheses refer the same period in the previous year.

Significant events in the first quarter

In January 2017 an extraordinary general meeting voted to approve the rights issue proposed by the Board. The subscription period ran from 23 January to 6 February 2017. The rights issue was 80 per cent subscribed, raising approximately SEK 72.5 million before issue costs.

In connection with the publication of the prospectus for the rights issue Cantargia also published some new financial information, which is included in the prospectus.

Significant events after the end of the period

In April 2017 Cantargia received preliminary patent approval for CAN04 in Europe. The patent protects CAN04 both as a substance and specifically for treatment of various forms of cancer. Upon formal approval of the patent, CAN04 will be protected in Europe until 2035.

In May it was reported that CAN04 had been shown to have good safety characteristics in two separate GLP studies – a toxicity study and a study looking at CAN04 binding to tissues from healthy donors. Taken together, the studies support Cantargia's expectation that CAN04 will be associated with a good safety in patients.

Cantargia also submitted an application to start the phase I/IIa clinical trial with CAN04 in patients with cancer. The study is planned to be performed in BeNeLux and Scandinavia and will primarily include patients with non-small cell lung cancer or pancreatic cancer.

Other events

Cantargia's CEO, Göran Forsberg, presented the Company at several investor presentations, described at www.cantargia.com. Among other places, Cantargia was presented at the Biotech Showcase in San Francisco, USA on January 9, 2017.

Cantargia's annual report for 2016 was released on 4 May 2017 and is available at www.cantargia.com

As announced previously, a third party has filed an opposition to Cantargia's approved patent in Europe. The European Patent Office has now completed a preliminary opinion of the situation based on the submissions of the opponent and Cantargia. The parties have also been called to oral procedures on 8 February 2018, which will be preceded by further formal steps.

CEO Göran Forsberg comments

I can look back at the last couple of months with big pleasure, as Cantargias CAN04 project has continued to progress well and in accordance with plan. Ever since our IPO just over two years ago, Cantargia has had a strong focus on initiating the clinical trial of our CAN04 product candidate against non-small cell lung cancer and pancreatic cancer. We are now very close to the point of starting the trial, and have submitted an application to start the trial. With the funds raised in the rights issue at the beginning of the year we have also gained the financial strength to complete the first part of the study in a good way. We are thus proceeding as planned towards the start of clinical trials during the first half of 2017. The data that we have generated in cancer models and in various safety studies, not least the toxicity study for which the results were recently presented, make us very hopeful that CAN04 is a product candidate that has the potential to combine a strong effect with a high level of safety. Our goal is of course that CAN04 will make a real positive difference for patients with life-threatening diseases.

In the first quarter of 2017 we completed an important rights issue that raised more than SEK 72 million before costs. With this capital, we now have the financial base for initiating clinical development of CAN04 and to continue investing in other parts of our project portfolio.

We have recently received an intention to grant notice in Europe for our patent application for CAN04, both as a substance and for treatment of various forms of cancer. Our goal is to ensure that Cantargia's product candidates have strong patent protection and therefore become commercially attractive. In the area of cancer we already hold patents for antibody treatments directed against our target molecule, IL1RAP. This gives us a strong base that provides a very good protection as new patents for the CAN04 molecule are approved.

Göran Forsberg
CEO, Cantargia AB

Operations and projects

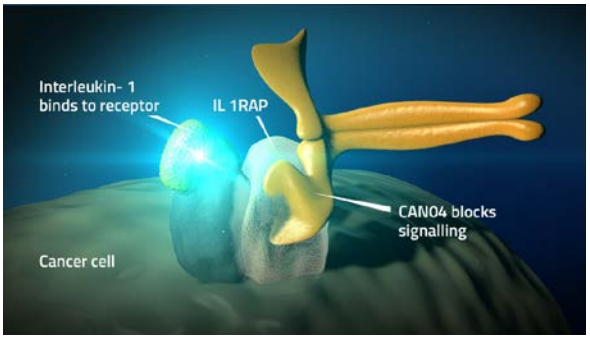
Established in 2010 and listed on the stock exchange in 2015, Cantargia is a biotechnology company that is engaged in research and development of antibody-based therapies for serious diseases. The company has specialised in antibody-based treatment aimed at the target molecule Interleukin-1 Receptor Accessory Protein ("IL1RAP"), which has the potential to be used against a number of different forms of cancer as well as for autoimmune and inflammatory diseases. In its most advanced project Cantargia is developing the CAN04 antibody, which is double-acting. This means that it fights cancer both by activating the immune system and by blocking signals that drive tumour growth.

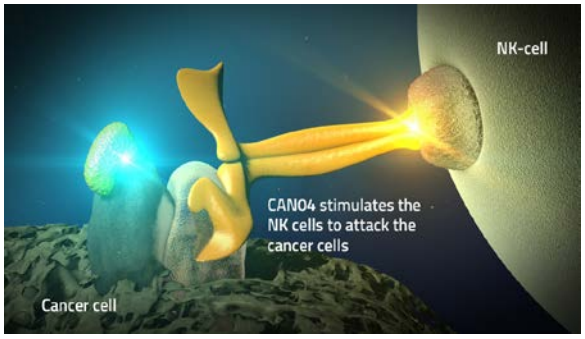
The original discovery made by the research team behind Cantargia was that the specific target molecule, IL1RAP, was found on cancer cells from patients with leukemia but not on normal stem cells in the bone marrow. In subsequent research Cantargia has shown that IL1RAP is also expressed on cancer cells in a large number of cancer diseases.

The CAN04 antibody has been selected as a product candidate and it is planned to initiate clinical studies in the first half of 2017. In the second project, CANxx, new antibodies against IL1RAP are being developed that are designed for treatment of autoimmune and inflammatory diseases with the objective of selecting a product candidate in 2019.

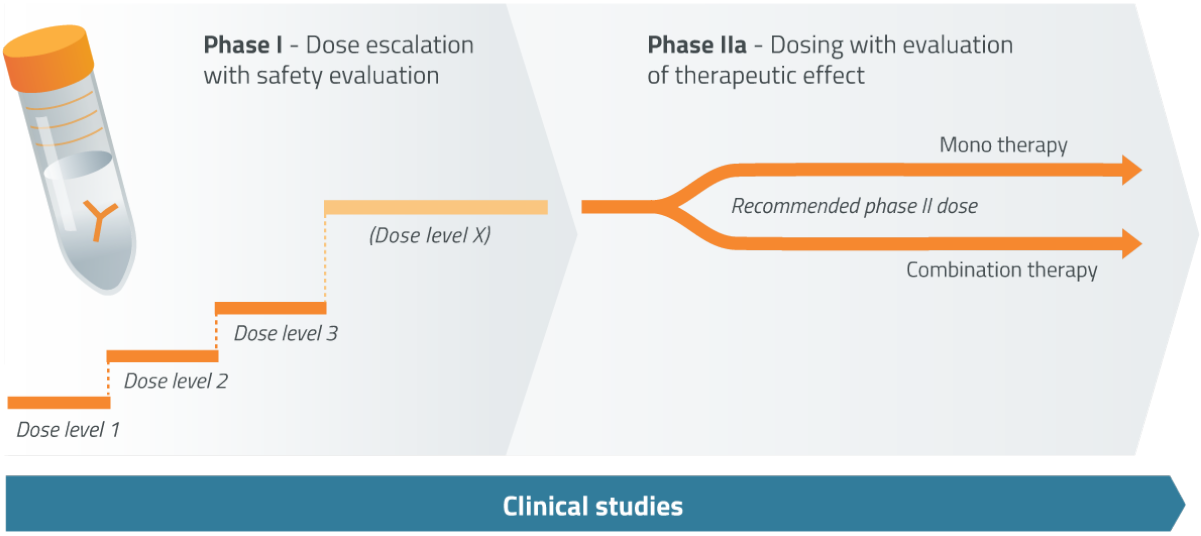
CAN04: Cantargia's product candidate for cancer treatment

Cantargia's CAN04 antibody treatment fights cancer both by activating the immune system's killer cells (picture 2 below) and by blocking signals which stimulate tumour growth (picture 1 below). CAN04 is designed to block the cancer cell's signalling via the interleukin-1 system, which can limit the inflammation that the tumour uses for growth and as a defensive strategy. CAN04 thus has a double-acting effect against cancer.





The IL1RAP molecule, the target for Cantargia's treatment, is found in most common forms of cancer, which means that there is significant treatment potential for different cancer diseases. While the CAN04 antibody could thus potentially be used for treating several different forms of cancer, in its initial development activities Cantargia has focused on non-small cell lung cancer and pancreatic cancer. The first patient study is planned to begin in the first half of 2017. In the initial stage (phase I) of the study CAN04 will be given to a limited number of patients with the aim of gradually increasing the dose and studying the safety profile of the drug and its metabolism in the body, in order to determine an appropriate dose to use in the second stage. In the second stage of the study (phase IIa) CAN04 will be given to a larger number of patients in order to evaluate indications of therapeutic effect and to gather more information on the safety of the drug at the chosen dose. CAN04 will be studied both as an individual drug and in combination with the standard treatment for each indication. A further study will be conducted after the phase I stage in order to study mechanisms of action and biomarkers in treatment of acute myeloid leukemia (AML).

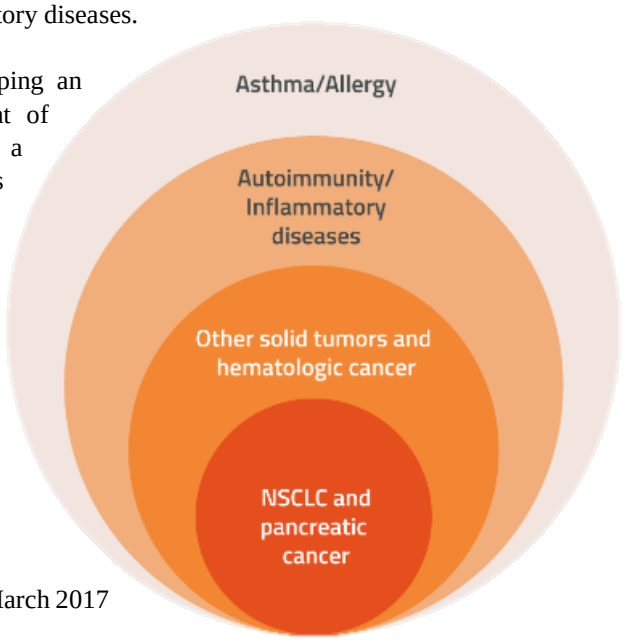


Cantargia's initial clinical phase I/IIa study will include both monotherapy and combination therapy, where CAN04 is combined with the existing standard treatment. This will result in additional data, which will accelerate the overall development of CAN04. The clinical study is planned to begin in the first half of 2017 and an initial presentation of phase I data is expected to be made about one year after the start of the study. Once phase I data has been reported, Cantargia intends to evaluate the possibility of initiating a clinical phase IIa study for leukemia, in addition to the ongoing study.

CANxx: Developing product candidates for autoimmunity and inflammation

CAN04, Cantargia's first product candidate, has been designed for treatment of various forms of cancer. Yet Cantargia's platform offers the potential to develop further antibodies against the IL1RAP target molecule that are designed to treat additional, life-threatening diseases. Cantargia is currently working on developing new antibodies that are designed for treatment of autoimmune and inflammatory diseases.

The company's new project, CANxx, is aimed at developing an antibody with properties that are optimised for treatment of autoimmune and inflammatory diseases. Viewed from a functional biological perspective, IL1RAP transfer signals from the cytokines IL-1 and IL-33, which play a role in several serious autoimmune and inflammatory diseases.



The CANxx project will be launched in 2017 with the objective of identifying a clinical candidate that can move on to the development phase in 2019. By launching a new project targeting a disease segment that supplements CAN04, Cantargia will diversify its activities and obtain a favourable risk spread in its project portfolio.

Employees

The average number of employees for the period January to March 2017 was 5 (4), of whom 2 (1) were women.

Share information

Cantargia's shares were listed on Nasdaq Stockholm First North on 17 March 2015, under the ticker "CANTA". At 31 March 2017 the number of shares was 32,075,508 (13,505,874). At the beginning of the period, 1 January 2017, the number of shares was 20,917,200 (13,505,874). The average number of shares of Cantargia during the period 1 January 2017 to 31 March 2017 was 26,496,354 (13,505,874).

Principles for preparation of the interim report

The financial statements contained in this interim report have been prepared in accordance with the same principles as the last annual report, i.e. in accordance with the Swedish Annual Accounts Act and General Recommendation BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3) of the Swedish Accounting Standards Board.

Examination by auditors

The interim report has not been examined by the Cantargia's auditor.

Financial calendar

Future financial reports are scheduled for release as follows:

- Half-year report 23 August 2017
- Interim report 3 15 November 2017
- Year-end report for 2017 28 February 2018

Certified Adviser

Sedermera Fondkommission is Cantargia's Certified Adviser.

Submission of interim report

Lund, 15 May 2017
Cantargia AB
The Board of Directors

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Financial information

Revenue and results
No revenue was generated. Other operating income was kSEK 321 (0) and refers to foreign exchange gains on working capital. External expenditure related to the Company's development projects totalled kSEK -14,433 (-5,056). The increase is a result of intensified activities. Other external expenses were kSEK -1,229 (-1,414) and staff costs were kSEK -1,847 (-1,623). The operating loss was kSEK -17,188 (-8,100) and the loss for the period kSEK -17,175 (-8,097).

Financial position
Compared with the beginning of the year, the equity/assets ratio at 31 March 2017 was 89 (78) per cent and equity was kSEK 86,931 (37,127). Cash and cash equivalents at the closing date were kSEK 83,736 (34,841) compared with year-end 2016. Equity and cash and cash equivalents increased through the rights issue that was completed during the period, which raised SEK 72.5 million before issue costs. Total assets at the end of the period were kSEK 97,391 (47,511) compared with year-end 2016.

Cash flow and investments
Cash flow from operating activities in the first quarter was kSEK -16,562 (-6,092). Cash flow from investing activities, which mainly comprise patent costs, was kSEK -1,522 (-919). The completed rights issue generated a cash flow from financing activities of kSEK 66,979 (0).

Condensed Income Statement

(kSEK)	**1 Jan 2017 -31 Mar 2017 3 months**	**1 Jan 2016 -31 Mar 2016 3 months**	**1 Jan 2016 -31 Dec 2016 12 months**
Net sales	-	-	-
Other operating income	321	-	-
Income	**321**	**-**	**-**
Operating expenses			
Project cost	-14,433	-5,056	-32,683
Other external expenses	-1,229	-1,414	-5,119
Staff costs	-1,847	-1,623	-6,787
Other operating expenses	-	-7	-158
Operating loss	**-17,188**	**-8,100**	**-44,747**
			,
Financial income and expense			,
Interest income and similar items	16	3	132
Interest expense and similar items	-3	-	-65
Loss after net financial income/expense	**-17,175**	**-8,097**	**-44,680**
			,
Loss before tax	**-17,175**	**-8,097**	**-44,680**
			,
Loss for the period	**-17,175**	**-8,097**	**-44,680**

Condensed Balance Sheet

(kSEK)	31 Mar 2017	31 Dec 2016
Assets		
Non-current assets		
Intangible assets		
Concessions, patents, licences and trademarks	8,319	7,092
Financial assets		
Other securities held as non-current assets	3,825	3,366
Total non-current assets	**12,144**	**10,458**
Current assets		
Current receivables		
Other receivables	905	795
Prepaid expenses and accrued income	606	1,417
Total current receivables	**1,511**	**2,212**
Short-term investments		
Fixed income fund	20,000	8,937
Total current receivables	**20,000**	**8,937**
Cash and bank balances	63,736	25,904
Total current assets	**85,247**	**37,053**
TOTAL ASSETS	**97,391**	**47,511**
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	2,566	1,673
Reserve for development costs	4,037	2,810
Total restricted equity	**6,603**	**4,483**
Non-restricted equity		
Share premium account	184,050	117,964
Retained earnings	-86,547	-40,640
Loss for the period	-17,175	-44,680
Total non-restricted equity	**80,328**	**32,644**
Total equity	**86,931**	**37,127**
Non-current liabilities		
Provisions	868	704
Total non-current liabilities	**868**	**704**
Current liabilities		
Trade payables	7,262	7,419
Tax liabilities	138	186
Other liabilities	444	167
Accrued expenses and deferred income	1,748	1,908
Total current liabilities	**9,592**	**9,680**
TOTAL EQUITY AND LIABILITIES	**97,391**	**47,511**

Condensed Statement of Changes in Equity

1 Jan 2017 - 31 Mar 2017 (kSEK)	Share capital	Reserve for development costs	Other non-restricted equity	Loss for the period	Total non-restricted equity	Total equity
Amount at beginning of period	**1,673**	**2,810**	**77,324**	**-44,680**	**32,644**	**37,127**
Issue of new shares	893	-	71,636	-	71,636	72,529
Capital acquisition cost	-	-	-5,550	-	-5,550	-5,550
Capitalisation of development costs	-	1,227	-1,227	-	-1,227	-
Transfer, loss for previous year	-	-	-44,680	44,680	-	-
Loss for the period	-	-	-	-17,175	-17,175	-17,175
Amount at end of period	**2,566**	**4,037**	**97,503**	**-17,175**	**-80,328**	**86,931**

1 Jan 2016 - 31 Dec 2016 (kSEK)	Share capital	Reserve for development costs	Other non-restricted equity	Loss for the period	Total non-restricted equity	Total equity
Amount at beginning of period	**1,080**	**-**	**44,165**	**-17,190**	**26,975**	**28,055**
Issue of new shares	593	-	55,632	-	55,632	56,225
Capital acquisition cost	-	-	-2,473	-	-2,473	-2,473
Capitalisation of development costs	-	2,810	-2,810	-	-2,810	-
Transfer, loss for previous year	-	-	-17,190	17,190	-	-
Loss for the period	-	-	-	-44,680	-44,680	-44,680
Amount at end of period	**1,673**	**2,810**	**77,324**	**-44,680**	**32,644**	**37,127**

Condensed Cash Flow Statement

(kSEK)	1 Jan 2017 -31 Mar 2017 3 months	1 Jan 2016 -31 Mar 2016 3 months	1 Jan 2016 -31 Dec 2016 12 months
Cash flow from operating activities before changes in working capital	-17,175	-8,097	-44,680
Changes in working capital	613	2,005	5,152
Cash flow from operating activities	**-16,562**	**-6,092**	**-39,528**
Cash flow from investing activities	-1,522	-919	-3,895
Cash flow from financing activities	66,979	-	53,752
Total cash flow for the period	**48,895**	**-7,011**	**89,385**
Cash and cash equivalents at beginning of period	34,841	24,512	24,512
Cash and cash equivalents at end of period*	83,736	17,501	34,841
Change in cash and cash equivalents	**48,895**	**-7,011**	**10,329**

* Cash and cash equivalents comprise restricted investments (liquid assets only) and cash and bank balances.

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