Half-year report
1 January 2017 – 30 June 2017

Cantargia AB | 556791-6019

SEDERMERA
FONDKOMMISSION

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

A successful period

Summary

First half (1 Jan 2017 – 30 Jun 2017)
- Other operating income was kSEK 0 (0).
- Earnings after financial items were kSEK -32,472 (-16,023).
- Earnings per share* were approximately SEK -1.01 (-0.91).
- The equity/assets ratio** was approximately 89 (87) per cent.

Second quarter (1 Apr 2017 – 30 Jun 2017)
- Other operating income was kSEK -321 (0).
- Earnings after financial items were kSEK -15,297 (-7,926).
- Earnings per share* were approximately SEK -0.48 (-0.45).

Definitions
** Earnings per share: Profit for the period divided by 32,075,508 shares as at 30 June 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 second quarter

In the second quarter Cantargia received preliminary patent approval for its CAN04 product candidate in both Europe and the United States. The patents protect 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 these territories until 2035. During the period Cantargia also received patent approval in China for use of IL1RAP as target molecule for antibody-based therapy of acute lymphoblastic leukemia ("ALL")

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 how CAN04 binds to tissue from healthy volunteers. Taken together, the studies confirm Cantargia's expectation that CAN04 will have a good level of safety for patients. Cantargia then submitted an application for authorisation to start its clinical phase I/IIa trial with CAN04 in cancer patients. It is planned to conduct the study, which will primarily include patients with non-small cell lung cancer and pancreatic cancer, in Benelux and Scandinavia.

Bengt Jöndell has been Cantargia's CFO since 22 May 2017. He has more than 25 years' experience from various industrial finance functions.

In June Cantargia concluded a partnership agreement with Panorama Research Inc. ("Panorama"), a California-based company specialising in antibody development. Under the agreement, Panorama will invest in Cantargia's CANxx project in exchange for a portion of future revenues from third parties or future sales. The parties will jointly engage in intensive development focused on autoimmune and inflammatory diseases.

In late June results generated with CAN04 were presented at the joint meeting of the European, American and Italian cancer research organisations EACR, AACR and SIC in Florence. The preclinical studies show that IL1RAP is expressed in cell lines from triple negative breast cancer and non-small cell lung cancer, and that CAN04 can block and kill the same cell lines.

Significant events after the end of the period

In July Cantargia received authorisation to initiate its CANFOUR clinical study in Denmark and Norway in which patients with various forms of cancer will receive treatment. The application is being processed in a number of other countries.

Chairman of the Board Magnus Persson, has subscribed for 85,000 warrants and CEO Göran Forsberg has subscribed for 14,000 shares of the company.

Other events

In June Cantariga's CEO, Göran Forsberg, gave a presentation at the Småbolagsdagen small cap investor event in Stockholm. The presentation is available at www.cantargia.com.

CEO Göran Forsberg comments

In the past few months Cantargia has had the privilege of passing a number of very important milestones. The authorisation to start our CANFOUR clinical study in which our CAN04 product candidate will be studied in patients with serious forms of cancer is of course highly important. While our main focus is on treating non-small cell lung cancer and pancreatic cancer the first part of the study, where the primary objective is to study safety, will also include a few other cancer diseases. In view of the very high level of safety that we have documented in tox studies as well as the biological effects that we have observed in various cancer models, it will be very exciting to following the clinical development.

Having obtained strong results in the concluding tests before the start of the clinical trial, and having since been authorised to initiate the trial, it is with great enthusiasm that we are initiating a partnership with Panorama Research Inc. on our CANxx project. In addition to sharing the development costs for the project in exchange for future revenue once the project receives a partner, Panorama will bring a strong pool of expertise to the project during the development phase. The partnership has now been initiated, which means that Panorama has begun working on optimising one of our antibodies against IL1RAP so that it acquires the properties that we are looking for in order to embark on the next stage of development towards a new product in autoimmune/inflammatory diseases.

A third, very important area where we have made strides recently is patents. We already have a good foundation to stand on, as we have existing patents for antibody treatment aimed at the IL1RAP target molecule. In 2014 we submitted the application for our CAN04 product candidate and we have now received confirmation that both the European and US patent offices intend to approve the application. This means that we will have patents for our main project in the world's two largest markets until 2035.

I will conclude by noting that 2017 has got off to a very good start for Cantargia, and I expect that the next few quarters will be a very exciting period.

Göran Forsberg
CEO, Cantargia AB

Operations and projects

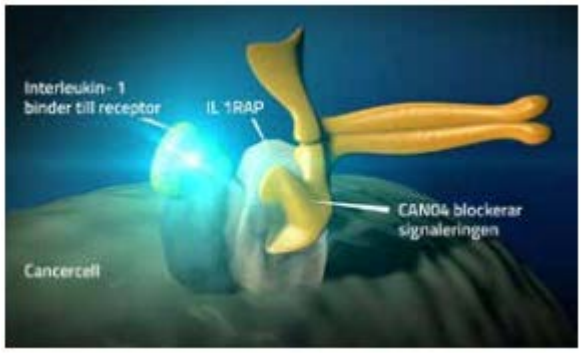
Established in 2010 and listed on the stock exchange in 2015, Cantargia is a biotechnology company that is engaged in research and development of antibody-based therapies for serious diseases. The company has specialised in antibody-based treatment aimed at the target molecule Interleukin-1 Receptor 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.

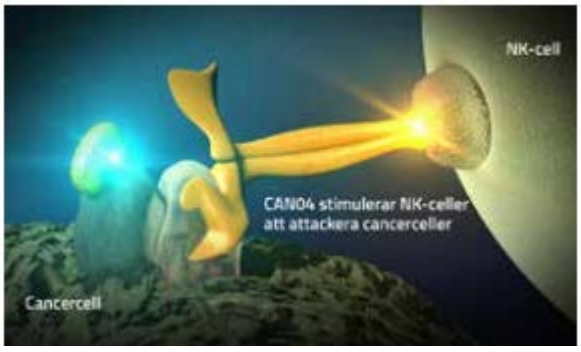
The original discovery made by the research team behind Cantargia was that the specific target molecule, IL1RAP, was found on cancer cells from patients with leukemia but not on normal stem cells in the bone marrow. In subsequent research Cantargia has shown that IL1RAP is also expressed on cancer cells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

Cantargia's CAN04 antibody is being studied in the CANFOUR clinical phase I/IIa study. 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. That project is being conducted in partnership with Panorama Research Inc. in California.

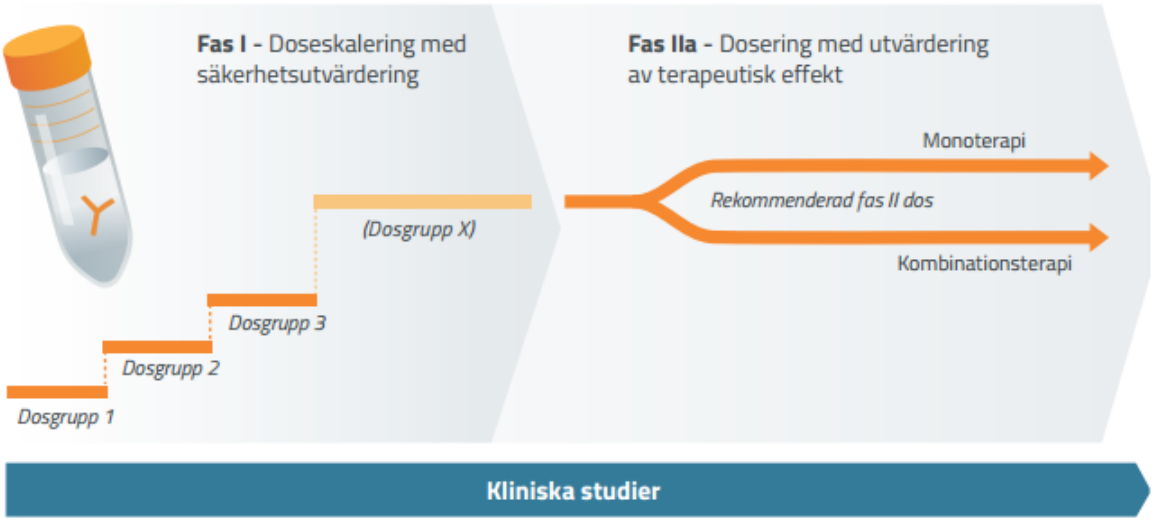
CAN04: Cantargia's product candidate for cancer treatment

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 in its CANFOUR phase I/IIa study. In the initial stage (phase I) of the study CAN04 is being 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).

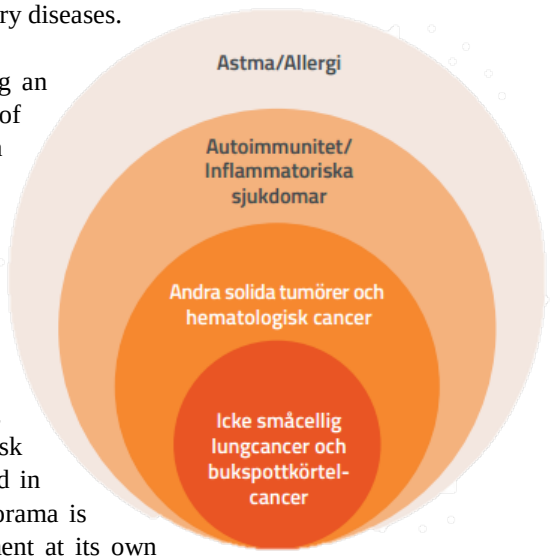


Cantargia's initial clinical phase I/IIa study will include both monotherapy and combination therapy, where CAN04 is combined with the existing standard treatment. This will result in additional data, which will accelerate the overall development of CAN04. An initial presentation of phase I data is expected to be made around one year after the start of the study. Once phase I data has been reported, Cantargia also intends to initiate a clinical phase IIa study of leukemia.

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 was 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. The project is being conducted in partnership with Panorama Research Inc. in California. Panorama is contributing by conducting the early stages of the development at its own expense in exchange for a share of future revenues.

Employees

The average number of employees for the period January to June 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 30 June 2017 the number of shares was 32,075,508 (17,633,134). At the beginning of the period, 1 April 2017, the number of shares was 32,075,508 (13,505,874). The average number of shares of Cantargia during the period 1 April 2017 to 30 June 2017 was 32,075,508 (15,569,504).

Principles for preparation of the half-year report

The financial statements contained in this half-year 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 half-year report has not been examined by the Cantargia's auditor.

Financial calendar

Future financial reports are scheduled for release as follows:

- Interim report 3 15 Nov 2017
- Year-end report for 2017 28 Feb 2018

Certified Adviser

Sedermera Fondkommission is Cantargia's Certified Adviser.

Submission of half-year report

Lund, 23 August 2017
Cantargia AB
The Board of Directors

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Financial information

Revenue and results
No revenue was generated in the second quarter. Other operating income was kSEK -321 (0) and refers to adjustments to foreign exchange gains on working capital. External expenditure related to the Company's development projects totalled kSEK -10,792 (-5,193). The increase is a result of intensified activities. Other external expenses were kSEK -1,921 (-1,043) and staff costs were kSEK -2,138 (-1,679). The operating loss was kSEK -15,295 (-7,925) and the loss for the period kSEK -15,297 (-7,926).

Financial position
Compared with the beginning of the period, the equity/assets ratio at 30 June 2017 was 89 (87) per cent and equity was kSEK 71,522 (42,116). Cash and cash equivalents at the closing date were kSEK 66,478 (39,675). Total assets at the end of the period were kSEK 80,509 (48,475).

Cash flow and investments
Cash flow from operating activities in the second quarter was kSEK -16,293 (-7,020). Cash flow from investing activities, which mainly comprise patent costs, was kSEK -853 (889). Cash flow from financing activities for the period was kSEK -113 (30,083).

Condensed Income Statement

(kSEK)	**1 Apr 2017 -30 Jun 2017 3 months**	**1 Apr 2016 -30 Jun 2016 3 months**	**1 Jan 2017 -30 Jun 2017 6 months**	**1 Jan 2016 -30 Jun 2016 6 months**
Net sales	0	0	0	0
Other operating income	-321	0	0	0
Income	**-321**	**0**	**0**	**0**
Operating expenses				
Project development	-10,792	-5,193	-25,225	-10,249
Other external expenses	-1,921	-1,043	-3,150	-2,457
Staff costs	-2,138	-1,679	-3,985	-3,302
Other operating expenses	-123	-10	-123	-17
Operating loss	**-15,295**	**-7,925**	**-32,483**	**-16,025**
Financial income and expense				
Interest income and similar items	0	0	16	3
Interest expense and similar items	-2	-1	-5	-1
Loss after net financial income/expense	**-15,297**	**-7,926**	**-32,472**	**-16,023**
Loss before tax	**-15,297**	**-7,926**	**-32,472**	**-16,023**
Loss for the period	**-15,297**	**-7,926**	**-32,472**	**-16,023**

Condensed Balance Sheet

(kSEK)	30 Jun 2017	30 Jun 2016	31 Dec 2016
Assets			
Non-current assets			
Intangible assets			
Concessions, patents, licences and trademarks	8,900	5,293	7,092
Financial assets			
Other securities held as non-current assets	3,933	2,545	3,366
Total non-current assets	**12,833**	**7,838**	**10,458**
Current assets			
Current receivables			
Other receivables	771	568	795
Prepaid expenses and accrued income	428	394	1,417
Total current receivables	**1,198**	**962**	**2,212**
Short-term investments			
Fixed income fund	20,000	8,872	8,937
Total current receivables	**20,000**	**8,872**	**8,937**
Cash and bank balances	46,478	30,803	25,904
Total current assets	**67,677**	**40,637**	**37,053**
TOTAL ASSETS	**80,509**	**48,475**	**47,511**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	2,566	1,411	1,673
Reserve for development costs	4,618	0	2,810
Total restricted equity	**7,184**	**1,411**	**4,483**
Non-restricted equity			
Share premium account	183,938	94,558	117,964
Retained earnings	-87,128	-41,246	-40,640
Loss for the period	-32,472	-16,023	-44,680
Total non-restricted equity	**64,338**	**40,705**	**32,644**
Total equity	**71,522**	**42,116**	**37,127**
Non-current liabilities			
Provisions	975	376	704
Total non-current liabilities	**975**	**376**	**704**
Current liabilities			
Trade payables	4,996	3,960	7,419
Tax liabilities	332	-	186
Other liabilities	223	142	167
Accrued expenses and deferred income	2,461	1,881	1,908
Total current liabilities	**8,012**	**5,983**	**9,680**
TOTAL EQUITY AND LIABILITIES	**80,509**	**48,475**	**47,511**
Pledged assets	None	None	None
Contingent liabilities	None	None	None

Condensed Statement of Changes in Equity

1 Jan 2017 - 30 Jun 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	-	-	-5,662	-	-5,662	-5,662
Capitalisation of development costs	-	1,808	-1,808	-	-1,808	-
Transfer, loss for previous year	-	-	-44,680	44,680	-	-
Loss for the period	-	-	-	-32,472	-32,472	-32,472
Amount at end of period	**2,566**	**4,618**	**96,810**	**-32,472**	**-80,328**	**71,522**

1 Jan 2016 - 30 Jun 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	331	-	31,037	-	31,037	31,368
Transfer, loss for previous year	-	-	-17,190	17,190	-	-
Capital acquisition cost	-	-	-1,284	-	-1,284	-1,284
Loss for the period	-	-	-	-16,023	-16,023	-16,023
Amount at end of period	**1,411**	**-**	**56,728**	**-16,023**	**40,705**	**42,116**

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 Apr 2017 -30 Jun 2017 3 months	1 Apr 2016 -30 Jun 2016 3 months	1 Jan 2017 -30 Jun 2017 6 months	1 Jan 2016 -30 Jun 2016 6 months	1 Jan 2016 -31 Dec 2016 12 months
Cash flow from operating activities before changes in working capital	-15,297	-7,926	-32,472	-16,023	-44,680
Changes in working capital	-996	906	-383	2,911	5,152
Cash flow from operating activities	**-16,293**	**-7,020**	**-32,855**	**-13,112**	**-39,528**
Cash flow from investing activities	-853	-889	-2,375	-1,808	-3,895
Cash flow from financing activities	-113	30,083	66,866	30,083	53,752
Total cash flow for the period	**-17,258**	**22,174**	**31,637**	**15,163**	**10,329**
Cash and cash equivalents at beginning of period	83,736	17,501	34,841	24,512	24,512
Cash and cash equivalents at end of period*	66,478	39,675	66,478	39,675	34,841
Change in cash and cash equivalents	**-17,258**	**22,174**	**31,637**	**15,163**	**10,329**

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

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