Interim Report
1 January 2018 – 30 June 2018

Cantargia AB | 556791-6019

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

Research advances create new opportunities

Financial information

First half (1 Jan 2018 – 30 Jun 2018)

- Net sales, kSEK 0 (0)
- Operating loss, kSEK -43,812 (-34,291)
- Loss after tax for the period, kSEK -41,846 (-34,280)
- Earnings per share, before and after dilution, SEK -0.63 (-1.13)
- Equity/assets ratio, 93 (89) per cent
- Cash and cash equivalents, kSEK 102,786 (46,478)
- Short-term investments, kSEK 110,000 (20,000)

Second quarter (1 Apr 2018 – 30 Jun 2018)

- Net sales, kSEK 0 (0)
- Operating loss, kSEK -28,563 (-15,876)
- Loss after tax for the period, kSEK -28,147 (-15,878)
- Earnings per share, before and after dilution, SEK -0.43 (-0.50)

Significant events in the second quarter

Preclinical

- In April, Cantargia presented new data on the blocking of metastases using antibodies against IL1RAP at the AACR annual meeting in Chicago, USA.
- During the period, new data was released showing that CAN04 has potential for treatment of more cancer diseases than has previously been communicated.
- New data was reported showing that CAN04 has positive effects in combination with already approved cancer treatments.

Patents

- In 2016, a third party filed oppositions to two of Cantargia’s patents in Europe. In January this year, the European Patent Office decided that both patents should remain. In May, the European Patent Office notified Cantargia that no third party had chosen to appeal the decision, and the patents will therefore remain in force.
- In May, the Canadian Intellectual Property Office approved Cantargia’s patent for treatment of hematological cancer.
- In June, the United States Patent and Trademark Office (USPTO) approved a new patent for use of IL1RAP as target molecule for antibody treatment in hematological cancer as well as a patent relating to solid tumours.
- In May, the USPTO issued a Notice of Allowance for Cantargia’s CAN03 antibody.

In June, CAN04 received the generic name nidanilimab.

Significant events after the end of the period

Cantargia has received preliminary approval for expanded patent protection for treatment of solid tumours as well as patent approval for its CAN04 antibody in China.

In July, Cantargia was approved for listing on Nasdaq Stockholm First North Premier as a stage in the process of moving to the main list of Nasdaq Stockholm.

In August, an update on the CANFOUR study was presented.

- 15 patients have been treated and CAN04 has shown a good safety profile
- A number of additional patients will be included to determine the maximum tolerated or recommended dose
- The phase IIa stage of the study will commence in the fourth quarter of 2018

CEO Göran Forsberg comments

It is a great pleasure for me to report that Cantargia has continued to make good progress towards the ambitious goals that we have set for ourselves. Our biggest commitment is the ongoing CANFOUR clinical trial. The trial is currently at the end of the phase I stage, where the main purpose is to assess safety for increasing dose levels of CAN04 (nidanilimab), but we are also right now completing the final preparations for the phase IIa stage, which will involve a significantly larger number of patients. The increased level of activity is reflected in increased investments in the projects during the second quarter. The phase I stage of the study is expected to be completed in the fourth quarter of this year, with the phase IIa commencing shortly thereafter. We are also planning to present phase I data in the fourth quarter.

Another important activity that we are working on intensively is our move to the stock exchange's main list. The process is advancing as planned, and as part of this process we have now moved from Nasdaq Stockholm First North to First North Premier. This entails increased IFRS reporting, disclosure and corporate governance requirements, which is entirely in line with the continued evolution of Cantargia.

Over the last few months, Cantargia has reported on new research advances which further support the work we are engaged in. At the major AACR cancer conference we showed that our CAN04 drug candidate not only has the ability to attack tumour cells directly but also has the potential to attack other IL1RAP-expressing cells which protect the tumour in its immediate environment. In our experimental models, we have shown that CAN04 reduces the tumour's ability to spread by metastasis. We have also reported new data which support the use of CAN04 in several refractory tumour types, such as liver cancer, head and neck cancer, and esophageal cancer. Finally, we have showed that CAN04 is well suited to be combined with chemotherapy drugs. With one of these chemotherapy drugs, cisplatin, we were able to show that CAN04 both enhanced the treatment effect and reduced side effects of cisplatin. This is a research finding that fits in well with our strategy of developing CAN04 as a combination therapy. The phase IIa stage of the CANFOUR study will be looking at combination therapy with cisplatin/gemcitabine in non-small cell lung cancer and gemcitabine/nab-paclitaxel in pancreatic cancer.

We have also further strengthened our patent portfolio. Over the past year, the company has been involved in a process in which a third party chose to appeal our European patents relating to the IL1RAP target molecule. This process has now been concluded and Cantargia's patents remain. The United States Patent and Trademark Office has also granted Cantargia broader protection from these patents, which means that we now have protection in the United States for a very large number of different cancer forms in both solid tumours and leukemia. The European Patent Office has also granted preliminary approval for broader patent protection in solid tumours.

Cantargia made good progress in the first half of the year. There are many interesting opportunities for us in the short term as well as the longer term. The completion of the phase I stage of our ongoing study and the initiation of phase IIa will of course be major milestones. I am seeing an increased interest in Cantargia as a company and in our projects.

Göran Forsberg
CEO, Cantargia AB

Operations and projects

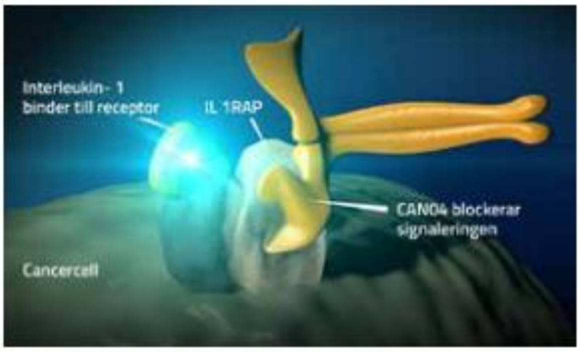
Established in 2010 and listed on the stock exchange in 2015, Cantargia is a biotechnology company that is engaged in research and development of antibody-based therapies for serious diseases. The company has specialised in antibody-based treatment aimed at the target molecule Interleukin-1 Receptor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

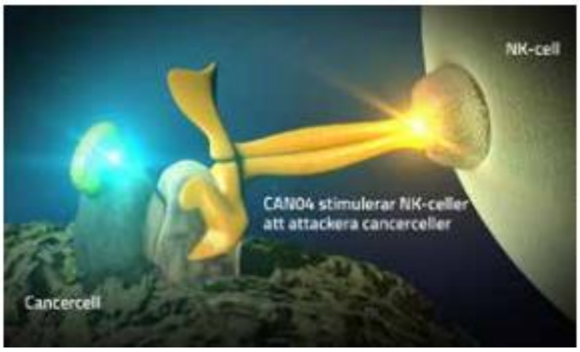
The original discovery made by the research team behind Cantargia was that the specific target molecule, IL1RAP, was found on cancer cells from patients with leukemia but not on normal stem cells in the bone marrow. In subsequent research, Cantargia has shown that IL1RAP is also expressed on cancer cells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

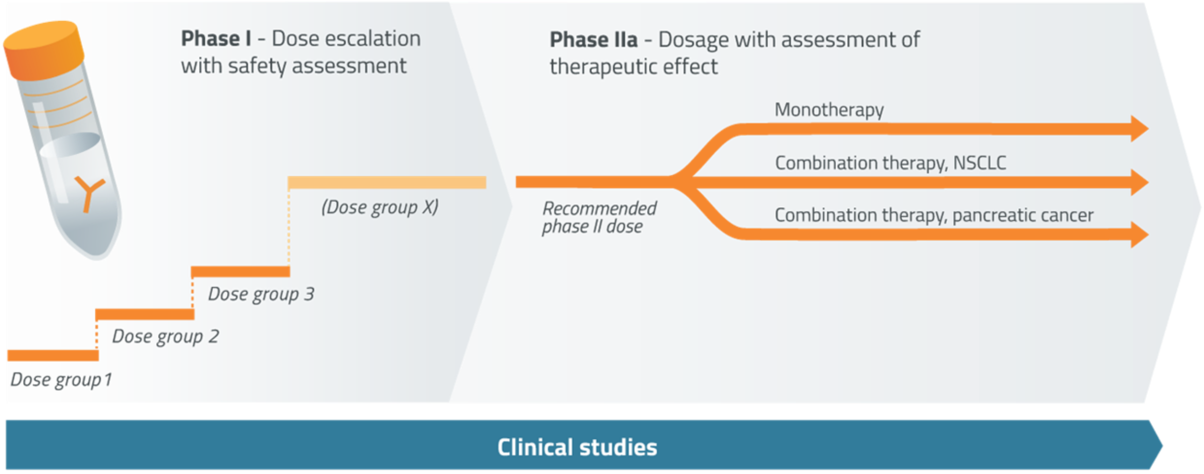
CAN04: Cantargia's product candidate for cancer treatment

Cantargia's CAN04 antibody treatment fights cancer both by activating the immune system's killer cells (illus. 2 below) and by blocking signals which stimulate tumour growth (illus.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. New data have now been generated which show that CAN04 can suppress metastasis. These data were recently presented at AACR and are available at www.cantargia.com.





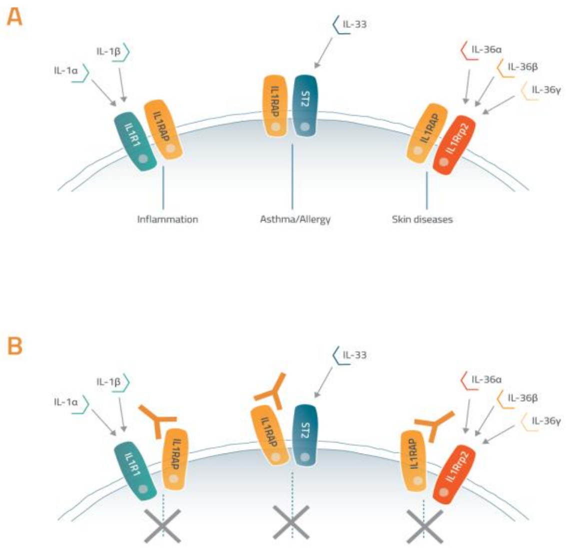
The IL1RAP molecule, the target for Cantargia's treatment, is found in most common forms of cancer, which means that there is significant treatment potential for different cancer diseases. While the CAN04 antibody could thus potentially be used for treating several different forms of cancer, in its initial 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.



Cantargia's initial clinical phase I/IIa study covers both monotherapy and combination therapy, where CAN04 is combined with the existing standard treatments for non-small cell lung cancer and pancreatic cancer. This will result in additional data, which will accelerate the overall development of CAN04.

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 transfers 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.

Financial information

Income
The company had no income in the first half of 2018.

Earnings
The company reports an after-tax loss of kSEK -28,147 (-15,878) for the second quarter and an after-tax loss of kSEK -41,846 (-34,280) for the first half of 2018.

The loss is essentially related to the company's costs for developing its CAN04 and CANxx product candidates. Project costs were kSEK -19,876 (-11,373) in the second quarter and kSEK -30,880 (-27,033) for the six-month period. The increase compared with 2017 is mainly related to the ongoing CANFOUR clinical trial.

Other external expenses were kSEK -6,290 (-1,921) in the second quarter and kSEK -8,604 (-3,150) for the six-month period. The increase compared with the previous year is mainly related to the ongoing relisting project. Staff costs were kSEK -2,240 (-2,138) in the second quarter and kSEK -4,076 (-3,985) for the six-month period. Other operating expenses, which comprise foreign exchange differences on trade payables, were kSEK -156 (-123) in the second quarter and kSEK -253 (-123) for the six-month period.

Net financial income/expense consists largely of foreign exchange differences on currency accounts. The company had net financial income of kSEK 415 (-2) in the second quarter and net financial income of kSEK 1,966 (11) in the first six months, the positive figure being due mainly to the strengthening of the euro.

Financial position
The equity/assets ratio at 30 June 2018 was 93 (89) per cent and equity was kSEK 204,359 (62,622). The company's cash and cash equivalents, which consist of cash and available deposits with banks and other credit institutions, were kSEK 102,786 (46,478) at the balance sheet date. Of total cash and cash equivalents, kSEK 20,227 (0) is in invested in euro in currency accounts. In addition to cash and cash equivalents, the company has short-term investments with banks and in fixed income funds in a total amount of kSEK 110,000 (20,000). The increase in cash and cash equivalents and short-term investments is wholly related to the share offerings that were completed in 2017. Total assets at the end of the period were kSEK 219,041 (70,634).

Cash flow and investments
Cash flow from operating activities was kSEK -28,184 (-17,146) in the second quarter and kSEK -58,802 (-34,935) in the first six months. The change in cash flow from operating activities is partly related to increased costs in the company but also reflects the adjustment of trade payables to a more normal level than that which prevailed at 31 December 2017. Cash flow from investing activities for the second quarter was kSEK 50,000 (-) and refers to the change in short-term investments. The change consists in the transfer of a fixed-rate account to cash and cash equivalents. Cash flow from investing activities for the six-month period was kSEK 10,000 (-11,358) and refers entirely to changes in short-term investments. The total change in cash and cash equivalents was kSEK 21,901 (-17,258) for the second quarter and kSEK -48,718 (20,574) for the first six months.

Other information

Related party transactions
Cantargia has a research agreement with Lund University, where Thoas Fioretos, one of Cantargia's founders and a Director of Cantargia, is engaged in research. Under the agreement, Thoas Fioretos has undertaken, as part of his employment at Lund University, to conduct projects which are aimed at obtaining more knowledge about IL1RAP. Cantargia has the right under the agreement to use and, where applicable, take over any and all research results from the two projects at no cost. In the first half of 2018, the company made payments of approximately SEK 0.2 (0.2) million to Lund University in accordance with the agreement.

Since May 2017, Cantargia has had a consulting agreement with Jöndell Consulting AB, a company that is wholly owned by the company's CFO. The CFO is not employed by Cantargia but works on a consultancy basis in accordance with the agreement. In the first half of 2018, Cantargia paid approximately SEK 1.2 (0.1) million for the consulting services provided. In connection with signing an employment contract, the company and the CFO agreed to terminate the consulting agreement with Jöndell Consulting AB with effect from 31 August 2018. The company's CFO will then be reclassified as a non-related party.

The Board considers that the above agreements have been concluded on commercial terms.

Employees
The average number of employees during the period January to June 2018 was 5 (5), of whom 2 (2) were women and the number of employees at 30 June 2018 was 6 (5), of whom 3 (2) were women. Cantargia operates to a large extent through external partners.

Share information
Cantargia's shares were listed on Nasdaq Stockholm First North on 17 March 2015, under the ticker "CANTA". At 30 June 2018, the number of shares was 66,185,811 (32,075,508). At the closing date, the outstanding warrant schemes comprised 85,000 warrants which, after conversion for a rights issue registered in 2018-01-08, entitle the holder to subscribe for 86,700 shares at the subscription price of SEK 11.18 per share. At full utilization, the share capital will increase by SEK 6,936. In other respects, the terms are the same as those described in the annual report for 2017.

On 13 July, Cantargia was approved for listing on Nasdaq Stockholm First North Premier as a stage in the process of moving to the main list of Nasdaq Stockholm. The first day of trading on Nasdaq Stockholm First North Premier was 16 July 2018.

Financial calendar

• Interim report 3	15 November 2018
• Year-end report for 2018	27 February 2019
• The Annual Report 2018 will be published in	May 2019
• Interim report 1 2019	27 May 2019

Interim reports and the annual report are available at www.cantargia.com .

Information on risks and uncertainties
A number of risk factors can have a negative impact on the operations of Cantargia. The company's overall risk management is aimed at minimising adverse effects on the company's results and financial position. The company's commercial risks are described in detail in the annual report for 2017. No significant events occurred during the year which affect or change these descriptions of the company's risks.

Principles for preparation of the interim report
See Note 1.

Transition to RFR 2 in the interim report
See Note 2.

Critical judgements and estimates
See Note 3.

Key performance indicators, definitions
- Operating profit/loss: Net sales less total operating expenses.
- Earnings per share: Profit/loss for the period divided by average number of shares for the period.
- Equity/assets ratio: Equity divided by total capital.

Certified Adviser
Sedermera Fondkommission is Cantargia's Certified Adviser.

Examination by auditors
The interim report has not been examined by Cantargia's auditors.

General information
Cantargia is a limited company with registered office in the municipality of Lund, Sweden. The address is Medicon Village, Scheelevägen 2, SE-223 81 Lund, Sweden.

Submission of interim report
This interim report has been approved for publication by the Board of Directors and Chief Executive Officer. This constitutes information which Cantargia is required to publish under the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication through the below contact person on 21 August, at 8:30 a.m.

Lund, 21 August 2018
Cantargia AB

Magnus Persson Chairman	Claus Asbjørn Andersson Director	Thoas Fioretos Director
Karin Leandersson Director	Anders Martin-Löf Director	Patricia Delaite Director
Corinne Savill Director	Göran Forsberg CEO	

For further information, please contact:
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E-mail: goran.forsberg@cantargia.com

STATEMENT OF COMPREHENSIVE INCOME

(kSEK)	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	2017 Jan-Dec
Operating income					
Net sales	-	-	-	-	-
Other operating income	-	-	-	-	-
Operating expenses					
Project costs	-19 876	-11 373	-30 880	-27 033	-44 819
Other external expenses	-6 290	-1 921	-8 604	-3 150	-6 917
Personnel expenses	-2 240	-2 138	-4 076	-3 985	-8 064
Other operating expenses	-156	-444	-253	-123	-210
	-28 563	**-15 876**	**-43 812**	**-34 291**	**-60 009**
Operating profit	**-28 563**	**-15 876**	**-43 812**	**-34 291**	**-60 009**
Financial income and expense					
Interest income and similar items	416	-	1 967	16	86
Interest expense and similar items	-1	-2	-1	-5	-329
	415	**-2**	**1 966**	**11**	**-243**
Profit before taxes	**-28 147**	**-15 878**	**-41 846**	**-34 280**	**-60 253**
Loss for the period *)	**-28 147**	**-15 878**	**-41 846**	**-34 280**	**-60 253**
Earnings per share before and after dilution (SEK) based on average number of shares	-0,43	-0,50	-0,63	-1,13	-1,86

BALANCE SHEET

(kSEK)	30-06-2018	30-06-2017	31-12-2017
ASSETS			
Fixed assets			
Financial assets			
Other securities held as non-current asset	2 957	2 957	2 957
	2 957	**2 957**	**2 957**
Total fixed assets	**2 957**	**2 957**	**2 957**
Current assets			
Other receivables	1 699	771	1 345
Prepaid expenses and accrued income	1 599	428	370
	3 298	**1 199**	**1 715**
Short-term investments			
Other short-term investments	110 000	20 000	120 000
	110 000	**20 000**	**120 000**
Cash and bank balances			
Cash and bank balances	102 786	46 478	149 781
	102 786	46 478	149 781
Total current assets	**216 084**	**67 677**	**271 496**
TOTAL ASSETS	**219 041**	**70 634**	**274 453**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	5 295	2 566	3 755
Share capital not yet registered	-	-	1 540
	5 295	**2 566**	**5 295**
Non-restricted equity			
Share premium account	390 765	183 938	390 680
Retained earnings	-149 855	-89 602	-89 602
Loss for the period	-41 846	-34 280	-60 253
	199 064	**60 056**	**240 825**
Total equity	**204 359**	**62 622**	**246 120**
Short-term liabilities			
Trade payables	7 956	4 996	20 619
Tax liabilities	138	332	377
Other liabilities	810	223	221
Accrued expenses and deferred income	5 779	2 461	7 117
	14 682	**8 012**	**28 333**
TOTAL EQUITY AND LIABILITIES	**219 041**	**70 634**	**274 453**

STATEMENT OF CHANGES IN EQUITY

(kSEK)	Restricted equity		Non-restricted equity		Total
1 April 2018 - 30 June 2018	Share capital	Paid not registered share capital	Share premium account	Retained earnings incl Loss for the year	Total equity
Closing balance 31 March 2018	5 295	72	390 608	-163 554	232 421
Reclassification warrant programme *)	-	-72	72	-	-
Opening balance 1 April 2018	5 295	-	390 680	-163 554	232 421
Loss for the period	-	-	-	-28 147	-28 147
Transactions with shareholders					
Capital acquisition cost	-	-	85	-	85
	-	-	85	-	85
Closing balance 30 June 2018	5 295	-	390 765	-191 701	204 359
1 April 2017 - 30 June 2017					
Opening balance 1 April 2017	2 566	-	184 050	-108 004	78 612
Loss for the period	-	-	-	-15 878	-15 878
Transactions with shareholders					
Capital acquisition cost	-	-	-112	-	-112
	-	-	-112	-	-112
Closing balance 30 June 2017	2 566	-	183 938	-123 882	62 622
1 January 2018 - 30 June 2018					
Opening balance 1 January 2018	3 755	1 540	390 680	-149 855	246 120
Loss for the period	-	-	-	-41 846	-41 846
Transactions with shareholders					
Issue of new shares for the year	1 540	-1 540	-	-	-
Capital acquisition cost	-	-	85	-	85
	1 540	-1 540	85	-	85
Closing balance 30 June 2018	5 295	-	390 765	-191 701	204 359
1 January 2017 - 30 June 2017					
Opening balance 1 January 2017	1 673	-	117 964	-89 602	30 035
Loss for the period	-	-	-	-34 280	-34 280
Transactions with shareholders					
Issue of new shares for the year	893	-	71 636	-	72 529
Capital acquisition cost	-	-	-5 662	-	-5 662
	893	-	65 974	-	66 867
Closing balance 30 June 2017	2 566	-	183 938	-123 882	62 622
1 January 2017 - 31 December 2017					
Opening balance 1 January 2017	1 673	-	117 964	-89 602	30 035
Loss for the period	-	-	-	-60 253	-60 253
Transactions with shareholders					
Warrant programme	-	72	-	-	72
Issue of new shares for the year	2 082	1 540	300 857	-	304 479
Capital acquisition cost	-	-	-28 213	-	-28 213
	2 082	1 612	272 644	-	276 338
Closing balance 31 December 2017	3 755	1 612	390 608	-149 855	246 120
Reclassification warrant programme *)	-	-72	72	-	-
Closing balance 31 December 2017	3 755	1 540	390 680	-149 855	246 120

*) Paid remuneration for warrants has been reclassified from paid not unregistered share capital to share premium.

STATEMENT OF CASH FLOWS

(kSEK)	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	2017 Jan-Dec
Operating activities					
Operating loss	-28 563	-15 876	-43 812	-34 291	-60 009
Interest received etc.	112	-	245	16	86
Interest paid etc.	-1	-2	-1	-5	-4
Cash flow from operating activities before changes in working capital	**-28 451**	**-15 878**	**-43 568**	**-34 280**	**-59 928**
Changes in working capital					
Change in receivables	4 639	312	-1 583	1 013	497
Change in trade payables	-6 045	-2 266	-12 663	-2 423	13 200
Changes in other current liabilities	1 673	686	-988	755	5 453
	267	**-1 268**	**-15 234**	**-655**	**19 150**
Cash flow from operating activities	**-28 184**	**-17 146**	**-58 802**	**-34 935**	**-40 778**
Investing activities					
Acquisition of other long-term securities	-	-	-	-295	-295
Increase in other short-term investments	-	-	-40 000	-20 000	-120 000
Decrease in other short-term investments	50 000	-	50 000	8 937	8 937
	50 000	**0**	**10 000**	**-11 358**	**-111 358**
Financing activities					
Issue of new shares for the year	-	-	-	72 529	304 479
Capital acquisition cost	85	-112	85	-5 662	-28 213
Warrant programme	-	-	-	-	72
	85	**-112**	**85**	**66 867**	**276 338**
Change in cash and cash equivalents	21 901	-17 258	-48 718	20 574	124 202
Cash and cash equivalents at beginning of period	80 581	63 736	149 781	25 904	25 904
Exchange rate difference in cash equivalents	304	-	1 722	-	-325
Cash and cash equivalents at end of period *)	**102 786**	**46 478**	**102 786**	**46 478**	**149 781**

*) The company's cash and cash equivalents consist of cash and disposable balances with banks and other credit institutions

Note 1 Summary of significant accounting policies
Significant accounting policies applied in preparing this interim report are described in the following. Unless otherwise stated, these policies have been applied consistently for all the periods presented.

Basis of preparation of financial statements
This interim report for Cantargia AB ("Cantargia") has been prepared in accordance with the Swedish Annual Accounts Act, Recommendation RFR 2 *Financial Reporting for Legal Entities* of the Swedish Financial Reporting Board and IAS 34 *Interim Financial Reporting*. RFR 2 states that a legal entity is required to apply the International Financial Reporting Standards (IFRS), as adopted by the EU, insofar as this is possible under the Swedish Annual Accounts Act and Pension Obligations Vesting Act and with regard to the relationship between accounting and taxation. The recommendation specifies the exemptions from and the additional disclosures that are required in relation to IFRS. The accounting policies applied in preparing this interim report are consistent with those used in preparing the annual report for 2017. In addition, the new financial reporting standards IFRS 9 and IFRS 15 became effective on 1 January 2018. As previously noted, the transition has not had any impact on Cantargia's financial statements. A full description of Cantargia's accounting policies will be given in the annual report for 2018.

The interim report has been prepared using the cost method.

The interim report for the fourth quarter 2017 is Cantargia's first report to be prepared in accordance with the Swedish Annual Accounts Act and RFR 2. Cantargia has previously applied the Annual Accounts Act and General Recommendation BFNAR 2012:1 *Annual Accounts and Consolidated Financial Statements* (K3) of the Swedish Accounting Standards Board. Historical financial information has been restated as of 1 January 2016, which is the date of transition to RFR 2.

Explanations concerning the transition from the previously applied accounting policies to RFR 2 and a description of the effects of the restatement on the closing balance as at 30 June 2017, and on comprehensive income for the second quarter of 2017 and the first six months of 2017 are provided in Note 2.

The preparation of financial statements in compliance with the applied regulations requires the use of critical accounting estimates. Management is also required to make certain judgements in applying the company's accounting policies. Areas which involve a high degree of judgement, are complex or where assumptions and estimates have a material impact on the interim report are described in Note 3.

New standards and interpretations which have not yet become effective

IFRS 16 Leases will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with a few exceptions, be recognised in the balance sheet. The standard is applicable for financial years beginning on or after 1 January 2019. Early application is permitted. Cantargia does not expect that it will be affected by the new lease standard, as the company is likely to apply the exemption from IFRS 16 in RFR 2 and will continue to account for all leases in accordance with a model that is similar to the model for operating leases in IAS 17, i.e. lease payments will be expensed on a straight-line basis over the term of the lease.

No other IFRS or IFRIC interpretations that have not yet become effective are expected to have a material impact on the company.

Formats
The format prescribed in the Swedish Annual Accounts Act is used for the income statement and balance sheet. The statement of changes in equity is presented in the format prescribed in IAS 1 *Presentation of Financial Statements* but must contain the columns indicated in the Annual Accounts Act.

Segment reporting
Cantargia's chief operating decision maker is the company's Chief Executive Officer (CEO), as it is primarily he who is responsible for the allocation of resources and evaluation of results. The CEO receives reports containing

financial information for the company as a whole. Cantargia has not yet commercialised any of the development projects in which it is engaged and the company is not yet generating and income. All activities of Cantargia are considered to constitute a single segment.

Intangible assets

Research and development costs
Cantargia is a research-based biotech company that is engaged in research and development of antibody-based therapy for serious diseases. All expenditure directly attributable to the development and testing of identifiable and unique products which are controlled by Cantargia is accounted for as an intangible asset when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use,
- the company intends to complete the product for use or sale,
- there is reason to expect that the company will be able to use or sell the product,
- it can be shown that the product will generate probable future economic benefits,
- adequate technical, economic and other resources are available to complete the development of and use or sell the product, and
- the costs attributable to the product during its development can be reliably measured.

The overall risk in ongoing development projects is high. The risk includes safety and efficacy risks that can arise in clinical studies, regulatory risks related to applications and approval for clinical studies and marketing authorisation, as well as IP risks related to approval of patent applications and the maintenance of patents. All development work is therefore deemed to be research, as the work does not meet the criteria listed below. As at 30 June 2018 no development costs had been recognised as intangible assets in the balance sheet, as it was not considered that all of the above criteria for capitalisation had been met for any of the development projects in which the company is engaged.

Research expenditure is expensed as incurred.

Capitalised development costs are recognised as intangible assets and amortised from the date when the asset is ready for use.

Impairment of intangible assets
Intangible assets which are not ready for use (capitalised development costs) are not amortised but are tested annually for impairment. However, no capitalised development costs are currently recognised in Cantargia's balance sheet.

Leases
Cantargia is a lessee only under operating leases for office premises.
Leases in which a significant share of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made during the lease term (after deducting for any incentives from the lessor) are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Foreign currency
Transactions in foreign currency are translated to the functional currency at the exchange rates applying at the transaction date or the date when the items were restated. Foreign exchange gains and losses are recognised in the statement of comprehensive income in other operating expenses, foreign exchange differences trade payables, and in net financial income/expense, foreign exchange differences currency accounts.

Financial assets and liabilities

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the contractual terms and conditions of the instrument. A financial asset is derecognised in the balance sheet when the contractual right to the cash flow from the asset expires or is settled. The same applies when the risks and benefits of ownership of the asset have essentially been transferred to another party and the company no longer has control over the financial asset. A financial liability is derecognised in the balance sheet when the contractual obligation is fulfilled or extinguished.

Measurement of financial instruments
Cantargia applies the exemption in RFR 2 under which IFRS 9 *Financial Instruments: Recognition and Measurement* is not applied for recognition and measurement of financial instruments. Instead, cost is applied in accordance with the Annual Accounts Act.

Financial assets are initially measured at cost including any transaction costs directly attributable to the acquisition of the asset.

After initial recognition, current financial assets are measured at the lower of cost and net realisable value at the balance sheet date.

Trade receivables and other receivables classified as current assets are measured individually at the amounts expected to be paid.

Interest-bearing financial assets are measured at amortised cost using the effective interest method.

Measurement of financial liabilities
Short-term trade payables are recognised at cost.

Employee benefits

Retirement benefit obligations
Cantargia has both defined contribution and defined benefit pension plans. Defined contribution pension plans are post-employment benefit plans under which the company pays fixed contributions into a separate legal entity. Cantargia has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions are recognised as personnel expenses when they fall due.

Cantargia's defined benefit pension plans consist of the ITP 2 plan's defined benefit pension obligations. The ITP 2 plan's defined benefit pension obligations for retirement and family pensions are secured through an insurance policy with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 *Recognition of the ITP 2 Plan* that is funded through an insurance policy with Alecta, this is a defined benefit plan covering several employers. For the financial year 2017 the company has not had access to information that would enable it to account for its proportionate share of the plan's obligations, assets and expenses. It has therefore not been possible to recognise the plan as a defined benefit plan. The ITP 2 pension plan secured through an insurance policy with Alecta is therefore accounted for as a defined contribution plan. The contribution for defined benefit retirement and family pensions is calculated individually and depends on factors such as salary, previously earned pension and expected remaining period of service. The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its commitments to policyholders calculated using Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective funding ratio should normally be permitted to vary within a range of 125 and 155 per cent. If Alecta's collective funding ratio were to fall below 125 per cent or exceed 155 per cent, it would be necessary to take measures that will enable the ratio return to the normal range. In case of a low funding ratio, one measure that can be taken is to raise the agreed price for new policies and the expansion of existing benefits. If the funding ratio is high, contributions can be reduced. At the end of the financial year 2017, Alecta's surplus, as defined by the collective funding ratio, was 154 per cent (2016: 149 per cent) on a preliminary basis.

In addition to the above, Cantargia has made pension promises to two employees and in connection therewith purchased endowment policies which have been posted as collateral for the employees' pensions. RFR 2 does not indicate how pension obligations that are secured through an endowment policy, or "direct pension," should be recognised. Companies therefore need to rely on IAS 19 for guidance on how to account for these obligations. Under IAS 19, a pension plan should be classified based on the economic substance of the plan. Under the concluded salary exchange agreements, Cantargia's direct pension obligation is limited to paying defined premiums to the insurance company. Cantargia does not bear any risk related to the change in value of the endowment policy, as this risk is borne by the employee. In accordance with RFR 2/IAS 19, the pension is therefore classified and accounted for as a defined contribution pension plan.

Short-term benefits
Short-term benefits are employee benefits which are payable within twelve months of the balance sheet date in the year in which the employee earned the benefit, with the exception of post-employment benefits and termination benefits.

Short-term benefits include
1. salaries, social security contributions and other payroll costs,
2. paid short-term leave such as paid holiday and paid sick leave,
3. bonuses, and
4. non-monetary benefits such as health care for current employees.

Accounting treatment – paid short-term leave
Short-term benefits for paid leave that can be saved should be accounted for as an expense and current liability when the employees have performed the services which entitle them to future paid leave.

Short-term benefits for paid leave that are not saved should be recognised as an expense when the leave is taken.

Accounting treatment – bonus plans
The expected expense for profit sharing and bonuses should be recognised only if
1. the company has a legal or constructive obligation as a result of past events, and
2. the amount of the obligation can be reliably estimated.

Tax
The tax on the profit for the year in the income statement consists of current tax and deferred tax. Current tax is calculated on the taxable profit the period at the applicable tax rate. The actual tax expense is calculated based on the tax rules that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. However, deferred tax attributable to untaxed reserves is accounted for separately, as untaxed reserves are recognised as a separate item in the balance sheet. Deferred tax liabilities are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be wholly or partially offset.

Deferred tax is calculated by applying tax rates (and laws) which have been adopted or announced at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Income

Interest income
Interest income is recognised by applying the effective interest method.

Cash and bank balances, and the statement of cash flows

The statement of cash flows is prepared using the indirect method. The reported cash flow only includes transactions involving incoming or outgoing payments. The company classifies cash, available deposits with banks and other credit institutions as cash and cash equivalents.

Share capital
Ordinary shares are classified as equity.

Transaction costs which are directly attributable to the issuance of new shares or options are recognised, net of tax, in equity less a deduction from the proceeds of the issue.

Note 2 Effects of the transition to RFR 2 *Financial Reporting for Legal Entities*
The interim report for the first half of 2018 has been prepared in accordance with RFR 2.

The accounting policies presented in Note 1 have been applied in preparing the financial statements as at 30 June 2018 and for the comparative information presented as at 30 June 2017. For comparative information as at 1 January 2017 and for the full year 2017, see the year-end report for 2017. For comparative information as at 1 April 2017, see the interim report for the first quarter of 2018.

The preparation of financial statements in accordance with RFR 2 has been effected in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The change of accounting policy to RFR 2 must be applied retrospectively. This means that the opening balance of each affected component of equity should be adjusted for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if RFR 2 had always been applied.

In preparing the balance sheet as at 30 June 2017 and the income statement and statement of cash flows for the second quarter of 2017 in accordance with RFR 2, adjustments were made to amounts which in previous interim reports had been reported in accordance with General Recommendation BFNAR 2012:1 *Annual Accounts and Consolidated Financial Statements* (K3) of the Swedish Accounting Standards Board. An explanation of how the transition from the previously applied accounting policies to RFR 2 has affected Cantargia's results and financial position is presented in the following tables and the related notes.

Reconciliation between previously applied accounting policies and RFR 2
The following tables show, for each period, the reconciliation between the previously applied accounting policies and RFR 2 for the balance sheet and equity as well as total comprehensive income.

a) Intangible assets – adjustment of previously capitalised patent costs
Under the previously applied accounting policies, Cantargia capitalised costs for patent agents and the registration of patents. In connection with the transition to RFR 2, Cantargia analysed the previously capitalised patent costs and concluded that the criteria for capitalisation of development costs in IAS 38 *Intangible Assets* had not been met. Cantargia has therefore adjusted this by derecognising all previously capitalised patent costs as at 30 June 2017 (kSEK 8,900). Increased project costs had a negative impact on comprehensive income of kSEK 581 for the second quarter of 2017 and a negative impact of kSEK 1,808 for the first half of 2017.

b) Adjustment of reserve for development costs
As Cantargia has adjusted all previously capitalised patent costs in connection with the transition to RFR 2, the previously recognised transfers to the reserve for development costs in equity have also been adjusted. The full amount previously recognised in reserve for development costs, kSEK 4,618, has been transferred to the item retained earnings as at 30 June 2017. The net effect of the reclassification in equity is kSEK 0.

c) Other securities held as non-current assets and provisions – adjustment for defined contribution pension plans
Cantargia has made pension promises to two employees and in connection therewith purchased endowment policies which have been posted as collateral for the employees' pensions. Under the previously applied accounting policies, the endowment policies and the liability were presented on a gross basis in the balance

sheet. The asset was measured at cost and the liability was measured at the same amount as the asset. The pension solution constitutes a defined contribution plan and should, in accordance with IAS 19, be accounted for by charging to expense the amount that is paid into the pension plan in each period. Cantargia has adjusted this by derecognising the asset (the endowment policy) and the liability (the pension obligation) in the balance sheet. The net effect of this adjustment is kSEK 0, both in equity as at 30 June 2017 and in comprehensive income for the second quarter and first six months of 2017.

RECONCILIATION OF BALANCE SHEET AND EQUITY

		30 June 2017		
kSEK	Note	According to previous accounting principles	Total effect of transition to RFR 2	According to RFR 2
ASSETS				
Immateriella anläggningstillgångar				
Concessions, patents, licences and trademarks etc.	a)	8 900	-8 900	-
Financial assets				
Other securities held as non-current asset	c)	3 933	-975	2 957
Total current assets		67 677	-	67 677
Total assets		80 509	-9 875	70 634
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		2 566	-	2 566
Reserve for development costs	b)	4 618	-4 618	-
Non-restricted equity				
Share premium account		183 938	-	183 938
Retained earnings	a), b)	-87 128	-2 474	-89 602
Loss for the period	a)	-32 472	-1 808	-34 280
Total Equity		71 522	-8 900	62 622
Long-term liablities				
Provisions	c)	975	-975	-
Total short-term liabilities		8 012	-	8 012
Total Equity and Liabilities		80 509	-9 875	70 634

RECONCILIATION OF COMPREHENSIVE INCOME

kSEK	Note	1 April 2017 - 30 June 2017 According to previous accounting principles	Total effect of transition to RFR 2	According to RFR 2
Net sales		-	-	-
Other operating income		-	-	-
Project costs	a)	-10 792	-581	-11 373
Other external expenses		-1 921	-	-1 921
Personnel expenses		-2 138	-	-2 138
Other operating expenses		-444	-	-444
Operating profit		**-15 295**	**-581**	**-15 876**
Interest income and similar items		-	-	-
Interest expense and similar items		-2	-	-2
Net financial items		**-2**	**-**	**-2**
Loss for the period		**-15 297**	**-581**	**-15 878**
Total comprehensive income		**-15 297**	**-581**	**-15 878**

kSEK	Note	1 January 2017 – 30 June 2017 According to previous accounting principles	Total effect of transition to RFR 2	According to RFR 2
Net sales		-	-	-
Other operating income		-	-	-
Project costs	a)	-25 225	-1 808	-27 033
Other external expenses		-3 150	-	-3 150
Personnel expenses		-3 985	-	-3 985
Other operating expenses		-123	-	-123
Operating profit		**-32 483**	**-1 808**	**-34 291**
Interest income and similar items		16	-	16
Interest expense and similar items		-5	-	-5
Net financial items		**11**	**-**	**11**
Loss for the period		**-32 472**	**-1 808**	**-34 280**
Total comprehensive income		**-32 472**	**-1 808**	**-34 280**

Reclassifications in the statement of cash flows for the second quarter and first six months of 2017

d) Patent costs – reclassification from investment to overhead expense
As a result of the adjustment of previously capitalised patent costs, a reclassification has been made in the statement of cash flows for the second quarter and first six months of 2017, as described below.

e) Short-term investments – not included in cash and cash equivalents
In accordance with RFR 2 (IFRS), a definition of cash and cash equivalents in which short-term investments are not included is applied. This means that the opening balance of cash and cash equivalents has been adjusted down to kSEK 63,736 as at 1 April 2017 and kSEK 25,904 as at 1 January 2017. Changes in short-term investments are accounted for in investing activities and were kSEK 0 for the second quarter and kSEK -11,063 for the first six months of 2017.

Only those rows which have been reclassified are presented below.

CASH FLOW

		1 April 2017 – 30 June 2017		
kSEK	Note	According to previous accounting principles	Total effect of transition to RFR 2	According to RFR 2
Operating income	d)	-15 295	-581	-15 876
Cash flow from operating activities before changes in operating capital		-15 297	-581	-15 878
Cash flow from operating activities		-16 293	-853	-17 146
Acquisition of consessions, patents, licences, etc.	d)	-581	581	-
Change in other short-term investments	e)	-	-	-
Cash flow from investing activities		-581	581	-
Change in cash and cash equivalents		-17 258	-	-17 258
Cash and cash equivalents at beginning of year		83 736	-20 000	63 736
Cash and cash equivalents at end of year *)	e)	66 478		46 478

		1 January 2017 – 30 June 2017		
kSEK	Note	According to previous accounting principles	Total effect of transition to RFR 2	According to RFR 2
Operating income	d)	-32 483	-1 808	-34 291
Cash flow from operating activities before changes in operating capital		-32 472	-1 808	-34 280
Cash flow from operating activities		-32 855	-2 080	-34 935
Acquisition of consessions, patents, licences, etc.	d)	-1 808	1 808	-
Change in other short-term investments	e)	-	-11 063	-11 063
Cash flow from investing activities		-2 103	-9 255	-11 358
Change in cash and cash equivalents		31 637	-11 063	20 574
Cash and cash equivalents at beginning of year		34 841	-8 937	25 904
Cash and cash equivalents at end of year *)	e)	66 478		46 478

*) The company's cash and cash equivalents consist of cash and disposable balances with banks and other credit institutions.

Note 3 Critical judgements and estimates

The preparation of financial statements and application of accounting policies are often based on judgements, estimates and assumptions made by management which are deemed reasonable at the time when they are made. The estimates and assumptions applied are based on historical experience and other factors which are deemed reasonable under current circumstances. The results of these are then used to determine carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual outcomes may differ from these estimates and assessments.

Estimates and assumptions are reviewed regularly. Any changes are recognised in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both the current and future periods.

The most critical judgement in Cantargia's financial reporting refers to the date of capitalisation of development costs. Based on the accounting policies that are presented in Note 1, all development activities in which Cantargia is engaged are currently classified as research, for which costs should not be capitalised. The achievement of positive results in phase III clinical trials is the earliest point at which the criteria for capitalisation can be considered to be met.

There is no expiration date which limits the use of the company's tax losses. It is, however, uncertain at what point in time it will be possible to use these tax losses to offset taxable profits. The deferred tax asset arising from the tax loss has therefore not been assigned any value. Changes in ownership, historical and potential future capital acquisitions may limit the amount of tax losses that can be used in future.

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