



Interim Report
1 January 2018 – 30 September 2018

Cantargia AB | 556791-6019

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

Cantargia moves to the main list of the stock exchange

Financial information

First nine months (1 Jan 2018 – 30 Sep 2018)

- Net sales, kSEK 0 (0)
- Operating loss, kSEK -65,225 (-45,597)
- Loss after tax for the period, kSEK -63,302 (-45,586)
- Earnings per share, before and after dilution, SEK -0.96 (-1.48)
- Equity/assets ratio, 93 (90) per cent
- Cash and cash equivalents, kSEK, 80,691 (32,385)
- Short-term investments, kSEK 110,000 (20,000)

Third quarter (1 July 2018 – 30 Sep 2018)

- Net sales, kSEK 0 (0) KSEK
- Operating loss, kSEK -21,412 (-11,306)
- Loss after tax for the period, kSEK -21,456 (-11,306)
- Earnings per share, before and after dilution, SEK -0.32 (-0.35)

Significant events in the third quarter

Clinical

- In August, Cantargia presented an update on its CANFOUR clinical trial and phase IIa preparations.

Patents

- In July, Cantargia received preliminary approval from EPO for its application for expanded patent protection in respect of the treatment of solid tumours.
- In July, Cantargia’s patent application for its CAN04 (nidanilimab) antibody was approved in China.
- In September, Cantargia’s patent application for its CAN04 (nidanilimab) antibody was approved in Japan.

Change of list

- In July, Cantargia was approved for listing on Nasdaq Stockholm First North Premier as a preliminary stage in the process of moving to the main list of Nasdaq Stockholm.
- In September, Cantargia was approved for listing on the main list of Nasdaq Stockholm with 25 September 2018 as the first day of trading.

Significant events after the end of the period

- Cantargia has received a patent for its CAN03 antibody in the US.
- In October, Cantargia presented clinical data from its ongoing CANFOUR study at ESMO.

Financial summary

(KSEK)	2018	2017	2018	2017	2017
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	-	-	-	-	-
Operating profit	-21 412	-11 306	-65 225	-45 597	-60 009
Loss for the period	-21 456	-11 306	-63 302	-45 586	-60 253
Earnings per share before and after dilution (SEK) based on average number of shares	-0,32	-0,35	-0,96	-1,48	-1,86
Change in cash and cash equivalents	-21 944	-14 093	-70 662	6 481	124 202
Cash and cash equivalents	80 691	32 385	80 691	32 385	149 781
Short-term investments	110 000	20 000	110 000	20 000	120 000
Equity end of period	182 903	51 389	182 903	51 389	246 120
Equity/assets ratio, %	93%	90%	93%	90%	90%
Average number of employees	6	5	6	5	5

CEO Göran Forsberg comments

In the third quarter, Cantargia took the important step up to the main list of the stock exchange. This will significantly increase our exposure, which will benefit us in several ways. It enables new investors to discover Cantargia and it will increase our visibility to other players, which in turn could lead to new and value-creating partnerships. It also means that independent parties have examined our internal processes and confirmed that our activities are of a high standard. We have an experienced organisation which in all areas of the company is living up to the stock market requirements. This enabled us to achieve this interim objective smoothly and effectively in 2018, as planned. I would like to say a big thank you to the team that made this move possible.

Yet it is not just our move to the main list that has been a success. Our main project, CAN04 (nidanimab), has also advanced, and I am hopeful that we during the fourth quarter will finalize the safety evaluation in phase I and start phase IIa of the clinical development. Throughout the period and above all else, during the major ESMO cancer conference, which was concluded recently, we have reported interim data from our phase I study indicating that CAN04 treatment is associated with good safety. The first studies of effects in terms of tumour size as well as biomarkers are also encouraging. So far, the phase I study has been conducted in patients who had been treated with several types of cancer therapies before receiving CAN04, but as we now move further into the phase IIa stage our goal is to be able to treat patients at earlier disease stages, where the likelihood of responding to a treatment is higher. We will also initiate studies using CAN04 in combination with chemotherapy. This type of combination has generated good results in preclinical studies, in terms of enhanced therapy effect but also in the form of reduced side effects of certain chemotherapies. Combination therapies are used frequently in modern cancer care and our data strongly indicates that CAN04 could be integrated into such a strategy.

I can therefore conclude by saying that Cantargia is continuing to perform very well in relation to the goals that we have set. Our financial situation is stable, and our pace of development follows plan. I look forward to the conclusion of the year and the coming milestones.

Göran Forsberg
CEO, Cantargia AB

Operations and projects

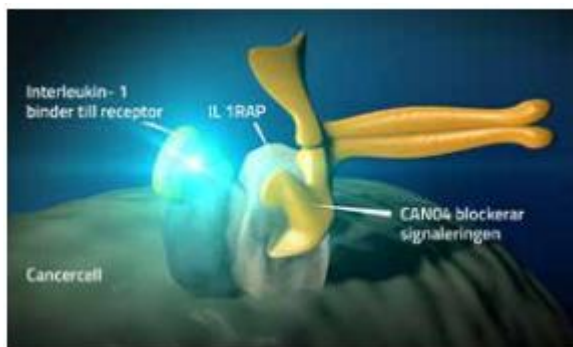
Established in 2010, listed on Nasdaq First North in 2015 and approved for listing at Nasdaq Stockholm's main market 2018. Cantargia is a biotechnology company that is engaged in research and development of antibody-based therapies for serious diseases. The company has specialised in antibody-based treatment 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.

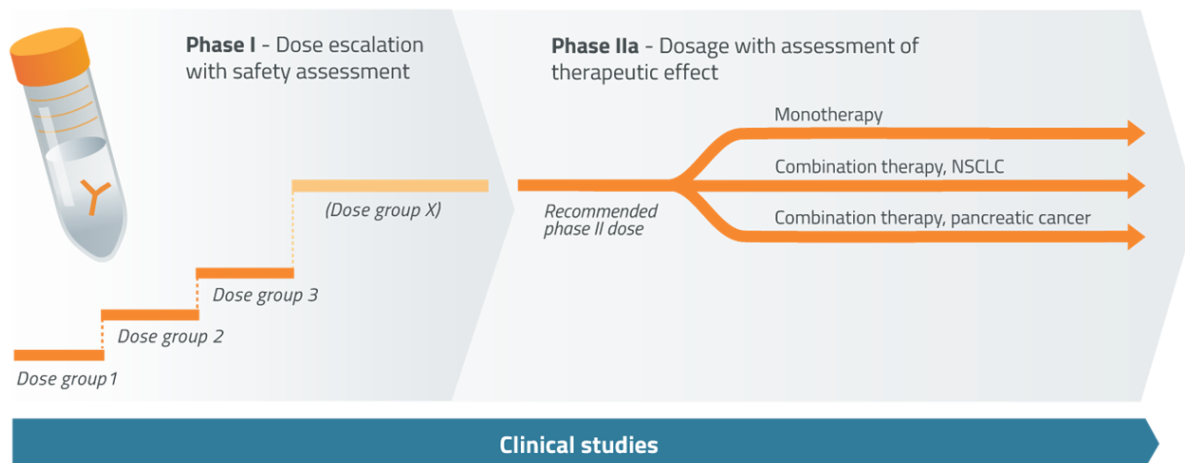
Cantargia's CAN04 antibody is being studied in the CANFOUR clinical phase I/IIa study. In the second project, CANxx, new antibodies against IL1RAP are being developed that are designed for treatment of autoimmune and inflammatory diseases with the objective of selecting a product candidate in 2019. That project is being conducted in partnership with Panorama Research Inc. in California.

CAN04 (Nidanilimab): 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. In addition, CAN04 can suppress metastasis.



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. Interim data from the phase 1 section were recently presented and demonstrated good safety, effect on biomarkers and disease stabilization in a number of patients. 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.



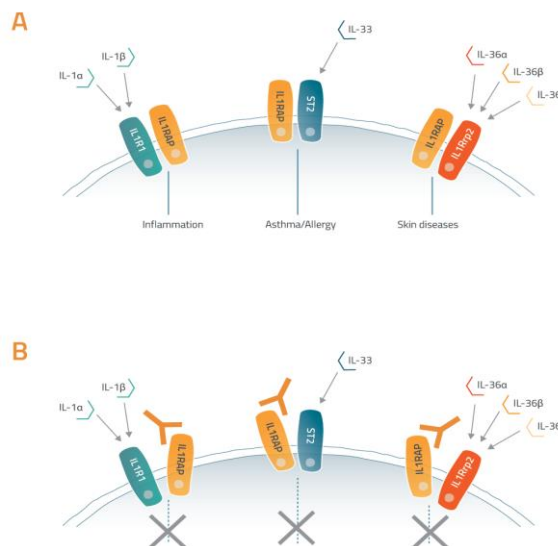
Cantargia's initial clinical phase I/IIa study covers both monotherapy and combination therapy, where CAN04 is combined with the existing standard treatments for non-small cell lung cancer (Cisplatin/Gemcitabine) and pancreatic cancer (Gemcitabine/Nab-paclitaxel). This will result in additional data, 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 second 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. 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 during the period January to September 2018.

Earnings

The company reports an after-tax loss of kSEK -21,456 (-11,306) for the third quarter and an after-tax loss of kSEK -63,302 (-45,586) for the January to September period.

The loss is essentially related to the company's costs for developing its CAN04 and CANxx product candidates. Project costs were kSEK -13,866 (-7,629) in the third quarter and kSEK -44,746 (-34,662) for the nine-month period. The increase compared with 2017 is mainly related to the ongoing CANFOUR clinical trial.

Other external expenses were kSEK -4,441 (-1,910) in the third quarter and kSEK -13,044 (-5,060) for the January to September period. The increase compared with the previous year is mainly related to the relisting project, which was completed in September. Staff costs were kSEK -2,944 (-1,811) in the third quarter and kSEK -7,020 (-5,796) for the January to September period. Other operating expenses, which comprise foreign exchange differences on trade payables, were kSEK -162 (-) in the third quarter and kSEK -415 (-79) for the January to September period.

Net financial income/expense consists largely of foreign exchange differences on the company's EUR account. Net financial income/expense was kSEK -44 (-) for the third quarter and kSEK 1,923 (11) for the January to September period.

Financial position

The equity/assets ratio at 30 September 2018 was 93 (90) per cent and equity was kSEK 182,903 (51,389). The company's cash and cash equivalents, which consist of cash and available deposits with banks and other credit institutions, were kSEK 80,691 (32,385) at the balance sheet date. Of total cash and cash equivalents, kSEK 14,290 (0) is 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 195,875 (57,220).

Cash flow and investments

Cash flow from operating activities was kSEK -21,944 (-14,166) in the third quarter and kSEK -80,746 (-49,101) in the first nine months. The change in cash flow from operating activities is partly related to increased costs in the company but also reflects a change in trade payables to a more normal level than that which prevailed at 31 December 2017. Cash flow from investing activities was kSEK 0 (0) in the third quarter and kSEK 10,000 (-11,358) for the January to September period. The net change in cash flow from investing activities during the year refers entirely to changes in short-term investments. The total change in cash and cash equivalents was kSEK -21,944 (-14,903) for the third quarter and kSEK -70,662 (6,481) for the January to September period.

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. During the period January to September 2018, the company made payments of approximately SEK 0.2 (0.2) million to Lund University in accordance with the agreement.

From May 2017 until 31 August 2018, Cantargia had a consulting agreement with Jöndell Consulting AB, a company that is wholly owned by the company's CFO. During this period, the CFO was not employed by Cantargia but worked on a consultancy basis in accordance with the agreement. In the first nine months of 2018, Cantargia paid approximately SEK 1.5 (0.3) million for the consulting services provided. An employment contract

between the company and the CFO, effective from 1 September, has been concluded, as a result of which the consulting agreement has ceased to apply.

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

Employees

The average number of employees during the period January to September 2018 was 6 (5), of whom 3 (2) were women, and the number of employees at 30 September 2018 was 7 (5), of whom 3 (2) were women. Cantargia operates to a large extent through external partners.

Share information

As of 25 September 2018, Cantargia's shares have been listed on the main list of Nasdaq Stockholm, under the stock symbol "CANTA". At 30 September 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 restatement for the rights issue registered on 8 January 2018 entitle the holders to subscribe for 86,700 shares at an exercise price of SEK 11.18 per share. If all outstanding warrants are exercised, 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.

Financial calendar

- | | |
|---|------------------|
| • 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 |
| • Annual General Meeting 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.

Examination by auditors

The interim report has been reviewed 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. The information was submitted for publication through the below contact person on 15 November, at 8:30 a.m.

Lund, 15 November 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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Auditor's report

Introduction

We have reviewed the condensed interim financial information (interim report) of Cantargia AB (publ) as of 30 September 2018 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with RFR 2 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with RFR 2 and the Swedish Annual Accounts Act.

Lund, November 15 2018

PricewaterhouseCoopers AB

Ola Bjärehäll

Authorized Public Accountant

Auditor in charge

STATEMENT OF COMPREHENSIVE INCOME

(kSEK)	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Operating income					
Net sales	-	-	-	-	-
Other operating income	-	44	-	-	-
Operating expenses					
Project costs	-13 866	-7 629	-44 746	-34 662	-44 819
Other external expenses	-4 441	-1 910	-13 044	-5 060	-6 917
Personnel expenses	-2 944	-1 811	-7 020	-5 796	-8 064
Other operating expenses	-162	-	-415	-79	-210
	-21 412	-11 350	-65 225	-45 597	-60 009
Operating profit	-21 412	-11 306	-65 225	-45 597	-60 009
Financial income and expense					
Interest income and similar items	-	-	1 924	16	86
Interest expense and similar items	-44	-	-1	-5	-329
	-44	-	1 923	11	-243
Profit before taxes	-21 456	-11 306	-63 302	-45 586	-60 253
Loss for the period *)	-21 456	-11 306	-63 302	-45 586	-60 253
Earnings per share before and after dilution (SEK) based on average number of shares	-0,32	-0,35	-0,96	-1,48	-1,86

*) No items are reported in other comprehensive income, meaning total comprehensive income is consistent with the loss for the period.

BALANCE SHEET

(kSEK)	30-09-2018	30-09-2017	31-12-2017
ASSETS			
Fixed assets			
<i>Financial assets</i>			
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	1 091	706	1 345
Prepaid expenses and accrued income	1 136	1 172	370
	2 227	1 878	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	80 691	32 385	149 781
	80 691	32 385	149 781
Total current assets	192 918	54 263	271 496
TOTAL ASSETS	195 875	57 220	274 453
EQUITY AND LIABILITIES			
<i>Equity</i>			
<i>Restricted equity</i>			
Share capital	5 295	2 566	3 755
Share capital not yet registered	-	-	1 540
	5 295	2 566	5 295
<i>Non-restricted equity</i>			
Share premium account	390 765	184 010	390 680
Retained earnings	-149 855	-89 602	-89 602
Loss for the period	-63 302	-45 585	-60 253
	177 608	48 823	240 825
Total equity	182 903	51 389	246 120
<i>Short-term liabilities</i>			
Trade payables	5 175	2 964	20 619
Tax liabilities	127	355	377
Other liabilities	363	226	221
Accrued expenses and deferred income	7 306	2 286	7 117
	12 971	5 831	28 333
TOTAL EQUITY AND LIABILITIES	195 875	57 220	274 453

STATEMENT OF CHANGES IN EQUITY

(kSEK)	Restricted equity		Non-restricted equity		Total
	Share capital	Paid not registered share capital	Share premium account	Retained earnings incl Loss for the year	Total equity
1 July 2018 - 30 September 2018					
Opening balance 1 July 2018	5 295	-	390 765	-191 701	204 359
<i>Loss for the period</i>	-	-	-	-21 456	-21 456
Closing balance 30 September 2018	5 295	-	390 765	-213 157	182 903
1 July 2017 - 30 September 2017					
Opening balance 1 July 2017	2 566	-	183 938	-123 882	62 622
<i>Loss for the period</i>	-	-	-	-11 306	-11 306
<i>Transactions with shareholders</i>					
Capital acquisition cost	-	72	-	-	72
	-	-	-	-	72
Closing balance 30 September 2017	2 566	72	183 938	-135 188	51 389
Reclassification warrant programme *)	-	-72	72	-	-
Closing balance 30 September 2017	2 566	-	184 010	-135 188	51 389
1 January 2018 - 30 September 2018					
Opening balance 1 January 2018	3 755	1 540	390 680	-149 855	246 120
<i>Loss for the period</i>	-	-	-	-63 302	-63 302
<i>Transactions with shareholders</i>					
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 September 2018	5 295	-	390 765	-213 157	182 903
1 January 2017 - 30 September 2017					
Opening balance 1 January 2017	1 673	-	117 964	-89 602	30 035
<i>Loss for the period</i>	-	-	-	-45 586	-45 586
<i>Transactions with shareholders</i>					
Warrant programme	-	72	-	-	72
Issue of new shares for the year	893	-	71 636	-	72 529
Capital acquisition cost	-	-	-5 662	-	-5 662
	893	72	65 974	-	66 939
Closing balance 30 September 2017	2 566	72	183 938	-135 188	51 389
Reclassification warrant programme *)	-	-72	72	-	-
Closing balance 30 September 2017	2 566	-	184 010	-135 188	51 389
1 January 2017 - 31 December 2017					
Opening balance 1 January 2017	1 673	-	117 964	-89 602	30 035
<i>Loss for the period</i>	-	-	-	-60 253	-60 253
<i>Transactions with shareholders</i>					
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 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Operating activities					
Operating loss	-21 412	-11 306	-65 225	-45 597	-60 009
Interest received etc.	107	-	353	16	86
Interest paid etc.	-	-	-1	-5	-4
Cash flow from operating activities before changes in working capital	-21 305	-11 306	-64 873	-45 586	-59 928
Changes in working capital					
Change in receivables	1 071	-679	-511	334	497
Change in trade payables	-2 781	-2 032	-15 443	-4 455	13 200
Changes in other current liabilities	1 070	-149	82	606	5 453
	-639	-2 860	-15 873	-3 515	19 150
Cash flow from operating activities	-21 944	-14 166	-80 746	-49 101	-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	8 937	8 937
	0	0	10 000	-11 358	-111 358
Financing activities					
Issue of new shares for the year	-	-	-	72 529	304 479
Capital acquisition cost	-	-	85	-5 662	-28 213
Warrant programme	-	72	-	72	72
	0	72	85	66 939	276 338
Change in cash and cash equivalents	-21 944	-14 093	-70 662	6 481	124 202
Cash and cash equivalents at beginning of period	102 786	46 478	149 781	25 904	25 904
Exchange rate difference in cash equivalents	-151	-	1 571	-	-325
Cash and cash equivalents at end of period *)	80 691	32 385	80 691	32 385	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 BFAR 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 September 2017, and on comprehensive income for the third quarter of 2017 and the first nine 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 September 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 nine months 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 September 2018 and for the comparative information presented as at 30 September 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 July 2017, see the interim report for the second 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 September 2017 and the income statement and statement of cash flows for the third 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 September 2017 (kSEK 9,148). Increased project costs had a negative impact on comprehensive income of kSEK 248 for the third quarter of 2017 and a negative impact of kSEK 2,056 for the first nine months 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 4,866, has been transferred to the item retained earnings as at 30 September 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 September 2017 and in comprehensive income for the third quarter and first nine months of 2017.

RECONCILIATION OF BALANCE SHEET AND EQUITY

		<u>30 September 2017</u>		
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)	9 148	-9 148	-
Financial assets				
Other securities held as non-current asset	c)	4 011	-1 054	2 957
Total current assets		54 262	-	54 262
Total assets		67 422	-10 202	57 220
EQUITY AND LIABILITIES				
Equity				
<i>Restricted equity</i>				
Share capital		2 566	-	2 566
Reserve for development costs	b)	4 866	-4 866	-
<i>Non-restricted equity</i>				
Share premium account		184 010	-	184 010
Retained earnings	a), b)	-87 376	-2 226	-89 602
Loss for the period	a)	-43 529	-2 056	-45 585
Total Equity		60 537	-9 148	51 389
Long-term liabilities				
Provisions	c)	1 054	-1 054	-
Total short-term liabilities		5 831	-	5 831
Total Equity and Liabilities		67 422	-10 202	57 220

RECONCILIATION OF COMPREHENSIVE INCOME

1 July 2017 - 30 September 2017				
kSEK	Note	According to previous accounting principles	Total effect of transition to RFR 2	According to RFR 2
Net sales		-	-	-
Other operating income		-	44	44
Project costs	a)	-7 381	-248	-7 629
Other external expenses		-1 910	-	-1 910
Personnel expenses		-1 811	-	-1 811
Other operating expenses		44	-44	-
Operating profit		-11 058	-248	-11 306
Interest income and similar items		-	-	-
Interest expense and similar items		-	-	-
Net financial items		-	-	-
Loss for the period		-11 058	-248	-11 306
Total comprehensive income		-11 058	-248	-11 306

1 January 2017 - 30 September 2017				
kSEK	Note	According to previous accounting principles	Total effect of transition to RFR 2	According to RFR 2
Net sales		-	-	-
Other operating income		-	-	-
Project costs	a)	-32 606	-2 056	-34 662
Other external expenses		-5 060	-	-5 060
Personnel expenses		-5 796	-	-5 796
Other operating expenses		-79	-	-79
Operating profit		-43 541	-2 056	-45 597
Interest income and similar items		16	-	16
Interest expense and similar items		-5	-	-5
Net financial items		11	-	11
Loss for the period		-43 530	-2 056	-45 586
Total comprehensive income		-43 530	-2 056	-45 586

Reclassifications in the statement of cash flows for the third quarter and first nine 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 third quarter and first nine 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 46,478 as at 1 July 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 third quarter and kSEK -11,063 for the first nine months of 2017.

Only those rows which have been reclassified are presented below.

CASH FLOW

1 July 2017 – 30 September 2017				
kSEK	Note	According to previous accounting principles	Total effect of transition to RFR 2	According to RFR 2
Operating income	d)	-11 058	-248	-11 306
Cash flow from operating activities before changes in operating capital		-11 058	-248	-11 306
Cash flow from operating activities		-13 838	-248	-14 086
Acquisition of concessions, patents, licences, etc.	d)	-248	248	-
Change in other short-term investments	e)	-	-	-
Cash flow from investing activities		-248	248	-
Change in cash and cash equivalents		-14 093	-	-14 093
Cash and cash equivalents at beginning of period		66 478	-20 000	46 478
Cash and cash equivalents at end of period *)	e)	52 385		32 385

1 January 2017 – 30 September 2017				
kSEK	Note	According to previous accounting principles	Total effect of transition to RFR 2	According to RFR 2
Operating income	d)	-43 541	-2 056	-45 597
Cash flow from operating activities before changes in operating capital		-43 530	-2 056	-45 586
Cash flow from operating activities		-46 693	-2 056	-48 749
Acquisition of concessions, patents, licences, etc.	d)	-2 056	2 056	-
Change in other short-term investments	e)	-	-11 063	-11 063
Cash flow from investing activities		-2 701	-9 007	-11 708
Change in cash and cash equivalents		17 544	-11 063	6 481
Cash and cash equivalents at beginning of period		34 841	-8 937	25 904
Cash and cash equivalents at end of period *)	e)	52 385		32 385

*) 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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