Annual Report 2017

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Cantargia

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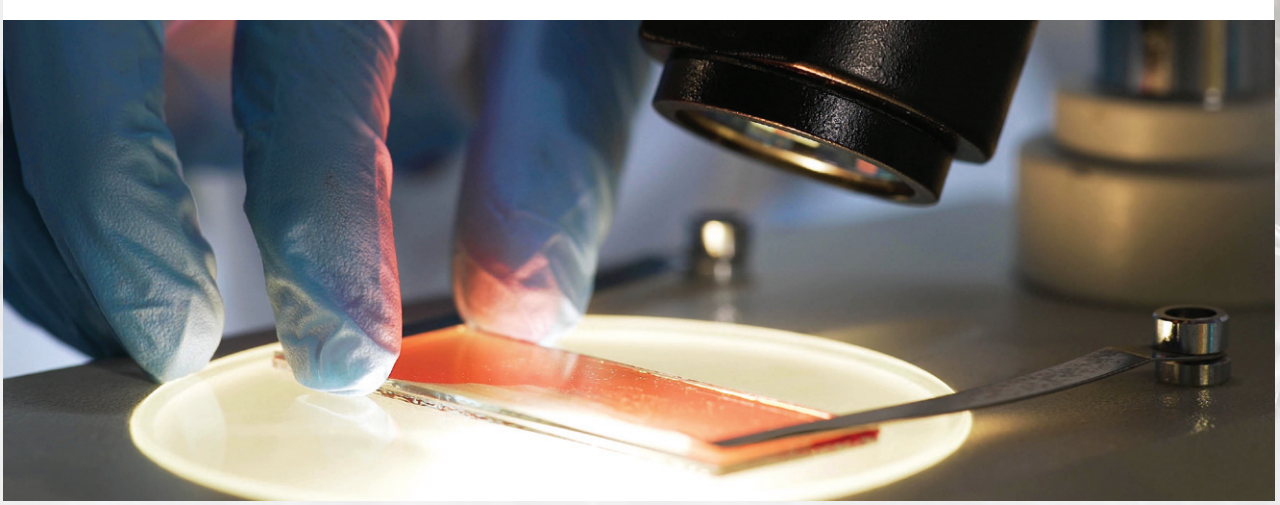
INTRODUCTION

FROM RESEARCH DISCOVERY TO CLINICAL STUDIES

About ten years ago, Cantargia's founders at Lund University made an important discovery in their research into leukemia stem cells. They discovered that these immature cancer cells had the IL1RAP molecule on their cell surface and that it could be used to separate the cancer stem cells from normal stem cells. Their continued research showed that this molecule was also present on cancer cells from a large number of tumour diseases. Based on these research results, Cantargia was founded at the end of 2009. Since then, we have developed a potential drug targeting IL1RAP, CAN04, and in 2017 patient studies were initiated.

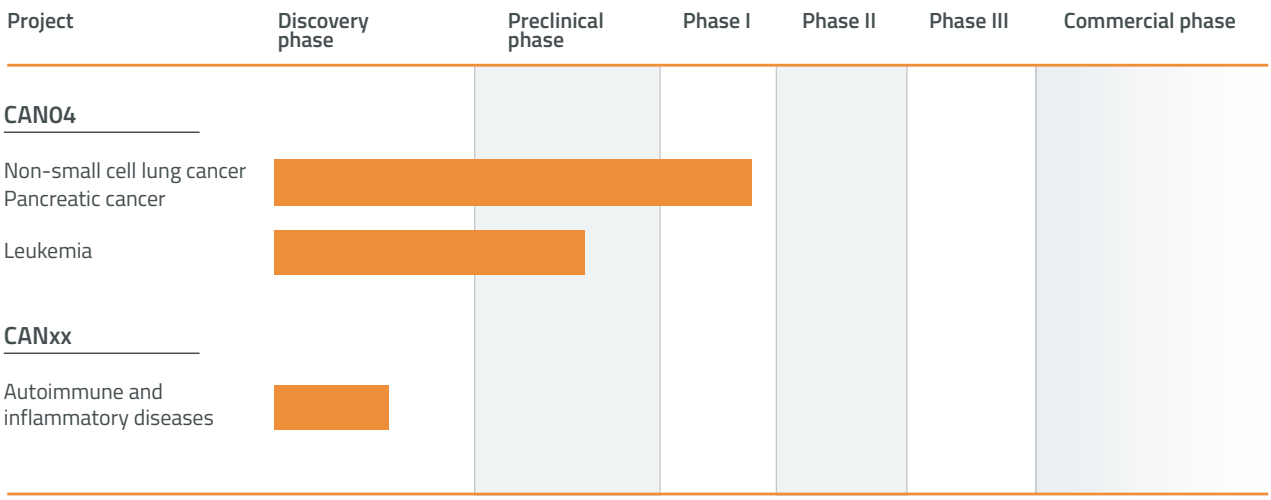
Although advances are continually being made in cancer research, there is still a great need for new cancer treatments. There are many reasons for this. One is that many of the available treatments do not address the fundamental mechanisms behind the disease. The principle for Cantargia's method of attacking the tumour is to target one of these important mechanisms – the "tumour inflammation". This gives the cancer cells a favourable micro-environment in which to grow and protects them from our natural immune system. IL1RAP transmits signals that are important for the tumour inflammation and CAN04 blocks these signals and helps the immune system to attack the cancer cells. Due to its strong link to the immune system and cancer treatment, CAN04 occupies a central place in the area known as immuno-oncology.

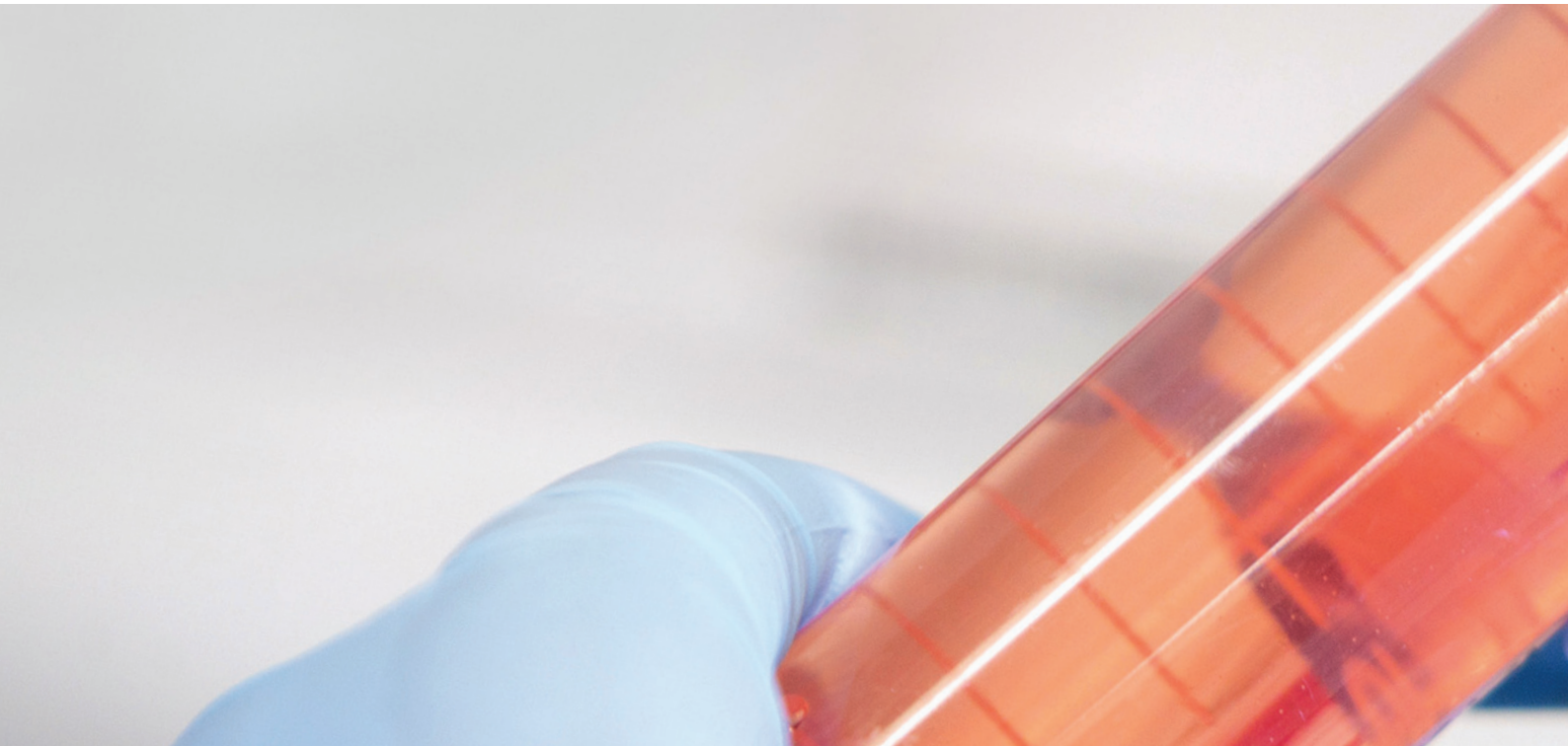
Cantargia's research has been successful, and the company was listed on Nasdaq First North already in 2015 with the aim of facilitating financing and continuing the development of our product candidate, CAN04. In the course of this journey, we have discovered several new opportunities, and have therefore initiated research activities and early product development also in auto-immune and inflammatory diseases, where inflammation is also a part of the disease mechanism. Our main focus, however, remains on treatment of non-small cell lung cancer and pancreatic cancer with CAN04. Here, we expect important results in our CANFOUR clinical study, both in 2018 and 2019. In addition to these diseases, there is considerable potential in several other forms of cancer, not least leukemia, where Cantargia's research began.



A PROJECT PORTFOLIO WITH POTENTIAL AND BREADTH

Cantargia's project portfolio is based on the development of antibodies against IL1RAP – antibodies that are designed to treat serious, life-threatening diseases. The company's focus and priority today are on cancer treatment of non-small cell lung cancer (NSCLC) and pancreatic cancer but the portfolio will gradually be broadened, partly through the use of new opportunities in the main CAN04 project and partly through research aimed at developing new antibodies which are designed also for treating autoimmune and inflammatory diseases. This means that Cantargia currently has a portfolio with both potential and breadth. An illustration of Cantargia's project portfolio showing the stage of development of each project is shown below.





CAN04 for cancer treatment

In 2016, more than 60,000 Swedes were diagnosed with cancer. Advances are currently being made in terms of the treatment of patients, but the medical need for new drugs is very considerable.

Cantargia's antibody treatment, CAN04, fights cancer by activating the immune system's killer cells and by blocking signals which stimulate tumour growth. CAN04 thus has a double-acting effect against cancer. The IL1RAP molecule, the target for Cantargia's treatment, is found in most common forms of cancer, which means that there is significant treatment potential for different cancer diseases. Using the information that is now available, Cantargia is focusing its initial development of CAN04 on non-small cell lung cancer (NSCLC) and pancreatic cancer, but there are considerable opportunities in other cancer diseases.

Non-small cell lung cancer

Lung cancer is the fifth most common form of cancer in men and the fourth most common in women. By far the most common cause of lung cancer is tobacco smoking, which singly or in combination with other risk factors explains around 90 per cent of lung cancer cases, but there are also hereditary causes of lung cancer. In 2016, nearly 4,000 Swedes were diagnosed with lung cancer.

Lung cancer can be divided into two main groups – non-small cell lung cancer and small cell lung cancer. Non-small cell lung cancer accounts for around 85 per cent of the total number of lung cancer cases. Lung cancer has traditionally been treated with cytotoxins, but more recently new drugs which activate the immune system have been shown to be successful.

Pancreatic cancer

Cancer of the pancreas – pancreatic cancer – is a disease with a very poor prognosis and high mortality. In 2016, around 1,300 people in Sweden were diagnosed with pancreatic cancer. While the number of cases increases every year, our knowledge of the cause of pancreatic cancer is very limited. Operation is currently the only way to cure pancreatic cancer, but most cases of this type of cancer are discovered at such a late stage that the patient's chance of being cured is very small. In addition to operation, the disease is treated with cytotoxins. While these have a certain treatment effect, there is a strong need for new treatments.

Leukemia – AML

In 2016, more than 1,100 people in Sweden were diagnosed with various forms of blood cancer, leukemia. AML is the most common form of acute leukemia and affects around a third of leukemia patients. AML is characterised by a rapid increase in white blood cells, which accumulate in the bone marrow and interfere with the production of normal blood cells. The disease progresses rapidly and, if left without treatment, the patient dies within a few months. Chemotherapy, currently the most common form of treatment, is plagued by low efficacy and serious side effects. More recently, treatments which target specific changes in some of the patients have been shown to have an effect.

CANxx for treatment of autoimmune and inflammatory diseases

Cantargia intends to develop and apply for patents for a new antibody against IL1RAP that is designed for treatment of autoimmune/inflammatory diseases. The goal is to select a product candidate in 2019.

MESSAGE FROM THE CEO

Ever since its initial public offering in early 2015, Cantargia has been performing well. Our projects have advanced and new opportunities have opened up. The whole of 2017 and the beginning of 2018 have been a fantastic period. Our success in delivering on many fronts is borne out by the fact that a number of major institutional investors and specialist investors have chosen to support Cantargia's continued development through significant capital commitments. This has given Cantargia a significant boost in its efforts to continue developing its clinical development. Our investors' strong support for our development of new drugs against deadly diseases is of course very encouraging, and our expanding development plan increases the probability that we will achieve positive results in future.

In the first few months of 2017, Cantargia completed the last few activities that were needed to complete an application for initiating clinical trials with our antibody, CAN04. The results of the toxicity tests that we conducted were particularly encouraging, with no serious side effects identified. Alongside the toxicity studies, we produced the first GMP batch of CAN04 that was of sufficiently high quality to be used in patient studies. In May, we were able to submit our application to the regulators for authorisation to initiate the CANFOUR trial, which we received about two months later.

Immediately after the summer break, we started to recruit and treat patients, and in October we were able to report a high level of safety in the first group consisting of three patients. Since then, the clinical study has proceeded according to plan. In summer 2018, we expect to be able to present phase I data, which will mark an important milestone. This will be followed immediately by the phase II stage, as the study protocol is the same. During the phase II stage, we will be studying the effect in a larger number of patients, and we expect to be able to present these data at the end of 2019.

In parallel with the initiation of the CANFOUR study, Novartis presented data from a major international study (CANTOS) with canakinumab, a drug against inflammatory diseases. Canakinumab, which targets interleukin-1 , blocks the same signal pathway as CAN04, and this reduced the risk of lung cancer by 67 per cent in this study. The risk of dying from lung cancer was reduced by 77 per cent and the risk of dying from other forms of cancer was 37 per cent lower compared with the control group. These are impressive figures, and the next step for Novartis is to initiate registrational studies in lung cancer with canakinumab. For Cantargia, this is very encouraging, as we can see that CAN04 has many advantages over canakinumab. As we see it, a furrow is being ploughed up that can be very useful for us, in terms of development and commercially.

Cantargia operates in an area where the potential revenues for those who succeed are significant, but this means that we also face competition. Over the past few years, we have experienced a revolution in our understanding of how the immune system can be used to treat cancer. Cantargia operates in this hot area of research, where positioning yourself correctly is crucial to success. Our own data indicate that we have a product which through its unique mechanism of action and expected high level of safety will be a good match in various combination treatments, and this in turn is completely in line with future strategies for cancer treatment. The new data that we recently presented at the major international cancer conference AACR in Chicago further support this expectation and has generated considerable interest.

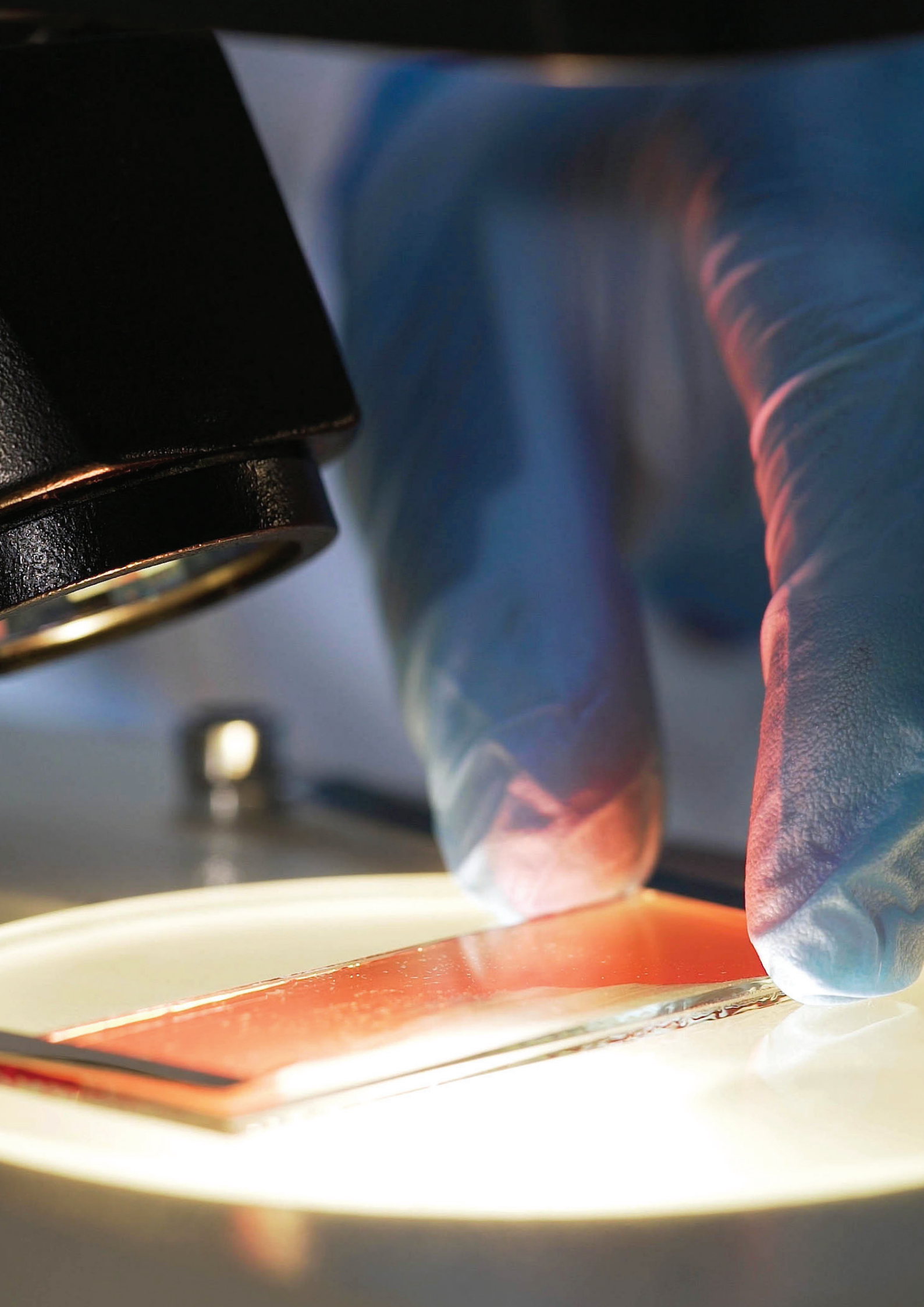
Our patent portfolio has evolved in a very satisfactory way. We have received patents for CAN04 in the United States and Europe, and this patent family will remain valid until 2035. Our protection is broader than this, however, as we have also received patents for antibodies which are aimed generally at our target molecule, IL1RAP, in cancer treatment. This is a big strength, as the promising data obtained with canakinumab are highly likely to generate increased interest from many companies to attack interleukin-1 signalling in cancer treatment. Cantargia has exclusive rights in respect of one of the four molecules involved in this system. In 2016, a third party filed an opposition to our European patents relating to the IL-1RAP target molecule, but in its review of the case the European Patent Office gave no support for the opposition, which means that our patents remain unchanged.

In terms of projects, Cantargia now stands on two legs after launching the CANxx project, which is aimed at exploiting the significant potential in targeting IL1RAP and in autoimmune diseases. We are very pleased to have a well established and highly skilled partner in US biotech firm Panorama Research Inc. Financially, Panorama will bear the majority of the costs of the project in the early phase, which means that Cantargia's investments will begin when the risk in the project is lower. We expect to have completed the design of the antibody in 2019, after which the final activities in preparation for an application to initiate clinical studies will be carried out. In 2018 and 2019, we will be working on determining which inflammatory or autoimmune diseases to target in our initial development activities. In this context, I would like to highlight that the CANTOS study mentioned above not only reduced the risk of cancer; it also showed a reduction in a number of different inflammatory diseases, including heart attack, rheumatism, osteoarthritis and gout.

In 2017, Cantargia raised over SEK 300 million through share offerings. This is a significant capital injection, which means that both our projects are fully funded beyond important milestones over the next two years. In particular, the clinical development stage of our CANFOUR study is now funded. We have now reached a stage of development as a company where the logical next step is to apply for listing on the main list of the stock exchange. Preparations to apply for a listing in 2018 are proceeding as planned. The recent capital raisings have given us many new shareholders, whom I would like to welcome to Cantargia. I would also like to take this opportunity to thank all our shareholders for the valuable support you have shown. I hope and trust that you will find Cantargia's development going forward both interesting and exciting. Finally, I would like to mention Cantargia's employees. Without their skills, energy, hard work and focus, we would not have been able to take Cantargia to where it is today.

Lund, April 2018

Göran Forsberg



BACKGROUND TO CANTARGIA'S PROJECTS

A research area with a big potential

Cantargia's business strategy is to develop new drugs against the target protein IL1RAP. IL1RAP is a key element in inflammations, and many diseases occur precisely because of an incorrectly regulated inflammation. Cantargia's main project, CAN04, is aimed at killing cells in the tumour that use IL1RAP while preventing inflammation, which drives cancer growth. A large number of tumour types use this system. Cantargia has initially chosen to focus on two of these: non-small cell lung cancer and pancreatic cancer, but in future there will be many opportunities to broaden the company's development activities to cover other serious cancer diseases.

Yet it is not just cancer diseases that are driven by IL1RAP. In many autoimmune and inflammatory diseases, IL-1RAP also plays role. In Cantargia's second project, CANxx, we are developing new, specially designed antibodies that are optimised to treat such diseases. Cantargia's ongoing research is aimed at defining which diseases to target in our development activities.

IL1RAP – CANCER

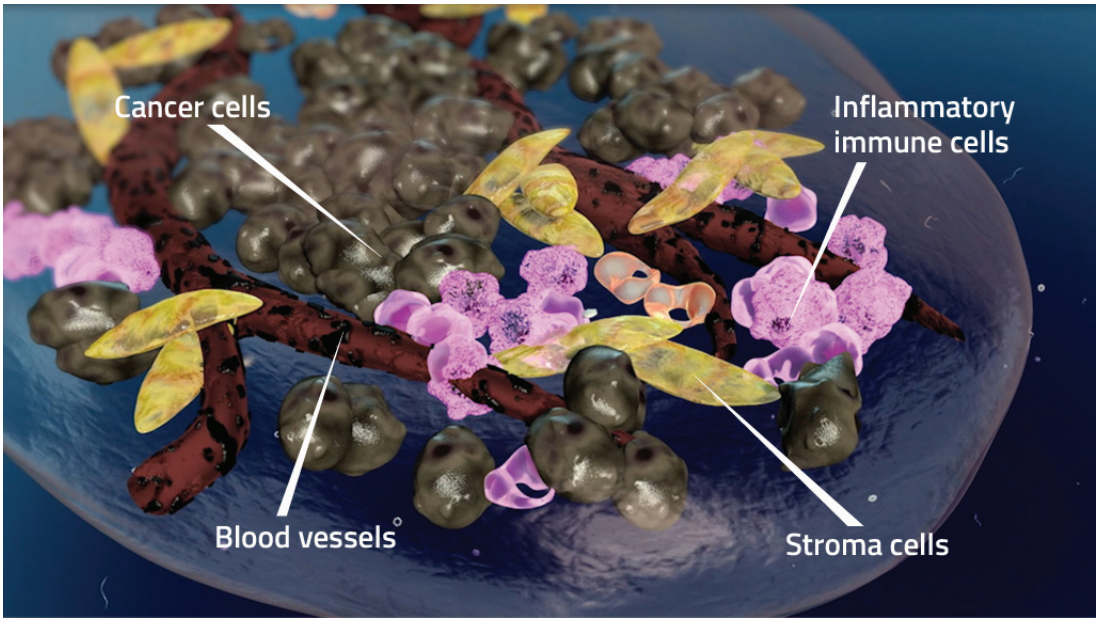
Cantargia's research has shown that IL1RAP plays a key role in the cancer cells' ability to create a favourable environment in which to grow and spread. The company has also shown that IL1RAP is expressed in solid tumours in several cancer types and that levels in normal cells are very low. Cantargia believes there is a significant opportunity to develop effective therapies for treatment of a number of diseases by blocking IL1RAP.

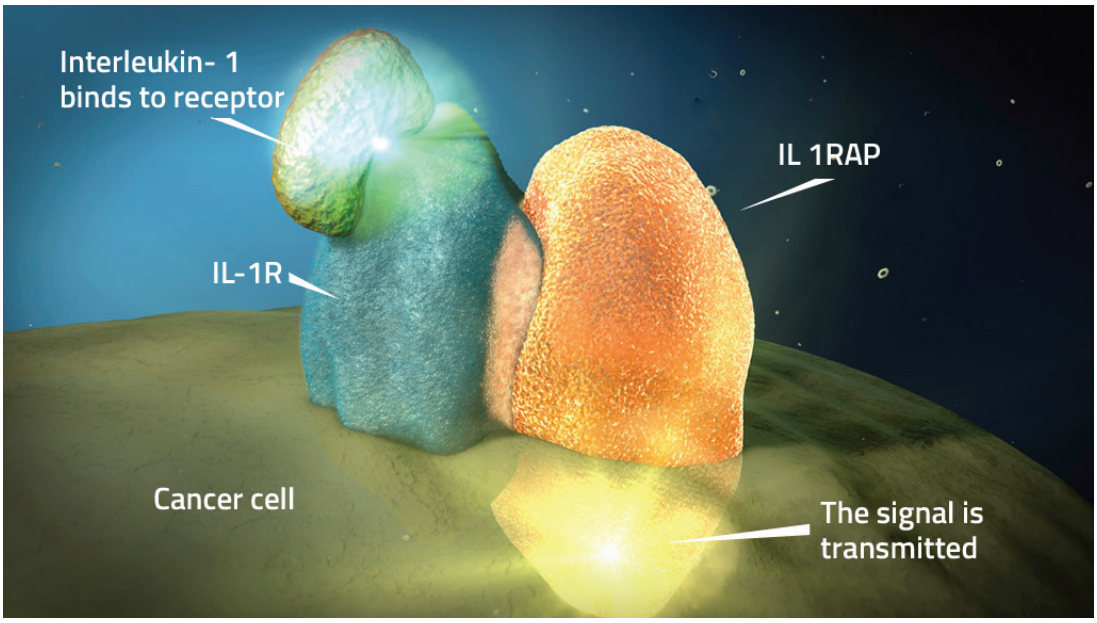
The tumour microenvironment

A tumour consists of several types of cells apart from cancer cells. It is made up of blood vessels which provide nutrition, stromal cells which serve as a skeleton, and inflammatory immune cells. A complex interaction between these cells and the cancer cells creates an inflammation in the tumour microenvironment. This can block the body's natural immune system in the tumour microenvironment, and the inflammation can also protect the tumour during treatment. The tumour tissue also contains an inhomogenous group of immature cancer cells called cancer stem cells, which are formed continuously and produce tumorigenic mature cancer cells.

The interleukin-1 system

Interleukin-1 circulates in the blood, normally in very low concentrations, and plays a key role in the body's immune system. Interleukin-1 is induced through a bacterial infection, for example, and produces a fever and other responses by affecting the central nervous system. Interleukin-1 comes in two varieties, Interleukin-1á and Interleukin-1β.





Without treatment, IL-1 binds to tumour cells, activating IL1RAP, which transmits a signal that causes the tumour to grow.

Both these neurotransmitters are highly potent and can drive several autoimmune and inflammatory diseases.

Interleukin-1 binds to receptors on the cell surface, creating signals which influence the cells to produce other neurotransmitters, which in turn triggers a cascade of inflammatory processes. One of these receptors is Cantargia's target molecule IL1RAP (Interleukin-1 receptor accessory protein).

In the area of cancer, there are several external studies which clearly show the role played by the IL-1 system role in the development of cancer in preclinical models. An important external validation of the IL-1 system came in August 2017 with the publication in Lancet of a major clinical study in which the antibody canakinumab was tested in a phase III study in more than 10,000 patients. Canakinumab binds to the neurotransmitter IL-1β, slowing down some of the inflammatory processes stimulated by the IL-1 system. The clinical study, which was conducted in patients at high risk of heart attack, showed a significant reduction in inflammation-driven cardiovascular events such as heart attack and stroke. The study included a significant number of smokers and showed a 77 per cent decrease in mortality from lung cancer and 67 per cent fewer cases of lung cancer compared with the control group.

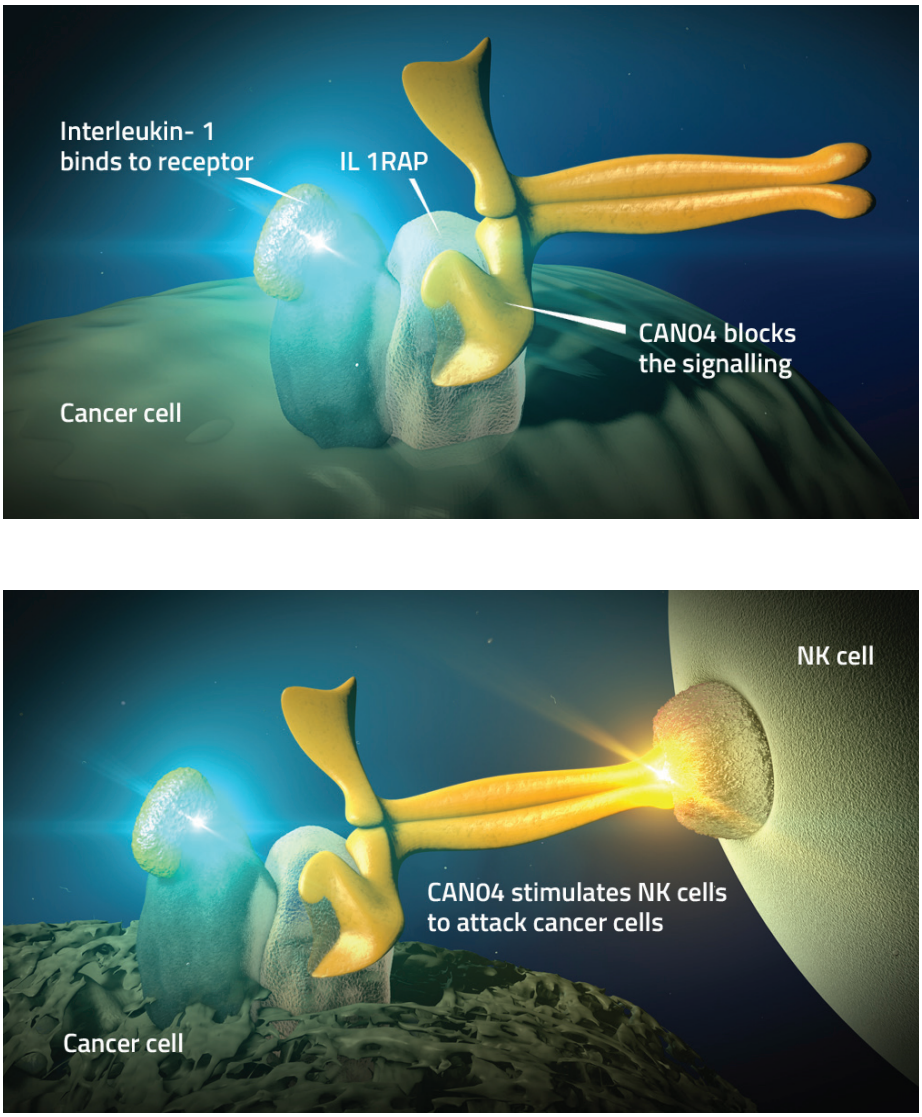
The *Lancet* study provides further clinical evidence of the important role played by the IL-1 system in cancer. Canakinumab blocks IL-1, which is one of the two neurotransmitters in the IL-1 system. Cantargia's concept is based on blocking the target protein IL1RAP and thereby preventing both IL1á and 1â from transmitting inflammatory signals to the tumour.

CAN04 – CANTARGIA'S MAIN PROJECT

Cantargia has conducted extensive research and studies into IL1RAP and examined how the target protein can be blocked. In 2013, antibodies were identified which bind to IL1RAP, and of these, a number of antibodies were selected for a humanisation process and continued studies. In the following years, a final product candidate, CAN04, was identified.

Preclinical development

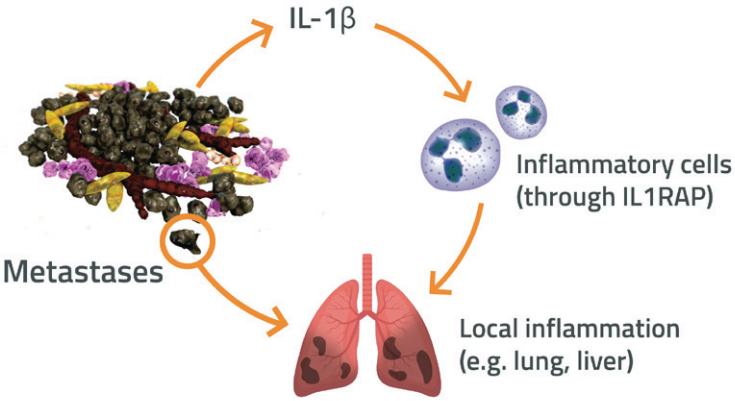
Cantargia has shown that IL1RAP is expressed in tumours from several forms of cancer and that CAN04 binds strongly to the target molecule IL1RAP, which means that the substance can potentially be used for treatment of several forms of cancer. CAN04 has a double-acting effect against the cancer tumour. In the body, CAN04 acts as a guided missile which searches out and binds to the target molecule IL1RAP, blocking the signalling. This stops the inflammation, limits tumour growth and makes it easier for the immune system to respond. CAN04 also stimulates the immune system's killer cells (NK cells) by making a targeted attack against cells which express IL1RAP, a mechanism called ADCC (antibody-dependent cell-mediated cytotoxicity).



CANO4 has a double-acting effect in which the antibody binds to IL1RAP and at the same time blocks the tumour-driving signals and stimulates the immune system to attack the cancer cells.

Cantargia has studied the twin effects of CANO4 in cell-based model systems. Effects of CANO4 on tumour growth and on the immune system are also being studied in cancer models of non-small cell lung cancer and pancreatic cancer in which various combination therapies with other drugs are tested. Studies are also being conducted to further document the properties of CANO4 during the clinical studies.

Recently, data were presented at the AACR conference which showed that CANO4 could have a big potential in preventing metastases. This effect could be dependent on the fact that CANO4 not only attacks tumour cells, but could also have an effect on myeloid cells in the tumour microenvironment, where they are involved in creating an inflammation that impairs the immune system's ability to reject tumours. These cells are influenced by the same mechanisms that were described above for affecting the tumour cells.

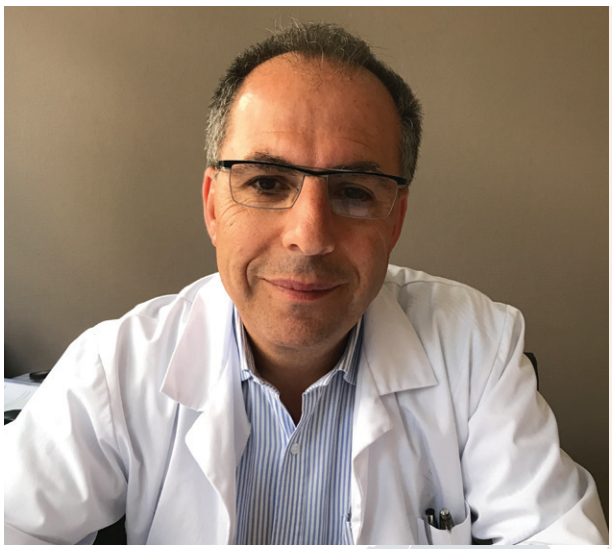


The CANFOUR study

The initial focus of the clinical programme is on non-small cell lung cancer (NSCLC) and pancreatic cancer. The first clinical study – CANFOUR, which is a combined phase I/IIa study – comprises two stages in which safety and dosage are being studied in the initial stage. The aim is to determine an appropriate dose with which to continue the study in the second stage, where signs of treatment effects will be evaluated in addition to safety at the selected dose.

Professor Ahmad Awada is the principal investigator for the CANFOUR study. Professor Awada is Head of Medicine and Medical Oncology at Institut Jules Bordet in Brussels, Belgium, where he is conducting important clinical research into the treatment of solid tumours and is involved in the development of new cancer therapies.

In the initial stage (phase I) of the study, which was initiated in autumn 2017, 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. The study is being conducted by experienced investigators at five clinics at highly regarded hospitals in Belgium, the Netherlands, Denmark and Norway.



Coordinating Investigator:
Professor Ahmad Awada, Head of Medicine and Medical Oncology at Institute Jules Bordet in Brussels, Belgium.

"CAN04 is an interesting new substance which strikes at an important element of the development of the cancer."

"I am very enthusiastic about the opportunity to take part in the initial clinical evaluation of CAN04 in cancer patients."

Belgium
Institut Jules Bordet, Brussels

Denmark
Rigshospitalet, Department of Oncology, Copenhagen

Netherlands
Netherlands Cancer Institute, Amsterdam

Erasmus MC, Rotterdam

Norway
Oslo University Hospital, Radiumhospitalet, Oslo

In October, the first results from the first three patients in the initial dose group were published. No serious side effects were documented and the first patient, who had been treated on three occasions with the CAN04 antibody, had thus formally completed the safety evaluation in accordance with the clinical protocol.

"Our clinical CRO, SMS-oncology, is conducting the study in a professional manner, drawing on their extensive experience, which, together with the great interest shown in the CANFOUR study by our investigators, means that patient recruitment is proceeding according to plan," Lars Thorsson, VP Clinical Development at Cantargia, says.

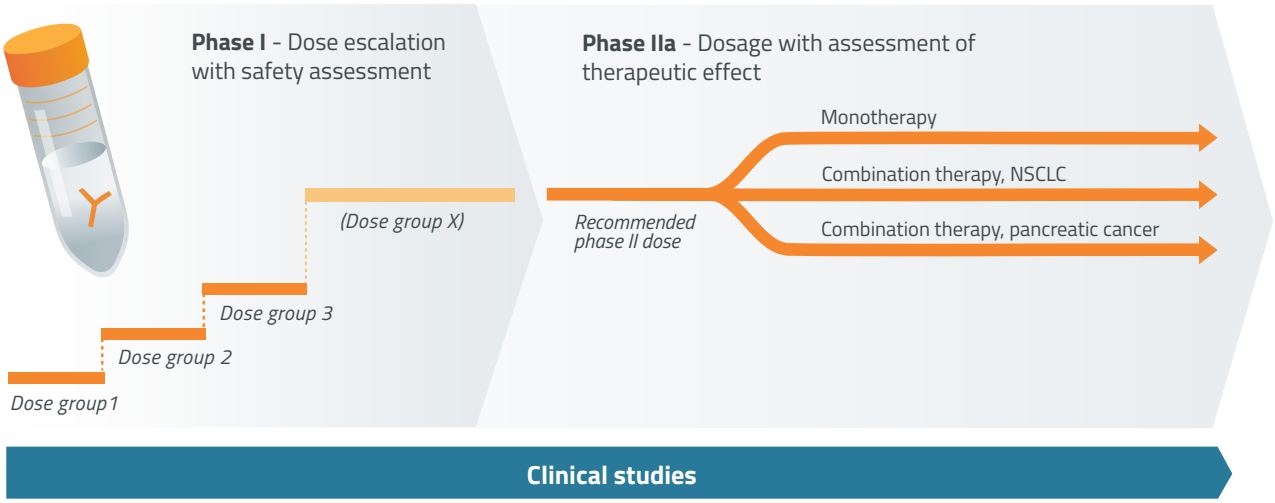
The results of the phase I stage of the study are expected to be ready in summer 2018.

The phase IIa stage

The next step will be to evaluate CAN04 in the second stage (phase IIa), in which the treatment will be given to additional 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 (monotherapy) and in combination with the standard treatments for non-small cell lung cancer and pancreatic cancer. In total, some 100 patients will be treated in the CANFOUR study, which means that other clinics will be involved in phase IIa, in addition to those participating in phase I. In total, 15–20 clinics are expected to be involved.

We expect to obtain an initial indication of anti-tumour activity in the chosen cancer types towards the end of 2019, when the results of the phase IIa stage of the study are expected to be available.

Information on the clinical study is available at clinicaltrials.gov (NCT03267316).

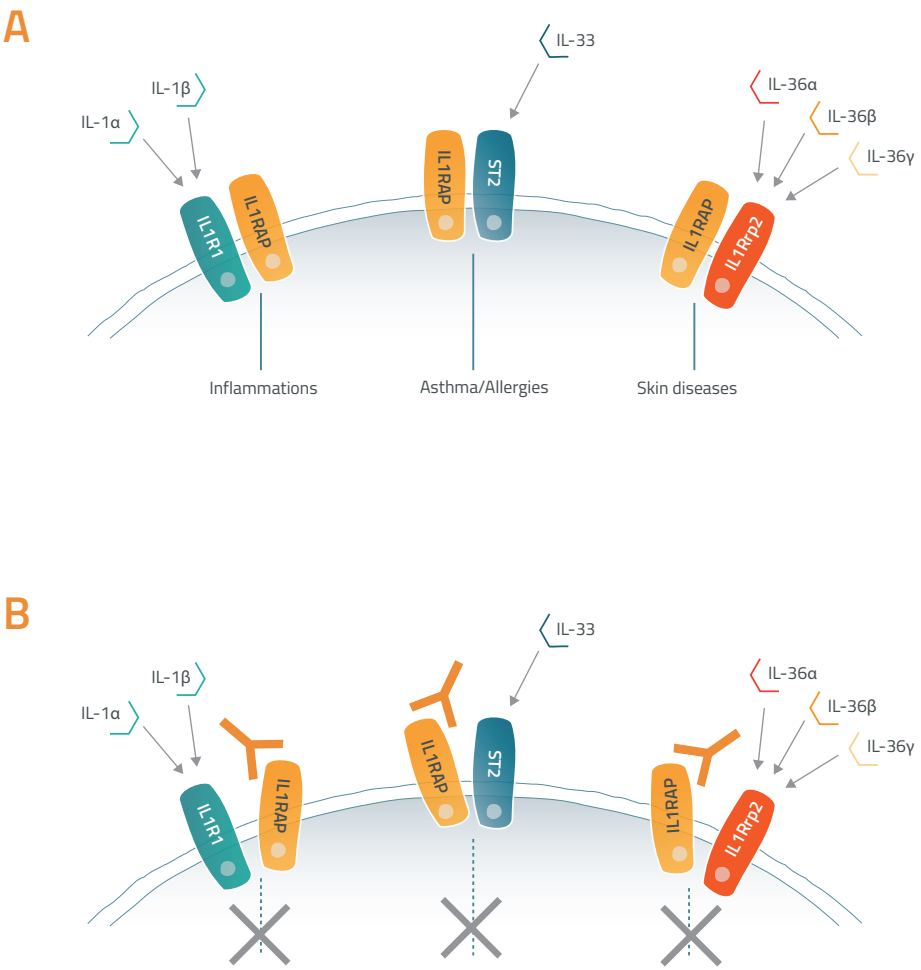


CANxx – CANTARGIA'S SECOND PROJECT

Project CANxx for autoimmune and inflammatory diseases

Cantargia's new project, CANxx, was launched in 2017 with the objective of identifying a clinical candidate that can move on to the development phase in 2019. CANxx is being developed to target a disease segment that supplements CAN04, which will enable Cantargia to diversify its activities to obtain a favourable risk spread in its project portfolio.

IL1RAP plays an important role in inflammatory processes. CANxx is aimed at developing an antibody with properties that are optimised for treatment of autoimmune and in¬flam¬ma¬tory 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 inflam¬ma-tory diseases. There is scientific support indicating that a treatment which targets IL1RAP and thus blocks the above disease mechanisms has a very significant potential in treatment of several diseases and can have a broader and stronger impact than treatment aimed at the individual signal pathways. In its CANxx project, Cantargia will be developing an antibody that is designed to block these signal pathways in the best way with the objective of identifying an effective, safe and stable product candidate in 2019 and then initiating documentation and production in preparation for clinical studies.



PATENT PROTECTION

Cantargia's strategy is to obtain broad patent protection for its current and future product candidates. The company has patent protection for treatment of several cancer diseases using antibodies against IL1RAP. Cantargia also has patent protection in respect of CAN04 and variants of this molecule in Europe and the United States, with additional patents pending in a number of countries, and has filed an application in respect of other antibodies aimed at IL1RAP.

Patent family	Patent applied for	Patent approved	Valid until
Hematological cancer diseases	Australia, Europe, Israel, Japan, Canada, China, Mexico, South Africa, USA	Australia, Europe (France, Italy, Netherlands, Switzerland, Spain, UK, Germany), Japan, China, Mexico, South Africa, USA	2030
Solid tumours	Australia, Europe, Israel, Japan, Canada, China, Mexico, South Africa, USA	Australia, Europe (Belgium, Denmark, France, Ireland, Italy, Netherlands, Poland, Switzerland, Spain, Sweden, Germany, Austria), Japan, USA, Russia	2032
CAN04	Australia, Brazil, Europe, India, Israel, Japan, Canada, China, Mexico, Russia, Singapore, South Africa, South Korea, USA	Europe, USA	2035
CAN01 & CAN03	Australia, Brazil, Europe, India, Japan, Canada, China, Mexico, South Korea, USA	National examination initiated	2035

BUSINESS MODEL

Cantargia's business model and scientific strategy are based on partnerships, and Cantargia has concluded agreements with a number of different companies, hospitals and academic groupings. Currently around 30 international and local players are engaged in research and development related to Cantargia's CAN04 antibody. We are now building partnerships in a similar way in our new project, CANxx.

The strategy is based on driving the development of product candidates until an indication of clinical activity has been obtained. In parallel with clinical studies the other parts of the development programme, such as product development, studies in disease models, combination therapies and biomarker development, will be advanced. After that, Cantargia intends to find a commercial partner that is able to carry out the final stage of clinical development and then register and commercialise our projects.

THE FOUNDERS' STORY

Strong research and foresight laid the foundation for Cantargia

Background

Cantargia was founded at the end of 2009 by Thoas Fioretos, Marcus Järås and Kjell Sjöström together with LU Innovation based on a discovery made during research into leukemia. All of the founders remain involved in Cantargia through various collaborative partnerships and Thoas Fioretos is a member of Cantargia's Board of Directors. Here Thoas Fioretos gives his account of the background, the discovery and the founding of the company as well as the exciting developments that lie ahead.

"The journey from the laboratory bench to clinical studies has been an exciting one," says Thoas Fioretos, who works as a professor and chief physician at the Department of Clinical Genetics at Lund University.

Targeted antibodies

To retrace the origins of Cantargia, we need to go back almost ten years. Then as now, Thoas Fioretos' research at Lund University focused on leukemia – blood cancer. Marcus Järås had recently completed his PhD and was doing a post doc in Thoas Fioretos' research team. "We discussed various strategies for finding cell surface molecules on what are called leukemia stem cells or blood cancer stem cells. It is these that are at the root of the disease; they are the cells that give rise to all leukemia cells and cause relapses after conventional treatment. We examined whether there were any proteins on the surface of these cells which distinguished them from normal blood-forming stem cells. The idea was that it would then be possible to use antibodies which are targeted exclusively at the diseased cells and which would therefore be able to kill these."

An important discovery

Marcus Järås found that IL1RAP was expressed on the cell surface of the stem cells in chronic myeloid leukemia, which is a type of blood cancer, and that the protein was not expressed on healthy stem cells. The two researchers realised that this was an important discovery and that their findings would have an impact on the treatment of blood cancer.

Kjell Sjöström, who currently runs Innovagen AB, a company which specialises in antibodies, became the third link in the team behind Cantargia. "Thanks to Kjell Sjöström, we were able to produce the first antibodies that were shown

Thoas Fioretos

Marcus Järås


Kjell Sjöström

to have an effect on leukemia stem cells," Thoas says. "We engaged the help of LU Innovation and were able to submit our first patent application.

We also had our discovery published in the respected journal Proceedings of the National Academy of Sciences (PNAS)."

The discovery was soon expanded when the research team was able to show that IL1RAP was present not only on the diseased stem cells but also in acute myeloid leukemia. "We also had data which showed that IL1RAP was present on several other types of tumours. Meanwhile, publications were produced by other research teams, mainly in leukemias, which showed that we had found an exciting new track."

By this stage, the three men, Thoas Fioretos, Marcus Järås and Kjell Sjöström, had hatched the idea of creating a company to assist their continued research and develop the project into a drug. It was clear to them that IL1RAP was important for the growth of the cancer cells and that it could be used as a target for treating several different forms of cancer as well as for treating autoimmune and inflammatory diseases.

Capital requirements and incorporation

To continue the project with the aim of developing a drug that could reach the patients and really make a difference in the fight against cancer, they needed capital from investors.

Together with Lund University, the trio once again enlisted the help of LU Innovation and with their help and support from Lund University Bioscience AB, a venture capital firm jointly owned by Lund University and private investors, they were able to form Cantargia.

"The newly formed company enabled us to continue working on our discovery," Thoas Fioretos says. Their continued research showed that IL1RAP is also expressed in solid tumours from several different forms of cancer. The company added additional patents and the activities were gradually professionalised. Apart from strong, sustained support from several of LU Bioscience's private investors, Sunstone Capital was also brought on board, testifying to the quality of Cantargia's research and the company's strong patent portfolio.

To the stock market

With Göran Forsberg at the helm, and drawing on his extensive experience of drug development, the company expanded and further strengthened its position. In March 2015, Cantargia was listed on the stock exchange. The company initially chose to focus on clinical development of solid tumours, and in summer 2017 it was able to launch a phase I study after a successful initial public offering.

In a short space of time, Cantargia has evolved into a promising listed biotech company. According to Thoas Fioretos, there are several factors which explain why things have gone so well. One is that the original innovators have been involved in helping to develop the company while maintaining a good balance of commitments. "As the founders, Marcus, Kjell and I were on the Board of Directors from the outset, and we have continually been involved in developing the company through various collaborative arrangements. After all, we know the basic biology behind it all," says Thoas Fioretos, who remains a Board member. All of the founders are also committed shareholders of the company.

Lund base an important factor

Thoas Fioretos also stresses that Cantargia is a company with a highly skilled and experienced management team, minimal bureaucracy and short lines of command. By working with CROs – contract research organisations – Cantargia has avoided the need to make costly investments that would have tied the company to a specific technical orientation. In addition, several investors of varying size have injected capital through a number of rights issues, which has been crucial to the company's ability to develop a drug that is now being tested in clinical studies," Thoas Fioretos says. Another valuable asset is the company's presence in Lund with its full-scale university and all the faculties round the corner. "In Lund, there are also several good examples which show that it is possible to build successful companies," according to Thoas.

Publications added to credibility

Thoas Fioretos is convinced that the company's strong ties to the researchers are important. To outside experts, who need to assess a discovery which forms the basis for a company, it is important that the research findings have been scientifically assessed. "The discovery needs to be published in recognised scientific publications, and we have succeeded in doing so," Thoas stresses. Scientific findings produced by other parties have also played a role. Last autumn, for example, results from Novartis' CANTOS study created an increased interest in investing in Cantargia. CANTOS is a major heart attack study where partial results have shown that Novartis' antibody against interleukin-1 (IL-1) reduced the incidence of lung cancer in patients. The results attracted widespread attention and can be said to have further validated Cantargia's concept.

The goal – reaching the patient

"For us, the founders, it is quite unique to be able to go from the laboratory bench to the clinical phase and studies in humans in such a short time. A researcher's goal, after all, is to reach the patient. As I see it, Cantargia has what it takes to make this happen," Thoas Fioretos concludes.

In 2018, Thoas Fioretos received the prestigious Wallenberg Clinical Scholars award from the Royal Swedish Academy of Sciences and the Knut and Alice Wallenberg Foundation, which run the Wallenberg Clinical Scholars programme. The goal is to strengthen clinical research in Sweden by identifying the best clinical researchers, enable them to conduct their research and ensure that the results have an impact, both scientifically and in patient care.

https://kaw.wallenberg.org/press/fyra-forskande-overlakare-blir-wallenberg-clinical-scholars-2018

MARKET OVERVIEW

CANCER – A GLOBAL CHALLENGE

Cancer is one of the most common causes of death in the world, accounting for around 20 per cent of deaths in the West. Globally, more than 14 million people are diagnosed with cancer each year and more than eight million lose their lives to cancer-related diseases. Despite significant advances in treatment and diagnosis there is a pressing need for new treatment methods.

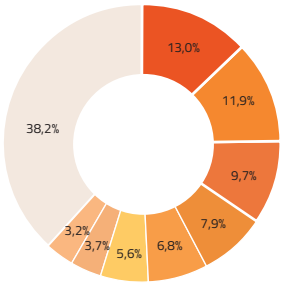
There are around 200 known cancer diseases, which all have in common that cells somewhere in the body have started to divide and grow uncontrollably. Research indicates that two independent events are required for a cancer disease to develop: normal cells have been damaged, resulting in rapid and uncontrolled cell growth, and the cells exist in an inflammatory microenvironment, which acts as a breeding ground and protects them from attacks from the body's immune system. The number of cancer cases is increasing continuously in Sweden and globally, partly due to a larger share of elderly in the population, but also because of Western lifestyle, in which smoking, alcohol consumption, unhealthy diets, low physical activity, overweight, obesity and unhealthy sun habits are contributory factors. In 2013, for the first time, more than 60,000 cases of cancer were registered in a single year in the Swedish National Board of Health and Welfare's cancer register. In Sweden, it is estimated that at least one in three people will be affected by cancer at some point during their lifetime and the number of cancer cases has doubled since 1970. The picture below shows the distribution of cancer incidence (14.1 million cases) and cancer mortality (8.2 million deaths) in the world by type of cancer and major region in 2012.

Incidence, globally 2012

Type of cancer:

- Lung
- Breast
- Bowel
- Prostate
- Stomach
- Liver
- Cervix
- Larynx
- Other, of which:

Pancreatic cancer 2.4%, Leukemia 2.5%

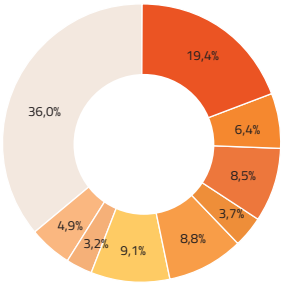


Mortality, globally 2012

Type of cancer:

- Lung
- Breast
- Bowel
- Prostate
- Stomach
- Liver
- Cervix
- Larynx
- Other, of which:

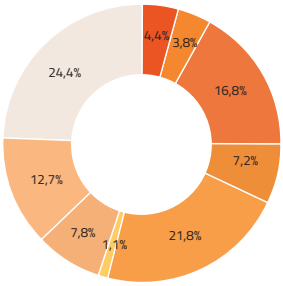
Pancreatic cancer 4.0%, Leukemia 3.2%



Incidence, globally 2012

Region:

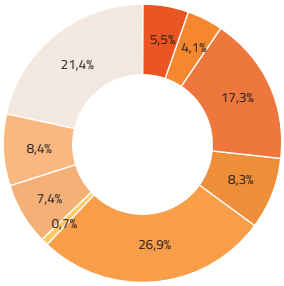
- Africa (Sub-Saharan)
- Middle East and North Africa
- East & Central Asia
- India
- China
- Oceania
- Latin America & Caribbean
- North America
- Europe



Mortality, globally 2012

Region:

- Africa (Sub-Saharan)
- Middle East and North Africa
- East & Central Asia
- India
- China
- Oceania
- Latin America & Caribbean
- North America
- Europe

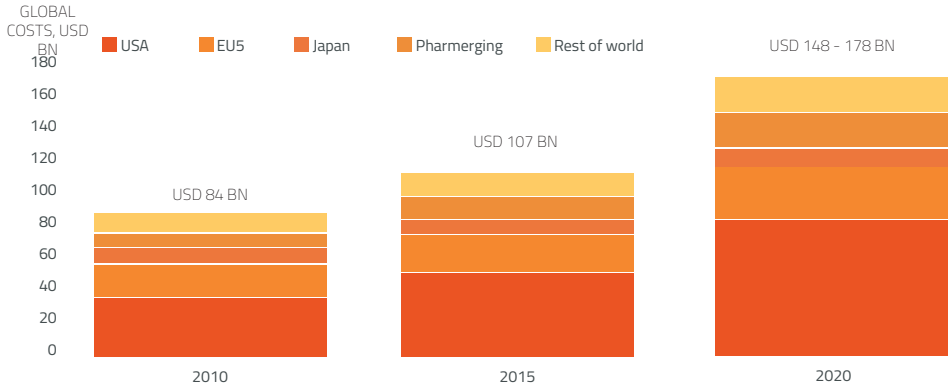


THE MARKET FOR CANCER DRUGS AND ANTIBODIES

The market for cancer drugs is significant and is growing fast. In total, the market was estimated to be worth around USD 107 billion in 2015. New forecasts show that the number of people living with a diagnosis of cancer is set to double by 2040, with a continued strong need for new and more effective drugs and treatment methods, which means that society's costs for cancer will increase dramatically.

The market for cancer drugs is expected to grow at an annual rate of 7.5 to 10.5 per cent and reach USD 150 billion by 2020. Much of this growth is expected to be driven by extensive use of new treatments, especially immuno-oncology therapies.

The market for cancer drugs: Costs and growth 2010–2020



EU5 (France, Germany, Italy, Spain, UK). Pharmerging (China, Brazil, India, Russia, Poland, Argentina, Turkey, Mexico, Venezuela, Romania, Saudi Arabia, Colombia, Vietnam, South Africa, Algeria, Thailand, Indonesia, Egypt, Pakistan, Nigeria, Ukraine).

THE MARKET FOR ANTIBODY-BASED DRUGS

Antibodies, also known as immunoglobulins, are produced by the body's immune system and have the task of binding to and eliminating foreign substances. The antibody binds to specific surface molecules, known as antigens, on foreign substances and enables white blood cells and complement proteins to eliminate these substances from the body. Ultimately, antibodies aim specifically at the intended target, and the link between an antibody and its target structure is very strong. Antibodies have many properties that make them suitable for treatment of diseases, and many newly developed drugs are based on various types of antibodies.

The global market for antibody-based drugs was estimated to be worth USD 105 billion in 2016 and is expected to grow by 12.5 per cent annually to reach USD 340 billion by the end of 2026. The three biggest cancer drugs, Rituxan, Avastin and Herceptin, are antibody-based and are sold by Roche. In 2016, sales of Rituxan reached USD 7.87 billion while sales of Avastin and Herceptin totalled USD 7.13 billion and USD 7.47 billion, respectively. Following recent advances in immuno-oncology there is now a large number of antibody candidates in the research phase and in preclinical and clinical development for treatment of various forms of cancer. In 2011, the first immunotherapeutic antibody, Yervoy® (Bristol-Myers Squibb) was approved. Since then, another three antibody-based immunotherapies for treatment of cancer have been approved by the FDA: Opdivo® (Merck & Co), Keytruda® (Merck & Co) and Tecentriq® (Roche). Antibody-based immunotherapies have expanded their area of application for use in treatment of practically all forms of cancer. The common denominator for these products is that they block the signals used by the cancer tumour to avoid the immune system and continue to grow. In 2017, sales of Yervoy® were USD 1.24 billion, Opdivo® USD 4.95 billion, Keytruda® USD 3.81 billion and Tecentriq® approximately USD 514 million.

CANTARGIA'S INITIAL MARKET FOCUS

CAN04 is an antibody aimed at the IL1RAP target molecule that fights cancer both by activating the immune system and by blocking signals which drive tumour growth. While the patented antibody has the potential to be used for treatment of various forms of cancer, the focus of the initial clinical development is on non-small cell lung cancer (NSCLC) and pancreatic cancer. The choice of initial indications is based on the discovery that the systems which are attacked by CAN04 (interleukin 1 signalling) have been shown to play an important role in tumour development in the chosen indications and on the fact that Cantargia's own research has shown a high expression of IL1RAP on these tumours.

LUNG CANCER

Globally, 1.8 million new cases of lung cancer were diagnosed in 2012 while more than 1.5 million people died as a result of lung cancer. Lung cancer is the form of cancer that causes the largest number of deaths and is the fifth most common cause of death after cardiovascular disease, stroke, COPD and respiratory tract infections. Around 80–85 per cent of all lung cancers are non-small cell lung cancer (NSCLC).

Lung cancer is a form of cancer that is hard to treat and for which there is a significant medical need. Lung cancer is in the first hand treated with surgery combined with radiotherapy or chemotherapy but also with targeted therapies, such as antibodies against PD-1 (Keytruda®, Opdivo®), which stimulate the immune system. Despite this, survival after five years is less than 20 per cent.

A very large study with an antibody against one of the variants of IL-1 (beta) showed a 67 per cent reduction in the number of cases of lung cancer and a 77 per cent decrease in the number of deaths from lung cancer. Promising results have also been reported from a small study conducted at the MD Anderson Cancer Center in the United States with an antibody against the other variant of IL-1 (alpha). In addition to the reduced incidence of lung cancer, both studies showed a reduction in inflammatory biomarkers that could make a very important contribution to help fight the tumour as well as increased muscle mass and an improved quality of life for the patients.

PANCREATIC CANCER

Cancer of the pancreas is hard to treat, as it is often discovered at a late stage of the disease process, which makes it difficult to remove the tumour surgically and means that the cancer has in many cases spread to other organs. Each year some 178,000 people are diagnosed with pancreatic cancer globally while around 173,000 die from the disease. The rate of survival after five years is around seven per cent.

Pancreatic cancer is generally treated with a combination of multiple chemotherapies as well as with radiotherapy and surgery where possible, and there is a very significant need for new treatment methods. Pancreatic cancer is one of the cancer diseases where inflammation is an important part of the development of the tumour and where it has been observed that interleukin-1 plays a central role for the growth of the tumour. There are also studies which show that the IL-1 system creates resistance to certain cytotoxins used in the treatment of pancreatic cancer.

ACUTE MYELOID LEUKEMIA (AML)

AML is the most common form of acute leukemia in adults and is characterised by a rapid increase in white blood cells, which accumulate in the bone marrow and interfere with the production of normal blood cells. The disease progresses rapidly and, if left without treatment, the patient dies within a few months. The underlying reason for the disease is genetic damage, which has been mapped in detail in recent years. It is estimated that there were around 18,000 new cases of AML in the US in 2014 and more than 10,000 AML-related deaths.

Cantargia and its founders have studied AML and other forms of leukemia and have shown that IL1RAP is expressed both on leukemic stem cells and mature cancer cells, and that these can be killed by antibodies targeted at IL1RAP.

OTHER SOLID TUMOURS

In addition to the aforementioned cancer types, studies have shown that IL1RAP is found in other solid tumours such as breast cancer and bowel cancer. The prospects of using CAN04 as an immunological platform for several forms of cancer are therefore good. It is also highly interesting to evaluate CAN04 in combination with other therapies where the mechanisms of action complement each other.

DRUG DEVELOPMENT

To be able to market a drug, the drug first needs to be registered and approved by regulators, who require documentation on efficacy and safety. Drug development is a three-stage process that is often long and costly. The process takes an average of twelve years, covering three stages: the preclinical phase, clinical phase and registration phase.

PRECLINICAL PHASE

The preclinical phase is characterised by the activities conducted by chemists, biologists and pharmacologists who study and develop various substances in laboratories. With the help of effective disease models, researchers can study how various pharmaceutical substances behave and interact. After this, individual substances are selected for closer study, in the laboratory and in animal models. Some of the questions that need to be answered are: "What is the appropriate dose?", "Can the drug produce cancer?" and "Does it affect the animal's reproduction?" The purpose of the preclinical phase is to select a candidate drug (CD), for which an application for clinical trials in humans is submitted.

Before a candidate drug can be tested in humans, much work is required to ensure that the product is sufficiently safe and stable, and to establish how it behaves in the body and how it leaves the body. An application to conduct clinical studies in humans is sent to the relevant drug regulator, which in Sweden is the Medical Products Agency. In the United States, the clinical trial application is called Investigational New Drug Application (IND) and in the EU, Clinical Trial Application (CTA). Applications are filed in those countries where the clinical trial will be conducted and are then examined by independent medical experts, who assess whether the trial can be initiated or whether further documentation is required. Apart from obtaining permission from the drug regulators, the company also needs to apply for and receive permission from each country's local and/or national ethics committee. The approval of an application is followed by a long and complex process involving several years of clinical studies before the company can apply to have the product approved for general use.

CLINICAL PHASE

When the clinical phase begins, clinical studies in humans are initiated. These studies are normally conducted at hospitals or health centres and are formally divided into four phases – phase I, II, III and IV – although the differences between the phases is not always clear-cut in practice. To ensure that the studies can be interpreted objectively, endpoints for the evaluation of the studies are defined in advance. How the study programme for a particular drug should be designed is evaluated continually and regulatory approval is required for each sub-study.

Phase I

Phase I is the first occasion on which a new substance is given to a human. The trial subjects are volunteers and normally healthy, and are subject to constant medical monitoring.

In clinical studies in cancer, however, it is common for patients to be included already in the phase I studies. The purpose of the trial is to determine whether the trial subjects tolerate the drug and whether its behaviour in the body is the same as that indicated in the earlier animal studies and other research. The purpose is also to identify safe doses and identify any side effects. The initial dose is made as low as possible, but is sufficiently high to provide answers to the questions that the trial is designed to illumine. If everything goes as planned, the dose can then gradually be increased to the clinical use level. Phase I studies normally take six months to a year to complete.

Phase II

Phase II is normally the first occasion on which the drug is given to patients with the disease concerned. At this stage, the test group is also increased. This trial group normally consists of 100–500 individuals. The objective of this phase is to show "proof of concept", i.e. that the drug actually has an effect, and to study how it affects the disease or its symptoms and determine the dose to be used in large-scale trials. Like the first phase, phase II normally takes six months to a year to complete.

Phase III

Phase III is initiated only if the results from phase II are sufficiently encouraging to justify further studies. In this phase, the candidate drug is given to larger groups, often 1,000–5,000 patients. The new medicine is tested against an ineffective placebo or against another already approved drug for the same disease condition. Patients are distributed randomly among the drugs and neither the physician nor the patients know which of the products has been administered to each patient. This type of trial is known as a "double-blind and randomised" trial and is considered to be the method that produces the best and most objective evaluation. Only once the trial has been completed is it revealed which patients received the new drug and which received the placebo. It is then possible to determine and evaluate what effect the new drug had compared with the placebo. The studies provide a statistical basis, which means that the difference between the two products must be statistically evident. Phase III can take anywhere from one to four years to complete depending on the disease, the length of time during which the patients are studied and the number of patients included.

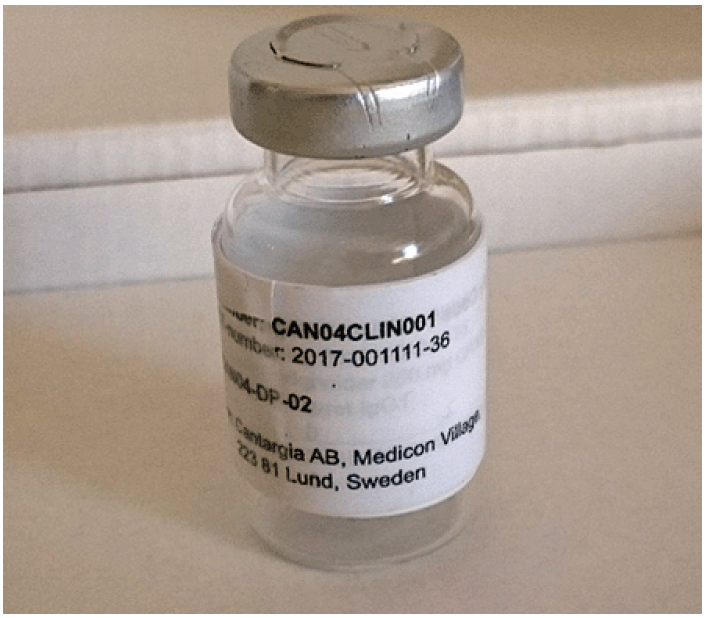
Phase IV

In phase IV, the drug's therapeutic use is studied. After the phase I–III studies have been completed and a drug has been approved by the drug regulator and launched in the market, further clinical studies are often conducted in the area of use for which the product has already been approved. These are known as phase IV studies and are aimed at studying and monitoring the dose and effect relation, the impact on other, simultaneous drug treatments, and any side effects which occur after the market launch. The overall objective is to optimise the use of the drug.

REGISTRATION PHASE

If the drug looks promising and is tolerated well by the patients, further trials are conducted to verify the results. After that, an application for approval is filed with the relevant agency for the evaluation of medical products, which in Europe is normally the common European Medicines Agency (EMA). The application must include all documentation describing the product's quality, safety and effect and can run into hundreds of thousands of pages. It takes on average one year to examine an application. The examination can result in the drug being approved or rejected, or the regulator may demand that further studies be conducted. An approval can also involve the regulator approving a more limited indication than was originally intended. Once regulatory approval has been obtained, the drug can be marketed.

Research and development costs for drug development are high, running into billions of kronor, and of 10–15 products that enter phase I studies, normally only one goes all the way to regulatory approval. About 35 new medical products are introduced in the Swedish market every year.



DIRECTORS' REPORT

The Board of Directors and Chief Executive Officer of Cantargia AB (publ), corporate ID no. 556791-6019, hereby present the annual report for the financial year 1 January 2017 – 31 December 2017. The company has its registered office in Lund, Sweden. Amounts in the annual report are stated in thousands of Swedish kronor (kSEK) unless otherwise indicated.

OPERATIONS

Cantargia is a research-based biotech company that is engaged in research and development of antibody-based therapy for serious diseases. The company has specialised in antibody-based treatment aimed at the IL1RAP target molecule, which has the potential to be used for several different forms of cancer as well as for autoimmune and inflammatory diseases.

FIVE-YEAR COMPARISON [1]

Amounts in kSEK	2017	2016	2015	2014	2013
Net sales	-	-	-	-	-
Loss after net financial income/expense	-60,253	-47,490	-17,190	-8,370	-7,946
Cash and bank balances and liquid investments[3]	149,781	25,904	24,512	16,660	1,496
Equity	246,120	30,035	28,055	4,097	3,132
Total assets	274,453	39,715	31,383	20,129	3,990
Equity/assets ratio (%)	90%	76%	89%	20%	78%
Quick ratio (%)	958%	383%	803%	108%	259%
Direct project development costs	-44,819	-35,493	-7,045	-3,495	-5,773
Total operating expenses	-60,009	-47,557	-17,018	-8,115	-7,978
Direct project development costs to total operating expenses (%)	75%	75%	41%	43%	72%
Number of outstanding shares at 31 Dec[2]	46,940,508	20,917,200	13,505,874	7,594,874	6,342,910
Number of outstanding warrants at 31 Dec	85,000	-	8,283,080	157,250	157,250
Earnings per share before dilution	-1.28	-2.27	-1.27	-1.10	-1.25
Earnings per share after dilution	n/a	n/a	-1.24	n/a	n/a
Equity per share before dilution	5.24	1.24	2.08	0.54	0.49
Dividend (SEK)	-	-	-	-	-

[1] Cantargia AB (publ) has applied Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board (RFR 2) as of the full year 2017. The comparative year 2016 has been restated in accordance with RFR 2. Earlier comparative years have not been restated, which means that the financial statements for the years 2014–2015 were prepared in accordance with the K3 regulations while the 2013 financial statements were prepared in accordance with the Swedish Annual Accounts Act and the General Recommendations of the Swedish Accounting Standards Board.

[2] It should be noted that, as at 31 December 2017, 19,245,303 interim certificates had been issued, which were registered on 8 January 2018. The figure for 2015 has been adjusted for a 37:1 split.

[3] In addition to cash and cash equivalents, the company had short-term investments of kSEK 120,000 (8,937) at 31 December 2017.

Definitions

Cash and bank balances and liquid investments - cash and available deposits with banks and other credit institutions.
Equity/assets ratio - Adjusted equity as a percentage of total assets
Quick ratio - Current assets as a percentage of current liabilities
Direct project development costs - The sum of external costs in Preclinical, Clinical, CMC and Patents.
Earnings per share - Profit for the year divided by number of outstanding shares at end of period
Equity per share - Equity divided by number of shares at end of period

SHAREHOLDERS

Cantargia's ten largest shareholders at 31 December 2017 *).

Shareholder	Number of shares	Share
First Swedish National Pension Fund (AP1)	4,550,000	9.7%
Lund University Bioscience AB **)	4,056,828	8.6%
Fourth Swedish National Pension Fund (AP4)	2,750,000	5.9%
Sunstone Life Science Ventures Fund III K/S	2,295,684	4.9%
Second Swedish National Pension Fund (AP2)	2,200,000	4.7%
Försäkringsaktiebolaget Avanza Pension	1,936101	4.1%
SEB S.A. Clients Assets Ucits	1,900,182	4.0%
Handelsbankens Läkemedelsfond	1,000,000	2.1%
Brushamn Invest AB	792,577	1.7%
Kudu AB	764,136	1.6%
Other, total	24,695,000	52.6%
Total number of registered shares, 31 Dec 2017	**46,940,508**	**100.0%**
Interim certificates 171129 (not converted into shares)	19,245,303	
TOTAL ISSUED	**66,185,811**	

*) The list of shareholders (10 largest) as at 31 December 2017 excludes 19,245,303 interim certificates which had not been converted at that date. These include 3,676,470 shares subscribed by Sunstone Life Science Ventures Fund III K/S, 294,117 shares subscribed by Brushamn Invest AB and 73,529 shares subscribed by Kudu AB.

**) The company was liquidated in 2018 and the shareholding was distributed to the owners.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The following is a summary of events that took place in the company during the year.

Patent portfolio

Cantargia currently has four patent portfolios (as described in the section Patent portfolio). Several important approvals were obtained during the year.

- The company's patent application for its CAN04 product candidate was approved in Europe and the United States. The patent protects CAN04 until 2035, both as a substance and specifically for treatment of various forms of cancer.
- In its application for IL1RAP as target molecule for antibody-based therapy of acute lymphoblastic leukemia, Cantargia received patent approval in China during the period. The Chinese patent office also approved Cantargia's patent application for IL1RAP as target molecule for antibody therapy of several types of solid tumour.
- The USPTO issued a Notice of Allowance for the company's second, follow-up patent application, no. 15/196,795, in the solid tumours patent family.

Research activities

In 2017, Cantargia reported that CAN04 had been shown to have good safety characteristics in two separate GLP studies – a toxicity study and a study looking at how CAN04 binds to tissue from healthy volunteers. In May 2017, an application for permission to start clinical trials was submitted and in July 2017 Cantargia received approval to initiate its CANFOUR clinical study for treatment of patients with different forms of cancer. In the autumn, Cantargia announced that the first patient had been treated on three occasions with the CAN04 antibody, thus formally completing the safety evaluation prescribed in the clinical protocol. At same time, the first results of the clinical study of the first three patients in the first dose group were published. No serious side effects had been documented.

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

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

Financial events

In January 2017, Cantargia raised approximately SEK 72.5 million before issue costs. Later in the year, Cantargia completed a directed share issue and a rights issue, raising a further SEK 232 million for an expanded clinical programme on CAN04. Cantargia thus has the financing it needs to expand its clinical development programme for CAN04 and accelerate the development of CANxx. Several institutional investors participated in the directed share issue, strengthening the company's shareholder base. During the year, the company also decided to apply for listing on the main list of Nasdaq Stockholm in 2018.

REVENUE AND EARNINGS

Cantargia's net sales in 2017 were kSEK 0 (0). The company incurred operating expenses of kSEK -60,009 (-47,557), which is also the operating loss for the year. The increased operating expenses are explained by the intensification of activities during the year in connection with the CAN04 product candidate reaching the clinical phase. Project costs therefore increased by kSEK -9,326. The average number of employees also increased during the year and personnel expenses consequently increased by kSEK -1,277 compared with the previous year. The company incurred a net financial expense of kSEK -254 (65) due to a weaker Swedish krona. The loss for the year was kSEK -60,253 (-47,490).

FINANCIAL POSITION

The company's financial position was strengthened during the year as a result of the completed share offerings. Total assets were kSEK 274,453 (39,715), of which kSEK 0 (0) refers to intangible assets following the adjustment that was made in connection with the transition to financial reporting in accordance with RFR 2 (IFRS), see Note 23. Cash and cash equivalents at year-end were kSEK 149,781 (25,904). In addition to cash and cash equivalents, the company has short-term investments in funds of kSEK 120,000 (8,937), which are liquid in the short term. Equity at year-end was kSEK 246,120 (30,035) and the share capital was kSEK 3,755 (1,673). The equity/assets ratio at the end of the period was 90 (76) per cent. Equity per share was SEK 5.24 (1.24). The company has no interest-bearing liabilities.

CASH FLOW

The company's cash flow for the year was kSEK 123,877 (16,263).

Cash flow from operating activities before changes in working capital was negative, kSEK -60,253 (-47,490), while cash flow from changes in working capital was positive, kSEK 19,150 (5,152), due to unsettled issue costs of kSEK 17,610. Cash flow from operating activities was thus kSEK -41,103 (-42,338).

Cash flow from investments was kSEK -111,063 (4,849), of which the change in short-term investments accounts for by far the dominant share. Investments in intangible assets were kSEK 0 (0) in accordance with the application of RFR 2 and investments in long-term financial assets were kSEK -295 (-1,085).

The share offerings that were completed during the year had a positive impact on cash flow of kSEK 276,266 after capital acquisition costs. Total cash flow from financing activities was kSEK 276,338 (53,752).

INVESTMENTS

Total non-current assets at 31 December 2017 were kSEK 2,957 (2,662), all of which refers to provisions for any future severance pay. The company currently does not capitalise any development costs, which are expensed directly in the income statement.

SHARE INFORMATION

Cantargia's shares have been listed on Nasdaq Stockholm First North since 17 March 2015, under the ticker "CANTA". At 31 December 2017, Cantargia had a share capital of SEK 3,755,240.64. The number of shares of Cantargia at the same date was 46,940,508.

Share capital history

Year	Event	Quotient value	Increase in no. of shares	Increase in share capital	Total no. of shares	Total share capital
2009	Incorporation	1.00	100,000	100,000,00	100,000	100,000,00
2010	Issue of new shares	1.00	10,870	10,870,00	110,870	110,870,00
2011	Issue of new shares	1.00	14,130	14,130,00	125,000	125,000,00
2012	Issue of new shares	1.00	3,571	3,571,00	128,571	128,571,00
2012	Issue of new shares	1.00	7,143	7,143,00	135,714	135,714,00
2012	Issue of new shares	1.00	7,143	7,143,00	142,857	142,857,00
2013	Issue of new shares	1.00	3,572	3,572,00	146,429	146,429,00
2013	Issue of new shares	1.00	25,001	25,001,00	171,430	171,430,00
2014	Issue of new shares	1.00	12,500	12,500,00	183,930	183,930,00
2014	Bonus issue	2.96	-	360,502,80	183,930	544,432,80
2014	37:1 share split	0.08	6,621,480	-	6,805,410	544,432,80
2014	Debt-for-equity swap	0.08	789,464	63,157,12	7,594,874	607,589,92
2015	Issue	0.08	5,800,000	464,000,00	13,394,874	1,071,589,92
2015	Issue of new shares, TO 2010:1	0.08	111,000	8,880,00	13,505,874	1,080,469,92
2016	Issue of new shares, TO1/TO3	0.08	4,127,260	330,180,80	17,633,134	1,410,650,72
2016	Issue of new shares, 2011/2016	0.08	46,250	3,700,00	17,679,384	1,414,350,72
2016	Issue of new shares, TO2/TO4	0.08	3,237,816	259,025,28	20,917,200	1,673,376,00
2017	Issue of new shares	0.08	11,158,308	892,664,64	32,075,508	2,566,040,64
2017	Issue of new shares	0.08	14,865,000	1,189,200,00	46,940,508	3,755,240,64
2018	Issue of new shares	0.08	19,245,303	1,539,624,24	66,185,811	5,294,864,88

On 8 January 2018, 19,245,303 interim certificates were converted into registered ordinary shares in connection with the completion of a rights issue.

RISK FACTORS

A number of risk factors can have a negative impact on the operations of Cantargia. It is therefore very important to take account of relevant risks in addition to assessing the company's growth prospects. A description of risk factors, not in order of importance and not exhaustive, is given below. For natural reasons, it is not possible to assess all risk factors without making a general assessment of the company's operations and external factors. See also Note 3 Financial risk management.

Research and development and dependence on one candidate drug

Cantargia is engaged in research and development of an antibody treatment for various forms of cancer, with a focus on non-small cell lung cancer and pancreatic cancer. The company has not yet launched any candidate drugs in the market. No sales of drugs have therefore been initiated, and Cantargia's operations have so far not generated any sales revenue. In 2017, clinical development of the company's candidate drug, CAN04, was initiated.

The development of CAN04 is associated with significant risks of failure and/or that the results will be such that continued research and development will be required. These risks include the risk that the company's drug will prove to be ineffective, dangerous, toxic or otherwise fail to meet the applicable requirements or that the candidate drug will prove to be difficult to develop into a commercially viable product that generates revenue for the company. There is also a risk that delays and unexpected difficulties in the development (for example, production or clinical studies) could incur additional costs for the company. In the event that the development of CAN04 fails, this would have a significant adverse impact on Cantargia's operations, financial position and results, and there is a risk that Cantargia would not be able to continue its operations in their current form.

Implementation of preclinical and clinical studies

Before a drug can be launched in the market, its safety and efficacy for treatment of humans must be assured, which requires extensive preclinical and clinical studies. Such studies are associated with significant uncertainty and risks with regard to timetables, results and outcomes. Results from early clinical studies are not always consistent with the results of more comprehensive clinical studies. There is a risk that the planned studies will not indicate levels of safety and efficacy that are sufficient to obtain the required regulatory permits or to enable the company to license, establish partnerships for or sell its potential product. The results from preclinical and clinical studies could also result in Cantargia being required to conduct expanded studies. Such studies could result in increased costs, materially delay the registration with the licensing authorities, result in registration of a more limited indication or cause Cantargia to refrain from commercialising its product candidate.

Cantargia, any future business partners, institutional control bodies and/or regulatory authorities could, moreover, at any time suspend clinical trials if it is assumed that the trial subjects or patients participating in such studies are being exposed to unacceptable health risks. For example, patients participating in the studies could experience side effects, which could delay or prevent further product development. The risk that a product will have negative effects remains even after any market authorisation is granted. A product that has already been approved can thus be withdrawn from the market if, for example, it is found to be inadequate from a safety perspective. The aforementioned risks could have a significant negative impact on the company's operations, financial position and results.

Regulatory permits and registrations

To be approved for preclinical and clinical studies and/or to obtain the right market and sell a drug, all candidate drugs under development need to go through a comprehensive registration process and be approved by the relevant regulator in an individual market, such as the US Food and Drug Administration ("FDA") or European Medicines Agency ("EMA"). The registration process covers, for example and where applicable, requirements relating to the development, testing, registration, approval, labelling, production and distribution of new drugs. If such requirements, whether existing or such as may be introduced in future, are not met, this could result, for example, in the recall of products, a suspension of imports, registration being declined, the withdrawal of previous approvals of applications or charges being brought. If a drug that has been developed by Cantargia is registered for commercialisation, there is a risk that Cantargia will not be able to meet new rules or will be unable to maintain its registration or obtain equivalent permits for any further drugs.

There is also a risk that the rules which currently apply for registration, or interpretations of these rules, will be amended in a way that is to the disadvantage of Cantargia. Authorities are not bound by the advice they provide during the development process, but can change their assessments, which could lead to delays caused by necessary changes to the research and development programme. Authorities may also make different assessments than Cantargia, for example with regard to the interpretation of data from studies or the quality of data. In the event that Cantargia does not obtain the required product approvals or in the event that any future approvals are withdrawn or limited, this could have significant negative effects on Cantargia's operations, financial position and results.

Changes in economic activity and the pricing of drugs

The pricing and demand for pharmaceutical drugs could be adversely affected by a general economic decline in major pharmaceuticals markets.

A general economic decline could, for example, affect payers of healthcare, including public authorities, insurance companies and hospitals, and result in a reduced willingness to pay for pharmaceutical drugs. This, coupled with, for example, other changes in the budgets of such payers, could result in reduced payments for pharmaceutical companies, including Cantargia in the event that Cantargia in future receives relevant approvals for its products. In certain countries, the pricing of drugs is determined at the regulatory level and, in case of the launch of drugs, the pricing could thus be regulated by authorities in several countries. A deterioration in general economic conditions and/or regulatory decisions could therefore result in a lower pricing of the drug projects than expected by Cantargia, which could have a significant negative impact on the company's operations, financial position and results.

Partnerships, licensing and marketing

Cantargia is and will in future be dependent on partnerships in connection with the development of candidate drugs, preclinical and clinical studies, and licensing/partnerships for any future sale of drugs. Of particular importance for the company's current operations are its partnerships with Celonic Biotechnology GmbH and BioWa Inc. for the manufacture and production of CAN04 and its partnership with Specialized Medical Services-oncology BV ("SMS-oncology") for the performance of the company's first clinical study with CAN04. In the event that these or future partnerships were to be terminated, there is a risk that the company would be unable, on short notice, to conclude contracts with suitable new business partners, which could have a significant negative impact on the company's operations, financial position and results.

If current or future external partners were to fail to fulfil their obligations or keep to the agreed timetables, if the external parties were to fail to acquire sufficient necessary material for the development of the candidate drug, if the quality or reliability of the clinical information they obtain is neglected or if confidentiality concerning research results in concluded research agreements for one reason or another cannot be maintained, the ongoing or planned preclinical and clinical trials could be rendered more difficult, delayed or terminated completely, which would have a significant negative impact on the company's operations and its ability to license or commercialise its product.

Finally, there is a risk that one or more of Cantargia's current or future manufacturers and suppliers will choose to end their collaboration with the company. Moreover, and in the event that the development of CAN04 proceeds successfully, Cantargia will also be dependent on external parties for marketing and sales. If the company is not successful in its attempts to conclude future or maintain existing partnership agreements for its product candidate, this could have a significant negative impact on Cantargia's operations, financial position and results.

Development of further candidate drugs

In addition to CAN04, Cantargia intends to continue its research into and engage in further development in the CANxx project, which is aimed at generating a new antibody against the IL1RAP target molecule for treatment of autoimmune/inflammatory diseases. There is a risk that Cantargia's available financial resources will prove insufficient to conduct such development and that the company, as a result thereof, may be forced to discontinue development or find other sources of financing or, alternatively, that the company's work on CAN04 may suffer. Continuing the further development of CANxx could create a need to expand the company's organisational resources, which could incur further costs for the company. There is thus a risk that the company's work on further candidate drugs will have a negative impact on its operations, financial position and results. To partially balance the above risk, Cantargia concluded a partnership agreement with Panorama Research Inc., a California-based company specialising in antibody development, in June 2017. Through the partnership, the parties will jointly engage in intensive development of CANxx with a focus on autoimmune and inflammatory diseases.

Financing and capital requirements

Since starting its operations Cantargia has been reporting an operating loss and cash flow is expected to remain mainly negative until Cantargia succeeds in generating revenue from a launched product. The company's planned preclinical and clinical studies will entail significant costs and the company's development of its product candidate could prove more time- and cost-consuming than planned. Cantargia will also continue to need significant capital for research and development in order to conduct preclinical and clinical studies with CAN04 and for its continued research into and development of CANxx. Access to and the terms and conditions for further financing are affected by several factors, such as the possibility of concluding partnership agreements and general access to risk capital. If Cantargia, wholly or partly, were to fail to acquire sufficient capital, or succeed in doing so only on unfavourable terms, this could have a significant negative impact on the company's operations, financial position and results.

Competition

The pharmaceutical industry is subject to tough competition and there are several potential competitors to Cantargia and its future business partners, such as universities and research institutions. Some of the company's competitors are multinational companies with significant financial resources and greater capacity in terms of research and development, for example, or contacts with regulators than Cantargia. If a competitor succeeds in developing and launching an effective cancer drug, this could have a negative impact on the company's ability to generate revenue.

Furthermore, technology that is controlled by outside parties and that could be of use for the company's operations could be acquired or licensed by Cantargia's competitors, and thereby prevent Cantargia from obtaining such technology on commercially acceptable terms, or at all.

Competitors with greater resources could also successfully market a similar or even an inferior drug and obtain wider recognition in healthcare in general for such a drug, which could

have a negative impact on the company's operations, financial position and results.

Dependence on key individuals and employees

Cantargia is dependent on a number of key individuals for the continued development of the company's operations and preclinical and clinical projects. Cantargia's ability to retain and recruit qualified employees is of great significance for assuring a high level of expertise in the company. There is, however, a risk that one or several of the company's employees will terminate their employment with the company or that the company will fail to recruit new individuals with relevant knowledge, which could delay the company's development and commercialisation of its candidate drug. In the event that the company were to lose any of its employees, this could, at least in the short term, have a negative impact on the company's operations, financial position and results.

The employment contracts for several of Cantargia's employees give the employee a right to terminate his employment with the company with immediate effect in the event of a change in the employee's terms of employment as a result of changes in the company's ownership structure. In the event that an employee terminates his employment contract on this basis or if the company gives dismisses the employee within a twelve-month period of the change in ownership structure, the company will be obliged to pay six months' severance pay to the employee. If the terms of employment were to change as a result of a change of ownership there is a risk that several employees will choose to terminate their employment under their employment contracts, which could have a significant negative impact on the company's operations, financial position and results.

Patents and other intellectual property rights

Cantargia's potential success is dependent on the company's ability to obtain and maintain patent protection of its future products, applications and production methods. There is a risk that it will not be possible to obtain patent protection for drugs and production methods developed by Cantargia, that Cantargia will be unable to register and complete all necessary or desirable patent applications at a reasonable cost or that a future patent portfolio and other intellectual property rights held by the company will not provide adequate commercial protection. There is also a risk that a patent will not create a competitive advantage for the company's drugs and/or methods or that competitors will succeed in circumventing the company's patents. If Cantargia is forced to defend its patent rights against a competitor this could entail significant costs, especially in any disputes with competitors with significantly greater resources than Cantargia.

If Cantargia in its own operations uses or is alleged to be using products or methods which are protected by patents or will be patented by another party, the holder of these patents could accuse Cantargia of patent infringement. There is therefore a risk that Cantargia will be drawn into processes or other procedures for alleged infringements of patents or rights. Due to the uncertainty that is associated with patent protection, the outcome of such disputes is hard to predict. In case of a negative outcome for the company of such a process, Cantargia could be liable to pay damages, be prohibited from continuing the activity which constitutes an infringement and/or be forced to acquire a licence to continue to produce or market the products and/or methods covered.

The failure to maintain its own, and/or any infringement of other parties', intellectual property rights could have a significant negative impact on Cantargia's operations, financial position and results.

Changes to laws and regulations, and regulatory interpretations and practice

The pharmaceutical industry is heavily regulated by laws and regulations covering the development process, approval process, quality controls, documentation requirements and pricing systems. Cantargia believes the company is following these laws and regulations. There is, however, a risk that new laws will be adopted, which, in an attempt to reduce public healthcare costs, could materially change the regulatory framework which governs preclinical and clinical studies, regulatory approvals, production and marketing of regulated products and their pricing. Such changes, revisions and/or reinterpretations could, for example, result in demands for further preclinical and clinical studies, changed production methods and increased documentation requirements. Changes to laws and regulations for drugs, in the US and the EU, as well as in other major markets for pharmaceuticals, could result in increased costs and could also have a significant negative impact on Cantargia's operations, financial position and results.

Product liability

Cantargia's operations are subject to various liability risks that are common for companies engaged in drug research and development. This includes the risk of product liability that can arise in connection with production and clinical studies where the participating patients can experience side effects or fall ill during treatment. There is a risk that product liability claims could have a significant negative impact on Cantargia's operations, financial position and results.

Insurance cover

Cantargia believes it has appropriate insurance cover for its current operations. There is, however, a risk that such cover will prove insufficient for claims that could arise in relation to product liability and other damage. Furthermore, it is not certain that the company will be able to maintain its insurance cover on favourable terms, or at all. There is therefore a risk that insufficient or excessively expensive insurance cover could have a significant negative impact on the company's operations, financial position and results.

Disputes and legal actions

In 2016, a German company filed objections to Cantargia's European patents related to antibodies against IL1RAP for treatment of leukemia and solid tumours. Following the completion of the opposition proceedings in early 2018, the European Patent Office ruled that Cantargia's patents should remain unchanged. Other than these objections, Cantargia is currently not involved in any legal actions with third parties or with regulatory or managing authorities. Nor can the company reasonably predict any such action. There is, however, a risk that the company may be involved in such future disputes related to its ongoing activities. Such disputes could relate to alleged infringements of intellectual property rights, the validity of certain patents and other commercial disputes. Disputes and claims can be time-consuming, disrupt the operations, relate to significant amounts or important matters of principle, and incur significant costs and have a significant impact on the company's operations, financial position and results.

Currency risk

Assets, liabilities, income and expenses in foreign currency give rise to currency exposures. A weakening of the Swedish krona (SEK) against other currencies increases the recognised amounts of Cantargia's assets, liabilities, income and earnings while a strengthening of the SEK against other currencies decreases these items. The company is exposed to such changes, as parts of the company's costs are paid in EUR and other international currencies and because a part of the company's future sales revenue may be received in international currencies. A material change in such exchange rates could have a negative impact on the company's financial statements, which in turn could have negative effects on Cantargia's financial position and results. See also Note 3.

Tax losses

In view of the fact that Cantargia's operations have generated significant deficits, the company has significant accumulated tax losses. Changes in ownership resulting in a change in control over the company could restrict (wholly or partly) the company's ability to use such losses in future. The company's ability to use the losses in future could also be adversely affected by changes in the applicable legislation. Such restrictions of the right to use the company's accumulated tax losses could have negative effects on Cantargia's financial position and results.

ORGANISATION

One of Cantargia's key success factors is the company's employees. The average number of employees of the company during the year was 5 (4), of whom 2 (1) is a woman. The number of employees at year-end was 5 (4) full-time equivalents, of whom 2 (1) is a woman. The level of education among the employees is high. All five employees hold PhDs in medicine or natural sciences.

In addition to its employees, Cantargia engages a number of consultants who are tied to the business on a continuous basis. The large network with which Cantargia works ensures access to top-level expertise, flexibility and cost effectiveness.

RESEARCH AND DEVELOPMENT

The majority of the company's resources are used for research and development.

ENVIRONMENTAL IMPACT

Cantargia AB does not engage in activities requiring a permit under the Swedish Environmental Code, as the company does not engage in the production of pharmaceuticals or pharmaceutical substances and does not handle solvents and chemicals.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

In January 2018, the United States Patent and Trademark Office (USPTO) notified Cantargia that it had issued a Notice of Allowance for the company's second, follow-up patent application, no. 15/196,795, in the solid tumours patent family.

In January, the Chinese patent office formally approved Cantargia's patent application for IL1RAP as target molecule for antibody therapy of several types of solid tumour. The approved patent has the number ZL201280014136.7.

In 2016, a third party filed oppositions to two of Cantargia's patents in Europe. One of the patents relates to IL1RAP as target molecule for treatment of hematological cancer while the other relates to solid tumours. In January this year, the European Patent Office decided that both patents should remain unchanged.

Cantargia's Nominating Committee for the Annual General Meeting 2018 has been appointed and consists of Claus Andersson (Sunstone Life Science Ventures), Mats Larsson (First AP Fund) and Jannis Kitsakis (Fourth AP Fund).

In February 2018, the United States Patent and Trademark Office (USPTO) notified Cantargia that it had issued a Notice of Allowance for the company's second, follow-up patent application, no. 15/242,242, in the hematological cancer family.

In March 2018, Cantargia was able to show that antibody treatment of IL1RAP signalling had been found to reduce metastases in an experimental cancer model. The results of this preclinical in vivo study point to a new mechanism for preventing the spread of metastases. The results were presented at the 2018 Annual Meeting of the American Association for Cancer Research in Chicago on 14–18 April. The presentation is available on Cantargia's website, www.cantargia.com.

OUTLOOK FOR 2018

Cantargia's objective is to develop, patent and document candidate drugs for use in cancer therapy. The plan is to eventually sell or license such candidate drugs to companies operating in Cantargia's field of activity. The objective for 2018 is to continue the clinical phase I/IIa CANFOUR study that was initiated in 2017 with a focus on examining non-small cell lung cancer and pancreatic cancer. Continued preclinical studies will be conducted to support clinical development, primarily in the selected cancer indications, which will, for example, involve developing biomarkers.

APPROPRIATION OF RETAINED EARNINGS

Proposed appropriation of retained earnings. The Annual General Meeting is asked to resolve on the appropriation of the following:

Loss brought forward	-89,602,415
Share premium account	390,608,485
Loss for the year	-60,252,705
	240,753,365

The Board of Directors proposes that: SEK 240,753,365 be carried forward.

For more information on the company's results and financial position, see the following income statement and balance sheet and the additional disclosures.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

(kSEK)	Note	1 Jan 2017 -31 Dec 2017	1 Jan 2016 -31 Dec 2016
Operating income			
Net sales		-	-
Operating expenses			
Project costs		-44,819	-35,493
Other external expenses	6, 8, 18	-6,917	-5,119
Personnel expenses	7, 18	-8,064	-6,787
Other operating expenses	9, 12	-210	-158
		-60,009	**-47,557**
Operating loss		**-60,009**	**-47,557**
Financial income and expense			
Interest income and similar income	10	86	132
Interest expense and similar charges	10, 12	-329	-65
		-243	**67**
Loss before tax		**-60,253**	**-47,490**
Tax for the period	11	0	0
Loss for the year *)	**20**	**-60,253**	**-47,490**
Earnings per share before and after dilution (SEK) based on average number of shares	20	-1.86	-2.72

*) No items are recognised in other comprehensive income. Total comprehensive income is therefore same as profit/loss for the year.

BALANCE SHEET

(kSEK)	Note	31 Dec 2017	31 Dec 2016	1 Jan 2016
ASSETS				
Non-current assets				
Intangible assets				
Concessions, patents, licences and trademarks	23	-	-	-
		-	-	-
Financial assets				
Other securities held as non-current assets	13	2,957	2,662	1,577
		2,957	**2,662**	**1,577**
Total non-current assets		**2,957**	**2,662**	**1,577**
Current assets				
Other receivables		1,345	795	253
Prepaid expenses and accrued income		370	1,417	589
		1,715	**2,212**	**842**
Short-term investments				
Other short-term investments	14	120,000	8,937	14,871
		120,000	**8,937**	**14,871**
Cash and bank balances				
Cash and bank balances	15	149,781	25,904	9,641
		149,781	25,904	9,641
Total current assets		**271,496**	**37,053**	**25,354**
TOTAL ASSETS		**274,453**	**39,715**	**26,931**

BALANCE SHEET, CONT.

EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital	16	3,755	1,673	1,080
Share capital not yet registered		1,612	-	-
		5,367	**1,673**	**1,080**
Non-restricted equity				
Share premium account		390,608	117964	64,805
Retained earnings		-89,602	-42,112	-23,087
Loss for the year		-60,253	-47,490	-19,025
	21	**240,753**	**28,362**	**22,693**
Total equity		**246,120**	**30,035**	**23,773**
Non-current liabilities				
Provisions	23	-	-	-
		-	-	-
Current liabilities				
Trade payables	24	20,619	7,419	1,794
Tax liabilities		377	186	51
Other liabilities		221	167	194
Accrued expenses and deferred income	17	7,117	1,908	1,119
		28,333	**9,680**	**3,158**
TOTAL EQUITY AND LIABILITIES		**274,453**	**39,715**	**26,931**

STATEMENT OF CHANGES IN EQUITY

	Restricted equity		Non-restricted equity		Total
(kSEK)	Share capital	Paid-up not regd share cap	Share premium account	Ret earnings incl profit/ loss for year	Total equity
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 scheme	-	72	-	-	72
Issue of new shares	2,082	1,540	300,857	-	304,479
Capital acquisition costs	-	-	-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**
Closing balance, 31 December 2015	**1,080**	**-**	**64,805**	**-37,830**	**28,055**
Adjustments on transition to RFR 2	-	-	-	-4,282	-4,282
Opening balance, 1 January 2016	**1,080**	**-**	**64,805**	**-42,112**	**23,773**
Loss for the period	-	-	-	-47,490	-47,490
Transactions with shareholders					
Issue of new shares	593	-	55,632	-	56,225
Capital acquisition costs	-	-	-2,473	-	-2,473
	593	-	53,159	-	53,752
Closing balance, 31 December 2016	**1,673**	**-**	**117,964**	**-89,602**	**30,035**

STATEMENT OF CASH FLOWS

(kSEK)	Note	1 Jan 2017 -31 Dec 2017	1 Jan 2016 -31 Dec 2016
Cash flow from operating activities			
Operating loss		-60,009	-47,557
Interest received etc.	10	86	132
Interest paid etc.	10	-329	-65
Cash flow from operating activities before changes in working capital		**-60,253**	**-47,490**
Changes in working capital			
Change in receivables		497	-1,370
Change in trade payables	24	13,200	5,625
Changes in other current liabilities		5,453	897
		19,150	**5,152**
Cash flow from operating activities		**-41,103**	**-42,338**
Investing activities			
Acquisition of concessions, patents, licences, etc.		-	-
Acquisition of other long-term securities	13	-295	-1,085
Changes in other short-term investments		-111,063	5,934
Provisions		-	-
		-111,358	**4,849**
Financing activities			
Issue of new shares		304,479	56,225
Capital acquisition costs		-28,213	-2,473
Issue of warrants	19	72	-
		276,338	**53,752**
Change in cash and cash equivalents		123,877	16,263
Cash and cash equivalents at beginning of period		25,904	9,641
Cash and cash equivalents at end of period *)	15	**149,781**	**25,904**

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1
General information
Cantargia AB (publ), with registered office in Lund, Sweden, was founded in 2010 and is a biotechnology company engaged in research and development of antibody-based therapy for serious diseases. The company has specialised in antibody-based treatment aimed at the target molecule Interleukin-1 Receptor Accessory Protein ("IL1RAP"), which has the potential to be used against a number of different forms of cancer as well as for autoimmune and inflammatory diseases. In its most advanced project, Cantargia is developing the CAN04 antibody, which is double-acting. This means that it fights cancer both by activating the immune system and by blocking signals that drive tumour growth.

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

The group consists of the parent company Cantargia AB, corporate ID number 556791-6019.

Cantargia's shares have been listed on Nasdaq First North since 2015.

NOTE 2
Accounting policies and valuation principles
Significant accounting policies applied in preparing this annual report are described in the following. Unless otherwise stated, these policies have been applied consistently for all the annual periods presented. This annual report was adopted by the Board of Directors on 9 May 2018.

2.1 Basis of preparation of financial statements
Cantargia AB has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board (RFR 2). 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 annual report for 2017 is Cantargia's first annual report to be prepared in accordance with the 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 opening balance as at 1 January 2016 and closing balance as at 31 December 2016, and on comprehensive income for 2016 are provided in Note 23.

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 are described in Note 4.

2.1.1 Changes to accounting policies and disclosures
Standards, amendments and interpretations of existing standards which have not yet entered into force and have not been applied early

A number of new standards and interpretations will become effective for financial years beginning after 1 January 2018 and have been applied in preparing these financial statements. The following is a preliminary assessment of the effects of these standards:

IFRS 9 Financial Instruments deals with the classification, measurement and recognition of financial assets and liabilities. It replaces those parts of IAS 39 which relate to the classification and measurement of financial instruments. Cantargia will not be affected by the new rules for classification and measurement, as the company applies the exemption in RFR 2, under which financial instruments may be recognised and measured based on cost in accordance with the Annual Accounts Act. Cantargia is not yet generating any income and thus has essentially no trade receivables. Cantargia's assessment is therefore that the company will not be affected by the new impairment model at the transition date, 1 January 2018.

The standard is applicable for financial years beginning on or after 1 January 2018.
IFRS 15 Revenue from Contracts with Customers regulates the accounting treatment of revenue. The principles on which IFRS 15 is based are intended to give users of financial statements additional valuable information about a company's revenue. Cantargia is not yet generating any revenue and therefore does not expect to be affected by the transition to the new revenue recognition standard when it takes effect on 1 January 2018. The standard is applicable for financial years beginning on or after 1 January 2018.

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 Cantargia.

2.1.2 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.

2.2 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 Cantargia as a whole. Cantargia has not yet commercialised any part of the development projects in which it is engaged and therefore is not yet generating any income. All activities of Cantargia are considered to constitute a single operating segment.

2.3 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,
- Cantargia 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 above. As at 31 December 2017 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.

2.4 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.

2.5 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.

2.6 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).

2.7 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 IAS 39 Financial Instruments: Recognition and Measurement is not applied for recognition and measurement of financial instruments. Instead, acquisition cost is applied in accordance with the Annual Accounts Act.

Financial assets are initially measured at acquisition 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 acquisition 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 acquisition cost.

2.8 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, Cantargia 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. Anticipated contributions for the next reporting period for ITP2 insurance policies with Alecta are kSEK 74.

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 may normally varies 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.

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.

Termination benefits
Termination benefits are paid when an employee's employment has been terminated by the company before the normal time of retirement or when an employee accepts voluntary redundancy in exchange for such compensation. Cantargia recognises termination benefits at the earliest of the following: (a) when the company can no longer withdraw the offer of such benefits; and (b) when the company recognises restructuring costs provided for under IAS 37 which involve the payment of severance pay. If the company has made an offer to encourage voluntary redundancy, termination benefits are calculated based on the number of employees that are expected to accept the offer. Benefits expiring more than 12 months after the end of the reporting period are discounted to present value.

2.9 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.

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

2.11 Cash and cash equivalents and 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.

2.12 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.

2.13 Earnings per share
(i) Earnings per share before dilution
Earnings per share before dilution are calculated by dividing:

- profit/loss for the year
- with a weighted average number of outstanding ordinary shares during the period

(ii) Earnings per share after dilution
To calculate earnings per share after dilution, the amounts used in calculating earnings per share before dilution are adjusted by taking into account:

- the weighted average of those additional ordinary shares that would have been outstanding on the conversion of all potential ordinary shares.

NOTE 3
Financial risk management
Through its activities, Cantargia is exposed to a wide range of financial risks: market risk (mainly currency risk), credit risk and liquidity risk. Cantargia's overall risk management policy focuses on the unpredictability of financial markets and strives to minimise potential adverse effects on Cantargia's financial results.

(a) Market risk
(i) Currency risk
Cantargia is primarily exposed to EUR currency risk. Currency risks arise when future business transactions or recognised assets or liabilities are expressed in a currency that is not the functional currency of the unit. In Cantargia, these transactions mainly comprise purchases and trade payables in EUR. Cantargia currently does not engage in active management of currency risk. At the end of the reporting period, Cantargia's exposure to EUR was kEUR 8 (31 Dec 2016: kEUR 581; 1 Jan 2016: kEUR 41) in the form of outstanding trade payables. In addition to trade payables in EUR, the company has a EUR currency account which at 31 December 2017 had a balance of kEUR 2,948 (31 Dec 2016: kEUR 0; 1 Jan 2016: kEUR 0).

If the Swedish krona had weakened/strengthened by 10 per cent against the EUR with all other variables held constant, the effect related to supplier payments on profit/loss for the year and equity at 31 December 2017 would have been approximately SEK -3.4 million and SEK 3.4 million lower/higher (31 Dec 2016: SEK -2.1 million and SEK 2.1 million; 1 Jan 2016: SEK -0.3 million and SEK 0.3 million). The corresponding effect in respect of the company's EUR currency account at 31 December 2017 would have been approximately SEK -2.9 million and SEK 2.9 million lower/higher (31 Dec 2016: SEK 0 million; 1 Jan 2016: SEK 0 million).

(ii) Cash flow interest rate risk and fair value interest rate risk
Cantargia is not exposed to any significant interest rate risk for financial assets, as the majority of the company's investments consist of fixed-rate accounts. Only a small portion, kSEK 20,000 (31 Dec 2016; kSEK 8,937; 1 Jan 2016: kSEK 14,871) refers to investments in fixed income funds, where the return is dependent on short-term interest rates. Cantargia does not have financial liabilities exposed to interest rate risk, as the company has no borrowings.

(iii) Price risk
Cantargia is exposed to price risk from an investment in an endowment policy. The endowment policy consists of units in Söderberg & Partners' Trygghet 90 fund, which in turn is an investment in the sub-fund Amrego I SICAV. Amrego invests in both equity and fixed income funds, and the composition of the fund varies over time. Dividends in the fund are dependent on returns and are reinvested in the fund on an ongoing basis without distributions to the unit holders. Cantargia recognises the fund at cost less any impairment on an ongoing basis, and any gain for Cantargia arises only on the sale of the units. Cantargia considers the risk in the fund to be low. The carrying amount and fair value at the balance sheet date are presented in Note 13.

(b) Credit risk
Credit risk in Cantargia arises through deposits and investments with banks and financial institutions. All bank deposits and investments are held with counterparties with low credit risk. Cantargia is not exposed to any significant credit risk, as all counterparties are large, well known banks.

(c) Liquidity risk
Since starting its operations Cantargia has been reporting an operating loss and cash flow is expected to remain mainly negative until Cantargia succeeds in generating revenue from a launched product. The company's planned preclinical and clinical studies will entail significant costs and the company's development of its product candidate could prove more time- and cost-consuming than planned. Cantargia will also continue to need significant capital for research and development in order to conduct preclinical and clinical studies with CAN04 and for its continued research into and development of IL1RAP. Access to and the terms and conditions for further financing are affected by several factors, such as the possibility of concluding partnership agreements and general access to risk capital. If Cantargia, wholly or partly, were to fail to acquire sufficient capital, or succeed in doing so only on unfavourable terms, this could have a significant negative impact on the company's operations, financial position and results.

Cantargia uses rolling forecasts to ensure that the company has sufficient cash assets to meet its operational requirements. This monitoring takes the form of reporting to the Board, whereby outcomes and forecasts are compared with the three-year business plan that is produced and approved by the Board each year.

Surplus liquidity in Cantargia, in excess of what is required to manage working capital requirements, is invested in interest-bearing current accounts. At the balance sheet date, Cantargia had short-term investments in six- and twelve-month fixed-rate accounts of kSEK 50,000 and kSEK 50,000, respectively (31 Dec 2016: kSEK 0; 1 Jan 2016: kSEK 0) and kSEK 20,000 invested in a short-term fixed income fund (31 Dec 2016: kSEK 8,937; 1 Jan 2016: kSEK 14,871). In addition to this, Cantargia had bank deposits at the balance sheet date of kSEK 149,781 (31 Dec 2016: kSEK 25,904; 1 Jan 2016: kSEK 9,641).

The following table shows an analysis of Cantargia's financial liabilities by remaining maturity from the balance sheet date. The amounts indicated in the table are the contractual, undiscounted cash flows.

31 December 2017	Less than 2 months	More than 2 months	Total
Trade payables	20,619	-	20,619
Other liabilities	221	-	221
Total	**20,840**	**-**	**20,840**

31 December 2016	Less than 2 months	More than 2 months	Total
Trade payables	7,419	-	7,419
Other liabilities	167	-	167
Total	**7,586**	**-**	**7,586**

1 January 2016	Less than 2 months	More than 2 months	Total
Trade payables	1,794	-	1,794
Other liabilities	194	-	194
Total	**1,988**	**-**	**1,988**

(e) Management of capital

To maintain or adjust its capital structure, Cantargia can opt to return capital to the shareholders, issue new shares or sell assets to reduce its liabilities.

In 2017, Cantargia's strategy, which remained unchanged compared with 2016, was to secure the company's ability to continue as a going concern by driving the company's research projects in an optimal manner and thereby generate returns for its shareholders and benefits for other stakeholders. Cantargia also aims to maintain an optimal capital structure in order to keep its capital costs down with a low to minimal risk. Cantargia is mainly engaged in research and development. The company's activities have been financed through a number of share offerings both before and after the listing of the company's shares on First North Stockholm on 17 March 2015. Equity is therefore regarded as the company's capital.

NOTE 4
Critical accounting estimates and judgements

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 2, 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.

NOTE 5
Segment information

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

NOTE 6
Auditors' fees and expenses

Expensed audit fees for the financial year and expensed fees for other services provided by the company's auditors are presented in the following.

	2017	2016
PwC		
Audit engagement*	134	123
Audit services in addition to audit engagement	23	34
Tax advisory services	-	-
Other services	97	-
Total	**254**	**157**

* Audit engagement refers to fees for the statutory audit, i.e. work which has been necessary to produce the audit report, as well as audit advisory services provided in connection with the audit engagement.

NOTE 7
Employee benefits, etc.

Salaries and other benefits and social security contributions

	2017	2016
Salaries and other benefits	4,728	3,714
Social security contributions	1,389	1,145
Retirement benefit costs, defined contribution	1,874	1,887
Other personnel expenses	76	41
Total employee benefits	**8,066**	**6,787**

2017	Salaries and other benefits (of which bonuses)	Retirement benefit costs
Directors, chief executives and other senior executives	5,074	1,823
Other employees	593	51
Total	**5,667**	**1,874**
	(425)	

2016	Salaries and other benefits (of which bonuses)	Retirement benefit costs
Directors, chief executives and other senior executives	4,414	1,887
Other employees	-	-
Total	**4,414**	**1,887**
	(210)	

Average number of employees

	2017		2016	
	Number of employees	Of which men	Number of employees	Of which men
Sweden	5	3	4	3
Total	**5**	**3**	**4**	**3**

Gender distribution for Directors and other senior executives

	2017		2016	
	Number at balance sheet date	Of which men	Number at balance sheet date	Of which men
Directors	7	5	6	5
Chief executives and other senior executives	5	4	4	3
Total	**12**	**9**	**10**	**8**

The contract between the company and CEO is subject to six months' notice by either party. Disclosures on benefits at individual level for the CEO, Directors and other senior executives are presented in Note 18.

NOTE 8
Operating leases

	2017	2016
Lease payments expensed during the financial year	218	226

The distribution of the nominal value of future minimum lease payments under non-cancellable leases is as follows:

	2017	2016
Due within one year	49	45
Due later than one year but within five years	-	-
Due later than five years	-	-
Total	**49**	**45**

Lease payments mainly comprise rent for premises.

NOTE 9
Other operating expenses

	2017	2016
Foreign exchange losses, trade payable	-210	-158
Total	**-210**	**-158**

NOTE 10
Financial income and expense

	2017	2016
Interest income and similar income		
Interest income	70	3
Value adjustment of short-term investments	16	129
Foreign exchange gains, currency accounts	-	-
Total	**86**	**132**

	2017	2016
Interest expense and similar charges		
Other interest expense	-2	-1
Impairment of short-term investments	-3	-63
Foreign exchange losses, currency accounts	-324	-
Total	**-329**	**-65**

NOTE 11
Income tax

	2017	2016
Current tax		
Current tax on profit for the year	0	0
Adjustments relating to prior years	-	-
Total current tax/income tax	**0**	**0**

The difference between the reported tax expense and the applicable tax rate is explained by the following table.

	2017	2016
Reconciliation of reported tax for the year		
Loss before tax	-60,253	-47,490
Reported tax for the year		
Tax at applicable tax rate, 22% (2016: 22%)	13,256	10,448
Tax effect of non-deductible expenses	-98	-7
Tax effect of non-taxable income	3	28
Tax effect of deductible expenses recognised directly in equity	6,207	544
Tax losses for which no deferred tax asset has been recognised	-19,368	-11,014
Reported tax for the year	**0**	**0**

	2017	2016
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**180,075**	**92,039**
Potential tax benefit, 22%	**39,617**	**20,249**

There is no expiration date which limits the use of the 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.

NOTE 12
Net foreign exchange difference

	2017	2016
Other operating expenses (Note 9)	-210	-158
Interest expense and similar charges (Note 10)	-324	-
Total	**-534**	**-158**

NOTE 13
Other securities held as non-current assets

Non-current assets	
1 January 2016	**1,577**
Deposit	1,085
Carrying amount, 31 December 2016	**2,662**
Deposit	295
Carrying amount, 31 December 2017	**2,957**

The market value of the above securities at the balance sheet date is kSEK 3,067 (31 Dec 2016: kSEK 2,776; 1 Jan 2016: kSEK 1,457).

NOTE 14
Short-term investments

	31 Dec 2017	31 Dec 2016	1 Jan 2016
Fixed-rate account, Sparbanken Skåne	50,000	-	-
Fixed-rate account, Erik Penser Bank	50,000	-	-
Liquidity funds, Sparbanken Skåne	20,000	8,937	14,871
Total	**120,000**	**8,937**	**14,871**

Fixed-rate account, Sparbanken Skåne, fixed for 6 months, 0.1% interest.
Fixed rate account, Erik Penser Bank, fixed for 12 months, 0.6% interest.
Liquidity funds, Sparbanken Skåne, low risk category 1.

NOTE 15
Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include the following:	**2017-12-31**	**2016-12-31**	**2016-01-01**
Available bank deposits			
SEK	120,922	25,904	9,641
EUR	28,859	-	-
Total	**149,781**	**25,904**	**9,641**

NOTE 16
Share capital

	Number of shares (thousands)	Share capital
1 January 2016		
Ordinary shares	13,506	1,080
31 December 2016		
Ordinary shares	20,917	1,673
31 December 2017		
Ordinary shares	46,941	3,755

At 31 December 2017, the share capital consisted of 46,940,508 shares with a quotient value of SEK 0.08 per share. Each share carries one vote. All shares issued by the parent company are fully paid up. It should be noted that at the balance sheet date there were 19,245 thousand outstanding interim certificates, which were registered as ordinary shares on 8 January 2018.

NOTE 17
Accrued expenses and deferred income

	31 Dec 2017	31 Dec 2016	1 Jan 2016
Accrued salaries and social security contributions	609	745	611
Accrued issue costs	2,048	-	-
Other accrued expenses	4,460	1,163	508
Total	**7,117**	**1,908**	**1,119**

NOTE 18
Related party disclosures

Related party transactions
Related parties comprise senior executives of the company, i.e. the Board of Directors and management team and their family members, as well as Jöndell Consulting AB.

Cantargia has a research agreement with Lund University, where Thoas Fioretos, one of Cantargia's founders and a Director of the company, 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 May, Cantargia concluded 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.

The company considers that the above agreements have been concluded on market terms.

The following transactions have been made with related parties:

(a) Sale of services	**2017**	**2016**
Lund University (Thoas Fioretos)	467	1 200
Jöndell Consulting AB	686	-
Total	**1,153**	**1,200**

Remuneration of senior executives

	2017	2016
Salaries and other short-term benefits	4,134	3,714
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Total	**4,134**	**3,714**

Guidelines
Fees are paid to the Chairman and members of the Board of Directors in accordance with the resolution of the Annual General Meeting. A separate fee is paid for committee work. In essence, the guidelines for remuneration and other terms of employment for management stipulate that the company shall offer its senior executives a normal market remuneration, that resolutions on remuneration shall be prepared by a special Remuneration Committee of the Board and that the applicable criteria shall comprise the senior executive's responsibilities, role, expertise and position. Decisions on remuneration of senior executives are made by the Board excluding any Directors who are in a dependent position in relation to the company and management. The guidelines shall be applied to new contracts, or changes to existing contracts entered into with senior executives after the adoption of the guidelines and until new or revised guidelines have been adopted. Senior executives may, from time to time, be offered variable remuneration. Such variable remuneration shall consist of a normal market remuneration and be based on outcomes for financial and individual targets. The terms and bases of calculation for variable remuneration shall be determined annually.

Variable remuneration is settled in the year after it was earned and can be paid either as salary or as a single pension contribution. In case of payment in the form of a single pension contribution, the amount is adjusted slightly so that the overall cost for Cantargia is neutral. The basic principle is that annual variable remuneration is capped at 20 per cent of the fixed annual salary. The sum of all variable remuneration paid to senior executives is capped at SEK 500,000.

Senior executives may be offered long-term variable remuneration for the acquisition of shares of the company. The size of the long-term remuneration scheme depends on the employee's position and ability to influence the development of Cantargia. The beneficiaries are required to use the whole amount of variable remuneration paid under the long-term remuneration scheme, net after tax, to acquire Cantargia shares on the stock exchange. The company pays social security contributions on variable remuneration. Shares acquired through the long-term remuneration scheme will be locked in for a period of three years after the acquisition. The basic principle is that annual variable remuneration under the long-term remuneration scheme is capped at 10 per cent of the fixed annual salary. The sum of all variable remuneration paid to senior executives under the long-term remuneration scheme is capped at SEK 300,000.

The term of notice in case of termination by Cantargia shall be no more than six months for the CEO and no more than six months for other senior executives. The term of notice in case of termination by the employee shall be at least six months for the CEO and at least three months for other senior executives. In addition to the term of notice, severance pay may be paid to the CEO up to a maximum of twelve months' salary and employment benefits.

Salaries and remuneration for the year
Salaries, remuneration, social security contributions and pension costs have been paid in the following amounts:

2017	**Fee**	**Basic salary**	**Variable remuneration**	**Pension cost**	**Other benefits**	**Social sec contributions**	**Total**
Magnus Persson, Chairman	260	-	-	-	-	82	**342**
Claus Asbjørn Andersson, Director	130	-	-	-	-	41	**171**
Lars H Bruzelius, Director	110	-	-	-	-	35	**145**
Thoas Fioretos, Director	90	-	-	-	-	28	**118**
Karin Leandersson, Director	130	-	-	-	-	41	**171**
Niclas Lundqvist, Director	180	-	-	-	-	57	**237**
Patricia Delaite, Director	40	-	-	-	-	13	**53**
Göran Forsberg, CEO	-	1,290	425	842	9	558	**3,124**
Total, Board and CEO	**940**	**1,290**	**425**	**842**	**9**	**855**	**4,361**
Other senior executives (3 persons)	-	2,419	-	981	27	691	**4,118**
Total	**940**	**3,709**	**425**	**1,822**	**36**	**1,546**	**8,479**

2016	Fee	Basic salary	Variable re-muneration	Pension cost	Other benefits	Social sec contribu-tions	Total
Magnus Persson, Chairman	260	-	-	-	-	82	**342**
Claus Asbjørn Andersson, Director	80	-	-	-	-	25	**105**
Lars H Bruzelius, Director	90	-	-	-	-	28	**118**
Thoas Fioretos, Director	80	-	-	-	-	25	**105**
Karin Leandersson, Director	80	-	-	-	-	25	**105**
Niclas Lundqvist, Director	110	-	-	-	-	35	**145**
Göran Forsberg, CEO	-	1,179	210	810	7	633	**2,839**
Total, Board and CEO	**700**	**1,179**	**210**	**810**	**7**	**853**	**3,759**
Other senior executives (3 persons)	-	2,325	-	1,077	14	512	**3,928**
Total	**700**	**3,504**	**210**	**1,887**	**21**	**1,365**	**7,687**

Pensions
The retirement age for the Chief Executive Officer is 65 years.

The pension contribution is 35 per cent of the pensionable salary. Pensionable salary refers to the fixed monthly salary multiplied by 12.2.

For other senior executives, the retirement age is currently 65 years, in accordance with the applicable ITP Agreement. The pension contribution is calculated in accordance with Section 2 of the ITP Agreement and its contribution tariffs, which are determined by Alecta, for the employed senior executives.

Term of notice and severance pay
The term of notice in case of termination by Cantargia shall be no more than six months for the Chief Executive Officer and no more than six months for other senior executives. The term of notice in case of termination by the employee shall be at least six months for the CEO and at least three months for other senior executives. In addition to the term of notice, severance pay may be paid to the CEO up to a maximum of twelve months' salary and employment benefits.

Directors' fee
The Directors' fees approved at the Annual General Meeting on 30 May 2017 are kSEK 250 to the Chairman of the Board and kSEK 80 to each of the other Directors. For the Remuneration Committee, a fee of kSEK 30 is paid to the committee chairman and kSEK 10 to each of the other members, and for the Audit Committee kSEK 100 is paid to the committee chairman and kSEK 50 to each of the other members. The full amount of Directors' fees was charged to earnings in 2017. At an extraordinary general meeting on 27 November 2017, the Board of Directors was increased by one member, Patricia Delaite, who received a Director's fee of kSEK 40 (kSEK 80 for a full financial year) for the period until the next ordinary general meeting.

NOTE 19

Share-based payments – Warrant scheme

Warrant scheme introduced in 2017

The following is a summary of outstanding warrant schemes at 31 December 2017.

TO 2017/2020 At the Annual General Meeting on 30 May 2017, the shareholders approved a private placement of warrants of series 2017/2020, entitling the holders to subscribe for new shares of Cantargia. The offering, in which the pre-emption rights of existing shareholders were waived, comprised a maximum of 85,000 warrants of series 2017/2020. All warrants were subscribed by the Chairman of the Board, Magnus Persson. The warrants were issued at a price of SEK 0.85 per warrant, which represents the market value of the warrants (warrant premium), as calculated using the Black-Scholes model at 21 July 2017. The calculation of the issue price was made by an independent valuation expert.

Each warrant entitles the holder to subscribe for one new share of the company at an exercise price of SEK 11.35 per share. The warrants may be exercised to subscribe for shares during the period 23 June 2020 to 14 July 2020 inclusive. If all warrants are exercised, the number of shares will increase by 85,000 and the share capital will increase by SEK 6,800. This would, based on the company's current share capital, represent a maximum dilution of around 0.1 per cent of the shares and voting rights.

Other than the above, there were no other outstanding warrants, convertibles or other equity-related financial instruments of the company at 31 December 2017.

Warrants exercised in 2016

The total number of outstanding warrants at 31 December 2015 was 8,238,080, entitling the holders to subscribe for 8,283,080 shares of the company. With the exception of a small number, 1,250 warrants, warrants had been issued free of charge in connection with share offerings in which investors have been offered to subscribe for units consisting of shares and warrants.

	2017		2016	
	Average exercise price per warrant (SEK)	Number of warrants	Average exercise price per warrant (SEK)	Number of warrants
1 January	-	-	7.60	8,238,080
Allocated during the year	11.35	85,000	-	-
Exercised during the year	-	-	7.60	7,366,326
Unexercised warrants expired during the year	-	-	7.60	871,754
31 December	11.35	85,000	-	-
Exercisable at 31 December	**-**	**-**	**-**	**-**

Fair value of allocated warrants

The calculated fair value at the allocation date of warrants allocated in 2017 was SEK 0.85 per warrant (2016: -). The fair value at the allocation date is calculated using an adapted version of the Black-Scholes pricing model. This includes a Monte Carlo simulation model which takes into account the exercise price, the term of the warrant, the dilutive effect (if significant), the share price at the allocation date and expected share price volatility, the expected yield, the risk-free rate for the term of the warrant and the correlation and volatility for a group of comparable companies.

NOTE 20
Earnings per share

Earnings per share are calculated by dividing the profit/loss for the year by a weighted average number of outstanding ordinary shares during the period. Cantargia has potential ordinary shares in the form of warrants. These do not have a dilutive effect for 2016 and 2017, as a conversion of warrants into ordinary shares would result in a lower loss per share.

	2017	2016
Profit/loss for the period attributable to parent company shareholders		
-60,253	**-47,490**	**-47 490**
Weighted average number of outstanding ordinary shares (thousands)	32,384	17,430
Earnings per ordinary share, SEK	**-1.86**	**-2.72**

NOTE 21
Appropriation of retained earnings

The Annual General Meeting is asked to decide on the appropriation of the following earnings (SEK).

Loss brought forward	-89,602,415
Share premium account	390,608,485
Loss for the year	-60,252,705
The Board of Directors proposes that the following sum be carried forward:	**240,753,365**

The Board of Directors proposes that no dividend be paid for the financial year 2017.

NOTE 22
Events after the end of the reporting period

In January 2018, the United States Patent and Trademark Office (USPTO) notified Cantargia that it had issued a Notice of Allowance for the company's second, follow-up patent application, no. 15/196,795, in the solid tumours patent family.

In January, the Chinese patent office formally approved Cantargia's patent application for IL1RAP as target molecule for antibody therapy of several types of solid tumour. The approved patent has the number ZL201280014136.7.

In 2016, a third party filed oppositions to two of Cantargia's patents in Europe. One of the patents relates to IL1RAP as target molecule for treatment of hematological cancer while the other relates to solid tumours. In January this year, the European Patent Office decided that both patents should remain unchanged.

Cantargia's Nominating Committee for the Annual General Meeting 2018 has been appointed and consists of Claus Andersson (Sunstone Life Science Ventures), Mats Larsson (First AP Fund) and Jannis Kitsakis (Fourth AP Fund).

In February 2018, the United States Patent and Trademark Office (USPTO) notified Cantargia that it had issued a Notice of Allowance for the company's second, follow-up patent application, no. 15/242,242, in the hematological cancer family.

In March 2018, Cantargia was able to show that antibody treatment of IL1RAP signalling reduces metastases in an experimental cancer model. The results of this preclinical in vivo study point to a new mechanism for preventing the spread of metastases. The results were presented at the 2018 Annual Meeting of the American Association for Cancer Research in Chicago on 14–18 April. The presentation is available on Cantargia's website, www.cantargia.com.

NOTE 23

Effects of the transition to RFR 2 Financial Reporting for Legal Entities

The annual report for 2017 is the company's first annual report to be prepared in accordance with RFR 2.

The accounting policies described in Note 2 were applied in preparing the financial statements as at 31 December 2017 and the comparative information that is presented as at 31 December 2016, and in preparing the opening balance sheet as at 1 January 2016 (Cantargia's transition date to RFR 2). The transition to RFR 2 is accounted for 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.

When the opening balance sheet as at 1 January 2016 and the balance sheet as at 31 December 2016 in accordance with RFR 2 were prepared amounts which in previous annual 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 were adjusted. 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.

RECONCILIATION OF BALANCE SHEET AND EQUITY

		1 January 2016		
(kSEK)	**Notes**	**Under previous accounting policies**	**Total effect of transition to RFR 2**	**Under RFR 2**
ASSETS				
Intangible assets				
Concessions, patents, licences, trademarks, etc.	**a)**	4,282	-4,282	-
Financial assets				
Other securities held as non-current assets	**c)**	1,747	-170	1,577
Total current assets		25,354	-	25,354
Total assets		**31,383**	**-4,452**	**26,931**
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		1,080	-	1,080
Reserve for development costs		-	-	-
Non-restricted equity				
Share premium account		64,805	-	64,805
Retained earnings	**a)**	-20,640	-2,447	-23,087
Loss for the year	**a)**	-17,190	-1,835	-19,025
Total equity		**28,055**	**-4,282**	**23,773**

Non-current liabilities				
Provisions	**c)**	170	-170	-
Total current liabilities		**3,158**	**-**	**3,158**
Total equity and liabilities		**31,383**	**-4,452**	**26,931**

RECONCILIATION OF BALANCE SHEET AND EQUITY

		31 December 2016		
(kSEK)	**Notes**	**Under previous accounting policies**	**Total effect of transition to RFR 2**	**Under RFR 2**
ASSETS				
Intangible assets				
Concessions, patents, licences, trademarks, etc.	**a)**	7,092	-7,092	-
Financial assets				
Other securities held as non-current assets	**c)**	3,366	-704	2,662
Total current assets		37,053	-	37,053
Total assets		**47,511**	**-7,796**	**39,715**
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		1,673	-	1,673
Reserve for development costs	**b)**	2,810	-2,810	-
Non-restricted equity				
Share premium account		117,964	-	117,964
Retained earnings	**a), b)**	-40,640	-1,472	-42,112
Loss for the year	**a)**	-44,680	-2,810	-47,490
Total equity		**37,127**	**-7,092**	**30,035**
Non-current liabilities				
Provisions	**c)**	704	-704	-
Total current liabilities		**9,680**	**-**	**9,680**
Total equity and liabilities	**47,511**	**-7,796**	**39,715**	**39,715**

RECONCILIATON OF TOTAL COMPREHENSIVE INCOME

		1 January 2016 – 31 December 2016		
(KSEK)	**Notes**	**Under previous accounting policies**	**Total effect of transition to RFR 2**	**Under RFR 2**
Net sales		-	-	-
Project costs	**a)**	-32,683	-2,810	-35,493
Other external expenses		-5,119	-	-5,119
Personnel expenses		-6,787	-	-6,787
Other operating expenses		-158	-	-158
Operating loss		**-44,747**	**-2,810**	**-47,557**
Other interest income and similar income		132	-	132
Interest expense and similar charges		-65	-	-65
Net financial income		**67**	**-**	**67**
Loss for the year		**-44,680**	**-2,810**	**-47,490**
Total comprehensive income for the year		**-44,680**	**-2,810**	**-47,490**

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 1 January 2016 (kSEK 4,282) and as at 31 December 2016 (kSEK 7,092). This has decreased equity by kSEK 4,282 as at 1 January 2016 and by kSEK 7,092 as at 31 December 2016. Comprehensive income for 2016 and earnings for the fourth quarter of 2016 have decreased by kSEK 2,810 and kSEK 981, respectively, as a result of increased project costs.

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 2,810, has been transferred to the item retained earnings as at 31 December 2016. 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 in equity, both as at 1 January 2016 and as at 31 December 2016, as well as in comprehensive income for 2016.

Reclassifications in the statement of cash flows for 2016

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 2016, 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 at 1 January 2016 has been adjusted to kSEK 9,641. Changes in short-term investments are presented in investing activities, which in 2016 were kSEK 5,934.

Only those rows which have been reclassified are presented below.

STATEMENT OF CASH FLOWS

		1 January 2016 – 31 December 2016		
(KSEK)	**Notes**	**Under previous accounting policies**	**Reclassification on transition to RFR 2**	**Under RFR 2**
Operating loss	**d)**	-44,747	-2,810	-47,557
Cash flow from operating activities before changes in working capital		-44,680	-2,810	-47,490
Cash flow from operating activities		**-39,528**	**-2,810**	**-42,338**
Acquisition of concessions, patents, licences, etc.	**d)**	-2,810	2,810	-
Changes in other short-term investments	**e)**	-	5,934	5,934
Cash flow from investing activities		**-3,895**	**8,744**	**4,849**
Change in cash and cash equivalents		10,329	5,934	16,263
Cash and cash equivalents at beginning of period		**24,512**	**-14,871**	**9,641**
Cash and cash equivalents at end of period *)	**e)**	**34,841**		**25,904**

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

NOTE 24
Trade payables

Trade payables as at 31 December 2017 includes invoices in respect of issue costs of kSEK 17,610 for share offerings completed in 2017.

SIGNATURES

Magnus Persson
Chairman

Claus Asbjørn Andersson

Lars H Bruzelius

Thoas Fioretos

Karin Leandersson

Niclas Lundqvist

Patricia Delaite

Göran Forsberg
Chief Executive Officer

We presented our auditor's report on 9 May 2018
Öhrlings PricewaterhouseCoopers AB

Anders Brofors Ekblom
Authorised Public Accountant

AUDITOR'S REPORT

To the shareholders' meeting of Cantargia AB (publ), corporate ID no. 556791-6019

Report on the annual accounts

Opinion
We have audited the annual accounts of Cantargia AB (publ) for 2017. The company's annual accounts are included on pages 27–62 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and give an essentially true and fair view of Cantargia AB (publ)'s financial position at 31 December 2017 and of its financial results and cash flow for the year in accordance with Recommendation RFR 2 (Financial Reporting for Legal Entities) and the Annual Accounts Act. The Directors' Report is consistent with the other sections of the annual report.

We therefore recommend that the shareholders' meeting adopt the income statement and balance sheet for Cantargia AB (publ).

Basis of opinion
We have conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden (Swedish GAAS). Our responsibility under these standards is described in the section The auditor's responsibility. We are independent of Cantargia AB (publ) in accordance with Swedish GAAS and have otherwise fulfilled our ethical responsibilities under these standards.

We believe that the audit evidence we have obtained is sufficient and adequate as a basis for our opinion.

Other information than the annual accounts
This document also contains other information than the annual accounts, which is found on pages 2–26 and 65–71. Responsibility for this other information rests with the Board of Directors and Chief Executive Officer.

Our opinion on the annual accounts does not cover this other information, and we do not express any opinion, or make any certification, in respect of this information.

In connection with our audit of the annual accounts, it is our responsibility to read the information identified above and, in so doing, to consider whether it is materially inconsistent with the annual accounts. In this review, we also take account of other knowledge obtained in the course of our audit and assess whether the information otherwise appears to contain material misstatements.

If, based on the work we have carried out in respect of this information, we conclude that the other information contains a material misstatement, we have a duty to report this. We have nothing to report in that regard.

The Board of Directors' and Chief Executive Officer's responsibility
Responsibility for ensuring that annual accounts are prepared and give a true and fair view pursuant to RFR2 and the Annual Accounts Act rests with the Board of Directors and Chief Executive Officer. The Board and CEO are also responsible for such internal control as they deem necessary for the purpose of preparing annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board and CEO are responsible for assessing the company's ability to continue as a going concern. Where applicable, they are also required to disclose circumstances which could affect the company's ability to continue as a going concern and use the going concern assumption.

The auditor's responsibility
Our objective is to obtain reasonable assurance that the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to submit an auditor's report containing our opinion. Reasonable assurance is a high degree of assurance, but does not constitute a guarantee that an audit conducted in accordance with ISA and Swedish GAAS will always detect a material misstatement if it exists. Misstatements can arise due to fraud or error and are considered material if they individually or jointly can reasonably be expected to affect financial decisions made by users on the basis of the annual accounts.

A further description of our responsibility for the audit of the annual accounts is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description constitutes a part of the auditor's report.

Report on other statutory and regulatory requirements

Opinion
In addition to our audit of the annual accounts, we have audited the Board of Directors' and Chief Executive Officer's management of Cantargia AB (publ) for 2017 and the proposed appropriation of the company's profit or loss.
We recommend that the shareholders' meeting allocate the retained earnings as proposed in the Directors' Report and grant release from liability to the Directors and Chief Executive Officer in respect of the financial year.

Basis of opinion
We have conducted our audit in accordance with generally accepted auditing standards in Sweden (Swedish GAAS). Our responsibility under these standards is described in the section The auditor's responsibility. We are independent of Cantargia AB (publ) in accordance with Swedish GAAS and have otherwise fulfilled our ethical responsibilities under these standards.

We believe that the audit evidence we have obtained is sufficient and adequate as a basis for our opinion.

The Board of Directors' and Chief Executive Officer's responsibility
Responsibility for the proposed appropriation of the company's profit or loss rests with the Board of Directors. The preparation of a dividend proposal involves assessing whether the dividend is justifiable with regard to the equity, consolidation, liquidity and financial position requirements of the company arising from the nature, scope and risks of its operations.

The Board is responsible for the company's organisation and the management of its affairs. This involves continuously assessing the company's financial situation, and ensuring that the company's organisation is structured so as to ensure satisfactory control of its accounting, management of funds and financial affairs. The Chief Executive Officer is responsible for day-to-day management in accordance with the guidelines and instructions issued by the Board and is required to take such actions as may be necessary to ensure compliance with the company's statutory accounting obligations and satisfactory management of funds.

The auditor's responsibility
Our objective for the management audit, and thus for our opinion on release from liability, is to obtain audit evidence which enables us to assess with reasonable assurance whether any member of the Board or the Chief Executive Officer has in any material respect:

- taken any action or been guilty of any neglect that could give rise to a liability to indemnify the company.
- otherwise acted in contravention of the Companies Act, RFR2, the Annual Accounts Act or the Articles of Association.

Our objective in respect of our audit of the proposed appropriation of the company's profit or loss, and thus for our opinion on the same, is to obtain reasonable assurance that the proposed appropriation is consistent with the Companies Act.

Reasonable assurance is a high degree of assurance but does not guarantee that an audit conducted in accordance with Swedish GAAS will always detect actions or neglect that could give rise to a liability to indemnify the company, or that the proposed appropriation of the company's profit or loss is consistent with the Companies Act.

A further description of our responsibility for the management audit is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description constitutes a part of the auditor's report.

Lund, 9 May 2018
Öhrlings PricewaterhouseCoopers AB

Anders Brofors Ekblom
Authorised Public Accountant

OTHER INFORMATION

BOARD OF DIRECTORS, SENIOR EXECUTIVES AND AUDITORS

The Board of Directors

Under Cantargia's Articles of Association, the Board of Directors shall consist of at least three and no more than eight Directors. At the Annual General Meeting on 30 May 2017, it was resolved that the Board should consist of six regular Directors with no deputies. At an extraordinary general meeting on 17 November 2017, one regular member, Patricia Delaite, was added to the Board of Directors. The Directors have been elected for the period until the end of the Annual General Meeting 2018.

Magnus Persson
Chairman of the Board since 2016, born 1960. Number of shares: 44,976. Number of warrants 2017/2020: 85,000
Magnus Persson is a physician and Associate Professor of Physiology at the Karolinska Institute in Stockholm. He has extensive experience in medicine, life science and biotech financing, and has led development teams in phase II and III programmes in the pharmaceutical industry. He has also founded and led private- and public-sector biotech and medtech companies in Europe and the United States as Chairman and Director, and has been involved in about ten IPOs.

Lars H. Bruzelius
Director since 2013, born 1943. Number of shares: 1,232,682
Lars H. Bruzelius is an associate professor of Business Administration and a management consultant with extensive experience of working with banks and companies in the energy, medtech and telecom industries. He has been a senior partner and shareholder of BSI & Partners since 2012 and is a Director and Chairman of LU Bioscience AB. For three years, he was Vice President and Administrative Director of Gambro AB. He has also been a Director of two listed companies and an investor and Director of several start-up companies.

Karin Leandersson
Director since 2016, born 1972. Number of shares: 0
Karin Leandersson is Professor of Tumour Immunology at the Faculty of Medicine of Lund University. She has broad experience in cancer research in the areas of tumour immunology and tumour inflammation in solid tumours, and especially in breast cancer. She has also authored around 30 scientific publications in international journals.

Thoas Fioretos
Director since 2010, born 1962. Number of shares: 732,600
Thoas Fioretos is a professor and chief physician at the Department of Clinical Genetics at Lund University. His work is focused on molecular and functional studies of genetic changes in leukemia and on how such changes can be used for diagnostic and therapeutic purposes. Thoas Fioretos has authored more than 110 scientific articles and is one of the founders of Cantargia AB and the bioinformatics company Qlucore AB.

Claus Asbjørn Andersson
Director since 2013, born 1968. Number of shares: 0
Claus Asbjørn Andersson is a partner of Sunstone Life Science Ventures, a holding company which manages billion-dollar venture funds. He has an M.Sc. in Chemical Engineering from the Technical University of Denmark and a PhD in Mathematical Statistics from the University of Copenhagen and the Humboldt University of Berlin. Claus Asbjørn Andersson has so far founded two European and two Danish start-ups. He has been part of Sunstone Life Sciences since its founding in 2007 and is an active member of the International Venture Club and a direct advisor to the European Commission.

Niclas Lundqvist
Director since 2016, born 1965. Number of shares: 0
Niclas Lundqvist has an LL.M. and specialises in providing legal advice on corporate law and securities law issues to companies listed on a Swedish exchange or MTF. He has experience of operational board work as a Director of companies listed on a Swedish exchange and investment firms regulated by the Swedish Financial Supervisory Authority. His previous experience includes working as a legal officer, project manager and business developer in Corporate Finance at Sedermera Fondkommission during the years 2003–2013. Niclas Lundqvist is one of the founders of the venture capital fund Swedish Growth Fund.

Patricia Delaite
Director since 2017, born 1963. Number of shares: 0
Patricia Delaite has an MD and MBA from the universities of Geneva and Lausanne. She is currently Chief Medical Officer at AMAL Therapeutics in Geneva and has previously held senior positions at companies including Incyte Biosciences International, Ariad Pharmaceutical, Novartis and Eli Lilly. Patricia Delaite also has experience of clinical development and research at the Geneva University Hospital.

Senior executives

Göran Forsberg
CEO since 2014, born 1963. Number of shares: 77,648

Göran Forsberg, who holds a PhD in Biochemistry, is an Associate Professor and has authored more than 40 scientific publications. He has been involved in pharmaceutical and biotech firms for 30 years, notably in various positions at KabiGen, Pharmacia, Active Biotech and the University of Adelaide in Australia. Before joining Cantargia, Göran Forsberg worked as Business Development Manager at Active Biotech AB. He has extensive experience of drug development with a special focus on oncology. Göran Forsberg has been a Director of Isogenica Ltd since 2011.

Liselotte Larsson
VP Operations since 2014, born 1963.
Number of shares: 24,000

Liselotte Larsson has an M.Sc. in Chemical Engineering and a PhD in Biotechnology and has extensive experience from various senior positions at pharmaceutical and medtech companies such as BioGaia Fermentation AB, Novozymes Biopharma AB, Camurus AB and Life Science Foresight Institute. She has worked mainly on business development, marketing and sales/licensing, ISO certification, GMP manufacturing and general project management.

Lars Thorsson
VP Clinical Development since 2015, born 1961.
Number of shares: 49,001

Lars Thorsson graduated with a PhD in Clinical Pharmacology in 1998 and has more than 30 years' experience of working in the pharmaceutical industry with responsibility for clinical studies as well as project management in several development phases in the AstraZeneca Group. Before joining Cantargia, Lars Thorsson worked at Novo Nordisk A/S as Senior Clinical Pharmacology Scientist with responsibility for preparation and implementation of clinical pharmacological studies in development projects. He has also been in charge of evaluation and documentation of new substances and has experience of regulatory work and contacts with regulators.

David Liberg

VP Cancer Research since 2015, born 1969.
Number of shares: 4,400

David Liberg, who graduated with a PhD in 2001, has 20 years' experience of research in immunology and tumour biology. Over the past twelve years, he has been working in the pharmaceutical industry where he has been in charge of early research projects and activities in tumour immunology. David Liberg has extensive experience of cancer projects in the preclinical phase. His previous appointment was with Active Biotech AB, where we was Project Manager Drug Development and Head of Cell Biology and Biochemistry. He has previously worked as a researcher at Imperial College in the UK and at Lund University.

Bengt Jöndell

CFO since 2017, born 1960. Number of shares: 55,999

Bengt Jöndell has an M.Sc. in Economics and Business and an M.Sc. in Chemical Engineering. He has long experience of working in senior finance positions, including CFO and CAO at BTJ Group AB, Senior Financial Advisor for medtech company BoneSupport, CFO/CAO for Inpac, Business Controller at Pharmacia & Upjohn Consumer Healthcare, Pharmacia Consumer Pharma and Kabi Pharmacia Nicorette. Before joining Cantargia, he worked as CFO at Enzymatica AB.

Other disclosures on Directors and senior executives

There are no family connections among any Directors or senior executives. There are no conflicts of interest or potential conflicts of interest between the Directors' and senior executives' undertakings to the company and their private interests and/or other undertakings. As shown above, some Directors and senior executives have financial interests in the company in the form of shareholdings.

None of the Directors or senior executives has in the last five years participated or been involved in any bankruptcy, liquidation or administration in the capacity of Director or senior executive of a company. None of the Directors or senior executives have in the last five years been accused of and/or been subject to any sanction from a public authority, professional association or similar body, been disqualified from engaging in business activities or otherwise been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of or from acting in the management or conduct of the affairs any company. There exist no special agreements on post-employment benefits for the current Directors or senior executives.

All Directors and senior executives can be contacted at the company's address: Medicon Village, Scheelevägen 2, SE-223 81 Lund, Sweden.

Auditors

At the Annual General Meeting on 30 May 2017, Öhrlings PricewaterhouseCoopers AB were re-appointed as auditors for the company for the period until the end of the Annual General Meeting 2018. Anders Brofors Ekblom (born 1968) is auditor-in-charge. He is an Authorised Public Accountant and a member of FAR, the professional institute for accountants in Sweden, and has been auditor-in-charge for the company since 2014.

ANNUAL GENERAL MEETING AND FINANCIAL CALENDAR

Cantargia's Annual General Meeting will be held on Tuesday 31 May 2018, at 4 p.m., at Medicon Village, Scheelevägen 2 in Lund, Sweden. Shareholders wishing to take part in the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB by Friday 25 May 2018, and register their attendance with the company no later than Friday 25 May 2018 by writing to Cantargia AB, Medicon Village, Scheelevägen 2, SE-223 81 Lund. Shareholders can also be register by phone on +46 (0)46-27 56 260 or by e-mail at info@cantargia.com. Shareholders whose shareholdings are registered with a nominee must, to be entitled to attend the AGM, ensure that their shareholding is temporarily re-registered in their own name with Euroclear Sweden AB in good time before Friday 25 May 2018.

15 May 2018	Interim report 1
31 May 2018	Annual General Meeting
21 Aug 2018	Half-year report
15 Nov 2018	Interim report 3
27 Feb 2019	Year-end report for 2018

Cantargia

www.cantargia.com