Annual Report 2019

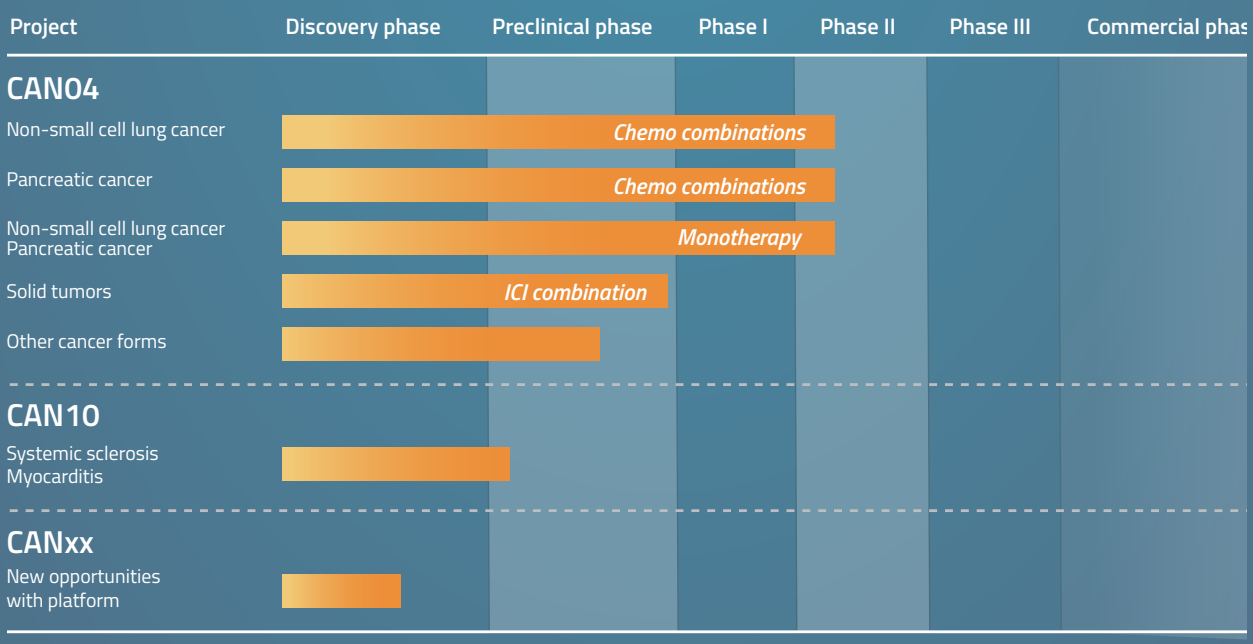
Cantargia AB (publ.) 556791-6019

Cantargia

TABLE OF CONTENTS

Cantargia at a glance

About ten years ago, Cantargia's founders at Lund University made an important discovery in their research into leukemia stem cells. They discovered that immature cancer cells have the IL1RAP molecule on their cell surface. Their continued research showed that this molecule is also present on cancer cells from a large number of tumour diseases. Modern drug development is aimed at identifying unique targets against which pharmaceutical substances directed against. IL1RAP has proved to be a highly interesting target. 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. Our main focus, is treatment of non-small cell lung cancer and pancreatic cancer with CAN04. In December 2019, we were able to report positive interim data from the study arms of the company's clinical phase IIa study in which CAN04 was combined with chemotherapy. The results show that the response rate is higher than historical data for treatments where only standard chemotherapy was used and that no major side effects were observed other than those expected from chemotherapy or CAN04. The results are in line with the hypothesis that CAN04 can be synergistic with chemotherapy and reduce chemotherapy resistance. In addition to using CAN04 for cancer treatment, Cantargia is building a platform based on IL1RAP, including the CAN10 project for treatment of systemic sclerosis and myocarditis.



2019 – another eventful year

Cantargia operates in a hot area of research where things are moving very fast. 2019 was a very eventful year in which Cantargia made advances on several fronts. These can be summarised as follows:

- **The first patient in the phase IIa stage of Cantargia's CANFOUR study initiated treatment in January and by July the monotherapy arm had been fully recruited.**
- **In March, Cantargia completed a directed share issue of around SEK 106 million that included a number of new anchor investors who became major owners of the company.**
- **A contract was signed with Patheon Biologics B.V. (a part of ThermoFischer Scientific) on future production of CAN04 and an expanded partnership with BioWa on Potelligent® was initiated.**
- **Positive clinical interim data on CAN04 in combination with chemotherapy were presented.**
- **A decision was taken to apply for authorisation for a phase I study in which CAN04 will be combined with a checkpoint inhibitor under US IND.**
- **Cantargia initiated the CAN10 project, which focuses on treatment of systemic sclerosis and myocarditis.**

We attach great importance to being visible to investors, researchers and potential business partners. In 2019, we gave around 15 investor presentations nationally and internationally. We presented new data on four major international scientific conferences, including the ASCO Annual Meeting, where new phase I data for CAN04 was presented in an oral presentation. Our presentations and research discoveries have generated considerable interest, which can lead to new collaborative relationships and partners. Several of our partners and subcontractors operate internationally. This puts us in a strong position to ensure that 2020 will be another strong year.

"As the majority of new data at ASCO are selected for poster presentations, the oral presentation of CAN04 at ASCO's annual meeting is a milestone for Cantargia that creates increased exposure and draws attention to the CAN04 project"

Helping to create tomorrow's cancer treatments

Cantargia's vision is to develop and secure the new generation of targeted drugs against IL1RAP as part of tomorrow's more effective cancer treatments. The vision also encompasses developing new product candidates with the potential to also treat autoimmune and inflammatory diseases.

Business model & strategy

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, CAN10. The strategy is based on driving the development of product candidates until an indication of clinical activity has been obtained. Alongside its clinical development activities, Cantargia intends to find a commercial partner.

Chief executive's review

2019 was undoubtedly a transformative year for Cantargia. It is in the first hand our successes with CAN04 and the attention this has garnered that have enabled us to take several steps forward. One consequence of these positive developments is that we were able to complete a SEK 410 million directed share issue to a group of Swedish and international long-term institutional investors in early 2020. This points to a very high level of confidence in us as an organisation and in our projects. A fundamental part of our success was that in 2019 we were able to present strong interim data for patients with pancreatic cancer or lung cancer when they received CAN04 in combination with chemotherapy. Even before that, CAN04 had attracted considerable international attention, not least when phase I monotherapy data were presented to several thousand attendees at the annual ASCO conference in Chicago.

The development of CAN04 is now being focused on lung cancer and pancreatic cancer. These are two forms of cancer with very significant medical needs. Every year, over 2.5 million people are diagnosed with these diseases and over 80 per cent of them die within one year. Our own data as well as independent research provide strong support for the thesis that these diseases are driven by biological mechanisms that are counteracted by CAN04. CAN04 is customised to help cells from our immune system to attack cancer cells while also blocking the signals used by the tumour to grow and spread.

Over the past ten years, great progress has been made in the use of immunotherapy to treat cancer. Immunotherapy has gone from leading a relatively obscure existence to becoming perhaps the hottest area in cancer research. Yet we also need to remember that chemotherapy is still more widely used to care for cancer patients and that despite its great success immunotherapy still only has a significant effect in a minority of patients. There is therefore a very considerable need for therapies that can be combined with existing treatments to increase the proportion of patients responding to treatment or increase treatment efficacy. In this respect, CAN04 is singularly well-timed, as it has the potential to enhance the effect of both chemotherapy and immunotherapy. Resistance mechanisms to chemotherapy and immunotherapy have, for example, been linked to an immunosuppressive inflammation, which is exactly what CAN04 seeks to counteract. The biomarker signals that we have measured in patients, such as lowering of IL-6 and CRP, indicate that we are suppressing the inflammation. Early results from combination treatment with chemotherapy are promising. In the first group of patients, a significantly larger proportion of patients responded to the treatment than would be expected in treatment with only chemotherapy. The number of patients studied is still limited, however. We are now continuing to generate results in a larger number of patients who are receiving CAN04 combined with chemotherapy and are planning to communicate these results in the second half of 2020. We are also in the final phase of preparations for a study with CAN04 and immunotherapy in the US that is scheduled to begin in the summer. Together, these studies will provide important information that will give us a clearer picture of how to use CAN04 most effectively. We will also be initiating new studies in the US and Europe in order to make CAN04 available to patient groups that are not affected by the ongoing studies. We expect to be able to provide more information about this in the second half of 2020.

Alongside the clinical development activities, significant investments have been made in respect of the manufacture of CAN04. In 2019, we transferred production to Patheon in the Netherlands. Patheon is a highly regarded contract manufacturer which has sufficient capacity to also assume responsibility for production after the launch. We have currently scaled up production to 2,000-litre scale and will in 2020 and 2021 be carrying out further process development and process validation activities to meet the regulatory requirements for the start of registrational studies.

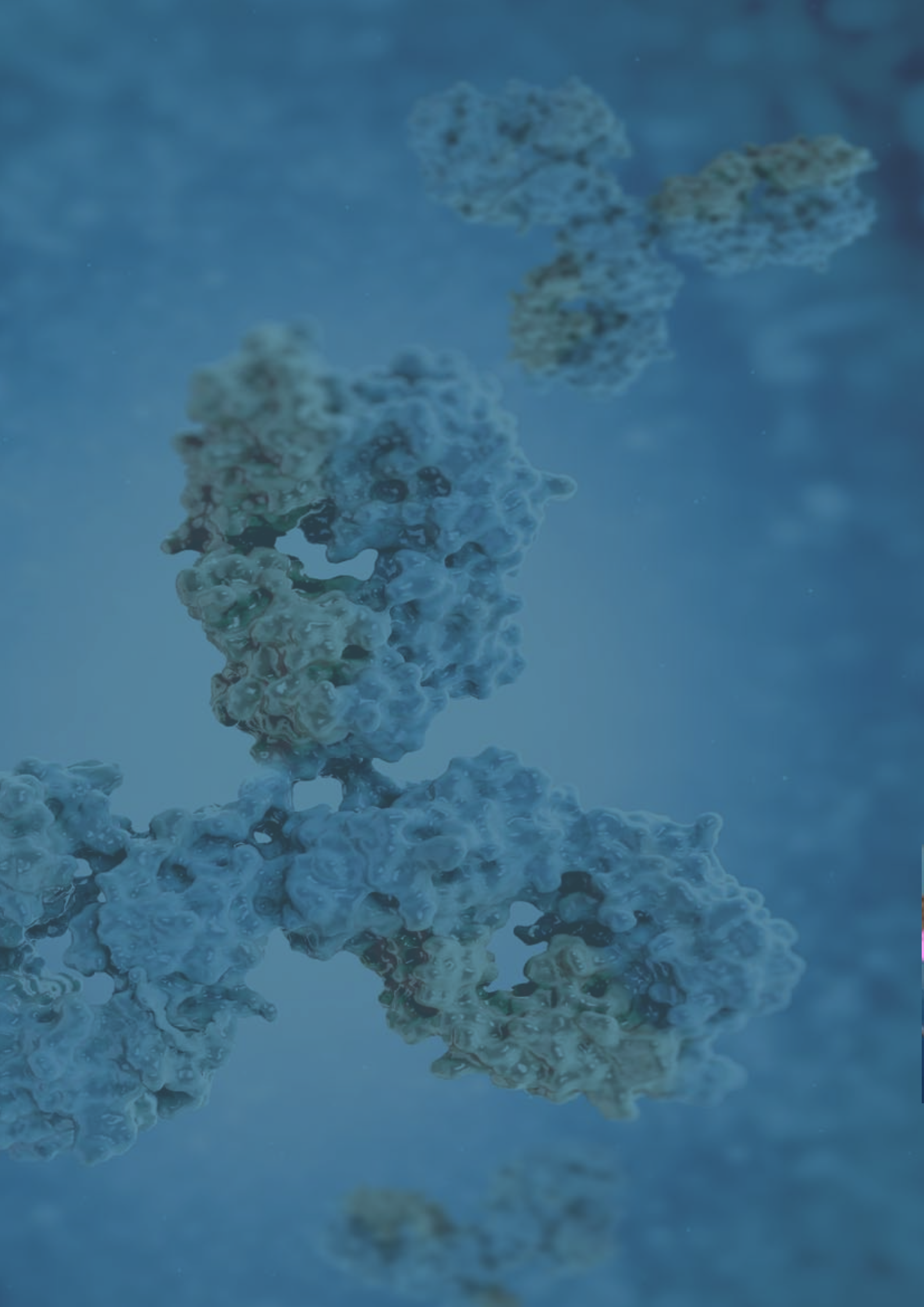
In addition to CAN04, we are also working a new project, CAN10. This project is aimed at developing an antibody that blocks the same molecular target as CAN04, i.e. IL1RAP. However, the antibody binds to a different site on IL1RAP and will therefore have different properties than CAN04. In the CAN10 project, the goal is to block several signalling systems that drive the development of several inflammatory and autoimmune diseases. In 2019, Cantargia conducted a review together with a number of independent US specialists in order to obtain objective data for identifying diseases on which the development activities could be focused. At the outset, the study looked at around 150 different diseases based on aspects such as the biology behind the diseases, the medical need, competition and the complexity of clinical development. Based on this study, we have chosen to start with two diseases: systemic sclerosis and myocarditis. Both are serious diseases for which there are currently no good treatments. In 2020, we will be studying CAN10 in various models of these diseases and will also initiate the development of a production process and conduct the first toxicity study. The goal is to initiate patient studies in early 2022.

In 2020, we, like the rest of the world, have been affected by concerns about the spread of the Covid-19 virus. As health services are forced to change their priorities there is an evident risk that the implementation of clinical studies will take longer than expected. At the time of writing, it is not possible to assess the consequences, but I am an optimist and have a genuine hope that the situation will normalise as we move through 2020 and that the knowledge we have acquired will become a foundation for future opportunities.

"Cantargia has performed extremely well since its listing on First North in 2015 and has every opportunity to continue on that path"

Despite the instability in global markets and concerns about the spread of Covid-19, it is therefore with strong confidence in the future that I write these words. Cantargia will be approaching a number of milestones in 2020 and over the coming years. In conclusion, I would like to thank Cantargia's shareholders for their support, Cantargia's employees who have put tremendous efforts into developing CAN04 and CAN10, and, not least, the patients who have chosen to take part in our clinical studies. Cantargia has performed extremely well since its listing on First North in 2015 and has every opportunity to continue on that path. We are seeing strong interest from leading research teams who want to work with us. We have the expertise that is needed to further strengthen our position, operate in areas of medical research of great current interest and have a strong cash position.

Göran Forsberg
Lund, April 2020



Background to Cantargia's projects

Modern drug development is to a large extent based on identifying a molecule that can serve as a target for new substances. The scientific discovery behind Cantargia was the identification of a new target for cancer treatment, IL1RAP, on cancer cells. This target plays an important role in the development of cancer as well as inflammatory and autoimmune diseases.

CAN04

We have made rapid progress and our main project, CAN04, is a promising antibody against IL1RAP. In addition to recognising cancer cells and stimulating our natural immune system to destroy such cells, the antibody blocks the tumour inflammation that is driven by the IL1 system. A large number of tumour diseases have IL1RAP on the cancer cells and use this system in their progression. Cantargia has chosen to focus its development on non-small cell lung cancer and pancreatic cancer. In the future, there will be many opportunities to broaden the company's development activities to cover other cancers.

In 2017, important clinical data from a major clinical study conducted by Novartis was presented. The study provided strong indications that blocking the IL-1 system really can have a strong impact on the cancer. In a study of over 10,000 people it was shown that the risk of lung cancer was reduced by 67 per cent. These results were presented at about the same time as the first patient was treated with Cantargia's CAN04 antibody.

The results have sparked strong interest in the blocking of IL-1 and its effect on tumour inflammation. Attacking the IL1RAP target has many potential benefits compared with other ways of blocking this system. In this area Cantargia has a big lead over other companies, and we also have several important patents that protect us from competition.

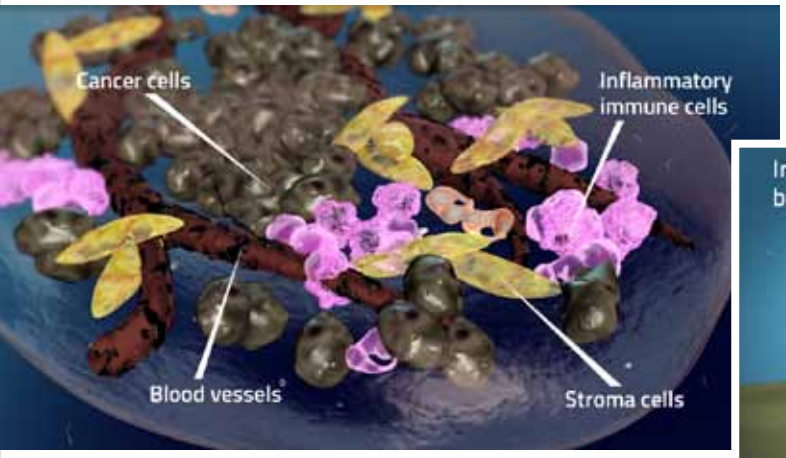
Cantargia has rapidly advanced to the phase IIa stage of clinical development and our focus right now is on treatment of non-small cell lung cancer and pancreatic cancer, which are two types of cancer that are driven by tumour inflammation and where the medical need is very great. In 2019, we presented positive interim data from patients receiving CAN04 in combination with chemotherapy. In parallel with our clinical development activities, we are also running an extensive preclinical programme to learn more about which patients respond best to treatment and how CAN04 can be combined with other established cancer therapies.

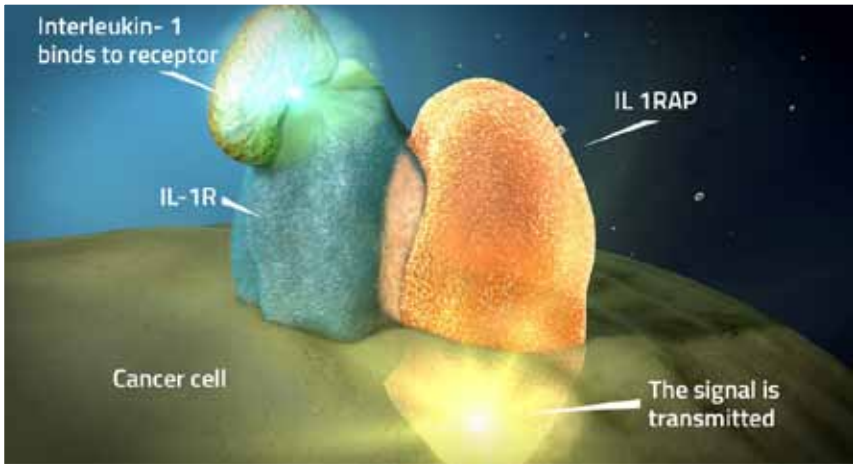
CAN10

IL1RAP is also an exciting target in many diseases outside the field of cancer. In our CAN10 project, we are developing a new antibody against IL1RAP that is customised for treatment of autoimmune and inflammatory diseases. The initial focus is on two serious diseases: systemic sclerosis and myocarditis. The goal is to initiate patient studies in early 2022.

CANxx

In our CANxx project, we are developing new antibodies against IL1RAP that complement CAN04 and CAN10. The goal is to identify new antibody-based drugs against IL1RAP that have other properties than CAN04 and CAN10 and are therefore specially designed for treatment of new diseases.





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

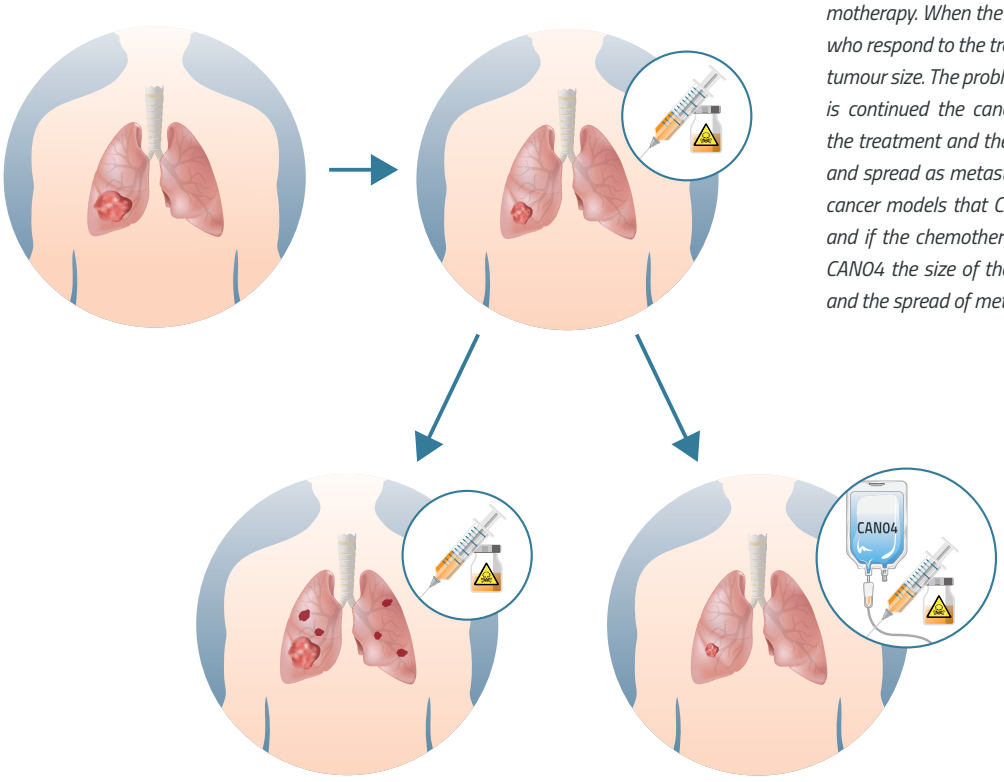
CAN04 – Cantargia's main project

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. The first patients were treated with CAN04 in 2017 and clinical phase IIa studies were initiated in 2019.

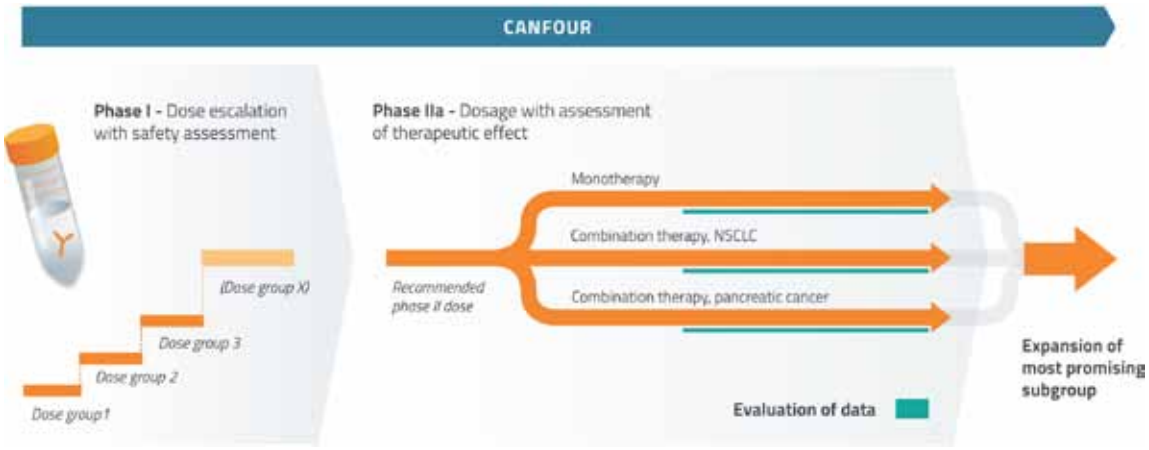
Preclinical development

Cantargia has shown that IL1RAP is expressed in tumours from several forms of cancer and that CAN04 binds strongly to the molecular target IL1RAP, which means that the substance can potentially be used for treatment of several forms of cancer. CAN04 has a double-acting effect. In the body, CAN04 acts as a guided missile that searches out and binds to the molecular target IL1RAP. This blocks the signalling, which 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) to perform a targeted attack against cells which express IL1RAP, a mechanism called ADCC (antibody-dependent cell-mediated cytotoxicity).

In 2018, two new discoveries were made that could potentially be very significant for CAN04. The first discovery was that CAN04 can inhibit metastasis. This effect could be dependent on the fact that CAN04 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 second discovery was that CAN04 is very effective in combination with chemotherapy drugs. When CAN04 was combined with the chemotherapy drug cisplatin, antitumour effects were achieved that were much stronger than from each of these substances separately. The toxicity of cisplatin was also mitigated. In 2019, Cantargia was able to present similar synergies with other chemotherapy drugs.



Many patients diagnosed with cancer receive chemotherapy. When the treatment is initiated patients who respond to the treatment will see a reduction in tumour size. The problem is that when the treatment is continued the cancer cells become resistant to the treatment and the tumour starts to grow again and spread as metastases. Cantargia has shown in cancer models that CAN04 mitigates this problem, and if the chemotherapy drugs are combined with CAN04 the size of the tumour is further decreased and the spread of metastases is inhibited.

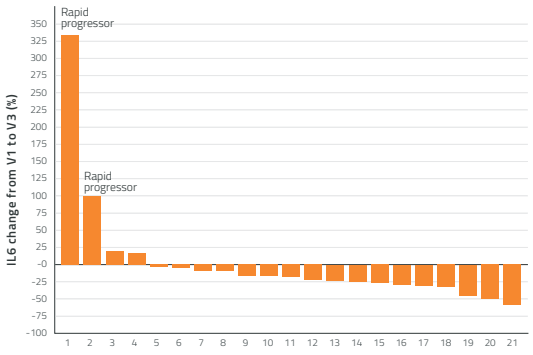


The CANFOUR study

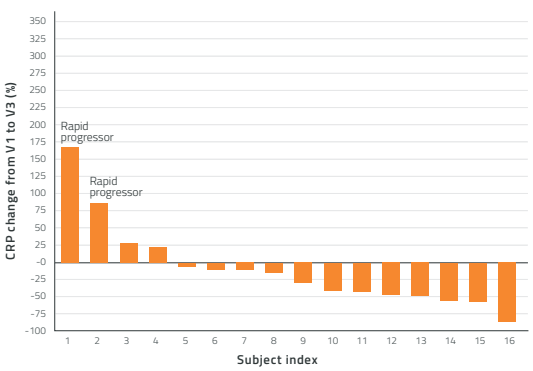
The initial focus of the clinical programme is on non-small cell lung cancer (NSCLC) and pancreatic cancer. The first clinical study – CANFOUR, which is a combined phase I/IIa study – comprises two stages in which safety and dosage are being studied in the initial stage. The aim is to determine an appropriate 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 coordinating investigator for the CANFOUR study. Professor Awada is Head of Medicine and Medical Oncology at Institut Jules Bordet in Brussels, where he is conducting important clinical research into the treatment of solid tumours and is engaged in developing new cancer therapies.

The initial stage (phase I) of the CANFOUR study was initiated after summer 2017 and was concluded in 2018. The results were presented orally by Professor Awada at the leading ASCO cancer conference on 2 June 2019.

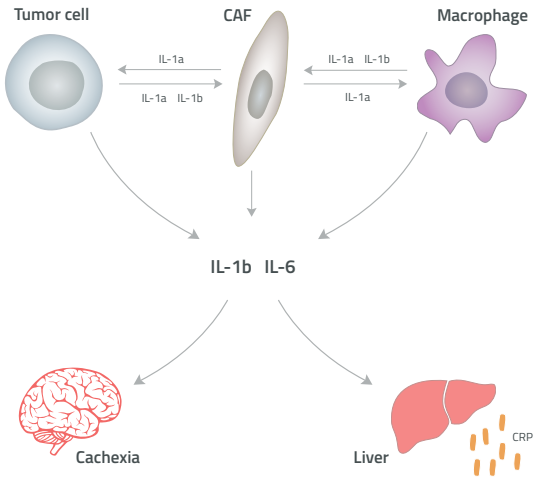
IL-6



CRP



The results from all 22 patients showed a good safety profile up to 10 mg/kg, a decrease in the biomarkers IL-6 and CRP, and stable disease in 43 per cent of patients. The decrease in biomarkers is very important for two reasons. On the one hand, there is a link between elevated biomarkers and rapid disease progression, and on the other these are classic markers of inflammation, and the reduction is a sign that CAN04 functions as intended. Thus, in conclusion the study showed that CAN04 has a very high level of safety and showed positive effects on biomarkers that can be linked to cancer.



A key result presented at ASCO was that CAN04 reduces levels of IL-6 and CRP in the blood. IL-6 and CRP are produced in the tumour and the liver as a consequence of the tumour inflammation. A decrease in these can be linked to a blockage of IL1RAP and the effect on the tumour.

Based on the positive results of the safety evaluation in phase I, phase IIa was initiated as planned in January 2019. The phase IIa stage includes an assessment of CAN04 as combination therapy with chemotherapy in patients with NSCLC or pancreatic cancer who have not previously received chemotherapy. In combination therapy, CAN04 is combined with cisplatin and gemcitabine in NSCLC and with gemcitabine and nab-paclitaxel in pancreatic cancer. The combination arms begin with a safety phase in which a small number of patients will receive treatment to ensure that CAN04 is safe to use in combination with chemotherapy drugs. Positive interim data were presented in December 2019. The results show that adding CAN04 can increase the response rate to a higher level than would be expected based on historical data for both pancreatic cancer and NSCLC where only these standard chemotherapy drugs are used, which is in line with the hypothesis that CAN04 can be synergistic with chemotherapy and reduce chemotherapy resistance. No major side effects were observed apart from those expected from chemotherapy or CAN04. In addition to combination therapy, monotherapy is also being studied in patients in late stages of the diseases in order to obtain more information on effects on biomakers and safety.

The phase IIa stage is conducted at around 20 hospitals in about ten countries and will include approximately 90 patients. In the next stage, the plan is to include a further 30–50 patients in the disease that shows the greatest promise. Information on the clinical study is available at clinicaltrials.gov (NCT03267316).

Countries where CAN04 is studied in patients

New study in combination with immunotherapy

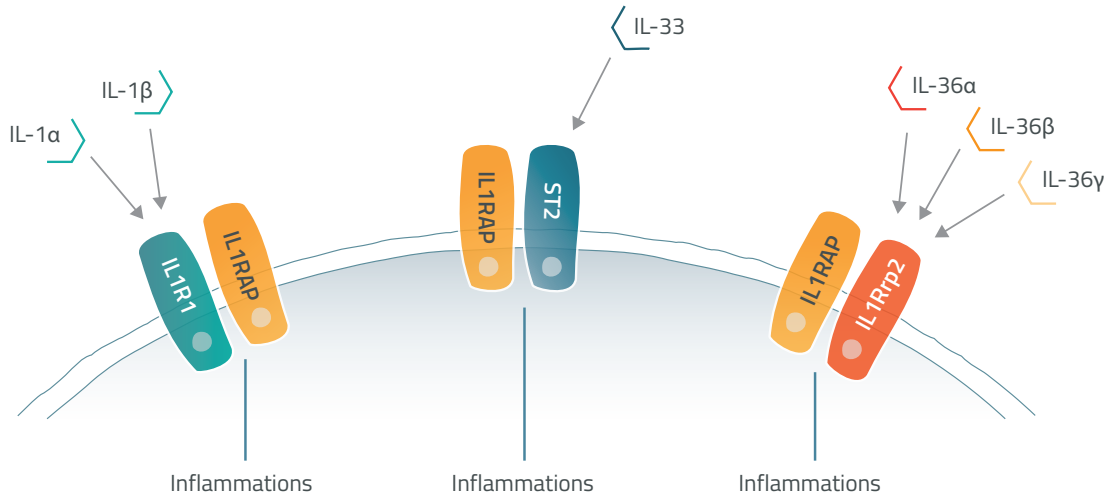
In 2020, Cantargia is planning to start a new study with CAN04. In this study, CAN04 will be combined with a checkpoint inhibitor, which is the type of immunotherapy that has become established as part of the standard treatment in NSCLC, bladder cancer, head and neck cancer, malignant melanoma and other diseases. All of these diseases express IL1RAP, the target for CAN04. There is a considerable body of research indicating that CAN04 and immunotherapy can be synergistic.

In the new study, patients treated with immunotherapy who have ceased to respond to the treatment can receive CAN04 as a complement. This will enable Cantargia to determine if it is possible to slow the progression of the disease and will also provide more safety data and effect signals on key biomarkers. The study will be conducted in the United States, with the University of Pennsylvania as the lead centre, in collaboration with other well established hospitals.

CAN10 – Cantargia's project in inflammation and autoimmunity

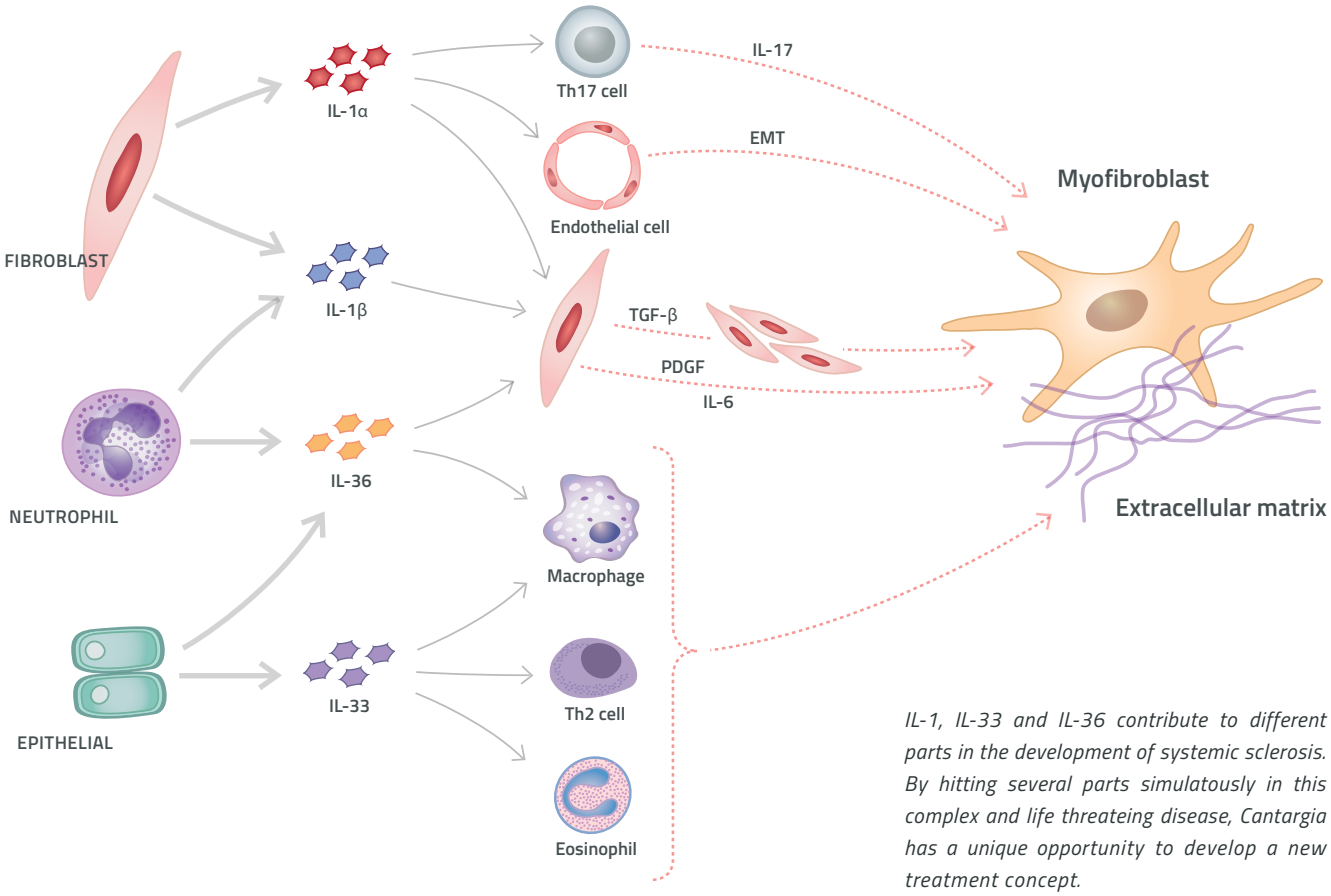
The CAN10 project was started in 2019 with the goal of developing an antibody against IL1RAP for treatment of inflammatory or autoimmune diseases, initially for systemic sclerosis and myocarditis. CAN10 is thus being developed for a disease segment that complements CAN04 and will therefore enable Cantargia to achieve a good risk diversification in its project portfolio.

IL1RAP plays an important role in inflammatory processes, where it is necessary for transferring signals from the cytokines IL-1, IL-33 and IL-36. These molecules can trigger inflammation and have roles in several serious autoimmune and inflammatory diseases. Cantargia has developed antibodies that can block all these signalling pathways simultaneously by binding to IL1RAP, which means that CAN10 has great potential for treatment of several diseases and can have a broader and more potent effect than treatments targeted at individual signalling pathways. After conducting an extensive review of a large number of diseases together Cello Health, Cantargia chose initially to target CAN10 at systemic sclerosis and myocarditis. These diseases can be serious and there is a great medical need for new treatments. The goal for CAN10 in 2020 is to continue preclinical studies and initiate documentation and production in preparation for clinical studies in the following year. To achieve this goal, Cantargia is working with several contracting companies, mainly in Europe and the US, on production development, studies in disease models, toxicity studies and other matters. Cantargia also has academic partnerships aimed at increasing knowledge about IL1RAP in various diseases.



IL1RAP is an essential part of the signalling from three different inflammatory systems: IL-1, IL-33 and IL-36. All of these systems function in a similar way. The signalling molecule, IL-1, IL-33 or IL-36, binds its specific molecular target on the cell surface of an inflammatory cell and then they connect with Cantargia's molecular target IL1RAP. The result is a signal that can contribute to various serious diseases.

In the CAN10 project, Cantargia is developing an antibody that blocks IL-1, IL-33 and IL-36 for treatment of the life-threatening diseases systemic sclerosis and myocarditis.



IL-1, IL-33 and IL-36 contribute to different parts in the development of systemic sclerosis. By hitting several parts simulatously in this complex and life threateing disease, Cantargia has a unique opportunity to develop a new treatment concept.

CANxx – Cantargia's IL1RAP -based platform

CANxx is a technology platform that harnesses Cantargia's knowledge of IL1RAP as a target for drugs. Within CANxx, a significant antibody library has been built up that can be used for new drugs or for other diagnostic purposes or other analyses. CANxx is a source for new antibodies that consolidates Cantargia's strong position for the future.

Cantargia was the first company to develop drugs against IL-1RAP and has built up a knowledge and technology platform in the area. Within CANxx, Cantargia has developed over 100 unique antibodies that bind to IL1RAP and have different properties. CANxx enables Cantargia rapidly to develop new antibodies with properties that are unique and can be used for treatment of new diseases. The development of new drugs also depends on analysis and diagnostics, and CANxx is a source of antibodies also for these purposes.

Patent protection

Cantargia's strategy is to obtain broad patent protection for its current and future product candidates. Cantargia has patent protection for treatment of several types of cancer using antibodies against IL1RAP. Cantargia also has a patent portfolio for its CAN04 product candidate. Finally, Cantargia has a patent family covering other antibodies against IL1RAP. Cantargia's patent strategy is global and covers those markets that are considered to be clinically and commercially relevant for the product pipeline.

Patent family	Patent applied for	Patent approved	Valid until
Leukemia		Europe (France, Germany, UK), USA	2029
Haematological malignancies	Australia, Europe, Israel, Japan, Canada, China, Mexico, South Africa, USA	Australia, Europe (France, Italy, Netherlands, Switzerland, Spain, UK, Germany), Israel, Japan, Canada, China, Mexico, South Africa, USA	2030
Solid tumours	Australia, Brazil, Europe, Japan, Canada, China, Mexico, Russia, South Korea, USA	Australia, Brazil, Europe (Belgium, Denmark, Finland, France, Ireland, Italy, Netherlands, Norway, Poland, Switzerland, Spain, UK, Sweden, Czech Republic, Germany, Austria), Japan, China, Mexico, Russia, USA	2032
CAN04	Australia, Brazil, Europe, India, Israel, Japan, Canada, China, Mexico, Russia, Singapore, South Africa, South Korea, USA	Europe (Belgium, Denmark, Estonia, France, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Switzerland, Spain, UK, Sweden, Czech Republic, Turkey, Germany, Austria), Japan, China, Mexico, Russia, Singapore, South Africa, USA	2035
CAN03	Australia, Brazil, Europe, India, Japan, Canada, China, Mexico, South Korea, USA	USA	2035

Research and knowledge lead to improved cancer treatment

Cantargia is a part of the gradual development of cancer therapies

Cancer treatment from a historical perspective
Cancer has affected people at all times. The earliest written record about cancer comes from Egyptian papyri from around 1600 BC where breast cancer is described. Later on, Hippocrates (ca. 460 BC–ca. 370 BC) described several types of cancer and referred to them using the Greek word karkinos, meaning crab or crayfish.

Up until the nineteenth century, cancer was viewed as an untreatable disease but in the last 150 years new treatment possibilities have been identified and developed.

In the 1870s, it was realised that there is a link between cancer and infections as researchers noted that tumours could decrease in size or even disappear entirely when patients contracted a serious infection such as tuberculosis. After making such observations, the surgeon Campbell De Morgon is said to have remarked that "this is an occasional event which is very important as it encourages us to hope that a cure may yet be found for the disease." Others made similar observations, including the US physician William B. Coley, who had observed how several cancer patients had seen an improvement in their disease after simultaneously contracting erysipelas. He drew the conclusion that infections can lead to regression of cancer by triggering an immune response. Armed with this discovery, Coley started to treat patients with live but inactivated streptococcus bacteria and thereby gave birth to the first form of immunotherapy. The method produced results, but as the underlying mechanism was not yet understood and because cancer patients were being exposed to the risk of contracting bacterial infections the treatment method was abandoned.

Researchers conducting a laboratory experiment at a cancer research facility in the United States, 1951.

In the second half of the 1890s, two types of treatment were devised that could extend the lives of individual patients and provide some pain relief. New forms of anaesthesia and the advent of antiseptics made it possible to surgically remove tumours while Wilhelm Röntgen's discovery of X-radiation and Henri Becquerel's discovery of radioactivity paved the way for the use of radiation therapy.

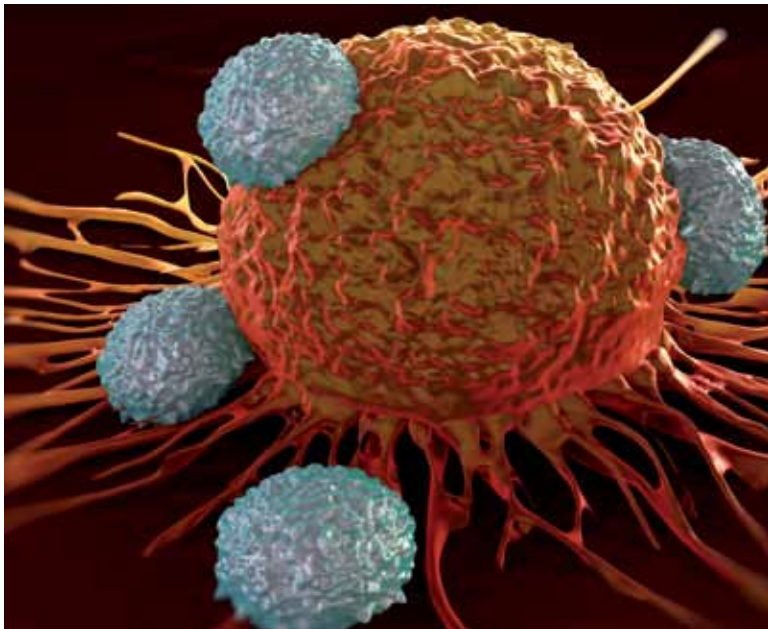
During World War II, doctors discovered that mustard gas inhibited the formation of white blood cells and concluded that it could be used to treat leukemia. This later led to the introduction of chemotherapy treatments on a wider front in the 1950s. Thanks to this treatment, around 30 per cent of patients could survive for a few years. Since then, things have moved on quickly. The use of chemo- and radiotherapy has been refined and new treatment principles have been established, such as targeted drugs and immunotherapy. Much of the success that has been achieved in cancer treatment has also been due to our ability to combine different drugs to achieve a greater effect.

Big advances are made in targeted treatments and immunotherapy

In the 1990s, targeted drugs entered the cancer treatment arena. Instead of striking broadly and also damaging healthy cells, these drugs are designed to only knock out cancer cells. Targeted drugs can be divided into two main groups: antibodies aimed at a molecular target on cancer cells and synthetic small molecules. Targeted drugs act, for example, by blocking certain signalling pathways in the cancer cells or tumorigenic cells in the tumour environment. Most types of targeted drugs help to treat cancer by disrupting specific proteins that help the tumours to grow and spread throughout the body. Although targeted drugs have certain drawbacks, such as the risk that the cancer cells will become resistant to treatment, they have made a decisive contribution to the treatment of several minor diseases. One example is chronic myeloid leukemia (CML), where the tyrosine kinase inhibitor Glivec blocks the enzyme that causes the cancer cells to proliferate in an uncontrolled manner. Today, treatment with Glivec leads to a normalisation of blood counts in almost all CML patients within just a few weeks while further continuous treatment reduces the risk of a dramatic deterioration of the disease. Glivec treatments have led to a 5-year survival rate of almost 90 per cent, a result that no other previous treatment has come close to for that disease.

As our knowledge of the immune system has grown we have also learnt more about how immune cells detect and fight certain tumours, while other tumours avoid being detected or counteract the immune system and thereby gain space to establish themselves and grow. In the mid-1990s, it was recognised that the CTLA-4 molecule acted as a brake for a certain type of white blood cell, called T cells, which inhibited activation of the immune system. It was known that it was difficult to activate the immune system against tumours and it was established that if the brake could be released the immune system could be activated and attack the cancer. At the same time, it was discovered that the PD-1 molecule on the surface of the T cells also acted as a brake for the T cells and that blocking this signal could also activate the immune response against tumours. CTLA-4 and PD-1 are examples of "immune checkpoints," and the discoveries led to the development of checkpoint inhibitors. These counteract tumour-induced inhibition of T cells and can thus fight the tumour. Another form of therapy in the field of immunotherapy that is also aimed at enlisting the help of T cells is CAR-T therapy. In this treatment, the patient's own T cells are removed from the body and genetically modified. The modified gene causes the T cells to recognise cancer cells and when they are then returned to the patient they find and kill the cancer cells.

Immune cells attacking a cancer cell.



Multiple tools are used simultaneously to increase efficacy

Today, immunotherapies are used to treat lung cancer, kidney cancer, lymphoma and skin cancer. Although immunotherapy has led to positive long-term effects in many patients, far from all patients respond to treatment. The therapies have also led to unexpected side effects. It is not yet known exactly why the available immunotherapies only work for some patients.

There is therefore still considerable scope for finding new types of treatments and increasing the effectiveness of existing treatments. Performing treatments with one drug at a time usually means that the treatment only fights one signalling pathway in the cancer cell even though several regulatory signalling pathways have been altered in connection with the disease. This allows the tumour to escape treatment, for example by activating and switching to alternative signalling pathways, which makes the tumour insensitive to treatment. Combination therapies are therefore seen as an important way forward. Combinations of drugs make it possible to target more than one signalling pathway at a time and can therefore achieve longer-lasting treatment responses. The downside is unfortunately that some combinations cause serious side effects in treated patients. Future combination therapies could, for example, include a combination of different immunotherapies or of immunotherapies and more traditional treatment forms such as chemotherapy, targeted drugs and radiotherapy.

By combining drugs it is also possible to develop increasingly individualised treatment strategies based on various characteristics of the individual's immune system and tumour. That is why extensive research resources are being devoted to increasing our knowledge about the relationship between various biomarkers and the effect of treatments. Coupled with diagnostics, these efforts can create a better picture of which treatment an individual patient can benefit from.

Cantargia's role in the treatment landscape

Cantargia operates in the borderland between immunotherapy and targeted treatments and is thus very much involved in the effort to find more effective treatments that not only prolong the lives of patients but can lead to a cure. Cantargia's main candidate, CAN04, has a unique dual mechanism of action that attacks the cancer cells directly while also inhibiting tumour inflammation, which is one of the key drivers of tumour disease progression. Tumour inflammation is a type of chronic inflammation that releases a large number of growth factors and other substances in the tumour and helps it to survive. The body is tricked into protecting the tumour and therefore also holds back those parts of the immune system that could fight the tumour. Cantargia's antibodies act against the IL1RAP protein (interleukin-1 receptor accessory protein), which plays a central role in cancer progression by transmitting signals from the environment. CAN04 stimulates the body's killer cells by finding and killing the tumour cells directly while at the same time blocking the inflammatory signalling pathways (the interleukin-1 system) that the tumour uses for growth and as a defence strategy.

CAN04 in combination with chemotherapy

Although chemotherapy can knock out parts of the immune system, it has been found that it can be successfully combined with immunotherapy. In lung cancer, for example, the immunotherapy drug pembrolizumab is used in combination with chemotherapy, which has had a major impact on patient survival, although treatment rarely leads to cure. New findings suggest that chemotherapy and immunotherapies can interact synergistically in several ways, for example by activating the immune system through chemotherapy-induced cell death. Chemotherapy drugs' dual role of affecting cancer cells and triggering immune activation has thus provided biological reasons for developing more chemo-immunotherapy combinations.

For a number of years, Cantargia has been conducting studies in which the chemotherapy drugs cisplatin and gemcitabine are combined with the company's CAN04 drug candidate in lung cancer. Cisplatin is part of standard treatments for lung cancer as well as other cancers such as head and neck, ovarian and bladder cancer, while gemcitabine is approved for treatment of lung cancer, pancreatic cancer and breast cancer. Cantargia has also shown that several other chemotherapy drugs have the potential to create synergies when combined with CAN04.

One of the reasons for Cantargia's studies is that while chemotherapy can initially produce good effects the tumours soon begin to develop resistance to the drug. It has been shown that the interleukin-1 system plays a role in this context. Cantargia has been able to show in preclinical studies that the combination of CAN04, cisplatin and gemcitabine leads to increased efficacy and reduced toxicity. The phase IIa study currently being conducted by Cantargia includes two separate treatment arms that are studying combination therapy. One arm is examining patients with pancreatic cancer who are being treated with CAN04, gemcitabine and abraxane while the other is examining patients with lung cancer who are being treated with CAN04, cisplatin and gemcitabine. The first interim results are promising and are described elsewhere in this annual report. The majority of patients experienced a more than 50 per cent reduction of their tumour burden after just two months of treatment.

Is it possible to combine CAN04 with PDI inhibitors?

As previously described, far from all patients respond to checkpoint inhibitor therapy. One way to increase efficacy is to combine different immunotherapies to enable a simultaneous attack on the cancer cells in which complementary mechanisms of action are attacked.

Cantargia is now planning a new study that will be looking at a combination of CAN04 and PD1 inhibitors (see also another section in this annual report). The background to the study has similarities to the rationale for combining CAN04 with chemotherapy and is based on the fact that the tumour inflammation counteracts the effect of the new immunotherapies. Other groups have shown that patients who respond poorly to immunotherapy have a tumour microenvironment that withstands the treatment effects. This tumour microenvironment has a high proportion of myeloid cells, which express IL1RAP and respond to and secrete IL-1. There are also preclinical studies showing that if the IL-1 system is blocked a stronger anti-tumour effect with PD1 inhibitors is obtained than without the blocking effect.

Cantargia's potential role in tomorrow's cancer treatments

A wide variety of strategies are currently being developed for tomorrow's cancer treatments. This is important because cancer is a complex disease and it is likely that highly effective combinations of drugs will be required to ensure that a majority of patients can be offered a cure.

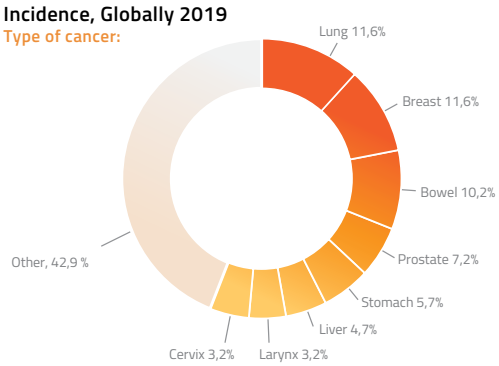
It has been established that the chronic inflammation that develops in the tumour microenvironment protects the tumour and impairs the ability of our immune system to prevent the progression of the cancer. A growing number of studies are also showing that the IL-1 system prevents many treatments from having a full effect. That's why we see a great potential for CAN04 not only to have a direct effect that inhibits the growth and spread of cancer cells but also as an important component of several combination therapies. Cantargia has been attracting growing attention in recent years, not least due to our phase I results that were presented orally at ASCO 2019 and the subsequent positive interim results for CAN04 in combination with chemotherapy.

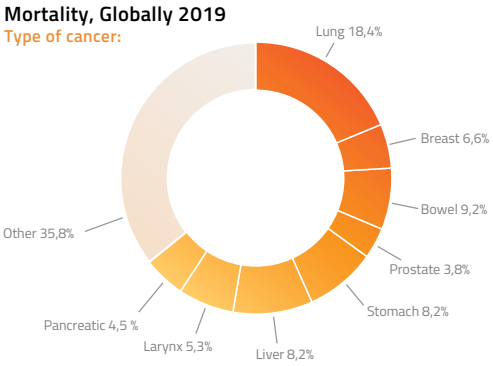
MARKET OVERVIEW

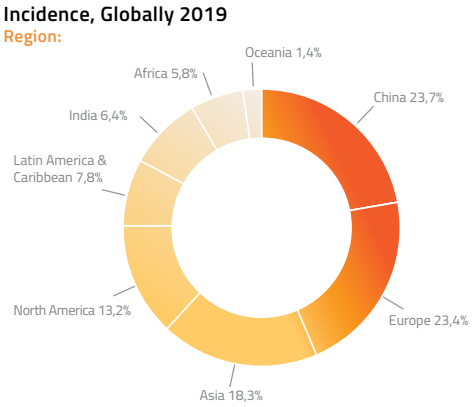
Cancer – a global challenge

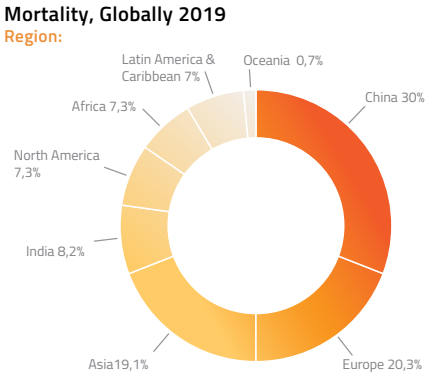
Cancer is one of the most common causes of death in the world, accounting for around 20 per cent of deaths in the West. Globally, more than 18 million people are diagnosed with cancer each year and more than eight million lose their lives to cancer-related diseases. Despite significant advances in treatment and diagnosis, there is a great need for new treatment methods.

There are around 200 known types of cancer, all of which 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 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 own immune system. The chart below shows the distribution of cancer incidence (18.1 million cases) and cancer mortality (9.6 million deaths) in the world by type of cancer and major region in 2018.









Source: WHO Global Cancer Observatory

The number of cancer cases is set to increase continuously and it is forecast that by 2040 over 27 million new cases will be diagnosed annually[1]. Another significant factor behind the growing incidence of cancer is the aging of the population. By 2040, the over-65 bracket is expected to account for more than 75 per cent of cancer diagnoses[2].

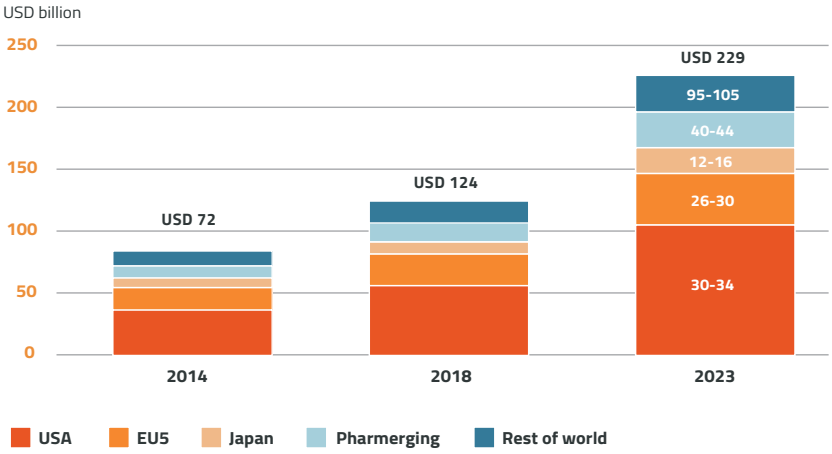
A further contributing factor is our Western lifestyle as smoking, alcohol consumption, unhealthy diets, low physical activity, overweight, obesity and unhealthy sun habits become more widespread.

[1] Cancer Research UK, https:/www.cancerresearchuk.org/health-professional/cancer-statisticsworldwide-cancer/incidence#heading-One

[2] Macmillan Statistics Fact Sheet, Macmillan Cancer Support, 2019.

The cost of cancer drugs increased to nearly USD 150 billion in 2018 from USD 104 billion in 2014[3]. A key factor behind the increase between 2014 and 2018 is the introduction of new drugs, but prices have also increased sharply. List prices for drugs in this therapy area have increased steadily over the past ten years. The median price[4] of a new drug in the United States in 2018 was just over USD 149,000. Although this was lower than in 2017, when the median price was USD 162,150, it is still a near doubling compared with 2013, when the median price of a new drug was USD 79,000. This has, for example, resulted in a more than doubling of drug costs for cancer treatment in the US since 2013. In 2018, over USD 57 billion was spent in the US, with 64 per cent of the growth being attributable to drugs launched in the last five years.

The cost of cancer drugs 2014–2023



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).*

Source: Iqvia Institute, Global Oncology Trends 2019

Sales of drugs for cancer treatment, oncology, are becoming increasingly important for the big pharmaceutical companies. In 2018, oncological preparations remained the best-selling drugs[5]. A small number of drugs account for the majority of sales, with 38 pharmaceuticals generating 80 per cent of sales while 84 per cent of cancer drugs had annual sales of less than USD 1 billion and 70 per cent had sales of less than USD 500 million in 2018[6].

As the number of cancer cases is expected to increase sharply, the market is forecast to grow rapidly. Globally, the cost of cancer drugs is expected to increase to more than USD 200 billion by 2023, which represents an annual growth rate of 11–14 per cent[7]. This growth is explained by continued strong growth in the US, where new treatments will drive costs. The five largest European markets are expected to grow at a slower pace due to budgetary constraints in public insurance systems and broader use of health technology assessments to limit expenditure on cancer drugs.

In the rest of the world, growth will be driven by an increase in the number of patients being treated generally coupled with increased use of drugs launched previously in more developed markets. During the period until 2030, average annual growth in this market is expected to approach 11 per cent[8].

CANTARGIA'S MARKET FOCUS

In developing CAN04, Cantargia has initially focused on non-small cell lung cancer and pancreatic cancer. Lung cancer is the form of cancer that causes the largest number of deaths and non-small cell lung cancer is the most common form of the disease. Pancreatic cancer is very hard to cure and few effective treatments have so far been developed. Cantargia's next planned study will include the IL1RAP-expressing cancers bladder cancer and head and neck cancer, which together with non-small cell lung cancer are diseases for which immunotherapy is today a part of the standard treatment. Bladder cancer is the seventh most common form of cancer in men and is increasing by over 2 per cent annually. Head and neck

[3] Global Oncology Trends 2019, Iqvia.
[4] The median price is here defined as total annual costs (based on invoiced amounts) divided by the estimated number of treated patients.
[5] https://pharmaintelligence.informa.com/~/media/informa-shop-window/pharma/2019/files/whitepapers/top-10-best-selling-drugs-of-2018-fund-us-and-eu-pharma-rd.pdf
[6] Global Oncology Trends 2019, Iqvia
[7] Global Oncology Trends 2019, Iqvia
[8] The future of oncology, a focused approach to winning in 2030: Thriving on disruption series. KPMG UK

cancer is the ninth most common type of cancer globally and is also increasing, partly due to tobacco and alcohol use.

In addition to the aforementioned cancers, studies have shown that IL1RAP is found in other solid tumours such as breast cancer and bowel cancer. The prospects of using Cantargia's immunological platform for treatment of several forms of cancer are therefore good. Cantargia and its founders have also studied leukemia and shown that IL1RAP is expressed both on leukemic stem cells and on mature leukemic cancer cells.

Alongside CAN04, Cantargia launched a new project in 2019 called CAN10, which is aimed at harnessing the full potential of IL1RAP as molecular target. In this project, the plan is to develop a new antibody for treatment of systemic sclerosis and myocarditis. The new antibody has been optimised for treatment of inflammatory diseases and differs from CAN04 mainly in that it blocks more signalling pathways.

THE MARKET FOR LUNG CANCER TREATMENT

In 2018, around 2 million new cases of lung cancer were diagnosed globally while more than 1.7 million people died as a result of lung cancer. Around 85 per cent of all lung cancers are non-small cell lung cancer . In the United States, the number of people being diagnosed with lung cancer has declined by around 31 per cent over the past 14 years[10] while the number of people being diagnosed with the disease in countries like China and India as well as in European countries like Hungary, Denmark and Serbia is increasing.

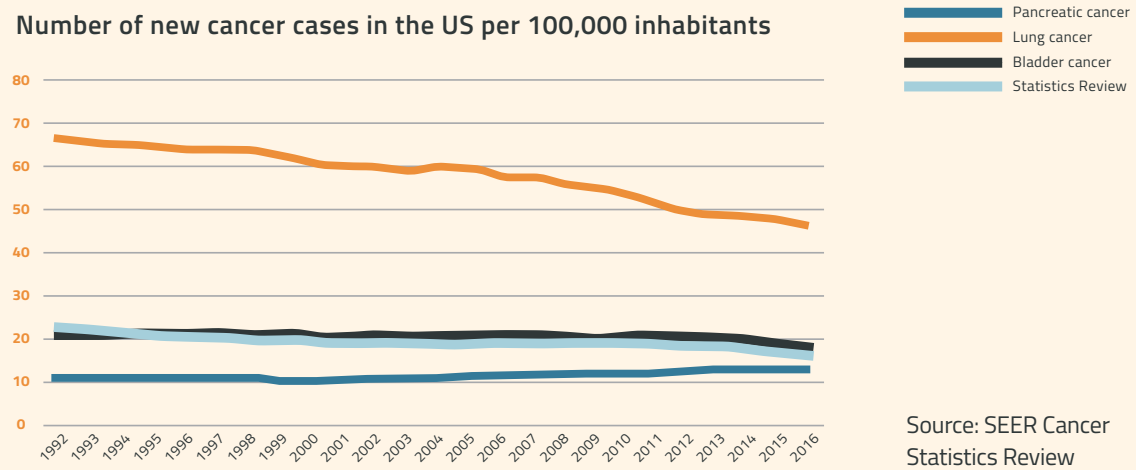
Sales of drugs for non-small cell lung cancer totalled USD 16 billion in 2018 and are projected to increase to USD 43.7 billion by 2026. Sales are being driven mainly by increasing use of various antibody-based immunotherapies. What these therapies have in common is that they block the signals used by the tumour to escape the immune system, which allows the immune system to recognise the tumour and destroy it. Another important factor driving the growth of the market is the increasing incidence of lung cancer in many countries, as mentioned above.

THE MARKET FOR PANCREATIC CANCER TREATMENT

Worldwide, around 456,000 new cases of pancreatic cancer were diagnosed in 2018. In the same year, 432,000 people died from the disease. In the US, the number of people being diagnosed with the disease has increased by 10.7 per cent over the past 14 years. Being hard to diagnose, the disease is difficult to treat, as it is often far advanced by the time it is discovered.

The global market for pancreatic cancer treatment is expected to be worth USD 4.1 billion by 2025. In 2017, the market was worth around USD 2 billion[11]. The market is expected to grow by 8 per cent annually from 2018 to 2025. The main factor behind the growth of this market is the growing number of cancer cases, which in turn is driven by an aging population and the increasing incidence of diabetes, both of which are risk factors for developing this disease.

Another factor why the market is expected to grow is improved diagnostics, which increases the chance of discovering pancreatic cancer at an earlier stage and thus enabling treatment. The number of people being diagnosed with pancreatic cancer is expected to grow by 55 per cent by 2030. By 2020, pancreatic cancer is expected to be the third most common cause of cancer-related deaths in the US[12].



Source: SEER Cancer Statistics Review

[9] https://www.lungcancer.org/find_information/publications/163-lung_cancer_101/268-types_and_staging

[10] SEER Cancer Statistics Review.

[11] ResearchAndMarkets, Pancreatic Cancer Therapy Market to 2025 - Global Analysis and Forecasts By Type, Therapy and Geography.

[12] American Cancer Society, Cancer Facts & Figures 2020, 2020.

THE MARKET FOR ACUTE MYELOID LEUKEMIA TREATMENT

Acute myeloid leukemia (AML) is the most common form of acute leukemia, or blood cancer, in adults. 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. AML has the lowest five-year survival rate among all types of leukemia. The underlying reason for the disease is genetic damage, which has been mapped in detail in recent years. Although significant improvements have been made in the treatment of other, related types of blood cancer, there has unfortunately been limited progress in developing therapies for AML.

In 2018, it was estimated that there were 103,000 new cases of AML globally. The incidence of AML is expected to increase over the coming ten years to nearly 115,000 new cases by 2028[13]. An aging population is expected to be a crucial driver behind the increase. In 2016, sales of drugs for treating AML in the US, the five largest EU countries and Japan totalled USD 406 billion. The global market for acute myeloid leukemia treatment was estimated to be worth USD 701.6 million in 2018 and is projected to grow to over USD 1.5 billion by 2024, which equates to an annual growth rate of around 14 per cent[14].

THE MARKET FOR HEAD AND NECK CANCER TREATMENT

Head and neck cancer is a group of cancer indications that affect the lips, salivary gland, pharynx, nasal cavity, larynx and thyroid gland. There is a strong connection to environmental factors and lifestyle habits, and the incidence of head and neck cancer is therefore higher in certain geographic regions and social groups, for example in Asia. Risk factors for the incidence of head and neck cancer include tobacco use, alcohol consumption and existing viral infections (HPV).

The number of new annual cases of head and neck cancer in the 7MM countries is forecast to rise from 164,000 in 2020 to around 175,000 in 2025[15]. A majority (62 per cent) of patients with this type of cancer are diagnosed in later stages, normally III or IV.

The global pharmaceutical market for head and neck cancer treatment was estimated at USD 1.3 billion in 2017 and is forecast to be worth USD 2.3 billion by 2025[16]. This represents an annual growth rate of 7.3 per cent from 2018 to 2025. The drivers behind the growth of the market are the growing number of new immunotherapies, better treatment options without serious side effects and the rising incidence of new cancer cases.

THE MARKET FOR BLADDER CANCER TREATMENT

Bladder cancer is the seventh most common form of cancer in men and the seventeenth most common form of cancer in women. The fact that smoking is more common among men may explain the higher incidence among men. The average age of those diagnosed is 73. Smoking is the biggest risk factor for bladder cancer and smokers are three times more likely to develop bladder cancer than non-smokers, but up to 25 per cent of bladder cancer cases are caused by exposure to substances such as dyes and rubber.

The number of new cases of bladder cancer is expected to increase from 251,000 in 2018 to 290,000 in 2025[17]. The main driver behind the increase is the aging of the population as life expectancy continues to rises.

Historically, chemotherapy has been the dominant treatment for bladder cancer, but following the launch of tecentriq (atezolizumab) the market is expected to be dominated by immunotherapies in the future. The launch of new immunotherapies and the growing number of new bladder cancer cases will be the main drivers behind the growth of the bladder cancer market.

As a result of a growing awareness of cancer treatments and diagnostic programmes, the market for bladder cancer is expected to grow by 4.5 per cent annually from 2018 to 2025. The market was estimated to be worth USD 241 million in 2018 and is forecast to grow to USD 327.9 million by 2025[18].

THE MARKET FOR SYSTEMIC SCLEROSIS AND MYOCARDITIS TREATMENT

Systemic sclerosis is a chronic autoimmune disease that is characterised mainly by inflammation and fibrosis of the skin and subcutaneous tissue as well as blood vessels and internal organs such as the lungs, heart and kidneys. Systemic sclerosis is a complex, heterogeneous disease that can occur with a variety of clinical manifestations ranging from less severe to life-threatening. The estimated annual incidence of systemic sclerosis is approximately 4.5 per 100,000 in North America and 1.8 per 100,000 in Europe[19]. The main cause of death in

[13] ACUTE MYELOID LEUKEMIA, New approaches to solving complex clinical development challenges, Iqvia.

[14] ResearchAndMarkets, Acute Myeloid Leukemia Market - Growth, Trends, and Forecast (2019–2024).

[15] GlobalData, OpportunityAnalyzer: Head and Neck Squamous Cell Carcinoma, March 2018.

[16] Allied Market Research, Global Opportunity Analysis and Industry Forecast, 2018–2025.

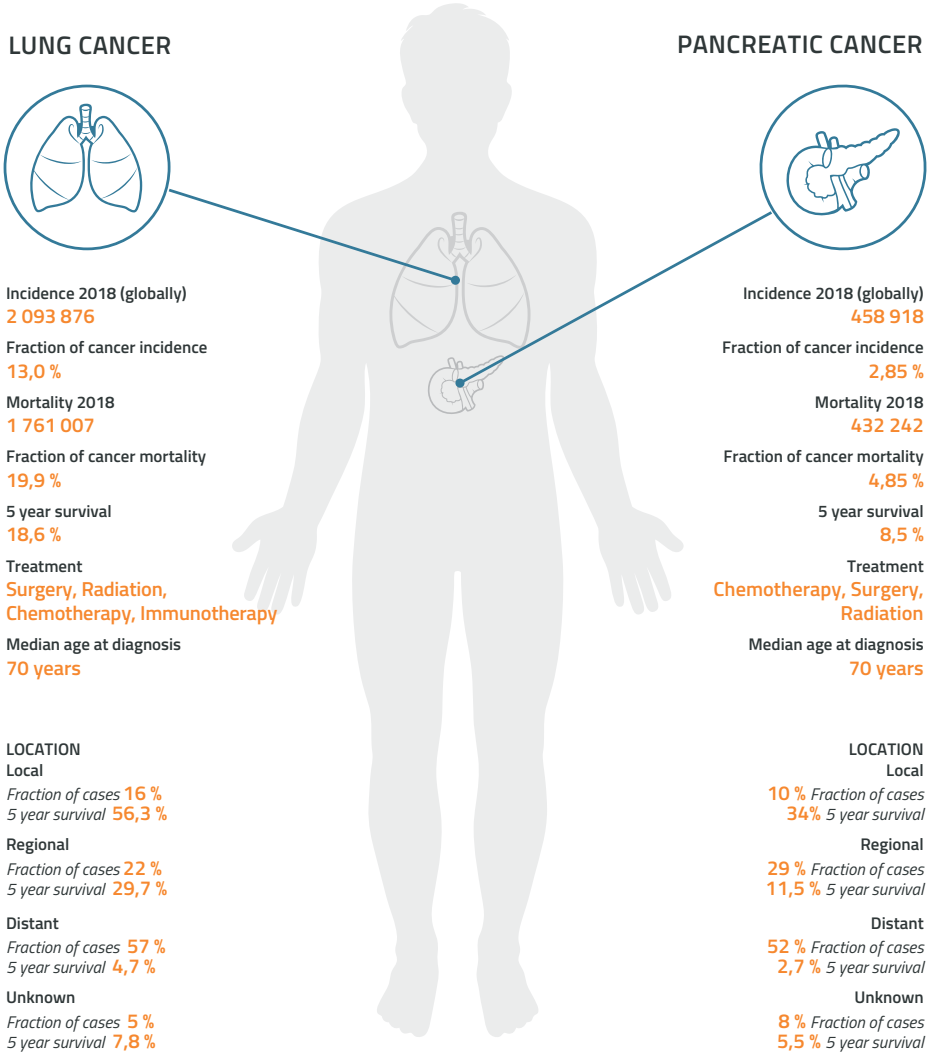
[17] GlobalData, Opportunity Analyzer: Bladder Cancer, April 2017.

[18] Data Bridge Market Research.

[19] Best Pract Res Clin Rheumatol. 2018 Apr;32(2):223-240, Clin Epidemiol. 2019 Apr 18;11:257-2 and Ann Rheum Dis. 2014 Oct;73(10):1788-92.

patients with systemic sclerosis is interstitial lung disease and the medical need is particularly high in these patients.

Myocarditis is characterised by inflammation of the muscular tissues of the heart (myocardium), which have different origins, including genetic causes and infection mechanisms, that are not well characterised. Regardless of its aetiology, myocarditis is characterised by initial acute inflammation that can progress to subacute and chronic stages, resulting in tissue remodelling, fibrosis, and loss of myocardium architecture and contractile function. The estimated incidence of myocarditis is about 22 per 100,000[20] (1.7 million) and globally the disease accounts for about 0.6 deaths per 100,000[21] (46,400) each year. The medical need is great for subgroups of patients with fulminant myocarditis (acute disease) and dilated cardiomyopathy (chronic disease), where mortality is very high in certain immune subtypes. For these patients, heart transplantation is currently the only definitive treatment.



Source: WHO; International Agency for Research on Cancer, SEER Cancer Statistics Review

[20] J Am Coll Cardiol. 2016 Nov 29;68(21):2348-2364.

[21] Lancet. 2018;392:1736-88.

IMMUNOTHERAPY – AN INNOVATIVE TOOL IN THE FIGHT AGAINST CANCER

Antibodies, also known as immunoglobulins, are produced by the body's immune system and have the task of binding to and eliminating foreign substances, such as bacteria or viruses. 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.

To maximise the effectiveness of the treatment, it is necessary to take account of the tumour's location, spread and cell type as well as the patient's general condition and other diseases. Thanks to the advances that have been made in cancer treatment, it is now standard practice to combine conventional cancer treatments with immunotherapy as far as possible to achieve the best possible treatment results.

In 2011, the first immunotherapeutic antibody was approved by the U.S. Food and Drug Administration (FDA). Such antibodies have largely been targeted at the PD-1 and PD-L1 mechanisms, known as checkpoint inhibitors. They have a broad effect on solid tumours and are today used to treat more than 20 types of tumour. The clinical benefits of the immuno-oncological preparations are that several of these often result in remission levels of 50 per cent or higher as well as increased survival. The existing standard treatments have an average efficacy rate of only 25 per cent across all the various forms of cancer.

In recent years, the FDA has approved new preparations that are designed to stimulate the immune system to eliminate cancer cells. Of these, the four that have achieved the highest sales are Yervoy® (Bristol-Myers Squibb), Opdivo® (Bristol-Myers Squibb), Keytruda® (Merck & Co) and Tecentriq® (Roche). In 2017, these four preparations generated sales of around USD 10.4 billion, and sales grew 35.5 per cent in 2019 to USD 21.7 billion[22]. Lung cancer and malignant melanoma are two types of cancer that can be treated with these preparations.

[22] Sales data for the drugs have been obtained from the companies' year-end reports.

Drug development – from discovery to launch

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 studies normally involve 20–100 individuals. 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 demonstrate "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. Phase II studies can take between six months and two years 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.patienter som ska inkluderas.

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 mainly comprise costs for research, development, production and clinical studies of a drug. Of 10–15 products that are studied in phase I, only one will normally go 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 2019 – 31 December 2019. 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 biotechnology company that develops antibody-based treatments for life-threatening diseases. The basis for this is the protein IL1RAP that is involved in a number of diseases and where Cantargia has established a platform. The main project, the antibody CAN04, is being studied in the clinical phase I/IIa CANFOUR study with a primary focus on non-small cell lung cancer and pancreatic cancer. The study is focused on combination therapies, but also includes a monotherapy arm. Positive interim data from the combination therapies were presented in December 2019. Cantargia's second project, the antibody CAN10, addresses treatment of serious autoimmune/inflammatory diseases, with initial focus on systemic sclerosis and myocarditis.

FIVE-YEAR COMPARISON [1]

Amounts in mSEK	2019	2018	2017	2016	2015
Net sales	-	-	-	-	-
Loss after net financial income/expense	-110.8	-91.2	-60.3	-47.5	-17.2
Cash and bank balances and liquid investments	39.9	76.5	149.8	25.9	24.5
Short-term investments	110.0	90.3	120.0	8.9	14.9
Equity	142.3	155.0	246.1	30.0	28.1
Total assets	166.1	171.4	274.5	39.7	31.4
Equity/assets ratio (%)	86%	90%	90%	76%	89%
Quick ratio (%)	669%	1027%	958%	383%	803%
R&D costs	-97.5	-77.0	-52.4	n/a	n/a
Project costs[4]	-81.1	-66.2	-44.8	-35.5	-7.0
Total operating expenses	-111.6	-93.3	-60.0	-47.6	-17.0
R&D costs as a percentage of total operating expenses	87%	82%	87%	n/a	n/a
Project costs as a percentage of total operating expenses	73%	71%	75%	75%	41%
Number of outstanding shares at 31 Dec [2]	72,804,392	66,185,811	46,940,508	20,917,200	13,505,874
Number of outstanding warrants at 31 Dec	85,000	85,000	85,000	-	8,283,080
Earnings per share before and after dilution (SEK) [3]	-1.56	-1.36	-1.28	-2.27	-1.27
Equity per share (SEK)	1.95	2.34	5.24	1.44	2.08
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. Previous comparative years have not been restated, which means that the year 2015 has been prepared in accordance with K3.

[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] Cantargia has and had potential ordinary shares in the form of warrants during the period. These do not have a dilutive effect, however, as a conversion of warrants into ordinary shares would result in a lower loss

[4] See also Note 24

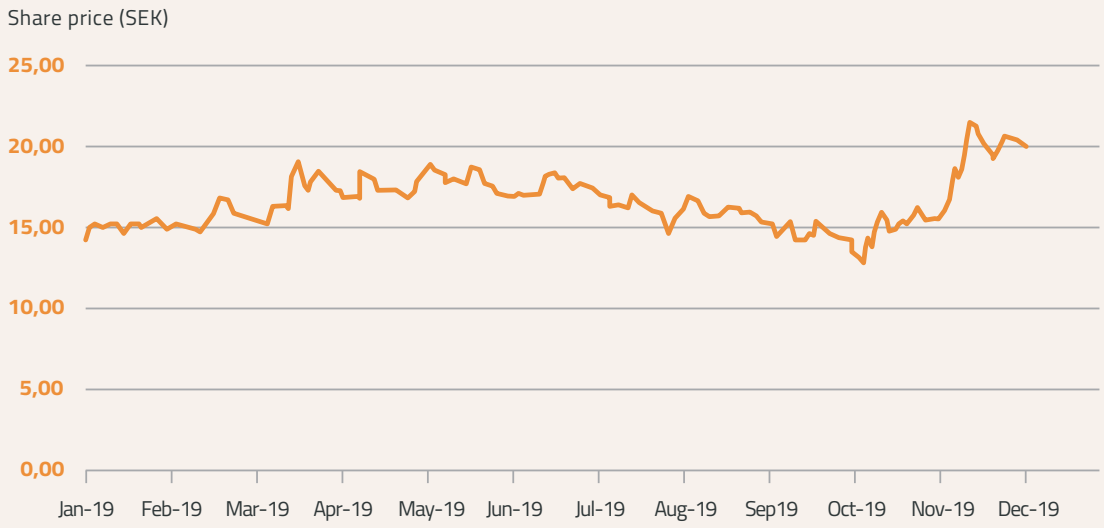
Cash and bank balances and liquid investments - cash and available deposits with banks and other credit institutions.
Equity/assets ratio - Adjusted equity as a percentage of total assets
Quick ratio - Current assets as a percentage of current liabilities
R&D costs - Total project costs plus allocated portion of personnel expenses and other external expenses.
Project costs - The sum of external costs in Preclinical, Clinical, CMC, Regulatory 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

SHAREHOLDER INFORMATION

Share information

As of 25 September 2018, Cantargia's shares have been listed on the main list of Nasdaq Stockholm, under the stock symbol "CANTA". At 31 December 2019, the number of shares was 72,804,392 (66,185,811). At the closing date, the outstanding warrant schemes comprised 85,000 warrants, which after restatement for the rights issue registered on 8 January 2018 entitle the holders to subscribe for 86,700 shares at an exercise price of SEK 11.18 per share. If all outstanding warrants are exercised, the share capital will increase by SEK 6,936. In other respects, the terms are the same as those described in the annual report for 2018.

Share price performance in 2019



Ownership distribution

Cantargia's ten largest owners as of December 31, 2019

Owner	Number of shares	Capital/Votes (%)
Sunstone Life Science Ventures Fund III K/S	5,472,292	7.5%
Fjärde AP-fonden	5,336,751	7.3%
Alecta Pensionsförsäkring, Ömsesidigt	4,774,596	6.6%
Första AP-fonden	4,550,000	6.2%
Försäkringsaktiebolaget, Avanza Pension	4,007,288	5.5%
Öhman Bank S.A., Luxemburg	3,120,986	4.3%
Andra AP-fonden	2,200,000	3.0%
Skandinaviska Enskilda Banken S.A., Luxemburg	1,742,708	2.4%
Handelsbanken Fonder	1,607,460	2.2%
Mats Invest AB	1,328,788	1.8%
Other	38,663,523	53.1%
Total	**72,804,392**	**100.0%**

Ownership Distribution size classes as of 31 December 2019

Holding	Number of shareholders	Number of shares	Capital/Votes (%)	Market Cap (kSEK)
1 - 500	2,178	380,394	0.5%	7,665
501 - 1,000	795	650,728	0.9%	13,112
1,001 - 5,000	1,461	3,702,132	5.1%	74,598
5,001 - 10,000	440	3,222,195	4.4%	64,927
10,001 - 15,000	148	1,881,813	2.6%	37,919
15,001 - 20,000	95	1,685,924	2.3%	33,971
20,001 -	289	61,281,206	84.2%	1,234,816
Total	**5,406**	**72,804,392**	**100.0%**	**1,467,008**

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
2019	Issue of new shares	0.08	6,618,581	529,486.48	72,804,392	5,824,351.36

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

RESEARCH ACTIVITIES

Clinical studies

Cantargia has an ongoing Phase I / IIa clinical trial that examines CAN04 both as monotherapy in patients with advanced cancer as well as first-line combination therapy with chemotherapies. During the year, phase I monotherapy data were presented at the ASCO conference in Chicago, phase IIa was initiated and positive interim data for the combination arms were reported. Preparations began for a new study in the US where CAN04 is being studied with immunotherapy.

- In January 2019, the first patient initiated treatment with Cantargia's CAN04 antibody in the phase IIa stage of the CANFOUR study.
- New phase I clinical data on Cantargia´s antibody CAN04 (nidanilimab) were presented June 2 in an oral session at the 2019 ASCO Annual Meeting.
- Cantargia announced in July, full recruitment of CAN04 monotherapy arm in ongoing phase IIa clinical trial.
- Cantargia announced in September that Cantargia had requested a pre-IND meeting regarding CAN04 with the US FDA and in November that the outcome from the pre-IND meeting was positive.
- Cantargia reported in December positive interim data from ongoing phase IIa combination study with antibody CAN04.

Preclinical studies

During the period new results were presented around CAN04 in combination therapy with chemotherapies as well as positive data in new cancers. CAN10 was selected as development project in systemic sclerosis and myocarditis.

- In May 2019, Cantargia announced new preclinical results showing positive effects when the CAN04 antibody is combined with various platinum-based chemotherapies.
- In August positive preclinical data on CAN04 in bladder cancer were announced.
- Cantargia presented novel preclinical data on antibody CAN04 at PEGS Europe conference.
- In December Cantargia selected CAN10 as development project in systemic sclerosis and myocarditis.

Production

Cantargia has several partners around production and production development. Important long-term agreements were signed during the period.

- Cantargia AB and Patheon Biologics B.V. (a part of ThermoFischer Scientific) signed in May 2019, an agreement on future production of the CAN04 antibody.
- Cantargia announced in August that Cantargia and BioWa extended the ongoing collaboration around the POTELLIGENT® Technology.

Other

- In October, it was announced that an opposition has been filed against one of Cantargia´s patents in Europe covering antibody therapy in solid tumors. The same company has previously conducted an opposition against the parent patent in the same patent family without success. Cantargia believes that the opposition is unfounded.

Financing

- In March 2019, Cantargia completed a directed share issue of approximately SEK 106 million to fund expanded clinical development of CAN04.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

- Cantargia advanced in February 2020 the development of CAN04 through a successful production scale up to 2,000 liter scale. Upscaling means Cantargia has secured the production methodology for upcoming clinical studies with CAN04 and commercial manufacturing.
- In February, Cantargia completed a directed share issue of approximately SEK 410 million before transaction costs, which resulted in approx SEK 388 million net after transaction costs.
- Cantargia acquired a patent portfolio from Cellerant Therapeutics Inc that covers various aspects of "interleukin 1 receptor accessory protein" (IL1RAP) and a US patent for IL1RAP as the target for antibody therapy in leukemia.
- In April, Cantargia submitted a so-called IND application to start a clinical trial with CAN04 and immunotherapy in the USA.
- Cantargia also provided a status update of its projects and the temporal consequences of the COVID-19 pandemic. The recruitment in the ongoing CANFOUR study will be about a quarter slower than planned. The last patient with pancreatic cancer and lung cancer is expected to start during Q3 2020 and Q4 2020 respectively.

REVENUE

Cantargia's net sales in 2019 were mSEK 0 (0).

OPERATING EXPENSES AND OPERATING PROFIT/LOSS

Research and development costs for the year were mSEK 97.5 (77.0). The increase is mainly related to Cantargia's main project, CAN04, where the clinical study CANFOUR and investments in production development (CMC) increased. Significant investments have also been made during 2019 in preclinical studies for CAN04 and CANxx.

Administrative expenses for the full year 2019 were mSEK 13.1 (15.8). The decrease compared to previous year is largely attributable to non-recurring expenses in 2018 related to the list change project where the company was listed on the main list of Nasdaq Stockholm.

Other operating expenses, which comprise foreign exchange differences on trade payables, were mSEK 1.0 (0.5) for the full year. The negative outcome for other operating expenses is mainly related to the weakening of the Swedish krona against EUR and USD.

The full-year operating loss for 2019 was mSEK -111.6 (-93.3).

NET FINANCIAL INCOME/EXPENSE

Net financial income/expense consists in all essential parts of foreign exchange differences on the company's EUR account and interest earned on short-term investments in fixed-rate accounts and fixed income funds. Net financial income for the full year 2019 was mSEK 0.8 (2.1).

EARNINGS

Cantargia's loss before tax, which is the same as the loss for the year, was mSEK -110.8 (-91.2) for the full year 2019. As discussed above, the increased loss is mainly attributable to an increased investment in the company's R&D activities, especially within the main project CAN04 with its clinical trial CANFOUR.

FINANCIAL POSITION

The equity/assets ratio at 31 December 2019 was 86 (90) per cent and equity was mSEK 142.3 (155.0).

The company's cash and cash equivalents, which consist of cash and available deposits with banks and other credit institutions, were mSEK 39.9 (76.5) at the balance sheet date. In addition to cash and cash equivalents, the company has short-term investments with banks and in fixed income funds of mSEK 110.0 (90.3). The company's liquidity (including short-term investments) decreased only by SEK 17.0 million during the year, thanks to the in March 2019 executed directed share issue which gave a liquidity supplement of SEK 98.0 million net.

As of December 31, the item prepaid expenses is significant higher than at the previous year-end. This increase is essentially related to advance invoicing from Cantargias CMC partner Patheon.

Total assets at the end of the period were mSEK 166.1 (171.4).

CASH FLOW AND INVESTMENTS

Cash flow from operating activities for the full year was mSEK -111.3 (-104.7). As part of cash flow from operating activities, changes in working capital were mSEK -0.3 (-11.9).

Cash flow from investing activities was mSEK -23.6 (29.7). For the full year 2019 as well as for the previous year, changes in short-term investments account for most of the cash flow from investing activities. Investments in tangible fixed assets during the year consist essentially of investment in production equipment with Cantargia's new CMC partner Patheon. As of December 31, 2019, this investment is ongoing and depreciation is not charged to the company's earnings until January 2020.

Cash flow from financing activities for the full year was mSEK 98.0 (0.1). The outcome in 2019 is entirely related to completed directed share issue in March, while the outcome in 2018 arose due to difference in accrual versus outcome of capital acquisition costs related to directed share issue 2017.

The total change in cash and cash equivalents for the twelve-month period, including foreign exchange difference in cash and cash equivalents, was mSEK 36.7 (-73.3).

RISKS AND RISK MANAGEMENT

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 drug candidate

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. The company's drug candidate CAN04 is in the clinical development phase and in 2019 the clinical phase IIa trial CANFOUR was continued.

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 Patheon Biologics BV 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 one or several new antibodies against the IL1RAP molecular target for treatment of autoimmune/inflammatory diseases. As a result of the research platform CANxx, CAN10 has been started as a development project. The project is focused on the major medical needs in systemic sclerosis and myocarditis. 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 CAN10/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 CAN10/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

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, USD 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. There is no expiration date which limits the use of the company's tax losses. It is, however, uncertain at what point in time it will be possible to use these tax losses to offset taxable profits, as the company has not yet generated any 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. 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.

EMPLOYEES

One of Cantargia's key success factors is the company's employees. The average number of employees of the company during the year was 9 (6), of whom 4 (3) is a woman. The number of employees at year-end was 11 (7) full-time equivalents, of whom 6 (3) are women. The level of education among the employees is high. All employees hold PhDs in medicine or natural sciences or have higher university degrees.

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, 87 per cent (82), 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.

GUIDELINES FOR REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR SENIOR EXECUTIVES 2020

According to the Swedish Companies Act, the Annual General Meeting shall decide on guidelines for remuneration to the CEO and other senior executives. Guidelines were adopted at the Annual General Meeting on May 27, 2019. No deviations from these guidelines have been made.

Ahead of the 2020 Annual General Meeting, the Board of Directors has proposed that the remuneration guidelines be updated to be adapted to the new rules that since January 1, 2020 apply to remuneration for senior executives.

The board proposes that the annual general meeting resolves on the following remuneration guidelines for the senior executives of Cantargia. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2020.

These guidelines do not apply to any remuneration or equity-related incentive programs decided or approved separately by the general meeting.

These guidelines essentially correspond to the guidelines that were adopted by the annual general meeting 2019 but are prepared in further detail due to new legal requirements. For current guidelines, which are valid up to the 2020 AGM, and remuneration in 2019, see Note 18.

The guidelines' promotion of Cantargia's business strategy, long-term interests and sustainability

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 centres. Currently, more than 30 different actors, international as well as national, are engaged in research and development related to Cantargia's CAN04 and CAN10 antibodies. The strategy is based on driving the development of product candidates until an indication of clinical activity has been obtained. For more information regarding the company's business strategy, please see www.cantargia.com.

A prerequisite for the successful implementation of the business strategy and safeguarding of Cantargia's long-term interests, including its sustainability, is that Cantargia is able to recruit and retain qualified personnel who are working to achieve the maximum level of shareholder and customer value. To this end, it is necessary that Cantargia offers competitive remuneration. These guidelines enable Cantargia to offer the senior executives a competitive total remuneration.

Long-term incentive plans have been implemented in the company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines. The incentive scheme and employee option program pro

posed by the board of directors and submitted to the annual general meeting 2020 for approval is excluded for the same reason.

Types of remuneration, etc.

The remuneration to the executive management shall be on market terms and may consist of the following components: base cash salary, variable cash remuneration, pension benefits and other benefits. The total remuneration to the executive shall comprise a balanced mix of the above-mentioned components. The board of directors shall annually evaluate whether long-term incentive programs shall be proposed to the general meeting.

The base cash salary shall be individual and relate to the relevant person's responsibilities, role, competence and position.

The variable cash remuneration may for the CEO amount to not more than 30 per cent of the total fixed annual cash salary. For other senior executives the variable cash remuneration may amount to not more than 20 per cent of the total fixed annual cash salary. Variable cash remuneration may qualify for pension benefits if mandatory under applicable collective agreement provisions.

Pension benefits shall be premium defined unless the individual concerned is subject to defined benefit pension under mandatory collective agreement provisions. The pension premiums for premium defined pension shall amount to not more than 35 per cent of the fixed annual cash salary. Notwithstanding the above, the board of directors is entitled to offer other solutions than the above-mentioned ones, that are equivalent for the company in terms of costs.

Other benefits may include, for example, health care insurances and health services. Such benefits shall be of limited value in relation to other compensation and shall correspond to customary market terms in each geographic market. Other benefits may amount to not more than 10 per cent of the annual base cash salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Termination of employment

The notice period in case of termination by Cantargia may not exceed six months. The notice period 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.

For the CEO, severance pay of up to twelve months' base salary and employment benefits may be paid, in addition to base salary during the notice period. For other executives, base salary during the notice period and severance pay may together not exceed an amount equivalent to the executive's base salary for twelve months.

Criteria for awarding variable cash remuneration, etc.

Variable cash remuneration shall be linked to predetermined and measurable criteria, which can be financial or non-financial, designed to contribute to the company's long-term value creation. The criteria shall relate to the development of Cantargia's projects and the partnerships the company enters into for acceleration of the clinical development and future commercialization, as well as the remuneration (such as upfront fees when the agreement is entered into, milestone payments or royalties) resulting from this development. Furthermore, the criteria shall be designed so as to contribute to Cantargia's business strategy and long-term interests, including its sustainability.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. The remuneration committee is responsible for the evaluation concerning the variable remuneration to the executive management. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

Salary and employment conditions for employees

In the preparation of the board of directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the board of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The board of directors has established a remuneration committee. The committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The board of directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve Cantargia's long-term interests, including its sustainability, or to ensure Cantargia's financial viability. As set out above, the remuneration committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

OUTLOOK FOR 2020

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 2020 is to complete 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. During 2020, an increased investment will be made within the preclinical and CMC within the CAN10 development project.

APPROPRIATION OF RETAINED EARNINGS

Proposed appropriation of retained earnings (see also Note 21). The Annual General Meeting is asked to decide on the appropriation of the following:

Share premium account	488,271,822
Loss brought forward	-241,014,660
Loss for the year	-110,808,401
	136,448,761

The Board of Directors proposes that: SEK 136,448,761 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 2019 - 31 Dec 2019	1 Jan 2018 -31 Dec 2018
Operating income			
Net sales		-	-
Other operating income		-	-
Operating expenses	24		
Research and development costs	7, 18	-97,477	-76,951
Administrative costs	6, 7, 8, 18	-13,097	-15,823
Other operating expenses	9	-1,016	-532
		-111,589	**-93,306**
Operating profit		**-111,589**	**-93,306**
Financial income and expense			
Interest income and similar items	10, 12	780	2,147
Interest expense and similar items	10, 12	-	-1
		780	**2,145**
Profit before taxes		**-110,809**	**-91,160**
Tax for the period	11	0	0
Loss for the period *)		**-110,809**	**-91,160**
Earnings per share before and after dilution (SEK) based on average number of shares **)		-1.56	-1.36

*) No items are reported in other comprehensive income, meaning total comprehensive income is consistent with the loss for the period.
**) In the calculation of earnings per share, the number of shares has been adjusted during the comparative periods according to IAS 33.

STATEMENT OF FINANCIAL POSITION

(kSEK)	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Fixed assets			
Financial assets			
Other securities held as non-current asset	13	-	2,957
		-	2,957
Tangible assets			
Machinery and other technical facilities		6,379	-
Fixtures, tools and installations		489	-
	26	**6,868**	**-**
Total fixed assets		**6,868**	**2,957**
Current assets			
Other receivables		1,482	1,143
Prepaid expenses and accrued income		7,818	496
		9,300	**1,639**
Short-term investments			
Other short-term investments	14	110,019	90,319
		110,019	**90,319**
Cash and bank balances			
Cash and bank balances	15	39,870	76,528
		39,870	**76,528**
Total current assets		**159,189**	**168,486**
TOTAL ASSETS		**166,057**	**171,443**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	16	5,824	5,295
		5,824	**5,295**
Non-restricted equity			
Share premium account		488,272	390,765
Retained earnings		-241,015	-149,855
Loss for the year		-110,808	-91,160
	21	**136,448**	**149,750**
Total equity		**142,273**	**155,045**
Current liabilities			
Trade payables		12,620	8,956
Tax liabilities		103	131
Other liabilities		474	383
Accrued expenses and deferred income	17	10,588	6,928
		23,784	**16,398**
TOTAL EQUITY AND LIABILITIES		**166,057**	**171,443**

STATEMENT OF CHANGES IN EQUITY

(kSEK)	Restricted equity		Non-restricted equity		Total
1 Jan 2019 - 31 Dec 2019	**Share capital**	**Paid-up not regd share capital**	**Share premium account**	**Ret earnings incl profit/loss for year**	**Total equity**
Opening balance, 1 January 2019	**5,295**	**-**	**390,765**	**-241,015**	**155,045**
Loss for the period	-	-	-	-110,809	-110,809
Transactions with shareholders					
Issue of new shares for the year	529	-	105,500	-	106,030
Capital acquisition cost	-	-	-7,993	-	-7,993
	529	-	97,507	-	98,036
Closing balance, 31 December 2019	**5,824**	**-**	**488,272**	**-351,824**	**142,273**
1 Jan 2018 - 31 Dec 2018					
Opening balance, 1 January 2018	**3,755**	**1,540**	**390,680**	**-149,855**	**246,120**
Loss for the period	-	-	-	-91,160	-91,160
Transactions with shareholders					
Issue of new shares for the year	1,540	-1,540	-	-	-
Capital acquisition cost *)	-	-	85	-	85
	1,540	-1,540	85	-	85
Closing balance, 31 December 2018	**5,295**	**-**	**390,765**	**-241,015**	**155,045**

*) This item arises due to the difference in accrual versus the outcome of capital acquisition cost related to the share issue in 2017.

STATEMENT OF CASH FLOWS

(kSEK)	Note	1 Jan 2019 -31 Dec 2019	1 Jan 2018 -31 Dec 2018
Cash flow from operating activities			
Operating loss		-111,589	-93,305
Adjustments for non-cash items	23	12	-
Interest received etc.	10	597	479
Interest paid etc.	10	-	-1
Cash flow from operating activities before changes in working capital		**-110,980**	**-92,827**
Changes in working capital			
Change in receivables		-7,661	76
Change in trade payables		3,664	-11,662
Changes in other current liabilities		3,722	-273
		-274	**-11,859**
Cash flow from operating activities		**-111,254**	**-104,686**
Investing activities			
Acquisition of tangible assets	26	-6,880	-
Disposal of other long-term securities	13	2,957	-
Increase in other short-term investments	14	-120,000	-40,300
Decrease in other short-term investments	14	100,300	69,981
		-23,623	**29,681**
Financing activities			
Issue of new shares for the year		106,030	-
Capital acquisition cost		-7,993	85
		98,036	**85**
Change in cash and cash equivalents		-36,841	-74,921
Cash and cash equivalents at beginning of period		76,528	149,781
Exchange rate difference in cash equivalents	10	183	1,667
Cash and cash equivalents at end of period *)	15	**39,870**	**76,528**

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

NOTES

NOTE 1
General information

Cantargia AB (publ), with registered office in Lund, Sweden, was founded in 2010 and is a biotechnology company that develops antibody-based treatments for life-threatening diseases. The basis for this is the protein IL1RAP that is involved in a number of diseases and where Cantargia has established a platform. The main project, the antibody CAN04, is being studied in the clinical phase I/IIa CANFOUR study with a primary focus on non-small cell lung cancer and pancreatic cancer. The study is focused on combination therapies, but also includes a monotherapy arm. Positive interim data from the combination therapies were presented in December 2019. Cantargia's second project, the antibody CAN10, addresses treatment of serious autoimmune/inflammatory diseases, with initial focus on systemic sclerosis and myocarditis.

The original discovery made by the research team behind Cantargia was that the specific molecular target, 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 cancers.

Cantargia consists of one legal entity, Cantargia AB, corporate ID number 556791-6019.

Cantargia's shares have been listed on the main list of Nasdaq Stockholm since September 2018.

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 30 April 2020.

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 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

A number of new standards and interpretations have become effective for financial years beginning on 1 January 2019 or later. The following is an assessment of the effects of these standards:

IFRS 16 Leases will replaced on January 1, 2019 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. Cantargia does not affects by the new lease standard, as the company apply the exemption from IFRS 16 in RFR 2 and 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 below. As at 31 December 2019 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, of which rental of office premises is the most significant.

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 IFRS 9 Financial Instruments is not applied. Instead, cost is applied in accordance with the Annual Accounts Act. Financial assets are initially measured at cost including any transaction costs directly attributable to the acquisition of the asset.

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

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

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

Measurement of financial liabilities

Short-term trade payables are recognised at cost.

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 2019, 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.

The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its commitments to policyholders calculated using Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective funding ratio should normally be permitted to vary within a range of 125 and 155 per cent. If Alecta's collective funding ratio were to fall below 125 per cent or exceed 155 per cent, it would be necessary to take measures that will enable the ratio return to the normal range. In case of a low funding ratio, one measure that can be taken is to raise the agreed price for new policies and the expansion of existing benefits. If the funding ratio is high, contributions can be reduced. At the end of the financial year 2019, Alecta's surplus, as defined by the collective funding ratio, was 148 per cent (2018: 142 per cent).

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 using 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.

As the company is not generating any profit, the deferred tax asset on tax losses arising from tax losses presented in Note 11 has not been assigned any value.

2.10 Revenue
Interest income
Interest income is recognised using 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.

2.14 Tangible Assets

Tangible assets consist of furniture, work machinery and production equipment. These are reported at historical cost minus cumulative depreciation and any impairments. The historical cost includes the purchase price and any expenses directly attributable to the asset for putting it in place and making it fit for its intended purpose.

Depreciation of tangible assets is posted to expenses in such a way that the value of the asset minus its estimated residual value at the end of its service life is written down on a linear basis over its expected service life, estimated at:

- Machinery and other technical facilities, 3-5 years
- Fixtures, tools and installations, 3-5 years

Estimated service lives, residual values and depreciation methods are reviewed at least at the end of each accounting period, and the effects of any changes in estimates are reported in advance.

The reported value of a tangible asset is removed from the statement of financial position when it is scrapped or sold, or when no future economic benefits are expected from using or scrapping/disposing of the asset. The gain or loss made from scrapping or disposing of the asset is the difference between any net income from the disposal and its reported value, posted to the income statement in the period in which the asset is removed from the statement of financial position.

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 and USD 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 and USD. Cantargia currently does not engage in active management of currency risk. At the end of the reporting period, Cantargia had an exposure to EUR of kEUR 784 (357) and USD of kUSD 164 (7) in the form of outstanding trade payables. In addition to trade payables in EUR and USD, the company has a EUR and USD currency accounts which at 31 December 2019 had a balance of kEUR 3 (535) and kUSD 40 (-).

If the Swedish krona had weakened/strengthened by 10 per cent against the EUR and USD with all other variables held constant, the effect on profit/loss for the year and equity at 31 December 2019 would have been approximately SEK -7.2 million and SEK 7.2 million (-2.7 and 2.7, respectively) lower/higher. The corresponding effect in respect of the company's EUR and USD currency accounts at 31 December 2019 would have been approximately SEK -0.0 million and SEK 0.0 million (-0.5 and 0.5, respectively) lower/higher.

(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 60,019 (40,019), 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 was earlier exposed to price risk from an investment in an endowment policy. The endowment policy divested in 2019 consisted of units in Söderberg & Partners' Trygghet 90 fund, which in turn is an investment in the subfund 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 CAN10, CANxx and 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 0 and kSEK 50,000, respectively (kSEK 50,300 and kSEK 0, respectively), and kSEK 60,019 (kSEK 40,019) invested in a short-term fixed income fund. In addition to this, Cantargia had bank deposits of kSEK 39,870 (kSEK 76,528) at the balance sheet date.

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 2019	Less than 2 months	More than 2 months	Total
Trade payables	12,620	-	12,620
Other liabilities	474	-	474
Total	13,094	-	13,094

31 December 2018	Less than 2 months	More than 2 months	Total
Trade payables	8,956	-	8,956
Other liabilities	383	-	383
Total	9,339	-	9,339

(e) Management of capital

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

In 2019, Cantargia's strategy, which remained unchanged from 2018, was to secure the company's ability to continue as a going concern by running 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. Prior to the listing of the company's shares on the main list of Nasdaq Stockholm on 25 September 2018, the company's activities were financed through a number of share offerings. 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 that 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.

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

In recent months, the COVID-19 pandemic has developed in a way that has put a heavy strain on society. Cantargia follows the spread and its consequences. The greatest risk lies around clinical studies where the increased burden on healthcare can mean delays in patient recruitment, or that patients are subject to travel or visitor restrictions and cannot make the visits that are expected. Given that COVID-19 has developed very differently aggressively in different countries and that hospitals are choosing different strategies for conducting clinical studies, the risks are less for major delays or major quality problems. Delays may also occur with other subcontractors, but the production of CAN04 for the clinical trials is assured. Based on the COVID-19 pandemic, Cantargia updated its timelines in early April. Cantargia is currently well funded and well equipped to cope with delays.

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 the 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.

	2019	2018
PwC		
Audit engagement*	261	328
Audit services in addition to audit engagement	18	64
Tax advisory services	160	220
Other services **)	55	2,360
Total	**494**	**2,972**

* Audit engagement refers to fees for the statutory audit, i.e. work that has been necessary to produce the auditor's report.
**) Other services 2018 refer to advisory and consulting services in connection with Cantargia's transfer from First North to the main list of Nasdaq Stockholm (Small Cap).

NOTE 7

Employee benefits, etc.

Salaries and other benefits and social security contributions (for employees)

	2019	2018
Salaries and other benefits	9,250	6,493
Social security contributions	2,758	1,535
Retirement benefit costs, defined contribution	2,925	2,004
Other personnel expenses	277	115
Total employee benefits	**15,210**	**10,146**

2019	Salaries and other benefits (of which bonuses)	Retirement benefit costs
Directors, CEO and other senior executives	8,683	2,716
Other employees	2,327	208
Total	**11,010**	**2,924**
	(972)	

2018	Salaries and other benefits (of which bonuses)	Retirement benefit costs
Directors, CEO and other senior executives	7,220	1,926
Other employees	926	78
Total	**8,146**	**2,004**
	(794)	

Average number of employees

	2019		2018	
	Number of employees	Of which men	Number of employees	Of which men
Sweden	9	5	6	3
Total	**9**	**5**	**6**	**3**

Gender distribution for Directors and other senior executives

	2019		2018	
	Number at balance sheet day	Of which men	Number at balance sheet day	Of which men
Directors	6	4	7	4
CEO and other senior executives	5	4	5	4
Total	**11**	**8**	**12**	**8**

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

NOTE 8
Operating leases

	2019	2018
Lease payments expensed during the financial year	492	302

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

	2019	2018
Due within one year	1,004	63
Due after more than one year but within five years	2,359	-
Due after more than five years	-	-
Total	**3,363**	**63**

Lease expenses refer to rent for premises and office equipment.

NOTE 9
Other operating expenses

	2019	2018
Foreign exchange losses, trade payable	-1,016	-532
Total	**-1,016**	**-532**

NOTE 10
Financial income and expense

	2019	2018
Interest income and similar income		
Interest income	480	461
Gain/loss on sale of short-term investments	-	19
Profit on sale of other long-term securities holdings *)	118	-
Foreign exchange gains, currency accounts	183	1,667
Total	**781**	**2,147**

	2019	2018
Interest expense and similar charges		
Other interest expense	-	-1
Total	**0**	**-1**

*) See Note 13

NOTE 11
Income tax

	2019	2018
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.

	2019	2018
Reconciliation of reported tax for the year		
Loss before tax	-110,809	-91,160
Reported tax for the year		
Tax at applicable tax rate, 21.4% (2018: 22%)	23,713	20,055
Tax effect of non-deductible expenses	-114	-76
Tax effect of non-taxable income	25	-
Tax effect of deductible expenses recognised directly in equity	1,711	-
Tax losses for which no deferred tax asset has been recognised	-25,335	-19,979
Reported tax for the year	**0**	**0**

	2019	2018
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**388,419**	**270,890**
Potential tax benefit, 21.4% (2018: 21.4%).	**83,122**	**57,970**

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.

NOTE 12
Net foreign exchange difference

Foreign exchange differences have been recognised in the statement of comprehensive income as follows:

	2019	2018
Other operating expenses (Note 9)	-1,016	-532
Interest expense and similar charges (Note 10)	183	1,667
Total	**-833**	**1,135**

NOTE 13
Other securities held as non-current assets

Non-current assets	
1 January 2018	**2,957**
Deposit	-
Carrying amount, 31 December 2018	**2,957**
Deposit	-
Disposal	-2,957
Carrying amount, 31 December 2019	**0**

The market value of the above securities at the balance sheet date is kSEK 0 (31 Dec 2018: kSEK 2,965).

NOTE 14
Short-term investments

	31 Dec 2019	31 Dec 2018
Fixed-rate account, Erik Penser Bank	50,000	50,300
Liquidity funds, Sparbanken Skåne	60,019	40,019
Total	**110,019**	**90,319**

Fixed-rate account, Erik Penser Bank, 31 Dec 2019 fixed for 12 months, 0.65% interest.
(31 Dec 2018 fixed 6 months, 0.5% 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:	**31 Dec 2019**	**31 Dec 2018**
Available bank deposits		
SEK	39,466	71,034
EUR	373	5 493
USD	32	-
Total	**39,870**	**76,528**

NOTE 16
Share capital

Ordinary shares	**Number of shares (thousands)**	**Share capital**
1 January 2018	46,941	3,755
Issue of new shares	19,245	1,540
31 December 2018	**66,186**	**5,295**
1 January 2019	66,186	5,295
Issue of new shares	6,619	529
31 December 2019	**72,804**	**5,824**

At 31 December 2019, the share capital consisted of 72,804,392 shares with a quotient value of SEK 0.08 per share.

Each share carries one vote. At 31 December 2018, the share capital consisted of 66,185,811 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 1 January 2018 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 2019	31 Dec 2018
Accrued salaries and social security contributions	563	339
Accrued issue costs	-	-
Other accrued expenses	10,025	6,589
Total	**10,588**	**6,928**

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.

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 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.

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	**2019**	**2018**
Lunds Universitet (Thoas Fioretos)	463	463
Total	**463**	**463**

Remuneration of senior executives (see also Note 7)

	2019	2018
Salaries and other short-term benefits	6,923	5,300
Post-employment benefits	2,717	1,927
Other long-term benefits	-	-
Termination benefits	-	-
Total	**9,640**	**7,227**

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, which are adopted by the shareholders' meeting, 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 must be applied to new contracts, or to changes to existing contracts that are entered into with senior executives after the adoption of the guidelines and until new or revised guidelines are adopted. Senior executives may, from time to time, be offered variable remuneration. Such variable remuneration shall consist of 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. For senior executives, the amount of variable remuneration is capped at SEK 500,000 (excluding social security contributions).

Senior executives and other key personnel 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 and other key personnel under the long-term remuneration scheme is capped at SEK 900,000 (excluding social security contributions).

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 of up to twelve months' salary and employment benefits may be paid to the CEO.

Salaries and remuneration for the year (see also Note 7)
Salaries, remuneration, social security contributions and retirement benefit costs have been paid in the following amounts:

2019	Fee	Basic salary	Variable remunertion	Retirement benefit cost	Other benefits	Social sec contribu-tions	Total
Magnus Persson, Chairman	465	-	-	-	-	146	**611**
Claus Asbjorn Andersson, Director	230	-	-	-	-	-	**230**
Thoas Fioretos, Director	230	-	-	-	-	72	**302**
Karin Leandersson, Director	230	-	-	-	-	72	**302**
Patricia Delaite, Director	335	-	-	-	-	50	**385**
Anders Martin-Löf, Director	270	-	-	-	-	85	**355**
Göran Forsberg, CEO	-	1,800	468	684	44	645	**3,642**
Total, Board and CEO	**1,760**	**1,800**	**468**	**684**	**44**	**1,071**	**5,828**
Other senior executives (4 persons)	-	4,252	403	2,033	116	1,532	**8,336**
Total	**1,760**	**6,052**	**871**	**2,717**	**161**	**2,603**	**14,163**

2018	Fee	Basic salary	Variable remunertion	Retirement benefit cost	Other benefits	Social sec contribu-tions	Total
Magnus Persson, Chairman	445	-	-	-	-	140	**585**
Claus Asbjorn Andersson, Director	240	-	-	-	-	-	**240**
Thoas Fioretos, Director	195	-	-	-	-	61	**256**
Karin Leandersson, Director	210	-	-	-	-	66	**276**
Patricia Delaite, Director	280	-	-	-	-	63	**343**
Anders Martin-Löf, Director	250	-	-	-	-	79	**329**
Corinne Savill, Director	300	-	-	-	-	63	**363**
Göran Forsberg, CEO	-	1,491	424	595	21	597	**3,128**
Total, Board and CEO	**1,920**	**1,491**	**424**	**595**	**21**	**1,068**	**5,519**
Other senior executives (3 persons)	-	3,015	371	1,332	48	986	**5,752**
Total	**1,920**	**4,506**	**794**	**1,927**	**70**	**2,054**	**11,271**

Pensions
The retirement age for the CEO is 65 years.

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

For other employed 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.

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' fees
The Directors' fees approved at the Annual General Meeting on 27 May 2019 are SEK 450,000 to the Chairman of the Board and SEK 200,000 to each of the other Directors. For the Remuneration Committee, a fee of SEK 30,000 is paid to the committee chairman and SEK 15,000 to each of the other members, and for the Audit Committee SEK 70,000 is paid to the committee chairman and SEK 30,000 to each of the other members. It was also resolved that, for each physical Board meeting (up to a maximum of six meetings) that is held in Sweden and attended by the Director, a meeting fee of SEK 20,000 be paid to each Director living outside the Nordic region. The full amount of Directors' fees has been charged to earnings in 2019.

NOTE 19
Warrant scheme
Warrant scheme introduced in 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. On 8 January 2018, Cantargia completed a rights issue, which resulted in a restatement of TO 2017/2020.

After restatement, each warrant entitles the holder to subscribe for 1.02 new shares of the company at an exercise price of SEK 11.18 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 86,700 and the share capital will increase by SEK 6,936. 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 2019.

	2019		2018	
	Average exercise price per warrant (SEK)	Number of warrants	Average exercise price per warrant (SEK)	Number of warrants
1 January	11.40	85,000	11.35	85,000
Allocated during the year	-	-	-	-
Exercised during the year	-	-	-	-
Unexercised warrants expired during the year	-	-	-	-
31 December *)	11.40	85,000	11.40	85,000
Exercisable at 31 December	**-**	**-**	**-**	**-**

*) On completion of the rights issue on 8 January 2018, warrant scheme TO 2017/2020 was restated in accordance with the above description under "Warrant scheme introduced in 2017".

Fair value of allocated warrants
The calculated fair value at the allocation date of warrants allocated in 2017 was SEK 0.85 per warrant. 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.

Valuation parameters used for the valuation of warrants allocated in 2017

Parameter	Assumptions
Value of underlying asset (share price)	5.90
Exercise price (SEK)	11.35
Term (years)	2.98
Risk-free rate (continuous capitalisation)	-0.50%
Present value of dividends	0.00
Volatility	50.00%

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 2018 and 2019, as a conversion of warrants into ordinary shares would result in a lower loss per share.

	2019	2018
Profit/loss for the period attributable to parent company shareholders		
Total	**-110,809**	**-91,160**
Weighted average number of outstanding ordinary shares (thousands)	71,150	66,186
Earnings per ordinary share, SEK	-1.56	-1.38

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	-241,014,660
Share premium account	488,271,822
Loss for the year	-110,808,401
The Board of Directors proposes that the following sum be carried forward:	**136,448,761**

The Board of Directors proposes that no dividend be paid for the financial year 2019.

NOTE 22
Events after the end of the reporting period

Cantargia advanced in February the development of CAN04 through a successful production scale up.

In February, Cantargia completed a directed share issue of approximately SEK 410 million before transaction costs, which resulted in approx SEK 388 million net after transaction costs.

Cantargia acquired a patent portfolio from Cellerant Therapeutics Inc that covers various aspects of "interleukin 1 receptor accessory protein" (IL1RAP) and a US patent for IL1RAP as the target for antibody therapy in leukemia.

In April, Cantargia submitted a so-called IND application to start a clinical trial with CAN04 and immunotherapy in the USA.

Cantargia also provided a status update of its projects and the temporal consequences of the COVID-19 pandemic. The recruitment in the ongoing CANFOUR study will be about a quarter slower than planned. The last patient with pancreatic cancer and lung cancer is expected to start during Q3 2020 and Q4 2020 respectively.

NOTE 23
Adjustments for non-cash items

	2019	2018
Depreciation	-12	-
Total	**-12**	**0**

NOTE 24
Costs by nature of expense

	2019	2018
Project costs	-81,053	-66,159
Other external expenses	-14,298	-16,467
Personnel expenses	-15,210	-10,147
Other operating expenses	-1,016	-532
Depreciation	-12	-
Total	**-111,589**	**-93,305**

As of the year-end report 2018, operating expenses are presented based on a classification into the functions "Research and development costs, "Administrative expenses" and "Other operating expenses". On a "by nature" basis, the sum of expenses by function is distributed as follows.

NOTE 25
Agreements for cooperation

Patheon Biologics B.V. (part of ThermoFischer Scientific)
In May 2019, Cantargia signed an agreement with Patheon Biologics B.V. ("Patheon") about future production of the antibody CAN04 (Nidanilimab). CAN04 is in Phase IIa clinical development for non-small cell lung and pancreatic cancer. Through this agreement secures Cantargia additional production capacity for future clinical trials. The antibody CAN04 is studied currently in a European Phase IIa clinical trial for the treatment of patients with non-small cell lung or pancreatic cancer. In preparation for later phases of clinical development is an increase in production capacity part of the development plan. The new agreement with Patheon complements the current agreement with Celonic AG (previously) Glycotope Biotechnology GmbH). Patheon will now scale up the process to 2000 liters for the next production campaign of clinical material. Patheon has manufacturing facilities in both Europe and the US. Patheon has under the agreement entitlement to compensation for ongoing work, but no part of future sales revenue for CAN04.

Specialized Medical Services-oncology BV
In May 2016, the Company entered into a framework agreement with Specialized Medical Services-oncology BV ("SMS-omcology") on the execution of clinical studies as a so-called CRO. The parties have subsequently agreed under the framework agreement that SMS-oncology should act as CRO for The company's first clinical phase I / IIa study with CAN04.

BioWa Inc.
Cantargia signed a licensing agreement with BioWa Inc ("BioWa") in 2015. Under the agreement, Cantargia is granted a non-exclusive license to use the technology platform POTELLIGENT® for the manufacture of the drug candidate CAN04. For the license pays Cantargia an annual fixed fee and step-by-step sales-based royalties. In addition, BioWa also has in accordance with the terms of the agreement the right to so-called milestone payments when fulfilling certain clinical, regulatory and commercial targets.

NOT 26
Tangible assets

Machinery and other technical facilities

	2019	2018
Ingoing accumulated acquisition value	-	-
Investments	6,379	-
Outgoing accumulated acquisition value	**6,379**	**0**
Ingoing accumulated depreciation	-	-
Depreciation	-	-
Outgoing accumulated depreciation	**0**	**0**
Closing balance	**6,379**	**0**

Fixtures, tools and installations

	2019	2018
Ingoing accumulated acquisition value	-	-
Investments	501	-
Outgoing accumulated acquisition value	**501**	**0**
Ingoing accumulated depreciation	-	-
Depreciation	-12	-
Outgoing accumulated depreciation	**-12**	**0**
Closing balance	**489**	**0**

SIGNATURES

The annual accounts have been prepared in accordance with generally accepted accounting standards and provide a true and fair view of the company's financial position and results. The Directors' Report for the company gives a true and fair overview of the performance, financial position and earnings of the company, and describes significant risks and uncertainties faced by the company. The income statement and balance sheet will be presented for adoption at the Annual General Meeting on 27 May 2020.

Lund, 30 April 2020.

Magnus Persson
Chairman

Claus Asbjørn Andersson

Karin Leandersson

Thoas Fioretos

Patricia Delaite

Anders Martin-Löf

Göran Forsberg
Chief Executive Officer

We presented our auditor's report on 30 April 2020.
Öhrlings PricewaterhouseCoopers AB

Ola Bjärehäll
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Cantargia AB (publ), corporate identity number 556791-6019

Report on the annual accounts

Opinions

We have audited the annual accounts of Cantargia AB (publ) for the year 2019. The annual accounts of the company are included on pages 30-64 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Cantargia AB as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for Cantargia AB.

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Cantargia AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	*How our audit considered the Key audit matter*
Research and development expenses- cut-off and completeness The expenses for the company´s research and development activities during the financial year 2019 totaled approximately SEK 97 million, which corresponds to approximately 87% of the company´s total. The expenses consist of mainly personnel related expenses and external expenses for the clinical work that is being conducted. In our audit we have focused on these expenses since they are material amounts and that there is a risk regarding the completeness, the cut-off and the accuracy.	Our audit of the expenses of research and development has included, but is not limited to, the following measures: ▪ Obtained an understanding of the company´s routines, business monitoring and internal control. ▪ Testing of internal controls for approval of payment of invoices and salaries. ▪ Checked and performed detail testing against invoice documentation, agreements and other supporting financial documentation. ▪ Requested and received external confirmations from suppliers of the year´s purchases and size of outgoing accounts payable as per December 31, 2018. ▪ Performed detailed testing of salaries. Analyzed costs based on our knowledge of the business and follow up of the company´s internal reports.

Other information than the annual report

This document also contains information other than the annual report and can be found on page 1-29 and 68-80. It is the Board of Directors and the President who are responsible for this other information. Our statement regarding the annual report, it is our responsibility to read the information identified above and consider whether the information is to a significant extent incompatible with the annual report. On this review, we also consider the knowledge we have otherwise obtained during the audit and assess whether the information in general appears to contain material misstatements. If, based on the work done on this information, we conclude that the other information contains a material misstatement, we are required to report it. We have nothing to report in that regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Director's and the Managing Director of Cantargia AB for the year 2019 and the proposed appropriations of the company's profit or loss.
We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Cantargia AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Cantargia AB by the general meeting of the shareholders on 27 May 2019 and has been the company's auditor since 13 January 2010.

Stockholm, 30 April 2020

Öhrlings PricewaterhouseCoopers AB

Ola Bjärehäll
Authorized Public Accountant
Auditor in charge

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

CANTARGIA AB (publ) ("Cantargia" or "the Company") is a Swedish public limited company listed on Nasdaq Stockholm. Cantargia's corporate governance is based on Swedish law, Nasdaq Stockholm's rules for issuers and internal rules and regulations. The company also applies the Swedish Corporate Governance Code ("the Code"). The Code is available at www.bolagsstyrning.se.

Application of the Code

The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden. The Company is not required to comply with all rules in the Code, as the Code itself allows for deviations from the rules, provided that any such deviations, and the chosen solution, are described and the reasons for the deviation are explained in the corporate governance report (in accordance with the 'comply or explain' principle). The Company has currently not identified any deviations from the Code.

Shareholders

Cantargia's shares have been listed for trading on Nasdaq Stockholm, Small Cap since 25 September 2018. At 31 December 2019, the total number of shares and voting rights in the Company was 72,804,392, represented by 5,406 shareholders. For further information on the Company's ownership structure and major shareholders, see page 33 of the annual report.

Shareholders' meetings

In accordance with the Swedish Companies Act, the shareholders' meeting is the company's highest decision-making body. At a shareholders' meeting the shareholders exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, the appropriation of the company's earnings, release from liability for the members of the Board and the Chief Executive Officer, the election of Directors and auditors, and remuneration of Directors and the auditors. Under Cantargia's Articles of Association, notice of a shareholders' meeting is given by advertisement in *Post- och Inrikes Tidningar* and through publication of the notice on the Company's website. When notice is given, this must be advertised simultaneously in Svenska Dagbladet.

Shareholders who wish to participate in the negotiations at a shareholders' meeting must be registered in the share register maintained by Euroclear Sweden AB five weekdays before the meeting and register to attend the shareholders' meeting with the Company by the date indicated in the notice of the meeting. Shareholders can attend the meeting personally or by proxy and can be assisted by up to two persons. A shareholder has the right to vote all shares held. Each share in Cantargia entitles the holder to one vote. Shareholders who wish to request that a particular issue be addressed at a shareholders' meeting must submit a written request to the Board of Directors.

Nomination Committee

Under a resolution of the Annual General Meeting of Cantargia on 27 May 2019, the Chairman of the Board is required, prior to the Annual General Meeting 2020, to convene, based on the ownership of Cantargia at 30 September 2019, a Nomination Committee consisting of one representative for each of the three largest shareholders of the Company as well as the Chairman of the Board. In accordance with these principles, the following Directors have been appointed:

- Sten Verland, appointed by Sunstone Life Science Ventures
- Jannis Kitsakis, appointed by the Fourth Swedish National Pension Fund (AP4)
- Alexander Mata, appointed by Alecta Pensionsförsäkring, Ömsesidigt
- Magnus Persson, Chairman of the Board

The Nomination Committee has appointed Sten Verland as its chairman. The Nomination Committee is required to perform the duties assigned to it under the Code and held four meetings prior to the Annual General Meeting 2020. The Nomination Committee's complete proposals for the 2020 AGM will be published in connection with the notice of AGM.

Board of Directors

Under Cantargia's Articles of Association, the Board of Directors shall, insofar as it is elected by the shareholders' meeting, consist of not less than three and not more than eight Directors, with no deputies. Currently, the Company's Board of Directors consists of six ordinary Directors, including the Chairman, who have been elected by the shareholders' meeting until the period of the end of the 2020 AGM. The composition of Cantargia's Board of Directors is considered to meet the requirements of the Code in respect of independence of the Company and of the Company's major shareholders. For a detailed presentation of the Directors, see pages 75-76 of the annual report.

			Independence of			Attendance		Total Director's fee 2019, kSEK
Name	Position	Member since	The Company and management	Major shareholders	Board meetings	Audit Committee meetings	Remuneration Committee meetings	
Magnus Persson	Chairman	2016	Yes	Yes	12/12	-	3/3	465
Claus Asbjørn Andersson	Director	2013	Yes	Yes	10/12	2/5	3/3	230
Patricia Delaite [1)]	Director	2017	Yes	Yes	10/12	-	1/3	335
Thoas Fioretos	Director	2010	Yes	Yes	10/12	2/5	1/3	230
Karin Leandersson	Director	2016	Yes	Yes	12/12	5/5	-	330
Anders Martin-Löf	Director	2018	Yes	Yes	11/12	5/5	-	270
Corinne Savill [2)]	Director	2018	Yes	Yes	3/7	-	-	-

[1)] Director's fee including kSEK 120 in separate meeting fees. See "Remuneration" below for physical Board meetings held and planned.
[2)] Director until the 2019 AGM on 27 May 2019.

Responsibilities and work of the Board

Under the Companies Act, the Board of Directors is responsible for the Company's administration and organisation, which means that it is responsible for adopting goals and strategies, ensuring that procedures and systems for evaluating adopted goals are put in place, monitoring the Company's results and financial position, and evaluating its operational management. Under the Code, the Chairman of the Board shall be elected by the AGM and hold a special responsibility for leading the work of the Board and ensuring that the Board operates in an organised and effective manner.

The Board of Directors operates in accordance with written rules of procedure which are reviewed and adopted annually at the inaugural Board meeting. The rules of procedure regulate Board practices, functions and the division of responsibilities between the Board and CEO, and between the Board and its committees. In connection with the inaugural Board meeting after each Annual General Meeting, the Board also adopts the terms of reference for the Chief Executive Officer, which include instructions for financial reporting. The Board convenes in accordance with a schedule that is defined annually. In addition to these Board meetings, further meetings can be convened to address issues which cannot be deferred to the next regular meeting.

In 2019, the Board convened on 12 occasions, including six telephone meetings or meetings by correspondence.

The Directors' attendance is shown in the table above. The activities of the Board in 2019 were dominated by discussions and strategic decisions on matters relating to the Company's product development, in particular its main project CAN04 and the successor project CAN10/CANxx. The Board also adopted resolutions on financing in relation to liquidity, a business plan with financial targets, risk management, the dividend policy and financial reports.

Board committees

The Board has established an Audit Committee and a Remuneration Committee. The members of the committees are appointed at the inaugural Board meeting and the committees' activities and authority are regulated in the committees' terms of reference. The matters addressed at the meetings of the committees are minuted and a report is presented at the following meeting of the Board.

Audit Committee

The Company's Audit Committee consists of three members: Anders Martin-Löf (Chairman), Thoas Fioretos and Karin Leandersson. The Audit Committee shall, without prejudice to other

responsibilities and duties of the Board, monitor the Company's financial reporting, monitor the effectiveness of the Company's internal control, internal auditing and risk management, keep itself informed on the audit of the annual accounts and consolidated financial statements, and on the conclusions presented in the quality control report of the Swedish Inspectorate of Auditors, assess and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides other services than auditing to the Company, and assist in drafting proposed resolutions on the choice of auditors for adoption by the shareholders' meeting.

Remuneration Committee

The Company's Remuneration Committee consists of three members: Claus Asbjørn Andersson (Chairman), Magnus Persson and Patricia Delaite, and is tasked with preparing proposals for remuneration principles, and remuneration and other terms of employment for the CEO and other senior executives.

Remuneration

Fees and other remuneration of Directors, including the Chairman, are set by the shareholders' meeting. At the Annual General Meeting on 27 May 2019, it was resolved that Directors' fees of SEK 450,000 to the Chairman of the Board and SEK 200,000 to each of the other ordinary Directors be paid for the period until the end of the Annual General Meeting 2020. It was also resolved that the Chairman of the Audit Committee should receive SEK 70,000 and the other members of the Audit Committee SEK 30,000 each, and that the Chairman of the Remuneration Committee receive SEK 30,000 and the other members of the Remuneration Committee SEK 15,000 each. It was further resolved that, for each physical Board meeting (up to a maximum of six meetings) that is held in Sweden and attended by the Director, a meeting fee of SEK 20,000 be paid to each Director living outside the Nordic region.

Evaluation

The Chairman of the Board ensures that an annual evaluation of the work of the Board is carried out in which the Directors are given an opportunity to present their views on Board practices, Board meeting materials, their own and other Directors' contributions as well as the scope of the duties. The results of the evaluation have been discussed by the Board and presented by the Chairman of the Board to the Nomination Committee. It is considered that the combined expertise of the Board is appropriate for the Company's activities and goals. The Board is considered to function very well, with all members making constructive contributions to discussions on strategy as well as the governance of the Company. The dialogue between the Board and management is also considered to be good. The Board continually evaluates the work of the Chief Executive Officer by monitoring the company's progress towards the defined goals.

Chief Executive Officer and management

The Chief Executive Officer reports to the Board of Directors and is responsible for the Company's day-to-day management and the operations of the group. The division of responsibilities between the Board and CEO is defined in the rules of procedure for the Board and the terms of reference for the CEO. Under the instructions for financial reporting, the CEO is responsible for financial reporting in the Company and is therefore required to ensure that the Board receives sufficient information to enable it continuously to evaluate the Company's financial position. The CEO shall keep the Board continuously informed about the development of the Company's business, its sales performance, earnings and financial position, its liquidity and credit situation, significant business events and any other event, circumstance or relationship that may be of material importance to the Company's shareholders.

To assist him in his activities, the CEO has appointed a management team. For a more detailed presentation of the CEO and other members of the management team, see pages 77-78 in the annual report.

Remuneration

At the Annual General Meeting on 27 May 2019, it was resolved to adopt guidelines for remuneration of the CEO and other senior executives in accordance with what is stated on page 59 of the annual report.

For information on the remuneration paid to the CEO and other senior executives in the financial year 2019, see Note 7 on page 54 as well as Note 18 on page 58 of the annual report.

Auditor

The auditor is tasked with examining the Company's annual report and accounts as well as the Board of Directors' and CEO's management of the Company. Under the Company's Articles of Association, the Company may have up to two auditors with or without deputy auditors. The company's auditors are Öhrlings PricewaterhouseCoopers AB with Ola Bjärehäll as auditor-in-charge. For information on the remuneration paid to the auditor in the financial year 2019, see Note 6 on page 53 of the annual report.

Authorisation to issue shares

At the Annual General Meeting of the Company on 27 May 2019 it was resolved to authorise the Board, during the period until the next AGM, on or one or several occasions and with or without pre-emption rights for existing shareholders, to decide to issue new shares, provided that such issuance not comprise more than ten per cent of the number of outstanding shares of the Company on the day of the AGM. It shall also be possible to stipulate that such new shares be issued for non-cash consideration or paid for by means of set-off or subject to other terms and conditions.

Incentive scheme

At the Annual General Meeting of the Company on 27 May 2019 it was resolved to introduce an incentive scheme for senior executives and key personnel of the Company. The incentive scheme has been implemented with the aim of providing longer-term incentives for the Company's management team and to promote investments in and ownership of the Company's shares. It is the intention of the Board that the scheme be a recurring annual scheme.

Under the scheme, participants are offered variable long-term remuneration in the form of a group bonus that must be used to acquire shares of the Company. The scheme is based on that or those annual bonus targets which are defined by the Board for the Company and which refer to the Company's activities, financial key performance indicators and internal processes. Target achievement will be assessed by the Company's Board of Directors in connection with the adoption of the annual report for each year. When the target achievement has been determined by the Board of Directors, the amount due to each participant in the scheme will be paid out, and the participant will then be required to acquire shares as soon as possible. Participants must use the full amount of remuneration received under the scheme to acquire shares of the Company in the stock market.

For further information about the scheme, see Note 18 on page 59 of the annual report.

Internal control in respect of financial reporting

The Board of Directors is responsible for ensuring that Cantargia has good internal control and adequate, formalised procedures for ensuring compliance with adopted principles for financial reporting. The general purpose of the internal control system is to obtain reasonable assurance that the Company's operational strategies and goals are monitored and that the owners' investments are protected. The internal control system should also ensure with a reasonable degree of certainty that the Company's external financial reports are reliable and correct and have been prepared in accordance with generally accepted accounting policies, applicable laws and regulations as well as other requirements applying to companies listed on Nasdaq Stockholm.

The Company monitors, follows and manages any risks in accordance with a risk management and corporate governance policy that is evaluated on an ongoing basis and adopted annually by the Board of Directors. Cantargia has decided to adopt the COSO framework, which is the most widely accepted internal control framework for financial reporting. The framework consists of five components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment and risk assessment

The Board of Directors has adopted a number of policies, governing documents and instructions with the aim of creating and maintaining a functioning control environment. This is achieved mainly through the rules of procedure for the Board of Directors, the terms of reference for the Chief Executive Officer, the rules of procedure for the Audit Committee, the instructions for financial reporting, the Company's accounting manual and the authorisation manual. The Company's policies and governing documents are evaluated on an ongoing basis and adopted annually by the Board of Directors. The Board has also established an Audit Committee, which, among other duties, is tasked with monitoring the Company's financial position and the effectiveness of the internal control and risk management systems. Responsibility for the day-to-day internal control activities in respect of financial reporting has been delegated to the Company's Chief Executive Officer.

Cantargia's Board of Directors is also required to carry out an annual risk assessment in respect of strategic, operational, legal and financial risks to identify potential issues and assess the Company's risk exposure. The Audit Committee is responsible for evaluating the Company's risk situation on an ongoing basis and shall assist the Board by submitting proposals for the management of the Company's financial risk exposure and risk management. In view of the Company's uncomplicated legal and operational structure, the Board has chosen not to establish a separate internal audit function.

Information and communication, and control activities

The Company's information and communication paths are aimed at ensuring the accuracy of financial reporting and enabling reporting and feedback from the business to the Board and management, for example be ensuring that governing documents in the form of internal policies, guidelines and instructions for financial reporting are made available to and are known by the employees concerned. With regard to external communications, guidelines have been prepared to ensure that the Company meets the relevant disclosure requirements. The CEO is responsible for external communications.

The Board is responsible for control and monitoring of the CEO's risk management activities. This is done through reviews and monitoring of the Company's governing documents related to risk management and, for example, through reviews and assessments by the Board of adopted decisions. The effectiveness of the control activities is evaluated annually and the results of these evaluations are reported to the Board and Audit Committee.

Monitoring

The CEO ensures that the Board receives regular reports on the results of the risk assessment, identified financial risks and processes, and the development of the Company's business. The Board also follows up the assessment of the internal control system, partly through contacts with the Company's auditor.

[1] Committee of Sponsoring Organizations of the Threadway Commission.

THE AUDITORS' EXAMINATION OF THE CORPORATE GOVERNANCE REPORT

To the general meeting of the shareholders of Cantargia AB (publ), org.nr 556791-6019

Engagement and responsibility

The Board of Directors is responsible for the Corporate Governance Report for the year 2019 on pages 68-72 of the printed version of this document hav¬ing been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. This means that our examination of the corporate governance report is different and sub¬stantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, the second paragraph, points 2-6 of the Annual Accounts Act are consistent with the other parts of the annual accounts and are in accordance with the Annual Accounts Act.

Stockholm, April 30, 2020
Öhrlings PricewaterhouseCoopers AB

Ola Bjärehäll
Authorized public accountant
Auditor in charge

Board of directors, senior executives and auditors

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 27 May 2019, it was resolved that the Board should consist of six ordinary Directors with no deputies. The Directors have been elected for the period until the end of the Annual General Meeting 2020.

Magnus Persson

Chairman of the Board since 2016, born 1960. Member of the Remuneration Committee. Number of shares: 44 976 Number of warrants 2017/2020: 85 000

Magnus Persson is MD and associate professor in physiology at the Karolinska Institute in Stockholm. Persson has a large amount of experience in the fields of medicine, life sciences and biotech-financing. Persson has previously led development teams in clinical phase II and phase III programmes in the pharmaceutical industry and has founded and led private as well as public biotech and medtech companies, either as chairman or member of the board, in Europe and the USA.

Persson has also been involved in multiple IPOs. Persson is chairman of board in Attgeno AB, Galecto Biotech AB, P O Persson i Lidingö AB and subsidiaries, Addi Medical AB and Addi Optioner AB. Board member in Immunicum AB Karolinska Development AB, Neurovive AB, Cerecor Inc and Oncology Venture A/S.

Independent in relation to the Company and its management and the Company's major shareholders.

Karin Leandersson

Board member since 2016, born 1972. Member of the Audit Committee. Number of shares: 0

Karin Leandersson is a professor in tumour immunology at the medical faculty of Lund University. She has gained a wide range of cancer research experience in the fields of tumour immunology and tumour inflammation in solid tumours, mainly in breast cancer. Leandersson has also authored around 40 scientific publications in international journals.

Independent in relation to the Company and its management and the Company's major shareholders.

Anders Martin-Löf

Board member since 2018, born 1971. Chairman of the Audit Committee. Number of shares: 24 000

Anders Martin-Löf has long experience as CFO for companies listed at the Stockholm stock exchange. He is CFO at Oncopeptides AB (publ) and was previously CFO at Wilson Therapeutics. Before that he has been CFO at RaySearch Laboratories and been responsible for investor relations and had different positions within business development at Swedish Orphan Biovitrum. He has a M.Sc. in Economics and Business from Stockholm University and a M.Sc. in Engineering Physics from the Royal Institute of Technology in Stockholm.

Independent in relation to the Company and its management and the Company's major shareholders.

Thoas Fioretos

Board member since 2010, born 1962. Member of the Audit Committee. Number of shares: 482 600

Thoas Fioretos is a professor and physician at the Department of Clinical Genetics at Lund University. The focus of his research is molecular and functional studies of genetic changes in leukaemia and how such changes can be used for diagnostic and therapeutic purposes. Fioretos has authored more than 120 scientific publications, and is one of the founders of Cantargia AB and bio-IT company Qlucore AB.

Fioretos is board member in Qlucore AB. Alternate board member in Neodos AB. Independent in relation to the Company and its management and the Company's major shareholders.

Claus Asbjørn Andersson

Board member since 2013, born 1968. Chairman of the Remuneration Committee. Number of shares: 0

Claus Asbjørn Andersson is a General Partner of Sunstone Life Science Ventures, a holding company managing billion-dollar venture funds. He has a Master's degree in Civil Chemical Engineering from Technical University of Denmark and a PhD in Mathematical Statistics from Copenhagen University and Humboldt University of Berlin. Andersson has himself founded four European start-up companies, including two in Denmark. He has been with Sunstone Life Sciences since its establishment in 2007, and is an active member of the International Venture Club and advisor to the European Commission.

Andersson is board member in FBC Device ApS, Acarix A/S, Acarix AB, IO Biotech ApS, Sunstone Capital A/S and, Sunstone Life Science Ventures A/S. Chief executive officer in Asbjørn Andersson ApS, Abinitio ApS and, Parsimoneous Holding ApS.

Independent in relation to the Company and its management and the Company's major shareholders.

Patricia Delaite

Board member since 2017, born 1963. Member of the Remuneration Committee. Number of shares: 0

Patricia Delaite is MD and MBA from University of Geneva and Lausanne. She is currently the Chief Medical Officer for Nouscom in Basel, and has had leading positions at AMAL Therapeutics, Incytes International Biosciences, ARIAD Pharmaceuticals, Novartis and Eli Lilly. Patricia has also 10 years previous experience in patient clinical management from the University hospital in Geneva.

Independent in relation to the Company and its management and the Company's major shareholders.

LEDANDE BEFATTNINGSHAVARE

Göran Forsberg

CEO since 2014, born 1963. Number of shares: 93 648

Göran Forsberg has a PhD in biochemistry, and is an associate professor and the author of over 40 scientific publications. For more than 30 years he has had different positions in research and development, business development and investor relations at pharmaceutical and biotechnology companies, including KabiGen, Pharmacia, Active Biotech and the University of Adelaide, Australia. Forsberg has extensive experience in leading drug development and clinical trials, with a special focus on oncology. Forsberg is a board member of Guard Therapeutics International AB (publ).

Liselotte Larsson

VP Operations since 2014, born 1963. Number of shares: 27 900

Liselotte Larsson has a PhD in biotechnology, and has more than 20 years of experience in various management positions in pharmaceutical and biotechnology companies including BioGaia Fermentation, Novozymes Biopharma and Camurus. Larsson's main fields of expertise are business development, marketing & sales/out licensing, ISO certification, good manufacturing practice (GMP) and overall project management.

Lars Thorsson

VP Clinical Development since 2015, born 1961. Number of shares: 54008

Lars Thorsson graduated with a Ph.D. in clinical pharmacology in 1998. Thorsson has more than 30 years experience in the pharmaceutical industry, including leading roles in clinical studies and project management in a large number of development phases at AstraZeneca. Thorsson's most recently worked at Novo Nordisk A/S, where he held the role of Senior Clinical Pharmacology Scientist, responsible for preparation and implementation of clinical pharmacological studies in development projects. Thorsson has been responsible for evaluation and documentation of new substances and has the experience of regulatory activities and interactions with health authorities.

David Liberg

VP Cancer Research since 2015, born 1969. Number of shares: 8 700

David Liberg graduated with a Ph.D. in 2001 and has twenty years of research experience within immunology and tumour biology. Liberg has worked within the pharmaceutical industry for the last fourteen years, with responsibility for early research projects and activities in tumour immunology. He has extensive experience of pre-clinical phase cancer projects. His most recent position was at Active Biotech AB, where he worked as Project Manager Drug Development as well as Head of Cell Biology and Biochemistry. Liberg has also carried out research at Imperial College in the UK and at Lund University, Sweden.

Ignacio Garcia Ribas

CMO since March 2020, born 1964. Number of shares: 0

Ignacio Garcia-Ribas, is an MD specialized in Medical Oncology with 15 years of experienced in oncology early drug development at global level. His most recently position was in Takeda as Global Clinical Lead across several Phase 1 programs with specific focus in immuno-oncology. In his role he led several successful Investigational New Drug (IND) applications for first-in-class drugs with FDA. Prior to joining Takeda, he was part of Sanofi's Early Oncology Development Group in the role of Senior Medical Director. In this position he directed the initial steps in the development of several small molecules and antibody-drug conjugates. Before Sanofi, he was part of the Early Development Unit in Eli Lilly where he contributed to develop of several small molecules and antisense oligonucleotides.

Dr. Garcia-Ribas obtained his Medical Oncology degree at the Universidad Autónoma in Madrid. He performed his PhD in Medicine at the Richard Dimbleby Department for Cancer Research /ICRF Unit at St. Thomas' Hospital in London on cancer gene therapy.

Bengt Jöndell

CFO since May 2017, born 1960. Number of shares: 81 000

Bengt Jöndell has a BSc in Business Aministration and a MSc in Chemical engineering. Jöndell has extensive experience in various executive financial functions such as CFO and Chief Executive Officer at BTJ Group AB, Senior Financial Advisor for BoneSupport, CFO/Administrative manager at Inpac, Business Controller at Pharmacia & Upjohn Consumer Healthcare, Pharmacia, Pharmacia Consumer Pharma and Pharmacia Nicorette. Jöndell´s most recent position was CFO for 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 have in the last five years participated or been involved in any bankruptcy, liquidation or administration proceedings 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: Ideon Gateway, Scheelevägen 27, SE-223 63 Lund, Sweden.

Auditors

At the Annual General Meeting on 27 May 2019, Öhrlings PricewaterhouseCoopers AB were re-elected as auditors for the Company for the period until the end of the Annual General Meeting 2020. Ola Bjärehäll (born 1974) is auditor-in-charge. He is an Authorised Public Accountant and a member of FAR, the professional institute for accountants in Sweden. Ola Bjärehäll has been the company's auditor-in-charge since the 2018 AGM.

ANNUAL GENERAL MEETING AND FINANCIAL CALENDAR

Cantargia's Annual General Meeting will be held on Monday 27 May 2020, at 4 p.m., at Ideon Gateway, Scheelevägen 27 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 Wednesday 20 May 2020, and register their attendance with the company no later than Wednesday 20 May 2020 by writing to Cantargia AB, Ideon Gateway, Scheelevägen 27, 223 63 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 Wednesday 20 May 2020.

2020-05-27	Interim report 1
2020-05-27	Annual General Meeting
2020-08-20	Half-year report
2020-11-12	Interim report 3
2021-02-25	Year-end report for 2020

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