FULL-YEAR REPORT

January - December 2018

Clinical progress in fourth quarter

FOURTH QUARTER 2018

- Net sales, kSEK 0 (0)
- Operating loss, kSEK -28,081 (-14,412)
- Loss after tax, kSEK -27,858 (-14,667)
- Earnings per share, before and after dilution, SEK -0.42 (-0.40)

FULL YEAR 2018

- Net sales, kSEK 0 (0)
- Operating loss, kSEK -93,306 (-60,009)
- Loss after tax for the year, kSEK -91,160 (-60,253)
- Earnings per share, before and after dilution, SEK -1.38 (-1.86)
- Equity/assets ratio, 90 (90) per cent
- Cash and cash equivalents, kSEK 76,528 (149,781)
- Short-term investments, kSEK 90,319 (120,000)

Significant events in the fourth quarter

- Cantargia obtained a patent for its CAN03 antibody in the US.
- The phase I part of the CANFOUR study with Cantargia's CAN04 antibody was completed and the phase IIa part of the study was initiated.
- Cantargia presented new, positive preclinical data showing that the CAN04 antibody can produce an even stronger effect in combination with chemotherapy.

Significant events after the end of the period

- In January 2019, the first patient initiated the treatment with the CAN04 antibody in the phase IIa part of Cantargia's CANFOUR study.

Promising results in Cantargia's clinical programme

In the final quarter of 2018, a number of important milestones were achieved in Cantargia's clinical activities. The phase I study was completed with positive results from the safety evaluation. Interim results show a decrease in the IL-6 and CRP biomarkers as well as stable disease for 38 per cent of the patients. The study was completed as planned at 10 mg/kg and no dose-limiting toxicity was observed at that level. In total, 22 patients have been treated with CAN04.

Cantargia also presented new positive preclinical data for its CAN04 antibody in combination with chemotherapy as a treatment strategy for various forms of cancer. The results show a synergistic effect. These findings are of great importance for the forthcoming development of CAN04.

The study is now proceeding with the phase IIa part and in January 2019, the first patient started treatment. In the phase IIa part CAN04 will be examined both as monotherapy and combination therapy in patients with non-small cell lung cancer or pancreatic cancer. CAN04 is combined with cisplatin and gemcitabine therapy in non-small cell lung cancer and with gemcitabine and nab-paclitaxel in pancreatic cancer. The phase IIa part will be conducted at around 20 hospitals in up to seven countries and will include 80–90 patients.

CHIEF EXECUTIVE'S REVIEW

The past year has been hugely successful for Cantargia and was crowned with many strong results in the fourth quarter.

Development of our main project, CAN04 (nidanilimab), and the CANFOUR clinical study are our main focus. At the end of the year, we passed important milestones in our clinical development programme. We presented our first clinical data at the ESMO conference in October, and in December the formal safety part of phase I was concluded and phase IIa was initiated. We completed the phase I part in just over a year. It took around 18 months from regulatory approval of the phase I study until we administered a dose to the first phase IIa patient in early 2019. This is a very time-efficient development process, which was made possible through good planning, an experienced team and the fact that we are developing an antibody with good safety. We are also pleased with the results that have been obtained. As mentioned, CAN04's safety profile is good, and this will facilitate our continued development activities. It is of course of great important to ensure that the patients receiving treatment feel confident that the risk of serious side effects is low, which unfortunately is not the case with many current cancer therapies. In addition to the safety observed in the study, our analysis of biomarkers also showed that treatment with CAN04 reduced the levels of two substances (IL-6 and CRP) in the blood. Cancer patients with high values of these markers have a poor prognosis, and the markers drive the disease. The reduction of these substances is in line with what you can expect with CAN04 and strengthens our confidence that we are on the right track.

Cantargia also received an invitation to a major antibody conference in December in San Diego, to present our research. We could then also present new data on CAN04 in combination with chemotherapy. Although major advances are being made in terms of learning how to use the immune system to treat cancer, chemotherapy will remain a cornerstone of modern cancer treatment for a long time. We were able to present data showing that the combination of CAN04 and a common chemotherapy drug, cisplatin, produces an extremely good antitumour effect while also reducing the side effects of cisplatin. Combination therapy with cisplatin will be studied in the phase IIa part, and we hope that this combination will be of great value for patients.

I have big expectations for the coming year. We are now focusing our clinical studies on patients with non-small cell lung cancer and pancreatic cancer, which are two of the most deadly forms of cancer. The study is fully funded and we have an ambitious clinical programme that we hope will give us answers to many key questions that will have a big impact on the next development stages. A crucial ingredient is to understand, through various means, which group of patients with these diseases is most likely to respond to the treatment. With that information in the bag, the probability of success in future studies will increase.

Göran Forsberg
CEO, Cantargia AB

ABOUT CANTARGIA

Cantargia is a Swedish biotech company developing targeted antibody-based treatments – immune therapy – for life-threatening diseases. The research and development of Cantargia is centered around the target molecule IL1RAP, which has a role in cancer development. Thanks to the significant research advances made in recent years, immunotherapy is now a new type of cancer treatment along with surgery, radiotherapy and chemotherapy. Intensive research is being conducted in the area and new findings are continuously being presented.

Cantargia's immune therapy against IL1RAP is unique, as it has a double mechanism of action that attacks the cancer cells directly while also suppressing tumour inflammation, which is one of the key drivers of tumour progression. The company is focusing on two forms of cancer where there is a big need – non-small cell lung cancer and pancreatic cancer – and has just started phase IIa with CAN04. Lung cancer is the cancer form that has the highest mortality and non-small cell lung cancer is the most common form of the disease. Pancreatic cancer also has a poor prognosis. Most patients have a late diagnosis where the possibility of cure is low and there has been little progress in new treatments.

Targeted antibody treatments increase the possibilities of finding an effective treatment with fewer side effects for patients. Cantargia's objective around CAN04 is clear: to develop a new drug which, individually or in combination with other drugs, can become an important part of tomorrow's cancer treatment.

In a parallel project, the company is developing other antibodies with the aim of entering another important disease area: autoimmune/inflammatory diseases. Named CANxx, the project is aimed at enabling the company to select a product candidate in 2019.

Vision

Cantargia's vision is to become an important part of tomorrow's more effective cancer treatment by developing a new generation of targeted immune therapies. Our ambition is to broaden the use of the technology to several disease areas with significant medical needs, such as autoimmune/inflammatory diseases.

Strategy

Cantargia is a virtual company that has concluded partnership agreements with several other companies, hospitals and academic groups. Currently, more than 30 different players are involved in research and development of our lead candidate, CAN04. We work with both international and local partners.

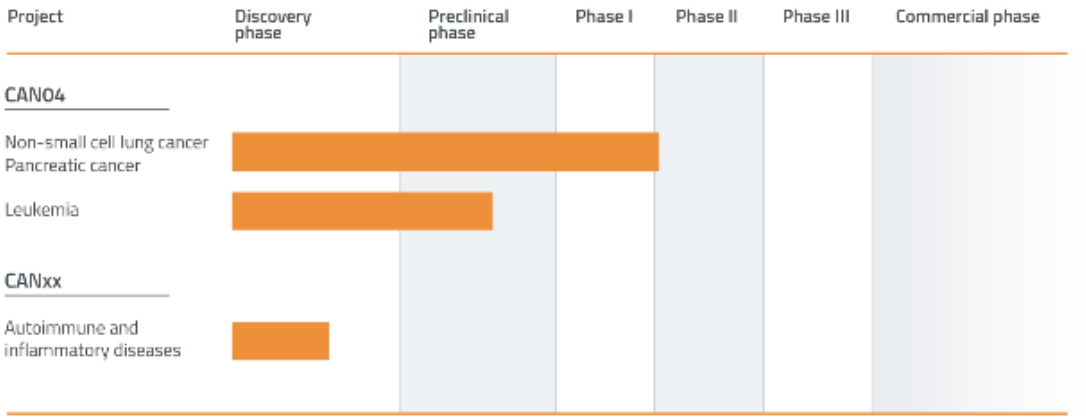
Business concept

Cantargia's business concept is to develop product candidates in-house until an indication of clinical activity has been obtained. In parallel with the clinical studies, all parts of the development programme, including production development, studies in disease models, combination therapies and biomarker development, are moving forward.

Our clinical programme

Cantargia's first study, CANFOUR, in the clinical programme centres on our lead candidate, CAN04, when treating non-small cell lung cancer (NSCLC) and pancreatic cancer. CANFOUR is a phase I/IIa study and consists of two parts. In the first phase, the emphasis is on evaluating safety and dosage while phase IIa will look at the effects of the treatment both as an individual drug (monotherapy) and in combination with the standard treatments for non-small cell lung cancer and pancreatic cancer. The phase I results are very encouraging and have indicated good safety as well as effects on certain 'biomarkers'. Treatment in the phase II part was initiated in January, 2019.

Cantargia's project portfolio



A GROWING MARKET

Cancer is one of the most common causes of death in the world. Traditionally, cancer has been treated with surgery, radiotherapy and chemotherapy, but thanks to significant research advances in recent years, immunotherapy and 'targeted' drugs have been added as the fourth and fifth alternative in the treatment of cancer.

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. With the advances made in cancer treatment, it is today standard to combine, as far as possible, different cancer treatments to achieve the best possible treatment results.

Cantargia is focusing on non-small cell lung cancer and pancreatic cancer. Lung cancer is the form cancer that has the highest mortality and non-small cell lung cancer is the most common form of lung cancer. Pancreatic cancer is extremely hard to cure and very few effective treatments have been developed.

The lung cancer market

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 80–85 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 nearly 30 per cent over the past 25 years while the number of people being diagnosed with the disease in countries like China and India is increasing.

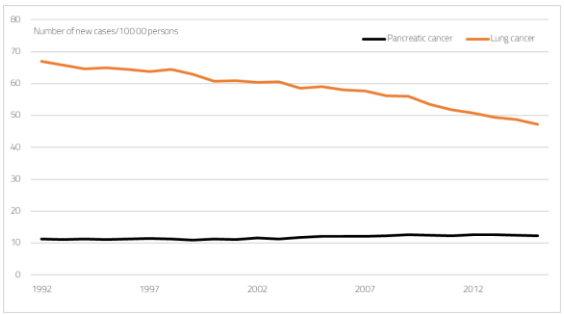
The turnover of non-small cell lung cancer drugs in 2015 was USD 6.2 billion in the eight major markets and is expected to rise to USD 26.8 billion by 2025. Sales are being driven mainly by increasing use of various antibody-based immunotherapies. What these therapies have in common is that they block 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 that is driving the growth of the market is the increasing incidence globally.

The pancreatic cancer market

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 12 per cent over the past 25 years. Being hard to diagnose, the disease is often difficult to treat, as it is generally already far advanced by the time it is diagnosed.

Number of new cancer cases in the US per 100,000 inhabitants

Source: SEER Cancer Statistics Review



The global market for treatment of pancreatic cancer is expected to be worth USD 4.1 billion by 2025. In 2017, the market was worth around USD 2 billion. The market is expected to grow by 8 per cent annually from 2018–2025. The main factor behind the growth of this market is the increasing number of cancer cases, which in turn is driven by an ageing population and the increasing incidence of diabetes, as these are risk factors for developing this disease. Another factor that makes the market expected to grow is improved diagnostics. As a result, the number of people being diagnosed with pancreatic cancer is expected to grow by 55 per cent by 2030.

Immune therapy

In 2011, the first immunotherapeutic antibody was approved by the U.S. Food and Drug Administration. Since then, the FDA has approved a number of new therapeutics. Currently, the four main therapeutics are Yervoy® (Bristol-Myers Squibb), Opdivo® (Merck & Co), Keytruda® (Merck & Co) and Tecentriq® (Roche). In the first three quarters of 2017, these therapeutics generated combined sales of USD 7.4 billion and in the same period in 2018 sales grew by 53.5 per cent to USD 11.4 billion. The lung cancer market is one of the most important for this type of therapeutics.

FINANCIAL INFORMATION

Income

The company had no income in 2018.

Operating expenses/operating loss

As of the year-end report for 2018, Cantargia classifies operating expenses by function. In Cantargia's case, this means that operating expenses are divided into research and development costs, administrative expenses and other external expenses. Using a "bridge", Note 6 describes the transition from the nature of expense method to the function of expense method.

Research and development costs were kSEK 24,707 (12,168) for the fourth quarter and kSEK 76,951 (52,419) for the full year. The increase is largely related to increased activity in the company's main project, CAN04, particularly in clinical development. The start of phase II of the CANFOUR clinical study was a major factor behind the sharp increase in costs in the fourth quarter.

Administrative expenses were kSEK 3,258 (2,113) for the fourth quarter and kSEK 15,823 (7,381) for 2018 as a whole. The change compared with 2017 is largely attributable to non-recurring expenses related to the list change project which resulted in the company's shares being listed on the main list of Nasdaq Stockholm.

Other operating expenses, which mainly comprise foreign exchange differences on trade payables, were kSEK 117 (131) for the fourth quarter and kSEK 532 (210) for the full year.

The operating loss was kSEK -28,081 (-14,412) for the fourth quarter and kSEK -93,306 (-60,009) for 2018 as a whole.

Net financial income/expense

Net financial income/expense consists 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 was kSEK 223 (-254) for the fourth quarter and kSEK 2,145 (-243) for the full year.

Earnings

Cantargia's loss before tax, which is the same as the loss for the period, was kSEK -27,858 (-14,667) for the fourth quarter and kSEK -91,160 (-60,253) for 2018 as a whole.

As discussed above, the increased loss is mainly attributable to an expansion of the company's R&D activities, especially in the company's main project CAN04.

Financial position

The equity/assets ratio at 31 December 2018 was 90 (90) per cent and equity was kSEK 155,045 (246,120).
Cash and cash equivalents, which consist of cash and available deposits with banks and other credit institutions, were kSEK 76,528 (149,781) 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 kSEK 90,319 (120,000). The decrease in cash and cash equivalents and short-term investments is wholly related to operating activities.
Total assets at the end of the period were kSEK 171,443 (274,453).

Cash flow and investments

Cash flow from operating activities for the full year was kSEK -104,686 (-40,778). As part of cash flow from operating activities, changes in working capital were kSEK -11,859 (19,150), which was largely due to trade payables returning to a more normal level.

Cash flow from investing activities, which refers substantially to the change in short-term investments, was kSEK 29,681 (-111,358).

Cash flow from financing activities for the full year was kSEK 85 (276,338).

The total change in cash and cash equivalents for the twelve-month period was kSEK -73,254 (123,877).

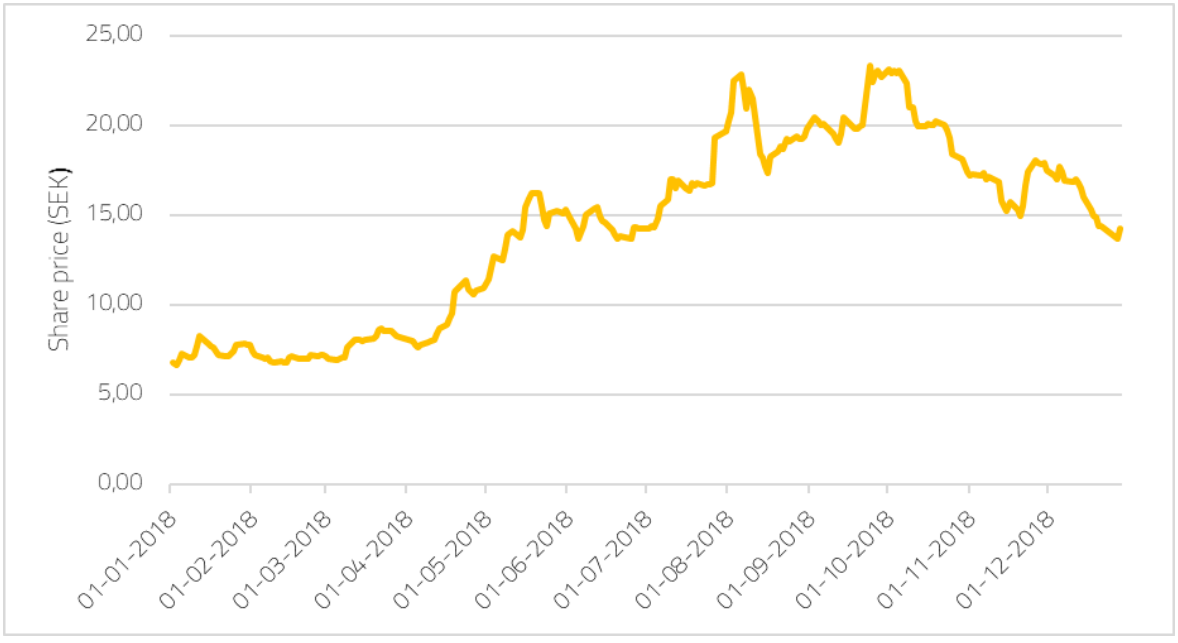
SHAREHOLDER INFORMATION

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 2018, the number of shares was 66,185,811 (46,940,508). At the closing date, the outstanding warrant schemes comprised 85,000 warrants, which after restatement for the rights issue registered on 8 January 2018 entitle the holders to subscribe for 86,700 shares at an exercise price of SEK 11.18 per share. If all outstanding warrants are exercised, the share capital will increase by SEK 6,936. In other respects, the terms are the same as those described in the annual report for 2017.

On 25 September 2018, Cantargia was listed on the main list of Nasdaq Stockholm, where it is part of the Small Cap segment.

Share price performance in 2018



Ownership distribution, 31 December 2018

Owner	Number of shares	Capital/Votes (%)
Sunstone Life Science Ventures Fund III K/S	5 972 292	9,0%
Första AP-fonden	4 550 000	6,9%
Skandinaviska Enskilda Banken S.A., Luxemburg	3 302 969	5,0%
Försäkringsaktiebolaget, Avanza Pension	3 271 065	4,9%
Fjärde AP-fonden	3 064 129	4,6%
Öhman Bank S.A., Luxemburg	2 727 925	4,1%
Andra AP-fonden	2 200 000	3,3%
Mats Invest AB	1 328 788	2,0%
Tibia Konsult AB	1 257 300	1,9%
Kudu AB	1 243 216	1,9%
Övriga	37 268 127	56,3%
Total	**66 185 811**	**100,0%**

Ownership distribution by size class, 31 December 2018

Holding	Number of shareholders	Number of shares	Capital/Votes (%)	Market Cap (kSEK)
1 - 500	1 961	353 523	0,5%	5 020
501 - 1 000	713	583 431	0,9%	8 285
1 001 - 5 000	1 396	3 586 029	5,4%	50 922
5 001 - 10 000	408	2 993 360	4,5%	42 506
10 001 - 15 000	138	1 730 917	2,6%	24 579
15 001 - 20 000	87	1 523 651	2,3%	21 636
20 001 -	297	55 414 900	83,7%	786 892
Total	**5 000**	**66 185 811**	**100,0%**	**939 839**

OTHER INFORMATION

Employees

The average number of employees during the period January to December 2018 was 6 (5), of whom 3 (2) were women, and the number of employees at 31 December 2018 was 7 (5), of whom 3 (2) were women.
Cantargia operates to a large extent through external partners.

Proposed appropriation of earnings

The Board of Directors propose in accordance with established dividend policy that no dividend be paid for the financial year 1 January 2018 – 31 December 2018.

Financial calendar

- Annual Report 2018, published in May 2019
- Interim report January - March, 27 May 2019
- Interim report April - June, 22 August 2019
- Interim report July- September, 15 November 2019
- Year-end report 2019, 27 February 2020

Annual General Meeting 2018

The Annual General Meeting of Cantargia will be held at Medicon Village, Scheelevägen 2 in Lund on 27 May, at 4 p.m.

Examination by auditors

The year-end report has not been examined by Cantargia's auditors.

Contact

Göran Forsberg, CEO of Cantargia AB
Telephone: +46 (0)46-275 62 60
E-mail: goran.forsberg@cantargia.com

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

Lund, 27 February 2019

Cantargia AB
The Board of Directors

STATEMENT OF COMPREHENSIVE INCOME

(kSEK)	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Operating income				
Net sales	-	-	-	-
Other operating income	-	-	-	-
Operating expenses				
Research and development costs	-24 707	-12 168	-76 951	-52 419
Administrative costs	-3 258	-2 113	-15 823	-7 381
Other operating expenses	-117	-131	-532	-210
	-28 081	**-14 412**	**-93 306**	**-60 009**
Operating profit	**-28 081**	**-14 412**	**-93 306**	**-60 009**
Financial income and expense				
Interest income and similar items	223	70	2 147	86
Interest expense and similar items	-	-324	-1	-329
	223	**-254**	**2 145**	**-243**
Profit before taxes	**-27 858**	**-14 667**	**-91 160**	**-60 253**
Loss for the period *)	**-27 858**	**-14 667**	**-91 160**	**-60 253**
Earnings per share before and after dilution (SEK) based on average number of shares	-0,42	-0,40	-1,38	-1,86

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

STATEMENT OF FINANCIAL POSITION

(kSEK)	31-12-2018	31-12-2017
ASSETS		
Fixed assets		
Financial assets		
Other securities held as non-current asset	2 957	2 957
	2 957	**2 957**
Total fixed assets	**2 957**	**2 957**
Current assets		
Other receivables	1 143	1 345
Prepaid expenses and accrued income	496	370
	1 639	**1 715**
Short-term investments		
Other short-term investments	90 319	120 000
	90 319	**120 000**
Cash and bank balances		
Cash and bank balances	76 528	149 781
	76 528	149 781
Total current assets	**168 486**	**271 496**
TOTAL ASSETS	**171 443**	**274 453**
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	5 295	3 755
Share capital not yet registered	-	1 540
	5 295	**5 295**
Non-restricted equity		
Share premium account	390 765	390 680
Retained earnings	-149 855	-89 602
Loss for the period	-91 160	-60 253
	149 750	**240 825**
Total equity	**155 045**	**246 120**
Short-term liabilities		
Trade payables	8 956	20 619
Tax liabilities	131	377
Other liabilities	383	221
Accrued expenses and deferred income	6 928	7 117
	16 398	**28 333**
TOTAL EQUITY AND LIABILITIES	**171 443**	**274 453**

STATEMENT OF CHANGES IN EQUITY

(kSEK)	Restricted equity		Non-restricted equity		Total
1 January 2018 - 31 December 2018	Share capital	Paid not registered share capital	Share premium account	earnings incl Loss for the year	Total equity
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**
1 January 2017 - 31 December 2017					
Opening balance 1 January 2017	**1 673**	**-**	**117 964**	**-89 602**	**30 035**
Loss for the period	-	-	-	-60 253	-60 253
Transactions with shareholders					
Warrant programme	-	-	72	-	72
Issue of new shares for the year	2 082	1 540	300 857	-	304 479
Capital acquisition cost	-	-	-28 213	-	-28 213
	2 082	1 540	272 716	-	276 338
Closing balance 31 December 2017	**3 755**	**1 540**	**390 680**	**-149 855**	**246 120**

*) 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)	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Operating activities				
Operating loss	-28 081	-14 412	-93 305	-60 009
Interest received etc.	127	70	479	86
Interest paid etc.	-	-	-1	-4
Cash flow from operating activities before changes in working capital	**-27 954**	**-14 342**	**-92 827**	**-59 928**
Changes in working capital				
Change in receivables	587	163	76	497
Change in trade payables	3 781	17 655	-11 662	13 200
Changes in other current liabilities	-355	4 847	-273	5 453
	4 014	**22 665**	**-11 859**	**19 150**
Cash flow from operating activities	**-23 940**	**8 322**	**-104 686**	**-40 778**
Investing activities				
Acquisition of other long-term securities	-	-	-	-295
Increase in other short-term investments	-300	-100 000	-40 300	-120 000
Decrease in other short-term investments	19 981	-	69 981	8 937
	19 681	**-100 000**	**29 681**	**-111 358**
Financing activities				
Issue of new shares for the year	-	231 950	-	304 479
Capital acquisition cost	-	-22 551	85	-28 213
Warrant programme	-	-	-	72
	0	**209 399**	**85**	**276 338**
Change in cash and cash equivalents	-4 259	117 721	-74 921	124 202
Cash and cash equivalents at beginning of period	80 691	32 385	149 781	25 904
Exchange rate difference in cash equivalents	96	-325	1 667	-325
Cash and cash equivalents at end of period *)	**76 528**	**149 781**	**76 528**	**149 781**

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

KEY FIGURES

(kSEK)	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Net sales	-	-	-	-
Operating profit	-28 081	-14 412	-93 306	-60 009
Loss for the period	-27 858	-14 667	-91 160	-60 253
Average number of shares	66 185 811	37 030 508	66 185 811	32 384 399
Earnings per share before and after dilution (SEK) based on average number of shares	-0,42	-0,40	-1,38	-1,86
Change in cash and cash equivalents	-4 259	117 721	-74 921	124 202
Cash and cash equivalents	76 528	149 781	76 528	149 781
Short-term investments	90 319	120 000	90 319	120 000
Equity end of period	155 045	246 120	155 045	246 120
Equity/assets ratio, %	90%	90%	90%	90%
Average number of employees	7	5	6	5
Number of employees at end of period	7	5	7	5
R&D costs as a percentage of operating expenses	88%	84%	82%	87%

Key performance indicators, definitions

Operating profit/loss, kSEK	Net sales less total operating expenses.
Earnings per share, SEK	Profit/loss for the period divided by average number of shares for the period.
Equity/assets ratio, %	Equity divided by total capital.
R&D costs as a percentage of operating expenses, %	Research and development costs divided by operating expenses.

NOTES

Note 1 General information

This interim report refers to Cantargia AB (publ) ("Cantargia"), corporate ID number 556791-6019. Cantargia has no subsidiaries.

Cantargia is a Swedish public limited company with registered office in Lund, Sweden. The company's address is Medicon Village, Scheelevägen 2, SE-223 81 Lund.

The year-end report for 2018 was approved for publication on 27 February 2019 in accordance with a resolution of the Board of Directors of 26 February.

Note 2 Accounting policies

This interim report has been prepared in accordance with the Swedish Annual Accounts Act, Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board and IAS 34 Interim Financial Reporting.

The accounting policies applied in preparing this interim report are consistent with those used in preparing the annual report for 2017. In addition, the new financial reporting standards IFRS 9 and IFRS 15 became effective on 1 January 2018. The application of these new standards has not had any impact on Cantargia's financial statements.

A full description of Cantargia's accounting policies will be given in the annual report for 2018.

The interim report has been prepared using the cost method.

On 1 January 2019, IFRS 16 Leases will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. IFRS 16 Leases deals with the classification and recognition of leased assets. This standard is not expected to have any impact, as Cantargia does not currently prepare consolidated financial statements. Cantargia AB will thus continue to recognise all operating leases in the same way as today, by expensing the lease payments. No other IFRS or IFRIC interpretations that have not yet become effective are expected to have a material impact on the company.

Cantargia applies the alternative performance measures issued by the European Securities and Markets Authority (ESMA).

Note 3 Information on risks and uncertainties

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

Note 4 Critical judgements and estimates

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

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

The most critical judgement in Cantargia's financial reporting refers to the date of capitalisation of development costs. Based on the accounting policies applied by Cantargia, the criteria for recognising development costs as an asset and thus expensing these are currently not met. The criteria for capitalisation are considered to be met no earlier than when positive results have been obtained in phase III clinical trials and it is highly likely that the drug will be approved.

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.

Note 5 Related party transactions

Cantargia has a research agreement with Lund University, where Thoas Fioretos, one of Cantargia's founders and a Director of Cantargia, is engaged in research. Under the agreement, Thoas Fioretos has undertaken, as part of his employment at Lund University, to conduct projects aimed at obtaining more knowledge about IL1RAP. Under the agreement, Cantargia has the right to use and, where applicable, take over any and all research results from the two projects at no cost. During the period January to December 2018, the company incurred a cost of kSEK 463 (463) under the agreement.

From May 2017 until 31 August 2018, Cantargia had a consulting agreement with Jöndell Consulting AB, a company that is wholly owned by the company's CFO. During this period, the CFO was not employed by Cantargia but worked on a consultancy basis in accordance with the agreement. Over the period January to December 2018, Cantargia paid kSEK 1,549 (686) for the consulting services provided. An employment contract between the company and the CFO, effective from 1 September, has been concluded, as a result of which the consulting agreement has ceased to apply.

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

Note 6 Costs by nature of expense

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.

(kSEK)	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Project costs	-21 414	-10 157	-66 159	-44 819
Other external expenses	-3 423	-1 857	-16 467	-6 917
Personnel expenses	-3 127	-2 268	-10 147	-8 064
Other operating expenses	-117	-131	-532	-210
	-28 081	**-14 412**	**-93 305**	**-60 009**

SUBMISSION OF INTERIM REPORT

This interim report has been approved for publication by the Board of Directors and Chief Executive Officer. This constitutes information that Cantargia is required to publish under the EU's Market Abuse Regulation. The information was submitted for publication through the Chief Executive Officer on 27 February 2019, at 8:30 a.m.

Cantargia AB (publ)
Medicon Village
Scheelevägen 2
SE-223 81 Lund
Telephone: +46(0)46 2756260
www.cantargia.com