



Interim Report
1 January 2016 – 30 September 2016

Cantargia AB | 556791-6019



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

Highlights

Nine months (1 Jan 2016 – 30 Sep 2016)

- Other operating revenue was kSEK 0 (0).
- Earnings after financial items were kSEK -28,509 (-12,187).
- Earnings per share were approximately SEK -1.61 (-0.91).
- The equity/assets ratio was around 76 (89) per cent compared with the beginning of the year.

Third quarter (1 Jul 2016 – 30 Sep 2016)

- Other operating revenue was kSEK 0 (0).
- Earnings after financial items were kSEK -12,486 (-3,127).
- Earnings per share were approximately SEK -0.71 (-0.23).

Definitions

- Earnings per share: Profit for the period divided by 17,679,384 shares as at 30 September 2016.
- Equity/assets ratio: Equity divided by total capital.
- Unless otherwise indicated, figures in parentheses refer to the same period in the previous year.

Significant events in the third quarter

During the period the US patent office (“USPTO”) granted two of Cantargia’s patent applications. USPTO granted the Company’s applications for the use of IL1RAP as target molecule for antibody-based treatment of solid tumours and acute lymphoblastic leukemia (ALL).

During the period Cantargia raised SEK 250,212.50 through the exercise of warrants of series 2011/2016 by Agneta Svedberg, the former CEO of Cantargia.

New results from studies using Cantargia’s antibodies for treatment of chronic myeloid leukemia (CML) in preclinical models was published in the respected scientific journal *Blood*.

In September Cantargia presented the Company’s more aggressive development strategy, under which the Company will expand its coming clinical study to also cover combination therapies. The development strategy will require additional capital, and the Company is therefore looking to raise approximately SEK 80 million in addition to the SEK 25 million that can be raised through warrants of series TO 2 and TO 4.

Significant events after the end of the period

In October 2016 a third party filed an opposition to the patent approval for antibody treatment of solid tumours which Cantargia received from the European Patent Office in January 2016. The Company believes the opposition is groundless.

In late October 2016 Cantargia presented new data from preclinical studies using CAN04 in non-small cell lung cancer in the form of a poster at the international Protein & Antibody Engineering Summit (“PEGS”). The presentation is available on Cantargia’s website, www.cantargia.com. The Company also announced that data from studies using Cantargia’s antibodies in chronic myeloid leukemia will be presented at a seminar to be held at the scientific conference arranged by the American Society of Hematology on 3–6 December 2016.

Warrants of series TO 2 and series TO 4 were exercisable during the period September/October 2016. Over 98 per cent of the warrants were exercised, raising around SEK 24.6 million for the Company. At an early stage during the exercise period the Company was able to announce that several major shareholders and all warrant holders on the Board of Directors and in management had chosen to exercise their warrants.

Other events

Cantargia has progressed since its initial public offering in March 2015. As part of its efforts to clarify the information it provides to various stakeholders, the Company has developed a new website with the address www.cantargia.com.

While Cantargia's first two patent families have been approved in the major markets for pharmaceuticals the Company's strategy is to obtain patent approvals also in a number of selected smaller markets. During the period Cantargia received approval in Russia for its application for antibody treatment of the target molecule IL1RAP for treatment of solid tumours.

CEO Göran Forsberg comments

The late summer and autumn has been an eventful period for Cantargia, as became clear in September when we communicated the decision to raise our level of ambition. More specifically, this means that we will be making investments relating to our CAN04 product candidate in respect of the first clinical trial as well as the development of the production process. The aim is to cut down the total development time and thus increase the value of the project in preparation for coming negotiations with potential partners. This means that in addition to monotherapy we will also be studying combination therapies in the first clinical trial in patients. We also see a big potential for IL1RAP as target molecule for treatment of autoimmune and inflammatory diseases and have therefore chosen to initiate a new project aimed at developing a new antibody tailor-made specifically at these diseases.

The above activities, which are just one part of our more aggressive development strategy, will require additional capital. The warrants that were exercised in September/October raised around SEK 24.6 million for Cantargia. We are of course very pleased with the trust placed in us by our investors as we now advance our development programmes. We are following the adopted capitalisation plan and intend to communicate further information on the next stage as soon as possible.

During the past period we have further expanded our patent protection through two patent approvals by the USPTO. The US is a big and important market, and approvals in that market are of course very significant. The approvals refer to our application for IL1RAP as target molecule for antibody-based treatment of solid tumours and our application for IL1RAP as target molecule for antibody therapy of acute lymphoblastic leukemia. We have also received confirmation that the area of research in which we operate is commercially interesting as a third party filed an opposition to our approved patents in Europe. This will involve a formal process that will not be concluded in the near future, but our view is that the submitted documentation is unsubstantiated.

On the research side, too, we have now advanced so far as to be able to present several new results at international conferences. We are very pleased with the data we have generated in preclinical studies in one of our main indications, non-small cell lung cancer. The results were presented at an international conference, PEGS, in the presence of a large number of researchers from the big pharmaceutical companies. In December Cantargia's antibodies and their potential for treatment of chronic myeloid leukemia will be presented at a seminar arranged by the American Society of Hematology. Other research and development activities are proceeding according to plan and we are working actively on concluding the final activities that are required for an application for clinical trials of CAN04. Our plan is to initiate our first clinical trial in cancer patients in the first half of 2017.

Göran Forsberg
CEO, Cantargia AB

Cantargia AB

Cantargia was founded in 2009/2010 by Lund University Bioscience AB, Professor Thoas Fioretos, Dr Marcus Järås and Innovagen AB. Cantargia is a biotech company that is developing an antibody-based cancer treatment, which aims to attack cancer cells and arrest the inflammation of the tumour. The original discovery by the research team behind the Company was the overexpression of a specific target molecule, interleukin 1 receptor associated protein IL1RAP, in cancer stem cells in patients with leukemia that is not found in normal stem cells in the bone marrow. In preclinical studies (in vitro and in vivo) the antibody, targeted at IL1RAP, has been shown to have two potential mechanisms of action, which are complementary. The Company has selected a product candidate for future studies in humans and development activities have been focused on non-small cell lung cancer and pancreatic cancer.

Business model

Cantargia's business model is based on seeking partnerships (such as licensing) for CAN04 after proof of concept in clinical studies (phase I/IIa) that are designed to document both safety and initial signals of antitumour effect. Partnerships with established players in the pharmaceutical industry, which have the resources for and experience of major clinical studies, will promote effective and professional development and the launch of pharmaceutical drugs.

Employees

The average number of employees for the period January to September 2016 was 4 (3), of whom 1 (1) was a woman.

Share information

Cantargia's shares were listed on Nasdaq Stockholm First North on 17 March 2015, under the ticker "CANTA". On September 30th 2016 the number of shares was 17,679,384 (13,394,874). At the beginning of the period, 1 July 2016, the number of shares was 17,633,134 (13,394,874). The average number of shares of Cantargia during the period 1 July 2016 to 30 September 2016 was 17,656,259 (13,394,874). It should be noted that the number of shares of the Company increased after the end of the period as a result of the exercise of warrants of series TO 2 and TO 4. Following registration with the Swedish Companies Registration Office the number of shares of Cantargia is 20,917,200.

Principles for preparation of the interim report

The financial statements contained in this interim report have been prepared in accordance with the same principles as the last annual report, i.e. in accordance with the Swedish Annual Accounts Act and General Recommendation BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3) of the Swedish Accounting Standards Board.

Examination by auditors

The interim report has not been examined by the Company's auditor.

Financial calendar

Future financial reports are scheduled for release as follows:

Year-end report for 2016 1 March 2017

Certified Adviser

Sedermera Fondkommission is the Company's Certified Adviser.

Submission of interim report

Lund, 21 November 2016

Cantargia AB

The Board of Directors

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Financial information

Revenue and results

No revenue was generated.

Financial position

The Company reports an operating loss of kSEK -12,486 (-3,128) for the period July to September. The loss for the period was kSEK -12,486 (-3,127) and total assets were kSEK 39,329 (25,354).

Cash flow and investments

Cash flow from operating activities in the third quarter were kSEK -9,705 (-4,233).

Condensed income statement

(kSEK)	1 Jul 2016 -30 Sep 2016	1 Jul 2015 -30 Sep 2015	1 Jan 2016 -30 Sep 2016	1 Jan 2015 -30 Sep 2015	1 Jan 2015 -31 Dec 2015
	3 months	3 months	9 months	9 months	12 months
Operating expenses					
Project development	-9,434	-1,030	-19,683	-5,169	-7,045
Other external expenses	-1,204	-692	-3,661	-3,611	-4,953
Staff costs	-1,739	-1,330	-5,041	-3,161	-4,810
Other operating expenses	-109	-76	-126	-184	-210
Operating loss	-12,486	-3,128	-28,511	-12,125	-17,018
Financial income and expense					
Interest income and similar items	-	1	3	2	23
Interest expense and similar items	-	-	-1	-64	-195
Loss after net financial income/expense	-12,486	-3,127	-28,509	-12,187	-17,190
Loss before tax	-12,486	-3,127	-28,509	-12,187	-17,190
Loss for the period	-12,486	-3,127	-28,509	-12,187	-17,190

Condensed balance sheet

(kSEK)	30 Sep 2016	30 Sep 2015	31 Dec 2015
Assets			
Non-current assets			
<u>Intangible assets</u>			
Concessions, patents, licenses and trademarks	6,111	3,668	4,282
<u>Financial assets</u>			
Other securities held as non-current assets	3,005	1,310	1,747
Total non-current assets	9,116	4,978	6,029
Current assets			
<u>Current receivables</u>			
Other receivables	475	208	253
Prepaid expenses and accrued income	795	406	589
Total current receivables	1,270	614	842
<u>Short-term investments</u>			
Fixed income fund	8,872	15,000	14,871
Total current receivables	8,872	15,000	14,871
Cash and bank balances	20,071	13,498	9,641
Total current assets	30,213	29,112	25,354
TOTAL ASSETS	39,329	34,090	31,383
EQUITY AND LIABILITIES			
Equity			
<u>Restricted equity</u>			
Share capital	1,411	1,072	1,080
Total restricted equity	1,411	1,072	1,080
<u>Non-restricted equity</u>			
Shareholder contributions received	3,416	3,416	3,416
Share premium account	94,808	64,213	64,805
Retained earnings	-41,246	-24,056	-24,056
Loss for the period	-28,509	-12,187	-17,190
Total non-restricted equity	28,469	31,386	26,975
Total equity	29,880	32,458	28,055
Non-current liabilities			
Provisions	540	128	170
Total non-current liabilities	540	128	170
Current liabilities			
Trade payables	7,019	758	1,794
Tax liabilities	-	-	51
Other liabilities	133	201	194
Accrued expenses and deferred income	1,757	545	1,119
Total current liabilities	8,909	1,504	3,158
TOTAL EQUITY AND LIABILITIES	39,329	34,090	31,383
Pledged assets	None	None	None
Contingent liabilities	None	None	None

Condensed statement of changes in equity

1 Jan 2016 – 30 Sep 2016 (kSEK)	Share capital	Paid-up not regd share cap	Other non- restricted equity	Loss for the period	Total non- restricted equity	Total equity
Amount at beginning of period	1,080	-	44,165	-17,190	26,975	28,055
Issue of new shares	334	-	31,284	-	31,284	31,618
Transfer, loss for previous year	-	-	-17,190	17,190	-	-
Capital acquisition cost	-	-	-1,284	-	-1,284	-1,284
Loss for the period	-	-	-	-28,509	-28,509	-28,509
Amount at end of period	1,414	-	56,975	-28,509	28,466	29,880

1 Jan 2015 – 30 Sep 2015 (kSEK)	Share capital	Paid-up not regd share cap	Other non- restricted equity	Loss for the period	Total non- restricted equity	Total equity
Amount at beginning of period	184	63	12,220	-8,370	3,850	4,097
Issue of new shares	888	-63	43,255	-	43,255	44,080
Transfer, loss for previous year	-	-	-8,370	8,370	-	-
Capital acquisition cost	-	-	-3,532	-	-3,532	-3,532
Loss for the period	-	-	-	-12,187	-12,187	-12,187
Amount at end of period	1,072	-	43,573	-12,187	31,386	32,458

1 Jan 2015 – 31 Dec 2015 (kSEK)	Share capital	Paid-up not regd share cap	Other non- restricted equity	Loss for the period	Total non- restricted equity	Total equity
Amount at beginning of period	184	63	12,220	-8,370	3,850	4,097
Issue of new shares	896	-63	43,847	-	43,847	44,680
Capital acquisition cost	-	-	-3,532	-	-3,532	-3,532
Transfer, loss for previous year	-	-	-8,370	8,370	-	-
Loss for the period	-	-	-	-17,190	-17,190	-17,190
Amount at end of period	1,080	-	44,165	-17,190	26,975	28,055

Condensed cash flow statement

(kSEK)	1 Jul 2016 –30 Sep 2016 3 months	1 Jul 2015 –30 Sep 2015 3 months	1 Jan 2016 –30 Sep 2016 9 months	1 Jan 2015 –30 Sep 2015 9 months	1 Jan 2015 –31 Dec 2015 12 months
Cash flow from operating activities before changes in working capital	-12,486	-3,127	-28,509	-12,187	-17,190
Changes in working capital	2,781	-1,106	5,692	-14,512	-13,087
Cash flow from operating activities	-9,705	-4,233	-22,817	-26,699	-30,277
Cash flow from investing activities	-1,278	-1,048	-3,086	-2,010	-3,019
Cash flow from financing activities	251	-	30,334	40,547	41,148
Total cash flow for the period	-10,732	-5,281	4,431	11,838	7,852
Cash and cash equivalents at beginning of period	39,675	33,779	24,512	16,660	16,660
Cash and cash equivalents at end of period*	28,943	28,498	28,943	28,498	24,512

Change in cash and cash equivalents	-10,732	-5,281	4,431	11,838	7,852
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* Cash and cash equivalents comprise restricted investments (liquid assets only) and cash and bank balances.



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