INTERIM REPORT 2019/2020

July 2019 – September 2019

Preparations for Phase III on track

SIGNIFICANT EVENTS IN Q1 (JUL-SEP 2019)

- Preparing for start of Phase III study for Mangoral
- The Phase III registration enabling pivotal study will conducted at leading hospitals in Europe, the US and South Korea

SIGNIFICANT EVENTS AFTER THE PERIOD

- Dorthe Thrige, COO, will be leaving the company

"Our multicenter Phase III study will be conducted in Europe, the US and South Korea"

KEY RATIOS GROUP

Q1 (Jul-Sep)	
2019	2018
OPERATING RESULT (SEKm)	
-13.9	-3.9
EARNINGS PER SHARE (SEK)	
-0.54	-0.26
CASH FLOW FROM OPERATIONS (SEKm)	
-20.1	-3.2
LIQUID ASSETS INCL. MARKETABLE SECURITIES (SEKm)	
205.3	51.2

CEO COMMENTS

Advancing our clinical portfolio. During this period – July to September 2019 – we continued to work diligently on our promising clinical portfolio, with our novel drug candidates Mangoral® and Oncoral in full focus. As I have stated before, the most important near-term milestone for Ascelia Pharma is starting patient enrolment in the fully financed Phase III clinical study for Mangoral (study name: SPARKLE). Mangoral has the potential to be the only existing non-Gadolinium contrast agent on the market for liver MRI scans and be the gold standard in its targeted patient population.

The SPARKLE Phase III study is expected to be initiated before year-end 2019.

Preparations for Phase III for Mangoral on track. The SPARKLE study will be conducted globally in up to 200 patients at 30-35 sites in Europe, the US and South Korea. The study will evaluate the diagnostic efficacy and safety of Mangoral in patients with known or suspected focal liver lesions (incl. liver metastases), who are at risk of serious side effects from the gadolinium-based contrast media available on the market today (i.e. patients with severely impaired kidneys). The diagnostic efficacy of Mangoral will be assessed in terms of visualisation of detected focal liver lesions in combined MRI (Mangoral-enhanced and unenhanced MRI) compared to unenhanced MRI (i.e. a liver MRI scan without a contrast agent). Principal Investigator of the study is Professor Bernd Hamm at Charité University hospital in Berlin and former President and Chairman of the European Society of Radiology.

We expect to have enrolled the last patient in the SPARKLE study in the second half of 2020. Final study results are expected at the end of 2020 or beginning of 2021. This means that this study is fairly short, compared to most other major Phase III trials.

Preparing for Oncoral Phase II. Aside from our work with Mangoral, we continue our preparations for the Phase II clinical study of our other project, Oncoral. Oncoral is our novel oral chemotherapy tablet based on irinotecan for the treatment of gastric cancer. In our Phase I studies, we have demonstrated that Oncoral was well tolerated; side effects were generally mild to moderate, manageable and similar in type to those observed with intravenous irinotecan.

Also, the Phase I extension study demonstrated reassuring tolerability of Oncoral administered in combination with oral capecitabine. This could enable an attractive all-oral chemo combination. Oral chemotherapeutic drugs potentially offer a wide number of advantages for the patients, including greater convenience, fewer hospital/doctor's office visits, less pain, better safety profile and the avoidance of problems related to venous access. It also, importantly, saves hospital bills with fewer patient visits.

Growing our organisation. As a direct consequence of our preparations for the next phases of the development of Mangoral and Oncoral, we have also done some key recruitments to our team. Most notably, we recruited Karin Liljeberg as Director of Clinical Operations and Carin Linde as Director of CMC (manufacturing). With their long experience from big pharma in their respective fields, they make very valuable additions to our team.

I believe you agree with me when I say that we have exciting and hopefully rewarding times ahead of us with the SPARKLE Phase III study soon about to start. I look forward to updating you about our progress with Mangoral and Oncoral, as they make their way through the clinical development process, and ultimately reach those patients who need better options to manage their cancer disease.

Magnus Corfitzen
CEO Ascelia Pharma AB (publ)

ASCELIA PHARMA

Developing novel drugs to improve the life expectancy or quality of life for people living with cancer

Ascelia Pharma in short

Ascelia Pharma is an oncology-dedicated orphan drug development company located in Malmö, Sweden. The company's strategy is to develop drugs, which target unmet medical needs, have an established mode of action and a relatively low development risk. Ascelia Pharma has two drug candidates – Mangoral® and Oncoral – currently under development.

Mangoral is a novel contrast agent for MR-scans and is ready for Phase III clinical studies. Mangoral is developed to improve the visualization of focal liver lesions (liver metastases) in patient with impaired kidneys that cannot tolerate current contrast agents on the market, which are all based on gadolinium.

Oncoral is a novel oral chemotherapy tablet ready for Phase II for the treatment of gastric cancer, which is a rapidly growing market.

Ascelia Pharma is listed on Nasdaq Stockholm (ticker: ACE). For more information, please visit www.ascelia.com

Strategy

Identify, acquire, develop and monetise drugs with:

- Unmet medical need
- Niche/orphan indication
- Known mode of action
- De-risked development plan
- Potential for global leadership

Candidates	Indication	Administration	Phase I	Phase II	Phase III	Rights
Mangoral® • Novel imaging drug with Orphan Drug Designation • No competing products • USD 350-500m market with substantial upside potential • De-risked Phase III clinical program starting in H2-19	**Visualisation of Focal Liver Lesions** Liver metastases Primary liver cancer Benign lesions	Oral	Completed		2019 - 2020	**Wholly-owned**
Oncoral • Novel Chemo therapy formulation for gastric cancer • Gastric cancer is an Orphan indication • Phase I clinical study completed • Recent acquisition of comparable product >USD 1 billion	**Treatment of Gastric Cancer** Treatment of other solid cancers (label expansion)	Oral	Completed	2020 - 2022		**Wholly-owned**

Completed development
Ongoing and planned development

MANGORAL®

Liver MRI contrast contrast agent ready for the final clinical Phase

Detecting liver metastases early is essential for survival

Our lead drug candidate, Mangoral, is a contrast agent used in Magnetic Resonance Imaging (MRI) to improve the visualization of focal liver lesions (liver metastases). The liver is the second most common organ for metastasis after the lymph nodes. Detecting liver metastases at an early stage is crucial for determining the right treatment method and the patient's chances of survival. Studies show that the five-year survival rate can increase from 6% to 46% if liver metastases can be removed surgically. An accurate MR scan using contrast agents is therefore critical to evaluate the possibility for surgical resection, but also for monitoring of treatment effect and surveillance for recurrence of the disease.

How Mangoral works

Mangoral is an orally administrated contrast agent used in MRI of the liver. It is based on the chemical element manganese, which is a natural trace element in the body. Mangoral also contains L-Alanine and Vitamin D3 to increase the absorption of manganese from the small intestine into the portal liver vein. From there the manganese is transported to the liver where it is taken up by and retained in the normal liver cells, also known as the hepatocytes. The high manganese uptake causes the liver parenchyma to appear bright on MR images. As liver metastases are not liver cells, they do not take up manganese and consequently metastases appear dark on MR images. With Mangoral, liver metastases are consequently easier to identify due to this contrast effect.

Latest development

Recruitment of patients for the study is expected to commence before year-end 2019. Final results from the study are expected to be presented at the end of 2020 or early 2021.

In June 2019, a patent application for a next generation Mangoral product was filed. Upon grant, the new patent would further improve the unique value proposition of Mangoral and extend IP rights until year 2040.

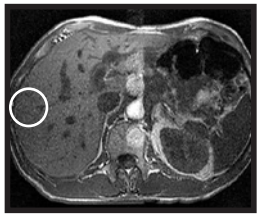
Patients referred for liver MRI scan

TODAY

NORMAL KIDNEY
Gadolinium imaging drug

POOR KIDNEY FUNCTION
NO imaging drug

No liver metastasis visible

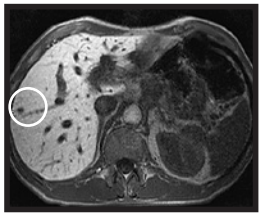


TOMORROW

NORMAL KIDNEY
Gadolinium imaging drug

POOR KIDNEY FUNCTION
MANGORAL® Imaging drug

Liver metastasis visible with Mangoral



Mangoral aims to be the new gold standard liver MRI imaging drug for patients with impaired kidney function

280,000
patients with impaired kidney function in major markets

Addressable market of USD 350-500 million

The target group for Mangoral is patients with impaired kidney function who, due to the risk of serious, and potentially fatal, side effects cannot use today's heavy-metal gadolinium-based contrast agents. The conducted clinical trials show that Mangoral is a safe and effective contrast agent and offers a significantly better alternative than unenhanced MRI (i.e. MRI without contrast agent), which is the standard of care today for Mangoral's patient population. Consequently, Mangoral fills a significant unmet medical need to improve the diagnosis, and subsequently, the treatment of liver metastases.

The addressable market for Mangoral is estimated at USD 350–500 million yearly and Mangoral is expected to be the only product on the market in its segment.

De-risked Phase III study

The Phase III study will be a multicentre study in up to 200 patients. The study is expected before year-end 2019 with final results to be presented at the end of 2020 or beginning of 2021.

The strong results in the Phase I and Phase II studies support our belief that the likelihood of success in Phase III is significantly larger than the average oncology drug in Phase III. This is due to the known mode of action of Mangoral and a high degree of similarity between Phase II and III primary endpoints for Mangoral and since the planned Phase III study comparator for Mangoral is MRI with no contrast agent. In addition, the follow-up time is only a few days, compared to months or years for the typical Phase III oncology study.

Mangoral has Orphan Drug Designation

Mangoral has received Orphan Drug Designation from the FDA. One major advantage of orphan drug status is, among other things, that orphan drugs can obtain market exclusivity for a number of years after market approval (seven years in the US and ten years in the EU/EEA). For orphan drugs in general, the time to approval is also usually shorter and the proportion of orphan drugs that are approved is higher than for ordinary drugs.

ONCORAL

Chemotherapy treatment in tablet form, ready for Phase II

A novel tablet formulation for treatment of gastric cancer

Oncoral is a novel tablet formulation of the topoisomerase I inhibitor irinotecan, a chemotherapeutic drug with a well-established role and strong anti-tumor activity for treatment of cancer. Oncoral is intended for the treatment of advanced gastric cancer in combination with other anti-cancer treatments. Gastric cancer is a serious disease with a large unmet medical need and is the third leading cause of cancer death worldwide. The market for gastric cancer is growing rapidly with an estimated yearly growth rate towards year 2022 of 14% (source GlobalData) and the market is expected to surpass USD 4 billion by 2022.

Convenient for patients and health-economic benefits

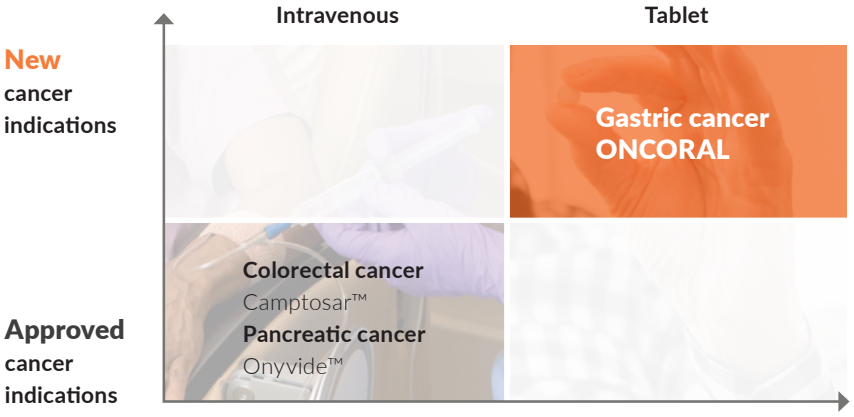
Oncoral enables patients to take their chemotherapy at home, which improves the quality of life for cancer patients. The daily dosing of Oncoral could also mitigate the side-effects associated with intravenous treatment where the doses of the cytotoxic irinotecan are very high.

For clinicians and payors, Oncoral can offer reduced hospital stays and bills as well as less risk of adverse effects associated with intravenous chemotherapy and hospital-acquired infections.

Latest development

In April 2019, the extension Phase I study where Oncoral was combined with another oral chemotherapy (capecitabine) was published, which also showed encouraging results. The study data demonstrated reassuring tolerability of Oncoral administered in combination with oral capecitabine. The encouraging tolerability profile justifies further clinical studies to assess the efficacy of this treatment regimen.

Oncoral - a novel formulation of irinotecan



- Significant unmet medical need in gastric cancer
- Gastric cancer is an orphan indication
- Irinotecan approved in Japan in gastric cancer
- Strong interest from oncologists

(Source GlobalData)

Preparing for Phase II studies

The clinical development strategy for Oncoral is to obtain Phase II data and then to partner for the further development to market. The plan is to design and conduct a Phase II study on Oncoral in combination with capecitabine and a selected targeted anti-cancer agent, in irinotecan naive, HER2 negative patients with unresectable or metastatic gastric cancer.

Preliminary plans for the Phase II study involve a dose-escalation part with Oncoral, capecitabine and the selected targeted agent in order to determine safety and tolerability and define doses for the extension part of the Phase II study. The extension part of the study aims at establishing proof of clinical concept based on relevant safety and efficacy parameters.

Planning for Phase II is ongoing with the preparatory work in 2019 including study design and protocol. Recruitment of patients is expected to start in 2020 (completion of Oncoral's Phase II study will require additional financing).

Advantages of oral tablet chemotherapy vs. intravenous

Patients

- Tablets can be swallowed at home instead of intravenous administrationat the hospital
- Sense of control over treatment and less interference with daily activities
- No risk of medical complications and pain from medical intravenous lines
- Less travel to hospital/clinic
- Enables fine tuning of individual dosing

Clinicians

- Better utilisation of hospital stay for patient-centered care
- Intravenous facilities can be prioritised for targeted therapies instead
- Less risk of adverse effects from intravenous chemotherapy (e.g. hospital-acquired infection or leakage of infused cytostatic from vasculature to surrounding tissue)

Payers

- All-oral chemotherapeutic regimens reduces the need to spend hospital resources on more expensive intravenous administration
- Less risk of hospital-acquired infections (which leads to a need for additional treatment), leading to reduced costs
- Less need for handling of side effects mainly associated with intravenous administration of chemotherapy, leading to overall reduced costs

FINANCIAL OVERVIEW – Q1 (JUL-SEP 2019)

EARNINGS AND PROFITABILITY

Net sales and other operating income

The Group's net sales in Q1 amounted to SEK 0 (SEK 0). Ascelia Pharma does not expect to recognise revenue before products have been launched on the market. Other operating income totalled SEK 162 thousand (SEK 9 thousand).

Research and development costs (R&D)

R&D costs for the Group in Q1 were SEK 9.6 million (SEK 2.8 million). The cost increase of SEK 6.8 million underlines an overall higher activity level in Ascelia Pharma in the current quarter vis-à-vis corresponding quarter last year. This was especially pertinent for Mangoral where detailed preparations have been made for the phase III clinical study including work to select clinical study sites and manufacturing preparations.

Administration costs

Administration costs for the Group in Q1 amounted to SEK 3.2 million (SEK 1.1 million). The increase in adminstration costs y/y of SEK 2.1 million mainly reflects higher ongoing costs as a listed company (IR, media, travel).

Operating results (EBIT)

Operating results in Q1 amounted to SEK -13.9 million (SEK -3.9 million). The cost increase mainly reflects the overall higher level of R&D activities in the current quarter.

Net Profit/Loss for the period

The Group's net loss in Q1 amounted to SEK -12.8 million (SEK -3.8 million). The increased net loss mirrors the development in EBIT and corresponds to a loss per share, before and after dilution, of SEK -0.54 (SEK -0.26).

Financials key ratios for the Group	Q1 (July-September)	
	2019	2018
Operating result (SEK 000')	-13,880	-3,946
Net result (SEK 000')	-12,771	-3,839
Earnings per share (SEK)	-0.54	-0.26
Weighted avg. number of shares	23,488,908	14,606,891
R&D costs/operating costs (%)	68%	71%
Cash flow from operations (SEK 000')	-20,128	-3,837
Equity (SEK 000')	263,576	108,027
Liquid assets incl. marketable securities (SEK 000')	205,276	51,226

CASH FLOW

Cash flow from operating activities before changes in working capital in Q1 amounted to SEK -12.8 million (SEK -4.7 million). The increased outflow primarily reflects the higher level of R&D activities in the current quarter. Changes in working capital in the current quarter totalled an outflow of SEK 7.3 million (inflow of SEK 0.9 million). The outflow in Q1 this year mainly reflects pre-payments to vendors. In total, cash flow from operating activities after changes in working capital amounted to SEK -20.1 million (SEK -3.8 million).

Cash flow from investing activities amounted to SEK 0 (SEK 0). Cash flow from financing activities totalled SEK -30 thousand (SEK 0) and reflects amortisation of loan (car leasing).

FINANCIAL POSITION

On the closing date, equity stood at SEK 263.6 million, compared with SEK 108.0 million per 30 September 2018. The increase since 30 September 2018 reflects the issuance of new shares in connection with the IPO in spring 2019.

Liquid assets including marketable securities on the closing date amounted to SEK 205.3 million compared with SEK 51.2 million as of 30 September 2018. The increase in liquid assets since 30 September 2018 reflects proceeds from the issuance of new shares in the IPO.

Other information

Incentive programs

Ascelia Pharma has two active employee options programs that include members of the management team. If the terms of the programs are met at the time for utilisation, these employees have the right to purchase shares at a pre-determined price. The Group recognises share-based remuneration, which personnel may receive. A personnel cost is recognised, together with a corresponding increase in equity, distributed over the period in which the vesting conditions are met, which is the date on which the relevant employees become fully entitled to the compensation. Further information can be found in the Annual Report 2018/2019 on pages 54-55.

In case all warrants issued in relation to the employee option programs are utilised for subscription of new shares, a total of 1,296,680 new shares will be issued (including hedge for social security charges). This corresponds to a total dilution effect of approximately 5.2% in relation to the total number of outstanding shares.

Information about risks and uncertainties for the Group and the parent company

Ascelia Pharma's activities and markets are exposed to a number of risks and uncertainties which impact, or could impact, the company's business, financial position and result. The risks and uncertainties, which Ascelia Pharma considers to have the largest impact on its results are clinical drug development, regulatory conditions, commercialization and licensing, intellectual property rights and other forms of protection, financing conditions and foreign exchange exposure. The Group's overall strategy for risk management is to limit undesirable impact on its result and financial position, to the extent it is possible. The Group's risks and uncertainties are described in more detail in the Annual Report 2018/2019 on pages 27-28.

Significant events after the end of the reporting period

No significant events have occurred.

Auditor's review

This interim report has not been reviewed by the company's auditor.

Annual General Meeting 2019

The Annual General Meeting (AGM) of Ascelia Pharma AB (publ) will be held on 14 November, 2019 at 11am CET in Malmö, Sweden. The AGM will be held at Setterwalls Advokatbyrå AB in Malmö with address Stortorget 23, 211 34 Malmö, Sweden.

Magnus Corfitzen
CEO

Malmö, 8 November 2019
Ascelia Pharma AB (publ)

Consolidated Income Statement

	Q1 July-September	
SEK in thousand (unless otherwise stated)*	2019	2018
Net sales	–	–
Gross profit/loss	**–**	**–**
Other operating income	162	9
Administrative expenses	-3,201	-1,095
Research and development expenses	-9,581	-2,819
Other operating expenses incl. business development	-1,261	-42
Operating result	**-13,880**	**-3,946**
Financial income	1,159	–
Financial expenses	-69	-17
Net financial items	**1,089**	**-17**
Loss before tax	**-12,791**	**-3,964**
Tax	20	125
Loss for the period	**-12,771**	**-3,839**
Attributable to:		
Owners of the Parent Company	-12,771	-3,839
Non-controlling interest	–	–
Earnings per share		
Before and after dilution (SEK)	-0.54	-0.26

Consolidated Statement of Comprehensive Income

	Q1 July-September	
SEK in thousand*	2019	2018
Loss for the period	**-12,771**	**-3,839**
Other comprehensive income		
Currency translation of subsidiaries**	-23	-20
Other comprehensive income for the period	**-23**	**-20**
Total comprehensive income for the period	**-12,794**	**-3,859**

* Some figures are rounded, so amounts might not always appear to match when added up.
** Will be classified to profit and loss when specific conditions are met

Consolidated Balance Sheet

SEK in thousand*	30 Sep 2019	30 Sep 2018	30 Jun 2019
ASSETS			
Intangible assets	57,069	57,064	57,067
Tangible assets	243	–	275
Financial investments	–	1	–
Total non-current assets	**57,312**	**57,065**	**57,342**
Income tax receivables	830	625	765
Prepaid expenses and accrued income	9,167	2,925	3,358
Other receivables	497	151	906
Marketable securities	75,462	–	75,076
Cash and cash equivalents	129,814	51,226	149,972
Total current assets	**215,770**	**54,927**	**230,078**
Total assets	**273,082**	**111,991**	**287,420**
EQUITY			
Share capital	23,489	14,607	23,489
Other paid-in capital	405,061	213,700	405,061
Loss brought forward	-164,974	-120,280	-152,475
Equity attributable to Parent Company shareholders	**263,576**	**108,027**	**276,075**
Total equity	**263,576**	**108,027**	**276,075**
LIABILITIES			
Leasing	116	–	146
Total long-term liabilities	**116**	**–**	**146**
Trade payables	3,684	933	4,267
Other liabilities	752	459	2,140
Accrued expenses and deferred income	4,954	2,572	4,793
Total current liabilities	**9,391**	**3,964**	**11,199**
Total liabilities	**9,507**	**3,964**	**11,345**
Total equity and liabilities	**273,082**	**111,991**	**287,420**

* Some figures are rounded, so amounts might not always appear to match when added up.

Consolidated Statements of Changes in Equity

	Q1 July-September	
SEK in thousand*	2019	2018
Equity at start of the period	**276,075**	**111,730**
Comprehensive income		
Profit/loss for the period	-12,771	-3,839
Other comprehensive income	-23	-20
Total comprehensive income	**-12,794**	**-3,859**
Transactions with shareholders		
Share based remuneration to employees	295	156
Total transactions with shareholders	**295**	**156**
Equity at end of the period	**263,576**	**108,027**

* Some figures are rounded, so amounts might not always appear to match when added up.

Consolidated Cash Flow Statement

	Q1 July-September	
SEK in thousand*	2019	2018
Operating activities		
Loss before tax	-12,791	-3,964
Expensed share based remuneration	282	205
Adjustment for items not included in cash flow	-299	-967
Income tax paid	–	–
Cash flow from operating activities before changes in working capital	**-12,808**	**-4,726**
Cash flow from changes in working capital		
Increase (-)/Decrease (+) of operating receivables	-5 769	387
Increase (+)/Decrease (-) of trade payables	-642	281
Increase (+)/Decrease (-) of other liabilities	-909	221
Change in working capital	-7,320	889
Cash flow used in operating activities	**-20,128**	**-3,837**
Investing activities		
Cash flow from investing activities	**–**	**–**
Financing activities		
Amortisation of loan (leasing)	-30	–
Cash flow from financing activities	**-30**	**–**
Cash flow for the period	**-20,158**	**-3,837**
Cash flow for the period	-20,158	-3,837
Cash and cash equivalents at start of period	149,972	55,063
Cash and cash equivalents at end of period	**129,814**	**51,226**

* Some figures are rounded, so amounts might not always appear to match when added up.

Parent Company – Income Statement

	Q1 July-September	
SEK in thousand*	2019	2018
Net sales	38	–
Gross profit/loss	**38**	**–**
Administrative costs	-3,183	-1,079
Research and development costs	-9,528	-2,197
Other operating income	157	9
Other operating costs incl. business development	-1,261	-42
Operating result	**-13,778**	**-3,309**
Net financial items		
Other interest income and similar profit	1,241	39
Interest costs and similar Profit/loss items	-68	-41
Loss after financial items	**-12,605**	**-3,311**
Group contribution	–	–
Tax	–	–
Loss for the period	**-12,605**	**-3,311**

Parent Company – Statement of Comprehensive Income

	Q1 July-September	
SEK in thousand*	2019	2018
Loss for the period	**-12,605**	**-3,311**
Other comprehensive income	–	–
Other comprehensive income for the period	**–**	**–**
Total comprehensive income for the period	**-12,605**	**-3,311**

* Some figures are rounded, so amounts might not always appear to match when added up.

Parent Company – Balance Sheet

SEK in thousand*	30 Sep 2019	30 Sep 2018	30 Jun 2019
ASSETS			
Non-current assets			
Tangible assets	243	–	275
Financial assets			
Participations in Group companies	58,068	58,068	58,068
Other securities held as non-current assets	–	1	–
Other long-term receivables	3,449	1,933	3,395
Total non-current assets	**61,760**	**60,002**	**61,738**
Current assets			
Other receivables	839	109	1,211
Prepaid expenses and accrued income	9,462	2,993	3,358
Total current receivables	10,301	3,102	4,569
Marketable securities	75,462	–	75,076
Cash and bank balances	128,754	49,973	148,743
Total current assets	**214,517**	**53,075**	**228,389**
Total assets	**276,278**	**113,077**	**290,126**
EQUITY			
Restricted equity			
Share capital	23,489	14,607	23,489
Non-restricted equity			
Share premium reserve	405,061	213,700	405,061
Loss brought forward	-149,075	-115,376	-114,311
Loss for the period	-12,605	-3,311	-35,060
Total equity	**266,869**	**109,621**	**279,179**
LIABILITIES			
Non-current liabilities			
Leasing	116	–	146
Total non-current liabilities	**116**	**–**	**146**
Current liabilities			
Trade payables	3,676	439	3,847
Other liabilities	742	459	2,140
Accrued expenses and deferred income	4,874	2,559	4,814
Total current liabilities	**9,293**	**3,456**	**10,801**
Total equity and liabilities	**276,278**	**113,077**	**290,126**

* Some figures are rounded, so amounts might not always appear to match when added up.

Notes

General information

This interim report for the Group has been prepared according to IAS 34 Interim Financial Reporting and applicable rules in the Swedish Annual Accounts Act (ÅRL). The interim report for the parent company has been prepared according to the Swedish Annual Accounts Act chapter 9, Interim Reporting. For the Group and the parent company, the same accounting principles and basis for calculations have been applied as in the recent Annual Report.

Fair value of financial instruments

The recognised value for other receivables, cash and cash equivalents, trade payables and other liabilities constitutes a reasonable approximation of fair value.

Related parties Purchases from related parties

Oncoral Pharma ApS has an agreement with Solural Pharma ApS according to which, Solural Pharma ApS provides development and manufacturing of clinical study material. The owners of Solural Pharma ApS are the founders of Oncoral Pharma ApS and are, after the sale of Oncoral Pharma ApS to Ascelia Pharma AB in 2017, shareholders in Ascelia Pharma AB. The owners of Solural ApS collectively own 4.1% of the shares in Ascelia Pharma AB. In addition to payment for services performed, Solural Pharma ApS has the right to receive a bonus of maximum SEK 10 million if commercialisation occurs through a sale or a outlicensing and SEK 12 million if commercialisation is carried out by Oncoral Pharma ApS or Ascelia Pharma AB itself.

Regardless the commercialisation method, Oncoral Pharma ApS has the right to, at any time, finally settle Solural Pharma ApS right for remuneration by payment of SEK 10 million. In July-September 2019, services for a value of around SEK 0.1 million were acquired from Solural Pharma ApS.

In July-September 2019, consulting services for a total value of around SEK 1.0 million was acquired from BGM Associates where Ascelia Pharma's board member Hans Maier is Managing Director.

Use of non-international financial reporting standards (IFRS) performance measures

Reference is made in this interim report to alternative performance measures that are not defined according to IFRS. Ascelia Pharma considers these performance measures to be an important complement since they enable a better evaluation of the company´s economic trends. The company believes that these alternative performance measures give a better understanding of the company´s financial development and that such key performance measures contain additional information to the investors to those performance measures already defined by IFRS. Furthermore, the key performance measures are widely used by the management in order to assess the financial development of the company. These financial key performance measures should not be viewed in isolation or be considered to substitute the key performance measures prepared by IFRS.

Furthermore, such key performance measures should not be compared to other key performance measures with similar names used by other companies. This is due to the fact that the above-mentioned key performance measures are not always defined identically by other companies. These alternative performance measures are described below.

Important estimations and judgements

Valuation of intangible assets

The recognised research and development project in progress is subject for management's impairment test. The most critical assumption, subject to evaluation by management, is whether the recognised intangible asset will generate future economic benefits that at a minimum correspond to the intangible asset's carrying amount. Management's assessment is that the expected future cash flows will be sufficient to cover the intangible asset's carrying amount and accordingly no impairment loss has been recognised.

Capitalisation of development expenses

For the period July-September 2019, the criteria for classifying R&D costs as an asset according to IAS 38 has not been met (capitalisation of development expenses is normally done in connection with final regulatory approval). Hence, all R&D costs related to the development of the product candidates have been expensed.

New accounting standards

The new standards IFRS 15 on Revenue and IFRS 9 Financial instruments have been implemented in the financial year 2018/2019. As the Group currently does not have revenue from contracts with customers, IFRS 15 does not presently impact the Group. Furthermore, IFRS 9 does not have any significant effect on the financial statements given the Group's current very limited exposure to credit risk as well as the absence of financial derivatives. Ascelia Pharma has chosen to early implement the new IFRS 16 rules on leases starting in the financial year 2018/2019. The net present value of the leases amounted to SEK 0.3 million per 30 September 2019 (only car leases).

Employee option program

Ascelia Pharma has implemented two employee option programs with individual terms and conditions. The parameters, which have the largest impact on the value of the options are likelihood for an IPO or sale of the company and the value of the company. Given the completed IPO in March 2019, the Management in Ascelia Pharma has adjusted the likelihood for completion of IPO to 100% and valued the shares according to the publicly traded share price. The total recognised costs for the option programs were SEK 0.3 million in the period July-September 2019.

Notes

Definitions of alternative performance measures

Alternative performance measures	Definition	Aim
Operating results (TSEK)	Profit before financial items and tax.	The performance measure shows the company´s operational performance.
Research and development costs/operating costs (%)	The research and development expenses in relation to total operating costs (consisting of the sum of administrative expenses, research and development as well as other operating expenses).	The performance measure is useful in order to understand how much of the operating costs that are related to research- and development expenses.

Reconciliation table for alternative performance measures for the Group

	Q1 July-September	
	2019	2018
R&D costs (SEK 000')	-9,581	-2,819
Administration costs (SEK 000')	-3,201	-1,095
Other operating costs (SEK 000')	-1,261	-42
Total operating costs (SEK 000')	**-14,043**	**-3,955**
R&D costs/Operating costs (%)	**68%**	**71%**

Financial calendar

Annual General Meeting:	14 November 2019
Half-year report 2019/2020:	14 February 2020
Interim report 9M 2019/2020:	13 May 2020
Full-year report 2019/2020:	20 August 2020

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