YEAR-END REPORT

July 2019 – December 2019

Sites opened for recruitment

SIGNIFICANT EVENTS IN OCT-DEC 2019

- Appointment of Julie Waras Brogren as Chief Commercial Officer
- Preparatory work for opening of study sites for Mangoral's Phase III study
- Four sites opened for patient enrolment in December in Mangoral Phase III study and one additional site opened in January 2020

NO SIGNIFICANT EVENTS AFTER THE PERIOD

"Five sites are now opened for enrolment of patients in the Phase III clinical study"

KEY RATIOS GROUP

	Oct-Dec		Jul-Dec	
	2019	2018	**2019**	2018
OPERATING RESULT (SEKm)	**-22.9**	-7.2	**-36.9**	-11.2
EARNINGS PER SHARE (SEK)	**-1.16**	-0.49	**-1.70**	-0.75
CASH FLOW FROM OPERATIONS (SEKm)	**-16.8**	-9.1	**-36.9**	-13.0
LIQUID ASSETS INCL. MARKETABLE SECURITIES (SEKm)	**184.2**	42.1	**184.2**	42.1

CEO COMMENTS

Advancing our clinical portfolio. During the last quarter of 2019, we continued development of our proprietary clinical stage portfolio. The most important near-term milestone for Ascelia Pharma is starting patient enrolment in the fully financed Phase III clinical study SPARKLE with the lead candidate Mangoral. It has the potential to be the only non-Gadolinium contrast agent on the market for liver MRI scans and become the gold standard in its targeted patient population.

Five sites opened for patient enrolment. During December 2019 and January 2020, we opened five sites for enrolment of patients in both the US and Europe. The current sites open for recruitment are Yale University School of Medicine in Connecticut, University of Wisconsin and Southwest Medical Imaging in Arizona in the US, as well as Karolinska University Hospital in Sweden and Universitätsmedizin Göttingen in Germany. Additional sites will be opened for recruitment shortly.

First patient expected shortly. The opening of sites is a decisive step as we accelerate the development of Mangoral through the Phase III clinical program, which is fully financed through the share issue in conjunction with our successful IPO in 2019. We are proud to collaborate in the SPARKLE study with world class radiologists at the leading hospitals, which is a testimony to the unique value provided by Mangoral and the unmet need for these patients. Enrolment of the first patient in SPARKLE is expected shortly. The full study report is expected in H1-2021, which means that this is a fairly short study compared to most other major Phase III trials.

Recruitment of Chief Commercial Officer. As an important part of our commercial preparations, we appointed Julie Waras Brogren as Chief Commercial Officer and member of the Executive Management. Julie joined us formally in January this year. We are extremely pleased to add her to our team. With her long experience and excellent track record in global product launches and launch preparations, for highly successful multi-billion products such as Novo Nordisk's Victoza®, Julie will be instrumental in leading our commercial preparations for the launch of Mangoral, which is planned for 2022.

Preparing for Oncoral Phase II. During the period, we also continued our preparations for the Phase II clinical study of our other project, Oncoral. We are working together with renowned key opinion leaders and world-class oncologists in the field to further develop the positioning of Oncoral in the treatment of patients with gastric cancer and the clinical development strategy and a study design of the upcoming Phase II study.

Oncoral is our novel oral chemotherapy tablet based on irinotecan for the treatment of gastric cancer. In our Phase I studies, we demonstrated, among other things, reassuring tolerability of Oncoral administered in combination with oral capecitabine. Going forward in our next phase with a Phase II study, 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.

I believe you agree with me when I say that we have exciting and hopefully rewarding times ahead of us with the SPARKLE study and with first patient expected to be enrolled shortly. I look forward to updating you about our progress with both our lead projects 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	Phase I	Phase II	Phase III	Registration	Market launch
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	**Visualisation of Focal Liver Lesions** Liver metastases Primary liver cancer Benign lesions	Completed		2020 – Full study report H1-2021	2021	2022
Oncoral • Novel oral tablet chemotherapy for gastric cancer • Phase I study completed with promising results • Gastric cancer is an Orphan indication	**Treatment of Gastric Cancer** Treatment of other solid cancers (label expansion)	Completed	2021 – 2023			

Completed development
Ongoing
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

Five sites in both the US and Europe have in December 2019 and January 2020 been opened for enrolment of patients in the Phase III SPARKLE study. The current sites open for recruitment are Yale University School of Medicine in Connecticut, University of Wisconsin and Southwest Medical Imaging in Arizona in the US, as well as Karolinska University Hospital in Sweden and Universitätsmedizin Göttingen in Germany.

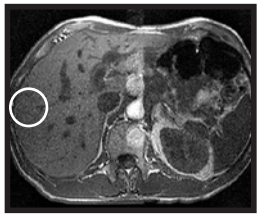
Patients referred for liver MRI scan

TODAY

NORMAL KIDNEY
Gadolinium imaging drug

POOR KIDNEY FUNCTION
NO imaging drug

No liver metastasis visible

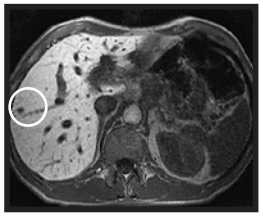


TOMORROW

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.

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.

MANGORAL – PHASE III STUDY

The Phase III study is a global multicentre study in up to 200 patients. Final study report is expected in H1-2021. 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 endpoints and Phase III primary endpoints for Mangoral, and since the 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 clinical Phase III study (based on Phase III protocol meeting with FDA and EMA)

NUMBER OF PATIENTS	**Global study in up to 200 patients**
ENDPOINT	**Lesion visualisation** • Lesions border delineation • Conspicuity (lesion contrast compared to liver background)
COMPARATOR	**Unenhanced MRI + Mangoral MRI vs. Unenhanced MRI**
EVALUATION	**Centralised evaluation by 3 radiologists**
RANDOMISATION	**No – each patient at his/her own control**
FOLLOW-UP	**72 hours**

Strong support to Phase III endpoints from completed studies

The completed Phase I and Phase II studies have shown strong efficacy results regarding the endpoints that will be evaluated in the Phase III study. The completed studies, involving 178 persons in total[1], have showed a highly significant improvement compared to unenhanced MRI in:

- Delineation: p-value <0.0001
- Conspicuity: p-value <0.0001

Results from both variables underpin that Mangoral significantly improves MRI performance.

[1] The above mentioned results stem from of a blinded-read study, which comprised all imaging data including Phase I and Phase II data. The blinded-read results have been presented at major radiology conferences

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

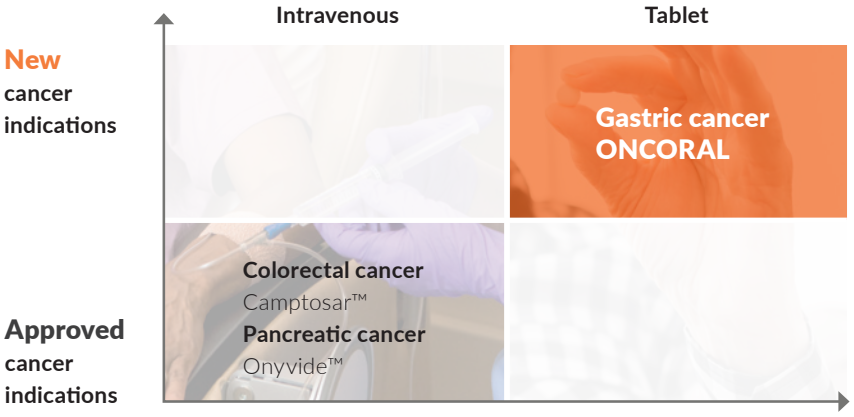
Oncoral enables patients to take their chemotherapy at home, which improves the quality of life for cancer patients. The daily dosing of Oncoral could also mitigate the side-effects associated with intravenous treatment where the doses of the cytotoxic irinotecan are very high.

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

Preparations for the Phase II clinical study for Oncoral has progressed. The current Phase II preparations involve developing the positioning of Oncoral for the treatment patients with gastric cancer as well as the clinical development strategy and study design.

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 preparatory work including clinical strategy, study design and protocol. Recruitment of patients is expected to beginning of 2021 (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: OCT–DEC 2019

CHANGE OF FISCAL YEAR

At the Annual General Meeting on 14 November 2019, a resolution was passed to change Ascelia Pharma Group's fiscal year to comprise the period 1 January – 31 December instead of the period 1 July – 30 June. It was also decided to shorten the current fiscal year to the period 1 July 2019 – 31 December 2019. Consequently, the interim report for January 2020 – March 2020 will be the Q1 interim report.

EARNINGS AND PROFITABILITY

Net sales and other operating income

The Group's net sales in Oct–Dec 2019 amounted to SEK 0 (SEK 0). Ascelia Pharma does not expect to recognise revenue before products have been launched on the market (sales launch expeted in 2022). Other operating income totalled SEK 115 thousand (SEK 37 thousand).

Research and development costs (R&D)

R&D costs for the Group in Oct-Dec 2019 were SEK 17.3 million (SEK 3.6 million). The cost increase of SEK 13.8 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's Phase III clinical study including preparing and opening of clinical study sites, manufacturing preparations and regulatory work.

Administration costs

Administration costs for the Group in Oct-Dec 2019 amounted to SEK 5.2 million (SEK 3.7 million). The increase in adminstration costs y/y of SEK 1.5 million mainly reflects higher ongoing costs as a listed company (IR, media, travel).

Operating results (EBIT)

Operating results in Oct-Dec 2019 amounted to SEK -22.9 million (SEK -7.2 million). The cost increase mainly reflects the overall higher level of R&D activities in the current period.

Financials key ratios for the Group	October-December	
	2019	2018
Operating result (SEK 000')	-22,941	-7,243
Net result (SEK 000')	-27,134	-7,164
Earnings per share (SEK)	-1.16	-0.49
Weighted avg. number of shares	23,488,908	14,606,891
R&D costs/operating costs (%)	75%	49%
Cash flow from operations (SEK 000')	-16,790	-9,115
Equity (SEK 000')	237,062	101,016
Liquid assets incl. marketable securities (SEK 000')	184,227	42,111

Net Profit/Loss for the period

The Group's net loss in Oct-Dec 2019 amounted to SEK -27.1 million (SEK -7.2 million). The increased net loss mirrors the development in EBIT and corresponds to a loss per share, before and after dilution, of SEK -1.16 (SEK -0.49).

CASH FLOW

Cash flow from operating activities before changes in working capital in Oct-Dec 2019 amounted to SEK -22.3 million (SEK -6.7 million). The increased outflow primarily reflects the higher level of R&D activities in the current period. Changes in working capital in the current period totalled an inflow of SEK 5.5 million (outflow of SEK 2.5 million). The inflow in Oct-Dec 2019 mainly reflects an increase in trade payables as well as reduction of prepayments to vendors. In total, cash flow from operating activities after changes in working capital amounted to SEK -16.8 million (SEK -9.1 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 237.1 million, compared with SEK 101.0 million per 31 December 2018. The increase since 31 December 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 184.2 million compared with SEK 42.1 million as of 31 December 2018. The increase in liquid assets since 31 December 2018 reflects proceeds from the issuance of new shares in the IPO.

FINANCIAL OVERVIEW: JUL–DEC 2019

EARNINGS AND PROFITABILITY

Net sales and other operating income

The Group's net sales in Jul–Dec 2019 amounted to SEK 0 (SEK 0). Ascelia Pharma does not expect to recognise revenue before products have been launched on the market (sales launch expeted in 2022). Other operating income totalled SEK 277 thousand (SEK 46 thousand).

Research and development costs (R&D)

R&D costs for the Group in Jul-Dec 2019 were SEK 26.9 million (SEK 6.4 million). The cost increase of SEK 20.6 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's Phase III clinical study including preparing and opening of clinical study sites, manufacturing preparations and regulatory work.

Administration costs

Administration costs for the Group in Jul-Dec 2019 amounted to SEK 8.4 million (SEK 4.8 million). The increase in adminstration costs y/y of SEK 3.6 million mainly reflects higher ongoing costs as a listed company (IR, media, travel).

Operating results (EBIT)

Operating results in Jul-Dec 2019 amounted to SEK -36.8 million (SEK -11.2 million). The cost increase mainly reflects the overall higher level of R&D activities in the current period.

Net Profit/Loss for the period

The Group's net loss in Jul-Dec 2019 amounted to SEK -39.9 million (SEK -11.0 million). The increased net loss mirrors the development in EBIT and corresponds to a loss per share, before and after dilution, of SEK -1.70 (SEK -0.75).

Financials key ratios for the Group	July-December	
	2019	2018
Operating result (SEK 000')	-36,821	-11,190
Net result (SEK 000')	-39,905	-11,003
Earnings per share (SEK)	-1.70	-0.75
Weighted avg. number of shares	23,488,908	14,606,891
R&D costs/operating costs (%)	73%	57%
Cash flow from operations (SEK 000')	-36,918	-12,952
Equity (SEK 000')	237,062	101,016
Liquid assets incl. marketable securities (SEK 000')	184,227	42,111

CASH FLOW

Cash flow from operating activities before changes in working capital in Jul-Dec 2019 amounted to SEK -35.1 million (SEK -11.4 million). The increased outflow primarily reflects the higher level of R&D activities in the current period. Changes in working capital in the current period totalled an outflow of SEK 1.9 million (outflow of SEK 1.6 million). The outflow in Jul-Dec 2019 this year mainly reflects pre-payments to vendors. In total, cash flow from operating activities after changes in working capital amounted to SEK -36.9 million (SEK -13.0 million).

Cash flow from investing activities amounted to SEK 0 (SEK 0). Cash flow from financing activities totalled SEK -60 thousand (SEK 0) and reflects amortisation of loan (car leasing).

FINANCIAL POSITION

On the closing date, equity stood at SEK 237.1 million, compared with SEK 101.0 million per 31 December 2018. The increase since 31 December 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 184.2 million compared with SEK 42.1 million as of 31 December 2018. The increase in liquid assets since 31 December 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 and a share-saving programme for employees. If the terms of the option programs are met at the time for utilisation, the management team has the right to purchase shares at a pre-determined price. For the share-saving programme, employees are entitled to receive matching and performance shares according to terms of the programme.

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 vesting period. Social security costs are revalued at fair value. Further information about the employee option programmes can be found in the Annual Report 2018/2019 on pages 54-55. Information about the share-saving programme can be found in the material to the Annual General Meeting in November 2019.

In case all outstanding incentive programmes are exercised in full, a total of 1,8 million shares will be issued (including hedge for future payment of social security charges). This corresponds to an aggregate dilution of approximately 7.1% of Ascelia Pharma's share capital after full dilution (calculated on the number of shares that will be added upon full exercise of all outstanding incentive programmes.

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 year-end report has not been reviewed by the company's auditor.

Annual General Meeting (AGM) 2020

The AGM of Ascelia Pharma AB (publ) will be held on 6 May, 2020 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. Shareholders wishing to have a matter discussed at the AGM should send their suggestion by e-mail to: kb@ascelia.com or by mail to:
ASCELIA PHARMA AB
Hyllie Boulevard 34
SE-215 32 Malmö
Sweden

Suggestions to the AGM must reach the Board of Directors at least seven weeks prior to the meeting (18 March 2020) or in good time for the matter, if necessary, can be included in the notice to the AGM.

Magnus Corfitzen, CEO
Malmö, 14 February 2020
Ascelia Pharma AB (publ)

Consolidated Income Statement

	Oct-Dec		Jul-Dec	
SEK in thousand (unless otherwise stated)	2019	2018	2019	2018
Net sales	–	–	–	–
Gross profit/loss	**–**	**–**	**–**	**–**
Other operating income	115	37	277	46
Administrative expenses	-5,177	-3,704	-8,378	-4,798
Research and development expenses	-17,339	-3,550	-26,920	-6,369
Other operating expenses incl. commercial preparations	-539	-27	-1,801	-69
Operating result	**-22,941**	**-7,243**	**-36,821**	**-11,190**
Financial income	348	–	1,507	–
Financial expenses	-4,611	-8	-4,680	-26
Net financial items	**-4,263**	**-8**	**-3,174**	**-26**
Loss before tax	**-27,204**	**-7,252**	**-39,995**	**-11,216**
Tax	70	88	90	213
Loss for the period	**-27,134**	**-7,164**	**-39,905**	**-11,003**
Attributable to:				
Owners of the Parent Company	-27,134	-7,164	-39,905	-11,003
Non-controlling interest	–	–	–	–
Earnings per share				
Before and after dilution (SEK)	-1.16	-0.49	-1.70	-0.75

Consolidated Statement of Comprehensive Income

	Oct-Dec		Jul-Dec	
SEK in thousand (unless otherwise stated)	2019	2018	2019	2018
Profit/loss for the period	**-27,134**	**-7,164**	**-39,905**	**-11,003**
Other comprehensive income				
Currency translation of subsidiaries*	78	-3	55	-23
Other comprehensive income for the period	**78**	**-3**	**55**	**-23**
Total comprehensive income for the period	**-27,056**	**-7,167**	**-39,850**	**-11,026**

* 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*	31 Dec 2019	31 Dec 2018	30 Jun 2019
ASSETS			
Intangible assets	57,065	57,064	57,067
Tangible assets	212	–	275
Financial investments	–	1	–
Total non-current assets	**57,277**	**57,065**	**57,342**
Income tax receivables	736	613	765
Prepaid expenses and accrued income	7,300	4,622	3,358
Other receivables	686	1,053	906
Marketable securities	75,711	–	75,076
Cash and cash equivalents	108,516	42,111	149,972
Total current assets	**192,949**	**48,399**	**230,077**
Total assets	**250,226**	**105,463**	**287,419**
EQUITY			
Share capital	23,489	14,607	23,489
Other paid-in capital	405,061	213,700	405,061
Loss brought forward	-191,488	-127,290	-152,475
Equity attributable to Parent Company shareholders	**237,062**	**101,016**	**276,075**
Total equity	**237,062**	**101,016**	**276,075**
LIABILITIES			
Leasing	96	–	146
Total long-term liabilities	**96**	**–**	**146**
Trade payables	5,236	611	4,267
Other liabilities	1,138	353	2,140
Accrued expenses and deferred income	6,695	3,482	4,793
Total current liabilities	**13,069**	**4,447**	**11,200**
Total liabilities	**13,164**	**4,447**	**11,346**
Total equity and liabilities	**250,226**	**105,463**	**287,421**

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

Consolidated Statements of Changes in Equity

SEK in thousand*	Jul-Dec 2019	Jul-Dec 2018	Jul - Jun 2018/2019
Equity at start of the period	**276,075**	**111,730**	**111,730**
Comprehensive income			
Profit/loss for the period	-39,905	-11,003	-37,134
Other comprehensive income	55	-23	15
Total comprehensive income	**-39,850**	**-11,025**	**-37,119**
Transactions with shareholders			
Share based remuneration to employees	837	312	1,221
New share issuance (net of expenses)	–	–	200,243
Total transactions with shareholders	**837**	**312**	**201,464**
Equity at end of the period	**237,062**	**101,016**	**276,075**

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

Consolidated Cash Flow Statement

	Oct-Dec		Jul-Dec	
SEK in thousand*	2019	2018	2019	2018
Operating activities				
Loss before tax	-27,204	-7,252	-39,995	-11,216
Expensed share based remuneration	1,437	475	1,719	680
Adjustment for items not included in cash flow	3,508	120	3,209	-847
Paid income tax and interest	–	–	–	–
Cash flow from operating activities before changes in working capital	**-22,260**	**-6,656**	**-35,068**	**-11,382**
Cash flow from changes in working capital				
Increase (-)/Decrease (+) of operating receivables	2,002	-2,575	-3,767	-2,188
Increase (+)/Decrease (-) of trade payables	1,544	-210	902	71
Increase (+)/Decrease (-) of other liabilities	1,924	326	1,015	548
Change in working capital	5,469	-2,459	-1,851	-1,570
Cash flow used in operating activities	**-16,790**	**-9,115**	**-36,918**	**-12,952**
Investing activities				
Cash flow from investing activities	**–**	**–**	**–**	**–**
Financing activities				
Amortisation of loan (leasing)	-30	–	-60	–
Cash flow from financing activities	**-30**	**–**	**-60**	**–**
Cash flow for the period	**-16,821**	**-9,115**	**-36,978**	**-12,952**
Cash flow for the period	-16,821	-9,115	-36,978	-12,953
Cash and cash equivalents at start of period	129,814	51,226	149,972	55,063
Exchange rate differences in cash and cash equivalents	-4,477	–	-4,477	–
Cash and cash equivalents at end of period	**108,516**	**42,111**	**108,516**	**42,111**

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

Parent Company – Income Statement

	Oct-Dec		Jul-Dec	
SEK in thousand*	2019	2018	2019	2018
Net sales	191	57	229	57
Gross profit/loss	**191**	**57**	**229**	**57**
Administrative costs	-5,126	-3,609	-8,309	-4,688
Research and development costs	-16,936	-3,197	-26,464	-5,393
Other operating income	115	37	271	46
Other operating costs incl. commercial preparations	-527	-27	-1,789	-69
Operating result	**-22,284**	**-6,739**	**-36,062**	**-10,047**
Net financial items				
Other interest income and similar profit	422	39	1,663	78
Interest costs and similar Profit/loss items	-4,610	-14	-4,678	-55
Loss after financial items	**-26,471**	**-6,713**	**-39,077**	**-10,024**
Tax	–	–	–	–
Loss for the period	**-26,471**	**-6,713**	**-39,077**	**-10,024**

Parent Company – Statement of Comprehensive Income

	Oct-Dec		Jul-Dec	
SEK in thousand*	2019	2018	2019	2018
Loss for the period	**-26,471**	**-6,713**	**-39,077**	**-10,024**
Other comprehensive income	–	–	–	–
Other comprehensive income for the period	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**-26,471**	**-6,713**	**-39,077**	**-10,024**

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

Parent Company – Balance Sheet

SEK in thousand*	31 Dec 2019	31 Dec 2018	30 Jun 2019
ASSETS			
Non-current assets			
Tangible assets	212	–	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	3,352	1,926	3,395
Total non-current assets	**61,632**	**59,995**	**61,738**
Current assets			
Other receivables	1,374	899	1,211
Prepaid expenses and accrued income	7,658	4,729	3,358
Total current receivables	9,032	5,628	4,569
Marketable securities	75,711	–	75,076
Cash and bank balances	107,434	41,655	148,743
Total current assets	**192,176**	**47,283**	**228,389**
Total assets	**253,809**	**107,278**	**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	-148,534	-115,220	-114,311
Loss for the period	-39,077	-10,024	-35,060
Total equity	**240,939**	**103,063**	**279,179**
LIABILITIES			
Non-current liabilities			
Leasing	96	–	146
Total non-current liabilities	**96**	**–**	**146**
Current liabilities			
Trade payables	5,104	390	3,847
Other liabilities	1,163	353	2,140
Accrued expenses and deferred income	6,508	3,472	4,814
Total current liabilities	**12,774**	**4,215**	**10,801**
Total equity and liabilities	**253,809**	**107,278**	**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-December 2019, services for a value of around SEK 0.4 million were acquired from Solural Pharma ApS.

In July-December 2019, consulting services for a total value of around SEK 1.5 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-December 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 were 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 0.2 million per 31 December 2019 (only car leases).

Share-based incentive programs

Employee option program

Ascelia Pharma has implemented two employee option programs with individual terms and conditions. The parameter, which have the largest impact on the value of the options, is the publicly traded share price. The total recognised costs for the option programs in the period July-December 2019 were SEK 1.4 million.

Share saving program

At the Annual General Meeting on 14 November 2019, a resolution was passed to implement a long-term incentive programme for employees in the form of a performance-based share saving programme. The parameter, which have the largest impact on the value of the programme, is the publicly traded share price. The total recognised costs for the share saving program in the period July-December 2019 were SEK 0.3 million.

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

	Oct-Dec		Jul-Dec	
	2019	2018	2019	2018
R&D costs (SEK 000')	-17,339	-3,550	-26,920	-6,369
Administration costs (SEK 000')	-5,177	-3,704	-8,378	-4,798
Other operating costs (SEK 000')	-539	-27	-1,801	-69
Total operating costs (SEK 000')	**-23,056**	**-7,281**	**-37,098**	**-11,236**
R&D costs/Operating costs (%)	**75%**	**49%**	**73%**	**57%**

Financial calendar

Annual General Meeting:	6 May 2020
Interim report Q1 (Jan-Mar 2020):	13 May 2020
Interim report H1 (Jan-Jun 2020):	20 August 2020
Interim report 9M (Jan-Sep 2020):	5 November 2020
Full-year report 2020:	16 February 2021

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