ASCELIA PHARMA

Annual Report 2017/2018

(1 July 2017 – 30 June 2018)

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

Ascelia Pharma in short

Ascelia Pharma, which commenced its activities in year 2000, is an oncology focused specialty pharma company, based in Malmö, Sweden.

We develop novel pharmaceutical products, which improves the life expectancy or quality of life for people living with cancer.

Ascelia Pharma's focus is development and commercialization of differentiated, under-appreciated and de-risked product candidates addressing unmet medical needs in cancer and cancer-related diseases. Ascelia Pharma has two clinical stage product candidates under development: Mangoral® and Oncoral

Mangoral® is a novel medical imaging drug candidate for use in liver Magnetic Resonance Imaging (MRI) for detection and localization of liver metastases (cancer) in patients with impaired kidneys. The value of this market is estimated to be USD 350-500 million and there are no competing products for this patient population. Mangoral® is currently being prepared for the phase III program.

Oncoral is a novel tablet formulation for the treatment of gastric cancer – a rapidly growing market. The drug candidate is based on the well-known chemotherapeutic agent irinotecan, which today is only available as an intravenous infusion product. Oncoral completed phase I studies in 2018.

Key events during the year

- The patent covering the tablet formulation of Oncoral was approved in the US and Europe. The patent covers a period of 20 years to year 2034 with potential extension to year 2039.
- An equity private placement of SEK 60 million was completed in May 2018. The funds will be used to advance the development of Mangoral® and Oncoral.

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Our drug candidates

Candidate	Indication	Phase I	Phase II	Phase III	Rights
Mangoral® 	**Detect and localize liver metastases**	Completed		Start 2019	Wholly-owned
	Detect and localize primary liver cancer *(label expansion)*				
Oncoral 	**Treatment of gastric cancer**	Completed		Start 2019/2020	Wholly-owned
	Treatment of other solid cancers *(label expansion)*				

Significant advancement during the year

This past year we have successfully reached a number of important strategic milestones.

We started the year by completing the acquisition of Oncoral Pharma ApS and changing the Group company name to Ascelia Pharma to demonstrate our pivot to become an oncology focused pharmaceutical company.

Drug development is essential and at the core of what we do in Ascelia Pharma, but it is also critical that we develop the company to match the maturing of our assets. The recruitment of Kristian Borbos as Chief Financial Officer has been an important step in this regard and he has been a great addition to the management team.

We continue our preparations for the phase III program of Mangoral®, which will be the only product in an addressable market of USD 350-500 million. In 2019, we plan to start the enrolling of patients in the phase III clinical study. There are many different activities ongoing currently including finalizing study protocols, meeting with regulatory authorities, upscaling manufacturing and select participating hospitals and we are on track with all these activities.

This year we also saw the major regulatory agencies act on the growing evidence that all the currently approved MRI Gadolinium agents will leave residues of Gadolinium in certain parts of the brain. Changes have been made to the prescribing information of all Gadolinium products and in Europe three Gadolinium agents have been withdrawn from the market. The world needs a non-Gadolinium product more than ever before and we are advancing Mangoral® as fast as we can.

The integration of Oncoral Pharma ApS has been completed and the last patient in the Oncoral phase I clinical study at Herlev Hospital in Denmark has finished its treatment. Results of the study will be presented at the European Society for Medical Oncologists (ESMO) congress in October 2018 for use of Oncoral as monotherapy and we expect to present data on the all-oral chemotherapy combination with Oncoral and capecitabine next year. This will position Oncoral strongly in the USD 3-4 billion market for gastric cancer.

After the close of the fiscal year we have recruited Carl Bjartmar, MD, PhD to become Chief Medical Officer and he will lead our medical and clinical activities. Carl has a strong background in orphan drug development from Wilson Therapeutics and Sanofi-Genzyme and I am confident he will be similarly successful at Ascelia Pharma.

Our planned development of Mangoral® and Oncoral and our organisation also require additional funding and in May 2018 we raised SEK 60 million in a private placement, which finances part of development costs for our drug candidates.

With the significant progress made this year, I would like to thank the employees for their tremendous efforts in moving Ascelia Pharma forward as a pioneer in developing novel medicinal products within oncology. I would also like to thank the patients participating in our clinical study, our network of clinical experts and other partners that continue to constitute an essential part of our extended family, where we all share a dedication to make our important new medicinal drugs available to the patients who needs them.

Magnus Corfitzen,
CEO Ascelia Pharma

Our strategy

Ascelia Pharma is an oncology focused specialty pharmaceutical company dedicated to the development of novel medicines to improve the life expectancy and quality of life for people living with cancer. We do this by identifying, acquiring and developing differentiated, underappreciated and de-risked investigational medicinal drug candidates, which addresses unmet medical needs and work diligently to make them available to patients.

Ascelia Pharma is developing product candidates having the possibility to become leading products globally within the chosen differentiated areas in oncology.

Ascelia Pharma is a "No Research, Development Only" company and is focused on bringing new medicines to patients for their needs which are not addressed by currently available products. On the basis of these unmet needs we develop regulatory and development plans which are motivated by commercial analyses which validate the commercial viability of the plans.

Ascelia Pharma is fully focused on two clinical-stage product candidates under development: Mangoral® and Oncoral.

Our products

Our lead candidate product Mangoral® is a liver imaging drug being developed for detection and localization of liver metastases using Magnetic Resonance Imaging (MRI) in patients where use of the current gold standard Gadolinium-based contrast agents may be medically inadvisable or cannot be administered (primarily patients with impaired kidneys). The value of the market for Mangoral® is estimated to be USD 350-500 million and there are no competing products for this patient population. Mangoral® is currently being prepared for phase III clinical development.

Oncoral is a novel tablet formulation of the well-known chemotherapeutic agent irinotecan, intended for the treatment of gastric (stomach) cancer, a multi-billion dollar market. Irinotecan is currently not used for treating gastric cancer in the US and Europe, but mainly treating metastasized colorectal cancer. Oncoral has completed the phase I clinical study.

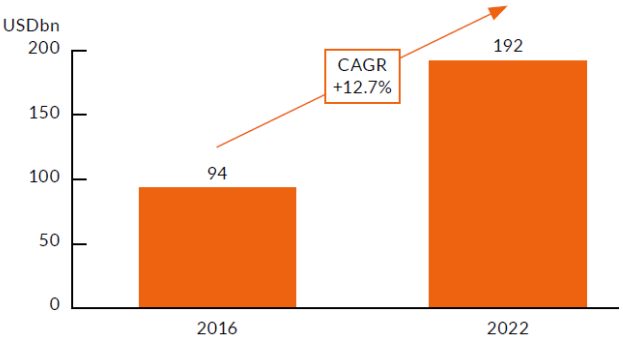
The markets we operate in

Today, cancer is one of the leading causes of morbidity and mortality worldwide and oncology remains a top priority within pharma research with several niches of treatment under development. Therefore, Ascelia Pharma believes that there is a significant market opportunity for new options in cancer diagnostics and therapy as the global medicine markets are large and expected to continue to grow in the following years, which causes increased costs for oncology and supportive care therapies.

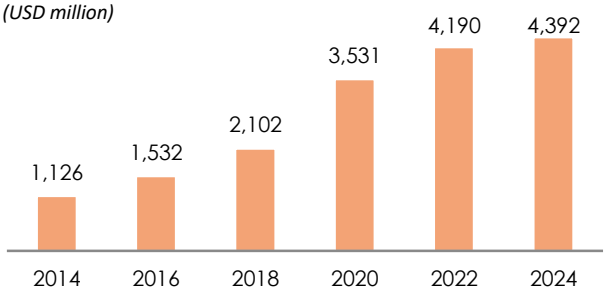
According to IMS Institute, the total global costs of oncology and supportive care therapies have increased by 11% annually since 2011, while the cost of supportive care treatments have increased by 2%. The total sales of oncology pharmaceuticals are expected to grow by USD 98bn from 2016 to 2022 and reach USD 192bn in that year (annual growth rate of 12.7%), according to Evaluate Pharma World Preview 2017.

Within gastric cancer, annual growth rate expected to be around 14% and surpass USD 4bn by 2022 (according to GlobalData).

Global oncology market *(*Evaluate Pharma World Preview 2017)



Gastric cancer market *(source GlobalData)*
(USD million)



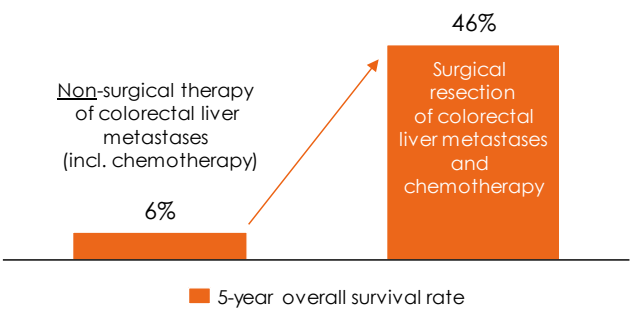
Mangoral® – our lead drug candidate

Mangoral® is an orally administered MR imaging drug for detection and localization of liver metastases in patients where use of Gadolinium-based imaging drugs may be medically inadvisable due to impaired drug elimination (i.e. patients with severe renal insufficiency, a result of chronic kidney disease or acute kidney injury). Mangoral® is consequently filling a gap in current imaging practice for this patient population. Mangoral® is ready for phase III clinical development and has been granted US Orphan drug designation.

A significant number of cancer patients develop liver metastases

The liver is the second most common organ for metastasis after the lymph nodes. Up to 50-70 percent of patients with breast and colorectal cancer develop liver metastases, and the liver metastases seem to play a significant role in the cause of death of patients who die with breast or colorectal cancer.

The first line of therapy for colorectal liver metastases is resection of the metastases. If resection is not considered feasible, the liver metastases may be destroyed by other local treatment techniques such as ablation or embolization. If liver metastases from colorectal cancer are correctly detected and deemed eligible for surgical resection, the survival can be significantly improved, and sometimes full recovery is possible. Surgical resection of liver metastases from non-colorectal primary tumors such as breast cancer have also been reported to lead to improved survival outcome.



An unmet medical need for a non-Gadolinium liver imaging drug

Correct diagnosis is critical for management of patients with liver metastases, and imaging plays an essential role in both initial staging, pre-operative planning, monitoring of treatment effect and surveillance for recurrence of disease. MRI is considered a preferred imaging modality for both initial cancer disease staging and monitoring of liver metastases.

To improve MR liver imaging to detect and localize liver metastases, a liver specific Gadolinium-based contrast agent (GBCA) is given to patients prior to the MRI scan. However, in patients where GBCAs may be medically inadvisable, there is an unmet medical need for a non-Gadolinium based liver imaging drug for detection and localization of liver metastases, and this is the patient population targeted by Mangoral®.

Manganese – the API in Mangoral®

The active medical imaging ingredient in Mangoral® is manganese (II) chloride tetrahydrate. The product candidate also contains two absorption promoters, L-Alanine and Vitamin D3, which increase the absorption of manganese (Mn^{2+}) from the small intestine into the liver portal vein. From there the manganese is transported to the liver where it is taken up by the normal liver cells, also known as hepatocytes. Normal liver cells appear bright and metastases, which are cells originating from the primary tumor that do not take up manganese, appear dark on T1-weighted MR images.

Manganese is excreted via the bile. Due to the high pre-systemic first pass effect of the liver, the systemic exposure of manganese is very low. The mean manganese blood concentration values were within the normal range at all dose levels tested in the performed clinical studies on Mangoral®.

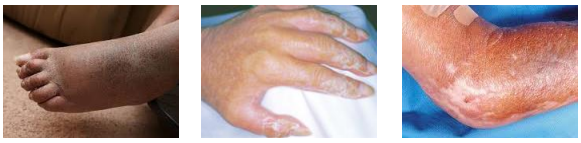
The MRI contrast agents available on the market today, including the liver specific MRI contrast agents, are based on Gadolinium. Gadolinium based contrast agents (GBCAs) are used in two thirds of all liver MRI examinations.

Side-effects and concerns associated with Gadolinium drugs

Gadolinium-based MRI contrast agents are associated with various drawbacks. Since free Gadolinium is toxic, Gadolinium is bound to different organic compounds forming so-called chelates.

Although the Gadolinium-based MRI contrast agents were initially considered to carry minimal risk, the agents have subsequently been associated with the serious and potentially fatal condition nephrogenic systemic fibrosis ("NSF") in patients with severely impaired renal function. NSF is a rare, but serious and life-threatening condition causing extensive waxy thickening and hardening of the skin. The skin can become hyperpigmented and take on a "wooden texture". It can lead to joint contractures, as well as muscle and fascial fibrosis, which may lead to severe immobility. Progression can be rapid and cause patients to become bed or wheelchair-bound as a result of contractures. Fibrosis can also develop in the diaphragm, muscles in the thigh and lower abdomen, and the lung vessels. NSF worsens over time and can cause death, as a result from multi-system failure due to sclerotic transformation of organ systems.

Symptoms of Nephrogenic Systemic Fibrosis (NSF), which may be fatal

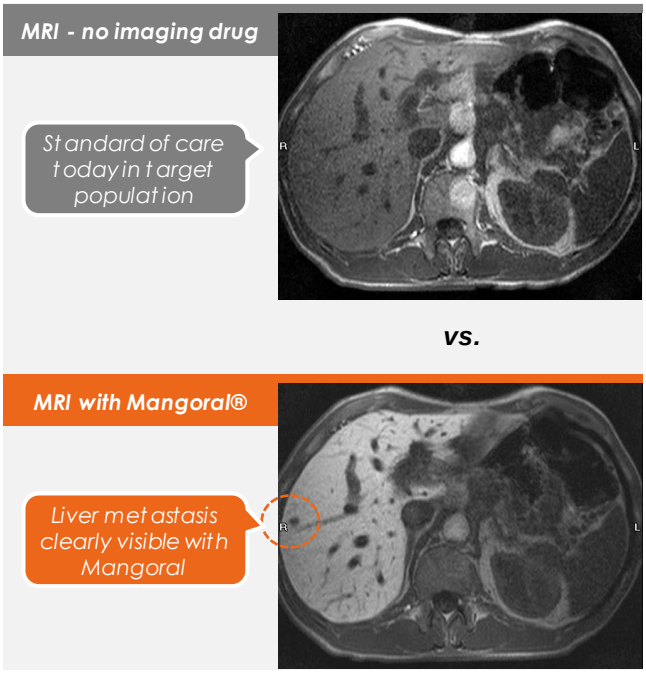


In addition to the association with NSF, there have been recent reports of accumulation of Gadolinium in the brain. Although the side-effects of brain accumulation of Gadolinium is yet to be determined, the European Regulatory Authority EMA suspended three Gadolinium-based products in November 2017. In December 2017, the FDA warned that Gadolinium-based contrast agents are retained in the body and required new class warnings.

Mangoral® for liver imaging in patients with severely impaired renal function

The paramagnetic properties of manganese combined with the oral administration and very limited systemic exposure makes Mangoral® an appropriate imaging drug for patients where the use of GBCA may be medically inadvisable or cannot be administered. Mangoral® offers a significantly better alternative than the current gold standard for these patients, unenhanced hepatic MRI (i.e. MRI with no medical imaging drug). This patient segment comprises mainly patients with severe renal insufficiency who have an estimated glomerular filtration rate (eGFR) below 30 mL/min/1.73 m2, i.e. patients with chronic kidney disease stages 4 and 5 as well as patients with acute kidney injury. Due to the risk of NSF in patients with severely impaired renal function the regulatory agencies FDA and EMA published guidelines for the use of GBCAs in MRI, as have the American College of Radiology and the European Society of Urogenital Radiology. Common to all of these guidelines is the recommendation of restrictions on the use of GBCAs in patients with severely reduced renal function.

Mangoral® enables enhanced MRI scans



Key advantages of Mangoral®

Ascelia Pharma believes that the key advantage of Mangoral® is that it offers contrast enhanced diagnostic MR imaging for detection and localization of liver metastases in a patient with severe renal insufficiency with a large medical need since the current gold standard diagnostic modality is unenhanced MRI. We believe that the benefit of Mangoral® enhanced MRI is that it will lead to earlier detection of metastases and detection of smaller metastases. This will improve the possibilities of optimal management of the liver metastases and ultimately positively impact quality of life of the patients and lead to longer survival rates.

Other key advantages of Mangoral® are:

- Large and flexible time window for MRI since patients can be scanned 2-6 hours after ingestion of Mangoral®
- Reduced scanner occupancy time at the clinics
- Ease of use for patients and radiologists (oral administration) compared to GBCAs, which are administrated by intravenous infusion
- Very limited systemic exposure and a good safety profile

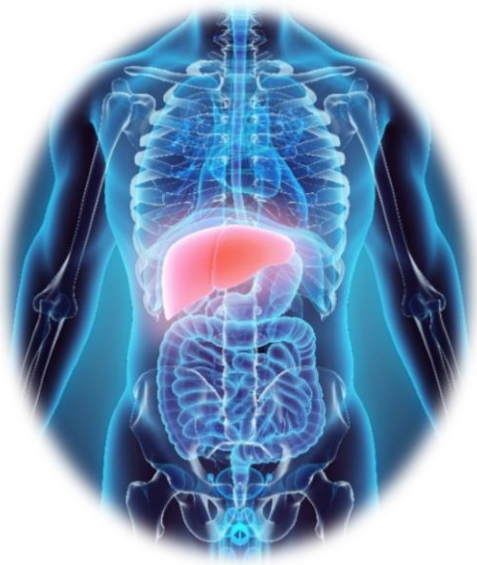
Supportive clinical results

To date, the clinical development of Mangoral® comprises 6 completed clinical phase I and II studies in healthy volunteers and patients with known liver metastases or suspected liver lesions.

The results of the safety assessments from the six clinical studies show that Mangoral® is safe and well tolerated. Diarrhea and nausea was reported as the most frequent adverse events, and the majority of the cases were of mild intensity.

The efficacy analyses from the individual clinical studies provide strong support for Mangoral® as an effective liver specific non-Gadolinium MRI contrast agent. In order to assess the overall imaging quality and efficacy of Mangoral®, Ascelia Pharma carried out a “blinded read” study, which involved re-evaluation of all available imaging data. The results from the efficacy analysis showed that compared to unenhanced MRI, 33% more lesions were detected after Mangoral® enhanced MRI. Mangoral® also improved MRI performance in terms of lesion localization and delineation, and quantitative parameters like lesion to liver contrast ratio was significantly improved on Mangoral® enhanced MRI compared to unenhanced MRI.

Preparations for the Mangoral® phase III program are currently ongoing.



Oncoral – novel oral chemotherapy

Oncoral is an oral tablet formulation of irinotecan intended for combination use as a chemotherapeutic treatment of unresectable and metastatic (advanced) gastric cancer. Irinotecan has already demonstrated safety and efficacy and is currently used intravenously for the treatment of e.g. colorectal cancer.

Oncoral has completed phase I studies and the results will be presented at the European Society for Medical Oncology annual congress in October 2018.

Irinotecan – the API in Oncoral

Irinotecan was originally developed and launched as an i.v. infusion product (Camptosar/Campto) by Pfizer. The product is used as first and second line therapy in patients with metastatic carcinoma of the colon or rectum, particularly in combination with other chemotherapeutic agents. Irinotecan is approved and used as an i.v. product in the United States, the EU/EEA and a variety of other jurisdictions for many years. The product is currently available in a number of generic versions as a concentrate for i.v. infusion.

Irinotecan has been developed as a liposomal formulation for i.v. infusion by Merrimack. The product, Onivyde, was approved for combination use by FDA and EMA for treatment of progressed metastatic pancreatic cancer in 2015 and 2016, respectively. Due to the liposomal formulation the pharmacokinetic properties of Onivyde are different than those of Camptosar.

Irinotecan is an antineoplastic agent that after metabolic activation inhibits Topoisomerase 1 and exerts it cytotoxic effect via prevention of DNA replication. Irinotecan is a prodrug which is converted by carboxylesterases primarily in the liver to the active metabolite SN-38. SN-38 is approximately 100-1000 more cytotoxic than irinotecan in human and rodent tumor cell lines.

Oncoral – an oral formulation of irinotecan

Oncoral is a new proprietary oral gastro-resistant tablet of irinotecan, securing an efficient release and absorption of irinotecan from the gastro-intestinal tract after per-oral administration with a high conversion rate of irinotecan to the active metabolite SN-38. Oncoral is covered by a patent in the US and Europe (both approved in 2018)

Key advantages of Oncoral

- Irinotecan is a chemotherapeutic drug with known mode of action and a proven efficacy and tolerability when administered together with other chemotherapeutic drugs in metastatic colorectal cancer and metastatic pancreatic cancer
- Oncoral has the potential to be combined with other chemotherapies and targeted cancer drugs and Oncoral enables an all oral combination chemotherapy option with health-economic benefits
- The oral tablet is more convenient for patients as an oral tablet is more easily administered than intravenous infusion and as there is less need for the patient to be present at the hospital for administration
- Administering the drug orally eliminates the risk of complications due to intravenous infusion, such as infections, blood cloths and damage to the blood vessels
- Oncoral has potential of obtaining orphan drug designation for gastric cancer and label expansion into other solid cancer indications

Magnus Corfitzen (born 1975) – **Chief Executive Officer, CEO** (since 2014)

- Extensive experience from investing in the Life Science sector and Board experience from 12 life science companies
- Previous positions include: Investment Director at Sunstone Capital, Investment Director at the Danish Growth Fund, Portfolio Manager at Danske Capital and Management Consultant at McKinsey & Company
- M.Sc. in Mathematical Economics from Aarhus University and studies in Corporate Governance & International Business at Harvard University
- Holdings in Ascelia Pharma: 18,680 shares and 275,185 employee stock options. Magnus Corfitzen also holds approximately 2% of the shares in CMC SPV of 3 April 2017 AB that holds 2,937,606 shares in Ascelia Pharma.

Kristian Borbos (born 1978) – **Chief Financial Officer, CFO** (since 2017)

- Extensive experience from finance and investor relation roles, including the IPO of DONG Energy
- Previous positions include: Business Finance Manager at Novozymes, Lead Investor Relation Manager at DONG Energy and senior analyst in Danske Bank
- M.Sc. in Finance from Lund University and studies at Newcastle University and Stockholm School of Economics
- Holdings in Ascelia Pharma: No holdings

Carl Bjartmar (born 1963) – **Chief Medical Officer, CMO** (since 2018)

- Extensive drug development experience from senior positions in a number of pharma companies
- Previous positions include Chief Medical Officer for Swedish biotech company Wilson Therapeutics, Senior Medical Director at Sanofi and Genzyme and various position at Lundbeck
- Strong track record in orphan drug development
- Medical Doctor (M.D.) and PhD from University of Linköping
- Holdings in Ascelia Pharma: No holdings

Dorthe da Graça Thrige (born 1967) – **Chief Operating Officer, COO** (since 2012)

- Extensive experience in R&D and executive management from positions at leading Swedish and Danish biotech and pharma companies
- Previous positions include: various positions at Active Biotech, including Director of Development, Head of Project Management and Head of Drug Discovery, Research Scientist at AstraZeneca and Head of Analytical Control at Pharmacia & Upjohn Hillerød
- Ph.D. in Structural Medicinal Chemistry from University of Copenhagen, M.Sc. in Pharmacy from University of Copenhagen and studies in Business Administration and Management at Lund University
- Holdings in Ascelia Pharma: 7,030 shares and 137,592 employee stock options. Dorthe da Graça Thrige also holds approximately 1% of the shares in CMC SPV of 3 April 2017 AB that holds 2,937,606 shares in Ascelia.

Peter Benson (born 1955) – **Chairman of the board** (since 2017)

- Managing Partner at Sunstone Capital Life Science Ventures and Chairman of NASDAQ listed Alligator Bioscience
- Extensive experience from the Life Science sector as an investor and in management positions
- Previous positions include: Non-Executive Director of i.a. Zealand Pharma, Cellavision and Biogaia. Head of Life Science Ventures at the Danish Growth Fund, President Hospital Care at Pharmacia, VP Marketing & Sales at Kabi Pharmacia Parenterals.
- Holdings in Ascelia Pharma: No holdings. Sunstone Capital is, however, the largest owner in Ascelia Pharma and holds 4,094,699 shares in Ascelia Pharma as well as approximately 13% of the shares in CMC SPV of 3 April 2017 that holds 2,937,606 shares in Ascelia Pharma.

Bo Jesper Hansen (born 1958) – **Board member** (since 2010)

- Bo Jesper Hansen is Chairman of Ascelia Pharma's Remuneration Committee
- Chairman of Laborie and non-executive Director of a number of biotech and pharma companies incl. Orphazyme, Innoventa Medica, and Azanta
- Extensive experience from Orphan Drug R&D, international marketing and business development
- Previous positions include: Executive Chairman of SOBI and Karolinska Development, CEO and President at Swedish Orphan, non-executive Director of Gambro and Executive Chairman of Topotarget, Chairman of Ablynx
- Holdings in Ascelia Pharma: 216,164 shares. Bo Jesper Hansen also holds approximately 4% of the shares in CMC SPV of 3 April 2017 AB that holds 2,937,606 shares in Ascelia Pharma.

Hans Maier (born 1955) – **Board member** (since 2017)

- Co-Founder and Managing Partner of BGM Associates GmbH
- Hans Maier has held senior positions within Schering AG and Bayer AG in Europe and Asia, inter alia as Managing Director in Korea and in Japan, Head of Corporate Strategy and Business Development of Schering AG and Head of the Global Business Unit Diagnostic Imaging in both Schering AG and Bayer AG.
- Hans Maier is a member of several supervisory and advisory boards, including the German Heart Center Berlin (President of the Board of Trustees) and the Fraunhofer Mevis Institute for Medical Image Computing (Chairman of the Advisory Board).
- Holdings in Ascelia Pharma: 10,000 shares

Helena Wennerström (born 1965) – **Board member** (since 2017)

- Helena Wennerström is Chairman of Ascelia Pharma's Audit Committee.
- Helena Wennerström has been Executive Vice President of Bulten AB (publ) since 2014 and has been its Chief Financial Officer since 2006. The work within Bulten AB also includes IT
- Helena Wennerström has earlier served finance roles at Digitalfabriken and Topcon.
- Holdings in Ascelia Pharma: 8,000 shares

René Spogárd (born 1954) – **Board member** (since 2017)

- Chairman and investor in a number of companies including JEKA Fish A/S (fish) and Bollerup Jensen A/S (chemicals) and Flexfunding
- Extensive experience from investing in the healthcare sector and board positions in a public environment
- Previous positions include: owner and Managing Director at TNS Gallup and Director at TNS plc (London Stock Exchange)
- Previous major shareholder and chairman of the Growth House Group (speciality pharma and generics)
- Holdings in Ascelia Pharma: 333,418 shares indirectly through company. René Spogárd also indirectly holds approximately 24% of the shares in CMC SPV of 3 April 2017 AB that holds 2,937,606 shares in Ascelia Pharma.

Niels Mengel (born 1948) – **Board member** (since 2000)

- Founding Partner and CEO at Øresund-Healthcare Capital
- Extensive healthcare experience as an investor and Chairman of Danish Shareholders Association
- Previous positions include: EVP at ISS World Services A/S and Director at PA Consulting Group
- Holdings in Ascelia Pharma: Niels Mengel, has directly and indirectly, invested in Øresund-Healthcare Capital K/S that holds (i) 2,020,459 shares in Ascelia and (ii) approximately 5% of the shares in CMC SPV of 3 April 2017 AB that holds 2,937,606 shares in Ascelia Pharma. Through the agreements governing Niels Mengel's investments in Øresund-Healtcare Capital K/S, Niels Mengel has a financial interest for part of the shares in Ascelia Pharma held by Øresund-Healthcare Capital K/S and full ownership of the shares in CMC SPV of 3 April 2017 AB held by Øresund-Healthcare Capital K/S.

The board and the CEO of Ascelia Pharma AB (publ.), (Ascelia Pharma), based in Malmö, Sweden corporate ID-no 556571-8797, hereby present the annual accounts for the accounting year 2017-07-01 – 2018-06-30 (2017/2018) for the Group and the Parent company.

On June 30th 2017, Ascelia Pharma acquired 100 percent of the shares in the unlisted company Oncoral Pharma ApS (Oncoral Pharma), which resulted in the establishment of the Ascelia Pharma Group. Oncoral Pharma was consolidated in Ascelia Pharma from 30 June 2017. No business events affecting the Group´s income statement took place post-acquisition on that date. Hence, no consolidated income statement for Ascelia Pharma for 30 June 2017 is presented in the financial statements.

Ownership structure

At the end of the fiscal year 2017/2018, Ascelia Pharma AB had more than 100 shareholders. The largest shareholders were Sunstone Life Science Ventures Fund II K/S with 4,094,699 shares (28% of total) followed by CMC SPV of 3 April 2017 AB with 2,937,606 shares (20% of total) and Öresund-Healthcare Capital K/S with 2,020,459 shares (14% of total). Sunstone Life Science Ventures Fund II K/S and Öresund-Healthcare Capital K/S also own 13% and 5%, respectively, of the shares in CMC SPV of 3 April 2017 AB.

Ascelia Pharma's business

Ascelia Pharma is an oncology-dedicated pharma company, based in Malmö, Sweden, that develops novel pharmaceutical products aimed to improve the life expectancy and quality of life for people living with cancer. Ascelia Pharma's core focus is development and commercialization of its current portfolio of differentiated, underappreciated and de-risked product candidates addressing unmet medical needs in cancer and cancer-related diseases. On June 30th 2017 Ascelia Pharma acquired 100 percent of the shares in the unlisted company Oncoral Pharma ApS (Oncoral Pharma), which resulted in the establishment of the Ascelia Pharma Group. Oncoral Pharma was consolidated in Ascelia Pharma from June 30th 2017.

Ascelia Pharma has two clinical stage product candidates under development: lead candidate Mangoral®, which is an imaging drug for detection and localization of liver metastases and the pipeline candidate Oncoral, which is a novel tablet formulation of the well-known chemotherapeutic agent, Irinotecan.

Significant events during the year

- The patent covering the tablet formulation of Oncoral was approved by the US Patent and Trademark Office. The patent covers a period of 20 years to year 2034 with potential extension to year 2039.

- An equity private placement of SEK 60 million was completed in May 2018. The funds will be used to advance the development of Mangoral® and Oncoral.

Multi-year overview group

SEK thousand	2017/2018	2016/2017	2015/2016
Net sales	–	–	n/a
Operating result	-24,713	–	n/a
Equity	111,730	77,601	n/a
Net result	-24,392	–	n/a
Liquid assets	55,063	1,627	n/a

Multi-year overview parent company

SEK thousand	2017/2018	2016/2017	2015/2016
Net sales	–	–	–
Operating result	-23,162	-7,325	-6,139
Equity	112,775	77,601	-2,622
Net result	-23,140	-7,676	-6,526
Liquid assets	53,792	695	5,283

Ascelia Pharma Group was formed on 30 June 2017 through the acquisition of Oncoral Pharma ApS. Commentaries versus the comparable period July 2016-June 2017 for the Income Statement and the Cash Flow Statement are therefore not provided for the Group, but instead for the Parent company, which commenced its activities in 2000.

Net sales and other operating income
The net sales for the parent company amounted to SEK 0 for the period 1 July 2017–30 June 2018 (FY 2017/2018) and SEK 0 for the period 1 July 2016–30 June 2017 (FY 2016/2017). Ascelia Pharma does not expect to recognize revenue before products have been launched on the market. Other operating income for the parent company amounted to SEK 640 thousand in FY 2017/2018 compared to SEK 0 thousand in FY 2016/2017. The increase in other operating income of SEK 640 thousand is mainly explained by the exchange rate adjustment of foreign bank assets.

The net sales for the Group amounted to SEK 0 in FY 2017/2018. Other operating income for the Group amounted to SEK 1,062 thousand in FY 2017/2018 and was mainly comprised of the exchange rate adjustment of bank assets in foreign countries and investment grants from innovation agencies.

Administrative expenses
Administrative expenses for the parent company amounted to SEK 16,311 thousand in FY 2017/2018 compared to SEK 2,955 thousand in FY 2016/2017. This corresponds to an increase of 452% and is primarily explained by costs for IPO preparations (incl. advisory on prospectus and other legal documentation, banks' out-of-pocket expenses, compulsory fees to Nasdaq and certified adviser etc.) as well as recognition of costs related to the share remuneration program (total impact on administration costs including social charges of SEK 2,227 thousand but no effect on cash flow). Administrative expenses for the Group amounted to SEK 16,366 thousand in FY 2017/2018, consisting mainly of costs for IPO related advisory, salaries to employees and cost recognition of the share remuneration program.

Research and development expenses
Research and development expenses for the parent company amounted to SEK 7,448 thousand in FY 2017/2018 compared to SEK 4,364 thousand in FY 2016/2017, which corresponds to a cost increase of 71%. The increase mainly reflects recognition of costs for the share remuneration program (total impact on R&D costs including social charges of SEK 2,227 thousand, but no effect on cash flow) and a higher activity in the fourth quarter with upscaling of production capacity at Halo Pharma.

Research and development expenses for the Group amounted to SEK 9,367 thousand in FY 2017/2018. For FY 2017/2018, the criteria for classifying research and development expenses as an asset according to IAS 38 has not been met (capitalization of development expenses is normally done in connection with final regulatory approval). Hence, all R&D expenses related to the development of the product candidates have been expensed.

Net financial items
Net financial items of the parent company amounted to net income of SEK 21 thousand in FY 2017/2018 (stemming from intra-group loans from Ascelia Pharma AB to Oncoral Pharma ApS) compared with a net cost of SEK 351 thousand in FY 2016/2017. The decrease net interest costs of SEK 372 is explained by interest costs in FY 2016/2017 stemming from shareholder loans, which subsequently have been converted to equity. Net financial income of the Group amounted to a net cost of SEK 30 thousand in FY 2017/2018 primarily explained by negative interest on bank deposits.

Net Profit/loss for the period
The net loss amounted to SEK -23,140 thousand for the parent company in FY 2017/2018 compared with SEK -7,676 thousand for the parent company in FY 2016/2017. This corresponds to an increased net loss of 201%. The change is primarily related to higher administrative expenses and costs for the share remuneration programme, partly compensated by an increase in other operating income. The net loss amounted to SEK -24,392 thousand for the Group in FY 2017/2018.

Cash flow
Cash flow from operating activities amounted to SEK -20,958 thousand for the Group in FY 2017/2018, which largely reflects the development in net profit. Cash flow from investing activities amounted to SEK 0 thousand in FY 2017/2018 for the Group. Cash flow from financing activities amounted to SEK 74,393 thousand for the Group in FY 2017/2018 and reflect net proceeds from completed private placements in July 2017 and May 2018, respectively (accounting-wise SEK 1 million of IPO preparation costs have been classified as being related to the May 2018 private placement instead of being directly expensed and being part of cash flow from operating activities).

Financial position
The equity for the Group and for the Parent company amounted to SEK 111,730 thousand and SEK 112,775 thousand, respectively as of 30 June 2018, compared to SEK 77,601 thousand (Group) and SEK 77,601 thousand (Parent) as of 30 June 2017. The increase for both the Group and the Parent company is primarily related to the issuance of new shares in May 2018.

The total assets for the Group and the Parent company amounted to SEK 116,149 and SEK 117,040 thousand, respectively as of 30 June 2018, compared to SEK 80,392 thousand (Group) and SEK 80,111 thousand (Parent) as of 30 June 2017. The increase for both the Group and the Parent company is primarily related to the issuance of new shares in May 2018.

Cash and bank balances for the Group and the Parent company amounted to SEK 55,063 thousand and SEK 53,792 thousand, respectively as of 30 June 2018, compared to SEK 1,627 thousand (Group) and SEK 695 thousand (Parent) as of 30 June 2017. The increase for both the Group and the Parent company is primarily related to the issuance of new shares in May 2018.

Other information

Employees
The number of employees as of 30 June 2018 as well as average number of employees in FY 2017/2018 amounted to 4 (3) for both the Group and the Parent company. In addition to the employees, Ascelia Pharma utilizes consultants and experts for clinical trials, regulatory affairs, manufacturing, IP rights as well as support functions.

Events after the reporting period
- The results of the phase I study for Oncoral has in September 2018 been accepted as a poster presentation at the European Society for Medical Oncology (ESMO) Annual Congress in Munich, Germany, 19-23 October 2018.
- Carl Bjartmar has been appointed as new Chief Medical Officer for Ascelia Pharma. Carl comes from a position as Chief Medical Officer for the Swedish biotech company Wilson Therapeutics
- Following the European approval of the Oncoral patent in June 2018, the patent has during August 2018 been validated in selected European countries.

Information about risks and uncertainties for the Group and the parent company
Ascelia Pharma's activities and markets are exposed to a number for 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 risks
- Regulatory risks
- Commercialization and licensing risks
- Intellectual property rights and other forms of protection
- Financing risk
- Currency risks

These factors are described in more detail below. 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.

Clinical drug development risks
Ascelia Pharma is solely focused on development of clinical-stage drugs that satisfy medical needs within oncology. The company´s ability to successfully develop clinical-stage drugs as well as the ability to identify new drug candidates is of great importance for the long-term results and ability to generate a return for the shareholders.

Ascelia Pharma's drug candidate Mangoral® is being prepared for phase III studies and Oncoral has completed its phase I studies. The continued development of both Mangoral® and Oncoral will entail significant costs for Ascelia Pharma also in the future and are subject to several risks including development delays, cost overruns and non-satisfactory results from clinical studies. The Group's research and development expenses are related to the development of its product candidates. Ascelia Pharma's research and development expenses for the financial year 2017/2018, amounted to SEK 7.1 million, which corresponds to 33% of the operating costs.

The total costs for completing the development programs of Mangoral® and Oncoral is dependent on several factors, including Ascelia Pharma's ability to operate the development program forward according to plan and to obtain necessary approvals from relevant medical authorities. The actual costs can be unevenly distributed over its lifetime and could exceed the estimated costs. It is common that a development program for drugs is affected by delays and cost overruns. Consequently, the inherent risk should be considered high.

Regulatory risks
Ascelia Pharma operates in the pharmaceutical industry, which is subject to strict laws, rules and regulations. The regulatory framework entails high requirements with respect to e.g. clinical studies, sales permits, production, marketing, distribution, packaging, labelling, security, efficacy and quality. Ascelia Pharma believes that it will incur significant costs for regulatory compliance, e.g. through consultancy services within relevant areas and increased administrative expenses due to the planned expansion of the organization with regards to i.a. clinical and regulatory affairs, in the future. If Ascelia Pharma does not meet the legal and regulatory obligations it could have a materially negative affect on future revenue and earnings.

Commercialisation and licensing risks
Ascelia Pharma plans to strengthen its operations through recruitments, i.a. for developing a commercialization organization. The company considers this strategy necessary both for the commercialization of Mangoral® and Oncoral as well as from a negotiation point of view, where a clear strategy for the commercialization is considered to be an advantage in a negotiation with potential business partners. There is no guarantee that Ascelia Pharma will find suitable business partners for commercialization or that the terms for cooperation will be satisfying. If the company chooses to establish an own sales- and market division, there is a risk that this division will not be satisfactory or that the work to establish such an operation is more costly and time-consuming than estimated.

Risks associated with intellectual property rights and other forms of protection
Ascelia Pharma´s operations are dependent on its ability to protect its products and innovations. Thus, it is crucial for the company to maintain patents and other intellectual property rights. Monitoring and maintaining of intellectual property is costly and time-consuming and Ascelia Pharma expects such costs to increase in the future if it expands its intellectual property portfolio, e.g. through additional patents or trademarks. If Mangoral® obtains market approval, the product candidate could be covered by data protection and market exclusivity in the United States for 7 years, in Japan for 10 years (if orphan drug designation is obtained) and in the EU for 8+2 years alternatively 10+ 2 years if orphan drug designation is obtained in the region. Ascelia Pharma has also obtained orphan drug designation for Mangoral® in the United States, which could mean market exclusivity in the United States if market approval is received.

Oncoral has obtained patent protection in the US and Europe and Ascelia Pharma believes that the product candidate has potential to obtain both orphan drug designation and data exclusivity in relevant markets. Efforts with regards to applications and managing orphan drug designation and other interactions with medical authorities are costly and time-consuming and are expected to continue in the future.

Financing risk

Drug development is in general costly and since Ascelia Pharma has still not reached a stage where revenue is generated, the business is dependent on equity financing. There is a risk that future financing cannot be obtained or only at unattractive terms. Ascelia Pharma is proactively working to ensure sufficient funds for its drug development programs, which was underlined by the completed equity private placement of SEK 60 million in May 2018. Bringing Mangoral® and Oncoral to the market would, however, require additional financing.

Currency risk

Ascelia Pharma is headquartered in Sweden and the presentation currency in the company´s accounting is Swedish crowns (SEK). The company has costs related to its operations in foreign currencies, mainly in SEK and DKK, EUR and USD. Fluctuations between these currencies can affect the company´s financial position and result negatively. The Group is through the acquisition of Oncoral Pharma ApS exposed to the conversion risk that emerges from the translation of the subsidiary´s income statement and balance sheet from DKK to SEK. Ascelia Pharma has not used financial derivatives in order to hedge currency risk.

Appropriation of the company's loss (Parent company):

Amounts at disposal	SEK thousand
Share premium reserve	213,700
Loss brought forward	-92,391
Loss for the period	-23,140
Total	**98,168**
Carried forward to new account	98,168
of which to share premium reserve	213,700

Concerning the company's results and financial position, reference is made to the Income Statement, Balance Sheet and Cash Flow Statement and supplementary information found below.

Corporate governance

General meeting
According to the Swedish Companies Act (2005:551), the general meeting is the highest decision-making body. At the general meeting, the shareholders exercise their voting rights in key issues, such as changes to the articles of association, the election of the board of directors and auditors, adoption of the income statement and balance sheet, discharge from liability of the board of directors and the CEO, the appropriation of profit or loss and the principles for the appointment of the nomination committee. The annual general meeting must be held within six months from the end of the financial year.

In addition to the annual general meeting, extraordinary general meetings may be convened. According to the articles of association, notices convening the general meetings are to be published in the Swedish National Gazette (Sw. Post- och Inrikes Tidningar) and by making the notice available on the Ascelia Pharma's website. Information regarding the notice shall at the same time be advertised in Svenska Dagbladet.

To attend and vote at the general meeting, either in person or through a proxy, shareholders must be registered in the share register kept by Euroclear Sweden AB five business days prior to the meeting and also register their participation no later than on the date specified in the notice convening the meeting. This date cannot be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth business day prior to the meeting. Shareholders who wish to have a specified matter brought before the general meeting must submit a written request to Ascelia Pharma's board of directors. Such request must normally have been received by the board of directors no later than seven weeks before the general meeting.

The Board of Directors
After the general meeting, the board of directors is the highest decision-making body. According to the Swedish Companies Act, the board of directors is responsible for the organization and management of the company's affairs, which means that the board of directors is responsible for, among other things, establishing targets and strategies, securing procedures and systems for monitoring of set targets, continuously assessing the company's financial position and evaluating the operational management. Furthermore, the board of directors is responsible for ensuring that proper information is given to the shareholders, that Ascelia Pharma complies with laws and regulations and that the company develops and implements internal policies and ethical guidelines. Moreover, the board of directors is responsible for ensuring that annual reports and interim reports are prepared in a timely matter. The board of directors also appoints the company's CEO.

The members of the board of directors are elected annually at the annual general meeting for the period until the end of the next annual general meeting. According to Ascelia Pharma's articles of association, the board of directors shall consist of no less than three and no more than eight board members without any deputy board members. Currently, the board of directors consists of six ordinary board members elected by the general meeting.

The board of directors adheres to written rules of procedure which are revised annually and adopted at the constituent board meeting. The rules of procedure regulate, among other things, the practice of the board of directors, tasks, decision-making in Ascelia Pharma, the board of directors' meeting agenda, the chairman's duties and allocation of responsibilities between the board of directors and the CEO. Instruction for financial reporting and instructions for the CEO are also adopted in connection with the constituent board meeting. The board of directors' work is also carried out based on an annual briefing plan which fulfils the board of directors' need for information. The chairman and the CEO maintain, alongside the board meetings, an ongoing dialogue with the company's management. The board of directors meets according to a pre-determined annual schedule and in addition to the constituent board meeting, at least six ordinary board meetings shall be held between each annual general meeting. In addition to these meetings, extra meetings can be arranged for processing matters which cannot be referred to any of the ordinary meetings.

Board committees

The board of directors has set up two committees: the audit committee and the remuneration committee. The board of directors has adopted rules of procedure for both committees.

Audit Committee

The audit committee is comprised of Helena Wennerström (Chairman), Peter Benson and Niels Mengel. The audit committee's role is mainly to monitor Ascelia Pharma's financial position, to monitor the effectiveness of the internal control, internal audit and risk management, to be informed about the audit of the annual report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. The audit committee shall also assist the nomination committee in proposals for decisions on the election and remuneration of the auditor.

Remuneration Committee

The remuneration committee is comprised of Bo Jesper Hansen (chairman), René Spogárd and Hans Maier. The remuneration committee's role is primarily to prepare matters regarding remuneration and other terms of employment for the CEO and other senior executives. The remuneration committee shall also monitor and evaluate ongoing and completed programs for variable remuneration to Ascelia Pharma's management and to monitor and evaluate the implementation of the guidelines for remuneration to senior executives which the annual general meeting has adopted.

The CEO and other senior executives

The role of the CEO is subordinate to the board of directors and the CEO's main task is to carry out Ascelia Pharma's ongoing management and the daily activities. The rules of procedure of the board of directors and the instructions for the CEO stipulate which matters the board of directors shall resolve upon, and which matters that fall within the CEO's area of responsibility. Furthermore, the CEO is responsible for preparing reports and necessary information for decision-making prior to board meetings and presents the material at board meetings. Ascelia Pharma has a management team consisting of four people which in addition to the Chief Executive Officer is comprised of the Chief Financial Officer, the Chief Medical Officer and the Chief Operating Officer.

Internal control

The overall purpose of the internal control is to ensure that Ascelia Pharma's strategies and objectives can be implemented within the business and to ensure that the financial reporting has been prepared in accordance with applicable laws, accounting standards and other requirements imposed on listed companies. The board of director's responsibility for the internal control is governed by the Swedish Companies Act, the Swedish Annual Reports Act and the Code. In the rules of procedure for the board of directors, instruction for the CEO and instruction for financial reporting, all of which have been adopted by the board of directors, the allocation of the roles and responsibilities have been stated in order to contribute to an effective management of risks.

The board of directors has also established an audit committee whose main task is to monitor the effectiveness of Ascelia Pharma's internal control, internal audit and risk management, to be informed about the audit of the annual report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. In addition to the above mentioned controls, Ascelia Pharma also continuously carries out quality controls of the drug development and its partners in order to ensure that they meet the requirements Ascelia Pharma has set out.

Continuous risk assessments are carried out in connection with strategic planning, forecasting work and specific risk sessions in order to identify, quantify and relate to how identified risks can be managed and, if possible, be limited. The presentation of the identified risks shall, as a minimum, be submitted to the board of directors once per year. Within the board of directors, the audit committee is responsible for continuously assessing risks.

General share information

According to Ascelia Pharma's articles of association, the share capital shall be no less than SEK 11,200,000 and no more than SEK 44,800,000 and the number of shares shall be no less than 11,200,000 and no more than 44,800,000. The registered share capital as per the fiscal year-end 30 June 2018 was SEK 14,606,891 divided between 14,606,891 shares, each with a quota value of SEK 1. All shares are of the same class. Ascelia Pharma's shares have been issued in accordance with Swedish law, are of the same class, have been fully paid and are freely transferable.

Dividend policy

Up to now, Ascelia Pharma has not paid any dividends and Ascelia Pharma's intention is to continue to focus on further development and expansion of the project portfolio. In accordance with the dividend policy adopted by the board of directors, available financial resources and any reported results shall therefore be reinvested in the business to finance the long-term strategy. Hence, the board of directors' intention is not to propose a dividend to shareholders before Ascelia Pharma is able to generate a long-term sustainable profitability and a long-term sustainable positive cash flow. Any future dividends and the size thereof will be determined on the basis of Ascelia Pharma's long-term growth, earnings trend and capital requirements, taking into account, at all times applicable, objectives and strategies. Dividends shall, in so far as dividends are proposed, be well-balanced with respect to Ascelia Pharma's objectives, scope and risk.

Income Statement for the Group

		FY 2017/2018	
SEK in thousand (unless otherwise stated)	Note	1 Jul 2017-30 Jun 2018	30 Jun 2017-30 Jun 2017
Net sales		–	–
Gross profit/loss		–	–
Other operating income		1,062	–
Administrative expenses		-16,366	–
Research and development expenses		-9,367	–
Other operating expenses		-42	–
Operating result	3, 4, 17	**-24,713**	**–**
Financial income		10	–
Financial expenses		-39	–
Net financial items	5	**-30**	**–**
Loss before tax		-24,743	–
Tax	6	351	–
Loss for the period		**-24,392**	**–**
Attributable to:			
Owners of the Parent Company		-24,392	–
Non-controlling interest		–	–
Earnings per share			
Before and after dilution (SEK)	7	-2.12	–

Statement of profit or loss and other comprehensive income for the Group

	FY 2017/2018	
SEK in thousand (unless otherwise stated)	1 Jul 2017-30 Jun 2018	30 Jun 2017-30 Jun 2017
Loss for the period	-24,392	–
Other comprehensive income		
Currency translation of subsidiaries*	54	–
Other comprehensive income for the period	**54**	**–**
Total comprehensive income for the period	**-24,338**	**–**

* Will be classified to profit and loss when specific conditions are met

Consolidated Balance Sheet for the Group

SEK in thousand	Notes	30 Jun 2018	30 Jun 2017
Assets			
Intangible assets	8	57,066	57,057
Tangible assets	9	–	–
Financial investments		1	1
Long-term receivables	10	–	47
Total non-current assets		**57,067**	**57,105**
Income tax receivables		507	67
Prepaid expenses and accrued income	11	2,955	1,196
Receivables with shareholders	10	–	20,025
Other receivables	10	557	372
Cash and cash equivalents	12	55,063	1,627
Total current assets		**59,082**	**23,287**
Total assets		**116,149**	**80,392**
Equity	13		
Share capital		14,607	11,249
Other paid-in capital		213,700	162,665
Loss brought forward		-116,577	-96,313
Equity attributable to Parent Company shareholders		**111,730**	**77,601**
Total equity		**111,730**	**77,601**
Liabilities			
Trade payables		634	643
Other liabilities	14	880	13
Accrued expenses and deferred income	15	2,905	2,135
Total current liabilities		**4,419**	**2,791**
Total liabilities		**4,419**	**2,791**
Total equity and liabilities		**116,149**	**80,392**

Consolidated Statement of Changes in Equity for the Group

		Attributable to Parent company shareholders			
TSEK	Note	Share capital	Other capital contributions	Retained earnings	**Total equity**
Opening balance - Equity, 1 July 2016		n/a	n/a	n/a	n/a
Parent company's equity immediately before the Group's formation on 30 June, 2017 (after transition to RFR 2)		8,450	86,237	-96,313	-1,626
Profit/loss for the period		–	–	–	–
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		–	–	–	–
Transactions with the Group's owners					
New share issue with non-cash consideration	10	1,603	55,247	–	56,850
New share issue with cash contribution		562	19,315	–	19,877
Conversion of shareholder loan		634	1,866	–	2,500
Total		**2,799**	**76,428**	–	**79,227**
Closing balance - Equity, 30 June, 2017		**11,249**	**162,665**	**-96,313**	**77,601**
Opening balance - Equity, 1 July 2017		**11,249**	**162,665**	**-96,313**	**77,601**
Profit/loss for the period		–	–	-24,240	-24,240
Other comprehensive income		–	–	54	54
Total comprehensive income for the period		–	–	**-24,186**	**-24,186**
Transactions with the Group's owners					
New share issue with non-cash consideration		–	–	–	–
New share issue with cash contribution		3,358	57,079	–	60,436
Issuance expenses		–	-6,044	–	-6,044
Conversion of shareholder loan		–	–	–	–
Share based remuneration		–	–	3,922	3,922
Total		**3,358**	**51,035**	**3,922**	**58,315**
Closing balance - Equity, 30 June, 2018		**14,607**	**213,700**	**-116,577**	**111,730**

Consolidated Statement of Cash Flows for the Group

	FY 2017/2018	
SEK in thousand	1 Jul 2017-30 Jun 2018	30 Jun 2017-30 Jun 2017
Operating activities		
Loss before tax	-24,743	–
Expensed share based remuneration	4,454	
Adjustment for items not included in cash flow	692	695
Income tax paid	–	–
Cash flow before changes in working capital	**-19,597**	**695**
Cash flow from changes in working capital		
Increase (-)/Decrease (+) of operating receivables	-1,225	–
Increase (+)/Decrease (-) of trade payables	-46	–
Increase (+)/Decrease (-) of other liabilities	-90	–
Cash flow used in operating activities	**-20,958**	**695**
Investing activities		
Acquisition of subsidiary	–	932
Cash flow from investing activities	–	932
Financing activities		
Gross proceeds	80,436	
Issuance costs	-6,044	–
Cash flow from financing activities	74,393	–
Cash flow for the period	53,435	1,627
Cash and cash equivalents at the beginning of the period	1,627	–
Cash and cash equivalents at the end of the period	**55,063**	**1,627**

Income Statement for the Parent Company

		FY	
		1 July - 30 June	
SEK in thousand	Notes	2017/2018	2016/2017
Net sales		–	–
Gross profit/loss		–	–
Administrative expenses		-16,311	-2,955
Research and development expenses		-7,448	-4,364
Other operating income		640	–
Other operating expenses		-42	-6
Operating result	3, 4, 17	**-23,162**	**-7,325**
Loss from financial items			
Other interest income and similar profit	5	60	1
Interest expense and similar Profit/loss items	5	-39	-352
Loss after financial items		**-23,140**	**-7,676**
Loss before tax		-23,140	-7,676
Tax	6	–	–
Loss for the period		**-23,140**	**-7,676**

Statement of P/L and other comprehensive income for the Parent company

	FY	
SEK in thousand	2017/2018	2016/2017
Loss for the period	-23,140	-7,676
Other comprehensive income	–	–
Other comprehensive income for the period	–	–
Total comprehensive income for the period	**-23,140**	**-7,676**

Balance sheet for Parent company

SEK in thousand	Notes	30 Jun 2018	30 Jun 2017
Assets			
Subscribed capital unpaid	10	–	20,025
Total non-current assets			
Tangible assets	9	–	–
Financial assets			
Participations in Group companies	21	58,068	58,018
Other securities held as non-current assets		1	1
Other long-term receivables	10	1,958	47
Total financial assets		60,027	58,066
Total fixed assets		**60,027**	**58,066**
Current assets			
Current receivables			
Other receivables		237	129
Prepaid expenses and accrued income	11	2,985	1,196
Total current receivables		3,222	1,325
Cash and bank balances	12	53,792	695
Total current assets		**57,014**	**2,020**
Total assets		**117,040**	**80,111**
Equity	13, 19		
Restricted equity			
Share capital		14,607	11,249
Non-restricted equity			
Share premium reserve		213,700	162,665
Loss brought forward		-92,391	-88,637
Loss for the period		-23,140	-7,676
Total equity		**112,775**	**77,601**
Non-current liabilities			
Shareholder loan		–	–
Total non-current liabilities		–	–
Current liabilities			
Trade payables		486	521
Other liabilities	14	880	13
Accrued expenses and deferred income	15	2,899	1,976
Total current liabilities		**4,265**	**2,510**
Total equity and liabilities		**117,040**	**80,111**

Statement of Changes in Equity for the Parent Company

		Attributable to Parent company shareholders			
TSEK	Note	Share capital	Other capital contributions	Retained earnings	**Total equity**
Opening balance - Equity, 1 July 2016		7,370	78,645	-88,636	-2,622
Profit/loss for the period		–	–	-7,676	-7,676
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		–	–	-7,676	-7,676
Transactions with owners					
New share issue with non-cash consideration	10	1,603	55,247	–	56,850
New share issue with cash contribution		562	19,315	–	19,877
Conversion of shareholder loan		1,714	9,457	–	11,171
Total		**3,879**	**84,019**	–	**87,898**
Closing balance - Equity, 30 June, 2017		**11,249**	**162,665**	**-96,312**	**77,600**
Opening balance - Equity, 1 July 2017		**11,249**	**162,665**	**-96,312**	**77,600**
Profit/loss for the period		–	–	-23,140	-23,140
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		–	–	**-23,140**	**-23,140**
Transactions with owners					
New share issue with non-cash consideration					
New share issue with cash contribution		3,358	57,079	–	60,436
Issuance expenses		–	-6,044	–	-6,044
Conversion of shareholder loan		–	–	–	–
Share based remuneration				3,922	3,922
Total		**3,358**	**51,035**	**3,922**	**58,315**
Closing balance - Equity, 30 June, 2018		**14,607**	**213,700**	**-115,532**	**112,775**

Statement of Cash Flows for the Parent company

SEK in thousand	FY 2017/2018 Jul 2017-Jun 2018	FY 2016/2017 Jul 2016-Jun 2017
Operating activities		
Loss before tax	-23,140	-7,676
Expensed share based remuneration	4,454	–
Adjustment for items not included in cash flow	674	315
Income tax paid	–	–
Cash flow before changes in working capital	**-18,012**	**-7,361**
Cash flow from changes in working capital		
Increase (-)/Decrease (+) of operating receivables	-1,287	336
Increase (+)/Decrease (-) of trade payables	-54	980
Increase (+)/Decrease (-) of other liabilities	65	–
Cash flow used in operating activities	**-19,288**	**-6,045**
Investing activities		
Acquisition of subsidiary	-50	-1,018
Intercompany loans	-1,958	–
Cash flow from investing activities	**-2,008**	**-1,018**
Financing activities		
Issue proceeds received	74,393	2,475
Cash flow from financing activities	**74,393**	**2,475**
Cash flow for the period	53,097	-4,588
Cash and cash equivalents at the beginning of the period	695	5,283

Note 1: Significant accounting principles

(a) Statement of compliance with legislation and accounting standards
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) adopted by the EU. In addition, the recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, has been applied. The Parent Company has applied the same accounting policies as those applied in the consolidated financial statements except as set out below in the section "Parent Company's accounting principles."

b) Valuation criteria applied in preparation of financial statements
Assets and liabilities are measured at their historical cost.

(c) Functional currency and presentation currency
The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency of the Parent Company and the Group. Accordingly, the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded up to the nearest thousand.

(d) Accounting estimates and judgements in the financial statements
Preparing the financial statements in accordance with IFRS requires that the management team make accounting estimates and judgements as well as assumptions that influence the application of the accounting principles and the carrying amounts of assets, liabilities, revenue, and expenses. Actual outcomes may differ from these estimates and judgements. The estimates and judgements are regularly reviewed. Changes in estimates are reported 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. Judgements made by the management team in the application of IFRS Standards that have a significant impact on the financial statements and estimates may also entail significant adjustments in the financial statements of subsequent years. These are described in further detail in note 22.

(e) New IFRS Standards not yet effective
At the time the consolidated accounts were prepared, as of June 30, 2018, a number of new or amended IFRS Standards have been published that have not yet entered into effect. None of these have been applied in advance during the preparation of these financial statements.

IFRS 9 Financial Instruments will replace IAS 39 Financial instruments: Recognition and Measurement as of January 1, 2018. Ascelia Pharma will apply IFRS 9 for the first time for the financial year starting on July 1, 2018. IFRS 9 involves changes in how financial assets are classified and measured and introduces an impairment model based on expected credit losses instead of actual losses and changes in principles for hedge accounting for the purpose, among other things, of simplifying and increasing concordance with a company's internal risk management strategies. Ascelia Pharma does not consider IFRS 9 to have any significant effect on the consolidated financial statements given the Group's current very limited exposure to credit risk as well as the lack of financial investments and derivatives.

As of January 1, 2018, IFRS 15 Revenue from Contracts with Customers will replace existing IFRS related to revenue recognitions, such as IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Ascelia Pharma will apply IFRS 15 for the first time for the financial year starting on July 1, 2018. As the Group currently does not have revenue from contracts with customers, the standard does not presently impact the Group.

As of January 1, 2019, IFRS 16 Leases will replace existing IFRS standards related to leases, such as IAS 17 Leases and IFRIC4 Determining Whether an Arrangement Contains a Lease. Ascelia Pharma does not plan to adopt IFRS 16 early. IFRS 16 mainly affects lessees, and the principal effect is that all leases that are currently recognized as operating leases will be recognized in a manner that resembles the way finance leases are currently recognized. This means that assets and liabilities will also need to be recognized for operating leases with the relevant reporting of depreciation and interest costs. This differs from the current situation where there is no reporting of leased assets and related liabilities and when lease fees are accrued on a straight-line basis as lease expenses. Ascelia Pharma as a lessee in operating leases will be affected by the introduction of IFRS 16. Calculations of the effect of IFRS 16 and choice of transition methods have not yet been made. The initial assessment is that this will not have any significant effect, because Ascelia Pharma has few and short leasing contracts at a limited amount.

The amended IAS 7 Statement of Cash Flows will be adopted by Ascelia Pharma as of the annual report for 2017/2018. Details will be added in which the year's changes in liabilities attributable to financial operations are reconciled against the specification of, among other things, new borrowing, amortization, changes connected to divestment/acquisition of subsidiaries, and effects of the exchange rates.

(f) Classification etc

Non-current assets comprise amounts that are expected to be recovered or paid more than 12 months after the balance sheet date, whereas current assets comprise amounts expected to be recovered or paid within 12 months from the balance sheet date. Non-current liabilities comprise amounts that Ascelia Pharma, as per the end of the reporting period, has an unconditional right to decide to pay later than 12 months after the end of the reporting period. If there is no such right at the end of the reporting period or if there is a liability for trading or if a liability is expected to be settled within the normal business cycle – the liability amount is recognized as a current liability.

(g) Operating segment reporting

An operating segment is a part of the Group that conducts business operations from which it generates revenue and incurs expenses and for which independent financial information is available. Furthermore, the Company's chief operating decision maker monitors the earnings of an operating segment in order to evaluate performance and allocate resources to the operating segment. Ascelia Pharma has identified one operating segment, which is the Group in its entirety. This assessment is based on that the Group's chief decision maker, who is the CEO, monitors the Group in its entirety. The financial statements are based on a Group-wide functional organizational and management structure.

(h) Basis of consolidation and business combination

(i) Subsidiaries

Subsidiaries are entities over which Ascelia Pharma AB has a controlling influence. Controlling influence exists if Ascelia Pharma AB has power over the investee, is exposed to or is entitled to variable return from its involvement and can, through its influence over the investment, affect returns. When assessing whether controlling influences exist, potential voting rights are considered as well as whether there is de facto control.

Subsidiaries are reported in accordance with the acquisition method. Under this method, an acquisition of a subsidiary is treated as a transaction in which the Group indirectly acquires the assets and assumes the liabilities. The purchase price allocation determines the fair value of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests, on the acquisition date. Transaction fees that arise, with the exception of transaction fees attributable to equity instruments on issue or debt instruments, are recognized directly through the Income Statement. In the event of an acquisition of a subsidiary in which the transferred payment comprises own share, the payment's value in the purchase price allocation is based on the actual share value at the time of the acquisition.

(ii) Asset purchases
When acquisitions of subsidiaries involve the acquisition of net assets that do not comprise operations, the acquisition cost of each identifiable asset and liability is allocated up based on its fair value at the time of acquisition. Transaction costs are added to the purchase price of the acquired net assets. When the consideration is paid by own shares the acquired assets and liabilities are measured at fair value based on the acquired assets and liabilities at the time of the acquisition, provided that the fair value of the acquired assets and liabilities (in rare cases) can not be reliably estimated. In the latter case the acquired net assets are measured based on the fair value of the own shares.

(iii) Transactions that are eliminated upon consolidation
Intra-Group receivables and liabilities, income or expenses, and unrealized profits or losses that arise from intra-Group transactions between companies within the Group are eliminated entirely when preparing the consolidated accounts. Unrealized losses are eliminated in the same way as unrealized profits but only to the extent that there is no impairment requirement.

(i) Foreign currency
(i) Foreign currency transactions
Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction. The functional currency is the currency of the primary economic environment in which the Company operates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate prevailing at the balance sheet date. Foreign exchange differences arising on translation are recognized in the Income Statement. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value are retranslated to the functional currency at the exchange rate prevailing at the date that the fair value was determined.

(ii) Financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from the foreign operation's functional currency to the Group's presentation currency, SEK, at the existing exchange rate at the balance sheet date. Income and expenses of foreign operations are translated to SEK using an average rate that is an approximation of the exchange rate prevailing at each individual transaction date.
Translation differences that arise in currency translations of foreign operations are recognized in other comprehensive income and accrued in a separate component in equity – the translation reserve. When control of a foreign operation ceases, the accumulated translation differences attributable to the operation are realized, at which point they are reclassified in equity to profit/loss for the year. In the case of a sale where the controlling interest still exists, a proportional share of the cumulative translation differences is transferred from the translation reserve to non-controlling interests.

(j) Leasing
As a lessee, the Group has only operating lease contracts. Costs pertaining to operating lease contracts are recognized in the Income Statement on a straight-line basis over the period of the lease. Benefits obtained in connection with the signing of a lease are recognized in the Income Statement as a reduction in the leasing fees on a straight-line basis over the term of the lease. Variable charges are recognized as an expense in the period that they are incurred.

(k) Financial income and expense

Financial income consists of interest income on invested funds as well as exchange differences for monetary items. Interest revenues from financial instruments are recognized according to the effective interest method (see below). Dividend income is recognized when the right to receive dividends is established at an annual meeting of shareholders. The profit/loss from the disposal of a financial instrument is recognized once the risks and rewards that are linked to owning the instrument are transferred to the buyer and the Group no longer has control of the instrument. Financial expense consists of interest expense for operating liabilities as well as exchange differences. Exchange gains and exchange losses are offset, and the net amount is recognized. Effective interest is the rate that discounts the estimated future receipts and payments during a financial instrument's expected duration at the financial asset's or liability's recognized net value. The calculation includes all fees that are paid or received by the parties to the contract that are part of the effective interest, transaction expenses, and all premiums and discounts.

(l) Taxes

Income tax consists of current tax and deferred tax. Income tax is reported in the Income Statement except for when underlying transactions are recognized in other comprehensive income or in equity, in which case the associated tax effect is reported in other comprehensive income or in equity. Current tax is tax that must be paid or received for the current year in application of the tax rates that are enacted or substantially enacted as at the balance sheet date. Current tax also includes adjustment of the current tax attributable to previous periods. Deferred tax is calculated according to the balance sheet method based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences do not take into account Group-related goodwill or the difference that arose at initial recognition of assets and liabilities that is not a business combination, which at the time of the transaction do not affect the reported or taxable results, such as in connection with asset purchases. In addition, temporary differences attributable to participations in subsidiaries that are not expected to be reversed within the foreseeable future are also not taken into account. The valuation of deferred tax is based on how underlying assets and liabilities are expected to be recovered or settled. Deferred tax is calculated by applying the tax rates and tax rules enacted or substantially enacted as at the balance sheet date. Deferred tax receivable relating to deductible temporary differences and loss carry-forwards are recognized only to the extent that it is probable that they will be utilized. The value of the deferred tax receivable is reduced when it is no longer probable that it can be used. When participating interests in subsidiaries are acquired – asset purchases – no separate deferred tax is recognized at the time of acquisition; instead the asset is recognized at cost, which corresponds to the fair value of the asset. After the date of the acquisition, deferred tax is recognized only for the change in carrying amount and changes in the amount used for taxation purposes that rise after the time of acquisition.

(m) Financial instruments

Financial instruments recognized on the assets side of the balance sheet include cash and cash equivalents, receivables, and other receivables. On the liabilities side, there are trade payables and other liabilities.

Recognition and derecognition

A financial asset or a financial liability is recognized in the balance sheet when the company becomes party to the contractual provisions of the instrument. A receivable is recognized when the company has performed and the counterparty has a contractual obligation to pay, even if an invoice has not yet been sent. Accounts receivable are recognized when the invoice has been sent. A liability is included when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recognized when an invoice has been received. A financial asset is derecognized when the rights in the contract are realized or expired, or when control of the contractual rights is lost. The same applies to a portion of a financial asset. A financial liability is derecognized when the obligation in the contract is fulfilled or in some other way expires. The same applies to part of a financial liability.

Classification and measurement
Financial instruments are initially recognized at acquisition value equivalent to the instrument's fair value plus transaction costs. All of the Group's financial assets belong to the "Loans and receivables" category of IAS 39. They are thereby measured after initial recognition at amortized cost. Amortized cost is determined on the basis of the effective rate of interest at the acquisition date. All of the Group's financial liabilities are initially recognized at fair value and subsequently at amortised cost.

(n) Tangible assets
Tangible assets are recognized in the Group at acquisition cost less accumulated depreciation and any impairments. The acquisition cost consists of the purchase price as well as costs directly related to bringing the asset to the necessary place and condition for its use in accordance with the purpose of the acquisition.

The carrying value of a tangible asset is derecognized when the asset is sold or disposed of, or when no further financial rewards are expected to be received from the use or disposal/sale of the asset. Gains or losses arising from the sale or disposal of an asset are calculated as the difference between the sale price and the asset's carrying value, less expenses directly related to the sale. Gains and losses are reported under other income/expenses. Tangible assets are depreciated on a straight-line basis over the estimated useful life of the asset.

Estimated useful life of the asset:
Equipment 3–5 years

(o) Intangible assets
Research and development
Expenditure on research activities related to the obtaining of new scientific or technical knowledge is expensed as incurred, except for when the research activities are acquired in a business combination; see below. Expenditure on development activities, whereby the research results or other knowledge is applied to accomplish new or improved products or processes, is recognized as an asset in the balance sheet, provided that the product or process is technically and commercially feasible and Ascelia Pharma has sufficient resources to complete development, and is subsequently able to use or sell the intangible asset. Other development expenses are expensed as incurred with the exception of acquired development. Research and development acquired through a business combination are stated at the fair value at the date of the acquisition. After the acquisition date, acquired research and development are stated on a historical cost basis and are tested for impairment as described below. Amortization of acquired research and development is recognized first when the project is considered complete. Amortization is then undertaken on a straight-line basis over the expected economic life; for patents, this does not however exceed the remaining period of patent protection.

(p) Impairment
The Group's recognized assets are assessed at the end of every reporting period to determine if there is any indication that impairment is required. IAS 36 is applied to the impairment of assets other than financial assets, which are reported in accordance with IAS 39.

Impairment of intangible assets
For intangible assets not yet subject to amortization, the recoverable amount is calculated annually. The recoverable amount is the higher value of the fair value minus the cost of sale and the value in use. When calculating the value in use, the future cash flow is discounted by a discount factor, which takes into account risk-free interest and the risk associated with the specific asset. Ascelia Pharma is in general using a discount rate of 10%. A sensitivity analysis with a change in the discount rate of two percentage points will not cause an impairment charge.

Impairment of financial assets
Upon every reporting occasion, the Company examines whether there is objective evidence that a financial asset or group of assets requires impairment. Objective evidence consists of observable conditions that have occurred and have a negative impact on the possibility to recover the acquisition value.

Reversal of impairments
An impairment of assets, as included in the application of IAS 36, is reversed if there is both an indication that there is no longer an impairment requirement and that a change has been made in the assumptions that formed the basis of the calculation of the recoverable amount. However, impairment of goodwill is never reversed. A reversal is made only to the extent that the asset's carrying value after the reversal does not exceed the carrying value that would have been recognized, with a deduction for depreciation if applicable, had no impairment been made. Impairment of loans and receivables that are recognized at amortised cost are reversed if the previous reasons for impairment no longer exist and full payment can be expected to be obtained from the customer.

(q) Earnings per share
The calculation of basic earnings per share is based on the profit or loss attributable to ordinary equity holders of the Parent Company and the weighted average number of common shares outstanding during the year. When calculating diluted earnings per share, the weighted average number of shares outstanding is adjusted for the effects of all dilutive potential common shares. Potential common shares are considered diluted only during periods when it leads to lower profit or bigger loss per share.

(r) Remuneration to employees

(i) Current remuneration
Current benefits to employees are calculated without discounting and recognized as costs when the related services are received.

(ii) Pensions
The Group has only defined-contribution pension plans. Pension plans classified as defined-contribution plans are those where the company's obligation is limited to the contributions the company has undertaken to pay. In such cases, the size of the employee's pension is dependent on the contributions paid by the company to the plan or to an insurance company and the return on capital yielded by the contributions. Consequently, it is the employee who bears the actuarial risk (that the pension payment will be lower than expected) and the investment risk (that the invested assets will be insufficient to provide the expected payments). The company's obligations with regard to payments to defined-contribution plans are recognized in the Income Statement as they are earned by the employee's performance of services for the company during a period.

iii) Share based remuneration
Ascelia Pharma's key employees are invited to participate in employee option programmes. If the terms of the programmes 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 is 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.

Social security costs attributable to share-based remuneration are expensed in the periods in which the programmes are provided. The liability for social security costs arising is re-evaluated at each reporting date based on a new calculation of the fees expected to be paid when the options are exercised. This means that a new market valuation of the options is made at each balance sheet date, which is the basis for the calculation of the liability for social security charges.

Refer to note 3 for further details of share based remuneration.

(s) Contingent liabilities
Information on a contingent liability is provided when there is a possible obligation originating from past events and whose occurrence is confirmed only by one or more uncertain future events outside the Group's control or when there is a obligation that is not reported as a liability or provision because it is unlikely that an outflow of resources will be needed or it cannot be calculated with sufficient reliability.

Parent company's accounting principles
The Parent Company has prepared the historical financial information according to the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. In addition, the Swedish Financial Reporting Board's issued statements applicable to listed companies are applied. The application of RFR 2 means that the Parent Company in the historical financial information for the legal entity shall apply all of the IFRS Standards and statements adopted by the EU to the extent allowed according to the Swedish Annual Accounts Act, the Act on Safeguarding of Pension Commitments, and with respect to the link between accounting and taxation. The recommendation states exceptions from and additions to IFRS Standards that shall be made.

Differences between the Group's and the Parent Company's accounting principles
The accounting principles of the Parent Company are consistent in all material respects with the accounting principles of the Group. The differences between the Group's and the Parent Company's accounting principles are described below. The accounting principles given below for the Parent Company have been consistently applied for all periods as presented in the Parent Company's financial statements.

Classification and presentation
The Parent Company's income statement and balance sheet are prepared in accordance with the model detailed in the Annual Accounts Act, while the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows respectively. The differences in the income statement and balance sheet of the Parent Company compared with the consolidated accounts mainly involve the reporting of financial income and expenses, assets, and equity.

Preference shares
In accordance with RFR 2, series B and C preference shares have been recognized as equity. All preferred shares were converted to common shares on 30 June, 2017 (see note 13). Subsidiaries participations are recognized in the Parent Company in accordance with the cost method. This means that transaction expenses are included in the carrying amount of holdings in subsidiaries. In the consolidated accounts, transaction expenses attributable to subsidiaries are directly recognized in the profit/loss when they are incurred.

Subsidiaries
Participations in subsidiaries are recognized in the Parent Company in accordance with the cost method. Thus, transaction expenses are included in the carrying amount of holdings in subsidiaries. In the consolidated accounts, transaction expenses attributable to subsidiaries are directly recognized in the profit/loss when they are incurred.

Shareholder loans
In December 2015, the Parent Company was granted a shareholder loan of SEK 8 million that bore an interest rate of 8%. The shareholder loan (principal and unpaid interest) was converted to shares in December 2016. An additional shareholder loan was granted in April 2017 totalling SEK 2.5 million with an interest rate of 8%. This loan was later converted to shares in connection with the acquisition of Oncoral and the forming of the Group on 30 June 2017.

Financial instruments and hedge accounting
Due to the link between accounting and taxation, the regulations pertaining to the financial instruments in IAS 39 are not applied to the Parent Company as a legal entity. Within the Parent Company, financial assets are measured at their acquisition values less any impairment and financial current assets according to the lower of cost and net realisable value.

Note 2 Operating segments

The Ascelia Pharma Group's operations consist of research and development for the development of pharmaceuticals. As follow-ups are conducted and resources are distributed in a joint manner for all research and development projects, the Group's operations are considered to comprise one operating segment. The Group has operations in Sweden (where the Parent Company has its registered office) and in Denmark. The tangible assets in Sweden and in Denmark are fully depreciated. The consolidated intangible assets are in their entirety related to Denmark and the acquisition of Oncoral Pharma ApS (see note 8).

Note 3 Employees, staff costs and remuneration to senior executives

Average no. of employees	Group				Parent company			
	2017-07-01 - 2018-06-30	of which men	**2017-06-30 - 2017-06-30**	of which men	**2017-07-01 - 2018-06-30**	of which men	**2016-07-01 - 2017-06-30**	of which men
Sweden	4	75%	3	67%	4	75%	3	67%
Total per the balance sheet date	4	75%	3	67%	4	75%	3	67%

There are no employees in the subsidiaries

Gender division in company management	Group		Parent company	
	2018-06-30	**2017-06-30**	**2018-06-30**	**2017-06-30**
	% women	% women	% women	% women
Board of Directors	17%	14%	17%	0%
Other senior executives	25%	33%	25%	33%

*Salary and remuneration to senior executives**	Group		Parent company	
SEK in thousands	**2017-07-01 - 2018-06-30**	**2017-06-30 - 2017-06-30**	**2017-07-01 - 2018-06-30**	**2016-07-01 - 2017-06-30**
Chief Executive Officer (Magnus Corfitzen)				
Basic salary	1,260	n/a	1,260	1,260
Pension**	101	n/a	101	101
Variable remuneration	504	n/a	504	–
Share based remuneration	1,961	n/a	1,961	–
Other benefits	155	n/a	155	136
Total	**3,981**	**n/a**	**3,981**	**1,497**
Other senior executives				
Basic salary	2,893	n/a	2,893	2,252
Pension**	147	n/a	147	–
Variable remuneration	–	n/a	–	–
Share based remuneration	1,961	n/a	1,961	–
Other benefits	58	n/a	58	73
Total	**5,059**	**n/a**	**5,059**	**2,325**

* Senior executives constituted 4 persons in 2017/2018 (3 persons in 2016/2017). Ascelia Pharma did not have other employees than senior executives in 2017/2018 and 2016/2017. Social charges amounted to SEK 1,392 thousand in 2017/2018 (SEK 970 thousand for the Parent company in 2016/2017 and not applicable for the Group in 2016/2017). In addition, provision for social charges related to the share remuneration program amounted to SEK 532 thousand for the Group and the Parent company in 2017/2018 (SEK 0 for the Parent company in 2016/2017 and not applicable for the Group in 2016/2017). No salaries or remuneration were paid to the Board of Directors in 2017/2018 nor 2016/2017.

** The parent company has a defined-contribution pension plan. Under the plan, some employees can decide whether the company should, instead of making pension contributions, pay the equivalent amount out as salary. In 2017/2018, 3 employees have opted to receive salary instead of having pension. In 2016/2017, all employees, all employees opted to receive salary instead of having pension contributions paid into a plan.

Employment agreements for the Chief Executive Officer and other senior executives

Remuneration to the Chief Executive Officer other senior executives constitutes a base salary, variable remuneration, pension, share-related incentive programs and other benefits including company car. Other senior executives refer to the three persons, which together with the Chief Executive Officer, constitutes the management team of Ascelia Pharma. Variable remuneration refers to bonus, which can be realised if predetermined targets are reached. The notice period for the CEO is mutually six months. Should the company terminate the employment, the CEO is also entitled to severance pay equal to four times his fixed monthly base salary. In addition to the severance, in case the company would be subject to a change of control resulting in that more than 50 percent of the shares are held by one shareholder and provided that neither the company nor the CEO has given notice of termination or has otherwise brought the agreement to terminate within a period of six months after the change of control, the CEO is entitled to a retention bonus of six times the monthly gross salary.

The employment agreements for the other senior executives stipulate mutual notice periods of between three to six months. In addition to fixed base salary, senior executives are entitled to a yearly bonus of maximum 20 per cent of the annual base salary. The bonus is linked to the achievement of target goals that resolved annually based on agreements between the company and the senior executives. All senior executives are also entitled to individual pension contributions.

Employee stock option programmes

During the fiscal year 2017/2018, two employee option programs have been effectuated. The first program was resolved at the Annual General Meeting on 31 October 2017, which resolved to implement an option program comprised of maximum of 550,369 employee options (723,295 including social charges). This program was cancelled on 31 March 2018 and replaced by a new programme "the second programme" with the same number of options (the new programme was resolved at an Extraordinary General Meeting on 26 April 2018).

Employee option programme 2017/2020 (the first programme)

At the Annual General Meeting held on 31 October 2017, it was resolved to implement an employee option program comprised by a maximum of 550,369 employee options. The employee options were allotted free of charge to the Chief Executive Officer, the former Chief Medical Officer and the Chief Operating Officer. The allotted employee options vest with 50 percent on the allotment and the remaining employee options will vest with 25 percent on 31 October 2018 and with 25 percent on 31 October 2019. Vesting is conditional upon that the participant is still employed by the company and that the employee has not terminated the employment as of the date when the respective vesting occurs. If the participant ceases to be employed or terminates the employment before a vesting date, the already vested employee options can be utilized during the ordinary time for utilization in accordance with the below, but further vesting will not take place. Each vested warrant entitled a right to acquire one new share in the company against cash consideration at a subscription price of SEK 8 per share.

Vested employee options can be utilized during the time period from and including 1 November 2019 to and including 31 March 2020, with the exception of a period of 30 days prior to the publication of any of the company's ordinary financial reports for the quarter or full year. A condition for all options was listing of Ascelia Pharma no later than 31 March 2018. As the listing was not completed prior to this date, the options were cancelled without any value.

The company has reported a cost for the first 50% of the options that was allocated directly, social charges and cost for the 25% that would have been allocated in October 2018 and the 25% in October 2019 have been reversed when it was clear that the IPO not would be implemented within the deadline.

Employee option programme 2018/2025 (the second programme)

At the Extraordinary General Meeting held on 26 April 2018, it was resolved to implement an employee option program comprised by a maximum of 550,369 employee options. The employee options have been allotted free of charge to the Chief Executive Officer, the former Chief Medical Officer and the Chief Operating Officer. The allotted employee options vest with 50 percent on the allotment and the remaining employee options will vest with 25 percent on 31 October 2018 and with 25 percent on 31 October 2019. Vesting is conditional upon that the participant is still employed by the company and that the employee has not terminated the employment as of the date when the respective vesting occurs. If the participant ceases to be employed or terminates the employment before a vesting date, the already vested employee options can be utilized during the ordinary time for utilization in accordance with the below, but further vesting will not take place. Each vested warrant entitles a right to acquire one new share in the company against cash consideration at a subscription price of SEK 8 per share.

The options can be utilized at the earliest in connection with:

- 24 months after an IPO of Ascelia Pharma;
- firm offer from a third party to acquire at least 90 per cent of the shares in the company and provided that shareholders representing more than 50 per cent of the shares accepts such offer (or is obliged to accept the offer in accordance with a shareholders' agreement);
- the sale of all or substantially all of the company's activities, including a sale of all or a material part of the company's intellectual properties (irrespective of whether such transaction is carried out through a sale of a subsidiary of the company or through a sale of the activities in a subsidiary of the company); or
- other similar event which the Board considers shall be treated as a trade sale.

The last day for exercise of the options is 31 December 2025, after which date all options will lapse.

Value of allotted options

The calculated value of the options at the time of allotment for the first programme was approximately SEK 27 per option and SEK 10 per option for the second programme. The value of the options was calculated with an adjusted Black-Scholes model. In the calculation of the option value, assumption have been made for the likelihood that an IPO or a trade sale occur prior to the last day for exercise of the options.

The value of the options which have been allotted during the fiscal year 2017/2018 is furthermore based on the following data:

- Exercise price: SEK 8 per share
- Share price on allotment date has been based on previous share transactions including the acquisition of Oncoral Pharma ApS (acquired with own shares) and new share issues with cash contribution. All transaction have time-wise been conducted in close proximity to the introduction of each option programme.
- Risk-free interest rate: 0%
- Estimated volatility in the company's share price: 55%

The estimated volatility in the share price is based on comparable companies in the same sector.

Since the option programmes, in addition to the vesting period, also include an expiration period the calculation has been extended with a likelihood calculation for an exit at each reporting date. The likelihood for the first programme was estimated at 30% and 50% for the second programme. At fiscal year-end on 30 June 2018, the likelihood for an exit, according to the definition in the terms and conditions for the option programmes, was estimated to be 60%.

Refer to note 22 for a description of important estimations and judgements.

Note 4 Auditor fees and reimbursements

	Group		Parent company	
SEK in thousands	2017-07-01 - 2018-06-30	2017-06-30 - 2017-06-30	2017-07-01 - 2018-06-30	2016-07-01 - 2017-06-30
PwC				
Audit engagements (current year)	140	n/a	100	–
Other audit activities	–	n/a	–	–
Tax advice	–	n/a	–	–
Other services	–	n/a	–	–
Total	**140**	**–**	**100**	**–**
KPMG				
Audit engagements (current year)	–	n/a	–	50
Other audit activities	2,405	n/a	2,405	
Tax advice	131	n/a	131	
Other services	1,172	n/a	1,172	150
Total	**3,708**	**–**	**3,708**	**200**

Audit engagements refer to statutory auditing of annual and consolidated financial statements as well as the Board's and CEO's administration of the company, along with audits and other reviews performed as agreed upon or contracted. This includes other tasks that are incumbent on the company's auditor to perform as well as consultancy or other assistance occasioned by observations during such reviews or the performance of such other tasks.

Note 5 Net financial items

	Group		Parent company	
SEK in thousands	2017-07-01 - 2018-06-30	2017-06-30 - 2017-06-30	2017-07-01 - 2018-06-30	2016-07-01 - 2017-06-30
Interest income and similar profit/loss items				
Interest income and currency adjustments	10	n/a	60	1
Total	**10**	**–**	**60**	**1**
Of which group companies	–	–	30	–
Interest expense and similar profit/loss items				
Interest expense	-18	n/a	-18	-320
Net exchange rate differences	-21	n/a	-21	-32
Total	**-39**	**–**	**-39**	**-352**

Note 6 Taxes

Recognized in the statement of profit or loss and other comprehensive income/income statement

	Group		Parent company	
SEK in thousands	**2017-07-01 - 2018-06-30**	**2017-06-30 - 2017-06-30**	**2017-07-01 - 2018-06-30**	**2016-07-01 - 2017-06-30**
Current tax expense (-)/tax income (+)				
Tax expense/income for the year	351	–	–	–
Total recognised tax expense/income for the year	351	–	–	–

Tax reconciliation		Group		Parent company	
SEK in thousands		**2017-07-01 - 2018-06-30**	**2017-06-30 - 2017-06-30**	**2017-07-01 - 2018-06-30**	**2016-07-01 - 2017-06-30**
Loss before tax		-24,743	–	-23,140	-7,676
Tax rate for the Parent Company	22.0%	5,443	n/a	5,091	1,689
Effect of other tax rates for foreign subsidiaries	0.0%	5	n/a	–	–
Non-deductible expenses	0.0%	-6	n/a	-5	-3
Increase of losses carried forward without equivalent capitalisation	-20.6%	-5,091	n/a	-5,086	-1,685
Utilisation of previously non-capitalised tax deductions	-1.4%	-351	n/a	–	–
Recognised effective tax	0.0%	0	–	–	–

Unrecognised deferred tax assets

Deductible temporary differences and tax losses for which deferred tax assets have not been recognized in the balance sheet (unrecognised deferred tax assets have no expiration date):

	Group		Parent company	
SEK in thousands	**2017-07-01 - 2018-06-30**	**2017-06-30 - 2017-06-30**	**2017-07-01 - 2018-06-30**	**2016-07-01 - 2017-06-30**
Deductible temporary differences	–	–	–	–
Tax losses	137,699	116,508	137,693	115,180
Total	**137,699**	**116,508**	**137,693**	**115,180**

Note 7 Earnings per share

	Group		Parent company	
	2017-07-01 - 2018-06-30	**2017-06-30 - 2017-06-30**	**2017-07-01 - 2018-06-30**	**2016-07-01 - 2017-06-30**
Result per share (before and after dilution)	-2.12	n/a	-2.01	10.13
Average number of shares	11,518,832	n/a	11,518,832	1,285,715

Note 8 Intangible assets

	Group	
SEK in thousands	**2018-06-30**	**2017-06-30**
Accumulated cost of acquisition		
Opening balance	57,057	57,057
Acquisitions	–	–
Currency adjustment	9	
Closing balance	**57,066**	**57,057**
Accumulated amortisation and impairment charges		
Opening balance	–	–
Impairment charge, current year	–	–
Amortisation, current year	–	–
Closing balance	**–**	**–**
Carrying amount	**57,066**	**57,057**

The recognized R&D project in progress refers to a project that was acquired through the subsidiary Oncoral Pharma ApS. The consideration consisted of a new share issue in Ascelia Pharma. The project has completed the first development phase (phase I) at Herlev hospital in Denmark. The product candidate is a tablet formulation of Irinotecan, which is a widely used chemotherapeutic agent with documented effects on selected solid tumors. The project is initially measured at fair value based on the discounted future net cash flow the project is deemed to generate and also considering the fair value of the consideration paid in a separate parallel transaction comprising a new share issue for cash in Ascelia Pharma at the same point in time.

Note 9 Tangible assets

	Group		Parent company	
SEK in thousands	**2018-06-30**	**2017-06-30**	**2018-06-30**	**2017-06-30**
Opening balance				
Opening balance				
Inventory	161	161	75	75
Other	–	–	–	–
Total	161	161	75	75
Closing balance				
Inventory	161	161	75	75
Currency adjustment	6	–	–	–
Other	–	–	–	–
Total	167	161	75	75
Depreciation				
Opening balance				
Inventory	-161	-161	-75	-75
Other	–	–	–	–
Total	-161	-161	-75	-75
Current year's depreciation inventory	–	–	–	–
Current year's depreciation other	–	–	–	–
Total current year's depreciation	–	–	–	–
Closing balance				
Inventory	-161	-161	-75	-75
Currency adjustment	-6	–	–	–
Other	–	–	–	–
Total	-167	-161	-75	-75
Carrying amount				
Opening balance				
Inventory	–	–	–	–
Other	–	–	–	–
Total	–	–	–	–
Closing balance				
Inventory	–	–	–	–
Other	–	–	–	–
Total	**–**	**–**	**–**	**–**

Note 10 Non-current receivables, other receivables and receivables with shareholders

	Group		Parent company	
SEK in thousands	**2018-06-30**	**2017-06-30**	**2018-06-30**	**2017-06-30**
Non-current receivables classified as non-current assets				
Deposit (office rent)	–	47	–	47
Intra-company loans*	–	–	1,958	
Total	**–**	**47**	**1,958**	**47**
Other receivables classified as current assets				
Recoverable VAT	510	366	190	129
Other items	47	6	47	–
Total	**557**	**372**	**237**	**129**
Receivables with shareholders				
Subscribed but unpaid share capital	–	20,025	–	20,025
Total	**–**	**20,025**	**–**	**20,025**

The increase in intra-company loans reflects loans from Ascelia Pharma AB to Oncoral Pharma ApS. The loans are dominated in DKK with a fixed interest rate. An change in DKK against SEK of 10% would result in an increased loan receivable for the Parent company of around SEK 200 thousand.

Note 11 Prepaid expenses and accrued income

	Group		Parent company	
SEK in thousands	**2018-06-30**	**2017-06-30**	**2018-06-30**	**2017-06-30**
Prepaid trade payables	1,424	1,098	1,424	1,098
Prepaid issuance costs	1,500	–	1,500	–
Prepaid rent	32	59	32	59
Other items	–	39	30	39
	2,955	1,196	2,985	1,196

Note 12 Cash and cash equivalents

	Group		Parent company	
SEK in thousands	**2018-06-30**	**2017-06-30**	**2018-06-30**	**2017-06-30**
The following items are included in cash and cash equivalents				
Bank balances	55,063	1,627	53,792	695
Total according to the statement of financial position	55,063	1,627	53,792	695

Note 13 Equity

Type of share

Number of shares	2018-06-30	2017-06-30
Common shares series A		
Issued per 1 July	11,249,314	1,285,715
Cash issue	3,357,577	–
Conversion of preference shares to common shares	–	7,798,136
Non-cash issue	–	1,603,033
Issued per 30 July – paid	14,606,891	10,686,884
Subscribed but unpaid	–	562,430
Issued per 30 June	14,606,891	11,249,314
Preference shares series B		
Issued per 1 July	–	1,209,550
Conversion to common shares series A		-1,209,550
Issued per 30 June - paid	–	–
Preference shares series C		
Issued per 1 July	–	4,875,000
Conversion of shareholder loan Dec 2016	–	1,079,277
Conversion of shareholder loan June 2017	–	634,309
Conversion to common shares series A	–	-6,588,586
Issued per 30 June - paid	–	–

Common shares series A

Holders of common share are entitled to a dividend that is determined in due course, and each share entitles the holder to one vote at the annual meeting of shareholders.

Preference shares series B

Owners of preference shares series B were entitled to an amount equivalent to the acquisition value plus an annual interest rate of 11% in the event of a possible liquidation of the company with pre-emptive rights before common shares series A. The right to receive interest and an amount equivalent to the acquisition value for the shares is only in place if the company has been liquidated and the assets have been distributed to shareholders. At the request of their shareholders, preference shares can be converted to common shares series A. Preference shares were not redeemable into cash or other financial assets. Preference shares series B were entitled to one vote per share. All preference shares series B were converted to common shares series A as of 30 June 2017.

Preference shares series C

Owners of preference shares series C were entitled to an amount equivalent to two times the acquisition value as well as any decided upon but not yet paid-out dividends in the event of a possible liquidation of the company with pre-emptive rights before common shares series A and preference shares series B. The right to receive an amount equivalent to two times the acquisition value for the shares and decided-upon but not yet paid-out dividends is only in place if the company has been liquidated and the assets have been distributed to shareholders. At the request of their shareholders, preference shares can be converted to common shares series A. Preference shares were not redeemable into cash or other financial assets. Preference shares series C were entitled to one vote per share. All preference shares series C were converted to common shares series A as of 30 June 2017.

Translation reserve

The translation reserve covers all exchange rate differences that arise in translating the financial statements of foreign entities whose financial statements were prepared in currencies other than the Group's presentation currency. The Parent Company and Group present their financial statements in SEK. When control of a foreign operation ceases, the accumulated translation differences attributable to the operation are realized, at which point they are reclassified in equity to profit/loss for the year. In the case of a sale where the controlling interest still exists, a proportional share of the cumulative translation differences is transferred from the translation reserve to non-controlling interests.

Conversion of shares

For conversion of shares, please refer to Shareholder loans under Parent Company accounting principles.

Parent Company

Restricted reserves

Restricted reserves cannot be reduced through distribution of profits.

Non-restricted equity

Together with profit/loss for the year, the following funds make up non-restricted equity – that is, the amount available for dividends to the shareholders:

Share premium reserve

When shares are issued at a premium – that is, when the amount paid for shares exceeds their nominal price – an amount equivalent to the amount received in excess of the share's nominal value is transferred to the share premium reserve. The amount transferred to the share premium reserve starting January 1, 2006 is included in the non-restricted equity.

Profit/loss brought forward

Profit/loss brought forward consists of the previous year's profit/ loss brought forward and profit after being reduced by paid-out dividends.

Note 14 Other liabilities

	Group		Parent company	
SEK in thousands	**2018-06-30**	**2017-06-30**	**2018-06-30**	**2017-06-30**
Other current liabilities				
Liabilities to employees incl. bonus provisions and social charges	667	9	667	9
Other liabilities	213	4	213	4
Totalt	**880**	**13**	**880**	**13**

Note 15 Accrued expenses and deferred income

	Group		Parent company	
SEK in thousands	**2018-06-30**	**2017-06-30**	**2018-06-30**	**2017-06-30**
Vacation pay	750	642	750	642
Accrued salaries	–	302	–	302
Social charges	194	242	194	242
Other items	1,962	949	1,955	790
Total	**2,905**	**2,135**	**2,899**	**1,976**

Note 16 Financial instruments and financial risks

The Group's operations expose it to a variety of financial risks. Ascelia Pharma is mainly exposed to liquidity risks and financing risks as well as currency risks.

Liquidity risks and financing risks

Liquidity risks and financing risks are the risks that the Group will not have access to financing in order to fulfill its contractual obligations or that this can only be done at a significantly increased cost.

In May 2018, a share issuance for cash was completed, which provided the company with SEK 55.4 (after transaction costs). The Group has no interest-bearing or long-term liabilities. All trade payables and accrued expenses fall due within 12 months.

Currency risks

Transaction exposure

Ascelia Pharma purchases research-related services particularly in DKK, EUR, and USD. The effect of a weakened Swedish crown on each currency are described below.

	Purchases in each currency		Cost increase with 10% depreciation of SEK	
SEK in thousands	**2017/2018**	**2016/2017**	**2017/2018**	**2016/2017**
DKK	521	666	52	67
EUR	142	318	14	32
USD	1,300	395	130	40
Total	1,963	1,379	196	138

Transaction exposure is not hedged.

Currency risk is also present in the Parent company through intra-company from Ascelia Pharma AB to Oncoral Pharma ApS dominated in DKK. An weakening of SEK of 10% against DKK would result in an increased loan receivable for the Parent company of around SEK 200 thousand.

Credit risk

The Group's credit risk is primarily attributable to bank deposits. This risk is considered to be low because the cash in bank accounts are in Swedish and Danish banks with high credit ratings.

Carrying amount of financial assets and financial liabilities per valuation category

The carrying value of financial assets and financial liabilities are due to its short-term maturity considered to be reasonable estimates of the fair value for each class of financial assets and financial liabilities.

Note 17 Operating leases

Leases with the company as leasee

Non-cancellable leasing payments amount to:

	Group		Parent company	
SEK in thousands	**2017-07-01 - 2018-06-30**	**2017-06-30 - 2017-06-30**	**2017-07-01 - 2018-06-30**	**2016-07-01 - 2017-06-30**
Within one year	91	99	91	99
Between one and five years	80	–	80	–
Beyond five years	–	–	–	–
Total	**171**	**99**	**171**	**99**

The Parent company rents office premises at Medeon Science Park. Termination of the agreement can be made with three months notice period. The Parent company also rents warehouse space under an operating lease. Current agreement can be terminated with one month's notice. In addition, a car is leased, and this lease expires in August 2020.

Expensed operating lease fees amount to:

	Group		Parent company	
SEK in thousands	**2017-07-01 - 2018-06-30**	**2017-06-30 - 2017-06-30**	**2017-07-01 - 2018-06-30**	**2016-07-01 - 2017-06-30**
Minimum lease payments	315	385	315	385
Total leasing costs	315	385	315	385

Note 18 Pledged assets, contingent liabilities and contingent assets

	Group		Parent company	
	2018-06-30	2017-06-30	2018-06-30	2017-06-30
Committments*	11,818	11,691	11,818	11,691
Total	11,818	11,691	11,818	11,691

The committments refer to potential bonus payment of SEK 10,000 thousand to Solural Pharma ApS (refer to note 20) and potential payment to Herlev hospital of DKK 1,300 thousand.

Note 19 Appropriation of the company's loss

The following amounts in SEK are at the disposal shareholders' AGM	Parent company
Share premium reserve	213,699,890
Loss brought forward	-92,391,019
Loss for the period	-23,140,428
Total	**98,168,443**
The Board proposes the following appropriation of funds and non-restricted reserves	
Carried forward	98,168,443
of which to share premium reserve	213,699,890

Note 20 Related parties

The Parent Company has a close relationship with its subsidiary; see note 21. For remuneration to senior executives, see note 3.

Purchasing of services from related parties:

Oncoral Pharma ApS purchases accounting services from Capnova A/S. Capnova A/S was previously a shareholder in Oncoral Pharma ApS. After the sale of the company to Ascelia Pharma AB, Capnova A/S is one of the shareholders in Ascelia Pharma AB. Capnova A/S's holdings in Ascelia Pharma AB amount to less than 1%. During the period 1 July 2017–30 June 2018, services for a value of DKK 23,570 were acquired.

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, shareholders in Ascelia Pharma AB. The owners of Solural ApS collectively own 6.6% 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 10,000 thousand if commercialization occurs through a sale or a outlicensing and SEK 12,000 thousand if commercialization is carried out by Oncoral Pharma ApS or Ascelia Pharma AB itself. Regardless the commercialization method, Oncoral Pharma ApS has the right to, at any time, finally settle Solural Pharma ApS right for remuneration by payment of SEK 10,000 thousand. During the period 1 July 2017–30 June 2018, services for a value of DKK 530,444 were acquired.

Note 21 Group companies

Holdings in subsidiaries

Subsidiaries / Reg. No. / Reg. Office	**No. participating rights**	**Participating interest %**	**Carrying amount**	
			2018-06-30	**2017-06-30**
Oncoral Pharma Aps, CVR-nr: 35 48 12 14, Ballerup Denmark	145,919	100	58,018	
Ascelia Incentive AB, 559129-4615, Malmö Sweden	50,000	100	50	
Parent company				
Accumulated acquisition value				
Opening balance			58,018	–
Purchases			50	58,018
Closing balance			58,068	58,018
Carrying amount on 30 June			**58,068**	**58,018**

Note 22: Important estimations and judgements

Asset acquisitions versus business combinations and deferred tax:
Acquisition of companies can be classified as business combinations or asset acquisitions in accordance to IFRS 3. Each individual acquisition is assessed individually. In the cases where the company acquisition only consists of a development project and does not include important processes, the acquisition is classified as an asset acquisition. If the acquisition contains strategic processes that are associated with operations, it is classified as a business combination. The acquisition of Oncoral is considered to be an asset acquisition.

Valuation of intangible assets
The recognized 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 recognized 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 recognized. The recognized shares in subsidiaries is assessed by management when performing the impairment tests. Management has not identified any need for write down of these shares in subsidiaries.

Employee option programme
Ascelia Pharma has implemented two employee option programs with individual terms and conditions: Employee option programme 2017/2020 (the first programme) and employee option programme 2018/2025 (the second programme). The second programme replaced the first programme when the planned IPO did not materialise according to the original plan.

The option programmes are destined to employees identified as key personnel. In case an IPO or a sale of the company, the options can be exercised into one company share at a pre-determined price. If the company does not complete such an event prior to year 2025 according to the definition above, all options will be cancelled and consequently option holders have no right to acquire shares. The terms and conditions for the specific option programmes are described in note 3.

The parameters, which have had largest impact on the value of the options are:
- Likelihood for an IPO or sale of the company
- Value of the company

The initial judgement is important for the cost that will be recognised, while the subsequent evaluations effects the provision for social charges. E.g. the completion of an IPO increases the likelihood for such an event to 100%. Since the exercise price is lower than the estimated share price, the impact from parameters such as risk-free interest rate and volatility is less influential for the valuation of Ascelia Pharma's options.

The Management in Ascelia Pharma has with the information per fiscal year-end 30 June 2018, estimated the likelihood for an IPO or trade sale to 60%. A change in the likelihood with 10 percentage points is estimated to have an impact on the results with around SEK 100 thousand. A change in the share price is estimated to have an impact on the results with around SEK 55 thousand. The impact on the results follows the changed provision for social charges.

Note 23: Approval of financial reports
Ascelia Pharma AB, 556571-8797

The Board of Directors and the CEO confirm that the annual accounts have been prepared in accordance with accepted accounting standards in Sweden, and that the consolidated accounts have been prepared in accordance with the international accounting standards, IFRS, as adopted by EU. The annual accounts and the consolidated accounts give a true and fair view of the Group's and Parent Company's financial position and profit. The Board of Directors' Report for the Group and the Parent Company gives a true and fair view of the Group's and the Parent Company's operations, position and profit, and describes significant risks and uncertainty factors that the Parent Company and Group companies face.

Malmö, 2018-10-25

Peter Benson
Chairman of the Board

Helena Wennerström
Director of the Board

Niels Mengel
Director of the Board

Hans Maier
Director of the Board

Bo Jesper Hansen
Director of the Board

René Spogárd
Director of the Board

Magnus Corfitzen
Chief Executive Officer

Our auditor's report was submitted on 2018-11-02
PricewaterhouseCoopers AB

Carl Fogelberg
Authorized Public Accountant

To the Annual General Meeting of the shareholders of Ascelia Pharma AB (publ.), corporate identity number 556571-8797

Auditor's report

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Ascelia Pharma AB (publ.) for the financial year 1 July 2017 to 30 June 2018 except for the corporate governance statement on pages 16-18. The annual accounts and consolidated accounts of the company are included on pages 11-46 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 30 June 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30 June 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 16-18. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other matter
The audit of the annual accounts and consolidated accounts for financial year 1 July 2016 to 30 June 2017 was performed by another auditor who submitted an auditor´s report dated 27 October 2017, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Other Information than the annual accounts and consolidated accounts
The other information comprises page 2-10 and 49-50 but does not include the annual accounts, consolidated accounts and our auditor's report thereon. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Director's and the Managing Director.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Ascelia Pharma AB (publ.) for the financial year 1 July 2017 to 30 June 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

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

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

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

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

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Auditor´s statement regarding the corporate governance report
The board of directors is responsible for the corporate governance report on pages 16–18 and for ensuring that it is prepared in accordance with the Swedish Annual Accounts Act.

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

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö 2 November 2018

Öhrlings PricewaterhouseCoopers AB

Carl Fogelberg
Authorized Public Accountant

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 expenses/operating expenses (%)	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 obtain an idea of how much of the operating costs are related to research- and development expenses.

Reconciliation table for alternative performance measures for the Group

	FY 2017/2018
R&D costs (SEK 000')	-9,367
Administration costs (SEK 000')	-16,366
Other operating costs (000')	-42
Total operating costs (SEK 000')	-25,775
R&D costs/Operating costs (%)	36%

Glossary – pharmaceuticals

Active substance/ingredient
The ingredient in a pharmaceutical drug that is biologically active.

Active pharmaceutical ingredient (API)
The ingredient in a pharmaceutical drug that is biologically active used similar to active ingredient (AI).

Acute kidney injury (AKI)
An abrupt loss of kidney function.

Advanced cancer
Cancer that has grown outside the organ it started in.

Bioequivalence studies
Studies to prove that a product is bioequivalent, i.e. pharmaceutically equivalent, to another drug. Bioequivalence studies are required in an ANDA.

Blinded study
A study in which information about the test is masked to reduce or eliminate bias.

Chemotherapy
A type of cancer treatment that uses one or more anti-cancer drugs.

Chronic kidney disease (CKD)
A progressive loss in kidney function over a prolonged time period.

Clinical studies
Studies on healthy or non-healthy individuals to study the effects of a drug or a treatment method.

Colorectal cancer
Refers to cancer developing in the large intestine, usually in the rectum or colon.

Contrast agent/imaging drug
A substance used to enhance the contrast in medical imaging.

Cytotoxic drug
A type of drug used within chemotherapy.

Data exclusivity
In this context a term to describe the time-period in which no ANDA can be approved based on the exclusive data for the drug.

European Medicines Agency (EMA)
An European agency responsible for the evaluation of medicinal products.

Focal liver lesion
Localized changes in liver tissue.

Food and Drug Administration (FDA)
An US federal agency responsible for the evaluation of medicinal products.

Food effect study
A study with the objective to evaluate the effect of food on the bioavailability of a drug.

Gadolinium
A heavy metal used as a contrast enhancer, see GBCA.

Gadolinium-based contrast agent (GBCA)
A contrast agent based with gadolinium as a contrast enhancer.

Generic Drug
A pharmaceutical that is equivalent to a brand-name product in dosage, strength, route of administration, quality, performance and intended use.

Good Manufacturing Practice (GMP)
A set of manufacturing guidelines set up by the authorization agency for medicinal products. GMP can differ depending on the authority.

HER2
A gene that can play a role in the development of certain cancer forms.

Incidence
A measure of the probability of occurrence of a medical condition in a population.

Infusion
A continuous injection of a substance into the body.

In-vitro studies
Studies performed outside of the normal biological context. Often used to refer to studies outside of the body.

In-vivo studies
Studies performed in a living organism, for example in humans.

Magnetic resonance imaging (MRI)
A medical imaging technique used in radiology.

Market exclusivity
In this context, the period following regulatory approval of an orphan drug in which no marketing authorization will be accepted for the same therapeutic indication.

Metastases
The spread of a cancer to a different part of the body.

Nephrogenic systemic fibrosis (NSF)
A serious condition involving fibrosis of skin, joints, eyes, and internal organs.

Orphan Drug
A pharmaceutical agent that has been developed specifically to treat a rare medical condition.

Pre-clinical research
The research phase before clinical studies where initial drug safety data are collected.

Prevalence
The proportion of a population suffering from a certain disease.

Primary tumor
The first cancer tumor formed.

Prodrug
A medication that is metabolized into its pharmacologically active drug after administration.

Special populations study
Studies within a certain population, such as the elderly, populations with certain impairments or diseases, etc.

Targeted agent
Agents interfering with specific molecules that are part of the cancer growth.