ASCELIA PHARMA

INVITATION TO SUBSCRIBE FOR SHARES IN ASCELIA PHARMA AB

SOLE GLOBAL COORDINATOR

VATOR SECURITIES

IMPORTANT INFORMATION TO INVESTORS

This prospectus (the "**Prospectus**") has been prepared in connection with the offering to the public in Sweden and Denmark as well as to institutional investors in Sweden and abroad to subscribe for new shares in Ascelia Pharma AB (publ) and admission to trading of the shares on Nasdaq Stockholm (the "**Offering**"). In the Prospectus, "**Ascelia**", the "**Company**", or the "**Group**" means, depending of the context, Ascelia Pharma AB (publ), a subsidiary in the group or the group in which Ascelia Pharma AB (publ) is the parent company. "**Vator Securities**" refers to Vator Securities AB. Vator Securities is Sole Global Coordinator in the Offering. "**Erik Penser Bank**" refers to Erik Penser Bank AB (publ). Erik Penser Bank is issuing agent in the Offering. For definitions of other terms used in this Prospectus, please see the section *Glossary*.

Offering structure

The Offering is not aimed at the general public in any other country than Sweden and Denmark. Nor is the Offering aimed at persons whose participation necessitates additional prospectuses, registration or other measures than those that follow from Swedish law. No measure has been taken, or will be taken, in any jurisdiction other than Sweden and Denmark which might permit the shares to be offered to the public, or which might permit possession or dissemination of this Prospectus or any other document relating to the Company, or shares in such a jurisdiction. Application to subscribe for shares that contravene such regulations may be declared invalid. Persons who receive the Prospectus are encouraged by the Company and Vator Securities to obtain information about and to observe such restrictions. Neither the Company nor Vator Securities assume legal liability for infringement of such restrictions by any person, whether potential investors or not.

The shares in the Offering have not and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any other securities regulatory authority of any state within the United States of America and the District of Columbia (the "**United States**") and the shares may not be subscribed for, offered, acquired or sold within the United States unless the shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. All offers and sales of shares will be made in compliance with Regulation S under the Securities Act. The shares may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Any reproduction or distribution of the Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. The shares in the Offering have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Prospectus. Any representation to the contrary is a criminal offence in the United States. The Company has not taken, and will not take, any actions to register any of its shares or any part of the Offering in the United States or to conduct a public offering in the United States or in any other jurisdiction other than Sweden. This Prospectus is not an offer to sell, or a solicitation to an offer to acquire or subscribe for any other securities than shares. The Offering to subscribe for shares is not made to persons resident in the United States, Australia, Canada, Japan or any jurisdiction where it would be unlawful or would require registration or other measures.

Information to investors in the European Economic Area

This Prospectus has been prepared on the basis that any offer of shares in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), other than offers (the "**Permitted Public Offers**") which are contemplated in the Prospectus in Sweden and Denmark once the Prospectus has been approved by the Swedish Financial Supervisory Authority, passported to Denmark, and published, will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the Offering contemplated in this Prospectus, other than the Permitted Public Offers, may only do so in circumstances in which no obligation arises for the Company or Vator Securities to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Company nor Vator Securities have authorized, nor do they authorize, the making of any offer (other than Permitted Public Offers) of shares in circumstances in which an obligation arises for the Company or Vator Securities to publish or supplement a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Information to investors in the United Kingdom

This Prospectus is only being distributed to and is only directed at: persons who (i) are outside the United Kingdom; (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); (iii) are persons falling within Article 49(2)(a) to (d) of the Order (high net worth companies, unincorporated associations, etc.); or (iv) are persons to whom this Prospectus may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

Confidentiality and regulatory authority

Outside Sweden and Denmark, the Prospectus is provided on a confidential basis solely to allow a potential investor to consider purchase of the specific securities described. The information in the Prospectus has been provided by the Company and other sources identified herein. Distribution of the Prospectus to other persons than those recipients specified by Vator Securities or their representatives is prohibited, as it is to persons who may have been hired to inform the recipient about the matter, and any disclosure of the contents without the prior written permission of the Company is prohibited. Any reproduction or distribution of this Prospectus, in its entirety or parts thereof, and all disclosure of the content to other persons is prohibited. The Prospectus is personal to each recipient and does not constitute an offer to any other person or to the general public in any other country than Sweden and Denmark to subscribe for shares in the Offering.

The Swedish version of the Prospectus has been approved and registered by the Swedish Financial Supervisory Authority in accordance with the provisions of Chapter 2, §§ 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). Neither the approval nor registration implies a guarantee from the Swedish Financial Supervisory Authority that the factual information in the Prospectus is accurate or complete. The Prospectus will also be passported to Denmark through application to the respective financial supervisory authority according to Chapter 2, § 35 of the Swedish Financial Instruments Trading Act (1991:980). The Prospectus has been prepared in both a Swedish and an English version. In the event of any inconsistency between different language versions, the Swedish language version shall take precedence.

The Offering and the Prospectus are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Offering or the Prospectus.

Presentation of financial information

Unless otherwise indicated, all financial amounts are expressed in Swedish kronor ("**SEK**"). "**SEK thousand**" means thousands of kronor and "**SEK million**" means millions of kronor. "**DKK**" means Danish kronor. "**DKK thousand**" means thousands of Danish kronor and "**DKK million**" means millions of Danish kronor. "**USD**" means US dollars and "**USD million**" means millions of dollars. "**EUR**" means euro and "**EUR million**" means millions of euro. Certain financial information and other information presented in this Prospectus have been rounded to make information easily accessible to the reader. As a consequence, the figures in certain columns do not tally with the totals stated.

Forward-looking information

The Prospectus contains certain forward-looking information that reflects Ascelia's current views of future events and financial and operational performance. Words such as "intends", "anticipates", "expects", "can", "plans", "estimates" and similar expressions regarding indications or forecasts of future developments or trends, and which are not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties because it is dependent on future events and circumstances. Forward-looking information is not a guarantee of future results or developments and actual results may differ materially from those in the forward-looking information. Factors that could cause Ascelia's future results and developments to differ from those in the forward-looking information include, but are not limited to, those described in the section *Risk Factors*. Forward-looking information in the Prospectus is only applicable on the date of issue of the Prospectus. Neither Ascelia nor Vator Securities give any commitment to publish updates or revision of any forward-looking statements as a result of new information, future events or similar circumstances other than those required by applicable legislation.

Industry and market information

This Prospectus contains market and industry information related to Ascelia's operations and the market on which Ascelia is present. Unless otherwise stated, such information is based on the Company's analysis of several different sources, including statistics and information from external industry and market reports, including a market report by Back Bay Life Science Advisors commissioned by Ascelia, publicly available information and medical research publications. Descriptions of the Company's competitors are based on information from ClinicalTrials.gov, a public database on clinical studies. Other sources are indicated where required. As a rule, industry and market publications state that, while the information in the publication has been obtained from sources deemed reliable, the accuracy and completeness of such information cannot be guaranteed. Information in the Prospectus from third parties has been accurately reproduced and, as far as Ascelia is aware no information has been omitted that could render the information inaccurate or misleading in relation to the original sources. However, neither the Company nor Vator Securities has independently verified such information from third parties, why the completeness or correctness of the third party information included in the Prospectus cannot be guaranteed.

In their nature, market information and statistics are forward-looking, subject to uncertainty, may be interpreted subjectively, and may therefore not necessarily reflect actual or future market conditions. Such information and statistics are based on market surveys, which in turn are based on selections, subjective interpretations and assessments, including assessments of the types of products and transactions which should be covered by the relevant market, both by those carrying out the surveys and the respondents. As a result, potential investors should be aware of the fact that the financial information, market information, as well as the forecasts and estimates of market information contained in this Prospectus, do not necessarily represent reliable indicators of Ascelia's future performance.

The content of the Company's website, the website of any member of the Group and any third-party websites referred to herein do not form any part of the Prospectus.

Stabilization

In connection with the Offering, Erik Penser Bank may carry out transactions with the aim of keeping the market price of the shares at a level higher than what otherwise might have been the case in the market. Such stabilization transactions may be carried out on Nasdaq Stockholm, the OTC market or otherwise, and may be carried out at any time during the period beginning on the first day when the shares are traded on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. However, Erik Penser Bank is under no obligation to carry out stabilization of any kind, nor is there any guarantee that stabilization will be carried out. See also the section *Legal considerations and supplementary information – Stabilization*.

The fact that Erik Penser Bank has the opportunity to implement stabilization measures does not mean that such measures will necessarily be taken. Any such stabilization measures may also be discontinued at any time. No later than by the end of the seventh trading day after stabilization transactions have been undertaken, Erik Penser Bank shall disclose that stabilization transactions have been undertaken in accordance with article 5(4) in the Market Abuse Regulation 596/2014. Within one week of the end of the stabilization period, Erik Penser Bank will, through the Company, make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

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SUMMARY OF THE OFFERING

Price	25 SEK per share
Application period for the general public	21 February–5 March 2019
Application period for institutional investors	21 February–5 March 2019
Publication of the outcome of the Offering	6 March 2019
Settlement date	11 March 2019
First day of trading	13 March 2019

OTHER INFORMATION

Market	Nasdaq Stockholm
Ticker symbol	ACE
ISIN code	SE0010573113

FINANCIAL CALENDAR

Interim report January–March 2019 (Q3)	15 May 2019
Year-end report July 2018–June 2019	22 August 2019
Interim report July–September 2019 (Q1)	8 November 2019

SUMMARY

The summary of the Prospectus consists of information requirements set out in "Items". The items are numbered in the sections A–E (A.1–E.7).

The summary in the Prospectus contains all the items required in a summary for the relevant type of security and issuer. However, since some items do not apply to all types of prospectuses, there may be gaps in the item numbering.

While it is required that an item is to be included in the summary of the relevant securities and issuers, it is possible that no relevant information can be given on that item. In that case, the information is replaced with a brief description of the item, along with the comment "Not applicable".

SECTION A – INTRODUCTION AND WARNINGS		
A.1	*Introductions and warnings*	This summary should be considered an introduction to the Prospectus. Investors should base any decision to invest in Ascelia on an assessment of the Prospectus as a whole. If a claim relating to the information contained in the Prospectus is brought before a court, the investor claimant may, under the national laws of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability may only be imposed on persons who have submitted the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent with other parts of the Prospectus, or if the summary and other parts of the Prospectus are inadequate in providing investors with the key information they require to consider whether or not to invest in Ascelia.
A.2	*Consent to use of the Prospectus*	Not applicable. Financial intermediaries are not entitled to use the Prospectus for subsequent trading or final placement of securities.

SECTION B – ISSUER AND GUARANTOR		
B.1	*Corporate name and trading name*	The Company's legal name and trading name is Ascelia Pharma AB and its corporate registration number is 556571-8797.
B.2	*Domicile, legal form and country of incorporation*	Ascelia is a Swedish public limited liability company, established in Sweden and registered in the municipality of Malmö. The Company was formed in Sweden and its organizational structure is governed by the Swedish Companies Act (2005:551).
B.3	*Description of the Company's operations*	Ascelia is an oncology-dedicated orphan drug development company located in Malmö, Sweden, focused on the development of novel drugs with an established mode of action. The Company's strategy is to develop and make available to patients a portfolio of differentiated and de-risked drug candidates addressing unmet medical needs with potential for orphan drug designation in cancer and cancer-related diseases. Ascelia currently has two clinical stage drug candidates under development. Ascelia's lead candidate, Mangoral, is Phase III-ready, and is an contrast agent to facilitate the visualization of focal liver lesions in patients with known or suspected focal liver lesions and severe renal insufficiency (impaired kidney function). The second candidate, Oncoral, is a Phase II-ready novel tablet formulation of the well-known chemotherapeutic agent irinotecan. Mangoral has received orphan drug designation by the FDA and Oncoral targets gastric (stomach) cancer which is considered an orphan drug indication by the FDA and EMA.
B.4a	*Description of significant trends in the industry*	The two main product markets are the market for liver MRI contrast agentcontrast agents (with regards to Mangoral) and the market for treatment of gastric cancer (with regards to Oncoral). 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. The Company therefore believes that there is a significant market opportunity for new options in cancer diagnostics and therapy, especially in the orphan drug field. Key trends driving the market for liver contrast agents include increasing screening and early diagnosis of cancer, increasing treatment surveillance, increased costs and pricing trends and general demographic trends. The key trends driving the market for cancer treatment are increasing incidence of gastric cancer, increasing use of combination treatments, increased costs and pricing trends, increasing cooperation between pharmaceutical actors and general demographic trends.
B.5	*Group structure*	The Group includes the parent company Ascelia Pharma AB (publ), its Danish subsidiary Oncoral Pharma ApS and its Swedish subsidiary Ascelia Incentive AB.

B.6 *Notifiable parties, major shareholders, and control of the Company*

As per 6 February 2019 the Company had 119 shareholders. The table below details the ownership structure as of the same date, based on information from Euroclear Sweden AB and the Company's knowledge of the ownership structure.

Shareholder	Number of shares prior to the Offering	Percentage prior to the Offering
Sunstone Life Science Ventures Fund II K/S	4,094,699	28.0%
CMC SPV of 3 April 2017 AB	2,937,606	20.1%
Øresund-Healthcare Capital K/S	2,020,459	13.8%
Styrelsen for Institutioner og Uddannelsesstøtte	512,014	3.5%
Helida Invest ApS	384,501	2.6%
Other shareholders	4,657,612	32%
In total	**14,606,891**	**100.0%**

To the Company's knowledge, there are no existing shareholders' agreements or other agreements between the shareholders of the Company aiming at exercising a collective influence over the Company. The Company is furthermore not aware of any agreements or equivalents that may result in a change of control of the Company.

B.7 *Selected historical financial information*

Unless otherwise stated, the selected historical financial information presented below has been derived from: (i) Ascelia´s audited consolidated financial statements of the Group as of and for the financial years ended on 30 June 2018 and 30 June 2017, which have been prepared in accordance with the International Financial Reporting Standards as they have been adopted by the EU ("**IFRS**"), as well as interpretations of International Financial Reporting Interpretations Committee ("**IFRIC**"), and audited by Ascelia´s independent auditors, as has been stated in their audit reports included therewith (the "**Audited Financial Statements for the Group**"), (ii) Ascelia´s audited financial statements for the parent company as of and for the financial year ended on 30 June 2018 and 30 June 2017, which have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Financial Reporting Board's recommendation RFR 2, *Accounting for legal entities* and audited by Ascelia´s independent auditors as stated in their audit reports included therewith (the "**Audited Financial Statements for the Parent Company**"), and (iii) Ascelia´s unaudited condensed consolidated financial information for the Group, which has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and reviewed by Ascelia´s independent auditors as stated in the review report included therewith as of and for the six-month period ended on 31 December 2018 (with unaudited and unreviewed comparative figures as of and for the six-month period ended on 31 December 2017), (the "**Unaudited Financial Information for the Group**").

The Ascelia Group was established on 30 June 2017 at the end of the day through the acquisition of Oncoral Pharma ApS. No business events affecting the Group´s income statement took place post-acquisition on that date. Hence, the consolidated income statement for Ascelia for the financial year ended 30 June 2017 presented in this section only includes one day. Therefore, the parent company's income statement and cash flow statement for the financial year ended 30 June 2017, are also presented in this section to provide the reader with a more comprehensive view of the financial information for the period in question. The accounting principles of the parent company are consistent in all material respects with the accounting principles of the Group.

The Prospectus contains certain key performance measures that have not been defined in accordance with IFRS, the Swedish Annual accounts act (1995:1554) and/ or the Financial Reporting Board's recommendation RFR 2, *Accounting for legal entities*. The Company considers these performance measures to be an important complement since they enable a better evaluation of the Company´s economic trends. The Company believes that these alternative performance measures give a better understanding of the Company´s financial development and that such key performance measures contain additional information to the investors to those performance measures already defined by IFRS, the Swedish Annual Accounts Act (1995:1554) and/or the Financial Reporting Board's recommendation RFR 2, *Accounting for legal entities*. Furthermore, the key performance measures are widely used by the management in order to assess the financial development of the Company. These financial key performance measures should not be viewed in isolation and should not be considered a substitute for amounts reported in accordance with IFRS, the Swedish Annual Accounts Act (1995:1554) and/ or the Financial Reporting Board's recommendation RFR 2, *Accounting for legal entities*. Furthermore, such key performance measures, as the Company has defined them, should not be compared to other key performance measures with similar names used by other companies. This is due to the fact that the above-mentioned key performance measures are not always defined identically by other companies.

B.7 *Selected historical financial information, cont.*

SELECTED CONSOLIDATED INCOME STATEMENT DATA FOR THE GROUP

	H1 1 July–31 December		Full year 1 July–30 June	
SEK in thousands	**2018[1)]**	**2017[1)]**	**2017/2018[2)]**	**2016/2017[2)]**
Net sales	–	–	–	–
Gross profit/loss	**–**	**–**	**–**	**–**
Other operating income	46	703	1,062	–
Administrative expenses	–4,798	–8,604	–16,366	–
Research and development expenses	–6,369	–4,200	–9,367	–
Other operating expenses	–69	–22	–42	–
Operating result	**–11,190**	**–12,123**	**–24,713**	**–**
Financial income	–	33	10	–
Financial expenses	–26	–12	–39	–
Net financial items	**–26**	**21**	**–30**	**–**
Loss before tax	**–11,216**	**–12,102**	**–24,743**	**–**
Tax	213	–	351	–
Loss for the period	**–11,003**	**–12,102**	**–24,392**	**–**
Attributable to:				–
Owners of the parent company	–11,003	–12,102	–24,392	–
Non-controlling interest	–	–	–	–
Earnings per share				
Before and after dilution (SEK)	–0.75	–1.08	–2.12	–

1) Derived from the Unaudited Financial Information for the Group.
2) Derived from the Audited Financial Statements for the Group (which, as regards the financial year ended 30 June 2017, only includes 30 June 2017, the date when the Group was established).

B.7 *Selected historical financial information, cont.*

SELECTED CONSOLIDATED BALANCE SHEET DATA FOR THE GROUP

SEK in thousands	31 Dec 2018[1)]	31 Dec 2017[1)]	30 June 2018[2)]	30 June 2017[2)]
ASSETS				
Intangible assets	57,064	57,057	57,066	57,057
Tangible assets	–	–	–	–
Financial investments	1	1	1	1
Long-term receivables	–	47	–	47
Total non-current assets	**57,065**	**57,105**	**57,067**	**57,105**
Income tax receivables	613	67	507	67
Prepaid expenses and accrued income	4,622	4,802	2,955	1,196
Receivables with shareholders	–	–	–	20,025
Other receivables	1,053	2,093	557	372
Cash and cash equivalents	42,111	6,744	55,063	1,627
Total current assets	**48,399**	**13,706**	**59,082**	**23,287**
TOTAL ASSETS	**105,463**	**70,811**	**116,149**	**80,392**
EQUITY				
Share capital	**14,607**	11,249	14,607	11,249
Other paid-in capital	**213,700**	162,665	213,700	162,665
Loss brought forward including loss for the period	**–127,290**	–105,822	–116,577	–96,313
Equity attributable to parent company shareholders	**101,016**	**68,092**	**111,730**	**77,601**
TOTAL EQUITY	**101,016**	**68,092**	**111,730**	**77,601**
LIABILITIES				
Trade payables	611	708	634	643
Other liabilities	353	205	880	13
Accrued expenses and deferred income	3,482	1,806	2,905	2,135
Total current liabilities	**4,447**	**2,719**	**4,419**	**2,791**
TOTAL LIABILITIES	**4,447**	**2,719**	**4,419**	**2,791**
TOTAL EQUITY AND LIABILITIES	**105,463**	**70,811**	**116,149**	**80,392**

1) Derived from the Unaudited Financial Information for the Group.
2) Derived from the Audited Financial Statements for the Group.

B.7 *Selected historical financial information, cont.*

SELECTED CONSOLIDATED STATEMENT OF CASH FLOWS DATA FOR THE GROUP

	H1 1 July–31 December		Full year 1 July–30 June	
SEK in thousands	**2018[1)]**	**2017[1)]**	**2017/2018[2)]**	**2016/2017[2)]**
Operating activities				
Loss before tax	–11,216	–12,102	–24,743	–
Expensed share based remuneration	680	3,260	4,454	–
Adjustment for items not included in cash flow	–847	–472	692	695
Income tax paid	–	–	–	–
Cash flow before changes in working capital	**–11,382**	**–9,314**	**–19,597**	**695**
Cash flow from changes in working capital				
Increase (–)/Decrease (+) of operating receivables	–2,188	–4,598	–1,225	–
Increase (+)/Decrease (–) of trade payables	71	41	–46	–
Increase (+)/Decrease (–) of other liabilities	548	–1,012	–90	–
Cash flow used in operating activities	**–12,952**	**–14,883**	**–20,958**	**695**
Investing activities				
Acquisition of subsidiary	–	–	–	932
Cash flow from investing activities	**–**	**–**	**–**	**932**
Financing activities				
Gross proceeds	–	20,000	80,436	–
Issuance costs	–	–	–6,044	–
Cash flow from financing activities	**–**	**20,000**	**74,393**	**–**
Cash flow for the period	–12,952	5,117	53,435	1,627
Cash and cash equivalents at the beginning of the period	55,063	1,627	1,627	–
Cash and cash equivalents at the end of the period	**42,111**	**6,744**	**55,063**	**1,627**

1) Derived from the Unaudited Financial Information for the Group.
2) Derived from the Audited Financial Statements for the Group (which, as regards the financial year ended 30 June 2017, only includes 30 June 2017, the date when the Group was established).

B.7 *Selected historical financial information, cont.*

SELECTED INCOME STATEMENT DATA FOR THE PARENT COMPANY

SEK in thousands	Full year 1 July–30 June 2017/2018[1)]	2016/2017[1)]
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 loss	**–23,162**	**–7,325**
Profit/loss from financial items		
Other interest income and similar profit	60	1
Interest expense and similar profit/loss items	–39	–352
Loss after financial items	**–23,140**	**–7,676**
Loss before tax	**–23,140**	**–7,676**
Tax	–	–
Loss for the period	**–23,140**	**–7,676**

1) Derived from the Audited Financial Statements for the Parent Company.

SELECTED STATEMENT OF CASH FLOWS DATA FOR THE PARENT COMPANY

SEK in thousands	Full year 1 July–30 June 2017/2018[1)]	2016/2017[1)]
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 from operating activities before changes in working capital	**–18,012**	**–7,361**
Cash flow from working capital changes		
Increase (–)/Decrease (+) of operating receivables	–1,287	336
Increase (+)/Decrease (–) in trade payables	–54	980
Increase (+)/Decrease (–) of other liabilities	65	–
Cash 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 year	53,097	–4,588
Cash and cash equivalents at the beginning of the year	695	5,283
Cash and bank balances at the end of the year	**53,792**	**695**

1) Derived from the Audited Financial Statements for the Parent Company.

B.7 *Selected historical financial information, cont.*

KEY PERFORMANCE MEASURES FOR THE GROUP

SEK in thousands	H1 1 July–31 December 2018[1]	H1 1 July–31 December 2017[1]	Full year 1 July–30 June 2017/2018[2]	Full year 1 July–30 June 2016/2017[2]
Average number of employees[3]	4	4	4	3
Equity at the end of period (SEK in thousands)[4]	101,016	68,092	111,730	77,601
Cash and cash equivalents at the end of period (SEK in thousands)[4]	42,111	6,744	55,063	1,627
Operating result (SEK in thousands)[4]	–11,190	–12,123	–24,713	–
Earnings per share before and after dilution (SEK)[4]	–0.75	–1.08	–2.12	–
Weighted average number of common shares, before and after dilution[4]	14,606,891	11,249,314	11,518,832	–
Research and development expenses (SEK in thousands)[4]	–6,369	–4,200	–9,367	–
Research and development expenses/ operating costs (%)[3]	57%	33%	36%	–

1) Key performance measure derived from the Unaudited Financial Information for the Group.
2) Derived from the Audited Financial Statements for the Group.
3) Key performance measure not defined according to IFRS. The key performance measure is neither audited nor reviewed.
4) Key performance measure defined according to IFRS.

KEY PERFORMANCE MEASURES FOR THE PARENT COMPANY

	Full year 1 July–30 June 2017/2018[5]	Full year 1 July–30 June 2016/2017[5]
Average number of employees[6]	4	3
Equity at the end of period (SEK in thousands)[6]	112,775	77,601
Cash and bank balances at the end of period (SEK in thousands)[6]	53,792	695
Operating loss (SEK in thousands)[7]	–23,162	–7,325
Loss per share before and after dilution (SEK)[6][8]	–2.01	–10.13
Weighted average number of common shares, before and after dilution[6][8]	11,518,832	1,285,715
Research and development expenses (SEK in thousands)[6]	–7,448	–4,364
Research and development expenses/ operating costs (%)[7]	31%	60%

5) The following key performance measures are derived from Ascelia´s internal report system: research- and development expenses/ operating costs (%). All other key performance measures are derived from the Audited Financial Statements for the Parent Company.
6) Key performance measure defined according to the Swedish Annual Accounts Act (1995:1554) and/or the Financial Reporting Board's recommendation RFR 2, *Accounting for legal entities.*
7) Key performance measure not defined according to the Swedish Annual Accounts Act (1995:1554) and/or the Financial Reporting Board's recommendation RFR 2, *Accounting for legal entities.*
8) Loss per share before and after dilution is based on the number of common shares only without taking into consideration preference shares.

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures	Definition	Aim
Operating loss (SEK in thousands)	Loss before financial items and tax.	The performance measure shows the Company's operational performance.
Research and development expenses/operating costs (%)	The research and development expenses in relation to operating costs (consisting of the sum of administrative expenses, research and development expenses 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.

B.7	*Selected historical financial information, cont.*	**SIGNIFICANT EVENTS DURING THE PERIOD OF THE SELECTED HISTORICAL FINANCIAL INFORMATION** During the period 1 July 2016–31 December 2018, the following events have entailed significant changes in Ascelia's financial position: • In June 2017, Ascelia completed the acquisition of the subsidiary Oncoral Pharma ApS through an issue in kind and, in connection with the acquisition, completed a cash issue that provided proceeds of SEK 20 million. • In May 2018, Ascelia completed a directed cash issue that provided a proceeds of SEK 55 million after issue expenses. • During the financial year 1 July 2017–30 June 2018, Ascelia incurred costs of SEK 4.45 million related to incentive programs. **SIGNIFICANT EVENTS AFTER 31 DECEMBER 2018** After 31 December 2018, no events have occurred that have entailed any significant changes in the Company's financial position or market position.
B.8	*Pro forma financial information*	Not applicable. The Prospectus does not contain any pro forma financial information.
B.9	*Profit forecast*	Not applicable. The Prospectus does not contain any profit forecast or calculation of expected earnings.
B.10	*Remarks in the audit report*	Not applicable. There are no remarks in the auditor's reports for the historical financial information covered by the Prospectus.
B.11	*Working capital*	The board of directors is of the opinion that its existing working capital is insufficient in order to cover the Company´s financial needs for the upcoming twelve months. Working capital, in this regard, refers to the Company's access to liquid funds in order to fulfill its payment obligations as they fall due, if the planned development activities are carried out. The Company's working capital need is primarily related to the planned Phase III development program for Mangoral, which is expected to start in 2019 and to be completed in late 2020. As per the date of the Prospectus, the Company's available cash amounts to SEK 38.50 million. The Company assesses that the working capital need for the upcoming twelve months amounts to approximately SEK 65 million and that the existing working capital will be consumed during the fourth quarter of 2019. However, for ethical reasons initiated clinical studies must be carried through to until clinical results have been achieved, which means that the shortest funding period relevant for the Company exceeds twelve months. The Company intends to fund the projected working capital deficit through the proceeds raised in the new share issue which will be carried out in connection with the listing on Nasdaq Stockholm. Provided that the Offering is fully subscribed, the net proceeds from the Offering together with cash at hand are estimated to be sufficient in order to finalize clinical development of Mangoral, apply for marketing approval in the United States and the EU/EEA and to initiate commercial planning for Mangoral, as well as preparations for Oncoral's planned Phase II study. In light of the Company´s working capital requirement, the board of directors has decided to condition the Offering upon it generating at least SEK 125 million after issue expenses. This level is considered necessary in order to secure the working capital requirement for the coming twelve months as well as to give the Company sufficient working capital to finance the planned clinical Phase III trial for Mangoral. If the required subscription rate is not achieved, the Offering will be withdrawn and the subsequent listing on Nasdaq Stockholm will not take place. In that case, the Company will seek alternative means of funding for the development of Mangoral and, if necessary to ensure the Company´s financial position, change the Company's long-term strategy and by reducing costs.

SECTION C – SECURITIES		
C.1	*Securities offered*	Shares in Ascelia Pharma AB (ISIN SE0010573113).
C.2	*Currency*	The shares are denominated in SEK.
C.3	*Shares issued*	As per the date of the Prospectus, the Company's share capital is SEK 14,606,891, represented by 14,606,891 shares, each with a quota value of SEK 1. The Company has only one share class. All shares have been fully paid.
C.4	*Rights associated with the securities*	Each share entitles the holder to one vote at the general meeting and every shareholder is entitled to vote with the full number of shares owned and represented by him or her. If the Company decides to issue new shares, warrants or convertible bonds by means of a new share issue for cash or offset issue, the shareholders will, as a general rule, have preferential subscription rights in proportion to the number of shares they already own. All shares provide equal rights to the Company's profits and to any surplus in the event of liquidation. Decisions to pay dividends will be made by the general meeting and payment will be arranged by Euroclear Sweden AB. The right to receive dividend payment belongs to the person who is registered as a holder of shares in the share register kept by Euroclear Sweden AB on the dividend record day as determined by the general meeting.

C.5	*Transferability restrictions*	Not applicable. The shares are not subject to any restrictions on their free transferability.
C.6	*Admission for trading on a regulated market*	On 24 January 2019, Nasdaq Stockholm's listing committee announced that the Company fulfills Nasdaq Stockholm's listing requirements, subject to certain conditions and customary requirements, such as that the dispersion requirements in respect of the Company's shares are fulfilled. Based on this assessment, the Company intends to apply for listing of the Company's shares on Nasdaq Stockholm with planned first day of trading on or around 13 March 2019.
C.7	*Dividend policy*	Up to now, Ascelia has not paid any dividends and Ascelia's intention is to continue to focus on further development and expansion of the Company's 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 Company's long-term strategy. Hence, the board of directors' intention is not to propose a dividend to shareholders before the Company 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 the Company'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 the Company's objectives, scope and risk.

SECTION D – RISKS		
D.1	*Principal risks related to the Company and the industry*	Ascelia are subject to a number of risks that are wholly or partially beyond Ascelia's control which affects or may affect Ascelia's operations, results, financial position and future perspectives. The following risk factors, described in no particular order, and without any claim to be comprehensive, are considered to be the principal risks for Ascelia's future development: • Ascelia is exposed to changes in global macroeconomic conditions which, if they are unfavorable, could negatively affect the pharmaceutical industry and the demand for pharmaceutical products. • Ascelia has not yet taken a product to the market and is currently dependent on the further development and the successful commercialization of two drug candidates, and there is a risk that the Company is unable to add additional drug candidates to its portfolio in the future. • Ascelia's business operations are subject to legislation and regulations, and failure to comply with current and future requirements could have a negative adverse effect on the Company's operations. • Conducting clinical studies is associated with several risks that can lead to delays, increased costs or even the termination of clinical studies. • Clinical studies may produce disadvantageous results which could lead to increased costs, delays or suspending the studies, and results from previous clinical studies do not necessarily guarantee the corresponding results in future studies. • The successful commercialization of Ascelia's drug candidates depends on a number of factors, including market acceptance, collaboration partners and the Company's ability to develop a sales and marketing infrastructure. • There is a risk that the orphan drug designation granted for Mangoral may be revoked prior to market approval, and that Oncoral is not granted orphan drug designation. • Ascelia's business operations are subject to a number of product liability risks associated with pharmaceutical development. • Insufficient protection of Ascelia's intellectual property rights and other similar protection, know-how and trade secrets could adversely affect the Company's business operations. • Ascelia has incurred losses each year since its formation and the Company may therefore require additional funding if it cannot generate revenue in the future.
D.3	*Principal risks related to securities*	Investments in securities are associated with risks. Such risks may cause the price of the Company's shares to fall significantly, and that investors may lose all or parts of their investment. Principal risks deemed relevant for Ascelia's shares, and described in no particular order, are risks related to the following: • Share ownership is inherently associated with a certain amount of risk and since the value of the Company's share can fluctuate due to various reasons, many of which are beyond the control of the Company, there is a risk that investors will not get back the capital invested. • There is a risk that any future dividend payments from Ascelia may vary or not occur at all. • Significant sales of shares which are made by major shareholders, as well as a general market expectation that further sales will be carried out, could have a negative effect on the price of the Company's shares. • Utilization of warrants or potential future share issues may lead to that shareholders have their ownership interests diluted. • There is a risk that subscription undertakings cannot be fulfilled due to the fact that they are subject to certain conditions and are not secured by bank guarantees, pledges, blocked funds or similar arrangements.

SECTION E – THE OFFERING		
E.1	*Proceeds and costs relating to the Offering*	The Offering will, if fully subscribed, provide Ascelia with SEK 200 million, prior to transaction costs. The Company's expenses for the Offering and the listing on Nasdaq Stockholm are expected to a maximum of approximately SEK 15 million.
E.2a	*Reasons for the Offering*	The Company has conducted six Phase I and II clinical studies on its magnetic resonance imaging ("**MRI**") drug candidate, Mangoral®. In 2011, Ascelia decided to refocus the development of Mangoral to specifically target patients with severe renal insufficiency in need of a liver MRI. These groups are at risk of Nephrogenic Systemic Fibrosis ("**NSF**"), a serious and potentially fatal condition caused by prolonged exposure to gadolinium-based contrast agents ("**GBCA**"), the current standard for MRI contrast agents. In the following years, several important regulatory and commercial milestones have been met, thus validating this strategy. Ascelia's lead candidate, Mangoral, is a Phase III-ready asset and the clinical Phase III development is planned to be initiated during the second half of 2019. The drug candidate is a targeted contrast agent for diagnostic MRI to facilitate the visualization of focal liver lesions in patients with known or suspected focal liver lesions and severe renal insufficiency (impaired kidney function). The target population is patients with impaired kidney function where the use of GBCA may be medically inadvisable or cannot be administered. Mangoral has received Orphan Drug Designation by the FDA for use in this patient segment and the Company estimates that the addressable market amounts to USD 350–500 million. Studies have shown that early detection and surgical removal of liver metastases in colorectal cancer patients can increase the five-year survival rate to 46 percent whereas a similar patient group on the best possible drug treatment had only a 6 percent five-year survival rate. There are currently no FDA or EMA approved, non-gadolinium MRI contrast agents on the market, meaning that there are no competing products with Mangoral's properties. Six Phase I and Phase II clinical studies on Mangoral have been completed without any significant safety concerns. The studies have provided strong support for Mangoral as an effective liver specific non-gadolinium MRI contrast agent. Ascelia has established a development program for Mangoral, consisting of a pivotal Phase III efficacy study which is to include up to 200 patients and two supportive studies. Oncoral is a novel tablet formulation of the well-known chemotherapeutic agent irinotecan with an established mode of action . The tablet is intended for the treatment of advanced gastric (stomach) cancer which is considered an orphan drug indication by the FDA and EMA and has an addressable market of USD 2 billion which is expected to surpass USD 4 billion in 2022. Irinotecan administered intravenously has proven anti-tumor effect and is approved for combination use in a number of solid cancer indications. In 2018, Oncoral finalized an investigator sponsored Phase I clinical study. Ascelia believes that Oncoral has the potential to be combined with other chemotherapies and targeted cancer drugs resulting in novel, efficient, well tolerable and patient friendly regimens. The clinical development strategy for Oncoral is to obtain Phase II data and then to partner for the further development, market authorization and commercialization. Ascelia plans to initiate the operational activities of the Phase III clinical development program for Mangoral during the second half of 2019 which will require significant investment. The costs for completing the clinical development program for Mangoral, completing registration for marketing approval in the United States and the EU/EEA as well as commercialization preparations are expected to amount to approximately SEK 170–180 million, based on the Company's long-term strategy and current conditions. Moreover, the costs for preparations for Oncoral's Phase II study during the same period are expected to amount to approximately SEK 5–10 million. Based on the above, the Company's board of directors assesses that the Company's existing working capital is insufficient in order to cover the Company´s financial needs for the upcoming twelve months. As per the date of the Prospectus, the Company's available cash amounts to SEK 38.50 million. The Company assesses that the working capital requirements for the upcoming twelve months amounts to approximately SEK 65 million and that existing working capital will be consumed during the fourth quarter of 2019. To secure financing for the further clinical development of Mangoral and other operational activities and to fund the projected working capital deficit, the Company has decided to carry out a new share issue in connection with the listing of its shares on Nasdaq Stockholm. If the Offering is fully subscribed the net proceeds are estimated to be approximately SEK 185 million. If the Over-allotment option is fully exercised, the net proceeds are estimated to be approximately SEK 212 million. The Company intends to use the net proceeds with the approximate percentage, and in the order of priority, as indicated below: • 80 percent; The implementation of the pivotal clinical Phase III study for Mangoral and application for marketing approval in the United States and the EU/EEA. • 10–20 percent; Commercialization planning for Mangoral. • 5–10 percent; Preparations for Oncoral's Phase II study.

E.2a	*Reasons for the Offering, cont.*	Assuming that the Offering is fully subscribed, the net proceeds from the Offering in combination with current liquid funds are estimated to be sufficient to finalize clinical development of Mangoral, apply for marketing approval in the United States and the EU/EEA and to initiate commercial planning, as well as preparations for Oncoral's Phase II study. In light of the Company´s working capital requirement, the board of directors has decided to condition the Offering upon it generating at least SEK 125 million after issue expenses. This level is considered necessary in order to secure the working capital requirement for the coming twelve months as well as to give the Company sufficient working capital to finance the planned clinical Phase III trial for Mangoral. If the required subscription rate is not achieved, the Offering will be withdrawn and the subsequent listing on Nasdaq Stockholm will not take place. In that case, the Company will seek alternative means of funding for the development of Mangoral and if necessary to ensure the Company´s financial position, change the Company's long-term strategy and by reducing costs.
E.3	*Terms and conditions of the Offering*	**The Offering** The Offering is directed at the general public in Sweden and Denmark and to institutional investors in Sweden and abroad. The Offering includes 8,000,000 newly issued shares in the Company, corresponding to 35.4 percent of the total number of shares after the completion of the Offering. **Offering price** The price in the Offering has been set to SEK 25 per share by the board of directors of the Company in consultation with Vator Securities. No commission will be charged. **Over-allotment option** To be able to cover potential over-allotment in connection with the Offering, the Company has undertaken, upon request from Erik Penser Bank, to issue up to an additional 1,200,00 new shares, corresponding to a maximum of 15 percent of the total number of shares in the Offering, at a price equal to the price in the Offering (the "**Over-allotment option**"). **Application period and application** Application for subscription of shares in the Offering to the general public in Sweden and Denmark and for institutional investors shall be made during the period 21 February–5 March 2019. The Company reserves the right to prolong the period of application. Such prolongation will be announced by means of a press release before the expiration of the application period. **Allotment** Decision on allotment is made by the board of directors of the Company in consultation with Vator Securities. **Settlement date** Planned settlement date is 11 March 2019. **Conditions for completion of the Offering** The Offering is conditional upon no circumstances arising that are deemed to significantly impede the completion of the Offering. Such circumstances may, for example, be of an economic, financial or political nature, and may relate to circumstances in Sweden or abroad, as well as the Company's Board of Directors deeming the interest for participating in the Offering to be insufficient. The Offering is also conditional upon the fulfillment of Nasdaq Stockholm's dispersion requirements. The Offering is furthermore conditional upon the Offering generating at least SEK 125 million after issue expenses. The Offering can thus be withdrawn until the settlement date on 11 March 2019.
E.4	*Interests and conflicts of interest*	Vator Securities provides financial advice and other services to the Company in connection with the Offering. Erik Penser Bank is issuer agent for the Company in connection with the Offering. Neither Vator Securities nor Erik Penser Bank own any shares in the Company and will not achieve any other financial gains from the Company other than previously agreed fees for their services.
E.5	*Lock-up agreements*	Existing shareholders have undertaken not to sell their respective holdings during a period starting from the first day of trading on Nasdaq Stockholm (the "**Lock-up Period**"). The undertaking does not apply for shares that are acquired in the Offering or thereafter. In total, approximately 61.4 percent of the shares in the Company after the Offering's completion are covered, assuming that the Offering is fully subscribed and that the Over-allotment option is exercised in full. For board members and senior management who are shareholders and shareholders who own more than 1 percent, the Lock-up Period is 365 days. For shareholders who own 1 percent or less, the Lock-up Period is 90 days. Vator Securities may discretionary grant exceptions from said undertakings.
E.6	*Dilution*	The Offering includes 8,000,000 newly issued shares in the Company. If the Offering is fully subscribed and the Over-allotment option is not exercised, the Company's share capital will increase with SEK 8,000,000 corresponding to a dilution of approximately 35.4 percent. If the Over-allotment option is fully exercised, the Offering will under the same circumstances consist of 1,200,000 additional newly issued shares, causing the total number of shares to increase to 23,806,891, corresponding to a total dilution of approximately 38.6 percent.
E.7	*Costs for the investor*	Not applicable. No costs will be imposed on investors in the Offering.

RISK FACTORS

An investment in Ascelia's shares is associated with various risks. There are a number of factors that affect, or could affect, the Company's operations, earnings and/or financial position, both directly and indirectly. Described below, in no particular order and with no claim to be exhaustive, are some of the risk factors and significant circumstances considered to be material for the Company's operations and future development. The risks described below are not the only risks to which the Company and its shareholders may be exposed. Additional risks that are currently unknown to the Company or which the Company currently considers to be immaterial may also adversely impact the Company's operations, earnings and/or financial position. Such risks could also cause the price of the Company's shares to fall significantly and investors risk losing part or all of their investment. In addition to carefully considering this section, investors should also fully consider the other information in the Prospectus before considering a possible investment decision regarding the Company's shares.

The Prospectus contains forward-looking statements that may be affected by future events, risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements for a variety of factors, some of which are beyond the Company's control.

RISKS RELATED TO THE COMPANY AND THE INDUSTRY

Ascelia is exposed to changes in global macroeconomic conditions which, if they are unfavorable, could negatively affect the pharmaceutical industry and the demand for pharmaceutical products.

The general demand for pharmaceuticals is affected by various macroeconomic factors and trends, including inflation, deflation, recession, trade barriers, currency fluctuations and changes in the purchasing power of healthcare payers. An economic downturn in the United States, the EU/EEA or other relevant markets, or any other uncertainty regarding the economic development and outlook, could for example put pressure on healthcare payers resulting in a lower willingness to pay for pharmaceutical products. The demand for pharmaceutical products is also affected by the political development in relevant markets. Several initiatives to curb rising pharmaceutical costs have been or are being implemented in the United States and in the EU/EEA, as well as in other relevant markets, which could affect future sales for pharmaceutical companies, including Ascelia. Such measures are expected to continue and could result in lower reimbursement levels or other significant changes in reimbursement systems. Accordingly, there is a risk that the pricing of the Company's future products may be lower than what the Company anticipates, which could affect the Company's future earnings prospects.

Any negative development in economic, financial or political conditions such as the above-mentioned could have material adverse effects on the Company's operation, financial position and earnings.

Ascelia has not yet taken a product to the market and is currently dependent on the further development and the successful commercialization of two drug candidates.

The Company is currently developing two drug candidates, Mangoral® and Oncoral, both of which are in clinical development. Both Mangoral and Oncoral will require further studies and clinical development before they can be taken into commercial development and there is always a risk that the further development of the drug candidates will not lead to successful commercialization. Ascelia is currently planning to obtain market authorization for Mangoral and Oncoral in the United States and in the EU/EEA if and when the Company completes the clinical development for each respective drug candidate. The Company has not yet completed the clinical development or registration of any pharmaceutical, and has consequently not started the sales of, or received revenues from, any approved pharmaceutical products. The Company has invested significant resources in the development of Mangoral and Oncoral and is dependent on the generation of positive results from upcoming clinical studies and the successful commercialization of its drug candidates in order to finance its operations in the long term. Therefore, setbacks during the development of Mangoral or Oncoral, e.g. delays, rejections or negative, unclear or insufficient results from clinical studies, as well as sales and marketing efforts being insufficient or competing products entering the market, could have material adverse effects on the Company's operations, financial position and earnings.

A part of Ascelia's strategy is to identify and acquire drug candidates from third parties and therefor there is a risk that the Company is unable to add additional drug candidates to its portfolio in the future.
Ascelia's strategy includes identifying and acquiring or in-licensing differentiated and de-risked drug candidates addressing unmet medical needs with potential for orphan drug designation in cancer and cancer-related diseases. As the strategy focuses on development and commercialization of drug candidates, the Company does not conduct any drug discovery activities of its own. For Ascelia to grow and become profitable in the long-term, the Company may need to acquire or license additional drug candidates to expand its portfolio. There is a risk that the Company is unable to identify suitable drug candidates, or that the Company is unable to reach agreements on acceptable or favorable terms with the developers of such drug candidates, or otherwise is unable to expand its portfolio as needed, which could have material adverse effects on the Company's operations, financial position and earnings.

Ascelia's business operations are subject to legislation and regulations regarding drug development, and failure to comply with current and future requirements could have a negative adverse effect on the Company's operations.
Development, manufacturing, marketing and sales of pharmaceuticals is generally associated with a high burden of regulatory compliance. If the Company is unable to obtain and maintain relevant approvals, it could have material adverse effects on the Company's business operations.

Ascelia's business operations are subject to regulatory requirements in relevant markets, including the United States and the EU/EEA. Obtaining necessary approvals and registration from e.g. the US Food and Pharmaceutical Administration ("**FDA**") in the United States and the European Medicines Agency ("**EMA**") in the EU/EEA, may be expensive and time-consuming and the Company is required, and will continue to be required, to devote significant resources into regulatory compliance. There is always a risk that these requirements will not be met, or that the Company's regulatory activities become more expensive and time-consuming than anticipated. Furthermore, different authorities do not necessarily apply the same requirements or interpretations which for example means that an approval granted in one jurisdiction does not guarantee that the corresponding approval will be granted in another jurisdiction.

Current laws and regulations for pharmaceutical development may change in the future, which could lead to an increased regulatory burden for the Company, or that the Company is unable to comply with new standards. In the same way, current guidelines and interpretations by regulatory authorities may also change or be reinterpreted which could affect the Company's operations and lead to increased demands for e.g. clinical studies, documentation obligations and limitations or revocation of granted authorizations or registrations. Failure to obtain and maintain necessary regulatory approvals could lead to significant delays, increased costs or even the suspension of development projects, which could have material adverse effects on the Company's operations, financial position and earnings. In addition, the Company's interpretation of guidelines and standards may prove to be inconsistent with those of regulatory authorities.

If Ascelia successfully commercializes any of its drug candidates, the Company as well as third-party manufacturers contracted by the Company, will be obliged to comply with certain regulatory requirements for approved drugs, such as requirements regarding safety reporting, manufacturing and supervision of the marketing of pharmaceuticals. Production facilities are regularly inspected by authorities, which could lead to remarks or new requirements on the manufacturing process. If the Company or its contracted parties fail to meet these requirements, previously granted authorizations may be restricted or revoked. In addition, sanctions such as fines, confiscation of products, restrictions or criminal sanctions could be imposed. If this would to occur, it could have material adverse effects on the Company's operations, financial position and earnings.

Conducting clinical studies is associated with several risks that can lead to delays, increased costs or even the termination of clinical studies.
Clinical studies, i.e. studies with human participants, are a central part of pharmaceutical development. Before a pharmaceutical can be launched on the market, the developer must conduct clinical studies to verify the efficacy and safety profile of the drug candidate. The Company's drug candidate Mangoral has undergone clinical Phase II studies and the Company is currently planning to initiate a registration-based Phase III clinical study. The drug candidate Oncoral has recently undergone a Phase I clinical study.

Clinical studies are generally costly and time-consuming and associated with several risks, such as finding suitable study locations and difficulties in finding third-party suppliers of substances and other materials needed to conduct the study as well as difficulties in recruiting patients to the requisite extent needed to conduct the study. As an example, the planned clinical Phase III study for Mangoral will require the enrolment of approximately 200 patients. Other risks are that costs may exceed the budget, patients experiencing unanticipated side effects and inadequacies in the execution of the clinical studies.

There are also risks of delays in the performance of clinical studies due to circumstances that the Company has difficulties controlling, or is unable to control. Such delays can occur for a variety of reasons, including delays in obtaining regulatory approval to commence a study, reaching agreements on acceptable terms with prospective contract research organizations and clinical investigational sites, contracted suppliers not performing their services satisfactory, obtaining institutional review board approval, having difficulties in enrolling patients, patients failing to complete a study or return for follow-up, adding new sites, clinical sites dropping out of a study or having difficulties in obtaining sufficient supplies of clinical study materials.

If delays persist, there is a risk that studies eventually are suspended or terminated prematurely if the measures required for conducting the studies further are deemed too costly or extensive in relation to the scope and goals of the studies.

The abovementioned risks can lead to increased costs, interruptions, delays or even the suspension of a study, which could have material adverse effects on the Company's operations, financial position and earnings.

Clinical studies may produce disadvantageous results which could lead to increased costs, delays or suspending the studies, and results from previous clinical studies do not necessarily guarantee corresponding results in future studies.
Negative, disadvantageous or otherwise unanticipated or unwanted results may lead to increased costs, delays, interruptions, the requirement of additional studies, or even the termination of clinical studies. If clinical studies cannot demonstrate the required safety, efficacy and/or clinical benefit for the prospective indication the study is aimed at, the Company might not be able to obtain market approval which could delay or jeopardize the Company's ability to develop, market and sell the drug candidate being studied.

Positive results from previous studies conducted do not guarantee corresponding results in future studies. At any stage of development, based on review of available preclinical and clinical data, the estimated costs of continued development, market considerations and/or other factors, the Company may discontinue the development of a drug candidate. Furthermore, with respect to the clinical studies conducted by third parties, the Company may have less control over their timing or outcome.

If the above-mentioned risks were to materialize, it could have material adverse effects on the Company's operations, financial position and earnings.

The successful commercialization of Ascelia's drug candidates depends on a number of factors, including market acceptance, collaboration partners and the Company's ability to develop a sales and marketing infrastructure.
Regulatory approval of a pharmaceutical does not guarantee that the pharmaceutical will have commercial success. The level of market acceptance and sales of a pharmaceutical depends on a number of factors, many of which are beyond the Company's control, including: the pharmaceutical's properties, acceptance by physicians, patients and healthcare payers of the product as a safe and effective treatment, clinical documentation and results, competing products on the market, perceived advantages over competing treatments, prevalence and severity of adverse side effects, availability, labeling, pricing as well as subsidization and reimbursement options. There is a risk that a drug candidate that has gained market approval, does not reach the desired level of acceptance from physicians, patients, healthcare payers and the medical community in general, which could prevent the Company from generating revenue or becoming profitable. There is also the possibility that researchers find a way in which Gadolinium Based Contrast Agents ("**GBCA**") can be used in a way that does not create a substantial risk of Nephrogenic Systemic Fibrosis ("**NFS**") for patients with severely reduced renal function, which could affect the Company's commercialization and sales possibilities for Mangoral as an alternative to GBCAs.

The level of market acceptance is also affected by sales and marketing efforts made by the Company and its potential collaboration partners. The Company intends to commercialize its drug candidates mainly through collaborations with third parties or by itself developing and commercializing the drug candidates in relevant markets.

If the Company chooses to commercialize its products candidates through collaboration partners, revenues may consist of milestone payments or sales-based royalties, which are subject to the continued clinical development and future sales of the drug candidate. All such revenues are dependent on the positive development of the drug candidate and reaching agreed milestones, as well as the volumes of future sales of marketed products. There is a risk that the Company will not succeed in finding suitable collaboration partners for commercialization, or that the Company does not succeed to enter into collaboration agreements on satisfactory terms. Collaboration partners could also fail to fulfil their obligations or otherwise be unable to succeed with the marketing of the product, which would negatively affect the Company's revenues.

If Ascelia chooses to commercialize a drug candidate without collaborating with third parties, the Company must establish and maintain an own sales and marketing infrastructure which would require substantial financial and organizational resources. There is a risk that the Company is not able to establish a sufficient in-house sales and marketing organization, or that the process of establishing such organization becomes more costly and time-consuming than expected. There is also a risk that the Company is not able to grow in order to meet the organizational requirements for maintaining and expanding an in-house sales and marketing organization.

If the above-mentioned risks were to materialize, it could have material adverse effects on the Company's operations, financial position and earnings.

There is a risk that the orphan drug designation granted for Mangoral may be revoked prior to market approval, and that Oncoral is not granted orphan drug designation.
Ascelia's drug candidate Mangoral has received orphan drug designation in the United States by the FDA and the Company is evaluating how to obtain orphan drug designation for Mangoral in other jurisdictions, including the EU/EEA and Japan.

Orphan drug designation aims to incentivize developers of pharmaceuticals for the treatment or rare conditions in small patient groups, by providing e.g. tax credits for development costs and market exclusivity during a certain period after market approval, up to seven years market exclusivity in the United States as an example. Orphan drug designation can thus be very advantageous when launching a new pharmaceutical product on the market.

There is a risk that the granted orphan drug designation is revoked prior to a possible marketing authorization

if conditions required for orphan drug designation are no longer deemed to be fulfilled. Mangoral has received orphan drug designation in the United States but there is a risk that such designation will not be granted in the EU/EEA, or in any other relevant jurisdiction. The Company's second drug candidate, Oncoral, is intended for the treatment of advanced gastric (stomach) cancer, which is considered an orphan drug indication by the FDA and EMA. However, Oncoral has not yet obtained orphan drug designation by any authority and the circumstance that the drug candidate is directed at an orphan drug indication does not provide any guarantees that orphan drug designation will be obtained at possible future commercialization. If orphan pharmaceutical designation is revoked, or not granted, it would adversely affect the prospects of successfully commercializing the drug candidates, which could have material adverse effects on the Company's operations, financial position and earnings.

Ascelia is dependent on third-party suppliers of services for pharmaceutical development and is therefore exposed to certain risks associated with external supplier.

Ascelia is a small company in terms of its organization and its operations do not include all aspects of pharmaceutical development. The Company therefore contracts third parties, e.g. *Contract Research Organizations* or *Contract Manufacturing Organizations* to provide clinical material and substances and to perform services such as clinical studies as well as other services concerning development-related processes. Some of the Company's current suppliers of such services include Halo Pharmaceuticals (owned by Cambrex), Solural Pharma and Herlev University Hospital. If the Company is able to commercialize any of its drug candidates, the Company will likely also have to contract third-party manufacturers for large-scale commercial production in the future. The Company is therefore, and will likely continue to be, dependent of developing and maintaining commercial relations with third-party suppliers of various services, and there is thus a risk that the Company is unable to find suitable third-party suppliers when needed or be able to reach agreements at acceptable terms and conditions, which could negatively affect operations.

The operations of such suppliers are subject to comprehensive requirements concerning i.a. safety, environment and reporting. There is a risk that the suppliers do not comply with relevant laws, regulations and ethical standards, such as *Good Manufacturing Practice* or *Good Clinical Practice*, which could subject Ascelia to sanctions and damage claims. Furthermore, there is a risk that third-party suppliers change their terms, increase their prices or that difficulty in delivery could occur for reasons such as shortage of raw materials, strike, damage or financial difficulties or other circumstances attributable to a supplier. In addition, suppliers may fail to deliver as agreed, which could lead to delays and increased costs or that the Company needs to find alternative sources which in turn can be costly and time-consuming.

If any of the above-mentioned risks would materialize, it could have material adverse effects on the Company's operations, financial position and earnings.

Ascelia's operations are dependent on the Company maintaining sufficient and secure IT systems and related processes.

The Company is dependent on maintaining a secure and well-functioning IT environment for all aspects of its operations. As the Company contracts third parties for e.g. performing clinical studies, it is also crucial that such third parties are able to safely manage and store data, such as study results and reports.

There is a risk that the Company's IT environment, as well as contracted third-parties' IT environment, can be affected by problems with software, hardware, computer viruses, attacks or physical damages. Such failures and interruptions can lead to delays and increased costs, which could have material adverse effects on the Company's operations, financial position and earnings.

Handling of personal data is costly and time-consuming and if Asceila or its partners are not compliant with applicable personal data and privacy legislation, the Company may be subject to sanctions.

Ascelia is subject to regulatory requirements concering protection, handling and processing of personal data in the jursdictions where the Company operates, for example by conducting clinical studies on patients. The Company does currently not handle any personal data relating to such studies as the latest completed clinical Phase I study for Oncoral was an investigator-initiated study for which personal data was handled by a third party. However, Ascelia may come to handle and process personal data in the future, including sensitive data, e.g. in connection with conducting future studies, and must then consider applicable personal data legislation. If the Company is unable to handle and process such sensitive personal data, for any reason, regulatory authorities may impose administrative sanctions.

Since 25 May 2018, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) ("**GDPR**") has direct effect in all EU member states and has as such replaced all previous national personal data legislation. GDPR entails extensive changes to the EU personal data regulation, with a strengthening of individual rights, stricter requirements on companies handling personal data and stricter sanctions with considerable administrative fines.

Ascelia has updated policies and processes, focusing on compliance aspects in the key areas related to the Company's operations, such as the processing of personal data in connection with clinical studies. The Company will continue to monitor the development of GDPR and continuously evaluate the need for additional compliance measures. As GDPR has recently entered into effect, it is yet too early to draw any conclusions as to the long-term impact on the Company's operations, if the Company's preparations to date are sufficient or how the new legislation will be interpreted and enforced by authorities. Furthermore, at

this point the Company cannot assess the level of additional human and financial resources that might be required for compliance measures, or whether the Company will be able to dedicate such resources if and when the need arises. As such, there is a risk that the Company may not be able to ensure compliance in the short-term or the long-term, which may result in sanctions or other penalties.

If the above-mentioned risks were to materialize, it could have material adverse effects on the Company's operations, financial position and earnings.

Ascelia is dependent on retaining and recruiting key employees.

Ascelia's business operations are run as a small organization with a limited number of employees. The Company is therefore dependent on its key employees, in particular its senior management, as well as its ability to recruit and retain qualified personnel when required. If any of the Company's key employees would to leave the Company, or if the Company fails to recruit new personnel when needed, the development of its drug candidates or other parts of the operations may be delayed, which in turn could have material adverse effects on the Company's operations, financial position and earnings.

Ascelia's business operations are subject to a number of product liability risks associated with pharmaceutical development.

Ascelia's business operations are exposed to different liability risks associated with pharmaceutical development, such as product liability risks which may arise in connection with clinical studies, manufacturing and sales and marketing of pharmaceutical products.

Patients participating in clinical studies, or who come into contact with the Company's drug candidates in other ways, may suffer unwanted adverse effects or be harmed in other ways. Such product liability claims may be costly and time-consuming to manage and may result in negative publicity for the Company.

In addition, there is a risk that the Company's insurance will not provide sufficient coverage in the event of a product liability claim or any other claim against the Company, and that the Company fails to obtain or maintain adequate insurance cover on acceptable terms in the future. Product liability claims and any uninsured losses could have material adverse effects on the Company's operations, financial position and earnings.

The pharmaceutical industry is a highly competitive industry and there is a risk that Ascelia's competitors develop products that prove to be better than the Company's products, or that the competitors are more successful in their sales and marketing efforts.

The pharmaceutical industry is a highly competitive industry characterized by global competition, rapid technological development and extensive investment requirements. Ascelia is facing potential competition from e.g. large pharmaceutical companies, including multinational companies, other companies active in the healthcare sector as well as universities and other research institutions. As per the date of the Prospectus, the Company knows of a number of companies who are active in the research, development and sales of products within detection and treatment of cancer and that the Company considers to be competitors. In addition, there may be other competitors that are developing drug candidates intended for addressing the same medical needs as the Company's drug candidates, which per the date of the Prospectus are unknown to the Company.

Competing companies may have substantially larger research and development ("**R&D**") organizations or sales and marketing capabilities than the Company and may therefore invest greater financial resources in clinical studies, regulatory measures as well as the sales and marketing of its products. There is therefore a risk that Ascelia's competitors can develop, or have in development, alternative products which may prove to be better than the Company's drug candidates. Competitors may also have greater sales and marketing resources than the Company and may therefore further succeed with the marketing of an equally effective pharmaceutical, or even a less effective pharmaceutical, than the Company's drug candidates, and still achieve greater market acceptance for the product concerned. Such competing companies and products could limit the prospects for Ascelia to obtain revenue, which could have material adverse effects on the Company's operations, financial position and earnings.

Insufficient protection of Ascelia's intellectual property rights and other similar protection, know-how and trade secrets could adversely affect the Company's business operations.

Protection of intellectual property and other proprietary rights is a key aspect of pharmaceutical development and Ascelia invests significant time and financial resources to protect its drug candidates from illegal use by third parties. Intellectual property protection such as patents, copyright and trademark registrations is hence important to the operations, but the Company also depends on know-how, trade secrets and developed study data which are difficult to protect under intellectual property laws.
In addition, the Company considers orphan drug designation to be one key aspect in protecting its drug candidates due to i.a. the possibility of market exclusivity upon approval for market launch.

Mangoral has been granted orphan drug designation in the United States, but this does not provide any guarantees that market exclusivity will be obtained at a future commercialization since orphan drug designation can be revoked in case the preconditions are no longer deemed to be fulfilled. In addition, Ascelia sees a possibility that the data from clinical studies may also be protected by data exclusivity in the United States and the EU/EEA upon marketing authorization, meaning that a third party cannot develop and market a generic pharmaceutical by referring to the clinical study data invoked by Ascelia. As the Company has not yet launched a drug on the market in the EU/EEA, the Company's drug candidates are not covered by data exclusivity and there is thus a risk that data exclusivity will not be obtained, for example if the Company is not considered to

reach the at the time relevant requirements by the relevant authorities.

Mangoral is not covered by patent protection as the previously held patent has expired. Since the Company does not have patent protection for Mangoral, a third party can, even if Mangoral was protected by data exclusivity (provided the orphan drug designation is withdrawn/expired), conduct all the studies necessary and achieve marketing authorization for an identical product as Mangoral without having to pay Ascelia licenses or other consideration.

Ascelia has filed a PCT patent application for Oncoral which has been approved in the EU/EEA (EP patent) and the United States, and has entered into national phases in Canada, Japan, South Korea and China.

There is a risk that Ascelia's intellectual property assets or similar rights might not provide the Company with sufficient protection, or that the rights cannot be upheld. There is also a risk that obligations to maintain the confidentiality of the Company's or its collaborators' trade secrets or know-how is breached, or would not be possible to enforce by courts or that such trade secrets or know-how will otherwise become known in circumstances in which the Company has no practical means of redress. Furthermore, competitors and other third parties could independently develop similar know-how, which could be damaging to Ascelia's business operations.

Furthermore, the pharmaceutical industry is characterized by a high level of innovation and rapid technology development, which is why new technologies and products could be developed by third parties.

If the combination of intellectual property rights, trade secrets and other forms of protection that the Company relies upon for protection is inadequate, its ability to commercialize its products successfully will be harmed, and it may not be able to operate its business profitably. In the event that the Company's intellectual property rights or other forms of protection are lost or curtailed, or if the Company is otherwise unable to maintain sufficient protection, it could have material adverse effects on the Company's operations, financial position and earnings.

Ascelia may be involved in legal disputes and proceedings, including legal disputes and proceedings related to infringement of the Company's or third parties intellectual property rights, which can be costly and time-consuming.

Disputes, claims, investigations and legal proceedings could lead to Ascelia having to pay damages or cease operations. The Company may, from time to time, become involved in disputes as part of its normal business operations and there is a risk that the Company becomes subject to legal claims concerning e.g. intellectual property, licenses, agreements or labor issues. The Company's success will partially be depending on its ability to conduct its operations without infringing or exploiting third parties intellectual property rights. There is a risk that some of the Company's current or future drug candidates may give rise to claims from third parties regarding patent or other intellectual property infringement. Such disputes, claims and legal proceedings can be complex and the outcome difficult to predict, as well as disrupt ordinary business operations and be costly and time-consuming. If the Company would become involve in disputes or legal proceedings, there is a risk that it could have material adverse effects on the Company's operations, financial position and earnings.

Furthermore, there is a risk that the Company's relevant searches for existing rights, so-called freedom to operate analysis, do not discover all relevant rights that have already been assured third parties. As a result of this, competitors may have received or, in the future, be granted patents for technologies or products similar to or products which competes with the Company's drug candidates. If this were to happen, the Company may need to obtain the required licenses to such patents or cease and/or change its activities or processes, initiate processes to claim that these patents shall be revoked or declared invalid, or develop or acquire alternative technology. The Company's inability to secure such licenses on commercially acceptable terms, to revoke or invalidate such patents, or to develop or otherwise acquire alternative technology may have material adverse effects on the Company's operations, financial position and earnings.

Ascelia has incurred losses each year since its formation and the Company may therefore require additional funding if it cannot generate revenue in the future and there is a risk that the Company will not generate any revenue or succeed to maintain profitability during the coming periods.

Pharmaceutical development is generally very costly and Ascelia has incurred losses each year since the Company was formed. To date, the Company has invested a large part of its financial resources in development activities and clinical studies and the Company expects to continue to incur significant costs for future development until the Company can start to generate revenue from sales of commercialized pharmaceuticals and/or royalties or milestone payments, if at all.

There is a risk that Ascelia will not reach sufficient levels or revenue or positive cash flow in the future in order to finance its operations, in which case the Company will need to seek alternative mean of financing, e.g. from third parties or existing shareholders. There is a risk that the Company cannot raise new capital when needed, or on satisfactory terms, or that the capital raised is not sufficient to finance operations in accordance with established strategies and objectives. In such a case, the Company may be forced to restrict its development activities, or ultimately to close down its operations. Future capital requirements depend on several factors, including costs of development and commercialization of drug candidates, timing and size of potential revenue.

If Ascelia does not start to generate revenue or is unable to obtain suitable financing, it will affect the Company's ability to sustain its operations, which could have material adverse effects on the Company's operations, financial position and earnings.

Ascelia is exposed to currency fluctuations that may negatively affect the Company, its financial position and earnings.

Ascelia 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. As a result, the Company will be subject to risks related to currency exchange rates in respect of cash flows inside and outside Sweden and the Euro zone. In addition, Ascelia is through the acquisition of Oncoral Pharma ApS exposed to the translation risk that emerges from the translation of the subsidiary's income statement and balance sheet from DKK to SEK. Everything else equal, in case the currency SEK would be weakened by 10 percent against DKK, EUR and USD, the Company's profit/loss after tax would have been impacted with SEK –196 thousand for the financial year 2017/2018.Currency fluctuations could cause currency transaction losses or gains which the Company cannot predict and if the currency fluctuations are detrimental to the Company, it could have material adverse effects on the Company's operations, financial position and earnings.

Changes in accounting standards may adversely impact Ascelia's financial statements.

Ascelia's financial statements are affected by changes in IFRS as adopted by the EU, applicable from time to time. In the future, Ascelia's accounting, financial statements and internal control may be affected by changes in the application and interpretation of such accounting standards. For example IFRS 16 *Leases*, which has become effective as of 1 January 2019, replaces the previous standard IAS 17, and imposes new requirements regarding the measurement, presentation and disclosure of leases, for Ascelia as a lessee. The application of IFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under IFRS 16, an asset (the right to use the leased item) and a financial liability regarding the future rental payments are recognized. The only exceptions to this are short-term and low-value leases. Instead of recognizing a rental expense, the profit or loss will be affected by an amortization of the asset and an interest expense related to the liability. The main effect on the financial statements will be an increase in assets and liabilities related KPIs as well as an effect on income statement-related KPI. The calculations of the effect at transition or choice of transition method has not been made. As an effect of the above, there is a risk that the implementation of IFRS 16, or other changes that are being made to IFRS, could materially and adversely impact the Group's operations, outlook, earnings and financial position.

Ascelia's interpretation of applicable tax law and regulations could be incorrect, and legislative changes or tax reassessments could change the Company's tax position.

The tax considerations made by Ascelia are based on interpretations of the current tax laws, tax treaties and other tax regulations and the requirements of the relevant tax authorities. There is a risk that tax audits and reviews may result in the Company having additional tax imposed or that deductions are not approved, e.g. due to financing or intra-group transactions. As an example, Ascelia has outstanding share-based incentive programs. Share-based incentive programs often entail an inherent risk from a tax perspective since the Company's assessment of applicable tax laws and regulations could be inaccurate, which may lead to an increased future tax burden and/or fines.

In the event that the Company's interpretation of tax laws, treaties and other tax regulations or their applicability is incorrect, if one or more governmental authorities successfully make negative tax adjustment with regard to the Company, or if the applicable tax laws, tax treaties, regulations or governmental interpretations thereof or administrative practice in relation thereto change, including with retroactive effect, the Company's past or current tax positions may be reassessed. In the event of tax authorities succeeding with such claims, an increased tax cost could result, including tax charges and interest costs which could have material adverse effects on the Company's operations, financial position and earnings.

Laws, treaties and other regulations on taxation have historically been subject to frequent changes and future changes could have a significant impact on Ascelia's tax burden, as well as material adverse effects on the Company's operations, financial position and earnings.

There is a risk that Ascelia cannot utilize accumulated tax losses in the future, which could mean that the Company's effective income tax will be higher than what would otherwise have been the case.

According to the Company, the accumulated tax losses of Ascelia amounted to approximately SEK 137.7 million as per 30 June 2018. In the future, the accumulated tax losses could reduce the Company's contingent taxable earnings and reduce the effective tax that arises on the earnings. Tax losses and the use thereof are subject to complicated and extensive restrictions rules. The Company's possibility to, in the future, in whole or in part, utilize the accumulated tax losses will be determined, amongst other factors, by future changes in ownership of the Company.

The Company's possibility to, in the future, in whole or in part, utilize the accumulated tax losses might also be affected if the Swedish Tax Agency decides to make a reassessment of the Company's tax position, or due to changes in applicable tax law. If the tax losses carried forward cannot be used to reduce the tax on future profits, the Company's income tax will be higher, which could have material adverse effects on the Company's future operations, financial position and earnings.

RISKS RELATED TO THE COMPANY'S SHARE AND THE OFFERING

Share ownership is inherently associated with a certain amount of risk and since the value of the Company's share can fluctuate due to various reasons, many of which are beyond the control of the Company, there is a risk that investors will not get back the capital invested.

Share ownership is always associated with risk and risk-taking. Since an investment in shares can both rise and fall in value, there is a risk that investors will not get back the capital invested. Both the general development on the stock market and the Company's share price in particular depend on a number of factors, including the development of the Company's business and product portfolio, changes in the Company's earnings and financial position, changes in the market's expectations of future profits and dividends, as well as supply and demand for the Company's shares. The price of the Company's share may also to some extent be affected by factors which may be beyond the Company's control, such as market position and competitors' activities.

Prior to the planned listing on Nasdaq Stockholm, there has been no public market for Ascelia's shares. The Company cannot predict the investors' interest in the Company, and there is therefore a risk that an active and liquid market will not develop or, if developed, that it will not be sustained after the completion of the Offering. The price of the Company's shares may from time to time be subject to significant fluctuations in the stock market in general, which may occur regardless of the Company's performance. Conditions associated with the Company's industry, such as regulatory developments and economic and political changes in relevant jurisdictions may also be impacting factors.

Furthermore, the price of the Company's share is affected by monitoring and reporting on the Company by equity and industry analysts. If one or more of these analysts ceases to follow the Company or does not publish periodic reports, the Company may become less visible in the financial markets, which in turn can lead to fluctuations in share price and/or trading volumes.

If any of the aforementioned risks would occur, it may result in a drop in the price of the Company's share.

There is a risk that any future dividend payments from Ascelia may vary or not occur at all.

Investors who participate in the Offering may be eligible for future dividends that are decided after the listing on Nasdaq Stockholm. The amount of future dividends that the Company will pay, if any, will depend on a number of factors, such as future earnings, its financial condition, cash flows, working capital requirements, legal and financial constraints and other factors. The Company may also not have sufficient distributable funds and the Company's shareholders may not resolve to pay dividends in the future. Accordingly, a dividend may not be proposed or declared in any given year or at all.

Significant sales of shares which are made by major shareholders, as well as a general market expectation that further sales will be carried out, could have a negative effect on the price of the Company's shares.

Significant sales of shares which are made by major shareholders, as well as a general market expectation that further sales will be carried out, could have a negative effect on the price of the Company's shares.

Existing shareholders have undertaken not to sell their respective holdings during a period starting from the first day of trading on Nasdaq Stockholm (the "**Lock-up Period**"). The undertaking does not apply for shares that are acquired in the Offering or thereafter. In total, approximately 61.4 percent of the shares in the Company after the Offering's completion are covered, assuming that the Offering is fully subscribed and that the Over-allotment option is exercised in full. For board members and senior management who are shareholders and shareholders who own more than 1 percent, the Lock-up Period is 365 days. For shareholders who own 1 percent or less, the Lock-up Period is 90 days.

Vator Securities may discretionary grant exceptions from said undertakings. After each Lock-up Period expire, the shareholders concerned are free to sell their shares in the Company. The sale of large quantities of shares of the shareholders concerned, as well as an expectation that such sales could occur, could cause Ascelia's share price to fall .

Utilization of warrants or potential future share issues may lead to that shareholders have their ownership interests diluted.

If the Company decides to raise additional capital, for example through an issue of new shares or other securities, there is a risk that shareholders who cannot participate in such an issue, or choose not to participate, could have their ownership interests diluted. The same applies if an issue is directed to persons other than the Company's shareholder.

Furthermore, the Company has issued warrants for two incentive programs. The utilization of such warrants, if and when that occurs, will entail a dilution for other shareholders. If the maximum possible number of warrants is exercised it would correspond to a dilution of approximately 5.2 percent of the total number of shares in the Company after the completion of the Offering assuming that the Offering is fully subscribed and that the Over-allotment option is fully exercised.

There is a risk that subscription undertakings cannot be fulfilled due to the fact that they are subject to certain conditions and are not secured by bank guarantees, pledges, blocked funds or similar arrangements.

Alto Invest, Handelsbanken Fonder and Fjärde AP-fonden have agreed to subscribe for shares in the Offering equivalent to approximately SEK 80 million. In addition thereto, a number of existing shareholders, including board members and senior executives, as well as other external investors, have agreed to subscribe for shares in the Offering equivalent to approximately SEK 70 million. If the Offering is fully subscribed and the Over-allotment option is not exercised, the undertakings equate to in total approximately 75 percent the number of shares in the Offering, and approximately 27 percent of the total number of shares in the Company after the Offering.

The undertakings are not covered by any bank guarantee, blocked funds or pledging or similar arrangement, why there is a risk that these undertakings will not be fulfilled. The undertakings are also subject to conditions. In the event that any of these conditions are not met, there is a risk that the undertakings will not be fulfilled, which could have an adverse effect on the execution of the Offering.

Shareholders outside of Sweden may experience that the value of their holdings in Ascelia decrease due to currency fluctuations.

The Company's shares will be quoted in SEK only. Potential future dividends will be paid in SEK. If the SEK depreciates against foreign currencies, it could result in adverse consequences for the valuation of foreign investors' holdings in the Company as well as possible dividends received in the future. Furthermore, such investors could also incur transaction costs while changing SEK into another currency.

Shareholders outside of Sweden may be subject to limitations that prevent or otherwise makes participation in future rights issues difficult.

If the Company issues new shares in a rights offering, as a general rule, the shareholders have preferential rights to subscribe for new shares in proportion to the number of shares held prior to the issue. Shareholders in certain other jurisdictions than Sweden may however be subject to limitations that prevent them from participating in such rights offerings, or that otherwise makes participation difficult or limited. For example, shareholders in the United States may be prevented from exercising their rights to subscribe for new securities which are not registered under the Securities Act if no exemptions from the registration requirements are applicable.

Shareholders in other jurisdictions outside of Sweden may be similarly affected if the subscription rights or the new securities are not registered with the relevant authorities in such jurisdictions. The Company has no obligation to investigate the registration requirements under the Securities Act or similar legislation in jurisdictions other than Sweden, and no obligation to apply for registration of the Company's securities or the sale of the Company's securities in accordance with such legislation outside of Sweden, and doing so in the future may be impractical and costly. The potential restrictions for shareholders in jurisdictions outside of Sweden to participate in rights issues may result in their ownership being diluted and decreased in value.

INVITATION TO SUBSCRIBE FOR SHARES IN ASCELIA PHARMA AB

In order to further advance the development and commercialization of Mangoral® and the development of Oncoral, the Company's board of directors has resolved to carry out a new share issue in Ascelia, which is directed to the general public in Sweden and Denmark[1] and to institutional investors[2] in Sweden and abroad and at the same time to carry out an ownership distribution (the "**Offering**"). In conjunction therewith, Ascelia's board of directors also intends to apply for admission of trading of the Company's shares on Nasdaq Stockholm after Nasdaq Stockholm AB has announced that the Company fulfills Nasdaq Stockholm's listing requirements, subject to certain conditions and customary requirements, such as that the dispersion requirements in respect of the Company's shares are fulfilled. The first day of trading on Nasdaq Stockholm is expected to be 13 March 2019.

Investors are hereby invited, in accordance with the terms and conditions set out in this Prospectus, to subscribe for 8,000,000 newly issued shares in Ascelia, which will be issued pursuant to the authorization of the board of directors granted by the annual general meeting in the Company held on 23 November 2018. The price in the Offering has been set to SEK 25 per share by the Company's board of directors in consultation with Vator Securities based on several factors, including discussions with certain institutional investors, a comparison with the market price of other comparable listed companies, an analysis of previous transactions carried out for companies in the same industry and development phase, current market conditions and estimations regarding the Company's commercial potential and earnings prospects. Moreover, previous equity investments made into the Company have been taken into account when assessing the valuation. The company completed a directed share issue of SEK 60 million in 2018 at a price per share of 18 SEK, corresponding to a post-money valuation of SEK 263 million. The now increased valuation has been driven by significant Company development which are expected to increase the Company's business potential. Upon a fully subscribed Offering and the Over-allotment option fully exercised, the Company's post-money valuation will correspond to approximately SEK 595 million.

The new share issue is expected to provide Ascelia with approximately SEK 185 million after deduction of expenses related to the Offering.[3] Assuming a fully subscribed Offering, the number of shares in Ascelia will increase by 8,000,000 shares from 14,606,891 to 22, 606,891 of which the newly issued shares in the Offering represent approximately 35.4 percent of the total number of shares in the Company after the Offering.

In order to cover any over-allotment in connection with the Offering, the Company has committed to, at the request of Erik Penser Bank, issue up to an additional 1,200,000 new shares, corresponding to maximum of 15 percent of the total number of shares in the Offering (the "**Over-allotment option**"). If the Offering is fully subscribed and the Over-allotment option is exercised in full, the Offering will include a total of 9,200,000 shares in the Company, representing 38.6 percent of the total number of shares in the Company after the Offering, and is expected to provide Ascelia with a total of approximately SEK 212 million after deduction of expenses related to the Offering.

Alto Invest, Handelsbanken Fonder and Fjärde AP-fonden and a number of existing shareholders, including board members and senior executives, as well as other external investors[4] have agreed to subscribe for shares in the Offering, equivalent to a total of approximately SEK 150 million. If the Offering is fully subscribed and the Over-allotment option is not exercised, the undertakings represent approximately 75 percent of the total number of shares in the Offering and approximately 27 percent of the total number of shares in the Company after the Offering.

In other respects, reference is made to the full particulars of the Prospectus, which has been prepared by the board of directors of Ascelia in connection with the application for listing of the Company's shares on Nasdaq Stockholm and the Offering made in connection with the listing.

Malmö 20 February 2019
Ascelia Pharma AB (publ)
The Board of Directors

1) The general public includes private individuals and legal persons in Sweden and Denmark who register to acquire a maximum of 42,000 shares.
2) Institutional investors include private individuals and legal persons who register to acquire more than 42,000 shares.
3) Ascelia's costs for the Offering are estimated to amount to a maximum of approximately SEK 15 million. See also under *Legal considerations and supplementary information – Costs related to the Offering.*
4) See also *Legal considerations and supplementary information – Subscription undertakings.*

BACKGROUND AND REASONS

Ascelia is an oncology-dedicated orphan drug development company located in Malmö, Sweden, focused on the development of novel drugs with an established mode of action. The Company's strategy is to develop a portfolio of differentiated and de-risked drug candidates addressing unmet medical needs with potential for orphan drug designation in cancer and cancer-related diseases. Ascelia is focused on two clinical-stage assets currently under development: Mangoral® and Oncoral.

Management and board have extensive experience from developing, marketing and licensing orphan drugs at companies such as SOBI, Genzyme and Orphazyme. Most recently, Carl Bjartmar joined Ascelia as Chief Medical Officer after successfully having a similar role at orphan drug company Wilson Therapeutics when the company was acquired by Alexion Therapeutics.

The Company has conducted six Phase I and II clinical studies on its magnetic resonance imaging ("**MRI**") drug candidate, Mangoral®. In 2011, Ascelia decided to refocus the development of Mangoral to specifically target patients groups with severe renal insufficiency in need of a liver MRI. These groups are at risk of Nephrogenic Systemic Fibrosis ("**NSF**"), a serious and potentially fatal condition caused by prolonged exposure to gadolinium-based contrast agents ("**GBCA**"), the current standard for MRI contrast agents. In the following years, several important regulatory and commercial milestones have been met, thus validating this strategy.

Ascelia's lead candidate, Mangoral, is a Phase III-ready asset and the clinical Phase III development is planned to be initiated during the second half of 2019. The drug candidate is a targeted contrast agent for diagnostic MRI to facilitate the visualization of focal liver lesions in patients with known or suspected focal liver lesions and severe renal insufficiency (impaired kidney function). The target population is patients with impaired kidney function where the use of GBCA may be medically inadvisable or cannot be administered. Mangoral has received Orphan Drug Designation by the FDA for use in this patient segment and the Company estimates that the addressable market amounts to USD 350–500 million.[1)] Studies have shown that early detection and surgical removal of liver metastases in colorectal cancer patients can increase the five-year survival rate to 46 percent whereas a similar patient group on the best possible drug treatment had only a 6 percent five-year survival rate.[2)] There are currently no FDA or EMA approved, non-gadolinium MRI contrast agents on the market, meaning that there are no competing products with Mangoral's properties.

Six Phase I and Phase II clinical studies on Mangoral have been completed without any significant safety concerns. The studies have provided strong support for Mangoral as an effective liver specific non-gadolinium MRI contrast agent. Ascelia has established a development program for Mangoral, consisting of a pivotal Phase III efficacy study which is to include up to 200 patients and two supportive studies.

Oncoral is a novel tablet formulation of the well-known chemotherapeutic agent irinotecan with an established mode of action. The tablet is intended for the treatment of advanced gastric (stomach) cancer which is considered an orphan drug indication by the FDA and EMA and has an addressable market of USD 2 billion which is expected to surpass USD 4billion in 2022.[3)] Irinotecan administered intravenously has proven anti-tumor effect and is approved for combination use in a number of solid cancer indications. In 2018, Oncoral finalized an investigator sponsored Phase I clinical study. Ascelia believes that Oncoral has the potential to be combined with other chemotherapies and targeted cancer drugs resulting in novel, efficient, well tolerable and patient friendly regimens. The clinical development strategy for Oncoral is to obtain Phase II data and then to partner for the further development, market authorization and commercialization.

Ascelia plans to initiate the operational activities of the Phase III clinical development program for Mangoral during the second half of 2019 which will require significant investment. The costs for completing the clinical development program for Mangoral, completing registration for marketing approval in the United States and the EU/EEA as well as commercialization preparations are expected to amount to approximately SEK 170–180 million, based on the Company's long-term strategy and current conditions. Moreover, the costs for preparations for Oncoral's Phase II study during the same period are expected to amount to approximately SEK 5–10 million.

Based on the above, the Company's board of directors assesses that the Company's existing working capital is insufficient in order to cover the Company´s financial needs for the upcoming twelve months. As per the date of the Prospectus, the Company's available cash amounts to SEK 38.50 million. The Company assesses that the

1) See the section *Market Overview – The market for liver MRI contrast agents (Mangoral).*
2) See the section *Market Overview – The market for liver MRI contrast agents (Mangoral).*
3) See the section *Market Overview – The market for cancer treatment (Oncoral).*

working capital requirements for the upcoming twelve months amounts to approximately SEK 65 million and that existing working capital will be consumed during the fourth quarter of 2019. To secure financing for the further clinical development of Mangoral and other operational activities and to fund the projected working capital deficit, the Company has decided to carry out a new share issue in connection with the listing of its shares on Nasdaq Stockholm. If the Offering is fully subscribed the net proceeds are estimated to be approximately SEK 185 million. If the Over-allotment option is fully exercised, the net proceeds are estimated to be approximately SEK 212 million.[1)]

The Company intends to use the net proceeds with the approximate percentage of the issue proceeds, and in the order of priority, as indicated below:

- 80 percent; The implementation of the pivotal clinical Phase III study for Mangoral and application for marketing approval in the United States and the EU/EEA.
- 10–20 percent; Commercialization planning for Mangoral.
- 5–10 percent; Preparations for Oncoral's Phase II study.

Assuming that the Offering is fully subscribed, the net proceeds from the Offering will strengthen the Company's financial position and are, in combination with current liquid funds, estimated to be sufficient to finalize clinical development of Mangoral, apply for marketing approval in the United States and the EU/EEA and to initiate commercial planning for Mangoral, as well as preparations for Oncoral's Phase II study.

In other respects, reference is made to the full particulars of the Prospectus, which has been prepared by the board of directors of Ascelia in connection with the application for listing of the Company's shares on Nasdaq Stockholm and the Offering made in connection with the listing.

The board of directors of Ascelia is responsible for the contents of the Prospectus. It is hereby assured that all reasonable precautionary measures have been taken to ensure that the information contained in the Prospectus, as far as the board of directors is aware, corresponds to the facts and that nothing has been omitted that would affect its import.

Malmö 20 February 2018
Ascelia Pharma AB (publ)
The Board of Directors

1) The Offering is conditional upon the Offering generating at least SEK 125 million after issue expenses. Together with cash at hand, this level is considered necessary in order to secure the working capital requirement for the coming twelve months as well as to give the Company sufficient working capital to finance the planned clinical Phase III trial for Mangoral. For more information, see the section *Capital structure, indebtness and other financial information – Statement regarding working capital.*

TERMS AND CONDITIONS

THE OFFERING

The Offering is directed to the general public[1] in Sweden and Denmark as well as to institutional investors[2]. The Offering includes at most 8,000,000 newly issued shares in Ascelia at a price of SEK 25 per share. Application for subscription of shares in the Offering shall be made during the period 21 February–5 March 2019 at 15.00 CET. The Offering will, if fully subscribed, provide Ascelia with SEK 200 million, prior to transaction costs, which are expected to amount to a maximum of approximately SEK 15 million.

THE OVER-ALLOTMENT OPTION

To be able to cover potential over-allotment in connection with the Offering, the Company has undertaken, upon request from Erik Penser Bank, to issue up to an additional 1,200,000 new shares, corresponding to a maximum of 15 percent of the total number of shares in the Offering (the "**Over-allotment option**"), at a price equal to the price in the Offering. Shares in the Over-allotment option are kept separately from other newly issued shares and will only be allocated to certain selected institutional investors. The Over-allotment option may only be exercised in order to cover any over-allotment of the Offering. The Over-allotment option can be utilized by Erik Penser Bank, in whole or in part, within 30 days from the first day of trading in the Company's shares on Nasdaq Stockholm.

OFFERING PRICE

The price in the Offering has been set to SEK 25 per share by the Company's Board of Directors in consultation with Vator Securities based on several factors, including discussions with institutional investors, a comparison with the market price of other comparable listed companies, an analysis of previous transactions carried out for companies in the same industry and development phase, current market position and estimations regarding the Company's commercial potential and earnings prospects. Moreover, previous equity investments made into the Company have been taken into account when assessing the valuation. The Company completed a directed share issue of SEK 60 million in 2018 at a price per share of SEK 18, corresponding to a post-money valuation of SEK 263 million. The now increased valuation has been driven by significant Company development which is expected to increase the Company's business potential. Upon a fully subscribed Offering and the Over-allotment option fully exercised, the Company's post-money valuation will correspond to approximately SEK 595 million. No commission will be charged.

APPLICATION PERIOD AND APPLICATION FOR SUBSCRIPTION OF SHARES

Subscription for shares shall be made during the period 21 February–5 March 2019 at 15.00 CET and for a minimum amount of 400 shares. The Board of Directors of the Company reserves the right to prolong the period of application and time of payment. If the same subscriber submits more than one application form, only the first registered form will be taken into account.

APPLICATION VIA AVANZA'S INTERNET SERVICE

Investors in Sweden who are custody account customers of Avanza can apply for subscription via the Avanza internet service up to 15.00 CET on 5 March 2019 and for a minimum of 400 shares. In order not to lose the right to allotment, customers of Avanza have to have enough cash, no less than the amount applied for, available at the account during the period from 5 March 2019 at 15.00 CET until and including the settlement date, which is estimated to be 11 March 2019. More information about the application procedure via Avanza is available at www.avanza.se.

APPLICATION VIA NORDNET'S INTERNET SERVICE

Investors in Sweden and Denmark who are custody account customers of Nordnet can apply for subscription via the Nordnet internet service up to 15.00 CET on 5 March 2019 and for a minimum of 400 shares. In order not to lose the right to allotment, customers of Nordnet have to have enough cash, no less than the amount applied for, available at the account during the period from 5 March 2019 at 15.00 CET until and including the settlement date, which is estimated to be 11 March 2019. More information about the application procedure via Nordnet is available at www.nordnet.se, www.nordnet.dk and on tel. no. 010-583 30 00 (Sweden) and 70-20 66 85 (Denmark).

APPLICATION VIA OTHER NOMINEES

Application may in some cases be made directly to your nominee. Please contact your nominee for more information. If application is not possible, individuals may apply via Nordnet. In the event that persons wish to transfer the assigned securities from Nordnet to another nominee, Nordnet offers a free transfer within 60 (sixty) days from the date of listing of the shares in the Offering.

Prospectus and other relevant information is available on the Company's website www.ascelia.com, on Vator Securities website www.vatorsecurities.se and on Erik Penser Bank's website www.penser.se.

1) The general public includes private individuals and legal persons in Sweden and Denmark who register to acquire a maximum of 42,000 shares.
2) Institutional investors include private individuals and legal persons who register to acquire more than 42,000 shares.

APPLICATION FOR INSTITUTIONAL INVESTORS

The application must be made to Vator Securities in accordance with special instructions. For more information, please contact Vator Securities on tel. no. +46 8 5333 2737.

RIGHT TO EXTEND THE APPLICATION PERIOD

The Company, in consultation with Vator Securities, reserves the right to extend the application period. A decision to extend the application period must be made no later than 5 March 2019 at 15.00 CET (last day to subscribe for shares in the Offering). If so, this will be announced through a press release on the Company's website.

ALLOTMENT AND PAYMENT

The decision on the allotment of shares will be made by the Board of Directors of the Company in consultation with Vator Securities, whereby the objective will be to achieve a good institutional ownership base and a broad distribution of the Company's shares among the public in order to enable regular and liquid trading in Ascelia's shares on Nasdaq Stockholm. The allotment is not dependent on when during the application period the application was filed. In the event of oversubscription, allotment may be withheld or be made with a lower number of shares than that stated in the application, whereby allocation may be determined in full or in part by random selection. Those who have entered into subscription undertakings with the Company, as well as institutional investors, will be prioritized in terms of allocation, see Subscription undertakings below for more information. Customers of Avanza and Nordnet may be prioritized in the allotment of shares. Allotment can be made to employees of Avanza and Nordnet, but no priority will be given.

NOTIFICATION OF ALLOTMENT AND PAYMENT VIA AVANZA

Those who applied via Avanza's internet service will receive notification of allotment in that the allotted number of shares will register against the debit of payment on the specified depot, which is expected to occur around 7 March 2019.

For customers of Avanza, debit of payment will be made at the latest on the settlement date 11 March 2019. Observe that available funds for payment of allotted shares shall be available as of 5 March 2019 at 15.00 CET.

NOTIFICATION OF ALLOTMENT AND PAYMENT VIA NORDNET

Those who applied via Nordnet's internet service will receive notification of allotment in that the allotted number of shares will register against the debit of payment on the specified depot, which is expected to occur around 7 March 2019.

For customers of Nordnet, debit of payment will be made at the latest on the settlement date 11 March 2019. Observe that available funds for payment of allotted shares shall be available as of 5 March 2019 at 15.00 CET.

NOTIFICATION OF ALLOTMENT AND PAYMENT VIA OTHER NOMINEES

Information on allotment is provided by the nominee in accordance with respective nominee's routines. Information will not be sent to those who have not been allotted shares

Information about payment is provided by the nominee in accordance with the respective nominee's routines.

NOTIFICATION OF ALLOTMENT AND PAYMENT – INSTITUTIONAL INVESTORS

Institutional investors are expected to be notified of allocation by special arrangement on or around 7 March 2019, after which contract notes will be sent.

Payment for allotted shares from institutional investors is to be made in cash in accordance with the contract note no later than 11 March 2019.

DELIVERY OF SHARES

As soon as payment for allotted shares has been made, the shares will be delivered to the specified VP account or depot. Shareholders having their shareholding registered on a depot with a bank or a securities broker will receive information from the respective nominee.

SUBSCRIPTION UNDERTAKINGS

A number of existing shareholders and external investors have undertaken to apply for subscription of shares in the Offering, equivalent to a total of approximately SEK 150 million, which corresponds to approximately 75 percent of the Offering if the Offering is fully subscribed and the Over-allotment option is not exercised. For more information about those who have entered into subscription undertakings, see the section *Legal considerations and supplementary information – Subscription undertakings*.

CONDITIONS FOR COMPLETION OF THE OFFERING

The Offering is conditional upon no circumstances arising that are deemed to significantly impede the completion of the Offering. Such circumstances may, for example, be of an economic, financial or political nature, and may relate to circumstances in Sweden or abroad, as well as the Company's Board of Directors deeming the interest for participating in the Offering to be insufficient. The Offering is also conditional upon the fulfillment of Nasdaq Stockholm's dispersion requirements. The Offering is furthermore conditional upon the Offering generating at least SEK 125 million after issue expenses. For more information, see the section *Capital structure, indebtness and other financial information – Statement regarding working capital*.

Thus, the Offering can be withdrawn until the settlement date on 11 March 2019. If withdrawn, a notification thereof will be made public through a press release as soon as possible, but no later than 11 March 2019. If the Offering is withdrawn, received applications will be canceled and any payment paid will be refunded.

LISTING ON NASDAQ STOCKHOLM

On 24 January 2019, the Nasdaq Stockholm Listing Committee decided that the Company complies with Nasdaq Stockholm's requirements for listing, provided that certain conditions and customary requirements, including the dispersion requirement for the Company's shares, are fulfilled. Based on this decision, the Company intends to apply for listing of its shares on Nasdaq Stockholm, with an expected first day of trading on or around 13 March 2019.

STABILIZATION

In connection with the Offering, Erik Penser Bank may carry out transactions on Nasdaq Stockholm to stabilize the market price of the shares or to maintain the price at a level that deviates from what would otherwise be the case in the market. See also the section *Legal considerations and supplementary information – Stabilization*.

PUBLICATION OF THE OUTCOME OF THE OFFERING

The final outcome of the Offering is expected to be announced by means of a press release on or around 6 March 2019. The press release will be available on Ascelia's website.

RIGHT TO RECEIVE DIVIDEND PAYMENTS

The offered shares will carry the right to dividends for the first time on the dividend record date that falls after completion of the Offering. Payment will be administered by Euroclear, or, for nominee-registered shares, in accordance with each nominee's routines.

TARGET MARKET

Solely for the purposes of each manufacturer's (in this context, "**Manufacturer**" refers to Vator Securities) product approval process, the target market assessment in respect of the new shares has led to the conclusion that: (i) the target market for the shares is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the shares to eligible counterparties, professional clients and retail clients are appropriate. Any person subsequently offering, selling or recommending the shares (a "**Distributor**") should take into consideration the Manufacturers' target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the shares (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels. For the avoidance of doubt, the target market assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the shares.

MARKET OVERVIEW

This Prospectus contains market and industry information related to Ascelia's operations and the market on which Ascelia is present. Unless otherwise stated, such information is based on the Company's analysis of several different sources, including statistics and information from external industry and market reports, including a market report by Back Bay Life Science Advisors commissioned by Ascelia, publicly available information and medical research publications. Descriptions of the Company's competitors are based on information from ClinicalTrials.gov, a public database on clinical studies. Other sources are indicated where required. As a rule, industry and market publications state that, while the information in the publication has been obtained from sources deemed reliable, the accuracy and completeness of such information cannot be guaranteed. Information from third parties has been accurately reproduced and, as far as Ascelia is aware no information has been omitted that could render the information inaccurate or misleading in relation to the original sources. However, neither the Company nor Vator Securities has independently verified such information from third parties, why the completeness or correctness of the third party information included in the Prospectus cannot be guaranteed.

Market and industry information contains estimates regarding future market development and other so-called forward-looking information. Forward-looking information is not a guarantee of future results or developments and actual results may differ materially from those in the forward-looking information. The content of the Company's website, the website of any member of the Group and any third-party websites referred to herein do not form any part of the Prospectus.

INTRODUCTION

Ascelia is an oncology-dedicated orphan drug development company located in Malmö, Sweden, focused on the development of novel drugs with an established mode of action. The Company's strategy is to develop and make available to patients a portfolio of differentiated and de-risked drug candidates addressing unmet medical needs with potential for orphan drug designation in cancer and cancer-related diseases. Ascelia is fully focused on two clinical-stage drug candidates under development: Mangoral® and Oncoral.

The lead candidate, Mangoral, is a Phase III ready asset. Mangoral is a liver contrast agent being developed to facilitate the visualization of focal liver lesions in patients with known or suspected focal liver lesions where the use of the current standard of gadolinium-based contrast agents ("**GBCAs**") may be medically inadvisable or cannot be administered. Mangoral has received *Orphan Drug Designation* by the FDA.

Ascelia's second drug candidate, Oncoral, is a hase II ready novel tablet formulation of the well-known chemotherapeutic agent irinotecan with an established mode of action. The tablet is intended for the treatment of advanced gastric (stomach) cancer which is considered an orphan drug indication by the FDA and EMA. In the United States and Europe irinotecan is currently mainly used for treating metastasized colorectal cancer. Although irinotecan is currently not approved for treating gastric cancer in the United States and in the EU, there is some reported off-label use for this indication. Oncoral completed a Phase I study in 2018 with encouraging results.

Based on the Company's current product portfolio, the Company considers its two main product markets to be the market for liver MRI contrast agents (Mangoral) and the market for treatment of advanced gastric cancer (Oncoral).

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. The Company therefore believes that there is a significant market opportunity for new options in cancer diagnostics and therapy, especially in the orphan drug field.

CANCER PREVALENCE

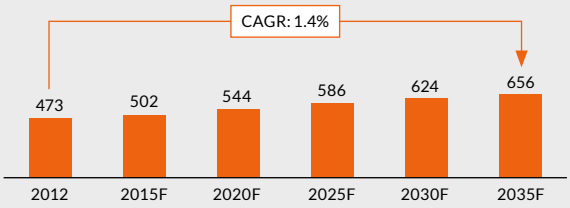
Cancer is the leading cause of death worldwide, accounting for an estimated 9.6 million deaths in 2018. In 2012, there were approximately 14 million new cancer cases, 8 million cancer deaths and 33 million people living with cancer (within five years of diagnosis). The number of new cases is expected to rise by about 70 percent over the next two decades.[1)]

The growth of the cancer burden is largely attributed to demographic changes. At the same time, the cancer profiles are changing due to the industrialization of developing countries, as people are adapting to new lifestyles and behavioral habits.[1)]

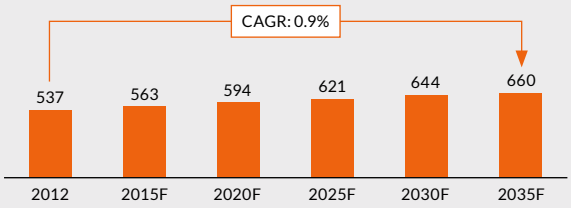
1) WHO Cancer, Fact sheet, September 2018, http://www.who.int/news-room/fact-sheets/detail/cancer, accessed on 15 February 2019.

The primary goal of cancer treatment is to cure cancer or to considerably prolong survival and improve the patient's quality of life. There is a global trend of increased cancer incidence, meaning that the number of people living with cancer is likely to grow at a considerable rate the following years. Below, the global cancer incidence and the estimated incidence growth for four cancer indications of particular relevance to the Company are outlined:

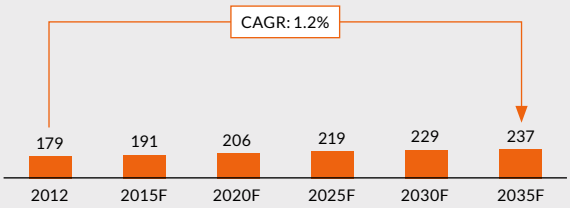
COLORECTAL CANCER INCIDENCES
Forecasted number of incidences per annum[1] ('000)



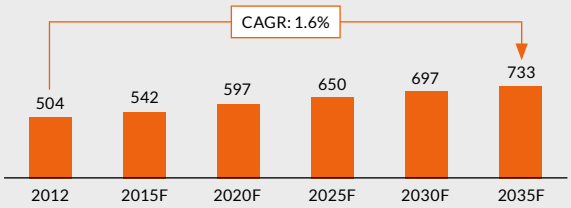
BREAST CANCER INCIDENCES
Forecasted number of incidences per annum[1] ('000)



GASTRIC CANCER INCIDENCES
Forecasted number of incidences per annum[1] ('000)



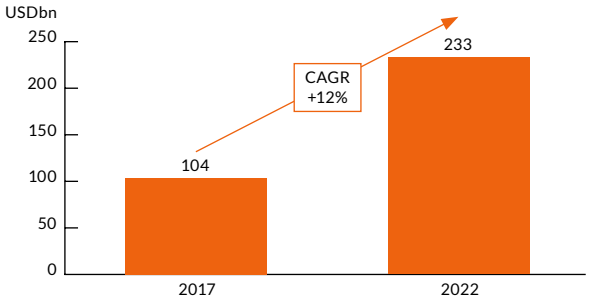
LUNG CANCER INCIDENCES[2]
Forecasted number of incidences per annum[1] ('000)



Key cancer indications with high risk of livermetastasis are expected to grow in incidence by 0.9–1.6% per year during the period from 2012 to 2035.

Source: Globocan 2012
1) Includes US, Japan and EU5 (France, Germany, Italy, Spain and UK).
2) Includes both small cell and non-small cell lung cancer incidences.

Reflecting both this and the pipeline of new cancer therapeutics expected to hit the global markets, the oncology drug market is estimated to increase significantly over the next few years. Current estimates show that whilst oncology sales amounted to USD 93.7 billion in 2016, this figure is expected to double by 2022, reaching global sales of USD 192.2 billion:



The global oncology market is expected to grow from USD 93.billion to USD 192.2 billion with a Compound Annual Growth Rate ("**CAGR**") of 12.7 percent from 2016 to 2022.
Source: EvaluatePharma® World Preview 2018

A challenge faced by patients and clinicians is that cancer is typically presented at a late stage. Significant improvements can thus be made by detecting cancer early and consequently avoiding delays in treating the patient optimally. When identified at an early stage, the cancer is more likely to respond to effective treatment, resulting in a greater probability of survival for patients and, generally, lower treatment costs. For cancer survivors, cancer recurrence and second cancers are two of the major health threats, but as with first-time cancer, recurrent cancer disease may also be amenable to successful treatment if diagnosed correctly and in a timely manner. Therefore, there is a significant need for new and improved methods for detection and treatment of cancer.

ORPHAN DRUG DESIGNATION

In major pharmaceutical markets such as the United States and the EU/EEA, *orphan drug designation* can be obtained for potential drugs targeting small patient populations (i.e. intended to treat a rare disease or condition affecting fewer than 200,000 individuals in the United States or with a prevalence of <5 in 10,000 in the EU/EEA). The orphan drug designation is a regulatory incentive for pharmaceu-

1) WHO, World Cancer Report 2014.

tical companies to develop drugs for small patient populations. The main advantage of the orphan drug designation is that the orphan drug may obtain market exclusivity for a time-limited period (seven years in the United States and ten years in the EU/EEA) upon marketing authorization.

Mangoral has been evaluated in six clinical studies, has obtained orphan drug designation from the FDA in the United States and is being prepared for a pivotal Phase III program. Ascelia also believes that Oncoral has potential to obtain orphan drug designation. The tablet is intended for the treatment of advanced gastric cancer which is already considered an orphan drug indication by the FDA and the EMA.

The market for orphan drugs

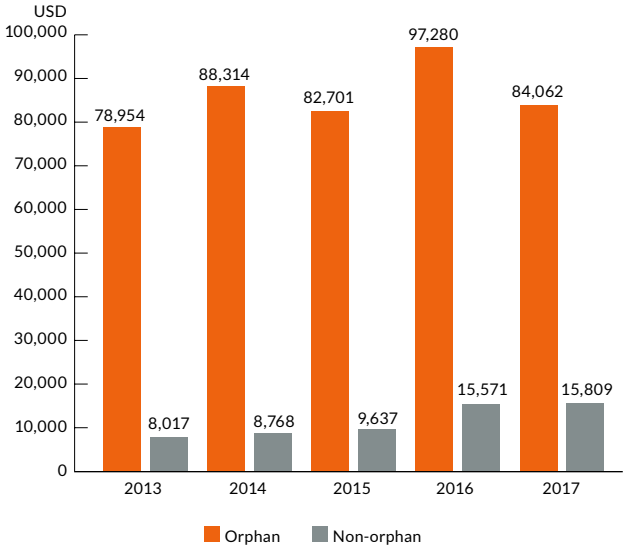
The global market for orphan drugs is steadily rising and has been doing so for the last 20 years. Only in the last five years, from 2013 to 2018, the worldwide orphan drug sales have been estimated to have increased from USD 88 billion to USD 138 billion and it is expected to grow at a CAGR of 11 percent until 2024, at which point it will reach USD 262 billion. In comparison, the corresponding CAGR of non-orphan drugs for the same period is estimated to six percent. The sales numbers are also reflected in the increased number of orphan drug designations and approvals. Comparing 2016 and 2017, the cumulative growth of orphan drug designations and approvals in the United States and the EU/EEA was 12 percent and 8 percent, respectively. While the patient populations for orphan drugs are inherently smaller than for non-orphan drugs, the median cost per patient for orphan drugs is considerably higher than the median cost for non-orphan drugs. In 2017, the estimated median cost for orphan drugs in the United States was USD 84,062, to be compared with USD 15,809 for non-orphan drugs.[1)]

The large and continuously growing market for orphan drugs indicates a continued interest in orphan drugs from governmental institutions and that the orphan drug regulations have been successful in incentivizing actors within the pharmaceutical industry to focus on rare diseases with small patient groups.

Advantages of the orphan drug designation

The main advantage with orphan drug designation is that orphan drugs are awarded market exclusivity when obtaining marketing authorization. Obtaining orphan drug designation in the United States means that the holder, upon marketing authorization, may be entitled to seven years of market exclusivity. Market exclusivity means that, during the course of the exclusivity period, no marketing authorization will be accepted for the same therapeutic indication with respect to the same active substance, unless the new drug candidate can demonstrate significant benefit to the already marketed product. In the EU/EEA, obtaining orphan drug designation may grant the holder ten years of market exclusivity upon marketing authorization

MEDIAN COST FOR ORPHAN AND NON-ORPHAN DRUGS, 2012–2016



Source: EvaluatePharma® Orphan Drug Report 2018, 5th Edition May 2018.

The orphan drug designation also gives the holder several additional advantages including, among other things, tax credits for clinical development costs, reduction and/or waivers of application fees and assistance in the approval process of a new drug.

THE MARKET FOR LIVER MRI CONTRAST AGENTS (MANGORAL)

THE OCCURRENCE OF LIVER METASTASES

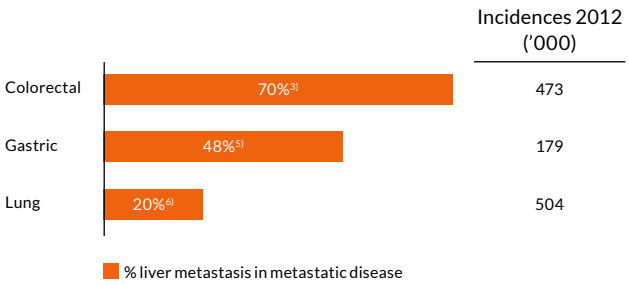
One of the reasons that cancer is a serious disease is its ability to spread to other parts of the body than the location of the primary tumor (i.e. where the first tumor formed). When cancer cells spread to distant lymph nodes, tissues or organs, it is called metastatic cancer, and the metastatic tumor is the same type of cancer as that of the primary tumor. Cancer can spread to any part of the body, but certain areas are more prone to metastases than others.

Although cancer can be hard to control when it has spread, some types of metastatic cancer can be cured or the growth and burden of the metastases reduced or eliminated, leading to improved life expectancy and relieved symptoms if detected at an early stage and handled appropriately. This is especially relevant for liver metastases.

The liver is the second most common organ for metastasis after the lymph nodes.[2)] Many solid cancers (i.e. cancers forming tumors) originating e.g. from the lungs, breasts, colon, gastric or pancreas metastasize to the liver, and very often the liver is the first site of metastatic disease. Up to 50–70 percent of patients with advanced 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 colorectal cancer.[3) 4)]

1) EvaluatePharma®, Orphan Drug Report 2018, 5th Edition May 2018.
2) Arch Pathol Lab Med, 2008, 132:931–939.
3) Clinical Radiology, 2015, 70:1–10; NCCN Guidelines Version 2.2017 Colon Cancer.
4) Ann Surg Oncol, 2014, 21:501–506; Cancer, 1980, 46:162–167.

ESTIMATED LIVER METASTASES[1] AND CANCER INCIDENCES (US/JAPAN/EU[2])



If liver metastases from colorectal cancer are correctly detected and deemed eligible for surgical removal, the survival rate can be significantly improved, and sometimes full recovery is possible. The five-year overall survival rate for patients undergoing resection for colorectal liver metastases has been reported to be 46 percent compared to only 6 percent for patients who were not subjected to surgical treatment of their liver metastases.[7] Surgical resection of liver metastases from non-colorectal primary tumors such as breast cancer have also been reported to lead to improved survival outcome[8], although the role of this treatment procedure is less clearly defined than is the case for colorectal liver metastases.

The first line of therapy for colorectal liver metastases is resection of the metastases. For patients considered unresectable at a first assessment, systemic treatment with anti-cancer medicine can sometimes be used to reduce the metastatic burden, after which the patients may be eligible for resection. If resection is not considered feasible, the liver metastases may be destroyed by other local treatment techniques such as ablation or embolization. Factors affecting whether surgical metastatic resection or other locally directed treatment is feasible include number, size and location of metastases. Correct diagnosis is critical for management of patients with liver metastases, and imaging plays an essential role in both initial staging (i.e. determining the stage of the cancer), preoperative planning, monitoring of treatment effect and surveillance for recurrence of disease.[9]

CURRENT DIAGNOSTIC METHODS

There are various available diagnostic methods for cancer detection. The most commonly used methods for the detection of liver metastases are *computed tomography* ("**CT**") scanning, potentially combined with *positron emission tomography* ("**PET-CT**"), and MRI.[10] CT is a method in which several x-ray measurements from different angels are computer-processed in order to provide virtual crossectional pictures, or slides, of certain areas of the body. PET is an imaging technique in which emission of gamma rays from positron-emitting radioactive tracers are used to produce three-dimensional pictures of certain parts of the body. CT scanning with iodinated contrast agents is associated with certain risks, such as contrast induced nephropathy, which is a sudden deterioration in renal function caused by the intravascular administration of an iodinated contrast agent.[11]

MRI is an imaging method that uses non-ionizing radiation to create useful diagnostic images. MRI scans use radio waves and strong magnets, and unlike CT and PET-CT, MRI gives no radiation to the patient. An MRI scanner consists of a large, powerful magnet in which the patient lies. Signals are sent to the body by a radio wave antenna, which in turn receives signals back. The returning signal patterns are converted by a computer into very detailed images of parts of the body. To improve the visibility of the body structures, contrast agents, can be administered to the patient prior to the MRI scanning procedure. A contrast agent is a substance that can make abnormalities, such as metastases, appear clearer due to the special magnetic properties of the elements in the contrast agent and thereby increase the sensitivity and/or specificity of the image. MRI is considered a preferred imaging modality for both initial cancer disease staging and monitoring of liver metastases.[12]

In patients that have, may have or have had a solid extrahepatic cancer disease (i.e. cancer originating outside the liver), MRI liver imaging with an intravenously administered MRI contrast agent is used to detect and localize liver metastases. The contrast agent assists in diagnosis and staging and helps to guide treatment decisions and planning. MRI with contrast is believed to be a very sensitive and useful imaging method to assess and select patients eligible for metastatic resection or locally directed non-surgical treatment. MRI with contrast is also used to determine if a given treatment has been effective, and/or for surveillance of possible recurrence of disease.

Some MRI contrast agents, often referred to as liver specific or hepatobiliary MRI contrast agents, selectively increase the signal intensity from the liver due to the agents' specific characteristics and the way they are being taken up and excreted by the organs in the body after being administered to the patient.

1) Estimated fraction of patients with metastatic disease who will have or develop liver metastases.
2) Globocan 2012.
3) Scientific Reports, 2016, 15(6):29765.
4) Journal of Pathology, 2014, 232:23–31.
5) Oncotarget, 2016, 7(32):52307.
6) Lung Cancer, 2014, 86:78–84.
7) Clinical Colorectal Cancer, 2016, Vol. 15, No. 4, e183–92.
8) The breast, 2017, 32:162–172; World J Surg Oncol, 2015, 13:191.
9) Ann Surg Oncol, 2013, 20:1185–1193.
10) Radiology, 2010, 257:674-684.
11) ACR Manual on Contrast Media, Version 10.3, 2017.
12) Fowler et. al, Ann Surg Oncol, 2013, 20:1185–1193.

GADOLINIUM

The MRI contrast agents available on the market today, including the liver-specific MRI contrast agents, are based on gadolinium. Gadolinium is a so-called *rare heavy metal* used as a contrast enhancer to make the scanned body part more clearly visible on the scan. GBCA have been used in MRI since the late nineteen eighties, and it is estimated that GBCA are now used in up to two thirds of all abdominal MRI examinations.[1] The global market for gadolinium contrast agents was valued at around USD 1.4 billion in 2016 and is expected to grow 5 percent annually.[2]

GBCAs are associated with various potential and confirmed drawbacks. Although GBCA were initially considered to carry minimal risk, the agents have been subsequently identified as being associated with the serious and potentially fatal condition nephrogenic systemic fibrosis ("**NSF**") in patients with severely impaired renal function.[3]

NSF is a rare, but serious and potentially 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.[4] Fibrosis can also develop in the diaphragm, muscles in the thigh and lower abdomen, and the lung vessels. NSF may worsen over time and can cause death, as a result from multi-system failure due to sclerotic transformation of organ systems.

In addition to the association to NSF, there have been recent reports of accumulation of gadolinium in the brain. Although the current assessment is that long-term effects of brain accumulation of gadolinium are limited, the EMA decided on 23 November 2017, based on a precautionary recommendation from the Pharmacovigilance Risk Assessment Committee, to suspend three gadolinium-based products from the market[5] In addition, on 19 December 2017 the FDA decided, based on an independent panel recommendation, to require additional warnings in the prescribing information on gadolinium products regarding gadolinium retention in certain organs and tissue, including the brain.[6] Similarly, on 28 November 2017 the Japanese Pharmaceuticals and Medical Devices Agency decided to require additional warnings on gadolinium products regarding brain accumulation.[7] On 1 February 2018 the British Medicines and Healthcare products Regulatory Agency withdrew Omniscan and Magnevist (for intravenous administration) from the market. The use of two other linear gadolinium chelates, MultiHance and Primovist, is restricted to liver MRI in the UK.[8]

NEED FOR NON-GADOLINIUM TREATMENT OPTIONS

Due to the risk of NSF, GBCA cannot be administered to all patients in need of a liver MRI procedure. In particular, depending on the risk of the GBCA, these are either contraindicated or the prescribing information includes a warning as regards use in patients with severely reduced renal function, i.e. chronic kidney disease ("**CKD**") stage 4 and 5 or with acute kidney injury ("**AKI**").[9] This group of patients with severely reduced renal function has an impaired ability to excrete gadolinium and is at risk of developing NSF after administration of gadolinium products. Thus, there is an unmet medical need for an alternative, gadolinium-free contrast agent for MRI liver imaging.

As there are no MRI liver contrast agents serving this patient population today, there is no published data available on the market size. Ascelia has estimated the addressable market size based on its own analysis supported by third party market research conducted at the request of Ascelia.

Ascelia has estimated the addressable patient population based on the estimated prevalence of CKD and estimated incidence and prevalence of relevant solid cancers. For the prevalence of CKD, data from the United States have been used and applied to the rest of the world, adjusted for national differences in CKD patterns.[10] In the model, CKD stage 4 and 5 have been included plus a minor fraction of patients with CKD stage 3, whom are considered as borderline reflecting patients with acute worsening on existing CKD and Ascelia considers this a prudent estimate of the patients with AKI. As patients with CKD have an increased risk of colorectal cancer compared with the general population this correlation factor has been included in the model.[11]

According to the United States Renal Data System 2010 Annual Data Report, the prevalence of stage 4/5 Chronic Kidney Disease among participants in the National Health and Nutrition Examination Survey is much higher in patients aged 60 years and above (estimated prevalence of 1.8 percent vs. 0.2 percent). Cancer has a similar strong relationship with age and the estimated incidence rates for almost all cancers increases with age.[12] This relationship has been taken into account by Ascelia when analyzing addressable market size.

Ascelia considers patients with colorectal cancer to be the most relevant population to address with Mangoral, since this solid cancer indication is specifically associated with liver metastases that may be eligible for resection or locally directed treatment. Other solid cancers, such as

1) Back Bay Life Science Advisors analysis based on Codemap CPT code 74183 and 74181, extrapolated Medicare and commercial from HCUP and cancer population.
2) Markets and markets report Contrast media/contrast agent market – Global forecasts to 2021.
3) EMEA, Assessment report for Gadolinium-containing contrast agents, EMEA/H/A-31/1097, July 2010.
4) Muscle Nerve, 2004, 30:569-577; Br J Dermatology, 2005, 152:531-536; Semin Arthritis Rheum, 2006, 35:238-249; Nat Clin Pract Nephrol, 2007, 3:654-668.
5) http://www.ema.europa.eu/docs/en_GB/document_library/Referrals_document/gadolinium_contrast_agents_31/European_Commission_final_decision/WC500240575.pdf, accessed on 15 February 2019.
6) https://www.fda.gov/downloads/Drugs/DrugSafety/UCM589442.pdf, accessed on 15 February 2019.
7) http://www.pmda.go.jp/english/safety/info-services/drugs/revision-of-precautions/0005.html, accessed on 15 February 2019.
8) https://www.gov.uk/drug-device-alerts/class-2-medicines-recall-magnevist-and-omniscan-solutions-for-injection-el-18-a-02, accessed on 15 February 2019.
9) Chronic kidney disease (CKD) is classified into five stages, of which stage 4 CKD is severely reduced renal function and stage 5 CKD is very severely reduced renal function, see http://www.renal.org/information-resources/the-uk-eckd-guide/ckd-stages#sthash.LIefmQg8.dpbs, accessed on 15 February 2019.
10) GlobalData EpiCast, Chronic Kidney Disease – Epidemiology Forecast to 2022, 2013.
11) Ann Surg Oncol (2013) 20:3885–3891.
12) WHO, World Cancer Report 2014.

breast, lung and gastric cancer, also metastasize to the liver, and these patients, in addition to patients with primary liver cancer, may also benefit from MRI with contrast to diagnose and stage their cancer disease, for assessment of metastatic resectability, and to monitor response to medical cancer therapy. Therefore, Ascelia has included a relevant selection of other solid cancers in the analysis of market size, but the expected number of Mangoral enhanced MRI scans per patient is assumed to be significantly lower for these indications than for patients with colorectal cancer or primary liver cancer.

The pricing of Mangoral will be value based, and Ascelia has conducted interviews with healthcare payer representatives to assess the accessibility to reimbursement, separate reimbursement coding and pricing. The feedback from the payer interviews have been used in the analysis of addressable marked size. The Company has also reviewed the pricing of other relevant high value diagnostics as part of this assessment, as outlined below. Based on the information presently available to Ascelia and the potential for Mangoral to provide overall cost savings to the health care system, the estimated cost per dose of Mangoral will be USD 1,500 – 3,000.

PRICING OF OTHER RELEVANT HGH VALUE DIAGNOSTICS

Test	Type	Company	Use	Est. price per dose (USDk)
Choline C-11[1]	In vivo (injection)	Zevacor Pharma	PET imaging	5.7
Afirma Gene Expression Classifier[2]	In vitro	Veracyte	Preoperative microarray test	3.6
Oncotype DX Gene expression microarray[3]	In vitro	Genomic Healths	Gene expression microarray test	3.4
Axumin (fluciclovine F 18) PET agent[4]	In vivo (injection)	Blue Earth Diagnostics	PET imaging	3.7

Based on the model described above, Ascelia estimates an addressable market size for Mangoral in the order of USD 350–500 million. Below is an illustration of methodology used to estimate the addressable market:

TOP-DOWN ANALYSIS

Est. cancer patients in 2020 ('000)[5]	US	EU28[6]	Japan
Colorectal cancer	570	1,441	491
Liver cancer	64	133	120
Other relevant cancers (breast, lung and gastric cancer)	1,792	2,875	992
Total	**2,427**	**4,449**	**1,603**

1 Age-distributed prevalence of CKD in the chosen cancer indications

2 Adjust for higher cancer risk in patients with CKD

Addressable CKD patients ('000)[8]			
CKD 4/5	37	46	30
CKD 3 with acute worsening	55	69	45
Total CKD patients for Mangoral	**92**	**116**	**75**

3 Scans per CKD patient – adjusted for the frequency of scans and rate of newly diagnosed patients in the cancer indications

# Annual Mangoral scans ('000)	64	95	61

4 Price per scan

An addressable market potential of USD 350–500m has been identified

EXPLANATORY COMMENTS

1. The prevalence of CKD varies across the geographies, as well as the age distribution of the population. This has been adjusted for in detail per the various geographies.
2. The risk of colorectal cancer is higher in patients with CKD than in the normal population.[7]
3. The actual number of expected scans have been adjusted for the different frequency of scanning per cancer indication, as well as the different # of scans given to patients depending on where they are in the treatment cycle.
4. Expected pricing level has been discussed with >25 payers in the US and Europe.

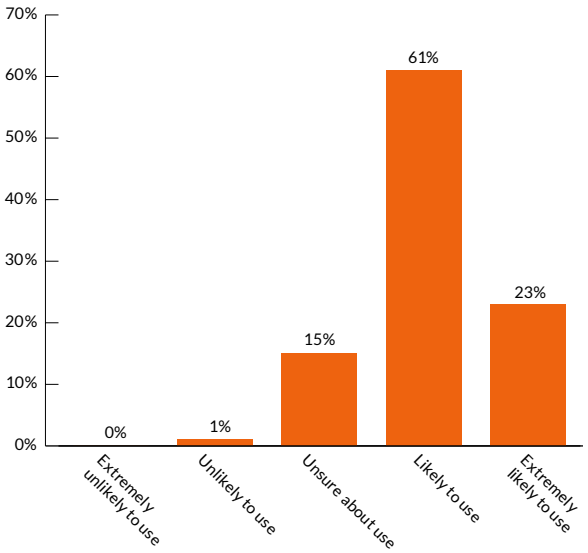
1) SNMI 2016 (http://snmmi.files.cms-plus.com/docs/hpra/SNMMI%20HOPPS%202016F%20vs%202017P_update.pdf), accessed on 15 February 2019.
2) Veracyte 2016 (https://investor.veracyte.com/news-releases/news-release-details/veracyte-announces-release-2018-preliminary-reimbursement-rate), accessed on 15 February 2019.
3) Genomic Health 2015 (http://investor.genomichealth.com/releasedetail.cfm?releaseid=935522), accessed on 15 February 2019.
4) Axumin 2017 (http://www.healthcareimprovementscotland.org/his/idoc.ashx?docid=22c1bc09-7e8a-4e36-871a-05f43f8e2fac&version=-1), accessed on 15 February 2019.
5) Based on Globocan 2012 and extrapolations.
6) EU28 figures have been derived based on EU5 figures, with EU23 assumed to constitute 40% of EU28.
7) Ann Surg Oncol (2013) 20:3885–3891.
8) Based on USRDS ADS 2010; USRDS ADR 2016; Global Data 'Chronic Kidney Disease – Epidemiology Forecast to 2022', August 2013.

During the fourth quarter 2018, the market analysis company Back Bay Life Science Advisors conducted, at the request of Ascelia, a field survey with 84 radiologists in the US regarding Mangoral (the Back Bay survey). The radiologists included in the field survey are mainly operative at hospitals which typically preform more than 1,000 MRI scans per month whereof 25 percent are abdominal. Among the radiologists, 94 percent considered that the usage of MRI contrast agents is important to, at an early stage of the course of disease, be able to discover small liver lesions which, if removed, can be crucial at the prognosis of, for example, colorectal cancer.

The risk of NSF increases in case of impaired renal function. FDA considers that gadolinium should not be administered at eGFR values (glomerular filtration rate, mL/min/1.73 m^2) under 30 since eGFR values at 0–30 mean adverse impaired renal function. The survey shows that most hospitals use FDA's threshold of 30 but also that 25 percent of the hospitals are more risk aversive than FDA regarding the usage of gadolinium. These 25 percent see a risk of using gadolinium already at eGRF values at 30–60. FDA consider that eGFR values in the liver at 30–60 mean medium-high impaired renal function.

The radiologists in the survey consider that the patients' concerns regarding accumulation of gadolinium in the brain have increased significantly from the time period 2014–2016 to the time period 2017–2018. The number of radiologists whose patients feel increased concerns have almost increased fivefold (from approximately 10 percent to 50 percent) according to the survey. As a consequence of brain accumulation concerns, the number of radiologists who have changed the usage of gadolinium have, according to the survey, also increased almost five-fold (from approximately 10 percent to 50 percent). Of the radiologists surveyed in the survey, approximately 85 percent stated that they would use Mangoral in case of a potential market approval.

WHAT IS YOUR OVERALL OPINION OF THIS PRODUCT FOR ITS TARGET POPULATION OF PATIENTS WITH KNOWN OR SUSPECTED LIVER METASTASES AND SEVERE RENAL INSUFFICIENCY OR AKI?



Source: the Back Bay survey

TRENDS

The Company considers that the main trends driving the market for liver contrast agents include:

- *Increase in screening and early diagnosis*: Since 2004, there has been a decline in mortality, especially within prostate, breast, colorectal and lung cancer. The improved survival rates are largely the results of increased screenings and early diagnosis of cancer.[1] The awareness of the benefits of early diagnosis puts focus on new diagnostics methods suitable for more parts of the patient population.
- *Increase in treatment surveillance*: As the patient survival rate is increased due to better surgical and therapeutic options, more imaging procedures to monitor response to treatment or surveillance of disease are required.
- *Increased costs and pricing trends*: The total global spending on of oncology therapeutic and supportive care therapies have increased at a CAGR of 8.5 percent since 2013, while the cost of supportive care treatments have remained largely unchanged.[2] There is also a similar trend for orphan drugs and high value diagnostics following the rise in pricing in these areas.
- *General demographic trends*: With the expected global rise in the elderly population, the total number of people living with cancer and chronic kidney disease is expected to grow. Age is a risk factor for most cancers, and by 2030 one may expect 70 percent of all cancer patients to be 65 years or older.[3] The risk of CKD is also higher in people aged 65 years and older.

COMPETITION

Ascelia believes that the competitive landscape for Mangoral consist of manganese based liver specific medical contrast agents. There are several available GBCA on the market today. However, as far as Ascelia is aware there are no manganese based liver specific medical imaging products available. Also, the Company is not aware of any competing gadolinium-free liver-specific MRI liver contrast agents in clinical development. As Mangoral has obtained orphan drug designation, it may be granted seven years of marketing exclusivity upon marketing authorization and potentially prevent other contrast agents containing the same active substance labeled for the same indication from obtaining marketing approval during the market exclusivity period of Mangoral.

1) The Quintiles/IMS Institute, Global Oncology Trends 2018, 2018.
2) The Quintiles/IMS Institute, Global Oncology Trends 2018, 2018.
3) Clin Geriatr Med 28 (2012) 1–18.

THE MARKET FOR CANCER TREATMENT (ONCORAL)

As outlined in the introduction, cancer treatment remains a global top priority within pharma research as incidence and prevalence levels rises, fueled by the growing and aging population in general. The increase in number of new cancer cases may be prevented by early diagnosis as it has been shown that early diagnosis is one of the key factors in the decrease in cancer mortality rates.[1)] Many current cancer treatments can reduce or delay mortality significantly. However, there is still a large demand for new and better therapeutics, which is reflected in the current and expected growth of the market for cancer treatment.[2)]

Treatment and management of cancer disease often relies on a combination of different treatment modalities with additive or synergistic effects. Chemotherapy is considered a fundamental backbone in many cancer treatment regimens, either as strict chemotherapeutic regimens or in combination with targeted/biologic therapies and/or treatment modalities such as surgery and radiation therapy. Chemotherapeutic drugs (cytotoxics) stop the growth of cancer cells, either by killing the cells or by stopping them from dividing. Cytotoxics are usually administered orally, or through intravenous infusion.

One such cytotoxic, an, is administered as intravenous infusion and is widely used globally in the treatment of multiple solid tumors including colorectal cancer (in the United States, the EU/EEA and in Japan), lung cancer (in Japan), gastric cancer (in Japan) and cervical cancer (in Japan).

Onivyde® is a novel and recently approved irinotecan-based cytotoxic for intravenous administration. Onivyde® was originally marketed by Merrimack. In September 2014, Baxalta acquired the ex-US rights for Onivyde® for USD 100 million in initial payment (and USD 870 million in milestone payments). In January 2017, all US rights for Onivyde® was acquired for a total of almost USD 1,100 million (USD 575 million upfront and additional milestone payments up to USD 483 million) by Ipsen Biopharmaceuticals.

Intravenous administration comes with certain drawbacks and risks, such as inconvenience for patients, higher healthcare costs and increased risk for complications associated with intravenous infusions. Examples of such complications are infections, blood clots and damage to the blood vessels. To mitigate these drawbacks and risks, orally administered cancer medicines are increasingly used, as oral therapies remove the need for injection or infusion in a physician's office or hospital outpatient clinic. Today, oral cancer therapies make up a larger portion of costs than five years ago.[3)] From 2005 to 2015, the total market share of oral cytotoxics in comparison with injectable/infusion cytotoxics increased from 13 percent to 19 percent. While there has been a rise in the use of oral therapies, there has been a decrease in the spending on injectable cytotoxic treatment.[4)]

Gastric cancer is the fifth most common cancer form worldwide and the third most deadly cancer form.[5)] However, there is still a limited number of efficacious treatment options available and although the trend of decreased spending on injectable cytotoxic treatment also applies for gastric cancer, there are currently no oral formulations of irinotecan for gastric cancer. Therefore, the Company's current focus is on the use of irinotecan as an oral formulation for treatment of gastric cancer. While full focus is on gastric cancer, the Company considers the possibility of future uses also for other indications.

THE MARKET FOR GASTRIC CANCER TREATMENT

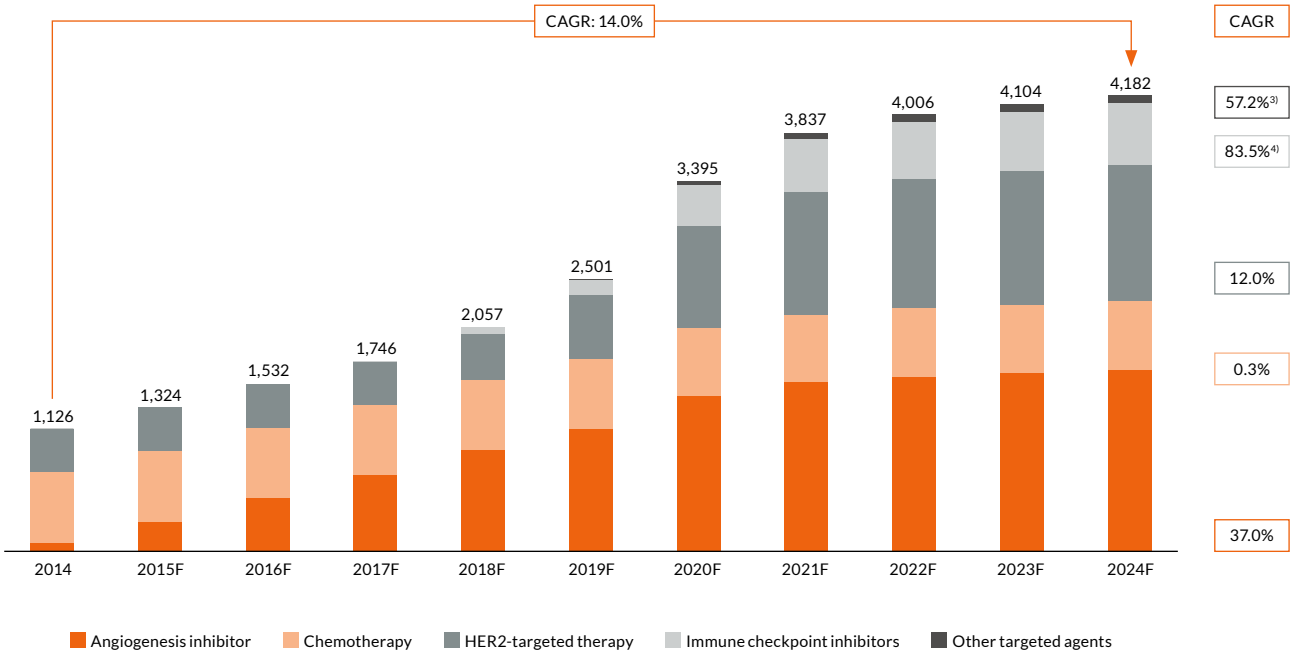
Gastric cancer is a disease in which cancer cells form in the lining of the stomach. Almost all gastric cancers are adenocarcinomas (i.e. a cancer that begins in glandular tissue) and some gastric cancers over-express the molecule HER2. However, 80 percent or more of gastric cancer patients are HER2-negative (i.e. having no over-expression of the HER2 molecule), meaning that they are ineligible for therapies targeting the HER2 molecule. Gastric cancer is often in an advanced stage when it is diagnosed. At this stage it often can be treated, but rarely cured.

In western countries, 80–90 percent of gastric cancer patients are diagnosed at an advanced stage or have disease relapse within five years. For patients with gastric cancer, the five-year survival rate is 20 percent and the median survival of advanced disease with combination chemotherapy is less than one year.[6)] It is worth noting that there are substantial geographic variations in gastric cancer survival rates. The incidence in Japan is roughly the same as the incidence in the United States and the EU/EEA combined[7)], however the five-year survival in Japan is around 60 percent, and the majority of patients with metastatic gastric cancer receive second-line therapy. In western countries, only about half of the patient population is estimated to receive second-line treatment.[8)]

1) The Quintiles/IMS Institute, Global Oncology Trends 2017, 2017.
2) EvaluatePharma® World Preview 2017.
3) IMS, Global Oncology Trend Report, A Review of 2015 and Outlook to 2020, 2016.
4) IMS Institute for Healthcare Informatics, June 2016, Global Oncology Trend Report: A Review of 2015 and Outlook to 2020.
5) IARC 2012.
6) Clinical Colorectal Cancer 2015; 14(4): 239–50.
7) Globocan 2012 and WHO Cancer Fact Sheets, http://globocan.iarc.fr/Pages/fact_sheets_cancer.aspx, accessed on 15 February 2019.
8) World J Gastroenterol 2015; 21(41):11621–11635.

The global gastric cancer market is expected to exceed USD 4 billion by 2022, and is fueled by several growth drivers. Fundamentally, there is an increase in the overall incidence of gastric cancer globally, whilst treatment rates and the length of treatments are expected to increase as well. In terms of commercial factors several new lines of relatively more expensive therapies are expected to reach the market in the coming years and there is an increased number of patients receiving branded therapy. An overall growth forecast of the gastric cancer drug market is outlined below:

GASTRIC CANCER DRUG MARKET SALES FORECAST 2014–2024[1) 2)]
(USD million)



1) GlobalData – Gastric and Gastroesophageal Junction Adenocarcinoma – Global Drug Forecast and Market Analysis to 2024.
2) Excluding Napabucasan due to negative results in gastric cancer.
3) CAGR reflects the period 2018–2024.
4) CAGR reflects the period 2017–2024.

CURRENT TREATMENT OPTIONS OF ADVANCED GASTRIC CANCER

The current backbone of first-line treatment of advanced gastric cancer is chemotherapy, either as double or triple combinations. A widely used first line chemotherapeutic regime is fluorouracil ("**5-FU**") or capecitabine in combination with a platinum agent (potentially with the addition of epirubicin or a taxane). 5-FU is typically infused over 48 hours whereas capecitabine is an oral prodrug formulation (i.e. a drug that is designed to be converted into the pound in the body) that is converted in the body to 5-FU and considered equally efficacious as intravenous 5-FU. In Japan, S1, which is another prodrug of 5-FU is widely used.

Irinotecan, which is usually infused over 30–90 minutes, is not regulatory approved for treatment of gastric cancer in the United States and the EU/EEA, but it is used off-label and included in recognized clinical guidelines (ESMO, ASCO, NCCN) in monotherapeutic or combination treatment regimens for advanced gastric cancer. According to these guidelines, 5-FU in combination with irinotecan might be considered in the first line setting, and in the second line setting irinotecan may be used as an alternative to a taxane or the anti-VEGFR2 antibody ramucirumab.

Examples of typical therapeutic management of advanced gastric cancer

OVERVIEW OF COMBINATION REGIMENS FOR ADVANCED GASTRIC CANCER

Typical regimens in first line treatment of advanced gastric cancer	US	Europe	Japan	Type of regimen used
Trastuzumab (with platinum or fluorouracil/capecitabine) in HER2 positive tumors (20%)	✔	✔	✔	
Epirubicin, cisplatin and 5-FU	✔	✔		
Epirubicin, oxaliplatin and capecitabine	✔	✔		
Cisplatin and 5-FU	✔	✔		
Docetaxel, cisplatin and 5-FU	✔	✔		
S-1 and cisplatin		✔	✔	

Regimens in progressed disease after first-line chemotherapy – no standard treatment option	US	Europe	Japan	Type of regimen used
Ramucirumab (alone or with paclitaxel)	✔	✔	✔	
5-FU/capecitabine and off-label irinotecan (FOLFIRI/XELERI)	✔	✔		
5-FU/capecitabine and oxaliplatin (FOLFOX/XELOX)	✔	✔	✔	
Off-label irinotecan or 5-FU and cisplatin	✔	✔	✔	
S-1 and off-label irinotecan			✔	

THE NEED FOR MORE EFFECTIVE, CONVENIENT AND WELL TOLERABLE COMBINATION REGIMENS

In recent years, treatment with targeted agents has demonstrated significant benefits in terms of overall survival in randomized studies. Nevertheless, despite these developments the prognosis of patients with advanced gastric cancer remains poor. The Company therefore believes that there is a significant unmet medical need for new treatments that improve the life expectancy and quality of life for patients with advanced gastric cancer, and in particular HER2-negative advanced gastric cancer patients.

In metastatic disease, delivery of systemic chemotherapy facilitates access to disseminated cancer sites, and systemic chemotherapy is usually given as a prolonged infusion over days or as a daily tablet over weeks, maximizing its exposure to distant and circulating tumor cells. For optimal efficacy, combination chemotherapy or a combination of chemotherapy and a targeted agent is preferred in order to allow for additive or synergistic effects from different mechanisms of action while keeping the potential overlapping toxicities to a minimum to reduce the risk of life-threatening adverse effects.[2)]

Currently used doublet and triplet chemotherapeutic regimens all have limitations in terms of safety, efficacy and convenience, but chemotherapy remains an essential treatment modality. Development of more efficient, well tolerable and patient friendly combination regimens that utilizes the well-established role of chemotherapy therefore continues to be an important goal in the management of advanced (gastric) cancer. Oral chemotherapies in particular may offer additional benefits compared to intravenously administered chemotherapeutics, especially if they can be effectively and safely combined with targeted agents.

1) PharmaPoint, GlobalData, Gastric and Gastroesophageal Junction Adenocarcinoma – Global Drug Forecast and Market Analysis to 2024, GDHC123PIDR, December 2015.
2) Surgery, 2012, 30:186–190.

The Company believes that there are many potential advantages of an oral tablet compared to intravenous infusion of chemotherapy, as outlined in the table below:

PATIENTS

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

CLINICIANS

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

PAYERS

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

Source: The Oncologist 2001;6 (suppl 4):12–16, Patient Prefer Adherence. 2016, 10:1609–21.

TRENDS

The Company considers that the main trends driving the market for gastric cancer treatment include:

- *Increased costs and pricing trends*: The total global spending on oncology therapeutic and supportive care have increased at a CAGR of 8.5 percent since 2013, while the cost of supportive care treatments have remained largely unchanged.[1] There is also a similar trend for orphan drugs and high value diagnostics following the rise in pricing in these areas.
- *Increased incidence of gastric cancer*: The overall growth rate of gastric cancer incidence in the United States, Japan and EU5 is expected to increase by an annual growth rate of 1.2 percent from 2012 to 2035. The expected total number of cases globally is expected to reach 237,000 by 2035.[2)]
- *Increasing use of combination treatments*: The rising costs within the oncology market are largely driven by new products, especially various immunotherapies, leading to longer therapy durations and opening up treatment to new patient groups.[3)] Thus, combination treatments, e.g. with different immunotherapy based therapies in combination with cytotoxics, are expected to increase significantly.[4)]
- *General demographic trends*: With the expected global rise in the elderly population, the total number of people living with cancer and chronic kidney disease is expected to grow. Age is a risk factor for most cancers, and by 2030 one may expect 70 percent of all cancer patients to be 65 years or older.[5)] The risk of CKD is also higher in people aged 65 years and older.
- *Increased cooperation between pharmaceutical actors*: Due to the rising research and development costs involved in the pharmaceutical industry, there is a trend towards increased collaboration between Big Pharma and smaller actors. By initiating licensing collaborations and/or joint ventures with smaller actors, the Big Pharma companies can mitigate some of the risk aspects associated with early research. Smaller actors can, in turn, utilize the commercialization competence and large sales organizations of the Big Pharma companies. The trend towards a more open cooperation landscape opens up several ways for new promising products to be successfully commercialized.

COMPETITION

There is currently several different non-irinotecan cytotoxics available on the market, both for oral and intravenous administration. However, Ascelia considers oral irinotecan-based anti-cancer drugs to be the primary competitor to Oncoral. The Company is only aware of one other oral irinotecan product currently in clinical development, namely Oratecan from Athenex (formerly Kinex Pharmaceuticals), and to the best of the Company's knowledge, there are no oral irinotecan-based products for cancer treatment that have gained market approval. Oratecan is an oral formulation of irinotecan combined with a P-glycoprotein inhibitor. Oratecan has been in Phase I in advanced cancer since 2014, and is currently in dose-regimen finding Phase I study.[6)]

1) The Quintiles/IMS Institute, Global Oncology Trends 2018, 2018.
2) PharmaPoint, GlobalData, Gastric and Gastroesophageal Junction Adenocarcinoma – Global Drug Forecast and Market Analysis to 2024, GDHC123PIDR, December 2015.
3) The Quintiles/IMS Institute, Oncology Trend Report 2017 – Advances, Complexity and Cost, June 2017.
4) Davidson, et. al. "Current and Future Therapies for Advanced Gastric Cancer", Clinical Colorectal Cancer, Vol. 14, No. 4, 239–50, December 2015.
5) Clin Geriatr Med, 2012, 28:1–18.
6) ClinicalTrials.gov Identifier: NCT02250157.

REGULATORY OVERVIEW

As the Company operates within the field of drug development, the Company's operations are subject to various laws and regulations relating to the development, testing and marketing of drugs. While the regulatory framework is complex and sets strict requirements for drug developers, there are also regulations aimed to promote and reward certain types of drug development. This section, *Regulatory Overview*, serves to give the reader an overview of the main parts of the regulatory framework relating to the Company's operations and its current product portfolio. This section is however not a comprehensive description of all laws, regulations and regulatory matters that affect the Company, its operations and its current product portfolio.

DRUG DEVELOPMENT

INTRODUCTION

Before obtaining marketing authorization for a new drug, extensive studies proving the safety and efficacy of the drug candidate need to be presented to and reviewed by the relevant health authority. These studies can be very time-consuming; normally the process from pre-clinical research up to the approval of a drug can take up to 10–15 years and the trend of increasingly strict regulatory requirements may extend this time additionally in the future. Consequently, both research and drug development require substantial financial resources over time.

PRE-CLINICAL AND CLINICAL RESEARCH AND DEVELOPMENT

Research and development of drugs is often divided into a pre-clinical and a clinical stage. During the pre-clinical stage research and studies are conducted with the purpose to identify and initially evaluate and select potential drug candidates suitable for further clinical research. The pre-clinical stage includes studies that are usually performed *in vitro* (outside of the body) and *in vivo* (in living organisms) in animals and humans. The purpose of the clinical studies is to evaluate the effect of the drug candidate on humans and to eventually provide the clinical safety and efficacy data needed for the drug to be approved by the relevant authorities.

In the clinical stage, the drug candidate is tested in humans, with the aim to outline, among other things, clinical effects, potential side-effects and optimal dosage regimens. The clinical studies need to be conducted in accordance with strict regulatory rules and in compliance with *Good Manufacturing Practice*, meaning that it must be shown that the drug candidate can be manufactured in high quality and that methods are in place to verify the identity, strength, quality and purity of the final drug candidate, as well as *Good Clinical Practice*, which is an international quality standard in which guidelines on operational and ethical aspects of a clinical study are outlined.

Clinical studies are performed in three main phases, referred to as *Phase I–III* and sometimes one additional phase, *Phase IV*. The different phases have different purposes and each phase has to be successfully conducted before the next phase can be initiated. The scope of the performed tests in terms of patient populations and the doses are gradually advanced with each phase. Phase I is usually performed with a wide range of doses in a small group of healthy, voluntary individuals to study tolerability/safety and to establish the maximum tolerable dose. In oncology Phase I trials, tolerability/safety and to a certain extent also efficacy is usually studied in patients. In Phase II, the scope of the studies is substantially scaled up in terms of demonstrating efficacy and safety of the investigational medicinal product in patients. Phase III is usually performed on very large patient groups and the aim is to provide sufficient clinical safety and efficacy data in large populations for the regulatory health authorities to grant marketing authorization for the investigational drug being studied. The requirements for conducting Phase III studies are generally very high. In some cases, the marketing authorization holder can, voluntarily or due to conditions set out by the regulatory authorities, perform Phase IV studies, which are post-marketing surveillance studies in which the use, safety and efficacy of the drug are investigated.

In addition to the Phase I–IV studies, certain *special population studies* often have to be performed to assess efficacy and safety of an investigational drug in certain special populations with reduced drug excretion, e.g. patient populations with different degrees of renal or hepatic impairment.

There are also certain regulatory requirements regarding orally administered drugs to perform so called *food effect bioavailability* studies. An orally administered drug can behave differently in the body depending on whether the drug is administered in a fed state (i.e. shortly after a meal) or in a fasted state. The purpose with the food effect bioavailability studies is to assess the effects of food on the rate of absorption of orally administered drugs, by assessing the effect in a fed state compared to the effect in a fasted state.

THE MARKETING APPROVAL PROCESS

In addition to the regulatory framework surrounding research and clinical development, there are extensive and complex laws and regulations relating to gaining marketing authorization for a drug candidate. Between each clinical Phase (I–III), approval is needed before proceeding to the next phase. Once all three clinical phases have been completed, the clinical study data is reviewed by the regulatory health authority before marketing authorization can be granted. If market authorization is obtained, there are additional rules that need to be adhered to during the manufacturing and sales of the drug, relating to e.g. record keeping, safety reporting, distribution, marketing and authorization.

In the United States, a *New Drug Application* ("**NDA**"), which provides information on e.g. the safety, efficacy and the manufacturing methods of the investigational new drug candidate has to be submitted to the FDA in order to obtain marketing authorization. In the EU/EEA, there are several paths to obtaining marketing authorization. Some of these paths are exemplified below.

One way to achieve marketing authorization in the EU/EEA is the *centralized procedure*. In the centralized procedure, marketing authorization can be obtained for the whole EU/EEA by submitting one single marketing authorization application to the EMA. The approval is then granted by the European Commission. There is a maximum time limit of 210 days for the evaluation of the marketing authorization application. Today, the majority of new medicines are passed through the central procedure. The centralized procedure is compulsory for human medicines containing a so-called *new active substance* (i.e. a chemical compound not previously approved) for the treatment of certain conditions, including cancer.

Another way of obtaining marketing authorization throughout the EU/EEA area is through the *mutual recognition procedure*, which is based on the principle of mutual recognition between EU/EEA member states. According to this procedure, the applicant can use the marketing authorization in one member state to get the drug approved in other member states. The state of first approval then works as a *Reference Member State* ("**RMS**"). The RMS prepares an assessment report that is sent to the other member states (referred to as *Concerned Member States* ("**CMS**")) for approval within 90 days. The CMS can then refuse to recognize the original national authorization on the grounds of potential risk to the public health. If not refused within 90 days, the member state shall approve the marketing authorization.

The *de-centralized* procedure works in a similar way as the mutual recognition procedure, with some differences. In the de-centralized procedure, no marketing authorization is approved in any EU/EEA state before marketing authorization is applied for in the other states. Instead, marketing authorization is applied for simultaneously in the RMS and the CMS. The RMS and the CMS then works simultaneously, in that the RMS is responsible for undertaking the procedure while the CMS take part in the assessment. The last main path to marketing authorization is by applying for marketing authorization in each individual member state.

In both the United States and the EU/EEA, there are regulatory rules for generic actors allowing them to refer to the data from other actors in order to obtain marketing authorization for products where market exclusivity has expired. The generic actors then only need to provide with bioequivalence data proving that their drugs are adequately similar to the brand name drugs. EMA and FDA have also implemented certain procedures allowing for an expedited approval of marketing authorization applications, provided that certain criteria are fulfilled.

ORPHAN DRUG DESIGNATION

INTRODUCTION

To incentivize pharmaceutical actors to focus their research on drugs treating limited patient populations (so called "orphan drugs"), there are regulatory frameworks in place in most major jurisdictions, including the United States and the EU/EEA, which allow for new potential drugs to be granted orphan drug designation. The *orphan drug designation* grants the holder market exclusivity upon marketing authorization of the orphan drug, as well as certain privileges during the approval process, such as tax credits for the clinical development costs, reduction and/or waivers of application fees, fast-track in regulatory approvals and assistance in the approval process. Without such incentives, it would normally not be profitable to target these patient populations because of the high R&D costs, the strict regulatory requirements and the high risks involved in focusing on a new patient group.

The prerequisites for obtaining an orphan drug designation are slightly different between the different jurisdictions. In the United States, orphan drug designation can be obtained for:

- A drug intended to treat a rare disease or condition affecting fewer than 200,000 persons in the United States; or
- A drug which will not be profitable within 7 years following approval by the United States Food & Drug Administration.

According to the EMA, the following three prerequisites must be fulfilled in order to obtain an orphan drug designation in the EU/EEA:

- The medicine must be intended for the treatment, prevention or diagnosis of a disease that is life-threatening or chronically debilitating;
- the prevalence of the condition in the EU/EEA must not be more than 5 in 10,000, or it must be unlikely that marketing of the medicine would generate sufficient returns to justify the investment needed for its development;
- no satisfactory method of diagnosis, prevention or treatment of the condition concerned must be authorized, or, if such a method exists, the medicine must be of significant benefit to those affected by the condition.

THE IMPLICATIONS OF THE ORPHAN DRUG DESIGNATION

In both the United States and EU/EEA, the orphan drug designation programs incentivize pharmaceutical actors to develop orphan drugs in many different ways. The main incentive is the market exclusivity that can be obtained for orphan drugs upon market authorization.

In the United States, the holder of an orphan drug designation may be granted seven years of market exclusivity upon marketing authorization of the drug. This period can be prolonged for an additional six months if approved in a pediatric population. Market exclusivity means that, during this time, the FDA cannot approve any applications for generic drugs containing the same active substance labeled for the same indication. In addition, there are several other advantages related to obtaining orphan drug designation, including tax credits for clinical development costs, reduction/waiver of application fees and assistance in the approval process.

In the EU/EEA, the holder of orphan drug designation may be granted ten years of market exclusivity upon marketing authorization of the drug. By obtaining market exclusivity in the EU/EEA, the holder is guaranteed that, during the course of the exclusivity period, no marketing authorization will be accepted for the same therapeutic indication with respect to a similar medicinal product. As in the United States, there are several other advantages in obtaining orphan drug designation, such as fee reductions for marketing authorization and maintenance, scientific advice, community and national level grants, etc.

DATA/MARKET EXCLUSIVITY

In addition to orphan drug designation, there are data protection and market exclusivity regulations in the United States and the EU/EEA to incentivize drug development companies to develop new drugs. Due to the high costs related to pre-clinical and clinical studies, drug development companies can be granted data protection and market exclusivity for drugs containing new active substances to protect the developer from generic competition. The rationale is to create a balance between innovating companies and actors focusing on generic drugs (i.e. drugs which are equivalent to brand-named drugs), by ensuring that the data provided would be protected for a sufficient amount of time.

Obtaining marketing authorization for a product that has obtained *New Active Substance* ("**NAS**") status within the EU/EEA, or the corresponding *New Chemical Entity* ("**NCE**") designation in the United States, means that the marketing authorization holder obtains data exclusivity for the study results invoked during the approval process of the new active substance. Normally, a generic actor can obtain regulatory approval by providing bioequivalence studies comparing the generic drug with the original drug. Data exclusivity means that the marketing authorization holder, during the time of exclusivity, has the exclusive right to refer to the clinical data provided by the marketing authorization holder in regulatory filings. Data exclusivity does not mean exclusivity to the products per se; a generic actor could in theory obtain original data to rely on in a regulatory approval process for the same active substance. However, this is unusual since it would require the generic actor to perform a pre-clinical and clinical program which independently provides sufficient documentation for a regulatory approval.

In the United States, the marketing authorization holder of a product with NCE designation gives the holder market exclusivity for a time period of five years after the grant of the FDA approval. NCE exclusivity is similar to the NAS exclusivity in the EU/EEA. NCE is essentially a way to prevent generic actors to submit a so called *Abbreviated New Drug Application* ("**ANDA**") for the same active substance as the listed drug during the time of the market exclusivity. An ANDA is an application for marketing authorization of a generic version of a listed drug, in which bioequivalence studies comparing the generic drug and the listed drug must be demonstrated.

In addition to the NCE exclusivity, it is possible to obtain *Clinical Investigation Exclusivity* ("**CIE**"). CIE can be obtained for results of additional clinical testing on already NDA approved products. Examples of changes suitable for CIE are new dosage forms or new indications for an existing active substance. CIE is valid during three years from approval and grants exclusivity for the additional data only. In all cases, an additional six months of exclusivity can be granted for the results from pediatric clinical studies.

In the EU/EEA, eight years of data exclusivity is provided upon marketing authorization for a NAS. For the two years following the lapse of the data exclusivity, the marketing authorization holder has *market exclusivity*. During the period of market exclusivity, the EMA cannot approve any generic products based on the exclusive data of the market authorization holder. EMA can, however, for preparatory purposes admit such applications. In total, the data exclusivity and market exclusivity frameworks ensure exclusivity for the data of eight plus two years. In some circumstances, such as if the marketing authorization holder obtains an authorization for one or more new therapeutic indications of the same active substance during the first eight years of data exclusivity, one additional year of exclusivity can be added.

BUSINESS DESCRIPTION

INTRODUCTION

Ascelia is an oncology-dedicated orphan drug development company located in Malmö, Sweden, focused on the development of novel drugs with an established mode of action. The Company's strategy is to develop and make available to patients a portfolio of differentiated and de-risked drug candidates addressing unmet medical needs with potential for orphan drug designation in cancer and cancer-related diseases.

Ascelia currently has two clinical stage drug candidates under development. Ascelia's lead candidate, Mangoral, is Phase III-ready, and is an contrast agent to facilitate the visualization of focal liver lesions in patients with known or suspected focal liver lesions and severe renal insufficiency (impaired kidney function). The second candidate, Oncoral, is a Phase II-ready novel tablet formulation of the well-known chemotherapeutic agent irinotecan. Mangoral has received orphan drug designation by the FDA and Oncoral targets gastric (stomach) cancer which is considered an orphan drug indication by the FDA and EMA.

COMPANY HISTORY

The Company's operations were commenced in 2000 with the focus of developing Mangoral (known as CMC-001 at the time). Mangoral was invented by Prof. Henrik Thomsen from Herlev Hospital, University of Copenhagen, Denmark and was subsequently acquired by the Company (known as CMC Contrast AB at the time) which set up its operations in Lund, Sweden. In 2011 the Company decided to refocus development of Mangoral to specifically target patients with severe renal insufficiency in need of a liver MRI as they are at risk of NSF. In subsequent years, several important regulatory and commercial milestones have been met, thus validating this strategy.

To leverage the capabilities of the Company and further strengthen the pipeline the board of directors decided to acquire an additional clinical-stage drug candidate. As a result of a worldwide structured search and evaluation process, Oncoral Pharma Aps was acquired in June 2017.

The list below includes milestones in Ascelia's history:

2018	• Positive feedback from Mangoral Phase III protocol meeting with FDA. • Phase I study of Oncoral completed with promising results.
2017	• CMC Contrast AB acquired Oncoral Pharma ApS and changed company name to Ascelia Pharma AB.
2015–2016	• Ascelia prepares commercial strategy for Mangoral, which is validated by feedback from healthcare payers.
2015	• Mangoral End of Phase II meeting with FDA held. Phase III program outlined and discussed. • Revised Orphan drug designation for Mangoral in the United States approved by FDA. • Oncoral Phase I study initiated. [1)]
2014	• Blind Read re-study of all Mangoral images from the clinical studies to confirm Mangoral benefit across all individual studies. Results presented at SCBTMRI, RSNA and ECR during 2015.[2)] • A patent application for the formulation/composition of Oncoral was submitted. [1)] • Contract signed with Halo Pharmaceuticals, Inc., NJ, United States (Cambrex) regarding manufacturing of Mangoral.
2013	• Mangoral obtains Orphan Drug Designation in the United Sates, meaning potential 7 years of market exclusivity in the US upon future market approval.
2011	• The strategic decision was taken to focus on an Orphan Drug strategy for Mangoral.
2004–2011	• Six Phase I and II studies on Mangoral were carried out.
2000	• CMC Contrast AB's operations commenced.

1) Before Ascelias acquisition of Oncoral Pharma ApS.
2) Concerns different radiology conferences, see the section *Product portfolio – Mangoral – Development to date – Blinded read study.*

VISION AND MISSION STATEMENT

Ascelia's mission is to improve the quality of life and life expectancy of people living with cancer and cancer-related conditions.

Ascelia's vision is to make available differentiated orphan medicinal products in oncology that satisfies an unmet medical need.

STRENGTHS AND COMPETITIVE ADVANTAGES

Ascelia's lead drug candidate Mangoral is a Phase III ready drug candidate that is expected to address significant unmet medical need for the visualization of focal liver lesions in patients with severe renal insufficiency

Ascelia's lead drug candidate, Mangoral, is an MRI contrast agent that will be used for visualization of focal liver lesions in patients with known or suspected focal liver lesions in patients where use of GBCA may be medically inadvisable due to impaired drug elimination (i.e. patients with severe renal insufficiency, a result of CKD or AKI) or cannot be administered. Mangoral has completed six Phase I and Phase II trials without any serious safety concerns related to the product being identified. Furthermore, the completed studies have demonstrated Mangoral's efficacy, meaning that the product is perfectly positioned to address the unmet medical need related to detecting and localizing liver metastases in patients with kidney dysfunction.

Addressable market of USD 350–500 million with no competing products with similar properties as Mangoral

As the risks related to gadolinium are well established and documented by both the FDA and the EMA, there are standard processes in place for screening to identify patients with severe CKD or AKI, making Mangoral's target population easily accessible. Ascelia estimates Mangoral's addressable market to USD 350–500 million, in which there are no FDA or EMA approved, non-gadolinium MRI liver contrast agents in use, meaning that there are no competing products with similar properties. Ascelia expects that a launch of Mangoral will be a significant event in the radiology community worldwide.

Furthermore, the use of gadolinium is under scrutiny by regulatory authorities due to potential issues concerning brain accumulation of the metal, which may offer significant upside of the addressable market should a limitation of GBCA be decided. In November 2017, the EMA confirmed suspensions on use of three linear gadolinium agents and in December 2017, the FDA required a new class warning and other safety measures for all GBCAs concerning gadolinium retention in patient's bodies, including the brain, for months to years after receiving GBCAs.

De-risked asset ready for Phase III with US Orphan Drug Designation

The pivotal Phase III program, which is expected to start in the second half of 2019, is based on the discussions with the FDA, which has provided constructive feedback. The six clinical studies already conducted provide strong support for Mangoral's safety and performance and significantly de-risks the pivotal Phase III study. Furthermore, the Company assesses that Mangoral's Phase III clinical development has a higher likelihood of success than the average investigational oncology drug in Phase III. This is due to the known mode of action and a high degree of similarity between Phase II and III primary endpoints for Mangoral and since the planned Phase III study comparator for Mangoral is un-enhanced MRI (i.e. MRI without contrast agent), with each patient being its own control subject. Therefore, the Phase III program requires fewer patients compared to a head-to-head evaluation with another drug. In addition, the basic follow-up time to endpoint is only a few days, compared to months or years for the typical pivotal Phase III oncology study. Orphan drugs are also known to have a shorter approval review time and a higher approval rate than non-orphan drugs.[1)]

The orphan drug designation can also provide market exclusivity in the United States. Upon marketing authorization, Mangoral may obtain seven years of market exclusivity with a possible extension of six months.

Mangoral is supported by a wide network of KOLs

Ascelia has a strong network of Key Opinion Leaders ("**KOL**") to support Ascelia to make Mangoral available to patients. The KOL network consists of more than ten leading radiologists at leading institutions in the United States and Europe, with Ascelia having organized more than 60 individual meetings with over 20 different radiology and oncology experts since 2013. In addition, nine radiologists have written supporting letters to regulatory authorities to advocate for the need of Mangoral for use in the targeted patient population. The KOL network consists of e.g. Kohkan Shamsi (MD, PhD), a leading expert in radiology with more than 25 years of clinical development experience. Dr. Shamsi has been involved in seven FDA approvals of medical contrast agents, including the liver specific GBCA Eovist/Primovist. He has conceptualized, coordinated and executed more than 25 multicenter international trials to develop new contrast agents and has been advising the Company on Mangoral since 2013.

1) Drug Discovery Today 2012; 17: 660–664.

Oncoral is a promising pipeline drug candidate for the treatment of advanced gastric cancer, based on a well-established active pharmaceutical ingredient ("API")

Ascelia's second product, Oncoral, completed a Phase I study in 2018 with encouraging results and will be targeting the rapidly expanding market for treatment of gastric cancer. Oncoral is based on irinotecan, which is a well-established API with proven anti-tumor effect and approved for combination use in several cancer indications, such as metastatic colon, rectal and pancreatic cancer. However, Oncoral is a novel oral formulation of irinotecan which is intended for combination use in the treatment of un-resectable and metastatic gastric cancer (advanced gastric cancer) and is therefore targeting an indication that irinotecan is not approved for in the United States or in the EU/EEA.

Oncoral has the potential to be combined with other chemotherapies and targeted cancer drugs which is expected to result in efficient and well tolerable treatment regimens. Moreover, Oncoral enables an all-oral combination chemotherapy option which results in significant benefits for the patient and society.

A rapidly expanding global market

Despite the development of new targeted agents, there is still an unmet medical need in advanced gastric cancer, and chemotherapy remains an essential treatment modality. Gastric cancer is the fifth most prevalent cancer in the world and the third most frequent cause of cancer death.[1] The five-year survival rate of gastric cancer in western countries is approximately 20 percent[2] and it is typically treated with a combination of two to three drugs. The gastric cancer market is estimated to amount to almost USD 3.5 billion by 2020.[3]

Gastric cancer is recognized by the FDA and EMA as an orphan indication and therefore, the Company believes that Oncoral has the potential to receive Orphan drug designation in gastric cancer as well as label expansion into other solid cancer indications. Combined with irinotecan already being approved for other metastatic cancer indications, as well as approved for treatment of gastric cancer in Japan, this significantly de-risks the development plan.

Highly experienced management team backed by well-renowned investors

Ascelia is led by seasoned pharma professionals with vast industry experience.

- Magnus Corfitzen, CEO, has extensive experience from investing in the Life Science sector as an investment professional at Sunstone Capital, the Danish Growth Fund and Danske Capital.
- Kristian Borbos, CFO, has extensive experience from finance and investor relation roles, most notably as lead Investor Relation Manager at DONG Energy during its initial public offering.
- Carl Bjartmar, CMO, has extensive experience from orphan drug development holding senior positions at big pharma companies such as Sanofi, Lundbeck and Genzyme, as well as Wilson Therapeutics. At Wilson Therapeutics Carl was CMO and was involved in their IPO and development of their orphan drug candidate which led to the company being acquired by Alexion Pharmaceuticals for USD 855 million.
- Dorthe da Graça Thrige, COO, has extensive experience from R&D and executive management positions in Swedish and Danish biotech and pharma companies such as Pharmacia, AstraZeneca and Active Biotech.
- Mikael Widell, Head of IR & Communications, has more than 30 years of experience within communications and has had different positions within in-house corporate communications at e.g. AstraZeneca, Swedish Orphan Biovitrum and Nordic Capital as well as strategic work as a communications advisor within financial PR and IR. Mikael Widell is currently also Head of Communications and IR at Calliditas Therapeutics.

Ascelia's board of directors has extensive experience from orphan drug development as well as from drug commercialization.

- Peter Benson, Chairman of the Board, is co-founder and managing partner of Sunstone Capital, a specialist fund which is the largest shareholder in Ascelia. Peter is also Chairman of the Board in Alligator Bioscience.
- Bo Jesper Hansen is a board member of many international life science companies and previously Executive Chairman of Swedish Orphan Biovitrum.
- Niels Mengel is founding partner, president and CEO at Øresund-Healthcare Capital.
- René Spogárd is a board member and private investor in several companies and former Managing Director and owner of TNS Gallup.
- Hans Maier is co-founder and Managing Partner of BGM Associates and formerly Head of the Global Business Unit Diagnostic Imaging in both Schering and Bayer as well Managing Director of Scherings subsidiaries in South Korea and Japan.
- Helena Wennerström is Executive Vice President and CFO of Bulten with prior experience from Digitalfabriken and Topcon.

STRATEGY

Ascelia's strategy is to further develop Mangoral to market authorization, and subsequently to commercialize Mangoral, either in-house and/or together with appropriate partners. The Company's strategy for Oncoral is to conduct a Phase II study and then seek partners for the continued development. After successful Phase II results, there are several potential commercialization options, including out licensing of Oncoral, further collaborations for development, or letting a larger pharma company acquire Oncoral.

1) IARC (2012).
2) Clinical Colorectal Cancer 2015; 14(4): 239–50.
3) GlobalData.

The acquisition of Onivyde by Ipsen in January 2017 for more than USD 1 billion validates the attractiveness for superior, reformulated irinotecan products. It also validates Ascelia's development strategy for Oncoral. Important elements of Ascelia's strategy are as follows:

- Further develop Mangoral for visualization of focal liver lesions in patients with known or suspected focal liver lesions by completion of the pivotal Phase III clinical development program.
- Establish a global commercialization strategy for Mangoral and investigate the opportunity to establish relationships with one or more collaborating partners in selected geographies.
- Further develop Oncoral to obtain Phase II data and seek partners for the continued development, alternatively seek out an out licensing or acquisition deal.
- In the long term, Ascelia will acquire and develop additional differentiated drug candidates addressing unmet medical needs in cancer and cancer-related diseases.

Further develop Mangoral for visualization of focal liver lesions for patients with known or suspected focal liver lesions by completion of the Phase III clinical development program.
The planned clinical Phase III development program for Mangoral consists of a pivotal Phase III efficacy study and two supportive studies (one special populations study and one food intake effect study). The development program is designed to minimize development risks and maximize the drug candidate's market potential by producing results that will constitute a clear basis for decisions by pharmaceutical regulatory authorities regarding marketing authorization. The long-term goal is to obtain FDA and EMA marketing authorization and to launch Mangoral in the United States and the EU/EEA by 2022.

Establish a global commercialization strategy for Mangoral and investigate the opportunity to establish relationships with one or several collaborating partners in selected geographies.
Ascelia sees many viable commercialization options for Mangoral. In parallel with the Phase III development program, the Company will recruit a Chief Commercial Officer that will be responsible for the development of a detailed global commercialization strategy for Mangoral.

Ascelia has conducted extensive payor interviews in preparation for a commercial launch. The analytical data and clinical evidence that Ascelia has gathered in efforts to establish clinical utility, combined with the support developed with key opinion leaders, or KOLs, have led to positive feedback from a number of payers. Success in each of the layers above is important for commercial adoption with clinicians. Additionally, for clinicians, endorsement by KOLs and inclusion in national treatment guidelines are important. Ascelia expect Mangoral to be covered by health care payers under a separate reimbursement code. Reimbursement is expected shortly after sales launch.

During the work on the commercialization strategy, Ascelia will investigate the opportunities of engaging with one or more partners to commercialize Mangoral. The prescriber base for Mangoral is medical specialists and screening processes are already implemented in clinical practice to identify Mangoral's targeted patient population, which do not have a non-gadolinium medical contrast agent for liver MRI today. Therefore, a dedicated sales force can be highly focused, and the Company believes this might make it financially attractive to establish an internal sales and marketing organization in selected geographies, potentially supported by a contracted sales force for maximum market penetration. The Company's current estimate is that a sales organization of approximately 10–20 sales representatives supported by marketing, regulatory, medical affairs and market access specialists would be able to penetrate most of the market in the US.

During Phase III development, Ascelia will determine the global commercial strategy for Mangoral; in particular the operational requirements and fiscal implications for establishing effective Ascelia sales forces in United States and in Europe, and based upon this work the value maximizing commercialization strategy will be implemented.

In Japan, China and South Korea, Ascelia's strategy is to out license Mangoral to a industrial partner that will be responsible for the commercialization of Mangoral.

Further develop Oncoral to obtain Phase II data and seek partners for the continued development, alternatively seek out an out licensing or acquisition deal.
The clinical development strategy for Oncoral is to obtain Phase II data and to partner for the further development and commercialization, alternatively seek out an out licensing or acquisition deal. Before Phase II is commenced, the Company intends to initiate discussions with its clinical advisors and regulatory authorities regarding the design of the study. After a successful Phase II study, there are several potential commercialization options, including out-licensing of Oncoral, further collaborations for development, marketing and sales, or letting a larger actor acquire Oncoral.

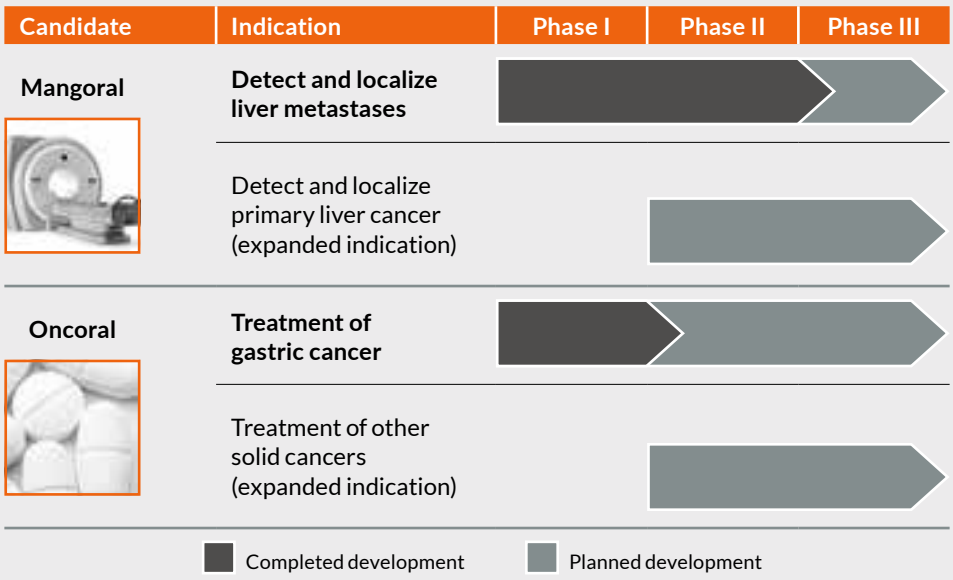
In the long term, Ascelia will acquire and develop additional differentiated orphan drug candidates addressing unmet medical needs in cancer and cancer-related diseases.
Ascelia's long-term strategy is to utilize the extensive expertise and experience of the management team and board of directors and continue acquiring and developing orphan drug candidates that fit into the Company's strategy.

PRODUCT PORTFOLIO

Ascelia's product portfolio consists of two drug candidates in clinical development stage, Mangoral and Oncoral.

- Mangoral is a manganese-based liver MRI contrast agent for visualization of focal liver lesions in patients with known or suspected focal liver lesions directed towards patients where the use of GBCA may be medically inadvisable or cannot be administered or may be medically inadvisable. Mangoral, is ready for Phase III clinical development. Indications for Mangoral has the possibility of label expansion into visualization of primary liver cancer.
- Oncoral, an oral tablet formulation of irinotecan for treatment of advanced gastric cancer, is ready for Phase II clinical development. The indication for Oncoral has the potential of label expansion into treatment of other solid cancers as shown in the figure below.

Both drug candidates have potential in a broader range of indications than the ones in which they are currently being developed.



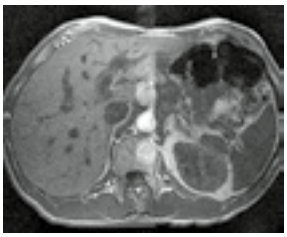
MANGORAL

Product features

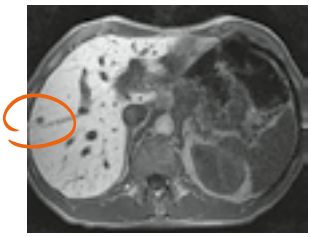
Mangoral is an orally administered liver contrast agent for MRI of the liver. Mangoral is Ascelia's lead drug candidate. Mangoral has been evaluated in six clinical Phase I and II trials and has also been used in a compassionate use setting (which is a program in which non-approved drugs can be used for certain patients for whom there are no relevant approved drugs or investigational medicinal products in clinical development) at Herlev Hospital in Denmark. The non-clinical, clinical Phase I and II data and a planned Phase III clinical program have been discussed with the FDA in a Pre-IND/end-of-Phase-II meeting. Mangoral has been granted orphan drug designation in the United States and is ready for Phase III clinical development.

The active ingredient in Mangoral is manganese(II) chloride tetrahydrate. The drug candidate also contains two absorption promoters, L-Alanine and Vitamin D3, which increase the absorption of manganese (Mn2+) from the small intestine into the portal liver vein. From there the manganese is transported to the liver where it is taken up by and retained in the normal liver cells, also known as hepatocytes. The high manganese uptake causes the liver parenchyma to appear bright on T1-weighted MR images.[1)]

Liver metastases are not liver cells and do not take up manganese. Consequently, metastases appear dark on T1-weighted MR images.



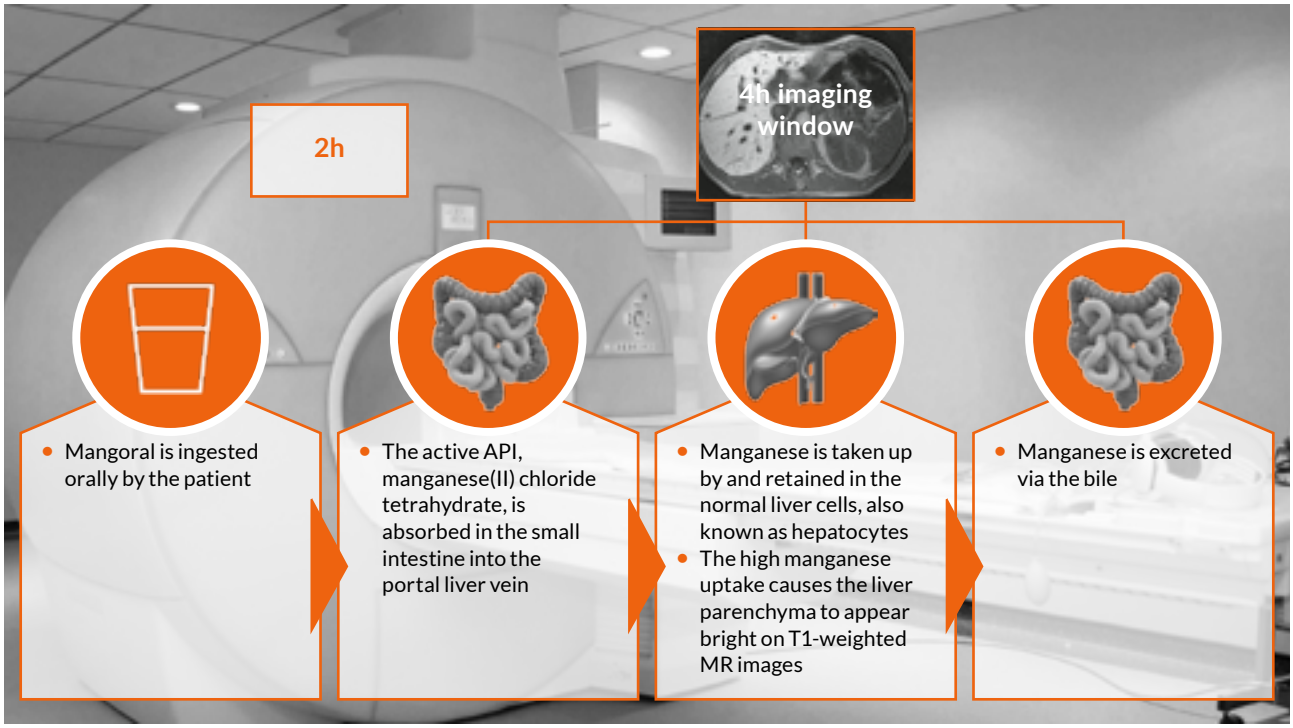
MRI without a contrast agent – the current standard of care today in the target population



MRI with Mangoral – liver metastases are clearly visible

When administered orally, manganese is absorbed from the gastro-intestinal tract, taken up in the liver and excreted via the bile. Due to the high pre-systemic first pass effect only minimal amounts reach the blood stream, so the systemic exposure 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.

MANGORAL MODE OF ACTION



This makes Mangoral an appropriate liver contrast agent for patients where the use of GBCA may be medically inadvisable or cannot be administered. Mangoral offers a significantly better alternative than unenhanced hepatic MRI (i.e. MRI with no medical contrast agent), the current gold standard for these patients. This patient segment comprises mainly patients with severe renal insufficiency who have an estimated eGFR below 30, i.e. patients with chronic kidney disease stages 4 and 5 as well as patients with AKI. Due to the risk of NSF in patients with severely impaired renal function the regulatory agencies FDA and EMA has 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

1) Brismar, T. et. al., MRI of colorectal cancer liver metastases: comparison of orally administered manganese with intravenously administered gadobenate dimeglumine. Eur. Radiol., 2012, 22: 633–641.

these guidelines is the recommendation of restrictions on the use of GBCAs on patients with severely reduced renal function. For example, the FDA states that patients with severely reduced renal function should not receive GBCAs unless the need for diagnostic information is essential and not available with non-contrasted MRI or other alternative imaging modalities.[1)] Mangoral is an example of such an alternative imaging modality.

Ascelia believes that the key advantages of Mangoral is that it offers contrast enhanced diagnostic MR imaging for visualization of focal liver lesions in patients with known or suspected focal liver lesions and severe renal insufficiency. There is a large medical need since the current gold standard diagnostic modality for this patient population is unenhanced MRI. The Company believes 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 higher 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)
- Very limited systemic exposure and a good safety profile

Development to date

Non-clinical development

Manganese(II) chloride tetrahydrate is considered to be *Generally Recognized as Safe* (GRAS) by the FDA, i.e. having been adequately shown to be safe under the conditions of its intended use.[2)] Consequently, the non-clinical data package is based on pre-clinical studies performed by Ascelia as well as references to the literature. Mangoral has been tested in several toxicological studies and the preclinical results show a high tolerance of the drug candidate which supports future clinical development of Mangoral.

Clinical studies

To date, the clinical development of Mangoral comprises six completed clinical studies in healthy volunteers (N=52, in which two received placebo) and patients with known liver metastases or suspected liver lesions (N=75).

One Phase I clinical study in healthy volunteers (Study No. CMC-P001), one Phase II clinical study in healthy male and female volunteers (Study No. CMC-P010) and four Phase II clinical studies in patients with liver metastases or suspected liver lesions (Study No. CMC-P002, CMC-P003, CMC-P004 and CMC-P005) have been completed (see Table below).[3)] In addition, Mangoral has been used in a *compassionate use program*.

Trial no.		No. subjects	Study design and key results		Status
CMC-P001 (Chabanova et al, MAGMA, 2004, 17:28-35)	**Phase I**	18 healthy subjects received Mangoral (+2 placebo)	**The conducted clinical studies on Mangoral did not identify any safety concerns and mean manganese blood concentration values were within the normal range at all four dose levels tested**	Open-label dose-rising study. Data suggested that Mangoral may be an effective MRI contrast medium	Last subject completed in 2003
CMC-P002 (Dekker et al, RSNA, 2009, abstract SSG08-03)	**Phase II**	18 patients with liver metastasis received Mangoral		Open-label study – each patient his/her own control. Diagnostic quality scores improved after Mangoral	Last subject completed in 2006
CMC-P003 (Rief et al, Invest Radiol, 2010, 45:565-71)	**Phase II**	20 patients with liver metastasis received Mangoral		Randomised, parallel group, open-label. Improved MRI quality of Mangoral most pronounced at 3 and 6 hours	Last patient completed in 2009
CMC-P004 (Brismar et al, Eur Radiol, 2012, 22:633-41)	**Phase II**	20 patients with liver metastasis received Mangoral		Randomised cross-over. No significant difference in number of detected liver metastases after Mangoral vs. MultiHance (gadolinium-based MRI contrast agent)	Last subject completed in 2007
CMC-P005	**Phase II**	17 patients with liver lesions received Mangoral		Randomised, parallel group, open-label. Improvement of the delineation of focal liver lesions after Mangoral	Last subject completed in 2009
CMC-P010 (Albiin et al, MAGMA, 2012, 25:361-8)	**Phase II**	32 healthy subjects received Mangoral		Randomised, double-blind, cross-over, dose-response. Liver signal intensity increase most pronounced at 0.8 g dose	Last subject completed in 2010

Note: Study CMC-P005 was not published. With regards to the primary objective of the study, the results showed no difference in visualization of the bile ducts between 2.5 hours and 4 hours after administration of Mangoral or between 800 mg and 1600 mg of Mangoral. The efficacy on liver visibility and focal liver lesions (which was a secondary objective) was better after Mangoral administration, and the safety results was also in line with what was shown in the other Phase II Mangoral studies performed, i.e. no safety concerns were identified and the product was regarded as safe and well tolerated.

1) FDA, Drug Safety Communication: New warnings for using gadolinium-based contrast agents in patients with kidney dysfunction, ht tps://www.fda.gov/Drugs/DrugSafety/ucm223966.htm, accessed on 15 February 2019.
2) FDA, Code of Federal Regulation, 21 CFR 184.1446.
3) Please note that from a developmental point of view Study No. CMC-P004 was a Phase II study, even though the study title indicates that it was a Phase III study.

Summary of results of individual clinical studies
The efficacy of Mangoral as a contrast agent in MRI of the liver and gastrointestinal tract has been evaluated by means of both objective and subjective assessments in individual clinical studies. Overall, the results from the efficacy analyses show that diagnostic quality scores improved after use of Mangoral. However, the results indicated a more efficient contrast enhancement of the liver than of the biliary tract and other parts of the gastrointestinal tract. MR images of the liver taken after administration of Mangoral showed improvement in terms of visualization of the liver, signal intensity in the liver, delineation of focal liver lesions, number of detected metastases, delineation and visualization of the size of liver metastases, delineation of the liver blood vessels and overall image quality, compared to MR images taken before Mangoral administration. A dose-dependency was observed for some of the efficacy variables assessed, with the 800 mg dose giving the best balance between safety and efficacy. The results did also suggest that MRI should be performed 2 to 6 hours after Mangoral administration.

In summary, data from the Phase I–II studies indicates that Mangoral is safe for clinical use, and the studies have provided strong support for the view that Mangoral is an effective liver specific non-gadolinium liver MRI contrast agent.

Blinded read study
In order to validate the results of the individual clinical studies and also provide guidance for the design of the Phase III program, Ascelia performed a re-evaluation of all the available imaging data, in a so-called "blinded read" study, and blinded read study data has been presented at different radiology conferences (Society of Computed Body Tomography & Magnetic Resonance, Radiological Society of North America, European Congress of Radiology).

In this blinded read study, imaging data was prospectively re-evaluated by a blinded reader, using a standardized analysis method. The evaluator was Prof. Rendon Nelson, Duke University Medical Center, NC, United States, who had not been involved in any of the clinical studies nor seen any of the Mangoral images prior to the study.

The main objective of this study was to evaluate the diagnostic efficacy of Mangoral for visualization of focal liver lesions in patients with known or suspected focal liver lesions. The study compared the efficacy of unenhanced MRI to Mangoral enhanced MRI and to combined MRI (unenhanced plus Mangoral enhanced MRI, which reflects the normal clinical situation). A comparison to GBCA-enhanced MRI was also included for patients where GBCA-enhanced images were available.

The blinded reader performed signal intensity measurements of focal liver lesions, normal liver parenchyma, common bile duct and portal vein and evaluated presence or absence of focal liver lesions, and confidence in lesion detection, visualization, delineation and lesion localization. The results showed that 33 percent more lesions were detected when Mangoral was used compared to unenhanced MRI. Mangoral also improved MRI performance in terms of lesion localization and delineation. Quantitative parameters like lesion to liver contrast ratio was significantly improved on Mangoral enhanced MRI. The results of the blinded read study confirmed that Mangoral provides both qualitative and quantitative improvement over unenhanced MRI for visualization and detection of focal liver lesions.

Safety results
The results of safety assessments from the six clinical studies showed that the nature of the adverse events was similar in all dose groups studied in the clinical studies with Mangoral. In the 1,600 mg dose group the overall number of reported adverse events was higher than in the 800 mg, 400 mg and 200 mg dose groups.

A total of 159 separate adverse events were reported for the 125 subjects receiving 185 administrations of Mangoral. No adverse events were reported by the two subjects who received placebo. The system organ class most commonly affected by adverse events was gastrointestinal disorders and the most common preferred term was diarrhea, which was more frequently reported in the higher dose groups than in the lower dose groups. The frequency of diarrhea was highest with 1,600 mg Mangoral (35.9 percent), followed by the 800 mg Mangoral (26.7 percent). In addition, an increased frequency of reported nausea was observed in the higher dose groups, 17.2 percent with 1,600 mg Mangoral and 30.0 percent with 800 mg Mangoral. In general, the frequency of reported adverse events increased with Mangoral dose. A total of 45 of the 49 reported cases of diarrhea were judged by the investigators to be related to the administration of Mangoral. The higher dose levels of Mangoral tended to give a faster onset of diarrhea and more diarrheas of moderate intensity than the lower dose levels. However, the majority of the diarrhea symptoms were mild in intensity at all dose levels.

Only one serious adverse event was reported in the six clinical studies. One patient receiving 1,600 mg Mangoral in Study CMC-P002 experienced vomiting. The event was of moderate intensity and was not considered to be related to the administration of Mangoral. No correlations between manganese blood concentration and clinical chemistry including liver enzymes, electrocardiogram (ECG) values/judgements or blood pressure after Mangoral administration were observed and evaluation of the clinical laboratory parameters, vital signs, ECG data, and pharmacokinetic analyses showed that administration of Mangoral is safe and well tolerated.

Regulatory status
Mangoral has obtained orphan drug designation in the United States. On 26 September 2013 orphan drug designation was granted by the FDA to Mangoral "for use as a targeted contrast agent for diagnostic MRI for detection and localization of focal liver lesions in patients where GBCAs are contraindicated or cannot be administered". On 13 May 2015 the FDA approved a revision of the orphan

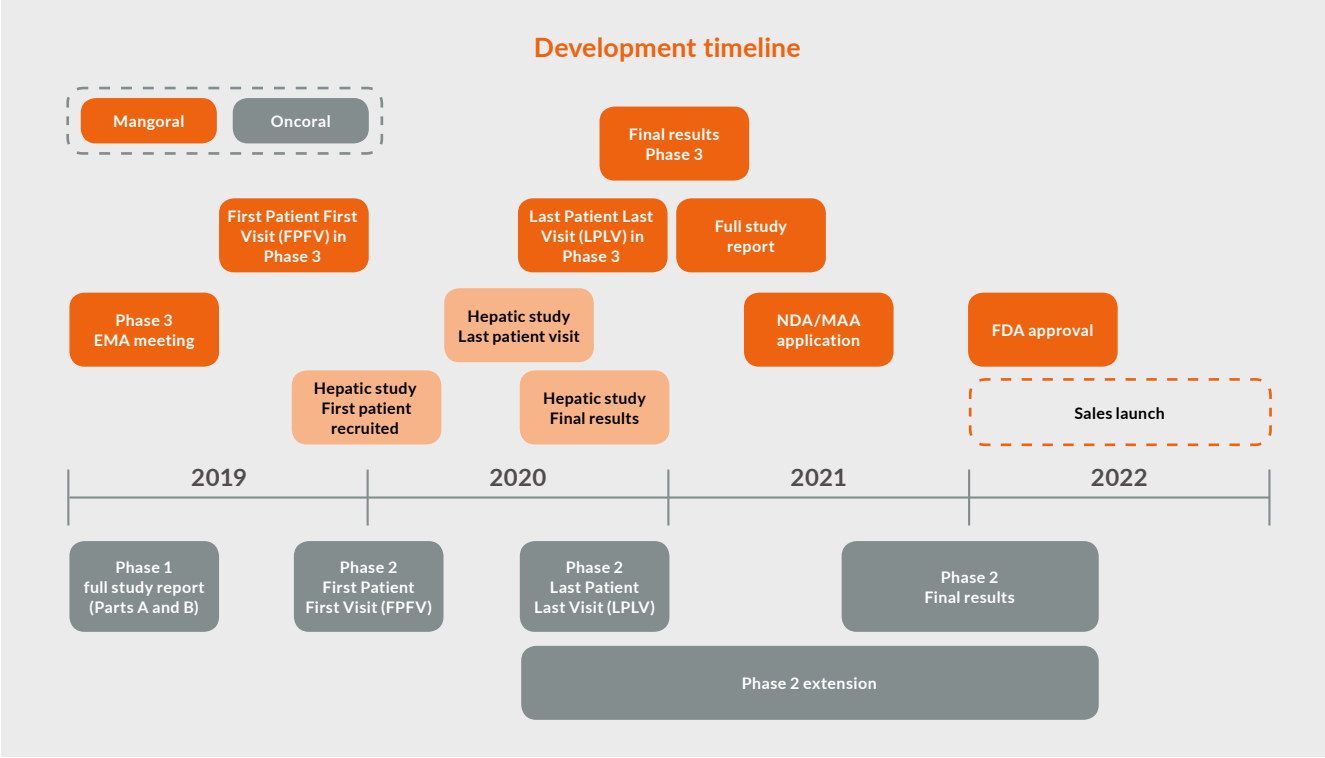
drug designation of Mangoral to "for use as a targeted contrast agent for diagnostic MRI for the detection and localization of focal liver lesions in patients where the use of GBCAs may be medically inadvisable or where GBCAs cannot be administered".

Ongoing and planned development

There are currently no ongoing non-clinical or clinical studies on Mangoral, but a clinical Phase III program for Mangoral is being prepared based on the discussions and input from the end of Phase II meeting with the FDA. There are no plans for additional non-clinical studies, except for limited in-vitro interaction studies.

Planned clinical development

The planned clinical Phase III development program of Mangoral consists of a pivotal Phase III efficacy study and two supportive studies (one *special populations study* and one *food intake effect study*). Initial study synopses and development plans have been prepared but finalization of the study plans and protocols will take place after completion of the Offering. The expected timeline of planned studies is illustrated in the figure below.



The pivotal Phase III efficacy study aims to demonstrate the safety and efficacy of Mangoral in terms of improved lesion visualization as compared to unenhanced MRI, with each patient being his/her own control subject. It will be a multicenter and multinational study of Mangoral in up to 200 patients with severely reduced renal function and with known or suspected liver lesions. Primary efficacy, in terms of superior lesion visualization compared to unenhanced MRI, will be evaluated by three independent blinded readers. MRI will be performed before and within few hours after oral Mangoral administration, and basic safety parameters will be evaluated for 72 hours after administration of Mangoral. Finalization of the study protocol will be guided by discussions with regulatory authorities.

The overall objective of the *special population study* (Hepatic study) will be to assess the safety, pharmacokinetics and pharmacodynamics of Mangoral in patients with different degrees of hepatic impairment. This study is required by general drug development guidelines. It will be a parallel group study of up to 30 patients performed at a single study site (Phase I facility). Final preparation of the study protocol will be guided by interactions with regulatory authorities.

The *food effect study* (not included in the timeline above) is based on standard regulatory requirements and its objective will be to evaluate the food intake effect on the bioavailability of Mangoral. The study is planned as a cross-over study of Mangoral administered in healthy subjects in fasting condition versus fed condition. It will be performed at a single study site and is planned to be completed before an NDA of Mangoral is submitted to the FDA.

Prior to commencing the planned studies, the Company anticipates that discussions with regulatory authorities such as the FDA and EMA probably will take place. These discussions can e.g. be in the form of scientific advice, protocol assistance and/or special protocol assessment. Changes to current study plans may occur in order to accommodate input from regulatory authorities.

The long-term goal is to obtain FDA and EMA approval and to launch Mangoral in the United States and the EU/EEA by 2022.

Commercialization plan

Ascelia sees many viable commercialization options for Mangoral. Mangoral has obtained orphan drug designation in the United States and the Company is not aware of any FDA approved non-gadolinium MRI contrast agents available. The target prescriber base for Mangoral is medical specialists, which allows for a highly targeted approach by a dedicated sales force. It also opens up for an internal sales force, potentially with the support of a contracted sales force for maximal penetration.

As mentioned above, the Company will, in parallel with the Phase III development program, recruit a Chief Commercial Officer that will be responsible for developing a detailed global commercialization strategy for Mangoral. During the work on the commercialization strategy, Ascelia will investigate the opportunities of engaging with one or more partners to commercialize Mangoral or, alternatively, prepare to commercialize Mangoral on its own in selected geographies.

ONCORAL

Product features

Oncoral is an oral tablet formulation of irinotecan intended for use as a chemotherapeutic drug in combination regimens for the treatment of gastric cancer. A Phase I study of Oncoral was completed in 2018 with encouraging results. As an already approved and commercialized formulation, irinotecan has already demonstrated safety and efficacy and is currently used intravenously for the treatment of e.g. metastatic colorectal cancer.

Irinotecan hydrochloride trihydrate was originally developed and launched as an intravenous infusion product by Pfizer under the brand name Camptosar/Campto. 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 has been approved and used as an intravenous 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 intravenous infusion.

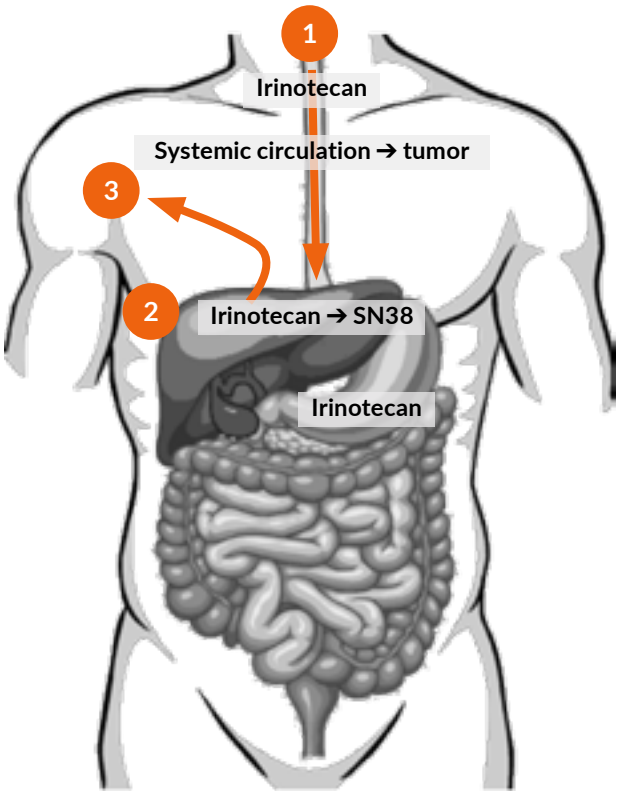
Irinotecan has also been developed as a liposomal formulation for intravenous infusion by Merrimack. The product, Onivyde, was approved by FDA and EMA for combination treatment of progressed metastatic pancreatic cancer in 2015 and 2016, respectively. Due to the liposomal formulation the pharmacokinetic 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 converted by carboxylesterases primarily in the liver to the active metabolite SN-38 which is approximately 100–1,000 more cytotoxic than irinotecan in human and rodent tumor cell lines.[1)]

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 peroral administration with a high conversion rate of irinotecan to the active metabolite SN-38 which has a high anti-tumor activity. A patent application for Oncoral was submitted in 2014. The Company believes that the key advantages are:

- Irinotecan is a chemotherapeutic drug with known mode of action and a proven efficacy and tolerability in metastatic colorectal cancer and progressed metastatic pancreatic cancer, when administered together with other chemotherapeutic drugs.
- 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.

ONCORAL MODE OF ACTION



1. Peroral administration of irinotecan through a pill
2. Conversion of irinotecan to SN38 is catalyzed by carboxyl esterases in the liver
3. SN38 reaches the tumor through systemic circulation

1) Ewesuedo, R. B. et. al., Topoisomerase I inhibitors. The Oncologist, 1997, 2: 359–364.

- 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.
- Oral administration eliminates the risk of complications due to intravenous infusion, such as infections, blood clots 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.

Completed and planned development

Completed clinical development

Oncoral has been evaluated in an investigator sponsored Phase I trial at Herlev Hospital, Denmark.[1] The objectives of the study were to determine the safety, tolerability and maximum tolerated dose of Oncoral given as single agent and when administered in combination with the oral chemotherapeutic drug capecitabine. Additional objectives were to describe the pharmacokinetics of Oncoral given as single agent, and to determine any objective tumor response or stable disease.

Twenty-five patients were enrolled in the part of the study with Oncoral given as single agent and 12 additional patient were enrolled in the second part of the study where Oncoral was given in combination with capecitabine. The clinical part of the study was completed in Q3 2018.

Results from the first part of the study, where Oncoral was administered as a single agent, have been reported. Oncoral was well tolerated. Side effects were generally mild to moderate, manageable and similar in type to those observed with intravenous irinotecan. Hematological AEs were few and mild to moderate. Daily exposures were consistent at days 1 and 14 with no drug accumulation. The active metabolite, SN-38, interpatient variability was in the same range as after infusion of irinotecan. Nine patients (36 percent) had stable disease, lasting median 19 weeks (range 7–45 weeks).[2] Results from the second part of the study, where Oncoral was administered together with capecitabine, will be reported during 2019.

Planned clinical development

The clinical development strategy for Oncoral is to obtain Phase II data and then to partner for the further development to market. The plan is to design and conduct a Phase II study on Oncoral in combination with capecitabine and a selected targeted anti-cancer agent (i.e. an agent targeting a certain molecule with certain important for the treatment of the specific cancer), in irinotecan naive, HER2 negative patients with unresectable or metastatic gastric cancer. The choice of targeted agent will be decided based on interactions with clinical advisors and regulatory authorities after completion of the. Preliminary plans for the Phase II study involve a dose-escalation part with Oncoral, capecitabine and the selected targeted agent in order to determine safety and tolerability and define doses for the extension part of the Phase II study. The extension part of the study aims at establishing proof of clinical concept based on relevant safety and efficacy parameters. Results from the ongoing investigator sponsored Phase I study will be considered when designing the Phase II study.

The Phase II clinical trial is planned to start during 2019/2020. Results from the dose-escalation and extension parts are expected in the second half of 2020 and 2021/2022, respectively.

The Company intends to initiate early discussions with clinical advisory board and regulatory authorities such as the FDA and EMA, the latter in form of scientific advice and protocol assistance, prior to commencing the Phase II study. Changes to overall development plans may occur sin order to accommodate input from both clinical advisors and regulatory authorities. The expected time plan is stated in the section *Product portfolio - Mangoral - Ongoing and planned development*.

Commercialization plan

As stated above, the strategy for Oncoral is to partner for the further development of the product after Phase II data has been obtained. After successful Phase II results, there are several potential commercialization options, including out licensing of Oncoral, further collaborations for development, marketing and sales, or letting a larger actor acquire Oncoral. The acquisition of Onivyde® by Ipsen in January 2017 validates the attractiveness of superior, reformulated irinotecan products. It also validates Ascelia's development strategy for Oncoral.

DEVELOPMENT AND PRODUCTION

DEVELOPMENT ACTIVITIES

Ascelia is committed to identifying, acquiring and developing de-risked orphan drug candidates addressing high medical needs in oncology or oncology-related conditions. Ascelia is focusing on developing and adding value to projects in the clinical development stage of the development process and has consequently no drug discovery, or research, activities. The Company is continuously analyzing the market for its drug candidates, trends in management of oncological diseases, regulatory pathways to approval for its products, particularly in the United States and EU/EEA, to define and follow the optimal path leading to regulatory approval and marketing approval of its drug candidates. Ascelia interacts to a great extent with international experts in all focus areas of its core business, e.g. radiologists, oncologists, regulators, academic institutions and other types of medical experts. In accordance with Ascelia's business model, the Company outsources all development activities.

1) ClinicalTrials.gov Identifier NCT03295084, https://clinicaltrials.gov/ct2/show/NCT03295084?term=NCT03295084&rank=1, accessed on 15 February 2019.
2) https://www.ncbi.nlm.nih.gov/pubmed/30406838, accessed on 15 February 2019.

PRODUCTION

Ascelia outsources all production of Mangoral and Oncoral to established contract development and manufacturing organizations that specialize in the development and production of drug products for pre-clinical and clinical studies as well as for commercial use.

The manufacturing of investigational drug for the conducted Phase I and II clinical trials of Mangoral was carried out by Recipharm AB (publ) in Stockholm, Sweden. The manufacturing of investigational drug for the clinical trials in the Phase III program is planned to be carried out by Cambrex (former Halo Pharmaceuticals) in Whippany, NJ, USA. The manufacturing of investigational drug for the recently finished Phase I clinical trial with Oncoral was carried out by Solural Pharma ApS in Ballerup, Denmark. The Company plans to outsource future commercial manufacture of drug products.

INTELLECTUAL PROPERTY RIGHTS AND OTHER FORM OF PROTECTION

MANGORAL

United States

Mangoral has previously been covered in the United States by a patent (no. 6,015,545) which was filed on 9 July 1996. The patent has expired.

Mangoral has been granted orphan drug designation in the United States, meaning that the Company may obtain seven years of market exclusivity upon marketing authorization. A six-month extension of the market exclusivity can be obtained if Mangoral obtains marketing authorization in a pediatric indication prior to the expiry of the seven year exclusivity period. See also the section *Risk Factors* regarding risks regarding orphan drug designation.

EU/EEA

If Mangoral obtains orphan drug designation from EMA, Ascelia might obtain ten years of marketing exclusivity for Mangoral in the EU/EEA from the date of granted marketing authorization. This exclusivity can be extended for an additional two years if certain requirements are met. However, Mangoral has not yet received orphan drug designation from the EMA and there is no guarantee that it will be granted in the future.

Even if Mangoral does not obtain orphan drug designation from the EMA, the Company believes , based on expert opinion from an independent third party, that Mangoral can obtain data exclusivity of eight plus two years of market protection upon the marketing authorization in the EU/EEA. An additional year of market protection can be obtained if a new indication is registered within the first eight years and brings significant clinical benefit over existing therapies.

ONCORAL

For Oncoral, a patent application with the international publication number WO/2015/107131 (Solid Oral Dosage form of irinotecan for treatment of cancer) has been filed with priority date 17 January, 2014. The patent application has been approved in the US (no. 10,143,657) and by the European Patent Office (and is to be validated in France, Germany, Ireland, Italy, the Netherlands, Spain, Switzerland, Turkey and the United Kingdom) and is currently in national phase in the following jurisdiction: Canada, Japan, China and South Korea. Patent protection (when granted) will apply until January 2035. Furthermore, the Company believes that Oncoral might also be eligible to obtain data exclusivity and/or marketing exclusivity in case Oncoral is granted orphan drug designation in the United States and/or the EU/EEA. However, there are no guarantees that Oncoral will receive such designation.

TRADEMARKS

The Company has registered the trademark "Mangoral" in the EU, Norway, China, Switzerland, Turkey, South Korea, the US and Japan and has a pending application in Canada. Furthermore, the Company has registered the trademark "Ascelia" in the EU. An international trademark registration application of Ascelia has been submitted in the following jurisdictions: Japan, China, Norway Switzerland, South Korea, Turkey and the US.

A preliminary analysis of registering "Oncoral" as a trademark indicated that this could potentially become difficult. The Company will during the development phase consider alternative options for establishing a trademark for this project.

LIFE CYCLE MANAGEMENT

Ascelia is actively exploring life cycle management opportunities to expand the Mangoral franchise. This means maximizing Mangoral's therapeutic potential through e.g. further research or commercially focused activities.

ORGANIZATIONAL OVERVIEW

Ascelia's management has extensive experience in areas that are relevant for the activities of the Company and in particular for the development of Mangoral and Oncoral. All activities are led by members of the management team in close interaction with trusted advisors with highly specific expertise in the relevant topics and Ascelia consider it a strategically critical strength to be able to engage and collaborate with top tier experts around the world to obtain the best possible results. The clinical studies will all be conducted with the support of a contract research organization. For now, Ascelia aims to outsource all activities not within their core competences to be able to fully focus on the development and commercialization of Mangoral and Oncoral.

As of 31 December 2018, Ascelia had four full-time employees of consisting of three men and one woman. All employees are members of the management group. In addition, the Head of IR & Communications performs his services through a consultancy agreement and forms part of the management group (five persons in total). The table below shows the average number of full-time employees during the financial years 2016/2017 as well as 2017/2018.

	2017/2018	2016/2017
Average number of full-time employees during the period	4	3
Of whom men	75%	67%

SELECTED HISTORICAL FINANCIAL INFORMATION

The financial information should be read in conjunction with the sections *Operational and financial review*, *Capital structure and other financial information* and the financial statements that can be found in the section *Historical financial information*. Figures stated in this section have in some cases been rounded, sometimes resulting in the tables not to sum up exactly.

Unless otherwise stated, the selected historical financial information presented below has been derived from: (i) Ascelia´s audited consolidated financial statements of the Group as of and for the financial years ended on 30 June 2018 and 30 June 2017, which have been prepared in accordance with the International Financial Reporting Standards as they have been adopted by the EU ("**IFRS**"), as well as interpretations of International Financial Reporting Interpretations Committee ("**IFRIC**"), and audited by Ascelia´s independent auditors, as has been stated in their audit reports included therewith (the "**Audited Financial Statements for the Group**"), (ii) Ascelia´s audited financial Statements for the parent company as of and for the financial year ended on 30 June 2018 and 30 June 2017, which have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Financial Reporting Board's recommendation RFR 2, *Accounting for legal entities* and audited by Ascelia´s independent auditors as stated in their audit reports included therewith (the "**Audited Financial Statements for the Parent Company**"), and (iii) Ascelia´s unaudited condensed consolidated financial information for the Group, which has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and reviewed by Ascelia´s independent auditors as stated in the review report included therewith as of and for the six-month period ended on 31 December 2018 (with unaudited and unreviewed comparative figures as of and for the six-month period ended on 31 December 2017), (the "**Unaudited Financial Information for the Group**").

Unless otherwise expressly stated, no other information in the Prospectus has been audited or reviewed by The Company's auditor. Comments to the financial information presented below are included in the section *Operational and Financial Review*.

The Ascelia Group was established on 30 June 2017 through the acquisition of Oncoral Pharma ApS. No business events affecting the Group´s income statement took place post-acquisition on that date. Hence, the consolidated income statement for Ascelia for the financial year ended 30 June 2017 presented in this section only includes one day. Therefore, the parent company's income statement and cash flow statement for the financial year ended 30 June 2017, are also presented in this section to provide the reader with a more comprehensive view of the financial information for the period in question.

The accounting principles of the parent company are consistent in all material respects with the accounting principles of the Group.

The Prospectus contains certain key performance measures that have not been defined in accordance with IFRS, the Swedish Annual accounts act (1995:1554) and/ or the Financial Reporting Board's recommendation RFR 2, *Accounting for legal entities*. The Company considers these performance measures to be an important complement since they enable a better evaluation of the Company´s economic trends.

The Company believes that these alternative performance measures give a better understanding of the Company´s financial development and that such key performance measures contain additional information to the investors to those performance measures already defined by IFRS, the Swedish Annual Accounts Act (1995:1554) and/or the Financial Reporting Board's recommendation RFR 2, *Accounting for legal entities*. Furthermore, the key performance measures are widely used by the management in order to assess the financial development of the Company. These financial key performance measures should not be viewed in isolation and should not be considered a substitute for amounts reported in accordance with IFRS, the Swedish Annual Accounts Act (1995:1554) and/ or the Financial Reporting Board's recommendation RFR 2, *Accounting for legal entities*. Furthermore, such key performance measures, as the Company has defined them, should not be compared to other key performance measures with similar names used by other companies. This is due to the fact that the above-mentioned key performance measures are not always defined identically by other companies.

SELECTED CONSOLIDATED INCOME STATEMENT DATA FOR THE GROUP

	H1 1 July–31 December		Full year 1 July–30 June	
SEK in thousands	**2018[1)]**	**2017[1)]**	**2017/2018[2)]**	**2016/2017[2)]**
Net sales	–	–	–	–
Gross profit/loss	–	–	–	–
Other operating income	46	703	1,062	–
Administrative expenses	–4,798	–8,604	–16,366	–
Research and development expenses	–6,369	–4,200	–9,367	–
Other operating expenses	–69	–22	–42	–
Operating result	**–11,190**	**–12,123**	**–24,713**	**–**
Financial income	–	33	10	–
Financial expenses	–26	–12	–39	–
Net financial items	**–26**	**21**	**–30**	**–**
Loss before tax	**–11,216**	**–12,102**	**–24,743**	**–**
Tax	213	–	351	–
Loss for the period	**–11,003**	**–12,102**	**–24,392**	**–**
Attributable to:				–
Owners of the parent company	–11,003	–12,102	–24,392	–
Non-controlling interest	–	–	–	–
Earnings per share				
Before and after dilution (SEK)	–0.75	–1.08	–2.12	–

1) Derived from the Unaudited Financial Information for the Group.
2) Derived from the Audited Financial Statements for the Group (which, as regards the financial year ended 30 June 2017, only includes 30 June 2017, the date when the Group was established).

SELECTED CONSOLIDATED BALANCE SHEET DATA FOR THE GROUP

SEK in thousands	31 Dec 2018[1)]	31 Dec 2017[1)]	30 June 2018[2)]	30 June 2017[2)]
ASSETS				
Intangible assets	57,064	57,057	57,066	57,057
Tangible assets	–	–	–	–
Financial investments	1	1	1	1
Long-term receivables	–	47	–	47
Total non-current assets	**57,065**	**57,105**	**57,067**	**57,105**
Income tax receivables	613	67	507	67
Prepaid expenses and accrued income	4,622	4,802	2,955	1,196
Receivables with shareholders	–	–	–	20,025
Other receivables	1,053	2,093	557	372
Cash and cash equivalents	42,111	6,744	55,063	1,627
Total current assets	**48,399**	**13,706**	**59,082**	**23,287**
TOTAL ASSETS	**105,463**	**70,811**	**116,149**	**80,392**
EQUITY				
Share capital	14,607	11,249	14,607	11,249
Other paid-in capital	213,700	162,665	213,700	162,665
Loss brought forward including loss for the period	–127,290	–105,822	–116,577	–96,313
Equity attributable to parent company shareholders	**101,016**	**68,092**	**111,730**	**77,601**
TOTAL EQUITY	**101,016**	**68,092**	**111,730**	**77,601**
LIABILITIES				
Trade payables	611	708	634	643
Other liabilities	353	205	880	13
Accrued expenses and deferred income	3,482	1,806	2,905	2,135
Total current liabilities	**4,447**	**2,719**	**4,419**	**2,791**
TOTAL LIABILITIES	**4,447**	**2,719**	**4,419**	**2,791**
TOTAL EQUITY AND LIABILITIES	**105,463**	**70,811**	**116,149**	**80,392**

1) Derived from the Unaudited Financial Information for the Group.
2) Derived from the Audited Financial Statements for the Group (which, as regards the financial year ended 30 June 2017, only includes 30 June 2017, the date when the Group was established).

SELECTED CONSOLIDATED STATEMENT OF CASH FLOWS DATA FOR THE GROUP

	H1 1 July–31 December		Full year 1 July–30 June	
SEK in thousands	**2018[1)]**	**2017[1)]**	**2017/2018[2)]**	**2016/2017[2)]**
Operating activities				
Loss before tax	–11,216	–12,102	–24,743	–
Expensed share based remuneration	680	3,260	4,454	–
Adjustment for items not included in cash flow	–847	–472	692	695
Income tax paid	–	–	–	–
Cash flow before changes in working capital	**–11,382**	**–9,314**	**–19,597**	**695**
Cash flow from changes in working capital				
Increase (–)/Decrease (+) of operating receivables	–2,188	–4,598	–1,225	–
Increase (+)/Decrease (–) of trade payables	71	41	–46	–
Increase (+)/Decrease (–) of other liabilities	548	–1,012	–90	–
Cash flow used in operating activities	**–12,952**	**–14,883**	**–20,958**	**695**
Investing activities				
Acquisition of subsidiary	–	–	–	932
Cash flow from investing activities	**–**	**–**	**–**	**932**
Financing activities				
Gross proceeds	–	20,000	80,436	–
Issuance costs	–	–	–6,044	–
Cash flow from financing activities	**–**	**20,000**	**74,393**	**–**
Cash flow for the period	–12,952	5,117	53,435	1,627
Cash and cash equivalents at the beginning of the period	55,063	1,627	1,627	–
Cash and cash equivalents at the end of the period	**42,111**	**6,744**	**55,063**	**1,627**

1) Derived from the Unaudited Financial Information for the Group.
2) Derived from the Audited Financial Statements for the Group (which, as regards the financial year ended 30 June 2017, only includes 30 June 2017, the date when the Group was established).

SELECTED INCOME STATEMENT DATA FOR THE PARENT COMPANY

	Full year 1 July–30 June	
SEK in thousands	**2017/2018[1)]**	**2016/2017[1)]**
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 loss	**–23,162**	**–7,325**
Profit/loss from financial items		
Other interest income and similar profit	60	1
Interest expense and similar profit/loss items	–39	–352
Loss after financial items	**–23,140**	**–7,676**
Loss before tax	**–23,140**	**–7,676**
Tax	–	–
Loss for the period	**–23,140**	**–7,676**

1) Derived from the Audited Financial Statements for the Parent Company.

SELECTED STATEMENT OF CASH FLOWS DATA FOR THE PARENT COMPANY

	Full year 1 July–30 June	
SEK in thousands	**2017/2018[1)]**	**2016/2017[1)]**
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 from operating activities before changes in working capital	**–18,012**	**–7,361**
Cash flow from working capital changes		
Increase (–)/Decrease (+) of operating receivables	–1,287	336
Increase (+)/Decrease (–) in trade payables	–54	980
Increase (+)/Decrease (–) of other liabilities	65	–
Cash 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 year	53,097	–4,588
Cash and cash equivalents at the beginning of the year	695	5,283
Cash and bank balances at the end of the year	**53,792**	**695**

1) Derived from the Audited Financial Statements for the Parent Company.

KEY PERFORMANCE MEASURES FOR THE GROUP

	H1 1 July–31 December		Full year 1 July–30 June	
	2018[1]	2017[1]	2017/2018[2]	2016/2017[2]
Average number of employees[3]	4	4	4	3
Equity at the end of period (SEK in thousands)[4]	101,016	68,092	111,730	77,601
Cash and cash equivalents at the end of period (SEK in thousands)[4]	42,111	6,744	55,063	1,627
Operating result (SEK in thousands)[4]	–11,190	–12,123	–24,713	–
Earnings per share before and after dilution (SEK)[4]	–0.75	–1.08	–2.12	–
Weighted average number of common shares, before and after dilution[4]	14,606,891	11,249,314	11,518,832	–
Research and development expenses (SEK in thousands)[4]	–6,369	–4,200	–9,367	–
Research and development expenses/ operating costs (%)[3]	57%	33%	36%	–

KEY PERFORMANCE MEASURES FOR THE PARENT COMPANY

	Full year 1 July–30 June	
	2017/2018[5]	2016/2017[5]
Average number of employees[6]	4	3
Equity at the end of period (SEK in thousands)[6]	112,775	77,601
Cash and bank balances at the end of period (SEK in thousands)[6]	53,792	695
Operating loss (SEK in thousands)[7]	–23,162	–7,325
Loss per share before and after dilution (SEK)[6][8]	–2.01	–10.13
Weighted average number of common shares, before and after dilution[6][8]	11,518,832	1,285,715
Research and development expenses (SEK in thousands)[6]	–7,448	–4,364
Research and development expenses/ operating costs (%)[7]	31%	60%

1) Key performance measure derived from the Unaudited Financial Information for the Group.
2) Derived from the Audited Financial Statements for the Group.
3) Key performance measure not defined according to IFRS. The key performance measure is neither audited nor reviewed.
4) Key performance measure defined according to IFRS.
5) The following key performance measures are derived from Ascelia´s internal report system: research- and development expenses/operating costs (%). All other key performance measures are derived from the Audited Financial Statements for the Parent Company.
6) Key performance measure defined according to the Swedish Annual Accounts Act (1995:1554) and/or the Financial Reporting Board's recommendation RFR 2, Accounting for legal entities.
7) Key performance measure not defined according to the Swedish Annual Accounts Act (1995:1554) and/or the Financial Reporting Board's recommendation RFR 2, Accounting for legal entities.
8) Loss per share before and after dilution is based on the number of common shares only without taking into consideration preference shares.

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures	Definition	Aim
Operating loss (SEK in thousands)	Loss before financial items and tax.	The performance measure shows the Company´s operational performance.
Research and development expenses/operating costs (%)	The research and development expenses in relation to operating costs (consisting of the sum of administrative expenses, research and development expenses 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

	H1 1 July–31 December		Full year 1 July–30 June	
	2018	2017	2017/2018	2016/2017
Research and development expenses (SEK in thousands)	**–6,369**	**–4,200**	**–9,367**	–
Administrative expenses	–4,798	–8,604	–16,366	–
Research and development expenses	–6,369	–4,200	–9,367	–
Other operating expenses	–69	–22	–42	–
Total operating costs (SEK in thousands)	**–11,235**	**–12,826**	**–25,775**	–
Research and development expenses/ Operating costs (%)	**57%**	**33%**	**36%**	–

RECONCILIATION TABLE FOR ALTERNATIVE PERFORMANCE MEASURES FOR THE PARENT COMPANY

	Full year 1 July–30 June	
	2017/2018	2016/2017
Research and development expenses (SEK in thousands)	**–7,448**	**–4,364**
Administrative expenses	–16,311	–2,955
Research and development expenses	–7,448	–4,364
Other operating expenses	–42	–6
Total operating costs (SEK in thousands)	**–23,801**	**–7,325**
Research and development expenses/ Operating costs (%)	**31%**	**60%**

OPERATIONAL AND FINANCIAL REVIEW

The information provided below should be read in conjunction with the sections *Selected historical financial information* and *Historical financial information*. The information below contains forward-looking statements which are subject to various risks and uncertainties. The Company´s actual results can differ substantially from those predicted in these forward-looking statements due to various factors including, but not limited to, those described in the section *Important information – Forward-looking information* on the cover of the Prospectus and in the section *Risk factors*.

Forward-looking information includes all statements in the Prospectus not referring to historical facts or events, as well as such statements referring to the future and which for example contain phrases like "considers", "estimates", "expect", "awaits", "assesses", "assumes", "anticipates", "can", "will", "should", "shall", "according to estimation", "believes", "may", "plans", "potential", "calculates", "as known" or of similar kind which describes or identifies forward-looking information. Forward-looking statements are based on current estimates and assumptions. Such forward-looking statements are subject to risks, uncertainties and other factors that can entail that the actual results can differ substantially from the results that explicitly or indirectly are the basis for, or are described, the statements, or entail that the expectations that explicitly or indirectly are the basis for, or are described in, the statements are not met or shown to be less advantageous.

Unless otherwise stated, the selected information has been derived from: (i) Ascelia´s audited consolidated financial statements of the Group as of and for the financial years ended on 30 June 2018 and 30 June 2017, which have been prepared in accordance with the International Financial Reporting Standards as they have been adopted by the European Union ("IFRS"), as well as interpretations of International Financial Reporting Interpretations Committee (IFRIC), and audited by Ascelia´s independent auditors, as has been stated in their audit report included therewith, (ii) Ascelia´s audited financial statements for the parent company as of and for the financial years ended on 30 June 2018 and 30 June 2017, which have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Financial Reporting Board's recommendation RFR 2, Accounting for legal entities and audited by Ascelia´s independent auditors as stated in their audit report included therewith and (iii) Ascelia´s unaudited condensed consolidated financial information for the Group, which has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and reviewed by Ascelia´s independent auditors as stated in the review report included therewith as of and for the six-month period ended on 31 December 2018 (with unaudited and unreviewed comparative figures as of and for the six-month period ended on 31 December 2017). The accounting principles of the parent company are consistent in all material respects with the accounting principles of the Group. Financial terms that are not defined in the following sections have the same meaning as they have been defined in the section *Selected historical financial information*.

OVERVIEW

Ascelia is an oncology-dedicated orphan drug development company located in Malmö, Sweden, focused on the development of novel drugs with an established mode of action. The Company's strategy is to develop a portfolio of differentiated, overlooked and de-risked product candidates addressing unmet medical needs with potential for orphan drug designation in cancer and cancer-related diseases.

On 30 June 2017 Ascelia acquired 100 percent of the shares in the unlisted company Oncoral Pharma ApS ("**Oncoral Pharma**"), which resulted in the establishment of the Ascelia Group. Oncoral Pharma was consolidated in Ascelia from 30 June 2017.

Ascelia currently has two product candidates under clinical development. The leading candidate is Mangoral®, is a liver imaging drug developed for the visualization of focal liver lesions. Oncoral is a novel tablet-based formulation of the well-known chemotherapeutic agent irinotecan. The Company´s future revenue is expected to consist of sales revenue and/or milestone payments and royalties from sales partners.

FACTORS AFFECTING OPERATING PROFIT

Ascelia´s financial results have been affected by, and will be affected by a number of factors, some of which lie beyond of the Company´s control, currently as well as in the future.

This section includes the key factors that Ascelia considers to have affected the Company´s operating results and financial results under the period covered by the financial information in the prospectus as well as the factors that could continue to do so in the future. Listed below are the factors that Ascelia considers to have the largest impact on its operating results.

- Clinical drug development
- Regulatory conditions
- Commercialization and licensing
- Intellectual property rights and other forms of protection
- Financing
- Foreign exchange exposure

CLINICAL DRUG DEVELOPMENT

Ascelia 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 Company's long-term results and ability to generate a return for the shareholders.

At the time of the Offering, Ascelia's drug candidate Mangoral is ready for Phase III studies and Oncoral has recently completed a Phase I study. The continued development of both Mangoral and Oncoral will entail significant costs for the Company also in the future and are subject to several risks, including, but not limited to, development delays, cost overruns and non-satisfactory results from clinical studies. For additional information see the section *Risk factors*.

The Group's research and development expenses are related to the development of its drug candidates Mangoral and Oncoral. During the period 1 July 2017–30 June 2018, the Group's research and development expenses amounted to SEK 9,367 thousand, corresponding to 36 percent of operating costs. During the period 1 July–31 December 2018, the Group's research and development expenses amounted to SEK 6,369 thousand, corresponding to 57 percent of the operating costs. During the period 1 July–31 December 2017, the Group's research and development expenses amounted to SEK 4,200 thousand, corresponding to 33 percent of the operating costs.

The total costs for completing the development programs of Mangoral and Oncoral is dependent on several factors, including, but not limited to, the Company'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 CONDITIONS

Ascelia 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, labeling, security, efficacy and quality. The Company 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 the Company does not meet the legal and regulatory obligations it could have a materially negative effect on the Company´s potential revenue and financial return.

COMMERCIALIZATION AND LICENSING

The Company 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. This planned strengthening of the operations is believed to entail increased costs for the Company in the future, primarily in terms of increased administrative expenses due to recruitments. There is no guarantee that the Company 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.

INTELLECTUAL PROPERTY RIGHTS AND OTHER FORMS OF PROTECTION

Ascelia´s operations are dependent of the Company´s ability to protect its products and innovations. Thus, it is crucial for the Company to maintain patents and other intellectual property rights that the Company holds and can hold in the future. Monitoring and maintaining of intellectual property is costly and time-consuming and the Company expects such costs to increase in the future if the Company expands its intellectual property portfolio, e.g. through additional patents or trademarks. If Mangoral obtains market approval, the drug 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/EEA for 8+2 years alternatively 10+2 years if orphan drug designation is obtained in the region. The Company has also obtained orphan drug designation for Mangoral in the United States, which could mean market exclusivity in the United States for the Company if market approval is received. Oncoral is covered by an international patent application and the Company believes that the drug 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. However, there are no guarantees that the Company will obtain or maintain the orphan drug designation and/or data exclusivity. For further information, see the section named *Risk factors*.

Ascelia´s ability to maintain an effective protection for its products and methods is crucial for the Company´s success in the long-term. If the Company is unable to maintain an efficient protection for Mangoral and Oncoral it could have negative consequences on the Company's ability to generate revenues and returns for the shareholders. The Company is exposed to a number of risks related to the immaterial rights, which could affect the Company´s financial position and earnings generation negatively. For further information, see the section named *Risk factors*.

FINANCING

Drug development is in general costly and since Ascelia has not reached a stage where revenue is generated, the business is dependent on future financing. There is a risk that future financing cannot be obtained or only at unattractive terms. Ascelia is proactively working to ensure sufficient funds for its drug development programs and the Company has completed a number of equity injections in recent years and most lately the issuance of SEK 60 million in May 2018. Bringing Mangoral and Oncoral to the market would, however, require additional financing.

CURRENCY EXPOSURE

Ascelia 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 conversion of the subsidiary´s income statement and balance sheet from DKK to SEK. Everything else equal, in case the currency SEK would be weakened by 10 percent against DKK, EUR and USD, the Company's profit/loss after tax would have been impacted with minus SEK 196 thousand for the period 1 July 2017–30 June 2018. The Company has not used financial derivatives in order to hedge currency risk. For further information, see the section named *Risk factors*.

ITEMS IN THE INCOME STATEMENT

OPERATING COSTS

Operating costs consist of administrative expenses, research and development expenses and, to a limited extent, other operating expenses.

RESULTS FROM FINANCIAL ITEMS

Profit/loss related to financial items primarily consists of interest rate costs related to shareholder loans as well as foreign exchange fluctuations.

PROFIT/LOSS BEFORE AND AFTER TAX

Profit/loss before and after tax refers to profit/loss for the period before and after tax.

COMPARISON BETWEEN PERIODS

COMPARISON BETWEEN THE PERIODS 1 JULY–31 DECEMBER 2018 AND 1 JULY–31 DECEMBER 2017

Net sales and other operating income (Group)
The Group's net sales amounted to SEK 0 during the period 1 July–31 December 2018 and the period 1 July–31 December 2017. Ascelia does not expect to recognize revenue before the Company's products have been launched on the market.

The Group's other operating income amounted to SEK 46 thousand during the period 1 July–31 December 2018 compared to SEK 703 thousand during the period 1 July–31 December 2017, corresponding to a decrease of 93 percent. The change is primarily attributed to benefits from exchange rate adjustment of bank assets in foreign countries and investment grants from innovation agencies for Oncoral's Phase I study during the period 1 July–31 December 2017.

Administrative expenses (Group)
The Group's administrative expenses amounted to SEK 4,798 thousand during the period 1 July–31 December 2018 compared to SEK 8,604 thousand during the period 1 July–31 December 2017, corresponding to a cost reduction of 44 percent. The change is primarily attributed to lower IPO preparation costs and lower recognized costs related to the employee option program.

Research and development expenses (Group)
The Group's research and development expenses amounted to SEK 6,369 thousand during the period 1 July–31 December 2018 compared to SEK 4,200 thousand during the period 1 July–31 December 2017, corresponding to an increase of 52 percent. The change is primarily attributed to a higher activity level in Company in terms of research and development. The criteria for classifying research and development expenses as an asset according to IAS 38 has not been met for the period 1 July–31 December 2018. Hence, all research and development expenses related to the development of the drug candidates have been expensed.

Net financial items (Group)
The Group's net financial items amounted to a net expense of SEK 26 thousand during the period 1 July–31 December 2018 compared to a net income of SEK 21 thousand during the period 1 July–31 December 2017. The change is primarily attributed to gains on exchange rate movements during the period 1 July–31 December 2017.

Loss for the period (Group)
The Group's loss for the period 1 July–31 December 2018 amounted to SEK 11,003 thousand compared to a loss of SEK 12,102 thousand during the period 1 July–31 December 2017, corresponding to a reduced loss of 9 percent. The change is primarily attributed to lower administration costs, partly counterbalanced by higher development costs for Mangoral.

Cash flow (Group)
The Group's cash flow used in operating activities amounted to SEK –12,952 thousand during the period 1 July–31 December 2018 compared to SEK –14,883 thousand during the period 1 July–31 December 2017. The change is primarily attributed to reduced costs for IPO-related advisory.

The Group's cash flow from investing activities amounted to SEK 0 during the period 1 July–31 December 2018 and the period 1 July–31 December 2017.

The Group had no cash flow from financing activities during the period 1 July–31 December 2018 compared to a positive cash flow from financing activities amounting to SEK 20,000 thousand during the period 1 July–31 December 2017. The change is primarily attributed to the share issuance completed in June 2017, with proceeds received in July 2017.

Financial position (Group)
The Group's equity amounted to SEK 101,016 thousand as of 31 December 2018 compared to SEK 68,092 thousand as of 31 December 2017, corresponding to an increase of 48 percent. The change is primarily attributed to the issuance of new shares in May 2018.

The Group's total assets amounted to SEK 105,463 thousand as of 31 December 2018 compared to SEK 70,811 thousand as of 31 December 2017, corresponding to an increase of 49 percent. The change is primarily attributed to the issuance of new shares in May 2018.

The Group's cash and cash equivalents amounted to SEK 42,111 thousand as of 31 December 2018 compared to SEK 6,744 thousand as of 31 December 2017, corresponding to an increase of 524 percent. The change is primarily attributed to the issuance of new shares in May 2018.

COMPARISON BETWEEN THE PERIODS 1 JULY 2017–30 JUNE 2018 AND 1 JULY 2016–30 JUNE 2017[1)]

Net sales and other operating income (Group)
The Group's net sales amounted to SEK 0 during the period 1 July 2017–30 June 2018.

The Group's other operating income amounted to SEK 1,062 thousand during the period 1 July 2017–30 June 2018 and was primarily attributable to exchange rate adjustment of bank assets in foreign countries and investment grants from innovation agencies.

Administrative expenses (Group)
The Group's administrative expenses amounted to SEK 16,366 thousand for the period 1 July 2017–30 June 2018 and was primarily attributable to costs for IPO-related advisory, salaries to employees and cost recognition of incentive programs (the impact on administrative expenses including social charges was SEK 2,227 thousand, but had no effect on cash flow).

Research and development expenses (Group)
The Group's research and development expenses amounted to SEK 9,367 thousand for the period 1 July 2017–30 June 2018 and was primarily attributable to drug development activities of the drug candidates and recognition of costs related to incentive programs (the impact on research and development expenses including social charges was SEK 2,227 thousand, but had no effect on cash flow).

Net financial items (Group)
The Group's net financial items, i.e. financial income less financial expenses, amounted to a net expense of SEK 30 thousand for the period 1 July 2017–30 June 2018 and was primarily attributable to negative interest on bank deposits.

Loss for the period (Group)
The Group's loss for the period 1 July 2017–30 June 2018 amounted to SEK 24,392 thousand. The loss reflected the increased level of administrative and research and development expenses.

Cash flow (Group)
The Group's cash flow used in operating activities amounted to SEK –20,958 thousand for the period 1 July 2017–30 June 2018 and largely reflected the Group's loss for the period. The Group's cash flow from investing activities amounted to SEK 0 for the period 1 July 2017–30 June 2018. The Group's cash flow from financing activities amounted to a positive cash flow of SEK 74,393 thousand for the period 1 July 2017–30 June 2018 and was primarily attributable to net proceeds from completed new issues of shares in July 2017 and May 2018.

1) For the Group, comparison to previous year is not applicable for income statement and cash flow statement items as there was no Group full-year figures for the period 1 July 2016–30 June 2017. For more information, see the section *Selected Historical Financial Information*.

Financial position (Group)
The Group's equity amounted to SEK 111,730 thousand as of 30 June 2018 compared to SEK 77,601 thousand as of 30 June 2017. The change is primarily attributed to the issue of new shares in May 2018. The Group's total assets amounted to SEK 116,149 thousand as of 30 June 2018 compared to SEK 80,392 thousand as of 30 June 2017. The change is primarily attributed to the issue of new shares in May 2018.

The Group's cash and cash equivalents amounted to SEK 55,063 thousand as of 30 June 2018 compared to SEK 1,627 thousand as of 30 June 2017. The change is primarily attributed to the issue of new shares in May 2018.

Net sales and other operating income (parent company)
The parent company's net sales amounted to SEK 0 for the period 1 July 2017–30 June 2018 and was unchanged compared to the period 1 July 2016–30 June 2017. The parent company's other operating income amounted to SEK 640 thousand for the period 1 July 2017–30 June 2018 compare to SEK 0 or the period 1 July 2016–30 June 2017. The change is primarily attributed to exchange rate adjustment of foreign bank assets.

Administrative expenses (parent company)
The parent company's administrative expenses increased by SEK 13,356 thousand to SEK 16,311 thousand for the period 1 July 2017–30 June 2018 compared to SEK 2,955 thousand for the period 1 July 2016–30 June 2017, corresponding to an increase of 452 percent. The change is primarily attributed to costs for IPO preparations as well as recognition of costs related to incentive programs (the total impact on administrative expenses including social charges was SEK 2,227 thousand, but had no effect on cash flow).

Research and development expenses (parent company)
The parent company's research and development expenses increased by SEK 3,084 thousand to SEK 7,448 thousand for the period 1 July 2017–30 June 2018 compared to SEK 4,364 thousand for the period 1 July 2016–30 June 2017, corresponding to an increase of 71 percent. The change is primarily attributed to recognition of costs for incentive programs (the total impact on research and development expenses including social charges was SEK 2,227 thousand, but had no effect on cash flow) and a higher activity in the fourth quarter with upscaling of production capacity at the Group's supplier, Cambrex (formerly Halo Pharmaceuticals).

Net financial items (parent company)
The parent company's net financial items, i.e. financial income less financial expenses, increased by SEK 372 thousand to a net income of SEK 21 thousand for the period 1 July 2017–30 June 2018 compared to a net loss of SEK 351 thousand for the period 1 July 2016–30 June 2017. The change is primarily attributed to interest costs for the period 1 July 2016–30 June 2017 stemming from shareholder loans, which subsequently have been converted to equity.

Loss for the year (parent company)
The parent company's net loss for the period 1 July 2017–30 June 2018 amounted to SEK 23,140 thousand compared to SEK 7,676 thousand for the period 1 July 2016–30 June 2017. This corresponds to an increased net loss of 201 percent. The change is primarily related to higher administrative expenses and recognition of costs for incentive programs, partly compensated by an increase in other operating income.

Cash flow (parent company)
The parent company's cash flow used in operating activities amounted SEK –19,288 for the period 1 July 2017–30 June 2018 compared to SEK –6,045 thousand for the period 1 July 2016–30 June 2017. This corresponds to an increase in negative cash flow of 219 percent. The change is primarily attributed to increased administrative expenses.

The parent company's cash flow from investing activities amounted to SEK –2,008 thousand for the period 1 July 2017–30 June 2018 compared to SEK –1,018 thousand for the period 1 July 2016–30 June 2017. This corresponds to an increase in negative cash flow of 97 percent. The change is primarily attributed to intra-group loans provided to the subsidiary Oncoral Pharma ApS.

The parent company's cash flow from financing activities amounted to a positive cash flow of SEK 74,393 thousand for the period 1 July 2017–30 June 2018 compared to a positive cash flow of SEK 2,475 thousand for the period 1 July 2016–30 June 2017. This corresponds to an increase in positive cash flow of 2,906 percent. The change is primarily attributed to net proceeds from completed new issues of shares in July 2017 and May 2018.

CAPITAL STRUCTURE, INDEBTEDNESS AND OTHER FINANCIAL INFORMATION

The tables in this section present Ascelia´s capitalization and indebtedness for the Group as of 31 December 2018. See the section *Shareholder capital and ownership structure* for additional information including Ascelia´s share capital and shares. The tables in this section should be read together with the sections *Operational and financial review* and *Historical financial information*.

EQUITY AND LIABILITIES

SEK in thousands	31 December 2018
Current liabilities	
Guaranteed	–
Secured	–
Not guaranteed or secured	4,447
Total current liabilities	**4,447**
Non-current liabilities	
Guaranteed	–
Secured	–
Not guaranteed or secured	–
Total non-current liabilities	**–**
TOTAL LIABILITIES	**4,447**
Equity	
Share capital	14,607
Other paid-in capital	213,700
Loss brought forward	–127,290
Total Equity	**101,016**
TOTAL EQUITY AND LIABILITIES	**105,463**

NET DEBT

SEK in thousands	31 December 2018
(A) Cash at hand	–
(B) Cash equivalents	42,111
(C) Trading securities	–
(D) Total cash and cash equivalents (A)+(B)+(C)	**42,111**
(E) Current financial receivables	–
(F) Current liabilities to banks	–
(G) Current part of long-term liabilities	–
(H) Other current liabilities (non-interest bearing)	4,447
(I) Total current liabilities (F)+(G)+(H)	**4,447**
(J) Net current debt (I)–(E)–(D)	**–37,664**
(K) Long-term bank loans	–
(L) Issued bonds	–
(M) Other long-term liabilities	–
(N) Non-current debt (K)+(L)+(M)	**–**
(O) NET DEBT (J)+(N)	**–37,664**

CONTINGENT LIABILITES

In addition to what is included in the table above, the Company had contingent liabilities of SEK 11,376 thousand as per 31 December 2018. This is attributable to future payment obligations in connection with potential future commercialization or sale of Oncoral, which is described in *Legal considerations and supplementary information – Material Agreements*.

STATEMENT REGARDING WORKING CAPITAL

The board of directors is of the opinion that its existing working capital is insufficient in order to cover the Company´s financial needs for the upcoming twelve months. Working capital, in this regard, refers to the Company's access to liquid funds in order to fulfill its payment obligations as they fall due, if the planned development activities are carried out. The Company's working capital need is primarily related to the planned Phase III development program for Mangoral, which is expected to start in 2019 and to be completed in late 2020.

As per the date of the Prospectus, the Company's available cash amounts to SEK 38.50 million. The Company assesses that the working capital need for the upcoming twelve months amounts to approximately SEK 65 million and that the existing working capital will be consumed during the fourth quarter of 2019. However, for ethical reasons initiated clinical studies must be carried through to until clinical results have been achieved, which means that the shortest funding period relevant for the Company exceeds twelve months.

The Company intends to fund the projected working capital deficit through the proceeds raised in the new share issue which will be carried out in connection with the listing on Nasdaq Stockholm. Provided that the Offering is fully subscribed, the proceeds from the Offering together with cash at hand are estimated to be sufficient in order to finalize clinical development of Mangoral, apply for marketing approval in the United States and the EU/EEA and to initiate commercial planning for Mangoral, as well as preparations for Oncoral's planned Phase II study.

In light of the Company´s working capital requirement, the board of directors has decided to condition the Offering upon it generating at least SEK 125 million after issue expenses. This level is considered necessary in order to secure the working capital requirement for the coming twelve months as well as to give the Company sufficient working capital to finance the planned clinical Phase III trial for Mangoral. If the required subscription rate is not achieved, the Offering will be withdrawn and the subsequent listing on Nasdaq Stockholm will not take place. In that case, the Company will seek alternative means of funding for the development of Mangoral and, if necessary to ensure the Company´s financial position, change the Company's long-term strategy and by reducing costs.

RESEARCH AND DEVELOPMENT

Ascelias core operation is solely focused on drug development. In order for Ascelia to continue to be successful, innovation and development need to have the highest priority. Development related to the Company´s drug candidates are related to substantial risk and it is possible that licensing and/or commercialization is never achieved. Ascelia´s development costs are described in more detail in the *Business Description – Development and production*. For the period 1 July–31 December 2018, the criteria to account for research and development expenditures as an asset in accordance with IAS 38 has not been met. Hence, all expenditures have been reported as costs related to the development of the Company´s drug candidates.

INVESTMENTS

HISTORICAL INVESTMENTS

During the periods included in the historical financial information, the Company's investments have been related only to intangible assets related to the acquisition of Oncoral Pharma ApS as shown for the Group in the table below. See also Note 8 in the section *Historical Financial Information*.

	H1 1 July–31 December		Full year 1 July–30 June	
SEK million	2018	2017	2017/2018	2016/2017
Tangible assets	–	–	–	–
Intangible assets	–	–	–	57,057
Total	**–**	**–**	**–**	**57,057**

ONGOING AND FUTURE INVESTMENTS

The Company has no ongoing or planned future material investments.

NON-CURRENT ASSETS

The Group's tangible assets amounted to SEK 0 as of 31 December 2018. Financial non-current assets amounted to SEK 1 thousand as of 31 December 2018 and include holdings in LFF Service AB (Svenska Läkemedelsförsäkringen). See note 1 in the section *Historical financial information* regarding the valuation of financial non-current assets.

SHARE ISSUE

Pursuant to a resolution to authorize the board of directors to issue new shares, made by the annual general meeting held on 23 November 2018, a new share issue will be made in connection with the Offering. Through the share issue, Ascelia will receive SEK 200 million before issue expenses provided that the Offering is fully subscribed. For further details see section *Invitation to subscribe for shares in Ascelia Pharma AB*.

TAX SITUATION

The Group's accumulated tax losses amounted to SEK 137.7 million as of 30 June 2018. There is no expiration day that limits the possibility to utilize the losses carried forward. However, it is uncertain when the tax losses carried forward can be used to offset against taxable profits. Tax losses carried forward has therefore not been recognized in the consolidated balance sheet. As shown in the section *Risk factors*, Ascelia´s possibility to utilize the tax losses carried forward is affected by certain limiting rules as well as potential future changes in the applicable tax legislation or if the Swedish Tax Agency would make a reassessment of the Group's tax position.

KEY EVENTS AFTER 31 DECEMBER 2018

After 31 December 2018, no events have occurred that have entailed any significant changes in the Company's financial position or market position.

BOARD OF DIRECTORS, SENIOR EXECUTIVES AND AUDITORS

BOARD OF DIRECTORS

Ascelia's board of directors consists of six ordinary members, including the chairman of the board of directors, with no deputy board members, all of whom were appointed by the annual general meeting held on 23 November 2018 for the period until the end of the annual general meeting to be held in 2019.

			Independent in relation to		
Name	**Position**	**Member since**	**The Company and its senior management**	**Major shareholders**	**Holdings in Ascelia[1)]**
Peter Benson	Chairman	2017	Yes	No	–
Bo Jesper Hansen	Board member	2010	Yes	No	216,164
Niels Mengel	Board member	2000	Yes	No	–[2)]
René Spogárd	Board member	2017	Yes	No	333,418
Helena Wennerström	Board member	2017	Yes	Yes	8,000
Hans Maier	Board member	2017	Yes	Yes	10,000

Peter Benson	*Born 1955. Chairman of the board of directors since 2017.*
Professional background	Peter Benson is co-founder and Managing Partner of Sunstone Capital Life Science Ventures and chairman of Alligator Bioscience AB, which is listed on Nasdaq Stockholm. Peter Benson has extensive experience from the Life Science sector as an investor, board member and in management positions, including in several listed companies. Peter Benson was vice chairman of Zealand Pharma during its IPOand has previously inter alia been Head of Life Science Ventures at Vækstfonden (the Danish Growth Fund), President of Hospital Care and Senior Vice President at Pharmacia as well as Vice President Marketing & Sales at Kabi Pharmacia Parenterals.
Education	Graduate in business administration from Lund University, Sweden. MA in Economics from the University of California, US.
Other ongoing assignments	Chairman of Alligator Bioscience AB (publ), Ascelia Incentive AB, Good Partners Media Group AB and Sunstone LSV Partners Holding ApS. Board member of Adenium Biotech ApS, Arcoma Aktiebolag, CMC SPV of 3 April 2017 AB, Jollingham AB, Montela Aktiebolag, Opsona Therapeutics Ltd., Sunstone LSV General Partner BI ApS, Sunstone LSV General Partner I ApS, Sunstone LSV General Partner II ApS, Sunstone LSV GP BI Holding ApS, Sunstone LSV GP I Holding ApS, Sunstone LSV Invest II ApS, Sunstone LSV Invest II Holding ApS, Sunstone LSV Partners & Co. Holding ApS, Sunstone LSV Special Limited Partner II ApS and Sunstone LSV Special LP II Holding ApS. Board member and member of management (executive) in Sunstone Capital A/S and Sunstone LSV Management A/S. Member of management (executive) in Jollingham ApS, Komplementarselskabet af 26. juni 2017 ApS, Selskabet af 26. juni 2017 ApS, Sunstone LSV General Partner III ApS, Sunstone LSV Invest III ApS, Sunstone LSV Invest III Holding ApS, Sunstone LSV Special Limited Partner III ApS, Sunstone LSV Special Limited Partner III Holding ApS and Sunstone TV (LSV) Special Limited Partner III ApS. Deputy board member of JellyBean Aktiebolag.
Previous assignments completed within the past five years	Board member of Atlas Therapeutics AB, Virogates A/S, XIMI 2015 Holding AB, Zealand Pharma A/S. Board member and member of management (executive) in P/S Sunstone Biomedicinsk Venture III. Member of management (executive) in Sunstone LSV & Co. Invest III Holding ApS (has merged with Sunstone LSV Partners Holding III ApS), Sunstone LSV & Co. Special Limitedpartner III Holding ApS (has merged with Sunstone LSV Special Limited Partner III Holding ApS), Sunstone LSV Partners & Co. Holding III ApS and Sunstone LSV Partners Holding III ApS. Partner of Jollingham ApS.
Holdings in Ascelia	–
Independence	Independent in relation to the Company and its management, but not in relation to major shareholders. Managing Partner of Sunstone Life Science Venture A/S and board member of CMC SPV of 3 April 2017 AB.

1) Refers to shares held in their own name as well as by affiliated natural and legal persons. Indirect holdings via CMC SPV of 3 April 2017 AB are not included. For information regarding CMC SPV of 3 April 2017 AB, see more under *Share Capital and Ownership Structure – CMC SPV of 3 April 2017 AB.*
2) 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 percent of the shares in CMC SPV of 3 April 2017 AB that holds 2,937,606 shares in Ascelia. Through the agreements governing Niels Mengel's investments in Øresund-Healthcare Capital K/S, Niels Mengel has a financial interest corresponding to (a) approximately 50 percent of the shares in Ascelia held by Øresund-Healthcare Capital K/S and (b) 100 percent of the shares in CMC SPV of 3 April 2017 AB held by Øresund-Healthcare Capital K/S.

Bo Jesper Hansen	*Born 1958. Member of the board of directors since 2010.*
Professional background	Bo Jesper Hansen has extensive experience from orphan drug research and development, international marketing and business development. Bo Jesper Hansen is and has previously been chairman and member of the board of directors in a number of biotech and pharma companies, including executive chairman of Swedish Orphan Biovitrum AB (publ), Topotarget A/S (publ) and Karolinska Development AB (publ) and chairman of Ablynx nv (publ).
Education	M.D. and Ph.D. from University of Copenhagen, Denmark.
Other ongoing assignments	Chairman of Innoventa Medica ApS and Laborie Inc. Board member of Azanta A/S. Vice-chairman of Orphazyme ApS.
Previous assignments completed within the past five years	Executive chairman of Karolinska Development AB (publ), Swedish Orphan Biovitrum AB (publ) and Topotarget A/S (publ). Chairman of Ablynx nv (publ) and Reapplix ApS. Board member of Ace Biosciences A/S, Gambro AB, Hyperion Therapeutics Inc., Inspyr Therapeutics Inc., Mipsalus ApS, Mipsalus Holding ApS, Orphazyme A/S, Newron Pharmaceuticals S.p.A., Zymenex A/S and Zymenex Holding A/S.
Holdings in Ascelia	216,164 shares in Ascelia. Bo Jesper Hansen also holds approximately 4 percent of the shares in CMC SPV of 3 April 2017 AB that holds 2,937,606 shares in Ascelia.
Independence	Independent in relation to the Company and its management, but not in relation to major shareholders. Shareholder in CMC SPV of 3 April 2017 AB.

Niels Mengel	*Born 1948. Member of the board of directors since 2000.*
Professional background	Niels Mengel is Founding Partner, board member and CEO of Øresund-Healthcare Capital. Niels Mengel has extensive experience from the healthcare industry as an investor. Niels Mengel has previously inter alia been Executive Vice President at ISS World Services A/S and Director at PA Consulting Group.
Education	M.B.A. from London Business School, England. M.Sc. in Macro Economy and Finance from University of Copenhagen, Denmark.
Other ongoing assignments	Chairman of Dansk Aktionærforening. Board member of Better Finance (The European Federation of Investors and Financial Services Users), Black Swan Strategy A/S and Upstream Invest A/S. Board member and managing partner of Øresund-Healthcare Management A/S. Limited partner of Øresund-Healthcare Capital K/S. Partner of ØHM Exit I I/S and ØHM Exit II I/S. Member of management (executive) in Kibegeon ApS.
Previous assignments completed within the past five years	Chairman of Entertainment Booking Concepts ApS and DAF Erhverv ApS. Board member of Tænk Mer A/S and ÖHM Exit AB. Member of management (executive) in Finansieringsselskabet af 17. maj 2000 ApS.
Holdings in Ascelia	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 percent of the shares in CMC SPV of 3 April 2017 AB that holds 2,937,606 shares in Ascelia. Through the agreements governing Niels Mengel's investments in Øresund-Healthcare Capital K/S, Niels Mengel has a financial interest corresponding to (a) approximately 50 percent of the shares in Ascelia held by Øresund-Healthcare Capital K/S and (b) 100 percent of the shares in CMC SPV of 3 April 2017 AB held by Øresund-Healthcare Capital K/S.
Independence	Independent in relation to the Company and its management, but not in relation to major shareholders. Founding partner of Øresund-Healthcare Capital K/S.

René Spogård	*Born 1954. Member of the board of directors since 2017.*
Professional background	René Spogård is chairman and investor in a number of companies including JEKA Fish A/S, Bollerup Jensen A/S and Flex Funding A/S. René Spogård has extensive experience from investing in the healthcare sector and board positions in a public environment. René Spogård has previously inter alia been owner and Managing Director at TNS Gallup A/S and Director at TNS plc (listed on London Stock Exchange).
Education	H.D. in Marketing from Copenhagen Business School, Denmark.
Other ongoing assignments	Chairman of Ambrox Property Invest III A/S, Bollerup Jensen A/S, Bollerup Jensen Adhesives ApS, Bollerup Jensen Water Holding ApS, CMC SPV of 3 April 2017 AB, Cimbric A/S, Deltaq Portefølje Holding 104 ApS, Deltaq Portefølje Holding II ApS, Deltaq Portefølje Holding IV ApS, Deltaq Portefølje Holding VI ApS, Flex Funding A/S, Jeka Fish A/S, Jeka Fish Holding ApS, Jeka Fish Holding 2 ApS, Jysk Industri Holding A/S and Preservation Technologies I/S. Deputy chairman of Nordisk Krabbe Kompagni A/S. Board member of Ambrox Capital A/S, Ambrox Korsør A/S, Bollerup Jensen Adhesives Holding ApS, Bollerup Jensen Water ApS, Bollerup Jensen Wood ApS and Flex Funding Fintech ApS. Member of management (executive) and partner of Dadephi ApS, René Spogårds Familieanpartsselskab, Spogård Holding ApS, Spogård Invest ApS and Spogård Invest 3 ApS.
Previous assignments completed within the past five years	Chairman of Alternova A/S, Ambrox Macro Fund 1 A/S, AQF Balanced ApS, AQF Diversified ApS, Deltaq A/S (merged with Jysk Industri Holding A/S), Deltaq Management A/S, Deltaq Portefølje Holding I ApS, Deltaq Portefølje Holding III ApS, Growth House Holding A/S, N6 Sorø A/S and Viminco A/S. Board member of Combilent Holding ApS, Afyx Therapeutics A/S (former Dermtreat A/S), Ejendomsselskabet Linkøpingsvej A/S, Flex Funding A/S, René Spogårds Familieanpartsselskab and Spogård Holding ApS. Member of management (executive) and partner of Phideda ApS, Spogård Invest 1 ApS and Spogård Invest 2 ApS.
Holdings in Ascelia	333,418 shares in Ascelia indirectly through company. René Spogård also indirectly holds, through company and affiliated natural persons, approximately 24 percent of the shares in CMC SPV of 3 April 2017 AB that holds 2,937,606 shares in Ascelia.
Independence	Independent in relation to the Company and its management, but not in relation to major shareholders. Shareholder in and chairman of the board of directors of CMC SPV of 3 April 2017 AB.

Helena Wennerström	*Born 1965. Member of the board of directors since 2017.*
Professional background	Helena Wennerström has been Executive Vice President and Chief Financial Officer of Bulten AB (publ) since 2014 and before that Chief Financial Officer of the Finnveden Group and FinnvedenBulten AB (publ) since 2009 and Chief Financial Officer for the division Bulten since 2006. Helena Wennerström's work within Bulten AB also includes the Investor Relations and Communications activities and IT. Helena Wennerström has earlier served finance roles at Digitalfabriken and Topcon.
Education	Master of Science in Business Administration and Economics from Örebro University.
Other ongoing assignments	Chairman of Bulten Fasteners AB. Board member of Bulten Fasteners (Tianjin) Co., Ltd., Bulten Hallstahammar AB, Bulten North America LLC, Bulten Polska S.A., Bulten Sweden AB, Bulten Fasteners (China) Co Ltd. and BBB Services Ltd. Deputy board member of Bulten Industrifastighet AB, Finnveden Micro Fasteners AB and Finnveden Trading Aktiebolag. Deputy Managing Director of Bulten AB.
Previous assignments completed within the past five years	Chairman, board member and CEO of Bulten IT Aktiebolag. Board member of Bulten Fasteners AB and Shiloh Industries AB. Deputy board member of Bulten i Kalix Aktiebolag, Finnveden GMF AB and Finnveden Gjutal AB.
Holdings in Ascelia	8,000 shares in Ascelia.
Independence	Independent in relation to the Company and its management, and in relation to major shareholders.

Hans Maier	*Born 1955. Member of the board of directors since 2017.*
Professional background	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 member of several advisory boards, inter alia the Fraunhofer Institute for Medical Image Computing and the German Heart Center Berlin.
Education	Ph.D. in Economics and Social Sciences and Degree in Political Science from Freie Universität Berlin, Germany.
Other ongoing assignments	Board member of Deutsches Herzzentrum Berlin and Fraunhofer Institute for Medical Image Computing MEVIS. Co-Founder and Managing Partner of BGM Associates GmbH.
Previous assignments completed within the past five years	–
Holdings in Ascelia	10,000 shares in Ascelia.
Independence	Independent in relation to the Company and its management, and in relation to major shareholders.

SENIOR EXECUTIVES

Name	Position	Member of the executive management since	Employed in the Company since	Holdings in Ascelia[1)]
Magnus Corfitzen	Chief Executive Officer	2014	2014	18,680 SH / 458,856 ESO
Kristian Borbos	Chief Financial Officer	2017	2017	153,059 ESO
Carl Bjartmar	Chief Medical Officer	2018	2018	153,059 ESO
Dorthe da Graça Thrige	Chief Operating Officer	2012	2012	7,030 SH / 152,898 ESO
Mikael Widell	Head of IR & Communications	2018	2018[2)]	–

Magnus Corfitzen	*Born 1975. Chief Executive Officer since 2014.*
Professional background	Magnus Corfitzen has extensive experience from investing, building and growing Life Science companies in various roles including operational activities or investment responsibilities for public and private biotech and medtech companies. Magnus Corfitzen also has board experience from a number of Life Science companies. Magnus Corfitzen has previously inter alia been Investment Director at Sunstone Capital A/S and Investment Director at Vækstfonden (the Danish Growth Fund). Prior to entering the health care venture capital field he was a Portfolio Manager at Danske Capital with responsibility for investments into listed biotech and medtech companies and he started his career at McKinsey & Company.
Education	M.Sc. in Mathematical Economics from the University of Aarhus, Denmark, which included studies at Harvard University, US.
Other ongoing assignments	Board member of Ascelia Inventive AB. CEO of Oncoral Pharma ApS.
Previous assignments completed within the past five years	Chairman of Ascelia Pharma AB and FBC Device ApS. Board member of Aro Medical ApS, NsGene A/S, Opsona Therapeutics Ltd. and Vivostat A/S.
Holdings in Ascelia	18,680 shares and 458,856 employee stock options in Ascelia. Magnus Corfitzen also holds approximately 2 percent of the shares in CMC SPV of 3 April 2017 AB that holds 2,937,606 shares in Ascelia.

1) Refers to shares ("SH") and Employee stock options ("ESO") held in their own name as well as by affiliated natural and legal persons. Indirect holdings via CMC SPV of 3 April 2017 AB are not included. For information regarding CMC SPV of 3 April 2017 AB, see more under *Share Capital and Ownership Structure – CMC SPV of 3 April 2017 AB*.
2) The work is carried out on a consultancy basis.

Kristian Borbos	*Born 1978. Chief Financial Officer since 2017.*
Professional background	Kristian Borbos has extensive banking and finance experience from large listed companies as Sell-side Analyst and other advisory roles in banking to various financial positions in large corporates including treasury, financial reporting and planning and IR activities. Kristian Borbos has previously inter alia been Business Finance Manager at Novozymes, Lead Investor Relations Manager at DONG Energy and senior analyst at Danske Bank and Danske Markets.
Education	M.Sc. in Business Administration from Lund University, Sweden.
Other ongoing assignments	Deputy board member of Ascelia Incentive AB.
Previous assignments completed within the past five years	–
Holdings in Ascelia	153,059 employee stock options in Ascelia.

Carl Bjartmar	*Born 1963. Chief Medical Officer since 2018.*
Professional background	Carl Bjartmar has a long and solid track record in late-stage orphan drug development. He has previously served in senior roles at large international pharma companies such as Lundbeck, Sanofi and Genzyme, where he gained extensive experience in clinical development, in particular the development of novel therapies for rare diseases. Carl was most recently before joining Ascelia, Chief Medical Officer for the Swedish biotech company Wilson Therapeutics.
Education	M.D. and Ph.D. from the University of Linköping.
Other ongoing assignments	–
Previous assignments completed within the past five years	–
Holdings in Ascelia	153,059 employee stock options in Ascelia.

Dorthe da Graça Thrige	*Born 1967. Chief Operating Officer since 2014.*
Professional background	Dorthe da Graça Thrige has extensive experience in R&D and executive management at leading Swedish and Danish biotech and pharma companies such as Pharmacia, AstraZeneca and Active Biotech. Dorthe da Graça Thrige has previous experience from inter alia various positions at Active Biotech AB, including Director of Development, Head of Project Management and Head of Drug Discovery and Research Scientist at AstraZeneca.
Education	M.Sc. in Pharmaceutical Sciences and Ph.D. in Structural Medicinal Chemistry from University of Copenhagen, Denmark.
Other ongoing assignments	–
Previous assignments completed within the past five years	–
Holdings in Ascelia	7,030 shares and 152,898 employee stock options in Ascelia. Dorthe da Graça Thrige also holds approximately 1 percent of the shares in CMC SPV of 3 April 2017 AB that holds 2,937,606 shares in Ascelia.

Mikael Widell	*Born 1958. Head of IR & Communications since 2018.*
Professional background	Mikael Widell has more than 30 years' experience within communications, including journalism with 14 years within financial media, e.g. Dagens Industri, and has had different positions within in-house corporate communications, e.g. AstraZeneca, Swedish Orphan Biovitrum AB (publ) and Nordic Capital as well as strategic work as a communications advisor within financial PR and IR. Mikael Widell is also Head of Communications and IR at Calliditas Therapeutics AB (publ). Mikael Widell is a partner and co-founder of the IR/PR firm Cord Communications.
Education	M.A. in English from Lund University and studies in Economics at Lund University.
Other ongoing assignments	Bord member of CordCom Consultants AB. General partner of WZ Kommunikation Kommanditbolag.
Previous assignments completed within the past five years	–
Holdings in Ascelia	–

OTHER INFORMATION ABOUT THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Except from what is stated below, none of the Company's board members or senior executives have during the past five years (i) been convicted of fraud-related offenses, (ii) represented a company which has been declared bankrupt, filed for mandatory liquidation or undergone corporate restructuring, (iii) been subject to accusations or sanctions by statutory or regulatory authorities (including recognized professional bodies) or (iv) been disqualified by a court from acting as a member of an issuer's administrative, management or supervisory body or from holding any senior or overarching position in an issuer.

Peter Benson is a member of the board of directors of Opsona Therapeutics Ltd., which in January 2019 entered into a creditors' voluntary liquidation.

There are no family ties between any board members or senior executives. None of the board members or senior executives have any other conflicts of interest or potential conflicts of interest that could conflict with the Company's interests, their private interests and/or other undertakings. However, as stated above, several board members and senior executives have financial interests in the Company through holdings of shares, warrants and/or employee stock options. None of the board members or senior executives have been elected or appointed as a result of a special agreement with major shareholders, customers, suppliers or other parties. None of the board members or senior executives have entered into agreements that entitle them to benefits upon termination of their assignment (except for regular severance pay for senior executives and severance packages as described under Corporate Governance – Remuneration to senior executives). The Company has not set aside or accrued amounts for pensions or similar benefits for board members or senior executives upon termination of employment or assignment.

All board members and senior executives can be reached via the Company's address: Per Albin Hanssons väg 41, SE-205 12 Malmö, Sweden.

AUDITOR

Öhrlings PricewaterhouseCoopers AB, with address Anna Lindhs Plats 4, SE-203 11 Malmö, Sweden, is the Company's auditor. Carl Fogelberg, authorized public accountant and member of FAR, the institute for the accounting profession in Sweden, is the lead auditor. Öhrlings Pricewaterhouse-Coopers AB was elected as the Company's auditor on the extraordinary general meeting held on 26 April 2018. The change of auditor was a part of the preparations for the listing of the Company.

KPMG AB, with address Box 3018, SE-169 03 Solna, Sweden, was the Company's auditor during the period 31 October 2017–26 April 2018. Jonas Nihlberg, authorized public accountant and member of FAR, was the lead auditor.

Kent Lindén, with address KPMG AB, Box 227, SE-201 22 Malmö, Sweden, was the Company's auditor from the financial year 2008/2009 to and including the financial year 2016/2017. Kent Lindén is an authorized public accountant and member of FAR, the institute for the accounting profession in Sweden.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IN ASCELIA

Ascelia is a Swedish public limited liability company. Prior to the listing on Nasdaq Stockholm, the Company's corporate governance was based on Swedish law and internal rules and instructions. Following the listing on Nasdaq Stockholm, the Company will also comply with Nasdaq Stockholm's Rule Book for Issuers and apply the Swedish Corporate Governance Code (the "Code"). The Code applies to all Swedish companies with shares listed on a regulated market in Sweden. The Code is based on the so-called "comply or explain" principle. This means that a company that applies the Code may choose to deviate from certain rules of the Code, but must then describe its alternative solution and explain the reason for the deviation in its annual corporate governance report. Any deviations from the Code will be reported in the Company's corporate governance report, which will be prepared for the first time in connection with the annual report for the financial year 2018/2019. The Company does presently not expect to report any deviations from the Code in the corporate governance report except for a deviation regarding the vesting period in the employee option program which is further described in the section *Share capital and ownership structure – Incentive Programs*.

GENERAL MEETING

According to the Swedish Companies Act (2005:551), the general meeting is the Company's 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 Company'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 to the Company 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 the Company'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.

NOMINATION COMMITTEE

According to the Code, the Company shall have a nomination committee, the duties of which shall include the preparation and drafting of proposals regarding the election of members of the board of directors, the chairman of the board of directors, the chairman of the general meeting and auditors. The nomination committee shall also propose fees for board members and the auditor. At the annual general meeting held on 23 November 2018, it was resolved to adopt instructions and rules of procedure for the nomination committee according to which the nomination committee shall consist of four members representing the three largest shareholders per the end of March, together with the chairman of the board of directors.

THE BOARD OF DIRECTORS

After the general meeting, the board of directors is the highest decision-making body of the Company. 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 Company's shareholders, that the Company 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 the Company'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, who are presented in the section *Board of directors, senior executives and auditors*.

According to the Code, the chairman of the board of directors is to be elected by the general meeting. The role of the chairman is to lead the board of directors' work and to ensure that the work is carried out efficiently, and that the board of directors fulfils its obligations.

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 within the Company, 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 on the management of the Company.

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 the Company's financial position, to monitor the effectiveness of the Company'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. 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 Jeper 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 the Company'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 the Company's ongoing management and the daily activities of the Company. 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 has a management team consisting of five people which in addition to the CEO is comprised of the CFO, the Chief Medical Officer, the Chief Operating Officer and the Head of IR & Communications. The CEO and the senior executives are presented in the section *Board of directors, senior executives and auditors*.

REMUNERATION TO THE BOARD OF DIRECTORS, CEO AND SENIOR EXECUTIVES

REMUNERATION TO THE BOARD OF DIRECTORS

Fees to board members elected by the general meeting are resolved by the annual general meeting. At the annual general meeting held on 23 November 2018, it was resolved that fees of SEK 400,000 was to be paid to the chairman and that fees of SEK 200,000 was to be paid to each of the other board members who are not employed by the Company. In addition, it was resolved that fees of SEK 50,000 should be paid to the chairman of the audit committee and that fees of SEK 25,000 should be paid to each other member of the audit committee.

No remuneration was paid to the board of directors for the financial year 2017/2018.

REMUNERATION TO THE CEO AND OTHER SENIOR EXECUTIVES

Remuneration to senior executives consists of basic salary, variable remuneration, pension benefits, share related incentive programs and other benefits. For the financial year 2017/2018, the CEO and other senior executives received remuneration as set out in the table below. All amounts in TSEK.

Name	Basic salary	Pension costs[1)]	Variable remuneration	Share-based remuneration	Other benefits	Total
Magnus Corfitzen, CEO	1,260	101	505	1,961	155	3,981
Other senior executives[2)]	2,893	147	–	1,961	58	5,059
Total:	**4,153**	**248**	**504**	**3,922**	**213**	**9,040**

1) The Company has a defined-contribution pension plan. Under the plan, employees can decide whether the Company should, instead of making pension contributions, pay the equivalent amount as salary. In 2017/2018, the employees have opted to receive salary instead of having pension.
2) Three persons in total.

Guidelines for remuneration to the CEO and other senior executives

At the annual general meeting held on 23 November 2018, guidelines were adopted with the following main content.

The Company shall offer remuneration levels and employment terms at market terms, aimed at facilitating the recruitment and retention of senior executives with high competence and capacity, in order to achieve established targets. The remuneration to the CEO and other senior executives can be comprised of fixed salary, variable remuneration, pension benefits, share-based incentive programs resolved by the shareholders' meeting and other benefits.

The fixed salary shall take into consideration the individual's competence, area of responsibility and performance. The variable remuneration is to be based on the outcome of predetermined well defined objectives. The variable consideration is to be limited and may not exceed 40 percent of the fixed annual salary for the CEO and 20 percent of the fixed annual salary for other senior executives, whereby the individual highest level should be based on factors such as the position held by the specific individual.

In addition to what follows from law or collective bargain agreements or other agreements, the CEO and other senior executives may be entitled to arrange individual pension schemes. Refrained salaries and variable remuneration can be used for increased pension contributions, provided that the total cost for the Company is unchanged over time.

Share-based incentive programs shall, where applicable, be resolved by the shareholders' meeting.

In case of termination of the CEO's employment by the Company, the notice period should not exceed six months. In case the Company terminates the CEO's employment, in addition to salary during the notice period, severance payment corresponding to up to six months base salary shall be permitted. The notice period for other senior executives shall not exceed six months. The employment agreements with senior executives may also include provisions regarding right for the senior executive to receive customary compensation for non-compete undertakings following the termination of the employment.

The board of directors shall be entitled to deviate from these guidelines in individual cases if there are special reasons for doing so.

Employment agreements for the CEO and other senior executives

In addition to his fixed monthly salary, the CEO is in accordance with his employment agreement entitled to an annual "on target" bonus of up to 40 percent of the annual base salary. The bonus is linked to the achievement of target goals that are annually defined unilaterally by the Company. The CEO is also entitled to pension contributions corresponding to 8 percent of the base salary. 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 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 that are employed by the Company, stipulate notice periods of between two to six months in case of termination by the employee and between three and six months in case of termination by the Company. In addition to fixed base salary, the senior executives are entitled to a yearly bonus of up to 20 percent 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 executive. The senior executives are also entitled to individual pension contributions.

The Company's Head of IR & Communications acts as a consultant and the consultancy agreement has a fixed term of 12 months from the date of listing on Nasdaq Stockholm and runs thereafter for an indefinate term with a mutual notice period of three months. However, the Company has the right to terminate the contract in advance with a notice period of three months.

EXTERNAL AUDIT

The Company's auditor is appointed by the annual general meeting for the period until the end of the next annual general meeting. The auditor examines the annual report and accounts as well as the management performed by the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report to the annual general meeting. The Company's auditor reports its observations from the audit and its assessment of the Company's internal control to the board of directors.

At the Annual General Meeting held on 23 November 2018, Öhrlings PricewaterhouseCoopers AB was re-elected as the Company's auditor with Carl Fogelberg as the lead auditor.

At the annual general meeting, it was also resolved that the fees to the auditor should be paid in accordance with normal charging standards and approved invoice.

KPMG AB was the Company's auditor during the period 31 October 2017–26 April 2018. Total fees paid to KPMG AB for this period amounted to SEK 3,708 thousand, of which SEK 3,577 thousand regarded IPO preparations and related services and SEK 131 thousand regarded tax advice. Total fees paid to Öhrlings PricewaterhouseCoopers AB for the period 26 April–30 June 2018 amounted to SEK 140 thousand and regarded the audit engagement.

Information about the auditor can be found in the section *Board of directors, senior executives and auditors*.

INTERNAL CONTROL

OVERVIEW

The overall purpose of the internal control is to ensure that the Company'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 directors'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, the instructions for the CEO and the instructions for financial reporting, all of which have been adopted by the board of directors, the allocation of the roles and responsibilities have been stated to contribute to an effective management of the Company's risks.

The board of directors has also established an audit committee whose tasks mainly include to monitor the effectiveness of the Company'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, the Company has standard operating procedures that govern the control and quality of its drug development (including requirement to its partners participating in drug development).

With regards to risk assessments, these are carried out in connection with strategic planning and forecasting work and specific risk sessions are held to identify and quantify as well as evaluate and decide how the identified risks can be managed and, if possible, be eliminated. The presentation of the identified risks shall, as a minimum, be submitted to the board of directors once per year. The Company's most recent risk assessment session was held in August 2018.

Within the board of directors, the Audit Committee is responsible for continuously assessing the Company's risks.

CONTROL ENVIRONMENT

The board of directors bears the overall responsibility for internal control over financial reporting. To create and maintain a functioning control environment, the board of directors has adopted a number of policies governing financial reporting. These mainly comprise the rules of procedure for the board of directors, the instructions for the CEO and the instructions for financial reporting. The board of directors has also adopted a special set of signatory rules and a financial policy. The Company also has a manual containing principles, guidelines and process specifications for accounting and financial reporting.

The audit committee within the board of directors ensures that the approved principles for financial reporting and internal control are complied with and that regular contact with the Company's auditor is maintained. The responsibility for maintaining an effective control environment and for the day-to-day work on internal control over financial reporting rests with the CEO with assistance from the CFO. The CEO and CFO reports to the board of directors on a regular basis in accordance with the instruction to the CEO and the terms of reference for financial reporting. The board of directors also receives reports from the Company's auditor. Based on Ascelia's current size and operations, the board of directors has decided not to set up a separate internal audit function.

RISK ASSESSMENT

The Company's management have regular discussions to identify and evaluate the risks arising in the Company's operations and to assess how these risks can be managed. Once a year, these risks are presented to the board of directors in a risk session accompanied by a risk assessment memo, which include a heat map quantifying the impact and likelihood of identified risks.

The risk assessment work also includes identification of risks that may impact the basic requirements for the financial reporting of the Company. The risk assessment results in a number of control targets supporting the basic requirements for financial reporting.

These control targets aim to ensure that the Company meets its objectives for financial reporting. The financial reporting shall be correct and complete, and meet all applicable laws, rules and recommendations, provide a fair description of the Company's business and support a rational and informed valuation of the business. In addition to these three objectives, internal financial reporting shall support proper business decision-making at all levels.

CONTROL ACTIVITIES

Control activities limit the identified risks and ensure correct and reliable financial reporting. The CFO plays a key role in analyzing and following up the Group's financial reporting and results. There are functions for the analysis and follow-up of the financial reporting of the Group and subsidiaries. Control activities also comprise a review and follow-up of the Company's governing documents relating to risk management and analyzing complex transactions or valuation of assets or liabilities encompassing a significant element of judgement.

The board of directors is responsible for internal control and monitoring of the Company's management. This is done primarily by examining the Company's steering documents and identified risk factors.

INFORMATION AND COMMUNICATION

The Company has information and communication channels intended to promote the accuracy of financial reporting and to facilitate reporting and feedback from operations to the board of directors and the management, for example by making corporate governance documents such as internal policies, guidelines and instructions regarding the financial reporting available and known for employees. The board of directors has also adopted an information policy that governs Ascelia's provision of information.

MONITORING

The compliance and effectiveness of internal controls are monitored regularly. The CEO ensures that the board of directors receives continuous reports on the development of the Company's activities, including the development of the Company's results and financial position, and information about important events, such as operational events of the drug development and major agreements and contracts. The CEO also reports on these issues at each board meeting.

The audit committee supports the board of directors by preparing activities that assure the quality of the Company's financial reporting. This is partly achieved by the audit committee checking the financial information and the Company's financial controls.

SHARE CAPITAL AND OWNERSHIP STRUCTURE

GENERAL SHARE INFORMATION

According to Company'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 of the Company as per the date of the Prospectus is 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. The Company's shares have been issued in accordance with Swedish law, are of the same class, have been fully paid and are freely transferable. The Company's shares are denominated in SEK. The shares are not subject to any offer made due to mandatory bid, redemption rights or redemption obligation. There have been no public takeover bids for the Company's shares.

CERTAIN RIGHTS ASSOCIATED WITH THE SHARES

The rights associated with the Company's shares, including rights pursuant to the articles of association, may only be amended in accordance with the procedures set out in the Swedish Companies Act.

RIGHT TO PARTICIATE AND VOTE AT GENERAL MEETINGS

To participate in the general meeting, shareholders must be registered in the Company's share register five business days prior to the meeting and also register their participation to the Company no later than the date specified in the notice. Each share entitles the holder to one vote at the general meeting and every shareholder is entitled to vote with the full number of shares owned and represented by him or her.

PREFERENTIAL RIGHTS IN CONNECTION WITH NEW SHARES ETC.

If the Company decides to issue new shares, warrants or convertible bonds by means of a cash issue or offset issue, the shareholders will, as a general rule, have preferential subscription rights in proportion to the number of shares they already own. In accordance with the provisions of the Swedish Companies Act, it is possible to deviate from shareholders' preferential rights.

RIGHT TO RECEIVE DIVIDEND PAYMENT AND ANY SURPLUS ON LIQUIDATION

All shares provide equal rights to the Company's profits and to any surplus in the event of liquidation. Decisions to pay dividends will be made by the general meeting and payment will be arranged by Euroclear Sweden AB. Dividends may, under the Swedish Companies Act, only be paid with such an amount that there is full coverage for the Company's restricted equity after the dividend and only if the dividend is justifiable in view of (i) the requirements which the nature, scope and risk of the business operations impose on the equity and (ii) the Company's consolidation requirements, liquidity and financial position in general. As a general rule, the shareholders may not decide on dividends exceeding that which the board of directors has proposed or approved.

The right to receive dividend payment belongs to the person who is registered as a holder of shares in the share register kept by Euroclear Sweden AB on the dividend record day as determined by the general meeting. If a shareholder cannot be reached through Euroclear Sweden AB, the shareholder's claim on the Company for the dividend amount will remain in force and will only be limited in time by a ten year statute of limitations. In the event of statutory limitation, the dividend amount will revert to the Company. Neither the Swedish Companies Act nor the articles of association contain any restrictions on the right to receive dividends for shareholders outside Sweden. In addition to any limitations imposed by bank or clearing systems in the relevant jurisdictions, payment to such shareholders shall be made in the same manner as for shareholders resident in Sweden. However, shareholders who have limited tax liability in Sweden will normally be subject to withholding tax, see the section *Certain tax considerations in Sweden*.

AUTHORIZATION

At the annual general meeting held on 23 November 2018, it was resolved to authorize the board of directors to, at one or several occasions, during the time up until the next annual general meeting, resolve to issue shares. The authorization permits new issues both with and without deviation from the shareholders' preferential rights. The authorization also permits new issues with provisions regarding payment in kind or through set-off or with other conditions. The reason for that deviation from the shareholders' preferential rights shall be permitted is to enable the Company to raise working capital, to execute acquisitions of companies or operating assets, as well as to enable issues to institutional investors and the public in connection with a listing of the Company. The maximum number of shares that can be issued amounts to 18,000,000. To the extent the authorization is used for an issue of shares with deviation from the shareholders' preferential rights, the issue shall be made on market terms.

NEW SHARE ISSUE IN CONNECTION WITH THE OFFERING

The Offering includes 8,000,000 newly issued shares in the Company. If the Offering is fully subscribed and the Over-allotment option is not exercised, the Company's share capital will increase with SEK 8,000,000, corresponding to a dilution of approximately 35.4 percent. If the Over-allotment option is fully exercised, the Company's share capital will increase with an additional SEK 1,200,000 which corresponds to a total increase of the Company's share capital with SEK 9,200,000, corresponding to a total dilution of approximately 38.6 percent.

CENTRAL SECURITIES REGISTER

The Company's articles of association contains a so called CSD provision for electronic registration and the Company's shares are connected to the electronic securities system with Euroclear Sweden AB, (P.O. Box 191, SE-101 23 Stockholm, Sweden) as central securities depository. The shares are registered in the name of the shareholder. No share certificates have been issued for the shares or will be issued for the new shares. The ISIN code for Ascelia's shares is SE0010573113.

DIVIDEND POLICY

Up to now, Ascelia has not paid any dividends and Ascelia's intention is to continue to focus on further development and expansion of the Company's 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 Company's long-term strategy. Hence, the board of directors' intention is not to propose a dividend to shareholders before the Company 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 the Company'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 the Company's objectives, scope and risk.

SHARE CAPITAL DEVELOPMENT

As of 1 July 2016, the Company's share capital amounted to SEK 7,370,265 divided into 7,370,265 shares, each with a quota value of SEK 1. Since 1 July 2016, the share capital has developed as set out in the table below.

Year	Transaction	Increase of the share capital, SEK	Increase of the total number of shares	Total share capital, SEK	Total number of shares	Quota value, SEK
2016	New share issue by set-off[1)]	1,079,277	1,079,277	8,449,542	8,449,542	1
2017	New share issue by set-off[2)]	634,309	634,309	9,083,851	9,083,851	1
2017	New issue in kind[3)]	1,603,033	1,603,033	10,686,884	10,686,884	1
2017	New share issue	562,430	562,430	11,249,314	11,249,314	1
2018	New share issue	3,357,577	3,357,577	14,606,891	14,606,891	1
2019	New share issue in the Offering[4)]	8,000,000	8,000,000	22,606,891	22,606,891	1

1) The subscription price amounted to SEK 8 per share and the set-off regarded a loan raised by the Company.
2) The subscription price amounted to SEK 4 per share and the set-off regarded a loan raised by the Company.
3) The issue in kind was related to the acquisition of Oncoral Pharma Aps. The Subscription price amounted to approximately SEK 35.56 per share.
4) The calculation of the number of new shares in the Offering is based on full subscription and that the Over-allotment option is not exercised. The shares will, for reasons related to the issue procedure, be subscribed for by Erik Penser Bank on behalf of those entitled to subscribe for shares in accordance with the Prospectus. The shares in the Offering will thus be issued at an issue price corresponding to the quota value, i.e. SEK 1 per share whereby Erik Penser Bank will, on behalf of those entitled to subscribe for shares, provide a capital contribution to the Company of an amount corresponding to the difference between the price in the Offering and the issue price of SEK 1 per share.

OWNERSHIP STRUCTURE

As per 6 February 2019 the Company had 119 shareholders. The table below details the ownership structure as of the same date, based on information from Euroclear Sweden AB and the Company's knowledge of the ownership structure.

	Ownership before the Offering (shares and votes)		Ownership after the Offering (shares and votes) assuming that the Over-allotment option is not exercised		Ownership after the Offering (shares and votes) assuming that the Over-allotment option is fully exercised	
Shareholder	**Number**	**Percentage**	**Number**	**Percentage**	**Number**	**Percentage**
Ten largest shareholders						
Sunstone Life Science Ventures Fund II K/S	4,094,699	28.0%	4,094,699	18.1%	4,094,699	17.2%
CMC SPV of 3 April 2017 AB	2,937,606	20.1%	2,937,606	13.0%	2,937,606	12.3%
Øresund-Healthcare Capital K/S	2,020,459	13.8%	2,020,459	8.9%	2,020,459	8.5%
Styrelsen for Institutioner og Uddannelsesstøtte	512,014	3.5%	512,014	2.3%	512,014	2.2%
Helida Invest ApS	384,501	2.6%	384,501	1.7%	384,501	1.6%
Spogård Holding ApS[1)]	333,418	2.3%	333,418	1.5%	333,418	1.4%
Alvina Invest ApS	288,377	2.0%	288,377	1.3%	288,377	1.2%
Cacaam Invest ApS	288,377	2.0%	288,377	1.3%	288,377	1.2%
Bo Jesper Hansen	216,164	1.5%	216,164	1.0%	216,164	0.9%
Stella Corrente AB	140,000	1,0%	140,000	0.6%	140,000	0.6%
In total	**11,215,615**	**76.8%**	**11,215,615**	**49.7%**	**11,215,615**	**47.2%**
Board and management other than above						
Helena Wennerström	8,000	0.1%	8,000	0.0%	8,000	0.0%
Hans Maier	10,000	0.1%	10,000	0.0%	10,000	0.0%
Magnus Corfitzen	18,680	0.1%	18,680	0.1%	18,680	0.1%
Dorthe da Graça Thrige	7,030	0.0%	7,030	0.0%	7,030	0.0%
In total	**43,710**	**0.3%**	**43,710**	**0.1%**	**43,710**	**0.1%**
Other shareholders	3,347,566	22.9%	3,347,566	14.8%	3,347,566	14.1%
New shareholders	0	0.0%	8,000,000	35.4%	9,200,000	38.6%
TOTAL	**14,606,891**	**100.0%**	**22,606,891**	**100.0%**	**23,806,891**	**100.0%**

Note: Ownership after the Offering is based on the assumption that the Offering is fully subscribed. Any new shares subscribed for by existing shareholders who have provided subscription undertakings are accounted for under the item "New shareholders" as such existing shareholders are not guaranteed allocation in the Offering. For more information, see the section *Legal considerations and supplementary information – Subscription Undertakings*.

1) Controlled by board member René Spogård.

CMC SPV OF 3 APRIL 2017 AB

In April 2017, Sunstone Life Sciences Ventures Fund II K/S ("**Sunstone**") established CMC SPV of 3 April 2017 AB ("**CMC SPV**"). CMC SPV thereafter acquired all shares in Ascelia previously held by Stiftelsen Industrifonden ("**Industrifonden**"). In accordance with the agreement entered into between CMC SPV and Industrifonden, CMC SPV is obliged to share certain parts of the proceeds received in connection with future sales of shares in Ascelia with Industrifonden. Sunstone subsequently transferred shares in CMC SPV to parties that participated in an investment round in Ascelia in June 2017. Following such transfers, the two largest shareholders in CMC SPV are René Spogård (who indirectly holds approximately 24 percent of the shares in CMC SPV through Spogård Holding ApS and affiliated natural persons) and Sunstone (holding approximately 13 per cent of CMC SPV). Spogård Holding ApS is a company controlled by the board member René Spogård. The sole purpose of CMC SPV is to hold the shares in Ascelia acquired from Industrifonden. CMC SPV intends to divest its shares in Ascelia, or alternatively distribute the shares to its shareholders, as soon as CMC SPV has fulfilled its payment obligations towards Industrifonden.

INCENTIVE PROGRAMS

EMPLOYEE OPTION PROGRAM I

At an 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 were allotted free of charge to the Chief Executive Officer, Chief Operating Officer and the Company's former Chief Medical Officer. The allotted employee options vested with 50 percent on the allotment and with 25 percent on 31 October 2018 and the remaining 25 percent of the employee options will vest 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. The Company's former Chief Medical Officer left the Company in the summer of 2018, after which the maximum number of employee options that can be vested was reduced to 481,600. Each vested employee option entitles a right to acquire one new share in the Company against cash consideration at a subscription price of SEK 8 per share. The subscription price and the number of shares that each warrant entitles right to are subject to customary recalculation provisions in connection with a new share issue etc. Vested employee options can be utilized at the earliest in connection with: (i) after an initial public offering and listing of the Company's shares on a regulated market or a multilateral trading facility; (ii) a firm offer from a third party to acquire at least 90 percent of the shares in the Company; (iii) a sale of all or substantially all of the Company's activities; or (iv) any other similar event that the board of directors consider shall be treated as a trade sale.

After an initial public offering of the Company's shares, vested employee options can be utilized during month 24 – 27 after the listing and in connection with a trade sale. Vested employee options can be utilized immediately in connection with the trade sale. Vested employee options that are not exercised in the relevant exercise windows will automatically lapse. Subject to the aforementioned, the last day to exercise allotted and vested employee options is 31 December 2025, after which all employee options will lapse.

As mentioned above, the employee options are fully vested after approximately one and a half year from the initial allotment and vested employee options can be utilized in direct connection after the last vesting, subject to the above-mentioned conditions for exercise. The terms and conditions regarding vesting and utilization as set out in the employee option program therefore deviates from the Code which stipulates a vesting period of at least three years. The background to the deviation and that the utilization price has been set to SEK 8 is that the main terms for the program were agreed already in January 2015 but was not resolved upon until during the spring of 2018.

In order to enable the Company's delivery of shares under the employee option program as well as to hedge ancillary costs, primarily social charges, the Annual General Meeting also resolved to issue a maximum of 723,295 warrants which were all subscribed for by a wholly-owned subsidiary. At the annual general meeting held on 23 November 2018, it was resolved to cancel 90,411 warrants due to the reduction of the total number of employee options that can be vested.

In case all warrants are utilized for subscription of new shares, a total of 632,884 new shares will be issued, which corresponds to a dilution of approximately 2.6 percent based on the number of shares in the Company after the Offering assuming that the Offering is fully subscribed and that the Over-allotment option is fully exercised.

EMPLOYEE OPTION PROGRAM II

At the annual general meeting held on 23 November 2018, it was resolved to implement an additional 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, Chief Financial Officer, Chief Operating Officer and Chief Medical Officer. The allotted employee options will vest with 25 percent on each of 31 October 2019, 31 October 2020, 31 October 2021 and 31 October 2022 (in line with the three-year minimum vesting period according to the Code). 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 employee option entitles a right to acquire one new share in the Company against cash consideration at a subscription price of SEK 22.50 per share. Vested employee options can be utilized at the earliest in connection with: (i) after an initial public offering and listing of the Company's shares on a regulated market or a multilateral trading facility; (ii) a firm offer from a third party to acquire at least 90 percent of the shares in the Company; (iii) a sale of all or substantially all of the Company's activities; or (iv) any other similar event that the board of directors consider shall be treated as a trade sale.

After an initial public offering of the Company's shares, vested employee options can be utilized during the period 1 November 2022 – 31 January 2023 and in connection with a trade sale. Vested employee options can be utilized immediately in connection with the trade sale. Vested employee options that are not exercised in the relevant exercise windows will automatically lapse. Subject to the aforementioned, the last day to exercise allotted and vested employee options is 31 December 2025, after which all employee options will lapse.

In order to enable the Company's delivery of shares under the employee option program as well as to hedge ancillary costs, primarily social charges, the annual general meeting also resolved to issue a maximum of 663,796 warrants which were all subscribed for by a wholly-owned subsidiary.

In case all warrants are utilized for subscription of new shares, a total of 663,796 new shares will be issued, which corresponds to a dilution of approximately 2.7 percent based on the number of shares in the Company after the Offering assuming that the Offering is fully subscribed and that the Over-allotment option is fully exercised.

TOTAL DILUTION EFFECT

In case all warrants issued in relation to the employee option programs are utilized for subscription of new shares, a total of 1,296,680 new shares will be issued, which corresponds to a total dilution of approximately 5.2 percent based on the number of shares in the Company after the Offering assuming that the Offering is fully subscribe and that the Over-allotment option is fully exercised.

SHAREHOLDERS' AGREEMENTS

To the Company's knowledge, there are no existing shareholders' agreements or other agreements between the shareholders of the Company aiming at exercising a collective influence over the Company. The Company is furthermore not aware of any agreements or equivalent that may result in a change of control of the Company. Despite this, the Company's major shareholders may through their shareholdings, have a significant influence over the matters referred to the Company's shareholders for their approval. The Company has not taken any specific measures to ensure that the influence is not misused. The rules for the protection of minority shareholders, set out in the Swedish Companies Act, do however constitute a protection against a majority shareholder's possible abuse of control over a company. In addition, the Company will also apply Nasdaq Stockholm's Rule Book for Issuers and the Code.

UNDERTAKING NOT TO SELL SHARES (LOCK-UP AGREEMENTS)

Existing shareholders have undertaken not to sell their respective holdings during a period starting from the first day of trading on Nasdaq Stockholm (the "**Lock-up Period**"). The undertaking does not apply for shares that are acquired in the Offering or thereafter.

For board members and senior management who are shareholders and shareholders who own more than 1 percent, the Lock-up Period is 365 days. For shareholders who own 1 percent or less, the Lock-up Period is 90 days.

Assuming that the Offering is fully subscribed and that the Over-allotment option is exercised in full, a total of approximately 61.4 percent of the shares in the Company after the Offering are covered by Lock-up, of which approximately 46.7 percent is Lock-up of 365 days and approximately 14.6 percent is Lock-up of 90 days.

Vator Securities may discretionary grant exceptions from said undertakings. The Company will also enter into a lock-up arrangement, entailing inter alia that the Company undertakes not to issue any shares or other securities in the Company during 365 days following the first day of trading on Nasdaq Stockholm.

ARTICLES OF ASSOCIATION

Adopted at the annual general meeting held on October 31 2017.

§ 1 NAME

The name of the company is Ascelia Pharma AB. The company is a public company (publ).

§ 2 REGISTERED OFFICE OF THE BOARD OF DIRECTORS

The registered office shall be in the municipality of Malmö, Skåne county.

§ 3 JECT OF THE COMPANY'S BUSINESS

The company shall, directly or indirectly, develop, market and sell medical devices and pharmaceutical products and conduct other activities compatible therewith.

§ 4 SHARE CAPITAL

The share capital shall not be less than SEK 11,200,000 and shall not exceed SEK 44,800,000.

§ 5 NUMBER OF SHARES

The number of shares shall not be less than 11,200,000 and shall not exceed 44,800,000.

§ 6 BOARD OF DIRECTORS

The board of directors shall, to the extent appointed by the shareholders' meeting, be composed of not less than 3 and not more than 8 members.

§ 7 AUDITOR

The company shall have not less than 1 and not more than 2 auditors with not more than 2 deputy auditors. As auditor and, when applicable, deputy auditor, an authorized public accountant or a registered accounting firm shall be appointed.

§ 8 NOTICE OF GENERAL MEETING

Notice convening a general meeting shall be made by announcement in the Swedish Official Gazette (*Sw.* Post- och Inrikes Tidningar) and by making the notice available on the company's website. It shall further be announced in Svenska Dagbladet that a notice has been made.

Shareholders wishing to participate in the general meetings must be listed as shareholder in a printout or other transcript of the entire share register reflecting the circumstances five weekdays before the general meeting and notify participation to the company no later than on the date specified in the notice. The last mentioned day may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not occur earlier than the fifth weekday before the general meeting. A shareholder may be accompanied by advisors at a general meeting only if the shareholder notifies the number of advisors to the company in accordance with the procedure prescribed for notification of shareholders' intention to participate in the general meeting.

§ 9 ANNUAL GENERAL MEETING

The following matters shall be addressed at the annual general meeting:

1) Election of a chairman of the meeting.
2) Preparation and approval of the voting register.
3) Approval of the agenda.
4) Election of one or two persons to verify the minutes.
5) Determination as to whether the meeting has been duly convened.
6) Presentation of the annual report and the auditor's report and, if applicable, the consolidated annual report and the auditor's report on the consolidated annual report.
7) Resolution:
   a) in respect of the adoption of the profit and loss statement and the balance sheet and, if applicable, the consolidated profit and loss statement and the consolidated balance sheet;
   b) in respect of the allocation of the company's profits or losses as set forth in the adopted balance sheet; and
   c) in respect of discharge from liability of the board members and the managing director.
8) Determination of the number of board members, auditors and deputy auditors.
9) Determination of fees for the board of directors and fees for the auditors.
10) Election of board of directors and auditors.
11) Any other matter which rests with the general meeting in accordance with the Swedish Companies Act or the company's articles of association.

§ 10 FINANCIAL YEAR

The financial year of the company shall be 1 July–30 June.

11 § RECORD DAY PROVISION

The company's shares shall be registered in a record day register pursuant to the Swedish Central Securities Depositories and Financial Instruments Act (SFS 1998:1479).

LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

CORPORATE INFORMATION AND LEGAL STRUCTURE

The name of the Company and its trading name is Ascelia Pharma AB. Until 30 June 2017, the Company's business activities were carried out under the name CMC Contrast Aktiebolag. Its corporate registration number is 556571-8797 and its registered office is in the municipality of Malmö, Sweden. The Company is a public limited liability company and its legal form of business entity is governed by the Swedish Companies Act. The Company was founded on 17 May 1999 and was registered with the Swedish Companies Registration Office on 4 June 1999. The Company is the parent company of the wholly owned Danish subsidiary Oncoral Pharma ApS (corporate registration number 35481214), which was acquired on 30 June 2017 and the wholly owned Swedish subsidiary Ascelia Incentive AB (corporate registration number 559129-4615) which was established in November 2017.

MATERIAL AGREEMENTS

Other than agreements with manufacturers and suppliers of goods and services entered into in the ordinary course of business, Ascelia has entered into the following agreement which the Company considers material.

AGREEMENT FOR THE ACQUSITION OF ONCORAL PHARMA APS

In June 2017, Ascelia and its shareholders at the time entered into an agreement with Styrelsen for Institutioner og Uddanelsestötte, Onoral Holding ApS, Capnova A/S, Solural Pharma ApS for the acquisition of all shares in Oncoral Pharma ApS. The purchase price was paid by way of an issue in kind of 1,603,033 new shares in Ascelia issued to the sellers.

AGREEMENT WITH HALO PHARMACEUTICAL (CAMBREX)

The Company has entered into an agreement with Halo Pharmaceutical, Inc. for the manufacturing of investigational medicinal products for Mangoral® used in clinical trials. The agreement was entered into in 2013. Thereafter, the parties have entered into an amendment agreement for a number of additional manufacturing batches.

AGREEMENT WITH HERLEV UNIVERSITY HOSPITAL

Oncoral Pharma has entered into a cooperation agreement with Herlev University Hospital, Copenhagen University, primarily regarding the ongoing clinical Phase I trial of Oncoral. The agreement was originally entered into by Veloxis Pharmaceuticals A/S and Herlev University Hospital in connection with a grant project with Højteknologifonden. The agreement, inter alia, regulates the parties' right to clinical data for commercial as well as non-commercial use. The rights under the agreement were later transferred to Oncoral Pharma in October 2013, in connection with the establishment of the company.

Herlev University Hospital is entitled to a compensation amounting to DKK 1 million in the event of a possible out licensing of Oncoral or an external sale of the Oncoral assets.

AGREEMENT WITH SOLURAL PHARMA

Oncoral Pharma has entered into an agreement regarding the development and manufacturing of clinical trial material for Oncoral. The agreement was entered into in January 2015 and an amendment agreement was entered into in June 2017 in connection with Ascelia's acquisition of Oncoral Pharma. In addition to continuous remuneration for services performed, Solural Pharma ApS has the right to receive a percentage of any revenues of Oncoral Pharma and Ascelia received upon a future commercialization of Oncoral Pharma's assets. The remuneration is capped at an amount of SEK 10 million in case commercialization is made through a sale or an out-licensing and SEK 12 million in case commercialization is made directly by Oncoral Pharma or Ascelia. Irrespective of the method used for commercialization, Oncoral Pharma is entitled to, at any time, settle Solural Pharma ApS's right to remuneration through paying a one-off amount of SEK 10 million. The owners of the shares in Solural Pharma ApS are also owners of the shares in Ascelia. Please also see the section *Historical Financial Information*, note 20 *Related Parties*.

INSURANCE

The board of directors assesses that the Company's current insurance coverage is adequate with regard to the nature and scope of its operations.

DISPUTES AND LEGAL PROCEEDINGS

Over the past twelve months, Ascelia has not been involved in any legal or arbitration proceedings (including cases that are pending or that Ascelia is aware could arise) that have had, or may have, significant effects on Ascelia's financial position or earnings.

STABILIZATION

In connection with the Offering, Erik Penser Bank may carry out transactions in order to provide support for the shares' market price at a level higher than that which might otherwise prevail on the market. Such stabilization transactions may be carried out on Nasdaq Stockholm, the OTC market or otherwise, and may be carried out at any time during the period beginning on the first day when the shares are traded on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. However, Erik Penser Bank is under no obligation to carry out stabilization of any kind, nor is there any guarantee that stabilization will be

carried out. Moreover, if undertaken, stabilization may be discontinued at any time without prior notice. No transactions will be carried out under any circumstances in order to provide support for the shares' market price at a level higher than the price set in the Offering. No later than by the end of the seventh trading day after stabilization transactions have been undertaken, Erik Penser Bank shall disclose that stabilization transactions have been undertaken in accordance with article 5(4) in the Market Abuse Regulation 596/2014. Within one week of the end of the stabilization period, Erik Penser Bank will, through the Company, make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out. In order for the Company to be able to deliver the shares pursuant to the utilization of the Over-allotment option immediately before the new issued shares have been registered by the Swedish Companies Registration Office, Sunstone Life Science Ventures Fund II K/S will lend up to 1,200,000 shares to Erik Penser Bank. The shares that Erik Penser Bank borrows are kept separately from other newly issued shares and will only be allocated to certain selected institutional investors.

ADVISORS' INTERESTS

Vator Securities provides financial advice and other services to the Company in connection with the Offering. Erik Penser Bank is issuer agent for the Company in connection with the Offering. Neither Vator Securities nor Erik Penser Bank own any shares in the Company and will not achieve any other financial gains from the Company other than previously agreed fees for their services.

TRANSACTIONS WITH RELATED PARTIES

Certain transactions with related parties are carried out within the Group.

RELATED PARTY TRANSACTIONS DURING THE FINANCIAL YEARS 2016/2017 AND 2017/2018

For further information about transactions with related parties during the financial years 2016/2017 and 2017/2018, see Note 20 *Related parties* in the section *Historical Financial Information*.

RELATED PARTY TRANSACTIONS DURING THE PERIOD 1 JULY–31 DECEMBER 2018

For further information about transactions with related parties during the period 1 July–31 December 2018, see Notes in the condensed unaudited financial information for the Group and the parent company, as of and for the six month period ended 31 December 2018 in the section *Historical Financial Information*.

RELATED PARTY TRANSACTIONS AFTER 31 DECEMBER 2018

After 31 December 2018 until the date of the issue of the Prospectus, no significant transactions with related parties have been carried out other than such transactions which have been carried out with the same parties, and to the same extent, as mentioned in the above periods.

COSTS IN CONNECTION WITH THE OFFERING

The Company's expenses for the Offering and the listing on Nasdaq Stockholm are expected to a maximum of approximately SEK 15 million. In addition to fees to Vator Securities and Erik Penser Bank, the Company's expenses mainly consists of expenses for accountants, legal advisors, printing of prospectus, costs of presentation materials for advisors and similar.

SUBSCRIPTION UNDERTAKINGS

Alto Invest, Handelsbanken Fonder and Fjärde AP-fonden (together, the "**Cornerstone Investors**") have each agreed to subscribe for 5 percent or more of the shares in the Offering, equivalent to in total approximately SEK 80 million. In addition thereto, a number of existing shareholders, including Sunstone and Øresund-Healthcare Capital and board members and senior executives, as well as other external investors, have agreed to subscribe for shares in the Offering equivalent to in total approximately SEK 70 million. If the Offering is fully subscribed and the Over-allotment option is not exercised, the undertakings equate to in total approximately 75 percent of the number of shares in the Offering, and approximately 27 percent of the total number of shares in the Company after the Offering.

The undertakings are not covered by any bank guarantee, blocked funds or pledging or similar arrangement, why there is a risk that these undertakings will not be fulfilled. The undertakings are also subject to conditions. In the event that any of these conditions are not met, there is a risk that the undertakings will not be fulfilled, which could have an adverse effect on the execution of the Offering. Cornerstone Investors are guaranteed allotment in the Offering. Others that have provided subscription undertakings are not guaranteed allotment. No remuneration is paid for subscription undertakings.

Cornerstone Investors	Undertaking (SEK)	Percentage of the Offering[1)]
Alto Invest	29,379,600	14.7 %
Handelsbanken Fonder	28,000,000	14.0 %
Fjärde AP-fonden	23,000,000	11.5 %
In total	**80,379,600**	**40.2 %**

1) Based on the Offering being fully subscribed and the Over-allotment option not being exercised.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available at Ascelia's head office at Per Albin Hanssons väg 41, SE-205 12 Malmö, during the period of validity of the Prospectus (regular business hours on weekdays):

- This Prospectus;
- Ascelia Pharma AB's articles of association;
- Ascelia Pharma AB's condensed unaudited financial information for the six-months period ended 31 December 2018; and
- Annual reports and audit reports for Ascelia Pharma AB and its subsidiaries for two latest financial years.

CERTAIN TAX CONSIDERATIONS IN SWEDEN

Below is a summary of specific tax rules for individuals and limited liability companies with unlimited tax liability in Sweden, unless otherwise stated. The summary is based on current legislation and is intended only as general information. The summary does not include securities which are held by partnerships or as inventory assets in business operations. Nor does it include any details about special rules pertaining to tax-free capital gains (including prohibition of deduction for capital losses) or corporate dividends which may become applicable should shareholders hold shares which may be considered business-related. Neither are the special rules that may apply to holdings in companies that are or have been so-called closely held companies or to shares purchased on the basis of so-called qualified shares in closely held companies. The summary also does not cover shares held in an investment savings account (*Sw.* Investeringssparkonto (ISK)) and which are subject to special rules on standardized rate taxation. Special tax rules apply to certain types of taxpayers, for example investment companies and insurance companies. Each individual shareholder's tax liability will depend on their particular situation. Each holder of shares should consult a tax advisor for information on the special implications that may arise in the individual situation, including the applicability and effect of foreign rules and tax treaties.

UNLIMITED LIABILITY TO PAY TAX IN SWEDEN

NATURAL PERSONS

Capital gains taxation

When listed shares are sold or otherwise disposed of, a taxable capital gain or deductible capital loss may occur. Capital gains are taxed as income from capital at a rate of 30 percent. Capital gain or loss is typically determined as the difference between the sales proceeds, after deduction for sales costs, and the acquisition cost. The acquisition cost for all shares of the same type and class is calculated as an aggregate using the averaging method. When selling listed shares, the acquisition cost may be alternatively calculated according to the standardized method at 20 percent of the sales proceeds after deduction of sales costs.

Capital losses on listed shares are fully deductible against taxable capital gains incurred that arise during the same tax year on shares and other listed securities except shares of mutual funds or special funds containing only Swedish rights to recover debts, so-called bond funds. Capital losses on shares or other ownership interests that cannot be offset in this way may be deducted for up to 70 percent of value against other capital income.

In the event of a deficit in capital income, a tax reduction is granted against municipal and national income tax, as well as against municipal property tax and national property tax. A tax reduction is allowed for 30 percent of that part of the loss that does not exceed SEK 100,000, and 21 percent of the remainder. Such a loss cannot be carried forward into a future tax year.

Tax on dividends

For natural persons, dividends on listed shares are taxed in the capital income category at a rate of 30 percent. For natural persons who are resident in Sweden, a preliminary tax of 30 percent is normally withheld from dividends. The preliminary tax is withheld by Euroclear Sweden or, for nominee-registered shares, by the nominee.

LIMITED LIABILITY COMPANIES

Tax on capital gains and dividends

For a limited liability company, all income, including taxable capital gains and dividends, is taxed as business income at a rate of 21.4 percent (for tax years starting after 31 December 2018 but before 1 January 2021) or 20.6 percent (for tax years starting after 31 December 2020). Capital gains and losses are calculated in the same manner as described above in respect to natural persons.

Deductible capital losses on shares or other ownership interests can only be deducted against taxable capital gains on shares or other ownership interests. If certain conditions are met, such a capital loss may also be offset against capital gains on shares or other ownership interests in companies within the same group, provided that a right to make group contributions between companies exists. Any capital loss that cannot be utilized in a given year may be carried forward and offset against taxable capital gains on shares and other ownership interests in future years, without limitation in time.

SHAREHOLDERS WHO HAVE LIMITED TAX LIABILITY IN SWEDEN

WITHHOLDING TAX

Shareholders who have limited tax liability in Sweden and who receive dividends on shares in a Swedish limited liability company are normally subject to withholding tax. The tax rate is 30 percent, which however is generally reduced through tax treaties that Sweden has entered into with certain other countries in order to avoid double taxation. Most of Sweden's tax treaties enable a reduction of the Swedish tax to the treaty rate directly at the time of dividend payment if the necessary information about the dividend recipient is provided. In Sweden, the deduction of withholding tax is normally made by Euroclear Sweden or, for nominee-registered shares, by the nominee.

If a 30 percent withholding tax is withheld from a dividend payment to a person who has the right to be taxed at a lower rate, or if too much withholding tax has otherwise been withheld, repayment can be requested from the Swedish Tax Agency before the end of the fifth calendar year after the dividend payment.

CAPITAL GAINS TAXATION

Shareholders who have limited tax liability in Sweden and whose holdings are not attributable to a permanent establishment in Sweden, are not normally taxed in Sweden for capital gains in connection with the sale of shares. Shareholders may, however, be subject to tax in their country of residence. According to a special tax rule, however, natural persons with limited tax liability in Sweden may be subject to Swedish capital gains tax on the sale of shares if at any time during the year of disposal or the ten calendar years, have been resident or lived permanently in Sweden. The applicability of this rule may however be limited by tax treaties between Sweden and other countries.

SWEDISH TAX CONSIDERATIONS FOR NON-RESIDENT SHAREHOLDERS TAX RESIDENT IN DENMARK

DIVIDEND

Dividend payments to non-resident shareholders tax resident in Denmark are subject to a 15 percent withholding on dividends from Swedish limited liability companies as a main rule provided that the shareholder can provide a proof of residency in Denmark. If shareholders are Danish companies, the tax may under certain circumstances be reduced to 0 percent (if the shares are listed, a holding of 10 percent or more is amongst other required). In other situations, in Sweden, the withholding tax is 30 percent. The preliminary tax in Sweden is withheld by Euroclear or, regarding nominee-registered shares, by the nominee. If a 30 percent witholding tax is withheld and the shareholder is entitled to an exemption or a reduced tax rate, a refund can be claimed from the Swedish Tax Agency at the end of the fifth calendar year following the year which the dividend was paid.

CAPITAL GAINS TAXATION

Capital gains on shares are typically not taxable in Sweden for non-resident shareholders tax resident in Denmark, unless the holdings are allocated to a Swedish permanent establishment. The shareholders may, however, be subject to tax in their state of residence.

Individuals may be subject to tax in Sweden on capital gains according to a special rule in case they have been resident or stayed permanently in Sweden at any time during the year in which the shares or warrants are sold or the ten preceding years. The applicability of this rule may be limited under the Nordic tax treaty.

HISTORICAL FINANCIAL INFORMATION

CONDENSED UNAUDITED FINANCIAL INFORMATION FOR THE GROUP AND THE PARENT COMPANY, ASCELIA PHARMA AB (CORP. ID 556571-8797), AS OF AND FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

FINANCIAL INFORMATION FOR THE GROUP AND THE PARENT COMPANY, ASCELIA PHARMA AB (CORP. ID 556571-8797), FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017 AND 2018

FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE GROUP

	Q2 1 October–31 December		H1 1 July–31 December		FY 1 July–30 June
SEK in thousands	**2018**	**2017[1)]**	**2018**	**2017[1)]**	**2017/2018**
Net sales	–	–	–	–	–
Gross profit/loss	**–**	**–**	**–**	**–**	**–**
Other operating income	37	127	46	703	1,062
Administrative expenses	–3,704	–6,346	–4,798	–8,604	–16,366
Research and development expenses	–3,550	–3,108	–6,369	–4,200	–9,367
Other operating expenses	–27	–11	–69	–22	–42
Operating result	**–7,243**	**–9,338**	**–11,190**	**–12,123**	**–24,713**
Financial income	–	31	–	33	10
Financial expenses	–8	–1	–26	–12	–39
Net financial items	**–8**	**30**	**–26**	**21**	**–30**
Loss before tax	**–7,252**	**–9,308**	**–11,216**	**–12,102**	**–24,743**
Tax	88	–	213	–	351
Loss for the period	**–7,164**	**–9,308**	**–11,003**	**–12,102**	**–24,392**
Attributable to:					
Owners of the parent company	–7,164	–9,308	–11,003	–12,102	–24,392
Non-controlling interest	–	–	–	–	–
Earnings per share					
Before and after dilution (SEK)	–0.49	–0.83	–0.75	–1.08	–2.12

The notes on pages 100–101 are an integral part of the unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE GROUP

	Q2 1 October–31 December		H1 1 July–31 December		FY 1 July–30 June
SEK in thousands	**2018**	**2017[1)]**	**2018**	**2017[1)]**	**2017/2018**
Loss for the period	–7,164	–9,308	–11,003	–12,102	**–24,392**
Other comprehensive income					
Currency translation of subsidiaries[2)]	–3	27	–23	14	54
Other comprehensive income for the period	**–3**	**27**	**–23**	**14**	**54**
Total comprehensive income for the period	**–7,167**	**–9,281**	**–11,026**	**–12,088**	**–24,338**

The notes on pages 100–101 are an integral part of the unaudited condensed consolidated financial information.

1) Figures for the comparison periods 1 October–31 December 2017 and 1 July–31 December 2017 have been restated to incorporate recognition of costs related to employee option program. See page 100 for further details.
2) Will be classified to profit and loss when specific conditions are met.

CONDENSED CONSOLIDATED BALANCE SHEET FOR THE GROUP

SEK in thousands	31 Dec 2018	31 Dec 2017[1)]	30 June 2018
ASSETS			
Intangible assets	57,064	57,057	57,066
Tangible assets	–	–	–
Financial investments	1	1	1
Long-term receivables	–	47	–
Total non-current assets	**57,065**	**57,105**	**57,067**
Income tax receivables	613	67	507
Prepaid expenses and accrued income	4,622	4,802	2,955
Receivables with shareholders	–	–	–
Other receivables	1,053	2,093	557
Cash and cash equivalents	42,111	6,744	55,063
Total current assets	**48,399**	**13,706**	**59,082**
TOTAL ASSETS	**105,463**	**70,811**	**116,149**
EQUITY			
Share capital	14,607	11,249	14,607
Other paid-in capital	213,700	162,665	213,700
Loss brought forward including loss for the period	–127,290	–105,822	–116,577
Equity attributable to parent company shareholders	**101,016**	**68,092**	**111,730**
TOTAL EQUITY	**101,016**	**68,092**	**111,730**
LIABILITIES			
Trade payables	611	708	634
Other liabilities	353	205	880
Accrued expenses and deferred income	3,482	1,806	2,905
Total current liabilities	**4,447**	**2,719**	**4,419**
TOTAL LIABILITIES	**4,447**	**2,719**	**4,419**
TOTAL EQUITY AND LIABILITIES	**105,463**	**70,811**	**116,149**

The notes on pages 100–101 are an integral part of the unaudited condensed consolidated financial information.

1) Figures per 31 December 2017 have been restated to incorporate recognition of costs related to employee option program. See page 100 for further details.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE GROUP

	H1 1 July–31 December		FY 1 July–30 June
SEK in thousands	**2018**	**2017[1)]**	**2018**
Equity at the start of the period	111,730	77,601	77,601
Comprehensive income			
Profit/loss for the period	–11,003	–12,102	–24,240
Other comprehensive income	–23	14	54
Total comprehensive income	**–11,025**	**–12,088**	**–24,186**
Transactions with shareholders			
New share issue with non-cash contribution	–	–	60,436
New share issue with cash contribution	–	–	–6,044
Share based remuneration to employees	312	2,579	3,922
Total transactions with shareholders	**312**	**2,579**	**58,315**
Equity at end of the period	**101,016**	**68,092**	**111,730**

The notes on pages 100–101 are an integral part of the unaudited condensed consolidated financial information.

1) Figures per 31 December 2017 have been restated to incorporate recognition of costs related to employee option program. See page 100 for further details.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE GROUP

	Q2 1 October–31 December		H1 1 July–31 December		FY 1 July–30 June
SEK in thousands	2018	2017[1)]	2018	2017[1)]	2017/2018
Operating activities					
Loss before tax	–7,252	–9,308	–11,216	–12,102	–24,743
Expensed share based remuneration	475	3,260	680	3,260	4,454
Adjustment for items not included in cash flow	120	–24	–847	–472	692
Income tax paid	–	–	–	–	–
Cash flow before changes in working capital	**–6,656**	**–6,072**	**–11,382**	**–9,314**	**–19,597**
Cash flow from changes in working capital					
Increase (–)/Decrease (+) of operating receivables	–2,575	–3,294	–2,188	–4,598	–1,225
Increase (+)/Decrease (–) of trade payables	–210	–235	71	41	–46
Increase (+)/Decrease (–) of other liabilities	326	–1,503	548	–1,012	–90
Cash flow used in operating activities	**–9,115**	**–11,104**	**–12,952**	**–14,883**	**–20,958**
Investing activities					
Cash flow from investing activities	**–**	**–**	**–**	**–**	**–**
Financing activities					
Gross proceeds	–	–	–	20,000	80,436
Issuance costs	–	–	–	–	–6,044
Cash flow from financing activities	**–**	**–**	**–**	**20,000**	**74,393**
Cash flow for the period	–9,115	–11,104	–12,952	5,117	53,435
Cash and cash equivalents at the beginning of the period	51,226	17,848	55,063	1,627	1,627
Cash and cash equivalents at the end of the period	**42,111**	**6,744**	**42,111**	**6,744**	**55,063**

The notes on pages 100–101 are an integral part of the unaudited condensed consolidated financial information.

1) Figures for the comparison periods 1 October–31 December 2017 and 1 July–31 December 2017 have been restated to incorporate recognition of costs related to employee option program. See page 100 for further details.

CONDENSED INCOME STATEMENT FOR THE PARENT COMPANY

	Q2 1 October–31 December		H1 1 July–31 December		FY 1 July–30 June
SEK in thousands	**2018**	**2017[1)]**	**2018**	**2017[1)]**	**2017/2018**
Net sales	57	–	57	–	–
Gross profit/loss	**57**	**–**	**57**	**–**	**–**
Administrative expenses	–3,609	–6,345	–4,688	–8,568	–16,311
Research and development expenses	–3,197	–2,665	–5,393	–3,518	–7,448
Other operating income	37	16	46	464	640
Other operating expenses	–27	–11	–69	–22	–42
Operating loss	**–6,739**	**–9,005**	**–10,047**	**–11,644**	**–23,162**
Loss from financial items					
Other interest income and similar profit	39	31	78	33	60
Interest expense and similar profit/loss items	–14	–1	–55	–11	–39
Loss after financial items	**–6,713**	**–8,975**	**–10,024**	**–11,622**	**–23,140**
Loss before tax	**–6,713**	**–8,975**	**–10,024**	**–11,622**	**–23,140**
Tax	–	–	–	–	–
Loss for the period	**–6,713**	**–8,975**	**–10,024**	**–11,622**	**–23,140**

The notes on pages 100–101 are an integral part of the unaudited condensed consolidated financial information.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PARENT COMPANY

	Q2 1 October–31 December		H1 1 July–31 December		FY 1 July–30 June
SEK in thousands	**2018**	**2017[1)]**	**2018**	**2017[1)]**	**2017/2018**
Loss for the period	**–6,713**	**–8,975**	**–10,024**	**–11,622**	**–23,140**
Other comprehensive income	–	–	–	–	–
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**–6,713**	**–8,975**	**–10,024**	**–11,622**	**–23,140**

The notes on pages 100–101 are an integral part of the unaudited condensed consolidated financial information.

1) Figures for the comparison periods 1 October–31 December 2017 and 1 July–31 December 2017 have been restated to incorporate recognition of costs related to employee option program. See page 100 for further details.

CONDENSED BALANCE SHEET FOR THE PARENT COMPANY

SEK in thousands	31 Dec 2018	31 Dec 2017[1)]	30 June 2018
Assets			
Subscribed capital unpaid	–	–	–
Total non-current assets			
Tangible assets	–	–	–
Financial assets			
Participations in Group companies	58,068	58,068	58,068
Other securities held as non-current assets	1	1	1
Other long-term receivables	1 926	47	1,958
Total financial assets	59 995	58,116	60,027
Total fixed assets	**59 995**	**58,116**	**60,027**
Current assets			
Current receivables			
Other receivables	899	1,783	237
Prepaid expenses and accrued income	4,729	4,802	2,985
Total current receivables	5,628	6,585	3,222
Cash and bank balances	41,655	6,360	53,792
Total current assets	**47,283**	**12,945**	**57,014**
TOTAL ASSETS	**107,278**	**71,061**	**117,040**
EQUITY			
Restricted equity			
Share capital	14,607	11,249	14,607
Non-restricted equity			
Share premium reserve	213,700	162,665	213,700
Loss brought forward	–115,220	–96,313	–92,391
Loss for the period	–10,024	–9,043	–23,140
TOTAL EQUITY	**103,063**	**68,558**	**112,775**
Non-current liabilities			
Shareholder loan	–	–	–
Total non-current liabilities	**–**	**–**	**–**
Current liabilities			
Trade payables	390	491	486
Other liabilities	353	205	880
Accrued expenses and deferred income	3,472	1,807	2,899
Total current liabilities	**4,215**	**2,503**	**4,265**
Total equity and liabilities	**107,278**	**71,061**	**117,040**

The notes on pages 100–101 are an integral part of the unaudited condensed consolidated financial information.

1) Figures per 31 December 2017 have been restated to incorporate recognition of costs related to employee option program. See page 100 for further details.

NOTES

General information
This unaudited condensed consolidated financial information for the Group and the parent company has been prepared according to IAS 34 *Interim Financial Reporting* and applicable rules in the Swedish Annual Accounts Act (*Sw.* årsredovisningslagen (1995:1554)). For the Group and the parent company, the same accounting principles and basis for calculations have been applied as in the historical financial information.

Fair value of financial instruments
The recognized value for other receivables, cash and cash equivalents, trade payables and other liabilities constitutes a reasonable approximation of fair value.

Related parties

Purchases from related parties
Oncoral Pharma ApS 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–31 December 2018, services for a value of DKK 8,340 were acquired from Capnova A/S.

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 an out licensing 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–31 December 2018, services for a value of DKK 257,837 were acquired from Solural Pharma ApS.

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

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

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.

New accounting standards
The new standards IFRS 15 on revenue and IFRS 9 *Financial instruments* have been implemented in this financial year starting on 1 July 2018. As the Group currently does not have revenue from contracts with customers, IFRS 15 does not presently impact the Group. Furthermore, IFRS 9 does not have any significant effect on the financial statements given the Group's current very limited exposure to credit risk as well as the absence of financial investments and derivatives. The new IFRS 16 *Leasing* will be implemented in 2019–2020. The initial assessment is that this will not have any significant effect since Ascelia Pharma has few and short leasing contracts and only with limited amounts.

Restatement of comparison figures
For the comparison periods Q2 (1 October–31 December 2017) and H1 (1 July–31 December 2017) the financial figures have been restated to reflect the recognition of costs related to the employee option program, which was resolved at the Annual General Meeting on 31 October 2017. The impact on administration costs and research- and development costs are cost increases of SEK 1.8 million and SEK 1.5 million, respectively, for both comparison periods (identical impact on the Group and the parent company). The net impact on equity per 31 December 2017 is a reduction in equity of SEK 0.7 million, which reflects social security costs.

Key performance measures

Key performance measures for the Group	Q2 1 October–31 December		H1 1 July–31 December		FY 1 July–30 Jun
	2018	2017[1)]	2018	2017[1)]	2017/2018
Operating result (SEK in thousands)	–7,243	–9,338	–11,190	–12,123	–24,713
Net result (SEK in thousands)	–7,164	–9,308	–11,003	–12,102	–24,392
Earnings per share before and after dilution (SEK)	–0.49	–0.83	–0.75	–1.08	–2.12
Weighted average number of shares before and after dilution	14,606,891	11,249,314	14,606,891	11,249,314	11,518,832
Research and development expenses/ operating costs (%)	49%	33%	57%	33%	36%
Cash flow from operations (SEK in thousands)	–9,115	–11,104	–12,952	–14,883	–20,958
Equity at the end of the period (SEK in thousands)	101,016	68,092	101,016	68,092	111,730
Liquid assets at the end of the period (SEK in thousands)	42,111	6,744	42,111	6,744	55,063
Average number of employees	4	4	4	4	4

Reconciliation table for alternative performance measures for the Group

	Q2 1 October–31 December		H1 1 July–31 December		FY 1 July–30 June
	2018	2017[1)]	2018	2017[1)]	2017/2018
Research- and development expenses (SEK in thousands)	–3,550	–3,108	–6,369	–4,200	–9,367
Administration costs (SEK in thousands)	–3,704	–6,346	–4,798	–8,604	–16,366
Other operating costs (SEK in thousands)	–27	–11	–69	–22	–42
Total operating costs (SEK in thousands)	–7,280	–9,465	–11,235	–12,826	–25,775
Research and development expenses/ Operating costs (%)	49%	33%	57%	33%	36%

Definitions of alternative performance measures

Alternative performance measures	Definition	Aim
Operating loss (SEK in thousands)	Loss 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 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.

1) Figures for the comparison periods 1 October–31 December 2017 and 1 July–31 December 2017 have been restated to incorporate recognition of costs related to employee option program. See page 100 for further details.

AUDITOR'S REPORT

To the Board of Directors of Ascelia Pharma AB (publ), corporate identity number 556571-8797

Introduction
We have reviewed the condensed financial information of Ascelia Pharma AB (publ) as of 31 December 2018 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act (*Sw.* årsredovisnings-lagen (1995:1554)). Our responsibility is to express a conclusion on this financial information based on our review.

Scope of Review
We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the financial information is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the parent company.

Malmö, 20 February 2019

Öhrlings PricewaterhouseCoopers AB

Carl Fogelberg
Authorized Public Accountant

FINANCIAL INFORMATION FOR THE FINANCIAL YEARS 2016/2017–2017/2018

CONSOLIDATED INCOME STATEMENT FOR THE GROUP

SEK in thousands	Note	1 July 2017–30 June 2018	30 June 2017–30 June 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	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE GROUP

SEK in thousands	1 July 2017–30 June 2018	30 June 2017–30 June 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 thousands	Note	30 June 2018	30 June 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

		Equity attributable to parent company shareholders			
SEK in thousands	**Note**	**Share capital**	**Other capital contributions**	**Retained earnings**	**Total equity**
Opening balance as at 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 transitioning 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	13	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 as at 30 June 2017		**11,249**	**162,665**	**–96,313**	**77,601**
Opening balance as at 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 as at 30 June 2018		**14,607**	**213,700**	**–116,577**	**111,730**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE GROUP

SEK in thousands	1 July 2017–30 June 2018	30 June 2017–30 June 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

SEK in thousands	Note	1 July 2017–30 June 2018	1 July 2016–30 June 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PARENT COMPANY

SEK in thousands	1 July 2017–30 June 2018	1 July 2016–30 June 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 THE PARENT COMPANY

SEK in thousands	Note	30 June 2018	30 June 2017
ASSETS			
Subscribed capital unpaid	10	–	20,025
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 non-current 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 AND LIABILITIES			
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			
SEK in thousands	**Note**	**Share capital**	**Other capital contributions**	**Retained earnings**	**Total equity**
Opening balance as at 1 July 2016		**7,370**	**78,645**	**–88,636**	**–2,622**
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	13	1,603	55,247	–	56,850
New share issue with cash consideration		562	19,315	–	19,877
Conversion of shareholder loan		1,714	9,457	–	11,171
Total		**3,879**	**84,019**	**–**	**87,898**
Closing balance as at 30 June 2017		**11,249**	**162,665**	**–96,312**	**77,600**
Opening balance as at 1 July 2017		**11,249**	**162,665**	**–96,312**	**77,600**
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 consideration		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 as at 30 June 2018		**14,607**	**213,700**	**–115,532**	**112,775**

STATEMENT OF CASH FLOWS FOR THE PARENT COMPANY

SEK in thousands	1 July 2017–30 June 2018	1 July 2016–30 June 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	–4,558
Cash and cash equivalents at the beginning of the period	695	5,283
Cash and cash equivalents at the beginning of the period	**53,792**	**695**

NOTES

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* has replaced 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* has replaced previous IFRS related to revenue recognitions, such as IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC *13 Customer Loyalty Programs*. 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* has replaced previous IFRS standards related to leases, such as IAS 17 *Leases* and IFRIC 4 *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
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) cannot 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

Note 1, cont.

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 amortized 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) Impairments
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 amortized 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 programs. If the terms of the programs are met at the time for utilization, these employees have the right to purchase shares at a pre-determined price. The Group recognizes share-based remuneration, which is personnel may receive. A personnel cost is recognized, 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 programs 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 an 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 totaling 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 realizable 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

	1 July 2017–30 June 2018	of which are men	1 July 2016–30 June 2017/ 2017-06-30–2017-06-30 for the Group	of which are men
Group				
Sweden	4	75%	3	67%
Group total at the balance sheet date	4	75%	3	67%
Parent company				
Sweden	4	75%	3	67%
Total at the balance sheet date	**4**	75%	3	67%

There are no employees in the subsidiary.

Gender division in Company management

	30 June 2018 Percentage of women	30 June 2017 Percentage of women
Group		
Board of Directors	17%	14%
Other senior executives	25%	33%
Parent company		
Board of Directors	17%	0%
Other senior executives	25%	33%

Salary and remuneration to senior executives*

Group

SEK in thousands	2017-07-01-2018-06-30	2017-06-30-2017-06-30
Chief Executive Officer (Magnus Corfitzen)		
Basic salary	1,260	n/a
Pension**	101	n/a
Variable remuneration	504	n/a
Share based remuneration	1,961	n/a
Other benefits	155	n/a
Total	**3,981**	**n/a**

SEK in thousands	2017-07-01-2018-06-30	2017-06-30-2017-06-30
Other senior executives		
Basic salary	2,893	n/a
Pension**	147	n/a
Variable remuneration	–	n/a
Share based remuneration	1,961	n/a
Other benefits	58	n/a
Total	**5,059**	**n/a**

Parent company

SEK in thousands	2017-07-01-2018-06-30	2016-07-01-2017-06-30
Chief Executive Officer (Magnus Corfitzen)		
Basic salary	1,260	1,260
Pension**	101	101
Variable remuneration	504	–
Share based remuneration	1,961	–
Other benefits	155	136
Total	**3,981**	**1,497**

Note 3, cont.

SEK in thousands	2017-07-01-2018-06-30	2016-07-01-2017-06-30
Other senior executives		
Basic salary	2,893	2,252
Pension**	147	–
Variable remuneration	–	–
Share based remuneration	1,961	–
Other benefits	58	73
Total	**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 realized 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. As of June 30 2018, the CEO had, in addition to the remuneration in the table above, 275,185 warrants. Each warrant entitles a right to acquire one new share in Ascelia Pharma AB. As of the same date, the total number of warrants was 275,184 for the other senior executives. 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 percent 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 programs

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 program "the second program" with the same number of options (the new program was resolved at an Extraordinary General Meeting on 26 April 2018).

Employee option program 2017/2020 (the first program)

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 program 2018/2025 (the second program)

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.

Note 3, cont.

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 percent of the shares in the Company and provided that shareholders representing more than 50 percent 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 program was approximately SEK 27 per option and SEK 10 per option for the second program. 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:

- The warrants were allotted free of charge and vested with 50% immediately, with 25% as per 31 October 2018 and with 25% as per 31 October 2019.
- 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 program.
- 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 programs, 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 program was estimated at 30% and 50% for the second program. 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 programs, was estimated to be 60%.

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

NOTE 4 AUDITOR FEES AND REIMBURSEMENTS

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

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

SEK in thousands	2017-07-01–2018-06-30	2017-06-30–2017-06-30
Interest income and similar profit/loss items		
Interest income and currency adjustment	10	n/a
Total	**10**	**–**
Of which group companies	–	–
Interest expense and similar profit/loss items		
Interest expense	–18	n/a
Net exchange rate differences	–21	n/a
Total	**–39**	**–**

Parent company

SEK in thousands	2017-07-01–2018-06-30	2016-07-01–2017-06-30
Interest income and similar profit/loss items		
Interest income and currency adjustment	60	1
Total	**60**	**1**
Of which group companies	30	–
Interest expense and similar profit/loss items		
Interest expense	–18	–320
Net exchange rate differences	–21	–32
Total	**–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 recognized 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 capitalization	–20.6%	–5,091	n/a	–5,086	–1,685
Utilization of previously non-capitalized tax deductions	–1.4%	–351	n/a	–	–
Recognized effective tax	0.0%	0	–	–	–

Unrecognized deferred tax assets

Deductible temporary differences and tax losses for which deferred tax assets have not been recognized in the balance sheet (unrecognized 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

	2017-07-01–2018-06-30	2017-06-30–2017-06-30
Result per share	–2.12	n/a
Average number of shares	11,518,832	n/a

Parent company

	2017-07-01–2018-06-30	2016-07-01–2017-06-30
Result per share	–2.01	–10.13
Average number of shares	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 amortization and impairment losses		
Opening balance	–	–
Impairment charge, current year	–	–
Amortization, 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

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

Parent company

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

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

NOTE 11 PREPAID EXPENSES AND ACCRUED INCOME

Group

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

Parent company

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

NOTE 12 CASH AND CASH EQUIVALENTS

Group

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

Parent company

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

NOTE 13 EQUITY

Types 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 preferred shares to common shares	–	7,798,136
Non-cash issue	–	1,603,033
Issued per 30 June – paid	14,606,891	10,686,884
Subscribed but unpaid	–	562,430
Issued per 30 June	14,606,891	11,249,314
Preferred shares series B		
Issued per 1 July	–	1,209,550
Conversion to common shares series A	–	–1,209,550
Issued per 30 June – paid	–	–
Preferred shares series C		
Issued per 1 July	–	4,875,000
Conversion of shareholder loan, December 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 the 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

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

Parent company

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

NOTE 15 ACCRUED EXPENSES AND DEFERRED INCOME

Group

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

Parent company

SEK in thousands	2018-06-30	2017-06-30
Vacation pay	750	642
Accrued salaries	–	302
Social charges	194	242
Other items	1,955	790
Total	**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 million (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 purchases research-related services particularly in DKK, EUR, and USD, of which comprise a total of 10% of the total purchases (the remainder mainly consists of SEK). 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**	**139**

Transaction exposures are not hedged.

Currency risk is also present in the parent company through intra-company from Ascelia Pharma AB to Oncoral Pharma ApS denominated in DKK. A 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 lessee
Non-cancellable leasing payments amount to:

Group

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

Parent company

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

The parent company rents office premises at Medeon Science Park. Termination of the agreement can be made with three-months' notice. 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

SEK in thousands	2017-07-01–2018-06-30	2017-06-30–2017-06-30
Minimum lease payments	315	385
Total leasing costs	**315**	**385**

Parent company

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

NOTE 18 PLEDGED ASSETS, CONTINGENT LIABILITIES, AND CONTINGENT ASSETS

Group

SEK in thousands	2018-06-30	2017-06-30
Commitments*	11,818	11,691
Total	**11,818**	**11,691**

Parent company

SEK in thousands	2018-06-30	2017-06-30
Commitments*	11,818	11,691
Total	**11,818**	**11,691**

*The commitments 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 of the annual meeting of shareholders:

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

Related parties with subsidiaries and senior executives
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 an out licensing 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 the subsidiary

			Carrying amount	
Subsidiary/Corporate identity number/ Registered office	**Number of participation rights**	**Participating interest in %**	**2018-06-30**	**2017-06-30**
Oncoral Pharma Aps, CVR number 35 48 12 14 Ballerup, Denmark	145,919	100	58,018	–
Ascelia Incentive AB, Reg. No. 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 program
Ascelia Pharma has implemented two employee option programs with individual terms and conditions: Employee option program 2017/2020 (the first program) and employee option program 2018/2025 (the second program). The second program replaced the first program when the planned IPO did not materialize according to the original plan.

The option programs 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 programs 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 recognized, 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, assessed 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

THE AUDITOR'S REPORT ON HISTORICAL FINANCIAL STATEMENTS

To the Board of Directors of Ascelia Pharma AB (publ), corporate identity number 5565718797

We have audited the financial statements for Ascelia Pharma AB (publ) on pages 103–126 which comprise the balance sheet as of 30 June 2018 and 30 June 2017 and the income statement, cash flow statement, statement of profit or loss and other comprehensive income and statement of changes in equity for the years then ended, and a description of significant accounting policies and other explanatory notes regarding the Group and the parent company.

The Board of Directors' and the Managing Director's responsibility for the financial statements
The Board of Directors and the Managing Director are responsible for the preparation and the fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and additional applicable framework regarding the Group and Annual Accounts Act regarding the parent company. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or mistakes. The Board is also responsible for the preparation and fair presentation in accordance with the requirements in the Prospectus Regulation (EC) No 809/2004.

The auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR's Recommendation RevR 5 *Examination of Prospectuses*. This recommendation requires that we comply with FAR's ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of Ascelia Pharma AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

An audit in accordance with FAR's Recommendation RevR 5 *Examination of Prospectuses* involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or mistakes. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion the financial statements in all significant matters give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU/Annual Accounts Act and additional applicable framework of the financial position of Ascelia Pharma group as of 30 June 2018 and 30 June 2017 and its financial performance, statement of changes in equity and cash flows for these years. Furthermore does the financial statements of parent company as of 30 June 2018 and 30 June 2017 in all significant matters give a true and fair view of its financial performance, statement of changes in equity and cash flows for these years.

Malmö, 20 February 2019

Öhrlings PricewaterhouseCoopers AB

Carl Fogelberg
Authorized Public Accountant

GLOSSARY

Abbreviated New Drug Application (ANDA)
An application submitted to the FDA for the review and potential approval of a generic drug product.

Active pharmaceutical ingredient (API)
The ingredient in a pharmaceutical drug that is biologically active used similar to "Active substance/ingredient" below.

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

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.

Computed tomography scan (CT Scan)
A type of scanning method, in which many two-dimensional pictures are computer-processed to create a three-dimensional picture.

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)
The 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 bioavailability 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 "Gadolinium-based contrast agent (GBCA)" below.

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 Clinical Practice (GCP)
An international quality standard for the performance of clinical studies.

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.

Listed drug
A new drug approved for sale (to be distinguished from generic drugs).

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.

Positron emission tomography (PET)
An imaging technique used to observe metabolic processes in the body.

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.

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.

ADDRESSES

THE COMPANY

ASCELIA PHARMA AB
Per Albin Hanssons väg 41
SE-205 12 Malmö, Sweden
Telephone: +46-735 179 110
www.ascelia.com

SOLE GLOBAL COORDINATOR

VATOR SECURITIES AB
Kungsgatan 10
SE-111 43 Stockholm, Sweden
www.vatorsecurities.se

LEGAL ADVISORS TO THE COMPANY

SETTERWALLS ADVOKATBYRÅ AB
Stortorget 23
SE-211 34 Malmö, Sweden
www.setterwalls.se

LEGAL ADVISOR TO SOLE GLOBAL COORDINATOR

BAKER & MCKENZIE ADVOKATBYRÅ KB
Vasagatan 7
SE-101 23 Stockholm, Sweden
www.bakermckenzie.com

THE COMPANY'S AUDITOR

ÖHRLINGS PRICEWATERHOUSECOOPERS AB
Anna Lindhs Plats 4
SE-203 11 Malmö, Sweden
www.pwc.se

ISSUER AGENT

ERIK PENSER BANK AB (PUBL)
Apelbergsgatan 27
SE-111 37 Stockholm, Sweden
www.penser.se

ASCELIA PHARMA

Ascelia Pharma AB
Per Albin Hanssons väg 41
SE-205 12 Malmö
Sweden

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