# FULL YEAR REPORT 2018/2019

**July 2018 – June 2019**

## Phase III study starting in H2-2019

### SIGNIFICANT EVENTS IN Q4 (APR-JUN 2019)

- IPO overallotment utilised raising SEK 22 million
- Encouring results from Oncoral's Phase I combination study with oral capecitabine
- Supportive feedback from EMA on the Phase III program for Mangoral
- Filing of patent application for a next generation Mangoral product

### NO SIGNIFICANT EVENTS AFTER THE PERIOD

*"The successful IPO provided us a fully financed Phase III program for Mangoral"*

### KEY RATIOS GROUP

| | FY (Jul-Jun) | | Q4 (Apr-Jun) | |
|---|---|---|---|---|
| | **2018/2019** | 2017/2018 | **2018/2019** | 2017/2018 |
| **OPERATING RESULT (SEKm)** | **-37.4** | -24.7 | **-14.5** | -8.2 |
| **EARNINGS PER SHARE (SEK)** | **-2.16** | -2.12 | **-0.62** | -0.62 |
| **CASH FLOW FROM OPERATIONS (SEKm)** | **-30.3** | -21.0 | **-14.4** | -3.2 |
| **LIQUID ASSETS INCL. MARKETABLE SECURITIES (SEKm)** | **225.0** | 55.1 | **225.0** | 55.1 |

# CEO COMMENTS

**This fiscal year has so far been most transformative period of Ascelia Pharma's history.** Not only did we successfully continue the development of our innovative and proprietary products Mangoral and Oncoral to address significant unmet medical needs and help patients with selected types of cancer, we also made a successful and substantially oversubscribed listing on Nasdaq Stockholm.

The IPO provided us with approximately SEK 222 million in gross proceeds as a result of the offering and the over-allotment option, and added about 6,000 new shareholders, both institutional and private investors. In the process, we received a lot of positive attention in the investor community for Ascelia Pharma and our projects. I am very pleased and proud of the interest that many reputable investors have shown in our company, including Alto Invest, Handelsbanken Fonder and the Fourth Swedish National Pension Fund (AP4), as well as a number of existing shareholders, including Sunstone Capital and Øresund-Healthcare Capital.

**Fully financed Phase III through the IPO.** Most importantly for Ascelia Pharma, the IPO secured full financing for the upcoming Phase III study of our lead candidate Mangoral. Later this year, we aim to enrol the first patient to this pivotal study later as well as advancing our commercialization plans.

**Phase III study expected to start in second half of 2019.** The start of this study is the most important near-term milestone for us. Mangoral will enable patients with a severely impaired kidney function to undergo a liver MRI scan with a contrast agent. With Mangoral, the likelihood of finding liver metastases increases significantly. This is crucial for determining the right treatment method and subsequently the patient's chance of survival.

The market for Mangoral is estimated to be USD 350-500 million yearly. Within this patient segment Mangoral is expected to be the only product on the market.

**I believe we are already well prepared to start this pivotal study of Mangoral** which could enable approval of the only non-gadolinium liver MRI drug for use in patients who are at risk of serious side effects from the gadolinium-based contrast media available on the market today. We have successfully concluded discussions with the US Food and Drug Administration (FDA) and the European Medicines Agency (EMA) regarding the study design and will now complete the preparatory work to start the trial. We are confident that we have a robust trial design with the potential to repeat and confirm the excellent data observed in our Phase II studies and support approval.

**Final Phase results end of 2020 / beginning of 2021.** We expect to have enrolled the last patient in the study in the second half of 2020. Final study results are expected at the end of 2020 or beginning of 2021. This means that this study is fairly short, compared to most other major Phase III trials. Even so, we still have a year or so until we have a readout.

**New patent application.** At the same time, we have to look beyond these important milestones. In early June, we filed a patent application for a next, improved formulation of Mangoral, which among other benefits will be even more patient friendly and convenient than today's formulation. Upon grant, the new patent would further improve the unique value proposition of Mangoral and extend the intellectual property protection rights until year 2040. This demonstrates our long-term commitment to provide better imaging solutions for a patient population with poor alternatives today, i.e. patients in need of liver MRI procedure which cannot tolerate current contrast agents on the market due to impaired kidney function.

The potential to extend the exclusivity rights of our Mangoral franchise until year 2040 will add significant value and is a result of our successful Life Cycle Management work and our focus on developing novel and better medicinal products for patients in need.

**Promising Phase I results for Oncoral. The Phase I results for Oncoral** supports our preparations for a Phase II clinical study. Oncoral is our novel oral chemotherapy tablet of irinotecan for the treatment of gastric cancer. In 2018, we presented encouraging results of the investigator sponsored Oncoral phase I study at the annual European Society for Medical Oncology (ESMO) congress in Germany. The data demonstrated that Oncoral was well tolerated; side effects were generally mild to moderate, manageable and similar in type to those observed with intravenous irinotecan.

**More encouraging Oncoral data. The results from the Phase I extension** study presented in early April this year demonstrated reassuring tolerability of Oncoral administered in combination with oral capecitabine. Cancer therapy is very often given as a combination of several drugs in parallel. Oncoral in combination with oral capecitabine could become a more convenient and patient friendly treatment option compared to the intravenous formulations of these compounds. This could enable an attractive all-oral chemo combination. The encouraging tolerability profile justifies further clinical studies to assess the efficacy of this treatment regimen. These results were published in Cancer Chemotherapy and Pharmacology, a peer reviewed medical journal covering oncological pharmacotherapy.

**The next step for Oncoral** will off course be to start preparing for the Phase II study. We have great faith in this very interesting product candidate, which will be of so much value to both patients and the society. Oral chemotherapeutic drugs potentially offer a wide number of advantages, including greater convenience, fewer hospital/doctor's office visits, less pain, better safety profile and the avoidance of problems related to venous access. It also, importantly, saves hospital bills with fewer patient visits.

**Exciting times ahead. I believe you agree with me when I say that we have exciting and hopefully rewarding times ahead of us.** I look forward to updating you about our progress with Mangoral and Oncoral, as they make their way through the clinical development process, and ultimately reach those patients who need support taking on their cancer.

Magnus Corfitzen
CEO Ascelia Pharma AB (publ)

# ASCELIA PHARMA

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

## Ascelia Pharma in short

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

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

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

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

### Strategy

**Identify, acquire, develop and monetise drugs with:**

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

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

*Completed development*
*Ongoing and planned development*

# MANGORAL®

Liver MRI contrast contrast agent ready for the final clinical Phase

## Detecting liver metastases early is essential for survival

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

## How Mangoral works

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

## Latest development

On the back of the completed successful Phase I and Phase II studies, concrete plans and design of the Phase III study have been conducted in recent months. The Phase III study design is based on recent discussions with the US Food and Drug Administration (FDA) and the European Medicines Agency (EMA).

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

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

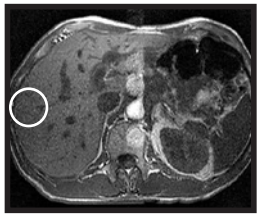
# Patients referred for liver MRI scan

## TODAY

NORMAL KIDNEY
**Gadolinium imaging drug**

POOR KIDNEY FUNCTION
**NO imaging drug**

**No liver metastasis visible**

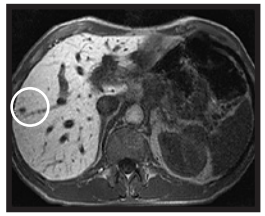


## TOMORROW

NORMAL KIDNEY
**Gadolinium imaging drug**

POOR KIDNEY FUNCTION
**MANGORAL® Imaging drug**

**Liver metastasis visible with Mangoral**



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

**280,000**
patients with impaired kidney function in major markets

## Addressable market of USD 350-500 million

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

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

## De-risked Phase III study

The Phase III study will be a multicentre study in up to 200 patients. The study is expected to start in H2-2019 with final results to be presented at the end of 2020 or beginning of 2021.

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

## Mangoral has Orphan Drug Designation

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

# ONCORAL

Chemotherapy treatment in tablet form, ready for Phase II

## A novel tablet formulation for treatment of gastric cancer

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

## Convenient for patients and health-economic benefits

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

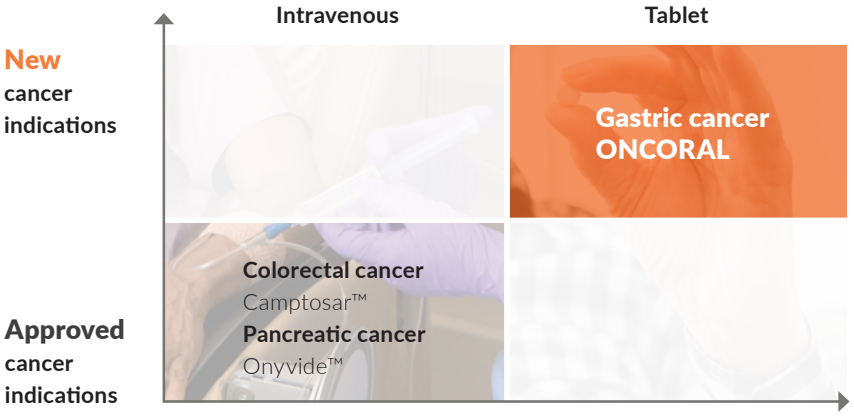
For clinicians and payors, Oncoral can offer reduced hospital stays and bills as well as less risk of adverse effects associated with intravenous chemotherapy and hospital-acquired infections.

## Latest development

In 2018, the first part of the investigator-sponsored Phase I study was completed with Oncoral as a single agent. The results were promising and demonstrated that Oncoral was well tolerated; side effects were generally mild to moderate, manageable and similar to those observed with intravenous irinotecan.

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

**Oncoral - a novel formulation of irinotecan**




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


*(Source GlobalData)*

## Preparing for Phase II studies

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

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

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

## Advantages of oral tablet chemotherapy vs. intravenous

**Patients**

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

**Clinicians**

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

**Payers**

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

# FINANCIAL OVERVIEW – Q4 (APR-JUN 2019)

## EARNINGS AND PROFITABILITY

### Net sales and other operating income

The Group's net sales in Q4 amounted to SEK 0 (SEK 0). Ascelia Pharma does not expect to recognise revenue before products have been launched on the market. Other operating income totalled SEK 98 thousand (SEK 125 thousand).

### Research and development costs (R&D)

R&D costs for the Group in Q4 were SEK 10.3 million (SEK 3.1 million). The cost increase of SEK 7.1 million underlines an overall higher activity level in Ascelia Pharma in the current quarter vis-à-vis corresponding quarter last year. This was especially pertinent for Mangoral where detailed preparations have been made for the phase III clinical study including establishing the clinical study protocol, work to select clinical study sites and manufacturing preparations.

### Administration costs

Administration costs for the Group in Q4 amounted to SEK 4.2 million (SEK 5.2 million). The decline in adminstration costs y/y of SEK 1.0 million mainly reflects cost recognition from implementation of a share based remuneration programme in Q4 last year.

### Operating results (EBIT)

Operating results in Q4 amounted to SEK -14.5 million (SEK -8.2 million). The cost increase mainly reflects the overall higher level of R&D activities in the current quarter.

### Net Profit/Loss for the period

The Group's net loss in Q4 amounted to SEK -14.5 million (SEK -7.9 million). The increased net loss mirrors the development in EBIT and corresponds to a loss per share, before and after dilution, of SEK 0.62 (SEK 0.62).

| Financials key ratios for the Group | Q4 (Apr-Jun) | |
|---|---|---|
| | 2018/2019 | 2017/2018 |
| Operating result (SEK 000') | -14,492 | -8,181 |
| Net result (SEK 000') | -14,527 | -7,878 |
| Earnings per share (SEK) | -0.62 | -0.62 |
| Weighted avg. number of shares | 23,273,304 | 12,629,651 |
| R&D costs/operating costs (%) | 70% | 38% |
| Cash flow from operations (SEK 000') | -14,423 | -3,177 |
| Equity (SEK 000') | 276,075 | 111,730 |
| Liquid assets incl. marketable securities (SEK 000') | 225,048 | 55,063 |

## CASH FLOW

Cash flow from operating activities before changes in working capital amounted to SEK -14.5 million (SEK -5.0 million). The increased outflow reflects the higher level of R&D activities in the current quarter. Changes in working capital in the current quarter totalled an inflow of SEK 0.1 million (SEK 1.8 million). In total, cash flow from operating activities after changes in working capital amounted to SEK -14.4 million (SEK -3.2 million).

Cash flow from investing activities amounted to SEK -75.0 million (SEK 0) and represents investment of bank balances into a fixed income fund (highly liquid fund with the lowest risk classification).

Cash flow from financing activities totalled SEK 20.3 million (SEK 54.4), which reflects utiilisation of the overallotment option in connection with the IPO (net of issuance expenses).

## FINANCIAL POSITION

On the closing date, equity stood at SEK 276.1 million, compared with SEK 111.7 million per 30 June 2018. The increase since 30 June 2018 reflects the issuance of new shares in connection with the IPO in spring 2019. In total, 8.9 million shares were raised, including utilisation of the overallotment option, taking the total amount of shares per 30 June 2019 to 23.5 million.

Liquid assets including marketable securities on the closing date amounted to SEK 225.0 million compared with SEK 55.1 million as of 30 June 2018. The increase in liquid assets since 30 June 2018 reflects the issuance of new shares in the IPO.

# FINANCIAL OVERVIEW – FY (JULY 2018-JUNE 2019)

## EARNINGS AND PROFITABILITY

### Net sales and other operating income

The Group's net sales for full-year amounted to SEK 0 (SEK 0). Ascelia Pharma does not expect to recognise revenue before products have been launched on the market. Other operating income totalled SEK 203 thousand (SEK 1,062 thousand). The decline in other operating income of SEK 859 thousand is explained by last year benefitting from investment grants from innovation agencies for Oncoral's phase I study.

### Research and development costs (R&D)

R&D costs for the Group for the full-year were SEK 22.9 million (SEK 9.4 million). The cost increase of SEK 13.6 million underlines an overall higher activity level in Ascelia Pharma in the current year vis-à-vis corresponding last year. This was especially pertinent for Mangoral where detailed preparations have been made for the phase III clinical study including establishing the clinical study protocol, work to select clinical study sites and manufacturing preparations.

### Administration costs

Administration costs for the Group in the full-year amounted to SEK 14.4 million (SEK 16.4 million) illustrating a cost decrease of SEK 2.0 million compared with last year.

### Operating results (EBIT)

Full-year operating results amounted to SEK -37.4 million (SEK -24.7 million). The cost increase mainly reflects the overall higher level of R&D activities in the current period.

### Net Profit/Loss for the period

The Group's full-year net loss amounted to SEK -37.1 million (SEK -24.4 million). The increased net loss mirrors the development in EBIT and corresponds to a loss per share, before and after dilution, of SEK 2.16 (SEK 2.12).

| Financials key ratios for the Group | FY (Jul-Jun) | |
|---|---|---|
| | 2018/2019 | 2017/2018 |
| Operating result (SEK 000') | -37,392 | -24,713 |
| Net result (SEK 000') | -37,134 | -24,392 |
| Earnings per share (SEK) | -2.16 | -2.12 |
| Weighted avg. number of shares | 17,171,703 | 11,518,832 |
| R&D costs/operating costs (%) | 61% | 36% |
| Cash flow from operations (SEK 000') | -30,333 | -20,958 |
| Equity (SEK 000') | 276,075 | 111,730 |
| Liquid assets incl. marketable securities (SEK 000') | 225,048 | 55,063 |

## CASH FLOW

Cash flow from operating activities before changes in working capital amounted to SEK -36.0 million (SEK -19.6 million). The increased outflow reflects the overall higher level of R&D costs in the current year. Changes in working capital in the current year totalled an inflow of SEK 5.7 million (outflow of SEK 1.4 million). The positive working capital development in the current year primarily reflects an increase in trade payables including manufacturing expenses as well as an increase in other liabilities. In total, cash flow from operating activities after changes in working capital amounted to SEK -30.3 million (SEK -21.0 million).

Cash flow from investing activities amounted to SEK -75.0 million (SEK 0) and represents investment of bank balances into a fixed income fund (highly liquid fund with the lowest risk classification).

Cash flow from financing activities totalled SEK 200.2 million (SEK 74.4), which reflects the proceeds raised in the IPO (net of issuance expenses).

## FINANCIAL POSITION

On the closing date, equity stood at SEK 276.1 million, compared with SEK 111.7 million per 30 June 2018. The increase since 30 June 2018 reflects the issuance of new shares in connection with the IPO in spring 2019. In total, 8.9 million shares were raised, including utilisation of the overallotment option, taking the total amount of shares per 30 June 2019 to 23.5 million.

Liquid assets including marketable securities on the closing date amounted to SEK 225.0 million compared with SEK 55.1 million as of 30 June 2018. The increase since 30 June 2018 reflects the issuance of new shares in the IPO.

# Other information

## Incentive programs

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

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

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

Ascelia Pharma's activities and markets are exposed to a number of risks and uncertainties which impact, or could impact, the company's business, financial position and result. The risks and uncertainties, which Ascelia Pharma considers to have the largest impact on its results are clinical drug development, regulatory conditions, commercialization and licensing, intellectual property rights and other forms of protection, financing conditions and foreign exchange exposure. The Group's overall strategy for risk management is to limit undesirable impact on its result and financial position, to the extent it is possible. The Group's risks and uncertainties are described in more detail in the Annual Report 2017/2018 on pages 13-15.

## Significant events after the end of the reporting period

No significant events have occurred.

## Auditor's review

This full-year report has not been reviewed by the company's auditors.

## Annual General Meeting

The Annual General Meeting (AGM) of Ascelia Pharma AB (publ) will be held on 14 November, 2019 in Malmö, Sweden. Shareholders wishing to have a matter discussed at the AGM should send their suggestion by e-mail to: kb@ascelia.com or by mail to:

ASCELIA PHARMA AB
Per Albin Hanssons väg 41
SE-205 12 Malmö
Sweden

Suggestions to the AGM shall reach Ascelia Pharma no later than 26 September 2019.

Magnus Corfitzen
CEO

Malmö, 22 August 2019
Ascelia Pharma AB (publ)

# Consolidated Income Statement

| | Q4 | | FY | |
|---|---|---|---|---|
| | Apr-Jun | | Jul-Jun | |
| SEK in thousand (unless otherwise stated)* | 2019 | 2018 | 2018/2019 | 2017/2018 |
| Net sales | – | – | – | – |
| **Gross profit/loss** | **–** | **–** | **–** | **–** |
| Other operating income | 98 | 125 | 203 | 1,062 |
| Administrative costs | -4,184 | -5,162 | -14,406 | -16,366 |
| Research and development costs | -10,264 | -3,134 | -22,923 | -9,367 |
| Other operating costs | -142 | -9 | -265 | -42 |
| **Operating result** | **-14,492** | **-8,181** | **-37,392** | **-24,713** |
| Financial income | 76 | -29 | 76 | 10 |
| Financial costs | -210 | -18 | -236 | -39 |
| **Net financial items** | **-134** | **-48** | **-160** | **-30** |
| **Loss before tax** | **-14,626** | **-8,229** | **-37,552** | **-24,743** |
| Tax | 99 | 351 | 417 | 351 |
| **Loss for the period** | **-14,527** | **-7,878** | **-37,134** | **-24,392** |
| Attributable to: | | | | |
| Owners of the Parent Company | -14,527 | -7,878 | -37,134 | -24,392 |
| Non-controlling interest | – | – | – | – |
| Earnings per share | | | | |
| Before and after dilution (SEK) | -0.62 | -0.62 | -2.16 | -2.12 |

# Consolidated Statement of Comprehensive Income

| | Q4 | | FY | |
|---|---|---|---|---|
| | Apr-Jun | | Jul-Jun | |
| SEK in thousand* | 2019 | 2018 | 2018/2019 | 2017/2018 |
| **Loss for the period** | **-14,527** | **-7,878** | **-37,134** | **-24,392** |
| **Other comprehensive income** | | | | |
| Currency translation of subsidiaries** | 23 | 22 | 15 | 54 |
| **Other comprehensive income for the period** | **23** | **22** | **15** | **54** |
| **Total comprehensive income for the period** | **-14,504** | **-7,856** | **-37,119** | **-24,338** |

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

# Consolidated Balance Sheet

| SEK in thousand* | 30 Jun 2019 | 30 Jun 2018 |
|---|---|---|
| **ASSETS** | | |
| Intangible assets | 57,067 | 57,066 |
| Tangible assets | 275 | – |
| Financial investments | – | 1 |
| Long-term receivables | – | – |
| **Total non-current assets** | **57,342** | **57,067** |
| Income tax receivables | 765 | 507 |
| Prepaid expenses and accrued income | 3,358 | 2,955 |
| Other receivables | 906 | 557 |
| Marketable securities | 75,076 | – |
| Cash and cash equivalents | 149,972 | 55,063 |
| **Total current assets** | **230,078** | **59,082** |
| **Total assets** | **287,420** | **116,149** |
| **EQUITY** | | |
| Share capital | 23,489 | 14,607 |
| Other paid-in capital | 405,061 | 213,700 |
| Loss brought forward | -152,475 | -116,577 |
| **Equity attributable to Parent Company shareholders** | **276,075** | **111,730** |
| **Total equity** | **276,075** | **111,730** |
| **LIABILITIES** | | |
| Leasing | 146 | – |
| **Total long-term liabilities** | **146** | **–** |
| Trade payables | 4,267 | 634 |
| Other liabilities | 2,140 | 880 |
| Accrued expenses and deferred income | 4,793 | 2,905 |
| **Total current liabilities** | **11,199** | **4,419** |
| **Total liabilities** | **11,345** | **4,419** |
| **Total equity and liabilities** | **287,420** | **116,149** |

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

# Consolidated Statements of Changes in Equity

| | FY (Jul-Jun) | |
|---|---|---|
| SEK in thousand* | 2018/2019 | 2017/2018 |
| **Equity at start of the period** | **111,730** | **77,601** |
| **Comprehensive income** | | |
| Profit/loss for the period | -37,134 | -24,240 |
| Other comprehensive income | 15 | 54 |
| **Total comprehensive income** | **-37,119** | **-24,186** |
| **Transactions with shareholders** | | |
| New share issue with cash contribution | 222,050 | 60,436 |
| Issuance expenses | -21,807 | -6,044 |
| Share based remuneration to employees | 1,221 | 3,922 |
| **Total transactions with shareholders** | **201,464** | **58,314** |
| **Equity at end of the period** | **276,075** | **111,730** |

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

# Consolidated Cash Flow Statement

| | Q4 Apr-Jun | | FY Jul-Jun | |
|---|---|---|---|---|
| SEK in thousand* | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| **Operating activities** | | | | |
| Loss before tax | -14,626 | -8,229 | -37,552 | -24,743 |
| Expensed share based remuneration | 200 | 2,209 | 2,258 | 4,454 |
| Adjustment for items not included in cash flow | -62 | 1,019 | -710 | 692 |
| Income tax paid | – | – | – | – |
| **Cash flow from operating activities before changes in working capital** | **-14,488** | **-5,000** | **-36,003** | **-19,597** |
| **Cash flow from changes in working capital** | | | | |
| Increase (-)/Decrease (+) of operating receivables | -2,573 | 3,062 | -2,205 | -1,225 |
| Increase (+)/Decrease (-) of trade payables | 1,509 | -1,374 | 3,813 | -46 |
| Increase (+)/Decrease (-) of other liabilities | 1,129 | 135 | 4,062 | -90 |
| Change in working capital | 64 | 1,823 | 5,670 | -1,360 |
| **Cash flow used in operating activities** | **-14,423** | **-3,178** | **-30,333** | **-20,958** |
| **Investing activities** | | | | |
| Investment in marketable securities | -75,000 | – | -75,000 | – |
| **Cash flow from investing activities** | **-75,000** | **–** | **-75,000** | **–** |
| **Financing activities** | | | | |
| Issuance proceeds | 22,050 | 60,437 | 222,050 | 80,436 |
| Issuance costs | -1,801 | -6,044 | -21,807 | -6,044 |
| **Cash flow from financing activities** | **20,250** | **54,393** | **200,243** | **74,393** |
| **Cash flow for the period** | **-69,174** | **51,215** | **94,909** | **53,435** |
| Cash flow for the period | -69,174 | 51,215 | 94,909 | 53,435 |
| Cash and cash equivalents at start of period | 219,146 | 3,847 | 55,063 | 1,627 |
| **Cash and cash equivalents at end of period** | **149,972** | **55,062** | **149,972** | **55,063** |

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

# Parent Company – Income Statement

| | Q4 | | FY | |
|---|---|---|---|---|
| | Apr-Jun | | Jul-Jun | |
| SEK in thousand* | 2019 | 2018 | 2018/2019 | 2017/2018 |
| Net sales | 83 | – | 194 | – |
| **Gross profit/loss** | **83** | **–** | **194** | **–** |
| Administrative costs | -4,084 | -5,146 | -14,162 | -16,311 |
| Research and development costs | -9,822 | -2,872 | -21,045 | -7,448 |
| Other operating income | 98 | 126 | 203 | 640 |
| Other operating costs | -142 | -9 | -265 | -42 |
| **Operating result** | **-13,867** | **-7,901** | **-35,076** | **-23,162** |
| **Net financial items** | | | | |
| Other interest income and similar profit | 210 | 21 | 377 | 60 |
| Interest costs and similar Profit/loss items | -235 | -17 | -311 | -39 |
| **Loss after financial items** | **-13,893** | **-7,897** | **-35,010** | **-23,140** |
| Group contribution | -50 | – | -50 | – |
| Tax | – | – | – | – |
| **Loss for the period** | **-13,943** | **-7,897** | **-35,060** | **-23,140** |

# Parent Company – Statement of Comprehensive Income

| | Q4 | | FY | |
|---|---|---|---|---|
| | Apr-Jun | | Jul-Jun | |
| SEK in thousand* | 2019 | 2018 | 2018/2019 | 2017/2018 |
| **Loss for the period** | **-13,943** | **-7,897** | **-35,060** | **-23,140** |
| Other comprehensive income | – | – | – | – |
| **Other comprehensive income for the period** | **–** | **–** | **–** | **–** |
| **Total comprehensive income for the period** | **-13,943** | **-7,897** | **-35,060** | **-23,140** |

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

# Parent Company – Balance Sheet

| SEK in thousand* | 30 Jun 2019 | 30 Jun 2018 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Tangible assets | 275 | – |
| Financial assets | | |
| Participations in Group companies | 58,068 | 58,068 |
| Other securities held as non-current assets | – | 1 |
| Other long-term receivables | 3,395 | 1,958 |
| **Total non-current assets** | **61,738** | **60,027** |
| **Current assets** | | |
| Other receivables | 1,211 | 237 |
| Prepaid expenses and accrued income | 3,358 | 2,985 |
| Total current receivables | 4,569 | 3,222 |
| Marketable securities | 75,076 | – |
| Cash and bank balances | 148,743 | 53,792 |
| **Total current assets** | **228,389** | **57,014** |
| **Total assets** | **290,126** | **117,040** |
| **EQUITY** | | |
| Restricted equity | | |
| Share capital | 23,489 | 14,607 |
| Non-restricted equity | | |
| Share premium reserve | 405,061 | 213,700 |
| Loss brought forward | -114,311 | -92,391 |
| Loss for the period | -35,060 | -23,140 |
| **Total equity** | **279,179** | **112,775** |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Leasing | 146 | – |
| **Total non-current liabilities** | **146** | **–** |
| **Current liabilities** | | |
| Trade payables | 3,847 | 486 |
| Other liabilities | 2,378 | 880 |
| Accrued expenses and deferred income | 4,576 | 2,899 |
| **Total current liabilities** | **10,801** | **4,265** |
| **Total equity and liabilities** | **290,126** | **117,040** |

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

# Notes

## General information

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

## Fair value of financial instruments

The 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 holds shares in Ascelia Pharma AB amounting to less than 1% of the total shares. In 2018/2019, services for a value of DKK 14,500 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 4.1% of the shares in Ascelia Pharma AB. In addition to payment for services performed, Solural Pharma ApS has the right to receive a bonus of maximum SEK 10 million if commercialization occurs through a sale or a outlicensing and SEK 12 million and if commercialization is carried out by Oncoral Pharma ApS or Ascelia Pharma AB itself.

Regardless the commercialisation method, Oncoral Pharma ApS has the right to, at any time, finally settle Solural Pharma ApS right for remuneration by payment of SEK 10 million. In 2018/2019, services for a value of DKK 1.4 million were acquired from Solural Pharma ApS.

In 2018/2019, consulting services for a total value of EUR 25 thousand was acquired from BGM Associates where Ascelia Pharma's board member Hans Maier is Managing Director.

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

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

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

## Important estimations and judgements

### *Valuation of intangible assets*

The 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.

### *Capitalisation of development expenses*

For full-year and Q4 2018/2019, the criteria for classifying R&D costs as an asset according to IAS 38 has not been met (capitalisation of development expenses is normally done in connection with final regulatory approval). Hence, all R&D costs related to the development of the product candidates have been expensed.

### *New accounting standards*

The new standards IFRS 15 on Revenue and IFRS 9 Financial instruments has 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 derivatives. Ascelia Pharma has chosen to early implement the new IFRS 16 rules on leases for the fiscal year 2018/2019. The net present value of the leases amounted to SEK 0.3 million per 30 June 2019 (only car leases).

### *Employee option program*

Ascelia Pharma has implemented two employee option programs with individual terms and conditions. The parameters, which have the largest impact on the value of the options are likelihood for an IPO or sale of the company and the value of the company. Given the completed IPO in March 2019, the Management in Ascelia Pharma has adjusted the likelihood for completion of IPO to 100% and valued the shares according to the publicly traded share price. The total recognised costs for the option programs were SEK 2.3 million in FY 2018/2019 and SEK 0.2 million in Q4 2018/2019.

# Notes

## Definitions of alternative performance measures

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

## Reconciliation table for alternative performance measures for the Group

| | Q4 (Apr-Jun) | | FY (Jun-Jul) | |
|---|---|---|---|---|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| R&D costs (SEK 000') | -10,264 | -3,134 | -22,923 | -9,367 |
| Administration costs (SEK 000') | -4,184 | -5,162 | -14,406 | -16,366 |
| Other operating costs (SEK 000') | -142 | -9 | -265 | -42 |
| **Total operating costs (SEK 000')** | **-14,590** | **-8,306** | **-37,595** | **-25,775** |
| **R&D costs/Operating costs (%)** | **70%** | **38%** | **61%** | **36%** |

## Financial calendar

| | |
|---|---|
| Interim report Q1 2019/2020: | 8 November 2019 |
| Annual General Meeting: | 14 November 2019 |
| Half-year report 2019/2020: | 14 February 2020 |
| Interim report 9M 2019/2020: | 13 May 2020 |
| Full-year report 2019/2020: | 20 August 2020 |

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