HALF-YEAR REPORT 2020

January – June 2020

First participant in the hepatic study

SIGNIFICANT EVENTS IN APR-JUN 2020

- First participant enrolled in the clinical hepatic impairment study with Mangoral
- Directed share issue to partly fund preparations for Mangoral market launch
- Patent for Oncoral approved in Japan

SIGNIFICANT EVENTS AFTER THE PERIOD

- Proceeds from directed share issue received in the beginning of July

"During the quarter we enrolled the first participant into the hepatic study for Mangoral"

KEY RATIOS GROUP

	Q2 (Apr-Jun)		H1 (Jan-Jun)	
	2020	2019	**2020**	2019
OPERATING RESULT (SEKm)	**-28.6**	-14.5	**-49.3**	-26.2
EARNINGS PER SHARE (SEK)	**-1.31**	-0.62	**-2.02**	-1.29
CASH FLOW FROM OPERATIONS (SEKm)	**-20.7**	-14.4	**-39.1**	-17.4
LIQUID ASSETS INCL. MARKETABLE SECURITIES (SEKm)	**144.9**	225.0	**144.9**	225.0

CEO COMMENTS

Continued progress despite Covid-19. Our operational activities during Q2 continued with intensity and progress, despite the challenges caused by the global Covid-19 pandemic. Earlier in the year, we enrolled the first patient in our registration-enabling clinical study SPARKLE with lead candidate drug Mangoral and became thereby a fully-fledged Phase 3 company. From the very start, we noticed a strong interest from leading hospitals and world-class radiologists to participate in the study, and this stands as a testimony to the large unmet medical need of these patients and the unique value proposition offered by Mangoral.

Update on SPARKLE. We have since the enrollment of the first patient continued the work with SPARKLE, and our target in this global study is to include up to 200 patients at approximately 35 hospitals. But like everybody else, we have been affected by the spread of the Covid-19 virus. In May, we provided an updated timeline for the completion and top line results of SPARKLE which are expected in H2 2021 instead of H1 2021 as previously communicated. The expected addition of three to six months reflects the impact of the Covid-19 pandemic.

Hepatic impairment study of Mangoral initiated. In May, the first participant was enrolled in our clinical study with Mangoral in volunteers with different degrees of hepatic impairment. Results from this hepatic study could potentially expand the target population of Mangoral beyond the patient population studied in the SPARKLE study. The open-label study will be performed on 24 healthy and hepatically impaired participants at the Texas Liver Institute, San Antonio, Texas. Our expectation is that this study will be completed during 2020.

Successful share issuance to prepare for market launch. At the end of June, we completed a directed share issue of SEK 99 million. The funds are important to finance the market launch preparations for Mangoral. Highly reputable institutional investors participated in the share issue including the existing long-term shareholders AP4 and Handelsbanken Fonder together with a group of new investors including Healthinvest Partners, Länsförsäkringar Fondförvaltning, Unionen and OstVast Capital Management. At Ascelia Pharma we see this as a further validation of our attractive drug pipeline and continue to work hard to demonstrate this value to all stakeholders.

Solid financial position. We continue to stand with strong liquidity. At the end of the quarter, we had SEK 145 million in liquid assets and combined with the net proceeds from the completed share issue, received in the beginning of July, we have in total SEK 239 million in liquid assets. The strong cash position will primarily be used for Mangoral's Phase 3 clinical program as well as preparing Mangoral's market launch.

Preparing for Oncoral Phase 2 and patent approval. In parallel with the work on Mangoral, we continue the preparations for the Phase 2 clinical study for Oncoral. Oncoral is an oral tablet formulation of irinotecan intended for combination use as a chemotherapeutic treatment of unresectable and metastatic gastric cancer, where there is significant unmet need.

In April, we announced that the patent for Oncoral was approved in Japan. This approval adds to the already obtained patents in the US, China and a selected number of countries in Europe. The patent secures the intellectual property protection rights for Oncoral until year 2035 plus potential patent extension. The Japanese market opportunity for Oncoral is significant with more than 115,000 Japanese being diagnosed in 2018.

Looking ahead, our focus for 2020 is on the SPARKLE study and preparations for the commercial launch of Mangoral. I look forward to update you on our progress on these exciting projects as they advance through the development process, and ultimately to reach those patients who need better options for managing their cancer disease.

Magnus Corfitzen
CEO Ascelia Pharma AB (publ)

ASCELIA PHARMA

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

Ascelia Pharma in short

Ascelia Pharma is a biotech company focused on orphan oncology treatments. We develop and commercialize novel drugs that address unmet medical needs and have a clear development and market pathway. Two drug candidates – Mangoral and Oncoral – are in clinical development. Global headquarters is in Malmö, Sweden.

Mangoral is a novel contrast agent for MR-scans and is currently in ongoing Phase 3 clinical studies. Mangoral is developed to improve the visualisation 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 2 for the treatment of gastric cancer, which is a rapidly growing market.

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

Strategy

Identify, acquire, develop and monetise drugs with:

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

Candidates	Indication	Phase 1	Phase 2	Phase 3	Filing	Market launch
Mangoral® • Novel imaging drug with Orphan Drug Designation • No competing products • USD 350-500m market with substantial upside potential • De-risked Phase 3 clinical program	**Visualisation of Focal Liver Lesions** Liver metastases Primary liver cancer Benign lesions	Completed		2020 – H2-2021	H1-2022	Q4 2022 – H1-2023
Oncoral • Novel oral tablet chemotherapy for gastric cancer • Phase 1 study completed with promising results • Gastric cancer is an Orphan indication	**Treatment of Gastric Cancer** Treatment of other solid cancers (label expansion)	Completed	2021 – 2023			

Completed development
Ongoing
Planned development

Note: The expected timelines assume we do not face a prolonged Corona situation affecting these timelines

MANGORAL®

Liver MRI contrast contrast agent in the final clinical Phase

Detecting liver metastases early is essential for survival

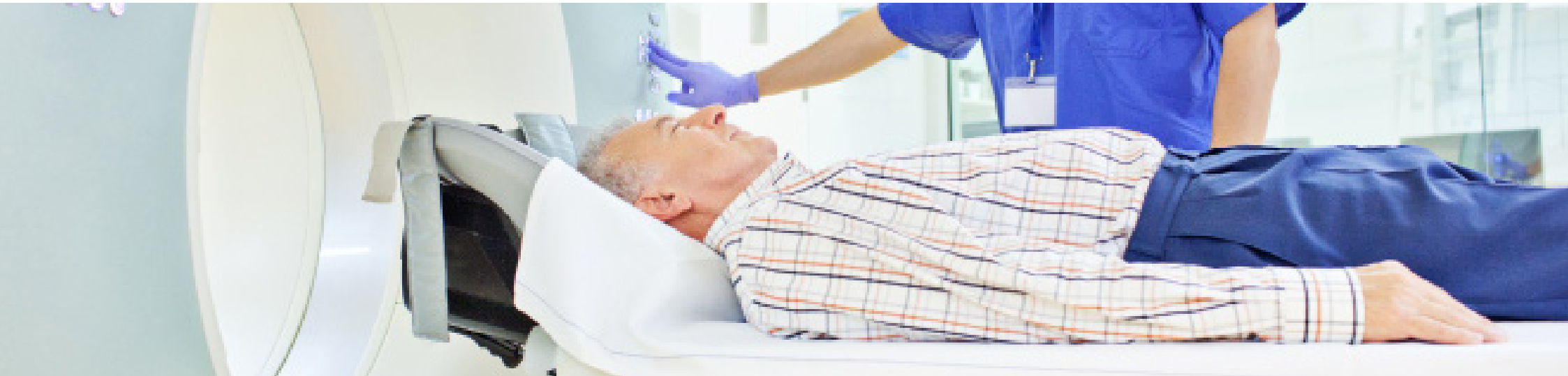
Our lead drug candidate, Mangoral, is a contrast agent used in Magnetic Resonance Imaging (MRI) to improve the visualization of focal liver lesions (liver metastases). The liver is the second most common organ for metastasis after the lymph nodes. Detecting liver metastases at an early stage is crucial 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

In beginning of May 2020, first participant was enrolled in the clinical study with Mangoral in volunteers with different degrees of hepatic impairment. Results from this hepatic study could potentially enable the use also in Mangoral's target population with impaired liver function.



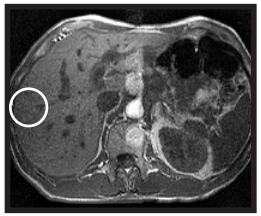
Patients referred for liver MRI scan

TODAY

NORMAL KIDNEY
Gadolinium imaging drug

POOR KIDNEY FUNCTION
NO imaging drug

No liver metastasis visible

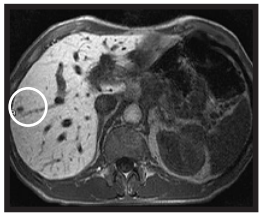


TOMORROW

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

Immediate addressable market of $350-500M

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

Mangoral has Orphan Drug Designation

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

MANGORAL – PHASE 3 PIVOTAL STUDY

The ongoing pivotal Phase 3 study is a global multicentre study in up to 200 patients. Topline results from the study are expected in H2-2021. The strong results in the Phase 1 and Phase 2 studies support our belief that the likelihood of success in Phase 3 is significantly larger than the average oncology drug in Phase 3. This is due to the known mode of action of Mangoral and a high degree of similarity between Phase 2 endpoints and Phase 3 primary endpoints for Mangoral, and since the Phase 3 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 3 oncology study.

Mangoral's clinical Phase 3 study (based on Phase 3 protocol meeting with FDA and EMA)

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

Strong support to Phase 3 endpoints from completed studies

The completed Phase 1 and Phase 2 studies have shown strong efficacy results regarding the endpoints that will be evaluated in the Phase 3 study. The completed studies, involving 178 persons in total[1], have showed a highly significant improvement compared to unenhanced MRI in:

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

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

[1] The above mentioned results stem from of a blinded-read study, which comprised all imaging data including Phase 1 and Phase 2 data. The blinded-read results have been presented at major radiology conferences

ONCORAL

Chemotherapy treatment in tablet form, ready for Phase 2

A novel tablet formulation for treatment of gastric cancer

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

Convenient for patients and health-economic benefits

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

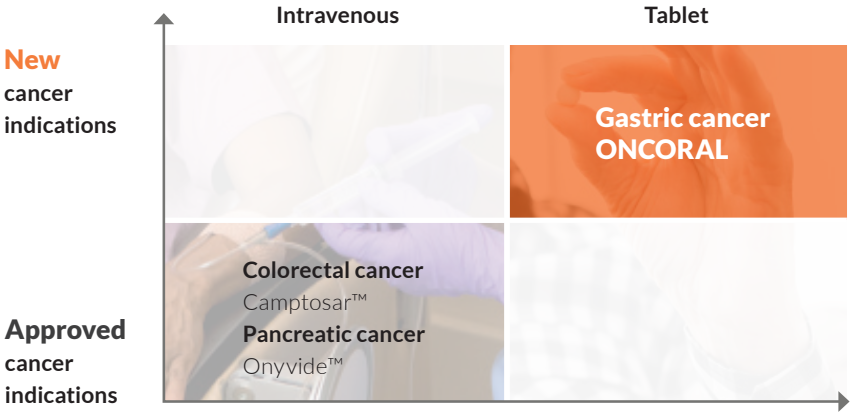
For clinicians and payors, Oncoral can offer reduced hospital stays and bills as well as less risk of adverse effects associated with intravenous chemotherapy and hospital-acquired infections.

Latest development

Preparations for the Phase 2 clinical study for Oncoral is progressing. The Phase 2 preparations involve developing the positioning of Oncoral for the treatment patients with gastric cancer as well as the clinical development strategy and study design.

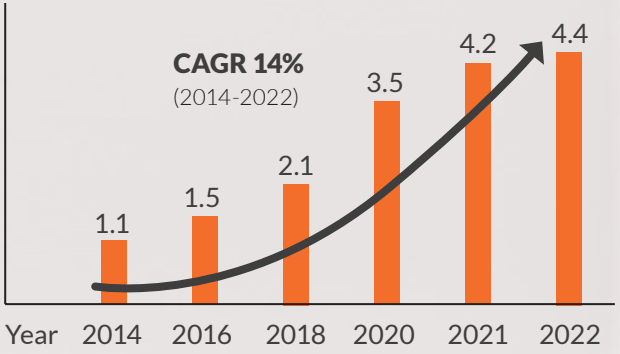
In April 2020, the patent application for Oncoral was approved in Japan. The approval in Japan adds to the already obtained patents in the US and a selected number of countries in Europe and China. The patent secures the intellectual property protection rights for Oncoral until year 2035 plus potential patent extension.

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

Global gastric cancer market (USDbn)



(Source GlobalData)

Preparing for Phase 2 studies

The clinical development strategy for Oncoral is to obtain Phase 2 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 2 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 2 study. The extension part of the study aims at establishing proof of clinical concept based on relevant safety and efficacy parameters.

Planning for Phase 2 is ongoing with preparatory work including clinical strategy, study design and protocol. Study start is expected in 2021 (completion of Oncoral's Phase 2 study will , however, 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: Q2-2020 (APR–JUN 2020)

EARNINGS AND PROFITABILITY

Net sales and other operating income

The Group's net sales in Q2 (Apr-Jun 2020) 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 305 thousand (SEK 98 thousand).

Research and development costs (R&D)

R&D costs for the Group in Q2 were SEK 17.8 million (SEK 10.3 million). The cost increase of SEK 7.5 million underlines an overall higher activity level in Ascelia Pharma in the current quarter vis-à-vis corresponding quarter last year. This was especially pertinent for Mangoral's Phase 3 clinical studies including opening of study sites, manufacturing preparations and regulatory work.

Commercial preparation costs

During the second quarter, costs for the commercial preparations of Mangoral amounted to SEK 6.2 million (SEK 0). The costs increase compared with Q2-2019 reflects preparations towards launching of Mangoral to the market.

Administration costs

Administration costs for the Group in Q2 amounted to SEK 4.5 million (SEK 4.2 million), which corresponds to a y/y increase of 8%. The higher costs are explained by enlarged organisation and new office premises.

Operating results (EBIT)

The operating result in Q2 amounted to SEK -28.6 million (SEK -14.5 million). The increased loss reflects the overall higher level of R&D activities and commercial preparations in Q2-2020.

Net Profit/Loss for the period

The Group's net loss in Q2 amounted to SEK -31.4 million (SEK -14.5 million). In the current quarter, finance costs increased due to weakening of EUR and USD vs. SEK, which translated into a decrease in the value of bank deposits in EUR and USD (a significant part of bank deposit is held in EUR and USD to match upcoming cash outflow in these currencies). The net loss corresponds to a loss per share, before and after dilution, of SEK -1.31 (SEK -0.62).

Financials key ratios for the Group	Q2 (April-June)	
	2020	2019
Operating result (SEK 000')	-28,600	-14,492
Net result (SEK 000')	-31,442	-14,527
Earnings per share (SEK)	-1.31	-0.62
Weighted avg. number of shares	23,999,453	23,273,304
R&D costs/operating costs (%)	62%	70%
Cash flow used in operating activities (SEK 000')	-20,734	-14,423
Equity (SEK 000')	283,688	276,075
Liquid assets incl. marketable securities (SEK 000')	144,864	225,048

CASH FLOW

Cash flow from operating activities before changes in working capital in Q2 amounted to SEK -28.1 million (SEK -14.5 million). The increased outflow primarily reflects the higher level of R&D activities and commercial preparations in the current quarter. Changes in working capital in the current quarter totalled an inflow of SEK 7.4 million (inflow of SEK 0.1 million). The inflow in the current quarter primarily reflects the reduction in prepaid expenses and increase in accrued expenses.

Cash flow from investing activities amounted to an inflow of SEK 0.9 million and reflects divestment of marketable securities (SEK 75.0 million outflow in Q2 2019 from investment in marketable securities).

Cash flow from financing activities totalled SEK -0,2 million and reflects the amortisation of loans (leasing of cars and office). In Q2-2019, there was an inflow of SEK 20.2 million from utilization of overalotment option in the IPO.

FINANCIAL POSITION

On the closing date, equity stood at SEK 283.7 million, compared with SEK 237.1 million per 31 December 2019 and SEK 276.1 million per 30 June 2019. The increase since 31 December 2019 and 30 June 2019 reflects the ongoing new issue of shares, which outweighed the net losses incurred.

Liquid assets including marketable securities on the closing date amounted to SEK 144.9 million. With the net proceeds from the share issuance received in the beginning of July, liquid assets amount to SEK 239 million. This can be compared with SEK 184.2 million per 31 December 2019 and SEK 225.0 million per 30 June 2019.

FINANCIAL OVERVIEW: H1-2020 (JAN–JUN 2020)

EARNINGS AND PROFITABILITY

Net sales and other operating income

The Group's net sales in H1 (Jan-Jun 2020) 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 666 thousand (SEK 158 thousand).

Research and development costs (R&D)

R&D costs for the Group in H1 were SEK 31.5 million (SEK 16.6 million). The cost increase of SEK 14.9 million underlines an overall higher activity level in Ascelia Pharma in the current half year vis-à-vis previous half year. This was especially pertinent for Mangoral's Phase 3 clinical studies including opening of study sites, manufacturing preparations and regulatory work.

Commercial preparation costs

During the first half year, costs for the commercial preparations of Mangoral amounted to SEK 8.0 million (SEK 0). The costs increase compared with H1-2019 reflects preparations towards launching of Mangoral to the market.

Administration costs

Administration costs for the Group in H1 amounted to SEK 9.8 million (SEK 9.6 million), which corresponds to a y/y increase of 2%. Higher running costs for the organisation in H1-2020 were counterbalanced by IPO preparations costs that weighed on the results in H1-2019 (the IPO of Ascelia Pharma was in March 2019).

Operating results (EBIT)

The operating result in H1 amounted to SEK -49.3 million (SEK -26.2 million). The increased loss reflects the overall higher level of R&D activities and commercial preparations in H1-2020.

Net Profit/Loss for the period

The Group's net loss in H1 amounted to SEK -48.2 million (SEK -26.1 million), which corresponds to a loss per share, before and after dilution, of SEK -2.02 (SEK -1.29).

Financials key ratios for the Group	H1 (January-June)	
	2020	2019
Operating result (SEK 000')	-49,256	-26,201
Net result (SEK 000')	-48,156	-26,131
Earnings per share (SEK)	-2.02	-1.29
Weighted avg. number of shares	23,830,212	20,253,318
R&D costs/operating costs (%)	63%	63%
Cash flow used in operating activities (SEK 000')	-39,089	-17,381
Equity (SEK 000')	283,688	276,075
Liquid assets incl. marketable securities (SEK 000')	144,864	225,048

CASH FLOW

Cash flow from operating activities before changes in working capital in H1 amounted to SEK -47.9 million (SEK -24.6 million). The increased outflow primarily reflects the higher level of R&D activities and commercial preparations in the current period. Changes in working capital in the current period totalled an inflow of SEK 8.8 million (inflow of SEK 7.2 million). The inflow in the current period primarily reflects the reduction in prepaid expenses and increase in accrued expenses.

Cash flow from investing activities amounted to an inflow of SEK 6.6 million and reflects divestment of marketable securities (SEK 75.0 million outflow in H1 2019 from investment in marketable securities).

Cash flow from financing activities totalled SEK -0.3 million and reflects amortisation of loans (leasing of cars and office). In H1-2019, there was an inflow of SEK 200.2 million from net proceeds received in the IPO.

FINANCIAL POSITION

On the closing date, equity stood at SEK 283.7 million, compared to SEK 237.1 million per 31 December 2019 and SEK 276.1 per 30 June 2019. The increase since 31 December 2019 and 30 June 2019 reflects the ongoing new issue of shares, which outweighed the net losses incurred.

Liquid assets including marketable securities on the closing date amounted to SEK 144.9 million. With the net proceeds from the share issuance received in the beginning of July, liquid assets amount to SEK 239 million. This can be compared to SEK 184.2 million per 31 December 2019 and SEK 225.0 million per 30 June 2019.

Other information

Incentive programs

Ascelia Pharma has two active employee options programs that include members of the management team and a share-saving programme for employees. If the terms of the option programs are met at the time for utilisation, the management team has the right to purchase shares at a pre-determined price. For the share-saving programme, employees are entitled to receive matching and performance shares according to terms of the programme.

The Group recognises share-based remuneration, which personnel may receive. A personnel cost is recognised, together with a corresponding increase in equity, distributed over the vesting period. Social security costs are revalued at fair value. Further information about the employee option programmes can be found in the Annual Report 2019 on pages 55-56.

In case all outstanding incentive programmes are exercised in full, a total of 1.8 million shares will be issued (including hedge for future payment of social security charges). This corresponds to an aggregate dilution of approximately 7.0% of Ascelia Pharma's share capital after full dilution (calculated on the number of shares that will be added upon full exercise of all outstanding incentive programmes.

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

Ascelia Pharma's activities and markets are exposed to a number of risks and uncertainties which impact, or could impact, the company's business, financial position and result. The risks and uncertainties, which Ascelia Pharma considers to have the largest impact on its results are clinical drug development, regulatory conditions, commercialization and licensing, intellectual property rights and other forms of protection, financing conditions, macroeconomic conditions including impact from Covid-19 and foreign exchange exposure.

With respect to Covid-19, the outbreak influences many sectors and companies, including the healthcare industry and Ascelia Pharma. For most biotech companies in clinical development, the main operational impact is potential delays in clinical trials as sites reduce or stop of potient enrolment. Patients could also be hesitant to visit clinical sites for the tests. In addition to the operational impact, the funding enviroment is negatively influenced by Covid-19 pandemic, causing constraints to capital access.

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 2019 on pages 27-29.

Significant events after the end of the reporting period

The directed share issue was completed on 30 June 2020, but net proceeds from the issuance of SEK 93.7 million was received in the begininng of July (i.e. a few days after the accounting period).

This half-year report has been prepared in both Swedish and English versions. In the event of any differences between the translations and the Swedish original, the Swedish version shall prevail.

Auditor's review

This interim report has been reviewed by the company's auditor.

The Board and the CEO declare that this Interim report provides a true and fair overview of the company and the Group's operations, positions and earnings and describes the material risks and uncertainty factors faced by the Parent company and the companies within the Group.

Malmö, 20 August 2020

Peter Benson
Chairman

Lauren Barnes
Member of the board

Bo Jesper Hansen
Member of the board

Hans Maier
Member of the board

Niels Mengel
Member of the board

René Spogárd
Member of the board

Helena Wennerström
Member of the board

Magnus Corfitzen
CEO

Auditor's report

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

Introduction

We have reviewed the condensed interim financial information (interim report) of Ascelia Pharma AB (publ) as of June 30, 2020 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. Our responsibility is to express a conclusion on this interim report 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 interim report 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 August 2020
Öhrlings PricewaterhouseCoopers AB

Carl Fogelberg
Authorized Public Accountant

Consolidated Income Statement

	Q2 (Apr-Jun)		H1 (Jan-Jun)	
SEK in thousands (unless otherwise stated)*	2020	2019	2020	2019
Net sales	–	–	–	–
Gross profit/loss	**–**	**–**	**–**	**–**
Administrative costs	-4,522	-4,184	-9,756	-9,607
Research and development costs	-17,799	-10,264	-31,479	-16,555
Commercial preparation costs	-6,168	–	-7,982	–
Other operating income	305	98	666	158
Other operating costs	-417	-142	-706	-197
Operating result	**-28,600**	**-14,492**	**-49,256**	**-26,201**
Finance income	2,400	76	6,277	76
Finance costs	-5,897	-210	-5,920	-211
Net financial items	**-3,497**	**-134**	**357**	**-135**
Loss before tax	**-32,097**	**-14,626**	**-48,899**	**-26,336**
Tax	655	99	743	205
Loss for the period	**-31,442**	**-14,527**	**-48,156**	**-26,131**
Attributable to:				
Owners of the Parent Company	-31,442	-14,527	-48,156	-26,131
Non-controlling interest	–	–	–	–
Earnings per share				
Before and after dilution (SEK)	-1.31	-0.62	-2.02	-1.29

Consolidated Statement of Comprehensive Income

	Q2 (Apr-Jun)		H1 (Jan-Jun)	
SEK in thousands (unless otherwise stated)*	2020	2019	2020	2019
Profit/loss for the period	**-31,442**	**-14,527**	**-48,156**	**-26,131**
Other comprehensive income				
Currency translation of subsidiaries**	-123	23	57	38
Other comprehensive income for the period	**-123**	**23**	**57**	**38**
Total comprehensive income for the period	**-31,565**	**-14,504**	**-48,099**	**-26,093**

* 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 thousands*	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS			
Intangible assets	57,066	57,067	57,065
Tangible assets			
Equipment	360	–	–
Right-of-use assets	1,842	275	212
Total fixed assets	**59,269**	**57,342**	**57,277**
Income tax receivables	1,593	765	736
Receivables from shareholders	98,653	–	–
Other receivables	677	906	686
Prepaid expenses and accrued income	4,218	3,358	7,300
Marketable securities	67,883	75,076	75,711
Cash and bank balances	76,981	149,972	108,516
Total current assets	**250,005**	**230,078**	**192,949**
Total assets	**309,273**	**287,420**	**250,226**
EQUITY			
Share capital	23,999	23,489	23,489
Other paid-in capital	498,577	405,061	405,061
Loss brought forward (incl. net profit/loss for the period)	-238,889	-152,475	-191,488
Equity attributable to Parent Company shareholders	**283,688**	**276,075**	**237,062**
Total equity	**283,688**	**276,075**	**237,062**
LIABILITIES			
Long-term liabilities			
Leasing	1,177	146	96
Total long-term liabilities	**1,177**	**146**	**96**
Current liabilities			
Accounts payables	5,282	4,267	5,236
Tax payable	1	–	–
Other liabilities	1,422	2,140	1,138
Accrued expenses and deferred income	17,704	4,793	6,695
Total current liabilities	**24,408**	**11,199**	**13,069**
Total liabilities	**25,586**	**11,345**	**13,164**
Total equity and liabilities	**309,273**	**287,420**	**250,226**

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

Consolidated Statements of Changes in Equity

	H1 (Jan-Jun)		Jul-Dec
SEK in thousands*	2020	2019	2019
Equity at start of the period	**237,062**	**101,016**	**276,075**
Comprehensive income			
Profit/loss for the period	-48,156	-26,131	-39,905
Other comprehensive income	57	38	55
Total comprehensive income	**-48,099**	**-26,093**	**-39,850**
Transactions with shareholders			
New share issue C-shares	511	–	–
Repurchase of own shares C-shares	-511	–	–
Subscribed but not paid-up capital	93,516	–	–
New share issue with cash contribution	–	222,050	–
Issurance expenses	–	-21,807	–
Share based remuneration to employees	1,209	909	837
Total transactions with shareholders	**94,725**	**201,152**	**837**
Equity at end of the period	**283,688**	**276,075**	**237,062**

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

Consolidated Cash Flow Statement

	Q2 (Apr-Jun)		H1 (Jan-Jun)	
SEK in thousands*	**2020**	**2019**	**2020**	**2019**
Operating activities				
Operating result	-28,600	-14,492	-49,256	-26,202
Expensed share based remuneration	604	200	1,209	1,578
Adjustment for items not included in cash flow	84	-196	372	3
Interest paid	-23	–	-46	–
Income tax paid/received	-197	–	-197	–
Cash flow from operating activities before changes in working capital	**-28,132**	**-14,488**	**-47,918**	**-24,621**
Cash flow from changes in working capital				
Increase (-)/Decrease (+) of operating receivables	1,799	-2,573	3,206	-17
Increase (+)/Decrease (-) of accounts payable	1,153	1,509	172	3,742
Increase (+)/Decrease (-) of other liabilities	4,446	1,129	5,451	3,515
Change in working capital	7,398	65	8,829	7,240
Cash flow used in operating activities	**-20,734**	**-14,423**	**-39,089**	**-17,381**
Investing activities				
Investment in equipment	-65	–	-397	–
Marketable securities/Other investments, net	1,000	-75,000	7,000	-75,000
Cash flow from investing activities	**935**	**-75,000**	**6,603**	**-75,000**
Financing activities				
Issuance proceeds	–	22,050	–	222,050
Issuance costs	–	-1,801	–	-21,808
Amortisation of loan (leasing)	-174	–	-288	–
Cash flow from financing activities	**-174**	**20,249**	**-288**	**200,242**
Cash flow for the period	**-19,973**	**-69,174**	**-32,774**	**107,861**
Cash flow for the period	-19,973	-69,174	-32,774	107,861
Cash and cash equivalents at start of period	102,815	219,146	108,516	42,111
Exchange rate differences in cash and cash equivalents	-5,862	–	1,238	–
Cash and cash equivalents at end of period	**76,981**	**149,972**	**76,981**	**149,972**

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

Parent Company – Income Statement

	Q2 (Apr-Jun)		H1 (Jan-Jun)	
SEK in thousands*	2020	2019	2020	2019
Net sales	136	83	277	136
Gross profit/loss	**136**	**83**	**277**	**136**
Administrative costs	-4,524	-4,084	-9,710	-9,475
Research and development costs	-15,362	-9,822	-28,103	-15,651
Commercial preparation costs	-6,193	–	-7,982	–
Other operating income	309	98	666	158
Other operating costs	-418	-142	-686	-197
Operating result	**-26,052**	**-13,867**	**-45,539**	**-25,028**
Finance income	2,395	210	6,272	299
Finance costs	-5,897	-236	-5,919	-257
Result from other long-term receivables	-235	–	229	–
Net financial items	**-3,737**	**-26**	**582**	**42**
Loss after financial items	-29,788	-13,893	-44,957	-24,986
Group contribution	–	-50	–	-50
Tax	–	–	–	–
Loss for the period	**-29,788**	**-13,943**	**-44,957**	**-25,036**

Parent Company – Statement of Comprehensive Income

	Q2 (Apr-Jun)		H1 (Jan-Jun)	
SEK in thousands*	2020	2019	2020	2019
Loss for the period	**-29,788**	**-13,943**	**-44,957**	**-25,036**
Other comprehensive income	–	–	–	–
Other comprehensive income for the period	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**-29,788**	**-13,943**	**-44,957**	**-25,036**

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

Parent Company – Balance Sheet

SEK in thousands*	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS			
Tangible assets			
Equipment	360	–	–
Right-of-use assets	1,842	275	212
Financial assets			
Shares in affiliated companies	58,068	58,068	58,068
Other long-term receivables	6,770	3,395	3,352
Total fixed assets	**67,040**	**61,738**	**61,632**
Current receivables			
Receivables from affiliated companies	853	–	–
Income tax receivables	738	–	–
Receivables from shareholders	98,653	–	–
Other receivables	476	1,211	1,374
Prepaid expenses and accrued income	4,218	3,358	7,658
Marketable securities	67,883	75,076	75,711
Cash and bank balances	76,306	148,743	107,434
Total current assets	**249,128**	**228,389**	**192,176**
Total assets	**316,168**	**290,127**	**253,809**
EQUITY			
Restricted equity			
Share capital	23,999	23,489	23,489
Non-restricted equity			
Other paid-in capital	498,577	405,061	405,061
Loss brought forward	-186,912	-114,311	-148,534
Loss for the period	-44,957	-35,060	-39,077
Total equity	**290,708**	**279,179**	**240,939**
LIABILITIES			
Long-term liabilities			
Leasing	1,177	146	96
Total long-term liabilities	**1,177**	**146**	**96**
Current liabilities			
Accounts payable	5,160	3,847	5,104
Liabilities from affiliated companies	3	–	–
Other liabilities	1,422	2,140	1,163
Accrued expenses and deferred income	17,698	4,814	6,508
Total current liabilities	**24,283**	**10,801**	**12,774**
Total equity and liabilities	**316,168**	**290,126**	**253,809**

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

Notes

General information

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

Fair value of financial instruments

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

Related parties Purchases from related parties

Oncoral Pharma ApS has an agreement with Solural Pharma ApS according to which, Solural Pharma ApS provides development and manufacturing of clinical study material. The owners of Solural Pharma ApS are the founders of Oncoral Pharma ApS and are, after the sale of Oncoral Pharma ApS to Ascelia Pharma AB in 2017, shareholders in Ascelia Pharma AB. Per 30 June 2020, the owners of Solural ApS collectively owned 3.6% 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 million if commercialisation occurs through a sale or a outlicensing and SEK 12 million if commercialisation is carried out by Oncoral Pharma ApS or Ascelia Pharma AB itself.

Regardless the commercialisation method, Oncoral Pharma ApS has the right to, at any time, finally settle Solural Pharma ApS right for remuneration by payment of SEK 10 million. In H1-2020, services for a value of around SEK 0.6 million were acquired from Solural Pharma ApS.

In H1-2020, consulting services for a total value of around SEK 0.7 million was acquired from BGM Associates where Ascelia Pharma's board member Hans Maier is Managing Director.

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

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

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

Important estimations and judgements

Valuation of intangible assets

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

Capitalisation of development expenses

In H1-2020, 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, IFRS 9 Financial instruments and IFRS 16 Leases were implemented in the financial year 2018/2019. As the Group currently does not have revenue from contracts with customers, IFRS 15 does not presently impact the Group. Furthermore, IFRS 9 does not have any significant effect on the financial statements given the Group's current very limited exposure to credit risk as well as the absence of financial derivatives. Regarding IFRS 16, the financial impact is limited to an office lease (3-year contract) and two car leases.

Share-based incentive programs

Employee option program

Ascelia Pharma has implemented two employee option programs with individual terms and conditions. The parameter, which have the largest impact on the value of the options, is the publicly traded share price. The total recognised costs for the option programs in H1-2020 were SEK 0.3 milion.

Share saving program

Ascelia Pharma has implemented long-term incentive programme for employees in the form of a performance-based share saving programme. The parameter, which have the largest impact on the value of the programme, is the publicly traded share price. The total recognised costs for the share saving program in H1-2020 were SEK 1.1 million.

Notes

Definitions of alternative performance measures

Alternative performance measures	Definition	Aim
Operating results (TSEK)	Profit before financial items and tax.	The performance measure shows the company´s operational performance.
Research and development costs/Operating costs (%)	The research and development expenses in relation to total operating costs (consisting of the sum of administrative expenses, R&D, costs for commercial preparations and 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

	Q2 (Apr-Jun)		H1 (Jan-Jun)	
	2020	2019	2020	2019
R&D costs (SEK 000')	-17,799	-10,264	-31,479	-16,555
Administration costs (SEK 000')	-4,522	-4,184	-9,756	-9,607
Commercial preparation costs (SEK 000')	-6,168	–	-7,982	–
Other operating costs (SEK 000')	-417	-142	-706	-197
Total operating costs (SEK 000')	**-28,905**	**-14,590**	**-49,922**	**-26,359**
R&D costs/Operating costs (%)	**62%**	**70%**	**63%**	**63%**

Financial calendar

Interim report 9M (Jan-Sep 2020): 5 November 2020
Full-year report 2020: 16 February 2021

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