oncopeptides

ANNUAL REPORT 2019

Contents

The annual report in accordance with the Swedish Annual Accounts Act are included on pages 35-77 of this document.

Oncopeptides in brief

Develops targeted cancer treatments

- Proprietary peptide-conjugated compounds.
- Lead compound melflufen is a first-in-class anti-cancer peptide-drug conjugate in clinical development targeting multiple myeloma. Oncopeptides performs four clinical studies to position melflufen in the multiple myeloma market. Furthermore, a study, addressing AL-amyloidosis is also conducted.
- Based on Oncopeptide´s platform technology for the development of peptide-conjugated compounds, two new drug candidates are underway into clinical development.

Initial focus on relapsed-refractory multiple myeloma (RRMM)

- Significant market opportunity in an orphan indication.
- In 2019, the total multiple myeloma market amounted to USD 19 billion with strong growth. The RRMM market represented roughly USD 12 billion of the total market.
- Melflufen demonstrated good survival data for RRMM-patients in the Company's phase 2 study, O-12-M1.

Melflufen is an abbreviated form of the international non-proprietary name (INN) melphalan flufenamide, an investigational product not yet approved for commercial use in any market globally.

Application process for accelerated approval in the U.S. on its way

- The target is to use the final data from the phase 2 study HORIZON for a submission for accelerated approval in the U.S. during late H1 2020.
- The indication for the application is triple-class refractory multiple myeloma patients.

Two confirmatory phase 3 studies underway

- OCEAN – a phase 3 study including approximately 450 patients at 140 sites.
- Top line data from OCEAN will be presented during H2 2020.
- One additional phase 3-combination study called LIGHTHOUSE is planned to start 2020.

New indications and NCEs in development

- A phase 1/2 study addressing AL-amyloidosis is the first indication outside of multiple myeloma.
- The strategic ambition is to bring two clinical candidates into the clinic in 2020 and 2021 – OPD5 (transplantation) and OPS2 (various indications).

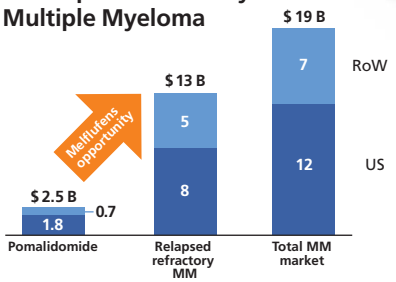
Strong financial position

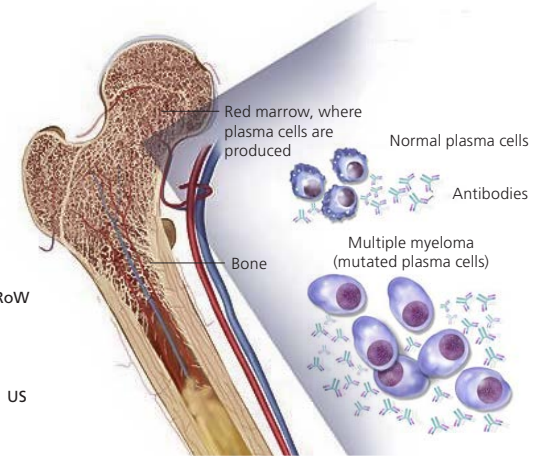
- Cash position of 926 MSEK at year end
- 8,826 shareholders at the end of 2019.

Seven analysts covering the company

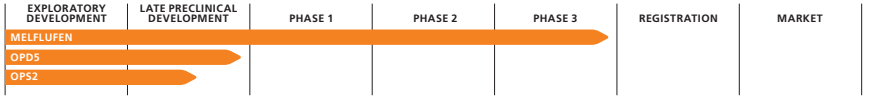
- ABG Sundal Collier, Carnegie, Cowen, DNB, Jefferies, Kempen and SEB.

Melflufen market opportunity in Relapsed Refractory Multiple Myeloma



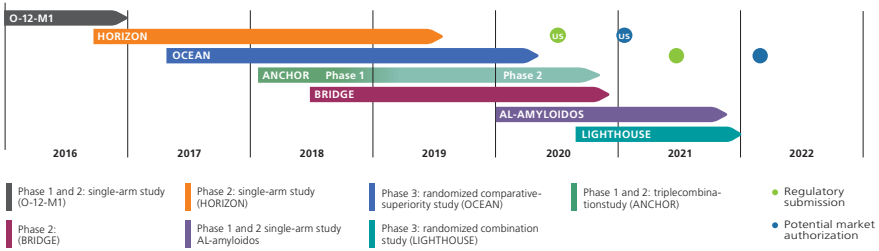


Oncopeptide's development portfolio of peptide-conjugated drug candidates

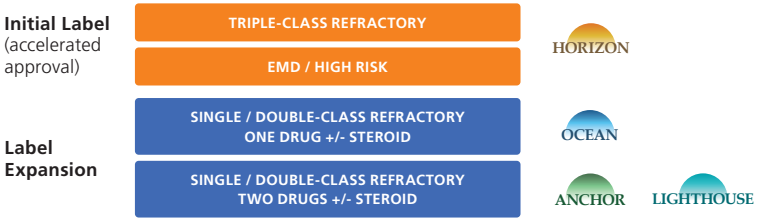


Melflufen in clinical development

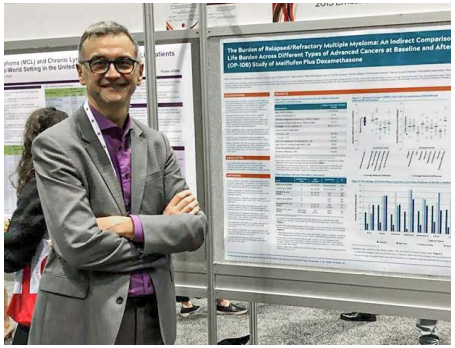
Provided a positive regulatory assessment, the clinical program will provide a broad set of data including its effect in different patient groups.



Label journey with current development program in myeloma



Year in brief



At the European Hematology Meeting (EHA) in Amsterdam, Oncopeptides presented new data.

Oncopeptides at the ASH Annual Meeting (American Society fo Hematology).

Q1

- Oncopeptides completed a directed share issue of SEK 546 M (USD 61 M) before issue costs in January.
- Oncopeptides presented data from its clinical studies HORIZON and ANCHOR at the AACR:s annual meeting.

Q2

- Melflufen was granted additional patent protection in the U.S. until 2033.
- In April, it was announced that the last patient in the OCEAN study is estimated to be enrolled during Q1 2020.
- In May, Oncopeptides announced the intention to apply for accelerated approval in the U.S.
- Oncopeptides presented new updated data from the phase 1/2 study, O-12-M1 at ASCO's 2019 Annual Meeting in the United States.
- At the European Hematology Meeting (EHA), Oncopeptides presented new data from the HORIZON study with melflufen and from the phase 1/2 combination study ANCHOR.
- In June, Oncopeptides resolved to make a directed share issue of SEK 727 M before issue costs (USD 78 M). The share issue was completed in July.

Q3

- In August, it was announced that Klaas Bakker, MD, PhD, was appointed as Chief Medical Officer and assumed his duties in early November.
- At the International Myeloma Workshop, new interim data from the HORIZON study in RRMM patients with extramedullary disease (EMD) were presented.
- At the end of September, it was announced that the patient recruitment in the pivotal phase 2 HORIZON study was completed.

Q4

- In early December, an advisory meeting was held with the FDA in preparation for Oncopeptides' application for accelerated market approval.
- At the annual American Society of Hematology meeting, Oncopeptides presented updated efficacy and safety data from the HORIZON study and promising data from the phase 2 combination ANCHOR study. Preclinical data regarding melflufen for AL amyloidosis was also presented at the meeting, which forms the basis for the clinical program that Oncopeptides is conducting.
- In the preparations for a potential launch in the United States, Joseph Horvat was appointed as President North America.
- At an Extraordinary General Meeting in December, it was resolved to issue warrants and to extend the board's authorization to issue shares.

Oncopeptides' goals for the coming years

Developing pharmaceuticals is a gradual and time-consuming process and after many years of dedicated work it is now time to reap the benefits. The companies development of targeted therapies for difficult-to-treat hematological diseases is based on the company's platform of peptide conjugated pharmaceuticals, with melflufen as the most advanced drug candidate. The platform has to date generated two new candidates for clinical development, OPD5 and OPS2, which will be ready for clinical studies in the end of 2020 and 2021 respectively.

The goal is to establish melflufen as a cornerstone for the treatment of relapsed-refractory multiple myeloma (RRMM). Melflufen is a first-in-class anti-cancer peptide-drug conjugate which has the potential to address several market segments for the treatment of patients suffering from multiple myeloma.

Oncopeptides' primary strategic motivation is to be able to develop and commercialize products proprietarily, in both Europe and North America. At the same time, the company is open to discussions with potential partners, provided that the partnership generates greater value for Oncopeptides compared to stand-alone commercialisation, thereby maximizing shareholder value.

As a result of this and the significant progress achieved during the past year, Oncopeptides' ambition for the coming years has increased significantly. The results of completed and ongoing studies show stable and favorable data and new clinical studies in both multiple myeloma and new indications have been initiated. Preclinical work aimed at developing peptide-conjugated pharmaceuticals based on the company's technological platform has progressed well, and the company now has new candidates ready for clinical development towards the end of 2020 and 2021.

Provided that Oncopeptides is successful in its interactions with the FDA, the company will obtain accelerated approval for melflufen in the U.S. in late 2020 or early 2021. This allows a commercial launch for treatment of triple-class refractory multiple myeloma patients based on data from the pivotal phase 2 HORIZON study. Assuming that the results of the phase 3 OCEAN study also displays positive data, this will broaden melflufen's market position in the U.S. and enable applications for marketing approval in Europe. In addition, the phase 3 combination LIGHTHOUSE study will then further increase the market potential for melflufen worldwide.

1. Submitting the application for accelerated approval in the U.S. based on the pivotal phase 2 HORIZON study for triple-class refractory multiple myeloma patients.
2. Launching melflufen in the U.S. for triple-class refractory multiple myeloma patients (HORIZON).
3. Expanding geographically, including in Europe, as it becomes possible to initiate earlier lines of therapy for RRMM patients (OCEAN).
4. Expanding and initiating earlier lines of therapy and combination treatments for RRMM patients (LIGHTHOUSE).
5. Broadening the indication base, beginning with the new disease area AL amyloidosis.
6. Bringing new molecules from the platform for peptide conjugated pharmaceuticals – OPD5 (transplantation) and OPS2 (various indications) – into clinical development.

CEO statement 2019

Reflecting on the financial year, I can confirm that we have now laid the foundation to become a commercial company. This has been made possible by the consistent positive clinical results that melflufen has displayed from various ongoing and completed studies.

2019 in summary

In our interactions with the U.S. Food and Drug Administration (FDA) during the year, we received a clearer picture of how our data can support us in our application for accelerated approval for melflufen in the U.S.

This accelerated approval submission effort has been constructive and stimulating but has also imposed major requirements on our organization in order to prepare for a potential launch earlier than originally planned. None of this would have been possible without the support of treating physicians, participating patients, co-workers and shareholders. Our focus is now aimed at further developing Oncopeptides to provide melflufen with the strongest possible foundation in order to establish melflufen as a cornerstone in the treatment of relapsed-refractory multiple myeloma (RRMM). In parallel to this, we are also evaluating new molecules in our preclinical portfolio that will allow us to fully explore the potential patient benefits of the peptide-drug conjugate platform across several indications going forward.

Important milestones reached in HORIZON and OCEAN

On March 26, 2020, we presented the final top-line results of our HORIZON study, which showed competitive and encouraging overall response rate (ORR) of 26 % in triple-class refractory myeloma patients. This represents the most important milestone for Oncopeptides to date. These results will form the basis of our application for accelerated approval, which we are currently preparing and plan to submit to the FDA at the end of Q2 2020.

We announced on March 20 that the recruitment of our OCEAN study is in the final stage, with 423 recruited patients out of a total of 450 planned. This number of patients is sufficient to achieve the study's final measure requiring 339 progression events. The results of the study will be evaluated when 339 patients have relapsed in their disease (“progression”). Top-line results from OCEAN are expected to be presented in late 2020. Assuming we have a positive outcome in the study, preparations for the marketing approval submission process will begin immediately thereafter. Consequently, we aim to submit a registration application based on OCEAN data in 2021.

Additional studies commenced

We are also prepared for the initiation of new clinical studies during the year. LIGHTHOUSE, our second phase 3 study, was initially planned to be initiated in H1 2020, but due to the COVID-19 pandemic the initiation is now planned for H2 2020. The goal of LIGHTHOUSE is to show that the combination of melflufen together with daratumumab over only daratumumab. This study will enrol approximately 170 RRMM patients.

At the end of 2019, the first clinic opened in our phase 1/2 study in AL amyloidosis, and will include around 40 patients. The study has been paused due to the COVID-19 pandemic.

We now have five ongoing/paused clinical studies in total, four of which are focused on evaluating the treatment of patients with RRMM. This represents a major investment that enables, assuming continued positive clinical data, that melflufen could become a cornerstone in the treatment of RRMM.

Regulatory way forward

Our two phase 3 studies, OCEAN and LIGHTHOUSE, are of great strategic value. Not only from a regulatory perspective, but also when it comes to market positioning and market approval, both in the U.S. and in the rest of the world.

The phase 3 OCEAN study is expected to lay the foundation for an application to extend melflufen's label during Q2 2021. This application could act as a confirmatory study for a potential accelerated approval based on the HORIZON study. A label extension into RRMM patients with only single-class refractory disease (compared with a potential accelerated approval for the treatment of RRMM patients with triple-class refractory disease). OCEAN could also act as the basis for independent applications for market authorization in additional geographical markets, including Europe.

The pivotal phase 3 LIGHTHOUSE study is designed to extend the label for melflufen even further. The study can act as a confirmatory study for a potential accelerated approval in the U.S. and will – assuming a positive study result – enable melflufen to become approved in combination treatment with daratumumab for RRMM patients in several geographies.

More study results presented

We participated in many scientific conferences during the year and presented clinical data from HORIZON, ANCHOR and preclinical data for AL amyloidosis. We are receiving an increased positive reception of data, as a growing group of doctors and researchers in recent years have come to know melflufen and its properties. Attending scientific conferences is an important activity in which we will continue to invest our time in order to spread knowledge about melflufen and its profile.

Operational development – the importance of achieving critical mass

At the start of the year, we had 47 co-workers, six of whom were based in the U.S. During the year, we expanded our most resource-intensive functions in order to be able to conduct more clinical studies and regulatory work. We also initiated a small-scale expansion in the U.S. by employing several specialists. By the end of 2019, we had 88 co-workers, 16 of whom were based in the U.S., where we now have offices in both Boston and outside San Francisco. In preparation for a potential launch, the U.S. operations will be further expanded during the year and a sales organization will ultimately be added.

Going forward in 2020

As always, the company is facing many opportunities and challenges. We have gone from clarity to clarity with melflufen in a short time span. Given the current pace of change, it is vital that we set the right priorities to achieve the greatest possible success. In the near future, our main focus will be on completing the application for accelerated approval in the U.S. and launch preparations in the U.S. and at our head office in Stockholm. We have a growing organization that is working in an organized and determined manner to leverage the opportunities we have identified. It is important that this work is carried out thoroughly to give us the opportunity to create added value for patients and, as a result, other stakeholder groups.

2020 will mark Oncopeptides' transformation into a commercial company, and our ambition is to be ready when required. The work involved in this process will be both stimulating and challenging not least in light of the situation that arose as a result of the COVID-19 pandemic. The safety and well-being of our patients continues to be our top priority and we will continue to take appropriate actions if need be to ensure their safety. We are fortunate that the pandemic doesn't slow down our application process for accelerated approval in the U.S. based on our pivotal HORIZON study. We are equally fortunate that recruitment in OCEAN has remained relatively strong. Patient recruitment continues but a slight delay in the overall study results can be expected. In most of our other studies, we have put enrolment of new patients on a temporary pause, not to burden the health care systems in these exceptional times while the treatment of all patients currently participating in these clinical studies continues.

We have several significant milestones ahead of us, including the completion of the application for market approval based on the HORIZON study, the potential market launch that can be expected around the end of the year or early 2021 and the study result from OCEAN.

In conclusion, I would like to thank the physicians, clinics and staff who are committed to developing melflufen and thus Oncopeptides. Your hard work in 2019 has made a difference for patients, which is our mission.

Stockholm, April 2020
Jakob Lindberg, CEO Oncopeptides

Melflufen and the technology platform

Since the IPO Oncopeptides has focused its communication on melflufen and not described its efforts in preclinical research much – if at all. Behind the scenes, the company has continued its work on the technology platform, which has been continuously developed. This has to date resulted in two new peptide-drug conjugate candidates that can enter the clinical setting in late 2020 and 2021. With the preclinical organization, the company expects to continue to develop new innovative clinical candidates on a regular basis going forward.

A solid research foundation allows us to focus on cancer in its various forms

The strength of the company's research lies in the technology platform and collaborations with leading research centers around the globe.

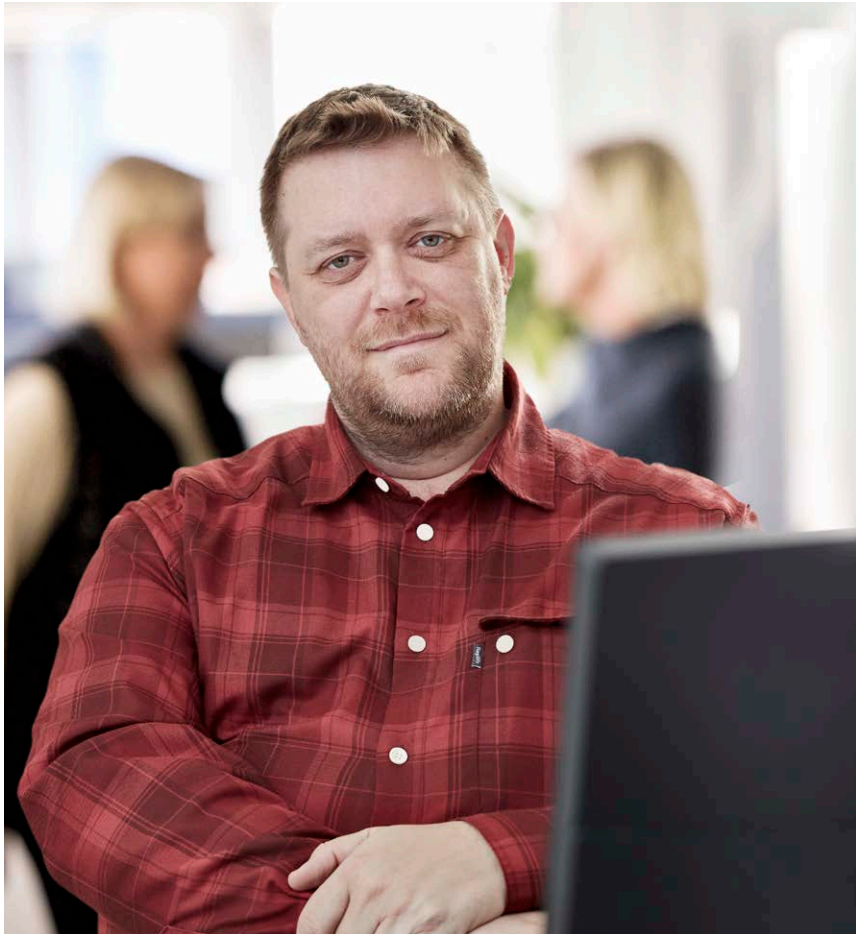
The core of the company´s competence lies in inducing molecules to selectively concentrate in tumour cells, often by benefiting from the tumour's inherent differences in comparison to normal cells.

The technology platform: Peptide-drug conjugates – or PDCs

The peptide-drug conjugate platform allows Oncopeptides to concentrate a toxin in cancer cells by exploiting the difference in peptidase activity (and to some extent also esterase activity) between cancer cells and normal cells. By doing this, the company delivers more and different cytotoxic activity to the cancer cells while protecting the healthy cells.

New drug candidates for potential new indications

Over the past years, Oncopeptides has developed various drug candidates from its PDC platform. The ambition is to shortly initiate clinical evaluation of the next molecule, OPD5, in the area of bone marrow transplantation. The company hopes to be able to initiate clinical studies before the end of 2020. Following this, it expects to be ready to clinically evaluate the next molecule, OPS2, in 2021. OPS2 is currently being evaluated in various preclinical disease models, primarily non-Hodgkin's lymphoma, acute myeloid leukemia and triple negative breast cancer.



"A solid research foundation allows us to focus on cancer in its various forms.

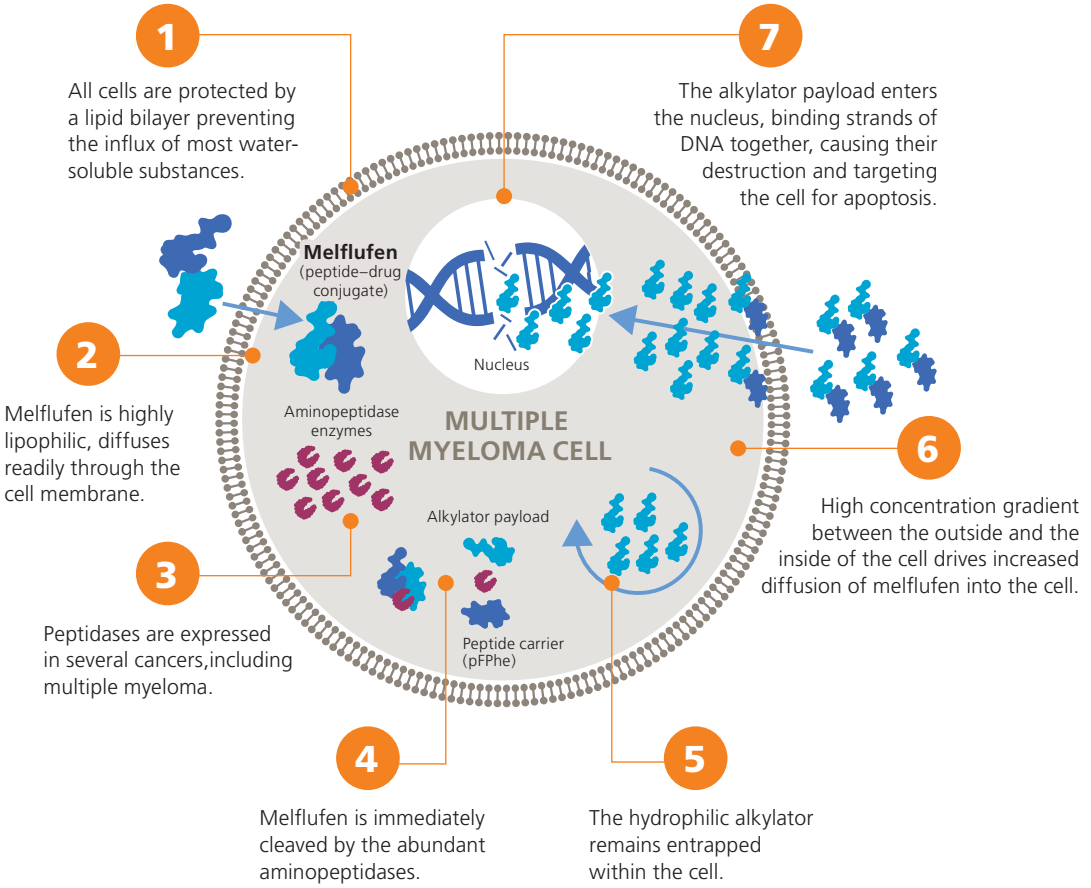
Fredrik Lehmann, Head of Research and CMC

Melflufen is a first-in-class anti-cancer peptide-drug conjugate in clinical development

Uses peptidase activity to target myeloma cell

Melflufen is a first-in-class anti-cancer peptide-drug conjugate candidate that rapidly delivers a cytotoxic payload into tumour cells. Melflufen is rapidly taken up by myeloma cells due to its high lipophilicity and is immediately cleaved by peptidases to deliver an entrapped hydrophilic alkylator payload. Peptidases play a key role in protein homeostasis and feature in cellular processes such as cell-cycle progression and programmed cell death. In vitro, melflufen is 50-fold more potent in myeloma cells than the alkylator payload itself due to the increased intracellular alkylator concentration. Melflufen displays cytotoxic activity against myeloma cell lines resistant to other treatments, including alkylators, and has also demonstrated inhibition of DNA repair induction and angiogenesis in preclinical studies.

Melflufen is an abbreviated form of the international non-proprietary name (INN) melphalan flufenamide, an investigational product not yet approved for commercial use in any market globally.



Chauhan D, et al. Clin Cancer Res 2013;19(11):3019-3031; Wickström M, et al. Invest New Drugs 2008;26(3):195-204; Ray A, et al. Br J Haematol 2016;174(3):397-409; 4. Strese S, et al. Biochem Pharmacol 2013;86(7):888-895; Wickström M, et al. Oncotarget 2017; 8(39):66641-66655.

A growing organization

Oncopeptides is experiencing a rapid growth of its organization and is expanding the operations with further specialists. Preparations for a potential market launch of melflufen in the United States have recently begun.

During the year, Oncopeptides has grown in both Europe and the United States to 88 co-workers, of which 72 are in Europe, most of them in Stockholm, and 16 in the U.S. Including consultants, the organization had a staff of 110 at the beginning of 2020.

The headquarters in Stockholm expanded the space at the beginning of 2020 allowing additional co-workers.

Diversity and equality are given

All employees are recognized as equal. In order to reach the business targets, the company strives to establish a staff of broad competence and experience. Diversity is considered a success factor in a global environment, where customers and suppliers are to be found in different markets with different cultural backgrounds.

Further need of recruitment

Oncopeptides strives to be an organization taking its responsibility by providing long-term sustainable products and services. This means that all members of the staff must have appropriate competence in order to be able to deliver and fulfil the mutual targets.

During the year, the company was able to attract additional experienced expertise in the various functions required in drug development, such as clinical development, quality control and regulatory expertise. Several recruitments have been reached through the current staff's professional network. The company also uses recruitment consultants and place job ads on the website.

A continued organizational growth is needed in order to be able to launch melflufen in the U.S. given a marketing approval of late 2020 or early 2021. The competence needs are in all areas of expertise, such as clinical development, sales analytics, medical science, compliance, supply chain, marketing and administration.

Leadership supply

As the organization grows, the need of an expanded management also increases, which is why a number of management positions have been created. Recruitment of these takes place both internally and externally.

Introduction

New staff members are introduced through the on-boarding program with introduction to colleagues and how Oncopeptides works. New employees also meet and are presented company facts by members of the management team. All new employees also take part of the company's code of conduct, various processes and policies.

Work and health

Employee benefits vary depending on the place of employment. In Sweden, employees have healthcare insurance, receive health care grants and are encouraged to engage in activities that promote physical health.

A flexible and open-minded culture

With a clear and common target to launch the drug candidate melflufen, Oncopeptides places great demands on the commitment, team spirit and competence of its employees. This also means that Oncopeptides' management actively has to put an extra effort on retaining and motivating all employees.

Oncopeptides corporate culture can be described as flexible and open minded. The company has a diversity of nationalities and a gender balance. The culture is characterized by international collaboration, with English as the common language. The rapid organizational growth creates a positive entrepreneurial spirit where everyone has the opportunity to participate and shape their role and the organization.

Important with social activities

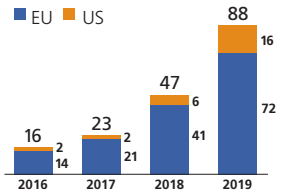
The staff is crucial in achieving the company's targets. Therefore, it is of the utmost importance having a good working environment where the employees can thrive and contribute going forward. Oncopeptides does its best to create a good workplace both physically and psychosocially.

And of course, Oncopeptides makes sure to celebrate when progress has been made. A shared breakfast is held every Friday morning, giving all employees the opportunity to meet and socialize outside their regular duties.

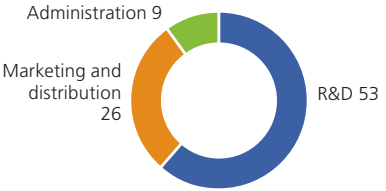
Allocation of employee stock options

In addition to current industry standard remuneration, all employees are also offered to take part in the offer to subscribe for employee stock options. Allocation is made annually, decided by the Board.

Co-workers



Personnel distribution



Distribution of women/men

The U.S. Market Offers Great Opportunities for Oncopeptides

Oncopeptides has advanced on its commitment to expand its opportunities in the United States. In 2019, the company started to expand its operations to prepare for a launch of melflufen on the U.S. market. A focused field presence and marketing capabilities is a prerequisite for commercialization in the U.S. Building the infrastructure necessary to support the successful launch and marketing of melflufen has recently begun. Preparations for a potential market approval in the U.S. are progressing quickly as efforts were initiated to recruit a high-performing leadership team.

Offices in San Fransisco and in Boston

Presently, the company has two locations in the U.S.: One in the bay area in California and the U.S. headquarters that recently has been moved to a larger premises in Boston, Massachusetts. Both locations represent expanding life science hubs with deep and large talent pools to tap into. With the Oncopeptides Group headquarters in Stockholm, Oncopeptides covers all the crucial time zones of its operations.

A team in place

In December 2019, Joseph Horvat was hired as President North America and CEO of Oncopeptides, Inc. Joseph has more than 23 years of pharmaceutical and biotech industry experience and a thorough understanding of patients, customers, U.S. payors and access issues.

"This is an exciting time for Oncopeptides as it transforms from a research organization to a commercial company. I love that we're identifying new ways to create improved treatment solutions, with the hope of bringing novel therapies to better the lives of patients. The passion, commitment and inspiration of the team has created a fantastic culture of collaboration and respect with a performance mind-set. It's one of the reasons I joined the company," said Joseph Horvat. "Here in the United States, we're looking at a sizeable market that is eager to bring patients an option that offers overall response rate, an improved duration of treatment and fewer side-effects. We'll have a team in place to help bring melflufen to all appropriate patients. We expect that melflufen will become a new treatment backbone for relapsed refractory multiple myeloma."

Over the course of 2019, the Oncopeptides U.S. organization grew from six to 16 co-workers and will continue to grow significantly in 2020, both in Boston and San Francisco.

"We are preparing for a potential launch of melflufen in the US and our organization will grow significantly in 2020.

Joseph Horvat, President North America

Sustainability in a regulated environment

As a pharmaceutical drug developer, Oncopeptides' mission in the society is to develop life-enhancing drugs that meet the patient's tangible need. The development of new drugs is surrounded by numerous regulations from authorities and other institutions. Out of the UN's 17 sustainable development goals (SDGs), Goal 3 – Good health and wellbeing – is the most important sustainability issue that the company can contribute to.

In addition to Goal 3, the company has a further number of other significant sustainability issues that affect its daily operations. The scope is broad with, among other things, ethics and security in clinical studies, creating responsible and ethical marketing, compliance with laws and regulations, anti-corruption and bribery, human rights and promoting sustainable approaches.

A regulated environment to ensure the patient's safety

Oncopeptides operates in a highly regulated environment and has a responsibility to follow the prevailing medical ethics. The highest authorities, that are most closely monitoring that Oncopeptides meets the drug development and management requirements, are the FDA in the United States, and the EMA, the European Medicines Agency, in Europe.

Drug studies are also regulated by other bodies, such as the International Council for the Harmonization of Technical Requirements for Pharmaceuticals for Human Use. This is an initiative that brings together regulatory authorities and the pharmaceutical industry to discuss scientific and technical aspects of drug development and registration.

Great importance is given to the patient's safety and integrity. The company must take into account a number of regulated areas in the value chain, such as development, clinical studies and drug management. A number of accepted practice areas regulate operations, such as Good Pharmacovigilance Practices (GVP) for the safety and minimization of side effects, Good Clinical Practice (GCP), a quality standard for conducting clinical studies, Good Manufacturing Practice (GMP) for safe manufacturing and sales and Good Distribution Practice (GDP), which regulates distribution from manufacturing to patient.

Requirements for suppliers and partners

Oncopeptides has high demands on the suppliers' and partners' ability in sustainability, code of conduct and quality. According to the manufacturing practice, GMP, the company must carry out regular audits to ensure that suppliers comply with the pharmaceutical industry's quality standards and good manufacturing practices.

Access

The goal is to make melflufen accessible to all those suffering from multiple myeloma. The company is initially seeking drug approval in the U.S. followed by Europe. The availability of drugs is governed by the balance between the accepted price level by the paying parties and the market's commercial terms, a business logic that dominates among pharmaceutical companies. In Oncopeptides' case, the capital market and/or partners are providing financing, which thus enables development and clinical studies to be conducted.

Code of conduct

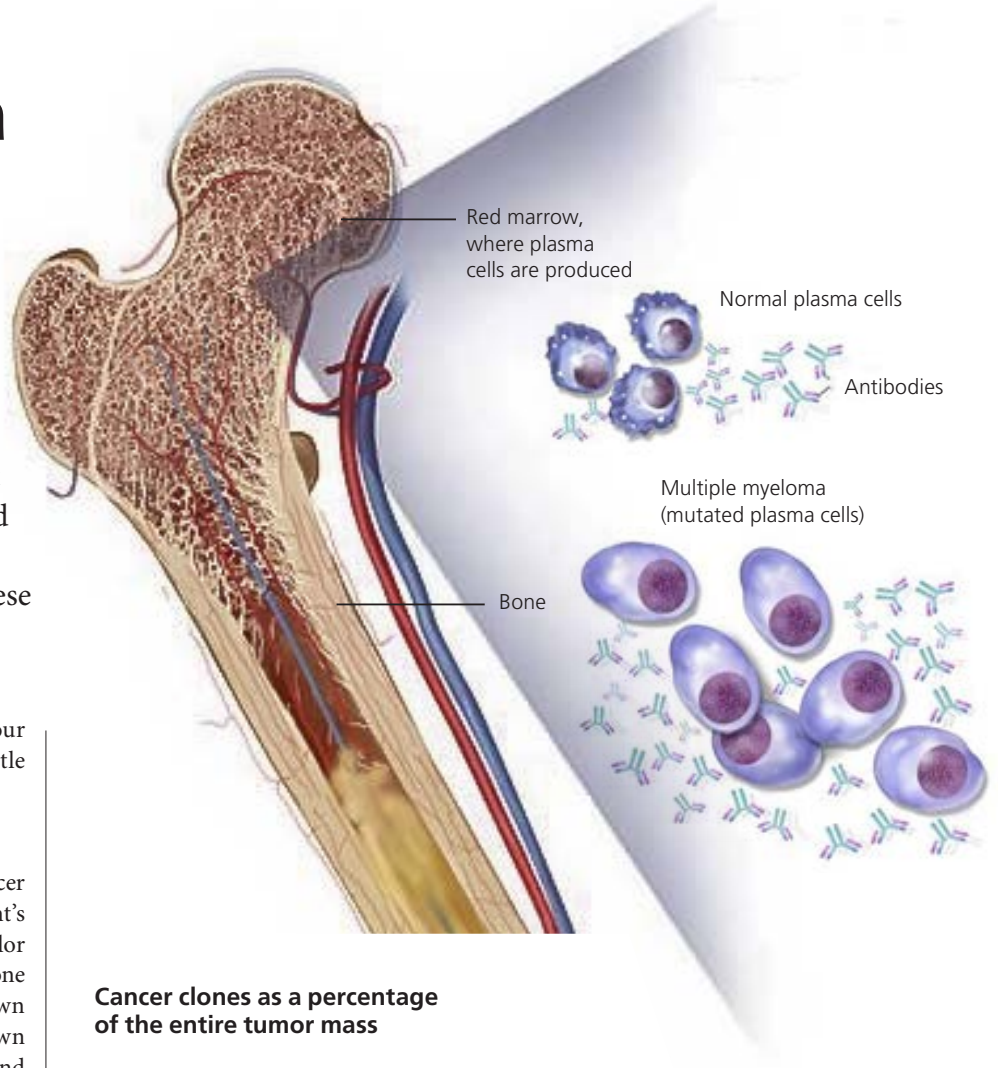
Oncopeptides agrees with the UN Global Compact, which is based on the ILO's core conventions and the OECD guidelines for multinational companies. Behaving ethically, correctly and respectfully is a matter of course. A code of conduct has been adopted to describe the general ethical principles and clarifies the approach expected of the employees. The Code of Conduct is also based on the UN Universal Declaration of Human Rights.

Environmental policy

The company's Board of Directors has adopted two separate policies, which includes an information and an environmental policy, that all employees must take note of and follow.

About multiple myeloma – a cancer of the blood and the bone marrow

In the bone marrow red blood cells are produced to supply the body with oxygen, white blood cells to fight infections, and platelets to enable the blood to clot when bleeding. Some of the white blood cells are known as plasma cells and represent one of the most important components of the body's immune system. They are tasked with producing antibodies that help us to defend ourselves against infections. The cancer known as multiple myeloma occurs when these cells mutate into tumour cells and begin to divide uncontrollably.



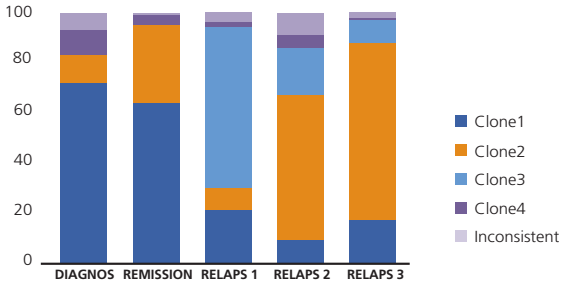
Multiple myeloma is an incurable cancer of the blood and the bone marrow. Currently, patients survive on an average of just over five years from diagnosis, but with a trend towards longer life span. Treatment is slowly improving over time through the development and use of new classes of drugs. Today, there is a good chance that Oncopeptides can improve the average survival of a myeloma patient with new treatments such as melflufen.

The growth of myeloma cells causes the rest of the bone marrow to be crowded out of the marrow compartments of the skeleton. The body then tries to compensate for the decline in bone marrow by creating more space through the decalcification of the bone around the bone marrow, resulting in general osteoporosis and the dissolution of bone tissue. However, the tumour continues to grow until there is too little bone marrow left to sustain life.

Cancer changes its form over time

The graph to the right shows how the cancer changes over time between the patient's various courses of treatment. Each color represents a cancer clone. Each cancer clone is a separate type of cancer cell with its own protein expression pattern and its own mutations. Since different clones respond differently to therapy, a patient's cancer profile changes radically from diagnosis to later phases of the disease. Since the clones that survive are the ones that best resist treatment, the disease becomes increasingly aggressive and difficult to treat. This results in increased resistance to treatments over time, thus requiring that the form of therapy the patient receives is changed.

Cancer clones as a percentage of the entire tumor mass



The myeloma patient

To understand the multiple myeloma drug market, it is important to look at the disease's progression from the perspective of the patient.

A myeloma patient can be a younger individual but is on average around 70 years of age. It is important to understand that how each patient responds to treatment varies considerably and is highly individual.

In the graph below, a normal curve of the survival rate is compared to that of a myeloma patient in a simplified way. The shaded area, called the medical need, shows the need for new treatments in order to reach a normal curve of survival rate.

Over the past 15 years, several new pharmaceuticals have been launched, thereby improving the treatment results nearly twofold. This has increased the average survival rate from three to about five years with a continued positive trend in increased life expectancy for these patients. Unfortunately, there is still no cure for this disease.

The disease timeline varies depending on the patient, their status and their genetic make-up

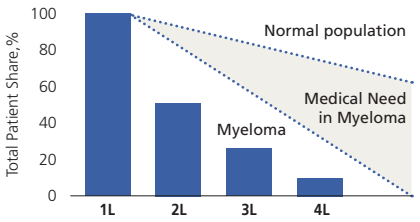
When a patient with multiple myeloma is diagnosed, treatment – which is typically very effective to begin with – commences immediately. The type of treatment chosen depends on several different factors, the most important being age, general health and comorbidities. Treatment is provided with the aim of eradicating as many myeloma cells as possible. Patients in good general health may also be offered bone-marrow transplantation as a therapy component.

The duration between treatments varies considerably between patients – from months to several years in certain cases. Each time a patient relapses, the therapeutic options are somewhat less effective, due to the clonal selection described on the previous page. Although patients who are treated for multiple myeloma will have periods without symptoms, relapses are inevitable, since the disease develops a resistance to the drugs that are given.

Treatment options

The table below shows how dire the prognosis becomes for a patient that reaches the phase of relapsed and refractory multiple myeloma. This occurs when a patient suffers from extensive tumour growth while on therapy, within 60 days after a completed therapy or does not respond to a therapy at all. For some patients, this event

Patients by Line of Therapy – U.S.



Source: Kantar Health 2019

Overview of patient segments and clinical results

PATIENT SEGMENT	MEDIAN PFS*	MEDIAN OS*	ORR*	MEDIAN DOR*
Newly diagnosed	20–50 months	5 years	70–100%	20–50 months
Relapsed and relapsed refractory (RRMM)	15–50 months	3 years	60–90%	15–50 months
Late-stage relapsed refractory	3–4 months	1–1.5 years	20–30%	7–8 months
Triple-refractory	2–3 months	~ 9 months	~ 20%	~ 5 months

Source: Published clinical data and internal analysis. * For definitions, refer to glossary on page 32.

Multiple myeloma in brief

- Multiple myeloma (MM) is an incurable form of blood cancer.
- The prerequisites for a good response to treatment vary considerably based on the patient's age, health and genetics, as well as other indiscriminate factors.
- The time it takes the patient to respond to treatment and the length of the disease-free period are longer at the beginning of the disease timeline (newly diagnosed) and become shorter as the cancer changes form, which occurs in pace with the duration of the disease (various lines of therapy).
- Patients are treated with pharmaceuticals from the four established pharmaceutical classes, each of which currently include various drugs. These drugs may or may not possess synergistic properties.
- Today, patients are treated with several pharmaceuticals early in the disease timeline. Sooner or later, however, patients develop resistance to the treatment, pharmaceuticals and/or pharmaceutical class.
- While patients can become resistant to the treatment at different points in time. It is vital to identify which pharmaceutical class the patient has become resistant to in order to continue to find forms of treatment that the patient can cope with and respond to.
- The side effects of treatment vary depending on the patient's status. Typically, the patient becomes more fragile and sensitive after several treatments.
- The demand for drugs with new modes of action, such as melflufen, is rapidly increasing.

occurs after only a few lines of therapy, and for others much later. This event in itself is very unfortunate for the patient, regardless of the time since diagnosis, and this is a patient group with considerable medical needs and few effective remaining treatment options.

Treating multiple myeloma in its different stages

The timeline of multiple myeloma is divided into different stages or segments, depending on where a patient is along the disease progression timeline (see the table on the previous page). It is important to emphasize that there is no direct correlation to "when" for each of these segments. The timeline depends on the individual patient's response to treatment. Therapy is changed by switching drugs and pharmaceutical classes, as the patient ceases to respond to ongoing and previous treatments. The one common denominator is that the disease always comes back.

Four segments

Today, there are primarily four segments used to describe the timeline for myeloma, with the first being "Newly diagnosed", the second being "Relapsed" (RMM), the third being "Relapsed refractory" (RRMM) and the fourth being "Late-stage relapsed refractory" (late-stage RRMM). The illustration to the right presents an overview of these stages. Triple class refractory patients are patients in late-stage RRMM. These are patients who have stopped responding to at least three classes of therapies, resulting in a very poor prognosis since there are very few remaining new treatment options.

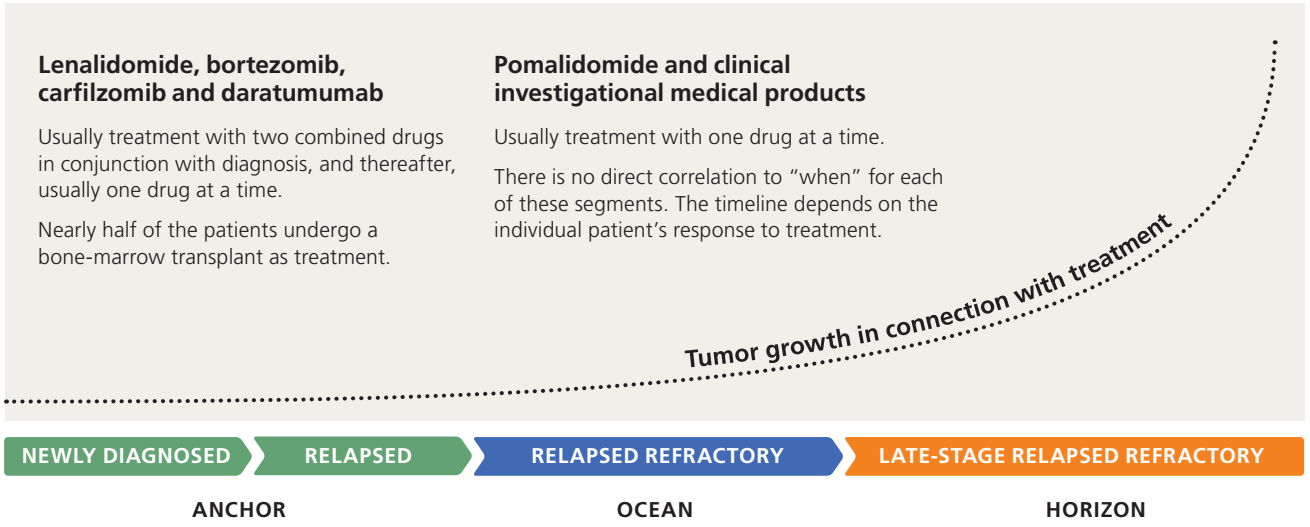
Treatment process

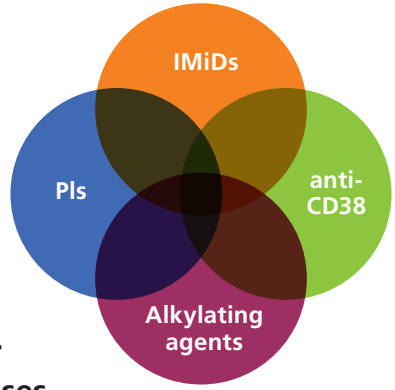
Multiple myeloma is treated both with singular drugs as in the case of monotherapy, or if possible, with a combination of several drugs. Newly diagnosed multiple myeloma patients are usually treated with a steroid combined with two drugs from different pharmaceutical classes. In some cases, an alkylator drug may be used at high dosage in conjunction with stem-cell transplantation. Later-stage therapies mostly involve one drug plus a steroid. Each time the patient relapses, the risk that the patient will develop resistance increases and relapses become more frequent. Ultimately, the patient will relapse while undergoing treatment or close to completing treatment.

Broad-spectrum agents – the backbone of myeloma therapy

As the disease consists of several clones, or in other words is heterogeneous, the use of broad-spectrum agents, such as antibody drugs, alkylators, immunomodulators and proteasome inhibitors as shown in the figure on the next page (for definitions refer to the glossary), are the backbone of myeloma therapy.

Targeted antibody treatments, which comprise the fourth class, will be used almost exclusively in combination with several different broad-spectrum agents to ensure that all the patient's myeloma cells are appropriately treated. Nevertheless, this pharmaceutical class is quickly growing in value due to its use in earlier lines of therapy. Immuno-oncological compounds have so far had limited success in the treatment of multiple myeloma. However, broad-spectrum agents remain the dominant treatment option in terms of both volume and value and continue to show robust growth.





Multiple myeloma is mainly treated with drugs from four different pharmaceutical classes

Antibody drug

Antibody drugs that are used for the treatment of multiple myeloma consist of monoclonal antibodies. Monoclonal antibodies are proteins that are designed to identify and bind to specific cell receptors in the body. In the treatment of multiple myeloma, these proteins bind to specific receptors on cancer cells, enabling the immune system to kill them.

Alkylators

Alkylators are a form of cytotoxins that kill cancer cells and thereby reduce or impede the continued growth of tumors in an efficient way. Melflufen is a first-in-class anti-cancer peptide-drug conjugate that rapidly delivers an alkylating payload into tumor cells.

Immunomodulatory drugs (IMiDs)

IMiDs (or immunomodulatory drugs) are derivatives of thalidomide and have an effect on many different systems in the body. IMiDs inhibit myeloma cells from dividing and also stimulate the body's immune system to target the cancer cells directly.

Proteasome inhibitors (PIs)

PIs (or proteasome inhibitors) impact cancer cell function and growth. The proteasome is a system within cells that degrades old, damaged or superfluous proteins. Myeloma cells usually contain large amounts of these proteins compared with healthy cells, and proteasome inhibitors can prevent the breakdown of these proteins in cancer cells, which leads to cancer cell killing.

The multiple myeloma market

The number of patients with multiple myeloma is increasing as the population ages. Roughly 250,000 patients are living with multiple myeloma in Europe and the U.S., while 80,000 patients are newly diagnosed and 44,000 patients die from the disease annually.* The number of patients diagnosed with multiple myeloma is growing by nearly one percent per year, mainly due to an aging population. There is no cure for the disease, but long disease-free periods can be attained through treatment using several different pharmaceutical classes.

More treatment early in the disease timeline

The number of patients with multiple myeloma who have undergone several lines of therapy has increased dramatically, and this growth is expected to continue. This development is attributable to changes in treatment algorithms over the past few years, with patients now treated with more pharmaceuticals early in their disease. Multiple myeloma remains incurable, despite therapeutic advancements. This means that more patients than ever are living with the disease and are becoming multi-resistant, with a significant need for additional treatment options. The figure below illustrates how patient growth in the U.S. has developed by line of therapy, comparing 2016 to 2019.

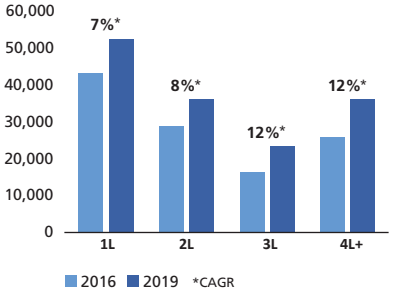
The basis of treatment today

Multiple myeloma is mainly treated with drugs from four different pharmaceutical classes, as shown in the figure on page 15. The basis of all treatments is steroids. A combination of an IMiD and a proteasome inhibitor (PI) is frequently used for newly diagnosed patients.

At present, the various classes may consist of several different approved drugs. Within each class, the existing drugs largely share the same mode of action and resistance mechanism, which means that the value for patients lies squarely in the pharmaceutical class and not in the individual drug. If a patient stops responding – or has responded poorly – to treatment using a drug from one particular class, the patient will likely also respond poorly to treatment using the other drugs in the same class of pharmaceuticals. This phenomenon is called resistance development. Another problem is that other diseases associated with myeloma (so called co-morbidities) limit the use of several drugs for myeloma treatment. The most frequent problems are renal failure, cardiovascular disease and peripheral neuropathy.

* NCI SEER and WHO Globocan

Improved outcomes lead to fast growth in number of treated patients in later lines of therapy



Source: Intrinsiq december 2018, MAT
Note: 3-year annual growth rate for 2015 -2018

Broad-spectrum agents used in nine out of ten myeloma therapies*

MODALITY	PHARMACEUTICAL DRUGS	GROWTH IN TREATED PATIENTS IN THE US, 2017/2018	% OF TREATED PATIENTS IN THE US, 2018*
Broad-spectrum agents			
Alkylating agents	Bendamustine, cyclophosphamide and melphalan	+7% (2018, 2019)	88%
Immunomodulators (IMid:s)	Lenalidomide, pomalidomide and thalidomide		
Proteasome inhibitors (PI)	Bortezomib, carfilzomib and ixazomib		
Steroids	Dexamethasone and prednisone		
Targeted agents			
anti-CD38	Daratumumab	+26% (2018, 2019)	23%
anti-SLAMF7	Elotuzumab		

*Excluding steroids Source: Annual reports from Global Data, internal analysis and IntrinsiQ.

Lack of alternatives

The rapid development of resistance in myeloma and its associated diseases means that the majority of myeloma patients will lack treatment alternatives upon completing their second line of therapy. This is reflected in a fragmented pharmaceutical market by the time the first line of therapy is completed. Physicians try to use other drugs from pharmaceutical classes that the patient has already built a resistance to in an attempt to control the disease, which yields varying results.

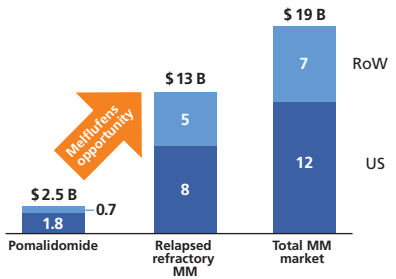
Rapidly growing market in the U.S.

The global market for myeloma drugs amounted to USD 19 billion in 2019. Of this amount, USD 6 billion concerned first line treatment, where Revlimid (Lenalidomide), an IMiD sold by Bristol-Myers Squibb, and Velcade (Bortezomib), a PI sold by Takeda, are the predominant products. The market for the treatment of myeloma patients after the first line of therapy totalled USD 13 billion.

Along with new drug launches, the growing number of patients in later lines of therapy is expected to continue to increase the overall number of patients treated, and therefore also the value of the market. Prevailing prognoses from various analysts indicate that the market will grow to USD 23 billion by 2024. This includes several significant products, such as Pomalyst (Pomalidomide), which is also an IMiD sold by Bristol-Myers Squibb, Darzalex (Daratumumab), a monoclonal antibody, and anti-CD38, an inhibitor sold by Janssen. Other proteasome inhibitors including Kyprolis (Carfilzomib) sold by AMGEN and Ninlaro (Ixazomib) sold by Takeda are significant products that are used after the first line of therapy.

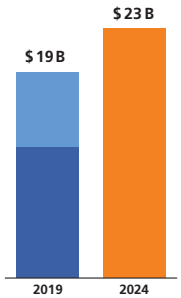
Melflufen opportunity in Relapsed Refractory Multiple Myeloma

2019 Multiple Myeloma Net Sales Breakdown



Source: EvaluatePharma, Intrinsiq, company analysis

Growth in the world 2019–2024



Resistance and line of therapy

In order to analyze market data and be able to form an opinion of the market, it is important to distinguish between resistance and line of therapy. A patient undergoing therapy today can already become resistant to the two primary classes of pharmaceuticals, namely IMiDs and PIs, after the first line of therapy. If they also have been treated with an anti-CD38 inhibitor, these patients are classed as triple-class resistant (refractory) patients. This naturally varies based on the patient and their response to therapy, which has laid the foundation for highly personalized therapy after the first line based on the outcome of the therapy. Consequently, it is important to carefully assess the resistance status of an individual patient rather than which line of therapy the patient has undergone in order to assess the market potential for a pharmaceutical with a particular treatment label. The market is extremely fragmented.

Market growth in the U.S. driven by longer treatment time

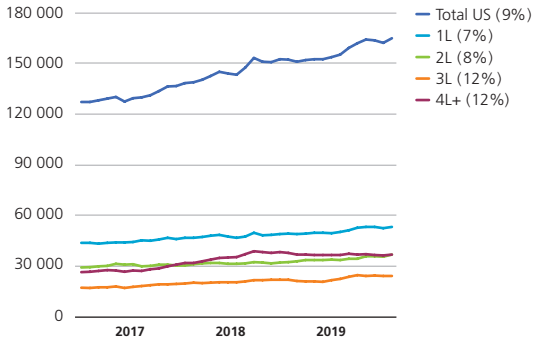
In the U.S. market, growth of patients treated in the second or later lines of therapy is higher than in the first line. This applies to the number of patients treated. The value of the treatment, in turn, is connected to the number of treatment cycles carried out in the various lines, which is connected to the degree of resistance and the patient's health status. To simplify this, we can say that a newly diagnosed patient undergoes 12 treatment cycles or more, while a triple class refractory patient undergoes perhaps four to six cycles.

In the U.S., the bulk of growth has historically occurred in the number of patients treated in the second or later lines of therapy. It is also important to understand that new products are a supplement to existing ones, and that all products help to broaden the number of tools that can be used by doctors over the long term. The share of patients treated with Revlimid and Velcade, the predominant products used in first line therapy, has been stable over the past three years, during which time the treatment algorithm has been changed.

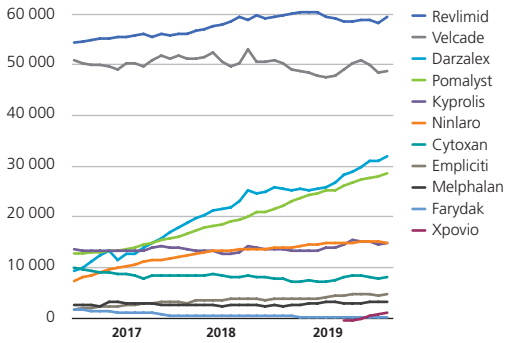
However, the growth in the market is the result of newer products. This is logical given that they represent a new addition to the therapy arsenal, but also because some products belong to new classes of pharmaceuticals or have a new mode of action, thereby providing the patient with extra benefits assuming that they respond to treatment.

The figures below provide a graphical representation of these facts, showing that second or later lines of therapy are growing most rapidly, that new products are being used in addition to older ones and that new products are driving market growth in the U.S.

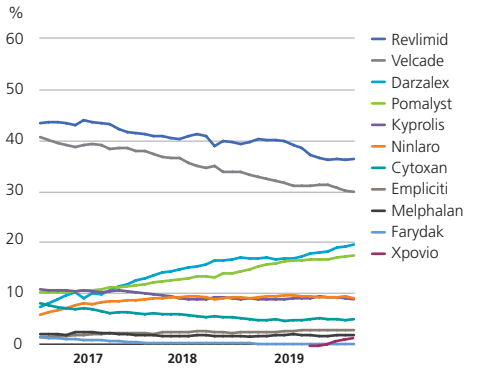
MM patient growth driven by later lines of therapy



Newer products used in addition to older products as survival improves



Newer MM products driving market growth



Melflufen's role

As Oncopeptides have generated new data or interpreted changes to the treatment algorithm, Oncopeptides' clinical development program has been supplemented to be able to offer as many multiple myeloma patients as possible treatment. Melflufen is a first-in-class anti-cancer peptide-drug conjugate with a new mode of action that rapidly delivers a cytotoxin to the tumour cell. The study results that have been reported, both from monotherapy and combination studies with melflufen, is showing a good efficacy and safety profile. In light of these clinical results, a clinical strategy for commercialization has been developed. The figures below illustrate how we are addressing the market and its various segments. The first step is to obtain accelerated approval in the U.S. for triple refractory patients.

The market for triple-class refractory patients has grown and continues to grow substantially. In the U.S., there are approximately 20,000 patients in various lines of therapy, as illustrated in the figure below.

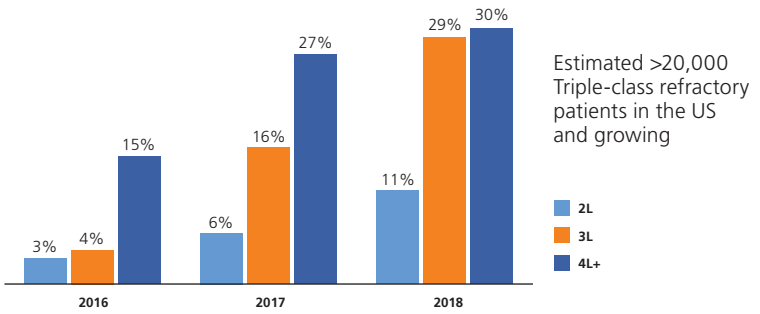
Based on data from HORIZON, which will be submitted for accelerated approval in the U.S. at the end of the second quarter of 2020, an initial launch will be possible provided that approval is obtained in the end of 2020 or beginning of 2021. Data from the OCEAN study will then lead to a broader indication base, provided that the study demonstrates improved efficacy compared with Pomalyst. The ANCHOR exploratory study has provided guidance in the upcoming LIGHTHOUSE phase 3 study, which will establish the necessary conditions for expanded use of melflufen into earlier lines of treatment.

Target

The overarching target is for melflufen to address a market that in 2019 amounted to USD 13 billion. Refer to the figure under the heading "Rapidly growing market in the U.S." on page 17. There are a number of properties indicating that melflufen could be a compelling treatment option. These new modes of action offer an alternative, both individually and when combined. Melflufen has a promising safety profile and a vital aspect of melflufen as studies has shown synergistic effects with other pharmaceuticals in other classes. In terms of efficacy, melflufen has shown encouraging results, making a difference for the patients treated. The drug is simple to administer and can conveniently be provided by both specialist and general care clinics.

Label journey with current development program in myeloma

Initial indication of triple-class refractory disease is a significant and growing unmet medical need in myeloma



Source: Company analysis of IQVIA patient data

Melflufen – Clinical strategy

Oncopeptides' development of targeted therapies for difficult-to-treat hematological diseases and malignancies is based on its peptide-drug conjugate platform as described on page six of the annual report. The company is currently focusing on the development of its lead product candidate melflufen for the treatment of multiple myeloma. Melflufen is a first-in-class anti-cancer peptide-drug conjugate candidate that rapidly delivers an alkylating payload into tumour cells.

In addition, there are several drug candidates in late stage preclinical development for other malignancies, which will potentially move to clinical development in the future.

Several clinical studies for broader applications

A clinical program to establish melflufen as a backbone therapy in relapsed-refractory multiple myeloma.

Melflufen is currently extensively studied in a robust clinical development program in multiple myeloma. The clinical strategy has evolved over time, based on the results from Oncopeptides first clinical study O-12-M1, a phase 1/2 study in multiple myeloma conducted between 2013 and 2017. Presently, we are committed to five clinical studies. In our pivotal phase 2 study called HORIZON, we recently announced final top-line results. The confirmatory phase 3 study called OCEAN is in the final stage of recruiting patients. Other ongoing clinical studies have been put on temporary pause for patient safety reasons due to the COVID-19 situation. This includes the phase 2 studies called ANCHOR and BRIDGE and the recently started AL-Amyloidosis study. The initiation of new studies, including the confirmatory phase 3 combination study called LIGHTHOUSE, is postponed due to the exceptional COVID-19 situation in hospitals.

Melflufen is an abbreviated form of the international non-proprietary name (INN) melphalan flufenamide, an investigational product not yet approved for commercial use in any market globally.

Base treatment after the first-line treatment of multiple myeloma

Our strategy aims for melflufen to become a backbone drug for the treatment of multiple myeloma after the first line of therapy. In addition, the company will broaden the indication base for melflufen outside multiple myeloma like in AL-Amyloidosis. To further broaden its potential use, we will also study melflufen in other malignancies. The aim is to fully explore the benefit that melflufen can bring to patients across the cancer spectrum.

"Our strategy aims for melflufen to become a backbone drug for the treatment of multiple myeloma patients.

Klaas Bakker, CMO

Application for accelerated approval for melflufen in the U.S.

We are now close to addressing the unmet medical need of triple-class refractory multiple myeloma patients with the upcoming application for accelerated approval in the U.S. based on our HORIZON phase 2 study. This study is followed by the phase 3 study OCEAN comparing melflufen in single and double-class refractory multiple myeloma patients with the current standard of care treatment. This study is almost fully enrolled, and we expect high-level results later this year. Our development program is then focused on anchoring our position in single and double-class refractory patients with the LIGHTHOUSE phase 3 study, where the aim is to show the clinical efficacy of using melflufen together with daratumumab.

Current treatment landscape of multiple myeloma – treatment algorithm

The treatment of multiple myeloma has changed radically during the last decade. Today patients receive more agents in combination at an earlier stage compared to before. Four main treatment modalities are currently extensively used – immunomodulators (IMiDs), proteasome inhibitors (PIs), alkylators and anti-CD38 therapies – still with the inevitable development of resistance.

Since more drugs are used early compared to before, most patients have exhausted all four treatment modalities after only two or three lines of therapy. The presence of co-morbidities in this elderly patient population further limits treatment options. Consequently, there is a high medical need for new treatment alternatives in multiple myeloma.

In newly diagnosed patients, the standard treatment is an immunomodulator in combination with a proteasome inhibitor with or without a bone-marrow transplant. This first line of therapy normally works quite well for the patient with a significant degree of tumour and disease control. Once the patient relapses, the treatment landscape is more heterogenous but is usually centred around anti-CD38 therapy in combination with an immunomodulator. When the disease returns after this second line of therapy, all treatment options have been used.

There is no standard treatment after second line of therapy

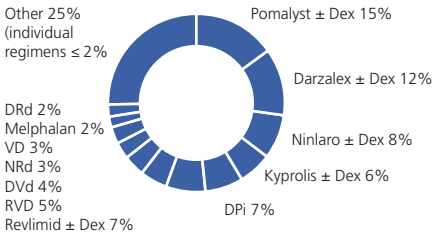
After this second-line treatment, a standard treatment no longer exist, patients are treated with various re-treatment regimens with IMiDs (Revlimid, Pomalyst, Thalidomide) or other PI:s such as Kyprolis or Ninlaro.

The treatment landscape is very scattered as shown by the market data from the U.S. in the picture below. As almost all patients ultimately do progress in their disease, there is a significant unmet medical need, and this pool of patients is rapidly growing (see figure below). At this stage, new agents with new ways to attack the disease (so called mode of action) – such as melflufen – are clearly needed.

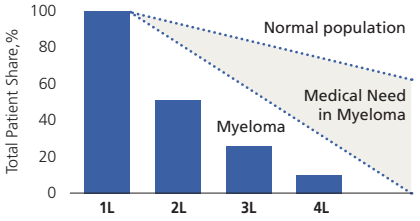
Wide clinical program for complete approval

We have a strong regulatory position in multiple myeloma as shown in the picture on the next page which includes our pivotal phase 2 HORIZON study and the two phase 3 confirmatory studies, OCEAN and LIGHTHOUSE. This complete clinical program lays the foundation for a full approval in the U.S. and other geographies in the near future, assuming positive results in the confirmatory studies.

Prescription data in U.S, %



Patients by Line of Therapy – U.S.



Source: Kantar Health 2019

We are still far from making myeloma a chronic disease- Later line patient population growth with significant need for new treatments.

HORIZON
Pivotal phase 2 study

HORIZON is Oncopeptides' pivotal open-label phase 2 study where final "top-line" data have been presented. This study investigates the efficacy and safety of melflufen in patients with relapsed refractory multiple myeloma (RRMM) who have been treated with and become refractory to at least an IMiD, a PI and an anti-CD38 monoclonal antibody. This is the so-called triple-class refractory patient population, which is our target patient population for Oncopeptides submission to the FDA. On March 26, 2020, Oncopeptides presented the final "top line", data which showed very encouraging activity of melflufen as well as a relatively clean safety profile. These results form the base for Oncopeptides application for accelerated approval in the U.S. The company aims to submit this to the FDA by the end of the second quarter 2020. These results, from the HORIZON study were in line with the study results we observed in O-12-M1, the finalized phase 1/2 study in patients with RRMM with few treatment options left. The data from O-12-M1 were published in the Lancet Haematology on March 23th 2020.

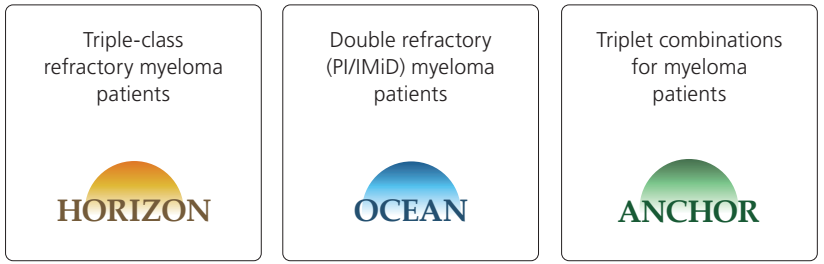
Extramedullary Disease (EMD) – metastatic myeloma

Of note, HORIZON had an unusually high number of patients with extramedullary disease (EMD) enrolled, the most difficult to treat variant of multiple myeloma. It is noteworthy to mention that melflufen showed comparable efficacy in this subgroup of patients. No other drug has ever shown this level of activity in EMD patients.

OCEAN
Confirmatory phase 3 study

Melflufen's confirmatory OCEAN study, which has undergone a special protocol assessment by the FDA, is now close to full enrolment, with top-line results expected in the second half of 2020. This trial is a randomized global phase 3 superiority study in 450 patients where melflufen is directly compared with pomalidomide in patients with RRMM that are at least single-class refractory. The primary endpoint is PFS (Progression Free Survival). As shown in figure on page 21, pomalidomide currently has the largest market share in RRMM. A positive or non-inferiority outcome would potentially solidify melflufen's position in RRMM as early as in the second line. In addition, OCEAN will lay the foundation for a European submission, which we plan to initiate in 2021. Given that pomalidomide is the most widely used treatment in RRMM, strong OCEAN data could have a significant impact on the multiple myeloma treatment landscape.

Melflufen development program designed to expand options to help patients with multiple myeloma



ANCHOR
First Combination Study

To further expand the potential of melflufen, the phase 1/2 ANCHOR study was initiated 2018. This is a cohort study where various combinations of melflufen and other treatments are studied. During ASH 2019, we showed early data from the ongoing study of the combination of melflufen with daratumumab in 33 patients, with high ORR and a PFS, which was the longest that has been achieved at this stage of the disease. In addition, data was showed in combination with bortezomib (few patients were presented at ASH 2019). As treatment in RRMM consists of a variety of combinations, we anticipate that melflufen's combinability will be another positive differentiator from other (new) agents.

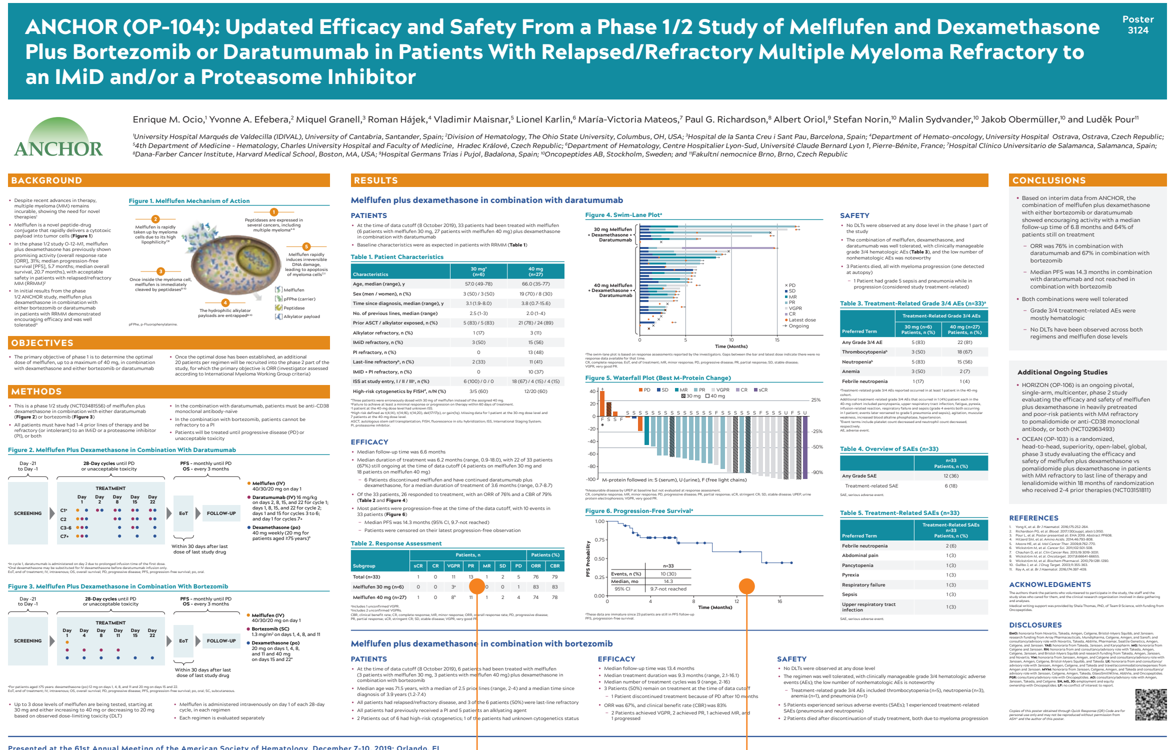
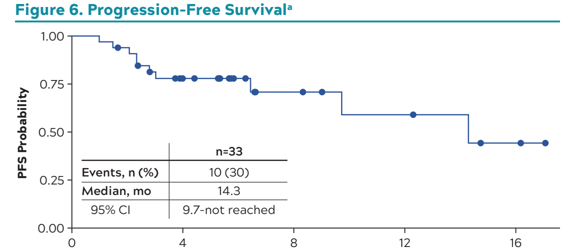


Table 2. Response Assessment

Subgroup	Patients, n							Patients (%)	
	sCR	CR	VGPR	PR	MR	SD	PD	ORR	CBR
Total (n=33)	1	0	11	13	1	2	5	76	79
Melflufen 30 mg (n=6)	0	0	3[a]	2	0	0	1	83	83
Melflufen 40 mg (n=27)	1	0	8[b]	11	1	2	4	74	78

[a]Includes 1 unconfirmed VGPR.
[b]Includes 2 unconfirmed VGPRs.
CBR, clinical benefit rate; CR, complete response; MR, minor response; ORR, overall response rate; PD, progressive disease; PR, partial response; sCR, stringent CR; SD, stable disease; VGPR, very good PR.

Figure 6. Progression-Free Survival[a]



[a]These data are immature since 23 patients are still in PFS follow-up
PFS, progression-free survival.

LIGHTHOUSE
Confirmatory combination study

The combination data from ANCHOR has laid the foundation for our next global phase 3 study called LIGHTHOUSE, where we compare melflufen and daratumumab with daratumumab alone. This study is supported by Johnson & Johnson's/Jansen Pharmaceuticals. The study start has been delayed due to the COVID-19 pandemic and the first patient in is expected in H2 2020. Similar to OCEAN, this study can also act as a confirmatory study for a potential accelerated FDA approval based on data from HORIZON. A positive outcome would solidify the position of melflufen in earlier lines of treatment. The study is presented in more detail on page 28.

BRIDGE
Patients with impaired renal function

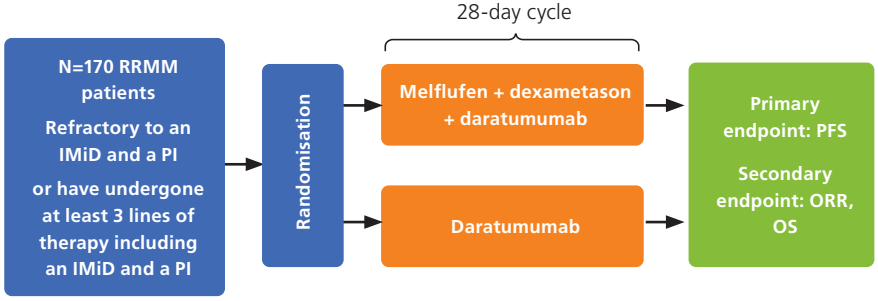
BRIDGE is a phase 2 pharmacokinetic study to evaluate melflufen's efficacy, safety and tolerability in patients with reduced renal function. BRIDGE is planned to be compleated this year and is an important study to show that melflufen can be used in patients with impaired renal function, which is very often a comorbidity in patients with multiple myeloma. This may potentially broaden the population of patients where melflufen could be used.

Melflufen outside multiple myeloma

Based on positive preclinical data of melflufen's activity in light chain amyloidosis (AL) shown at ASH 2019, the company have initiated a phase 1/2 clinical study where we investigate the safety and efficacy of melflufen in this very hard to treat disease. The unmet need is substantial, as median overall survival (OS) is currently only around three years for these patients. We are excited to broaden our clinical program in this disease. The study is presented in more detail on page 29.

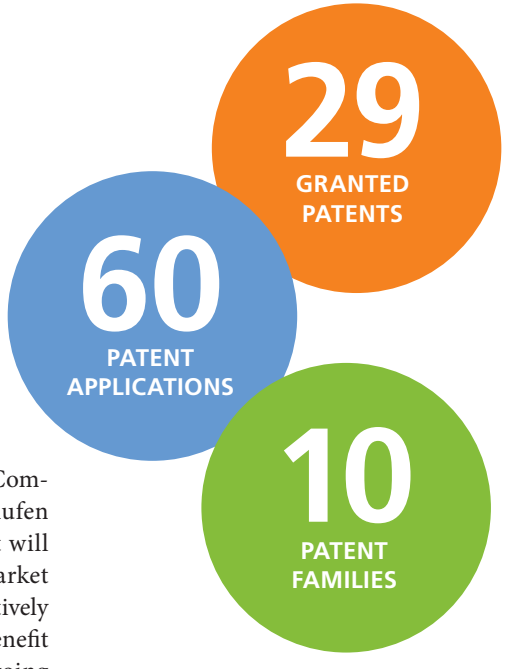
Although no studies have been formally planned yet, we are also actively looking into expanding melflufen's clinical program in other disease types such as non-Hodgkin's lymphoma, acute myeloid leukemia and triple-negative breast cancer.

LIGHTHOUSE – a pivotal phase 3 trial



Patents and intellectual property

Oncopeptides' future success is dependent on the company's capacity to protect its current and future intellectual property rights. The company's intellectual property rights are protected mainly through granted patents and filed patent applications. Patents are granted only for a limited term.



Oncopeptides has an active patent strategy encompassing all major geographic markets, including the U.S., Europe, Canada, Japan and China. The patent work has been intensive during 2019, with several new applications submitted. The company has secured 10 patent families, consisting of more than 29 granted patents and 60 pending patent applications. This is a considerable increase over the previous year.

Melflufen is already protected by a granted patent that includes the active ingredient in the U.S., Europe, Canada and Japan. In addition to these substance patents, the company holds several additional patents and filed patent applications that protect other aspects of the product candidate, such as formulation, manufacturing processes and one new, as-yet unpublished patent application.

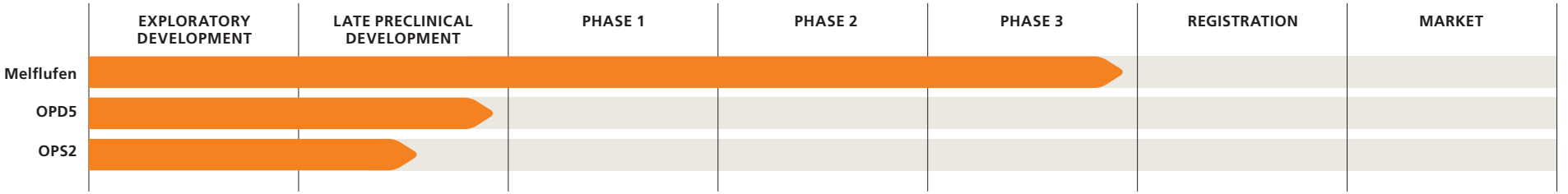
The patents will expire as shown in the table below. In addition, the possibility exists for extending a patent family by up to five years, at least in the U.S., EU and Japan, if the product candidate achieves marketing authorization prior to the expiration of the patent family. As previously mentioned, melflufen has, in addition to the patent, been classified as an orphan drug by the FDA and the European Commission. This means that if melflufen obtains marketing authorization, it will be granted seven and 10 years' market exclusivity in the U.S. and EU respectively (upon demonstrating significant benefit based on the outcome of the ongoing pivotal trials).

THE COMPANY'S PATENT RIGHTS	TYPE	PATENT'S ESTIMATED EXPIRATION	REGION	STATUS
Melphalan derivatives and their use as cancer chemotherapeutic drugs	Substance	2000 (USA 2022[1] & RoW 2021[1])	USA, EP, CA and JP	Granted
Lyophilized preparation of cytotoxic dipeptides	Formulation	2011 (2032)	US*, EP*, CA*, JP*, AU*, BR, CN, HK, IN, MX*, KR*, RU*, ZA*, IL* and NZ*	Pending / At least one granted patent*
Lyophilized preparation of melphalan flufenamide	Formulation	2012 (USA 2032; RoW 2033)	US*, EP*, CA, JP*, AU *, BR, CN*, HK*,IN, MX*, KR, ZA, IL*, RU* and NZ*	Pending / At least one granted patent*
Process for preparation of nitrogen mustard derivatives	API Process	2015 (2036)	US*, EP, CA, JP, AU, BR, CN, HK, IL, IN, KR, MX, NZ, RU*, SG, ZA	Pending / Granted*
Melflufen dosage regimens for cancer	Dosage	2015 (2036)	US, EP, CA, JP, AU, BR, CN, HK, IL, IN, KR, MX, NZ, RU, SG, ZA	Pending
New Invention #1	Confidential	2018 (2039)	PCT (due to be published in mid-April 2020)	Pending
New Invention #2	Confidential	2019 (2040)	Priority application in the UK is being processed	Pending
New Invention #3	Confidential	2019 (2040)	Priority application in the UK is being processed	Pending
New Invention #4	Confidential	2019 (2040)	Priority application in the UK is being processed	Pending
New Invention #5	Confidential	2019 (2040)	Priority application in the UK is being processed	Pending

1. Without extensions of the patent time

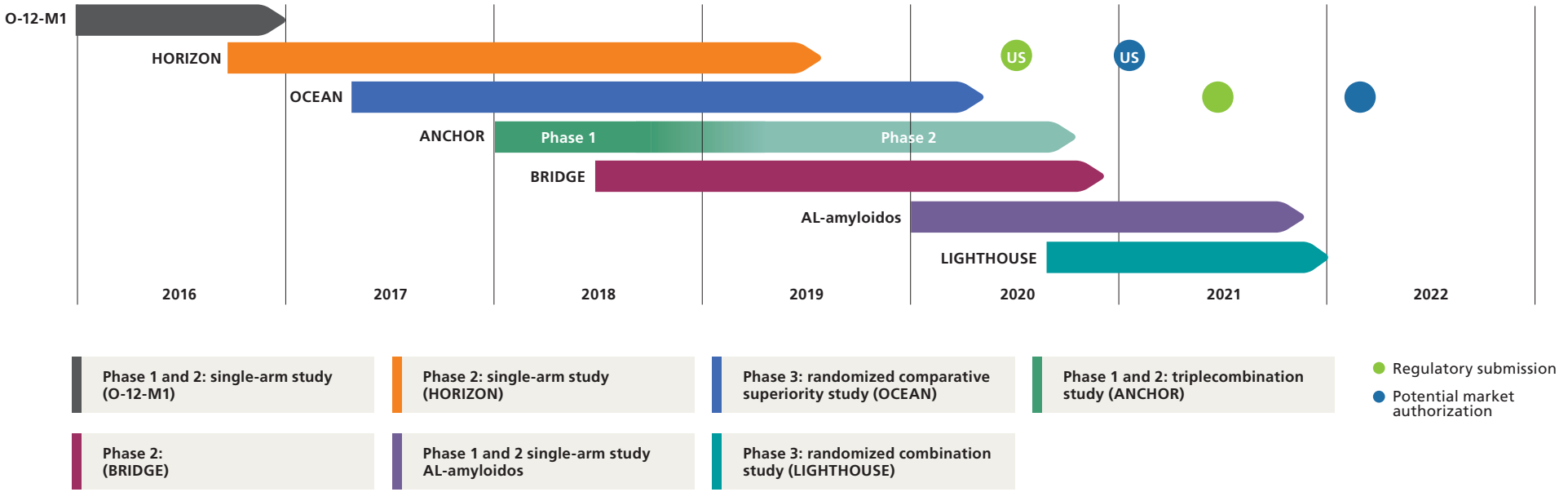
Clinical development program

Oncopeptide's development portfolio of peptide-conjugated drug candidates



Melflufen in clinical development

Provided a positive regulatory assessment, the clinical program will provide a broad set of data including its effect in different patient groups.



O-12-M1

SUPPORTING

- Completed phase 2 clinical study with 45 patients.
- Included RRMM patients who had received a median of four prior lines of therapy, and became refractory to lenalidomide (immunomodulatory pharmaceutical – IMiD) and bortezomid (proteasome inhibitor – PI).
- Completed enrolment in late 2016 and presented final results in 2017.

HORIZON

PIVOTAL

- Completed pivotal phase 2 study with 157 patients.
- RRMM patients with few or no remaining treatment options.
- Patients have received ≥2 earlier lines of therapy with IMiDs and PIs and are refractory to pomalidomide and/or daratumumab.
- Supports OCEAN for marketing authorization.
- Potential for FDA accelerated approval if data is exceptionally strong.
- Started in Q1 2017, data reporting in 2018/2019 and follow-up in 2019/2020.

OCEAN

PIVOTAL / CONFIRMATORY

- Ongoing phase 3 study with up to 450 patients, including RRMM patients who are refractory to lenalidomide.
- Direct comparison with pomalidomide in patients treated with IMiDs and PIs, and who have become refractory to their last line of therapy.
- The trial is designed to demonstrate benefit in comparison with pomalidomide.
- To obtain approval in Europe, the only requirement is to demonstrate that melflufen has the same benefit.
- Started in Q2 2017 with the last patient in expected in H1 2020.

ANCHOR

EXPLORATIVE

- Ongoing phase 1/2 study with up to 64 patients.
- The patients have received 1–4 earlier lines of therapy including IMiDs and PIs.
- Demonstrates how melflufen can be administered as a combination therapy with daratumumab or bortezomib.
- Explores potential for using melflufen in earlier lines of therapy.
- May significantly increase melflufen's market potential as a combination therapy.
- Started in Q2 2018, daratumumab arm is fully recruited. Recruitment to the bortezomib arm has temporarily been paused due to the COVID-19 situation.

BRIDGE

SUPPORTING

- Ongoing phase 2 study with up to 25 patients.
- Open-label, single-arm trial for patients with reduced renal function.
- Positioning trial to show melflufen's treatment profile within this patient group.
- Started in Q3 2018, the study is temporarily paused due to the COVID-19 situation.

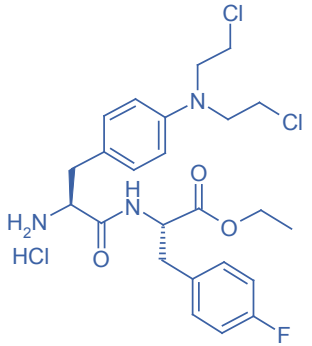
LIGHTHOUSE

CONFIRMATORY

- Phase 3 combination study to include more than 170 patients.
- Will include patients who are refractory to an IMiD and a PI, alternatively have received at least three previous treatment lines including an IMiD and a PI.
- The aim is to confirm the efficacy and safety of combination therapy with melflufen plus daratumumab compared to daratumumab.
- The study is expected to start in 2020.

AL-AMYLOIDOS

- First study outside of multiple myeloma.
- Phase 1/2 study in approximately 40 patients.
- In patients with systemic light-chain (AL) amyloidosis who have undergone at least one prior treatment.
- The primary efficacy parameter in the phase 1 study is safety, tolerability and to find the right dose for phase 2. In phase 2, the Overall response Rate (ORR) is measured.
- The study started in December 2019 and have been temporarily paused due to the COVID-19 situation.



Melflufen is an abbreviated form of the international non-proprietary name (INN) melphalan flufenamide, an investigational product not yet approved for commercial use in any market globally.

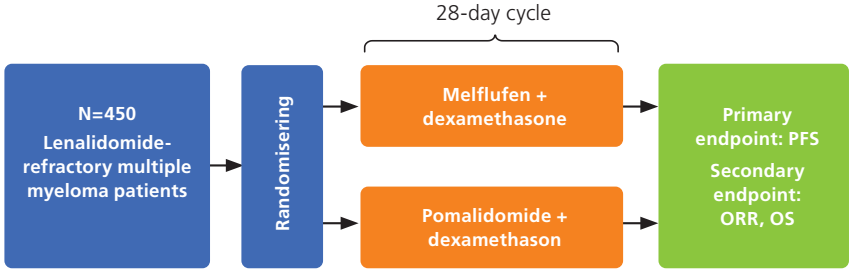
OCEAN

– a confirmatory phase 3 study

OCEAN is a pivotal, confirmatory phase 3 study that started in June 2017 where the last patient is expected to be enrolled during spring 2020. It is a global study involving 450 patients recruited at over 100 hospitals around the world.

OCEAN is a randomized, open-label, direct comparative study between melflufen and pomalidomide in relapsing refractory multiple myeloma (RRMM) patients. Patients have been treated with IMiDs and PIs and developed resistance in the latest line of treatment and should be refractory to lenalidomide (IMiD). The study is designed to show improvement in efficacy compared to pomalidomide.

In the OCEAN phase 3 clinical study, the efficacy of melflufen is compared to pomalidomide where both are used in combination with the steroid dexamethasone. Pomalidomide is today the market-leading drug for the treatment of RRMM. The objective of the OCEAN study is to prove that melflufen has a superior efficacy and safety profile compared with pomalidomide. The results in OCEAN will be analysed by comparing PFS (progression-free survival) for melflufen with PFS for pomalidomide.



LIGHTHOUSE

– a confirmatory phase 3 study

LIGHTHOUSE starts patient recruitment with the aim to confirm preliminary efficacy and safety results of combination treatment with melflufen and daratumumab from ANCHOR.

LIGHTHOUSE (OP-108) is a randomized, open-label, pivotal phase 3 study of melflufen and subcutaneous dexamethasone in combination with subcutaneous daratumumab compared to daratumumab alone in patients with relapsed and refractory multiple myeloma (RRMM).

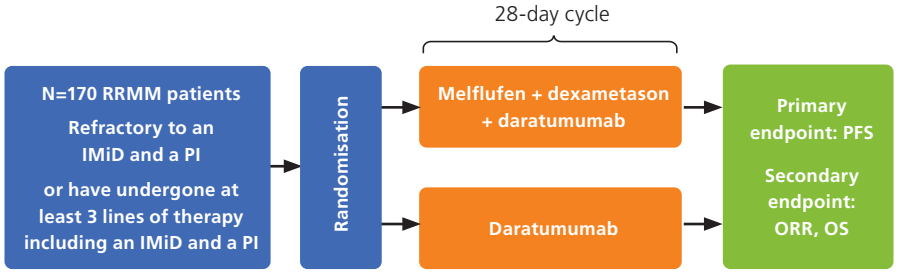
The planned enrollment is at least 170 patients in 16 countries. Patients included will be double refractory to an IMiD and a PI, or had at least three prior lines of therapy, including an IMiD and a PI. Patients will be randomized 2:1 to get either melflufen and dexamethasone in combination with subcutaneous daratumumab (Arm A) or subcutaneous daratumumab (arm B, control arm). Patients are treated until disease progression and will then be followed up for at least two years.

The study is being conducted with support from Janssen, where Janssen will provide a new subcutaneous formulation of daratumumab that is under review by the FDA for approval.

Recruitment of patients is planned to start H2 2020 with the last patient recruited by the end of 2021.

The aim of LIGHTHOUSE is to show superiority for the combination of melflufen, dexamethasone and daratumumab in the patient population with RRMM similar to that of the indication for daratumumab as monotherapy.

The study will start as soon as it is possible, taking the COVID-19 situation into account.



AL amyloidos

– the first study with melflufen outside multiple myeloma

A rare disease with few treatment alternatives

Amyloidosis is a term use for used to describe a highly heterogenous collection of diseases that involve some form of protein deposition in one or several organs. Patients with light chain (AL) amyloidosis suffer from a clonal plasma-cell disease, usually a monoclonal gammopathy of unknown significance (MGUS) or more rarely, myeloma. It is a rare disease that occurs in about 30,000 to 45,000 patients in the U.S. and Europe. Current treatment alternatives are limited to a median overall survival of 3.5 years. Melphalan and bortezomib are some of the pharmaceutical agents used.

A phase 1/2 study with approximately 40 patients

This will be an open-label phase 1/2 trial with melflufen combined with dexamethasone (steroid) for patients suffering from AL amyloidosis. The patients are to have undergone at least one previous line of therapy to qualify for inclusion in the trial. Melflufen will be administered every 28-days per cycle, in combination with dexamethasone, 20 mg or 40 mg (given day 1 and day 2 of every cycle). A total of approximately 40 patients are included, up to 18 of whom will have participated in the phase 1 trial.

The primary efficacy parameters in the phase 1 trial are safety and tolerability and identifying the optimal dosage for phase 2.

The primary efficacy parameters in the phase 2 trial pertain to measuring the hematological ORR based on the percentage of patients who achieve a partial or improved response after four treatment cycles. The patients continue treatment until the completion of cycle 8, unless they achieve a complete response rate after cycle 4, or reach a plateau with partial response or very good partial response after cycle 4, or do not respond after cycle 2, or experience unacceptable toxicity.

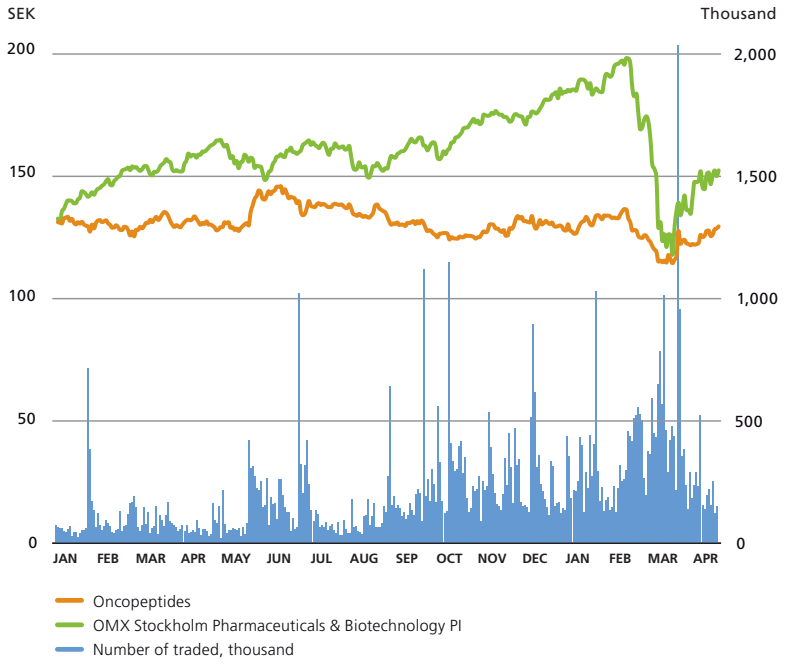
First study centres were opened in December 2019, while the recruitment of patients is paused due to the COVID-19 situation.

Broadened ownership

Since Oncopeptides' IPO in February 2017, the company has been listed on Nasdaq Stockholm as a Mid Cap. The company's market capitalization at the close of 2019 was SEK 7,031 M. During the year, the number of shareholders continued to increase and at the end of the year the company had 8,826 shareholders, which is an increase of 52 percent compared to the previous year.

Swedish institutional ownership decreased somewhat, mainly due to the down weighting of the share by the Industrifonden, while foreign ownership has remained stable and unchanged. In 2019, the company carried out two directed share issues in which several well-known institutions and specialist investors in the sector participated.

Share-price trend and turnover for January 1 2019 – April 27 2020



Strategy – capital supply – strong position

The IPO in 2017 constituted a vital step in the strategy to finance and implement a broad clinical development program, which currently includes six clinical studies, five of which are in multiple myeloma. Two of these are the pivotal phase 2 study called HORIZON and the confirmatory phase 3 studies, OCEAN. There are also supportive and exploratory studies, the company's clinical strategy is described on page 20.

In 2019, two directed share issues, totalling approximately SEK 1,275 million were carried out. This was done in order to further develop and broaden the clinical projects and to start preparations for a potential launch of melflufen in the U.S. based on the HORIZON study.

Demonstrating and explaining what we do

During the year, the company continued to build and maintain its relationships with shareholders, investors and analysts. Interest among private investors increased significantly in Sweden during the year. The knowledge and interest in Oncopeptides among institutional investors in both Europe and the United States has developed positively.

We strive for open, clear, fast and accurate communication. Our business is complicated in many respects. This may include results from studies, how these should be interpreted and expectations of various kinds. We have and will continue to work to make visible what we do, try to be transparent and educational and give a relevant picture of our business to various stakeholders. We do this, among other things, by participating in Swedish and international investor meetings, investor journeys and participating in more and more scientific congresses and meetings.

Current analyst coverage

Seven banks and their analysts are currently following Oncopeptides actively, meaning writing analyst reports.

- ABG Sundal Collier, Viktor Sundberg
- Carnegie, Erik Hultgård
- Cowen and Company, LLC, Boris Peaker
- DNB Bank ASA, Patrik Ling
- Jefferies, Peter Welford
- Kempen & Co, Suzanne VanVoorthuizen
- SEB, Christopher Winston Uhde

We participate in various conferences hosted by these banks as well as the investor conferences of other Nordic and international banks. More and more people are beginning to recognize Oncopeptides, its clinical development plans and strategy.

2020 – a year with many milestones

Oncopeptides has a number of significant milestones ahead of us, including the application for market approval based on the HORIZON study, potential launch which can be expected around the end of the year or early 2021 and the study result from OCEAN.

Share-price trend

At year-end 2019, the share price was SEK 126.9. The highest price paid during the year was SEK 178.4 on June 13, and the lowest price paid was SEK 109.5 on October 10. The share price declined a total of three percent in 2019. At year-end, the company's market capitalization was SEK 7,031 M, based on a closing price of SEK 126.9.

Share data

At December 31, 2019, Oncopeptides had 55,413,417 registered ordinary shares, corresponding to 55,413,417 votes.

Ownership structure

Oncopeptides had 8,826 shareholders at year-end 2019. Of these shareholders, 379 were financial institutions whose shares represented 89.2 percent of the capital, while the remaining 10.8 percent was held by private individuals.

Share capital and ownership structure

At year-end, the share capital totalled SEK 6,157,047, distributed between 55,413,427 shares with a quotient value of SEK 0.11. In accordance with the Articles of Association, the share capital may comprise a minimum of SEK 2,400,000 and a maximum of SEK 9,600,000, distributed between a minimum of 22,000,000 shares and a maximum of 88,000,000 shares. Oncopeptides' Articles of Association contains a record-day provision, and the company's shares are registered with Euroclear Sweden AB, which means that Euroclear Sweden AB administers the company's share register and registers the shares of individuals and organizations. All shares are entitled to an equal share of the company's profits and a percentage of the surplus in the event of liquidation.

Dividend policy and proposed dividend

Oncopeptides will continue to focus on further developing and expanding the company's assets and project portfolio. Available financial resources and recognized profit are therefore to be reinvested in the operations to finance the company's long-term strategy.

Any future dividends will be determined based on the company's long-term growth, earnings performance and capital requirements. Insofar as dividends are proposed, they will be considered with respect to the company's objectives, scope and risk.

Accordingly, the Board of Directors does not intend to propose any dividend to shareholders until such time as the company generates sustainable profitability. The Board of Directors proposes that the Annual General Meeting resolve not to issue a dividend for the financial year.

FIFTEEN LARGEST SHAREHOLDERS AT DEC, 31 2019	NUMBER OF SHARES	PERCENT
HEALTHCAP VI LP	11,322,400	20.43
STIFTELSEN INDUSTRIFONDEN	7,420,805	13.39
Gladiator	2,700,000	4.87
Swedbank Robur fonder	2,547,502	4.60
Handelsbanken fonder	2,361,332	4.26
FJÄRDE AP FONDEN	2,300,115	4.15
JP MORGAN BANK LUXEMBOURG S.A.	2,195,307	3.96
Oppenheimer Global Fond	2,000,000	3.61
AFA Försäkring	1,938,197	3.50
Andra AP Fonden	1,804,790	3.26
SEB-Stiftelsen	1,200,000	2.17
Försäkringsaktiebolaget, Avanza Pension	1,074,053	1.94
AMF - Försäkring och Fonder	1,070,452	1.93
Nordic and Europe health Invest AS	897,862	1.62
SEB SA	601,411	1.09
Others	13,979,191	25.23
Total	**55,413,417**	**100**

SHAREHOLDER CATEGORIES, DECEMBER 31, 2019	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	PERCENT
Swedish institutions	330	26,317,141	47.5
Foreign institutions	336	22,979,603	41.5
Swedish private individuals	8,106	5,975,902	10.8
Foreign private individuals	54	140,771	0.2
Total	**8,826**	**55,413,417**	**100**

DISTRIBUTION BY SIZE CLASS, DECEMBER 31, 2019	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	PERCENT
1 - 500	6,774	908,491	1.64
501 - 1 000	886	707,396	1.28
1 001 - 5 000	868	2,000,883	3.61
5 001 - 10 000	113	806,124	1.45
10 001 - 15 000	41	514,704	0.93
15 001 - 20 000	25	432,088	0.78
20 001 -	117	50,052,405	90.33
Total	**8,826**	**55,413,417**	**100**

Glossary

AE Reported adverse event that could be but is not necessarily a side effect.

Alkylator A type of broad-spectrum cytotoxic chemotherapy.

Antibody-based therapy Antibodies used as drugs.

Broad-spectrum agents Drugs that act against many variations of a disease.

CBR Clinical benefit rate (CBR) measures the number of patients with multiple myeloma who have lost 25 percent or more of their tumor mass.

CDMO Contract development and manufacturing organization.

Chemotherapy Drug administered to kill cancer cells.

Clinical trials Trials performed on people.

CR Complete tumor response.

CRO Contract research organization.

Dexamethasone A potent steroid used in cancer treatment.

DOR Duration of response (DOR) refers to the period from an initial tumor reduction until the tumor begins to grow again.

Double-refractory Refractory to two drugs.

EMA European Medicines Agency.

FDA US Food and Drug Administration.

Hematology Study of diseases related to blood.

Heterogeneous disease A disease comprising different but similar sub-diseases.

IFRS International Financial Reporting Standards.

IMiDs Immunomodulatory drugs, used in multiple myeloma treatment.

Interim results Partial results in ongoing trials.

Late-stage RRMM Late-stage relapsed refractory multiple myeloma.

Lines of therapy After a cancer diagnosis and decision to treat the patient, the first treatment attempt is known as the first line of therapy, followed by a second line of therapy, etc.

MAA Marketing Authorization Application.

Melflufen A targeted alkylator.

MM Multiple myeloma (MM), a rare blood-based cancer.

MR Minimal response (MR) refers to a 25–50 percent tumor reduction.

Multi-refractory Refractory to a number of different drugs.

Multiple myeloma A rare blood-based cancer.

NDA New Drug Application.

Orphan drug A drug used to treat a rare disease.

ORR Overall response rate (ORR) measures the number of patients who have lost 50 percent or more of their tumor mass.

OS Overall survival (OS) measures the length of time the patient survives from the start of the treatment.

PD Progressive disease. A disease is defined as progressive when the tumor mass has grown by at least 25 percent.

PDC Peptide-drug conjugates.

Peptidases Enzymes that break down peptides.

Peptide A molecule comprising a chain of amino acids.

PFS Progress-free survival (PFS) measures for the length of time from the start of the patient's treatment until the tumor has grown by at least 25 percent.

Pharmacokinetic (PK) How the drug is distributed and metabolized in the body.

Phase 1, 2, 3 trial Refers to the various phases of pharmaceutical development. Phase 1 aims to identify an appropriate dose and safety profile. Phase 2 aims to gather efficacy and safety data in patients ahead of phase 3, which repeats this process in larger patient groups and in comparison to another treatment.

PI Proteasome inhibitor (PI) used in multiple myeloma treatment.

Pivotal study Phase 3 registration study.

Pivotal trials Final trials prior to the registration of a new drug.

PR Partial response (PR) refers to a 50 to 90 percent tumor reduction.

Preclinical studies Studies performed using model systems, i.e. not performed on people.

Progression-free No tumor growth.

Proteasome inhibitor Substance used in multiple myeloma treatment.

Quad- and penta-refractory A patient tumor that is refractory to four or five different treatments.

Randomized clinical trial A study in which patients are randomly divided into different groups.

Refractory Resistant to treatment.

Relapsed Usually a tumor relapse (tumor recurrence).

Resistance development Tumor development causing worse or no response to treatment.

RRMM Relapsed refractory multiple myeloma.

SD Stable disease (SD) where the tumor has neither grown nor shrunk by 25 percent.

Single-arm trial Clinical trial in which patients receive the same treatment.

Target protein The protein to which a drug binds in order to release a pharmaceutical effect.

Tumor response rate Percentage of patients whose tumors respond to treatment.

VGPR Very good partial response.

Financial information

ANDERS MARTIN-LÖF, CFO

Directors' Report

Group and Parent Company

The Board of Directors and CEO of Oncopeptides, corporate registration number 556596-6438, with its registered office in Stockholm, hereby present the Annual Report and consolidated financial statements for the 2019 financial year. Figures in parentheses pertain to the preceding year. All amounts are expressed in SEK thousand, unless otherwise indicated.

Oncopeptides' operations

Oncopeptides is a pharmaceutical company focusing on the development of targeted therapies for difficult-to-treat hematological diseases. The company focuses on the development of the product candidate melflufen, a peptide-drug conjugate that rapidly delivers an alkylating payload into tumor cells. Melflufen is in development as a new treatment for the hematological cancer multiple myeloma.

Multiple myeloma is a cancer of the bone marrow that results in the production of abnormal blood plasma cells. There is currently no cure and the median overall survival for newly diagnosed patients is roughly five years, with a noticeable trend toward longer survival.* Approximately 170,000 patients live with multiple myeloma in Europe and the US. Some 57,000 patients are diagnosed every year and 26,000 patients die from the disease annually.* Although patients who are treated for multiple myeloma will have periods without symptoms, relapses are inevitable, since the disease develops a resistance to the drugs that are administered. When the disease reaches its later stages, patients suffer from symptoms including fractures and infections caused by a weakened immune system, and side effects of currently available medications. At this stage of the disease, patient care is focused on prolonging and improving the quality of life.

In 2019, the company's primary focus was to continue the development of melflufen. Melflufen has previously undergone both preclinical studies and clinical phase 1 and 2 studies with good results in terms of both safety and efficacy in patients with multiple myeloma. Based on these results, the next logical step was to further develop melflufen that is currently being tested in a number of clinical studies including the pivotal phase 2 study HORIZON and the ongoing phase 3 study OCEAN.

The aim of the melflufen clinical development program is to demonstrate improved treatment outcomes in comparison with other established alternatives for the treatment of patients suffering from multiple myeloma. Melflufen could potentially provide physicians with a new treatment option for patients suffering from this serious disease. Oncopeptides plans to apply for a first market approval for melflufen in the US in 2020.

During the year, two share issues raised a total of SEK 1,273.4 M before issue costs. The Group consists of the Parent Company, Oncopeptides AB, as well as the Swedish subsidiary, Oncopeptides Incentive AB, and the US subsidiary, Oncopeptides Inc. The Swedish subsidiary, Oncopeptides Incentive AB, conducts no operating activities.

Significant events during the year

- In January, a directed share issue of 4,750,000 shares was completed at a subscription price of SEK 115 per share, raising SEK 546.2 M before issue costs.
- Clinical data were presented at the annual meeting of the American Association for Cancer Research (AACR) in March from Oncopeptides' clinical studies, HORIZON and ANCHOR.
- In April, Oncopeptides was granted additional patent protection for melflufen in the US until 2033.
- Also in April, it was announced that the final patient in the OCEAN study was expected to be recruited in the first quarter of 2020.
- In May, it was announced that Oncopeptides will apply for accelerated approval in the US in 2020.
- In June, Oncopeptides presented new data from the pivotal phase 2 study HORIZON at the European Hematology Association (EHA) Congress. At the same congress, new data was also presented from the phase 1/2 combination study ANCHOR.
- In June, Oncopeptides decided to carry out a directed share issue of 5,015,000 shares at a subscription price of SEK 145 per share. The share issue raised SEK 727.2 M before issue costs and was completed in July.
- In August, Klaas Bakker was appointed as the new Chief Medical Officer.
- In September, new interim data for RRMM patients with extramedullary disease (EMD) from the pivotal phase 2 study HORIZON were presented at the International Myeloma Workshop.
- At the end of September, it was announced that patient recruitment for the pivotal phase 2 HORIZON study had been completed.
- In order to prepare for a potential US launch, Joseph Horvat was appointed as President North America.
- In December, an advisory meeting was held with the US Food and Drug Administration (FDA) in preparation for Oncopeptides' application for accelerated approval.
- Also in December, Oncopeptides presented updated efficacy and safety data from the pivotal phase 2 study HORIZON and promising data from the phase 2 combination study ANCHOR at the annual meeting of the American Society of Hematology (ASH). Preclinical data regarding melflufen for AL amyloidosis were also presented at the ASH meeting.
- At an Extraordinary General Meeting in December, it was resolved to issue warrants and to extend the Board's authorization to issue shares.

*Source: National Cancer Institute (seer.cancer.gov), Global Data 2015 (www.globaldata.com) and American Cancer Society (www.cancer.org).

Multi-year summary, Group

	2019	2018	2017	2016	2015
Net sales	–	–	–	–	–
Operating result	-739,392	-410,963	-306,731	-114,482	-53,350
Result before tax	-739,392	-410,965	-306,731	-114,446	-53,341
Result after tax	-740,705	-411,112	-306,731	-114,446	-53,341
Earnings per share before and after dilution (SEK)	-14.33	-9.58	-7.96	-4.88	-3.98
Cash flow from operating activities	-690,566	-333,727	-271,497	-104,262	-52,808
Equity	797,013	265,004	358,894	26,337	-2,600
Cash and cash equivalents at the end of the period	926,186	375,617	404,050	40,251	2,293

Comparative figures for 2018 and 2017 have been adjusted, see Note 30 Correction of errors.

Sales and earnings

In 2019, the Group's net sales totaled SEK 0.0 M (0.0).

Oncopeptides' research and development costs for the year amounted to SEK 548.3 M (313.7). The cost increase was primarily attributable to increased clinical expenses stemming from intensified activity in the ongoing OCEAN and HORIZON pivotal clinical studies and the ANCHOR and BRIDGE clinical studies. Marketing and distribution costs for the year totaled SEK 127.4 M (51.1). Administrative expenses for the year amounted to SEK 72.0 M (55.3).

Operating expenses include non-cash costs for share-based incentive programs amounting to SEK 37.8 M (54.1).

The company reported a net loss for the year of SEK 740.7 M (loss: 411.1), corresponding to a loss per share, before and after dilution, of SEK 14.33 (loss: 9.58).

Cash flow and investments

Cash flow from operating activities during the year amounted to a negative SEK 690.6 (neg: 333.7) M, primarily due to the expansion of the clinical program. Cash flow from financing activities amounted to SEK 1,236.3 M (304.9). In January 2019, a directed share issue was completed raising SEK 546.2 M before issue costs of SEK 31.4 M. In July 2019, an additional directed share issue was completed. The share issue raised SEK 727.2 M before issue costs of SEK 44.3 M. Total cash flow for the year amounted to SEK 543.1 M (neg: 29.7).

Financial position

At December 31, 2019, the company's cash and cash equivalents amounted to SEK 926.2 M (375.6), and equity to SEK 797.0 M (265.0). No loans had been raised as of December 31, 2019, and none have been raised since. Pledged assets at the end of period amounted to SEK 0.9 M (0.9).

Share-based incentive programs

The purpose of share-based incentive programs is to promote the company's long-term interests by motivating and rewarding the company's senior management, Board members, founders and other co-workers. Oncopeptides currently has eight active programs encompassing management, certain Board members, founders and employees.

At year-end, the company had seven active programs: "Founder Option Program," "Employee Option Program 2012/2019," "Employee Option Program 2016/2023," "Co-worker LTIP 2017", "Co-worker LTIP 2018","Board LTIP 2017" and "Board LTIP 2018". The "Founder Option Program" and "Employee Option Program 2012/2019" expired during the year.

An EGM in December 2018, resolved to introduce the program, "Board LTIP 2018.2", but the program was inactive at December 31, 2018 since there had been no allotments to date. In accordance with a decision by the annual general meeting of shareholders in May 2019, two new share-based incentive programs, "Co-worker LTIP 2019" and "Board LTIP 2019", were introduced. For information about these programs, refer to Note 26.

In 2019, 25,661 share awards and 515,566 options were granted. 5,414 share awards have lapsed as a result of termination of employment. Options corresponding to 1,214,100 shares were exercised. Granted options and share awards at December 31, 2019 corresponded to a total of 2,569,177 shares.

The cost for the share-based incentive programs was SEK 37.8 M (54.1), of which SEK 5.9 M (41.7) comprised provisions for social security contributions and SEK 31.9 M (12.4) comprised costs for share-based payments. These costs had no impact on cash flow. The company has issued warrants that are used to cover social security contributions arising from the exercise of granted employee options.

Parent Company

The Group's Parent Company is Oncopeptides AB. Since the operations of the Parent Company are consistent with those of the Group in all material respects, the comments for the Group are also largely relevant for the Parent Company.

OTHER INFORMATION

Environment

Oncopeptides works proactively to reduce the company's negative environmental impact and to develop as a sustainable company. Since the company does not have any sales, its products do not have any environmental impact. Oncopeptides' areas of environmental impact pertain instead to the purchase of goods and services, energy consumption and transportation. The company's objective is to contribute to sustainable development, and it thus works proactively to improve its environmental performance insofar as this is economically feasible.

Share capital and ownership structure

Oncopeptides' share capital totaled SEK 6,157,047, distributed among 55,413,417 shares with a quotient value of about SEK 0.11. The overall number of outstanding shares at December 31, 2019 was 55,413,417 ordinary shares with one vote each. At December 31, 2019, HealthCap VI LP and Stiftelsen Industrifonden were the single largest shareholders in Oncopeptides, with a total of 11,322,400 and 7,420,805 shares, respectively, corresponding to 20.4 percent and 13.4 percent of the votes and capital.

Co-workers

Oncopeptides' organization comprises co-workers (employees and consultants) with key competencies in pharmaceutical development, who collectively cover all aspects relevant to the development of melflufen. At year-end, the total number of co-workers was 88 (47). The number of employees at the end of the year was 54 (26). The average number of employees during the year was 39 (16).

The Board's proposal for guidelines for remuneration to senior management

The CEO and the other members of senior management fall within the provisions of these guidelines. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the AGM 2020. These guidelines do not apply to any remuneration decided or approved by the general meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

Oncopeptides is a pharmaceutical company focused on the development of therapies for difficult-to-treat hematological diseases. The company is focusing on the development of the product candidate melflufen in multiple myeloma. Oncopeptides conducts operations from the head office in Stockholm, Sweden and their offices in Boston, Massachusetts and Mountain View, California, USA.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the members of senior management a competitive total remuneration.

Long-term share-related incentive plans have been implemented in the company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines. The plans include senior management, Board members, founders and other personnel. For more information regarding these incentive plans, including the criteria which the outcome depends on, see https://oncopeptides.se/en/remuneration/

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

Types of remuneration etc.

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 50 percent of the fixed annual cash salary for the CEO and 30-50 percent for the other members of senior management.

For the CEO, pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 24 percent of the fixed annual cash salary. For the other members of senior management, pension benefits, including health insurance, shall be premium defined. Variable cash remuneration shall not qualify for pension benefits to. The pension premiums for premium defined pension shall amount to not more than 24 percent of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance (Sw: sjukvårdsförsäkring) and company cars. Such benefits may amount to not more than two percent of the fixed annual cash salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Termination of employment

The notice period may not exceed twelve months if notice of termination of employment is made by the company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the CEO's fixed cash salary for two years, and one year for other executives. The period of notice may not to exceed six months without any right to severance pay when termination is made by the executive

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed cash salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions, and be paid during the time the non-compete undertaking applies, however not for more than 12 months following termination of employment.

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may be individualized, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

Salary and employment conditions for employees

In the preparation of the board of directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The board of directors has established a remuneration committee. The committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent of the company and its executive management. The CEO and the other members of the executive management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The board of directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the remuneration committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Description of material changes to the guidelines and how the views of shareholders' have been taken into consideration

During 2019, new members of the senior management have been employed and their variable remuneration has been set above the 30 percent level resolved upon by the AGM. The reason for the deviation from the guidelines was to attract suitable candidates in an international environment on market terms. For 2020, it is proposed that variable remuneration may not exceed 30–50 percent of the fixed annual salary for the other members of senior management.

For information about the guidelines applicable until the 2019 AGM, refer to the Corporate Governance Report on pages 40–46.

Events after the end of the financial year

In March 2020, it was announced that the COVID-19 pandemic would impact the clinical development program for melflufen. The pivotal clinical studies HORIZON and OCEAN remained largely unaffected. For safety reasons, patient recruitment was paused in the ANCHOR and BRIDGE studies and for the AL amyloidosis trial. The start of the LIGHTHOUSE study was postponed.

In March 2020, the topline results of the pivotal phase 2 study HORIZON were presented.

Proposed appropriation of profits for the 2019 financial year

The following amounts are at the disposal of the AGM (SEK):

Share premium reserve	2,486,636,270
Retained earnings	-965,837,403
Loss for the year	-744,137,712
	776,661,155

The Board of Directors proposes that SEK 766,661,155 be carried forward.

RISKS

Oncopeptides' operations are impacted by a number of factors whose effects on the company's earnings and financial position are, in certain respects, entirely or partly beyond the company's control. When evaluating the company's future performance, it is important to factor in these risks alongside its potential earnings growth.

The following is a description of significant risks and uncertainties (not in order of priority) deemed to be most critical to the company's future development.

Clinical studies

Prior to launching a product candidate in the market, Oncopeptides must carry out

preclinical and clinical studies to document and prove that the product gives rise to significant efficacy and has an acceptable safety profile. Oncopeptides is unable to predict with any certainty when planned clinical studies can be started or when ongoing studies can be completed since these are circumstances that are affected by numerous factors that are beyond Oncopeptides' direct control, for example, regulatory approval, ethical review, access to patients and clinical study units, and the implementation of the clinical study at the study unit. It is also difficult to accurately predict the costs associated with clinical studies. The actual costs for carrying out a study may significantly exceed the estimated and budgeted costs. Clinical studies may also give rise to results that do not confirm the intended treatment efficacy or an acceptable safety profile due to undesirable side effects or an unfavorable risk-benefit assessment of the product.

Dependence on the development of a specific product

At present, the company is primarily focusing on the development of its leading product candidate, melflufen, which is at the pivotal clinical phase 3. Consequently, the company has not yet concluded the clinical development of any drugs, and has not launched the sale of, or generated income from the sale of, any approved drugs. The company has invested considerable resources in the development of melflufen, and the financing of its operations is dependent on the confirmation of positive results from the clinical studies. A setback in the development of melflufen in the form of, for example, delays or inconclusive or insufficient data from clinical studies or emerging competition, could adversely impact the company's operations, financial position and earnings.

Reliance on key individuals

Oncopeptides is reliant on several key individuals in a range of fields. The ability to recruit and retain qualified co-workers is of material importance to ensure the level of expertise in the company.

Regulatory approval

Oncopeptides is exposed to regulatory decisions such as the permits required to commercialize pharmaceuticals and regulatory changes with regard to pricing and discounting of pharmaceuticals, or altered conditions for prescribing a particular pharmaceutical product.

Production

Since Oncopeptides has no proprietary production facilities, the company is dependent on sub-suppliers for the production of pharmaceuticals. Substances and products must be produced in sufficient quantities and be of adequate quality. Although none of the company's current manufacturers are sufficiently important to be considered indispensable, the company is dependent on them, since switching manufacturers could be costly and time consuming. There is a risk the company may not find suitable manufacturers who offer the same quality and quantity at terms and conditions that are acceptable to the company.

Product liability

With respect to the nature of Oncopeptides' operations, it is relevant to consider its product liability, which arises from the company's product development and commercialization. Given the nature and scope of the operations, the company's management is of the opinion that Oncopeptides' current insurance coverage is adequate. However, the company will need to review its insurance coverage for each planned clinical study, and it is highly probable that for every future planned study, the extent of insurance coverage and payout amounts will be subject to limitations. Accordingly, there are no guarantees that Oncopeptides' insurance coverage will be adequate to fully cover any future regulatory requirements, which could adversely impact Oncopeptides' operations and earnings.

Competition

Oncopeptides' competitors include international pharmaceutical companies and biotech companies. Some competitors have substantial financial, technical and staffing resources as well as considerable manufacturing, distribution, sales and marketing capacities. There is also a risk that Oncopeptides' products that are under development may be subject to competition from entirely new product concepts that provide greater added value to patients.

Currency risks

The company's reporting and functional currency is SEK. The company's development costs for melflufen are mainly in USD and EUR. Therefore, the company is exposed to exchange-rate risks with respect to payment flows within and beyond Sweden and the eurozone, such as fluctuations where the exchange rate in effect when payment is due deviates from the contractually agreed amount at the time of agreement. In accordance with the company's policy for financial risk, the company exchanges cash into USD and EUR at a level of 70 to 100 percent of the expected cash flow in each currency.

Financing risk

Pharmaceutical development is normally capital-intensive, and Oncopeptides' planned clinical studies and development projects entail significant expenses. The company is thus dependent on its continued capacity to acquire capital. Any delays with respect to clinical studies could result in cash flow being generated later than planned. Future capital requirements are also contingent upon the company's ability to achieve partnerships/co-financing. Oncopeptides will need to acquire additional capital moving forward, depending on the amount of income that can be successfully generated in relation these costs. The company's ability to acquire additional capital, achieve partnerships or obtain other co-financing cannot be guaranteed. This could cause a temporary suspension of development or force Oncopeptides to conduct its operations at a less than optimal rate, which could result in delayed or failed commercialization and income.

Corporate Governance Report

INTRODUCTION

Oncopeptides is a Swedish public limited liability company with its registered office in Stockholm, Sweden. The company's share has been listed on Nasdaq Stockholm since February 22, 2017 and is traded under the ticker symbol ONCO. In addition to the rules laid down by law or other regulations, Oncopeptides applies the Swedish Corporate Governance Code (the "Code") with no exceptions. This report pertains to the 2019 financial year and has been reviewed by the company's auditors.

Oncopeptides' corporate governance

The purpose of Oncopeptides' corporate governance is to create a clear allocation of roles and responsibilities among the owners, the Board of Directors and management. Corporate governance, management and control of Oncopeptides are allotted among the general meeting, the Board of Directors, its elected committees and the CEO.

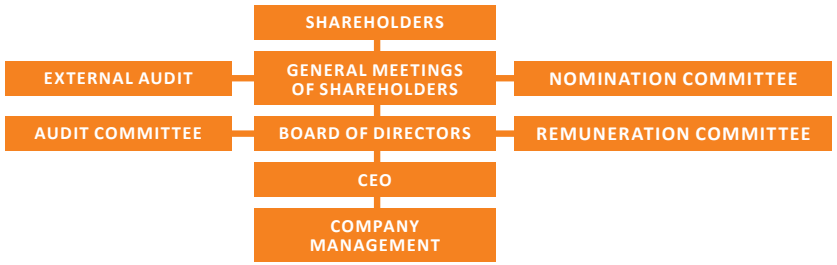
Examples of external regulations that affect corporate governance

- The Swedish Companies Act
- Regulatory framework for external statements
- Nasdaq Stockholm's Rule Book for Issuers
- Swedish Corporate Governance Code
- Other applicable regulations and recommendations

Examples of internal regulations that are significant to corporate governance

- Articles of Association
- Board of Directors' rules of procedure, including instructions to Board committees
- Instructions for the CEO
- Guidelines for remuneration to senior management
- IT policy
- Financial manual
- Code of Conduct
- Information policy
- Insider policy

CORPORATE GOVERNANCE STRUCTURE



Shareholders and the share

Oncopeptides had 8,826 shareholders at year-end 2019. The total number of shares was 55,413,417. There was only one share class. Each share entitles the holder to one vote at the AGM, and all shares carry equal rights to the company's assets and earnings. At December 31, 2019, HealthCap VI LP and Stiftelsen Industrifonden were the single largest shareholders in Oncopeptides, with a total of 11,322,400 and 7,420,805 shares, respectively, corresponding to 20.4 percent and 13.4 percent of the votes and capital. No shareholder other than HealthCap VI LP and Stiftelsen Industrifonden has a direct or indirect shareholding that represents at least one-tenth of the voting rights of all shares in the company. Further information about shareholders and the Oncopeptides share is available on pages 30–31 of the 2019 Annual Report.

The Articles of Association do not have any specific provisions regarding the appointment or dismissal of Board members or about amending the Articles.

General meetings of shareholders

The company's highest decision-making body is the general meeting, where shareholders may exercise their right to decide on the company's affairs. The AGM is to be held within six (6) months of the end of the financial year. The AGM resolves, for example, on the election of the Board of Directors and, where appropriate, the auditors as well as the principles for the appointment of the Nomination Committee, and discharge from liability for the Board of Directors and the CEO for the preceding year. Other issues to be resolved include the adoption of the Annual Report, the appropriation of profit or loss, directors' and auditors' fees, guidelines for remuneration to the CEO and other members of senior management, and incentive programs for co-workers.

The Articles of Association state that the AGM is to be held in Stockholm. To attend and vote at general meetings, either in person or through a proxy, shareholders must be registered in the share register maintained by Euroclear no later than five (5) business days prior to the meeting and notify the company of their participation in accordance with the notice convening the meeting. Official notice of general meetings is to be made in the form of an announcement in Post- och Inrikes Tidningar and on the company's website (www.oncopeptides.se). Information regarding the notice shall also be advertised in Dagens Industri.

2019 AGM

- The AGM for 2019 was held on May 21, 2019 in Stockholm. About 71 percent of the total votes were represented at the meeting. Attorney Johan Winnerblad was elected chairman of the meeting.
- The AGM passed resolutions including the following:
- Per Wold-Olsen, Brian Stuglik, Jonas Brambeck, Cecilia Daun Wennborg, Jarl Ulf Jungnelius, Per Samuelsson and Jennifer Jackson were re-elected as Board members. Per Wold-Olsen was re-elected as Chairman of the Board.

- Ernst & Young AB was elected as the company's auditor, with Björn Ohlsson as auditor in charge.
- Remuneration to the Chairman of the Board and Board members elected by the AGM, and the auditor.
- Adoption of the proposed guidelines for remuneration to senior management.
- Implementation of two incentive programs for members of senior management and key personnel as well as certain Board members where the company can enter into share swap agreements with third parties for the delivery of shares.
- Authorization for the Board of Directors to resolve on new share issues with or without preferential rights for shareholders. The authorization may be exercised on one or more occasions up until the 2020 AGM and the number of shares issued under the authorization may not, after full exercise of the authorization, correspond to a dilution of more than 20 percent of the total number of shares outstanding at the Annual General Meeting's resolution on the proposed authorization.
- Adoption of the balance sheet and income statement.
- Discharge from liability for the Board of Directors and the CEO with regard to the 2019 financial year.

The minutes and information from the AGM are available at oncopeptides.se.

2019 EGM

The EGM on December 17, 2019 passed the following resolutions:

- Decision to issue warrants to secure the delivery of shares under the incentive programs adopted at the 2019 AGM.
- Authorization for the Board of Directors to resolve on new share issues with or without preferential rights for shareholders. The authorization may be exercised on one or more occasions up until the 2020 AGM and the number of shares issued under the authorization may not, after full exercise of the authorization, correspond to a dilution of more than 20 percent of the total number of shares outstanding at the Annual General Meeting's resolution on the proposed authorization. The authorization replaced the previous authorization that was adopted at the 2019 AGM.

Nomination Committee for the 2020 AGM

Representatives	Shareholders
Staffan Lindstrand, chairman	HealthCap VI L.P.
Patrik Sobocki	Stiftelsen Industrifonden
Max Mitteregger	Gladiator
Per Wold-Olsen	Chairman of the Board of Oncopeptides AB

2020 AGM

The 2019 AGM will be held on Tuesday, May 26, 2020 at 2:00 p.m. at Tändsticks-palatset, Västra Trädgårdsgatan 15, Stockholm, Sweden. For further information and the right to participate, see page 82 of Oncopeptides' 2019 Annual Report or visit oncopeptides.se.

The minutes of the AGM will be available at www.oncopeptides.se.

Nomination Committee

The Nomination Committee represents the company's shareholders and is charged with preparing the AGM's resolutions on election and remuneration matters. The Nomination Committee consists of four members, three of whom are to represent the three largest shareholders in the company on the last business day in September 2019, according to statistics from Euroclear Sweden AB. If any of the three largest shareholders chooses to waive their right to appoint a member of the Nomination Committee, this right passes to the shareholder with the next largest shareholding after these shareholders. The fourth person is to be the Chairman of the Board of Directors. The composition of the Nomination Committee is to be publicly announced no later than six months prior to the AGM.

The Nomination Committee observes the rules governing the independence of Board members according to the Swedish Corporate Governance Code.

The Nomination Committee jointly represents approximately 44 percent of the number of shares and votes in the company based on shareholder information at the time of appointment.

BOARD OF DIRECTORS

Composition and independence

According to Oncopeptides' Articles of Association, the Board of Directors is to consist of no fewer than three and no more than eight members elected by the AGM for the term until the end of the next AGM. Seven Board members were elected at the 2019 AGM.

According to the Code, the majority of the Board members elected by the general meeting are to be independent of the company and its management. All Board members are considered independent in relation to the company and its management. Five of the Board members, together with the Chairman of the Board, are also considered independent in relation to major shareholders. Accordingly, Oncopeptides fulfills the Code's requirement with regard to independence.

At the end of the financial year, Oncopeptides' Board of Directors comprised eight Board members: Chairman of the Board Per Wold-Olsen and Board members Jonas Brambeck, Cecilia Daun Wennborg, Ulf Jungnelius, Per Samuelsson, Brian Stuglik and Jennifer Jackson. For further information about the Board of Directors, see pages 78–79 or visit oncopeptides.se.

Responsibility and duties of the Board of Directors

After the general meeting, the Board of Directors is the company's highest decision-making body. The Board of Directors is be responsible for the organization and management of the company's affairs, for example, by establishing targets and

strategies, ensuring that procedures and systems are in place for monitoring set targets, continuously assessing the company's financial position and evaluating its operational management.

Furthermore, the Board of Directors is responsible for ensuring that correct information is given to the company's stakeholders, that the company complies with laws and regulations and that the company prepares and implements internal policies and ethical guidelines. The Board of Directors also appoints the company's CEO and determines his or her salary and other remuneration on the basis of the guidelines adopted by the general meeting.

The Board of Directors adheres to written rules of procedure which are reviewed annually and adopted at the statutory Board meeting. The rules of procedure govern, among other things, the practices and tasks of the Board of Directors, decision-making within the company, the Board's meeting agenda, the Chairman's duties and the allocation of responsibilities between the Board of Directors and the CEO. Instructions for financial reporting and instructions for the CEO are also determined in connection with the statutory Board meeting.

The Board of Directors' work is also carried out based on a yearly meeting schedule that fulfills the Board's need for information. In addition to Board meetings, the Chairman and the CEO maintain an ongoing dialogue regarding the management of the company.

The Board of Directors meets according to a predetermined annual schedule and at least five ordinary Board meetings are to be held between each AGM. In addition to these meetings, extra meetings can be arranged to address matters which cannot be deferred to any of the scheduled meetings.

In 2019, an anonymous survey-based evaluation was performed, through which all the Board members received the opportunity to express themselves about the work of the Board of the company. This information has been collected and compiled in a report prepared by the solicitor firm Vinge, as an independent party. The results will be taken into consideration for the Board's work in 2020. The Nomination Committee, through the Chairman of the Board, has received the evaluation report.

Board of Directors' work and significant events in 2019

The Board met on 18 occasions during the year, eight of which were held per capsulam.

The Board has primarily considered and made decisions on matters relating to the company's strategic focus, melflufen project development, external reporting, budget and budget follow-up. The Board has also been active in preparations and decisions on new share issues.

Board committees

The Board of Directors has set up two committees, the Audit Committee and the Remuneration Committee, which both work according to procedures established by the Board.

Audit Committee

The Audit Committee's role is primarily to monitor the company's financial position, and the effectiveness of the company's internal control and risk management. The committee is to remain informed about the audit of the Annual Report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. The Audit Committee also assists the Nomination Committee in preparing proposals for resolution on the election and remuneration of the auditors. The Audit Committee has consisted of the following members since the AGM on May 21, 2019:

- Cecilia Daun Wennborg (Chairperson)
- Jonas Brambeck
- Per Samuelsson
- Per Wold-Olsen

The committee was convened four times in 2019. Oncopeptides' auditors participated in all of the meetings, at which the topics discussed included the auditors' planning of the audit, observations and examination of the company and its financial statements.

Remuneration Committee

The Remuneration Committee's role is primarily to prepare matters for recommendation to the Board regarding remuneration and other terms of employment for the CEO and CFO and to review with CEO his plans for remuneration for other members of senior management. The Remuneration Committee also formulates the CEO's bonus plan and monitors ongoing and completed programs for variable remuneration to the company's management, and monitors and evaluates the implementation of the guidelines for remuneration to senior management adopted by the AGM. The Remuneration Committee has consisted of the following members since the AGM on May 21, 2019:

- Per Wold-Olsen (Chairman)
- Jonas Brambeck
- Per Samuelsson

The Remuneration Committee was convened nine times in 2019, of which two meetings were held per capsulam. At these meetings, the committee discussed the company's existing remuneration systems and proposed guidelines for the remuneration of the CEO and members of senior management as well as the aims, terms and conditions of the incentive programs adopted by the AGM on May 21, 2019.

CEO AND MANAGEMENT

The role of the CEO is subordinate to the Board of Directors. The CEO's main task is to carry out the company's ongoing management and the daily activities of the company. The rules of procedure for the Board of Directors and the instructions for the CEO stipulate which matters the Board is to resolve upon, and which matters fall within the CEO's area of responsibility. Furthermore, the CEO is responsible for preparing reports and necessary information for decision-making prior to Board meetings and presenting the material at Board meetings.

Oncopeptides' management team consisted, as per December 31, 2019 of nine individuals. In addition to the CEO, management comprises the company's Chief Financial Officer, Head of Regulatory Affairs, Head of Clinical Development, Head of Research & CMC, Chief Medical Officer, Chief Scientific Officer, Chief Commercial Officer and President North America.

For information on the management team, see pages 80–81 or visit the company's website, www.oncopeptides.se.

REMUNERATION TO THE BOARD OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Remuneration to Board members

The AGM on May 21, 2019 resolved that fees to Board members for the period up to and including the end of the 2020 AGM should comprise SEK 625,000 to the Chairman of the Board and SEK 250,000 to each of the other Board members. In addition to fees for regular Board work, it was resolved that each Board member residing in the US should receive an extra fee of SEK 90,000 and that each Board member residing in Europe outside the Nordic region should receive an extra fee of SEK 45,000.

As remuneration for committee work, it was resolved that the Chairman of the Audit Committee would receive SEK 75,000 and other members of the Audit Committee SEK 25,000 each. It was also resolved that the Chairman of the Remuneration Committee would receive SEK 50,000 while the other members of the Remuneration Committee would receive SEK 25,000 each.

The fees paid in 2019 to Board members elected by the AGM are shown in the table below.

Remuneration to members of senior management

Issues pertaining to remuneration to members of senior management are addressed by the Board's Remuneration Committee. The Board decides on the CEO's remuneration based on the proposal presented by the Remuneration Committee. Remuneration and terms for members of senior management are to be based on market conditions and consist of a balanced mix of fixed salary, variable remuneration, pension benefits and terms upon termination. For the 2019 financial year, the CEO and other members of senior management received salary and other remuneration as set out in Note 10 in the Annual Report.

Guidelines for remuneration to senior management

Guidelines were adopted at the 2019 AGM valid for the period up to the closing of the 2020 AGM. The main points were as follows.

Oncopeptides' starting point is that salary and other terms and conditions should always enable Oncopeptides to attract and retain qualified members of senior management at a reasonable cost for the company. Remuneration to members of senior management is to be decided in accordance with Oncopeptides' remuneration policy, which is adopted annually by the Board and comprises a supplement to the guidelines.

Remuneration to members of senior management consists of a fixed salary, variable remuneration, pension and other benefits.

To avoid unnecessary risks being taken by members of Oncopeptides' senior management, there should be a fundamental balance between fixed and variable remuneration. Furthermore, Oncopeptides' AGM may, if so ordered, offer long-term incentive programs, such as share or share price-related incentive programs.

Each member of senior management is to be offered a market-level fixed salary based on the degree of difficulty of the work and the individual's responsibilities, experience and performance. In addition, each member of senior management may, from time to time, be offered variable remuneration (bonus) to be paid in cash. Variable remuneration is to be based on clear predetermined and measurable performance criteria and financial results as well as predetermined individual objectives and business objectives, and is to be designed to promote Oncopeptides' long-term value creation. Variable remuneration is to be paid in cash and is not to exceed 50 percent of annual fixed salary for the CEO and 30 percent of annual fixed salary for other members of senior management. Members of senior management are to be offered pension terms that are in accordance with market practice in the country where the individuals are domiciled. Non-monetary benefits are to facilitate the work of senior management and are to correspond to what is considered reasonable in relation to market practice.

Reporting period January 1–December 31, 2019

		Independent in relation to		Remuneration, SEK thousand[3]				Attendance[1]		
Board member	Function	The company and its management	Major shareholders	Board fees	Audit Committee	Remuneration Committee	Total	Board of Directors[2]	Audit Committee	Remuneration Committee[2]
Per Wold-Olsen	Chairman	Yes	Yes	670	25	50	742.5	10/10	3/4	7/7
Jonas Brambeck	Board member	Yes	No	250	25	25	300	10/10	4/4	6/7
Cecilia Daun Wennborg	Board member	Yes	Yes	250	75	–	325	10/10	4/4	–
Per Samuelsson	Board member	Yes	No	250	25	25	300	10/10	4/4	7/7
Ulf Jungnelius	Board member	Yes	Yes	295	–	–	292.5	8/10	–	–
Brian Stuglik	Board member	Yes	Yes	340	–	–	335	9/10	–	
Jennifer Jackson	Board member	Yes	Yes	340	–	–	167.5	9/10	–	–
Olof Tydén[4]	Board member	Yes	Yes	–	–	–	0	4/10	–	–
Total				**2,395**	**150**	**100**	**1,970**			

1) Figures in table show the total number of meetings attended/total number of meetings
2) Excluding per capsulam meetings
3) Fee set by the AGM, excluding social security contributions for the May 2019 to May 2020 financial year
4) Stepped-down from Board membership at the AGM on May 21, 2019

The fixed salary during the notice period, together with severance pay, may not exceed 24 months' fixed salary.

The Board of Directors is entitled to deviate from the guidelines in individual cases should there be special reasons for doing so. Before every AGM, the Board of Directors is to consider whether or not additional share or share price-related incentive programs should be proposed to the general meeting.

It is the general meeting that resolves upon such incentive programs. Incentive programs are to promote long-term value growth and align the interests of participating members of senior management with those of the shareholders.

New share issues and transfers of securities resolved upon by the general meeting in accordance with the rules of Chapter 16 of the Swedish Companies Act are not covered by the guidelines insofar as the AGM has taken, or will take, such decisions.

SHARE-BASED INCENTIVE PROGRAMS

At year-end 2018, Oncopeptides had eight active programs covering the company's management, certain Board members, founders and other employees. Two incentive programs were established in 2013: "Founder Option Program" and "Employee Option Program 2012/2019". Both of these programs expired in 2019. "Employee Option Program 2016/2023" was established in 2016. In May 2017, two incentive programs were established: "Co-worker LTIP 2017" and "Board LTIP 2017". At the 2018 AGM, two incentive programs were established: "Co-worker LTIP 2018" and "Board LTIP 2018". At an EGM in December 2018, "Board LTIP 2018.2" was established, and at the 2019 AGM, it was resolved that two new incentive programs were to be introduced: "Co-worker LTIP 2019" and "Board LTIP 2019". A brief description of the programs follows below. See Note 24 in the 2019 Annual Report for further information on the incentive programs.

Employee Option Program 2016/2023

Employee options were allotted free of charge to participants. Allotted employee options are vested gradually over a four-year period calculated from the starting date (aside from 60 options in the series that vest and are allotted over a period of 12 months). Vesting requires that the holder remains employed by the company and that the employment is not terminated as per the day of vesting of each employee option. Each vested option entitles the holder to subscribe for 900 new shares in the company up to and including November 30, 2023 at the latest.

Co-worker LTIP 2017

The options were allotted free of charge to participants of the program. The options have a three-year vesting period calculated from the allotment date, provided that, with customary exceptions, the participants remain as employees of, or continue to provide services to, Oncopeptides. Once the options are vested, they can be exercised within a four-year period.

Each vested option entitles the holder to acquire one share in the company at a predetermined price. The price per share is to be equivalent to the weighted average price that the company's shares were traded for on Nasdaq Stockholm during the five trading days preceding the allotment date.

Co-worker LTIP 2018

The options were allotted free of charge to participants of the program. The options have a three-year vesting period calculated from the allotment date, provided that, with customary exceptions, the participants remain as employees of, or continue to provide services to, Oncopeptides. Once the options are vested, they can be exercised within a four-year period.

Each vested option entitles the holder to acquire one share in the company at a predetermined price. The price per share is to be equivalent to the weighted average price that the company's shares were traded for on Nasdaq Stockholm during the five trading days preceding the allotment date.

Co-worker LTIP 2019

The options were allotted free of charge to participants of the program. The options have a three-year vesting period calculated from the allotment date, provided that, with customary exceptions, the participants remain as employees of, or continue to provide services to, Oncopeptides. Once the options are vested, they can be exercised within a four-year period.

Each vested option entitles the holder to acquire one share in the company at a predetermined price. The price per share is to be equivalent to the weighted average price that the company's shares were traded for on Nasdaq Stockholm during the five trading days preceding the allotment date.

Board LTIP 2017

The share awards were allotted to participants free of charge. The share awards are subject to performance-based vesting, based on the performance of Oncopeptides' share price during the period from the date of the 2017 AGM through May 31, 2020. The share price's performance will be measured as the volume-weighted average price of the company's share 90 trading days immediately after the AGM and 90 trading days immediately before May 31, 2020. If Oncopeptides' share price has then increased by over 60 percent, 100 percent of the share awards will be vested, and if the share price has increased by 20 percent, 33 percent of the share awards will be vested.

In the event of an increase in the share price by 20 to 60 percent, the share awards will be vested in a linear manner. If the share price increases by less than 20 percent, there will be no vesting. Each vested share award entitles the holder to obtain one share in Oncopeptides free of charge, provided that the holder, with some customary "good leaver" exceptions, is still a Board member of Oncopeptides on June 1, 2020.

Vested share awards can be exercised no earlier than June 1, 2020 and no later than November 30, 2020.

Board LTIP 2018

The share awards were allotted to participants free of charge. Share awards are vested over a three-year period, with one-third per year during the period from one AGM to the next. The share awards are also subject to performance-based vesting, based on the performance of Oncopeptides' share price during the period from the date of the 2018 AGM up to and including the date of the 2021 AGM. The share price's performance will be measured as the volume-weighted average price of the company's share 30 trading days immediately after the 2018 AGM and 30 trading

days immediately before the 2021 AGM. If Oncopeptides' share price has then increased by over 60 percent, 100 percent of the share awards will be vested, and if the share price has increased by 20 percent, 33 percent of the share awards will be vested. In the event of an increase in the share price by 20 to 60 percent, the share awards will be vested in a linear manner. If the share price increases by less than 20 percent, there will be no vesting. Each time-based and performance-based vested share award entitles the holder to obtain one share in Oncopeptides free of charge.

Vested share awards are automatically exercised the day after the 2021 AGM.

Board LTIP 2018.2

The share awards were allotted to participants free of charge. Share awards are vested over a three-year period, with one-third per 12-month period after the allotment date. The share awards are also subject to performance-based vesting, based on the performance of Oncopeptides' share price during the period from the allotment date up to and including the final vesting date. The share price's performance will be measured as the volume-weighted average price of the company's share 10 trading days immediately after the allotment date and 10 trading days immediately before the final vesting date. If Oncopeptides' share price has then increased by over 60 percent, 100 percent of the share awards will be vested, and if the share price has increased by 20 percent, 33 percent of the share awards will be vested. In the event of an increase in the share price by 20 to 60 percent, the share awards will be vested in a linear manner. If the share price increases by less than 20 percent, there will be no vesting. Each time-based and performance-based vested share award entitles the holder to obtain one share in Oncopeptides free of charge.

Vested share awards can be exercised on the final vesting date at the earliest.

Board LTIP 2019

The share awards were allotted to participants free of charge. Share awards are vested over approximately three years until either the 2022 AGM or June 1, 2022 (whichever occurs first) with one-third per year during the period from one AGM to the date immediately before the next AGM or the final vesting date. The share awards are also subject to performance-based vesting, based on the performance of Oncopeptides' share price during the period from the allotment date up to and including the day before the final vesting date. The share price's performance will be measured as the volume-weighted average price of the company's share 10 trading days immediately after the allotment date and 10 trading days immediately before the final vesting date. If Oncopeptides' share price has then increased by over 60 percent, 100 percent of the share awards will be vested, and if the share price has increased by 20 percent, 33 percent of the share awards will be vested. In the event of an increase in the share price by 20 to 60 percent, the share awards will be vested in a linear manner. If the share price increases by less than 20 percent, there will be no vesting. Each time-based and performance-based vested share award entitles the holder to obtain one share in Oncopeptides free of charge.

Vested share awards can be exercised on the final vesting date at the earliest.

Number of shares to which granted employee options may entitle the holder	
Employee Option Program 2016/2023	276,300
Co-worker LTIP 2017	1,618,939
Co-worker LTIP 2018	430,543
Co-worker LTIP 2019	166,017
Total number of shares to which granted employee options may entitle the holder	**2,491,799**
Number of granted share awards in program Board LTIP 2017	21,266
Number of share awards granted in program Board LTIP 2018	30,451
Number of share awards granted in program Board LTIP 2018.2	2,170
Number of share awards granted in program Board LTIP 2019	2,170
Total number of shares to which granted employee options and share awards may entitle the holder	**2,569,177**

Dilution

To ensure the delivery of shares to participants in the company's incentive programs as well as to cover social security contributions when share awards and employee options are exercised, the Parent Company has issued warrants to its subsidiary Oncopeptides Incentive AB, which entitle holders to subscribe for a total of 5,279,995 shares in the Parent Company.

The full utilization of granted options and share awards as of December 31, 2019, corresponding to 2,569,177 shares, would result in a dilution for shareholders of 4.4 percent. The full utilization of all resolved warrants corresponding to a total of 5,279,995 shares (including unallotted employee options and hedging of social security contributions) would result in a dilution for shareholders of 8.7 percent.

The table is a summary of the total number of shares to which allotted employee options and share awards may entitle the holder at December 31, 2019.

EXTERNAL AUDITOR

Oncopeptides' auditor is the accounting firm Ernst & Young AB (EY), with authorized public accountant Björn Ohlsson as auditor in charge. At the 2019 AGM, EY was selected as the auditor for Oncopeptides, for the first time, until the conclusion of the 2020 AGM.

The auditor performs a review engagement of the quarterly report for the third quarter, and audits the annual and consolidated financial statements. The auditor also comments on whether this Corporate Governance Report has been prepared and whether certain information herein is consistent with the annual and consolidated financial statements. The auditor reports on the results of its audit of the Annual Report and consolidated financial statements and review of the Corporate Governance Report via the Auditor's Report as well as a separate opinion on the compliance with guidelines for remuneration to senior management, which the auditor submits to the AGM. In addition, the auditor issues detailed statements on the audits performed to the Audit Committee two times per year as well as to the Board in its entirety once per year. The fees invoiced by the auditor in the last two financial years are disclosed in Note 8 of the 2019 Annual Report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors' responsibility for internal control is governed by the Swedish Companies Act and the Swedish Corporate Governance Code. Internal control primarily consists of the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.

Among other tasks, the Board is responsible for ensuring that Oncopeptides has sufficient internal control and formalized procedures to ensure that established principles for financial reporting and internal control are adhered to and that there are appropriate systems in place to monitor and control the company's operations and the risks associated with the company and its operations.

The overall purpose of the internal control is to ensure that the company's operating strategies and targets are monitored and that the owners' investments are protected, to a reasonable degree. Furthermore, the internal control is to ensure, with reasonable certainty, that the external financial reporting is reliable and prepared in accordance with generally accepted accounting principles, that applicable laws and regulations are followed, and that the requirements imposed on listed companies are complied with.

In addition to the aforementioned internal control, there is also an internal, business-specific control of data as regards research and development as well as quality control including systematic monitoring and evaluation of the company's development and manufacturing operations and the company's products.

Control environment

In order to create and maintain a functioning control environment, the Board has adopted a number of policies and steering documents governing financial reporting. These documents primarily comprise the rules of procedure for the Board of Directors, instructions for the CEO and instructions for financial reporting. The Board has also adopted special authorization procedures and a financial policy. The company also has a financial manual which contains principles, guidelines and process descriptions for accounting and financial reporting.

Furthermore, the Audit Committee's main task is to monitor the company's financial position and the effectiveness of the company's internal control, internal audit and risk management, to remain informed about the audit of the Annual Report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. Responsibility for the ongoing work of the internal control over financial reporting has been delegated to the company's CEO. The CEO regularly reports to the Board of Directors in accordance with the established instructions for the CEO and the instructions for financial reporting. The Board also receives reports from the company's auditor.

Risk assessment

Risk assessment includes identifying risks that may arise if the basic requirements for the financial reporting of the company are not met. Oncopeptides' management team has, in a specific risk assessment document, identified and evaluated the risks that arise in the company's operations, and has assessed how these risks can be managed. Within the Board of Directors, the Audit Committee is primarily responsible for continuously assessing the company's risk situation as it related to the company's financial reporting. The Board also conducts an annual review of the risk situation.

Control activities

Control activities limit identified risks and ensure accurate and reliable financial reporting. The Board of Directors is responsible for the internal control and monitoring of the company's management. This is done through both internal and external control activities, and through examination and monitoring of the company's steering documents related to risk management. The effectiveness of the control activities is assessed annually and the results from these assessments are reported to the Board of Directors and the Audit Committee. In agreements with sub-suppliers, the company has secured the right to audit each respective sub-supplier's fulfillment of relevant services, including quality aspects.

Information and communication

The company has information and communication channels to promote the accuracy of the financial reporting and to facilitate reporting and feedback from the operations to the Board and senior management, for example, by making corporate governance documents, such as internal policies, guidelines and instructions regarding the financial reporting, available to the co-workers concerned and ensuring the co-workers are familiar with them. The Board of Directors has also adopted an information policy governing Oncopeptides' disclosure of information.

Monitoring, evaluation and reporting

Compliance with and effectiveness of the internal controls are constantly monitored. The CEO ensures that the Board of Directors continuously receives reports on the development of the company's activities, including the development of the company's earnings and financial position, as well as information on important events, such as research results and important contracts. The CEO also reports on these matters at each Board meeting. The company's compliance with all relevant steering documents and guidelines is assessed annually. The results from these assessments are compiled by the company's CFO and then reported to the Board of Directors and the Audit Committee.

The Board deems that the internal controls are effective in all material respects and, on this basis, has determined that there is no need to establish a special internal-audit function.

EXTERNAL AUDIT

The company's auditor is appointed by the AGM for the period until the end of the next AGM. The auditor examines the Annual Report and accounts as well as the Board of Directors' and the CEO's fulfillment of their fiduciary duties and responsibilities Following each financial year, the auditor submits an Auditor's Report to the general meeting. Each year, the company's auditor reports his observations from the audit and his assessment of the company's internal control to the Board of Directors.

Consolidated statement of comprehensive income

SEK thousand	Note	2019	2018[1)]
Net sales		–	–
Gross profit		**–**	**–**
Operating expenses			
Research and development costs	9, 10	-548,273	-313,714
Marketing and distribution costs	9, 10	-127,409	-51,126
Administrative expenses	8, 9, 10	-72,046	-55,298
Other operating income	5	8,336	10,078
Other operating expenses	6	0	-903
Total operating expenses	7	**-739,392**	**-410,963**
Operating result		**-739,392**	**-410,963**
Financial income	11	0	0
Financial expenses	11	-528	-2
Result before tax		**-739,920**	**-410,965**
Income tax	12	-785	-147
Result for the year[2)]		**-740,705**	**-411,112**
Comprehensive income for the year			
Items that may be reclassified in profit or loss			
Exchange-rate differences from restatement of foreign operations		-20	22
Translation differences on currency hedges		–	-8
Other comprehensive income for the year after tax		**-20**	**14**
Comprehensive income for the year[2)]		**-740,725**	**-411,098**
Earnings per share before and after dilution (SEK)	23	-14.33	-9.58

1) Previous periods have been adjusted to comply with correction of errors, see Note 30
2) Total comprehensive income and results for the year are fully attributable to Parent Company shareholders.

Consolidated statement of financial position

SEK thousand	Note	Dec 31, 2019	Dec 31, 2018[1)]
ASSETS			
Non-current assets	18		
Intangible fixed assets	13	2,111	–
Property, plant and equipment	14	2,499	2,363
Right-of-use assets	9	14,693	–
Deferred tax assets	15	2,262	–
Financial non-current assets	16	1,035	851
Total non-current assets		**22,600**	**3,214**
Current assets	18		
Other current receivables	19	6,976	2,456
Prepaid expenses	20	37,726	12,415
Cash and cash equivalents	21	926,186	375,617
Total current assets		**970,888**	**390,488**
TOTAL ASSETS		**993,488**	**393,702**

1) Previous periods have been adjusted to comply with correction of errors, see Note 30

SEK thousand	Note	Dec 31, 2019	Dec 31, 2018[1)]
EQUITY	22		
Share capital		6,157	4,899
Other contributed capital		2,544,306	1,272,830
Reserves		2	22
Retained earnings (including result for the year)		-1,753,452	-1,012,747
Total equity		**797,013**	**265,004**
LIABILITIES			
Non-current liabilities	18		
Other non-current liabilities	26	23,052	14,858
Provision for social security contributions, incentive programs	9	8,243	–
Other non-current liabilities		**31,295**	**14,858**
Current liabilities	18		
Provision for social security contributions, incentive programs	27	10,733	56,600
Trade payables	3,18	80,986	25,270
Other current liabilities	24	12,319	4,056
Accrued expenses	25	61,142	27,914
Total current liabilities		**165,180**	**113,840**
Total liabilities		**196,475**	**128,698**
TOTAL EQUITY AND LIABILITIES		**993,488**	**393,702**

Consolidated statement of changes in equity

SEK thousand	Note	Share capital	Other contributed capital	Translation reserves	Retained earnings (including result for the period)	Total equity[1]
Opening balance at Jan 1, 2018		**4,423**	**956,044**	**–**	**-601,627**	**358,840**
Result for the year		–	–	–	-411,112	-411,112
Other comprehensive income for the year		–	–	22	-8	14
Comprehensive income for the year		**–**	**–**	**22**	**-411,120**	**-411,098**
Transactions with shareholders						
New share issue	22	442	313,978	–	–	314,420
Issue costs		–	-19,390	–	–	-19,390
Value of service by participants in the incentive programs	26	–	12,368	–	–	12,368
Exercise of warrants under the company's incentive program	26	34	9,830	–	–	9,864
Total transactions with shareholders		**476**	**316,786**	**–**	**–**	**317,262**
Closing balance at Dec 31, 2018	22	**4,899**	**1,272,830**	**22**	**-1,012,747**	**265,004**
Opening balance at Jan 1, 2019		4,899	1,272,830	22	-1,012,747	265,004
Result for the year		–	–		-740,705	-114,446
Other comprehensive income for the year		–	–	-20	–	-20
Comprehensive income for the year		**–**	**–**	**-20**	**-740,705**	**-740,725**
Transactions with shareholders						
New share issue	22	1,085	1,272,340	–	–	1,273,425
Issue costs		–	-76,595	–	–	-76,595
Value of service by participants in the incentive programs	26	–	32,493	–	–	32,493
Exercise of warrants under the company's incentive program	26	173	43,238	–	–	43,411
Total transactions with shareholders		**1,258**	**1,271,476**	–	–	**1,272,734**
Closing balance at Dec 31, 2019	22	**6,157**	**2,544,306**	**2**	**-1,753,452**	**797,013**

Equity is fully attributable to Parent Company shareholders.

1) Previous periods have been adjusted to comply with correction of errors, see Note 30

Consolidated statement of cash flows

SEK thousand	Note	2019	2018[1]
Operating activities			
Operating result		-739,392	-410,963
Adjustment for non-cash items	21	-8,187	44,727
Interest paid		-528	-2
Tax paid		-1,158	–
Cash flow from operating activities before change in working capital		**-749,265**	**-366,238**
Change in working capital			
Increase/decrease in operating receivables		-29,962	-769
Increase/decrease in trade payables		55,716	9,589
Increase/decrease in other current operating liabilities		32,945	23,691
Total change in working capital		**58,699**	**32,511**
Cash flow from operating activities		**-690,566**	**-333,727**
Investing activities			
Investments in intangible fixed assets	13	-2,111	–
Investments in property, plant and equipment	14	-517	-369
Repaid deposits		–	262
Investments in financial non-current assets	16	–	-800
Cash flow from investing activities		**-2,628**	**-907**
Cash flow from financing activities			
New share issue	22	1,273,425	314,419
Exercise of warrants under the company's incentive program		43,411	9,864
Issue costs		-76,595	-19,390
Repayment of borrowings		-3,956	–
Cash flow from financing activities		**1,236,285**	**304,893**
Cash flow for the period		**543,091**	**-29,741**
Cash and cash equivalents at beginning of period		375,617	404,050
Change in cash and cash equivalents		543,091	-29,741
Exchange-rate differences in cash and cash equivalents		7,478	1,308
Cash and cash equivalents at end of year	21	**926,186**	**375,617**

1) Previous periods have been adjusted to comply with correction of errors, see Note 30

Parent Company income statement

SEK thousand	Note	2019	2018[1)]
Net sales		–	–
Gross profit		**–**	**–**
Operating expenses			
Research and development costs	9,10	-548,419	-313,714
Marketing and distribution costs	9,10	-131,992	-51,844
Administrative expenses	8,9,10	-72,104	-55,298
Other operating income	5	8,336	10,078
Other operating expenses	6	0	-903
Total operating expenses		**-744,179**	**-411,681**
Operating result		**-744,179**	**-411,681**
Financial income	11	56	20
Financial expenses	11	-15	-2
Result before tax		**-744,138**	**-411,663**
Income tax	12	–	–
Result for the year		**-744,138**	**-411,663**

1) Previous periods have been adjusted to comply with correction of errors, see Note 30

Parent Company statement of comprehensive income

SEK thousand	2019	2018
Result for the year	**-744,138**	**-411,663**
Other comprehensive income		
Translation differences on currency hedges	–	-8
Total other comprehensive income	**–**	**-8**
Comprehensive income for the year	**-744,138**	**-411,671**

1) Previous periods have been adjusted to comply with correction of errors, see Note 30

Parent Company balance sheet

SEK thousand	Note	Dec 31, 2019	Dec 31, 2018[1)]
ASSETS			
Non-current assets			
Intangible fixed assets	13		
Other intangible assets		2,111	–
Total intangible fixed assets		**2,111**	**–**
Property, plant and equipment	14		
Machinery and equipment		2,472	2,363
Total property, plant and equipment		**2,472**	**2,363**
Financial non-current assets	16		
Interests in subsidiaries	17	50	50
Other non-current receivables		851	851
Total financial non-current assets		**901**	**901**
Current assets			
Receivables			
Other current receivables	19	6,915	2,279
Prepaid expenses	20	37,192	11,640
Cash in hand and at bank	21	921,535	375,513
Total receivables		**965,642**	**389,432**
Total current assets		**965,642**	**389,432**
TOTAL ASSETS		**971,126**	**392,696**

1) Previous periods have been adjusted to comply with correction of errors, see Note 30

SEK thousand	Note	Dec 31, 2019	Dec 31, 2018[1)]
EQUITY AND LIABILITIES			
Equity	22		
Restricted equity			
Share capital		6,157	4,899
Statutory reserve		10,209	10,209
		16,366	**15,108**
Non-restricted equity			
Share premium reserve		2,486,636	1,247,653
Retained earnings		-965,837	-586,660
Result for the year		-744,138	-411,671
		776,661	**249,322**
Total equity		**793,027**	**264,430**
Liabilities			
Non-current liabilities			
Provision for social security contributions, incentive programs	26	23,052	14,858
Total non-current liabilities		**23,052**	**14,858**
Current liabilities			
Provision for social security contributions, incentive programs	26	10,733	56,600
Trade payables		79,864	23,261
Liabilities to Group companies		10,507	1,906
Other current liabilities	24	2,923	3,909
Accrued expenses	25	51,020	27,732
Total current liabilities		**155,047**	**113,408**
Total liabilities		**178,099**	**128,266**
TOTAL EQUITY AND LIABILITIES		**971,126**	**392,696**

Parent Company statement of changes in equity

	Restricted equity		Non-restricted equity			
SEK thousand	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Result for the year	Total equity[1]
Opening balance at Jan 1, 2018	**4,423**	**10,209**	**943,236**	**-292,251**	**-306,777**	**358,840**
Appropriation in accordance with AGM				-306,777	306,777	–
Result for the year					-411,663	-411,663
Other comprehensive income for the year	–	–	–	–	-8	-8
Comprehensive income for the year	**–**	**–**	**–**	**–**	**-411,671**	**-411,671**
Transactions with shareholders						
New share issue	442	–	313,978	–	–	314,420
Issue costs	–	–	-19,390	–	–	-19,390
Value of service by participants in the incentive programs	–	–	–	12,368	–	12,368
Exercise of warrants under the company's incentive program	34	–	9,830	–	–	9,864
Total transactions with shareholders	**476**	**–**	**304,417**	**12,368**	**–**	**317,261**
Closing balance at Dec 31, 2018	**4,899**	**10,209**	**1,247,653**	**-586,660**	**-411,671**	**264,430**
Opening balance at Jan 1, 2019	**4,899**	**10,209**	**1,247,653**	**-586,660**	**-411,671**	**264,430**
Appropriation in accordance with AGM				-411,671	411,671	–
Result for the year					-744,138	-744,138
Other comprehensive income for the year	–	–	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**–**	**-744,138**	**-744,138**
Transactions with shareholders						
New share issue	1,085	–	1,272,340	–	–	1,273,425
Issue costs	–	–	-76,595	–	–	-76,595
Value of service by participants in the incentive programs	–	–	–	32,493	–	32,493
Exercise of warrants under the company's incentive program	173	–	43,238	–	–	43,411
Total transactions with shareholders	**1,258**	**–**	**1,238,983**	**32,493**	**–**	**1,272,734**
Closing balance at Dec 31, 2019	**6,157**	**10,209**	**2,486,636**	**-965,837**	**-744,138**	**793,027**

1) Previous periods have been adjusted to comply with correction of errors, see Note 30

Parent Company statement of cash flows

SEK thousand	Note	2019	2018[1]
Cash flow from operating activities			
Operating result		-744,179	-411,681
Adjustment for non-cash items	21	-12,366	44,726
Interest paid		-15	-2
Cash flow from operating activities before change in working capital		**-756,560**	**-366,957**
Change in working capital			
Increase/decrease in operating receivables		-30,132	58
Increase/decrease in trade payables		56,603	7,580
Increase/decrease in other current operating liabilities		30,904	25,540
Total change in working capital		**57,375**	**33,178**
Cash flow from operating activities		**-699,185**	**-333,779**
Investing activities			
Investments in intangible fixed assets	13	-2,111	–
Investments in property, plant and equipment	14	-470	-369
Repaid deposits		–	262
Investments in financial non-current assets	16	–	-800
Cash flow from investing activities		**-2,581**	**-907**
Cash flow from financing activities			
New share issue	22	1,273,425	314,419
Exercise of warrants under the company's incentive program		43,411	9,864
Issue costs		-76,595	-19,390
Cash flow from financing activities		**1,240,241**	**304,893**
Cash flow for the period		**538,475**	**-29,793**
Cash and cash equivalents at beginning of period		375,513	404,000
Change in cash and cash equivalents		538,475	-29,793
Exchange-rate differences in cash and cash equivalents	21	7,547	1,306
Cash and cash equivalents at end of year		**921,535**	**375,513**

Notes to the consolidated and Parent Company financial statements

Note 1 General information

Oncopeptides AB (publ), corporate registration number 556596-6438, is the Parent Company of the Oncopeptides Group ("Oncopeptides"). Oncopeptides AB (publ) has its registered office in Stockholm at Västra Trädgårdsgatan 15, SE-111 53 Stockholm, Sweden. The company's share has been listed on Nasdaq Stockholm since February 22, 2017. The Group's principal operation is the development of pharmaceutical drugs.

On April 17, 2020 the Board has approved this annual report and consolidated financial statements, that will be proposed for adoption at the AGM on May 26, 2020.

Note 2 Summary of significant accounting policies

The most significant accounting policies applied in the preparation of this year's consolidated financial statements are described below. Unless otherwise stated, these policies were applied consistently for all years presented.

All amounts are reported in SEK and rounded to the nearest thousand (SEK thousand), unless otherwise stated. Figures in parentheses refer to the preceding year.

All notes refer to both the Parent Company and the Group, unless otherwise specified.

2.1 Basis of presentation of financial statements

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued of the IFRS Interpretations Committee (IFRS IC), as adopted by the European Union (EU). The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. Management is also required to make certain judgments in applying the Group's accounting policies. Areas that involve a high degree of judgment, are complex or where assumptions and estimates have a material impact on the consolidated financial statements are described in Note 4.1.

The Parent Company applies the Swedish Annual Accounts Act and Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board.

2.1.1 Amendments to accounting policies and disclosures

The Group and the Parent Company have applied the new and amended standards and interpretations that are to be applied for financial years beginning January 1, 2019 or later for the first time. With the exception of the changes that are described below, these have not had any significant impact on the financial reporting for the Group or the Parent Company. No new or amended IFRS have been applied early.

IFRS 16

IFRS 16 is applied by the Group as of January 1, 2019. IFRS 16 replaces IAS 17, and according to the new standard, lessees must report the obligation to make lease payments as a lease liability in the balance sheet. The right to use the underlying asset during the lease period is recognized as an asset. Depreciation of the asset is recognized in profit or loss and as interest on the lease liability. Lease payments are recognized partly as interest expense and partly as repayment of the lease liability.

Oncopeptides applies the simplified transition method, which means that comparable information for previous periods is not recalculated. Lease liabilities comprise the discounted remaining lease payments as per Jan 1, 2019. Right-of-use assets for all contracts amounted to an amount corresponding to lease liabilities adjusted for already paid or accrued lease payments recognized in the statement of financial position on initial application. The transition to IFRS 16 does not therefore affect equity. Right-of-use assets comprise leases for rented premises.

Oncopeptides has applied the option of excluding leases that have a low value and leases of less than 12 months (short-term leases). Low-value leases essentially refer to photocopiers. Upon assessment of the length of a lease with extension and termination options, both the business strategy and lease specific conditions are taken into account to determine whether it is reasonably secure that Oncopeptides will utilize them. In respect of identified non-lease components in a lease, the Group applies the general rule under IFRS 16, that is to recognize them separately from the lease component. With the transition to IFRS 16, all remaining lease payments have been discounted with Oncopeptides' incremental borrowing rate. The borrowing rate was 5.4 percent as of January 1, 2019.

When the standard came into force, the following adjustments in Oncopeptides' statement of financial position were reported:

(SEK thousand)	Dec 31, 2018	IFRS 16 adjustment	Jan 1, 2019
Assets			
Non-current assets			
Property, plant and equipment	2,363	–	2,363
Right-of-use assets	–	8,053	8,053
Financial non-current assets	851	–	851
Total non-current assets	**3,214**	**8,053**	**11,267**
Current assets	390,488	–	390,488
Total assets	**393,702**	**8,053**	**401,755**
Equity and liabilities			
Equity	265,004	–	265,004
Non-current liabilities			
Provision for social security contributions, incentive programs	14,858	–	14,858
Other non-current liabilities	–	6,009	6,009
Total non-current liabilities	**14,858**	**6,009**	**20,867**
Current liabilities			
Provision for social security contributions, incentive programs	56,600	–	56,600
Trade payables	25,270	–	25,270
Other current liabilities	4,056	2,044	6,100
Accrued expenses	27,914	–	27,914
Total current liabilities	**113,840**	**2,044**	**115,884**
Total equity and liabilities	**393,702**	**8,053**	**401,755**

As an effect of the transition to IFRS 16, the Group's assets and liabilities have increased SEK 8,053 thousand, as per January 1, 2019.

Reconciliation of operating lease commitments	
Commitments for operating leases December 31, 2018	8,352
Discounting effects	-299
Recognized lease liabilities January 1, 2019	**8,053**

The transition to IFRS 16 meant that right-of-use assets and lease liabilities of SEK 8,053 thousand were recognized for the Group as per January 1, 2019. The transition to IFRS 16 also meant that the operating result for the Group for the period ending December 31, 2019 improved SEK 309 thousand, and that the result for the period decreased SEK 203 thousand, compared with if the corresponding accounting principles from the preceding year had been applied.

The Parent Company applies the exemption that exists in RFR 2 for Legal Entities and reports all leases as a linear cost over the lease period. The transition to IFRS 16 has therefore not affected the Parent Company.

See below for how the transition to IFRS 16 has affected the Group for the 2019 financial year:

Consolidated statement of income Jan–Dec 2019	In accordance with previous principles	Effects of IFRS 16	2019
Research and development costs	-548,421	148	-548,273
Marketing and distribution costs	-127,515	106	-127,409
Administration and distribution costs	-72,101	55	-72,046
Other operating income/expenses	8,336	–	8,336
Operating result	-739,701	309	-739,392
Financial income	0	–	0
Financial expenses	-16	-512	-528
Tax on profit for the year	-785	–	-785
Result for the year	**-740,502**	**-203**	**-740,705**

Consolidated balance sheet, Dec 31, 2019	In accordance with previous principles	Effects of IFRS 16	2019
Assets			
Non-current assets			
Intangible assets	2,111	–	2,111
Property, plant and equipment	2,499	–	2,499
Right-of-use assets	–	14,693	14,693
Deferred tax assets	2,262	–	2,262
Financial non-current assets	1,035	–	1,035
Total non-current assets	**7,907**	**14,693**	**22,600**
Current assets	970,880	–	970,880
Total assets	**978,787**	**14,693**	**993,480**

Consolidated balance sheet, Dec 31, 2019	In accordance with previous principles	Effects of IFRS 16	2019
Equity and liabilities	797,216	-203	797,013
Equity			
Non-current liabilities			
Provision for social security contributions, incentive programs	23,052	–	23,052
Other non-current liabilities	–	8,243	8,243
Total non-current liabilities	**23,052**	**8,243**	**31,295**
Current liabilities			
Provision for social security contributions, incentive programs	10,733	–	10,733
Trade payables	80,986	–	80,986
Other current liabilities	5,666	6,652	12,319
Accrued expenses	61,142	–	61,142
Total current liabilities	**158,527**	**6,652**	**165,180**
Total equity and liabilities	**978,795**	**14,693**	**993,488**

IFRIC 23 Uncertainty over Income Tax Treatments
The statement of interpretation clarifies the management of uncertainty in tax treatments and has been applied since January 1, 2019. The statement of interpretation has not resulted in any significant effects on the results or financial position for the Group or the Parent Company.

2.1.2 Future standards and new interpretations

Other new or altered standards or interpretations that the IASB has published are not expected to have any significant impact on the financial statements for the Group or the Parent Company.

2.2 Consolidation

Subsidiaries

All companies over which the Group exercises a controlling influence are classified as subsidiaries. The Group controls a company when it is exposed to or has the right to a variable return on its interest in the company and is able to influence the return through its interest in the company.

Subsidiaries are included in the consolidated financial statements as of the date on which the controlling interest is transferred to the Group. They are excluded from the consolidated financial statements as of the date on which the controlling interest ceases to exist.

Intercompany transactions, balance-sheet items, income and expenses from transactions between Group companies are eliminated. Gains and losses resulting from intercompany transactions which have been recognized in assets are also eliminated. Where applicable, the accounting policies for subsidiaries have been amended to guarantee a consistent application of the Group's policies.

2.3 Translation of foreign currency

Functional currency and reporting currency

The Parent Company's functional currency is the Swedish krona (SEK), which is also the Group's reporting currency. This means that the financial statements are presented in SEK. All amounts, unless otherwise specified, are stated and rounded to the nearest thousand (SEK thousand).

Transactions and balance-sheet items

Transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing on the transaction date. Foreign-exchange gains and losses arising from such transactions and upon translation of monetary assets and liabilities in foreign currency at closing rates are recognized in the operating result in the income statement.

Exchange rate gains or losses in operating receivables, cash and cash equivalents, and operating liabilities are recognized in the operating result, while exchange rate gains or losses on financial receivables and liabilities are recognized as financial items.

Translation of foreign operations

Assets and liabilities in foreign operations are translated from the foreign operation's functional currency to the Group's presentation currency, SEK, at the exchange rate prevailing on the balance-sheet date. Income and expenses in foreign operations are translated to SEK using an average exchange rate that is an approximation of the exchange rates prevailing on each individual transaction date. Translation differences that arise in currency translations of foreign operations are recognized in "Other comprehensive income" and accrued in a separate equity component, called the translation reserve.

2.4 Intangible assets

Other intangible assets

The Group's intangible assets comprise computer software and licenses for computer software.

Intangible assets with a determinable useful life are recognized at cost less accumulated depreciation and any impairment losses. Intangible assets are amortized systematically over the asset's assessed useful life. The useful life is reviewed at the end of every financial year and adjusted if necessary. When the amortization for the asset is determined, the asset's residual value is taken into account if applicable.

Development costs

The Group conducts the research and development of pharmaceutical drugs. The overall risk associated with ongoing development projects is high. The risks consist of technical and production-related risks, safety and effect-based risks that could arise in clinical trials, regulatory risks relating to applications for approval of clinical studies and marketing authorization as well as intellectual property risks related to approval of patent applications and the maintenance of patents. All development work is therefore deemed to be research (as the work does not meet the criteria listed below) until the product has received marketing authorization. Expenditure for research is expensed as incurred.

Expenses directly attributable to the development and testing of identifiable and unique products that are controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use.
- the company intends to complete the product for use or sale.
- there is reason to expect that the company will be able to use or sell the product.
- it can be shown that the product will generate probable future economic benefits.
- adequate technical, financial and other resources are available for completing the development and for using or selling the product, and
- the costs attributable to the product during its development can be reliably measured.

Oncopeptides' expenditure for drug development was not deemed to meet the criteria for capitalization and has therefore been charged to expenses.

Amortization methods

Intangible fixed assets are amortized from the day when they are ready for use.
Amortization is applied on a straight-line basis as follows:

Other intangible assets	5 years

2.5 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and any impairment losses. Assets are depreciated on a straight-line basis over their expected useful lives.

Depreciation is applied on a straight-line basis as follows:

Equipment and computers	5 years
Machinery	10 years

Gains and losses on the sale of an item of property, plant and equipment is determined by comparing the sale proceeds and the carrying amount, whereby the difference is recognized in other operating income and other operating expenses respectively in the income statement.

2.6 Impairment of non-financial non-current assets

Assets which are depreciated or amortized are tested for impairment when an event or change of circumstance indicates that the carrying amount may not be recoverable. The difference between the carrying amount and recoverable amount is recognized as an impairment loss. The recoverable amount is the higher of the fair value of the asset less selling expenses and its value in use. In testing for impairment, assets are grouped to the lowest levels at which there are separate identifiable cash flows (cash-generating units). For previously impaired assets, impairment testing is conducted at each balance-sheet date to determine if a reversal is required.

2.7 Financial instruments

Financial instruments are recognized in the balance sheet when the Group becomes party to the contractual terms and conditions of the instrument.The business model for which the financial asset or liability was acquired or entered into as well as the nature of the contractual cash flows are decisive for classification. The Group classifies its financial instruments into the following categories:

- Financial assets recognized at amortized cost
- Financial liabilities at amortized cost

The Group does not conduct active trading with financial instruments that are not related to the Group's commercial operations. As a result of this, the financial assets and liabilities recognized in the balance sheet are primarily cash and cash equivalents, trade payables and accrued expenses pertaining to the Group's suppliers. During the financial year or the comparable year, the Group has not held any financial instruments measured at fair value, whether it be through profit or loss or other comprehensive income.

Financial assets classified at amortized cost are initially valued at fair value with the addition of transaction costs. After initial recognition, the assets are valued in accordance with the effective interest method. Assets classified at amortized cost are held in accordance with the business model to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding. Expected credit losses are assessed as negligible, since the company's financial assets essentially consist of bank deposits at banks with high credit ratings.

Financial liabilities recognized at amortized cost are initially measured at fair value including transaction costs. After initial recognition, they are measured at amortized cost in accordance with the effective interest method.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise bank deposits.

2.9 Equity

Ordinary shares are classified as equity. Transaction costs which are directly attributable to the issue of new ordinary shares or warrants are recognized, net of tax, in equity as a deduction from the proceeds of the issue. When warrants are exercised, the company issues new shares. Payments received are credited to share capital (quotient value) and other contributed capital.

2.10 Current and deferred tax

The tax expense for the period comprises current and deferred tax. The current tax expense is calculated based on the tax rules that have been enacted by the balance-sheet date.

Deferred tax is recognized, in accordance with the balance sheet liability method, for all temporary differences between the carrying amounts and tax bases of assets and liabilities in the consolidated financial statements. Deferred income tax is calculated by applying tax rates that have been enacted or announced at the balance-sheet date and that are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets arising from tax loss carryforwards are recognized to the extent that it is probable that future taxable profits will be available against which the tax losses can be used.

Deferred tax assets and liabilities are offset when there is a legally enforceable right of set-off for the tax assets and tax liabilities concerned, the deferred tax assets and tax liabilities relate to income taxes levied by the same taxation authority and refer to either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

2.11 Employee benefits

Retirement benefit obligations

The Group has defined-contribution pension plans. Defined-contribution pension plans are post-employment benefit plans under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all the benefits to employees in connection with the employees' services during the present or previous periods.

2.12 Share-based payments

The Group has a number of share-based remuneration plans. The cost for the remuneration that is recognized in a period is dependent on the original valuation that was made on the date on which the contracts with the participants in the incentive programs were concluded, the number of months of service required for vesting of their options (accruals are made over this period), the number of options that are expected to be vested under the terms of the plans and a continuous reassessment of the value of the tax benefits for the participants under the plans (for determining provisions for social security expenses). Those estimates which affect the cost in a period and the corresponding increase in equity mainly refer to inputs for the valuation of the options. Vested options are settled in shares. When the options are exercised, the company issues new shares. Payments received, after deduction for any directly attributable transaction costs, are credited to the share capital and other contributed equity.

2.13 Interest income

Interest income is recognized by applying the effective interest method. When the value of a receivable in the loans and receivables category has been impaired, the Group writes down the carrying amount to the amount remaining after deductions for credit risk reserves, which is defined as the estimated future cash flow discounted by the original effective interest rate for the instrument, and continues to eliminate the effect of discounting as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

2.14 Leases

Leases in the Group recognized as assets and liabilities in the balance sheet comprise rented premises, refer also to Note 2.1.1.

When entering an agreement, the Group determines whether the agreement comprises, or contains, a lease, that is to say if the agreement includes the right to control the use of an identified asset for a fixed time in exchange for compensation.

With the exception of short-term and low-value leases, the Group recognizes lease liabilities for future remaining lease payments and right-of-use assets that represent the right to use underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets on the commencement date of the lease, at the time that the underlying asset is available for use. Right-of-use assets are valued at cost less accumulated depreciation and any impairment losses and are adjusted for any reevaluation of lease liabilities. The cost of right-of-use assets includes an amount for recognized lease liabilities, initial direct expenses and lease payments that are paid at or before the commencement date, after deductions for any benefits that are received in conjunction with signing the lease.

Right-of-use assets are depreciated on a straight-line basis over the asset's expected lease period, which has also been assessed to be the expected useful life, amounting to 2 to 3 years. The value of extension options is taken into consideration if it is assessed as highly likely that they will be utilized. No extension options are currently considered to meet the criterion.

Lease liabilities

The Group recognizes lease liabilities as the expected present value of all remaining lease payments over the expected useful life at the commencement date. Lease payments comprise fixed fees minus any lease incentives that can be received and variable lease payments linked to an index or an interest rate. When calculating the present value of all remaining lease payments, the Group uses its incremental borrowing rate. The recognized value of lease liabilities is remeasured upon any changes to the lease period or lease payments (including indexation).

Short-term and low-value leases

The Group applies an exception for leases with a lease period less than 12 months (short-term lease) and low-value leases. Low-value leases in the Group are essentially those concerning office equipment. Short-term and low-value leases are recognized as a straight-line cost over the lease period.

2.15 Statement of cash flows

The statement of cash flows has been prepared using the indirect method. The recognized cash flow only includes transactions involving incoming or outgoing payments.

2.16 Segment information

The financial information that is reported to the chief operating decision maker, and used as a basis for the distribution of resources and the assessment of the Group's results, is not broken down by operating segment. The Group thus constitutes a single operating segment.

2.17 Accounting policies of the Parent Company

The annual accounts for the Parent Company have been prepared in accordance with RFR 2 Financial Reporting for Legal Entities and the Swedish Annual Accounts Act. This Annual Report has been prepared in accordance with the cost method.

Preparing financial statements in compliance with RFR 2 requires the use of critical accounting estimates. Management is also required to make certain judgments in applying the Parent Company's accounting policies. Areas which involve a high degree of assessment, are complex or where assumptions and estimates have a material impact on the annual accounts are described in Note 4 of the consolidated financial statements.

Through its operations, the Parent Company is exposed to various types of financial risk: market risk (currency risk), credit risk and liquidity risk. The Parent Company's overall risk management policy is focused on the unpre-

dictability of financial markets and strives to minimize potential adverse effects on the Group's financial results. For more information about financial risks, see Note 3 of the consolidated financial statements.

The Parent Company applies accounting policies that differ from those of the Group in the cases indicated below:

Presentation formats
The format of the income statement and balance sheet are compliant with the Swedish Annual Accounts Act. While the statement of changes in equity is compliant with the Group's format, it also includes the columns stipulated by the Swedish Annual Accounts Act.

Interests in subsidiaries
Interests in subsidiaries are recognized at cost less any impairment.

When there is an indication that interests in subsidiaries are impaired, an estimate is made of the recoverable amount. If the recoverable amount is less than the carrying amount, an impairment loss is recognized. Impairment losses are recognized in the item "Profit or loss from holdings in Group companies".

Shareholder contributions and Group contributions
Group contributions from the Parent Company to subsidiaries and Group contributions received by the Parent Company from subsidiaries are recognized as appropriations. Shareholder contributions paid are recognized as an increase in the carrying amount of the interest in the Parent Company and as an increase in equity in the receiving entity.

Leases
The Parent Company applies the exemption that exists in RFR 2 for Legal Entities and recognizes all leases as a linear cost over the lease period. The transition to IFRS 16 has therefore not affected the Parent Company.

Financial instruments
IFRS 9 is not applied in the Parent Company and financial instruments are measured at cost. Financial assets that have been acquired with the intention of being held for the short term are recognized according to the lowest value principle at the lower of cost or fair value.

At each balance-sheet date, the Parent Company assesses whether there is any indication of impairment of financial non-current assets. An impairment loss is recognized if the decline in value is deemed to be permanent. Impairment losses on interest-bearing financial assets measured at amortized cost are calculated as the difference between the carrying amount of the asset and the present value of management's best estimate of future cash flows discounted at the asset's original effective interest rate. The impairment loss for other financial non-current assets is defined as the difference between the carrying amount and the higher of fair value less selling expenses and the present value of future cash flows (based on management's best estimate).

Note 3 Financial risk management

3.1 Financial risk factors

Through its operations, the Group is exposed to various types of financial risk: market risk (currency risk), credit risk and liquidity risk. The Group has decided not to manage its risks actively through the use of derivatives or by other means.

All three risk categories are monitored on an ongoing basis in the Group. The dominant risk for the Group is liquidity risk, which is managed in dialog among management, the Board and the owners.

a) Market risk
The most significant risk for the Group with respect to market risk is currency risk, which is addressed in a separate section below. The interest rate risk is limited within the Group, since the Group has no long-term borrowing or long-term interest-bearing investments.

i) Currency risk
Currency risks arise when future business transactions are expressed in a currency that is not the functional currency of the company. The company is impacted by currency risk due to payments for development expenses largely being made in EUR and USD.

The Group's risk management policy is to hedge between 70 percent and 100 percent of anticipated cash flows in USD and EUR during the period that cash balances are expected to suffice through translations into these currencies.

b) Credit risk
Credit risk arises through deposits with banks and financial institutions, and through credit exposures to customers, including outstanding receivables and agreed transactions. The credit risk is deemed to be low, as there were no trade receivables at the balance-sheet date and because only banks and financial institutions which have been assigned a credit rating of "A" or higher by an independent valuer are accepted.

c) Liquidity risk
Liquidity risk refers to the risk that it will be impossible to fulfill payment obligations due to insufficient liquidity. Cash flow forecasts are prepared by the Group's operating companies. The Group finance function carefully monitors rolling forecasts for the Group's liquidity reserve to ensure that the Group has sufficient cash assets to meet its operational requirements.

The following table shows an analysis of the Group's financial liabilities by remaining maturity on the balance-sheet date. The amounts indicated in the table are the contractual, undiscounted cash flows. For the payment of future lease payments refer to Note 9 Leases.

December 31, 2019	Less than 3 months
Trade payables	80,986
Accrued expenses	39,327

December 31, 2018	Less than 3 months
Trade payables	25,270
Accrued expenses	23,551

3.2 Management of capital
The Group's goal in respect of capital structure is to secure the Group's ability to continue its operations with a view to generating a return for the shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to keep the costs for capital down.

Financial measures cannot be used to assess shareholder return. The company's ability to generate a return is dependent on the quality and value of generated research results. The value and quality of the company's R&D activities are evaluated on an ongoing basis by management and the Board of Directors.

Note 4 Critical accounting estimates and judgments
Estimates and judgments are evaluated continuously and based on historical experiences and other factors, including expectations of future events that are deemed reasonable under existing circumstances.

4.1 Critical accounting estimates and judgments
Group management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Capitalization of intangible assets
The Group capitalizes expenditure for the development of drugs to the extent that such expenditure is deemed to meet the criteria of paragraph 57 of IAS 38. At December 31, 2019, Oncopeptides' expenditure for drug development was not deemed to meet the criteria for capitalization and has therefore been charged to expenses. Drug development expenditure is capitalized at a late stage of phase 3 or in connection with the commencement of registration studies, depending on when the criteria are deemed to be met. The reason is that prior to this it is much too uncertain whether the expenditure will generate future economic benefits and because the financing for the completion of the asset has not been secured.

Incentive programs
The Group has a number of share-based remuneration plans. The applicable accounting policies are described in Note 2. The cost for the remuneration that is recognized in a period is dependent on the original valuation that was made on the date on which the contract with the option holders was concluded, the number of months of service required for vesting of their options (accruals are made over this period), the number of options that are expected to be vested under the terms of the plans and a continuous reassessment of the value of the tax benefits for the participants under the plans (for determining provisions for social security expenses). Those estimates which affect the cost in a period and the corresponding increase in equity mainly refer to inputs for the valuation of the options. The models used for this purpose are the Black & Scholes model and a Monte Carlo simulation. Significant assumptions in these valuations are described in Note 26. Apart from the valuations, the cost in a period is affected by an estimate of the number of individuals whose options are expected to vest. Through the human resources activities that are described in other parts of the Annual Report and historical staff turnover rates, management has a very good basis for estimating the number of participants that will complete the schemes.

Tax loss carryforwards
The Group's tax loss carryforwards have not been valued and have not been recognized as a deferred tax asset. These tax loss carryforwards will be valued only when the Group has established a level of earnings which management is confident will lead to taxable profits.

Note 5 Other operating income

Other operating income totaling SEK 8,336 thousand (10,078) for the Group and SEK 8,336 thousand (10,078) for the Parent Company pertain primarily to translation differences.

Note 6 Other operating expenses

Other operating expenses totaling SEK 0 thousand (903) for the Group and SEK 0 thousand (903) for the Parent Company pertain primarily to translation differences.

Note 7 Consolidated operating expenses by type of cost

Operating expenses are presented in the statement of comprehensive income with a classification based on the functions of "Research and development costs," "Marketing and distribution costs" and "Administrative expenses." The total expenses classified by function are distributed in the following cost categories.

	Group		Parent Company	
	2019	2018	2019	2018
Direct external expenses for drug development	-481,271	-281,793	-481,271	-281,793
Other external expenses	-125,974	-47,868	-172,069	-52,468
Personnel costs	-135,942	-90,132	-98,814	-86,250
Depreciation and amortization	-4,540	-345	-361	-345
Other operating expenses	0	-903	0	-903
Total	**-747,727**	**-421,041**	**-752,515**	**-421,759**

Note 8 Audit fees

	Group		Parent Company	
Ernst & Young AB	**2019**	**2018**	**2019**	**2018**
Audit engagement	578	–	578	–
Audit activities beyond audit engagement	44	–	44	–
Tax advisory services	190	–	190	–
Total	**812**	**–**	**812**	**–**

	Group		Parent Company	
PricewaterhouseCoopers AB	**2019**	**2018**	**2019**	**2018**
Audit engagement	–	584	–	584
Audit activities beyond audit engagement	–	32	–	32
Tax advisory services	–	227	–	227
Other assignments	–	–	–	52
Total	**–**	**895**	**–**	**895**
Total	**812**	**895**	**812**	**895**

Note 9 Leases

For the transition to IFRS 16 and its effects, refer to Note 2.

Right-of-use assets	Group total Dec 31, 2019
Opening balance at Jan 1, 2019	8,053
New contracts	10,774
Currency effect	26
Closing accumulated cost	18,853
Depreciation for the year	**-4,160**
Closing accumulated depreciation	**-4,160**
Closing carrying amount	**14,693**

Depreciation of right-of-use assets is included in the income statement in the sub-items Research and development costs SEK 1,896 thousand, Marketing and distribution costs SEK 1,556 thousand and Administrative expenses SEK 708 thousand.

The Group's leases that comprise right-of-use assets pertain to office premises. Leases are normally contracted for between 2 to 3 years in the Group, with the possibility of extension in the Parent Company. Rental agreements in the Parent Company can be extended by 3 years unless any of the parties gives notice on the lease at least nine months beforehand. Oncopeptides is not able to, with reasonable certainty, determine if the extension will occur taking into light the company's development, and has therefore not counted on utilization after the contract period. Rent levels in leases increase according to an index or with a fixed annual rental increase specified in the lease. Indexation is included in lease liabilities when it enters force and is adjusted at that time against right-of-use assets.

Lease liabilities	Dec 31, 2019	Jan 1, 2019
Non-current	8,243	6,009
Current	6,652	2,044
	14,895	**8 053**

Lease liabilities are included in the balance sheet under other non-current liabilities and other current liabilities.

Changes to Lease liabilities, refer to Note 21 concerning reconciliation of liabilities from financing activities.

Maturity analysis, future lease payments	Group total Dec 31, 2019
<12 months	9,468
1–2 years	6,562
>2 years	3,720
	19,750

Future lease payments in accordance with the above are undiscounted and include variable fees. The above includes net rental agreements with possession to be taken in 2020, with an expected annual rent of SEK 1.4 M.

	2019
Interest expenses attributable to lease liabilities	512
Expenses attributable to short-term leases	130
Expenses attributable to leases where the underlying asset is of a low value	42
Expenses attributable to variable lease payments that are not included in lease liabilities	349
The year's lease payments in the Group	5,878

Parent Company Leases

Future total minimum lease payments for non-cancellable leases in the Parent Company fall due as follows: Rental agreements in the Parent Company pertain essentially to office premises.

	Parent Company	
Future costs for leases (basic rent)	2019	2018
Within 1 year	7,379	2,990
Between 1 and 5 years	11,357	5,233
Total	**18,736**	**8,223**
Lease expenses for the year for leases in the Parent Company amount to:	4,228	3,010

Note 10 Employees and personnel costs

Salaries and other remuneration, pension expenses and social security expenses pertaining to the Board of Directors, members of senior management and other employees.

	Group		Parent Company	
Salaries and other remuneration	2019	2018	2019	2018
Board of Directors and members of senior management	44,339	22,799	39,340	21,628
Other employees	57,437	13,906	30,859	11,502
Total	**101,776**	**36,705**	**70,199**	**33,130**

	Group		Parent Company	
Social security expenses and pension expenses	2019	2018	2019	2018
Pension expenses for the Board of Directors and members of senior management	1,793	1,990	1,696	1,990
Pension expenses for other employees	4,770	1,557	4,402	1,557
Social security expenses	18,811	48,296	17,120	47,755
Total	**25,374**	**51,843**	**23,218**	**51,302**

Recognized payroll expenses and social security contributions pertaining to share-based remuneration totaled SEK 37,770 thousand (54,603). Social security contributions include both provisions and actual payments for the utilization of granted options.

	2019		2018	
Average number of employees	Total	of whom, men	Total	of whom, men
Parent Company				
Sweden	29	12	15	6
Subsidiaries				
USA	8	5	1	1
Group total	**37**	**17**	**16**	**7**

Gender distribution in the Group (including subsidiaries) for Board members and other members of senior management

	2019 Number at balance-sheet date		2018 Number at balance-sheet date	
Average number of employees	Total	of whom, men	Total	of whom, men
Board members	8	6	8	6
Other members of senior management	8	5	10	7
CEO	1	1	1	1
Group total	**17**	**12**	**19**	**14**

Salaries, remuneration and fees to the CEO, Board of Directors and members of senior management

2019	Basic salary, Board fee*	Invoiced fees	Variable remuneration	Pension expenses	Share-based remuneration	Total
Chairman of the Board						
Per Wold-Olsen	742	–	–	–	319	1,061
Board members						
Brian Stuglik	335	–	–	–	128	463
Cecilia Daun Wennborg	325	–	–	–	210	535
Jennifer Jackson	335	–	–	–	95	430
Jonas Brambeck	300	–	–	–	–	300
Per Samuelsson	300	–	–	–	–	300
Ulf Jungnelius	293	–	–	–	210	503
Olof Tydén (to May 2019)	–	–	–	–	80	80
CEO Jakob Lindberg	2,777	–	1,048	543	1,707	6,075
Other members of senior management (8)	13,777	11,476	2,333	1,251	19,024	47,861
of which, subsidiaries	4,324	–	675	97	–	5,096
Total	**19,184**	**11,476**	**3,381**	**1,794**	**21,773**	**62,704**

* Board fees as resolved at the AGM, excluding social security contributions for the May 2019 to May 2020 financial year, including remuneration of Board committee work and country-based fees.

2018	Basic salary, Board fee*	Invoiced fees	Variable remuneration	Pension expenses	Share-based remuneration	Total
Chairman of the Board						
Per Wold-Olsen (from May 2018)	743	–	–	–	110	853
Alan Hulme (to May 2018)	–	–	–	–	69	69
Board members						
Olof Tydén	250	–	–	–	127	377
Ulf Jungnelius	292	–	–	–	127	419
Brian Stuglik (from May 2018)	335	–	–	–	44	379
Luigi Costa (to May 2018)	–	–	–	–	34	34
Cecilia Daun Wennborg	325	–	–	–	127	452
Jonas Brambeck	300	–	–	–	–	300
Per Samuelsson	300	–	–	–	–	300
Jennifer Jackson	168	–	–	–	–	168
CEO Jakob Lindberg	2,865	–	555	469	1,109	4,998
Other members of senior management (10)	6,817	13,391	1,146	1,522	7,124	30,000
Total	**12,395**	**13,391**	**1,701**	**1,991**	**1,747**	**38,349**

* Board fees as resolved at the AGM, excluding social security contributions for the May 2018 to May 2019 financial year, including remuneration of Board committee work. Board fees are paid after the 2018 AGM.

Remuneration to members of senior management

Remuneration to the CEO and members of senior management consists of a basic salary, pension benefits, variable remuneration and participation in incentive programs. Some of the Group's members of senior management invoice their fees, which are included in operating expenses and recognized in the tables above under the column "Invoiced fees." At the balance-sheet date, other members of senior management referred to the eight (10) individuals who, together with the CEO, make up Group management. Other members of senior management refer to the Chief Financial Officer, Chief Medical Officer, Chief Scientific Officer, Head of Clinical Development, Head of Regulatory Affairs, Head of Research and CMC, Chief Commercial Officer and President of North America.

Pensions

All pension undertakings are defined-contribution plans. The age of retirement for the CEO is 65. The pension premium amounts to 19 percent of the CEO's pensionable salary. The pension commitments for other members of senior management are to be equivalent to the Swedish ITP plan, and for foreign members of senior management, to the market-based terms of their respective countries. The age of retirement is 65 for other members of senior management. Pensionable salary refers to basic salary.

Variable remuneration

Variable remuneration refers to variable bonuses based on the fixed portion of basic salary. The result is based on a vesting period of one year and is subject to a combination of predetermined personal targets and the company's targets. The maximum result is 35 percent of basic salary for the CEO and 25 percent of basic salary for other members of senior management.

Share-based payments

The Group's incentive programs are aimed at creating a long-term commitment to Oncopeptides, creating opportunities to attract and retain expertise, and delivering long-term shareholder value. Participants are allotted warrants that will only be earned on condition that specific performance requirements are fulfilled. Participation in a program is decided by the Board of Directors and no individual is contractually entitled to participate in the plan or receive any guaranteed benefits. At year-end 2019, Oncopeptides had eight active programs covering the company's management, certain Board members, founders and other employees. For a description of the programs, refer to Note 26.

Severance pay

In accordance with the employment contract that was signed with the CEO, a notice period of nine (9) months applies if notice is given by the company and a notice period of nine (9) months applies if notice is given by the employee. The employee is entitled to receive an unchanged salary and other employment benefits during the notice period. If notice is given by company, the employee is not entitled to severance pay in addition to his or her salary during the notice period. The company and other employed members of senior management have a mutual term of notice of six (6) months, during which salary is paid.

Note 11 Financial income and expenses

	Group		Parent Company	
	2019	2018	2019	2018
Financial income				
Interest income	0	0	56	20
Total financial income	**0**	**0**	**56**	**20**
Of which, interest income from Group companies	–	–	*56*	*20*
Financial expenses				
Interest expenses for lease liabilities	-512	–	–	–
Other interest expenses	-16	-2	-15	-2
Total financial expenses	**-528**	**-2**	**-15**	**-2**

Note 12 Tax on profit for the year

	Group		Parent Company	
	2019	2018	2019	2018
Current tax	-3,047	-147	–	–
Deferred tax	2,262	–	–	–
Recognized tax	**-785**	**-147**	**–**	**–**
Reconciliation of effective tax rate				
Result before tax	-739,920	-410,965	-744,138	-411,663
Tax according to applicable tax rate for the Parent Company 21.4 (22.0) percent.	158,343	90,412	159,245	90,566
Tax on deferred tax receivables not charged to profit or loss	-159,091	-90,495	-159,082	-90,495
Non-deductible expenses	-250	-71	-164	-71
Effect of other tax rates on foreign subsidiaries	14	7	–	–
Tax attributable to previous years	132	–	–	–
Deferred tax on temporary differences	67	–	–	–
Recognized tax	**-785**	**-147**	**–**	**–**

The Group has tax items pertaining to issue costs that are recognized directly in equity, the tax effect amounted to SEK 16,201 thousand (4,266).

There are tax loss carryforwards for which no deferred tax assets have been recognized in the statement of financial position or the balance sheet, totaling SEK 1,851,177 thousand (981,269), and which are not subject to time limits. Deferred tax assets have not been recognized for these items, since the Group does not have taxable profits.
The recognized tax expense is fully attributable to foreign subsidiaries.

Note 13 Intangible fixed assets

	Group		Parent Company	
Other intangible assets	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Purchases over the year	2,111	–	2,111	–
Closing accumulated cost	**2,111**	**–**	**2,111**	**–**
Closing carrying amount	**2,111**	**–**	**2,111**	**–**

Other intangible assets pertain to software and licenses. Other intangible assets pertain to software and licenses. Utilization of intangible assets has not yet begun, and as such no amortization was recognized in 2019.

Note 14 Property, plant and equipment

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Equipment				
Cost at beginning of year	453	84	453	84
Purchases over the year	516	369	469	369
Closing accumulated cost	**969**	**453**	**922**	**453**
Opening depreciation	-124	-33	-124	-33
Depreciation for the year	-126	-91	-106	-91
Closing accumulated depreciation	**-250**	**-124**	**-230**	**-124**
Machinery				
Cost at beginning of year	2,543	2,543	2,543	2,543
Closing accumulated cost	**2,543**	**2,543**	**2,543**	**2,543**
Opening depreciation	**-509**	**-254**	**-509**	**-254**
Depreciation for the year	-254	-255	-254	-255
Closing accumulated depreciation	**-763**	**-509**	**-763**	**-509**
Closing carrying amount	**2,499**	**2,363**	**2,472**	**2,363**

Depreciation of property, plant and equipment is included in the consolidated income statement in the sub-items Research and development costs SEK 254 thousand (255), Marketing and distribution costs SEK 20 thousand (0) and Administrative expenses SEK 106 thousand (91).

Property, plant and equipment is attributable to Swedish companies SEK 2,472 thousand (2,363) and companies in the US SEK 27 thousand (0).

Note 15 Deferred tax assets

	Group	
Deferred tax assets	**Dec 31, 2019**	**Dec 31, 2018**
Recognized amount for temporary differences attributable to:		–
Non-current assets	16	–
Employee benefits	2,230	–
Accrued interest	12	–
Other	4	–
Total deferred tax assets	**2,262**	**–**

Changes to deferred tax in temporary differences, Group 2019	**Amount at the start of the year**	**Recognized in profit or loss**	**Amount at year-end**
Non-current assets	–	16	16
Employee benefits	–	2,230	2,230
Accrued interest	–	12	12
Other	–	4	4
	–	**2,262**	**2,262**

Deferred tax assets are assessed to essentially be possible to utilize in 2020.

Note 16 Financial non-current assets

	Group		Parent Company	
Non-current receivables	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Opening cost	851	263	851	263
Restricted bank deposits	–	850	–	850
Deposits made	184	–	–	–
Repaid deposits	–	-262	–	-262
Total non-current receivables	**1,035**	**851**	**851**	**851**

Financial non-current assets pertain to restricted bank deposits and deposits for rental properties SEK 984 thousand (800), Euroclear SEK 50 thousand (50) and SEK 1 thousand (1) which pertains to 1 shares in LFF Service AB (556197-9211).

The share in LFF Service AB is pledged and gives Läkemedelsföreningens Service AB an option to acquire the share at its quotient value (SEK 1 thousand) if Oncopeptides AB (publ) withdraws from the share agreement.

Note 17 Interests in subsidiaries, Parent Company

	Dec 31, 2019	**Dec 31, 2018**
Cost at beginning of year	50	50
Closing accumulated cost	50	50
Closing carrying amount	**50**	**50**

Name	**Corp. reg. no. Registered office and country**	**No. of shares**	**% ordinary shares owned by the Parent Company**	**Share of the votes**	**Carrying amount 2019**	**Carrying amount 2018**
Directly owned						
Oncopeptides Incentive AB	555931-5491, Stockholm, Sweden	50,000	100%	100%	50	50
Oncopeptides, Inc	Delaware, USA	1,000	100%	100%	0	0
					50	**50**

Note 18 Financial instruments by category, Group

Financial assets and liabilities at December 31, 2019

Assets in the statement of financial position or the balance sheet	Financial assets recognized at amortized cost	Non-financial assets	Total carrying amount
Other non-current assets	–	21,565	21,565
Financial non-current assets	1,035	–	1,035
Other current receivables	–	6,976	6,976
Prepaid expenses	–	37,726	37,726
Cash and cash equivalents	926,186	–	926,186
	927,221	**66,267**	**993,488**

Liabilities in the statement of financial position or the balance sheet	Financial liabilities recognized at amortized cost	Non-financial liabilities	Total carrying amount
Non-current provision for social security contributions, incentive programs	–	23,052	23,052
Other non-current liabilities	8,243	–	8,243
Current provision for social security contributions, incentive programs	–	10,733	10,733
Trade payables	80,986	–	80,986
Other current liabilities	6,652	5,667	12,319
Accrued expenses and deferred income	39,327	21,815	61,142
Total	**135,208**	**61,267**	**196,475**

Financial assets and liabilities at December 31, 2018

Assets in the statement of financial position or the balance sheet	Financial assets recognized at amortized cost	Non-financial assets	Total carrying amount
Property, plant and equipment	–	2,363	2,363
Financial non-current assets	851	–	851
Other current receivables	–	2,456	2,456
Prepaid expenses	–	12,415	12,415
Cash and cash equivalents	375,617	–	375,617
	376,468	**17,234**	**393,702**

Liabilities in the statement of financial position or the balance sheet	Financial liabilities recognized at amortized cost	Non-financial liabilities	Total carrying amount
Non-current provision for social security contributions, incentive programs	–	14,858	14,858
Current provision for social security contributions, incentive programs	–	56,600	56,600
Trade payables	25,270	–	25,270
Other current liabilities	–	4,056	4,056
Accrued expenses and deferred income	23,551	4,363	27,914
Total	**48,821**	**79,877**	**128,698**

Note 19 Other current receivables

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Current tax assets	576	326	576	326
VAT receivables	5,655	1,945	5,655	1,945
Other receivables	745	185	684	8
Total	**6,976**	**2,456**	**6,915**	**2,279**

Note 20 Prepaid expenses and accrued income

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Prepaid expenses for research and development	34,299	7,888	34,299	7,888
Other prepaid expenses	3,427	4,527	2,893	3,752
Total	**37,726**	**12,415**	**37,192**	**11,640**

Note 21 Cash and cash equivalents

Cash and cash equivalents, in the balance sheet and in the statement of cash flows, consist of the following:

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Bank balances	926,186	375,617	921 535	375 513
Total	**926,186**	**375,617**	**921 535**	**375 513**

	Group		Parent Company	
Cash flow, non-cash items	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Depreciation and amortization	4,540	345	361	345
Exchange-rate differences	-7,547	-1,314	-7,547	-1,315
Value of service by participants in the incentive programs	32,493	12,368	32,493	12,368
Provision for social security contributions, incentive programs	-37,673	33,328	-37,673	33,328
Total	**-8,187**	**44,727**	**-12,366**	**44,726**

			Non-cash items		
Reconciliation of liabilities from financing activities, the Group	**Jan 1, 2019**	**Cash flow**	**New leases**	**Currency effect**	**Dec 31, 2019**
Lease liabilities	8,053	-3,956	10,774	24	14,895
	8,053	**-3,956**	**10,774**	**24**	**14,895**

Note 22 Share capital and other contributed capital

	No. of shares	Share capital	Other contributed capital	Total
Jan 1, 2018	**39,806,021**	**4,423**	**956,044**	**960,467**
New share issue resolution passed in March 2018	3,980,000	442	294,588	295,030
Value of service by participants in the incentive programs	–	–	12,368	12,368
Exercise of warrants under the company's incentive program	305,900	34	9,830	9,864
December 31, 2018	**44,091,921**	**4,899**	**1,272,830**	**1,277,729**
New share issue resolution passed in January 2019	4,750,000	528	514,313	514,841
New share issue resolution passed in June 2019	5,015,000	557	682,321	682,878
Value of service by participants in the incentive programs	–	–	32,493	32,493
Exercise of warrants under the company's incentive program	1,556,496	173	42,350	42,523
December 31, 2019	**55,413,417**	**6,157**	**2,544,306**	**2,550,463**

Share capital and share class

The share capital comprises 55,413,417 shares with a quotient value of approximately SEK 0.11. Each share carries one vote. All shares issued by the Parent Company are fully paid up.

Warrants:

To ensure delivery of the company's and Group's incentive programs, warrants have been issued to the wholly owned subsidiary Oncopeptides Incentive AB. At December 31, 2019, there were 5,004,002 warrants entitling the holders to a total of 5,279,955 shares. Of these, instruments corresponding to 2,293,184 warrants entitling the holders to a total of 2,569,177 shares were allotted, 2,043,465 warrants entitling the holders to 2,043,465 shares were unallotted and the remaining 667,353 warrants entitling the holders to 667,353 shares were allotted as a hedge to cover social security contributions.

Translation reserve

Reserves refer in their entirety to translation reserves. The translation reserve includes all exchange-rate differences arising from the translation of the financial statements of the Group's foreign operations.

	Dec 31, 2019	Dec 31, 2018
Opening carrying amount	22	–
Change for the year	-20	22
Closing carrying amount	**2**	**22**

Dividend

At the AGM in May 2020, it will be proposed that no dividend be paid with respect to the 2019 financial year.

Note 23 Earnings per share

Earnings per share before dilution are calculated by dividing earnings attributable to Parent Company shareholders by the weighted average number of outstanding shares during the period. There is no dilution effect for the employee stock option scheme, as earnings for the periods have been negative.

Earnings per share before and after dilution	**2019**	**2018**
Result for the year (SEK thousand) attributable to the Parent Company's shareholders.	-740,705	-411,112
Average number of outstanding ordinary shares (thousand)	51,701	42,929
Earnings per share (SEK)	**-14.33**	**-9.58**

Note 24 Other current liabilities

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Current lease liabilities	6,652	–	–	–
Current tax liabilities	2,036	147	–	–
Employee-related taxes and levies	3,442	3,909	2,923	3,909
Other current liabilities	189	–	–	–
Total	**12,319**	**4,056**	**2,923**	**3,909**

Note 25 Accrued expenses

	Group		Parent Company	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Employee-related accrued expenses	21,132	3,963	11,058	3,781
Other accrued expenses	9,604	1,454	9,556	1,454
Prepaid expenses for research and development	30,406	22,497	30,406	22,497
Total	**61,142**	**27,914**	**51,020**	**27,732**

Note 26 Share-based payments

The Group's incentive programs are aimed at creating a long-term commitment to Oncopeptides, creating opportunities to attract and retain expertise, and delivering long-term shareholder value. Participants are allotted warrants that will only be earned on condition that specific performance requirements are fulfilled. Participation in a program is decided by the Board of Directors and no individual is contractually entitled to participate in the plan or receive any guaranteed benefits.

As per the balance-sheet date, Oncopeptides had eight active programs encompassing management, certain Board members, founders and employees. Two incentive programs were established in 2013: "Founder Option Program" and "Employee Option Program 2012/2019". Both of these programs expired in 2019. "Employee Option Program 2016/2023" was established in 2016. In May 2017, two incentive programs were established: "Co-worker LTIP 2017" and "Board LTIP 2017". At the 2018 AGM, two incentive programs were established: "Co-worker LTIP 2018" and "Board LTIP 2018". At an EGM in December 2018, "Board LTIP 2018.2" was established, and at the 2019 AGM, it was resolved that two new incentive programs were to be introduced: "Co-worker LTIP 2019" and "Board LTIP 2019".

Employee Option Program 2016/2023

Employee options were allotted free of charge to participants. Allotted employee options are vested gradually over a four-year period calculated from the starting date (aside from 60 options in the series that vest and are allotted over a period of 12 months). Vesting requires that the holder remain employed by the company and that the employment is not terminated as per the day of vesting of each employee option. Each vested option entitles the holder to subscribe for 900 new shares in the company up to and including November 30, 2023 at the latest.

Co-worker LTIP 2017

The options were allotted free of charge to participants of the program. The options have a three-year vesting period calculated from the allotment date, provided that, with customary exceptions, the participants remain as employees of, or continue to provide services to, Oncopeptides. Once the options are vested, they can be exercised within a four-year period.

Each vested option entitles the holder to acquire one share in the company at a predetermined price. The price per share is to be equivalent to the weighted average price that the company's shares were traded for on Nasdaq Stockholm during the five trading days preceding the allotment date.

Co-worker LTIP 2018

The options were allotted free of charge to participants of the program. The options have a three-year vesting period calculated from the allotment date, provided that, with customary exceptions, the participants remain as employees of, or continue to provide services to, Oncopeptides. Once the options are vested, they can be exercised within a four-year period.

Each vested option entitles the holder to acquire one share in the company at a predetermined price. The price per share is to be equivalent to the weighted average price that the company's shares were traded for on Nasdaq Stockholm during the five trading days preceding the allotment date.

Co-worker LTIP 2019

The options were allotted free of charge to participants of the program. The options have a three-year vesting period calculated from the allotment date, provided that, with customary exceptions, the participants remain as employees of, or continue to provide services to, Oncopeptides. Once the options are vested, they can be exercised within a four-year period.

Each vested option entitles the holder to acquire one share in the company at a predetermined price. The price per share is to be equivalent to the weighted average price that the company's shares were traded for on Nasdaq Stockholm during the five trading days preceding the allotment date.

Board LTIP 2017

The share awards were allotted to participants free of charge. The share awards are subject to performance-based vesting, based on the performance of Oncopeptides' share price during the period from the date of the 2017 AGM through May 31, 2020. The share price's performance will be measured as the volume-weighted average price of the company's share 90 trading days immediately after the AGM and 90 trading days immediately before May 31, 2020. If Oncopeptides' share price has then increased by over 60 percent, 100 percent of the share awards will be

vested, and if the share price has increased by 20 percent, 33 percent of the share awards will be vested. In the event of an increase in the share price by 20 to 60 percent, the share awards will be vested in a linear manner. If the share price increases by less than 20 percent, there will be no vesting. Each vested share award entitles the holder to obtain one share in Oncopeptides free of charge, provided that the holder, with some customary "good leaver" exceptions, is still a Board member of Oncopeptides on June 1, 2020. Vested share awards can be exercised no earlier than June 1, 2020 and no later than November 30, 2020.

Board LTIP 2018

The share awards were allotted to participants free of charge. Share awards are vested over a three-year period, with one-third per year during the period from one AGM to the next. The share awards are also subject to performance-based vesting, based on the performance of Oncopeptides' share price during the period from the date of the 2018 AGM up to and including the date of the 2021 AGM. The share price's performance will be measured as the volume-weighted average price of the company's share 30 trading days immediately after the 2018 AGM and 30 trading days immediately before the 2021 AGM. If Oncopeptides' share price has then increased by over 60 percent, 100 percent of the share awards will be vested, and if the share price has increased by 20 percent, 33 percent of the share awards will be vested. In the event of an increase in the share price by 20 to 60 percent, the share awards will be vested in a linear manner. If the share price increases by less than 20 percent, there will be no vesting. Each time-based and performance-based vested share award entitles the holder to obtain one share in Oncopeptides free of charge. Vested share awards are automatically exercised the day after the 2021 AGM.

Board LTIP 2018.2

The share awards were allotted to participants free of charge. Share awards are vested over a three-year period, with one-third per 12-month period after the allotment date. The share awards are also subject to performance-based vesting, based on the performance of Oncopeptides' share price during the period from the allotment date up to and including the final vesting date. The share price's performance will be measured as the volume-weighted average price of the company's share 10 trading days immediately after the allotment date and 10 trading days immediately before the final vesting date. If Oncopeptides' share price has then increased by over 60 percent, 100 percent of the share awards will be vested, and if the share price has increased by 20 percent, 33 percent of the share awards will be vested. In the event of an increase in the share price by 20 to 60 percent, the share awards will be vested in a linear manner. If the share price increases by less than 20 percent, there will be no vesting. Each time-based and performance-based vested share award entitles the holder to obtain one share in Oncopeptides free of charge. Vested share awards can be exercised on the final vesting date at the earliest.

Board LTIP 2019

The share awards were allotted to participants free of charge. Share awards are vested over approximately three years until either the 2022 AGM or June 1, 2022 (whichever occurs first) with one-third per year during the period from one AGM to the date immediately before the next AGM or the final vesting date. The share awards are also subject to performance-based vesting, based on the performance of Oncopeptides' share price during the period from the allotment date up to and including the day before the final vesting date. The share price's performance will be measured as the volume-weighted average price of the company's share 10 trading days immediately after the allotment date and 10 trading days immediately before the final vesting date. If Oncopeptides' share price has then increased by over 60 percent, 100 percent of the share awards will be vested, and if the share price has increased by 20 percent, 33 percent of the share awards will be vested. In the event of an increase in the share price by 20 to 60 percent, the share awards will be vested in a linear manner. If the share price increases by less than 20 percent, there will be no vesting. Each time-based and performance-based vested share award entitles the holder to obtain one share in Oncopeptides free of charge. Vested share awards can be exercised on the final vesting date at the earliest.

Summary of total cost for incentive programs

	2019	2018
Costs for share-based payments	31,885	12,368
Provision for social security contributions, incentive programs	-37,231	33,328
Social security contributions for the utilization of granted options.	43,116	8,907
Total	**37,770**	**54,603**

Summary of provisions for social security contributions for share-based remuneration.

	Group		Parent Company	
Non-current provisions	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Amount at the start of the year	14,858	1,825	14,858	1,825
Provisions for the year	8,194	13,188	8,194	13,188
Amounts claimed for the year	–	–	–	–
Reversals over the year	–	-155	–	-155
Reclassification of current provisions	–	–	–	–
Total non-current provisions	**23,052**	**14,858**	**23,052**	**14,858**

	Group		Parent Company	
Non-current provisions	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Amount at the start of the year	56,600	36,306	56,600	36,306
Provisions for the year	932	29,201	932	29,201
Amounts claimed for the year	-43,116	-8,907	-43,116	-8,907
Reversals over the year	-3,683	–	-3,683	–
Total non-current provisions	**10,733**	**56,600**	**10,733**	**56,600**
Total provisions	33,785	71,458	33,785	71,458

Summary of granted options and share awards according to plan

Employee Option Programs	2019 No. of shares covered by option programs	2018 No. of shares covered by option programs
At Jan 1	3,190,333	2,596,400
Granted	515,566	836,933
Exercised	-1,214,100	-243,000
At end of period	**2,491,799**	**3,190,333**

Share award program	2019 No. of shares covered by share award program	2018 No. of shares covered by share award program
At Jan 1	57,131	34,800
Granted	25,661	33,931
Lapsed	-5,414	-11,600
At end of period	**77,378**	**57,131**

Calculation of fair value of employee option programs

The fair value on the allotment date was calculated using an adapted version of the Black & Scholes valuation model, which takes into consideration the exercise price, the term of the options, share price on the allotment date and expected volatility in the share price, and risk-free interest for the term of the options. Since no listed prices were available for the underlying share prior to the IPO in February 2017, the value up until that date is based on the most recently completed business transaction with the company's preference share with an external party.

Employee Option Programs	Allotment date/ start date	Maturity date	Fair value upon issue of the option program, SEK	Exercise price, SEK	Volatility	No. of shares covered by option programs	Vested
Employee Option Program 2016/2023:1	November 22, 2016	November 30, 2023	8.82	0.11	20.72%	54,000	100%
Employee Option Program 2016/2023:2	November 22, 2016	November 30, 2023	8.82	0.11	20.72%	222,300	96.91%
Co-worker LTIP 2017:1	May 18, 2017	May 18, 2024	9.32	44.48	20.72%	727,000	87.32%
Co-worker LTIP 2017:2	October 5, 2017	October 5, 2024	14.17	63.95	20.72%	136,000	74.54%
Co-worker LTIP 2017:3	February 21, 2018	February 21, 2025	33.37	79.77	41.40%	129,038	61.86%
Co-worker LTIP 2017:4	July 12, 2018	July 12, 2025	94.63	197.48	47.00%	277,895	49.00%
Co-worker LTIP 2017:5	August 30, 2018	August 30, 2025	70.83	149.47	48.40%	20,000	44.53%
Co-worker LTIP 2017:6	October 1, 2018	October 1, 2025	83.37	155.15	50.20%	235,000	41.61%
Co-worker LTIP 2017:7	October 15, 2018	October 15, 2025	65.47	142.68	50.90%	94,006	40.33%
Co-worker LTIP 2018:1	October 15, 2018	October 15, 2025	65.47	142.68	50.90%	80,994	40.33%
Co-worker LTIP 2018:2	May 3, 2019	May 3, 2026	71.51	126.09	56.10%	349,549	22.08%
Co-worker LTIP 2019:1	August 12, 2019	August 12, 2026	73.5	142.64	55.20%	58,190	12.86%
Co-worker LTIP 2019:2	December 16, 2019	December 16, 2026	64.34	129.53	49.90%	107,827	1.37%

Calculation of fair value of share awards programs

The fair value on the date granted was calculated using a Monte Carlo simulation of future share price development. The simulated share price development has then been used to calculate the outcome of the program and the value of each share at the acquisition date (present value adjusted to the date granted).

	Maturity date	Fair value upon issue of the share award program, SEK	No. of shares covered by the share award programs	Vested
Board LTIP 2017	May 31, 2020	42.88	21,266	86.29%
Board LTIP 2018	May 31, 2021	43.28	30,451	77.31%
Board LTIP 2018.2	March 12, 2022	79.66	2,170	50.93%
Board LTIP 2019	July 13, 2022	86.57	23,491	30.56%

Note 27 Related-party transactions

Information about transactions between the Group and other related parties is presented below. For remuneration to members of senior management and the Board of Directors, refer to Note 10.

	Parent Company	
Purchase of services:	**2019**	**2018**
Purchase of services from subsidiaries	57,751	4,381
Total	**57,751**	**4,381**

	Employee Option Program 2016/2023:2		Co-worker LTIP 2017:1		Co-worker LTIP 2017:3		Co-worker LTIP 2017:4		Co-worker LTIP 2017:6		Co-worker LTIP 2018:2		Co-worker LTIP 2019:1		Co-worker LTIP 2019:2	
Recognition of allotted options issued through the company's incentive programs to related parties at December 31, 2019	**No. of shares covered by the option programs**	**Vested**	**No. of shares covered by the option programs**	**Vested**	**No. of shares covered by the option programs**	**Vested**	**No. of shares covered by the option programs**	**Vested**	**No. of shares covered by the option programs**	**Vested**	**No. of shares covered by the option programs**	**Vested**	**No. of shares covered by the option programs**	**Vested**	**No. of shares covered by the option programs**	**Vested**
CEO	157,500	96.9%	181,000	87.3%	23,190	61.9%					45,860	22.1%	0	12.9%	0	1.4%
Other members of senior management	41,400	96.9%	283,000	87.3%	66,424	61.9%	200,000	49.0%	200,000	41.5%	102,836	22.1%	58,190	12.9%	93,256	1.4%
Total	**198,900**		**464,000**		**89,614**		**200,000**		**200,000**		**148,696**		**58,190**		**93,256**	

	Board LTIP 2017		Board LTIP 2018		Board LTIP 2018.2		Board LTIP 2019	
Recognition of granted share awards issued through the company's performance-based incentive programs to related parties at December 31, 2019	**No. of shares covered by the share award prgram**	**Vested**	**No. of shares covered by the share award program**	**Vested**	**No. of shares covered by the share award program**	**Vested**	**No. of shares covered by the share award program**	**Vested**
Chairman of the Board Per Wold-Olsen	–	–	13,051	77.3%	–	–	9,035	30.6%
Cecilia Daun Wennborg, Board member	5,800	86.3%	5,220	77.3%	–	–	3,614	30.6%
Ulf Jungnelius, Board member	5,800	86.3%	5,220	77.3%	–	–	3,614	30.6%
Brian Stuglik, Board member	–	–	5,220	77.3%	–	–	3,614	30.6%
Jennifer Jackson, Board member	–	–	–	–	2,170	50.9%	3,614	30.6%
Total	11,600		28,711		2,170		23,491	

Note 28 Pledged assets

	Group		Parent Company	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Shares of LFF Service AB	1	1	1	1
Bank guarantees paid	850	850	850	850
Total	**851**	**851**	**851**	**851**

The share in LFF Service AB is pledged and gives Läkemedelsföreningens Service AB an option to acquire the share at its quotient value (SEK 1,000) if Oncopeptides AB (publ) withdraws from the share agreement. Bank guarantees paid, refer to Note 14 Non-current receivables.

Note 29 Contingent liabilities

The Group and Parent Company had no contingent liabilities at December 31, 2019.

Note 30 Correction of errors

The purchase of investigational medical products used in clinical studies related to the company's development projects have, since 2017, been reported incorrectly as prepaid expenses, and are in fact, charged when the substances have been exhausted. According to the IFRS, the purchase of substances should be immediately recognized as research and development costs upon their purchase, and not as the substances are utilized.

In the summary below, the effects of the correction of errors are described in relation to the income statement for the Group and the Parent Company for Jan–Dec 2018 and the balance sheet for the Group and the Parent Company as per Dec 31, 2018 and Jan 1, 2018. The correction of errors has not had any impact on the cash flow for the Group or the Parent Company.

Consolidated statement of income Jan–Dec 2018	In accordance with the previously determined annual report	Correction of errors	After correction of errors
Operating expenses			
Research and development costs	-322,051	8,337	-313,714
Marketing and distribution costs	-51,126	–	-51,126
Administrative expenses	-55,298	–	-55,298
Other operating income/expenses	9,175	–	9,175
Total operating expenses	**-419,300**	**8,337**	**-410,963**
Operating result	**-419,300**	**8,337**	**-410,963**
Net financial items	-2	–	-2
Income tax	-147	–	-147
Result for the period	**-419,449**	**8,337**	**-411,112**
Other comprehensive income			
Total other comprehensive income	**14**	**–**	**14**
Total comprehensive income for the period	**-419,435**	**8,337**	**-411,098**
Earnings per share before and after dilution(SEK)	-9.77	0.19	-9.58

Consolidated balance sheet, Dec 31, 2019	In accordance with the previously determined annual report	Correction of errors	After correction of errors
Assets			
Total non-current assets	3,214	–	3,214
Current assets			
Other receivables	2,456	–	2,456
Prepaid expenses and accrued income	63,243	-50,828	12,415
Cash and cash equivalents	375,617	–	375,617
Total current assets	**441,316**	**-50,828**	**390,488**
Total assets	**444,530**	**-50,828**	**393,702**
Equity and liabilities			
Equity			
Share capital	4,899	–	4,899
Other contributed capital	1,272,830	–	1,272,830
Retained earnings (including result for the period)	-961,897	-50,828	-1,012,725
Total equity	**315,832**	**-50,828**	**265,004**
Total non-current liabilities	14,858	–	14,858
Total current liabilities	113,840	–	113,840
Total liabilities	**128,698**	**–**	**128,698**
Total equity and liabilities	**444,530**	**-50,828**	**393,702**

Parent Company income statement Jan–Dec 2018	In accordance with the previously determined annual report	Correction of errors	After correction of errors
Operating expenses			
Research and development costs	-322,051	8,337	-313,714
Marketing and distribution costs	-51,844	–	-51,844
Administrative expenses	-55,298	–	-55,298
Other operating income/expenses	9,175	–	9,175
Total operating expenses	**-420,018**	**8,337**	**-411,681**
Operating result	**-420,018**	**8,337**	**-411,681**
Net financial items	18	–	18
Income tax	–	–	0
Result for the period	**-420,000**	**8,337**	**-411,663**
Other comprehensive income			
Total other comprehensive income	**-8**	**–**	**-8**
Total comprehensive income for the period	**-420,008**	**8,337**	**-411,671**

Parent Company balance sheet, Dec 31, 2018	In accordance with the previously determined annual report	Correction of errors	After correction of errors
Assets			
Total non-current assets	**3,264**	**–**	**3,264**
Current assets			
Other receivables	2,279	–	2,279
Prepaid expenses and accrued income	62,468	-50,828	11,640
Cash and cash equivalents	375,513	–	375,513
Total current assets	**440,260**	**-50,828**	**389,432**
Total assets	**443,524**	**-50,828**	**392,696**
Equity and liabilities			
Equity			
Restricted equity	15,108	–	15,108
Non-restricted equity	300,150	-50,828	249,322
Total equity	**315,258**	**-50,828**	**264,430**
Total non-current liabilities	14,858	–	14,858
Total current liabilities	113,408	–	113,408
Total liabilities	**128,266**	**–**	**128,266**
Total equity and liabilities	**443,524**	**-50,828**	**392,696**

Consolidated balance sheet, Jan 1, 2018	In accordance with the previously determined annual report	Correction of errors	After correction of errors
Assets			
Total non-current assets	**2,601**	**–**	**2,601**
Current assets			
Other receivables	1,189	–	1,189
Prepaid expenses and accrued income	71,982	-59,165	12,817
Cash and cash equivalents	404,050	–	404,050
Total current assets	**477,221**	**-59,165**	**418,056**
Total assets	**479,822**	**-59,165**	**420,657**
Equity and liabilities			
Equity			
Share capital	4,423	–	4,423
Other contributed capital	956,044	–	956,044
Retained earnings (including result for the period)	-542,462	-59,165	-601,627
Total equity	**418,005**	**-59,165**	**358,840**
Total non-current liabilities	1,825	–	1,825
Total current liabilities	59,993	–	59,993
Total liabilities	**61,817**	**–**	**61,817**
Total equity and liabilities	**479,822**	**-59,165**	**420,657**

Parent Company balance sheet, Jan 1, 2018	In accordance with the previously determined annual report	Correction of errors	After correction of errors
Assets			
Total non-current assets	**2,651**	**–**	**2,651**
Current assets			
Other receivables	1,189	–	1,189
Prepaid expenses and accrued income	71,982	-59,165	12,817
Cash and cash equivalents	404,000	–	404,000
Total current assets	**477,171**	**-59,165**	**418,006**
Total assets	**479,822**	**-59,165**	**420,657**
Equity and liabilities			
Equity			
Restricted equity	14,632	–	14,632
Non-restricted equity	403,373	-59,165	344,208
Total equity	**418,005**	**-59,165**	**358,840**
Total non-current liabilities	1,825	–	1,825
Total current liabilities	59,993	–	59,993
Total liabilities	**61,817**	**–**	**61,817**
Total equity and liabilities	**479,822**	**-59,165**	**420,657**

Note 31 Events after the end of the reporting period

In March 2020, it was announced that the COVID-19 pandemic would impact the clinical development program for melflufen. The pivotal clinical studies HORIZON and OCEAN remained largely unaffected. For safety reasons, patient recruitment was paused in the ANCHOR and BRIDGE studies and for the AL amyloidosis trial. The start of the LIGHTHOUSE study was postponed. In March 2020, the comprehensive final results of the pivotal phase 2 study HORIZON were presented.

Certification

The undersigned affirm that the annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden, and that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The annual accounts and the consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and results. The Directors' Report for the Parent Company and the Group gives a true and fair overview of the development of the Parent Company's and the Group's activities, financial position and results, and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Stockholm April 17, 2020

Per Wold-Olsen
Chairman of the Board

Jakob Lindberg
CEO

Cecilia Daun Wennborg
Board member

Ulf Jungnelius
Board member

Per Samuelsson
Board member

Jonas Brambeck
Board member

Brian Stuglik
Board member

Jennifer Jackson
Board member

Our Auditor's Report was submitted on April 21, 2020.
Ernst & Young AB

Björn Ohlsson
Authorized Public Accountant

Auditor's Report

To the general meeting of the shareholders of Oncopeptides AB (Publ), corporate identity number 556596-6438

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Oncopeptides AB (Publ) for the year 2019 except for the corporate governance statement on pages 40-46. The annual accounts and consolidated accounts of the company are included on pages 35-74 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 40-46. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

We have determined that that there are no key audit matters that need to be communicated in the auditor's report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-34 and 78-81. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern

and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Oncopeptides AB (Publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 40-46 has been prepared in accordance with the Annual Accounts Act.

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

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

Ernst & Young AB, Jakobsbergsgatan 24, Stockholm, was appointed auditor of Oncopeptides AB (Publ) by the general meeting of the shareholders on the 21 May 2019 and has been the company's auditor since the 21 May 2019.

Stockholm, 21 April 2020
Ernst & Young AB

Björn Ohlsson
Authorized Public Accountant

Board of Directors

PER WOLD-OLSEN
MBA, Chairman of the Board. Elected in 2018.

Per has extensive experience in the pharmaceutical industry and has held many different positions at Merck & Co., Inc. He served in Merck's executive management team from 1994 to 2006. Since 2006, Per has served on several boards, including Lundbeck, Pharmaset and Royal Dutch Numico.

Per holds an MBA in finance and administration from Handelshøyskolen BI and an MBA in Management and Marketing from the University of Wisconsin.

Born: 1947

Board Committees: Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee.

Holdings in Oncopeptides: 67,317 shares and 22,086 share awards**

Other current positions: Chairman of the Board of MMV (Medicines for Malaria Venture) and GN Store Nord A/S. He is also a Board member of Gilead Sciences, Inc.

Independent in relation to the company and its management and in relation to major shareholders.

JONAS BRAMBECK
MD, PhD, Board member. Elected in 2014.

In addition to being a Board member of Oncopeptides, Jonas is an Investment Director at Industrifonden, a leading Nordic venture capital fund, and a member of the Board of Directors of the life sciences company Oxthera AB.

He has previously held positions in several life science companies, such as AstraZeneca, Bruker Instruments and Nobel.

Jonas holds a PhD in organic chemistry from the Royal Institute of Technology in Stockholm.

Born: 1958

Board committees: Member of the Remuneration Committee and the Audit Committee.

Holdings in Oncopeptides: –

Other current positions: Board member of Avidicare AB (deputy), Airsonett AB (deputy), OxThera AB and OxThera Intellectual Property AB.

Independent in relation to Oncopeptides and its senior management, but not in relation to major shareholders. Employee of Stiftelsen Industrifonden.

CECILIA DAUN WENNBORG
MSc, Board member. Elected in 2017.

Cecilia has 14 years of experience from board positions in listed companies. 20 years of experience from operational positions in the insurance, bank, and care and healthcare sectors, including as CFO and CEO of Skandia Link, Head of Skandia Sverige, CFO of Carema Vård & Omsorg AB and Ambea AB, CEO of Carema Vård & Omsorg AB and Deputy CEO of Ambea AB.

She was also ordinary member and chairman of the board of directors in Randstad AB (previously Proffice Aktiebolag), board member Carnegie Fonder AB, Eniro AB, Ikano Bank AB (publ), Aktiebolaget Svensk Bilprovning and Kvinvest AB.

Cecilia holds a MSc in business and economics from Stockholm University.

Born: 1963

Board committees: Chairman of the Audit Committee.

Holdings in Oncopeptides: 6,000 ordinary shares and 14,634 share awards**

Other current positions: Board member of Getinge AB, Bravida Holding AB, ICA Gruppen AB, Loomis AB, Atvexa AB, Insamlingsstiftelsen Oxfam Sverige, Sophiahemmet AB and Sophiahemmet IF, Hotel Diplomat AB and CDW Konsult AB. Member of the Swedish Securities Council.

Independent in relation to the company and its management and in relation to major shareholders.

JENNIFER JACKSON
PhD, Board member. Elected in 2018.

Jennifer is Senior Vice President of Regulatory Affairs and Quality Assurance and a member of the executive leadership team at TESARO. She has more than twenty-five years of experience in global clinical development and market registration of small molecules and biologics across multiple therapeutic areas including oncology. At TESARO Inc, Jennifer built the Regulatory Affairs and Quality functions.

Jennifer was also Senior Vice President Regulatory Affairs at Cubist Pharmaceuticals. She has previously worked in senior regulatory roles at Biogen, Vertex and Bristol-Myers Squibb. In her regulatory roles, she has gained broad experience from interacting with the FDA, EMA and other international regulatory authorities.

Jennifer earned her Ph.D. in Genetics at Cornell University and did her postdoctoral work at Massachusetts Institute of Technology. She is a member of the American Society of Clinical Oncology.

Born: 1953

Holdings in Oncopeptides: 5,784 share awards**

Other current positions: Senior Vice President of Regulatory Affairs and Quality Assurance and a member of the executive management of TESARO.

Independent in relation to the company and its management and in relation to major shareholders.

JARL ULF JUNGNELIUS
MD, PhD, Board member. Elected in 2011.

Ulf is a licensed medical practitioner and a specialist in a number of areas including oncology. He has published a number of scientific articles and has more than 25 years' experience in leadership positions in both large academic and corporate institutions.

He has been instrumental in the development and registration of gemcitabine (Gemzar), premetrexed (Alimta), Sunitinib (Sutent), lenalidomide (Revlimid) and the albumin bound nanoparticle paclitaxel (Abraxane).

Born: 1951

Holdings in Oncopeptides: 51,950 ordinary shares and 14,634 share awards**

Other current positions: CEO and Director of Isofol Medical AB. CMO and Board member of Noxxon AG. Director of Biovica International AB, Monocl AB, Ryvu Therapeutics and HealthCom GmbH.

Independent in relation to the company and its management and in relation to major shareholders.

PER SAMUELSSON
MSc, Board member. Elected in 2012.

In addition to being a Board member of Oncopeptides, Per is a partner at HealthCap, a life sciences venture capital business.

Per has over 15 years' investment banking experience, mainly with Aros Securities. At Aros Securities, he held a number of roles including being a Director in the corporate finance department where he specialized in mergers, initial public offerings and equity incentive programs. Per also held the role of Head of Research at Aros Securities.

Per holds an MSc in engineering from the Institute of Technology at Linköping University.

Born: 1961

Board committees: Member of the Audit Committee and the Remuneration Committee.

Holdings in Oncopeptides: –

Other current positions: Board member of Ancilla AB, Cantando AB, Cantando Holding AB, HealthCap AB, HealthCap Annex Fund I-II GP AB, HealthCap Orx Holdings GP AB, HealthCap 1999 GP AB, HealthCap III Sidefund GP AB, HealthCap IV GP AB, RSPR Pharma AB, Skipjack AB, SwedenBIO Service AB, Nordic Nanovector ASA and Targovax ASA.

Independent in relation to Oncopeptides and its senior management, but not in relation to major shareholders. Partner in HealthCap and Board member of several companies in the HealthCap Group.

BRIAN STUGLIK
B.Pharm, Board member. Elected in 2018.

Brian has a long and broad experience in the pharmaceutical industry. He has worked for 30 years and held several positions at the pharmaceutical company Eli Lilly, both with US as well as global focus and responsibilities. Over the past 25 years, his work has been focused on product strategy and commercialization for oncological products.

Brian has a Bachelor of Pharmacy degree from Purdue University, US.

Born: 1959

Holdings in Oncopeptides: 8,834 share awards**

Other current positions: CEO of Verastem Inc. Founder of Proventus Healthcare Solutions LLC and has served as CEO of the company since 2016. Member of the American Society of Clinical Oncology, the American Association for Cancer Research and the International Association for the Study of Lung Cancer.

Independent in relation to the company and its management and in relation to major shareholders.

* Each vested employee option entitles the holder to acquire 900 shares per option in the company.

** One share award entitles to one share in accordance with existing terms.

Management

JAKOB LINDBERG
CEO since 2011.

In addition to being CEO of Oncopeptides, Jakob is a Venture Partner at Patricia Industries, part of the Investor AB group of companies.

Jakob previously worked as an analyst for Merrill Lynch & Co and as a consultant for McKinsey & Co. He also co-founded Cellectricon, a provider of cell-based screening services to accelerate drug discovery, where he also served as CEO.

Jakob studied medicine at the Karolinska Institute, where he also gained a Med Lic in Molecular Immunology and an MSc in preclinical medicine. He also has a BA in finance and administration from Stockholm University.

Born: 1972

Holdings in Oncopeptides: 560,831 shares (545,531 directly owned, 15,300 indirectly owned through Lindberg Life-Science AB), 175 employee options* and 315,423 options**.

Other current positions: Director of Affibody Medical AB and Lindberg Life-Science AB. Board member of Oncopeptides Incentive AB and CEO of Lindberg Life-Science AB.

ANDERS MARTIN-LÖF
CFO since 2018.

Anders was previously CFO of Wilson Therapeutics AB and RaySearch Laboratories AB, both listed on Nasdaq Stockholm. He held various business development positions for Swedish Orphan Biovitrum, where he also served as Director of Investor Relations. In addition, he has worked as a management consultant at the Boston Consulting Group and Cell Network, and was the CEO and founder of the consultancy firm ScienceCap.

Anders holds an MSc in engineering physics from the Royal Institute of Technology and a BSc in Business Administration and Economics from Stockholm University.

Born: 1971

Holdings in Oncopeptides: 5,000 shares and 248,576 options**.

Other current positions: Board member of Cantargia AB, deputy Board member of Lisa Martin-Löf Konsultbyrå AB and deputy Board member of Oncopeptides Incentive AB.

CHRISTIAN JACQUES
EVP and Chief Scientific Officer since 2018.

In addition to being EVP and CSO of Oncopeptides, Christian is the Chief Scientific Officer at Pharma Biotech Consultants, who provide consultancy services to companies working with hematology.

Christian has previously held roles at a number of life sciences companies, including Vice President Clinical Development for Celgene, where he was in charge of the multiple myeloma clinical development for Celgene products and got approval of pomalidomide (Pomalyst or Imnovid) in the US, EU and several other key countries. He also led the global clinical development of Revlimid. Christian has also held roles at Novartis, Johnson & Johnson, Aventis (Formerly Rhone-Poulenc) and Pierre Fabre Oncologie, all within oncology.

He has more than 54 publications in peer-reviewed journals or at major congresses.

Christian holds an MD and degree in internal medicine from Université Catholique de Louvain, Belgium. Christian has been a hospital practitioner for ten years.

Born: 1956

Holdings in Oncopeptides: 241,719 options**

Other current positions: Dr Jacques is a member of the American Society of Clinical Oncology (ASCO) and the American Society of Hematology (ASH)

EVA NORDSTRÖM
Head of Clinical Development since 2012 and Chief Operating Officer since 2020.

Previous positions Eva has held include Global Product Director and Vice President roles at Pharmacia and AstraZeneca based both in Sweden and the USA. She has led international cross-functional teams through all phases of drug development, including phase 3 and product launches. Eva has been responsible for individual project strategies including their implementation as well as disease area strategies, portfolio management and in-licensing.

Eva holds an MSc Pharm from Uppsala University and an Executive MBA from Stockholm School of Economics.

Born: 1970

Holdings in Oncopeptides: 120,200 shares, 33 employee options* and 132,671 options**.

Other current positions: Deputy Board member of Utilica AB.

FREDRIK LEHMANN
Head of Chemistry, Manufacturing & Control (CMC) since 2010 and Head of Research since 2018.

In addition to being the Head of Research and CMC at Oncopeptides, Fredrik is an independent consultant within preclinical research and CMC.

Fredrik has previously held positions at a number of life science businesses including Pharmacia, Personal Chemistry, Biovitrum and Recipharm. He has also co-founded six life science companies.

Fredrik holds a PhD in medicinal chemistry from the University of Gothenburg.

Born: 1976

Holdings in Oncopeptides: 17,652 shares (16,652 directly owned, 1,000 indirectly owned through OT Lehmann Holding AB), 13 employee options* and 92,389 options**.

Other current positions: Board member and CEO of OT Pharmaceuticals AB. Board member of OT Lehmann Holding AB and Chairman of the Board of Synartro AB. Board member of Sprint Bioscience and member of Akthelia Pharmaceuticals Scientific Advisory Board.

ROLF GULLIKSEN
Global Head of Corporate Communications since 2020.

Rolf Gulliksen was appointed as Global Head of Corporate Communications in 2020. Rolf is responsible for building an integrated corporate communications function, and developing and executing a global communications strategy.

Rolf has an extensive background in strategic communication for life science industry and consultancy. Previous positions include Head of Corporate Communications at Hansa Biopharma, SVP Corporate Communications Biovitrum, Corporate Affairs Director Pfizer, VP Public Affairs and Communications Pharmacia in EMEA, and External Affairs Manager at MSD. He has also headed the life science business at leading communication agencies; Hallvarsson and Halvarsson Group, Springtime, InVivo, and Edelman.

Rolf has studied chemistry, biology, physics, geology pedagogy and methodology at Uppsala University.

Born: 1959

Holdings in Oncopeptides: –

Other current positions: CEO and Senior Advisor, Gulliksen Strategic Relations AB

JOSEPH HORVAT
President North America since 2019.

Before Joseph joined Oncopeptides, he served for nine years in different positions at EMD Serono (a subsidiary of Merck KGaA, Darmstadt, Germany), most recently as Senior Vice President of the Oncology Business Unit with responsibility for driving the US oncology product portfolio. He previously played a critical role in the development of EMD Serono's commercial build up in anticipation of an upcoming launch. In this position, he created a strong corporate culture with competent co-workers, which formed the basis of EMD Serono's successful launch of its first immuno-oncology product.

Prior to this, he worked for more than 10 years at Bristol-Myers Squibb, where he held various roles of increasing responsibility across several therapy areas including oncology, cardiology and neuroscience.

Born: 1970

Holdings in Oncopeptides:
146,038 options**.

KARIN EKLUND VANDERPOL
Head of Regulatory Affairs
since 2020.

Prior to starting at Oncopeptides, Karin worked at the Swedish Orphan Biovitrum (Sobi) where she held different positions, most recently as Global Regulatory Affairs Director, Haemophilia. In this role, she contributed to the approvals and launches of important new haemophilia products in Europe and other markets.

Before this, she worked at AstraZeneca in various roles within Regulatory Affairs.

Karin holds an MSc Pharm from Uppsala University.

Born: 1973

Holdings in Oncopeptides: –

KAROLINA VILVAL
General Counsel since 2020.

Karolina has been active as a Legal Counsel in the pharmaceutical industry for the past 15 years.

Prior to joining Oncopeptides, Karolina worked at Gilead Sciences, Nordic affiliates as Associate Legal Director Previously, Karolina has worked at Biovitrum and Swedish Orphan Biovitrum (Sobi) in various positions in Legal Affairs.

Karolina holds a law degree from Stockholm University.

Born: 1979

Holdings in Oncopeptides:
6,916 options**.

KLAAS BAKKER
EVP and Chief Medical Officer
since 2019.

Klaas has worked at AstraZeneca in various roles with increasing responsibility and seniority, most recently as Vice President Medical Affairs for their Tagrisso TDR franchise, with global responsibility in oncology. In this role he was responsible for the global launch of Osimertinib, the company's largest asset across all therapeutic areas.

Klaas holds an MD and is a board-certified neurosurgeon from the university of Groningen, the Netherlands, where he was clinically active until 2015. In addition, he holds a PhD in Hematology and has authored over 40 publications in international peer-reviewed journals.

Born: 1982

Holdings in Oncopeptides:
7,500 shares and 87,356 options**.

PAULA BOULTBEE
Chief Commercial Officer
since 2016.

Paula comes with expertise that is acquired from both small and large pharmaceutical companies. Most recently, she was Executive Vice President of Sales and Marketing at Pharmacyclics where she formed a commercial team and launched their first product, Imbruvica, that has become a multi-billion dollar asset. She has also held positions at Novartis, Amgen and Pharmacia with growing responsibility in sales and brand management, with both country and regional responsibility. At Novartis, she was responsible for the global launch of their flagship product Glivec/Gleevec (imatinib) with global sales amounting to USD 6 billion.

Before joining Oncopeptides, she worked as an independent consultant and has supported several companies in developing their commercial enterprises leading to successful launches, financing, acquisitions and licensing agreements.

Paula is a trained nurse.

Born: 1958

Holdings in Oncopeptides:
160,415 options**.

Other current positions: Chairman of the Board of The Max Foundation and Board member of Isofol Medical AB. Advisor to Monocl AB and early stage biotech companies in the Bay Area, California. Runs PTB Consulting LLC.

* Each vested employee option entitles the holder to acquire 900 shares per option in the company.
** The options entitle the holder to subscribe to one share per option at a predetermined price pursuant to the terms and conditions of the option program.

Welcome to the 2020 AGM

Oncopeptides' AGM will be held on Tuesday, May 26, 2020 at 2:00 p.m. at Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm, Sweden. Registration for attendees will commence at 1:30 p.m. Shareholders who wish to participate must be listed in the share register maintained by Euroclear Sweden AB by not later than May 19, 2020.

Due to the current pandemic (COVID-19), Oncopeptides has taken a number of precautionary measures ahead of the Annual General Meeting aimed at keeping the meeting short and efficient and reduce the risk of spreading the virus. No food or drinks will be served before or after the Annual General Meeting. The CEO will not hold any address in the meeting venue, an address will instead be made available at Oncopeptides' website on the day of the Annual General Meeting. Oncopeptides is encouraging all shareholders to vote in advance (see further information below)

Notification

Notification of intention to attend the AGM must be made by no later than Wednesday, May 19, 2020. The notification is to be made in writing to Oncopeptides AB (publ), Luntmakargatan 46, SE-111 37 Stockholm, Sweden, or by e-mail to lisa.andersson@oncopeptides.com.

Upon giving notice, shareholders are to specify:

- Name
- Personal identity number/corporate registration number
- Address and daytime telephone number
- Number of shares held
- Where applicable, information aboutany proxies/assistants

Nominee-registered shares

To be entitled to participate in the AGM, shareholders who have registered their shares with a bank or other nominee must temporarily re-register the shares in their own name. Shareholders who wish to make such re-registration, so-called voting rights registration, must make such request with their nominee well in advance of May 19, 2020, at which time the re-registration must have been made.

Proxies

Shareholders intending to participate by proxy must issue a written, signed and dated power of attorney for the proxy. If the power of attorney is issued by a legal entity, the power of attorney shall be accompanied by a certified copy of a valid registration certificate of the legal entity (or similar document for a non-Swedish legal entity). The power of attorney is valid for one year from the date it is issued, or the longer period of validity as shown on the proxy form, but no more than five years.

Shareholder information

Interim reports, annual reports and Oncopeptides' press releases are available at oncopeptides.se and can be ordered from Oncopeptides AB, Luntmakargatan 46, SE-111 37 Stockholm, Sweden. The printed version of the 2019 Annual Report will be sent to anyone who so requests and always available for download from www.oncopeptides.se

Advance voting

The shareholders may exercise their voting rights at the Annual General Meeting by voting in advance, so called postal voting in accordance with section 3 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. Oncopeptides encourages the shareholders to use this opportunity in order to minimise the number of participants attending the Annual General Meeting in person and thus reduce the spread of the infection.

A special form shall be used for advance voting. The form is available on www.oncopeptides.com. A shareholder who is exercising its voting right through advance voting do not need to notify Oncopeptides of its attendance to the Annual General Meeting. The advance voting form is considered as the notification of attendance to the Annual General Meeting.

The completed voting form must be submitted to Oncopeptides no later than Tuesday 19 May 2020. The completed and signed form shall be sent to Oncopeptides AB (publ), Luntmakargatan 46, SE-111 37 Stockholm, Sweden. A completed form may also be submitted by e-mail and is to be sent to lisa.andersson@oncopeptides.com. If the shareholder is a legal entity, a certificate of incorporation or a corresponding document shall be enclosed to the form. The same apply for shareholders voting in advance by proxy. The shareholder may not provide special instructions or conditions in the voting form. If so, the vote is invalid.

Further instructions and conditions can be found on www.oncopeptides.com.

Calender

May 26	Q1 interim report
May 26 2020	AGM
August 26 2020	Q2 interim report
November 19 2020	Q3 interim report

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NOMENCLATURE

International non-proprietary name (INN)
Melphalan flufenamide

Chemical name
4-[Bis-(2-chloroethyl)amino]-L-Phenylalanine-4-fluoro-L-phenylalanine ethyl ester hydrochloride

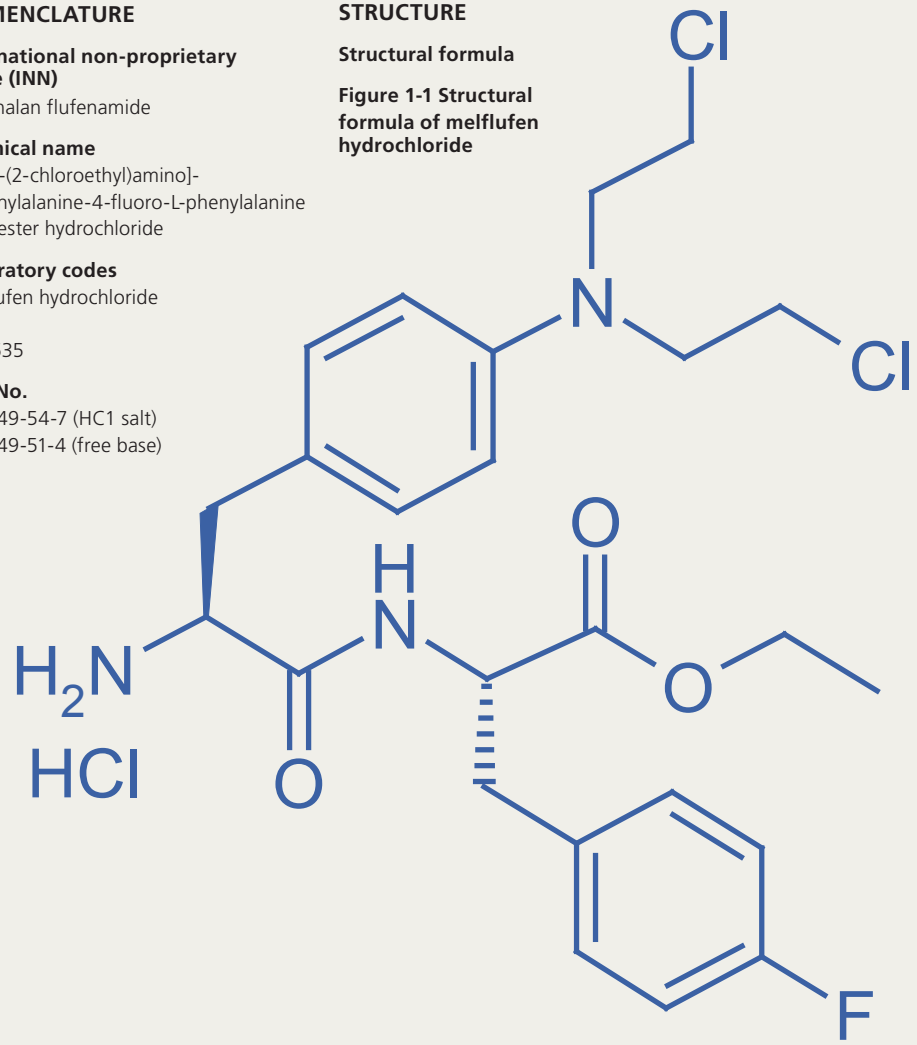
Laboratory codes
Melflufen hydrochloride
J1
CK 1535

CAS No.
380449-54-7 (HC1 salt)
380449-51-4 (free base)

STRUCTURE

Structural formula

Figure 1-1 Structural formula of melflufen hydrochloride

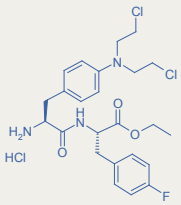


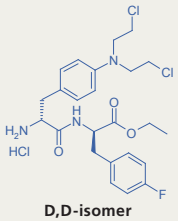
Molecular formula
C24 CH31C13FN3O3 (HC1 salt)

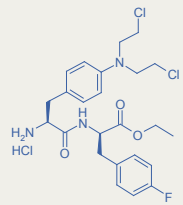
Molecular weight
534.9 (HC1 Salt)

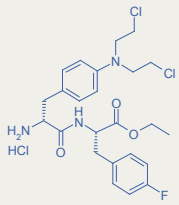
Stereochemistry
Melflufen hydrochloride contains two stereogenic centers giving rise to four possible stereoisomers. Melflufen hydrochloride drug substance is the L,L-isomer. The structures are outlined in Figure 1-2.

Figure 1-2 Structure of melflufen hydrochloride isomer


L,L-isomer


D,D-isomer


L,D-isomer


D,L-isomer

GENERAL PROPERTIES

Appearance
White to slightly yellowish powder

Solubility
Melflufen hydrochloride is soluble in most organic solvents. The solubility in water and buffers is limited.

Partition coefficient
ClogP = 4.04 (tecken) 0.66, calculated using ACD logP DB, v.6.0 (from Advanced Chemistry Development)

Dissociation constant
pKa 10.0 (determined in ethanol solution)

Optical rotation
[ɖD 5.2° (c 1.9, CH3OH) at 20°C

Thermal behaviour
Differential scanning calorimetry (DSC) was performed using a Mettler Toledo DSC 822 instrument and a scanning rate of 2(tecken)C/minute. The melting temperature was measured using batch GF404528 and determined from the DSC thermogram to be 205.4°C, as shown in Figure 1-3.

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