oncopeptides

ANNUAL REPORT 2018

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CEO's comments

"We expanded our organization, broadened our clinical strategy and recruited key individuals during the year – all with the aim of providing melflufen with the best possible conditions for future marketing authorization and generating the greatest possible market potential."

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The market

There is a considerable need for drugs with new modes of action for treating myeloma patients. Melflufen could be one of the new alternatives for addressing this need.

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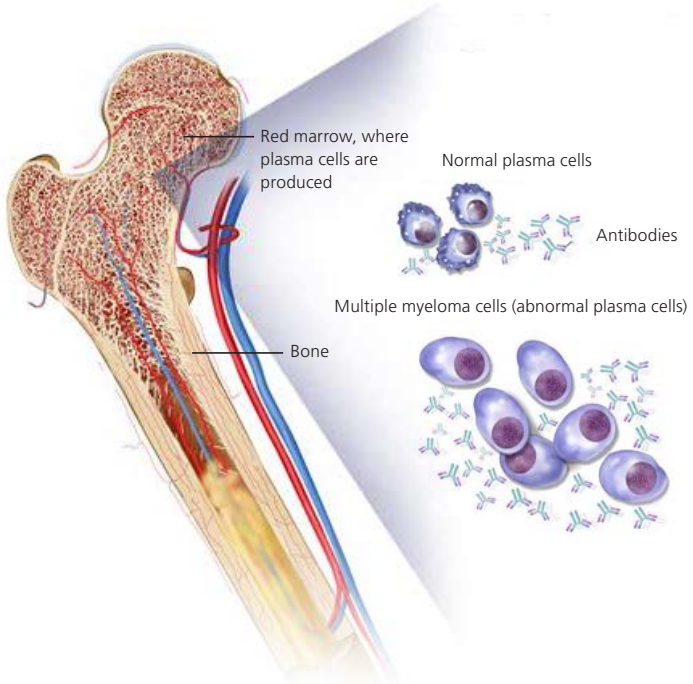
Melflufen

The molecule's clinical activity and a reliable safety profile have been evaluated in ongoing and completed clinical trials.

28

Oncopeptides in 60 seconds

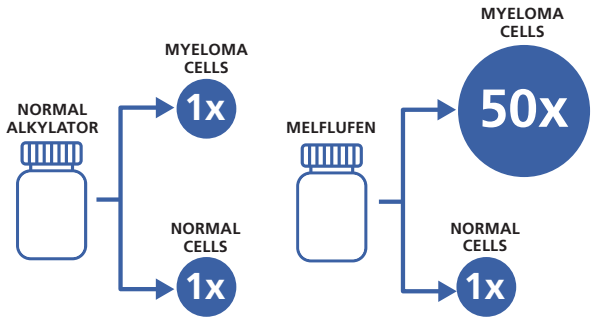


57,000
People are diagnosed each year in the US and Europe

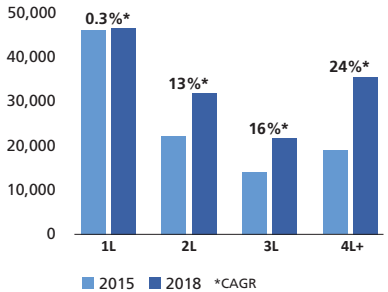
5 years
Expected survival with multiple myeloma

69 years
Average age upon diagnosis

Preclinical trials indicate that melflufen is 50 times more effective at killing cancer cells than similar drugs of the same class. Read more on page 28.

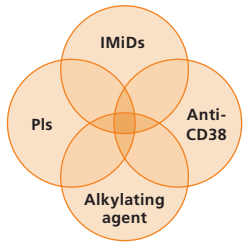


Distribution of multiple myeloma patients by lines of therapy in the US



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

9 of 10 patients are treated with IMiDs, PIs and alkylating agents



IMiDs Immuno-modulatory drugs

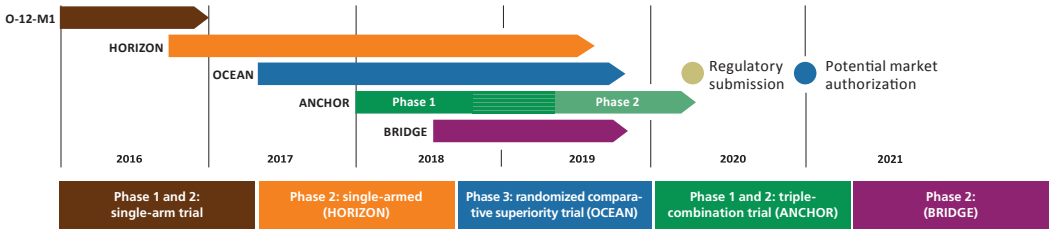
PIs Proteasome inhibitors

Alkylating agent A form of cytotoxic

Anti-CD38 Antibody drug

Source: Global Data

Oncopeptides' clinical trials 2018



O-12-M1
Show single-agent activity in RRMM*

HORIZON
Show single-agent activity in RRMM*

OCEAN
Show single-agent superiority over SoC (Standard of Care) backbone in RRMM* (pomalidomide)

ANCHOR
Show combination synergy and tolerability with daratumumab and bortezomib

BRIDGE
Show that melflufen can be used in patients with renal impairment

* RRMM – Relapsed refractory multiple myeloma

Our clinical trials are being conducted in nearly 150 hospitals in Europe, the US, Russia, Korea and Israel, in partnership with a handful of different CROs.

Note. For definitions of terms, see glossary

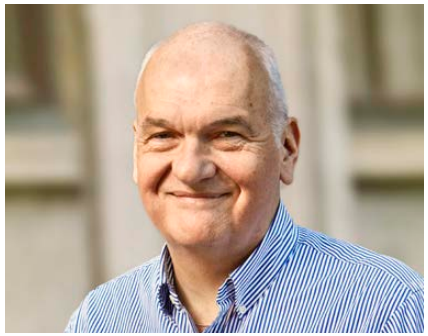
Year in brief

Q1

Melflufen was approved for an additional patent protection in Japan. The formulation patent is valid until 2033, which increases melflufen's commercial and strategic potential.

Oncopeptides completed a private placement of shares to Swedish and foreign specialist investors amounting to approximately 314 MSEK in March. The share issue enabled the formation of the medical relations organization that will focus initially on the US, and to initiate a fourth clinical trial for melflufen. This fourth trial is aimed at treating patients suffering from RRMM with impaired kidney function.

Oncopeptides strengthened its management team by appointing Dr Christian Jacques as EVP Clinical Strategy and Chief Scientific Officer. Dr Jacques is one of the world's most experienced drug developers in the field of multiple myeloma and hematology.



Q2

The first patient began treatment with melflufen in the phase 1/2 trial ANCHOR. The study aims to generate knowledge and an understanding among physicians of how melflufen can be used in combination with bortezomib or daratumumab. Bortezomib is a broad-spectrum drug that belongs to the proteasome inhibitor class, while daratumumab is an anti-CD38 antibody drug. If the trial outcomes are positive, melflufen may be useful earlier in the chain of treatment, which could increase its market potential.

Oncopeptides appointed a Clinical Advisory Board comprising internationally recognized clinical development researchers in the field of hematology/oncology. The aim is to identify opportunities for developing melflufen within the field of multiple myeloma, and evaluate new indications.

Oncopeptides presented updated interim data from its ongoing HORIZON trial with melflufen at the Congress of the European Hematology Association (EHA). The trial includes RRMM patients with few or no remaining treatment options. The results demonstrated highly promising clinical activity and tolerability data with an overall response rate (ORR) of 31 percent.

Q3

Oncopeptides appointed Anders Martin-Löf as its new CFO. Anders has broad experience including business development expertise from several drug development companies.

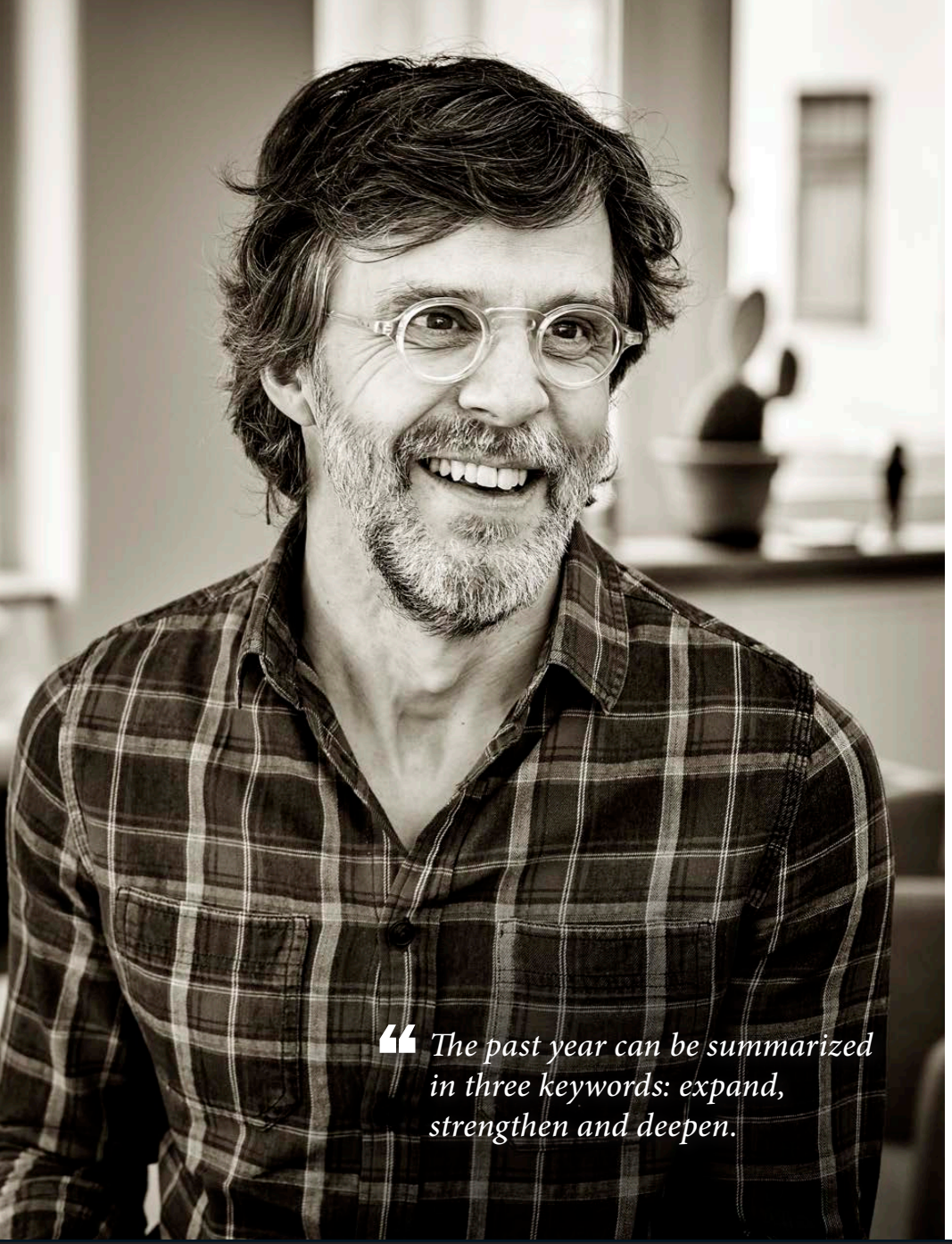
The first patient commenced treatment with melflufen in Oncopeptides' phase 2 trial BRIDGE in RRMM patients with reduced kidney function. BRIDGE is an important positioning trial aimed at proving that melflufen does not impact patients' kidney function.

Q4

Oncopeptides presented the first interim results from its ongoing combination trial ANCHOR with melflufen at the 60th American Society of Hematology (ASH) Meeting. The data indicates that melflufen is well tolerated and exhibits very high clinical activity without any signs of cross resistance in combination therapies with bortezomib or daratumumab.

Professor Paul Richardson presented updated interim data from the ongoing HORIZON trial with melflufen at the ASH Meeting. The results continue to show highly promising clinical activity and tolerability. The overall response rate (ORR) was 33 percent in this heavily pretreated patient population.

Oncopeptides presented an updated 2019 clinical strategy at the company's first Capital Markets Day, which was held in New York on December 14.



CEO’s comments on 2018

During the year, we succeeded in attracting several internationally recognized drug developers to contribute to our company’s operations. Our Board composition also became decidedly more international. The Chairman of the Board and two new Board members have extensive experience in the US pharmaceutical market. As a result, we strengthened our network and expertise, and raised our ambitions. Our organization was expanded during the year, all with the aim of conducting our work at an increasingly rapid pace and creating the capacity to manage additional clinical trials.

By year-end, we announced our upgraded target for 2019 and a higher level of ambition for our clinical strategy.

Looking back and reflecting on this, it feels unreal. When we presented data from our first clinical trial O-12-M1 with melflufen at the EHA Congress in June 2016, followed by a presentation at the ASH Meeting in December of the same year, we were an unknown private company. The knowledge and results from this trial have been one of the pillars of our clinical strategy, which today encompasses an additional four studies. OCEAN, our pivotal phase 3 trial, is one of these. We are continuing to learn how melflufen works in different patient groups and the ambition is to follow this up with additional trials – combination trials with other drugs and, in the long term, trials with new treatment indications. This will broaden melflufen’s potential applications and increase its commercial value. During the year, we succeeded in attracting several internationally recognized drug developers to the company, thereby strengthening our network and expertise and raising our ambitions. This has all been possible thanks to melflufen and its unique properties, which we have presented at various scientific conferences. Our shared ambition is to achieve market registration globally for melflufen and thereby enable a new, effective treatment option for myeloma patients.

The coming year

We are now entering our third year as a listed company. The company grew in 2018 in terms of the number of employees, clinical trials and the number of patients treated. We are in the midst of a tremendously exciting phase, poised to present additional new clinical data in 2019. We are working with a number of important processes in our clinical development portfolio and investing a considerable

amount of time in preparing for potential future market launches.

The level of activity will be increased and, as a result, we will have more news to communicate to our various stakeholders. Our shareholder base was expanded during the year, both in terms of number and geographic representation. We feel very honored and humbled to be trusted with the development of Oncopeptides and with providing melflufen with the best possible conditions for success. On that note, I would also like to look back over the past year, including a number of highlights below.

Broader and deeper clinical programs

We had just completed our first phase 1/2 clinical trial prior to our IPO. The experience and data from this trial laid the foundation for the first part of our clinical strategy and motivated our search for financing in the public market. In conjunction with this financing, we launched the HORIZON and OCEAN trials. In 2018, two additional trials were launched: ANCHOR and BRIDGE. All of the trials are aimed at expanding our knowledge about melflufen and positioning the therapy against currently existing drugs. We expanded the HORIZON trial in the autumn, upon receiving and reporting positive efficacy and safety data. We are now conducting four trials altogether, with the aim of launching additional trials in 2019. At the top of the list is a new combination trial that is already in planning, which I will discuss in further detail in my description of the ANCHOR trial.

In the second half of 2018, we communicated that the patient recruitment rate in the company's phase 3 study OCEAN was lower than initially estimated when the study was initiated in 2017. After the initiation of OCEAN, pomalidomide has been used more and more as a second line treatment option for patients with multiple myeloma. This is a strong positive for melflufen and its future sales potential based on the OCEAN trial design as a head-to-head comparison with pomalidomide. At the same time as being positive for the value of OCEAN it also represents a patient recruitment challenge since those patients cannot be part of the OCEAN study. We implemented several measures to increase patient recruitment in 2018. For example, the number of hospitals participating in the study has increased by almost 50%. These activities have been effective, and the recruitment rate has increased significantly. However, this have not entirely made up for the deviation from the initial forecast and we now estimates that the last patient in will take place during Q1 2020, which corresponds to a delay of 6 to 9 months compared to previously communicated timelines.

In the autumn, we decided to expand the number of patients in our HORIZON phase 2 trial to 150, which is nearly twice as many patients as originally planned. This was motivated by the highly promising preliminary results of the trial. We are in the midst of discussions with the US Food and Drug Administration (FDA) regarding this data in order to determine whether the current patient population could qualify melflufen for accelerated approval, based on the current scope of the trials and the results we have presented to date in this difficult to treat patient population.

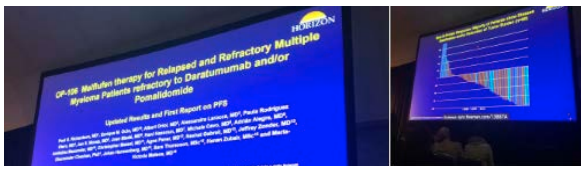
We launched our ANCHOR combination trial last spring. The trial has progressed very well, and we presented the first interim results in December at the ASH Meeting. The trial involves administering melflufen plus steroids with either bortezomib or daratumumab to patients with refractory and/or relapsed multiple myeloma. Although interim data had only been collected from a small number patients, it showed an ORR of between 86 and 100 percent, depending on the treatment arm, which also improved over time. It is highly promising that melflufen is well tolerated and shows encouraging activity in these combination therapies.

Our data stands up very well against the results of other trials in RRMM patients who have undergone combination therapies. The data has been noticed by physicians and received highly positive assessments at the ASH Meeting, and we believe that the data from the trial group that was treated with melflufen and daratumumab represents a particularly significant breakthrough.

The data from ANCHOR has led us to expand the scope of our trials by preparing and planning a new trial, called LIGHTHOUSE, which combines melflufen with daratumumab plus steroids, compared with only daratumumab plus steroids. In addition to strengthening our regulatory

Twitter December 3, 2018

Melflufen with promising activity in refractory population as presented by Dr. Richardson @DanaFarber #ASH18 #mmsm



HematologyTimes.com @HematologyTimes December 3, 2018

#Melflufen plus #dexamethasone shows "promising activity" in #multiplemyeloma patients refractory to #daratumumab and/or #pomalidomide. #myeloma #ASH18 #ASH2018 abstract600

INTERNATIONAL MYELOMA FOUNDATION

Safety and efficacy – Melflufen for relapsed refractory multiple myeloma patients

position, the trial will also increase the market potential for melflufen by addressing the combination market as well.

Treatment algorithms are increasing melflufen's market potential

Melflufen's market potential is growing for two reasons. The first is that melflufen has a high level of activity and a favorable side-effect profile. The second is that the new treatment guidelines that were established in the past few years are now beginning to have an impact. Consequently, there is an urgent need for treatment alternatives that employ new modes of action, such as melflufen.

The two most prescribed drugs today are lenalidomide (what is referred to as an immunomodulatory drug or "IMiD") and bortezomib (known as a proteasome inhibitor or "PI"). Five out of the six most prescribed drugs for treating myeloma are classified as IMiDs or PIs, and form the basis of all myeloma treatments. This includes pomalidomide, a sister molecule of lenalidomide that we are studying through OCEAN. There are also new targeted antibody treatments, which are mainly used in combination with the most commonly prescribed drug agents to ensure that all of the patient's myeloma cells are appropriately treated.

Patients who are treated in accordance with the new treatment guidelines frequently become resistant to IMiDs following the first line of treatment, and the majority would have also been treated with a PI. This means that patients are in great need of alternative treatments involving drugs with different modes of action than those of IMiDs and PIs by the onset of the second line of treatment. This is where melflufen will potentially have a vital role to play, provided that we can continue to show additional positive data from our combination trials.

> *"Consequently, there is an urgent need for treatment alternatives that employ new modes of action, such as melflufen.*

Organizational development

During the year, we commenced work to lay the foundation for our medical relations and commercial functions in both Europe and the US in order to be prepared for and provide melflufen with the best conditions for a future launch, provided that the results from our ongoing trials are positive. Recruiting efforts during the year were focused on appointing key functional heads to support and educate target audience about.

Strong support from shareholders who see our potential

In conjunction with our stock-exchange listing in February 2017, we announced our requirement for additional financing. To maximize shareholder value, companies such as Oncopeptides must raise additional capital when the opportunity arises and not when the need is dire. We have implemented two rounds of financing since our listing. Our knowledge of melflufen has increased radically, which has motivated us to launch new trials and thereby create the conditions to achieve a larger future market share. Although these investments are expensive by nature, they are also characterized by very high margin utility and low development risks for the project as a whole.

I am satisfied and thankful that we have been able to implement these financing rounds, because they have provided us with additional resources to further develop our project portfolio and to continue the establishment of a small-scale commercial organization, and thereby take the next step in Oncopeptides' growth.

Thank you for all your support this past year

We look forward to an intensive, exciting and stimulating 2019. I am most grateful to the patients and their families, who had so much faith in our molecule that they chose to participate in our trials. I would like to thank all our co-workers and partners for their hard work during the year as well as the dedicated physicians who have worked with us. My special thanks for the strong support of our dedicated shareholders, who recognize the same opportunities that we do and stand behind us in providing melflufen, and thereby patients, with these possibilities.

Jakob Lindberg, CEO

The road ahead

The collection of data from various trials will pave the way for our strategic choices on future melflufen development. This will be a gradual and time-consuming process. Melflufen is a potent molecule which has 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, we are open to discussions with potential partners, provided that the partnership generates greater value for Oncopeptides in comparison with commercializing on our own sales, thereby maximizing shareholder value.

This means that the target for Oncopeptides – if all goes well – is to launch several trials to expand melflufen's market position and future commercial value in 2019, and by 2020, to be a company en route to an approved drug for the treatment of myeloma patients in the US, Europe and RoW.

As part of our efforts to achieve this target, we launched two new clinical trials in 2018 and began building up a medical relations function and commercial organization in Europe and the US.

We have raised our level of ambition and are planning to launch an additional combination trial with melflufen in 2019 called LIGHTHOUSE, and also strive to expand melflufen's presence in a new disease area, Light Chain (AL) Amyloidosis. We will also invest in our preclinical operations to create new product candidates based on our technology platform, referred to as peptidase-enhanced cytotoxics (PEnC).

We also aim to launch clinical trials to investigate the activity of melflufen in other forms of cancer, and to potentially launch clinical trials in the field of hematological cancer with another selected molecule.

Our target governs our operations in the short term. For 2019, this entails that we will focus on the following:

5 Expanding melflufen's indications base and conducting further preclinical trials to develop new drug candidates.

4 Recruiting additional strategic key functions within the medical relations and commercial organizations to fully prepare for melflufen launch.

3 Planning and preparing a new randomized phase 3 trial, LIGHTHOUSE, which will evaluate melflufen, daratumumab, and steroids as a triplet therapy.

2 Continuing to build up the organization to have the capacity to support expanded clinical development plans.

1 Securing patient recruitment for the OCEAN phase 3 trial in order to submit a new drug application (NDA) in the US and Europe in 2020.

Strong share-price development and broadened ownership

Oncopeptides is listed on Nasdaq Stockholm as a Mid Cap company and its market capitalization at the close of 2018 was 5,793 MSEK. During the year, the percentage of ownership by foreign institutions increased, and by the close of 2018, approximately 17 percent of the company's owners were foreign institutions. The number of shareholders increased during the year. At year-end, the company had 5,774 owners, up 65 percent. The company's share continued to trend strongly throughout the year and the share price rose 64 percent. Several renowned Swedish institutions and specialist industry investors took part in the company's private placement in March 2018.

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 comprising two phase 2 trials known as HORIZON and ANCHOR, and the pivotal phase 3 trial known as OCEAN.

In 2018, the HORIZON trial was expanded to include twice the number of patients. The decision to do so was based on promising efficacy and safety data presented in the same year. ANCHOR was also launched during the year and a decision was made to perform a positioning trial called BRIDGE.

Pharmaceutical development is a time-consuming and capital-intensive process. The clinical strategy for melflufen was broadened and deepened during the past year, which, if all goes well, will increase its market share and value. The two ongoing trials we are conducting, HORIZON and ANCHOR, as well as the initial results from our first phase 2 trial, O-12-M1, provided us with an abundance of new information during the year. Thanks to this knowledge, we announced our intention to launch several additional clinical trials at our Capital Markets Day in December. There is enormously positive leverage to be gained from this move in terms of marginal utility. Underinvesting in a project where we see evidence that the molecule is working could lead to a lower revenue stream and weaker market position in the future. In other words, the cost would be far higher than our intended investment for strengthening melflufen's future position.

Demonstrating and explaining what we do

Oncopeptides continued to build and maintain relationship with shareholders, investors and analysts during the year. Interest grew significantly – not only in Sweden, but also in the rest of Europe and the US. We have endeavored and will continue to strive to be clear about our work, and to be transparent and informative, so as to provide useful documentation for our various stakeholders. We will strive to participate in more Swedish and international investor meetings, increase our participation in additional scientific conferences and meetings.

We closed the year by hosting our first Capital Markets Day in New York. The event attracted considerable interest and was followed by many people both on location and via online live streaming. The Capital Markets Day was held a few weeks after we presented new and updated results at the ASH Meeting. The aim was to present a broad overview of our strategy and data as well as an initial description of the market that we believe melflufen has the potential to address.

Sustainability – long-term approach

We strive to ensure our communications are transparent, clear, quick and correct. In many respects, our operations are complicated. This may pertain to the results of trials, how they should be interpreted or various types of expectations. The complexity of the myeloma market in terms of treatment algorithms and, as a consequence, a drug's potential sales are also contributing factors. We cannot address the latter until we obtain the final clinical data to show what our molecule

can achieve in various patient groups. However, in 2018, we were able to demonstrate that melflufen, with its new mode of action, is active in several different treatment contexts and thus has excellent prerequisites for becoming a vital addition to the market.

Developing a new pharmaceutical requires perseverance on the part of the company and long-term commitment on the part of investors. A certain amount of share-price volatility can be expected, which is the case for most companies in this industry. What we communicated in 2018 was a number of important milestones for melflufen. It is showing high activity and a tolerable side-effect profile, both as a single treatment (melflufen plus steroids) and as a combination therapy with other drugs.

2019 will be an intense year with many data milstones

We present data and results from our ongoing trials at major scientific conferences and thereby create broader awareness of melflufen and Oncopeptides. In 2019, we will further expand our presence at scientific conferences. This is the cornerstone in the creation of awareness about melflufen among clinicians and, in the long-term, among patients. Until we have an approved and registered drug in the market, this is the single most important channel for spreading knowledge about our trials and their results. At the ASH Meeting in December 2018, we had a major breakthrough with our data from both HORIZON and ANCHOR.

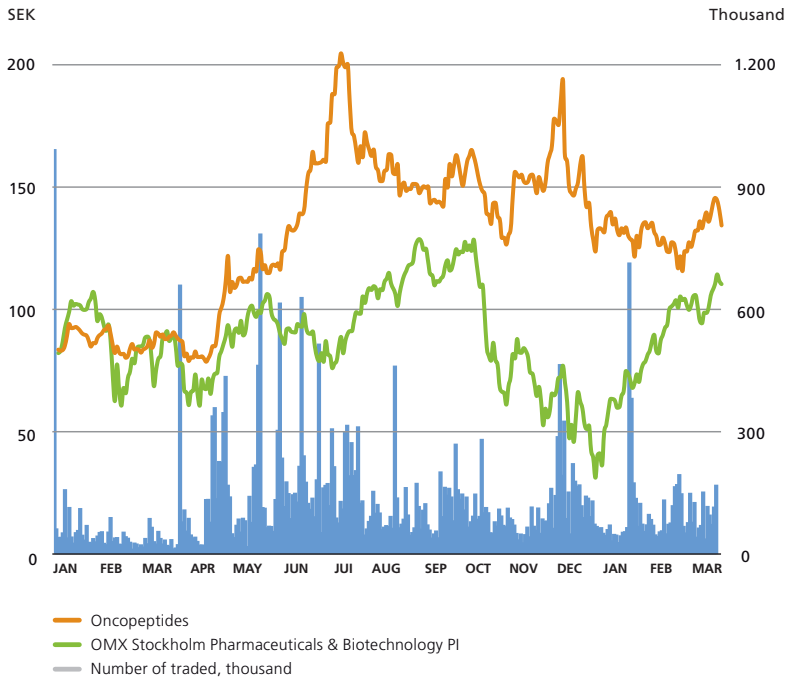
Current analyst coverage

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

- ABG Sundal Collier, Christopher Winston Uhde
- Carnegie, Erik Hultgård
- DNB Bank ASA, Patrik Ling
- Jefferies, Peter Welford

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.

Share-price trend and turnover for January 2018 – March 2019



Oncopeptides has raised a half-billion SEK from share issues
Swedish business journal: Affärsvärlden

Oncopeptides' CEO is optimistic about competitor's FDA response
Swedish Stock market journal: Börsvärlden

Share-price trend

At year-end 2018, the share price was 131 SEK. The highest price paid during the year was 207 SEK on July 10, and the lowest price paid was 74.80 SEK on April 9. The share price rose a total of 64.25 percent in 2018. At year-end, the company's market capitalization was 5,793 MSEK, based on a closing price of 131 SEK.

Share data

At December 31, 2018, Oncopeptides had 44,091,921 registered ordinary shares, corresponding to 44,091,921 votes.

Ownership structure

Oncopeptides had 5,774 shareholders at year-end 2018. Of these shareholders, 384 were financial institutions whose shares represented 92.1 percent of the capital, while the remaining 7.9 percent was held by private individuals.

Share capital and ownership structure

At year-end, the share capital totaled 4,899,102.41 SEK, distributed between 44,091,921 shares with a quotient value of 0.11 SEK. In accordance with the Articles of Association, the share capital may comprise a minimum of 2,400,000 SEK and a maximum of 9,600,000 SEK, distributed between a minimum of 22,000,000 shares and a maximum of 88,000,000 shares. Oncopeptides' Articles of Association contain 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 and the size thereof will be determined based on the company's long-term growth, earnings performance and capital requirements, taking into account the current objectives and strategies. 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.

Ten largest shareholders at December 28, 2018

SHAREHOLDER	NO. OF SHARES	% OF CAPITAL	% OF VOTES
HealthCap VI LP	11,322,400	25.7	25.7
Stiftelsen Industrifonden	10,420,805	23.6	23.6
Gladiator	2,485,000	5.6	5.6
Oppenheimer Global Fond	2,000,000	4.5	4.5
Fourth National Swedish Pension Fund	1,660,115	3.8	3.8
JP Morgan Bank Luxembourg	1,497,066	3.4	3.4
AMF Insurance and Funds	1,191,697	2.7	2.7
SEB Foundation	1,100,000	2.5	2.5
Second National Swedish Pension Fund	1,094,790	2.5	2.5
Swedbank Robur Funds	947,605	2.2	2.2
Other	10,372,443	23.5	23.5
Total	**44,091,921**	**100**	**100**

Shareholder categories, December 28, 2018

	% OF VOTES	NO. OF SHAREHOLDERS	NO. OF SHARES
Swedish institutions	50.3%	228	22,192,921
Foreign institutions	42.0%	296	18,508,421
Swedish private individuals	7.5%	5,210	3,287,926
Foreign private individuals	0.2%	40	102,653
Total	**100%**	**5,774**	**44,091,921**

Distribution by size class, December 28, 2018

	NO. OF SHAREHOLDERS	NO. OF SHARES	SHARE OF VOTES, %
1 – 500	4,620	615,749	1.40%
501 – 1,000	493	392,535	0.89%
1,001 – 5,000	485	1,097,838	2.49%
5,001 – 10,000	63	467,033	1.06%
10,001 – 15,000	19	237,346	0.54%
15,001 – 20,000	18	311,639	0.71%
20,001 –	76	40,969,781	92.92%
Total	**5,774**	**44,091,921**	**100%**

Co-workers with specialist expertise

There is a diversity of nationalities and an equal gender distribution within the company. During the year, Oncopeptides grew both in Sweden and the US to a total of 47 co-workers at year-end 2018. During the year, the company was successful in attracting co-workers with specialist expertise to be part of its clinical and regulatory development as well as its commercial organization.

To take a pharmaceutical product to market, different professional disciplines must work together.




Co-workers

With consistently strong results in our clinical trials and our unwavering focus on our goal of launching melflufen, the focus in 2018 was on building up the Oncopeptides organization. At year-end 2018, Oncopeptides had 47 (27) co-workers (of whom 24 were employees and 23 were consultants). Oncopeptides' organization had a well-balanced gender distribution, with 49 percent women.

Recruitment and structure

Recruitment was carried out in all fields of expertise during the year, and the company is continuing to recruit co-workers with extensive experience in pharmaceutical development and trial execution. Much of this recruitment was carried out through the strong networks of our existing co-workers. During the year the applicant profile has changed and the recruitment process have been developed accordingly. The recruitment process is subject to continuous development to find the right co-workers.

By year-end, Oncopeptides' medical relations and commercial teams had doubled in size and comprised 12 co-workers. The R&D department grew by 40 percent and comprised 28 co-workers by year-end.

The company expanded its competencies in both Europe and the US. In 2018, we established an office near San Francisco and relocated to larger premises in Stockholm. In the US, the expansion focused mainly on commercial mapping and on medical field managers whose primary assignment is to provide training to academic institutions and hospitals about melflufen and the ongoing clinical trials. The co-workers onsite today have years of experience in launching oncology products.

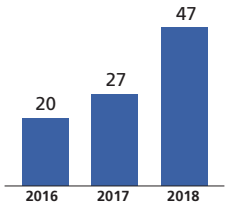
Work environment and workplace climate

Our co-workers are crucial to the achievement of our objectives. Consequently, it is of the greatest importance that we have a positive workplace culture where co-workers are content and can contribute to our journey forward. Oncopeptides does its utmost to create a positive workplace, both physically and psychosocially. The company's work environment group and senior management work steadfastly to provide this.

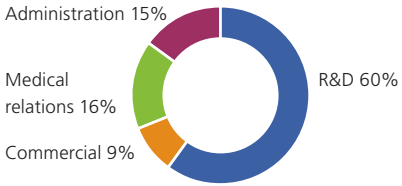
Development

Our well-defined and shared goal of launching melflufen imposes major requirements on the commitment, team spirit and expertise of our co-workers. Major responsibilities are also imposed on Oncopeptides' management in their task to retain co-workers and develop their expertise.

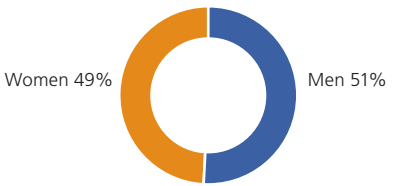
Co-workers



Personnel distribution



Distribution of women/men



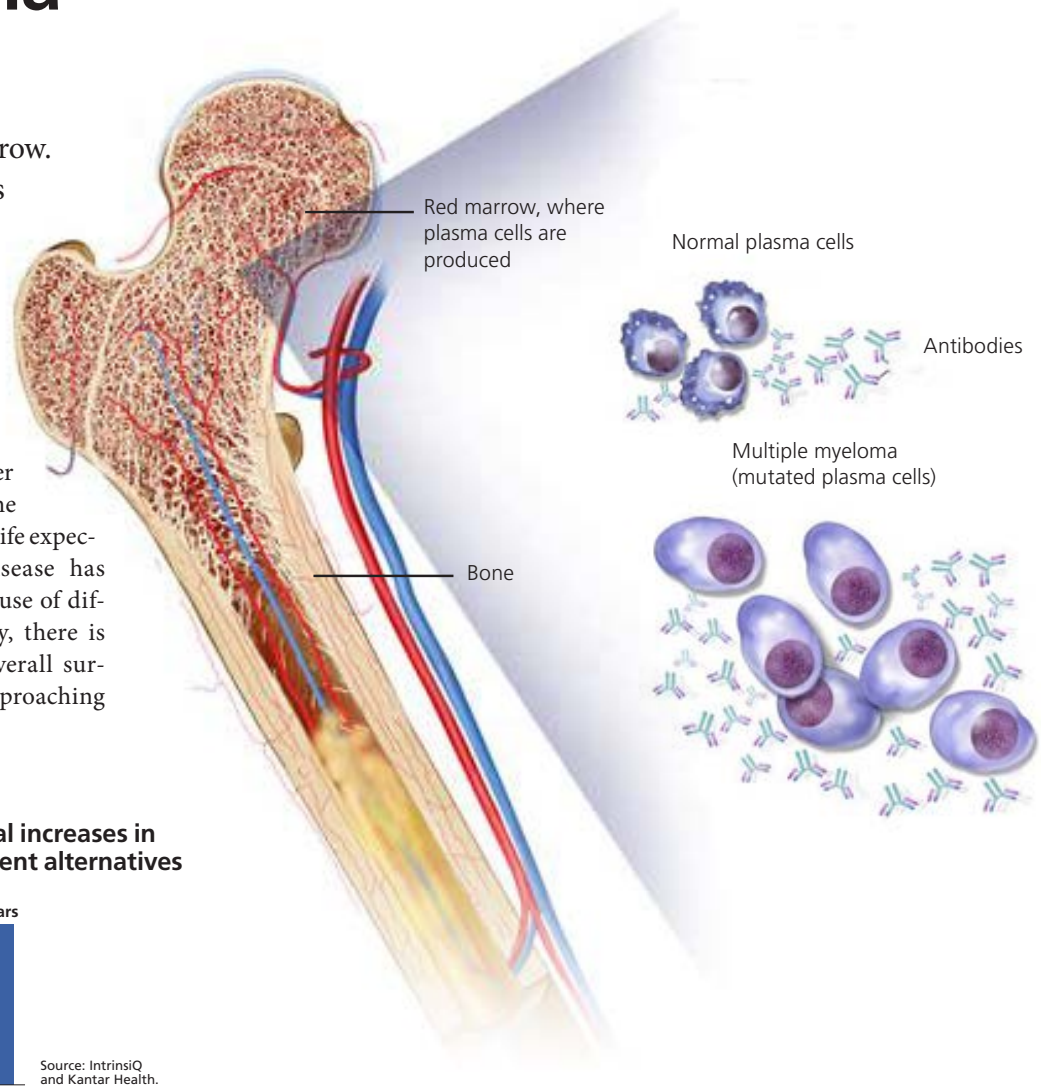
About multiple myeloma – bone marrow cancer

Multiple myeloma is a cancer disease that occurs in bone marrow. Bone marrow produces a type of white blood cells, known as plasma cells. The disease occurs when these cells mutate into tumor cells and begin to divide uncontrollably.

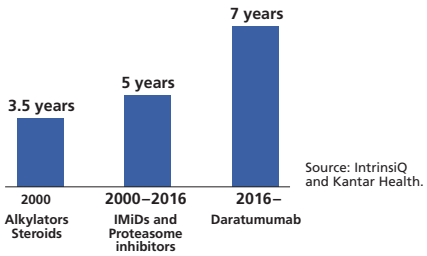
In the bone marrow, red blood cells that supply oxygen are formed, different types of white blood cells are formed as part of the immune system and blood platelets (thrombocytes) are formed to enable the blood to clot. The white blood cells, known as plasma cells, are one of the most important components of the body's immune system. They are tasked with producing antibodies that help us to defend ourselves against infections.

The 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 tumor continues to grow until there is too little bone marrow left to be compatible with life.

Although multiple myeloma is an incurable hematological cancer, with a current median overall survival rate of just over five years from diagnosis, the trend is moving toward longer life expectancy. Treatment of this disease has improved over time, with the use of different classes of drugs. Today, there is optimism that the median overall survival rate after diagnosis is approaching six to seven years.



Median overall survival increases in pace with new treatment alternatives

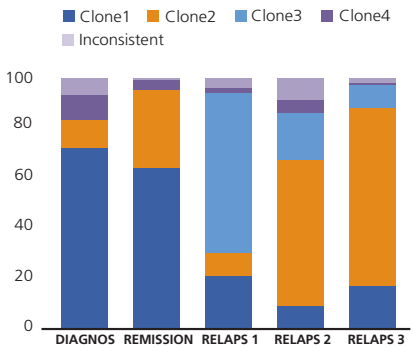


Source: IntrinsiQ and Kantar Health.

Several simultaneous cancers – cancer changes its form over time

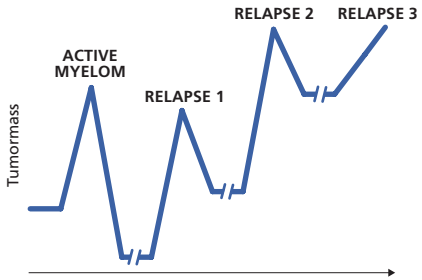
The graph below shows how the cancer changes over time between various therapies in a typical patient. Each color represents a cancer clone. Each cancer clone is a separate type of cancer cell with its own protein expression pattern and its own mutations. Since different clones respond differently to 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 treatment over time, thus requiring that the form of therapy and pharmaceutical be changed.

Cancer clones as a percentage of the entire tumor mass



Disease timeline

When a patient with multiple myeloma is diagnosed, treatment begins immediately (a description can be found on page 19). Although treatment is usually highly effective in the beginning, the cancer inevitably returns. Each time a patient relapses, the therapeutic options are somewhat less effective, due to the clone selection described previously. 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.



The disease timeline is usually divided into various phases depending on where the patient is along the timeline. Refer to the table at the upper right for an overview of the phases and the treatment outcomes achieved in reference to clinical trials.

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.)
* Definitions, see glossary page 30

The progression of the disease varies significantly between different patients. However, the common factor is that the disease always returns. The table also shows how dire the prognosis becomes for a patient that reaches the phase of late-stage RRMM.

This occurs when a patient suffers from extensive tumor growth while on therapy, or within 60 days after a completed therapy. For some patients, this event 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 therapy options. This is the patient group that was treated with melflufen in our phase 2 study O-12-M1, and is the same patient population that we are studying through our pivotal trial OCEAN.

When the disease reaches its later stages, patients suffer from symptoms that include fractures due to bone depletion, a weakened immune system due to a limited amount of remaining bone marrow and the side effects from currently available therapies. At this stage of the disease, patient care is focused on prolonging life with the best possible quality of life. The development program for melflufen aims, as a first step, to improve care for this patient group. Melflufen has also shown encouraging results in trial combination therapies with other drugs, which were conducted through ANCHOR. This data will lay the foundation for an additional combination trial, called LIGHTHOUSE, and thereby may expand melflufen's scope of use.

Treating multiple myeloma in its different stages

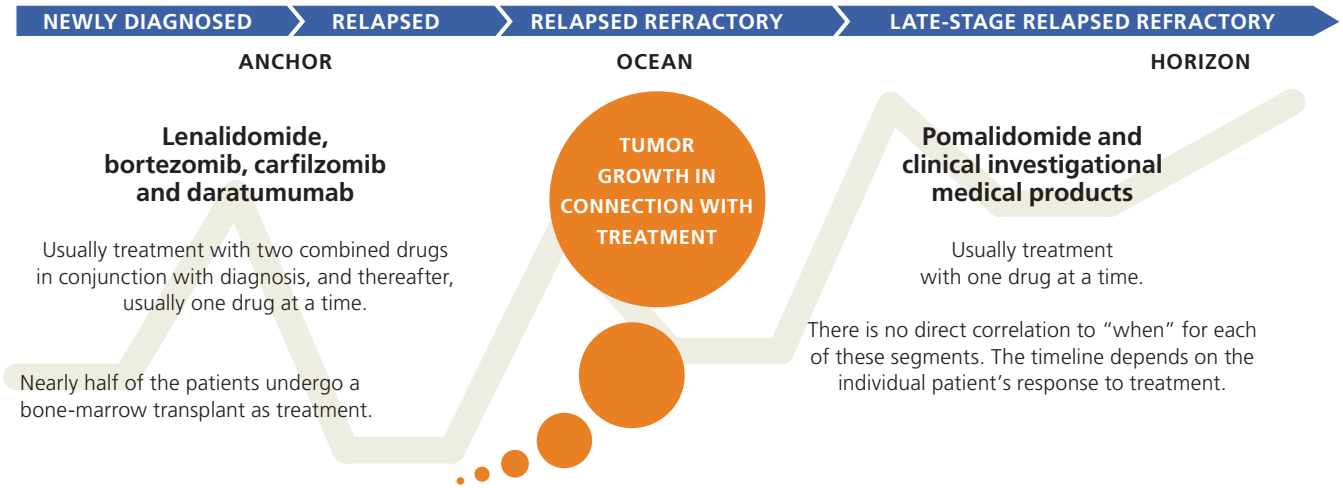
Various stages

The timeline of multiple myeloma is divided into different stages or segments, depending on where a patient is along the disease progression timeline (for further details, refer to the section "About multiple myeloma"). 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.

Today, there are primarily four segments used to describe the timeline for myeloma, with the first being "Newly diagnosed", the second "Relapsed" (RMM), the third "Relapsed refractory" (RRMM), and the fourth "Late-stage, relapsed refractory" (late-stage RRMM). The illustration on the right presents an overview of these stages. Triple-refractory patients are patients in late-stage RRMM. These are patients who have stopped responding to at least 3 types of therapies, resulting in a very poor prognosis.

Steroids

Steroids are frequently used for the treatment of cancer to counteract the side effects that arise from treatments such as chemo therapy. Steroids also impede tumor growth for tumors with immunological origins, such as in multiple myeloma. Typically, steroids are only administered in combination with drugs from the other pharmaceutical groups shown on the right.



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 (such as melflufen) 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 novel peptide conjugated alkylator belonging to a novel class of peptidase-tenhanced cytotoxics (PEnC), targets multiple myeloma (MM) cells with a unique mechanism of action.

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.

Treatment process

Multiple myeloma is treated both with singular drugs as in the case of monotherapy, or with a combination of several drugs. Newly diagnosed multiple myeloma patients are usually treated with a steroid combined with two drugs from the pharmaceutical groups mentioned in the table to the right. In roughly half of these patients, an alkylator drug may be used at high dosage in conjuction 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.

Treatment options

The type of treatment chosen depends on several different factors, the most important of which are age, general health and previous treatments. Treatment is provided with the aim of eradicating as many myeloma cells as possible. Patients with good general health may also be offered stem-cell transplantation as a therapy component. Treatment may be re-initiated when the myeloma comes back or becomes symptomatic. The duration between treatments varies considerably between patients – from several months to years in certain cases, but the disease inevitably returns. Sooner or later, all patients develop a resistance to previous treatments due to the mutation of myeloma cells and the survival of resistant cancer clones.

Broad-spectrum agents – the backbone of myeloma therapy

Due to the fact that the disease consists of several clones, or in other words is heterogeneous, the use of broad-spectrum agents (alkylators, IMiDs and PIs) is the backbone of myeloma therapy.

New, 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 of the patient's myeloma cells are appropriately treated. Nevertheless, this pharmaceutical class is quickly growing in value due to its use in ever-earlier lines of therapy. Immuno-oncological compounds have so far had limited success in the treatment of multiple myeloma. However, broad-spectrum agents remain dominant in terms of both volume and value and continue to show robust growth.

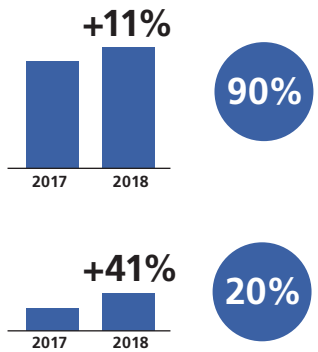
Regulatory definition of late-stage

At this stage of the disease, patients are usually treated with a steroid combined with the IMiD pomalidomide. Oncopeptides' development of melflufen is initially aimed at improving the treatment of RRMM patients at this stage of the disease, which is the reason for the pivotal OCEAN phase 3 trial's comparison of melflufen with pomalidomide – today's market leader for this patient segment.

The regulatory definition for entering late-stage RRMM is when the patient has received two or more lines of therapy, has been exposed to both IMiDs and PIs and has suffered disease progression while receiving treatment on, or within 60 days of a completed treatment. These strict regulatory definitions are the basis for patients to be included in Oncopeptides' phase 3 trial OCEAN.

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	+11%	90%
IMiDs	Lenalidomide, pomalidomide and thalidomide		
Proteasome inhibitors	Bortezomib, carfilzomib and ixazomib		
Steroids	Dexamethasone and prednisone		
Targeted agents			
Anti-CD38	Daratumumab	+41%	20%
Anti-SLAMF7	Elotuzumab		

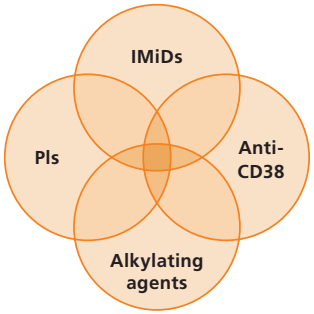


*Excluding steroids
Source: Annual reports from Global Data, internal analysis and IntrinsiQ.

> *"The prognosis for myeloma patients who are primarily treated with IMiDs and PIs through several lines of therapy and suffer from disease progression in conjunction with treatment deteriorates rapidly, and their medical needs increase considerably."*

The market

On the surface, the market for drugs used in the treatment of multiple myeloma could seem complicated. In reality, drugs from four different pharmaceutical classes are used almost exclusively: Alkylators, IMiDs, Pls and Anti-CD38-based therapies.



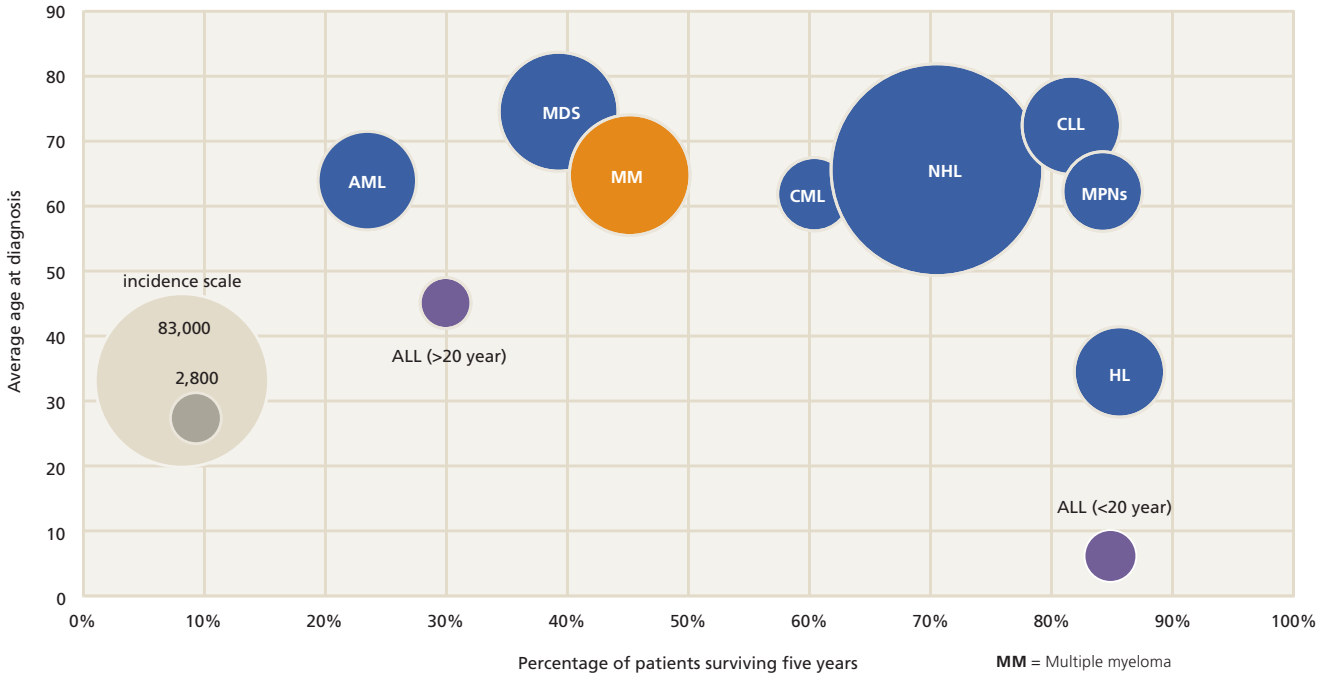
The myeloma patient

To describe the multiple myeloma drug market, it is important to proceed from the perspective of the patient and the disease's progression as it impacts the patient. Who, then, is a myeloma patient?

A myeloma patient could be a younger individual, but on average, is around 70 years of age. Despite all the recent progress made, the patient has been told they have a disease with a poor treatment prognosis. Of the different blood-cancer diseases, myeloma remains among those with the worst prognosis. Only MDS, ALL in adults and AML have less than a five-years survival rate.

Over the past 15 years, several new pharmaceuticals have been launched, thereby improving the treatment results nearly twofold, raising the average survival rate from three to about five years. Unfortunately, there is still no cure for this disease.

Five-year survival rates compared with average age upon diagnosis



MM = Multiple myeloma
MDS = Myelodysplastic syndrome
ALL = Acute lymphocytic leukemia
AML = Acute myeloid leukemia

Source: Leukemia and Lymphoma Society.

Treating multiple myeloma

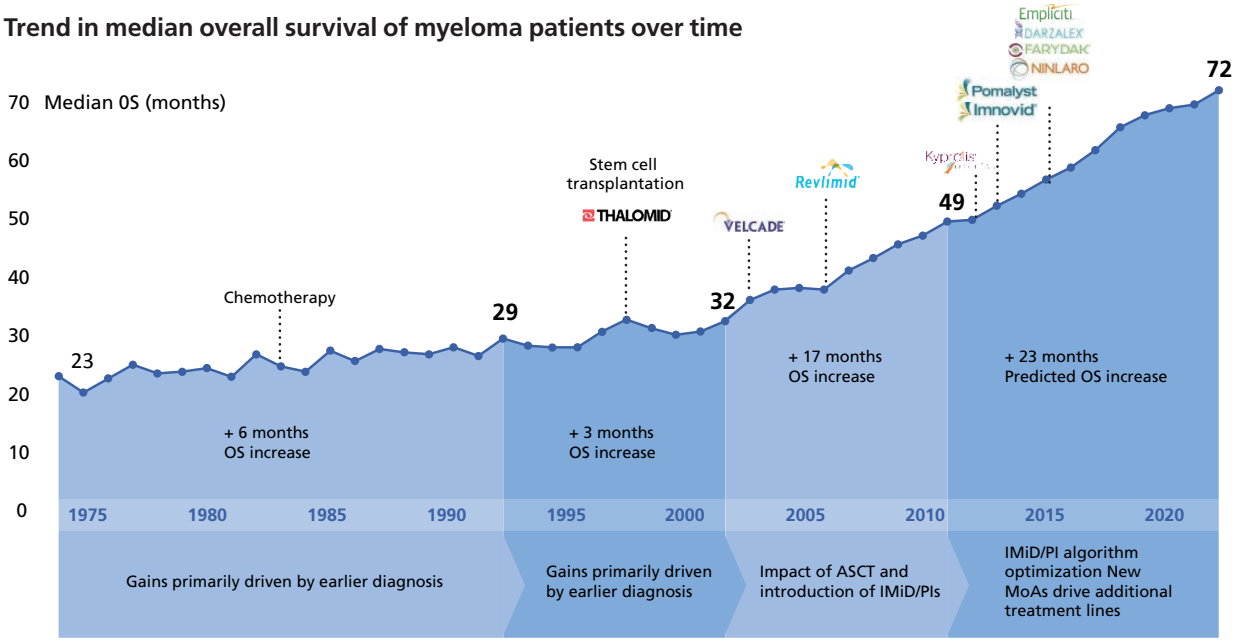
The treatment of multiple myeloma has improved considerably in the last 15 to 20 years. Although the trend of longer average survival rates is expected to continue, there remains no cure for the disease. The new drugs launched in the past ten years have increased the arsenal of therapies available to doctors and thereby increased the opportunities to provide additional treatments. Multiple myeloma is mainly treated with drugs from four different pharmaceutical classes, as shown in the figure on page 16. The basis of all treatments is steroids. A combination of an IMiD and a PI is frequently used in the starting stage for newly diagnosed patients (read more about the various pharmaceutical classes and their mechanisms in the explanation on page 14).

The current market is fragmented

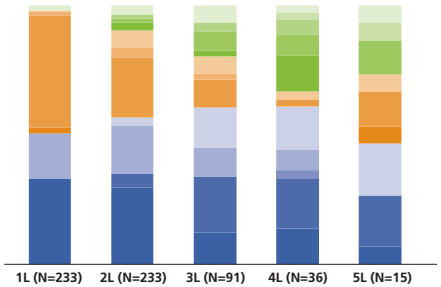
A patient with a good general state of health, who is treated in accordance with the guidelines for myeloma treatment, will typically be exposed to three out of four classes of pharmaceuticals in the first line of therapy, which upon completion, will make the patient resistant to treatment to at least one of these pharmaceutical classes.

At present, the various classes may consist of several different approved drugs, with the exception of Anti-CD38-based therapy, which comprises only one drug (while several more are undergoing clinical development). Within each class, the existing drugs share the same mode of action and resistance mechanism, which means that the value for patients lies squarely in the pharmaceutical class and

Trend in median overall survival of myeloma patients over time



Treatment algorithms break down after second line of therapy



US example from treatment center.
Each color represents a different drug.

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 limit the use of several drugs for myeloma treatment. The most frequent problems are renal failure, cardiovascular disease and peripheral neuropathy.

Bearing in mind the rapid development of resistance in myeloma and its associated diseases, this means that the majority of myeloma patients will lack treatment alternatives upon completing their second line of therapy, see figure previous page. 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.

PROPERTY REQUIREMENTS	MELFLUFEN
Activity as a single agent combined with a steroid in multi-refractory patients with a tumor overall response rate (ORR) of more than 20 percent	The ORR in multi-resistant patients was 31% in the O-12-M1 trial and 33% in the HORIZON trial
Approval as monotherapy (single agent) combined with a steroid in refractory patients	The OCEAN trial is designed to obtain approval as a monotherapy combined with a steroid
Efficacy synergy in combination with other main myeloma drugs with good tolerability	The initial results with combination therapies from the ANCHOR trial were presented at the ASH Meeting in December 2018
No serious side effects impacting the patient's quality of life	Good tolerability based on low percentage of non-hematological side effects
No limitations with respect to associated diseases	No limitations
CONVENIENT	
Simple to administer	Treatment once a month through a 30-minute infusion

Properties

A drug's properties are critical to its applications and thereby its market potential.

Myeloma patients thus have a major medical requirement for new drugs that belong to new classes and therefore do not share the resistance mechanisms of existing drugs, and which do not have any significant limitations with respect to myeloma-associated diseases.

At present, there are several competing drug candidates under development. During the year, some of these have shown serious side effects that affect the patient's quality of life and associated diseases. This will probably lead to fewer projects in the development or limited use of the development projects, which may strengthen the position of melflufen.

Through the trial results presented to date, melflufen has been shown to address these properties in an exemplary manner, which is explained in the figure on previous page. Provided that the current scenario is confirmed through ongoing and future trials, melflufen will be used in earlier lines of therapy.

Currently approved drugs for myeloma address these properties with various success, which naturally affects their use and market share.

Melflufen has an attractive safety and clinical activity profile. Provided that this is validated in ongoing and future trials, the prospects of achieving an attractive market position will be positive. This is true for both monotherapies (OCEAN) and combination therapies (ANCHOR and LIGHTHOUSE).

The market is growing sharply

As treatment results for a disease with a poor prognosis improve – even marginally – the market for later lines of therapy grows significantly. The driving factor for this growth is the fact that patients live longer, which means that more patients will receive additional treatments, compared with before.

The number of late-stage multiple myeloma patients is growing rapidly

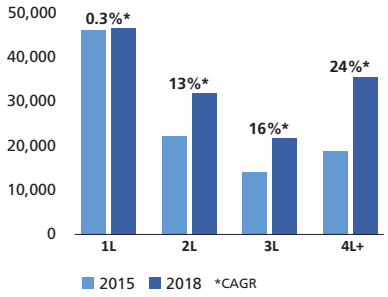
Roughly 170,000 patients are living with multiple myeloma in the EU and the US, while 57,000 patients are newly diagnosed and 26,000 patients die from the disease annually.* The number of patients diagnosed with multiple myeloma is growing approximately with 1 percent per year, mainly caused by an aging population. However, the number of patients with multiple myeloma who have undergone several previous lines of therapy is increasing exponentially, which is boosting the need for drugs with new modes of action, such as melflufen.

Oncopeptides' pivotal trial, OCEAN, is focused on addressing the needs of these patients, whose numbers are increasing sharply due to recent improvements in earlier lines of therapy. Despite these therapeutic improvements, multiple myeloma remains incurable. This means that more patients than ever are living with the disease for longer periods of time and becoming multi-refractory patients with a significant need for additional treatment options. For the average growth rate in the US over the past three years, refer to diagram to the lower left.

The market in USD

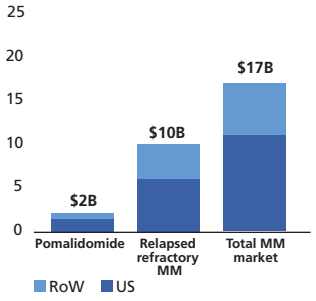
The global market for myeloma drugs amounted to 17 billion USD in 2018. The market for the treatment of myeloma patients after the first line of therapy totaled 10 billion USD. Due to the growth in the number of patients in later lines of therapy as well as drug launches, the myeloma market is expected to reach 22 billion USD in 2023.

Distribution of multiple myeloma patients by lines of therapy in the US

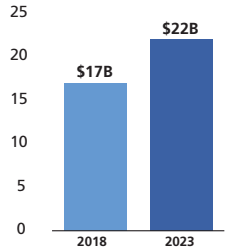


Source: Intrinsiq december 2018, MAT
Note: 3-year annual growth rate for 2015 - 2018

Size of the multiple myeloma market



Global growth, 2018 to 2023



* Source: National Cancer Institute (seer.cancer.gov), Global Data 2015 (www.globaldata.com) and American Cancer Society (www.cancer.org), IntrinsiQ 2017.

Summary – clinical strategy

Assuming a positive regulatory assessment, the clinical development program will provide a broad set of data and information about melflufen's efficacy in various patient groups.

Oncopeptides' clinical development program

We are currently conducting four clinical trials to characterize melflufen in multi-refractory multiple myeloma patients: OCEAN (OP-103), HORIZON (OP-106), ANCHOR (OP-104) and BRIDGE (OP-107).

The program will provide a clear picture of how melflufen can be used for patients suffering from various stages of RRMM. This has lowered the development risk and given rise to several potential paths for obtaining approval for melflufen.

Melflufen has previously undergone both preclinical trials and clinical phase 1 and 2 trials with positive 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 through the trials OCEAN, HORIZON, ANCHOR and BRIDGE, and the planned complementary combination trial LIGHTHOUSE.

Our phase 3 trial, OCEAN, and phase 2 trial, HORIZON, are key studies for the submission of an NDA/MAA to potentially obtain marketing authorization for melflufen in the US and the EU for the treatment of RRMM. In addition to proving melflufen's efficacy in relation to the existing standard treatment for RRMM (meaning pomalidomide), as evaluated by OCEAN, the development program also aims to demonstrate, through HORIZON, the activity of melflufen in patients suffering from multi-refractory multiple myeloma with few or no remaining treatment options. Our phase 1/2 trial, ANCHOR, is aimed at demonstrating how melflufen can be administered in combination with other multiple-myeloma drugs. It is important to generate knowledge and understanding among physicians about how melflufen can be used together with dexamethasone and either bortezomib or daratumumab in relapsed MM patients. BRIDGE is a phase 2 pharmacokinetic trial to study melflufen's safety in patients with reduced renal function. BRIDGE was launched in the autumn.

We are also planning to launch a pivotal phase 3 trial called LIGHTHOUSE. This combination trial will be launched in the latter half of 2019, see description on page 26.

The regulatory path ahead

Our phase 3 trial, OCEAN, and phase 2 trial, HORIZON, are key studies for the submission of an NDA/MAA to potentially obtain marketing authorization for melflufen in the US and the EU for the treatment of RRMM.

Oncopeptides has collaborated with leading experts and held discussions with governing medical agencies and professional bodies in the US and Europe to create the development program for melflufen in RRMM. Upon receiving approval of the phase 3 OCEAN study design through the FDA Special Protcol Assessment in August 2016, detailed preparations commenced for the development program of melflufen. The program aims to fully characterize melflufen in the treatment of RRMM and thereby maximize the product candidate's market potential.

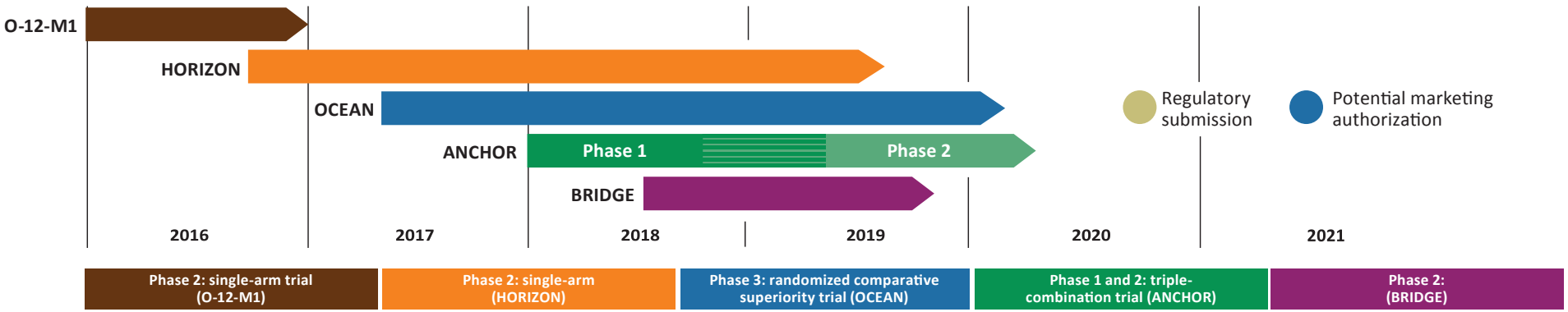
The OCEAN pivotal phase 3 trial is expected to lay the foundation for an application for melflufen's marketing authorization in 2020. In addition to preclinical data, the registration package will comprise the results of the ongoing clinical trials and the completed O-12-M1 phase 2 trial, which served as the basis for the design of the ongoing OCEAN pivotal trial.

In the OCEAN clinical phase 3 trial, the efficacy of Oncopeptides' product candidate, melflufen, is compared with pomalidomide. Both are administered in combination with the steroid dexamethasone. Pomalidomide is currently the market-leading medication for the treatment of late-stage RRMM, with sales of 2.0 billion USD in 2018. The objective of the OCEAN trial is to prove that melflufen has a superior efficacy and safety profile compared with pomalidomide.

The results of the coming pivotal trial LIGHTHOUSE will supplement and broaden melflufen's registration documentation.

Summary

The future data package for melflufen will be comprised of both monotherapy and combination therapy data in patients with RRMM, and will serve as the basis for subsequent marketing authorizations globally. These data will also address the needs of RRMM patients with few or no remaining treatment options.



O-12-M1

SUPPORTING

- Completed phase 2 clinical trial with 45 patients
- Included RRMM patients who had received a median of 4 prior lines of therapy, and became refractory to lenalidomide (immunomodulatory pharmaceutical – IMiD) and bortezomid (proteasome inhibitor – PI)
- Completed enrollment late 2016 and presented final results in 2017

HORIZON

SUPPORTING

- Ongoing phase 2 trial with up to 150 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 2019/2020

OCEAN

PIVOTAL TRIAL

- Ongoing phase 3 trial 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 last patient in expected in Q1 2020

ANCHOR

EXPLORATIVE

- Ongoing phase 1/2 trial 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, data reporting in 2018/2019, with the results from phase 1 and phase 2 expected in 2019 and 2020, respectively

BRIDGE

SUPPORTING

- Ongoing phase 2 trial 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, with the initial results expected in Q4 2019

Our clinical trials

As we have obtained clinical efficacy and safety data from various patient groups undergoing treatment with melflufen, our target has been amended and our ambition level has been raised. The data from our O-12-M1, HORIZON and ANCHOR trials is inspiring and has strengthened our faith in melflufen and its future role.

We started two trials in 2018: the combination trial ANCHOR and a minor positioning trial, BRIDGE. The latter is in patients with reduced renal function. During the year, we decided to increase the number of patients in our HORIZON trial based on positive interim results, and the need to explore Quality of Life. We are in dialogue with the FDA to understand if the expanded trial may provide support for accelerated approval for the use of melflufen in patient groups suffering from this serious disease. The work on our pivotal phase 3 trial OCEAN has focused on the pace of recruitment. We are also noticing that the market dynamic and impact of new treatment guidelines could work in our favor, if the results of the trial are positive.

In late 2018, we announced our ambition to broaden our clinical program. It is vital that we think in regulatory terms, but we must also factor in the market aspects of what we do.

The BRIDGE trial that was launched during the year is an important positioning trial, since most other myeloma drugs have a certain negative impact from poor renal function. We do not believe that melflufen will impact, or be impacted by, renal function, which this trial is designed to confirm, thereby further strengthening melflufen's profile.

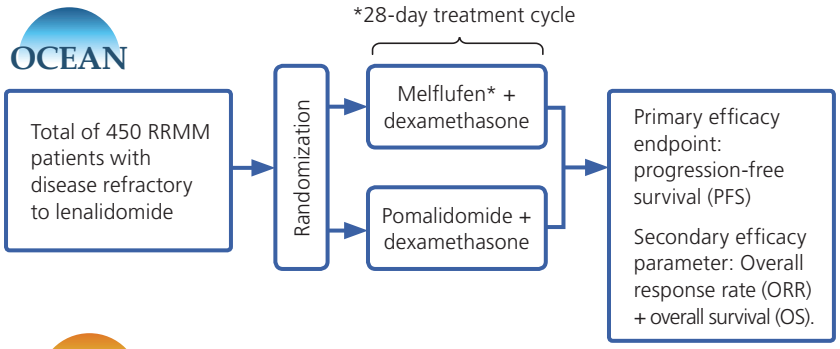
It is of enormous importance to demonstrate how melflufen can be used together with other drugs and pharmaceutical classes. This is being achieved through the ANCHOR trial, with early, yet highly promising results presented in December 2018. Given this knowledge, an investment in additional combination trials would have considerable leverage in regulatory and commercial terms.

We will be conducting an additional combination trial, called LIGHTHOUSE. This will be a pivotal phase 3 trial and is described on page 26.

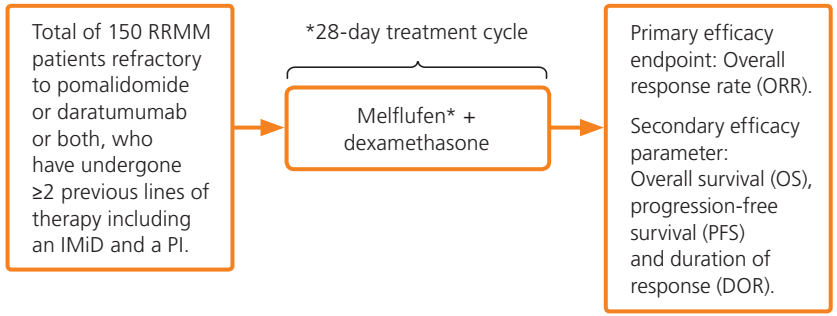
"We continue to broaden our clinical presence through new studies with melflufen. We will start two new studies in 2019 and by that have six ongoing programs.

Eva Nordström, MSc Pharm, Vice President, Head of Clinical Development

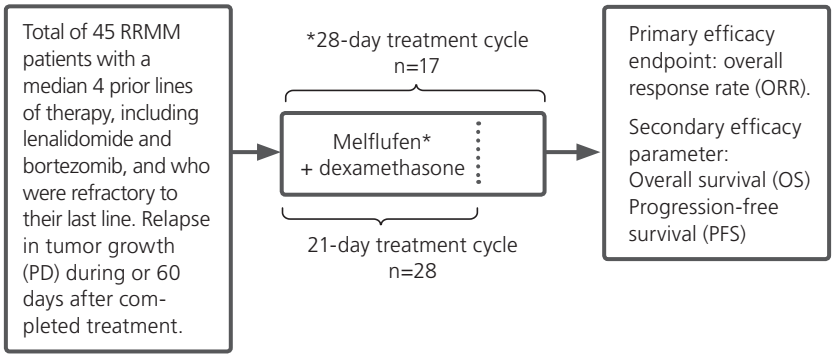
OCEAN



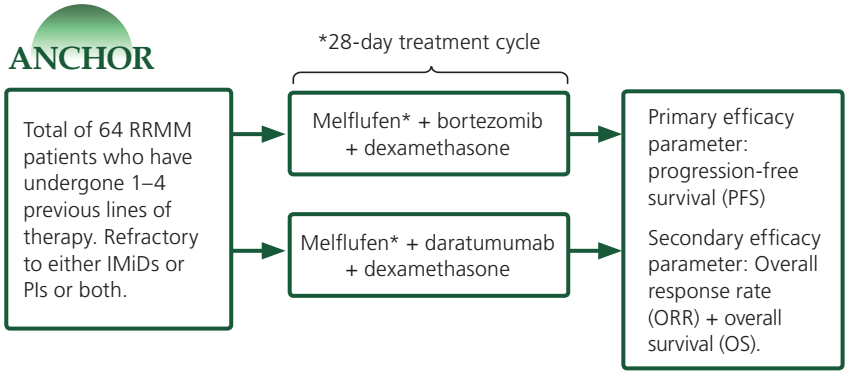
HORIZON



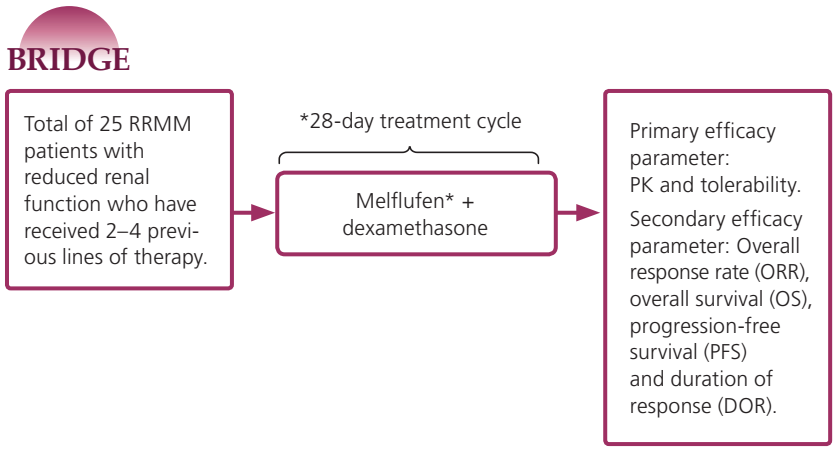
O-12-M1



ANCHOR



BRIDGE



Positive data presented for HORIZON

HORIZON is a phase 2 trial aimed at demonstrating melflufen's treatment results in multiple myeloma patients with few or no remaining established treatment options. It is a single-armed trial where all patients receive identical treatment. These patients suffer from rapid tumor growth in conjunction with treatment. They have stopped responding to an IMiD called lenalidomide and a PI. They have subsequently become refractory to pomalidomide (IMiD) and/or daratumumab (antibody drug), and these patients are thus defined as triple-refractory patients.

In 2018, we presented interim data from the ongoing trial at the EHA Congress in June and the ASH Meeting in December. The number of patients treated in the trial was increased to include data from 83 patients by December. Professor Paul G. Richardson, one of HORIZON's principal investigators, presented this data at ASH. The data demonstrated a overall response rate (ORR) of 33 percent. The first assessment of progression-free survival (PFS) showed a median of four months for all patients in the ongoing trial, with a median of 6.4 months for the patients who responded to treatment. This is highly encouraging and competitive for treating patients suffering from this serious disease.

The trial results provided a basis to increase the number of patients in the trial, which is now expected to total 150 patients instead of the previous target of 80. Based on these results, we have initiated a discussion with the FDA to better understand their view on the data and the scope of the trial. Our ambition is to determine whether we could apply for accelerated approval on the basis of the data.

TRIAL FACTS

Expected number of patients: 150

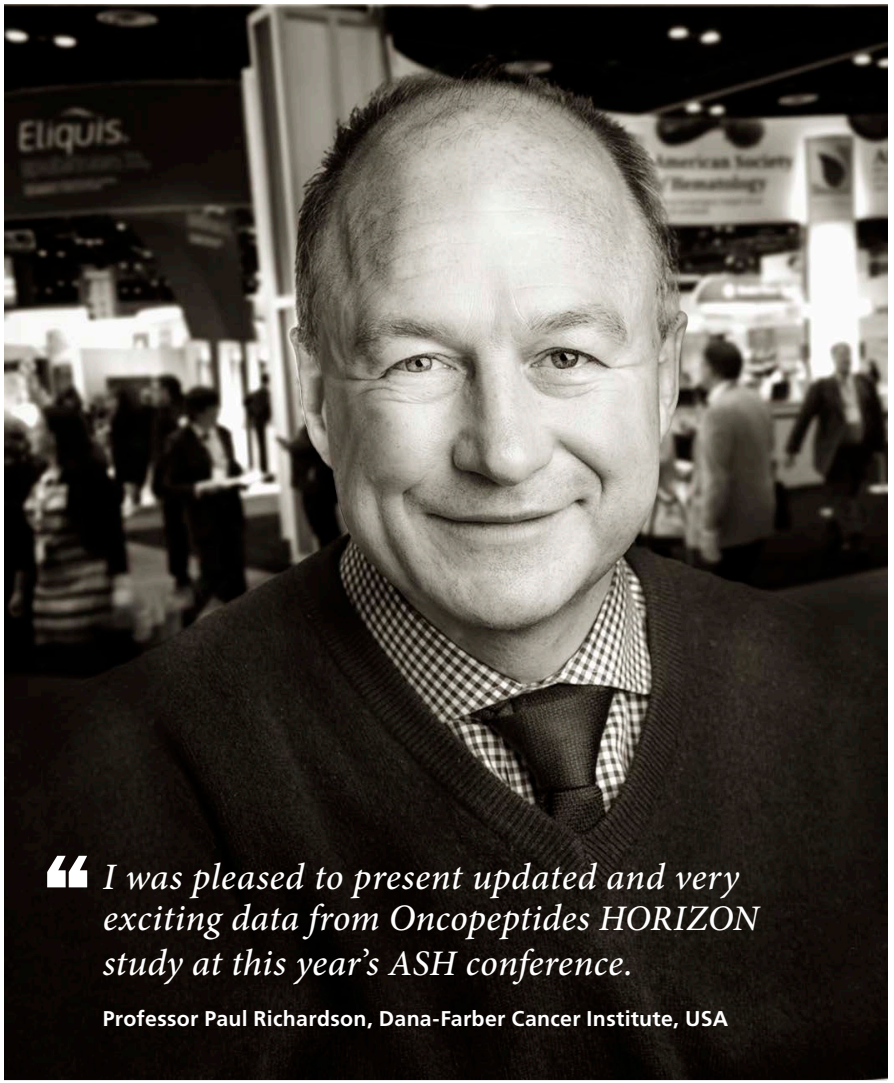
Start of trial: January 2017

Geography: Approximately 15 hospitals in Europe and the US

Trial design: Open, single-armed trial in multiple myeloma patients with few or no remaining treatment options

Objective: Identify clinical benefits of melflufen in multiple myeloma patients with limited treatment options

Efficacy endpoint: The primary efficacy endpoint of this trial is ORR and the secondary endpoint is PFS and median OS.



"I was pleased to present updated and very exciting data from Oncopeptides HORIZON study at this year's ASH conference.

Professor Paul Richardson, Dana-Farber Cancer Institute, USA

Positive data presented for ANCHOR

Initial data presented in December

ANCHOR is a phase 1/2 trial aimed at demonstrating how melflufen and dexamethasone should be administered in combination with daratumumab or bortezomib, which are often used in earlier lines of therapy, to thereby enable various triple-combination therapies. The trial will lay the foundation for further pivotal trials that will broaden the regulatory-approved scope of use for melflufen in relapsed myeloma patients.

Data from this ongoing trial was presented for the first time at the conference of the ASH Meeting in December 2018. The objective of the trial will guide us to future combination treatment. This highly encouraging data has inspired us to extend the combination trials by preparing and planning for a new pivotal trial, in which melflufen will be combined with daratumumab. The trial, called LIGHTHOUSE, will be a part of our planned registration application.

TRIAL FACTS

Expected number of patients: 32 per combination

Start of trial: April 2018

Geography: Europe and the US

Trial design: Open, parallel-armed trial where melflufen + dexamethasone (steroid) is tested together with bortezomib or daratumumab

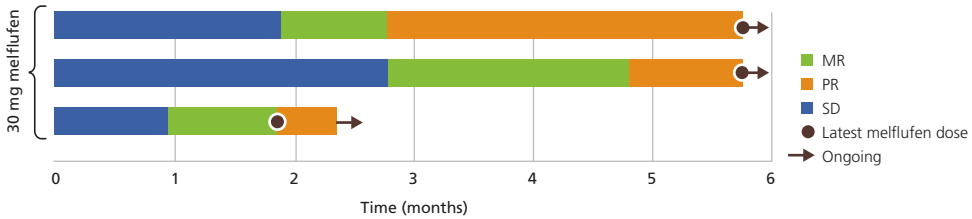
Objective: Enable melflufen's indications for relapsed patients (meaning second-line patients) to be broadened to combination treatment.

American Society of Hematology (ASH) Meeting in San Diego

Tumor overall response rate in combination with bortezomib

	ORR	CR	VGPR	PR	MR	SD	PD
Total (N=3)	100%	0	0	3*	0	0	0

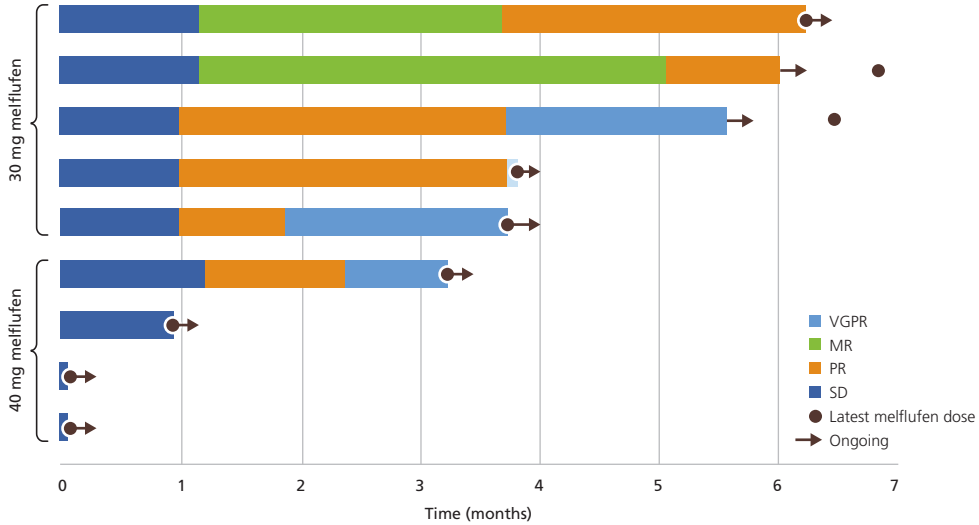
* 1 unconfirmed PR



Tumor overall response rate in combination with daratumumab

	ORR	CR	VGPR	PR	MR	SD	PD	N/A**
Total (N=9)	86%	0	4*	2	0	1	0	2

*1 VGPR **2 patients were still in the first dosage cycle and thus could not be assessed for efficacy.
For definitions, refer to glossary.

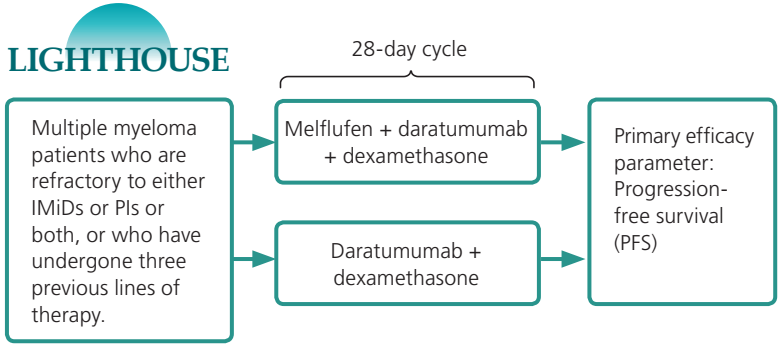


LIGHTHOUSE – a pivotal phase 3 trial

Data from the ongoing combination trial ANCHOR has shown Oncopeptides the importance of launching LIGHTHOUSE. LIGHTHOUSE will be a randomized, controlled pivotal phase 3 trial of melflufen combined with daratumumab and dexamethasone, compared with only daratumumab and dexamethasone among patients with RMM or RRMM.

To be included in the trials, patients must be refractory to an IMiD and a PI, exclusively or in combination, or have undergone three previous lines of therapy. The patients will be randomized in a 2:1 relationship. Treatment arm 1 will comprise melflufen combined with daratumumab and dexamethasone. Treatment arm 2 will only comprise daratumumab and dexamethasone.

The primary efficacy parameter of the trial is to compare PFS among the two treatment arms. The trial is expected to be launched in autumn 2019.



Pilot trials of melflufen for the treatment of AL amyloidosis

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 buildup 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 US 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.

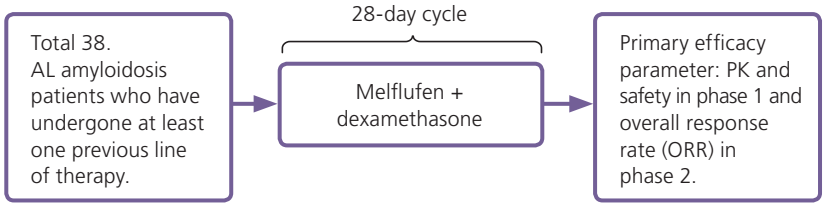
A phase 1/2 trial with up to 38 patients

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. A total of 38 patients are included, 18 of whom of whom will have participate 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.

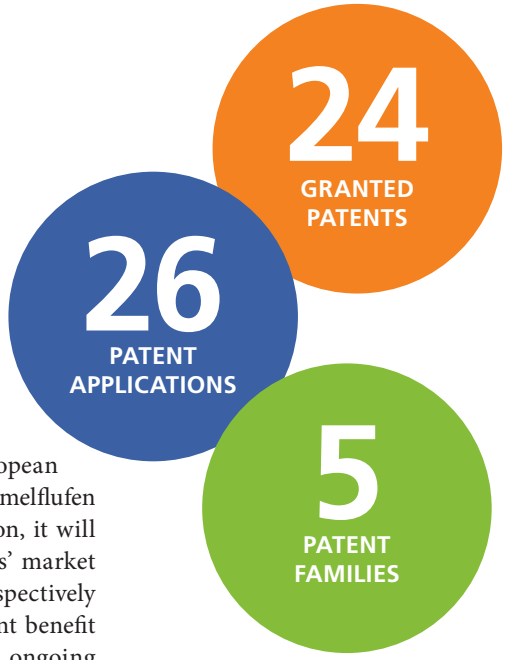
The primary efficacy parameters in the phase 2 trial pertain to measuring the hematological ORR for tumors based on the percentage of patients who achieve a partial or improved response after four treatment cycles. The patients continue treatment until the completion of cycle 8, unless they achieve a 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.

This trial is planned for launch in the latter half of 2019 with data debriefings scheduled for 2020.



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 US, Europe, Canada and Japan. The company has secured five patent families, consisting of more than 24 granted patents and 26 pending patent applications.

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

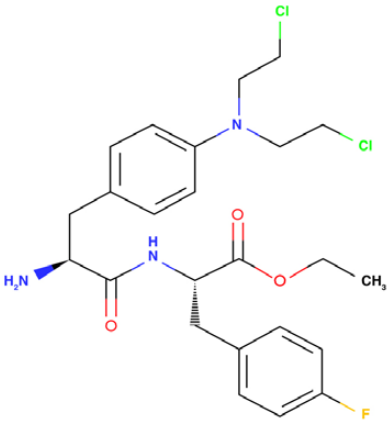
The patents will expire as shown in the table below and in addition the possibility exists for extending a patent family by up to five years, at least in the US, EU and Japan, if the product candidate achieves marketing authorization prior to the expiration of the patent family. As previously mentioned, 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 ten years' market exclusivity in the US and EU respectively (upon demonstrating significant benefit based on the outcome of the ongoing pivotal trials).

The company's patent rights

PATENT (TITLE)	TYPE	PATENT'S ESTIMATED EXPIRATION	REGION	STATUS
Melphalan derivative and its usage as a cancer-chemotherapeutic drug	Composition of matter	2000 (USA 2022[1] & RoW 2021[1])	USA, EU, CA and JP	Granted
Lyophilized preparation of cytotoxic dipeptides	Formulation	2011 (2032)	USA*, EU*, CA, JP*, AU*, BR, CN, IN, MX, KR, RU*, ZA, IL and NZ*	Pending/ Granted*
Lyophilized preparation of melphalanflufenamide	Formulation	2012 (2033)	USA*, EU, CA, JP, AU*, BR, CN, IN, MX, KR, ZA, IL and NZ	Pending/ Granted*
Process for preparation of nitrogenous alkylating entities	API process	2015 (2036)	PCT	Pending
Melflufen dosage regimens for cancer	Dosage regimen	2015 (2036)	PCT	Pending
New invention	Confidential	2017 (2038)	Priority application in the UK	Pending

1. Without extensions of the patent time

Melflufen – a targeted alkylator



Melflufen is a novel peptide conjugated alkylator belonging to a novel class of peptidase-enhanced cytotoxics (PEnC), targets multiple myeloma (MM) cells with a unique mechanism of action. Its first indication is the treatment of multiple myeloma. Melflufen differentiates itself from other broad-spectrum agents by its ability to achieve higher concentrations of cancer-fighting molecules in cancer cells, without a corresponding adverse impact on the patient's bone marrow.

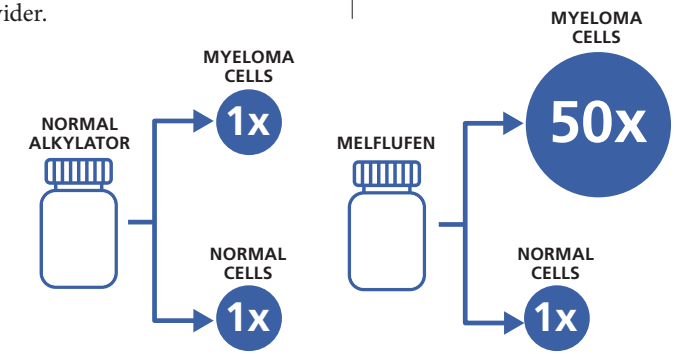
Melflufen is a novel peptide conjugated alkylator belonging to a novel class of peptidase-enhanced cytotoxics (PEnC). Compared with other alkylating agents, melflufen has a specific attraction to cancer cells and is thus expected to be more effective. Preclinical trials indicate that melflufen kills cancer cells 50 times more effectively than similar drugs of the same class.

Melflufen is formulated as a freeze-dried powder that is dissolved in an infusion solution for intravenous administration. Inflow dosage takes 30 minutes and treatment is administered once a month. The requirement to treat patients only once a month is a considerable convenience for patients, while being cost-efficient for the care provider.

Preclinical development and MoA

Preclinical research indicated that melflufen resulted in significantly reduced rates of tumor growth compared with the usual alkylators administered in cancer therapies. The overrepresentation of certain enzymes in cancer cells, including a family of enzymes known as peptidases, was identified early on as the reason for melflufen's ability to rapidly increase the amount of cancer-fighting molecules inside cancer cells.

Aminopeptidases are enzymes that exist in all cells, but are overexpressed in several forms of cancer, including multiple myeloma. Melflufen has a selective effect on myeloma cells through an aminopeptidase-driven accumulation. In vitro experiments show a 50-fold concentration of the active ingredient in myeloma cells, compared with administering the same amount of alkylating agents with no concentrates of aminopeptidases. This concentration results in selective cytotoxicity (greater efficacy on tumor cells and a lower toxicity to other cells) and the overcoming of resistance mechanisms with other myeloma therapies (including alkylating agents).



Melflufen also has strong anti-angiogenic properties, which means that melflufen prevents the formation of new blood vessels, on which cancer tumor cells are dependent to grow and survive.

Melflufen therapy results in the destruction of more cancer cells as well as the emergence of new efficacy qualities, such as increased effect on multi-resistant tumors and reduced formation of new blood vessels. Rapidly growing tumors are dependent on blood supply, which is why the inhibition of blood vessel formation (anti-angiogenesis) can slow tumor growth.

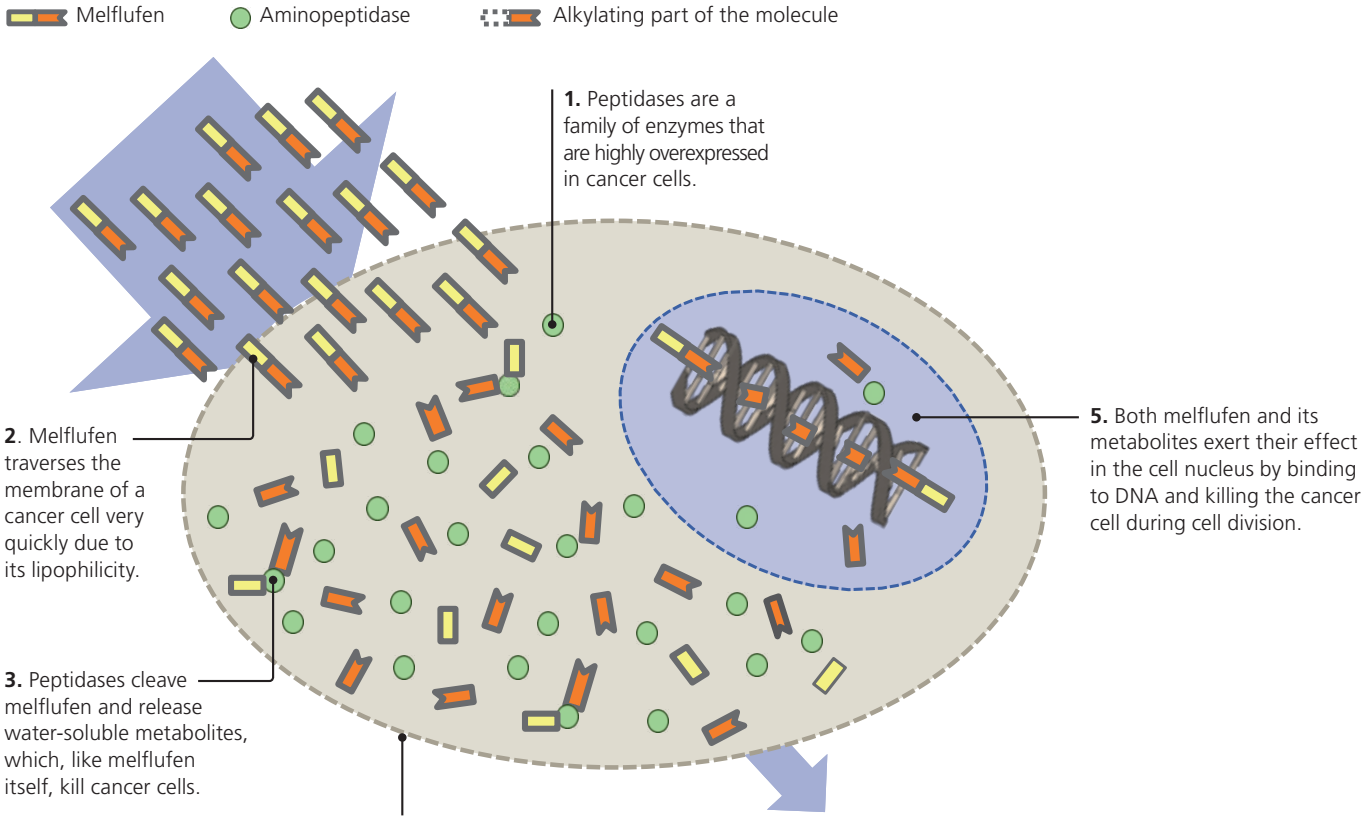
Additional indications for melflufen

Preclinical trials demonstrate that melflufen is potentially effective for a range of other cancer treatments. Oncopeptides is also preparing and aiming to launch a trial for patients suffering from AL amyloidosis. Preclinical assessments are also ongoing with other indications, all with the aim of expanding melflufens clinical applicability, patient benefit and commercial potential.

Melflufen – a potent peptide-conjugated alkylator with an excellent safety profile

Melflufen is the most potent known peptide-conjugated alkylator the treatment of multiple myeloma. In cell-culture studies, after exposure to melflufen, 50 times more alkylating agents accumulate in cancer cells compared to melphalan, which is currently used as a treatment for multiple myeloma. In animal studies and subsequent clinical trials, it has been established that this enrichment in conjunction with melflufen therapy does not increase nor induce any new side effects.

Melflufen is a novel peptide conjugated alkylator belonging to a novel class of peptidase-enhanced cytotoxics (PEnC)



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 with the commercial name Ygalo®.

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.

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.

Ygalo® Registered trademark for melflufen.

“Oncopeptides does its utmost to create a positive workplace, both physically and psychosocially.

Financial information

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 2018 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 developing drugs for the treatment of cancer. The company is focusing on the development of the lead product candidate melflufen, a peptide conjugated alkylator, belonging to a new class of drugs called Peptidase Enhanced Cytotoxics. Melflufen is intended as an effective treatment of hematological cancers, and in particular multiple myeloma.

Multiple myeloma is a cancer disease that occurs in bone marrow and results in the production of abnormal 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 2018, the company's primary focus was to continue the development of melflufen. Melflufen has previously undergone both preclinical trials and clinical phase 1 and 2 trials with good results in terms of both safety and efficacy on patients with multiple myeloma. Based on these results, melflufen is undergoing further development in the clinical trials OCEAN, HORIZON, ANCHOR and BRIDGE, of which the primary study, OCEAN, is a pivotal phase 3 trial that commenced in June 2017.

The goal with the current clinical study program is to demonstrate better results from treatment with melflufen compared with established alternative drugs for patients with multiple myeloma. Melflufen will potentially provide physicians with a new treatment option for patients suffering from this serious disease.

During the year, a share issue contributed a total of SEK 314.4 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 March, a directed share issue of 3,980,000 shares was completed at a subscription price of SEK 79 per share. The share issue raised SEK 314.4 M before issue costs.
- Oncopeptides expanded its management team in March by appointing Dr Christian Jacques as EVP Clinical Strategy and Chief Scientific Officer.
- In April, the first patient started treatment with melflufen in the phase 1/2 trial ANCHOR. The trial is aimed at generating knowledge and an understanding among physicians of how melflufen can be used in combination with bortezomib or daratumumab.
- At the AGM in May, Per Wold-Olsen was elected as the new Chairman of the Board and Brian Stuglik as a new Board member.
- In June, Oncopeptides presented updated interim data with melflufen from the ongoing HORIZON trial at the Congress of the European Hematology Association (EHA).
- Anders Martin-Löf was appointed as the company's new CFO in August.
- In September, the first patient started treatment with melflufen in Oncopeptides' phase 2 trial BRIDGE in myeloma patients with renal impairment.
- In early December, Oncopeptides presented updated interim data from the ongoing phase 2 trial HORIZON as well as the first interim results from the ongoing phase 2 trial ANCHOR, at the American Society of Hematology (ASH) Meeting in San Diego.
- In December, Jennifer Jackson was elected as a new Board member at an Extraordinary General Meeting (EGM).
- Oncopeptides held its first Capital Markets Day in December in New York.

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

Multi-year summary, Group

	2018	2017	2016	2015	2014
Net sales	–	–	–	–	–
Operating result	-419,300	-247,620	-114,482	-53,350	-33,110
Result before tax	-419,302	-247,620	-114,446	-53,341	-33,094
Result after tax	-419,449	-247,620	-114,446	-53,341	-33,094
Earnings per share before and after dilution (SEK)	-9.77	-6.44	-4.88	-3.98	-3.54
Cash flow from operating activities	-333,727	-271,497	-104,262	-52,808	-31,439
Equity	315,832	418,005	26,337	-2,600	7,606
Cash and cash equivalents at the end of the period	375,617	404,050	40,251	2,293	11,966

Sales and earnings

In 2018, the Group's net sales totaled SEK 0.0 M (0.0).

Oncopeptides' research and development costs during the year amounted to SEK 322.1 M (197.8). The increase is mainly explained by a rise in clinical costs due to increased activity in the ongoing pivotal study OCEAN and in the clinical studies ANCHOR and BRIDGE. Marketing and distribution costs for the year totaled SEK 51.1 M (15.2). Administrative expenses for the year amounted to SEK 55.3 M (34.7) MSEK.

Operating expenses include non-cash costs for share-based incentive programs amounting to SEK 45.7 M (30.5).

The company reported a net loss for the year of SEK 419.4 M (loss: 247.6), corresponding to a loss per share, before and after dilution, of SEK 9.77 (6.44).

Cash flow and investments

Cash flow from operating activities during the year amounted to a negative SEK 333.7 M (271.5), primarily due to the expansion of the clinical program.

Cash flow from financing activities amounted to SEK 304.9 M (636.8). During the year, warrants corresponding to 62,900 shares were exercised to cover social security contributions in conjunction with the exercise of employee options, which contributed SEK 9.9. In addition, the company raised SEK 314.4 M before issue costs of SEK 19.4 M in connection with the directed share issue in March 2018. Total cash flow for the year was a negative SEK 29.7 M (pos: 363.8).

Financial position

At December 31, 2018, the company's cash and cash equivalents amounted to SEK 375.6 M (404.1), and equity to SEK 315.3 M (418.0).

No loans had been raised as of December 31, 2018, and none have been raised since. Pledged assets at the end of period amounted to SEK 0.9 M (0.1).

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 seven active programs encompassing management, certain Board members, founders and employees.

At the beginning of the year the company had five active programs: "Founder Option Program," "Employee Option Program 2012/2019," "Employee Option Program 2016/2023," "Co-worker LTIP 2017" and "Board LTIP 2017". In accordance with a decision by the AGM in May 2018, two new share-based incentive programs, "Co-worker LTIP 2018" and "Board LTIP 2018", were introduced, and an EGM in December 2018 resolved to introduce the program "Board LTIP 2018.2". Board LTIP 2018.2 was inactive at December 31 since there had been no allotments to date. For further information about these programs, refer to Note 24.

During 2018, 33,931 share awards and 836,933 options were granted. A total of 11,600 share awards have lapsed. Options corresponding to 243,000 shares were exercised. Granted options and share awards at December 31, 2018 corresponded to a total of 3,247,464 shares.

The cost for the share-based incentive programs was SEK 45.7 M (30.5), of which SEK 33.3 M (27.9) comprised provisions for social security contributions and SEK 12.4 M (2.6) comprised IFRS 2 classified salary costs. The cost did not have an impact on cash flow. The company holds warrants as a cashflow hedge for social security contributions arising from the exercise of 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 4,899,102, distributed among 44,091,921 shares with a quotient value of about SEK 0.11. The overall number of outstanding shares at December 31, 2018 was 44,091,921 ordinary shares with one vote each. At December 31, 2018, HealthCap VI LP and Stiftelsen Industrifonden were the single largest shareholders in Oncopeptides, with a total of 11,322,400 and 10,420,805 shares, respectively, corresponding to 25.7 percent and 23.6 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 47 (27) persons. The number of employees during the year was 26 (11). The average number of employees during the year was 16 (7).

Guidelines for remuneration to senior management 2019

The Board proposes essentially unchanged guidelines for remuneration to senior management, with the update that variable remuneration shall not exceed 50 and 30 percent of the annual fixed salary for the CEO and other senior executives, respectively. For information about the guidelines applicable until the 2019 AGM, refer to the Corporate Governance Report on pages 37-43.

Events after the end of the financial year

In January 2019, a directed share issue of 4,750,000 shares was completed at a subscription price of SEK 115 per share, in accordance with the authorization by the 2018 AGM. The share issue raised SEK 546.2 M before issue costs of SEK 31.4 M.

In April, a delay in patient recruitment was communicated with respect to the pivotal phase 3 study OCEAN. The company's new guidance is that the last patient entering the study will be during Q1 2020. This corresponds to a delay of 6 to 9 months compared to the timelines previously communicated.

Proposed appropriation of profits for the 2018 financial year

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

Share premium reserve	1,247,652,972
Retained earnings	-527,494,513
Loss for the year	-420,008,446
	300,150,013

The Board of Directors proposes that SEK 300,150,013 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 trials

Prior to launching a product candidate in the market, Oncopeptides must carry out preclinical and clinical trials 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 trials can be started or when ongoing trials 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 trial units, and the implementation of the clinical trial at the trial unit. It is also difficult to accurately predict the costs associated with clinical trials. The actual costs for carrying out a trial may significantly exceed the estimated and budgeted costs. Clinical trials 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 in 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 trials. A setback in the development of melflufen in the form of, for example, delays or inconclusive or insufficient data from clinical trials 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 trial, and it is highly probable that for every future planned trial, 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 trials and development projects entail significant expenses. The company is thus dependent on its continued capacity to acquire capital. Any delays with respect to clinical trials 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 2018 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.

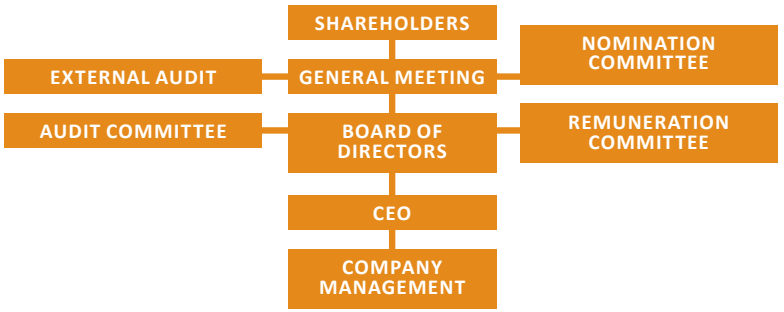
Examples of external regulations that affect corporate governance

- 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 members of senior management
- IT policy
- Financial manual
- Code of Conduct
- Information policy
- Insider policy

CORPORATE GOVERNANCE STRUCTURE



Shareholders and the share

Oncopeptides had 5,754 shareholders at year-end 2018. The total number of shares was 44,091,921. There was only one share class. Each share entitles the holder to one vote at the annual general meeting, and all shares carry equal rights to the company's assets and earnings. At December 31, 2018, HealthCap VI LP and Stiftelsen Industrifonden were the single largest shareholders in Oncopeptides, with a total of 11,322,400 and 10,420,805 shares, respectively, corresponding to 25.7 percent and 23.6 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 7–9 of the 2018 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.

2018 AGM

The AGM for 2018 was held on May 17, 2018 in Stockholm. About 73 percent of the total votes were represented at the meeting. Attorney Johan Winnerblad was elected chairman of the meeting.

- Jonas Brambeck, Cecilia Daun Wennborg, Jarl Ulf Jungnelius, Per Samuelsson and Olof Tydén were re-elected as Board members. Brian Stuglik and Per Wold-Olsen were elected as new Board members. Per Wold-Olsen was elected as Chairman of the Board.
- PricewaterhouseCoopers was re-elected as the company's auditor, with Magnus Lagerberg as auditor in charge.
- Remuneration to the Chairman of the Board and Board members elected by the AGM, and the auditor.
- Adoption of guidelines for remuneration to members of senior management.
- Implementation of two incentive programs for members of senior management and key personnel as well as certain Board members by way of a directed issue of warrants.
- 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 2019 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 per cent 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 2018 financial year.

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

2018 EGM

At the EGM on December 5, 2018 the following principal resolutions were passed:

- Election of Jennifer Jackson as a new Board member.
- Adoption of proposed fees to the Board of Directors' newest member.
- Approval of the Nomination Committee's proposal to introduce long-term performance-based incentive programs for the new Board member.

Nomination Committee for the 2019 AGM

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

2019 AGM

The 2019 AGM will be held on Tuesday, May 21, 2019 at 2:00 p.m. at Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm, Sweden. For further information and the right to participate, see page 74 of Oncopeptides' 2018 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 2018, 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 55 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 2018 AGM and an additional Board member was elected at the EGM in December 2018.

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, Olof Tydén, Brian Stuglik and Jennifer Jackson.

For further information about the Board of Directors, see pages 70–71 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 2018, 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 2019. The Nomination Committee, through the Chairman of the Board, has received the evaluation report.

Board of Directors' work and significant events in 2018

The Board met on 16 occasions during the year. seven of which seven 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 17, 2018:

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

The committee was convened four times in 2018. 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 members of senior management adopted by the AGM. The Remuneration Committee has consisted of the following members since the AGM on May 17, 2018:

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

The Remuneration Committee was convened six times in 2018, of which one meeting was 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 17, 2018.

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 consists of 11 individuals. In addition to the CEO, management comprises the company's Chief Financial Officer, Head of Regulatory Affairs, VP Head of Clinical Development, Head of CMC, Chief Medical Officer, Chief Scientific Officer, Chief Commercial Officer, Head of Investor Relations, Head of Medical Relations and Head of Pharmacovigilance.

For information on the management team, see pages 72–73 or visit the company's website, www.oncopeptides.se.

REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration to Board members

The AGM on May 17, 2018 resolved that fees to Board members for the period up to and including the end of the 2019 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 85,000 and that each Board member residing in Europe outside the Nordic region should receive an extra fee of SEK 42,500.

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 EGM on December 5, 2018 resolved that the total annual fee for the new Board member elected at the EGM should comprise SEK 335,000 for the period until the end of the 2019 AGM, of which SEK 250,000 comprises fees for regular Board work and SEK 85,000 pertains to compensation for the Board member's residence in the US. However, the total fee should be adjusted pro rata to reflect the period from the Board member's election until the 2019 AGM. The fees paid in 2018 to Board members elected by the AGM are shown in the table below.

Remuneration to senior management

Issues pertaining to remuneration to 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 2018 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 2018 AGM valid for the period up to the closing of the 2019 AGM. The main points were as follows.

Oncopeptides' starting point is that salary and other terms and conditions

Reporting period January 1–December 31, 2018

		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[4]	Chairman	Yes	Yes	667.5	25	50	742.5	6/9	2/4	2/5
Alan Hulme[5]	Chairman	Yes	Yes	–	–	–	0	3/9	–	3/5
Jonas Brambeck	Board member	Yes	No	250	25	25	300	9/9	4/4	5/5
Cecilia Daun Wennborg	Board member	Yes	Yes	250	75	–	325	8/9	4/4	–
Olof Tydén	Board member	Yes	Yes	250	–	–	250	9/9	–	–
Per Samuelsson	Board member	Yes	No	250	25	25	300	9/9	4/4	5/5
Ulf Jungnelius	Board member	Yes	Yes	292.5	–	–	292.5	8/9	–	–
Brian Stuglik[4]	Board member	Yes	Yes	335	–	–	335	6/9	–	
Jennifer Jackson[6]	Board member	Yes	Yes	167.5	–	–	167.5	1/9	–	–
Luigi Costa[5]	Board member	Yes	Yes	–	–	–	0	2/9	–	–
Total				**1,795**	**125**	**50**	**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 2018 to May 2019 financial year
4) Elected to the Board at the AGM on May 17, 2018
5) Stepped down from Board membership at the AGM on May 17, 2018
6) Elected to the Board at the EGM on December 5, 2018

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.

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 35 percent of annual fixed salary for the CEO 25 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.

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 seven 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". "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 AGM in May 2018, two additional incentive programs were adopted: "Co-worker LTIP 2018" and "Board LTIP 2018". An EGM on December 5, 2018, resolved to introduce an eighth program, "Board LTIP 2018.2", but the program was inactive at December 31, 2018 since there had been no allotments to date. A brief description of the programs follows below. See Note 24 in the 2018 Annual Report for further information on the incentive programs.

Employee Option Program 2012/2019

Employee options were allotted free of charge to participants in the program. Allotted employee options are vested gradually over a four-year period calculated from the starting date. 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 2, 2019 at the latest.

Employee Option Program 2016/2023

Employee options were allotted free of charge to participants in the program. 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 are to be allotted to participants free of charge. 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.

Founder Option Program

The options were allotted free of charge and were vested immediately. Each vested option entitles the holder to subscribe for 900 new shares in the company up to and including November 2, 2019 at the latest.

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 rights 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 awards 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 awards entitles the holder to obtain one share in Oncopeptides free of charge. Vested share rights are automatically exercised the day after the 2021 AGM.

Dilution

To ensure the delivery of shares to participants in the company's incentive programs as well as to cover social security contributions when options, 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 4,616,344 shares in the Parent Company. Full utilization of granted options and share awards per December 31 2018, corresponding to 3,247,464 shares, would result in a dilution for existing shareholders of 6.9 percent. Full utilization of issued warrants, corresponding to 4,616,344 shares (i.e. including non-granted employee options and hedge for social security contributions), would result in a dilution for existing shareholders of 9.5 percent.

The table below is a summary of the total number of shares to which granted employee options and share awards may entitle the holder at December 31, 2018.

Number of shares to which allotted employee options may entitle the holder	
Employee Option Program 2012/2019	1,133,100
Founder Option Program	81,000
Employee Option Program 2016/2023	276,300
Co-worker LTIP 2017	1,618,939
Co-worker LTIP 2018	80,994
Total number of shares granted employee stock options may entitle to	**3,190,333**
Number of share granted share awards in program Board LTIP 2017	23,200
Number of share granted share awards in program Board LTIP 2018	33,931
Total number of shares granted employee stock options and share awards may entitle to	**3,247,464**

EXTERNAL AUDITOR

Oncopeptides' auditor is the accounting firm PricewaterhouseCoopers AB (PwC), with authorized public accountant Magnus Lagerberg as auditor in charge. PwC was re-elected as Oncopeptides' auditor at the 2018 AGM, for a term until the end of the 2019 AGM. PwC has been the company's auditor since the 2016 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 members of 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 2018 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, and 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 related to 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	2018	2017
Net sales		–	–
Gross profit		–	–
Operating expenses			
Research and development costs	9,10	-322,051	-197,771
Marketing and distribution costs	9,10	-51,126	-15,160
Administrative expenses	8,9,10	-55,298	-34,688
Other operating income	5	10,078	–
Other operating expenses	6	-903	–
Total operating expenses	7	**-419,300**	**-247,620**
Operating result		**-419,300**	**-247,620**
Financial income	11	0	0
Financial expenses	11	-2	0
Result before tax		**-419,302**	**-247,620**
Income tax	12	-147	–
Result for the period		**-419,449**	**-247,620**
Other comprehensive income			
Items that may be reclassified in profit or loss			
Exchange-rate differences from restatement of foreign operations		22	–
Translation differences on currency hedges		-8	8
Total other comprehensive income		**14**	**8**
Total comprehensive income for the period		**-419,435**	**-247,612**
Earnings per share	21	-9.77	-6.44

Total comprehensive income for the period is fully attributable to Parent Company shareholders.

Parent Company income statement

SEK thousand	Note	2018	2017
Net sales		–	–
Gross profit		–	–
Operating expenses			
Research and development costs	9,10	-322,051	-197,771
Marketing and distribution costs	9,10	-51,844	-15,160
Administrative expenses	8,9,10	-55,298	-34,688
Other operating income	5	10,078	–
Other operating expenses	6	-903	–
Total operating expenses		**-420,018**	**-247,620**
Operating result		**-420,018**	**-247,620**
Financial income	11	20	0
Financial expenses	11	-2	0
Result before tax		**-420,000**	**-247,620**
Income tax	12	–	–
Result for the period		**-420,000**	**-247,620**
Other comprehensive income			
Translation differences on currency hedges		-8	8
Total other comprehensive income		**-8**	**8**
Total comprehensive income for the period		**-420,008**	**-247,612**

Consolidated statement of financial position

SEK thousand	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Non-current assets	16		
Property, plant and equipment			
Property, plant and equipment	13	2,363	2,339
Total property, plant and equipment		**2,363**	**2,339**
Financial non-current assets			
Investments held as non-current assets	14	1	1
Other non-current receivables	14	850	262
Total financial non-current assets		**851**	**263**
Total non-current assets		**3,214**	**2,601**
Current assets			
Current receivables			
Other current receivables	16	2,456	1,189
Prepaid expenses	17	63,243	71,982
Cash and cash equivalents	18	375,617	404,050
Total current receivables	19	**441,316**	**477,221**
Total current assets		**441,316**	**477,221**
TOTAL ASSETS		**444,530**	**479,822**

SEK thousand	Note	Dec 31, 2018	Dec 31, 2017
Equity	20		
Share capital		4,899	4,423
Other contributed capital		1,272,830	956,044
Reserves		22	-
Retained earnings (including result for the year)		-961,919	-542,462
Total equity		**315,832**	**418,005**
LIABILITIES			
Non-current liabilities	16		
Provision for social security contributions, incentive programs	24	14,858	1,825
Total non-current liabilities		**14,858**	**1,825**
Current liabilities	16		
Provision for social security contributions, incentive programs	24	56,600	36,306
Trade payables	3.16	25,270	15,681
Other current liabilities	22	4,056	954
Accrued expenses and deferred income	23	27,914	7,053
Total current liabilities		**113,840**	**59,993**
Total liabilities		**128,698**	**61,818**
TOTAL EQUITY AND LIABILITIES		**444,530**	**479,822**

Parent Company balance sheet

SEK thousand	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment			
Property, plant and equipment	13	2,363	2,339
Total property, plant and equipment		**2,363**	**2,339**
Financial non-current assets			
Interests in subsidiaries	15	50	50
Investments held as non-current assets	14	1	1
Other non-current receivables	14	850	262
Total financial non-current assets		**901**	**313**
Total non-current assets		**3,264**	**2,651**
Current assets			
Receivables			
Other current receivables	17	2,279	1,189
Prepaid expenses	18	62,468	71,982
Cash and cash equivalents	19	375,513	404,000
Total receivables		**440,260**	**477,171**
Total current assets		**440,260**	**477,171**
TOTAL ASSETS		**443,524**	**479,822**

SEK thousand	Note	Dec 31, 2018	Dec 31, 2017
EQUITY AND LIABILITIES			
Equity	20		
Restricted equity			
Share capital		4,899	4,423
Statutory reserve		10,209	10,209
Non-restricted equity*			
Share premium reserve		1,247,653	943,236
Retained earnings		-527,495	-292,251
Result for the year		-420,008	-247,612
Total equity		**315,258**	**418,005**
Liabilities			
Non-current liabilities			
Provision for social security contributions, incentive programs	24	14,858	1,825
Total non-current liabilities		**14,858**	**1,825**
Current liabilities			
Provision for social security contributions, incentive programs	24	56,600	36,306
Trade payables		23,261	15,681
Liabilities to Group companies		1,906	–
Other current liabilities	22	3,909	954
Accrued expenses and deferred income	23	27,732	7,053
Total current liabilities		**113,408**	**59,993**
Total liabilities		**128,266**	**61,818**
TOTAL EQUITY AND LIABILITIES		**443,524**	**479,822**

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
Opening balance at Jan 1, 2017		**2,449**	**318,738**	**–**	**-294,850**	**26,337**
Result for the year		–	–	–	-247,620	-247,620
Other comprehensive income for the year		–	–	–	8	8
Comprehensive income for the year		**–**	**–**	**–**	**-247,612**	**-247,612**
Transactions with shareholders						
New share issue	20	1,679	693,305	–	–	694,984
Issue costs		–	-58,223	–	–	-58,223
Conversion of loans		295	-295	–	–	0
Value of service by participants in the incentive programs	24	–	2,519	–	–	2,519
Total transactions with shareholders		**1,974**	**637,306**	**–**	**–**	**639,280**
Closing balance at Dec 31, 2017	20	**4,423**	**956,044**	**–**	**-542,462**	**418,005**
Opening balance at Jan 1, 2018		4,423	956,044	–	-542,462	418,005
Result for the year		–	–		-419,449	-114,446
Other comprehensive income for the year		–	–	22	-8	14
Comprehensive income for the year		**–**	**–**	**22**	**-419,457**	**-419,435**
Transactions with shareholders						
New share issue	20	442	313,978	–	–	314,420
Issue costs		–	-19,390	–	–	-19,390
Value of service by participants in the incentive programs	24	–	12,368	–	–	12,368
Exercise of warrants under the company's incentive program	20	34	9,830	–	–	9,864
Total transactions with shareholders		**476**	**316,786**	–	–	**317,262**
Closing balance at Dec 31, 2018	20	**4,899**	**1,272,830**	**22**	**-961,919**	**315,832**

Equity is fully attributable to Parent Company shareholders.

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
Opening balance at Jan 1, 2017	**2,449**	**10,209**	**308,449**	**-180,324**	**-114,446**	**26,337**
Appropriation in accordance with AGM				-114,446	114,446	–
Result for the year					-247,620	-247,620
Other comprehensive income for the year	–	–	–	–	8	8
Comprehensive income for the year	**–**	**–**	**–**	**–**	**-247,612**	**-247,612**
Transactions with shareholders						
New share issue	1,679	–	693,305	–	–	694,984
Issue costs	–	–	-58,223	–	–	-58,223
Conversion of loans	295	–	-295	–	–	0
Value of service by participants in the incentive programs	–	–	–	2,519	–	2,519
Total transactions with shareholders	**1,974**	**–**	**634,787**	**2,519**	**–**	**639,280**
Closing balance at Dec 31, 2017	**4,423**	**10,209**	**943,236**	**-292,251**	**-247,612**	**418,005**
Opening balance at Jan 1, 2018	**4,423**	**10,209**	**943,236**	**-292,251**	**-247,612**	**418,005**
Appropriation in accordance with AGM				-247,612	247,612	–
Result for the year					-420,000	-420,000
Other comprehensive income for the year	–	–	–	–	-8	-8
Comprehensive income for the year	**–**	**–**	**–**	**–**	**-420,008**	**-420,008**
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**	**–**	**304,418**	**12,368**	**–**	**317,262**
Closing balance at Dec 31, 2018	**4,899**	**10,209**	**1,247,653**	**-527,495**	**-420,008**	**315,258**

Consolidated statement of cash flows

SEK thousand	Note	2018	2017
Operating activities			
Result before financial items		-419,300	-247,620
Adjustment for non-cash items			
depreciation and amortization		345	234
exchange-rate differences		-1,314	0
value of service by participants in the incentive programs		12,368	2,519
provision for social security contributions, incentive programs		33,328	27,931
Interest received		0	0
Interest paid		-2	0
Cash flow from operating activities before change in working capital		**-374,575**	**-216,936**
Change in working capital			
Increase/decrease in operating receivables		7,568	-59,153
Increase/decrease in trade payables		9,589	6,950
Increase/decrease in other current operating liabilities		23,691	-2,359
Total change in working capital		**40,848**	**-54,562**
Cash flow from operating activities		**-333,727**	**-271,498**
Investing activities			
Investments in property, plant and equipment	14	-369	-1,472
Repaid deposits		262	–
Investments in financial non-current assets	14	-800	–
Cash flow from investing activities		**-907**	**-1,472**
Cash flow from financing activities			
New share issue	20	324,283	694,984
Issue costs		-19,390	-58,223
Cash flow from financing activities		**304,893**	**636,761**
Cash flow for the period			
Cash and cash equivalents at beginning of period		404,050	40,251
Change in cash and cash equivalents		-29,741	363,791
Exchange-rate differences in cash and cash equivalents		1,308	8
Cash and cash equivalents at end of year	19	**375,617**	**404,050**

Parent Company statement of cash flows

SEK thousand	Note	2018	2017
Cash flow from operating activities			
Result before financial items		-420,018	-247,620
Adjustment for non-cash items			
depreciation and amortization		345	234
exchange-rate differences		-1,315	0
value of service by participants in the incentive programs		12,368	2,519
provision for social security contributions, incentive programs		33,328	27,931
Interest received		0	0
Interest paid		-2	0
Cash flow from operating activities before change in working capital		**-375,294**	**-216,936**
Change in working capital			
Increase/decrease in operating receivables		8,395	-59,153
Increase/decrease in trade payables		7,580	6,950
Increase/decrease in other current operating liabilities		25,540	-2,359
Total change in working capital		**41,515**	**-54,562**
Cash flow from operating activities		**-333,779**	**-271,497**
Investing activities			
Investments in property, plant and equipment	14	-369	-1,472
Repaid deposits		262	–
Investments in financial non-current assets	14	-800	–
Cash flow from investing activities		**-907**	**-1,472**
Cash flow from financing activities			
New share issue	20	324,283	694,984
Issue costs		-19,390	-58,223
Cash flow from financing activities		**304,893**	**636,761**
Cash flow for the period			
Cash and cash equivalents at beginning of period		404,000	40,201
Change in cash and cash equivalents		-29,793	363,791
Exchange-rate differences in cash and cash equivalents		1,306	8
Cash and cash equivalents at end of year	19	**375,513**	**404,000**

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.

The company has decided to discontinue hedge accounting as of the first quarter of 2018.

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 company has decided to discontinue hedge accounting as of the first quarter of 2018. Translation of foreign currency is recognized in accordance with item 2.3 below.

IFRS 9 Financial Instruments

The standard pertains to the recognition of financial assets and liabilities and replaces IAS 39. The Group applies the standard as of January 1, 2018 The standard had no material impact on the consolidated financial statements. The Group only has financial assets and liabilities measured at amortized cost according to IFRS 9.

IFRS 15 Revenue from Contracts with Customers

This standard replaces all previously issued standards and interpretations regarding revenue with a combined model of revenue recognition. The Group applies the standard as of January 1, 2018 The standard has not had any impact since the Group is yet to sign any contracts with customers that would fall under IFRS 15.

Future standards and new interpretations

IFRS 16 Leases came into force as of January 1, 2019. The standard removes the division of leases into either operating or finance leases for the lessee, which was required under IAS 17, and instead introduces a single model for reporting all forms of leases. Under this new model, the lessee is to recognize (a) assets and liabilities for all leases with a term of more than 12 months, with the exception of low-value assets, and (b) depreciation of leased assets separately from interest expenses on leases in profit or loss.

For its transition to IFRS 16 on January 1, 2019, Oncopeptides applied the modified retrospective approach, meaning that the 2018 financial year was not restated. The lease liability amounts to the sum of the present value of all future payments until the expiration of the lease. The modified approach applied for the transition entails that the right-of-use asset (before adjustment for any advance payments) is to correspond to the lease liability. The discount rate is the Oncopeptides Group's incremental borrowing rate taking into account the term of the lease. The modified approach was applied when defining leases, which means that all components of a lease were regarded as lease components. The exemption rule for the recognition of short-term leases and low-value assets was also applied.

The estimated opening balance of the lease liability and right-of-use asset was approximately SEK 8 M for existing leases. The largest category of lease assets pertained to offices.

2.2 Consolidation

Subsidiaries

All companies (including structured entities) 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 income statement.

Foreign-exchange gains and losses attributable to cash and cash equivalents are recognized in profit or loss as financial income or expenses. All other foreign-exchange gains and losses are recognized in the items "Other operating income/expenses" in profit or loss.

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

Capitalized 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 trials 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 market 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.

Capitalized assets that have met the above capitalization criteria have a limited useful life and are recognized at cost less accumulated amortization. Assets are amortized from the day when they are ready for use. Straight-line amortization is used to distribute the cost of the in-house developed intangible assets over their estimated useful life, which is the same as the remaining patent term for the product. Directly attributable expenditure that is capitalized includes development expenditure as well as expenditure for employees plus a reasonable portion of indirect costs. Other development expenditure that does not meet the above criteria is expensed as incurred. Previously expensed development expenditure is not capitalized in later periods.

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

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.

Assets are depreciated 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 expenses 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

2.7.1 Classification

The Group classifies its financial assets and liabilities into the following categories: loans and receivables and other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

Loans and receivables

Loans and receivables are financial assets which are not derivatives, have fixed or determinable payments, and are not listed on an active market. They are included in current assets, with the exception of items maturing later than 12 months from the balance-sheet date, which are classified as non-current assets. The Group's loans and receivables comprise trade receivables as well as other current receivables and prepaid expenses and accrued income that constitute financial instruments.

Other financial liabilities

Trade payables and other current liabilities and accrued expenses and deferred income that constitute financial instruments are classified as other financial liabilities.

2.7.2 Recognition and measurement

Financial instruments are initially recognized at fair value plus transaction costs. This applies to all financial assets that are not measured at fair value through profit or loss. Financial assets are derecognized when the right to receive cash flows from the instrument has expired or been transferred, and the Group has transferred essentially all risks and benefits associated with ownership. Financial liabilities are derecognized when the obligation arising from the agreement has been fulfilled or otherwise been extinguished.

After the acquisition date, loans and receivables and other financial liabilities are recognized at amortized cost by applying the effective interest method.

2.7.3 Offset of financial instruments

Financial assets and liabilities are offset and the net amount recognized in the balance sheet only when there is a legally enforceable right to set off the recognized amounts and an intention to settle the items on a net basis or to realize the asset and settle the liability simultaneously.

2.7.4 Impairment of financial instruments

Assets recognized at amortized cost

At the end of each reporting period the Group assesses whether there is objective evidence of impairment of a financial asset or group of financial assets. A financial asset or group of financial assets is impaired and is written down only if there is objective evidence of impairment as a consequence of one or several events occurring after the initial recognition of the asset and this event affects the estimated future cash flows for the financial asset or group of financial assets that can be reliably measured. The impairment loss is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The asset's carrying amount is written down and the impairment loss is recognized in the consolidated income statement in "other external expenses" or in net financial income/expense depending on which financial asset is written down. If the impairment is reduced in a subsequent period and this can objectively be attributed to an event occurring after recognition of the impairment loss, the reversal of the previously recognized impairment loss is

recognized in the consolidated income statement or in net financial income/expense depending on which financial asset was written down.

2.8 Trade receivables

Trade receivables are initially stated at cost and subsequently at amortized cost by applying the effective interest method, less any provisions for impairment.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise bank deposits.

2.10 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.

2.11 Trade payables

Trade payables are financial instruments and refer to obligations to pay for goods and services purchased from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if they fall due within one year. If not, they are recognized as non-current liabilities.

Trade payables are initially stated at fair value and subsequently at amortized cost by applying the effective interest method.

2.12 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 losses 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.

2.13 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.

2.14 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.

2.15 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 recoverable amount, 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.

2.16 Leasing
All leases in the Group are classified as operating leases. Operating leases are contracts under which a significant portion of the risks and benefits of ownership are retained by the lessor. The Group acts as the lessee and the leases pertain the leasing of office premises. The lease payments are expensed over the term of the lease based on use.

2.17 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.

2.18 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.

2.19 Accounting policies of the Parent Company
The Parent Company applies other accounting policies than the Group in the cases indicated below. 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 unpredictability 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:

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. This also entails a difference in terminology, compared with the consolidated financial statements, mainly with respect to financial income and expense, and equity.

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.

Financial instruments
IAS 9 is not applied in the Parent Company and financial instruments are measured at cost. In subsequent periods, financial assets that have been acquired with the intention of being held for the short term are recognized at the lower of cost or market 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 dialogue 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 through translations into these currencies.

b) Credit risk

Credit risk arises through cash and cash equivalents and 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 non-derivative financial liabilities by remaining maturity on the balance-sheet date. The amounts indicated in the table are the contractual, undiscounted cash flows.

December 31, 2018	Less than 3 months	Between 3 months and 1 year
Trade payables	25,270	–
Provision for social security expenses, option program	–	56,600
Other current liabilities	4,056	–
Accrued expenses	25,579	2,335

December 31, 2017	Less than 3 months	Between 3 months and 1 year
Trade payables	15,681	–
Provision for social security expenses, option program	–	36,306
Other current liabilities	954	–
Accrued expenses	5,938	1,115

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, 2018, 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 24. 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 10,078 thousand (0) for the Group and SEK 10,078 thousand (0) for the Parent Company pertain primarily to translation differences.

Note 6 Other operating expenses

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

Note 7 Consolidated operating expenses by type of cost, Group

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.

	2018	2017
Direct external expenses for drug development	-290,130	-177,945
Other external expenses	-47,868	-23,525
Personnel costs	-90,132	-45,879
Depreciation and amortization	-345	-271
Other operating expenses	-903	0
Total	**-429,378**	**-247,620**

Note 8 Audit fees

	Group		Parent Company	
PricewaterhouseCoopers AB	**2018**	**2017**	**2018**	**2017**
Audit	584	632	584	632
Other statutory assignments	32	36	32	36
Tax advisory services	227	0	227	0
Other assignments	52	1,664*	52	1,664*
Total	**895**	**2,332**	**895**	**2,332**

* The amount includes fees of SEK 1,275 thousand for other audit activities.

Note 9 Operating leases

The Group leases office premises and a photocopier under non-cancellable operating leases. Rental agreements in the Parent Company expire on September 30, 2021, with the option of a three-year extension. Rent levels are in line with the consumer price index.

Future total minimum lease payments for non-cancellable operating leases fall due as follows:

	Group		Parent Company	
	2018	**2017**	**2018**	**2017**
Within 1 year	3,119	1,107	2,990	1,107
Between 1 and 5 years	5,233	549	5,233	549
Total	**8,352**	**1,656**	**8,223**	**1,656**
Lease expenses for the year for operating leases amount to:	3,636	922	3,010	922

Not 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	**2018**	**2017**	**2018**	**2017**
Board of Directors and members of senior management	22,799	11,075	21,628	11,075
Other employees	13,906	2,507	11,502	2,507
Total	**36,705**	**13,582**	**33,130**	**13,582**

	Group		Parent Company	
Salaries and other remuneration	**2018**	**2017**	**2018**	**2017**
Pension expenses for the Board of Directors and members of senior management	1,990	1,232	1,990	1,232
Pension expenses for other employees	1,557	381	1,557	381
Social security expenses	48,296	31,344	47,755	31,344
Total	**51,843**	**32,957**	**51,302**	**32,957**

Recognized payroll expenses and social security contributions pertaining to share-based remuneration totaled SEK 45,696 thousand (30,450).

	2018		2017	
Average number of employees	**Total**	**of whom, men**	**Total**	**of whom, men**
Parent Company				
Sweden	15	6	7	2
Subsidiaries				
USA	1	1	–	–
Group total	**16**	**7**	**7**	**2**

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

	2018 Number at balance-sheet date		2017 Number at balance-sheet date	
Average number of employees	**Total**	**of whom, men**	**Total**	**of whom, men**
Board members	8	6	7	6
Other members of senior management	10	7	8	4
CEO	1	1	1	1
Group total	**19**	**14**	**16**	**11**

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

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**	**8,871**	**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 and country-based fees.

2017	Basic salary, Board fee*	Invoiced fees	Variable remuneration	Pension expenses	Consulting fee**	Share-based remuneration	Total
Chairman of the Board							
Alan Hulme	450	–	–	–	180	56	686
Board members							
Olof Tydén	200	–	–	–	–	28	228
Ulf Jungnelius	200	–	–	–	–	28	228
Luigi Costa	200	–	–	–	–	28	228
Cecilia Daun Wennborg	275	–	–	–	–	28	303
Jonas Brambeck	263	–	–	–	–	–	263
Per Samuelsson	263	–	–	–	–	–	263
CEO Jakob Lindberg	2,622	–	804	436	–	675	4,537
Other members of senior management (8)	3,061	8,703	770	796	–	1,124	14,455
Total	**7,533**	**8,703**	**1,574**	**1,232**	**180**	**1,967**	**21,190**

* Board fees as resolved at the AGM, excluding social security contributions for the May 2017 to May 2018 financial year, including remuneration of Board committee work.Board fees are paid after the 2018 AGM.

** In addition to Board fees, Alan Hulme has received consulting fees for services rendered which, historically, refers to active participation in development projects. In accordance with the agreement between the parties, the consultancy agreement ceased in connection with the company's listing on February 22, 2017.

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 ten (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, VP Head of Clinical Development, Head of Phamacovigilance, Head of Regulatory Affairs, Head of Investor Relations, Head of CMC, Chief Commercial Officer and Head of Medical Relations.

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 2018, Oncopeptides had seven active programs covering the company's management, certain Board members, founders and other employees. For a description of the programs, refer to Note 24.

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	
	2018	2017	2018	2017
Interest income	0	0	20	0
Foreign-exchange gains	0	0	0	0
Total financial income	**0**	**0**	**20**	**0**
Of which, interest income from Group companies	–	–	20	–
Interest expenses	-2	0	-2	0
Total financial expenses	**-2**	**0**	**-2**	**0**

Note 12 Tax on profit for the year

	Group		Parent Company	
	2018	2017	2018	2017
Current tax	-147	–	–	–
Recognized tax	**-147**	**–**	**–**	**–**
Reconciliation of effective tax rate				
Result before tax	-419,302	-247,620	-420,000	-247,620
Tax according to applicable tax rate for the Parent Company (22 percent)	92,246	54,476	92,400	54,476
Deductible expenses not charged to profit or loss[1]	4,267	12,809	4,267	12,809
Tax on deferred tax receivables not charged to profit or loss	-96,596	-67,267	-96,596	-48,903
Non-deductible expenses	-71	-18	-71	-18,382
Effect of other tax rates on foreign subsidiaries	7	–	–	–
Recognized tax	**-147**	**–**	**–**	**–**

1) The Group has tax items pertaining to issue costs that are recognized directly in equity.

There are tax loss carryforwards for which no deferred tax assets have been recognized in the balance sheet, totaling SEK 981,269 thousand (542,194), 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.

Note 13 Property, plant and equipment

	Group		Parent Company	
Equipment	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Cost at beginning of year	84	120	84	120
Disposals	–	-37	–	-37
Purchases during the year	369	0	369	0
Cost at end of year	**453**	**84**	**453**	**84**
Opening accumulated depreciation	-33	-54	-33	-54
Disposals	–	37	–	37
Depreciation for the year	-91	-17	-91	-17
Closing depreciation	**-124**	**-33**	**-124**	**-33**
Machinery				
Cost at beginning of year	2,543	1,034	2,543	1,034
Purchases during the year	–	1,509	–	1,509
Cost at end of year	**2,543**	**2,543**	**2,543**	**2,543**
Opening accumulated depreciation	-254	0	-254	0
Depreciation for the year	-255	-254	-255	-254
Closing depreciation	**-509**	**-254**	**-509**	**-254**
Closing carrying amount	**2,363**	**2,339**	**2,363**	**2,339**

Note 14 Financial non-current assets

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Securities				
LFF Service AB 556197-9211	1	1	1	1
Total	**1**	**1**	**1**	**1**

Shareholding 0.33%
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.

	Group		Parent Company	
Non-current receivables	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Opening cost	262	262	262	262
Restricted bank deposits	850	–	850	–
Repaid deposits	-262	–	-262	–
Total non-current receivables	**850**	**262**	**850**	**262**

Non-current receivables pertain to SEK 800 thousand in restricted bank deposits for rented premises and SEK 50 thousand for Euroclear.

Note 15 Interests in subsidiaries, Parent Company

	2018	2017
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	% ordinary shares with non-controlling interest	Carrying amount	Carrying amount 2018	Carrying amount 2017
Directly owned							
Oncopeptides Incentive AB	555931-5491, Stockholm, Sweden	50,000	100%	0		50	50
Oncopeptides, Inc	USA	1,000	100%	0		0	–
						50	**50**

Note 16 Financial instruments by category, Group

Financial assets and liabilities at December 31, 2018

Assets in 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	–	63,243	63,243
Cash and cash equivalents	375,617	–	375,617
	376,468	**68,062**	**444,530**

Liabilities in balance sheet	Financial assets recognized at amortized cost	Non-financial assets	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**

Financial assets and liabilities at December 31, 2017

Assets in balance sheet	Financial assets recognized at amortized cost	Non-financial assets	Total carrying amount
Property, plant and equipment	–	2,339	2,339
Financial non-current assets	263	–	263
Other current receivables	–	1,189	1,189
Prepaid expenses	–	71,982	71,982
Cash and cash equivalents	404,050	–	404,050
	404,313	**75,510**	**479,822**

Liabilities in balance sheet	Financial assets recognized at amortized cost	Non-financial assets	Total carrying amount
Non-current provision for social security contributions, incentive programs	–	1,825	1,825
Current provision for social security contributions, incentive programs	–	36,306	36,306
Trade payables	15,681	–	15,681
Other current liabilities	–	954	954
Accrued expenses and deferred income	4,342	2,711	7,053
Total	**20,023**	**41,796**	**61,818**

Note 17 Other current receivables

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Current tax assets	326	116	326	116
VAT receivables	1,945	1,043	1,945	1,043
Other current receivables	185	31	8	31
Total	**2,456**	**1,189**	**2,279**	**1,189**

Note 18 Prepaid expenses and accrued income

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Prepaid expenses for research and development	58,716	71,032	58,716	71,032
Prepaid rents	955	277	826	277
Other prepaid expenses	3,572	673	2,926	673
Total	**63,243**	**71,982**	**62,468**	**71,982**

Note 19 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	
Group	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Bank balances	375,617	404,050	375,513	404,000
Total	**375,617**	**404,050**	**375,513**	**404,000**

Note 20 Share capital and other contributed capital

	No. of shares	Share capital	Other contributed capital	Total
Jan 1, 2016	**22,041,900**	**2,449**	**318,738**	**321,187**
New share issue	15,108,340	1,679	635,082	636,761
Conversion of loans	2,655,781	295	-295	0
Value of service by participants in the incentive programs		–	2,519	2,519
December 31, 2017	**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**

Share capital and share class

The share capital comprises 44,091,921 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, 2018, there were 2,902,750 warrants entitling the holders to a total of 4,616,344 shares. Of these, instruments corresponding to 1,758,720 warrants entitling the holders to a total of 3,247,464 shares were allotted, 359,031 warrants entitling the holders to 359,031 shares were unallotted and the remaining 784,999 warrants entitling the holders to 1,009,849 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, 2018	Dec 31, 2017
Opening carrying amount	–	–
Change for the year	22	–
Closing carrying amount	**22**	**–**

Dividend

At the AGM in May 2019, it will be proposed that no dividend be paid with respect to the 2018 financial year.

Note 21 Earnings per share before and after dilution

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.

	2018	2017
Result after tax	-419,449	-247,620
Adjustment for cumulative right to dividends on preference shares	–	-1,926
Adjusted result	**-419,449**	**-249,546**
Average number of ordinary and preference shares* (thousands)	42,929	38,163
Adjustment for additional shares on mandatory conversion of bridge loan (thousands)	–	614
Average number of shares	**42,929**	**38,777**
Earnings per share	**-9.77**	**-6.44**

* As all shares of the company carry the same entitlement to profits after the cumulative right to dividends from preference shares, the average number of shares is calculated based on the total number of issued shares in the company.

Note 22 Other current liabilities

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Current tax liabilities	147	–	–	–
Other employee-related taxes and levies	3,909	954	3,909	954
Total	**4,056**	**954**	**3,909**	**954**

Note 23 Accrued expenses

	Group		Parent Company	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Employee-related costs	3,963	2,711	3,781	2,711
Other accrued expenses	1,454	1,279	1,454	1,279
Prepaid expenses for research and development	22,497	3,063	22,497	3,063
Total	**27,914**	**7,053**	**27,732**	**7,053**

Note 24 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 2018, Oncopeptides had seven 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". "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 AGM in May 2018, two additional incentive programs were adopted: "Co-worker LTIP 2018" and "Board LTIP 2018". An EGM in December 2018 resolved to introduce an eighth program, the "Board LTIP 2018.2", but the program was inactive at December 31, 2018 since there had been no allotments to date.

Employee Option Program 2012/2019

Employee options were allotted free of charge to participants in the program. Allotted employee options are vested gradually over a four-year period calculated from the starting date. 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 2, 2019 at the latest.

Employee Option Program 2016/2023

Employee options were allotted free of charge to participants in the program. 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 are to be allotted to participants free of charge. 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.

Founder Option Program

The options were allotted free of charge and were vested immediately. Each vested option entitles the holder to subscribe for 900 new shares in the company up to and including November 2, 2019 at the latest.

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 awards 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 awards entitles the holder to obtain one share in Oncopeptides free of charge.

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

The total cost of the outstanding incentive programs for each financial year is shown below. The cost do not have an impact on cash flow. The company holds warrants as a cash-flow hedge for social security contributions that arise in conjunction with the exercise of the employee options. See also Note 20.

Summary of total cost for incentive programs

	2018	2017
IFRS 2-related payroll expenses	12,368	2,519
Provision for social security contributions, incentive programs	33,328	27,931
Total	**45,696**	**30,450**

Summary of granted options and share awards according to plan

Employee Option Program	2018 No. of shares covered by option programs	2017 No. of shares covered by option programs
At Jan 1	2,596,400	1,733,400
Granted	836,933	863,000
Exercised	-243,000	–
At end of period	**3,190,333**	**2,596,400**

Share award program (Board LTIP 2017)	2018 No. of shares covered by share award program	2017 No. of shares covered by share award program
At Jan 1	34,800	–
Granted	33,931	34,800
Lapsed	-11,600	–
At end of period	**57,131**	**34,800**

Calculation of fair value of employee option programs

The fair value on the grant 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 Program	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
Founder Option Program*	August 27, 2013	November 2, 2019	n/a	8.88	n/a	81,000	100%
Employee Option Program 2012/2019*	August 27, 2013	November 2, 2019	n/a	0.11	n/a	1,133,100	100%
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	85.56%
Co-worker LTIP 2017:1	May 18, 2017	May 18, 2024	9.32	44.48	20.72%	727,000	54.01%
Co-worker LTIP 2017:2	October 5, 2017	October 5, 2024	14.17	63.95	20.72%	136,000	41.24%
Co-worker LTIP 2017:3	February 21, 2018	February 21, 2025	33.37	79.77	41.40%	129,038	28.56%
Co-worker LTIP 2017:4	July 12, 2018	July 12, 2025	94.63	197.48	47.00%	277,895	15.69%
Co-worker LTIP 2017:5	August 30, 2018	August 30, 2025	70.83	149.47	48.40%	20,000	11.22%
Co-worker LTIP 2017:6	October 1, 2018	October 1, 2025	83.37	155.15	50.20%	235,000	8.30%
Co-worker LTIP 2017:7	October 15, 2018	October 15, 2025	65.47	142.68	50.90%	94,006	7.03%
Co-worker LTIP 2018:1	October 15, 2018	October 15, 2025	65.47	142.68	50.90%	80,994	7.03%

* Since the fair values of the "Founder Option Program" and "Employee Option Program 2012/2019" were very low (insignificant) upon the issue of the programs to the recipients, no amounts were recognized in the income statement or under equity during the vesting period.

Calculation of fair value of share award programs (Board LTIP 2017 and 2018)

The fair value on the allotment date 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 grant date).

	Allotment date	Maturity date	Fair value upon issue of the share award program, SEK	No. of shares covered by the share award program	Vested
Board LTIP 2017	May 18, 2017	November 30, 2020	42.88	23,200	65.04%
Board LTIP 2018	May 18, 2018	May 31, 2021	43.28	33,931	35.65%

Note 25 Related-party transactions

Related parties are defined as individuals with holdings of more than 10 percent, members of the Group's senior management, meaning the Board and senior executives, as well as their immediate family members. 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.

In addition to Board fees, Chairman of the Board, Alan Hulme, has received consulting fees as presented below. The consultancy agreement with Alan Hulme, via the company TechGen Corporate Development Ltd, comprised consulting fees for services rendered, which historically refers to active participation in project development, primarily through advisory services in conjunction with capital raising rounds. In accordance with the agreement between the parties, this agreement was terminated in conjunction with the company's listing on February 22, 2017.

	Group		Parent Company	
Purchase of services:	**Dec 31, 2018**	**Dec 31, 2017**	**Dec 31, 2018**	**Dec 31, 2017**
TechGen International Ltd (owned by Alan Hulme, Chairman of the Board)	–	180	–	180
Purchase of services from subsidiaries	–	–	**4,381**	–
Total	–	**180**	**4,381**	**180**

	Employee Option Program 2012/2019		Employee Option Program 2016/2023:2		Co-worker LTIP 2017:1		Co-worker LTIP 2017:2		Co-worker LTIP 2017:3		Co-worker LTIP 2017:4		Co-worker LTIP 2017:6	
Recognition of allotted options issued through the company's incentive programs to related parties at December 31, 2018	**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	805,500	100%	157,500	85.6%	181,000	54.0%			23,190	28.6%				
Chairman of the Board (until May 2018) Alan Hulme	85,500	100%												
Board member Ulf Jungnelius	44,100	100%												
Board member Olof Tydén	44,100	100%												
Other members of senior management	153,900	100%	64,800	85.6%	411,000	54.0%	131,000	41.2%	94,253	28.6%	200,000	15.7%	200,000	8.3%
Total	**1,133,100**		**222,300**		**592,000**		**131,000**		**117,443**		**200,000**		**200,000**	

	Board LTIP 2017		Board LTIP 2018	
Recognition of granted share awards issued through the company's performance-based incentive programs to related parties at December 31, 2018	**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 (as of May 18)	–	–	13,051	15.3%
Chairman of the Board Alan Hulme	3,867	100.0%	–	–
Board member Luigi Costa	1,933	100.0%	–	–
Board member Cecilia Daun Wennborg	5,800	53.4%	5,220	15.3%
Board member Ulf Jungnelius	5,800	53.4%	5,220	15.3%
Board member Olof Tydén	5,800	53.4%	5,220	15.3%
Board member Brian Stuglik	–	–	5,220	15.3%
Total	**23,200**		**33,931**	

Note 26 Pledged assets

	Group		Parent Company	
	Dec 31, 2018	**Dec 31, 2017**	**Dec 31, 2018**	**Dec 31, 2017**
Shares of LFF Service AB	1	1	1	1
Bank guarantees paid	850	50	850	50
Total	**851**	**51**	**851**	**51**

Note 27 Contingent liabilities

The Group and Parent Company had no contingent liabilities at December 31, 2018.

Note 28 Events after the end of the reporting period

In January 2019, a private placement of 4,750,000 shares was carried out at a subscription price of SEK 115 per share, in accordance with the authorization by the 2018 AGM. The share issue raised SEK 546.2 M before issue costs of SEK 31.4 M.

In April, a delay in patient recruitment was communicated with respect to the pivotal phase 3 study OCEAN. The company's new guidance is that the last patient entering the study will be during Q1 2020. This corresponds to a delay of 6 to 9 months compared to the timelines previously communicated.

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 25, 2019

Per Wold-Olsen *Chairman of the Board*	Jakob Lindberg *CEO*	Olof Tydén *Board member*
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 25, 2019.
PricewaterhouseCoopers AB

Magnus Lagerberg
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Oncopeptides AB, 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 for the financial year 2018 with the exception of the Corporate Governance Report on pages 37-43. The annual accounts and consolidated accounts of the company are included on pages 33-66 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the Corporate Governance Report on pages 37-43. 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 consolidated statement of comprehensive income and the consolidated statement of the financial position, as well as the income statement and balance sheet of the parent company.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report which has been presented to the parent company's and group's Audit Committee in accordance with the Auditor's Ordinance (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 means that, based on our best knowledge and belief, no prohibited services referred to in Article 5.1 of the Auditors Ordinance (537/2014) have been provided to the audited company or, as the case may be, its parent company or its controlled company within the EU.

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

Our audit approach

Focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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.

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 1-32 and 70-74. The Board of Directors and the Managing Director are responsible for this other information.

Key audit matter	How our audit addressed the Key audit matter
Reporting of research and development costs During financial year 2018, costs for the company's operations within research and development amounted to MSEK 322.1 which is equivalent to 80% of Oncopeptides' total operating costs. The majority of these costs refer to the development of the product, Melflufen, and are comprised primarily of external costs for the clinical studies undertaken. In our audit we have focused on these costs as they are, in total, a significant amount and there is a risk as regards the completeness and allocation and correctness as regards these expenses.	Our review of the costs of research and development has included, but is not limited to the following procedures: • Evaluation of the company's procedures and internal controls over financial reporting. • Testing of internal controls for approval and payment of invoices. • Reconciliation and execution of detailed testing against invoice documentation, agreements and other bookclosing documentation. • Analysis of the costs based on our knowledge of the operations and follow-up against internal project reporting. Based on our audit, we have reported no significant observations to the Audit Committee.

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 International Financial Reporting Standards (IFRS) as adopted by the EU, and according to the Annual Accounts Act. 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 Board of Director's Audit Committee shall, without impacting the responsibility and duties of the Board in general, and amongst other things, monitor the company's financial reporting.

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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditor's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

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 for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appro-

priated 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 things, shall take those measures necessary to fulfil the company's accounting in accordance with the legal requirements in place, as well as managing the assets of the company in a satisfactory 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.
A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditor's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 37-43. 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.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed to serve as auditor of Oncopeptides AB by the meeting of shareholders held on May 17, 2018 and has been the company's auditors since June 28, 2016.

Stockholm, April 25, 2019

PricewaterhouseCoopers AB
Magnus Lagerberg
Authorised Public Accountant

Board of Directors

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

Per has a extensive experience in the pharmaceutical industry and has held many different positions within Merck & CO Inc.. He served in Merck's management team between 1994-2006. Since 2006 Per has served on several boards i ncluding Lundbeck, Pharmaset and Royal Dutch Numico. Per holds a MBA. in Economics and Administration from Handelshøyskolen BI and a 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: 49,317 shares and 13,051 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
PhD, Board member. Appointed in 2008.

In addition to being a Board member of Oncopeptides, Jonas is an Investment Director at Industrifonden, a leading Nordic venture capital fund.

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: None

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. Appointed 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, inter alia 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 in 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 11,020 share awards**

Other current positions: Board member of Getinge AB, Bravida Holding AB, ICA Gruppen AB, Loomis AB, Hoist Finance 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. Appointed 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, Jennifer built the Regulatory Affairs and Quality functions.

Prior to TESARO, Jennifer was Senior Vice President, Regulatory Affairs at Cubist Pharmaceuticals as well as various 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: 2,170 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. Appointed 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: 7,850 ordinary shares, 49 employee options* and 11,020 share awards**

Other current positions: Director of Biovica International AB, Isofol Medical AB, Monocl AB, Noxxon AG and HealthCom GmbH.

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

PER SAMUELSSON
MSc, Board member. Appointed 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 and initial public offerings.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: None

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 of HealthCap.

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

Brian has a long and broad experience in the pharmaceutical industry. He worked for 30 years in different positions within the pharmaceutical company Eli Lilly, both with American 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 holds a Bachelor of Pharmacy from Purdue University, US.

Born: 1959

Holdings in Oncopeptides: 5,220 share awards**

Other current positions: Brian is the founder of, and since 2016 runs, ProventusHealth Care Solutions LLC. He is a member of the American Society of Clinical Oncology, the American Association for Cancer Research and the International Association for Lung Cancer Studies. Brian is also a board member and chairman of the Remuneration Committee for Verastem Inc.

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

OLOF TYDÉN
MD, PhD, Board member. Appointed in 2014.

In addition to being a Board member of Oncopeptides, Olof is a Partner at Eureda, an international pharmaceutical consulting firm.

Olof has previously held positions as Medical Director at Leo Pharmaceuticals and Kabi-Vitrum (now Pfizer) and Program Director at the Medical Products Agency in Sweden. For six years, Olaf was Senior Regulatory Adviser at Hoffman-La Roche with responsibility for EU strategies, knowledge management and training. In 2000, he founded Eureda, a strategic regulatory consultancy. Olof has also served as an expert to the European Commission in Health Telematics and has been a member of the Board of life sciences companies Bioxell SpA, Aprea AB, Cantargia AB and Ximmune AB.

Olof holds a PhD from Uppsala University and an associate professorship in obstetrics and gynecology from Uppsala University.

Born: 1947

Holdings in Oncopeptides: 1,000 ordinary shares, 49 employee options* and 11,020 share awards**

Other current positions: Director of Eureda AB. Deputy Board member of Uppsala Medical Information AB.

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 awards entitles to one share in accordance with existing terms.

Management

JAKOB LINDBERG
Med Lic, Chief Executive Officer 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 at Merrill Lynch & Co and 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:
235,409 shares (220,109 directly owned, 15,300 indirectly owned through Lindberg Life-Science AB), 1,070 employee options* and 204,190 options**.

Other current positions:
Director of Affibody Medical AB, Atlas Antibodies AB, Lindberg Life-Science AB and Oncopeptides Incentive AB. CEO of Lindberg Life-Science AB.

ANDERS MARTIN-LÖF
MSc, MBA, Chief Financial Officer 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, Cell Network and as co-founder and CEO of 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:
3,000 shares and 200,000 options**.

Other current positions:
Board member of Cantargia AB and Lisa Martin-Löf Konsultbyrå AB (deputy).

BENGT GUSTAVSSON
Dr Med Sci, MSc Pharm, Head of Medical Relations since 2017.

In addition to his role as Head of Medical Relations at Oncopeptides, Bengt also runs his own consultancy company Sangus Jazz AB.

Previous positions Bengt has held include Nordic Medical Director at Celgene AB and at Novartis Oncology, and Nordic Clinical Research Director at Sanofi-Aventis.

Bengt holds a Master of Science in Pharmacy and is Doctor of Medical Science (Pathology) from Uppsala University. He also holds an EUCOR/ECPM-exam in Pharmaceutical Medicine from the EUCOR-universities in Basel, Freiburg and Strasbourg.

Born:1962

Holdings in Oncopeptides:
600 shares and 102,595 options**.

Other current positions:
Chairman and CEO of Sangus Jazz AB. Board Director of NanexaAB, adviser to Scandinavian CRO AB.

CHRISTIAN JACQUES
MD, MSc, EVP Clinical Strategy and Chief Scientific Officer since 2018.

In addition to being EVP Clinical Strategy and CSO of Oncopeptides, Christian is Chief Scientific Officer at Pharma Biotech Consultants.

Christian has previously held roles at a number of life sciences companies including as Vice President Clinical Development at 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 for Revlimid. Christian also held roles at Novartis, Johnson & Johnson and Aventis, all within Oncology.

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

Christian holds an MD degree and Internal Medicine degree from Université Catholique de Louvain, Belgium. Christian has been a hospital practitioner for 10 years.

Born: 1956
Holdings in Oncopeptides: 200,000 options**

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

ELISABETH AUGUSTSSON
MSc, Head of Regulatory Affairs since 2015.

In addition to being Head of Regulatory Affairs of Oncopeptides, Elisabeth is the CEO and Founder of Restracom, which provides consulting services to pharmaceutical companies in the area of regulatory strategies and communication with regulatory authorities.

Elisabeth has previously held roles at a number of life science companies, including Pharmcia & Upjohn, Medivir AB, Biovitrum AB, Karo Bio AB and Alexion AB.

Elisabeth holds an MSc Pharm from Uppsala University.

Born: 1965

Holdings in Oncopeptides: 72,117 options**.

Other current positions:
Chairman of the Board and CEO of Restracom AB.

EVA NORDSTRÖM
MSc Pharm, Vice President, Head of Clinical Development since 2012.

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:
150,200 shares, 33 employee options* and 102,595 options**.

Other current positions: Deputy Board member of Utilica AB.

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

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 Gothenburg University.

Born: 1976

Holdings in Oncopeptides:
1,000 shares (indirectly owned through OT Lehmann Holding AB), 50 employee options* and 72,117 options**.

Other current positions:
Director and CEO of OT Pharmaceuticals AB. Board member of OT Lehmann Holding AB and Chairman of the Board of Synartro AB.

JOHAN HARMENBERG
MD, PhD, Associate Prof, Chief Medical Officer since 2012.

Johan has previously held roles at a number of life sciences companies including as CEO for Axelar AB and Akinion AB, Chief Medical Officer at Algeta AB, Vice President Development for Medivir AB and Global Medical Director for Pharmacia Upjohn.

He is the author of over 100 publications for a range of scientific journals.

Johan holds a PhD and MD from the Karolinska Institute in Stockholm, Sweden. He is also Associate Professor (Docent) at the same institution.

Born: 1954

Holdings in Oncopeptides:
5,000 shares, 160 employee options* and 72,117 options**.

Other current positions:
Chairman of Gungner Medical AB, KarSar Fastigheter AB and Sarak Fastigheter AB.

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 the Executive Vice President of Sales and Marketing at Pharmacyclics where she did build a team and launched their first commercial product, Imbruvica that has become a multi-billion dollar asset. She has also held positions at Novartis, Amgen and Pharmacia with growing responsibility in both sales, brand management, country and regional leadership roles; Novartis as Executive Director a leader and executer for a global launch of flagship product Glivec/Gleevec (imatinib) with $6Billon global sales.

Before joining Oncopeptides she worked as independent consult and has supported several companies in building their commercial markets that have led to successful launch, fundraising, desired acquisitions and licensing agreements.

Paula has nursing degree.

Born: 1958

Holdings in Oncopeptides:
102,595 options**.

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

REIN PIIR
BSc, Head of Investor Relations since 2016.

Previous roles Rein has held include Head of Strategy at Alecta AB and Head of Analysis at Carnegie Investment Bank AB as well as Chief Financial Officer and Head of Investor Relations at Medivir AB. Rein also worked for several years at the international account anting firm PricewaterhouseCoopers.

Rein currently holds directorship at the Swedish life sciences company Integrative Research Laboratories Sweden.

Rein Piir holds a BSc in business administration and management from Uppsala University, Sweden.

Born: 1958

Holdings in Oncopeptides:
2,500 shares (indirectly owned through Piir & Partner AB) and 72,117 options**.

Other current positions:
Chairman and CEO of Piir & Partner AB.

Board member of Integrative-Research Laboratories Sweden AB and L. E. Svensson Snickeri AB and assisted in investor relations work at the life science company Camurus AB.

THOMAS BRADLEY
MD, PhD, Head of Pharmacovigilance since 2018.

In addition to being Head of Pharmacovigilance at Oncopeptides AB, Thomas is an independent consultant in pharmacovigilance and drug safety.

Thomas has previously held positions in pharmacovigilance and drug safety at the Medical Products Agency in Sweden and a number of bioscience companies, including Pharmacia & Upjohn, Parke-Davis, Pfizer, Inc., MedImmune Vaccines, Inc. and Telik, Inc.

Thomas holds a PhD and MD from the Karolinska Institute in Stockholm, Sweden.

Born: 1954

Holdings in Oncopeptides:
51,595 options**.

Other current positions: Member of Board of Directors (Governing Board) of the foundation WHO Collaborating Centre for International Drug Monitoring, Board member of the NEPI (Network for pharmacoepidemiology) Foundation, Director of Bradley Konsult AB. Consultant at Karolinska University Hospital.

* 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 2019 AGM

Oncopeptides' AGM will be held on Tuesday, May 21, 2019 at 2:00 p.m. at Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm, Sweden. Coffee will be served starting at 1:00 p.m., at which time the registration for attendees will commence.

Shareholders who wish to participate must be listed in the share register maintained by Euroclear Sweden AB by not later than May 15, 2019.

Notification

Notification of intention to attend the AGM must be made by no later than Wednesday, May 15, 2019.

The notification is to be made in writing to Oncopeptides AB (publ), Luntmakargatan 46, SE-111 37 Stockholm, Sweden, or by e-mail to adrienne.martin-lof@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 about any 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 15, 2019, 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 2018 Annual Report will be sent to anyone who so requests and is always available for download from oncopetides.se.

Calendar

May 21, 2019	Q1 interim report
May 21, 2019	AGM
August 28, 2019	Q2 interim report
November 19, 2019	Q3 interim report
February 20, 2020	Year-end report

Contact details

Oncopeptides AB
Street address and postal address:
Luntmakargatan 46,
SE-111 37 Stockholm, Sweden
Registered office:
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SE-111 53 Stockholm, Sweden
Telephone: +46 (0)8-615 20 40
E-mail: info@oncopeptides.com
Website: oncopeptides.com

Nomenclature

International non-proprietary name (INN)
Melphalan flufenamide

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

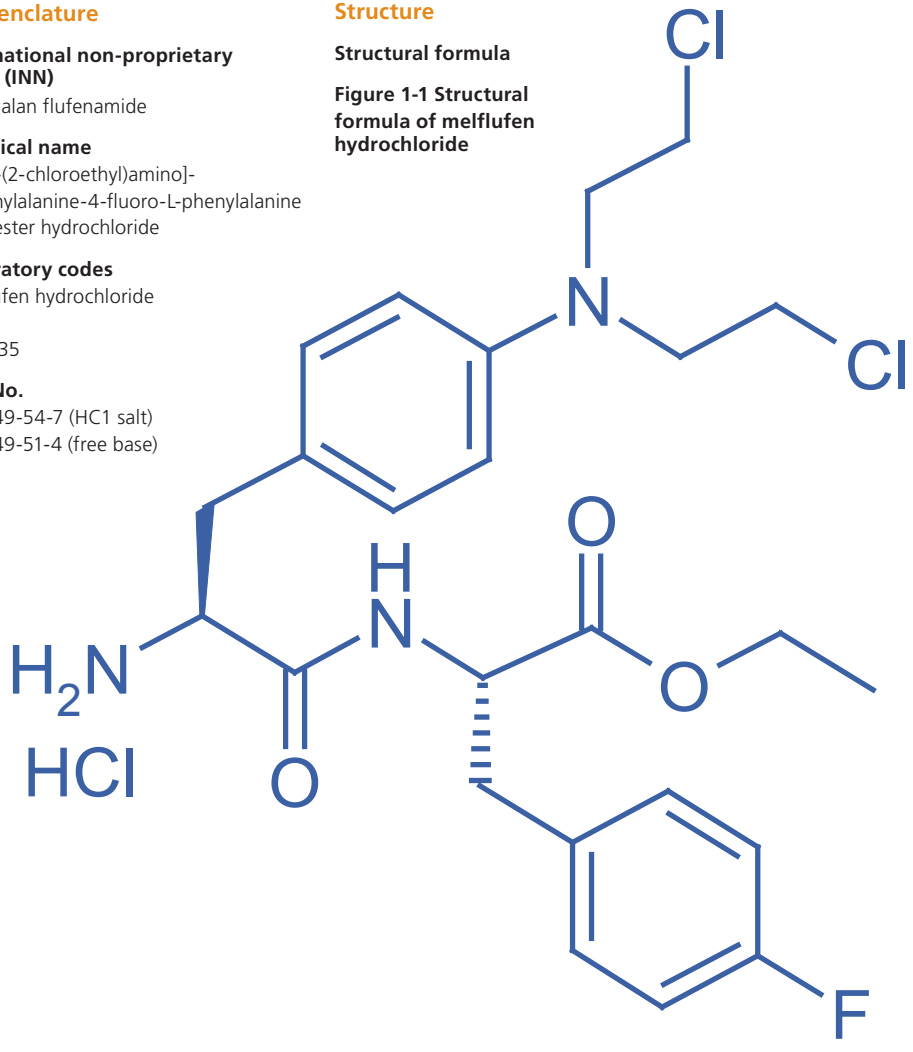
Laboratory codes
Melflufen hydrochloride
J1
CK 1535

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

Structure

Structural formula

Figure 1-1 Structural formula of melflufen hydrochloride

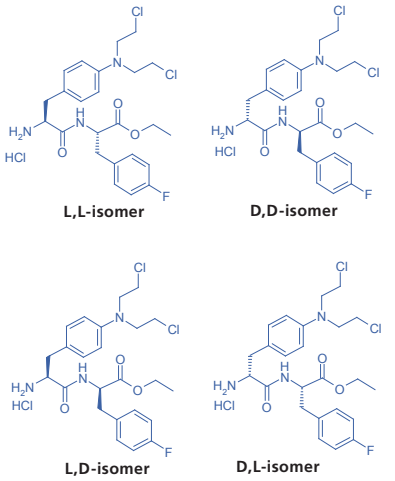


Molecular formula
C24 CH31C13FN3O3 (HC1 salt)

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



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.

oncopeptides

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