oncopeptides

ANNUAL REPORT 2017

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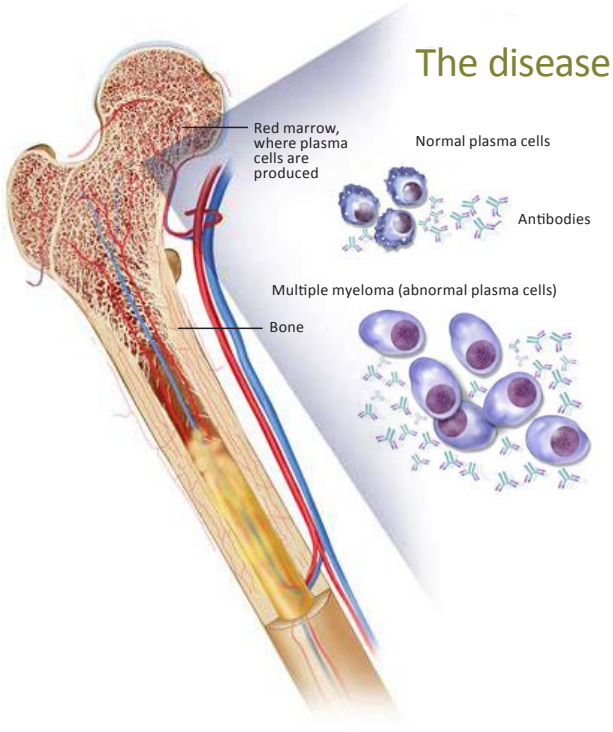
The disease multiple myeloma



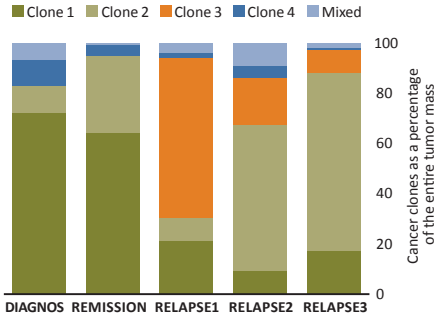
57,000
People are diagnosed each year in the US and Europe

5 YEAR
Expected survival with multiple myeloma

69 YEAR
Average age at diagnosis

Since different clones respond differently to therapy, a patient's cancer profile changes radically from diagnosis to later phases of the disease. Read more on page 16.

Cancer that changes radically during treatment



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

MODALITY	PHARMACEUTICAL DRUGS	GROWTH IN TREATED PATIENTS IN THE US, 2016/2017	% SHARE OF TREATED PATIENTS IN THE US, 2017
Broad-spectrum agents			
Alkylating agent	Bendamustine, cyclophosphamide and melphalan	+6% (2016, 2017)	88%
IMiDs	Lenalidomide, pomalidomide and thalidomide		
Proteasome inhibitors	Bortezomib, carfilzomib and ixazomib		
Targeted agents			
Anti-CD38	Daratumumab	+86% (2016, 2017)	16%
Anti-SLAMF7	Elotuzumab		

*Note: Steroids are excluded from the analysis.
Source: Annual Reports, Global Data, internal analysis and IntrinsiQ.

Disease progression

Newly diagnosed › Relapsed › Relapsed refractory › Late-stage relapsed refractory

ANCHOR

Lenalidomide, bortezomib, carfilzomib and daratumumab

Most frequently treatment is with two combined drugs in conjunction with diagnosis, and thereafter, usually one drug at a time.

Nearly half of the patients undergo a bone-marrow transplant as treatment.

TUMOR GROWTH IN CONNECTION WITH TREATMENT

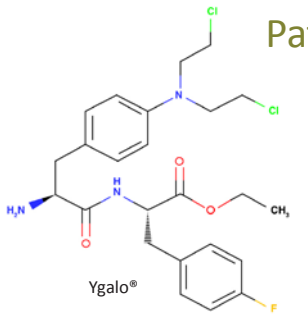
OCEAN HORIZON

Pomalidomide and clinical investigational medical products

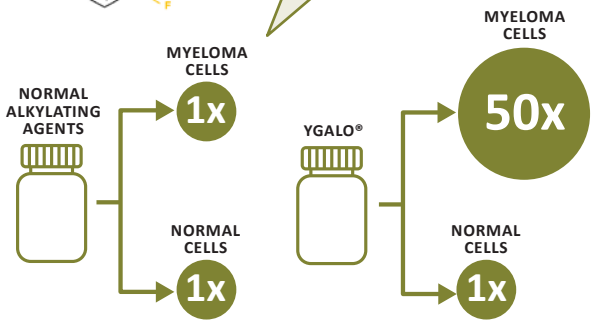
Most frequently treatment with one drug at a time.

There is no direct correlation to 'when' for each of these segments. The time-line depends on the individual patient's response to treatment. Read more on page 18.

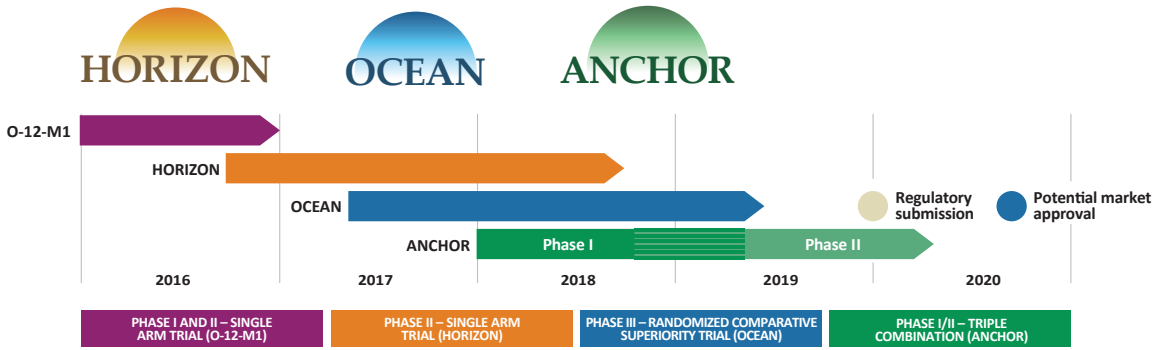
Patient segments and treatment



Preclinical trials indicate that Ygalo® kills cancer cells 50 times more effectively than similar drugs of the same class. Read more on page 13.



Oncopeptides ongoing clinical trials



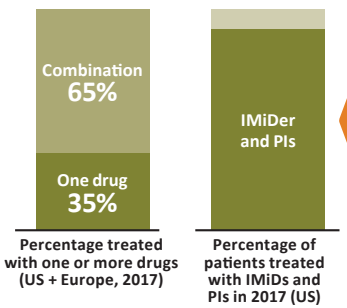
Late-stage relapsed refractory

TREATMENT	ORR	CBR	MEDIAN PFS	MEDIAN DOR	MEDIAN OS
Pomalidomid + dexametason	24%	ER	3.6 months	7.0 months	12.4 months
Ygalo® + dexametason	31%	49%	5.7 months	8.8 months	20.7 months

Note: NR= Not reported. Ygalo® does not have market approval. Source: Various clinical sources

Oncopeptide's clinical studies are conducted at nearly 100 hospitals in Europe, the United States and Israel. This is done in cooperation with various CRO companies. Read more on page 6.

Newly diagnosed or relapsed patients

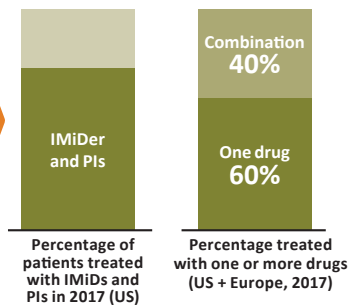


ANCHOR enables adoption as the standard after usage of leading IMiDs and PIs.

Ygalo®

Relapsed, refractory and late-stage patients

OCEAN, HORIZON and ANCHOR, these clinical trials address the majority of the RRMM market.



Source: IntrinsinQ 2017

Year in brief

In 2017, Oncopeptides began its first year as a public company following the listing on Nasdaq Stockholm on February 22. During the year, the company reported both the initiation of and the conclusion of clinical trials.

Interest from the media, analysts and investors gradually increased during the year as significant advances were made in the development of Ygalo®. Since March, the company has participated in a dozen investor conferences throughout the Nordic region, Europe and the US.

The results of the clinical trials in late-stage multiple myeloma patients have generated considerable interest at various scientific conferences. The final results of the company's phase II trial (O-12-M1) were presented at the annual conference of the American Society of Hematology (ASH) in Atlanta in the USA. This final data was an improvement over the previously reported data indicating an increased probability for a positive outcome in the ongoing pivotal phase III trial OCEAN.

Oncopeptides announced the following milestones during the year januari

January: in January 2017, while the company was still privately held, it was announced that the first patient was dosed in the HORIZON phase II trial in patients with late-stage multiple myeloma that is resistant to the drugs daratumumab and/or pomalidomide.

February: Oncopeptides' Board of Directors published plans for the company's IPO on Nasdaq Stockholm. On February 22, 2017 trading on Nasdaq Stockholm commenced.

March: in March, it was announced that additional patent protection had been granted for Ygalo® in Europe providing protection up until 2032.

June: the first patient was dosed in the pivotal phase III trial OCEAN.

December: the company presented interim data from HORIZON, its ongoing phase II trial with Ygalo®, at the American Society of Hematology (ASH) conference in Atlanta in the US. Also, the final survival data from Oncopeptides' phase II trial O-12-M1 with Ygalo® was presented at the conference.

For a detailed summary of the news announced in 2017, visit Oncopeptides' website.

The road ahead

Oncopeptides' primary strategic intent is to develop and commercialize products stand-alone, in both Europe and North America, and thereby maximize shareholder value. We are open to discussions with potential partners under the condition that the partnership generates greater value for Oncopeptides' shareholders in comparison with conducting sales independently as a company.

Oncopeptides' strategic objective – assuming a favorable outcome to the pivotal study OCEAN – is by 2020 to have become a company marketing approved drugs for the treatment of late-stage myeloma in both the US and Europe. To position for this outcome, Oncopeptides will in the intervening period and in a stepwise manner expand its organization in Europe and the US. At that point in time, we will also have initiated a clinical trial treating myeloma patients with Ygalo® in the earlier stages of the disease. In addition, our objective is to initiate clinical trials to investigate the activity of Ygalo® in other forms of cancer besides multiple myeloma, and to potentially initiate clinical trials with an additional molecule in the field of hematological cancer.

This objective will also govern operations over the intermediate term with the following near term goals for 2018:

- To secure satisfactory patient recruitment for the OCEAN phase III trial to position for marketing authorization application in the US (NDA) and in Europe by early 2020.
- To lay the foundation for medical relations and commercial functions, in both Europe and the US in order to be prepared for the clinical trial results from OCEAN in 2019 to ensure that the organizational build-up will not hold back the planned launch in 2020.
- To plan additional clinical trials in multiple myeloma to enable the treatment of myeloma patients at an earlier stage than patients treated in OCEAN.
- To plan and where possible to initiate the first clinical trials with Ygalo® in the treatment of other forms of cancer than myeloma.

CEO statement

2017 was an intense and successful year. Positive outcome data from clinical trials, initiation of our pivotal trial, the listing of the company's shares on the stock exchange and starting to build our own global marketing organization.

We secured financing for the pivotal phase III trial OCEAN through the public listing. This global; trial is currently recruiting and treating myeloma patients at nearly 100 hospitals across Europe, the US and Israel. We started to build up medical relations and commercial functions through the recruitment of several key employees in both Europe and the US. Our plans are focused on ensuring the submission for marketing approval with subsequent stand-alone launch of Ygalo® in both Europe and the US under the assumption of a positive outcome of the phase III trial in 2019.

We are thankful to all our shareholders for their support in making this journey possible and will continue with our best endeavors throughout 2018 and beyond to further develop the company. We hope to continue to deliver the same value creation in 2018, as we did in 2017.

Myeloma is a cancer with poor survival prognosis and no cure – the number of late-stage patients is increasing significantly

Although the overall survival rate of myeloma patients is continuing to improve, there is still no available cure – not even at the horizon. Paradoxically, as the overall survival rate improves, the population of patients with late-stage myeloma increases significantly, due to greater numbers of patients surviving earlier lines of therapy compared to the past. In 2017, 40% more late-stage patients were treated in the US compared with 2016, despite an increase of barely 1% in the number of newly diagnosed myeloma patients. It is this fast growing patient population that we are hoping to help with Ygalo® in our pivotal trial.

Myeloma is mainly treated with broad-spectrum agents – of which Ygalo® is one

For the treatment of cancer, drugs with differing modes of action are usually cycled in order to impede the tumor from becoming treatment resistant. It is this treatment position that we are aiming for with Ygalo® in treating myeloma patients suffering from rapid cancer growth while undergoing treatment (OCEAN). Currently, the most common treatment for late-stage patients is the IMiD pomalidomide which shares mode of action with lenalidomide. Lenalidomide is the most common drug overall in the treatment of myeloma.

"The final data is strong in comparison with other drugs in clinical trials in the same patient population. Ygalo® shows best-in class life expectancy in patients suffering from rapid tumor growth while on treatment.

Drugs belonging to the proteasome inhibitor and IMiD classes (such as pomalidomide and lenalidomide) are administered in roughly nine out of ten of all the myeloma therapies in the US, sometimes in combination with each other and sometimes together with an alkylator or together with an antibody. However, the majority of patients are treated with only one drug at a time (with or without a steroid).

New antibody based treatments, such as daratumumab, are sometimes given as a single drug in a final attempt to help patients. In the earlier phases of the disease, antibodies are nearly always administered in combination with broad-spectrum agents. The reason for this is that we lack good target proteins that are present on all myeloma cells (antibodies bind to such target proteins). In other words, unlike broad-spectrum agents, an antibody drug does not treat all myeloma cells. Consequently, Ygalo® does not directly compete with antibody drugs, but almost exclusively with other broad-spectrum agents. In the OCEAN trial, Ygalo® is being directly compared with pomalidomide – the fourth largest broad-spectrum alternative for the treatment of myeloma patients.

The patients whom we aim to help with Ygalo® are myeloma patients that have previously been treated with a proteasome inhibitor and an IMiD. In the US, this usually occurs in the first line of treatment following diagnosis. At present, patients undergo re-treatment with IMiDs and proteasome inhibitors, despite the rule of thumb in tumor biology that mode of action should be cycled to impede the development of treatment resistance. With OCEAN, our aim is to prove that a doctor should switch from a proteasome inhibitor and IMiDs when the patient is suffering from rapid tumor growth. Pomalidomide is currently the leader in this market, with annual sales of 1.6 billion USD. After the results from OCEAN in 2019, our next step will be to conduct additional studies to prove that patients should be treated with Ygalo® immediately following exposure to proteasome inhibitors and IMiDs – meaning prior to the patient suffering any rapid tumor growth while on treatment – for the best outcome (potentially in combination with antibody therapy). Each year a total of 57,000 patients are diagnosed in the US and Europe representing a total myeloma market size of more than 14 billion USD.

With increasing clinical data the possible role for Ygalo® in helping patients with myeloma becomes clearer

In December 2017, we reported the final data from our phase II trial, including long-term follow-up and consequently survival data from the patients. The final data is strong in comparison with other drugs in clinical trials in the same patient population. Ygalo® shows best-in class life expectancy in patients suffering from rapid tumor growth while on treatment. In addition, patients showed few of the side effects associated with a negative impact on quality of life, which are common with other drugs. The target-oriented profile of Ygalo® seemingly has benefits with regard to both efficacy as well as side effect profile. The data was positively received by the medical community assembled at ASH, Atlanta, US.

We also presented the initial results, known as interim results, from the HORIZON trial where the patients in addition to rapid tumor growth while on therapy have also ceased to respond to therapy with pomalidomide and/or daratumumab. The interim results were very encouraging, and we hope to be able to provide more information about the results of HORIZON in 2018, after following the patients for a longer period of time.

Preparations for launch in 2020

The launch of a new drug requires extensive preparatory work involving various aspects such as the functions that manage health economics, pricing and scientific information/communication. We have commenced all such work, and activity levels will increase throughout 2018 and beyond. The Company's organization in Europe is based around our office in Stockholm, Sweden, while our North American presence is based outside San Francisco.

In 2018, considerable emphasis is placed on patient recruitment for OCEAN, which requires a strict focus in order to achieve our goal of launching Ygalo® in 2020. We will also work to continue to build our organization in preparation for the standalone product launch in both the US and Europe. We look forward to an exciting and stimulating 2018 in pursuit of these goals.

I would like to thank our co-workers and partners for their hard work during the year as well as the dedicated physicians who have worked with us, enabling patients to receive treatment with Ygalo®.

Sincerely,
Jakob Lindberg, CEO of Oncopeptides

Partners

As a company, Oncopeptides works with many different partners and a range of consultants to conduct global clinical trials and manufacture high-quality pharmaceuticals.

The company has engaged world-leading experts and physicians in the field of multiple myeloma to act as consultants on ongoing operational and strategic issues with respect to clinical development, medical and regulatory matters, and commercial issues. In addition to such specialists in technical and business-critical areas, Oncopeptides outsources standardized parts of clinical and pharmaceutical development to carefully selected CDMOs and CROs (see glossary).

Oncopeptides is presently working with a handful of different CROs that have been contracted to conduct the three ongoing clinical trials OCEAN, HORIZON and ANCHOR. These trials are presently being carried out at nearly 100 hospitals across Europe, the US and Israel. PSI, Precision and PRA Health Sciences Inc are three of the CROs conducting our clinical trials.

Crucial factors in the selection of CROs include familiarity with the geographic regions in which we operate and relationships with the physicians participating in the trials as well as in-depth expertise in the field of cancer, and specifically, multiple myeloma.

Oncopeptides has engaged well-established, first-rate partners to manufacture the active pharmaceutical ingredient (API) and the drug product (DP). Since the API is particularly potent by nature and the DP consists of a freeze-dried powder with high specifications, Oncopeptides utilizes the long-standing expertise of its selected suppliers.

The trials are presently being carried out in USA, Sweden, Belgium, Czech Republic, Denmark, France, Greece, Israel, Italy, Netherlands, Norway, Poland, Spain, UK and Hungary.

The CDMOs engaged by the company include Magle Chemoswed and Cenexi.

The API is produced by Magle Chemoswede in Malmö, Sweden. The company has produced materials for the current clinical trials and will also partner with Oncopeptides for future commercial production.

The DP for clinical trials and future commercial production is manufactured in Cenexi's facility in Belgium. To ensure the long-term supply of DP, additional manufacturers such as Oncotec Pharma Production in Germany will also produce the DP for commercial use.

Due to the drug's exceptional potency, careful safety work is required so as not to subject personnel to any risk of exposure during the manufacturing process.

Co-workers

At the close of 2017, Oncopeptides had 27 co-workers (employees and consultants) with key competences in pharmaceutical development, who collectively cover all aspects relevant to the development of Ygalo®.

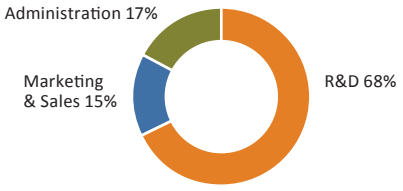
For a small company such as Oncopeptides, co-worker expertise is a key factor in the ability to develop the company's assets successfully. Most of the Oncopeptides' co-workers are involved in the clinical development of Ygalo®. Administration and business support functions comprise only a small portion of the work force.

Oncopeptides is currently undergoing rapid change, with significant organizational build-up expected in both Sweden and the US in 2018. (Read more about this under "The road forward" on page 3).

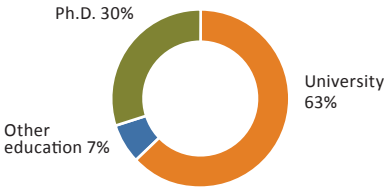
All of the company's employees have broad and in-depth knowledge related to their respective roles and functions. The company has successfully attracted co-workers with extensive experience in pharmaceutical development such as regulatory and clinical operations. A similar strong expertise platform is also under formation for commercialization and medical relations, with individuals for the leading roles now in place. Assuming positive outcome from the ongoing trials, the next step will be to establish sales organizations in Europe and the US, commencing when the OCEAN data is available.

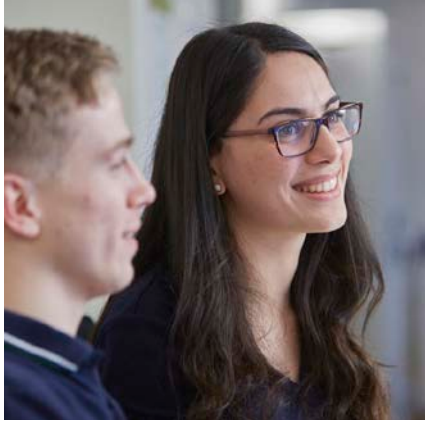
In a growing company with operations in several countries, having a clear goal is a crucial factor for success. Our goal is to be ready to launch Ygalo® as a stand-alone company in 2020, provided we achieve positive clinical results with subsequent approval. The company's goal plays an important role in the recruitment process and is a governing parameter for system and skill development. Working at Oncopeptides means working in a small, entrepreneurial organization undergoing rapid change.

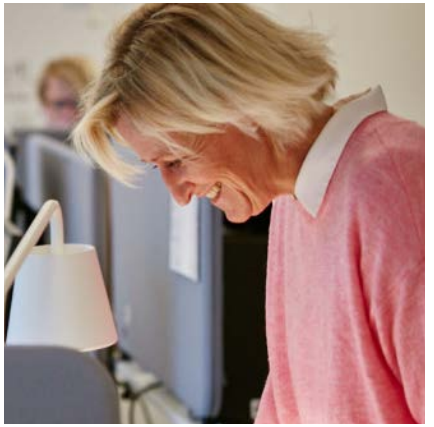
Personnel distribution



Level of education







Co-worker portraits

The company has broad and in-depth competences among its co-workers. The following are some of our co-workers stories.

EVA NORDSTRÖM

What is your role at Oncopeptides?

I'm the VP, Head of Clinical Development, which means I am responsible for all our clinical trials on patients, from the design of the trials to implementation and debriefing. At present, we have three ongoing trials and one recently completed trial that was conducted in 14 countries worldwide. This is stimulating and rewarding work and there is a lot to keep track of. I am assisted by a team of talented colleagues, and we collaborate closely with the CROs that actually conduct the trials at the hospitals. We also have an excellent network of myeloma experts – physicians who are involved in the process in different ways. These individuals are also referred to as KOLs – key opinion leaders – with whom we regularly discuss our data and development plans. Another exciting facet of my work involves traveling to scientific conferences to present our data to physicians. This is where a mutual exchange of information and learning takes place, not only with regard to Ygalo®, but also to other drugs and how they fit together in the treatment regimens of myeloma patients. This work is a crucial strategic component in itself.

What is your background?

I have a pharmacy degree from Uppsala University as well as an Executive MBA from the Stockholm School of Economics. I've been working in the pharmaceutical industry since 1994, mainly as a project manager, responsible for the development of various new drugs against glaucoma, pain, schizophrenia and Alzheimer's disease. I've always worked with global development programs, and have been based in both Sweden and the US. I have experience in all phases of pharmaceutical development and had the privilege of participating in the creation of two drugs all the way through phase III to registration and launch. I've been with Oncopeptides for the past five years and learned a lot about myeloma as a disease and, naturally, am totally committed to the ongoing positive development of Ygalo®.

What are your personal motivations?

For me, it means a lot that we are actually helping patients by improving their quality of life and extending life expectancy. My aunt died of multiple myeloma before we launched our clinical trials, and if I could help someone else's relative to have more time with their family, I would gladly do it! Regardless of the particular disease I've worked with, I have always felt it's important to understand what doctors and patients go through and what they need, so that we can do our best to develop drugs that can help.

PAULA BOULTBEE

What is your role at Oncopeptides?

My formal title is CCO, Chief Commercial Officer, and I have global responsibility for marketing and future sales within the company. I'm responsible for the creation of a global strategy for marketing and sales, together with senior management, and the subsequent implementation of this strategy. A crucial aspect of this is the positioning of Ygalo®, meaning how the product is to be perceived by our future customers, and ensuring that patients in need have access to Ygalo® through their doctors. In today's global pharmaceutical market, the research and results of clinical trials must be translated and transformed into a harmonized message throughout the world, so that prescribing doctors understand how Ygalo® should be administered in their patient therapies, keeping in mind that different countries have different conditions and payment systems.

My task is also to create guidelines for documentation, so that patients throughout the world have access to discount medications through their private insurance coverage or a state-subsidized system as in Sweden.

Eva Nordström and Paula Boultbee

What is your background?

I have extensive experience in the pharmaceutical industry, primarily within marketing and sales for cancer medications. I've been based in the US for the past 20 years, and still am today. We are in the process of establishing an office near San Francisco, which will serve as Oncopeptides' North American base moving forward. I have implemented both global and US drug launches, and contributed to the strategic focus of several pharmaceuticals that are now available throughout the world for patients in need. Most of these products have become blockbusters. Particularly relevant in this context are Camptosar, Gleevec, Imbruvica and Kyprolis.

You could say that I was at the right place at the right time, and was responsible for a couple of product launches within hematology that marked a breakthrough for the treatment of patients suffering from such diseases.

These product launches have provided me with valuable insight. They have demonstrated the importance of having a harmonized message throughout the world and how this helps to increase uptake and global sales. What is most relevant with respect to our upcoming launch of Ygalo® is my experience of having built up a US organization from scratch a few years ago, and my experience of having worked with multiple myeloma products for many years.

What are your personal motivations?

I'm motivated by being part of creating something new. I'm driven by challenges and find tremendous stimulation in the unknown At Oncopeptides, my task is to build a global organization to enable Ygalo® to reach myeloma patients who have a great need for new, improved and more efficacious therapies, in this incurable disease. Right now, we have arrived at an exciting stage with the ongoing OCEAN phase III trial, which will confirm what we have seen in the previous phase II trial, whose data is very good. We also have two smaller trials in HORIZON and ANCHOR, which will have a supporting and positioning role in determining the positioning of Ygalo®. I believe that with Ygalo®, we have excellent potential for success in our clinical development program and thus be able to provide patients with alternatives in the treatment of the disease.

HANAN ZUBAIR

What is your role at Oncopeptides?

I work as a Clinical Data Manager for all of the clinical trials at Oncopeptides.

In my role as a data manager, I use and design the clinical databases together with our CROs and create a plan for specific key analyses that should be performed over the course of the trials. I'm responsible for analyzing and compiling data in line with our internal plans and for preparing applications for both government agencies and conferences.

In the data management department we're also responsible for what we refer to as "sponsor oversight," which means that we perform database controls where our clinical data is stored. We conduct numerous internal analyses, not only to monitor our data as closely as possible, but also to ensure that the data received from our CROs is accurate.

I also work as a project manager for our clinical trial ANCHOR, through which Ygalo® will be tested in combination with two other drugs. In my role as project manager, I'm engaged and proactive in planning the trials and implementing them according to plan.

Hanan Zubair

What is your background?

I have an MSc in Engineering in molecular biotechnology from the University of Uppsala. Since graduation, I've worked in the field of multiple myeloma and have been with Oncopeptides for three years. I've always been passionate about mathematics and, combined with my analytical side, I find it very enjoyable to be working with clinical data. I would describe myself as a motivated and goal-oriented person, and in the past three years, I've attended various conferences, and taken internal and external courses about myeloma, clinical trials, project management and data processing. Professional development is a crucial component of my work, and I make sure I'm always up-to-date on the latest developments.

What are your personal motivations?

When I began working at Oncopeptides, I realized that it wasn't just about pharmaceutical development. It was about changing people's lives. Since I was a child, I've always known that I wanted a job where I could help people. During my time at university, I was particularly interested in oncology. Cancer is a terrible disease and I've always dreamed of joining the fight to eradicate it. I would say that is my greatest motivation: to be a part of improving people's quality of life, and most of all, to be able to give them hope.

First year as a listed company

Oncopeptides was listed on Nasdaq Stockholm as a Mid Cap company on February 22, 2017. The listing attracted considerable interest in the financial press and among investors. Several specialized investors in the sector and renowned Swedish institutions participated in the IPO. Interest was also great among private individuals, and the company currently has some 3,500 shareholders. At the close of 2017, its market capitalization was 3.2 billion SEK, following a rise of 61% in the share price since the IPO.

Interest in Oncopeptides

During the year, the company had numerous interactions with analysts and investors, and interest grew significantly – not only in Sweden, but also in Europe and the US. The IPO helped to place Oncopeptides' Ygalo® on the global map for the treatment of multiple myeloma.

Sustainability

Sustainability and a long-term approach are prerequisites for the development of new pharmaceuticals. Oncopeptides' two largest owners, Stiftelsen Industrifonden and HealthCap, have invested in the company through the years, mainly to develop its leading clinical product candidate, Ygalo®, an innovative peptidase enhanced cytotoxic (PEnC) for the treatment of blood-based cancer diseases, primarily for the treatment of multiple myeloma.

Ygalo® has previously undergone preclinical development and clinical phase I and II trials with good results in terms of both safety and efficacy. These results have not only laid the foundation for the design of the current ongoing registration program, but also formed the basis for financing in conjunction with the IPO in February. The current ongoing clinical trials are supported by regulatory bodies in both the US and Europe.

Strategy

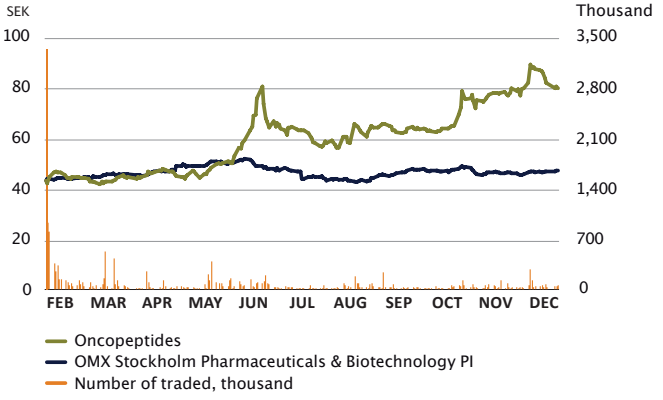
The IPO constituted a vital step in the strategy to finance and implement a broad clinical development program comprising two phase II trials known as HORIZON and ANCHOR, and the pivotal Phase III trial known as OCEAN, which has been ongoing since June 2017.

The IPO contributed approximately 640 MSEK in net proceeds to the company, which is primarily being used to finance the clinical trials until the results are obtained from the OCEAN trial during 2019. In 2017, we designed our commercial strategy in anticipation of a future product launch in the US and Europe upon receiving approval. The commercial strategy will be presented in more detail in 2018.

Share price trend

The Oncopeptides share was listed at 46 SEK. At year-end 2017, the share price was 80 SEK. The highest price paid during the period from February 22 to December 29, 2017 was 96 SEK and the lowest was 41.10 SEK. During the period from February 22 to December 29, 2017, the share price rose 61 percent from its IPO price. At year-end, the market capitalization was 3,184 MSEK, based on a closing price of 80 SEK.

The share



Share data

At December 31, 2017, Oncopeptides had 39,806,021 registered ordinary shares, corresponding to 39,806,021 votes.

Ownership structure

Oncopeptides had 3,488 shareholders at year-end 2017. Of these shareholders, 384 were financial institutions whose shares represented 92.1% of the capital, while the remaining 7.9% was held by private individuals.

Share capital and ownership structure

At year-end, the share capital totaled 4,422,891.25 SEK, distributed between 39,806,021 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 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.

Current analyst coverage

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

Ten largest shareholders at December 31, 2017

SHAREHOLDER	NO. OF SHARES	% OF CAPITAL	% OF VOTES
Stiftelsen Industrifonden	11,620,805	29.2	29.2
Healthcap VI LP	11,406,420	28.7	28.7
Gladiator	2,633,500	6.6	6.6
Fourth National Swedish Pension Fund	1,635,000	4.1	4.1
C WorldWide Asset Management	1,343,727	3.4	3.4
SEB Foundation	1,100,000	2.8	2.8
AMF Insurance and Funds	880,000	2.2	2.2
Swedbank Robur Funds	750,000	1.9	1.9
Handelsbanken Funds	735,287	1.8	1.8
Avanza Pension	524,960	1.3	1.3
Other	7,176,322	18.0	18.0
Total	**39,806,021**	**100**	**100**

Shareholder categories, December 29, 2017

	% OF VOTES	NO. OF SHAREHOLDERS	NO. OF SHARES
Swedish institutions	54.3	157	21,600,734
Foreign institutions	37.8	127	15,060,874
Swedish private individuals	7.6	3181	3,024,593
Foreign private individuals	0.3	23	119,820
Total	**100**	**3,488**	**39,806,021**

Distribution by size class, December 29, 2017

	NO. OF SHAREHOLDERS	NO. OF SHARES	SHARE OF VOTES, %
1 - 500	2,611	454,768	1.14
501 - 1 000	385	315,396	0.79
1 001 - 5 000	351	784,780	1.97
5 001 - 10 000	60	448,285	1.13
10 001 - 15 000	12	151,723	0.38
15 001 - 20 000	12	213,263	0.54
20 001 -	57	37,437,806	94.05

The history of cancer

Tumors were first identified as far back as the time of ancient Egypt. Knowledge increased significantly from the AD 1500s and forward. Surgery, radiation and the use of various classes of broad-spectrum pharmaceuticals (cytotoxic compounds) remain the dominant methods of treatment, and there is considerable demand for new pharmaceuticals.

Tumors were defined as early as 1600 BC.
The earliest source to reference tumors is a papyrus scroll from the Second Intermediate Period of ancient Egypt, ca 1600 BC. It describes a surgical method for the removal of solid tumors. The papyrus scroll is on display today at the New York Academy of Medicine.

Greek and Latin

Hippocrates was the one who created the term "cancer," from the Greek carcinos, which means crab. Hippocrates was convinced that cancer originated from an accumulation of excess black bile in the patient. Treatment consisted of a change in diet, bloodletting and laxatives. The Roman Celsus translated the Greek carcinos to the Latin cancer, while the Greek physician Galen instead used the word oncos, meaning swelling, to describe all tumors. These are the origins of the words "cancer" and "oncology," which we use today.

Autopsy

Up until the Middle Ages, there was little progress in terms of understanding tumors. One of the reasons for this was that autopsies were considered immoral and forbidden in many parts of the world. In the 1500s, opinions regarding autopsies changed and the acquisition of knowledge based on empirical data slowly gained ground allowing new information to be collected once again.

Various forms of tumors began to be identified and new theories were formed about why cancers are formed. For a time researchers were convinced that diseased lymph was the cause of cancer. Later it was assumed that the source of cancer was the cells between the organs. For a time, there was a widespread belief that cancer was contagious. The first cancer clinic in Paris was forced to move from the city in 1779 due to this perceived risk of infection.

Tokyo

Modern cancer research first gained ground in the early 1900s at Tokyo University when Japanese researchers managed to induce cancer in normal cells by exposing them to coal tar. At the same time, researchers began to identify the link between specific infections and the transformation of normal cells into tumors.

The conclusion was that cancer originates in normal cells that, either through external stimuli or randomly, lose control of their cell growth.

Mustard gas

Surgery was employed as a means of treating cancer as far back as ancient Egyptian times. However, the first pharmaceutical was derived from a US military project in the 20th century to study the effects of mustard gas. It was found that soldiers who were exposed to mustard gas would, in addition to developing respiratory problems, suffer significant bone marrow depletion, which sometimes resulted in death.

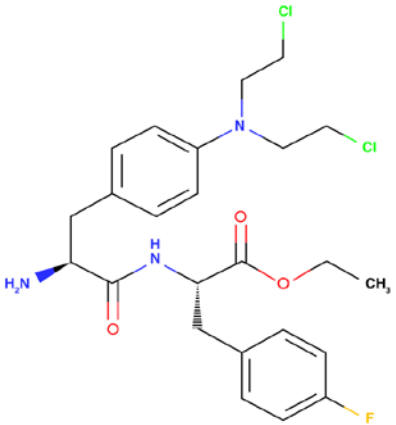
Based on these observations, the US military attempted to develop an odorless mustard gas as a weapon of war, by switching the sulfur found in mustard gas to nitrogen. Fortunately, the molecules functioned poorly as a poison gas but it was discovered through the project that the gas had an impact not only on bone marrow, but also on cancer cells, hair follicles and the gastrointestinal tract. The first patient received experimental treatment by researchers from Yale University as part of the secret military project in 1942. When the secrecy was lifted in 1946 academic centers started to use the first cytotoxic compound for the treatment of tumors. Cytotoxic agents (in this case alkylating agents) were now a matter of fact and modern cytotoxic-based cancer therapies – which remain the backbone of oncology treatments – were born.

New therapies

In the latter half of the 1900s, several new classes of therapies emerged, such as radiation therapy, hormone treatment, antibody-based therapy and immuno-oncology. To this day, surgery, radiation and cytotoxic treatments remain the most common forms of therapy by far.

Ygalo® – a targeted alkylator

Ygalo® is a targeted broad-spectrum agent – an innovative peptidase enhanced cytotoxic (PEnC). Its initial indication is the treatment of multiple myeloma. Ygalo® 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.



Ygalo® is formulated as a freeze-dried powder that is dissolved in an infusion solution locally at each hospital and administered intravenously to the patient for 30 minutes once a month.

Ygalo® is an enhanced alkylating agent and differs significantly in how the molecule is distributed in the body, with a specific distribution to cancer cells compared with other alkylators, and is thus expected to perform with greater efficacy. Preclinical trials indicate that Ygalo® kills cancer cells 50 times more effectively than similar drugs of the same class.

The history behind Ygalo®

In the late 1900s, a group of Swedish researchers at Uppsala University and the Karolinska Institute developed a series of cancer-fighting molecules, including the molecules J1 to J6, based on research on alkylators conducted by Italian scientists in the 1970s. The letter J was an acknowledgment of the contributions of the leading researcher at Uppsala University, Dr. Joachim Gullbo.

J1 was identified as the molecule with the greatest potential to deliver high levels of cancer-fighting molecules to cancer cells, and was later designated by the name melflufen and subsequently the trade name Ygalo®.

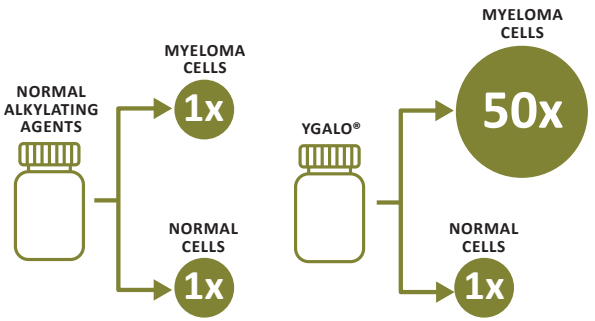
Preclinical development

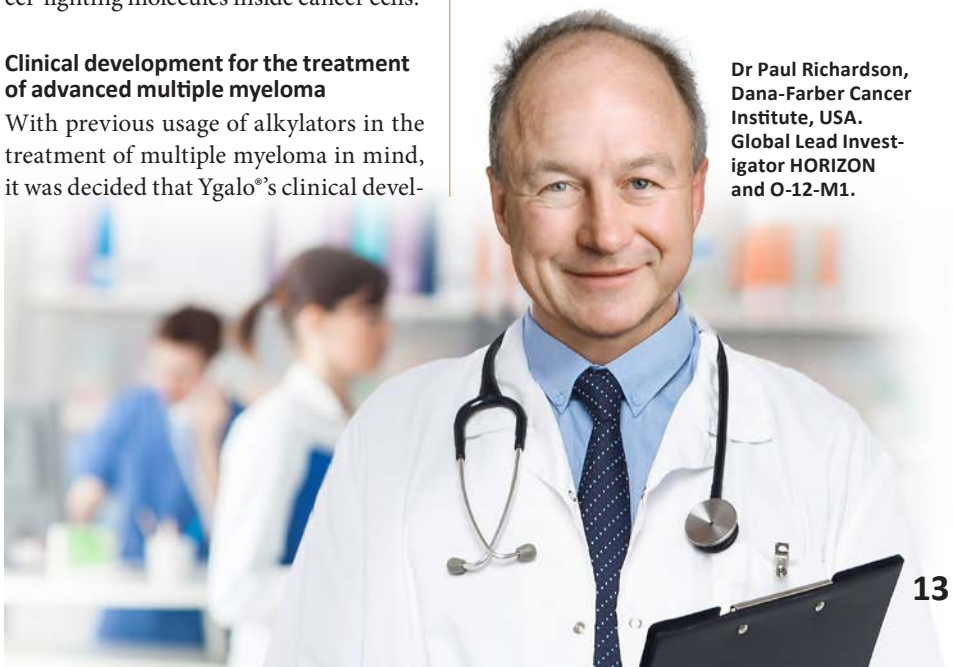
Preclinical research indicated that Ygalo® resulted in significantly reduced rates of tumor growth compared with the usual alkylators administered in cancer therapies. The over-representation of certain enzymes in cancer cells, including a family of enzymes known as peptidases, was identified early on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

Clinical development for the treatment of advanced multiple myeloma

With previous usage of alkylators in the treatment of multiple myeloma in mind, it was decided that Ygalo®'s clinical development phase would focus on patients suffering from this disease. Initially, the focus was on patients with late-stage multiple myeloma, meaning late-stage RRMM (relapsed refractory multiple myeloma). These are patients who have developed resistance and thus stopped responding to previous therapies and are suffering rapid tumor growth while on treatment. This phase of the disease occurs at different times for different patients: for some after a single line of therapy and for others after several lines.

Phase I and II trials were conducted with the aim of studying Ygalo's efficacy and safety for late-stage RRMM patients. The trials were conducted at seven academic centers across the US and Europe, including the Dana-Farber Cancer Institute at Harvard University.





Dr Paul Richardson, Dana-Farber Cancer Institute, USA. Global Lead Investigator HORIZON and O-12-M1.

The results of the phase II (O-12-M1) trial demonstrated considerably improved efficacy compared with the current standard of care for late-stage RRMM patients. Furthermore, Ygalo® seemed to demonstrate considerably fewer side effects that cause significant reduction of quality of life for patients with late-stage RRMM.

Interactions with government agencies

The results of the phase II trial were presented to the US FDA in July 2016. Upon receiving approval of the drug's detailed clinical development program and its formulation in accordance with the FDA's Special Protocol Assessment in August 2016, preparations commenced for Ygalo®'s pivotal phase III program.

Multiple myeloma is an uncommon condition and is classified as a rare disease in the US and Europe. Ygalo® has been granted orphan drug status by the relevant agencies in both geographic regions.

Phase II results from summer 2016

The results of the phase II trial (O-12-M1) that were presented to the government agencies in July 2016 indicated that 43 percent of patients were progression-free from the disease after six months and 12.5 percent after 12 months. The phase II trial indicated a median overall survival of 19 months for patients treated with Ygalo® that can be compared with data from trials with the current standard of care, pomalidomide, which showed a median overall survival of 12 months.

Final phase II results presented in December 2017

The final results from the O-12-M1 phase II trial were presented at a global scientific conference in December 2017. The final results indicated a median overall survival of 20.7 months for patients treated with Ygalo® and that the drug was well tolerated by the patients. In cross-study comparison, this data is the best to date for patients with late-stage RRMM.

Pivotal phase III trial

The phase III trial is an open, randomized head-to-head comparative study of patients suffering from late-stage RRMM, and is intended to prove that Ygalo® is superior to the current standard of care pomalidomide. The trial is designed to achieve its goals with 90-percent statistical certainty (power). If the trial achieves its predefined statistical target in terms of efficacy and shows an acceptable adverse-effect profile, Ygalo® should be granted marketing authorization.

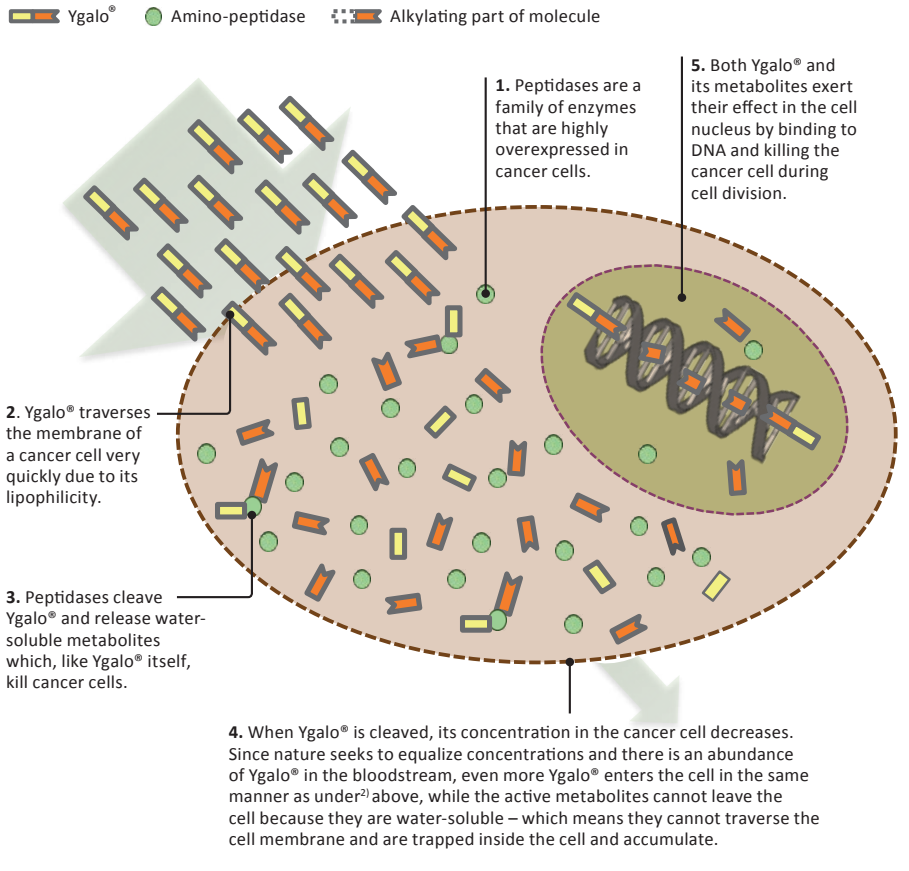
Additional indications for Ygalo®

Preclinical trials indicate that Ygalo® is potentially effective for a range of other cancer treatments. Oncopeptides is investigating the possibility of conducting additional clinical trials on myeloma patients that undergo stem-cell transplantation, patients with light-chain amyloidosis and patients suffering from non-Hodgkin's lymphoma. These are examples where alkylators are currently used as therapy, and where Ygalo® is expected to have the potential to demonstrate clinical benefit.

Ygalo® – a targeted alkylator

Ygalo® is a targeted alkylator that belongs to the PEnC class. Within the cell nucleus, the molecule functions like other alkylators, such as melphalan, cyclophosphamide and bendamustine, which are all used in the treatment of patients with

Ygalo® is a peptidase-enhanced therapy that alkylates DNA



multiple myeloma. However, different alkylators have very different therapeutic profiles, despite their alkylating activity being almost identical. The difference between them relates to how they are distributed in the body and how much of the alkylator enters the cancer cell, compared with normal cells. The latter distribution leads to side effects due to unwanted cell damage.

The molecule is lipophilic and can thus freely traverse the cell membrane without the need for active transport. Due to its lipophilicity and peptidase-dependent distribution profile, a pronounced increase in the concentration of alkylator agent in cancer cells is achieved without a corresponding increase in normal cells. Consequently, Ygalo® has a radically different bio-distribution and bio-availability profile, compared with other alkylators.

For a schematic description of the targeting profile, refer to the illustration on the previous page.

Ygalo® – a potent alkylator with an excellent safety profile

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

Patents and intangible assets

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. Ygalo® (melflufen) is already protected by a granted patent that includes the active ingredient melflufen in the US, Europa, 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, Ygalo® has, in addition to the patent, been classified as an orphan drug by the FDA and the European Commission. This means that if Ygalo® 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 trial).

The company's patents status is detailed in the table below.

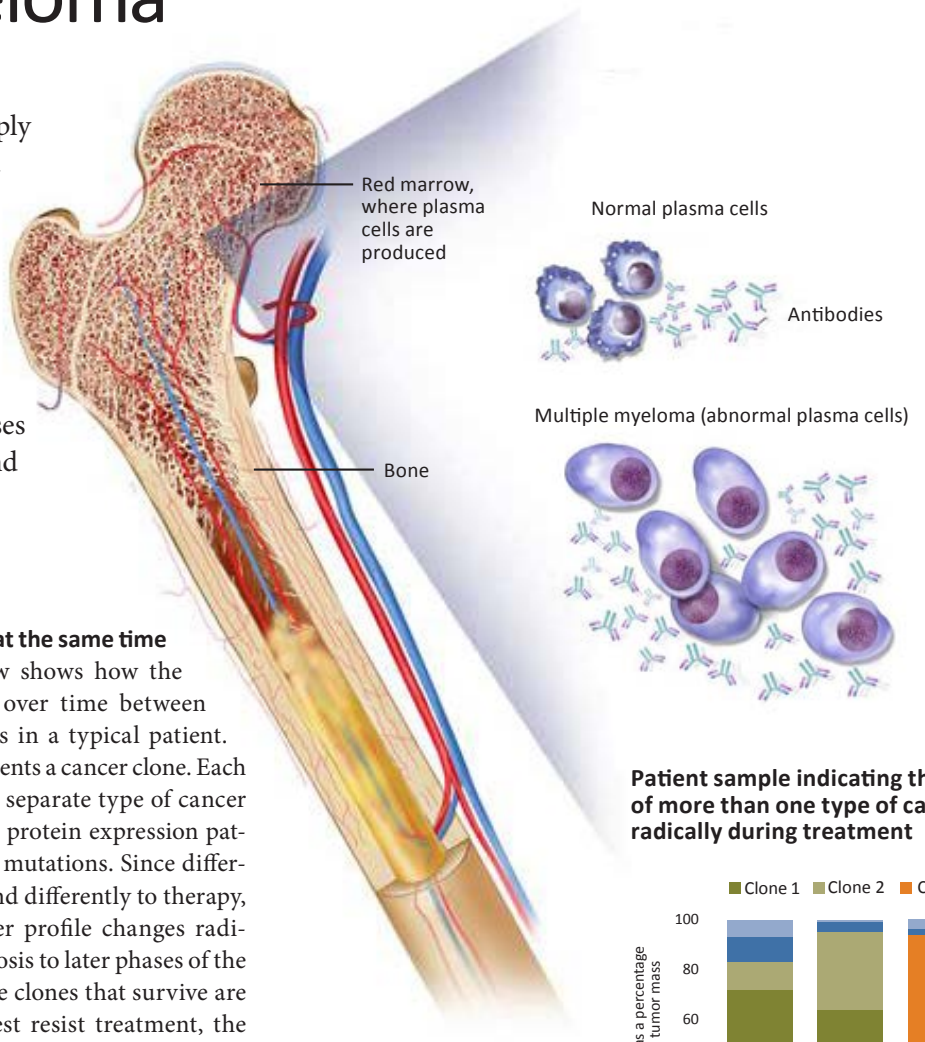
Patent portfolio

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])	US, EU, CA and JP	Granted
Lyophilized preparation of cytotoxic dipeptides	Formulation	2011 (2032)	US, EU, CA, JP*, AU*, BR, CN, IN, MX, KR, RU*, ZA, IL and NZ*	Pending/ Granted*
Lyophilized preparation of melphalan flufenamide	Formulation	2012 (2033)	US, EU, CA, JP, AU*, BR, CN, IN, MX, KR, ZA, IL and NZ	Pending/ Granted*
Process for preparation of nitrogen-mustard derivatives	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

About multiple myeloma

In the bone marrow, red blood cells are formed to supply oxygen, 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. A particular type of the white blood cells known as plasma cells (a type of B-cell), 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. Myeloma arises when a plasma cell transforms into a cancerous cell and suddenly begins to proliferate uncontrolled.



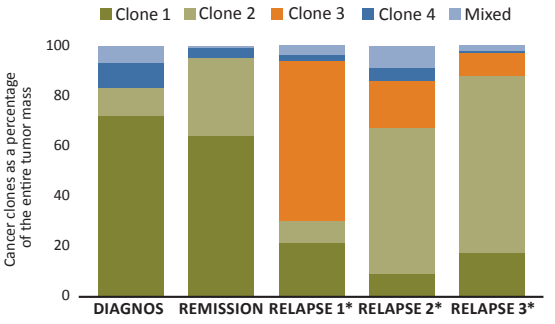
The growth of myeloma cells causes the rest of the bone marrow to be crowded out of the marrow compartments of the skeleton. The body then tries to compensate for the decline in bone marrow by creating more space, by decalcifying the bone around the bone marrow, with general osteoporosis and dissolution of bone tissue as a consequence. However, the tumor continues to grow until there is too little bone marrow left to be compatible with life.

Multiple myeloma is an incurable hematological cancer. Currently, the median overall survival rate is roughly five years after diagnosis, with a trend toward longer life expectancy.

Several cancers at the same 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 hard to treat over time.

Patient sample indicating that myeloma consists of more than one type of cancer that changes radically during treatment

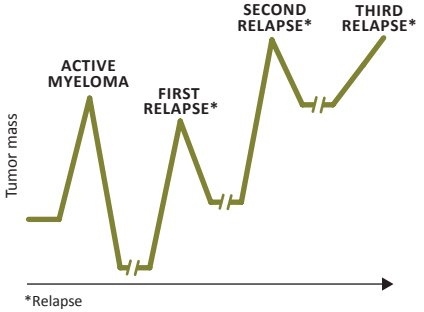


* Relapse

Disease time-line

When a patient with multiple myeloma is diagnosed, treatment begins immediately (refer to the section "Patient segments and treatment of multiple myeloma"). Although treatment is usually highly effective in the beginning, the cancer inevitably returns. Each time a patient relapses, the therapy options are somewhat less effective, due to the clone selection described above. Although patients who are treated for multiple myeloma will have periods without symptoms, relapse is inevitable, since the disease develops resistance to treatment.

The disease time-line is usually divided into various phases depending on where along the time-line the patient is. Refer to the table below for an overview of the phases and the treatment outcomes achieved in reference clinical trials.



The time-line 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, while 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 Ygalo® in our phase II 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 depletion of the skeleton, weakened immune system due to 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 Ygalo® aims, as a first step, to improve care for this patient group.

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 underlying increase in the number of multiple myeloma patients is just over 1% per year, with the aging population being the main driver of growth. The increase in number of late-stage multiple myeloma patients, which Oncopeptides phase III study OCEAN is focused on, is increasing rapidly due to improvements in earlier lines of therapy. This means that more patients than ever are living with the disease – which, unfortunately, remains incurable – for longer periods of time and becoming late-stage multi-refractory patients with a significant need for additional treatment options. In the US, the number of treated late-stage patients rose by more than 40% in 2017.

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

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	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
Quad- and penta-refractory	2-3 months	~ 9 months	~ 20%	~ 5 months

Source: Published clinical data and internal analysis. (For definitions, refer to glossary.)

Patient segments and treatment of multiple myeloma

The time-line of multiple myeloma disease is divided into various phases – or segments – depending on where a patient is along the time-line (for details, refer to the section "About multiple myeloma"). There is no direct correlation to 'when' for each of these segments. The time-line 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 mainly four segments used to describe the time-line in myeloma, with the first being *Newly diagnosed, the second Relapsed* (RMM), the *third relapsed refractory* (RRMM), and the fourth *Late-stage relapsed refractory* (RRMM). The outline below provides an overview of these phases, as well as the final phase known as "Quad- and penta-refractory" patients. These are patients who have stopped responding to all existing therapies, with a very poor prognosis as a consequence.

Treating multiple myeloma

Although the treatment of multiple myeloma has improved considerably in the last 20 years, there is still no cure for the disease.

Multiple myeloma is mainly treated with drugs from five different pharmaceutical classes (refer to summary of facts for details about the five pharmaceutical classes).

Treatment options

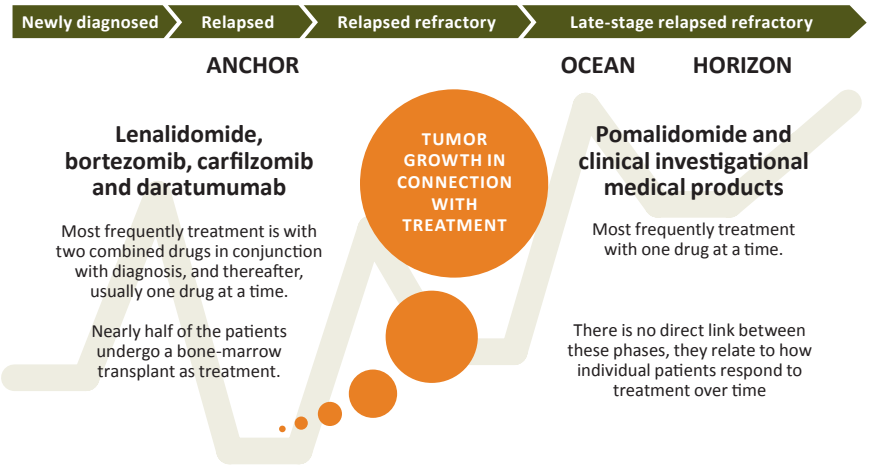
The type of treatment chosen depends on several different factors, the most important of which are age, general health and previous treatments. Treatment is provided with the aim of eradicating as many myeloma cells as possible. Patients with good general health may also be offered stem-cell transplantation as a therapy component. Renewed treatment is provided when the myeloma gives rise to symptoms again. 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 back-bone of myeloma therapy

Due to the fact that the disease consists of several clones at the same time, or in other words is heterogeneous, the use of broad-spectrum agents is the back-bone of myeloma therapy (alkylators, IMiDs and proteasome inhibitors). New, targeted antibody treatments will be used almost exclusively in combination with several different broad-spectrum agents to ensure that all of the patient's myeloma

Disease progression



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

MODALITY	PHARMACEUTICAL DRUGS	GROWTH IN TREATED PATIENTS IN THE US, 2016/2017	% SHARE OF TREATED PATIENTS IN THE US, 2017
Broad-spectrum agents			
Alkylating agent	Bendamustine, cyclophosphamide and melphalan	+6% (2016, 2017)	88%
IMiDs	Lenalidomide, pomalidomide and thalidomide		
Proteasome inhibitors	Bortezomib, carfilzomib and ixazomib		
Targeted agents			
Anti-CD38	Daratumumab	+86% (2016, 2017)	16%
Anti-SLAMF7	Elotuzumab		

*Note: Steroids are excluded from the analysis.

Source: Annual Reports, Global Data, internal analysis and IntrinsiQ.

One event radically alters treatment and prognosis for a myeloma patient: Tumor growth in connection with treatment (meaning late-stage relapsed refractory myeloma, RRMM)

The date of event is individual
Event indicates that the patient has become resistant

cells are appropriately treated. Immuno-oncological compounds have so far had limited success in the treatment of the disease. Refer to the table on the previous page for information about the dominance of broad-spectrum agents.

Treatment process

Multiple myeloma is treated either with individual drugs or combinations of 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, and in roughly half of the patients an alkylator in high dosage in conjunction with stem-cell transplantation. Later-stage therapies mostly involve one drug plus a steroid. Each time the patient relapses, the risk that the patient will develop resistance increases and relapses become more frequent. In the end, the patient will relapse while on treatment or within 60 days of the last completed treatment (meaning that they become classified as a late-stage RRMM patient).

In this phase of the disease, patients are usually treated with a steroid combined with the IMiD pomalidomide. Oncopeptides' development of Ygalo® is primarily aimed at improving the treatment of late-stage RRMM patients and is currently conducting a pivotal phase III trial in comparison with pomalidomide (OCEAN) – today's market-leader for this patient segment.

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

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

Alkylators (such as Ygalo®) are a form of cytotoxics that kill cancer cells and thereby reduce or slow the continued growth of tumors. Today, nearly six decades since the first such therapy was administered, the most effective treatment for multiple myeloma patients with good general health remains an autologous stem-cell transplant, where the primary pharmaceutical is an alkylator at high doses.

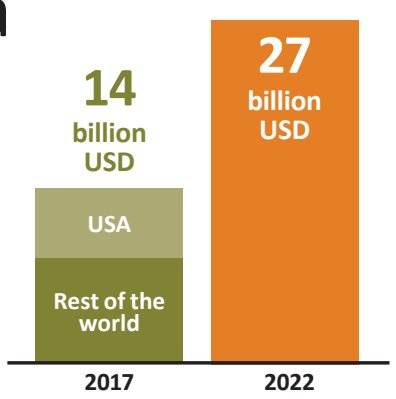
IMiDs (or immunomodulatory drugs) are derivatives of thalidomide and have an effect on many different systems in the body. IMiDs inhibit myeloma cells from dividing and also stimulate the body's immune system to target the cancer cells directly.

Proteasome inhibitors 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.

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 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.

The market for treatment of multiple myeloma

The market for multiple myeloma is growing rapidly. In 2017, approximately **14 billion USD** worth of pharmaceuticals were sold. Sales are expected to increase to approximately **27 billion USD** over the next five years.



Source: Annual reports and EvaluatePharma

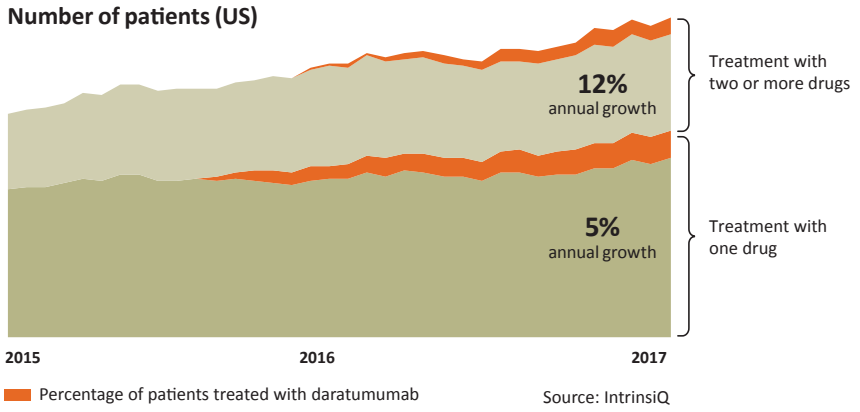
Broad-spectrum agents dominate the treatment landscape

Despite the launch of several new drugs, the market continues to be dominated by broad-spectrum agents (alkylators, IMiDs and proteasome inhibitors) and the trend is expected to continue (refer to table on page 18). The reason for this, as explained above, is that the disease is highly heterogeneous, and modern antibody agents cannot treat the entire disease due to a lack of target proteins common to all myeloma tumor cells. Consequently, increased usage of antibody drugs is primarily linked to their combination with broad-spectrum agents to ensure the targeting of all tumor cells. This is demonstrated in the graph on the right.

Ygalo® addresses a market segment with sales of 8.2 billion USD in 2017

The treatment landscape and market segments for multiple myeloma in the US and Europe – and how Ygalo® and our development program address these different segments – is summarized on the next page. The center of the graph shows the patient time-line, from diagnosis to the later stages of the disease. At the top of the graph, the market size is distributed between newly diagnosed patients and relapsed and relapsed-refractory patients (and between the US and the rest of the world). Ygalo®'s clinical development program addresses the relapsed refractory (RRMM) market segment. The overall market for RRMM amounted to 8.2 billion USD in 2017, with sales of pomalidomide corresponding to 1.6 billion USD of this.

The bottom of the graph on the below shows that the majority of the RRMM market consists of the treatment of patients with one drug at a time (with or without steroids). This is something that is usually met with some surprise, since it is seldom the reality at university clinics,



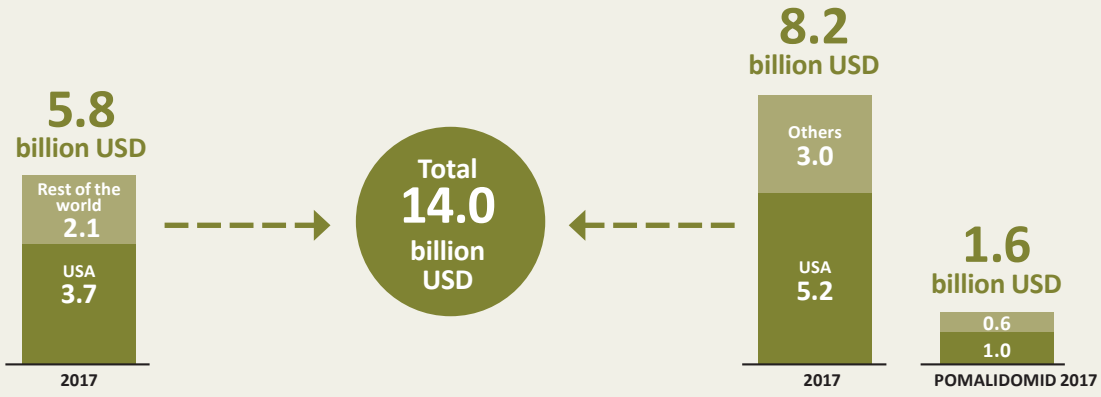
Source: IntrinsiQ

which are usually the entities with whom the financial market discusses treatment paradigms.

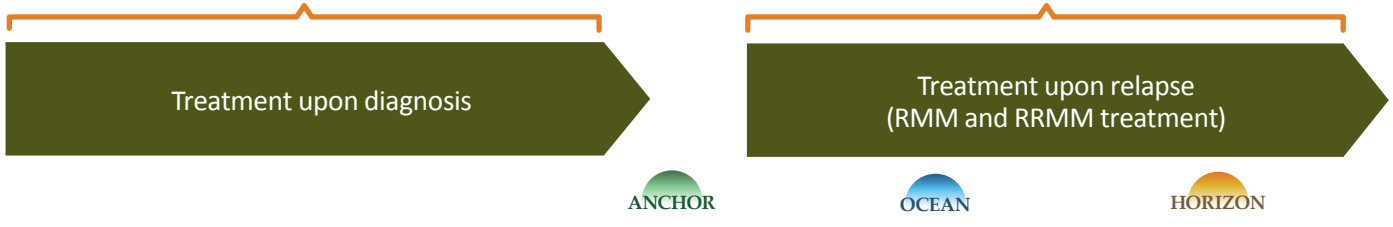
Ygalo®'s clinical development program addresses most of the RRMM market. This is achieved by direct comparison with pomalidomide in OCEAN in patients previously treated with IMiDs and proteasome inhibitors (which is nearly all patients). As mentioned above, most RRMM patients are treated with one drug at a time. In addition, we intend to prove through ANCHOR that Ygalo® can be combined with other myeloma therapies for the minority of patients receiving more than one drug, apart from steroids, in late-stage disease.

The clinical development program also opens the possibility for treatment of second-line patients (early RRMM patients) through the ANCHOR trial, since IMiDs and proteasome inhibitors are already used together upon diagnosis for the majority of patients today.

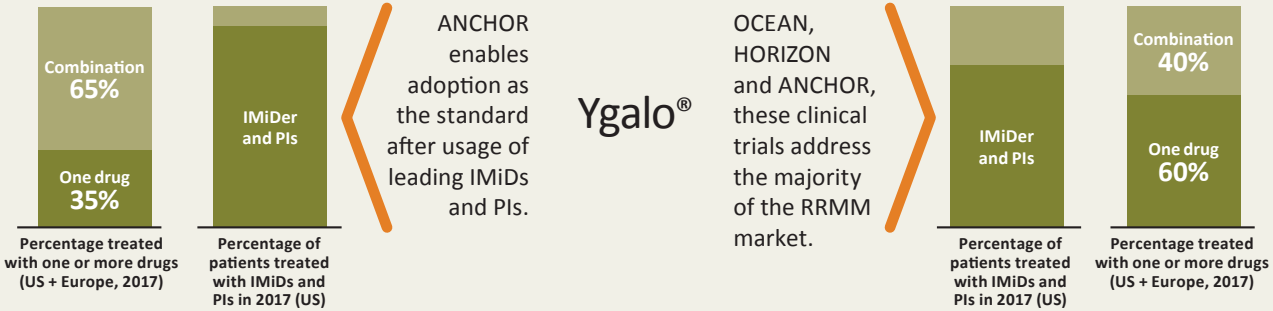
Market size 2017



Treatment phase



Drug usage data 2017



ANCHOR

EXPLORATIVE

- Testing Ygalo® in combination with other myeloma drugs in patients treated with IMiDs and PIs.
- Data 2019/2020.

OCEAN

PIVOTAL TRIAL

- Direct comparison with pomalidomide in patients treated with IMiDs and PIs, and who have developed resistance.
- Top line data, Q3, 2019.

HORIZON

SUPPORTING

- RRMM patients without any remaining treatment options.
- Data 2018 and follow-up data 2019/2020.

Oncopeptides' clinical development program

The clinical development program will provide a complete set of data to demonstrate how physicians can treat patients suffering from late-stage RRMM with Ygalo®

The clinical development program for Ygalo® addresses several different aspects in the treatment of late-stage RRMM. The program and the three clinical trials, OCEAN, HORIZON and ANCHOR, will provide a good overview of how Ygalo® can be used for patients with late-stage RRMM. This has minimized the development risk and gives rise to several potential paths to obtaining approval for Ygalo®.

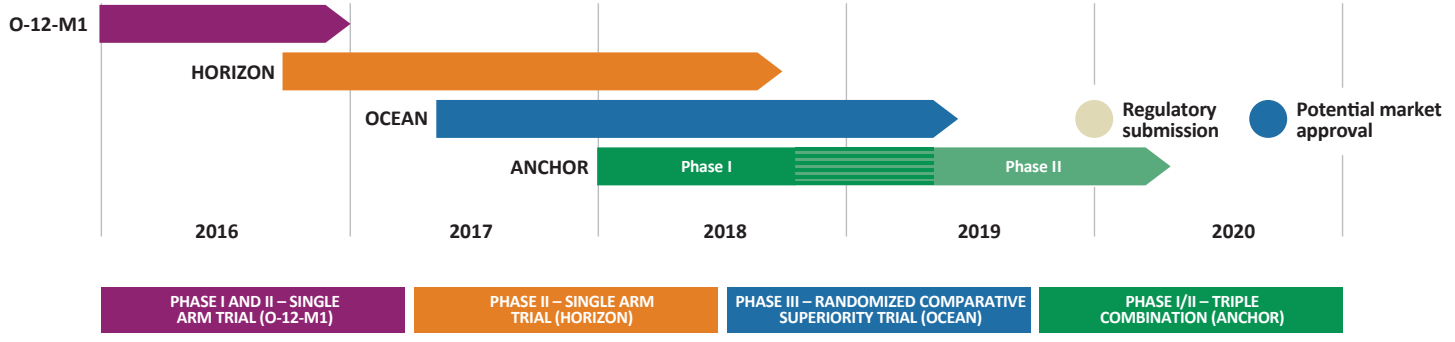
Our clinical trials

Ygalo® has previously undergone preclinical development and clinical phase I and II trials with good results in terms of both safety and efficacy on patients with multiple myeloma. Based on these results, the next logical step was to further develop Ygalo® through the trials OCEAN, HORIZON and ANCHOR.

Oncopeptides has collaborated with leading experts and held numerous discussions with governing medical agencies and professional bodies in the US and Europe to create the development program for Ygalo® in late-stage RRMM. The program aims to fully characterize Ygalo® in the treatment of late-stage RRMM and thereby maximize the product candidate's market potential.

The OCEAN pivotal phase III trial will create the foundation for an application for Ygalo®'s market approval in early 2020. In addition to preclinical data, the registration package will comprise the results of the three ongoing clinical trials and the completed O-12-M1 phase II trial, the results from which served as the basis for the design of the ongoing pivotal OCEAN trial.

In the OCEAN clinical phase III trial, the efficacy of Oncopeptides' product candidate, Ygalo®, is compared with pomalidomide, where 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 1.6 MUSD in 2017. The objective of the OCEAN trial is to prove that Ygalo® has a superior efficacy profile and safety compared with pomalidomide.



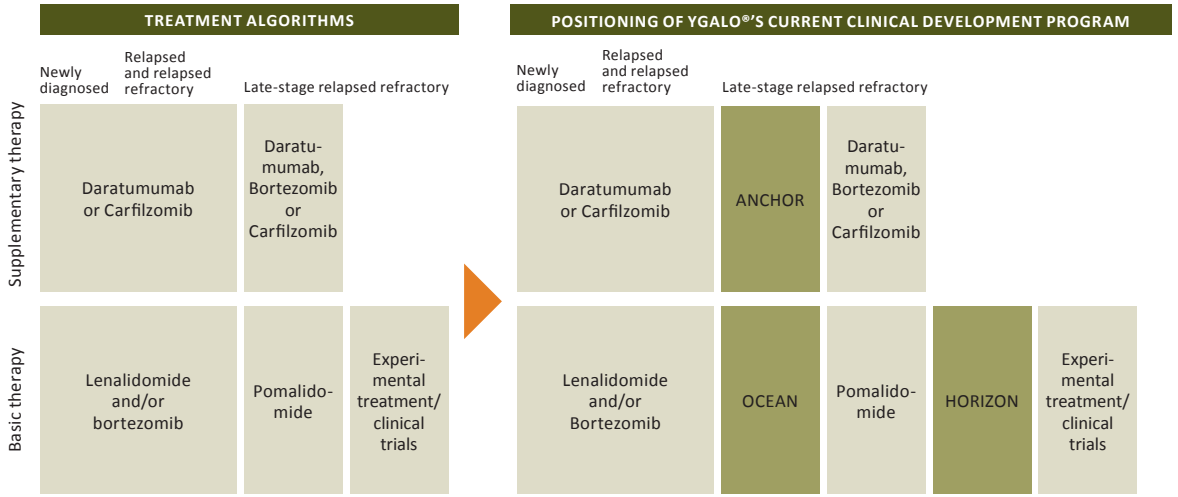
Summary – our clinical trials

Our phase III trial, OCEAN, and phase II trial, HORIZON, are key studies for the submission of an NDA/MAA to potentially obtain marketing authorization for Ygalo® in the US and in the EU for the treatment of late-stage RRMM.

In addition to proving Ygalo®'s efficacy in relation to standard of care (i.e pomalidomide) in late-stage RRMM, as evaluated by OCEAN, the development program also aims to demonstrate, through HORIZON, the activity of Ygalo® in patients with late-stage RRMM with few or no remaining treatment options.

With the initiation of the phase I/II trial, ANCHOR, the development program will demonstrate how Ygalo® can be administered in combination with other multiple myeloma drugs. This is crucial to creating knowledge and understanding among physicians about how Ygalo® can be used for patients with RRMM as combination therapy, and to open up Ygalo® as a treatment option, as early as in second-line of therapy of patients (meaning relapsed patients).

The current clinical development program identifies how Ygalo® can help myeloma patients in the late stage of their illness



Note: The figure represents treatment algorithms for the majority of patients in the US.

OCEAN

- Ongoing phase III trial in 450 patients.
- Inclusion of late-stage RRMM patients who are refractory to lenalidomide.
- The trial is designed to demonstrate benefit in comparison with pomalidomide. To obtain approval in Europe, the only requirement is to demonstrate that Ygalo® has the same benefit.
- OCEAN results expected in Q3 2019.

HORIZON

- Ongoing phase II trial for up to 80 patients.
- Including patients with few or no remaining treatment options.
- Supports OCEAN for market approval.
- Results expected in 2018, with follow-up data in 2019.
- Potential for conditional approval if data is exceptionally strong.

ANCHOR

- Ongoing phase I/II trial in up to 64 patients.
- Demonstrates how Ygalo® is given as a combination therapy with daratumumab and bortezomib.
- Also opens for potentially using Ygalo® in earlier lines of therapy.
- Results from phase I and phase II expected in 2019 and 2020 respectively.
- Will significantly increase Ygalo®'s market potential as combination therapy.

O-12-M1 The clinical trial that paved the way for our OCEAN phase III trial

The final phase II results were better than anticipated and superior to the interim results that laid the foundation for the design of OCEAN. This increases OCEAN's probability of success. In this heavily pre-treated patient population with few remaining treatment options, both the median PFS* of 5.7 months and median overall survival (OS*) of 20.7 months represent very strong data.

The concluded O-12-M1 trial ceased inclusion of patients at the end of 2016. A total of 45 patients were included in the phase II portion of the trial. Ygalo® was administered intravenously once a month together with dexamethasone (steroid).

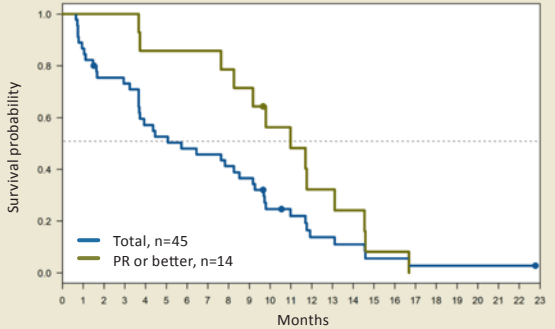
The patients were suffering from relapsed and refractory multiple myeloma (RRMM) and had undergone two or more earlier lines of therapy, comprising at least lenalidomide and bortezomib, and suffered tumor growth while on treatment (or a maximum of 60 days after a completed treatment). Following disease progression, the patients were monitored for survival every three months, for up to 24 months. The median number of earlier lines of treatment was four.

The patients in the trial had received extensive previous treatments. 64% were double-refractory to immunomodulatory drugs (IMiDs) and proteasome inhibitors (PIs) and 44% were refractory to pomalidomide (meaning they had already suffered from rapid progression at least once previously). The patients were treated for a median of five months with Ygalo®.

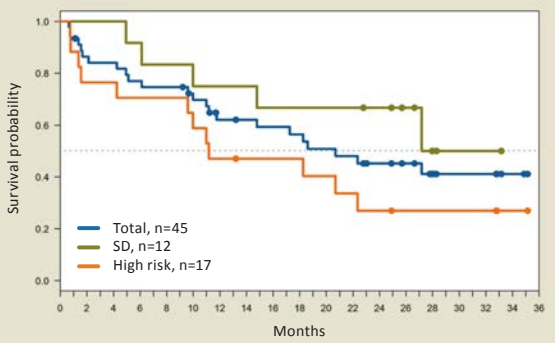
The most common side effects were, as expected, hematological and reversible. Side effects with an adverse impact on quality of life were rare. The drug was well tolerated by patients, which is a crucial factor for late-stage cancer patients.

The figures illustrate the curves for progression-free survival (PFS) and median overall survival (OS), and a matrix of side effects that occurred during treatments with Ygalo®.

Progression-free survival (PFS)



Median overall survival (OS)



Source: ASH poster 2017

Grade 3/4 melflufen-related AEs in at least 2 patients

	G3 N (%)	G4 N (%)
Any melflufen-related	35 (78)	19 (42)
Blood and lymph system		19 (42)
Trombocytopenia	9 (20)	17 (38)
Neutropenia	12 (27)	11 (24)
Anemia	19 (42)	0
Lymphopenia	2 (4)	1 (2)
Febrile neutropenia	2 (4)	0
General symptoms and/or symptoms upon administration	7 (16)	0
Weakness	2 (4)	0
Fatigue	2 (4)	0
Pyrexia	2 (4)	0
Examinations	5 (11)	0
Reduced neutrocyte population	4 (9)	0
Reduced number of white blood cells	2 (4)	0
Infections and infestations	2 (4)	0
Pneumonia	2 (4)	0

Source: ASH poster 2017

OCEAN Clinical phase III trial – results expected to be announced in late summer 2019

The main trial of the development program is the pivotal phase III trial, OCEAN.

Following dialogues with pharmaceutical agencies and experts in both the US and Europe, this trial was designed as a randomized head-to-head comparative study, through which Ygalo® + dexamethasone (steroid) is directly compared against current standard of care pomalidomide + dexamethasone for patients with late-stage RRMM. The OCEAN clinical trial protocol has undergone Special Protocol Assessment with the FDA.

The results of OCEAN will primarily be evaluated by comparing the PFS for Ygalo® with the PFS for pomalidomide. Data from December 2017 (see table below) indicates that Ygalo® has a distinctly longer PFS based on the previously reported Oncopeptides' O-12-M1 phase II data. This is the primary end-point in the ongoing OCEAN phase III trial.

Different outcome scenarios in OCEAN

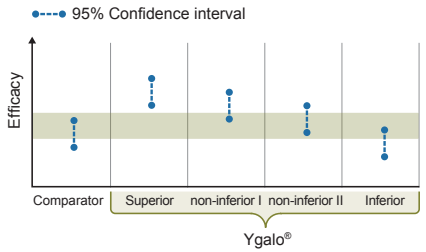
OCEAN has been designed to prove with 90% certainty the superiority of Ygalo® over pomalidomide based on historical data for the two compounds, as shown in the figure below.

In simplified terms, this comparison could result in three different scenarios: that Ygalo® is superior, non-inferior or inferior to pomalidomide. As shown in the figure to the side, the non-inferior outcome can in turn be broken down into different sub-scenarios with stronger or weaker data to support marketing authorization for Ygalo®.

A superiority scenario is expected to result in the approval of the drug both in the US and the EU. A non-inferiority scenario is expected to result in approval in the EU and a discussion with the US FDA regarding the totality of data from all clinical trials in RRMM with Ygalo®. In a non-inferiority scenario, the HORIZON data on pomalidomide-resistant patients will be a key point in the case to receive potential approval in the US.

For a patient to participate in OCEAN, the patient is required to be a late-stage RRMM patient, and refractory to the drug lenalidomide.

Utcome scenarios for OCEAN



TRIAL FACTS

Expected number of patients: 450

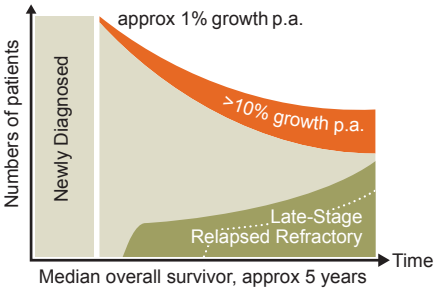
Start of trial: June 2017

Geography: Approximately 80 hospitals in the US, Europe and Israel

Trial design: Randomized, open, head-to-head comparative trial between Ygalo® and current standard of care, pomalidomide, in patients with late-stage RRMM

Objective: Prove that Ygalo® is clinically superior to pomalidomide

Efficacy parameters: The primary efficacy parameter of the trial is progression-free survival (PFS)



Late-stage relapsed refractory

TREATMENT	ORR	CBR	MEDIAN PFS	MEDIAN DOR	MEDIAN OS
Pomalidomide + dexamethasone	24%	ER	3.6 months	7.0 months	12.4 months
Ygalo® + dexamethasone	31%	49%	5.7 months	8.8 months	20.7 months

Note: NR= Not reported. Ygalo® does not have market approval.

Source: Various clinical sources

Pieter Sonneveld, Professor and Head of Hematology at Erasmus University, Netherlands. Global Lead Investigator OCEAN

HORIZON Phase II trial – response results expected to be announced in 2018

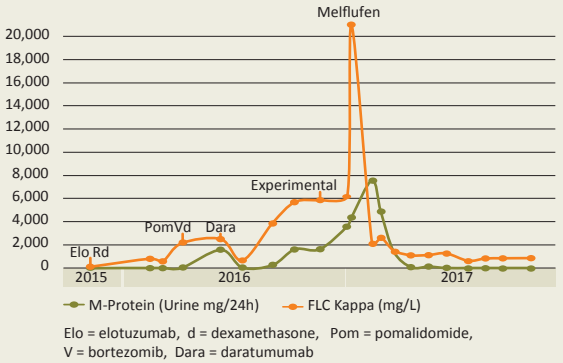
The HORIZON phase II trial is a study in which all patients receive the same treatment. The objective of the study is to characterize Ygalo®'s efficacy in multiple myeloma patients with few or no remaining established treatment options. These patients suffer from rapid tumor growth in conjunction with treatment, they have stopped responding to lenalidomide and proteasome inhibitors (PIs), and have subsequently become refractory toward pomalidomide and/or daratumumab (meaning quad- and penta-refractory patients).

In December, interim data was presented from the ongoing trial, showing a preliminary tumor overall response rate (ORR) of 27%. If the results of the HORIZON trial are exceptionally convincing, Oncopeptides can apply for conditional approval before the conclusion of the OCEAN trial. The results of the HORIZON trial are to be compared with the results for Selinexor below, which is considered to represent strong data in this very ill patient group.

Overall response rate (N=30)

N	PD	SD	MR	PR	VGPR	ORR	CBR
Adjusted ITT, n (%)	11 (37)	9 (30)	2 (7)	6 (20)	2 (7)	26,7%	33,3%

Patient case study

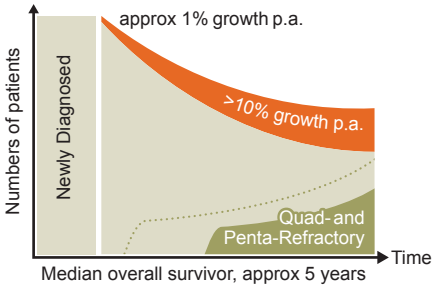


Elo = elotuzumab, d = dexamethasone, Pom = pomalidomide, V = bortezomib, Dara = daratumumab

42-year old man with ISS stage 3, MM diagnosed 2007. No detectable serum M-protein. Nine prior lines of therapy including ASCT X 2 and Allo-SCT. Refractory to R, Elo, V, Pom, Dara and an experimental drug. The patient only achieved PD to the last four lines of therapy.

Following five cycles of melflufen, the urinary M-protein was undetectable (Figure 2). The patient has received nine cycles of melflufen, achieved VGPR and is ongoing as of Nov 2017.

Source: ASH poster 2017



Quad- and penta-refractory

TREATMENT	ORR	CBR	MEDIAN PFS	MEDIAN DOR	MEDIAN OS
Selinexor + dexamethasone	21%	32%	2.1 months	5.0 months	9.3 months

Note: Selinexor does not have market approval.

Source: Blood 2016 128:491

TRIAL FACTS

Expected number of patients: 80

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 benefit of Ygalo® in multiple myeloma patients with few or no remaining treatment options

Efficacy parameters: The primary efficacy parameter of this trial is the tumor overall response rate (ORR) and the secondary parameter is progression-free survival (PFS) and overall survival (OS).

María-Victoria Mateos, MD, PhD, of the University Hospital of Salamanca, Spain. Principle Investigator HORIZON.

ANCHOR Phase I and II trials paving the way for physicians – results in 2020

ANCHOR is a phase I/II trial aimed at demonstrating how Ygalo® should be administered in combination with daratumumab and bortezomib, and to thereby enable various triple-combination treatments. The study lays the foundation for further pivotal trials that will broaden the regulatory-approved scope of use for Ygalo® in relapsed patients, meaning patients who are undergoing a second line of treatments.

In the future we might may add another arm to the trial, for administering Ygalo® with drugs other than daratumumab and bortezomib, which are used in the treatment of myeloma. The objective of the trial is for physicians to know how Ygalo® can be administered as a combination agent, at the time of a possible registration, even if this will not be part of our planned registration file.

TRIAL FACTS

Expected number of patients: 32 per combination

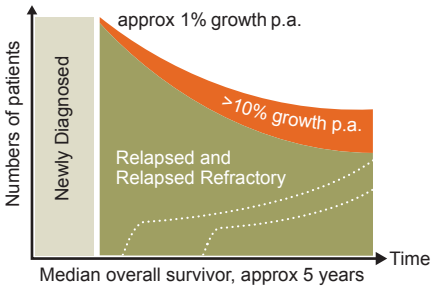
Start of trial: April 2018

Geography: Europe and the US

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

Objective: Enable indication broadening for Ygalo® for relapsed patients (meaning second-line patients)

The figure below presents examples of conducted trials that will be comparable with the results of ANCHOR when they are available in 2020.



Relapsed and relapsed refractory

TREATMENT	ORR	MEDIAN PFS	MEDIAN DOR
Carfilzomib + lenalidomide + dexamethasone	87%	26.3 months	28.6 months
Lenalidomide + dexamethasone	67%	17.6 months	21.2 months

Note: Representative examples of recently conducted clinical trials (triple and double-combination therapies).

Source: FDA label

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% or more of their tumor mass.

CDMO Contract development and manufacturing organization.

CR Complete tumour response.

Chemotherapy Drug administered to kill cancer cells.

Dexamethasone A potent steroid used in cancer treatment.

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

Double-refractory Refractory to two drugs.

EMA European Medicines Agency.

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

Phase I, II, III study Refers to the various phases of pharmaceutical development. Phase I aims to identify an appropriate dose and safety profile. Phase II aims to gather efficacy and safety data in patients ahead of Phase III, which repeats this process in larger patient groups and in comparison to another treatment.

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 imide drugs, used in multiple myeloma treatment.

Interim results Partial results in ongoing trials.

Clinical trials Trials performed on people.

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 Authorisation Application.

Melflufen An 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% tumour reduction.

Multiple myeloma A rare blood-based cancer.

Multi-refractory Refractory to a number of different drugs.

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

NDA New Drug Application.

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

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

PD Progressive disease (PD). A disease is defined as progressive when the tumour mass has grown by at least 25%.

Peptide A molecule comprising a chain of amino acids.

Peptidases Enzymes that break down peptides.

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

PI Proteasome inhibitor used in multiple myeloma treatment.

Pivotal study Phase III registration study.

PR Partial response (PR) refers to a 50-90% tumour reduction.

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

Progression-free No tumour growth.

Proteasome inhibitor Substance used in multiple myeloma treatment.

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

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

Refractory Resistant to treatment.

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

Relapsed Usually a tumour relapse (tumour recurrence).

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

RRMM Relapsed and refractory multiple myeloma.

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

SD Stable disease (SD) where the tumour has neither grown nor shrunk by 25%.

Orphan drug A drug used to treat a rare disease.

Tumour response rate Percentage of patients whose tumours respond to treatment.

Ygalo® Registered trademark for melflufen.

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 2017 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 research and development stage pharmaceutical company developing drugs for the treatment of cancer. The company's focus is on the development of the product candidate Ygalo®, an innovative Peptidase Enhanced Cytotoxic (PEnC). Ygalo® is intended for the effective treatment of hematological cancers and, particularly, 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. At this stage, the disease is classified as relapsed and refractory multiple myeloma. When the disease recurs during ongoing treatment or within two months of the completion of the most recent treatment, it is classified as late-stage relapsed and refractory multiple myeloma. 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 2017, the company's primary focus was to continue the development of Ygalo®. Ygalo® has previously undergone both preclinical trials and clinical phase I and II trials with good results in terms of both safety and efficacy on patients with multiple myeloma. Based on these results, the next logical step was to further develop Ygalo® by means of trials that encompassed OCEAN, HORIZON and ANCHOR, of which the primary study, OCEAN, is a pivotal phase III trial that commenced in June.

The purpose of the Ygalo® clinical development program is to demonstrate improved treatment outcomes in comparison with other established alternatives for the treatment of patients suffering from multiple myeloma. Ygalo® could 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 695.0 MSEK before issue costs, and the company was listed in the Nasdaq Stockholm Mid Cap segment. The group consists of the parent company, Oncopeptides AB, and the Swedish subsidiary, Oncopeptides Incentive AB. The subsidiary has no operating activities.

Significant events during the year

- In January 2017, while the company was still privately owned, it was announced that the first patients had been enrolled in HORIZON, the company's phase II trial in late stage relapsed refractory multiple myeloma with few or no remaining options for treatment.
- On February 22, Oncopeptides was listed in the Nasdaq Stockholm Mid Cap segment, which contributed 636.8 MSEK after issue costs.
- In March, the company received a Notice of Intention to Grant from the European Patent Office, which entails non-extendable patent protection of Ygalo® within the European Union until 2032.
- In June, the first patient was dosed in the pivotal phase III trial OCEAN. The study is targeting patients with late-stage relapsed and refractory multiple myeloma (RRMM).
- In early December, Oncopeptides presented the interim data from its ongoing HORIZON phase II trial at the American Society of Hematology (ASH) conference in Atlanta in the US. The final survival data from the O-12-M1 phase II trial was also presented at the same conference.

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

Multi-year summary, Group

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

Sales and earnings

In 2017, the group's net sales totaled 0.0 (0.0) MSEK.

Oncopeptides' research and development costs during the year amounted to 197.8 (89.7) MSEK, with the increase primarily attributable to the expansion of the clinical program for Ygalo®. Marketing and distribution costs for the year totaled 15.2 (0.6) MSEK. Administrative expenses for the year amounted to 34.7 (24.1) MSEK.

Operating expenses include costs for share-based incentive programs amounting to 30.5 (10.3) MSEK.

The company reported a net loss for the year of 247.6 (loss: 114.4) MSEK, corresponding to earnings per share, before and after dilution, of negative 6.44 (neg: 4.88) SEK.

Cash flow and investments

Cash flow from operating activities during the year amounted to a negative 271.5 (neg: 104.3) MSEK, primarily due to the expansion of the clinical program. Cash flow from investing activities amounted to a negative 1.5 (neg: 1.1) MSEK due to investments in equipment that will be used in the manufacture of Ygalo®. This is recorded as a tangible non-current asset in the balance sheet. Cash flow from financing activities totaled 636.8 (143.3) MSEK, as a result of the company raising 695.0 MSEK, before issue costs of 58.2 MSEK, in connection with the IPO in February 2017. Total cash flow for the year was 363.8 (37.9) MSEK.

Financial position

At December 31, 2017, the company's cash and cash equivalents amounted to 404.1 (40.3) MSEK, and equity to 418.0 (26.3) MSEK.

No loans had been raised as of December 31, 2017, and none have been raised since. No assets were pledged at end of the period.

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 employees. During the financial year, two new incentive programs were introduced: "Co-worker LTIP 2017" and "Board LTIP 2017." Co-worker LTIP is a long-term incentive program for certain members of senior management and other key personnel (including employees and consultants), and 863,000 options from this program were allocated during the year. Each option entitles the holder to acquire one share in the company at a predetermined price. Board LTIP 2017 is a performance-based long-term incentive program for certain Oncopeptides Board members, under which 34,800 share rights were allocated during the year, entitling the holders to a maximum of 34,800 shares in Oncopeptides. For further information about these programs, refer to note 21.

Oncopeptides currently has five incentive programs encompassing the company's senior management, certain Board members, its founders and employees, which entitle the participants to a total of 2,631,200 shares upon full exercise. The costs for the company's incentive programs are included in its operating expenses. These costs were charged to earnings during the financial year in an amount of at 30.5 (10.3) MSEK, with no impact on cash flow.

Of this 30.5 (10.3) MSEK, 27.9 (10.2) MSEK consisted of provisions for social security contributions and 2.5 (0.1) MSEK consisted of IFRS 2 classified costs.

Parent company

The group's parent company is Oncopeptides AB. The parent company's operations essentially correspond to those of the group, since the group's operations are conducted through the parent company. Since the parent company's net profit for the year and financial position 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 4,422,891.25 SEK, distributed among 39,806,021 shares with a quotient value of about 0.11 SEK. The total number of shares outstanding at December 31, 2017 amounted to 39,806,021 ordinary shares, each of which carries one vote. At December 31, 2017, Stiftelsen Industrifonden and HealthCap VI LP were the single largest shareholders in Oncopeptides, with a total of 11,620,805 and 11,406,420 shares, respectively, corresponding to 29.2% and 28.7% of the votes and capital.

Personnel

Oncopeptides' organization comprises personnel (employees and consultants) with key competencies in pharmaceutical development, who collectively cover all aspects relevant to the development of Ygalo®. At year-end, the number of personnel amounted to 27 (26). The average number of employees during the year was 7 (5).

Guidelines for remuneration to senior management 2018

The Board of Directors proposes essentially unchanged guidelines for remuneration to senior management 2018, with the addition that variable remuneration shall be paid in cash and not exceed 35 and 25 percent of the annual fixed salary for the CEO and other senior management, and that elected directors may receive remuneration for work in addition to the board work. For current guidelines until the AGM 2018 see pages 37-38.

Significant events after the closure of the financial year until April 18th 2018

Oncopeptides completed a directed share issue in March of approximately 314 MSEK before issue costs. The company also strengthened its management team with Dr Christian Jacques as EVP Clinical Strategy och Chief Scientific Officer in the same month. The first patients in the Phase I / II study called ANCHOR started treatment during first half of April.

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 of the greatest significance 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, Ygalo®, which is at the pivotal clinical phase III. 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 Ygalo®, and the financing of its operations is dependent on the confirmation of positive results from the clinical trials. A setback in the development of Ygalo® 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. In the next few years, development costs for Ygalo® will mainly be paid in USD and EUR. Therefore, the company will be 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 in line with agreements entered into for the period up to mid-2019 in order to manage currency exposure.

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. For detailed description of the groups's financial risk and financial risk management, see note 3.

Proposed appropriation of profits for the 2017 financial year
The following amounts in are at the disposal of the Annual General Meeting (SEK):

Share premium reserve	945,835,483
Retained earnings	-294,850,493
Loss for the year	-247,611,993
	403,372,997

The Board of Directors proposes that 403,372,997 SEK be carried forward.

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, the company applies the Swedish Corporate Governance Code (the "Code") with no exceptions. This report pertains to the 2017 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 allocated among the general meeting, the Board of Directors, its elected committees and the CEO.

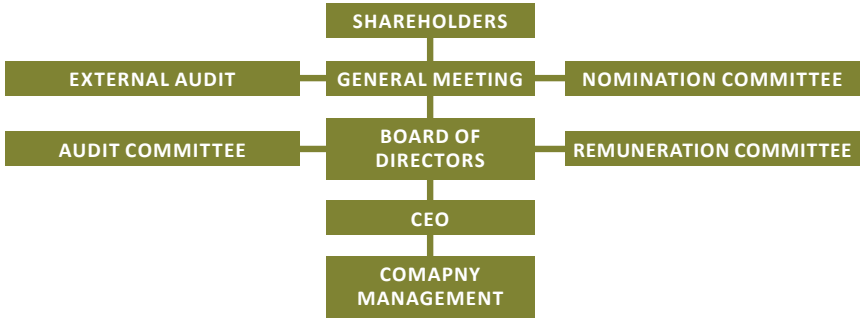
Examples of external regulations that affect corporate governance

- 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
- CEO instructions
- 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 3,488 shareholders at year-end 2017. The total number of shares was 39,806,021. There was only one share class. Each share entitles the shareholder to one vote at the annual general meeting, and all shares carry equal rights to the Company's assets and earnings. At December 31, 2017, Stiftelsen Industrifonden and HealthCap VI LP were the single largest shareholders in Oncopeptides, with a total of 11,620,805 and 11,406,420 shares, respectively, corresponding to 29.2% and 28.7% of the votes and capital. No other than Stiftelsen Industrifonden and HealthCap VI LP 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 10-11 of the 2017 Annual Report.

The Articles of Association do not have any specific provisions regarding the appointment on dismissal of directors 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 annual general meeting is to be held within six months of the end of the financial year. The annual general meeting resolves, for example, on the election of the Board of Directors and auditors, 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 members of senior management, and incentive programs for employees.

The Articles of Association state that the annual general meeting 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 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 will also be advertised in Dagens Industri.

2017 annual general meeting (AGM)

The AGM for 2017 was held on May 18, 2017 in Stockholm. About 70 percent of the total votes were represented at the meeting. Attorney Mattias Detterfelt was elected chairman of the meeting.
The AGM resolved the following:

- Alan Hulme was elected as Chairman of the Board, and Jonas Brambeck, Luigi Costa, Cecilia Daun Wennborg, Ulf Jungnelius, Per Samuelsson and Olof Tydén were re-elected as Board members.

- PricewaterhouseCoopers was re-elected as the Company's auditor, with Magnus Lagerberg as auditor in charge.
- Resolution on remuneration to the Chairman of the Board and Board members elected by the AGM, and the auditor.
- Resolution on guidelines for remuneration to members of senior management and auditors.
- Resolution on the implementation of two incentive programs for members of senior management and key personnel as well as certain Board members by way of directed issue of subscription warrants.
- Authorization of the Board on one or more occasions until 2018 AGM, with or without deviation from the shareholders' preferential rights, to approve the new issue of shares. The number shall not, collectively, exceed 3,980,000 shares, representing approximately 10 percent of the company's share capital.
- Adoption of the balance sheet and income statement.
- Resolution on discharge from liability for the Board of Directors and the CEO as regards the 2016 financial year.

The minutes and information from the 2017 AGM are available on oncopeptides.se.

Extraordinary general meeting 2017

The extraordinary general meeting held on February 6, 2017 resolved the following:

- Adoption of new Articles of Association, including an amendment to the limits on the number of Board members.
- Resolution on the number of Board members and election of a new Board member, Cecilia Daun Wennborg.

Nomination committee for the 2018 AGM

Representatives	Shareholders
Staffan Lindstrand, chairman	HealthCap VI L.P.
Nina Rawal	Stiftelsen Industrifonden
Max Mitteregger	GLADIATOR
Alan Hulme	Chairman of the Board i Oncopeptides AB

2018 AGM

The 2018 AGM will be held on Thursday May 17, 2018 at 3.00 p.m. at Tändsticks-palatset, Västra Trädgårdsgatan 15, Stockholm, Sweden. For further information and the right to participate, see page 70 of Oncopeptides' annual report or oncopeptides.se.

The minutes of the AGM will be available on 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 2017, 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 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 on the company's website 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 held six meetings in 2017. No separate remuneration was paid for participation in the nomination committee.

The nomination committee jointly represents approximately 65 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 2017 AGM.

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

Oncopeptides' Board of Directors comprised seven members at the end of the financial year: Chairman of the Board Alan Hulme, and Board members Jonas Brambeck, Luigi Costa, Cecilia Daun Wennborg, Ulf Jungnelius, Per Samuelsson and Olof Tydén. See pages 66-67 for additional information on the Board of Directors.

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 responsible for the organization and management of the company's affairs, for example, by establishing targets and strategies, securing procedures and systems for monitoring of set targets, continuously assessing the company's financial position and evaluating the operational management.

Furthermore, the Board of Directors is responsible for ensuring that 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 inaugural 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 inaugural Board meeting.

The Board of Directors' work is also carried out based on an yearly meeting schedule which fulfils 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 2017, 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, Setterwalls, as an independent part. The results will be taken into consideration for the Board's work in 2018. The nomination committee, through the Chairman of the Board, has received the evaluation report.

Board of Directors' work and significant events in 2017

The Board met on 19 occasions during the year. Three meetings were held by telephone, six per capsulam and two was inaugural meetings.

The Board has primarily considered and made decisions on matters relating to the company's strategic focus, Ygalo®s project development, external reporting, budget and budget follow-up. The Board was active in preparations and decisions ahead of the listing of the company's share on Nasdaq Stockholm in February 2017.

The Board has planned a total of eight meetings for 2018 in addition to the inaugural meeting.

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 18, 2017:

- Cecilia Daun Wennborg (chairperson)
- Jonas Brambeck
- Per Samuelsson

The audit committee met four times in 2017. Oncopeptides' auditors participated in three 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 audit committee has consisted of the following members since the AGM on May 18, 2017:

- Alan Hulme (chairman)
- Jonas Brambeck
- Per Samuelsson

The remuneration committee met ten times in 2017. 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 18, 2017.

CEO AND OTHER MEMBERS OF SENIOR 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 presents the material at Board meetings.

Oncopeptides' senior management consists of nine people. In addition to the CEO, senior management comprises the company's Chief Financial Officer, Head of Regulatory Affairs, VP Head of Clinical Development, Head of Chemistry Manufacturing & Control, Chief Medical Officer, Chief Commercial Officer, Head of Investor Relations and Head of Medical Relations.

For information on senior management, see pages 68-69 or the company website, www.oncopeptides.se.

REMUNERATION TO THE BOARD OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Remuneration to Board members

At the AGM held on May 18, 2017, it was resolved that fees of SEK 400,000 were to be paid to the Chairman and that fees of SEK 200,000 were to be paid to each of the other Board members, for the period through the end of the 2018 AGM. As remuneration for committee work, it was resolved that the chairman of the audit committee would receive SEK 75,000 while the other members of the audit committee would receive SEK 37,500 each. It was furthermore resolved that the chairman of the remuneration committee would receive SEK 50,000 while the other members of the remuneration committee would receive SEK 25,000 each.

The fees paid in 2017 to Board members elected by the AGM are shown in the table below.

Reporting period 1 January – 31 December 2017

		Independent in relation to		Remuneration, SEK 000[3]				Attendance[1]		
Board member	Function	The Company and its management	Major shareholders	Directors' fee	Audit committee	Remuneration committee	Total	Board of Directors[2]	Audit committee	Remuneration committee
Alan Hulme	Chairman	Yes	Yes	400	–	50	450	13/13	–	10/10
Jonas Brambeck	Board member	Yes	No	200	37.5	25	262.5	13/13	4/4	10/10
Johan Christenson[4]	Board member	Yes	No	–	–	–	–	7/13	2/4	–
Cecilia Daun Wennborg[5]	Board member	Yes	Yes	200	75	–	275	8/13	3/4[6]	–
Luigi Costa	Board member	Yes	Yes	200	–	–	200	10/13	2/4[7]	–
Olof Tydén	Board member	Yes	Yes	200	–	–	200	12/13	–	–
Per Samuelsson	Board member	Yes	No	200	37.5	25	262.5	12/13	2/4[8]	10/10
Ulf Jungnelius	Board member	Yes	Yes	200	–	–	200	12/13	–	–
Total				**1 600**	**150**	**100**	**1 850**			

1) Figures in table show the total number of meetings attended/meetings
2) Excluding per capsulam meetings
3) Fee set by the AGM, excluding social security contributions for the May 2017 to May 2018 financial year
4) Board member until the AGM on May 18, 2017, when re-election was declined
5) Elected to the Board at the extra ordinary general meeting on February 6, 2017
6) Elected to the audit committee at the board meeting on March 14, 2017
7) Member of the audit committee until the AGM on May 18, 2017
8) Elected to the audit committee at the AGM on May 18, 2017

Remuneration to members of senior management

Issues pertaining to remuneration to members of senior management are addressed by the Board's remuneration committee. The Board decides on the CEO's remuneration based on the proposal presented by the remuneration committee. Remuneration and terms for members of senior management are to be based on market conditions and consist of a balanced mix of fixed salary, variable remuneration, pension benefits and terms upon termination. For the 2017 financial year, the CEO and other members of senior management received salary and other remuneration as set out in Note 8 in the annual report.

Guidelines for remuneration to members of senior management

Guidelines were adopted at the 2017 AGM valid for the period up to the closing of the 2018 AGM. The main points were as follows.

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

should always enable Oncopeptides to attract and retain qualified members of senior management at a reasonable cost for the company. The 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. Members of senior management are to be offered pension terms that are in accordance with market practice in the country where the individuals habitually reside. Non-monetary benefits are to facilitate the work of members 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-RELATED INCENTIVE PROGRAMS

Oncopeptides has five active programs which apply to the company's management, certain Board members, founders and staff. Two incentive programs were established in 2013: the "Founder Option Program" and the "Employee Option Program 2012/2019". The "Option Program 2016/2023" was established in 2016. Two additional incentive programs were adopted at the AGM in May 2017: "Co-worker LTIP 2017" and "Board LTIP 2017". A brief description of the programs follows below. See Note 21 in the annual report for additional information on the incentive programs.

Founder Option Program

This program, which is for the company's founders, was adopted at the 2013 AGM. In total, 114 options were allocated free of charge to participants in the program. The options were vested immediately. Each option entitles the holder to acquire 900 new ordinary shares in the company (after recalculation as a result of the 1:900 share split decided on at the extraordinary general meeting held on October 26, 2016). The options may be exercised through November 2, 2019.

Employee Option Program 2012/2019

The 2013 AGM resolved to establish an employee option program referred to as the "Employee Option Program 2012/2019". In total, 1,505 options were allocated free of charge to participants in the program. The program has a four-year vesting period.

Each vested option entitles the holder to acquire 900 new ordinary shares in the company (after recalculation as a result of the 1:900 share split decided on at the extraordinary general meeting held on October 26, 2016). All of the options allocated have been fully vested and may be exercised through November 2, 2019. The options are subject to customary recalculation conditions in connection with share issues, etc.

Employee Option Program 2016/2023

At the Board meeting held on November 22, 2016, it was resolved, with the support of the general meeting's prior authorization, to establish an employee option program referred to as the "Employee Option Program 2016/2023".

In total, 307 options were allocated free of charge to participants in the program. Allocated employee options are vested gradually over a four-year period (aside from 60 options in the series that vest and are allocated over a period of 12 months). Continued vesting requires that the holder is employed by the company and that the employment is not terminated as per the day of vesting of each employee option. In the event that the participant ceases to be an employee or terminates his or her employment with the company prior to a vesting date, employee options already vested and allocated can be exercised on the ordinary date for exercise according to that stated below, but no further vesting will occur. Each option entitles the holder to acquire 900 new ordinary shares in the company (after recalculation as a result of the 1:900 share split decided on at the extraordinary general meeting held on October 26, 2016). The options may be exercised through

November 30, 2023. The options are subject to customary recalculation conditions in connection with share issues, etc.

Co-worker LTIP 2017
This is a long-term incentive program for certain members of senior management and other key personnel (including employees and consultants). Participants in this program will be allocated options free of charge, which will entitle the holder to acquire a maximum of 1,618,939 shares in Oncopeptides after a three-year vesting period. The Board of Directors will decide on the allocation of options on an annual basis. As of December 31, 2017, 863,000 options had been allocated. Each 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 volume-weighted average price of Oncopeptides' share during the five trading days preceding the allocation date. The options have a term of seven years from the allocation date.

Board LTIP 2017
This is a performance-based long-term incentive program for certain Oncopeptides Board members. Participants in this program will be allocated performance-based options free of charge, which will entitle the holder to acquire a maximum of 34,800 shares in Oncopeptides. The share rights 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 rights will be vested, and if the share price has increased by 20 percent, 33 percent of the share rights will be vested. In the event of an increase in the share price by an amount between 20 and 60 percent, the share rights will vest in a linear fashion. If the share price increases by less than 20 percent there will be no vesting. Any shares are to be allocated on June 1, 2020.

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 rights 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 4,459,888 shares in the parent company. See the table below regarding allocation in each program as of December 31, 2017.

The full exercise of allocated options and share rights as of December 31, 2017, corresponding to 2,631,200 shares, would result in a dilution for shareholders of 6.20 percent. The full exercise of issued warrants corresponding to a total of 4,459,888 shares (including unallocated employee options and social security contributions) would result in a dilution for shareholders of 10.0 percent.

Number of shares to which allocated employee options may entitle the holder

Employee Option Program 2012/2019	1,354,500
Founder Option Program	102,600
Employee Option Program 2016/2023	276,300
Co-worker LTIP 2017	863,000
Total number of shares to which allocated employee options may entitle the holder	**2,596,400**
Number of share rights allocated to the Board under Board LTIP 2017	34,800
Total number of shares to which allocated employee options and share rights may entitle the holder	**2,631,200**

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 2017 AGM, for a term until the end of the 2018 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 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 they submit 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 three financial years are disclosed in Note 6 of the 2017 Annual Report.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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 abovementioned 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 Board of Directors has established an audit committee whose main task is to monitor the company's financial position and the effectiveness of the company's internal control 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, after which 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 fulfilment 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

The compliance 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 policies 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.

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 fulfilment 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	2017	2016	2015
Net sales		–	–	–
Gross profit		**–**	**–**	**–**
Operating expenses				
Research and development costs	5,7,8	-197,771	-89,725	-43,845
Marketing and distribution costs	5,7,8	-15,160	-630	0
Administrative expenses	5,6,7,8	-34,688	-24,128	-9,504
Total operating expenses		**-247,620**	**-114,482**	**-53,350**
Operating result		**-247,620**	**-114,482**	**-53,350**
Financial income	9	0	36	10
Financial expenses	9	0	0	-1
Result before tax		**-247,620**	**-114,446**	**-53,341**
Income tax		–	–	–
Result for the period		**-247,620**	**-114,446**	**-53,341**
Other comprehensive income				
Translation differencies on currency hedges		8	–	–
Total other comprehensive income		**8**	**–**	**–**
Total comprehensive result for the period		**-247,612**	**-114,446**	**-53,341**
Earnings per share before and after dilution (SEK)	18	-6.44	-4.88	-3.98

Total comprehensive result for the period is in total attributable to parent company shareholders.

Parent company income statement

SEK thousand		2017	2016	2015
Net sales		–	–	–
Gross profit		**–**	**–**	**–**
Operating expenses				
Research and development costs	5,7,8	-197,771	-89,725	-43,845
Marketing and distribution costs	5,7,8	-15,160	-630	0
Administrative expenses	5,6,7,8	-34,688	-24,128	-9,504
Total operating expenses		**-247,620**	**-114,482**	**-53,350**
Operating result		**-247,620**	**-114,482**	**-53,350**
Financial income	9	0	36	10
Financial expenses	9	0	0	-1
Result before tax		**-247,620**	**-114,446**	**-53,341**
Income tax		–	–	–
Result for the period		**-247,620**	**-114,446**	**-53,341**
Other comprehensive income				
Translation differencies on currency hedges		8	–	–
Total other comprehensive income		**8**	–	–
Total comprehensive result for the period		**-247,612**	**-114,446**	**-53,341**

Consolidated statement of financial position

SEK thousand	Note	31 Dec 2017	31 Dec 2016	31 Dec 2015
ASSETS				
Non-current assets				
Tangible non-current assets				
Property, plant and equipment	10	2,339	1,100	7
Total tangible non-current assets		**2,339**	**1,100**	**7**
Financial non-current assets				
Investments held as non-current assets	11	1	1	1
Other non-current receivables	11	262	262	162
Total financial non-current assets		**263**	**263**	**163**
Total non-current assets		**2,601**	**1,363**	**171**
Current assets				
Current receivables	13			
Other current receivables	14	1,189	2,963	932
Prepaid expenses	15	71,982	11,056	1,006
Cash and cash equivalents	16	404,050	40,251	2,293
Total current receivables		**477,221**	**54,270**	**4,231**
Total current assets		**477,221**	**54,270**	**4,231**
TOTAL ASSETS		**479,822**	**55,633**	**4,402**

SEK thousand	Note	31 Dec 2017	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES				
Equity				
Share capital	17	4,423	2,449	2,046
Other contributed capital	17	956,044	318,738	175,759
Retained earnings (including result for the period)		-542,462	-294,850	-180,405
Total equity		**418,005**	**26,337**	**-2,600**
LIABILITIES				
Long-term liabilities				
Provision for social security contributions, share based incentive program		1,825	–	–
Total long-term liabilities		**1,825**	**–**	**–**
Current liabilities	13			
Provision for social security contributions, share based incentive program	19	36,306	10,200	–
Trade payables	13	15,681	8,731	5,115
Other current liabilities	19	954	715	186
Accrued expenses and deferred income	20	7,053	9,651	1,701
Total current liabilities		**59,993**	**29,296**	**7,002**
Total liabilities		**61,818**	**29,296**	**7,002**
TOTAL EQUITY AND LIABILITIES		**479,822**	**55,633**	**4,402**

Parent company balance sheet

SEK thousand	Note	31 Dec 2017	31 Dec 2016	31 Dec 2015
ASSETS				
Non-current assets				
Tangible non-current assets				
Property, plant and equipment	10	2,339	1,100	7
Total tangible non-current assets		**2,339**	**1,100**	**7**
Financial non-current assets				
Interests in subsidiaries	12	50	50	50
Investments held as non-current assets	11	1	1	1
Other non-current receivables	11	262	262	162
Total financial non-current assets		**313**	**313**	**213**
Total non-current assets		**2,651**	**1,413**	**221**
Current assets				
Current receivables	13			
Other current receivables	14	1,189	2,963	932
Prepaid expenses	15	71,982	11,056	1,006
Cash and cash equivalents	16	404,000	40,201	2,243
Total current receivables		**477,171**	**54,220**	**4,181**
Total current assets		**477,171**	**54,220**	**4,181**
TOTAL ASSETS		**479,822**	**55,633**	**4,402**

SEK thousand	Note	31 Dec 2017	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES				
Equity				
Restricted equity	17			
Share capital		4,423	2,449	2,046
Statutory reserve		10,209	10,209	10,209
Non-restricted equity*				
Share premium account		943,236	308,449	165,550
Value of service by participants in the incentive programs		2,600	81	–
Retained earnings		-294,850	-180,405	-127,064
Result for the period		-247,612	-114,446	-53,341
Total equity		**418,005**	**26,337**	**-2,600**
LIABILITIES				
Long-term liabilities				
Provision for social security contributions, share based incentive program		1,825	–	–
Total long-term liabilities		**1,825**	**–**	**–**
Current liabilities	13			
Provision for social security contributions, share based incentive program	19	36,306	10,200	–
Trade payables		15,681	8,731	5,115
Other current liabilities	19	954	715	186
Accrued expenses and deferred income	20	7,053	9,651	1,701
Total current liabilities		**59,993**	**29,296**	**7,002**
Total liabilities		**61,818**	**29,296**	**7,002**
TOTAL EQUITY AND LIABILITIES		**479,822**	**55,633**	**4,402**

* Reclassification of items between share premium account and retained earnings has occured, which has not affected non-retricted equity. Historical figures have been adjusted accordingly.

Consolidated statement of changes in equity

SEK thousand	Note	Share capital	Other contributed capital	Retained earnings including result for the period	Total equity
Opening balance 1 January 2015		**1,506**	**133,163**	**-127,064**	**7,606**
Result for the period and comprehensive income				-53,341	-53,341
Total comprehensive income				**-53,341**	**-53,341**
Transactions with shareholders					
Issue of new shares	17	540	42,596		43,136
Total transaction with shareholders		**540**	**42,596**		**43,136**
Closing balance 31 December 2015		**2,046**	**175,759**	**-180,405**	**-2,600**
Opening balance 1 January 2016		**2,046**	**175,759**	**-180,405**	**-2,600**
Result for the period and comprehensive income				-114,446	-114,446
Total comprehensive income				**-114,446**	**-114,446**
Transactions with shareholders					
Mandatorily convertible loans raised	17		143,302		143,302
Value of service by participants in the incentive programs			81		81
Conversion of loans	17	403	-403		0
Total transaction with shareholders		**403**	**142,979**		**143,382**
Closing balance 31 December 2016		**2,449**	**318,738**	**-294,850**	**26,337**
Opening balance 1 January 2017		**2,449**	**318,738**	**-294,850**	**26,337**
Result for the period and comprehensive income				-247,612	-247,612
Total comprehensive income				**-247,612**	**-247,612**
Transactions with shareholders					
New issue of shares	17	1,679	635,082		636,761
Conversion of loans		295	-295		0
Value of service by participants in the incentive programs	17		2,519		2,519
Total transaction with shareholders		**1,974**	**637,306**		**639,280**
Closing balance 31 December 2017		**4,423**	**956,044**	**-542,462**	**418,005**

Parent company statement of changes in equity

	Restricted equity		Non-restricted equity			
SEK thousand	Share capital	Statutory reserve	Share premium account	Retained earnings	Result for the period	Total equity
Opening balance 1 January 2015	**1,506**	**10,209**	**122,954**	**-93,970**	**-33,094**	**7,606**
AGM-approved treatment				-33,094	33,094	0
Result for the period and comprehensive income					-53,341	-53,341
Total comprehensive income					**-53,341**	**-53,341**
Transactions with shareholders						
New issue of shares	540		42,596			43,136
Total transactions with shareholders	**540**		**42,596**			**43,136**
Closing balance 31 December 2015	**2,046**	**10,209**	**165,550**	**-127,064**	**-53,341**	**-2,600**
Opening balance 1 January 2016	**2,046**	**10,209**	**165,550**	**-127,064**	**-53,341**	**-2,600**
AGM-approved treatment				-53,341	53,341	0
Result for the period and comprehensive income					-114,446	-114,446
Total comprehensive income					**-114,446**	**-114,446**
Transactions with shareholders						
Mandatorily convertible loans raised			143,302			143,302
Value of service by participants in the incentive programs			81			81
Conversion of loans	403		-403			0
Total transactions with shareholders	**403**		**142,979**			**143 382**
Closing balance 31 December 2016	**2,449**	**10,209**	**308,529**	**-180,405**	**-114,446**	**26,337**
Opening balance 1 January 2017	**2,449**	**10,209**	**308,529**	**-180,405**	**-114,446**	**26,337**
AGM-approved treatment				-114,446	114,446	0
Result for the period and comprehensive income					-247,612	-247,612
Total comprehensive income					**-247,612**	**-247,612**
Transactions with shareholders						
New issue of share	1,679		635,082			636,761
Value of service by participants in the incentive programs			2,519			2,519
Conversion of loans	295		-295			0
Total transactions with shareholders	**1,974**		**637,306**			**639,280**
Closing balance 31 December 2017	**4,423**	**10,209**	**945,835**	**-294,850**	**-247,612**	**418,005**

Consolidated statement of cash flow

SEK thousand	Note	2017	2016	2015
Operating activities		-247,620	-114,482	-53,350
Profit/loss before financial items				
Adjustment for non-cash items				
depreciation and amortisation		234	24	7
value of service by participants in the incentive programs		2,519	81	–
provision for social security contributions, share based incentive programs		27,931	10,200	–
Interest received		0	1	10
Interest paid		0	0	-1
Cash flow from operating activities before change in working capital		**-216,936**	**-104,177**	**-53,334**
Change in working capital				
Increase/decrease in operating receivables		-59,153	-12,107	-959
Increase/decrease in trade payables		6,950	3,616	2,547
Increase/decrease in other current operating liabilities		-2,359	8,406	-1,062
Total change in cash flow		**-54,562**	**-85**	**525**
Cash flow from operating activities		**-271,497**	**-104,262**	**-52,808**
Investing activities				
Investments in property, plant and equipment		-1,472	-1,117	–
Cash flow from investing activities		**-1,472**	**-1,117**	–
Financing activities				
Issue of new shares	17	636,761	–	43,136
Mandatorily convertible loans	17	–	143,302	–
Cash flow from financing activities		**636,761**	**143,302**	**43,136**
Cash flow from the period				
Cash and cash equivalents at beginning of period		40,251	2,293	11,966
Change in cash and cash equivalents		363,791	37,923	-9,673
Foreign exchange difference in cash and cash equivalents		8	35	–
Cash and equivalents at end of year		**404,050**	**40,251**	**2,293**

Parent company statement of cash flows

SEK thousand	Note	2017	2016	2015
Operating activities				
Profit/loss before financial items		-247,620	-114,482	-53,350
Adjustment for non-cash items				
depreciation and amortisation		234	24	7
value of service by participants in the incentive programs		2,519	81	–
provision for social security contributions, share based incentive programs		27,931	10,200	–
Interest received		0	1	10
Interest paid		0	0	-1
Cash flow from operating activities before change in working capital		**-216,936**	**-104,177**	**-53,334**
Change in working capital				
Increase/decrease in operating receivables		-59,153	-12,107	-959
Increase/decrease in trade payables		6,950	3,616	2,547
Increase/decrease in other current operating liabilities		-2,359	8,406	-1,062
Total change in cash flow		**-54,562**	**-85**	**525**
Cash flow from operating activities		**-271,497**	**-104,262**	**-52,808**
Investing activities				
Investments in property, plant and equipment		-1,472	-1,117	–
Cash flow from investing activities		**-1,472**	**-1,117**	**–**
Financing activities				
Issue of new shares	17	636,761	–	43,136
Mandatorily convertible loans	17		143,302	–
Cash flow from financing activities		**636,761**	**143,302**	**43,136**
Cash flow from the period				
Cash and cash equivalents at beginning of period		40,201	2,243	11,916
Change in cash and cash equivalents		363,791	37,923	-9,673
Foreign exchange difference in cash and cash equivalents		8	35	–
Cash and equivalents at end of year		**404,000**	**40,201**	**2,243**

Notes 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.

Note 2 Summary of significant accounting policies

The most important 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 judgements in applying the Group's accounting policies. Areas which 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.

2.1.1 Amendments to accounting policies and disclosures

Future standards and new interpretations

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and liabilities. It replaces those parts of IAS 39 related to the classification and measurement of financial instruments. IFRS 9 retains a mix measurement approach but simplifies the approach in certain respects. The standard establishes three measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of an instrument is to be based on the company's business model and the characteristics of the instrument. Investments in equity instruments are to be measured at fair value through profit or loss, although there is also the option of measuring the instrument at fair value through other comprehensive income upon initial recognition. In this case no reclassification to profit or loss is made when the instrument is sold. For financial liabilities the methods of classification and measurement are not changed except in the case where a liability is measured at fair value through profit or loss using the fair value option. The standard will be applied for the financial year commencing on 1 January 2018. At present, the Group has no financial assets and liabilities falling within the scope of IFRS 9, which means that the introduction of this standard will not have any impact.

IFRS 15 Revenue from Contracts with Customers regulates the accounting of revenue. The principles on which IFRS 15 is based are intended to provide users of financial statements additional valuable information about the company's revenue. Under the expanded disclosure requirements, information on the type of revenue, date of settlement, uncertainties associated with the recognition of revenue and cash flows attributable to the company's customer contracts must be disclosed. Under IFRS 15, revenue should be recognised when a customer receives control over the sold good or service and is able to use or obtains a benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the related SIC and IFRIC interpretations. IFRS 15 becomes effective from 1 January 2018. In light of the Group having yet to sign any contracts with customers that would fall under IFRS 15, the introduction of this standard will have no impact. The impact of the introduction of the standard as a consequence of any future contracts with customers can be assessed when such contracts arise.

IFRS 16 Leases. In January 2016, the IASB published a new leasing standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with a few exceptions, be recognized in the balance sheet. This accounting treatment is based on the view that the lessee has a right to use an asset during a specific period of time as well as an obligation to pay for this right. Recognition for the lessor will essentially be unchanged. The standard is applicable for financial years commencing on 1 January 2019 or later. The standard was adopted by the EU and advance application is permissible. At present, the Group has no finance leases. Any

operating leases, as described in Note 7, are limited to an office lease, which means that the introduction of this standard is not deemed to have any significant impact.

2.2 Consolidation

Subsidiaries

All companies (including structured entities) over which the Group exercises a controlling influence are classified as subsidiares. 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, balances, 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

Swedish kronor (SEK), the functional currency of the parent company and the presentation currency of the Group, is used in the consolidated financial statements. All amounts, unless otherwise specified, are stated and rounded to the nearest thousand (SEK thousand).

Transactions and balances

Transactions in foreign currencies that are not within the scope of the Group's hedge accounting 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 that are not used for the Group's cash-flow hedging are accounted for in the income statement as financial income or expenses. All other foreign exchange gains and losses are recognized in the items Other operating income/expenses in the income statement.

Cash-flow hedging

The Group secures the flow of USD and EUR by identifying currency accounts as hedging instruments.

The effective portion of changes in the fair value of derivative instruments identified as cash-flow hedges that meet the conditions for hedge accounting are recognized in other comprehensive income and amounts accumulated in equity. The gain or loss relating to the ineffective portion is recognized immediately in in the income statement as other income or other expenses.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss. Earnings attributable to the effective portion of the re-measurement of a currency account are handled as follows: If the hedging of a forecast transaction leads to the reporting of a non-financial asset (for example, a non-current asset), the gains or losses that were previously recognized in equity are transferred from equity and included in the initial cost of the asset. These amounts recognized as assets will subsequently be recognized in the income statement under the cost of goods sold with respect to amortization, depreciation or impairment of non-current assets.

When entering into the transaction, the Group documents the relationship between the hedging instrument and the hedged item. The Group also documents its assessment as to whether the currency account that is used for hedging transactions will continue to be efficient in terms of offsetting changes in the cash flows attributable to the hedged items. The Group documents its targets for risk management and its risk-management strategy when entering a hedge transaction.

2.4 Intangible assets

Capitalized development costs

The Group conducts 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 marketeting 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 is accounted for as an 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, economic and other resources are available to complete the development of and use or sell the product.
- the costs attributable to the product during its development can be reliably measured.

Capitalized assets which have met the above capitalization criteria have a limited useful life and are stated 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, which does not meet the above criteria, is expensed as incurred. Previously expensed development expenditure is not capitalized in later periods.

At December 31, 2017, 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 costs to sell 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 assets which have previously been impaired, an impairment test is carried out 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 stated 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 presented in the balance sheet only when there is a legally enforcable 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 recognised 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 recognised impairment loss is recognised 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 amortised 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 the 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 into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior 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 employees under the plans (for determining provisions for social security contributions). 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 recognised 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 recognised 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 reported 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 those cases which are 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 assessments 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 the 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 different accounting policies than the Group in those cases which are 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.

Interest in subsidiaries

Interests in subsidiaries are stated at cost less any impairment.

When there is an indication that interests in a subsidiary are impaired, an estimate is made of the recoverable amount. If the recoverable amount is less than the carrying amount an impairment loss is recognised. Impairment losses are recognised 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 recognised as appropriations. Shareholder contributions paid are recognised 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 39 is not applied in the parent company and financial instruments are measured at cost. In subsequent periods financial assets which have been acquired with the intention of being held for the short term are recognised at the lower of cost or market value in accordance with the lower of cost or market method.

At each balance sheet date the parent company assesses whether there is any indication of impairment of financial assets. An impairment loss is recognised if the decline in value is deemed to be permanent. Impairment losses on interest-bearing financial assets measured at amortised cost are defined 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 non-current financial 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 risk is calculated by forecasting highly probable purchasing in USD and EUR. The Group endeavors to use hedge accounting to reduce fluctuations in exchange-rate outcomes attributable to hedges of highly probable projected purchases of goods. The Group applies cash-flow hedging.

The Group's risk management policy is to hedge between 70 percent and 100 percent of anticipated cash flows in USD and EUR, up to one financial quarter in advance, following an overview of the costs associated with each hedging transaction. In the 2017 financial year, 100 percent of purchasing was hedged. At December 31, 2017, 100 percent of the anticipated purchasing in USD and EUR for the first quarter of 2018 was characterized as highly probable projected transactions for hedge-accounting purposes.

(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, 2017	Less than 3 months	Between 3 months and 1 year
Trade payables	15,681	–
Provisions for social security contribution, share based incentive program	–	36,306
Other current liabilities	954	–
Accrued expenses	7,053	1,115

December 31, 2016	Less than 3 months	Between 3 months and 1 year
Trade payables	8,731	–
Provisions for social security contribution, share based incentive program	–	10,200
Other current liabilities	715	–
Accrued expenses	9,193	458

December 31, 2015	Less than 3 months	Between 3 months and 1 year
Trade payables	5,115	–
Other current liabilities	186	–
Accrued expenses	1,556	145

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 judgements

Estimates and assessments 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 judgements

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 development of drugs to the extent that such expenditure is deemed to meet the criteria of paragraph 57 of IAS 38. At December 31, 2017, it was deemed that Oncopeptides' expenses for the development of pharmaceutical products did not meet the criteria for capitalization and has therefore been charged to expense. Drug development expenditure is capitalized at a late stage of phase III 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 on page 50. The cost for the remuneration that is recognized in a period is dependent on the original valuation that was made on the date of 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 contributions). 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 21. Apart from the valuations, the cost in a period is affected by an estimate of the number of persons whose stock options are expected to vest. Through the human resources activities that are described in other parts of the Annual Report and are based on 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 Operating expenses by type of cost

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

	2017	2016	2015
Direct external costs for drug development	-177,945	-82,108	-41,093
Other external expenses	-23,796	-19,048	-3,845
Personnel costs	-45,879	-13,325	-8,412
Total	**-247,620**	**-114,482**	**-53,350**

Note 6 Audit fees

	The Group			Parent company		
PwC	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Audit	632	571	–	632	571	–
Other statutory assignments	36	28	–	36	28	–
Tax assignments	0	57	–	0	57	–
Other assignments	1,664*	2,086	–	1,664*	2,086	–
Total	**2,332**	**2,741**		**2,332**	**2,741**	
R3 Revisionsbyrå						
Audit	–	41	37	–	41	37
Other assignments	–	–	5	–	–	5
Total	**0**	**41**	**42**	**0**	**41**	**42**

All fees to PwC according to above refers to PwC Sweden.
* The amount includes fees for other audit activities of SEK 1,275 thousand.

Note 7 Operating leases

The Group leases office premises and a photocopier under non-cancellable operating leases. Future total minimum lease payments under non-cancellable operating leases fall due as follows:

	2017	2016	2015
Within 1 year	1,107	413	613
Between 1 and 5 years	549	12	–
Total	**1,656**	**425**	**613**

Rental costs of SEK 992 thousand (December 2016: SEK 511 thousand; December 2015: SEK 284 thousand) relating to office premises are included in profit or loss.

Note 8 Remuneration to employees, senior management and the Board of Directors

Salaries and remuneration to employees

	2017	2016	2015
Salaries and other remuneration	8,897	4,800	3,840
Social security contributions	31,344	11,719	1,190
Pension costs – defined-contribution plans	1,613	678	599
Total remuneration to employees	**41,854**	**17,197**	**5,629**

Average number of employees

	2017		2016		2015	
		of which, men		of which, men		of which, men
Group	7	2	5	1	4	1
Group total	**7**	**2**	**5**	**1**	**4**	**1**

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

	2017 Number at balance sheet date		2016 Number at balance sheet date		2015 Number at balance sheet date	
		of which, men		of which, men		of which, men
Board members	7	6	7	7	6	6
Other members of senior management	8	4	7	3	4	2
CEO	1	1	1	1	1	1
Group total	**16**	**11**	**15**	**11**	**11**	**9**

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

2017	Basic salary, *Board fees	Invoiced fees	Bonus	Pension cost	**Consult-ing fees	Share-based remu-neration	Total
Alan Hulme, Chairman of the Board	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
Per Samuelsson			–	–	–	–	263
Jakob Lindberg, CEO	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 Annual General Meeting, 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 Annual General Meeting.

** 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.

2016	Basic salary, Board fee	Invoiced fees	Bonus	Pension cost	*Consult-ing fees	Share-based remu-neration	Total
Alan Hulme, Chairman of the Board	143	–	–	–	975		1,118
Board members:							
Olof Tydén	60	–	–	–	–		60
Ulf Jungnelius	60	–	–	–	–		60
Luigi Costa	30	–	–	–	–		30
Jakob Lindberg, CEO	1,512	–	386	278	–	29	2,205
Other members of senior management (7)	1,468	3,703	201	364	–	12	5,747
Total	**3,272**	**3,703**	**587**	**643**	**975**	**41**	**9,220**

* In addition to Board fees, Alan Hulme has received consultant fees for services rendered which, historically, refers to active participation in development projects.

2015	Basic salary, Board fee	Invoiced fees	Bonus	Pension costs	*Consult-ing fees	Total
Alan Hulme, Chairman of the Board	155	–	–	–	793	948
Olof Tydén, Board member	60	–	–	–	–	60
Ulf Jungnelius, Board member	60	–	–	–	–	60
Jakob Lindberg, CEO	1,522	–	113	286	–	1,920
Other members of senior management (4)	1,363	2,270	110	281	–	4,024
Total	**3,159**	**2,270**	**223**	**566**	**793**	**7,012**

* In addition to Board fees, Alan Hulme has received consultant fees for services rendered which, historically, refers to active participation in development projects.

Board fees

In addition to the Board members listed in the tables above, Jonas Brambeck, Johan Christenson and Per Samuelsson were Board members in 2016 and 2015 and has during these periods refrained from receiving any Board fees.

Remuneration to members of senior management

Remuneration to the CEO and other members of senior management consists of a basic salary, pension benefits, variable salary and participation in the incentive programs. Some of the Group's members of senior management invoice their fees, which are included in operating expenses and recognized in the tables above under the column "Invoiced fees." At the balance sheet date, other members of senior management referred to the eight (8) individuals who, together with the CEO, make up Group management. Other members of senior management refer to the Chief Financial Officer, Chief Medical Officer, VP Head of Clinical Development, Head of Regulatory Affairs, Head of Investor Relations, Head of CMC, Chief Commercial Officer and Head of Medical Relations.

Pensions

The retirement age for the CEO is 65 years. The pension premium amounts to 19 percent of the pensionable salary. Pensionable salary refers to the basic salary.

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 has the right to continue to receive his or her existing salary and employment benefits during the term of notice. If notice is given by company, the employee is not entitled to severance pay on top of his or her salary during the term of notice.

Note 9 Financial income and expense

	2017	2016	2015
Interest income	0	1	10
Foreign exchange gains	0	35	–
Total financial income	**0**	**36**	**10**
Interest expense	0	0	1
Total financial expense	**0**	**0**	**1**
Net financial income/expense	**0**	**36**	**9**

Note 10 Property, plant and equipment

	31 Dec 2017	31 Dec 2016	31 Dec 2015
Equipment			
Cost at beginning of year	120	37	37
Disposals	-37		
Purchases for the year	0	84	–
Cost at end of period	**84**	**120**	**37**
Accumulated depreciation at beginning of year	-54	-29	-22
Disposals	37		
Depreciation for the year	-17	-24	-7
Closing depreciation	**-33**	**-54**	**-29**
Machinery			
Cost at beginning of year	1,034	0	
Purchases for the year	1,509	1,034	–
Cost at end of period	**2,543**	**1,034**	**0**
Accumulated depreciation at beginning of year	0		
Depreciation for the year	-254		
Closing depreciation	**-254**	**0**	**0**
Closing carrying amount	**2,339**	**1,100**	**7**

Note 11 Non-current financial assets

	31 Dec 2017	31 Dec 2016	31 Dec 2015
Securities			
LFF Service AB 556197-9211	1	1	1
Total	**1**	**1**	**1**

Equity share 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 1,000) if Oncopeptides AB (publ) withdraws from the share agreement.

Long-term receivables

	31 Dec 2017	31 Dec 2016	31 Dec 2015
Rent deposit	262	262	162
Total long-term receivables	**262**	**262**	**162**

Note 12 Company Group structure

	31 Dec 2017	31 Dec 2016	31 Dec 2015
Opening cost	50	50	50
Closing accumulated cost	50	50	50
Closing carrying amount	**50**	**50**	**50**

Name	Corp. Reg. No. Registered office and country	No. of shares	Share of ordinary shares owned by the parent company	Share of ordinary shares, non-controlling interests	Carrying amount 2017	Carrying amount 2016	Carrying amount 2015
Oncopeptides Incentive AB	555931-5491 Stockholm, Sweden	50,000	100%	0	50	50	50

Note 13 Financial instruments by category

Loans and receivables

	31 Dec 2017	31 Dec 2016	31 Dec 2015
Assets in balance sheet			
Other current receivables	1,189	2,963	932
Prepaid expenses	71,982	11,056	1,006
Cash and cash equivalents	404,050	40,251	2,293
Total	**471,221**	**54,269**	**4,231**
Other financial liabilities			
Liabilities in balance sheet			
Non-current provision for social security contributions, incentive programs	1,825	–	–
Current provision for social security contributions, share based incentive programs	36,306	10,200	–
Trade payables	15,681	8,731	5,115
Other current liabilities	954	715	186
Accrued expenses and deferred income	7,053	9,651	1,701
Total	**61,818**	**29,296**	**7,002**
Total	**415,403**	**24,973**	**-2,771**

Note 14 Other current receivables

	31 Dec 2017	31 Dec 2016	31 Dec 2015
VAT	1,043	2,230	645
Taxes	116	123	27
Tax account	31	610	260
Total	**1,189**	**2,963**	**932**

Note 15 Prepaid expenses and accrued income

	31 Dec 2017	31 Dec 2016	31 Dec 2015
Advances, project costs	71,032	10,381	877
Prepaid rents	277	219	72
Other prepaid expenses	673	457	58
Total	**71,982**	**11,056**	**1,006**

Note 16 Cash and cash equivalents

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

Group	31 Dec 2017	31 Dec 2016	31 Dec 2015
Bank balances	404,050	40,251	2,293

Parent company	31 Dec 2017	31 Dec 2016	31 Dec 2015
Bank balances	404,000	40,201	2,243

Note 17 Share capital and other contributed capital

	No. of shares	Share capital	Other capital	Total
January 1, 2015	**15,064**	**1,506**	**133,163**	**134,669**
Issue of new share	5,396	540	42,596	43,136
December 31, 2015	20,460	2,046	175,759	177,805
Mandatorily convertible loans raised			143,302	143,302
Conversion of loans	4,031	403	-403	0
Value of service by participants in the incentive programs			81	81
Share split 1:900	22,017,409			
December 31, 2016	**22,041,900**	**2,449**	**318,738**	**321,187**
Issue of new shares	15,108,340	1,679	693,305	694,984
Issue costs			-58,223	-58,223
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

In total 15,108,350 new shares were issued when Oncopeptides was listed on the Nasdaq Stockholm Mid Cap list in February 2017. In connection with the listing, the company issued 2,655,781 new shares as a result of the conversion of the company's bridge loans.

Share capital and share class

The share capital comprises 39,806,021 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. In conjunction with the listing, all existing preference shares, totaling 18,766,800, were converted to ordinary shares.

Warrants

To ensure delivery of the company's and Group's incentive programs, a total of 2,440,734 warrants entitling the holders to subscribe for a total of 4,459,888 shares have been issued to the wholly owned subsidiary Oncopeptides Incentive AB. At December 31, 2017, a total of 899,726 warrants entitling the holders to a total of 2,631,200 shares were allocated, 755,939 warrants entitling the holders to 755,939 shares were unallocated and the remaining 785,069 warrants entitling the holders to 1,072,749 shares were allocated as a hedge to cover social security contributions.

Dividend

At the general shareholders' meeting in May 2018, it will be proposed that no dividend be paid in respect of the 2017 financial year.

Note 18 Earnings per share before and after dilution

Earnings per share before dilution are calculated by dividing earnings attributable to shareholders of the parent company by a 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.

	2017	2016	2015
Loss after tax	-247,620	-114,446	-53,341
Adjustment for cumulative right to dividends on preference shares	-1,926	-10,972	-8,629
Adjusted loss	**-249,546**	**-125,418**	**-61,970**
Average number of ordinary and preference shares* (thousands)	38,163	19,321	15,581
Adjustment for additional shares on mandatory conversion of bridge loan (thousands)	614	6,367	–
Average number of shares	**38,777**	**25,688**	**15,581**
Earnings per share (SEK)	-6.44	-4.88	-3.98

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

Note 19 Liabilities

Other current liabilities	31 Dec 2017	31 Dec 2016	31 Dec 2015
Provision for social security contributions, incentive programs	36,306	10,200	–
Other employee-related taxes and levies	954	715	186
Total	**37,259**	**715**	**186**

Note 20 Accrued expenses

	31 Dec 2017	31 Dec 2016	31 Dec 2015
Employee-related costs	2,711	946	593
Other accrued expenses	1,279	5,042	622
Accrued project costs	3,063	3,663	486
Total	**7,053**	**9,651**	**1,701**

Note 21 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 allocated warrants that will only be earned provided 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.

Oncopeptides currently has five active programs that include the management team, certain Board members, founders and employees. Two stock option schemes, the "Founder Option Program" and "Employee Option Program 2012/2019," were introduced in 2013 and the "Employee Option Program 2016/2023" was introduced in 2016. Two additional incentive programs were adopted at the Annual General Meeting in May 2017: "Co-worker LTIP 2017" and "Board LTIP 2017."

Employee Option Program 2012/2019
Employee options were allocated free of charge to participants in the program. Allocated employee options are vested gradually over a four-year period calculated from the starting date. Continued 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 employee 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 allocated free of charge to the participants. Allocated 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 allocated over a period of 12 months). Continued 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 are to be allocated free of charge to the participants. The options have a three-year vesting period calculated from the allocation date, provided that, with customary exceptions, participants remain as employees of, or continue to provide services to, Oncopeptides. Once the options are vested, they can be exercised during 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 allocation date.

Founder Option Program
The options have been allocated 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 rights were allocated to participants free of charge. The share rights 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 rights will be vested, and if the share price has increased by 20 percent, 33 percent of the share rights will be vested. In the event of an increase in the share price by an amount between 20 and 60 percent, the share rights will vest in a linear fashion. If the share price increases by less than 20 percent, there will be no vesting. Each vested share right 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 rights can be utilized no earlier than June 1, 2020 and no later than November 30, 2020.

Summary of allocated options and share rights according to plan

Employee stock option program

	2017		2016		2015	
	Average strike price, SEK per option	No. of shares covered by stock option schemes	Average strike price, SEK per option	No. of shares covered by stock option schemes	Average strike price, SEK per option	No. of shares covered by stock option schemes
January 1	0.63	1,733,400	0.77	1,359,000	1.00	1,011,600
Allocated	47.55	863,000	0.11	783,900	0.11	347,400
Cancelled	–	–	0.11	-409,500		–
Exercised	–	–	–	–		–
At end of period	**16.22**	**2,596,400**	**0.63**	**1,733,400**	**0.77**	**1,359,000**

Share right program (Board LTIP 2017)

	2017	
	Average strike price, SEK per share right	No. of shares covered by share right program
January 1	–	–
Allocated	0	34,800
At end of period	**0**	**34,800**

Calculation of fair value of employee stock option programs

The fair value on the allocation date was calculated using an adapted version of the Black & Scholes valuation model, which takes into consideration the strike price, the term of the options, share price on the allocation 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	Allocation date/ start date	Expiry date	Fair value upon issue of the option program, SEK	Strike price, SEK	Volatility	No. of shares covered by stock option program	Vested
Founder Option Program*	August 27, 2013	November 2, 2019	n/a	8.88	n/a	102,600	100%
Employee Option Program 2012/2019:1*	August 27, 2013	November 2, 2019	n/a	0.11	n/a	612,900	100%
Employee Option Program 2012/2019:2*	January 1, 2013	November 2, 2019	n/a	0.11	n/a	741,600	100%
Employee Option Program 2016/2023:1	November 22, 2016	November 30, 2023	8.88	0.11	20.72%	54,000	100%
Employee Option Program 2016/2023:2	November 22, 2016	November 30, 2023	8.88	0.11	20.72%	222,300	27.08%
Co-worker LTIP 2017:1	May 18, 2017	May 18, 2024	43.80	44.48	20.72%	727,000	20.73%
Co-worker LTIP 2017:2	October 5, 2017	October 5, 2024	64.25	63.95	20.72%	136,000	7.95%

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

Calculation of fair value of share right programs (Board LTIP 2017)

The fair value on the allocation date was calculated using a Monte Carlo simulation of future stock price development. The simulated share price development has then been used to calculate the outcome of the program (58% on the allocation date) and the value of each share at the acquisition date (present value adjusted to the date of allocation).

	Allocation date	Expiry date	Fair value upon issue of the share right program, SEK	No. of shares covered by share right schemes	Vested
Board LTIP 2017	May 18, 2017	November 30, 2020	42.88	34,800	20.49%

Note 22 Related-party transactions

Related parties are defined as individuals with holdings of more than ten 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 8.

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.

Purchase of services

	2017	2016	2015
Techgen Corporate Development Ltd (owned by Alan Hulme, Chairman of the Board)	180	975	793
Total	**180**	**975**	**793**

Recognition of allocated options issued through company's incentive programs to related parties at December 31, 2017

	Employee Option Program 2012/2019		Employee Option Program 2016/2023:2		Co-worker LTIP 2017:1		Co-worker LTIP 2017:2	
	No. of shares covered by stock option schemes	Vested, %	No. of shares covered by stock option schemes	Vested, %	No. of shares covered by stock option schemes	Vested, %	No. of shares covered by stock option schemes	Vested, %
CEO	805,500	100	157,500	27.1	181,000	20.7		
Alan Hulme, Chairman of the Board	85,500	100						
Luigi Costa, Board member	44,100	100						
Ulf Jungnelius, Board member	44,100	100						
Luigi Costa, Board member	44,100	100						
Other senior management	331,200	100	64,800	27.1	502,000	20.7	91,000	8.0
Total	**1,354,500**		**222,300**		**683,000**		**91,000**	

Recognition of allocated share right issued through company's incentive programs to related parties at December 31, 2017

	Board LTIP2017	
	No. of shares covered by share right program	Vested, %
Alan Hulme, Chairman of the Board	11,600	20.5
Luigi Costa, Board member	5,800	20.5
Cecilia Daun Wennborg, Board member	5,800	20.5
Ulf Jungnelius, Board member	5,800	20.5
Luigi Costa, Board member	5,800	20.5
Total	**34,800**	

Note 23 Deferred income tax

Deferred tax assets are recognized for tax loss carryforwards or other deductions to the extent that it is probable that these can be used to offset future taxable profits. The Group's tax loss carryforwards for the most recent tax year of 2017 (which pertains to the 2016 financial year) totaled SEK 294,665 thousand, which can be used to offset future taxable profits.

Note 24 Pledged assets

	2017	2016	2015
Shares of LFF Service AB	1	1	1
Bank guarantee to Euroclear	50	50	–
Total	**51**	**51**	**1**

The share in LFF Service AB is pledged and gives Läkemedelsföreningens Service AB an option to acquire the share at its quotient value (SEK 1,000) if Oncopeptides AB (publ) withdraws from the share agreement.

Note 25 Contingent liabilities

There were no contingent liabilities at December 31, 2017.

Note 26 Events after the end of the reporting period

Oncopeptides completed a directed share issue in March of approximately 314 MSEK before issue cots. The company also strengthened its management team with Dr Christian Jacques as EVP Clinical Strategy och Chief Scientific Officer in the same month. The first patients in the Phase I / II study called ANCHOR started treatment during first half of April.

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 18, 2018

Alan Hulme
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

Luigi Costa
Board member

Our auditor's report was submitted on April 18, 2018
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 2017 with the exception of the Corporate Governance Report on pages 34-40. The annual accounts and consolidated accounts of the company are included on pages 30-62 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 2017 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 2017 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 34-40. 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.

Key audit matter	How our audit addressed the Key audit matter
Reporting of research and development costs During financial year 2017, costs for the company's operations within research and development amounted to MSEK 197.8 which is equivalent to 80% of Oncopeptides' total operating costs. The majority of these costs refer to the development of the product, Ygalo, 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.	In order to ensure a correct reporting of the costs for research and development, we have obtained, through interviews, an understanding of Oncopeptides' internal operational follow-up routines and activities and have performed the following measures: • 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.

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 1-29 and 66-70. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with 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

2017 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other 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 34-40 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 18, 2017 and has been the company's auditors since June 28, 2016.

Stockholm, April 18, 2018

PricewaterhouseCoopers AB
Magnus Lagerberg
Authorized Public Accountant

Board of Directors

ALAN HULME

Chairman of the Board since 2010.

In addition to his Chairmanship of Oncopeptides, Alan has worked across Europe with other development stage client companies in the life sciences sector, providing corporate development consultancy services from his base in London. Previous positions Alan has held have included various senior management positions in a number of US listed companies in the life sciences sector as well as two European companies, one of which was a venture backed start-up he co-founded. He has been located for extensive periods in Asia, in the US and with assignments in Europe including the UK, Germany, France and Norway. Alan holds a Fellowship of the Institute of Biomedical Sciences (UK).

Born: 1951

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

Holdings in Oncopeptides: 322,393 shares, 95 Employee Options* and 11,600 Share Awards**

Other current positions: Director of Oncopeptides Incentive AB and Techgen Corporate Development Ltd.

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

JONAS BRAMBECK

PhD, Board member since 2008.

In addition to being a board member of Oncopeptides, Jonas is an Investment Manager at Industrifonden, a leading Nordic venture capital fund, and a member of the Board of Directors of the life sciences company Oxthera AB. He has experience from boardwork in a number of public and private life science companies and has previously held positions in 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 Audit Committee and the Remuneration Committee.

Holdings in Oncopeptides: Nil

Other current positions: Board member of OxThera AB and OxThera Intellectual Property AB.

Independent in relation to the Company and its senior management, but not in relation to major shareholders. Employee of Industrifonden Foundation (Stiftelsen Industrifonden).

LUIGI COSTA

Board member since 2016.

Luigi has over 20 years of experience in the international pharmaceutical and biotech industries. In addition to being a board member of Oncopeptide, Luigi is the CEO of Nordic Nanovector ASA, a public biotech company focusing on the development and commercialisation of novel targeted therapeutics in haematology and oncology. Luigi's previous positions include Vice President of Europe, Middle East and Africa for Onyx Pharmaceuticals where he led the company's international organization and the prelaunch and launch of its multiple myeloma drug, Kyprolis® in markets outside the USA. Prior to joining Onyx Pharmaceuticals, Luigi held several leadership positions with Amgen, including Head of International Oncology Fanchise, General Manager of Amgen Italy and President of Amgen France. He has also held various leadership positions with Eli Lilly both in Europe and America. Luigi holds a BSc in Business Administration from the University of Parma and an MBA from Bocconi Business School in Milan.

Born: 1965

Holdings in Oncopeptides: 49 Employee Options* and 5,800 Share Awards**

Other current positions: CEO Nordic Nanovector ASA.

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

CECILIA DAUN WENNBORG

Board member since 2017.

Cecilia has 15 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: 2,000 shares and 5,800 Share Awards**

Other current assignments: Member of the board of directors in among others Getinge AB, Bravida Holding AB, ICA Gruppen AB, Loomis AB, Hoist Finance AB, Atvexa AB, Insamlingsstiftelsen Oxfam Sverige, Sophiahemmet AB/IF and Hotel Diplomat AB.

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

JARL ULF JUNGNELIUS

MD, PhD, Board member since 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 shares, 49 Employee Options* and 5,800 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 since 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 merger transactions, initial public offerings and equity incentive programs. Per also held the role of Head of Research at Aros Securities. Per holds an MSc in Engineering from the Institute of Technology at Linköping University.

Born: 1961

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

Holdings in Oncopeptides: Nil

Other current positions: Director of Ancilla AB, Cantando 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, NVC Holding AB, RSPR Pharma AB, Skipjack AB, SwedenBIO Service AB, Nordic Nanovector ASA and Targovax ASA.

Independent in relation to the Company and its management, but not in relation to major shareholders. Partner in HealthCap and holder of directorships in a number of companies within the HealthCap.

OLOF TYDÉN

MD, PhD, Board member since 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 Programme Director at the Medical Products Agency in Sweden. Olaf was for six years 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 gynaecology at Uppsala University.

Born: 1947

Holdings in Oncopeptides: 1,000 shares, 49 Employee Options* and 5,800 Share Awards**

Other current positions: Director of Eureda AB. Alternate Director of Uppsala Medical Information AB.

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

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

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

Management

JAKOB LINDBERG

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's previous roles include being an analyst for Merrill Lynch & Co and a consultant at McKinsey & Co. Jakob 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 pre-clinical 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 181,000 options**.

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

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 sciences companies including Pharmacia & Upjohn, Medivir AB, Biovitrum AB, Karo Bio AB and Alexion AB. Elisabeth holds an MSc Pharm from Uppsala University.

Born: 1965

Holdings in Oncopeptides: 1,000 shares and 64,000 options**.

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

PAULA BOULTBEE

Chief Commercial Officer since 2016.

In addition to her role at Oncopeptides, Paula is also a principal at PTB Consulting LLC. Paula has held a number of roles in life sciences marketing and has experience in the launch and commercialisation of oncology products. Paula has also been responsible for strategic planning and branding. She is currently a director at The Max Foundation, which provides support to people living with cancer. Paula is a trained nurse.

Born: 1958

Holdings in Oncopeptides: 64,000 options**.

Other current positions: Chairman of The Max Foundation and adviser to Monocl AB.

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 Gustavsson 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 91,000 options**.

Other current positions: Chairman and CEO of Sangus Jazz AB. Board Director of NanexaAB, adviser to Scandinavian CRO 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 64,000 options**.

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

FREDRIK LEHMANN

PhD, Head of Chemistry, Manufacturing & Control (CMC) since 2010.

In addition to being Head of CMC for Oncopeptides, Fredrik is General Manager Recipharm OT Chemistry AB, a global Contract Development and Manufacturing Organisation (CDMO). Fredrik has previously held positions at a number of life sciences businesses including Pharmacia, Personal Chemistry and Biovitrum and has worked as an independent CMC consultant. He has also co-founded six life science companies. Fredrik holds a PhD in medicinal chemistry from Gothenburg University.

Born: 1976

Holdings in Oncopeptides: 2,000 shares (Indirectly owned through OT Lehmann Holding AB), 79 employee options* and 64,000 options**.

Other current positions: Director and CEO of OncoTargeting Cancer AB and OT Pharmaceuticals AB. Board member of OT Lehmann Holding AB and Synartro 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 III 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: 10,000 shares, 201 employee options* and 91,000 options**.

Other current positions: Alternate Director of Utilica AB.

REIN PIIR

Head of Investor Relations since 2016.

In addition to his role as Investor Relations Manager at Oncopeptides, Rein holds investor relations position at the life sciences company Camurus AB. 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 Pricewaterhouse-Coopers. Rein currently holds directorship at the Swedish life sciences company Integrative Research Laboratories Sweden. Rein Piir holds a B.Sc. Business Economics and Management from Uppsala University, Sweden.

Born: 1958

Holdings in Oncopeptides: 2,500 shares (Indirectly owned through Piir & Partner AB) and 64,000 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.

BIRGITTA STÅHL

MSc, MBA, Chief Financial Officer since 2016.

Previous positions Birgitta has held include COO and acting CFO at Akinion Pharmaceuticals AB and KDev Oncology AB and Vice President Company Operations at Axelar AB, a Swedish drug development company in the field of oncology. Birgitta holds an MSc Pharm from Uppsala University and an MBA from University of Westminster in London.

Born: 1971

Holdings in Oncopeptides: 3,400 shares (Directly owned or affiliated) and 91,000 options**.

MAGNUS LAGERBERG

Authorized public accountant PricewaterhouseCoopers AB

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

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

Welcome to Annual General Meeting 2018

Oncopeptides Annual General Meeting 2018 will be held on Thursday May 17, 2018 at 3.00 p.m. CET, at Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm. Coffee will be served starting at 2.00 p.m. CET, at which time the registration for attendance will commence.

Shareholders who wish to participate at the Annual General Meeting must be entered in the share register of the company, kept by Euroclear Sweden AB (the Swedish Central Securities Depository) on May 11, 2018.

Registration

Notification of intention to attend the Annual General Meeting must be made no later than Friday, May 11 2018. The notification shall be made either in writing to Oncopeptides AB (publ), Västra Trädgårdsgatan 15, 111 53 Stockholm, Sweden, or by e-mail to adrienne.martin-lof@oncopeptides.se.

Upon giving notice, shareholders shall specify:

- Name
- Personal identity number/corporate registration number
- Address and telephone number
- Number of shares held
- Where applicable, information about any representatives/advisors

Nominee registered shares

Shareholders who have registered their shares with a bank or other nominees must, to be entitled to participate in the General Meeting, 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 11 May 2018, 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 issuance, or the longer period of validity as shown by the proxy, but no more than five years.

Shareholder information

Interim reports, annual reports and Oncopeptides' press releases are available on oncopeptides.se and can be ordered from Oncopeptides AB, Västra Trädgårdsgatan 15, 111 53 Stockholm. The Annual Report 2017 in printed format will be sent to all who so requests and is always available for download from: oncopetides.se.

Calendar

May 17, 2018	Interim Report Q1 2018
May 17, 2018	Annual General Meeting
July 13 2018	Interim Report Q2 2018
October 26 2018	Interim Report Q3 2018
February 22 2019	Year-end report 2018

Contact details

Oncopeptides AB
Västra Trädgårdsgatan 15, 111 53 Stockholm
Telephone: +46 8 615 20 40
E-mail: info@oncopeptides.se
Website: oncopeptides.se

Nomenclature

International non-proprietary name (INN)
Melphalan flufenamide

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

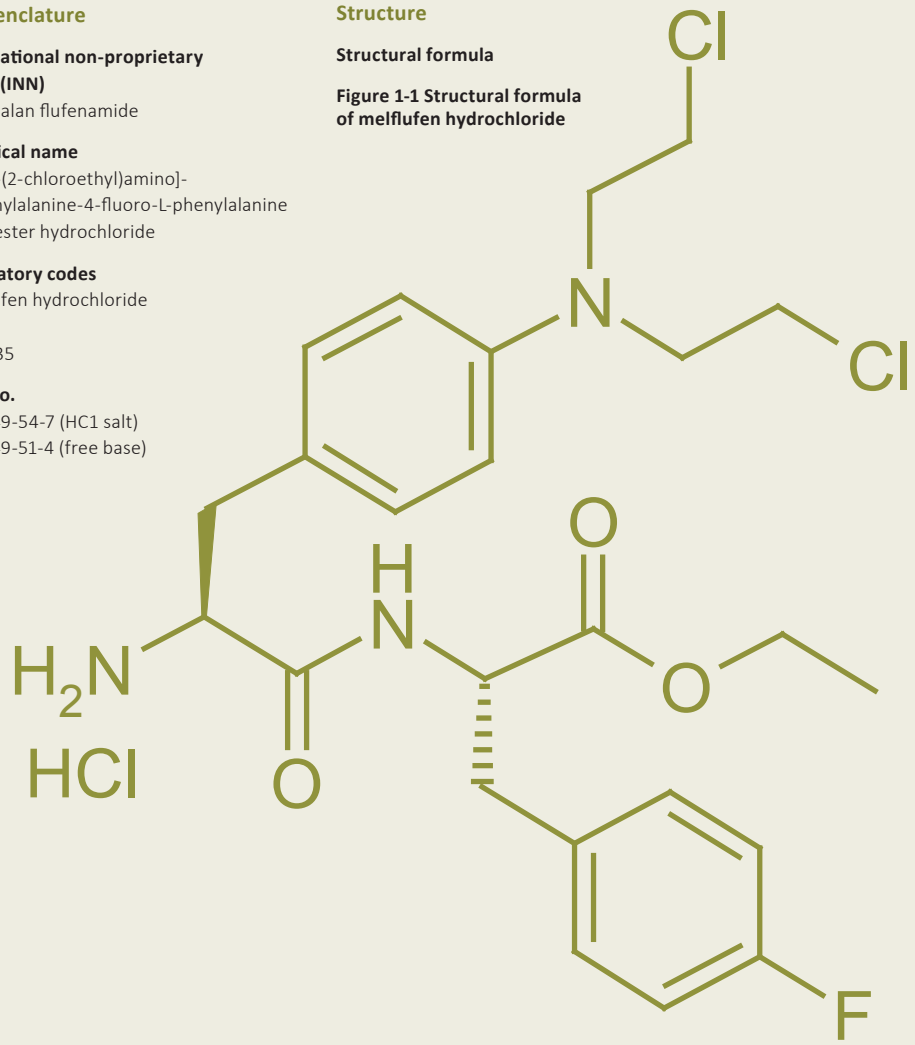
Laboratory codes
Melflufen hydrochloride
J1
CK 1535

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

Structure

Structural formula

Figure 1-1 Structural formula of melflufen hydrochloride

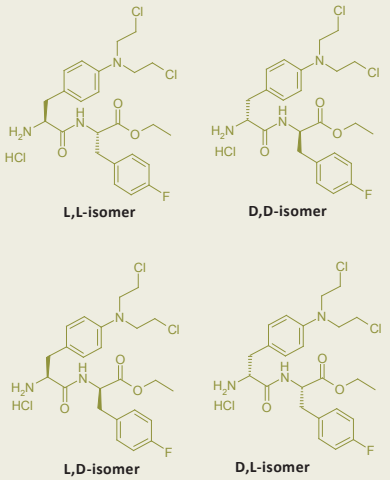


Molecular formula
C24 CH31C13FN3O3 (HC1 salt)

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
[α]D 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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