oncopeptides

YEAR-END REPORT 2018

"We feel increasingly confident with melflufen and its profile based on positive clinical data presented during the quarter"

Oncopeptides is a pharmaceutical company developing drugs for the treatment of cancer. The company is focusing on the development of the lead product candidate melflufen (Ygalo®), a peptide conjugated alkylator, belonging to a new class of drugs called Peptidase Enhanced Compounds. Melflufen is intended as an effective treatment of hematological cancers, and in particular multiple myeloma. The goal with the current clinical study program is to demonstrate better results from treatment with melflufen compared with established alternative drugs for patients with multiple myeloma. Melflufen will potentially provide physicians with a new treatment option for patients suffering from this serious disease.

About melfufen

Melflufen (Ygalo®), a peptide conjugated alkylator belonging to a novel class of peptidase-enhanced compounds, targets multiple myeloma (MM) cells with a unique mechanism of action. Aminopeptidases are enzymes found in all cells but are over-expressed in several cancers including MM. Melflufen selectively targets MM cells through aminopeptidase-driven accumulation. In vitro experiments show a 50-fold enrichment of the active substance in MM cells compared with administration of equal amount of an alkylator not enriched by aminopeptidases. The enrichment results in selective cytotoxicity (increased on-target potency and decreased off-target toxicity), and that resistance pathways of existing myeloma treatments (including alkylators) are overcome. Melflufen also demonstrates strong anti-angiogenic properties.

Financial calendar

Annual Report 2018:	Week 17, 2019
Annual General Meeting:	May 21, 2019
Q1 Report 2019:	May 21, 2019
Q2 Report 2019:	July 12, 2019
Q3 Report 2019:	November 19, 2019

Conference call for investors, analysts and the media

The Full Year Report for 2018 and an operational update will be presented by CEO Jakob Lindberg and members of Oncopeptides management team, Friday February 22, 2019 at 14:00 (CET). The conference call will also be streamed via a link on the website:

www.oncopeptides.com.

Phone numbers for participants from:	Sweden:	+46 8 566 427 06
	Europe:	+44 3333 009 270
	USA:	+1 833 526 83 82

For further information

Jakob Lindberg, CEO, Oncopeptides AB
E-mail: jakob.lindberg@oncopeptides.com
Telephone: +46 (0)8 615 20 40

Rein Piir, Head of Investor Relations, Oncopeptides AB
E-mail: rein.piir@oncopeptides.com
Telephone: +46 (0)70 853 72 92

Year-end Report 2018

Summary of Q4

Financial overview October 1 – December 31, 2018

- Net sales amounted to SEK 0.0 M (0.0)
- Loss for the period was SEK 111.4 M (loss: 66.2)
- Loss per share, before and after dilution, was 2.53 (loss: 1.68) SEK
- On December 31 cash and cash equivalents amounted to SEK 375.6 M (404.1)

Significant events during the period October 1 to December 31, 2018

- At the company's Capital Markets Day in December, an updated strategy for Oncopeptides' business was presented
- At the company's extraordinary general meeting in December, Dr Jennifer Jackson was elected as a new board member
- Professor Paul G Richardson presented new interim data from the ongoing HORIZON study with melflufen at the 60th American Society of Hematology Meeting (ASH)
- The first interim results from the ongoing combination study ANCHOR with melflufen were presented at ASH in December

Significant events after the reporting period

- In January 2019, Oncopeptides completed a directed share issue of SEK 546.2 M before issue costs (approximately USD 60 M)

Financial overview of the group

SEK thousand	2018 Oct - Dec	2017 Oct - Dec	2018 Jan - Dec	2017 Jan - Dec
Net sales	-	-	-	-
Operating loss	-111,212	-66,704	-419,300	-247,620
Loss before tax	-111,214	-66,704	-419,302	-247,620
Loss for the period	-111,361	-66,704	-419,449	-247,620
Earnings per share before and after dilution (SEK)	-2.53	-1.68	-9.77	-6.44
Cash flow from operating activities	-108,855	-45,679	-333,727	-271,497
Cash and cash equivalents at the end of the period	375,617	404,050	375,617	404,050
Research & development costs/ operating expenses %	81%	79%	77%	80%

We stand on solid ground after recent fund racing

After finishing an operationally successful quarter we can now look ahead with confidence. In conjunction with our capital markets day we presented an updated clinical strategy that we intended to launch in 2019. The clinical strategy was updated to leverage the strong clinical data from our ongoing studies HORIZON and ANCHOR that we presented at the American Society of Hematology (ASH) meeting in December. Previously we have shown that melflufen has good activity in myeloma. In December, we also demonstrated that this activity is sustained in patients with few or no remaining treatment options (HORIZON) and also that melflufen acts synergistically together with other myeloma treatments in earlier myeloma patients (ANCHOR). These results have guided our activities and future planning during the autumn.

In January 2019, we successfully raised additional capital with strong support from Scandinavian and international investors with the clear intent to fund the more expansive clinical development strategy that we briefly discussed at the capital markets day in December. We will now start the planning of one additional study in myeloma with melflufen in combination with daratumumab in earlier lines of treatment than in our other studies. We are also planning to start a study in amyloidosis. Furthermore, we are preparing for discussions with the FDA in the second quarter of 2019 regarding the HORIZON data set in myeloma patients with no or few remaining treatment options. In parallel, we continue our work to broaden our pipeline to add more molecules in clinical development in addition to melflufen.

Clinical study update

Currently, we are conducting four clinical studies with the ambition to initiate more to fully characterize melflufen (Ygalo®) in multi-refractory multiple myeloma patients. As we generate additional clinical data in our studies HORIZON and ANCHOR, we feel even more confident that melflufen has a place in the treatment algorithm for patients with myeloma based on the efficacy and safety profile that we observe. During the quarter we have conducted several important activities to ensure that melflufen is given the highest possible probability of success. Below I summarize the most important points in three of our studies.

OCEAN

Previously, I have described that we experienced a challenge in patient recruitment in OCEAN, our pivotal phase III study which is a head-to-head comparison between melflufen and pomalidomide. During the autumn we took two actions to address this. Firstly, we have added more participating hospitals starting in the fourth quarter and we are still continuing to add sites in the first quarter of 2019. Secondly, we initiated a dialogue with the authorities to also include patients that have been treated and become refractory to both immunomodulating agents (IMiDs) and proteasome inhibitors (PIs) after the first line of treatment. This dialogue is progressing well. We are currently following the impact of the activities in terms of patient recruitment numbers. So far it looks good but we need more time to fully be able to assess whether these activities will fully put us back on our internal patient recruitment targets or not. We have earlier stated that we will have top-line results from OCEAN end of the third quarter of 2019 which requires last-patient-in during the summer.

In OCEAN, we have estimated the total number of patients to be recruited to be 450. For the statistical analysis, we need 339 patients that have progressed in their myeloma (a PFS event). In other words, it means that 339 out of 450 patients need to have progressed. This occurs roughly 3 months after the last-patient-in (with patients recruited early in the study having close to 100% event rate and the last patients around 50% event rate).

It is important to note the reason for the recruitment challenge in OCEAN, since it is positive for the peak sales potential for melflufen. I have previously described how the treatment guidelines for myeloma have changed. Patients that are treated in accordance with the guidelines (which is the majority), all become refractory to IMiDs (such as pomalidomide) already after the first line of treatment. Since the inclusion criteria in OCEAN is in line with the treatment label for pomalidomide that requires a patient to have had at least 2 prior lines of therapy, a patient treated in accordance with the guidelines is excluded from the OCEAN trial. For the peak sales potential for melflufen this is a strong positive but for OCEAN patient recruitment it is a negative.

HORIZON

Professor Paul G Richardson presented updated data from our ongoing trial HORIZON in patients with no or few remaining treatment options in myeloma at the American Society of Hematology (ASH) in December. This created a lot of enthusiasm and raised the awareness of both Oncopeptides and melflufen in the myeloma community, which is very stimulating. Primarily thanks to

the strong data, patient recruitment increased during the year and ended higher than forecast. The need for efficacious treatment options for patients with late-stage relapsed and refractory multiple myeloma, i.e. the patient group we are treating in HORIZON, is growing rapidly. Last summer, we decided to expand the HORIZON trial to include up to 150 patients (up from 80) due to positive results such as an overall response rate (ORR) of 33%. By increasing the total number of patients, we get more reliable data and we will discuss with the FDA how they view these promising data in this patient population with high unmet medical needs.

On February 26th, the FDA will host a so called ODAC meeting to discuss the possibility for accelerated approval in this patient population in conjunction with the application for selinexor. The ODAC meeting will together with our planned FDA meeting guide us regarding the possibility to apply for accelerated approval in the USA based on the HORIZON study.

ANCHOR

At ASH in December, we also presented interim data from our ongoing combination trial for the first time. In this study melflufen is administered together with either bortezomib or daratumumab in RRMM patients. These data, albeit in a small patient population, showed an ORR of 100% in combination with bortezomib and 86% in combination with daratumumab with deepening responses over time. All patients remained on treatment with the longest treated patient being in the seventh month of treatment. This level of efficacy with good tolerability is very promising especially in light of the absence of signs of cross-resistance with other existing myeloma drugs. These data compare very favorably with other combination data in RRMM. Especially our combination data with daratumumab received a lot of attention among physicians, which is explained by the fact that daratumumab is growing fast in patients with 1-2 prior lines of therapy but lacks a given treatment option to combine with for these patients.

These data led us to the decision to broaden our clinical study program by begin the preparation and planning of a new study with melflufen in combination with daratumumab plus dexamethasone compared to daratumumab plus dexamethasone. We will return to this topic later in 2019.

Target for 2019

At the capital markets day on December 14th we showed more aggressive objectives for 2019 than previously communicated. This can be summarized with three words: broader, stronger and deeper. In addition to continue to execute on current plans and studies there are three main points that we want to focus on during the year. Firstly, we will continue to build our organization to be able to support the expanded clinical development plan. This includes recruiting key members to our commercial and medical relations organization to prepare for a potential stand-alone commercialization. Secondly, as described under ANCHOR, we will prepare and initiate one additional study where we evaluate melflufen in combination with daratumumab. In addition to strengthening our regulatory position, this study will also increases our peak sales potential by fully addressing the combination market. Thirdly, we have the ambition to broaden the indication base into amyloidosis with melflufen and continue our work to develop additional drug candidates from our technology platform with peptide conjugated drugs.

Exciting times ahead

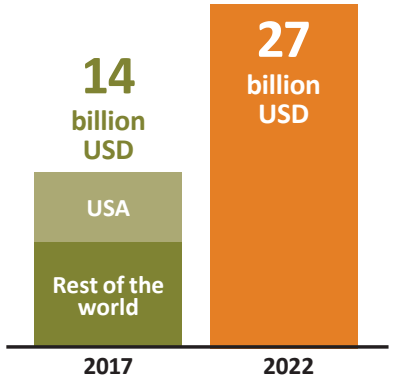
We are now entering our third year as a listed company. The company has grown in number of coworkers, clinical studies and patients that have been treated with melflufen. We are now in a very exciting 2019 with more clinical data from ongoing clinical studies, discussions with authorities regarding the HORIZON data and top-line data from OCEAN. It will mean an even higher level of activity than before and more points of interest to communicate to you as shareholders. The shareholder base has been significantly expanded and we feel at the same time enthusiastic and humbled by the opportunity to develop Oncopeptides and ensure that melflufen has the highest likelihood of success as possible.

Stockholm February 22, 2019

Jakob Lindberg
CEO, Oncopeptides AB

The market for treatment of multiple myeloma

The market is expected to continue to grow rapidly to an expected market value of approximately **USD 27 billion** in 2022. During 2017, approximately **USD 14 billion** worth of pharmaceuticals were sold.



Source: EvaluatePharma and Annual reports

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, PI:s) and the trend is expected to continue. The reason for this is that the disease is highly heterogeneous, and modern antibody agents cannot treat the entire disease due to a lack of any 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.

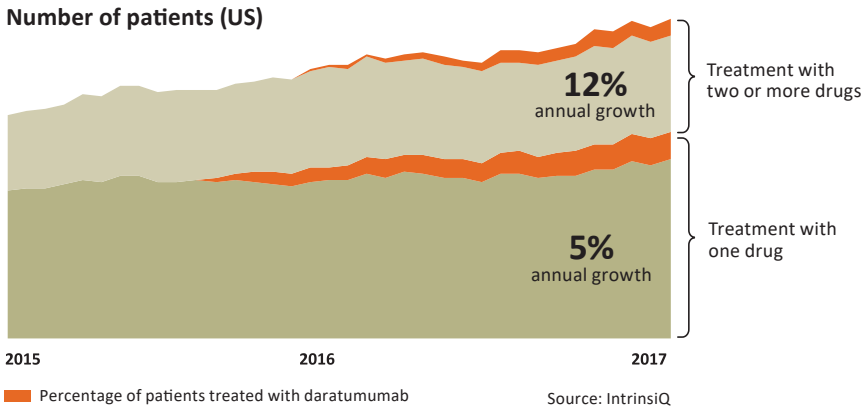
The present clinical development with Ygalo® addresses all relevant segments of the RRMM market

The treatment landscape and market segments for multiple myeloma in the US and Europe – and how melflufen and our development program address these different segments – is summarized on the next page. The center of the graph shows the patient timeline, 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 (the latter RRMM) patients (and between the US and the rest of the world) melflufen clinical development program addresses the relapsed refractory (RRMM) market segment. The overall market for RRMM amounted to USD 8.2 billion in 2017, with sales of pomalidomide corresponding to USD 1.6 billion of this.

The lower segment of the graph below shows that the majority of the RRMM market consists of the treatment of patients with one drug at a time (in combination with or without steroids).

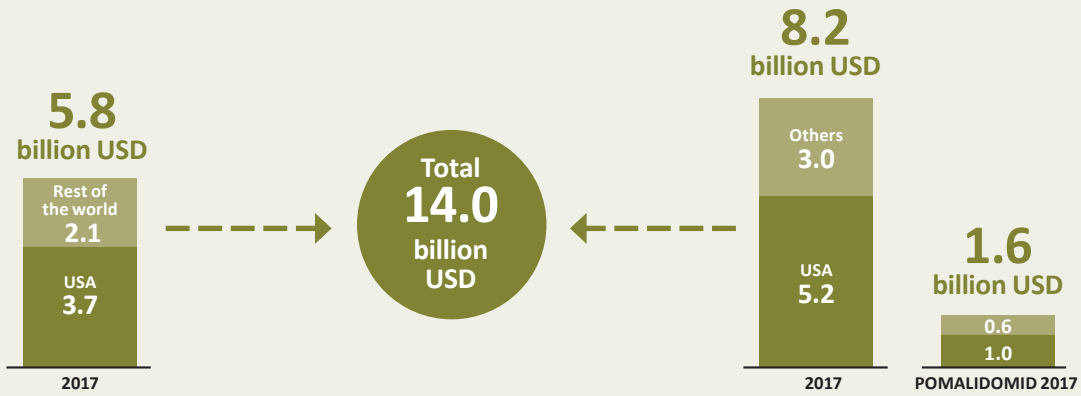
Melflufen clinical development program addresses all relevant segments of the RRMM market. This is achieved by us conducting a direct comparison with pomalidomide in our phase III study OCEAN in patients previously treated with IMiDs and proteasome inhibitors (which is nearly all patients). As mentioned, most RRMM patients are treated with one drug at a time. In the ANCHOR study we will show how melflufen can be combined with other myeloma therapies (daratumumab and bortezomib) for the patients receiving more than one drug, apart from steroids.

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.



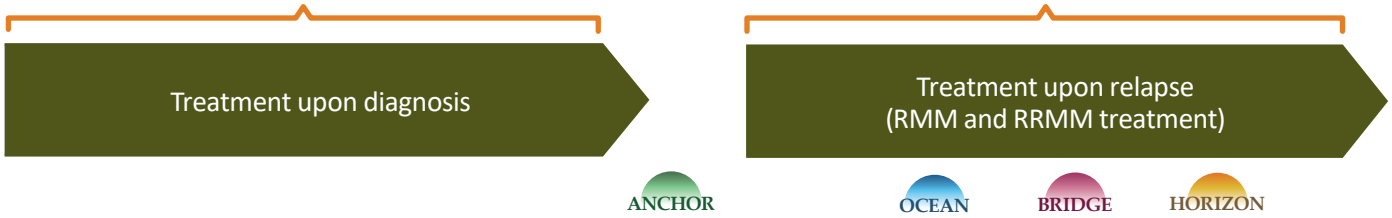
Source: IntrinsiQ

Treatment phase

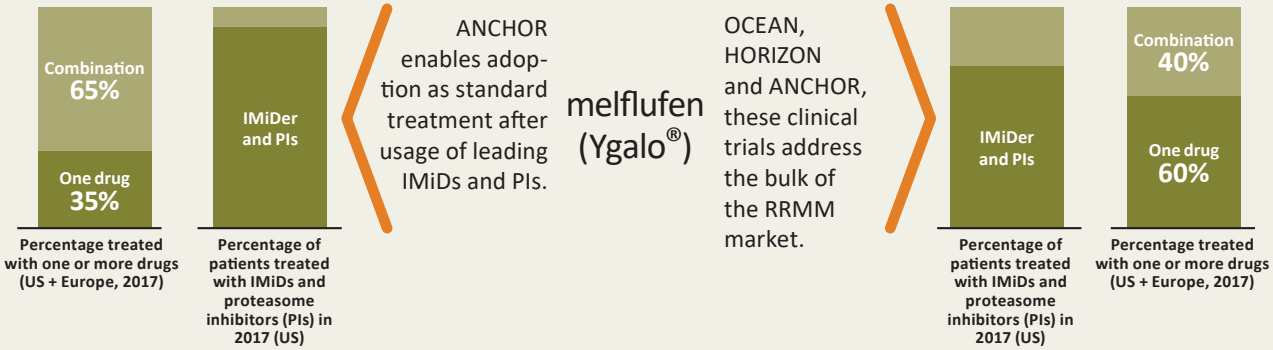


Source: EvaluatePharma

Treatment phase



Drug usage data 2017



ANCHOR

EXPLORATIVE

- Evaluating melflufen in combination with other myeloma drugs in patients treated with IMiDs and PIs.
- Started in Q2, 2018.

OCEAN

PIVOTAL TRIAL

- Direct comparison with pomalidomide in patients treated with IMiDs and PIs, and who have developed resistance.
- Started in Q2, 2017.

HORIZON

SUPPORTING

- RRMM patients without any remaining treatment options.
- Started in Q1, 2017.

BRIDGE

SUPPORTING

- RRMM patients with impaired renal function.
- Started in Q3, 2018

Summary – our clinical trials

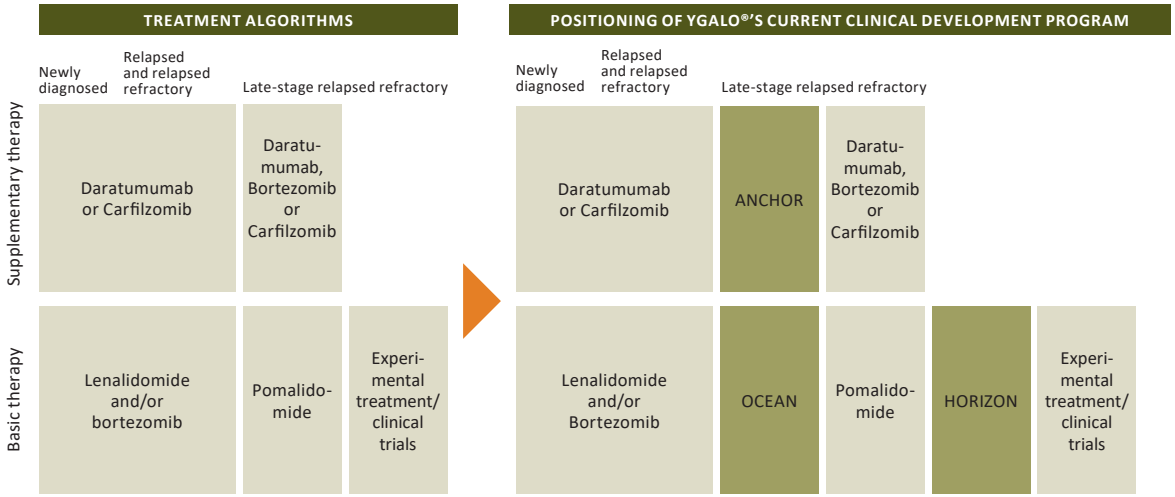
Our phase III trial, OCEAN, and phase II trial, HORIZON, are key studies for the submission of an NDA/MAA application to potentially obtain marketing authorization for melflufen in the US and in the EU for the treatment of late-stage RRMM.

In addition to proving melflufen'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 melflufen 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 melflufen can be administered in combination with other multiple myeloma drugs. This study will generate knowledge and understanding among physicians about how melflufen can be used for patients with RRMM in combination therapy, and to open up melflufen as a treatment option, as early as in second-line of therapy of patients (meaning relapsed patients).

During September 2018, we initiated our fourth study - BRIDGE. This is a positioning study, in which melflufen will be studied in patients with impaired renal function.

The current clinical development program is designed to identify how melflufen 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 up to 450 patients.
- Inclusion of late-stage RRMM patients who are refractory to lenalidomide.
- Direct comparison with pomalidomide in patients treated with IMiDs and PIs, and who have developed resistance.
- The trial is designed to demonstrate benefit in comparison with pomalidomide. To obtain approval in Europe, the only requirement is to demonstrate that melflufen has the same benefit.
- Started in Q2, 2017 and results are expected in Q3 2019.

HORIZON

- Ongoing phase II trial for up to 150 patients.
- RRMM patients with few or no remaining treatment options.
- Supports OCEAN for market approval.
- Potential for conditional approval if data are exceptionally strong.
- Started in Q1, 2017, data reporting 2018/19 and follow-up data 2019/2020.

ANCHOR

- Ongoing phase I/II trial in up to 64 patients.
- Evaluating melflufen in combination with daratumumab and bortezomib in patients treated with IMiDs and PIs.
- Demonstrates how melflufen can be given as a combination therapy used with.
- Also opens up the possibility for potentially using melflufen in earlier lines of therapy.
- Will significantly increase melflufens market potential as combination therapy.
- Started in Q2, 2018, data reporting 2018/19 and results from phase I and phase II are expected in 2019 and 2020 respectively.

BRIDGE

- Phase II trial ongoing in up to 25 patients.
- Single armed, open label study in patients with impaired renal function.
- Positioning study to show melflufen treatment profile in these patients.
- Started in Q3, 2018, and results are expected in Q4 2019.

Oncopeptides' clinical development program

We are currently engaged in four clinical trials to characterize melflufen in multi-refractory multiple myeloma patients: OCEAN, HORIZON, ANCHOR and BRIDGE.

The final results from our clinical phase I and II trial, O-12-M1, in *Late-Stage Relapsed Refractory* multiple myeloma patients were presented at the annual American Soceity of Hematology Meeting (ASH) in December 2017.

OCEAN

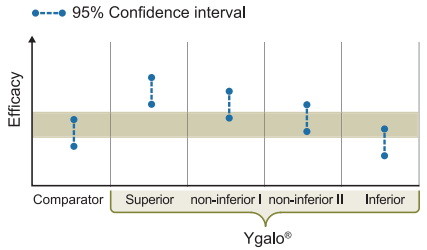
OCEAN is a phase III clinical trial and a head-to-head comparison between melflufen + dexamethasone (steroid) and the current standard of care in *Late-Stage Relapsed Refractory* multiple myeloma patients, which is pomalidomide + dexamethasone. The trial is a multicenter, pivotal study and is being run in Europe, USA and Israel. The study started in June 2017 and top line results are expected Q3 2019.

The OCEAN clinical trial protocol has undergone Special Protocol Assessment with the FDA and has been discussed and agreed in detail with European authorities.

The primary read-out in OCEAN is a comparison between melflufen and pomalidomide regarding PFS (Progression Free Survival). This comparison can simplistically result in three different outcomes i.e. that melflufen is superior, non-inferior or inferior to pomalidomide. As seen in the graphic below, the non-inferior outcome can be broken down in different scenarios with stronger or weaker data to support marketing efforts of melflufen. OCEAN has been statistically powered to show superiority of melflufen over pomalidomide based on historical data for the two compounds.

A superiority outcome is expected to result in approval both in the US and the EU. A non-inferiority result is expected to result in approval in the EU and a discussion with the FDA in the US regarding the totality of data from all clinical studies in RRMM. In a non-inferiority scenario, HORIZON data in pomalidomide refractory late-stage RRMM patients, and from BRIDGE in patients with renal impairment, will be a key point for the case to receive approval also in the US.

Outcome scenario for OCEAN



HORIZON

HORIZON is a phase II clinical trial where melflufen + dexamethasone is being studied in multiple myeloma patients that are refractory to pomalidomide and/or daratumumab (i.e. *Quad- and Penta-refractory* patients). The trial is being conducted in Italy, Spain and the USA. During the last years we have presented interim data on three occasions. At ASH in December 2017 and 2018 and in June 2018 at EHA in Stockholm.

ANCHOR

ANCHOR is a phase I/II combination study where melflufen + dexamethasone is used in combination with bortezomib or daratumumab. The first patient started treatment in April 2018 and last patient out from the study is estimated in Q1 2020.

During the ASH meeting in December 2018, we presented the first interim data from the on going trial.

BRIDGE

BRIDGE is a Phase II study that will evaluate pharmacokinetics, safety and also efficacy in treatment with melflufen + dexamethasone in patients with impaired renal function.

25 RRMM patients with renal impairment are scheduled to be included. The first patient started treatment during September 2018 and the last patient is expected to complete treatment during Q3 2019.

O-12-M1

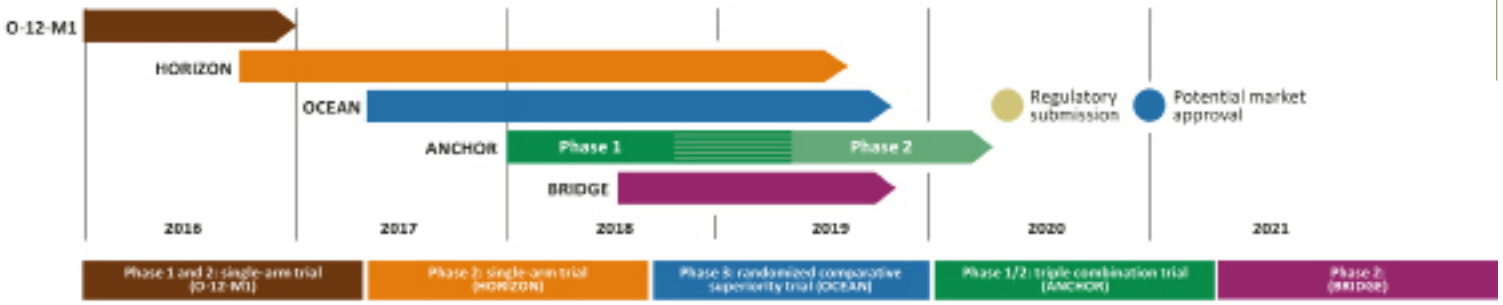
Final O-12-M1 data were presented at the ASH meeting in December 2017.

O-12-M1 is a completed phase I and II clinical trial in 'Late-Stage Relapsed Refractory' multiple myeloma patients. In O-12-M1 we established the dose and dose modification schedule for melflufen.

Additional opportunities

We intend to start a continuation study for ANCHOR where we compare melflufen + steroid and daratumumab with daratumumab + steroid.

The Company is also exploring the possibility to use melflufen in conjunction with for example, stem-cell transplantation in multiple myeloma, and treatment of amyloidosis.



Financial overview and other information

Revenue

Net sales amounted to SEK 0.0 M (0.0) during the fourth quarter and SEK 0.0 M (0.0) for the full year 2018.

Operating expenses

Operating expenses for the fourth quarter amounted to SEK 111.2 M (66.7) and to SEK 419.3 M (247.6) for the year 2018.

Research and development costs

During the fourth quarter, research and development costs increased to SEK 90.1 M (52.8) and to SEK 322.1 M (197.8) for the full year. The increase is mainly explained by a rise in clinical costs due to increased activity in the ongoing pivotal study OCEAN and in the clinical studies ANCHOR and BRIDGE.

The costs for share-based incentive programs related to R&D amounted to a negative SEK 1.1 M (pos: 3.6) for the fourth quarter and to SEK 15.1 M (11.3) for the year.

Marketing and distribution costs

Marketing and distribution costs for the fourth quarter amounted to SEK 16.0 M (6.0) and to SEK 51.1 M (15.2) for the full year. The main reason for the cost increase is the continued expansion of the medical relations and marketing functions and related activities.

The costs for share-based incentive programs related to marketing and distribution amounted to SEK 0.2 M (1.2) for the fourth quarter and to SEK 8.5 M (4.8) for the year.

Administration costs

During the fourth quarter, administration expenses amounted to SEK 4.5 M (7.9) and to SEK 55.3 M (34.7) for the full year. The increase that is not attributable to costs for the share-based incentive programs is due to the company´s continued high business activity level and growing organization.

The costs for share-based incentive programs related to administration amounted to a negative SEK 6.2 M (pos: 2.7) for the fourth quarter and to SEK 22.1 M (14.4) for the year.

Share-based payments

The costs for social security contributions related to share-based incentive programs vary from quarter to quarter due to the change in the underlying share price. Related provisions are reported as long- and short-term liabilities.

The total costs for the share-based incentive programs in the fourth quarter amounted to a negative SEK 7.1 M (pos: 7.5) and for the full year to SEK 45.7 M (30.5) out of which SEK 33.3 M (27.9) was provisions for social security contributions and SEK 12.4 M (2.6) was IFRS 2 classified salary costs. These costs have no cash impact. The company holds warrants that are allocated as cash flow hedge for social security contributions arising from the exercise of employee stock options.

Earnings

The loss for the fourth quarter was SEK 111.4 M (66.7) and the loss for the year 2018 was SEK 419.4 M (247.6). This corresponds to a loss per share, before and after dilution of SEK 2.53 (1.68) for the fourth quarter and a loss of SEK 9.77 (6.44) for the full year 2018.

Cash flow, investment and financial position

Cash flow from operating activities for the fourth quarter amounted to a negative SEK 108.9 M (neg: 45.7) and to a negative 333.7 M (neg: 271.5) for the full year 2018. The continued negative cash flow is according to plan and is explained by the company's increased clinical programs as well as activities within the company's medical affairs and marketing functions.

Cash flow from investing activities was a negative SEK 0.5 M (0.0) for the fourth quarter and a negative SEK 0.9 M (neg: 1.5) for the year.

Cash flow from financing activities amounted to SEK 0.2 M (0.0) for the fourth quarter and to SEK 304.9 M (636.8) for the full year 2018. During the year, warrants corresponding to 62,900 shares were exercised to cover social security contributions related to exercised employee stock options, which contributed with SEK 9.9 M. In addition, the company raised SEK 314.4 M before issue costs of SEK 19.4 M in connection with the directed share issue in March 2018.

Cash flow for the fourth quarter was a negative SEK 109.2 M (neg: 45.7) and a negative SEK 29.7 M (pos: 363.8) for the year. As of December 31, 2018, cash and cash equivalents amounted to SEK 375.6 M (404.1) and equity to SEK 315.8 M (418.0).

In January 2019, after the end of the report period, the company completed an additional directed share issue raising SEK 546.2 M before issue costs amounting to SEK 31.4 M.

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, founders, and other co-workers in line with the interest of the shareholders. Oncopeptides has currently seven active programs that include part of the management team, certain board members, founders and employees.

In 2013, the option programs "Founder Option Program" and "Employee option program 2012/2019" were implemented. In 2016 the program "Employee option program 2016/2023" was implemented. At the 2017 Annual General Meeting two additional incentive programs; "Co-worker LTIP 2017" and "Board LTIP 2017" were introduced. For more information about these programs see note 21 in the Annual Report 2017.

In accordance with a decision by the Annual General Meeting in May 2018, two new share-based incentive programs; "Co-worker LTIP 2018" and "Board LTIP 2018" were introduced, and at an Extraordinary General Meeting in December 2018, the program "Board LTIP 2018.2" was implemented. For further information about these programs, see the minutes of the Annual General Meeting 2018 and the Extraordinary General Meeting 2018 published on the company's website, www.oncopeptides.com.

Full utilization of granted options and share awards per December 31 2018, corresponding to 3,247,464 shares, would result in a dilution for existing shareholders of 6.9 percent. Full utilization of issued warrants, corresponding to 4,616,344 shares (i.e. including non-granted employee options and hedge for social security contributions), would result in a dilution for existing shareholders of 9.5 percent.

During 2018, 33,931 share awards have been granted in Board LTIP 2018, options corresponding to 755,939 shares have been granted in Co-worker LTIP 2017 and options corresponding to 80,994 shares have been granted in Co-worker LTIP 2018. 11,600 share awards in Board LTIP 2017 have lapsed. Options corresponding to 221,400 shares in employee option program 2012/2019 and options corresponding to 21,600 shares in Founder Option Program have been exercised.

Below follows a summary of the total number of shares that granted employee stock options and share awards may entitle to as of December 31, 2018.

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

Co-workers

As of December 31, 2018, the number of co-workers amounted to 47 (27).

Parent company

Since the operations of the parent company are consistent with those of the group in all material respects, the comments for the group are also largely relevant for the parent company.

The Oncopeptides share

Oncopeptides completed a directed share issue in March 2018, where a total of 3,980,000 new shares were issued.

During the year, warrants corresponding to 305,900 shares have been exercised within the company's share-based incentive programs, of which 243,000 shares were granted to options holders and the remaining 62,900 shares were exercised to cover social security costs. In total, the number of shares increased by 4,285,900.

As of December 31, 2018, the number of registered shares and votes in Oncopeptides amounted to 44,091,921.

Annual General Meeting

The AGM in Oncopeptides AB will be held at 14.00 CET on Tuesday May 21st, 2019, at Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm, Sweden.

In accordance with the dividend policy adopted by the board, no dividend is proposed for the year 2018.

Events after the end of the report period

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

Review

This report has not been reviewed by the company's auditor.

The Board and the CEO confirm that the interim report provides a true and fair overview of the group's and the parent company's operations, position and earnings and describes the material risks and uncertainty factors faced by the parent company and the companies within the group.

Stockholm, February 22, 2019

Oncopeptides AB
Board of Directors

Condensed consolidated statement of comprehensive income

SEK thousand	2018 Oct - Dec	2017 Oct - Dec	2018 Jan - Dec	2017 Jan - Dec
Net sales	-	-	-	-
Gross profit	-	-	-	-
Operating expenses				
Research and development costs	-90,146	-52,762	-322,051	-197,771
Marketing and distribution costs	-16,025	-6,033	-51,126	-15,160
Administrative expenses	-4,477	-7,910	-55,298	-34,688
Other operating income[1)]	0	-	10,078	-
Other operating expenses[1)]	-564	-	-903	
Total operating expenses	**-111,212**	**-66,704**	**-419,300**	**-247,620**
Operating loss	**-111,212**	**-66,704**	**-419,300**	**-247,620**
Net financial items	-2	0	-2	0
Loss before tax	**-111,214**	**-66,704**	**-419,302**	**-247,620**
Tax	-147	-	-147	-
Loss for the period	**-111,361**	**-66,704**	**-419,449**	**-247,620**
Earnings per share before and after dilution (SEK)	**-2.53**	**-1.68**	**-9.77**	**-6.44**

Condensed consolidated statement of comprehensive income

SEK thousand	2018 Oct - Dec	2017 Oct - Dec	2018 Jan - Dec	2017 Jan - Dec
Loss for the period	**-111,361**	**-66,704**	**-419,449**	**-247,620**
Other comprehensive income				
Items to be reclassified to profit or loss				
Translation differences from foreign operations	22	-	22	-
Translation differences on currency hedges	-	6,766	-8	8
Total other comprehensive income, net of tax	**22**	**6,766**	**14**	**8**
Total comprehensive loss for the period[2)]	**-111,339**	**-59,938**	**-419,435**	**-247,612**

[1)] Exchange rate differences on assets and liabilities in operational activities.

[2)] Total comprehensive loss for the period is in total attributable to parent company shareholders.

Condensed consolidated statement of financial position

SEK thousand	Dec 31, 2018	Dec 31, 2017
Assets		
Non-current assets		
Tangible non-current assets	2,363	2,339
Financial non-current assets	851	263
Total non-current assets	**3,214**	**2,601**
Current assets		
Other current receivables	2,456	1,189
Prepaid expenses and accrued income	63,243	71,982
Cash and cash equivalents	375,617	404,050
Total current assets	**441,316**	**477,221**
Total assets	**444,530**	**479,822**
Equity and liabilities		
Equity		
Share capital	4,899	4,423
Additional paid-in capital	1,272,830	956,044
Retained earnings (including net profit/loss for the period)	-961,897	-542,462
Total equity[1)]	**315,832**	**418,005**
Long term liabilities		
Provision for social security contributions, share based incentive program	14,858	1,825
Total long term liabilities	**14,858**	**1,825**
Current liabilities		
Trade payables	25,270	15,681
Provision for social security contributions, share based incentive program	56,600	36,306
Other current liabilities	4,056	954
Accrued expenses and deferred income	27,914	7,053
Total current liabilities	**113,840**	**59,993**
Total liabilities	**128,698**	**61,818**
Total equity and liabilities	**444,530**	**479,822**

[1)] Equity is in total attributable to parent company shareholders

Consolidated statement of changes in equity

SEK thousand	Share capital	Additional paid-in capital	Retained earnings including net profit/loss for the period	Total equity
Opening balance January 1, 2017	**2,449**	**318,738**	**-294,850**	**26,337**
Net loss for the period			-247,612	-247,612
Transactions with shareholders				
Issue of new shares	1,679	693,305		694,984
Underwriting expenses		-58,223		-58,223
Value of participants in the incentive programs service		2,519		2,519
Conversion of bridge loans	295	-295		0
Closing balance December 31, 2017	**4,423**	**956,044**	**-542,462**	**418,005**
Opening balance January 1, 2018	**4,423**	**956,044**	**-542,462**	**418,005**
Net loss for the period			-419,435	-419,435
Transactions with shareholders				
Issue of new shares	442	313,978		314,420
Underwriting expenses		-19,390		-19,390
Value of participants in the incentive programs service		12,368		12,368
Exercise of warrants under the company's incentive programs	34	9,830		9,864
Closing balance December 31, 2018	**4,899**	**1,272,830**	**-961,897**	**315,832**

Condenced consolidated statement of cash flow

SEK thousand	2018 Oct - Dec	2017 Oct - Dec	2018 Jan - Dec	2017 Jan - Dec
Operating loss	-111,212	-66,704	-419,300	-247,620
Adjustment for non-cash-items	-2,913	7,594	44,727	30,684
Interest received	0	0	0	0
Interest paid	-2	0	-2	0
Cash flow from operating activities before change in working capital	**-114,127**	**-59,110**	**-374,575**	**-216,936**
Cash flow from changes in working capital	5,272	13,431	40,848	-54,562
Cash flow from operating activities	**-108,855**	**-45,679**	**-333,727**	**-271,497**
Cash flow from investing activities	-532	0	-907	-1,472
Cash flow from financing activities	194	0	304,893	636,761
Cash flow for the period	**-109,193**	**-45,679**	**-29,741**	**363,791**
Cash and cash equivalents at beginning of period	488,869	442,964	404,050	40,251
Cange in cash and cash equivalents	-109,193	-45,679	-29,741	363,791
Foreign exchange difference in cash and cash equivalents	-4,059	6,766	1,308	8
Cash and cash equivalents at the end of period	**375,617**	**404,050**	**375,617**	**404,050**

Condensed parent company income statement

SEK thousand	2018 Oct - Dec	2017 Oct - Dec	2018 Jan - Dec	2017 Jan - Dec
Net sales	-	-	-	-
Gross profit	-	-	-	-
Operating expenses				
Research and development costs	-90,146	-52,762	-322,051	-197,771
Marketing and distribution costs	-17,665	-6,033	-51,844	-15,160
Administrative expenses	-4,477	-7,910	-55,298	-34,688
Other operating income[1)]	0	-	10,078	-
Other operating expenses[1)]	-564	-	-903	-
Total operating expenses	**-112,852**	**-66,704**	**-420,018**	**-247,620**
Operating loss	**-112,852**	**-66,704**	**-420,018**	**-247,620**
Net financial items	18	0	18	0
Loss before tax	**-112,834**	**-66,704**	**-420,000**	**-247,620**
Tax	-	-	-	-
Loss for the period	**-112,834**	**-66,704**	**-420,000**	**-247,620**

[1)] Exchange rate differences on assets and liabilities in operational activities.

Condensed parent company statement of comprehensive income

SEK thousand	2018 Oct - Dec	2017 Oct - Dec	2018 Jan - Dec	2017 Jan - Dec
Loss for the period	**-112,834**	**-66,704**	**-420,000**	**-247,620**
Other comprehensive income				
Items to be reclassified to profit or loss				
Translation differences on currency hedges	-	6,766	-8	8
Total other comprehensive income, net of tax	**-**	**6,766**	**-8**	**8**
Total comprehensive loss for the period	**-112,834**	**-59,938**	**-420,008**	**-247,612**

Parent company balance sheet

SEK thousand	Dec 31, 2018	Dec 31, 2017
Assets		
Non-current assets		
Tangible non-current assets	2,363	2,339
Financial non-current assets	901	313
Total non-current assets	**3,264**	**2,651**
Current assets		
Other current receivables	2,279	1,189
Prepaid expenses and accrued income	62,468	71,982
Cash and cash equivalents	375,513	404,000
Total current assets	**440,260**	**477,171**
Total assets	**443,524**	**479,822**
Equity and liabilities		
Restricted equity		
Share capital	4,899	4,423
Statutory reserve	10,209	10,209
Non-restricted equity		
Share premium account	1,262,621	945,835
Retained earnings (including net profit/loss for the period)	-962,471	-542,462
Total equity	**315,258**	**418,005**
Long term liabilities		
Provision for social security contributions, share based incentive program	14,858	1,825
Total long term liabilities	**14,858**	**1,825**
Current liabilities		
Trade payables	23,261	15,681
Provision for social security contributions, share based incentive program	56,600	36,306
Other current liabilities	5,815	954
Accrued expenses and deferred income	27,732	7,053
Total current liabilities	**113,408**	**59,993**
Total liabilities	**128,266**	**61,818**
Total equity and liabilities	**443,524**	**479,822**

Key performance measures

The company presents in this report certain key performance measures, including one measure that is not defined under IFRS, namely expenses relating to research and development / operating expenses %. The company believes that this ratio is an important complement because it allows for a better evaluation of the company's economic trends. This financial performance measure should not be viewed in isolation or be considered to replace the performance indicators that have been prepared in accordance with IFRS. In addition, such performance measure as the company has defined it should not be compared with other performance measures with similar names used by other companies. This is because the above-mentioned performance measure is not always defined in the same manner, and other companies may calculate the differently to Oncopeptides.

	Oct-Dec, 2018	Oct-Dec, 2017	Jan-Dec, 2018	Jan-Dec, 2017
Total registered shares at the beginning of period	44,048,721	39,806,021	39,806,021	22,041,900
Total registered shares at the end of period	48,841,921	39,806,021	48,841,921	39,806,021
Number of shares that the allocated employee options entitle to	3,247,464	2,631,200	3,247,464	2,631,200
Share capital at the end of period, SEK thousand	4,899	4,423	4,899	4,423
Equity at the end of period, SEK thousand	315,832	418,005	315,832	418,005
Earnings per share before and after dilution, SEK[1)]	-2.53	-1.68	-9.77	-6.44
Operating expenses, SEK thousand	-111,212	-66,704	-419,300	-247,620
Research and development costs, SEK thousand	-90,146	-52,762	-322,051	-197,771
Research & development costs/operating expenses %[2)]	81%	79%	77%	80%

1) 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. Adjustments have been made to the calculation of earnings per share, since preference shares have existed during part of the previous periods. There is no dilution effect for the employee stock option program, as earnings for the periods have been negative.

2) Defined by dividing the research and development costs with total operating expenses. The key performance measure helps the users of the financial statements to get a quick opinion on the proportion of the company's expenses that are attributable to the company's core business.

Notes

Note 1 General information

This report covers the Swedish parent company Oncopeptides AB (publ), Swedish corporate identity no. 556596-6438 and its subsidiary Oncopeptides Incentive AB and Oncopeptides Inc, USA. The parent company is a Swedish public limited company registered in and with its registered office in Stockholm.

The year-end report 2018 was approved for publication on February 22, 2019, in accordance with the board decision of February 21, 2019.

Note 2 Accounting policies

Oncopeptides applies International Financial Reporting standards (IFRS) as adopted by the European Union. Relevant accounting and valuation principles could be found on pages 46-51 of the Annual Report for 2017.

The interim report for the group has been prepared in accordance with IAS 34 Interim Financial Reporting. The parent company applies the Swedish Financial Reporting Board recommendation RFR2 Accounting for legal entities. None of the new or amended standards and interpretations that became effective January 1st 2018, have had a significant impact on the company's financial reporting.

IFRS 16 - Leases is effective as of 1 January 2019. For lessees, the standard eliminates the classification of leases as either operating or finance, as required by IAS 17, and instead introduces a single lease accounting model. Applying that model, a lessee is required to recognize, (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of leased assets separately from interest on lease liabilities in the income statement.

Oncopeptides has applied the modified retrospective method when transitioned to IFRS 16 on 1 January 2019 meaning that Oncopeptides will not recalculate the financial statements for 2018. The lease liability is the sum of the present value of all future payments until lease end date. The practical expedient to set the right of use asset (before adjustments for any prepayments) equal to the lease liability has been applied for the transition. The rate for discounting the lease payments is the Oncopeptides Group incremental borrowing rate with consideration to the maturity of the lease contracts. The practical expedient for definition of a lease has been applied, which means that all components within a lease has been considered as a lease component. The short-term lease exception and the asset of low value exception has also been applied.

The estimated opening balance of the lease liability and the Right-of-use assets is around 8 MSEK for current lease contracts. The largest asset class of leases is offices.

Since the first quarter 2018 the company has decided to discontinue hedge accounting.

Oncopeptides applies ESMA's (European Securities and Markets Authority) guidelines on alternative performance measures.

Note 3 Risks and uncertainties in the group and the parent company

Operational risks

Research and drug development up to approved registration is subject to considerable risk and is a capital-intensive process. The majority of all initiated projects will never reach market registration due to the technological risk such as the risk for insufficiency efficacy, intolerable side effects or manufacturing problems. If competing pharmaceuticals capture market share or reach the market faster, or if competing research projects achieve better product profile, the future value of the product portfolio may be lower than expected. The operations may also be impacted negatively by regulatory decisions, such as approvals and price changes. A more detailed description of the company's risk exposure and risk management can be found in the Annual Report for 2017 on pages 32-33.

Financial risk management

Oncopeptides' financial policy governing the management of financial risks has been designed by the board of directors and represents the framework of guidelines and rules in the form of risk mandated and limits for financial activities. The company is primarily affected by foreign exchange risk since the development costs for Melflufen are mainly paid in USD and EUR.

In accordance with the company's policy for financial risk, the company exchanges cash into USD and EUR in line with entered agreements in order to manage currency exposure.

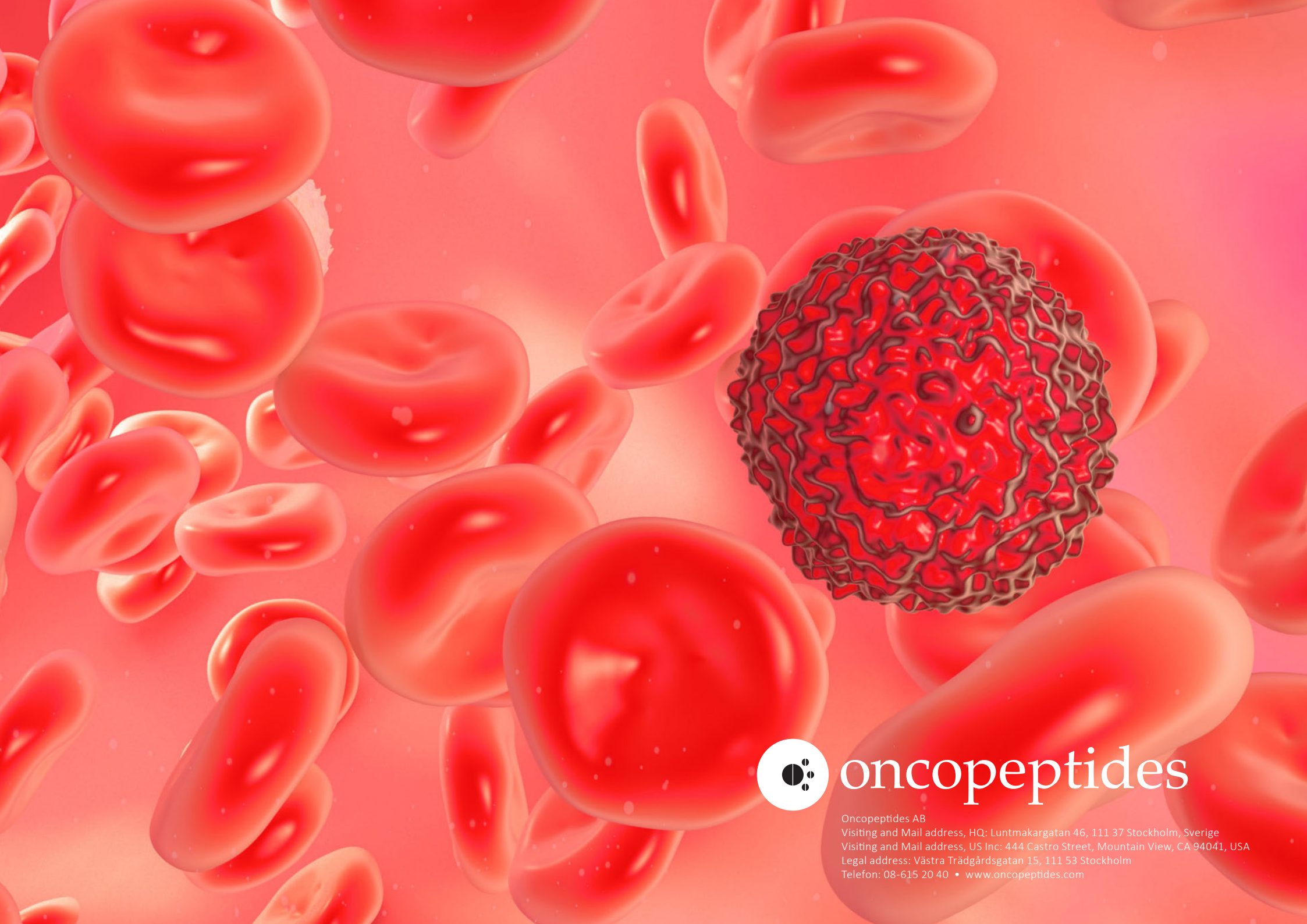
For more information about the group and parent company's financial risk management see note 3 on pages 51-52 in the Annual Report for 2017.

Note 4 Estimates and judgements

This report includes forward looking statement. Actual outcomes may deviate from what has been stated. Internal factors such as successful management of research projects, and intellectual property rights may affect future results. There are also external conditions, e.g. the economic climate, political changes and competing research projects that may affect Oncopeptides results.

Not 5 Related-party transactions

No transactions with related parties occurred during the year.



oncopeptides

Oncopeptides AB
Visiting and Mail address, HQ: Luntmakargatan 46, 111 37 Stockholm, Sverige
Visiting and Mail address, US Inc: 444 Castro Street, Mountain View, CA 94041, USA
Legal address: Västra Trädgårdsgatan 15, 111 53 Stockholm
Telefon: 08-615 20 40 • www.oncopeptides.com