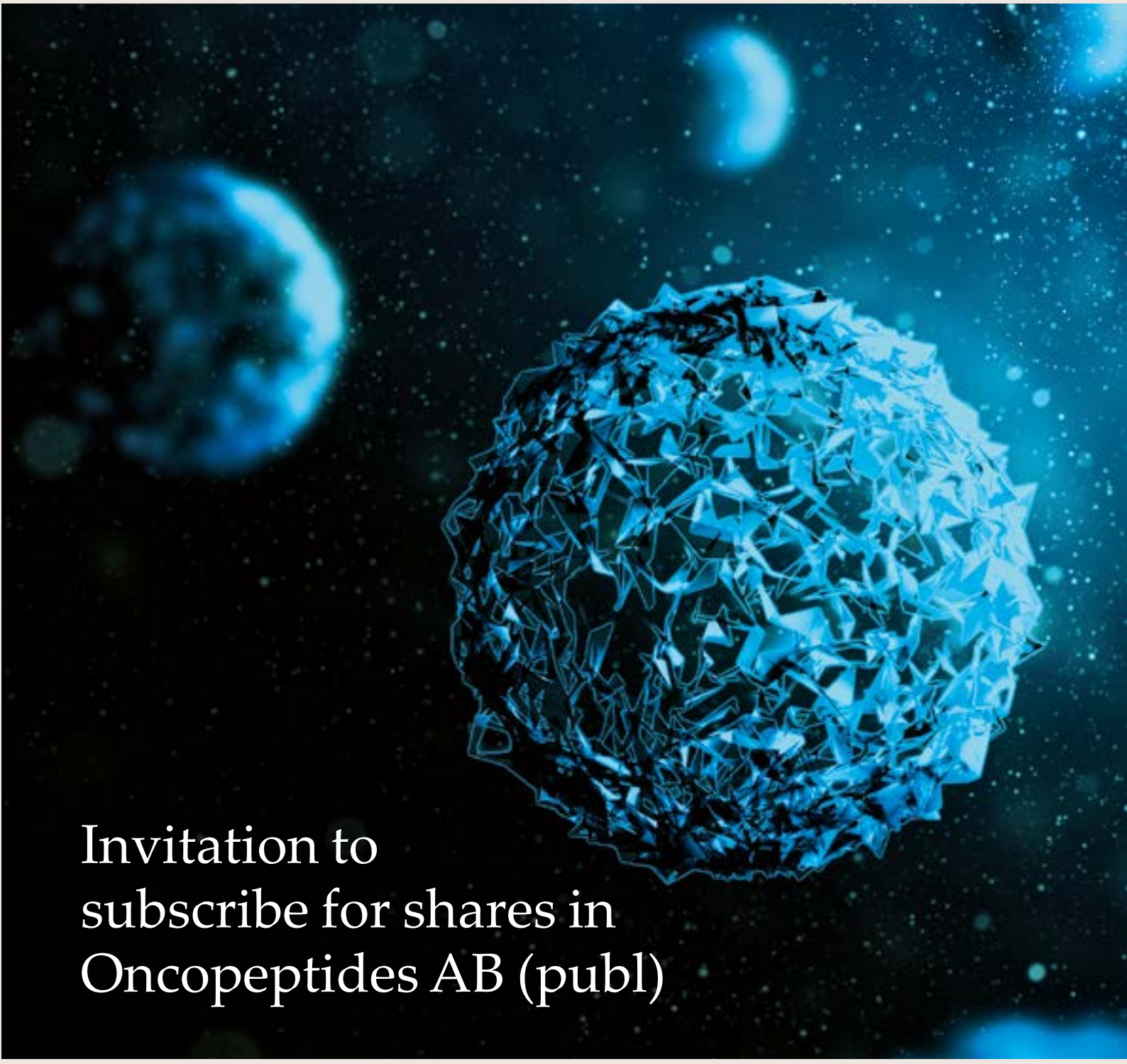
oncopeptides



Invitation to subscribe for shares in Oncopeptides AB (publ)

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

ABG SUNDAL COLLIER

Carnegie

JOINT BOOKRUNNER

DNB MARKETS

IMPORTANT INFORMATION

This offering circular (the "**Offering Circular**") has been prepared in connection with the offering to the public in Sweden and admission to trading of the shares in Oncopeptides AB, reg. no. 556596-6438 (a Swedish public limited liability company) on Nasdaq Stockholm (the "**Offering**"). In this Offering Circular, "**Oncopeptides**", the "**Company**", or the "**Group**" means, depending of the context, Oncopeptides AB (publ) or the group in which Oncopeptides AB (publ) is the parent company. The "**Subsidiary**" refers to Oncopeptides Incentive AB. "**Main Shareholders**" refers to HealthCap VI L.P. and Stiftelsen Industrifonden. "**Joint Global Coordinators**" refers to ABG Sundal Collier AB ("**ABGSC**") and Carnegie Investment Bank AB (publ) ("**Carnegie**"). "**Joint Bookrunners**" refers to ABGSC, Carnegie and DNB Markets, a part of DNB Bank ASA, Sweden Branch ("**DNB**").

Certain financial information and other information presented in this Offering Circular have been rounded out to make information easily accessible to the reader. As a consequence, the figures in certain columns do not tally with the totals stated. Unless otherwise indicated, all financial amounts are expressed in Swedish kronor ("SEK"). "TSEK" refers to one thousand Swedish krona. For definitions of other terms used in this Offering Circular, please see the section "*Glossary*".

The Offering is not aimed at the general public in any other country than Sweden. Nor is the Offering aimed at persons whose participation necessitates additional offering circulars, registration or other measures than those that follow from Swedish law. No measure has been taken, or will be taken, in any jurisdiction other than Sweden, which might permit the shares to be offered to the public, or which might permit possession or dissemination of this Offering Circular or any other document relating to the Company, or shares in such a jurisdiction. Application to subscribe for shares that contravene such regulations may be declared invalid. Persons who receive the Offering Circular are encouraged by the Company and the Joint Bookrunners to obtain information about and to observe such restrictions. Neither the Company nor any of the Joint Bookrunners assume legal liability for infringement of such restrictions by any person, whether potential investors or not.

The shares in the Offering have not been reviewed by any federal or state securities commission or regulatory authority in the US. Nor have the aforementioned authorities confirmed the accuracy of, or assessed the adequacy of the Offering Circular. Any claim to the contrary is a criminal offense in the US. Shares in the Offering have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act"**) or under any securities laws of a US state and are offered and sold in the US only to qualified institutional buyers as defined and in accordance with Rule 144A of the Securities Act and to certain non-US persons in transactions outside the US pursuant to Regulation S of the Securities Act. Prospective purchasers who are qualified institutional buyers are hereby notified that the sellers of the shares in the Offering may be covered by the exemption from the provisions of Section 5 of the Securities Act in accordance with Rule 144A. The shares may only be offered, sold, pledged or otherwise transferred within the US as a result of an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable securities laws of any state. In the US, the Offering Circular is provided on a confidential basis solely to allow a potential investor to consider subscribing for the securities described in the Offering Circular. The information in the Offering Circular has been provided by the Company and other sources identified herein. Reproduction and distribution of the Offering Circular, or parts thereof, to other persons than those recipients specified by the Joint Bookrunners or their representatives is prohibited, as it is to persons who may have been hired to inform the recipient about the matter, and any disclosure of the contents without the prior written permission of the Company is prohibited. Any reproduction or distribution of this Offering Circular in the US, in its entirety or parts thereof, and all disclosure of the content to other persons is prohibited. The Offering Circular is personal to each recipient and does not constitute an offer to any other person or to the general public to subscribe for shares in the Offering.

This Offering Circular is a translation of a Swedish language prospectus (the "Prospectus") which has been approved and registered by the Swedish Financial Supervisory Authority in accordance with the provisions of Chapter 2, §§ 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). Neither the approval nor registration of the Prospectus implies a guarantee from the FSA that the factual information in the Prospectus is accurate or complete. In the event of any inconsistency between the Prospectus and the Offering Circular, the Prospectus shall take precedence. The Offering and the Offering Circular are governed by Swedish law. Any dispute arising in connection with the Offering or the Offering Circular will be resolved exclusively by a Swedish court of law.

Forward-looking information

The Offering Circular contains certain forward-looking information that reflect Oncopeptides' current views of future events and financial and operational performance. Words such as "intends", "anticipates", "expects", "can", "plans", "estimates" and similar expressions regarding indications or forecasts of future developments or trends, and which are not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties because it is dependent on future events and circumstances. Forward-looking information is not a guarantee of future results or developments and actual results may differ materially from those in the forward-looking information.

Factors that could cause Oncopeptides' future results and developments to differ from those in the forward-looking information include, but are not limited to, those described under "*Risk Factors*". Forward-looking information in the Offering Circular is only applicable on the date of issue of the Offering Circular. Neither Oncopeptides nor the Joint Bookrunners give any commitment to publish updates or revision of any forward-looking statements as a result of new information, future events or similar circumstances other than those required by applicable legislation.

Industry and market information

This Offering Circular contains information about the Company's geographic and product markets, market size, market shares, market position and other market-related information pertaining to Oncopeptides' operations and market. Unless otherwise stated, such information is based on the Company's analysis of several different sources, including statistics and information from external industry or market reports, market surveys, publicly available information and commercial publications. Such information as originates from third parties has been accurately reproduced and, and as far as Oncopeptides is aware and can confirm through comparison with other information published by the relevant third party, no information has been omitted in any way which could render the reproduced information inaccurate or misleading. As a rule, industry and market publications state that, while the information in this publication has been obtained from sources deemed reliable, the accuracy and completeness of such information cannot be guaranteed. The Company has not independently verified, and cannot therefore guarantee the accuracy of the market information that is contained in this Offering Circular and which has been taken from or derived from these market publications. Neither the Company nor any of the Joint Bookrunners assume any responsibility for the accuracy of any industry or market information from third parties which is included in the Offering Circular. The content on the Company's website or the websites of third parties referred to herein does not constitute part of the Offering Circular. In their nature, market information and statistics are forward-looking and subject to uncertainty. They may therefore be interpreted subjectively, and may not necessarily reflect actual or future market conditions. Such information and statistics are based on market surveys, which in turn are based on extracts, subjective interpretations and assessments, including assessments of the types of products and transactions which should be covered by the relevant market, both by those carrying out the surveys and the respondents. As a result, potential investors should be aware of the fact that the financial information, market information, as well as the forecasts and estimates of market information contained in this Offering Circular, do not necessarily represent reliable indicators of Oncopeptides' future performance.

Stabilisation

In connection with the Offering, the Joint Global Coordinators may carry out transactions with the aim of keeping the market price of the share at a level higher than what otherwise might have been the case in the market. Such stabilisation transactions may be carried out on Nasdaq Stockholm, the OTC market or otherwise, and may be carried out at any time during the period beginning on the first day when the shares are traded on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. However, the Joint Global Coordinators are under no obligation to carry out stabilisation of any kind, nor is there any guarantee that stabilisation will be carried out. See also under "*Stabilisation*" in the section "*Legal considerations and supplementary information*".

The fact that the Joint Global Coordinators has the opportunity to implement stabilisation measures does not mean that such measures will necessarily be taken. Any such stabilisation measures may also discontinued at any time. When the stabilisation period (30 calendar days) has expired, the Joint Global Coordinators, through the Company, will announce whether stabilisation measures have been taken, the date when any stabilisation measures have been taken, including the final date for such measures, and the price range within which the stabilisation transactions were carried out.

IMPORTANT INFORMATION REGARDING SUBSCRIBED SHARES

Allotment of subscribed shares to the Swedish general public will be notified by the sending out of a contract note, which is expected to happen on or around February 24, 2017. Once payment for the allotted shares has been processed by the Joint Bookrunners, the shares paid for will be transferred to a custody account or securities account that is designated by the subscriber. The time required for the transfer of payment, and the transfer of paid shares to subscribers of the shares in Oncopeptides, may mean that such subscribers will not have the shares they have been alotted available in the designated custody or securities account earlier than 27 February 2017. Trading in Oncopeptides' shares on Nasdaq Stockholm is expected to commence on or around 22 February 2017. Note the possibility that shares may not be available in the subscriber's custody or securities account before February 24, 2017 at the earliest may mean that the subscriber is not able to sell these shares on the stock exchange as of the date upon which trading in the shares commenced. Instead, they will be able to do so when the shares are available in their securities or custody account.

Contents

The offering in short

Number of shares offered
The Offering comprises 14,130,434 newly issued shares in Oncopeptides. The Company has, at the request of the Joint Global Coordinators and Joint Bookrunners, undertaken to issue a maximum of 2,119,565 additional new shares to cover any over-allotment in connection with the Offering.

Offering Price
The price in the Offering (the "Offering Price") has been set to SEK 46 per share by the Company's Board of Directors and Main Shareholders in consultation with the Joint Global Coordinators.

Indicative timetable

Application period for the public in Sweden	February 9, 2017 – February 20, 2017
Application period for institutional investors	February 9, 2017 – February 21, 2017
Publication of the outcome of the Offering	February 22, 2017
First day of trading	February 22, 2017
Settlement date	February 24, 2017

Other information

Marketplace	Nasdaq Stockholm
Ticker symbol	ONCO
ISIN code	SE0009414576

Financial calendar

Interim report Q1	May 18, 2017
Annual general meeting 2017	May 18, 2017

Summary

The summary of the Offering Circular consists of information requirements set out in "Items". The items are numbered in the sections A – E (A.1 – E.7).

The summary in the Offering Circular contains all the items required in a summary for the relevant type of security and issuer. However, since some items do not apply to all types of offering circulars, there may be gaps in the item numbering.

While it is required that an item be included in the summary of the relevant securities and issuers, it is possible that no relevant information can be given on that item. In that case, the information is replaced with a brief description of the item, along with the comment "Not applicable".

Section A – Introduction and warnings

A.1	*Introductions and warnings*	This summary should be considered an introduction to the Offering Circular. Investors should base any decision to invest in Oncopeptides on an assessment of the Offering Circular as a whole. If a claim relating to the information contained in the Offering Circular is brought before a court, the investor claimant may, under the national laws of the Member States, have to bear the costs of translating the Offering Circular before the legal proceedings are initiated. Civil liability may only be imposed on persons who have submitted the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent with other parts of the Offering Circular, or if the summary and other parts of the Offering Circular are inadequate in providing investors with the key information they require to consider whether or not to invest in Oncopeptides.
A.2	*Consent to use of the Offering Circular*	Not applicable. Oncopeptides does not consent to the use of the Offering Circular by financial intermediaries for the purposes of subsequent resale or placement of the securities covered by this Offering Circular.

Section B – Issuer, and guarantor (if any)

B.1	*Corporate name and trading name*	The name of the Company (and its trading name) is Oncopeptides AB and its company reg. no. is 556596-6438. The Company's trade name (ticker) on Nasdaq Stockholm will be ONCO.
B.2	*Domicile and legal form*	Oncopeptides is a Swedish public limited-liability company, established in Sweden and registered in the Stockholm municipality. The Company has been established under Swedish law and its organisation structure is governed by the Swedish Companies Act (2005: 551).
B.3	*Description of the issuer's activities*	Oncopeptides is a research and development stage pharmaceutical company developing drugs for treatment of cancer. Oncopeptides develops drug candidates from inception through clinical phase III with the aim to stand-alone commercialise the product after being granted marketing authorisation, or alternatively to grant licences to suitable partners. Should the commercialisation of Ygalo succeed, the Company's revenue will thus consist of proceeds from sales and/or milestone payments, and royalties from sales from collaborating partners. Oncopeptides' primary product candidate is Ygalo which is a peptidase-potentiated alkylator, a type of chemotherapy, which attacks the cancer cells directly and harms and kills them during cell division. Oncopeptides' primary development programme is focusing on the treatment of multiple myeloma (a blood-based cancer disease). Data generated from preclinical studies indicate that Ygalo can also be developed for treating additional types of cancer. Ygalo is a freeze-dried powder that is dissolved in glucose solution locally at each hospital and then given intravenously to the patient, usually once every month.

<table>
<tr><td>B.4a</td><td>A description of significant trends in the industry</td><td>Oncopeptides' primary development programme is focused on the treatment of late-stage multiple myeloma. Multiple myeloma is a rare and incurable disease. The disease affects roughly one percent[1)] of all cancer patients. Since the disease is incurable and patients always develop resistance against given treatments over time, there is a great need for development of new drugs and new types of treatments.
Patients with multiple myeloma survive longer today due to improved treatment. In the US, the proportion of patients that survive for five years or longer has increased from 35 percent in the early 21st century to 50 percent in 2008.[2)] The improvement in the relative five-year survival rate has been similar in magnitude for the same time period across other geographies. The improvement is due to new types of treatments and new drugs, primarily for treatment of the earlier stages of the disease.
The market for multiple myeloma-drugs is growing since the average patient lives longer with the disease. As a consequence of the development of treatment methods and subsequently successful treatments, the share of patients in the US receiving treatment for multiple myeloma at their third relapse is growing and estimated at 34 percent, 43 percent and 56 percent for the years 2013, 2015 and 2020 respectively[3)].
Another critical factor driving projected market growth is the aging population since the majority of persons diagnosed with multiple myeloma are 70 years of age or older[2)]. As a result, the rate of increase of the number of patients that are diagnosed with multiple myeloma is higher than the population growth rate.
1) National Cancer Institute, SEER Cancer Statistics Review 1975–2013 (2016). Data refers to patients in the US.
2) National Cancer Institute, SEER Cancer Statistics Review 1975–2013 (2016). Data refers to five-year relative survival of patients in the US.
3) GlobalData (2015).</td></tr>
<tr><td>B.5</td><td>The Group</td><td>Oncopeptides AB (publ) is the parent company in a group which also comprises the wholly owned Swedish subsidiary Oncopeptides Incentive AB.</td></tr>
<tr><td>B.6</td><td>Notifiable parties, major shareholders, and control of the Company</td><td>In Sweden, the lower limit for notifiable holdings (so-called flagging) is five percent of all the shares or of the voting rights of all shares. The Company's shareholders with holdings of at least five percent of the shares and voting rights as of January 31, 2017 are listed below.
<table><tr><th>Name</th><th>Number of shares</th><th>Percentage of shares and voting rights (%)</th></tr><tr><td>Stiftelsen Industrifonden</td><td>10,296,000</td><td>46.71%</td></tr><tr><td>HealthCap VI L.P.</td><td>10,296,000</td><td>46.71%</td></tr></table>The Company is under significant influence from Stiftelsen Industrifonden and HealthCap VI L.P.</td></tr>
</table>

B.7	*Selected financial information*	**Selected financial information** The financial information that is presented in this section has been gathered from the Company's annual report for 2016, which includes the comparative years 2015 and 2014. The annual report for 2016, including information for the comparative years 2015 and 2014, has been audited by the Company's auditor. The financial statements have been prepared in accordance with IFRS, issued by the International Accounting Standards Board ("IASB") and adopted by the EU, and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). **Consolidated statement of comprehensive income**

TSEK	2016	2015	2014
Operating expenses			
Other external expenses	–97,144	–47,683	–27,584
Staff costs	–17,314	–5,659	–5,519
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	–24	–7	–7
Total operating expenses	**–114,482**	**–53,350**	**–33,110**
Operating loss			
Financial income	36	10	16
Financial expense	–0	–1	–0
Net loss before tax	**–114,446**	**–53,341**	**–33,094**
Income tax	–	–	–
Net loss for the year	**–114,446**	**–53,341**	**–33,094**

B.7 *Selected financial information, cont*

Consolidated statement of financial position

TSEK	31/12/2016	31/12/2015	31/12/2014
ASSETS			
Non-current assets			
Property, plant and equipment			
Property, plant and equipment	1,100	7	15
Total property, plant and equipment	**1,100**	**7**	**15**
Non-current financial assets			
Investments held as non-current assets	1	1	1
Other non-current receivables	262	162	162
Total non-current financial assets	**263**	**163**	**163**
Total non-current assets	**1,363**	**171**	**178**
Current receivables			
Trade receivables	–	–	47
Other current receivables	2,963	932	804
Prepaid expenses and accrued income	11,056	1,006	128
Cash and cash equivalents	40,251	2,293	11,966
Total current receivables	**54,269**	**4,231**	**12,944**
Total current assets	**54,269**	**4,231**	**12,944**
TOTAL ASSETS	**55,633**	**4,402**	**13,123**
EQUITY AND LIABILITIES			
Equity			
Share capital	2,449	2,046	1,506
Additional paid-in capital	318,738	175,759	133,163
Retained earnings (including net profit/loss for the year)	–294,850	–180,405	–127,064
Total equity	**26,337**	**–2,600**	**7,606**
Liabilities			
Current liabilities			
Provision for social security contributions, employee stock option scheme	10,200	–	–
Trade payables	8,731	5,115	2,568
Other current liabilities	715	186	476
Accrued expenses and deferred income	9,651	1,701	2,473
Total current liabilities	**29,296**	**7,002**	**5,517**
Total liabilities	**29,296**	**7,002**	**5,517**
TOTAL EQUITY AND LIABILITIES	**55,633**	**4,402**	**13,123**

B.7 *Selected financial information, cont*

Key performance indicators of the Group

Key performance indicators from accounts

TSEK	2016	2015	2014
Total registered shares at beginning of period	20,460	15,064	10,612
Total registered shares at end of period	22,041,900	20,460	15,064
Number of shares that the outstanding employee options entitle to[1)]	1,733,400	1,359,000	997,200
Share capital at end of period, TSEK	2,449	2,046	1,506
Equity at end of period, TSEK	26,337	–2,600	7,606
Earnings per share, SEK	–4.88	–3.98	–3.54
EBIT, TSEK	–114,482	–53,350	–33,110
Expenses relating to research and development, TSEK	–89,590	–44,973	–28,071
Expenses relating to research and development/ operating expenses, %	78%	84%	85%

1) For further information, see section "*Share capital and ownership structure*" under "*Share-related incentive programmes*".

The table above contains an alternative financial key performance indicator that is not defined in IFRS. This financial key performance indicator should not be considered in isolation or as an alternative to key performance indicators that have been prepared in accordance with IFRS. Moreover, such key performance indicator, as the Company has defined it, should not be compared to other key performance indicators with similar names used by other companies. This is because the aforementioned key performance indicators are not always defined in the same way, and other companies may calculate it in a different way than the Company does.

Oncopeptides is using an alternative financial key performance indicator which lies outside the scope of IFRS. Purpose and definition is explained below.

Alternative key performance indicator	Definition	Purpose
Expenses relating to research and development/ operating expenses, %	The Group's total external and internal expenses relating to research and development divided by the Group's total operating expenses	The key performance indicator helps the users of the financial statements to get a quick idea on the proportion of the company's expenses that are attributable to the Company's core business

Definitions

Earnings per share before/after dilution

Net loss for the period added by interest paid on preference shares during the period, divided by the average number of shares.

EBIT

All operating income less all operating expenses for the period.

B.7 *Selected financial information, cont*

Reconciliation tables

The following table shows the reconciliation of Earnings per share prior to and after dilution.

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

TSEK	2016	2015	2014
Loss after tax	–114,446	–53,341	–33,094
Adjustment for cumulative right to dividends on preference shares	–10,972	–8,629	–5,272
Adjusted loss	**–125,418**	**–61,970**	**–38,366**
Average number of ordinary and preference shares*	19,321	15,581	10,851
Adjustment for additional shares on mandatory conversion of bridge loan	6,367	–	–
Average number of shares	**25,688**	**15,581**	**10,851**
Earnings per share (SEK)	–4.88	–3.98	–3.54

* 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 shares of the company.

The following table shows the reconciliation of Expenses relating to research and development ("R&D") and Expenses relating to research and development/operating expenses, %.

	2016	2015	2014
Staff costs attributable to R&D, TSEK	–5,575	–2,752	–2,523
External costs R&D, TSEK	–84,015	–42,221	–25,548
R&D costs, TSEK	**–89,590**	**–44,973**	**–28,071**
Total operating expenses of the Group, TSEK	–114,482	–53,350	–33,110
R&D expenses/operating expenses, %	78%	84%	85%

B.8 *Pro-forma financial information*

Not applicable. The Offering Circular does not contain any pro-forma financial information.

B.9 *Earnings forecast*

Not applicable. The Offering Circular does not contain any earnings forecast or calculation of expected earnings.

B.10 *Notes in the audit report*

In the annual report for 2015 the Company's auditor has, in connection with the auditor's recommendation that the annual general meeting treats the loss in accordance with the proposal in the Administration Report and discharge the board and the CEO from liability, provided a disclosure of particular importance as follows:

"The company's equity is less than fifty percent of its registered share capital, which is the reason the stipulations found in Chapter 25, Section 13 of the Swedish Companies Act are to be considered. In the section "Earnings and financial position" (Sw. *"Resultat och ställning"*) in the Administration Report, it is stated that the board of directors has not prepared a balance sheet for liquidation purposes (Sw. *kontrollbalansräkning*) as the board has made the assessment that there are, clearly, excess values in the company which more than cover the capital deficit."

In the annual report for 2016 the Company's auditor has, in connection with the auditor's recommendation that the annual general meeting treats the loss-of-profit in accordance with the proposal in the Administration Report and discharge the board and the CEO from liability, provided a disclosure of particular importance as follows:

B.10	*Notes in the audit report, cont*	"Without impacting our opinion, we wish to bring attention to the Administration Report and the heading regarding financing. Here it can be seen that the company is in need of further liquidity to meet its long and short-term financing requirements. In order to address this liquidity requirement to ensure the company's continued going concern status, the company is planning to execute a large new share issue. Should this share issue not be undertaken according to plan, the company's major shareholder has made an offer to finance the company's current phase II study. In order to secure the company's going concern status, it is of major importance that the financing of the operations be secured through one of these alternatives."
B.11	*Insufficient working capital*	Oncopeptides considers its current working capital to be insufficient to meet the Company's needs over the next twelve months. Oncopeptides' need for working capital over the next twelve months is mainly assignable to the clinical development of the product candidate Ygalo. The Company estimates the working capital need at approximately SEK 320 million for the upcoming twelve-month period and that the current working capital will last until around end of March/beginning of April, 2017. For ethical reasons, initiated clinical studies must however be carried through up until clinical results are achieved, which means that the shortest possible financing period that is relevant to the Company is far longer than twelve months. The carrying through of the phase III study OCEAN is required in order for the Company to be granted marketing authorisation for Ygalo and the phase II study HORIZON has already been initiated, which means that the Offering is conditional upon the premise that HORIZON and OCEAN can be carried through up until clinical results are achieved, which is estimated to take place around mid-year 2019. The Company intends to finance its working capital deficit with the funds raised in the new share issue which will be carried out simultaneously with the listing on Nasdaq Stockholm. If the Offering is fully subscribed, the total proceeds of the issue will amount to SEK 650 million before issue expenses. In light of the Company's need for working capital, the Company's board of directors and Main Shareholders have decided to condition the Offering upon it generating proceeds of a minimum of SEK 550 million before issue expenses. This level is considered sufficient to secure the Company's working capital for the coming twelve months as well as to provide the Company with enough capital to complete the HORIZON study and to continue the OCEAN study up until clinical results are achieved. In the event that the required subscription rate is not achieved, the Offering will be withdrawn and the subsequent listing on Nasdaq Stockholm will not take place. The Company will then seek alternative sources of funding, and if necessary to ensure the Company's financial position, reduce the costs related to the development of Ygalo.

Section C – Securities

C.1	*Securities offered*	Shares in Oncopeptides AB (publ) (ISIN SE0009414576).
C.2	*Currency*	The shares are denominated in SEK.
C.3	*Shares issued*	Oncopeptides' ordinary and preference shares are denominated in SEK. The Company's articles of association prescribe that the share capital shall be no less than SEK 2,400,000 and no more than SEK 9,600,000, and that the number of shares in the Company shall be no less than 22,000,000 and no more than 88,000,000. The Company's registered share capital amounts to, as of the day of the Offering Circular, SEK 2,449,100 representing 22,041,900 shares, each with a quota value of approximately SEK 0.11. Oncopeptides' shares are issued in six series, of which 3,275,100 are ordinary shares, 7,090,200 are preference shares of series A, 2,813,400 are preference shares of series A1, 1,193,400 are preference shares of series A2, 2,813,400 are preference shares of series A3 and 4,856,400 are preference shares of series A4. The preference shares will be converted into ordinary shares in connection with the Listing, and there will only be that class of shares at the time of listing of the Company's shares.

C.4	*Rights associated with the securities*	The Company's shares are issued in accordance with Swedish law and the shareholders' rights associated with the shares can only be changed in accordance with the Swedish Companies Act. Oncopeptides' shares are, as of the day of the Offering Circular, issued in six series: ordinary shares, preference shares of series A, preference shares of series A1, preference shares of series A2, preference shares of series A3 and preference shares of series A4. The preference shares will be converted into ordinary shares in connection with the Listing, and there will only be that class of shares at the time of Listing of the Company's shares. At the time of the Listing, all shares in the Company will be ordinary shares with one (1) vote per share, which gives equal right to dividends and part in the Company's profit, and equal right to any surplus upon liquidation. The new shares carry a right to dividends for the first time on the record day that takes place immediately after the issue of new shares have been registered with the Swedish Companies Registration Office and the shares have been entered into the share register administered by Euroclear Sweden AB.
C.5	*Transfer restrictions, if any*	Not applicable. The shares are not subject to any restrictions on their free transferability.
C.6	*Admission for trading on the regulated market*	The Nasdaq Stockholm Listing Committee has decided to admit the shares to trading on Nasdaq Stockholm provided that the shareholding spread requirement for the Company's shares is met. Trading is expected to commence on or around February 22, 2017.
C.7	*Dividend policy*	Oncopeptides will continue to focus on further developing and expanding the Company's project portfolio. Available financial resources and the reported results shall therefore be reinvested in the business to finance the Company's long-term strategy. The board's intention is not to propose dividends to shareholders before the Company is able to generate long-term sustainable profitability. Any future dividends and the size thereof will be determined on the basis of the Company's long-term growth, earnings trend and capital requirements, taking into account the current objectives and strategies adopted. Dividends shall, in so far as dividends are proposed, be well-balanced with respect to the Company's targets, scope and risk.

Section D – Risks

D.1	*Principal risks relating to Oncopeptides and the industry*	An investment in Oncopeptides is connected with risks. The Company's operations can be affected by a number of factors which lie outside of Oncopeptides' control, either in whole or in part. Investors who are considering an investment in the shares should analyse the risk factors below carefully. Risk factors are not described in detail or in any priority precedence but are assessed as the main risks for the Company's future development, financial situation and results. ● Generally, drug development is a complicated process involving a high degree of risk. The research and development required for a drug is subject to risks such as delays in product development and/or costs becoming higher than expected, or that the products lack the anticipated effect and/or that they turn out to cause unwanted adverse effects. ● Prior to the market launch of a drug, it must go through costly and time-consuming preclinical and clinical studies. The performance of clinical studies is connected with risks such as problems with the recruitment of patients which could cause delays, risks that the actual cost per patient is higher than was budgeted for or of quality defects in the studies performed at the hospitals. There is a risk that future studies will show negative results which may lead to the interruption or termination of clinical studies, or to necessary regulatory approvals not being achieved, or delays or interruptions to the launch of a product. ● The Company's operations are subject to product liability risks which can arise in association with manufacturing, clinical studies and marketing and sales of products. For instance, trial subjects and patients participating in clinical studies, or who come into contact with the drug candidate in other ways, may suffer unwanted adverse effects or be harmed in other ways.

D.1	*Principal risks relating to Oncopeptides and the industry, cont*	• In order to develop, export, manufacture, market and sell pharmaceuticals, regulatory approvals and/or licences must be obtained from, relevant authorities on each of the markets where the Company intends to market or sell its products. These approval processes can be both time consuming and expensive. After the approval of a drug the Company continues to be liable for compliance with certain regulatory requirements and a shortcoming in that respect may lead to the withdrawal of relevant regulatory approvals. • The pharmaceutical industry is a competitive industry characterised by global competition, rapid technological development and extensive investment requirements. The Company is facing competition from e.g. large pharmaceutical companies, including multi-national companies, other companies active in the health-care sector as well as universities and other research institutions. The Company is aware of a number of pharmaceutical companies and institutions world-wide who are active in the research of new pharmaceuticals for treatment of multiple myeloma (which is the primary focus area for the Company's leading drug candidate Ygalo) and which therefore constitute potential future competitors to Oncopeptides. The market competition could have a material adverse effect on the Company's operations, financial position and profits. • Even if a drug obtains the relevant regulatory approvals, the risk for unmet expectations in terms of national or international sales is still present, as well as the risk that the product may not be commercially successful. • The Company is currently focused mainly on the development of the Company's lead drug candidate, Ygalo. A setback in the development of Ygalo in the form of delays, regulatory denials or unclear or insufficient results from late stage clinical studies could have a material adverse effect on the Company's operations, financial position and profits. • The Company's intellectual property rights are protected mainly by granted patents and filed patent applications. There is always the risk that the Company's patents are challenged by third parties, which could result in the patents being declared null and void. Furthermore, patents are granted for a limited term, after the expiration of which there is a risk that products are copied by third parties. • There are no guarantees that Oncopeptides' tax situation will not be challenged by tax authorities or that the Company will be successful in such an event. An order by a tax authority could come to amend Oncopeptides' earlier tax situation. • The development of pharmaceuticals is expected to continue to generate significant costs for Oncopeptides, and to lead to net losses and a negative cash flow up until the point when revenue can be generated through potential payments from licensing or collaboration agreements as well as sales of drugs that have been launched on the market. There is a risk that Oncopeptides will not reach sufficient levels of revenue or positive cash flow in the future in order to finance the Company's operations. In consequence, the Company may need to seek additional external financing from, inter alia, third parties or existing shareholders. There is a risk that new capital cannot be raised when needed or on satisfactory terms, or that capital raised is not sufficient to finance the operations, which could result in the Company being forced to restrict its development activities or, ultimately, to close down its operations. All of the risks presented above could, should they occur, have a material adverse effect on the Company's operations, financial position and profits.

D.3	*Principal risks relating to securities*	Investment in securities is associated with risks. Such risks may cause the price of the Company's shares to fall significantly, and investors may lose all or part of the capital they have invested. Principal risks relating to Oncopeptides' shares include: ● There is a risk that the price in the Offering will not match the price at which the shares in Oncopeptides will be traded on the stock market after the Offering and that active trading will not be developed and established after the Listing. ● Historically, Oncopeptides has not paid any dividends and the existence and size of any future dividends will be dependent among other things on the Company's future development. There is thus a risk that dividends will not be paid in the future. ● Significant sales of shares by major shareholders, as well as a general market expectation that further sales will be carried out, could have a negative effect on the price of Oncopeptides' shares. Furthermore, any new capital issue may lead to dilution of the holdings of the shareholders.

Section E – The Offering

E.1	*Revenues and costs relating to the Offering*	The new issue of shares in the Offering is expected to bring around SEK 590 million to Oncopeptides, after deduction of issue expenses. The Company's expenses for the Offering and listing on Nasdaq Stockholm are expected to be a maximum of SEK 60 million.
E.2a	*Rationale for making the Offering*	Oncopeptides is a research and development stage pharmaceutical company developing drugs for treatment of cancer. Since the founding of the Company in 2000, the Company has focused on the development of the product candidate Ygalo, an innovative peptidase-potentiated alkylator for effective and focused treatment of blood-based cancer diseases, and primarily multiple myeloma. Ygalo is intended to enable better results from treatment compared to relevant alternative drugs for the treatment of patients with multiple myeloma. Ygalo could potentially provide treating physicians with a new treatment option for patients suffering from this difficult to treat cancer. Ygalo has previously undergone both preclinical and clinical phase I and II studies with good results both with regard to safety and efficacy. Based on these results, the Company assesses that the further development of Ygalo is a natural next step, with the objective to commercialise Ygalo, either in-house or together with appropriate partners, for the treatment of patients with multiple myeloma. The Company has therefore planned a development programme to enable marketing authorisation. The main study in the development programme is the pivotal phase III study OCEAN. The Company is planning to initiate the pivotal clinical development programme for Ygalo during the first half of 2017, which entails major investments. Oncopeptides considers its current working capital to be insufficient to meet the Company's need over the next twelve months. In order to enable the Offering, the Company has applied for a listing of the Company's shares on Nasdaq Stockholm and the Company intends to thereby secure financing for the clinical development programme for Ygalo. The Main Shareholders are heavily engaged in the Company's success and intend to continue to support the Company through, inter alia, board representation. If the Offering is fully subscribed and the Over-allotment Option is fully utilised the net proceeds are estimated to be approximately SEK 681 million, after deduction of issue expenses. The Company intends to use the funds with the approximate percentage of the issue proceeds as indicated below. ● Initiation and completion of the pivotal phase III study OCEAN up until clinical results: 50 percent ● Initiation and completion of the phase I/II study ANCHOR up until clinical results: 20 percent ● Completion of the phase II study HORIZON: 10 percent ● Contract manufacturing of Ygalo for use in clinical studies and scale-up for commercial production: 10 percent ● General and administrative operations including the development of a commercialisation strategy: 10 percent

E.2a	*Rationale for making the Offering, cont*	The net proceeds from the Offering will, in combination with current liquid funds, strengthen the Company's financial position and are estimated to be sufficient to take Ygalo up until the point when the ongoing and planned studies have shown clinical results. In light of the Company's need for working capital, the Company's board of directors and Main Shareholders have decided to condition the Offering upon it generating proceeds of a minimum of SEK 550 million before issue expenses. This level is considered sufficient to secure the Company's working capital for the coming twelve months as well as to provide the Company with enough capital to complete the HORIZON study and to continue the OCEAN study up until clinical results are achieved.
E.4	*Interests and conflicts of interest*	ABGSC, Carnegie and DNB are Joint Bookrunners in the Offering. The Joint Bookrunners provide financial consultation and other services to the Company in relation to the Offering. The Joint Bookrunners do not own any shares in the Company and do not, apart from the agreed reimbursement for their services which has been decided in advance, hold any economic interests in Oncopeptides.
E.5	*Lock-up agreements*	Pursuant to the terms of an agreement on the placing of shares which is intended to be entered into on or about February 21, 2017 between the Company, the Main Shareholders and the Joint Bookrunners (the "Placing Agreement"), the Main Shareholders, the shareholding board members, the Company's senior management and certain remaining shareholders will undertake, under certain conditions, not to sell their respective shareholdings for a certain period of time after the trade on Nasdaq Stockholm has commenced (the "Lock-up period"). Lock-up does not include shares that are acquired in, or in connection with, the Offering and consequently Linc AB, LMK Venture Partners AB and LMK Forward AB, who will acquire shares in the Company in connection with the Offering through the conversion of a bridge loan, are not subject to any lock-up undertakings. The Lock-up period for the Main Shareholders, shareholding board members and the Company's senior management will be 365 days. Lock-up for shareholding board members and the Company's senior management also includes shares that may come to be acquired through the utilisation of employee options. For the remaining shareholders[1)] in the Company, the Lock-up period will be 180 days and encompass 50 percent of each respective shareholding. After the end of each Lock-up period the shares may come to be offered for sale, which could affect the market price of the share. The Joint Bookrunners may come to grant exemptions from the relevant commitments. In the Placing Agreement, the Company will, among other things, undertake towards the Joint Bookrunners, with certain exceptions, for a period of 365 days from the first day of trading in the Company's shares on Nasdaq Stockholm, not to decide, or propose that the general meeting decides, to increase the share capital through an issue of shares or other financial instruments, without the written consent from the Joint Bookrunners. 1) Refers to shareholders other than the Main Shareholders, shareholding board members and the Company's senior management, Linc AB, LMK Venture Partners AB and LMK Forward AB.

E.6	*Share dilution*	In connection with the Offering, outstanding bridge loans amounting to SEK 114.6 million including accrued interest will be converted into 2,655,781 shares in the Company. Upon full subscription in the new share issue in the Offering and assuming that the Over-allotment Option is not exercised, the number of shares in Oncopeptides will increase by 14,130,434 shares due to the Offering. Assuming full subscription in the Offering and that the Over-allotment Option is not exercised, the number of shares in Oncopeptides that will be issued upon conversion of current bridge loans will correspond to 6.8 percent of the shares in the Company after the Offering, and the shares that will be issued in the Offering will correspond to 36.4 percent of the shares in the Company after the Offering. The Company has three outstanding share-related incentive programmes; Founder Option Programme, Employee Option Programme 2012/2019 and Employee Option Programme 2016/2023. In order to secure the delivery of shares and to cover estimated social security payments upon utilisation of assigned employee options, the Company has issued warrants to the Subsidiary which entitle to subscription of a total of 2,288,088 ordinary shares in the Company. Full utilisation of all outstanding options within the Company's incentive programmes as well as full utilisation of issued warrants will result in a dilution of new shareholders with a total of 5.56 percent based on the number of shares in the Company after the Offering. Upon full utilisation of assigned options within Founder Option Programme, 102,600 ordinary shares will be issued, corresponding to a dilution of 0.25 percent. Upon full utilisation of assigned options within Employee Option Programme 2012/2019, 1,354,500 ordinary shares will be issued, corresponding to a dilution of 3.29 percent. Upon full utilisation of assigned options within Employee Option Programme 2016/2023, 276,300 ordinary shares will be issued, corresponding to a dilution of 0.67 percent. The calculations of dilution in relation to the share related incentive programmes are based on the number of shares in the Company after the Offering, based on the assumption that the Offering is fully subscribed, that the Over-allotment Option is not utilised and that all outstanding option programmes and warrants are fully utilised. Furhermore, the Company's remuneration committee intends to propose to the annual general meeting of 2017 to adopt a new option programme which, together with the already existing option programmes and warrants that have been issued to the Subsidiary to cover social security payments upon utilisation of the employee options, could lead to a dilution of new shareholders of a maximum of 10 percent after the Offering.
E.7	*Costs for the investor*	Not applicable. No costs will be imposed on investors in the Offering.

Risk factors

Investment in securities is associated with risk. When considering a possible investment decision it is important to carefully analyse the risk factors considered to be of significance to the Company and the share's future development. The following describes risk factors considered to be of importance for Oncopeptides, without any specific ranking. This applies for both risks regarding circumstances that are attributable to Oncopeptides or the industry and those of a more general nature, and risks associated with the shares and the Offering. Certain risks lie outside the Company's control. The following account does not claim to be complete and all risk factors can naturally not be predicted or described in detail, which is why an overall assessment must also include other information in the Offering Circular as well as a general assessment. The risks and uncertainty factors below can have a significant negative impact on Oncopeptides' operations, financial position and/or earnings. They can also cause the shares of Oncopeptides to decrease in value, which could lead to shareholders in Oncopeptides losing all or part of their invested capital. Additional factors that are not currently known to Oncopeptides, or that are currently not deemed to pose risks, may also have a corresponding negative impact.

The Offering Circular contains forward-looking statements that may be affected by future events, risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements due to a variety of factors, including but not limited to, those described below and elsewhere in the Offering Circular.

Risks related to the business and market

Research and development of pharmaceuticals

Generally, drug development is a complex process involving a substantial degree of risk. The research and development required for a drug is subject to risks such as delays in product development and/or cost becoming higher than expected, or risks that the products do not have the anticipated effect and/or that they turn out to have unwanted adverse effects. Products not having the anticipated effect and/or turning out to have unwanted adverse effects increases the risk of the Company not being able to obtain necessary regulatory approvals and can delay or stop further product development and limit or prevent the commercial use of the products, which could have a material adverse effect on the Company's business, financial position and future profits.

Clinical studies

Clinical studies (i.e. studies in humans) are a material part of the development of pharmaceuticals. Prior to launching a drug on the market, its safety and efficacy for treatment of patients with a certain disease must be ascertained through the execution of a number of costly and time consuming clinical studies. The performance of clinical studies is associated with risks such as problems with recruitment of patients which in turn causes delays; that the actual cost per patient exceeds budget; quality deficits in the execution of studies at the hospitals, etcetera. Results in previous clinical studies do not necessarily guarantee the corresponding results in future studies. Negative results in future studies may lead to the interruption or termination of clinical studies, or to necessary regulatory approvals not being obtained as required in order to develop, manufacture, market and sell the Company's drug candidates. In certain cases, additional preclinical and/or clinical studies may need to be added to the development programme of a product candidate in order to enable marketing authorisation. To sum up, the clinical product development may suffer from unanticipated delays, increased costs, unanticipated interruptions and disadvantageous results. These risks could in turn have a material adverse effect on the Company's business, financial position and future profits.

In the pivotal clinical phase III study OCEAN, the effect of Oncopeptides' main drug candidate Ygalo will be compared to pomalidomide (with both drugs administered in combination with the steroid dexamethasone). Pomalidomide is the current market-leading drug for treatment of multiple myeloma in its later stages (late-stage relapsed and refractory multiple myeloma, "late stage RRMM"). Oncopeptides is dependent on securing sufficient volumes of the drug supply needed to perform the study, pomalidomide included. There is always the risk that deliveries are delayed or that a product or compound which is essential for the performance of the study is unobtainable for some reason, either at all or to the extent required, or that it is unsatisfactory in terms of quantity or quality requirements. Should that occur, the continued product development may become costlier, delayed or terminated, which could have material adverse effects on the Company's business, financial position and future profits.

Product liability and insurance

The Company's operations are subject to a number of different liability risks which are commonly present among companies active in research and development of pharmaceuticals. These risks encompass, inter alia, product liability risks which may arise in association with manufacturing, clinical studies and marketing and sales of products. For instance, trial subjects and patients participating in clinical studies, or who come into contact with the drug candidate in other ways, may suffer unwanted adverse effects or be harmed in other ways. There is a risk that such product liability claims could have a material adverse effect on the Company's future operations, financial position and profits.

Further, there is a risk that the applicable insurance policies will not provide sufficient coverage in the event of a product liability claim or any other claim against the Company. There is also a risk that the Company fails to obtain or maintain adequate insurance coverage on acceptable terms in the future. Any and all uninsured losses could have a material adverse effect on the Company's future operations, financial position and profits.

Compliance, regulatory approvals, licences and registrations

In order to develop, export, manufacture, market and sell pharmaceuticals, regulatory approvals and/or licences must be obtained from, and registrations must be made with, relevant authorities and institutions in each of the jurisdictions where the Company intends to market or sell its products, such as the US Food and Drug Administration ("FDA") in the US and the European Medicines Agency ("EMA"), which can be both time consuming and expensive. Authorities might make different assessments as regards e.g. the need for additional studies, the interpretation of data from performed studies, and the regulatory requirements may differ between authorities in different countries. Also, the registration procedures may require extensive work. Further, current rules and interpretations for drug approval may change in the future, which could adversely affect the Company's ability to obtain necessary regulatory approvals, licences and registrations. Furthermore, regulations and guidelines issued by regulatory authorities may change or be reinterpreted in ways that could affect operations run by pharmaceutical companies, the Company included. Such changes and/or reassessments may come to impose demands on further preclinical and clinical studies, changed manufacturing methods as well as revocations of granted authorisations for certain products, increased documentation requirements and limitations or changes in applicable pricing models. Changes in laws and regulations for pharmaceuticals in the US and the EU, as well as in other major pharmaceutical markets, could lead to increased costs and have material adverse effects on the Company's future operations, financial position and profits.

Should the Company fail to obtain necessary regulatory approvals, or should such approvals, licences or registrations be associated with unclear conditions resulting in significant delays or increased costs, it could have an adverse impact on the Company's ability to sell its products which in turn could have a material adverse effect on the Company's operations, financial position and profits in the future.

Subsequent to the approval of a drug, the Company will still be obliged to meet certain regulatory requirements, such as requirements on safety reporting and supervision of the marketing of drugs. There is also a risk that adverse effects, which have not been identified to the same extent in previous studies, are manifested. Furthermore, the contract manufacturers engaged by the Company will continue to be obliged to follow the applicable regulations for the various steps of the process of manufacturing, testing, quality control and documentation of the product concerned. The production facilities will be inspected by the regulatory authorities on a recurring basis, which could lead to remarks and new requirements being imposed on the manufacturing process. Should the Company or its collaborating partners, external manufacturers included, not fulfil these requirements, previously granted authorisations may be revoked. The Company could also be subjected to other sanctions such as fees, fines, confiscation of products, operational restrictions or criminal sanctions. This could have a material adverse effect on the Company's future operations, financial position and profits.

Competition

The pharmaceutical industry is a competitive industry characterised by global competition, rapid technological development and extensive investment requirements. The Company is facing competition from e.g. large pharmaceutical companies, including multi-national companies, other companies active in the healthcare sector as well as universities and other research institutions. The Company knows of a number of pharmaceutical companies and institutions world-wide who are active in the research of new pharmaceuticals for treatment of multiple myeloma (which is the primary focus area for the Company's main drug candidate Ygalo) and which therefore constitute potential future competitors to Oncopeptides. Treatment of patients suffering from multiple myeloma can be effectuated through the use of one, two or three of the five drug groups comprising steroids, alkylators, proteasome inhibitors, antibodies and IMiD's. When using combination treatments, different drugs from the same drug group are not used; the combination consists of drugs selected from different drug groups. Competition therefore arises

both between the different drug groups as well as within the same group, which makes it important to be best-in-class. Due to the cross-resistance among pharmaceuticals, it is important for the commercial success of a drug to be better in terms of both efficacy and adverse effects in comparison to other drugs with similar resistance profiles at the same stage of the disease.

Several of the Company's competitors have substantially larger research and development organisations than the Company. Consequently these companies are often able to invest greater financial resources in clinical studies and marketing authorisation measures. There is thus the risk that Oncopeptides' competitors will come to develop drugs similar to the Company's, or alternative medicinal products, which will prove to be better than the Company's drug candidate. This could have a material adverse effect on the Company's operations, financial position and profits. Competition also arises through sales outside the scope of the approved indication, i.e. sales of drugs which have not been approved for the current multiple myeloma patient group, but which prescribing oncologists still find effective. The tendency to prescribe drugs for use outside of the indication for which the drug was registered is relatively high within the field of oncology. Competing companies with larger marketing budgets than the Company may further succeed with the marketing of an equally effective drug, or even a less effective drug than the Company's, and still achieve greater market acceptance for the product concerned. Such competing products could limit the prospects for Oncopeptides to obtain revenues, which could have a material adverse effect on the Company's operations, financial position and profits.

Commercialisation, market acceptance and dependence on reimbursement systems

Even if a drug obtains the relevant regulatory approvals, the risk for unmet expectations in terms of national or international sales is still present, as well as the risk that the product is not commercially successful. The level of market acceptance and sales of a drug depend on a number of factors, including product properties, clinical documentation and results, competing products, distribution channels, availability, price, subsidisation/reimbursement and sales and marketing efforts. Failing market acceptance could have a material adverse effect on the Company's operations, financial position and profits.

General trends relating to the pricing of drugs as well as changes in legislation and measures taken by regulatory authorities lie outside of the Company's control and a general decline in drug prices could have a negative effect on the Company's earnings ability. The pricing of drugs may be regulated by authorities responsible for pricing and any measures taken by such authorities lie outside of the Company's control. Accordingly, there is a risk that the pricing of the Company's drugs may be lower than that which the Company's board of directors and senior management has anticipated. Such pricing measures could have a material adverse effect on the Company's operations, financial position and profits.

The drug candidates that Oncopeptides develop are intended to be sold in an extensive number of geographical markets. The commercialisation success of such drug candidates that Oncopeptides develops is expected to, either totally or in part, be dependent on reimbursements from government authorities and healthcare programmes, or alternatively on reimbursements from insurance companies and other private payers. The pursuit of healthcare related cost control by governments continues to put downward pressure on the pricing of pharmaceutical products globally. Governments and responsible authorities around the globe are using different mechanisms, all with the aim to control healthcare expenses, such as control of pricing, establishment of state procurement organs, product forms (i.e. lists of recommended and permissible products) and competitive tender procedures. The varying reimbursement rates for pharmaceuticals often depend on the value which the product is deemed to add for the patient and the healthcare system. There is a risk that the products will not qualify for subsidies from privately and publicly financed healthcare programmes or that reimbursement is lower than expected, which, inter alia, may affect the market acceptance and the operating margin. Reimbursement systems may also change from time to time, making it more difficult to predict the benefit and reimbursement that a product will obtain. The risks associated with reimbursement systems could have material adverse effects on the Company's operations, financial position and profits.

Dependence on the development of a specific product

To date, the Company has focused primarily on developing its lead drug candidate, Ygalo, which is its only drug candidate so far to reach the clinical development stage (Ygalo is presently in clinical phase II and has obtained is ready for the initiation of phase III). The Company has thus not yet completed the clinical development or registration of any drug and has consequently not started the sales of, or received revenues from, any approved drug. The Company has invested significant resources in the development of Ygalo and is dependent on the generation of positive results in the clinical studies in order to be able to finance its operations. The Company's main drug candidate Ygalo requires continuing research and development both in the ongoing phase II study and HORIZON as well as for the performance of the planned phase III pivotal study OCEAN. This gives rise to risks for failure. A setback in the development of Ygalo in the form of

e.g. delays, rejections, or negative, unclear or insufficient results from the late stage clinical studies, as well as new competition, could have material adverse effects on the Company's business, financial position and profits in the future.

Ability to tackle growth and commercialisation and/or to find collaborating partners and licensees

Even if a drug obtains the relevant regulatory approvals for the marketing and sales of a product, the risk remains that the sales of the drug might not meet expectations or that commercial success fails to appear. The level of market acceptance and sales of a drug are dependent on a number of factors such as product properties, clinical documentation and results, competing products, distribution channels, price, availability and sales and marketing efforts. It is essential for the Company's future financial position and profits that Ygalo or other potential drugs can be successfully commercialised. A failed commercialisation could have material adverse effects on the Company's operations, financial position and profits.

A material part of the Company's future revenues can be expected to be achieved from collaborating partners and licensees. Revenues may consist of milestone payments which are subject to the continued development and future sales of the drug candidate, and of sales-dependent royalties of sales. All such revenues are dependent on a positive development of the drug candidate and the achievement of agreed milestones related to development or regulatory approvals. Also, revenues are dependent on the product being launched and sold on the market. The volumes of future sales of the Company's products are uncertain and may come to vary heavily. As regards commercialisation, there is a risk that collaboration agreements are not entered into or that collaborating partners fail to fulfil their obligations. Should licence and collaboration agreements not be achieved, or should potential collaborating partners not succeed in the market launch of a product, there is a risk that expected revenues will be lower than expected, or that revenues will fail to appear, which could have a material adverse effect on the Company's operations, financial position and profits.

An alternative or complementary strategy to collaboration agreements is that the Company retains the right to develop and commercialise products by itself in some or all markets. There is then the risk that the process to establish an in-house sales and marketing organisation becomes both more time-consuming and costly than expected, and that expected sales fail to materialise, either in part or in full. Except for company specific and geographical risks, an establishment and expansion of a new sales organisation may come to put heavy demands on the senior management as well as the operational and financial structure. Oncopeptides' current systems for control, accounting, and information may come to be insufficient for a continued growth, and further investments in this area may become necessary. Should the Company fail to control or satisfy a continued expansion in an effective manner, it could have material adverse effects on the Company's future operations, financial position and profits.

Dependence on the retention and recruitment of key employees

Oncopeptides operations are run as a small organisation with a limited number of employees and consultants. The Company is dependent for the continued development of the Company´s operations on its employees and consultants, especially on its senior management and other key individuals, and on its ability to recruit and retain highly qualified personnel. Should a key employee leave the Company, it could have an adverse effect on the Company's ongoing projects and lead to e.g. delays in product development which, in turn, could have an adverse effect on the Company's operations, financial position and future profits.

Manufacturers and suppliers

The Company engages external manufacturers (Contract Manufacturing Organisations, "CMO") and suppliers (e.g. Contract Research Organisations, "CRO") for the manufacturing of all of its required raw materials, active pharmaceutical ingredients and finished products for preclinical and clinical studies, as well as for the performing of preclinical and clinical studies and other development related processes. The operations of such contractors are subject to comprehensive requirements relating to, inter alia, reporting, safety and environment. There is a risk that these suppliers do not comply with all relevant laws, regulations and ethical standards such as current Good Manufacturing Practice ("cGMP"), Good Laboratory Practice ("GLP") and Good Clinical Practice ("GCP").

Should the suppliers fail to comply with the relevant rules and regulations in this respect, Oncopeptides could be subject to sanctions and damage claims. There is also a risk that current and future manufacturers or suppliers fail to deliver as agreed, which could lead to delays and increased costs affecting development projects. None of the Company's current contractors (manufacturers and suppliers of materials and services) are considered significant in the sense that they cannot be replaced, but the Company is dependent on such contractors as changing manufacturers and suppliers can be both costly and time consuming. Neither are there any guarantees that the Company will be able to find suitable manufacturers and suppliers offering equivalent quality and quantities on terms and conditions acceptable to the Company. The circumstances described above could all have material

adverse effects on the Company's future operations, financial position and profits.

IT-related risks

The Company is dependent on those third parties which are contracted to perform preclinical and clinical studies, being able to safely manage and store results, reports and other data from studies through effective and well-functioning IT-systems and related processes. There is a risk that such systems, which lie outside of the Company's control, can be affected by problems with software or hardware, computer viruses, infringements and physical damages. Failures and interruptions in such IT-systems could, depending on the scope and type of the problems, have material adverse effects on Oncopeptides' future operations, financial position and profits.

Patents and other intellectual property rights, trade secrets and know-how

The future success of the Company is dependent on the Company being able to protect its current and future intellectual property rights. The Company's intellectual property rights are mainly protected through granted patents and patent applications. There is always a risk that the Company's patents are challenged by third parties, which could result in the patents being declared null and void by a patent court, adversely affecting the Company's business, financial position and profits in the future. Further, there is always a risk that the Company's patents, trademarks and other intellectual property rights are intentionally or unintentionally infringed by third parties. In addition to being time consuming and thus disrupting the Company's operations, patent infringements or challenges of intellectual property rights could entail considerable legal costs related to the defence of the Company's intellectual property rights. There is also a risk that the Company unintentionally infringes intellectual property rights held by third parties, or that they are wrongfully alleged to be doing so, which could also entail considerable legal costs as well.

Patents are only granted for a limited time period. There is a risk that the Company's products are copied by other third parties after the expiration of the term of the patent, which may affect the sales of the Company's own products, and in turn could affect the Company's future operations, financial position and profits.

The Company is also dependent on the protection of know-how and trade secrets, including information related to inventions for which patent applications have not yet been filed. Unlike patents and other intellectual property rights, know-how and trade secrets are not protected by exclusive rights by registration or similar. Unauthorised disclosure or use of the Company's know-how and trade secrets could render it impossible to obtain a patent, or could deprive the Company of competitive advantages, which could have material adverse effects on the Company's business, financial position and profits in the future.

Revocation of granted orphan drug designation

Oncopeptides' main drug candidate Ygalo has been granted an orphan drug designation both by the FDA and by the European Commission, for the treatment of multiple myeloma. There is a risk that the orphan drug designation is revoked prior to the marketing authorisation of Ygalo, should it be established that the conditions required to be granted the orphan drug designation are no longer fulfilled. Further, there is a risk that the market exclusivity, which is granted to sponsors of Orphan Drugs, is shortened (in Sweden to six years) if the Orphan Drug requirements are no longer fulfilled, e.g. if the product is profitable enough for the market exclusivity to no longer be justified. Should the orphan drug designation be revoked, or should the market exclusivity period be shortened, it could have a material adverse effect on the Company's operations, financial position and profits.

Disputes and legal proceedings

Disputes, claims, investigations and legal proceedings could lead to Oncopeptides having to pay damages or cease certain operations. Oncopeptides may become involved in disputes as part of its normal business operations and risks being subject to legal claims concerning patents and licences or other agreements. In addition, directors or employees may become subject to criminal investigations and criminal proceedings. Such disputes, claims, investigations and legal proceedings can be time consuming, disrupt normal operations, involve large claim amounts, result in considerable costs and lead to the harming of Oncopeptides reputation. Moreover, it can often be difficult to predict the outcome of complex disputes, claims, investigations and legal proceedings, which could imply a material adverse effect on the Company's business, financial position and profits in the future.

Changes in ownership structure may lead to limited possibilities to utilise tax related losses

As a result of the operations having generated significant losses to date, Oncopeptides have accumulated corresponding tax losses. Changes in ownership, which lead to a change in control of the Company may involve limitations (fully or partially) on the possibilities to utilise such losses in the future. The possibility to use the losses in the future may also be adversely affected by changes in applicable legislation. Such limitations and changes could have a material adverse effect on Oncopeptides' operations and financial position.

Changes in tax provisions and exposure to tax claims

Oncopeptides' assessment is that the Company is complying with relevant tax legislation. Different legislation initiatives are proposed from time to time, which could have negative impacts on Oncopeptides' tax situation. Furthermore, the tax regulation system is complex and subject to differences in interpretation. There are no guarantees that Oncopeptides tax situation will not be challenged by tax authorities or that the Company will succeed in such instances. An order by a tax authority could come to amend Oncopeptides' earlier tax situation, which could have a material adverse effect on the Company's operations, financial situation and profits.

Future funding

The type of drug development that Oncopeptides engages in is very costly and the Company has incurred losses each year since its formation. The Company has invested the lion's share of its financial resources in research and development, preclinical and clinical development activities included. The Company's pharmaceutical development programmes are expected to continue to necessitate significant costs for Oncopeptides, and to lead to net losses and a negative cash flow up until the point when revenue can be generated through potential up-front and milestone payments and/or royalties, or from sales of products launched on the market.

There is a risk that Oncopeptides will not reach sufficient levels of revenue or positive cash flow in the future in order to finance the Company's operations. Further, if Oncopeptides is unable to obtain suitable financing or unable to pursue attractive business opportunities, it could limit the Company's ability to maintain its market position or the competitiveness of its product offering, which could have a material adverse effect on the Company's business, financial position and future profits. Oncopeptides may also need to seek additional external financing to continue its operations. Such financing can come from third parties or from existing shareholders through public or private financing initiatives. There is a risk that new capital cannot be raised when needed or on satisfactory terms or that capital raised is not sufficient to finance operations in accordance with established development plans and objectives. This could result in the Company being forced to restrict its development activities or, ultimately, to close down its operations. The terms of available financing could also have a negative impact on the Company's operations or on shareholders' rights. Should the Company choose to obtain additional financing by issuing shares or share-related instruments, shareholders who decide not to participate will suffer from dilutive effects, while debt financing, if available to the Company, may contain restrictive conditions which can limit the Company's flexibility. When the Company finances the development of drug candidates through licensing and collaboration agreements, Oncopeptides may be forced to renounce certain rights to technologies or grant licences on terms unfavorable to the Company. Even if the Company should manage to secure additional funding when required, the Company's future capital requirements may differ from the management's estimates. The future capital requirements depend on several factors, including the costs of development and commercialisation of product candidates, when trade payments are received and the size of upfront, milestone and royalty payments and/or revenues from direct sales by the Company. Failure to adequately estimate Oncopeptides' future capital requirements could have various material adverse effects on the Company's business, financial position and profits in the future.

Global economic factors and currency fluctuations

The Company's financial accounting and functional currency is SEK. However, an increasing part of the Company's operating costs in the next few years will be denominated in EUR, GBP and USD. As a result, the Company will be subject to risks relating to currency exchange rates in respect of cash flows inside and outside Sweden and the Euro zone, such as fluctuations where the exchange rate changes from when entering into an agreement until payment is made pursuant to the terms of the agreement. Currency fluctuations could cause currency transaction losses or gains which the Company cannot predict.

The Company's operations can be adversely affected by global economic factors and the Company is exposed to market factors such as supply and demand, inflation and interest rate fluctuations, upswings and downturns in the will to invest etc. All these factors lie outside of the Company's control. The last financial crisis caused high volatility and disruption in the capital and credit markets. If an economic downturn such as the most recent financial crisis generated occurs, it could have an adverse effect on the pharmaceuticals market and could consequently have a negative effect on the Company's operations, financial position and future profits, including reduced ability to raise additional capital when needed on acceptable terms and conditions, if at all. A weak or declining economy could also strain the Company's suppliers, possibly resulting in supply disruptions. Any of the foregoing could harm the Company's operations and the Company cannot anticipate all of the ways in which the future economic climate, macro-economic events and financial market conditions might adversely affect the Company's operations.

Credit risk
Credit risk refers to the risk that a contracting party to a financial agreement is unable to fulfil its obligations under the agreement, either in part or in full. If the Company's measures put in place to manage and minimize future credit risks are insufficient, it could have a material adverse effect on the Company's operation, financial position and profits.

Risks related to the share and the Offering

Share-related risks
Share ownership is always associated with risks and risk-taking. Since the value of an investment in shares can both rise and fall, there is a risk that investors will not regain invested capital. Both the general development of the stock market and the specific company's stock price depend on a number of factors that include the development of the Company's business and product portfolio, changes in the Company's earnings and financial position, changes in the market's expectations of future profits and dividends, as well as supply and demand for the Company's shares. Oncopeptides' share price can also be affected by factors completely beyond the Company's control, such as competitor activity and market position.

Prior to the Offering, there has been no organized market for shares in Oncopeptides. There is a risk that the offer price will not match the price at which the shares in Oncopeptides will be traded on the stock market after the Offering and that active trading will not be developed and established after the Listing. There is a risk that the shares will be subject to significant fluctuations on the stock market in general. Such fluctuations may occur regardless of how Oncopeptides performs. The share price and trading in Oncopeptides' shares is influenced by, among other factors, supply and demand, changes in earnings forecasts or actual results, conditions on the stock market in general or in the Company's industry in particular, regulatory developments or economic and political changes and events in Sweden and abroad.

In addition, the stock price is affected by monitoring and reporting on the Company by equity and industry analysts. If one or more of these analysts stop following the Company or do not publish periodic reports, the Company may become less visible in the financial markets, which in turn can lead to fluctuations in share price and/or trading volumes.

Future dividends
Investors who participate in the Offering may be eligible for any future dividends which are decided after the listing. Historically, Oncopeptides has not paid any dividends and the existence and size of any future dividends will be dependent, among other things, on the Company's future earnings, financial position, cash flows, working capital requirements, legal and financial constraints and other factors. There is thus a risk that dividends will not be paid in the future, and for as long as no dividends are paid, investors' potential returns will depend solely on future share price performance.

Shareholders with significant influence
Provided that the Offering fully subscribed and that the Over-allotment Option is fully utilised, the Main Shareholders will own approximately 59.16 percent of the shares and votes in Oncopeptides after the Offering. Thus, the Main Shareholders will continue to have significant influence over the Company after the Offering, and most of the decisions that are subject to voting at general meetings. Such matters include election of the board of directors, issue of new shares and share related securities which may entail dilution for non-participating current shareholders, and decisions on payments of potential dividends or sales of all or significant parts of the Company's assets. There is a risk that the Main Shareholders interests differ from or conflict with the interests of other shareholders, and the Main Shareholders may come to use their influence in the Company in a way that is in conflict with the interests of other shareholders.

Future sales of major shareholdings and new share issues
Significant sales of shares which are made by major shareholders, as well as a general market expectation that further sales will be carried out, could have a negative effect on the price of Oncopeptides' shares. Moreover, any issue of new shares would lead to a dilution of ownership for shareholders who do not participate in such an issue or choose not to exercise their right to subscribe for shares. The same applies if an issue is directed to persons other than the Company's shareholders. Through the Placing Agreement the Main Shareholders, the shareholding board members, the Company's senior management and certain remaining shareholders will undertake, under certain conditions, not to sell their respective shareholdings for a certain period of time after the trade on Nasdaq Stockholm has commenced (the "Lock-up period"). Lock-up does not include shares that are acquired in, or in connection with, the Offering and consequently Linc AB, LMK Venture Partners AB and LMK Forward AB, who will acquire shares in the Company in connection with the Offering through the conversion of a bridge loan, are not subject to any lock-up undertakings. The Lock-up period for the Main Shareholders, shareholding board members and the Company's senior management will be 365 days. Lock-up for shareholding board members and the Company's senior management also includes shares that may come to be acquired through the utilisation of

employee options. For the remaining shareholders[1] in the Company, the Lock-up period will be 180 days and encompass 50 percent of each respective shareholding.

The Joint Bookrunners may come to grant exemptions from the relevant commitments. After the end of each Lock-up period the shares may come to be offered for sale, which could affect the market price of the share. The Joint Bookrunners may come to grant exemptions from the relevant commitments. After the expiration of the Lock-up period, the shareholders concerned will be free to sell their shares. The sale of large quantities of shares of the Main Shareholders or other shareholders in the Company after the expiration of the Lock-up period (or during the Lock-up period after receiving approval), as well as an expectation that such sales could occur, could cause Oncopeptides' share price to fall.

Subscription undertakings are not guaranteed

The Cornerstone Investors and the Main Shareholders have undertaken to acquire shares in the Offering equivalent to SEK 236 million. Based on full subscription in the Offering and that the Over-allotment Option is not exercised and the commitment equates to 5,130,433 shares, which corresponds to 36.3 percent the number of shares in the Offering, and 13.2 of the total number of shares in the Company after the Offering. These commitments are not covered by any bank guarantee, blocked funds or pledging or similar arrangement. Hence there is a risk that the Cornerstone Investors and/or the Main Shareholders will not be able to meet their commitments. The Cornerstone Investors' and the Main Shareholders' commitment are also subject to conditions. In the event that any of these conditions are not met, there is a risk that the Cornerstone Investors and/or the Main Shareholders will not fulfil their obligations, which could have a negative effect on the Offering.

Tax consequences for US shareholders of the Company

In general, a corporation organized outside the United States will be treated as a PFIC for US federal income tax purposes in any taxable year in which either (i) at least 75 percent of its gross income is "passive income" or (ii) on average at least 50 percent of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. The Company believes that it and its subsidiary (a "Lower-tier PFIC") are PFICs. US investors in the Company's shares therefore may be subject to adverse US federal income tax consequences on a disposition of the shares or a deemed disposition of shares of a Lower-tier PFIC and on certain payments made by the Company or distributions by any such Lower-tier PFIC. In general, holders of equity in a PFIC are subject to tax at ordinary income tax rates on certain distributions and any gain realized form a sale or exchange of such equity as well as an interest charge. A mark-to-market may be available to US investors which may mitigate the adverse US federal income tax consequences of owning equity interests in a PFIC. Such election, however, will not be effective with respect to any Lower-tier PFICs. The rules governing PFICs are complex, and US investors should consult their tax advisers regarding any applicable elections in their particular circumstances. Please read section "*Certain federal tax matters in the US*" carefully.

Specific risks for foreign shareholders

Oncopeptides' shares will be quoted in SEK and any dividends will be paid in SEK. This means that shareholders outside Sweden may experience an adverse effect on the value of shareholdings and dividends when these are converted into other currencies, if SEK decreases in value against the currency in question.

If Oncopeptides issues new shares in a cash issue, as a general rule shareholders have preferential rights to subscribe for new shares in proportion to the number of shares held prior to the issue. Shareholders in certain countries may be subject to limitations that mean they are unable to participate in such a rights issue, or that participation is made more difficult or restricted in other ways. For example, shareholders in the US may be unable to exercise such preferential right if the shares and subscription rights are not registered under the Securities Act, unless an exemption from the registration requirements of the Securities Act is applicable. Shareholders in other jurisdictions outside Sweden may be affected in the same way if the subscription rights or the new shares are not registered or approved by the competent authorities in these jurisdictions.

Oncopeptides has no obligation to apply for registration under the Securities Act or to apply for the equivalent approvals under the laws of any jurisdiction outside of Sweden with respect to such shares and subscription rights, and to do so in the future may be impractical and costly. To the extent that Oncopeptides' shareholders in jurisdictions outside Sweden cannot exercise their rights to subscribe for new shares in any preferential rights issue, their proportionate ownership in Oncopeptides will decrease.

1) Refers to shareholders other than the Main Shareholders, shareholding board members and the Company's senior management, Linc AB, LMK Venture Partners AB and LMK Forward AB.

Invitation to acquire shares in Oncopeptides

In order to further the development of Ygalo, the Company's board of directors, together with the Main Shareholders, have decided on a new share issue in Oncopeptides (the "Offering"). The Offering is directed at the general public in Sweden and at institutional investors in Sweden and abroad. Oncopeptides' board of directors has applied for listing of the Company's shares for trading on Nasdaq Stockholm's Main Market. On January 24, 2017, the Nasdaq Stockholm Listing Committee decided to admit the Company's shares for trading provided, among other things, that the customary shareholding spread requirement for the Company's shares is met, at the latest on the first day of trading which is expected to be February 22, 2017.

Investors are hereby invited to, in accordance with the terms of this Offering Circular, subscribe for 14,130,434 newly issued shares in Oncopeptides AB (publ), corresponding to total proceeds from the issue of SEK 650 million before issue expenses. The new shares will be issued by utilisation of an authorisation provided by the extraordinary general meeting held on October 26, 2016. The Company's share capital will increase by SEK 1,570,047, from SEK 2,744,186 to approximately SEK 4,314,233. The Offering corresponds to approximately 36.4 percent of the total number of shares and votes in the Company, provided that the Offering is fully subscribed. The Offering Price has been set to SEK 46 per share by the Company's Board of Directors and Main Shareholders in consultation with the Joint Global Coordinators, based on a number of factors, including discussions with certain institutional investors, a comparison with the market capitalization of other comparable listed companies, an analysis of previous transactions carried out for companies in the same industry and development phase, current market conditions and estimations regarding the Company's commercial potential and earnings prospects. As a starting point for the discussions with institutional investors, a valuation has been made in order to establish an indicative value of the Company. The valuation consists of two parts, a DCF analysis and a comparative analysis. The DCF analysis includes estimations of the Company's future cash flows based on several assumptions, including growth of the underlying patient population, price per treatment and the probability of reaching the market. The comparative analysis consists of an analysis of previous transactions carried out for companies in the same industry and development phase as well as comparison with the market capitalization of comparable listed companies.

In order to cover any over-allotment in connection with the Offering, the Company have committed to issue, at the request of the Joint Global Coordinators, shares corresponding to 15 percent of the total number of shares in the Offering and not more than 5.2 percent of the total number of shares in the Company upon full subscription of the shares in the Offering (the "Over-allotment Option"). If the Offering is fully subscribed and the Over-allotment

Option is exercised in full the Offering will include 16,249,999 shares in Oncopeptides, representing approximately 39.7 percent of the total shares in the Company after completion of the Offering. The Offering is conditional by the Offering yielding a minimum amount of SEK 550 million before deduction of issue expenses. For further information, please refer to the section "*Capital structure and other financial information – Working capital statement*".

Gladiator, SEB-Stiftelsen and Carnegie Asset Management (together the "Cornerstone Investors") have agreed to acquire shares in the Offering equivalent to a total of SEK 196 million. Based on full subscription in the Offering and that the Over-allotment Option is not exercised the commitments equates to 4,260,869 shares, which corresponds to 30.2 percent of the number of shares in the Offering and 11.0 percent of the total number of shares in the Company after the Offering. Furthermore, the Main Shareholders, Stiftelsen Industrifonden and HealthCap VI L.P., have undertaken to subscribe for shares in the Offering corresponding to a total of SEK 40 million, of which Stiftelsen Industrifonden have undertaken to acquire shares for SEK 20 million and HealthCap VI L.P. have undertaken to acquire shares for SEK 20 million. Based on full subscription in the Offering and that the Over-allotment Option is not exercised the commitment equates to 869,564 shares, which corresponds to 6.2 percent the number of shares in the Offering, and 2.2 percent of the total number of shares in the Company after the Offering. For further information, refer to the section "*Legal considerations and supplementary information*" – "*Subscription undertakings*".

The total value of the Offering amounts to approximately SEK 650.0 million and approximately SEK 747.5 million should the Over-allotment Option be fully exercised.

Investors are hereby invited to subscribe for shares in Oncopeptides AB (publ) in accordance with the conditions in this Offering Circular.

Please refer otherwise to the contents of this Offering Circular, which has been prepared by the board of directors in Oncopeptides by reason of the application for admission to trading of the Company's shares on Nasdaq Stockholm and in connection with the associated Offering.

Stockholm, February 7, 2017
Oncopeptides AB (publ)

The board of directors

Background and rationale

Oncopeptides is a research and development stage pharmaceutical company developing drugs for treatment of cancer. Since the founding of the Company in 2000, the Company has focused primarily on the development of the product candidate Ygalo, an innovative peptidase-potentiated alkylator intended for effective and focused treatment of blood-based cancer diseases, and in particular multiple myeloma. Ygalo is intended to demonstrate better results from treatment compared to relevant alternative drugs in the treatment of patients with multiple myeloma. Ygalo could potentially provide treating physicians with a new treatment option for patients suffering from this severe cancer disease.

Ygalo has previously undergone both preclinical and clinical phase I and II studies with good results with regard to both safety and efficacy. Based on these results, the Company assesses that the further development of Ygalo is a natural next step, with the objective of commercialising Ygalo, either in-house or together with appropriate partners, for the treatment of patients with multiple myeloma. The Company has therefore planned a development programme comprising three studies: OCEAN, HORIZON and ANCHOR. The main study OCEAN, is a pivotal phase III study. After dialogues with pharmaceutical regulatory authorities and experts, both in Europe and the US, the study has been designed as a randomised head-to-head study against the drug pomalidomide in order to show, with statistical significance, that Ygalo is more effective than pomalidomide for the treatment of patients with late-stage RRMM. In order to be accepted for participation in the OCEAN study, each patient must be refractory to the drug lenalidomide in the last line of therapy received prior to the participation in the OCEAN study. The commenced phase II study, HORIZON, 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. If the study result in HORIZON is exceptionally convincing, the Company may be granted a conditional marketing authorisation prior to the completion of the OCEAN study. The supplementing phase I/II study ANCHOR is a triple combination study with the objective to show how Ygalo should be dosed in combination with dexamethasone and other drugs that are used in previous lines of therapy, such as proteasome inhibitors and antibodies (bortezomib, carfilzomib and daratumumab), and thereby enable treatment in different triple combinations. The study also opens up for the possibility to perform further pivotal studies that would broaden the regulatory approved scope of use for Ygalo for use in different triple combinations and earlier during the course of the disease than late-stage RRMM.

The Company is planning to initiate the pivotal development programme during the first half of 2017, which entails major investments. Oncopeptides considers its current working capital to be insufficient to meet the Company's need over the next twelve months. In order to enable the Offering, the Company has applied for a listing of the Company's shares on Nasdaq Stockholm and the Company intends to thereby secure financing for the development programmes for Ygalo. The Main Shareholders are heavily engaged in the Company's success and intend to continue to support the Company through, inter alia, board representation. If the Offering is fully subscribed the Over-allotment Option is fully utilised the net proceeds are estimated to be approximately SEK 681 million[1)], after deduction of issue expenses. The Company intends to use the funds with the approximate percentage of the issue proceeds as indicated below.

- Initiation and completion of the pivotal phase III study OCEAN up until clinical results: 50 percent
- Initiation and completion of the phase I/II study ANCHOR up until clinical results: 20 percent
- Completion of the phase II study HORIZON: 10 percent
- Contract manufacturing of Ygalo for use in clinical studies and commercial upscaling of the production: 10 percent
- General and administrative operations including the development of a commercialisation strategy: 10 percent

The net proceeds from the Offering will strengthen the Company's financial position and are, in combination with current liquid funds, estimated to be sufficient to take Ygalo up to the point when the ongoing and planned studies have shown clinical results.

Please refer otherwise to the contents of this Offering Circular, which has been prepared by the board of directors in Oncopeptides by reason of the application for admission to trading of the Company's shares on Nasdaq Stockholm and in connection with the associated Offering.

The board of directors of Oncopeptides is responsible for the content of this Offering Circular. It is hereby assured that the board has taken all reasonable precautionary measures to ensure that the information in this Offering Circular, as far as the board of directors[2)] is aware, corresponds to the actual circumstances and that nothing has been omitted that could affect its meaning.

Stockholm, February 7, 2017
Oncopeptides AB (publ)

The board of directors

1) The Offering is conditioned by the Offering yielding a minimum amount of SEK 550 million before deduction of issue expenses. This level is considered sufficient to secure the Company's working capital for the coming twelve months as well as to provide the Company with enough capital to complete the HORIZON study and to continue the OCEAN study up until clinical results are achieved. For further information, please refer to the section "*Capital structure and other financial information – Working capital statement*".
2) At the extraordinary general meeting held on February 6, 2017, Cecilia Daun Wennborg was newly elected as member of the board of directors in the Company. Cecilia Daun Wennborg has not participated in the preparation of the Offering Circular and the above assurance is thus not provided by Cecilia Daun Wennborg.

Market overview

The Offering Circular contains information about the Company's activities and the markets in which the Company is active. The information in the Offering Circular about market growth, market size and Oncopeptides' market position in relation to competitors concerns the overall evaluation of Oncopeptides based on both internal and external sources. Unless otherwise stated, the information in this section is based on the Company's analyses and internal market information.

The market and sector information includes assessments of future market development and other forward-looking information. Forward-looking information does not give any guarantees concerning future results or development, and actual outcomes may differ significantly from what is stated in forward-looking information. See also "Forward-looking information" in "Important information" on the inside cover.

Introduction concerning Oncopeptides' market

Oncopeptides is a research and development stage pharmaceutical company based in Stockholm, Sweden. The Company's primary product candidate Ygalo, containing the active compound melflufen, is being developed for the treatment of the blood-based cancer disease multiple myeloma. Multiple myeloma is a rare and currently incurable disease. Ygalo has orphan drug status with both the FDA and the European Commission, for the treatment of multiple myeloma, which among other things means that Ygalo will be protected by market exclusivity, generally for seven years in the US and ten years in the EU. (pursuant to demonstration of significant benefit).

Multiple myeloma is mainly treated by combining drugs from five different treatment modalities: steroids, proteasome inhibitors, antibodies, alkylators (such as Ygalo) and immunomodulatory drugs ("IMiDs"). Newly-diagnosed multiple myeloma patients, and initially relapsed patients, are usually treated with a steroid in combination with two drugs from the other treatment modalities, or alternatively with high-dose alkylator therapy in conjunction with bone marrow transplantation. Each time a patient relapses in the disease, the risk of developing resistance to treatment increases at the same time as relapses occur more and more frequently. Eventually, the patient will relapse either while in treatment or within 60 days from the completion of the patient's last treatment (this is defined as late-stage RRMM[1]). At this stage of the disease, patients are usually treated with a steroid in combination with the IMiD pomalidomide (sometimes together with a third modality). Oncopeptides' development programme for Ygalo is focused on improving the treatment of late-stage RRMM patients. Consequently, Ygalo will be compared with pomalidomide in late-stage RRMM patients in the pivotal clinical phase III study OCEAN (both in combination with the steroid dexamethasone).

Even though Ygalo is currently being developed for the treatment of multiple myeloma, available data from preclinical studies indicate that the compound can also be developed for treating other forms of cancer, especially blood-based cancer diseases. The potential market for Ygalo thus also includes a number of areas of the overall cancer drug market, in addition to that of multiple myeloma.

The cancer drug market

The need for cancer treatment

Around 14 million new cases of cancer are diagnosed globally every year, which corresponds to an incidence (i.e. new cases) of 182 per every 100,000 individuals and year[3]. The number of annual cancer cases is expected to increase in the future, mainly driven by the world's growing and ageing population. By 2035, the number of newly diagnosed cancer cases is expected to have increased to around 24 million, equivalent to an annual average increase of 2.3 percent. With around 8 million deaths per year, equivalent to 102 deaths per 100,000 individuals and year, today cancer is one of the most common causes of death. In 2012, close to 9 million people in the world were living with cancer diagnosed during the previous year, and close to 33 million people were living with cancer that was diagnosed up to five years earlier[4].

The most common types of cancer are lung cancer (13 percent of the cancer cases diagnosed annually), breast cancer (12 percent), colorectal cancer (10 percent), prostate cancer (8 percent) and stomach cancer (7 percent). There is a strong correlation between age and cancer incidence. The cancer incidence in the 0–14 years age group is 10 per 100,000 individuals and year. For the 40–44 age group, the equivalent figure is 150 per 100,000 individuals and year, and for the 60–64 age group it is 500 per 100,000 individuals and year[4].

1) In a regulatory context, late-stage RRMM means that the patient has previously gone through at least two lines of therapy (with proteasome inhibitors and lenalidomide) and that the disease recurs during ongoing treatment or within 60 days after the completion of the last line of therapy.
2) Skin cancer which is not malignant melanoma is not included in these statistics.
3) WHO World Cancer Report (2014).

Treatment of cancer

There are various cancer treatment methods. The method chosen depends to a great extent on the patient's disease and general health condition. During the course of the disease, a patient can thus be treated with several different treatment methods. Some types of cancer can be cured, while others, such as multiple myeloma, are incurable. The aim of treatment of incurable cancer is to prolong the patient's life and/or improve the patient's quality of life, as the patient's life continues with the disease. Most cancer treatment methods fall into the categories of surgery, radiation therapy and drug therapy (such as chemotherapy, hormone treatment and antibody therapy).

- Surgery and radiation therapy are local cancer treatments which, as a general rule, are used to treat tumours that have not spread. For a patient with a solid tumour to be treated successfully by way of surgery it is vital that the tumour is discovered at an early stage of the disease, that it can be operated on, and that the patient's condition is such that the patient can handle an operation.
- In contrast to local therapies, drugs reach cancer cells throughout the body.
  - Chemotherapy attacks and kills rapidly growing cells, including cancer cells.
  - Hormone therapy is given to patients with cancer where the cancer cells grow more rapidly under the effect of sex hormones such as oestrogen and testosterone. Hormone therapy stops the hormone's effect on the cancer cells either by preventing these hormones from forming in the body, or by preventing the hormone from affecting the cells.
  - Antibody therapy is either directed at selectively killing cells to which the antibody binds, such as cancer cells, or by activating the immune system to better combat the cancer cells.
  - There are several other groups of drugs with different modes of action such as steroids, IMiDs, proteasome inhibitors and kinase inhibitors.

Sales of cancer drugs

Global sales of cancer drugs amounted to USD 107 billion in 2015. Close to half, around 45 percent, of the sales occured in the North American market. Between 2010 and 2015, the market for cancer drugs increased by an average of 7.4 percent per annum[1]. During these five years, a total of around 70 new cancer drugs were commercialised.

Between 2014 and 2015, global sales of cancer drugs increased by 11.4 percent[1]. Sales in the US increased by more than the average, by 13.9 percent. Global sales of cancer drugs are expected to increase to over USD 150 billion in 2020, representing an annual growth rate of between 7.5 and 10.5 percent[1].

The cost of cancer drugs as a proportion of total drug costs in industrialised countries varied geographically in 2015 from 8.6 (South Korea) to 15.9 percent (Germany). In the US, the proportion was 11.5 percent[1].

The market for treatment of blood-based cancer diseases

Blood-based cancer diseases include acute and chronic leukaemia and various types of lymphoma and myeloma. Blood-based cancer diseases include a wide range of diseases, ranging from acute life-threatening conditions requiring specialist care, such as multiple myeloma, to conditions which more resemble chronic disease, such as chronic leukaemia[2].

The choice of drug for treatment of blood-based cancer diseases depends on the type of malignancy. As an alternative to conventional treatment with drugs, a bone marrow transplant can be used. Bone marrow transplant is the customary term for treatment with high doses of cytotoxics followed by the injection of stem cells. The stem cells may be donated by another person, which is called an allogenic transplant, or alternatively, the patient's own stem cells can be used, which is called an autologous transplant.

Orphan drugs

General information about the orphan drug designation

The orphan drug designation system is an incentive system to encourage the pharmaceutical industry to develop drugs for rare diseases for which the patient base is small, and the risk high that the potential revenue will not cover the research and development costs. Pharmaceutical regulatory authorities and other relevant institutions in the US, Australia, Japan and the EU have therefore adopted regulations on stimulating measures for the research and development of such so-called orphan drugs.

The pharmaceutical regulatory authorities or other authorised bodies in countries such as the US, the EU and Japan can classify a drug as an orphan drug if it fulfils certain specific criteria. For the FDA to grant an orphan

1) IMS Institute, Global Oncology Trend Report (2016).
2) WHO, World Cancer Report 2014.

drug designation, the drug must be intended to treat serious diseases which affect fewer than 200,000 people in the US each year. In the EU, the requirement is instead that a maximum of 5 out of every 10,000 individuals within the EU suffers from the disease at the time of application, or that it is a serious and chronic disease occurring within the EU where, without stimulating measures, it is unlikely that revenue from sales would generate sufficient returns to motivate the costs of the necessary investments in research and development. A further requirement in the EU is a lack of satisfactory approved treatment methods or, if there are approved methods, that the new drug is assessed to demonstrate significant benefit for the patients afflicted with the particular disease.

All blood-based cancer diseases only affect a small number of patients each year, and the drugs used to treat these diseases can thus fulfil the orphan drug designation requirements in terms of incidence of the diseases.

Advantages of orphan drugs

The holder of a drug with an orphan drug designation is entitled to a reduction/relief from certain fees and has the opportunity to receive advice, free of charge, as regards the development programme from e.g. the European Medicines Agency ("EMA"). This reduces the costs of the clinical development. Another advantage is that, usually, only one phase III study is required for marketing authorisation by pharmaceutical regulatory authorities, compared to the two phase III studies usually required for many other drugs. Also, studies on orphan drugs usually include fewer patients than for non-orphan diseases.

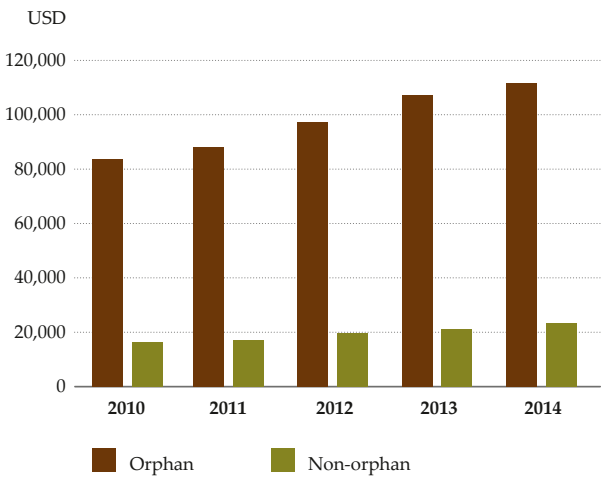
Besides these advantages during the development phase, and as previously mentioned, pharmaceutical companies which hold marketing authorisation for orphan drugs are protected by market exclusivity (as a general rule ten years for the EU if demonstrating significant benefit and seven years for the US). During the period of market exclusivity, the drug is protected for the approved therapeutic indication, which means that, as a general rule, without the permission of the holder of the marketing approval, similar drugs cannot be approved for the same therapeutic indication during the exclusivity period[1].

Since the orphan drug is intended for a small number of patients with rare and severe disease, and as the patients are usually treated at specialist clinics, the drug companies' sales forces for these drugs are generally smaller than for other drugs. This can lead to organisation-related cost savings.

Pricing of orphan drugs

Since orphan drugs are used to treat rare and often life-threatening diseases, they are generally priced higher than drugs without an orphan drug designation. In recent years, the average annual cost per patient has been almost four times higher for drugs with orphan drug designations than for other drugs[2]. In addition, the price differences between the US and Europe are considerably smaller for orphan drugs than for other drugs.

Average price per patient and year for orphan drugs and non-orphan drugs in the US, 2010–2014



Source: EvaluatePharma (Orphan Drug Report 2015)

1) Exceptions can be made in cases where the drug holder cannot provide the market with sufficient quantities, or where the similar product is clinically better than the drug with market exclusivity.
2) EvaluatePharma, Orphan Drug Report 2015.

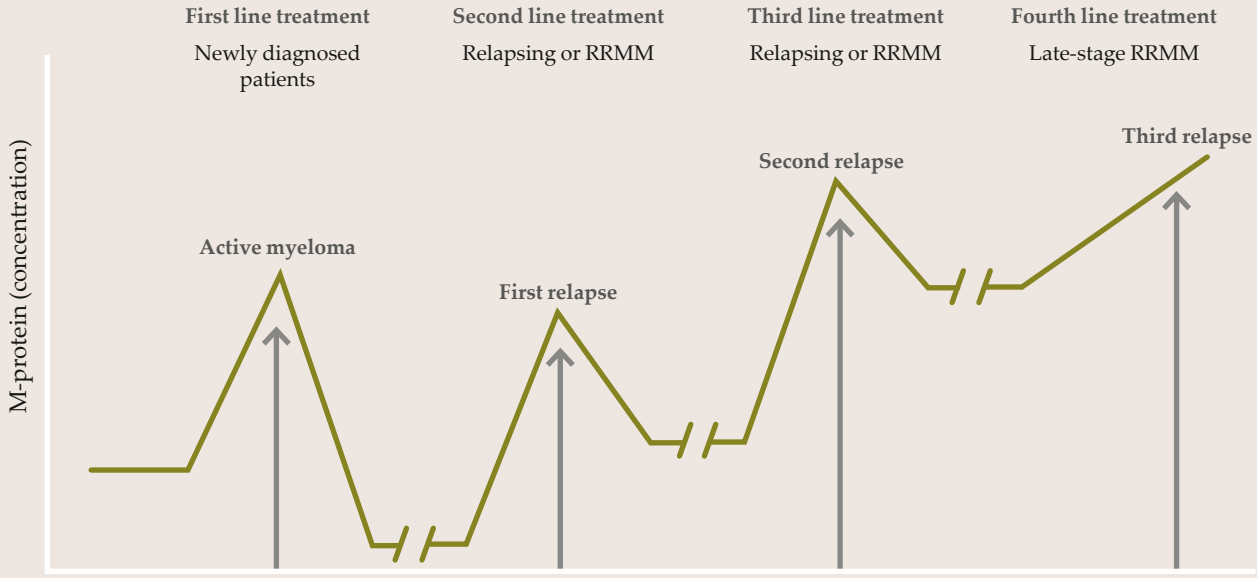
The cancer multiple myeloma

About multiple myeloma in general

Multiple myeloma is a blood-based cancer disease which primarily develops in the bone marrow, although myeloma cells also circulate in the blood. This cancer type is rare and affects just over one percent of all cancer patients[1]. Multiple myeloma arises when healthy antibody-producing cells of cell-type B, called plasma cells, are cancer transformed to myeloma cells and accumulate in the bone marrow. Since each myeloma cell produces exactly the same antibody, or fragment of antibody, excessive monoclonal proteins (identical proteins coming from the same myeloma cell clone) are formed in the patient's plasma. The growth of myeloma cells means that the remaining bone marrow is crowded out of the marrow compartments in the skeleton. The body seeks to compensate for the reduced amount of bone marrow by creating more space, primarily by decalcification of the bone around the bone marrow. In addition, the myeloma cells also produce cytokines, which stimulate the decalcification of the skeleton, with general osteoporosis and dissolution of bone tissue as a consequence. The skeletal pain (often back or chest/ribs) caused by both processes is commonly the first symptom of the disease for the patient. Other symptoms include vertebral compression fractures, rib fractures or fractures to the long bones, as well as a lack of red and white blood cells and/or antibodies which are commonly present in the blood. Besides these manifestations, patients can also be affected by e.g. kidney failure or immunodeficiency. The patient's bone marrow function will deteriorate, the longer they are ill, and the bone marrow failure in combination with a severely deteriorated general condition will finally cause the patient's death.

Multiple myeloma mostly affects older people. More than 80 percent of myeloma patients are aged 60 years or older at the time of diagnosis, and the median age of patients diagnosed with multiple myeloma is 69[1]. Only

Graph showing the progression of the disease for a patient with multiple myeloma



Before the patient is diagnosed with the disease, the tumour mass burden and the monoclonal antibody protein (M-protein) that the tumour creates rises. Finally, the M-protein starts to rise more rapidly and the patient is diagnosed with active myeloma. After the first treatment, the tumour burden ususally decreases greatly (often to levels where the tumour is no longer detectable in the patient) and the patient is often free from the disease for approximately two years. However, the patient always relapses and usually the treatment gets less and less effective at the same time as the time span until the next relapse is shortened for each relapse. The average patient stays in the first three stages for approximately three to four years and then approximately two years as a late-stage RRMM-patient. Please observe that the graph is illustrative since the course of the disease varies heavily between patients, and one patient can suffer more than two severe relapses before he or she turns into a late RRMM-patient.

1) National Cancer Institute, SEER Cancer Statistics Review 1975–2013 (2016). Statistics for patients in the US.

around two percent of patients are aged below 40[1]. The relative five-year survival rate is around 50 percent, but some patients live with the disease for ten years or longer. Even though there is no cure for the disease, treatment can result in a decreased tumour volume and thus an improvement to the patient's general health, as well as extended life expectancy.

The incidence of multiple myeloma was estimated at around 74,000 new patients combined in the US, the UK, France, Germany, Italy, Spain, Japan and urban China in 2015, which corresponds to around 7.2 new cases per 100,000 inhabitants aged 40 or older[1].

Multiple myeloma is generally classified into various stages, depending on the patient's level of disease progression. Around three to four years after diagnosis, patients with multiple myeloma that are still alive will often reach a stage of the disease where it begins to develop significant resistance to the drugs used during the first years of treatment. Multiple myeloma at this stage is called relapsed and refractory multiple myeloma (RRMM). The resistance development will continue in RRMM patients and at some point conventional treatments will be effective for less than approximately six months. This phase of the disease is called late-stage RRMM. A recent late-stage RRMM patient will have a median survival expectancy of one to two years.

The underlying aetiology of multiple myeloma is still unknown and the disease is considered rare in view of the relatively small number of multiple myeloma patients as a proportion of the total population.

Treatment of multiple myeloma

The treatment of multiple myeloma has improved over the last 20 years. Today the access to various drugs is greater and the disease can be treated by drugs from several different drug classes. Treatment selection depends on various factors where the most important ones are age, general health condition, relapse history and resistance to previous treatments.

Drug groups

Multiple myeloma is primarily treated with drugs belonging to the following five treatment modalities.

Steroids are often used in cancer treatment in order to combat the adverse effects resulting from e.g. chemotherapy. In addition, steroids inhibit tumour growth when the tumour has an immunological origin as is the case with multiple myeloma. Steroids are primarily used in combination with other treatment modalities.

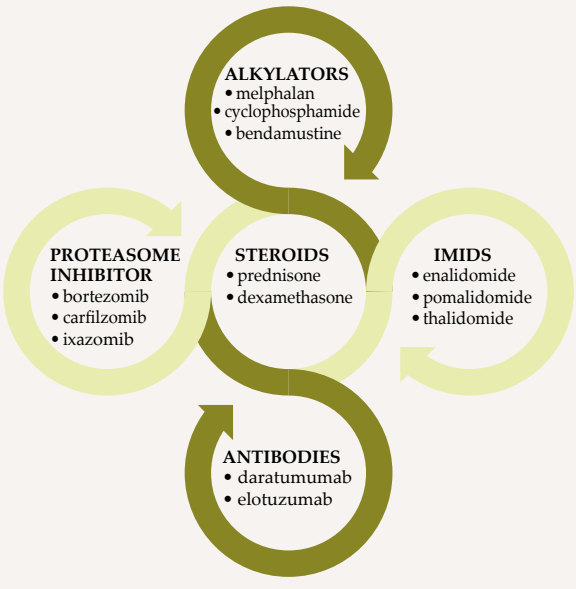
Alkylators (such as Ygalo) are a type of chemotherapy which kills cancer cells and thereby curtails the further growth of or reduces the tumour burden. The most efficacious treatment for those multiple myeloma patients with good general health is still – close to six decades after it was first used – an autologous bone marrow transplantation where the primary drug type used in the process is alkylators in high doses.

Proteasome inhibitors affect the function and growth of some cancer cells. The proteasome is a system inside cells that degrades old, damaged or superfluous proteins. Myeloma cells often contain larger amounts of these proteins compared to healthy cells, and proteasome inhibitors can prevent the break-down of these proteins in the cancer cells, leading to cell death.

Antibodies – The antibody drugs used to treat multiple myeloma consist of monoclonal antibodies. Monoclonal antibodies are proteins which are formed to identify and bind to certain specific cell surface receptors in the body. For the treatment of multiple myeloma, these proteins bind to specific receptors on the multiple myeloma cells, so that the immune system can kill them.

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

The five main drug groups



1) GlobalData (2015).

Significant medical need

Due to improvements in the treatment of multiple myeloma, patient life expectancy has improved. However, there is still no cure for the disease. Patients will most likely have extended periods without symptoms but will always relapse in the disease, and at some point develop resistance to the treatments deployed due to mutations of the myeloma cells or cell selectation of resistant cells (unless the patient dies from other causes before then). All of the existing treatment methods are associated with significant adverse effects for patients, resulting in reduced quality of life, primarily in the later stages of the disease.

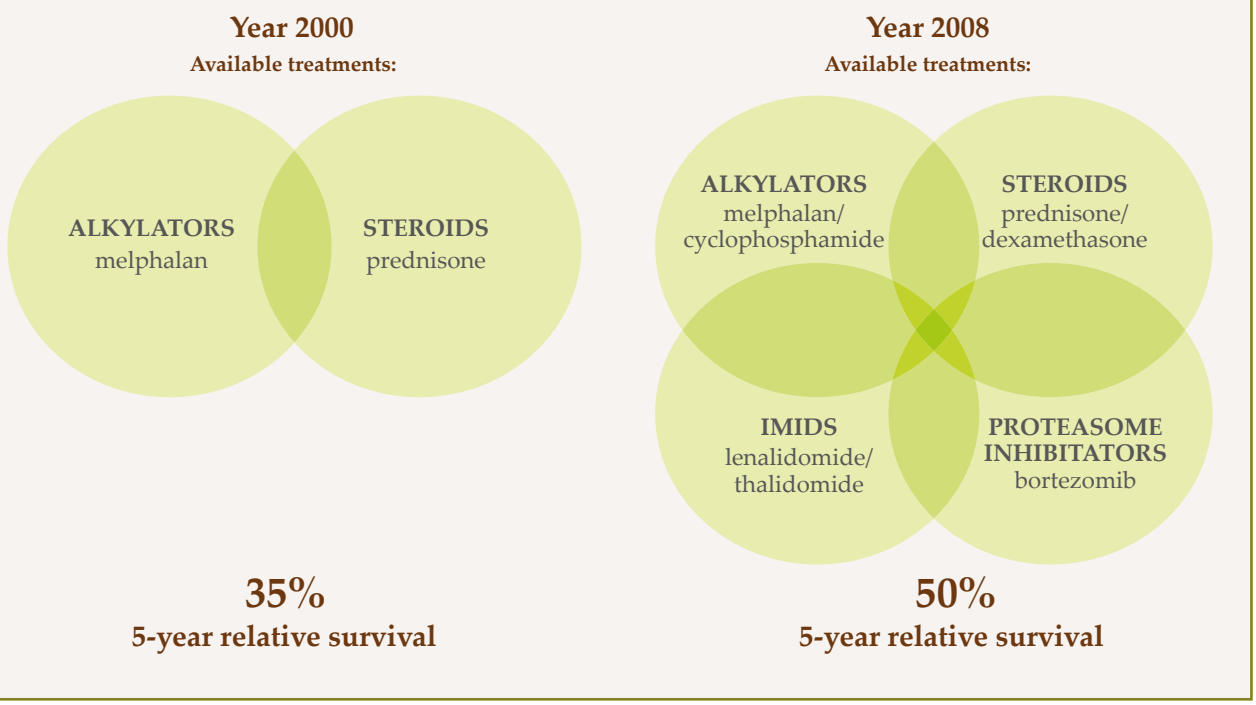
Up until 2000, only 35 percent of multiple myeloma patients survived for more than five years after diagnosis. With today's treatment modalities around 50 percent of patients survive for more than five years post diagnosis[1]. This positive development is a result of the introduction of new drugs, primarily in the early stages of the disease.

There is a significant medical need for patients undergoing treatment for multiple myeloma both with regard to efficacy and safety/ tolerability. Since multiple myeloma is not curable and since all treatments result in treatment resistance, there is a significant and primary need to find new drugs that successfully can be used by patients with treatment resistant disease, thereby further extending the life of these patients. To identify additional therapies that improve the treatment of the disease with regard to effect and/or safety to enable a cure, or at least an increase in survival for patients with the disease, is consequently a significant medical need within the field of multiple myeloma.

Course of treatment

Multiple myeloma is treated by combining drugs which mainly belong to the five different treatment modalities: steroids, proteasome inhibitors, antibodies, alkylators and IMiDs (see "Treatment of multiple myeloma"). Newly-diagnosed multiple myeloma patients are usually treated with a steroid in combination with two of the other named treatment modalities, or through autologous bone marrow transplantation. Autologous bone marrow transplantation is preferable when the patient is healthy enough to undergo such rigorous treatment. The customary high-dose treatment given in conjunction with autologous bone marrow transplantation is the alkylator melphalan. When the patient relapses in the disease, a steroid in combination with one or two of the other treatment modalities are used again. If the patient's general health condition allows, a second autologous bone

Development of drugs and relative five-year survival for multiple myeloma



1) National Cancer Institute, SEER Cancer Statistics Review, 1975–2013 (2016). Statistics for patients in the US.

marrow transplantation is preferred at the time of relapse as well. Every time the patient relapses in the disease, the risk of developing resistance increases, and the patient's bone marrow reserves will become more and more depleted due to the underlying growth of the tumour. This puts increasing limitations on the duration and dosing of the therapies that the patient can handle, which in turn results in more and more frequent disease relapses due to lack of disease control. Eventually, the patient will suffer a disease relapse while on therapy, or within 60 days after the completion of the patient's latest line of therapy (this is a late-stage RRMM patient – see "*About multiple myeloma in general*"). At this disease stage, the number of drug alternatives is more limited and patients are usually treated with a steroid in combination with the IMiD pomalidomide (sometimes together with a third treatment modality). Oncopeptides' development programme for Ygalo is focused on improving the treatment of late-stage RRMM patients.

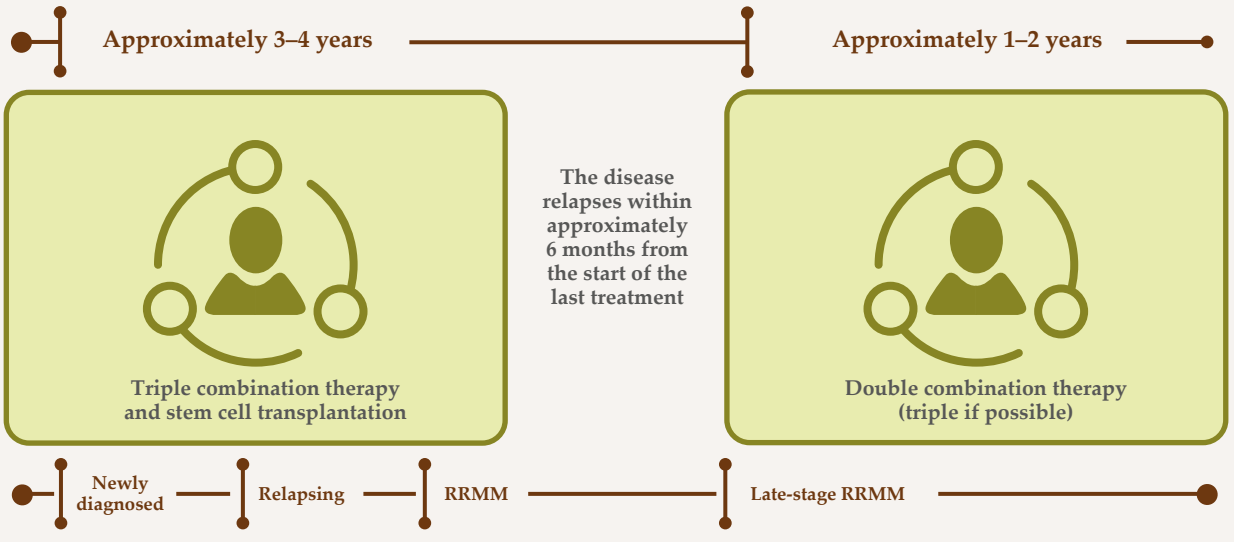
The market for treatment of multiple myeloma

Market size and competitive situation

As previously mentioned, usually one, two or three drugs from the treatment modalities steroids, alkylators, proteasome inhibitors, antibodies and IMiDs are used to treat multiple myeloma patients. When using combination treatments, different drugs from the same treatment modality are not used; the combination consists of the use of drugs from different modalities. Consequently, there is competition both between the modalities as well as within the same modality, where it is advantageous to be best-in-class. Due to the cross-resistance within each of the treatment modalities, it is important for the commercial success of a drug that it is better in terms of both efficacy and adverse effects in comparison to other drugs with similar resistance profiles used at the same stage of the disease. In late-stage RRMM (Ygalo's target indication), pomalidomide (see the table "Summary of the most common drugs for the treatment of multiple myeloma" for a summary of the most common drugs) is currently the most commonly used drug with a patient share of 63 percent[1].

Pomalidomide is an IMiD that is marketed by Celgene Corporation as Pomalyst® on the US market and as Imnovid® in Europe. Pomalidomide was approved in the US and the EU in 2013, followed by and Japan in 2015. Sales of pomalidomide totalled around USD 1 billion in 2015, which represents an increase of 333 percent since 2013, when sales amounted to USD 0.3 billion[2]. In 2015, approximately 7,000 patients in the US were treated with pomalidomide after a third relapse, as well as approximately 1,900 patients in total in France, Germany, Italy, Spain and Great Britain combined and approximately 100 patients in Japan[2]. In the US, pomalidomide may only be used in patients who have previously undergone at least two lines of therapy that have included a proteasome

Illustrative description of the course of the treatment



1) GlobalData (2015). Estimated share of patients treated with pomalidomide on the third relapse in the US in 2016.
2) GlobalData (2015).

inhibitor and lenalidomide (another IMiD that is also marketed by Celgene Corporation), and who have relapsed while in therapy or within 60 days after the completion of the latest line of therapy. Pomalidomide must also be given together with the steroid dexamethasone.

Lenalidomide (marketed as Revlimid®) is the most commonly used drug for the treatment of multiple myeloma and is used in all stages of the disease, but primarily in the early stages. Lenalidomide and pomalidomide were developed by the same company, Celgene Corporation, and the only molecular difference between them is that pomalidomide has an additional oxygen atom. Clinical studies in conjunction with the market authorisation of pomalidomide did not address the question of cross-resistance between lenalidomide and pomalidomide, but independent studies have indicated the possibility of cross-resistance between the two drugs[1].

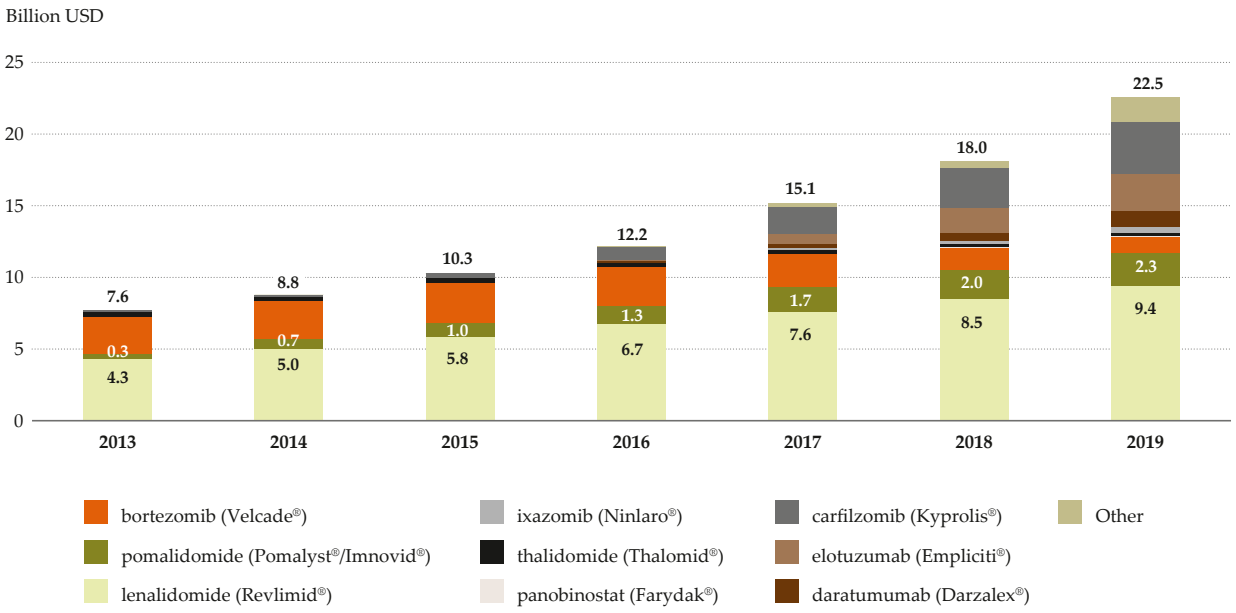
Other drugs that are used extensively to treat multiple myeloma are bortezomib and carfilzomib, which are both proteasome inhibitors. Bortezomib (marketed as Velcade®) is used in all stages of the disease and in combination with most other established drugs. This drug is mostly used in the early treatment stages and is more often used in those healthcare systems subject to cost restrictions, such as the UK, where treatment with bortezomib is the most common treatment both for newly diagnosed patients as well as patients having suffered their first relapse.[2] Previously, carfilzomib (marketed as Kyprolis®) was primarily used for treatment of RRMM patients but is now being used more and more in earlier lines of therapy[2].

Daratumumab is an antibody that received marketing authorisation by the FDA in the US in November 2015 and in the EU in May 2016 (conditional approval). The drug's initial conditional approval was for late-stage RRMM patients, but it is now mainly used in combination with lenalidomide or bortezomib, for treatment of patients in earlier lines of therapy.

Further, oncologists are accustomed to managing patients with fatal diseases, why there is a significant use of drugs outside of the indications for which they are registered.

Total sales of all drugs used to treat multiple myeloma were estimated at USD 10.3 billion in 2015 and are estimated to increase to around USD 22.5 billion in 2019 (see the graph "Estimated sales of drugs for the treatment of multiple myeloma (2013–2019)")[3].

Estimated sales of drugs for the treatment of multiple myeloma (2013–2019)



Source: Data from GlobalData

1) Zhu, Yuan Xiao, et al. (2011). Cereblon expression is required for the antimyeloma activity of lenalidomide and pomalidomide. Blood, 118.18.
2) GlobalData (2015).
3) GlobalData (2015). The sales data for lenalidomide and pomalidomide is based on average analyst estimates and concerns global sales. Sales data for other drugs concerns sales of drugs for the treatment of multiple myeloma in the US, the UK, France, Germany, Italy, Spain, Japan and urban China.

Summary of the most common drugs for the treatment of multiple myeloma (USA)

Active ingredient (Drug)	bortezomib (Velcade®)	lenalidomide (Revlimid®)	carfilzomib (Kyprolis®)	pomalidomide (Pomalyst®/ Imnovid®)	daratumumab (Darzalex®)
Estimated patient share 2016 (percent)					
Initial treatment, not bone marrow transplantation	9%	78%	0%	0%	0%
First relapse	19%	49%	18%	4%	0%
Second relapse	5%	21%	20%	30%	0%
Third relapse (proxy for late-stage RRMM)	2%	6%	14%	63%	7%
Average treatment time/patient (weeks)					
Initial treatment, not bone marrow transplantation	24	32	36	–	54
First relapse	33	68	96	28	84
Second relapse	27	60	88	20	76
Third relapse (proxy for late-stage RRMM)	21	52	80	12	68
Average treatment cost/patient (USD)					
Initial treatment, not bone marrow transplantation	40,795	62,355	86,295	–	150,466
First relapse	56,094	132,504	153,414	87,741	175,543
Second relapse	45,895	116,915	140,629	62,672	158,825
Third relapse (proxy for late-stage RRMM)	35,696	101,327	127,845	37,603	142,106

Source: GlobalData (2015). Includes drugs with an estimated market share exceeding 10 percent for at least one of the treatment phases in the US in 2016 and daratumumab (Darzalex, excluding treatment in conjunction with a bone marrow transplantation and maintenance treatment). Does not include generic drugs such as dexamethasone and melphalan.

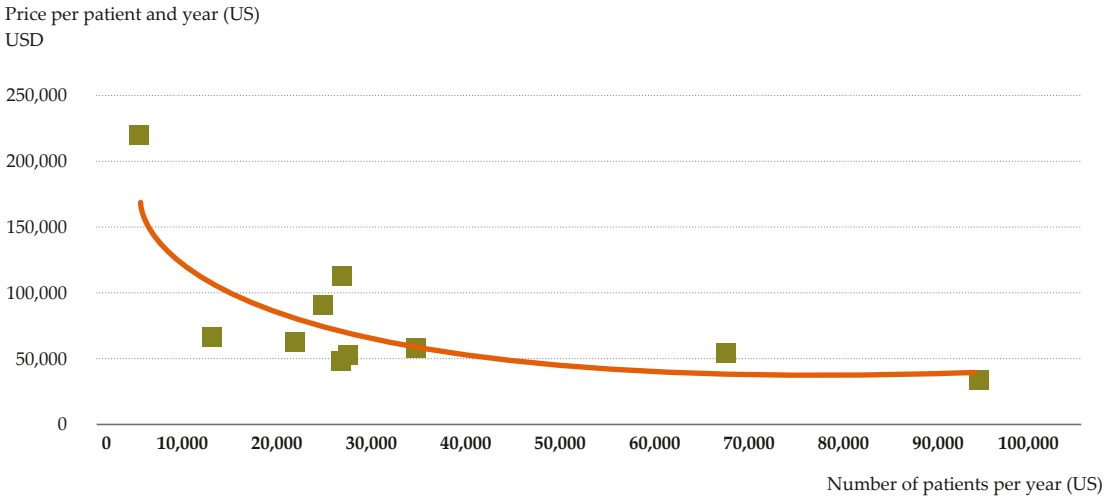
The costs of treatment varies depending on which other drugs that are given in combination with the drugs, and the phase of the disease which the patient is in, which affects the time period for the treatment. Costs also vary between different countries (the table concerns treatment in the US).

As multiple myeloma is a rare disease, which as previously stated is the reason why drugs intended for the treatment of the disease can be granted orphan drug status, the price is high compared to drugs without the orphan drug designation. The average cost for pomalidomide for treatment at the third relapse in the US is estimated at around USD 37,600 per patient in 2015, with an average treatment period of twelve weeks[1)].

The price of orphan drugs is generally higher the more uncommon the disease is. Based on the ten highest selling orphan drugs in the US in 2014, an inverse correlation can be derived between price per patient per year (note that patients are not necessarily treated for a full year) and the number of patients diagnosed annually with the disease. For the pricing of new drugs for the treatment of multiple myeloma, there are thus reference points and evidence in the form of an inverse correlation between price and incidence, as well as transparent prices for the directly competing drugs.

1) Global Data (2015): approximately USD 37,600 in the US, approximately an average of USD 39,900 in France, Germany, Italy, Spain and Great Britain and USD 33,600 in Japan.

Price per patient and number of patients for the ten most sold orphan drugs in the US, 2014



Source: EvaluatePharma (Orphan Drug Report 2015)

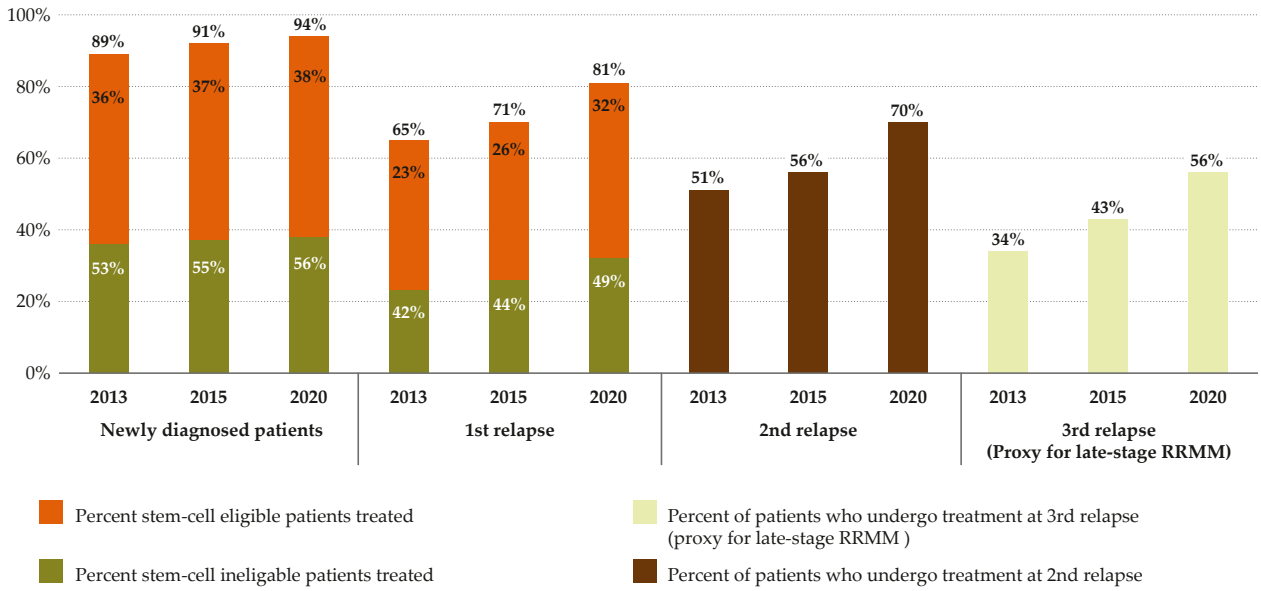
Market drivers

A key market driver is that the ratio of patients that survive for five years or longer is growing. In the US this population has increased from 35 percent in the early 2000's to 50 percent in 2008[1]. The development in other markets has been of similar magnitude during the same period. This is a consequence of new drugs which are often directed at treatment in the earlier stages of the disease. The fact that patients, on average, remain longer in the earlier stages of the disease due to these new drugs results in a market increase for drugs for treatment of late-stage RRMM. As a consequence of the development of new drugs, and driven by treatment improvements in earlier lines of therapy, the ratio of patients in the US who are treated for multiple myeloma after their third relapse is estimated at 34 percent, 43 percent and 56 percent respectively in 2013, 2015 and 2020. This results in significant market growth for drugs targeting late-stage RRMM patients.[2]

1) National Cancer Institute, SEER Cancer Statistics Review 1975–2013 (2016). Statistics for patients in the US.
2) GlobalData (2015).

Ratio of patients expected to undergo treatment in various stages of multiple myeloma

Estimated patient ratio, US



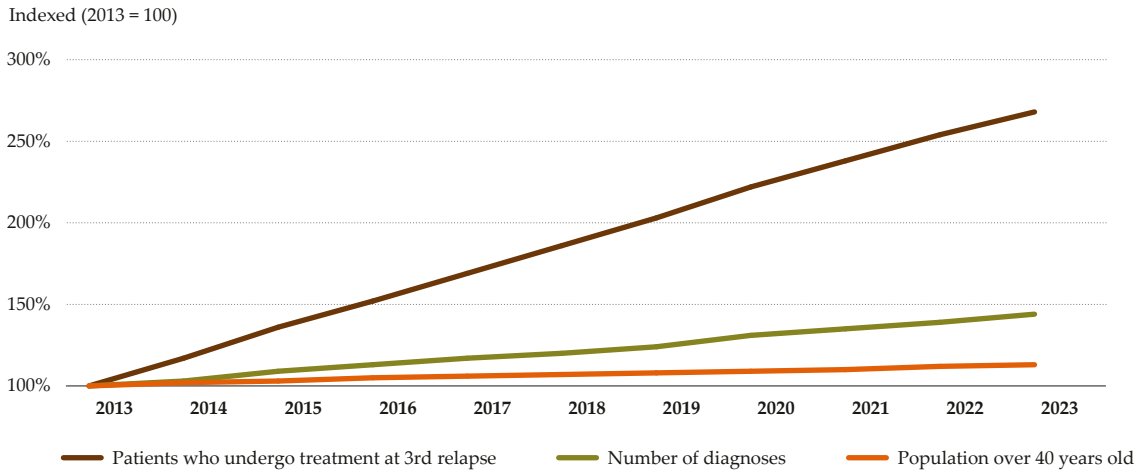
Source: Data from GlobalData

Another decisive driver for estimated total market growth is the ageing population, since the majority of patients diagnosed with multiple myeloma are aged 70 or older[1]. Consequently, the number of patients diagnosed with multiple myeloma increases faster than the population growth, which results in the incidence[2] being estimated to increase from 7.2 per 100,000 individuals in 2015 to 8.6 in 2023[3]. Adjusted for the ageing population, the incidence is generally stable, and for instance, it decreased from 15.38 for men and 9.13 for women in the US in 1993, to 15.29 for men and 9.00 for women in 2007, when calculated as total number of cases per 100,000 individuals[4].

The number of patients aged over 40 who are treated for a third relapse is expected to increase by 168 percent from 2013 to 2023, compared to an increase in the number of diagnoses of multiple myeloma by 44 percent and an increase in the population aged over 40 by 13 percent in the US, UK, France, Germany, Italy, Spain, Japan and urban China[5]. In summary, all these factors interact so that the number of patients that undergo treatment at the third relapse (which constitutes a proxy for late-stage RRMM patients) is expected to more than double between 2013 and 2023.

1) GlobalData (2015).
2) Calculated as the number of diagnoses of multiple myeloma per 100,000 individuals aged over 40.
3) GlobalData (2015).
4) Ferlay J, et al. (2014). Cancer Incidence in Five Continents, CI5plus, IARC CancerBase No. 9. International Agency for Research on Cancer.
5) GlobalData (2015).

Population increase (persons aged over 40), number of diagnoses of multiple myeloma and number of patients who undergo treatment for a third relapse.



Source: Data from GlobalData (2015)

Product candidates in development

The recently launched drugs containing the active substances daratumumab and carfilzomib have rapidly started to be used in the treatment of patients in earlier stages than late-stage RRMM. The same applies to panobinostat, elotuzumab and ixazomib (but with considerably lower sales volumes than for daratumumab and carfilzomib). The trend for newly launched drugs has been that they are primarily intended for treatment of multiple myeloma in earlier stages of the disease and the Company's assessment is that this also applies to several product candidates from other companies that are in development. This group of new drugs is not generally in direct competition with drugs that are developed for late-stage RRMM patients specifically.

There are a number of new product candidates known to be in development that are expected to be used for treatment of multiple myeloma are known to be in development. Currently, however, there is no product candidate with the potential to cure multiple myeloma.

The pharmaceutical company Karyopharm is developing a product candidate containing the active ingredient selinexor (a new type of tumour inhibitor in addition to the five modalities described in "*Market for treatment of multiple myeloma – Market size and competition situation*" previously in this section), which has been granted orphan drug status by both the FDA and the European Commission. Selinexor is currently being developed in a phase IIb study in late-stage RRMM patients. The study is planned to have a read-out in 2017. Karyopharm has further announced that they plan to perform a pivotal phase-III study of selinexor combined with bortezomib and dexamethasone in early-stage relapse patients (and not in late-stage RRMM patients)[1].

The product candidate Aplidin®, containing the active ingredient plitidepsin (a new type of tumour inhibitor in addition to the five modalities described in "*Market for treatment of multiple myeloma – Market size and competition situation*" previously in this section) is being developed by the pharmaceutical company PharmaMar. A clinical phase III study is currently being performed with the product candidate, to test it in combination with dexamethasone for treatment of RRMM. Due to the limited progress in clinical tests as regards efficacy, Aplidin® is not anticipated to be able to take significant market share before 2023, and there is no current clinical strategy in place for application for approval in the US[2].

Concerning immuno-oncology for the treatment of multiple myeloma, the results are so far limited. Together with a number of leading experts the International Myeloma Foundation has noted that the results of previous studies with antibodies directed at the target proteins PD-1, PD-L1 and CTLA-4 have shown limited effect in multiple myeloma as single agents, but have shown some effect in combination therapy. The market for immuno-oncology is however growing rapidly and is in continu-

1) Karyopharm.
2) GlobalData (2015).

ous development. There are currently around 70 immuno-therapeutic product candidates in clinical development for the treatment of cancer. The majority of these are directed at new target proteins, for which the effect in treatment of multiple myeloma has yet to be proven.

Drug development and, particularly, orphan drug development

A drug is granted marketing authorisation by regulatory authorities only when there is sufficient information concerning its safety and efficacy. Behind this information lies both time-consuming and resource-intensive scientific work, which includes preclinical studies (in laboratories and on animals) and clinical studies (on human beings). It often takes around 10–20 years or more from discovery to authorisation, and the entire process requires significant financial investments.

Research phase and preclinical phase

The research process starts by identifying an active ingredient. This takes place in laboratory tests (so-called "preclinical in vitro studies"), to show effects and map the compound's characteristics towards a specific disease. This is followed by more extensive preclinical studies, with the same purpose, and also intended to investigate whether there is a risk that the compound is toxic and could cause serious injury or other adverse effects.

Before a drug is tested in humans, animal tests (so-called preclinical in vivo-studies) are performed as well. The objective is to investigate the product candidate's mechanism of action and safety, and whether the drug has sufficient pharmacological activity. Furthermore, the aim is to find a dose interval where the desired effects outweigh negative effects. Finally, a secure starting dose is calculated for administration of the product candidate to humans.

Clinical phase

The results from the preclinical phase are summarised, and together with the clinical study protocol (i.e. a detailed description of the planned study) it is presented to pharmaceutical regulatory authorities and ethical committees. The clinical phase can be initiated only after the approval by these authorities and committees.

The purpose of clinical studies is to examine the clinical effects of a drug and to identify any adverse effects. No clinical studies may take place without obtaining written consents from the study participants (the patients). The sponsor[1)] holds the ultimate responsibility for the studies. The sponsor may, however, delegate tasks to a CRO. The clinical phase is divided into four different sub-phases (phases I–IV), as described below. The descriptions are adapted to the development of cancer drugs.

In phase I studies it is primarily investigated how safe the drug candidate is, but its pharmacokinetics (how the drug acts in the body) are also studied. Phase I studies of cancer drugs are usually performed on patients who suffer from the disease for which the product candidate is intended. To investigate the product candidate's safety, the patient is initially given a low dose, which is then increased in subsequent patients, a so-called dose escalation. A successful phase I study is completed with a dose selection for any continued studies in humans with an identified and acceptable safety profile.

In phase II studies, a product candidate's therapeutic effect and any adverse effects are primarily studied, as well as any suitable adjustments to dosage in the event of adverse effects or other tolerability problems. Studies are usually performed on a limited number of patients who suffer from the disease for which the product candidate is intended.

Phase III studies are intended to collect the information regarding efficacy and safety that is required in order to achieve marketing authorisation. Usually, differences between the effect on patients treated with the product candidate and the effect on patients who receive a different treatment or a placebo (a formulation without an active component) are studied. The studies are often multinational and are performed on a large number of patients, to achieve a result with sufficient statistical certainty. For cancer drugs, usually only one phase III study is required to achieve marketing authorisation from the FDA. For other drugs, it is customary for two phase III studies to be required.

Lastly, phase IV studies can be conducted after the marketing approval has been granted if the sponsor wishes to conduct additional studies to gain more information about the drug (follow-up studies). Phase IV studies may also be required by regulatory authorities.

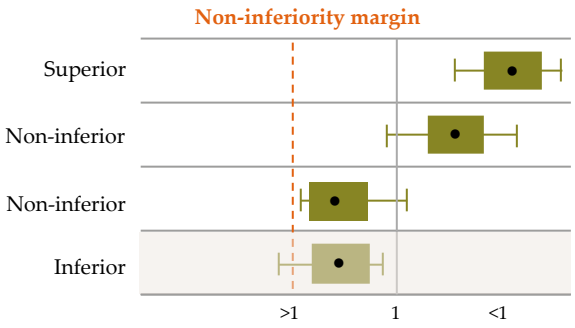
Design of clinical studies

Before a treatment is introduced or changed, it is important to be able to show, from studies, that the new treatment is an improvement for the patient in terms of effect and/or adverse effects. To be able to show an improvement, two or more patient groups must be compared in the same clinical study (each patient group in a clinical study is called a "study arm" or just an "arm"). It is customary for patients joining the study to be allocated randomly between the various study arms. This is called randomising a study.

1) The sponsor is the actor that initiates, supervises and/or finances the clinical study, but who does not necessarily perform it.

The most common comparative study is a placebo-controlled study. In a placebo-controlled study with two arms the placebo (i.e. a formulation without an active component) is given to one arm, and the new treatment option to the other (please note that this does not exclude that both arms receive standard treatment as long as both arms, apart from the above, are treated identically). Any differences between the arms in terms of effect and/or adverse effects can then be attributed to the new treatment option. The drawback of a placebo-controlled study is that it does not answer the question of whether the new treatment option is better, just as good as or poorer than other existing treatment options.

The other type of comparative study is a direct comparative study in which the product candidate is compared to an existing treatment. In a head-to-head comparative study with two arms, the existing drug is given to one arm, and the product candidate to the other. Any differences between the arms in terms of effect and/or adverse effects can then be attributed to the new treatment option. A head-to-head comparative study also makes it clear whether the new treatment option is superior, non-inferior (can be interpreted as just as good in everyday language), or inferior compared to an already approved treatment option.



In this figure it is schematically illustrated how a conclusion is drawn in a comparative study. A statistical measure called hazard ratio is then constructed, with an adherent 95 percent confidence interval. If the upper limit of the confidence interval is better than 1.00, the conclusion is that the product candidate is "superior" compared to the comparative drug. If the upper limit of the confidence interval is poorer than 1.00, but at the same time better than the non-inferiority inferiority limit, the drug candidate is "non-inferior". As regards the remaining alternative, when the lower limit of the confidence interval is poorer than the non-inferiority limit, the drug candidate is classified as "inferior".

If the study is one-armed, there is no comparative treatment group. This is the most common study design in phase I and phase II since the aim is to find the right dosage and preliminary effect and safety data. A one-armed study can also be performed later in the development and with the aim of increasing the amount of data on the product candidate in terms of both effect and adverse effects.

Clinical studies can also be "open", which means that both patient and physicians know which treatment is given. Comparative studies can be "blind" or "double-blind". Blind and double-blind studies mean that the patient, and the physician in the case of a double-blind study, do not know which compound the patient is being treated with.

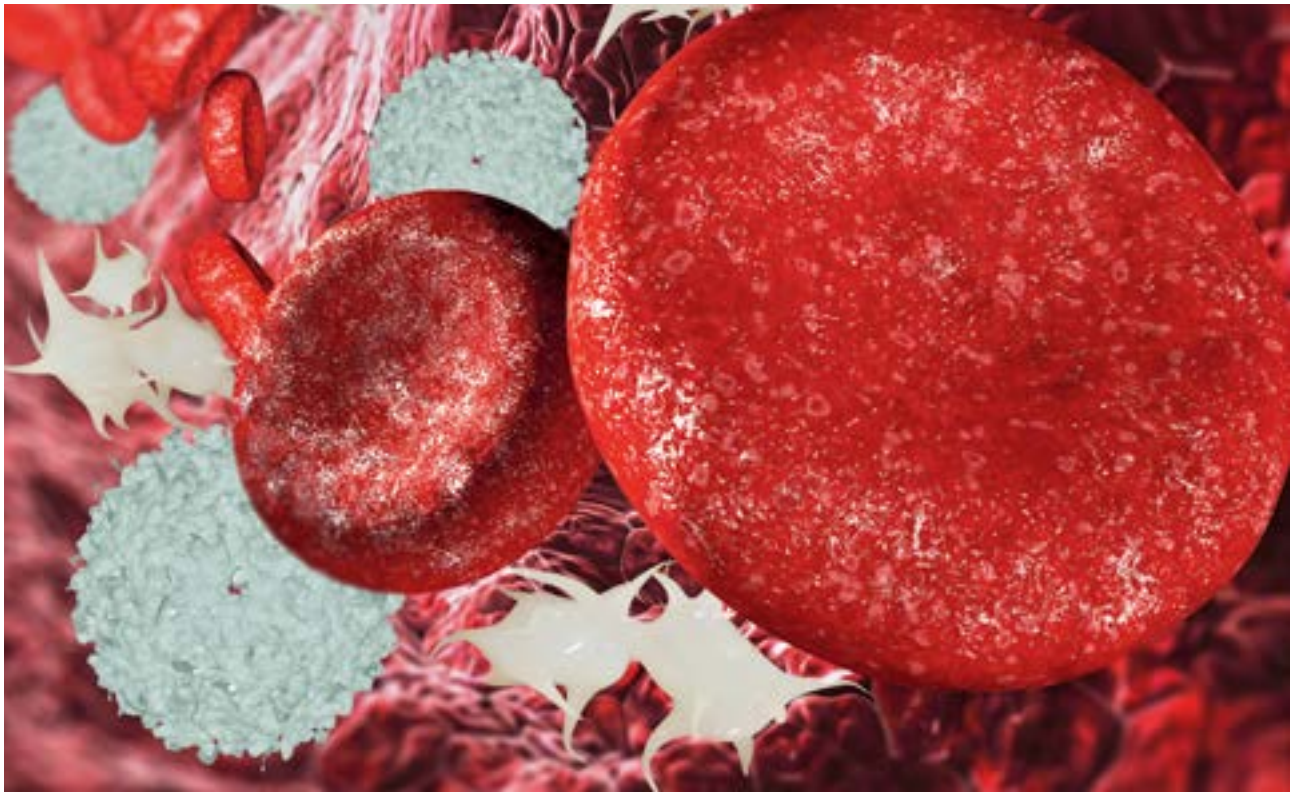
Manufacturing

In parallel to the development of the product candidate, the manufacturing of the product candidate is initiated. Initially, a small amount is manufactured for use in the preclinical studies, after which the investigational drug for clinical studies is manufactured. This manufacturing must take place in accordance with cGMP. cGMP is a framework for control of process and quality that ensures that the product candidate is manufactured in high quality and that there are methods to test the identity, strength, quality and purity of the product candidate. The development of the manufacturing process is time and resource consuming and can take several years.

In order to manufacture pharmaceuticals, including investigational drugs and active substances a permit from the relevant authorities must be obtained. Besides actual manufacturing, the term manufacture also includes packaging and repackaging of the drug, intermediate products and active substances. For a permit to be granted, manufacturing must take place in suitable premises and be performed by use of suitable equipment, and also be performed in accordance with cGMP. Usually CDMOs are engaged for manufacturing since they have the resources and the knowledge required.

The regulatory process for approval of drugs

The set of rules and regulations concerning drug development is extensive, and the rules vary in the different countries. The information in this section is focused on orphan drugs and primarily addresses current US-regulations, with elements of EU-rules.



The regulatory process during the development phase

To perform studies on animals during the preclinical phase, specific permits are required from relevant authorities. To initiate clinical studies in humans, the product candidate must fulfil extensive regulatory requirements and sponsors must have obtained approval to perform the study.

To perform studies in the US, the FDA must grant a so-called IND application (Investigational New Drug). When an IND application has been filed, the sponsor must wait for 30 calendar days before clinical studies can begin. During this period the FDA will evaluate the application from a safety perspective, to ensure that none of the patients included in the study will be exposed to unreasonable risk. In the EU, CTA's (Clinical Trial Applications) are submitted to the relevant authorities where the study is to be performed. Besides approvals from relevant national authorities, approvals from local ethical committees are also required. There is also a requirement that clinical studies be registered in public databases.

During the development phase, the pharmaceutical regulatory authorities or authorised bodies in e.g. the US and the EU can grant a potential drug an orphan drug designation. As previously mentioned, this designation can be granted if the potential drug is to be used for treatment of a disease which affects few patients, if certain additional criteria are fulfilled. For more information on the conditions for the orphan drug designation, see section "*Orphan drugs*" above. Classification as an orphan drug entails benefits and financial incentives during the development phase, including free advice from the EMA concerning the development programme.

Pharmaceutical regulatory authorities or authorised bodies such as the FDA, EMA, Swedish Medical Products Agency or MHRA (*Medicines and Healthcare Products Regulatory Agency*) assist with e.g. scientific advice meetings. The purpose of these scientific advice meetings is to provide guidance concerning development plans. Scientific advice meetings can be requested for an orphan drug at any time during the development period. An important meeting in the development process is the End of Phase II-meeting held by the FDA. The End of Phase II-meeting is held before phase III studies commence. The purpose of scientivic advice meetings is to receive guidance concerning e.g. clinical study design, dose selection in later study phases and other related issues. Also, the purpose is to identify opportunities to support the development of innovative drugs and improve the quality of applications for marketing authorisation.

Besides the aforementioned guidance meetings, companies developing orphan drugs can also be provided with answers to questions related to the approval of orphan drugs and the retention of the orphan drug designation, at that point in time. These questions concern responses regarding the proof of significant benefits within the indication for which the orphan drug is to be used (only in the EU).

In the US, sponsors can ask for a Special Protocol Assessment (SPA). If the FDA makes an assessment and approves the design, performance and proposed analyses in a protocol concerning a phase III study, the FDA will not later change its assessment, unless justified by public health concerns which were not known at the time of approval. Such assessments from the FDA are to that degree binding.

Marketing authorisation

After clinical phase III studies have been performed, an application for marketing authorisation is submitted and then reviewed by the relevant pharmaceutical regulatory authority or another authorised body. The approval process is undertaken by the FDA, EMA and national pharmaceutical regulatory authorities within the EU and the rest of the world. The FDA's processing time in regards to marketing authorisation of drugs is, generally, around twelve months. One of the advantages of the orphan drug designation is that the FDA's review time usually is considerably shorter than for other drugs, due to the fact that orphan drugs treat serious diseases. The Company estimates the FDA processing time for these drugs – i.e. the time from when an application for marketing authorisation is filed up to approval – at around six months or less. This is based on FDA-practice which has been complied with for a long time, as well as specific evidence from processing periods for other drugs for treatment of multiple myeloma that were approved in 2015. The processing time was 130 days for daratumumab (Darzalex®), 156 days for elotuzumab (Explicita®) and 133 There are a number of approval processes which can lead to marketing authorisations being obtained more quickly. Below are examples of approval processes which are, or could come to be, relevant for Oncopeptides.

Drug applications can be investigated via a Fast Track process if the FDA assesses that the drug concerned is intended for treatment of a serious disease for which there is a great medical need, and the results of the development to date give reason to believe that there are clinical benefits. If the drug is subject to the Fast Track process, a continuous review is carried out by the FDA during the development process. Sponsors are offered early and recurring advice meetings with the FDA, which in turn means that any problems concerning e.g. manufacturing or study design can be resolved quickly.

When developing orphan drugs, it is also possible to gain a so-called accelerated approval. This process enables the approval of drugs for treatment of severe conditions where there exists a great medical need, based on other clinical observations besides survival improvement. The approval process reduces the time for FDA approval, but normally additional studies of the clinical benefits are also required after the approval, in order to prove the medical benefits.

Drugs intended for use in treatment of severe or life-threatening diseases or conditions may be classified as "breakthrough therapy". With this classification, a shorter approval process is also applied by the FDA. Drugs may obtain this classification if preliminary clinical data indicates that the drug may deliver considerable improvements compared to existing treatments.

Within the EU, drugs are approved for sale either via a central EMA procedure or via a decentralised procedure with national approval by each respective national authority. For orphan drugs, the centralised procedure is mandatory. The procedure usually takes around nine months and approval results in marketing authorisation for the entire EU/EEA market. Applications are made with the EMA and a final decision is taken by the European Commission.

In the EU, drugs developed for treatment of diseases with a great medical need can undergo an accelerated process through the so-called PRIME-programme. PRIME is based on an earlier and greater degree of interaction between the EMA and the sponsor, in order to optimise the development plan and thereby achieve a quicker market launch of the drug.

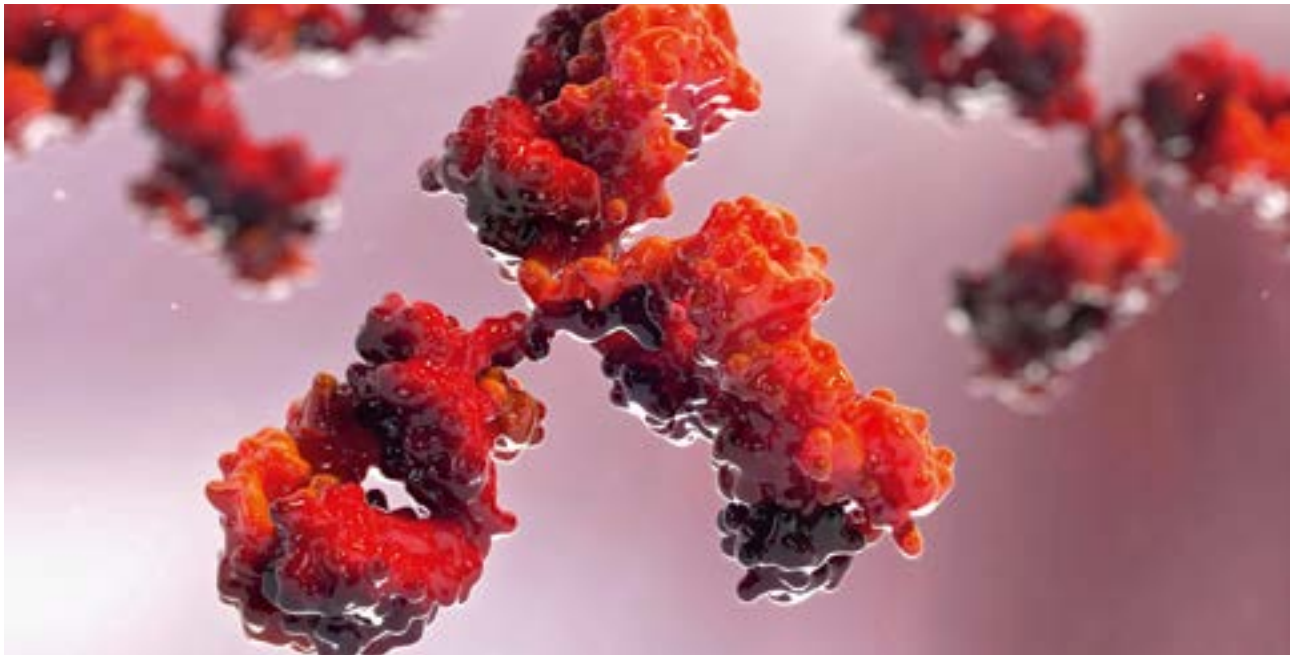
Pharmaceutical companies which are classified as micro companies by the EMA, and small and medium-sized enterprises (SME's), can be granted reduced fees, the option to defer payment of fees and administrative financial assistance from the EMA.

Other regulatory requirements

An approved and marketed drug will continue to be subject to a number of regulatory requirements in regards to e.g. pricing and reimbursement, as well as periodic safety reporting, product tests, distribution, advertising and marketing. Pricing and reimbursement requirements vary considerably between different countries.

Ongoing and extensive regulatory supervision is carried out of drugs post approval. Inter alia, it is ensured that companies produce drugs in accordance with good manufacturing practice; also, pharmaceutical companies must provide the relevant authorities with information concerning safety and effect, as well as report adverse effects and obtain approvals of specific changes in manufacturing or labelling.

Description of the business



Introduction to Oncopeptides' operations

General information about the Company

Oncopeptides is a research and development stage pharmaceutical company developing drugs within the area of oncology and especially blood-based cancer diseases. The Company is domiciled in Stockholm, Sweden. The products are being developed from inception up to and including commercialisation, the latter which can be effected either in-house and/or in collaboration with appropriate partners. The Company's revenue will thus consist of income from sales and/or milestone payments and royalties from sales from partners.

Oncopeptides' primary product candidate is Ygalo, a compound which includes the active ingredient melflufen. Ygalo is a next generation alkylator that is peptidase-potentiated, meaning that the anti-cancer effect is enhanced as the molecule is cleaved by an enzyme mainly existent in cancer cells, releasing alkylating moieties in high concentration within the target cell. Ygalo is currently being developed for the treatment of multiple myeloma, with focus on late-stage RRMM patients. Available data from preclinical studies indicate a possibility that Ygalo might also be developed for treatment of other types of cancer.

In June 2016, the clinical phase II development with Ygalo was completed[1)], where Ygalo was used in combination with the steroid dexamethasone in late-stage RRMM patients. The phase II study indicated positive results concerning Ygalo's efficacy and safety. OCEAN is a pivotal clinical phase III study that is planned to be initiated during the first half of 2017. In OCEAN, Ygalo will be directly compared with the IMiD pomalidomide (which is the current standard of care for treatment of late-stage RRMM). In August 2016, the study protocol for OCEAN was subject to a Special Protocol Assessment by the FDA. The FDA only had a few remarks on the protocol, which suggests that the FDA assesses that the study results will lead to a marketing authorisation in the US provided that the predefined statistical targets are achieved and that Ygalo shows an acceptable adverse effect-profile. To obtain more clinical data in late-stage RRMM patients with few or no remaining treatment options, Oncopeptides commenced the phase II study HORIZON in December 2016.

Oncopeptides has 26 co-workers (employees and consultants) with key expertise in drug development. Together they cover all relevant aspects of the development of Ygalo. To further strengthen the Company's medical, scientific and business-critical expertise in research and development, the Company has also partnered with world-leading experts and physicians within the research areas in which the Company is active. In addition to these specialists within the technical and business-critical fields, the Company outsources standardised elements of the drug development process to carefully selected CDMOs and CROs.

1) By "completed", reference is made to the fact that a successful End of Phase II-meeting was held with the FDA, where the FDA had no objections to the initation of a phase III study with Ygalo.

History

Oncopeptides was founded in 2000 and commenced operations in 2001. The company was formed by researchers from Uppsala University, Akademiska sjukhuset in Uppsala, Sweden and Karolinska Institutet in Stockholm, Sweden. The preclinical research on which the Company's operations are based initially took place in Uppsala and Stockholm, but from 2010 also at the medical faculty at Harvard School of Medicine and Dana-Farber Cancer Institute, "DFCI" in Boston, US.

Ygalo was the Company's main candidate from the beginning. The active drug ingredient melflufen was designated as J1 as a preclinical research candidate. J1 was initially synthesised by Dr. Joachim Gullbo in Uppsala. A brief company history comprising milestones in Oncopeptides' history is presented below:

2000–2001	• Oncopeptides was formed in order to further develop a number of product candidates, primarily Ygalo. • Ygalo was patented.
2003–2009	• Stiftelsen Industrifonden and Karolinska Development AB began to finance the Company's preclinical development. • Preclinical development was performed.
2009–2011	• A clinical phase I/II study was completed with Akademiska sjukhuset in Uppsala as the project managing hospital.
2010–2011	• Formulation development was performed, which showed that Ygalo was not stable enough in solution. • A new stable freeze-dried formulation was developed and patented.
2012	• Stiftelsen Industrifonden acquired the shares owned by Karolinska Development AB. • HealthCap VI L.P.became a partner within the framework of a financing round. • HealthCap VI L.P. and Stiftelsen Industrifonden financed the then planned clinical phase I/II programme for multiple myeloma together with the CEO and the Charirman of the board of directors.
2013	• Phase I/II studies commenced with Harvard/DFCI as the project-managing hospital.
2014	• The results of the phase I part of the phase I/II study were presented at the conference of the American Society of Hematology (ASH).
2015	• Ygalo was granted orphan drug status in the EU and the US.
2016	• The preliminary results from the phase II-part of the phase I/II study were presented at the conference of the European Hematology Association (EHA) and to selected pharmaceutical regulatory authorities in the EU (scientific advice meetings) and the US (End of Phase II meeting). • The study protocol for the planned phase III study OCEAN underwent a Special Protocol Assessment carried out by the FDA and was reviewed by the pharmuceutical regulatory authorities of the EU. • The phase II study HORIZON commenced.

Strengths and competitive advantages

In Oncopeptides view, the Company has a number of strengths and competitive advantages which have contributed to its success thus far and which will facilitate the further research and development of product candidates for the treatment of blood-based cancer diseases, primarily the further development of Ygalo. Oncopeptides' is of the view that its strengths and competitive advantages include the following:

- Ygalo – a peptidase-potentiated alkylator intended primarily for the effective and targeted treatment of blood-based cancer diseases.
- A well-defined market for Ygalo in late-stage RRMM, which is characterised by orphan drug status, limited treatment options and a significant medical need.
- Reported preclinical and clinical data for Ygalo indicate better efficacy, a unique resistance profile and good tolerability compared to the current standard of care in late-stage RRMM.
- Regulatory approved and risk-minimised pivotal development programme to characterise and maximise Ygalo's potential for the treatment of patients in late-stage RRMM.
- Strong intellectual property rights-position and orphan drug designation in the US and the EU.
- Experienced and dedicated management team with the support of a network of leading experts within multiple myeloma as well as from specialised investors.
- Further market potential in the broadening of disease indications for Ygalo.

Ygalo – a peptidase-potentiated alkylator for effective and targeted treatment of blood-based cancer diseases

The first chemotherapies discovered were alkylators – a group of cytotoxics with a shared molecular mode of action to kill cancer cells. Alkylators are still part of the standard of care for a number of different cancer indications, such as amyloidosis, multiple myeloma and non-Hodgkin lymphoma, as well as being used as high-dose therapy in conjunction with bone marrow transplantation. Since alkylators have been widely used over a long period of time, their mechanism of action and safety profiles are well-documented across hundreds of thousands of patients. The Company considers this a strength and a competitive advantage in discussions with oncologists and pharmaceutical regulatory authorities.

Ygalo is a peptidase-potentiated alkylator derived from the widely used alkylator melphalan. Just as with melphalan, the mechanism of action is alkylation of DNA, which prevents rapid cell division of e.g. cancer cells. In contrast to other alkylators, Ygalo is enriched in cells with a high activity of a family of enzymes called peptidases. Cancer cells in general have significantly increased peptidase activity compared to normal cells. Ygalo consequently gives rise to higher drug concentrations in myeloma cells compared to other alkylators, which leads to the death of more cancer cells and higher efficacy. Preclinical data show that both the concentration of the alkylating drug in multiple myeloma cells, and the ability to kill those cells, is approximately 50 times greater for Ygalo compared to the alkylator melphalan alone[1]. The Company believes that the improvements observed with regard to biodistribution and bioavailability is a strength and a competitive advantage when commercialising Ygalo.

A well-defined market for Ygalo in late-stage RRMM, which is characterised by orphan drug status, limited treatment options and a significant medical need

Multiple myeloma is an orphan drug-classed disease, and roughly 96,000 patients lived with the disease in the US in 2013[2]. In 2016, around 76,000 patients were expected to be diagnosed with multiple myeloma in the US, the UK, France, Germany, Italy, Spain, Japan and urban China[3]. It is an incurable disease with a mortality rate of 100 percent. Each time a patient is treated, a number of months without cell growth is the best possible outcome for the patient. For each new line of therapy the treatment effect decreases.

Late-stage RRMM is a stage of the disease where the patient, due to tumour growth, needs new treatment within roughly two months or less from the conclusion of the last treatment. It means that the patient has developed clear resistance to previous treatment modalities. Since late-stage RRMM patients will often already have been treated with the majority of the available treatment modalities, the indication of late-stage RRMM is characterised by having few or no remaining established treatment options to which the disease has not developed resistance. The standard treatment of late-stage RRMM is currently pomalidomide, a sister molecule to lenalidomide, which is used in earlier lines of therapy. In 2015, pomalidomide sales were approximately USD 1 billion[1]. The Company believes that the prospects for Ygalo to replace today's standard of care in late-stage RRMM are promising, and that the well-defined market will prove a strength in any future commercialisation of Ygalo.

1) Chauhan D, Ray A, Viktorsson K, Spira J, Paba-Prada C, Munchi N, et al. In vitro and in vivo antitumor activity of a novel alkylating agent, melphalanflufenamide, against multiple myeloma cells. Clinical Cancer Research 2013:19:3019-31.
2) National Cancer Institute, SEER Cancer Statistics Review, 1975–2013 (2016). Statistics for patients in the USA.
3) GlobalData (2015).

Reported preclinical and clinical data for Ygalo indicate better efficacy, a unique resistance profile and good tolerability compared to the current standard of care in late-stage RRMM.

The development of Ygalo has come a long way. Ygalo has been studied pre-clinically for over 15 years over a broad spectrum of cancer diseases with good results. Data has been generated in studies of more than 50 cell lines, 15 different animal models and primary material from 170 cancer patients.

In the concluded clinical phase I/II study which included 57 patients, of which the phase II part encompassed 40 patients, Ygalo in combination with a steroid showed good effect in terms of both progression free survival (PFS), median 4.3 months, and overall survival (OS), median 12.3 months[2]. Comparative analysis of data from this study with data reported for pomalidomide indicates that better effect is achieved with Ygalo. This is probably a consequence of Ygalo's resistance profile, which means that a comparatively larger part of the patients respond to the treatment, and that those who do, do so over a comparatively long time period. In the phase II part of the phase I/II study (where the patients are characterised by having late-stage RRMM), the amount of myeloma cells was decreased by half in 30 percent of the patients, and by at least 25 percent in 50 percent of the patients. Furthermore, the result did not differ significantly depending on the treatment given in the most recent line of therapy, which is important in the treatment of a disease characterised by drug resistance. Oncopeptides considers Ygalo's resistance profile to be of competitive advantage in late-stage RRMM patients.

Ygalo has also proved to have a good safety and adverse effect profile. The adverse effects reported in the concluded clinical phase II part of the phase I/II study were typical adverse effects for treatment of patients with late-stage RRMM and multiple myeloma patients treated with alkylators. These adverse effects are well-known among oncologists and well-defined, and are also measurable and mainly treatable, as well as being often spontaneously reversible. The Company assesses that Ygalo's safety and adverse effect profile is a competitive advantage since it is well-known among oncologists from previous experience with melphalan and also appears to be experienced as less negative by patients than adverse effects associated with other treatment modalities.

Regulatory approved and risk-minimised pivotal development programme to characterise and maximise Ygalo's potential for the treatment of patients in late-stage RRMM

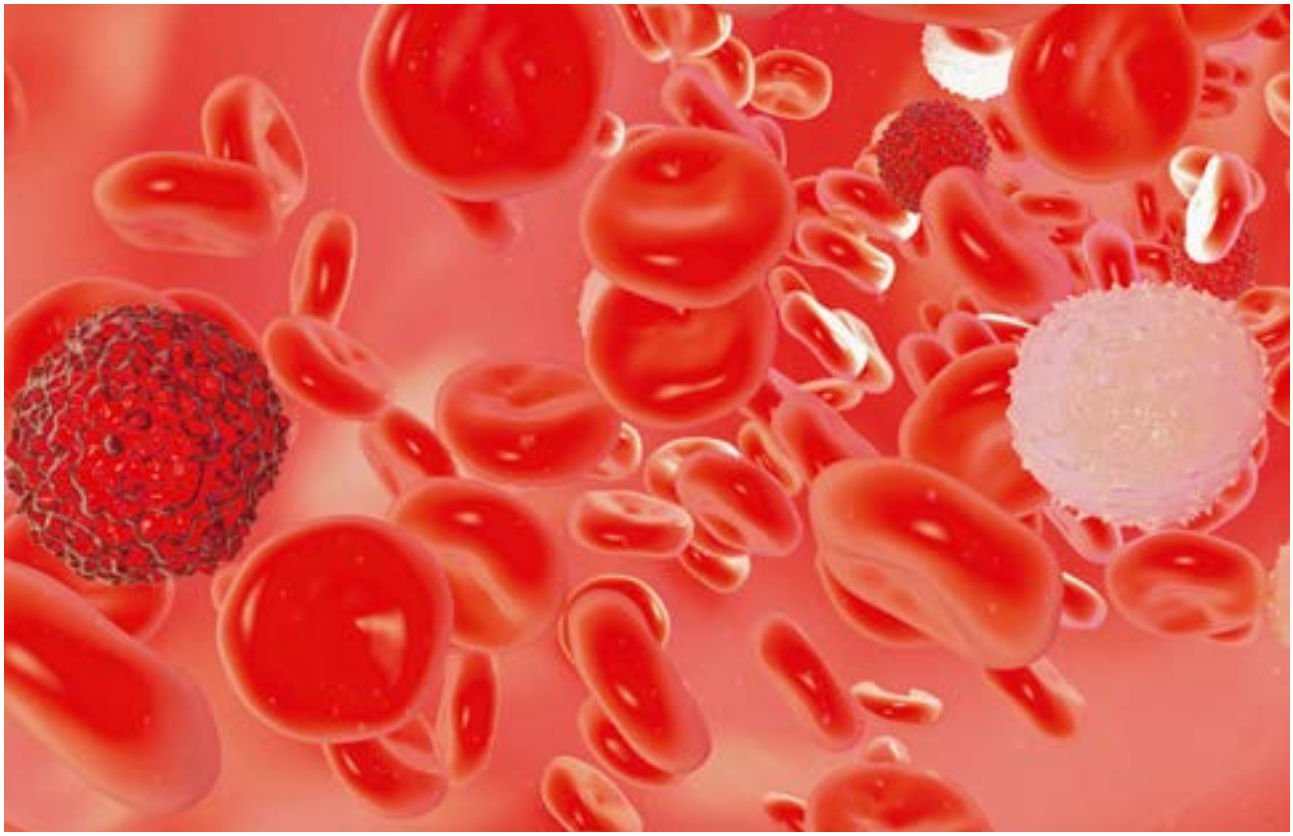
In close cooperation with experts and through several discussions with regulatory authorities and relevant institutions in the US and Europe, Oncopeptides has planned a comprehensive pivotal development study programme for Ygalo in late-stage RRMM. The programme is comprised of three clinical studies which together are intended to fully characterise Ygalo in the treatment environment for late-stage RRMM, and thereby maximise the product candidate's market potential.

The main study in the pivotal development programme is the pivotal phase III study OCEAN. Following a dialogue with regulatory authorities and experts, this study has been designed as a randomised head-to-head comparative study with pomalidomide to show superiority with statistical certainty over pomalidomide in the treatment of patients with late-stage RRMM. One of the criteria to be accepted for participation in the OCEAN study is that the patient is refractory to lenalidomide as defined by the last line of therapy received prior to participation in the OCEAN study. The Company perceives this an important criterion since it decreases the risk associated with the clinical studies.

The initiated phase II study designated HORIZON is a single-arm study in which all patients receive the same treatment (melflufen dexameth as one). The objective of the study is to characterize Ygalo's efficacy in RRMM patients who have few, or no, remaining established treatment options. If the study result is exceptionally strong, the Company may be granted a conditional market authorisation prior to the completion of the OCEAN study. Top line data from the HORIZON study is estimated to be announced at the end of 2018.

The supplementing phase I/II study designated ANCHOR is a triple drug combination study intended to demonstrate how Ygalo could be dosed in combination with other drugs used in earlier lines of therapy, such as proteasome inhibitors and antibodies (bortezomib, carfilzomib and daratumumab), and thereby enable treatment of Ygalo in different triple combinations. The study also enables the performance of additional pivotal studies which would widen the potential regulatory label for Ygalo, for use in various triple combinations as well as in earlier lines of therapy compared to late-stage RRMM.

1) Celgene's annual report for the financial year 2015.
2) See section "*Scientific background*".



The Company assesses that the scope and design of the pivotal development programme is a strength which provides a clear basis for pharmaceutical regulatory authorities to make decisions concerning marketing authorisation and for cancer physicians with regards to treatment of patients.

Strong intellectual property rights position, including orphan drug designation in the US and the EU

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 in total of more than 24 granted patents and 26 pending patent applications. Oncopeptides has been granted patents and has patent applications pending covering Ygalo, its formulation, manufacturing processes and its medical treatment areas. The duration of the Company's patents varies according to patent families and geographic area. For Ygalo, the Company has been granted an orphan drug designation, which in principle gives market exclusivity for seven and ten years in the US and Europe respectively. The composition-of-matter-patent runs until 2021 in Europe, Canada and Japan, and to 2022 in the US. However, the Company assesses that the prospects for being granted extended composition-of-matter patents upon future marketing authorisations, for up to five years, are good, at least in the US, EU and Japan. Oncopeptides also assesses that the existing patent portfolio will protect the product candidate Ygalo beyond the period of market exclusivity, i.e. up to 2032. Further, the Company has extensive knowledge concerning all important aspects of the proprietary freeze-dried formulation, which the Company considers as representing an important competitive advantage.

Experienced and dedicated management group with the support of a network of leading experts within the multiple myeloma field, and from well-reputed investors

Oncopeptides' organisation is characterised by having expert knowledge within all functions, which is important in successful drug development. The senior management members have many years of experience from the pharmaceutical sector e.g. via senior positions held at, among others, Algeta, Amgen, AstraZeneca, Biovitrum, Medivir, Pharmacia & Upjohn and Pharmacyclics. Furthermore, the Company's board of directors comprises of highly-qualified researchers, CEO's in the pharmaceutical sector, corporate development expertise and representatives of the Main Shareholders. The Main Shareholders in Oncopeptides are well-reputed and specialised

institutional investors with a significant number of successful investments within the life science sector. Besides the internal expertise within the Company, some of the most prominent multiple myeloma specialists in the US and the EU serve as external advisers to Oncopeptides in relation to the research and development programme for Ygalo. Oncopeptides believes that the Company has the expertise required for successful drug development; a strength for the further development of Ygalo.

Further potential in the broadening of the indication for Ygalo

In preclinical studies, Ygalo has shown effect within a number of other indications. Judging from Ygalo's mechanism of action and activity profile, Oncopeptides assesses that it will be possible to develop the product for treatment of, inter alia, high-dose treatments in connection with bone marrow transplantation for recently diagnosed patients and/or second transplant patients having had relapses of multiple myeloma, patients with amyloidosis, and patients with non-Hodgkins lymphoma[1]. These are all indications or patient groups where alkylators such as melphalan alone and bendamustine alone are used today, and where a next-generation alkylator such as Ygalo could have significant market potential. Oncopeptides considers that it is a strength to have the possibility to expand the area of use of Ygalo through the performance of further clinical studies, following a future marketing authorisation of Ygalo for treatment of late-strage RRMM..

Strategy

Oncopeptides' strategy is to further develop Ygalo up to a marketing authorisation, with the aim of later commercialising Ygalo as a drug, either in-house and/or together with appropriate partners. Important elements of Oncopeptides' strategy are as follows:

- Further develop Ygalo for the treatment of late-stage RRMM by completion of the pivotal clinical development programme.
- Establish a global commercialisation strategy for Ygalo.
- Investigate opportunities to establich relationships with one or several collaborating partners.

Further develop Ygalo for the treatment of late-stage RRMM by completion of the pivotal clinical development programme

Oncopeptides' objective is to complete the planned pivotal clinical development programme for Ygalo for the treatment of late-stage RRMM. The design of the development programme is optimised in order to fully characterise Ygalo as a treatment option in late-stage RRMM patients, and thereby maximise the product candidate's market potential. An important aspect of the design of the development programme is that the results from the studies shall constitute a clear basis for decisions by pharmaceutical regulatory authorities and other relevant bodies for decisions regarding marketing authorisation, and for oncologists for decisions regarding patient treatment. The OCEAN, HORIZON and ANCHOR studies complement each other, where OCEAN is the pivotal study on which the pharmaceutical regulatory authorities and other decision-making bodies will base their decisions in regard to marketing authorisation.

Design a global commercialisation strategy for Ygalo

As the pivotal clinical development programme for Ygalo progresses, Oncopeptides will move to finalise the development of a commercialisation strategy and build its commercial structure and operations. The Company's CCO, who was recruited in October 2016, is responsible for the formulation of this strategy for Ygalo. Any recruitment as a consequence of this strategy is expected to be published during 2018. The Company considers the development of this strategy to be necessary both for the Company's commercialisation of Ygalo as well as from a negotiating strength perspective, since a clear and defined commercialisation strategy is considered to be a strength in negotiations with potential partners.

Investigation of opportunities to find one or several collaborating partners

It is common for research and development stage pharmaceutical companies such as Oncopeptides to seek commercialisation partners, or alternatively to be acquired by a major drug company if pivotal phase III studies show positive results. As an element of the commercialisation strategy, Oncopeptides will investigate the opportunities of engaging with one or several partners to commercialise Ygalo. How many partners, which geographic areas and which contractual arrangement might be employed in any collaboration has not yet been determined. This will depend on the conclusions reached in the Company's commercialisation strategy, which as previously mentioned is expected to be announced in 2018, and on the results of the development programme, where the top-line results from the pivotal trial OCEAN are expected to be made public by mid-year 2019.

1) See section "*Scientific background*".

Oncopeptides' lead product candidate, Ygalo

Introduction

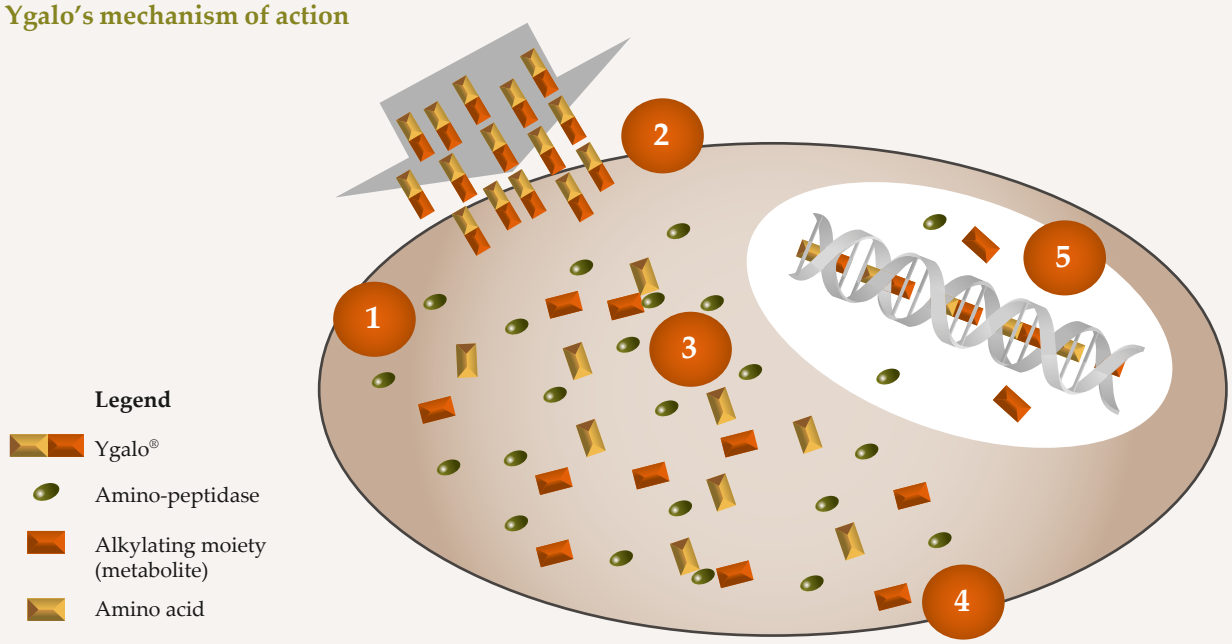
Ygalo is a next generation alkylator which is peptidase-potentiated (i.e. it is enriched inside cells by being cleaved by a group of enzymes which exist in high concentrations in cancer cells) and its first indication is for treatment of late-stage RRMM. Alkylators are already established drugs for the treatment of multiple myeloma. Ygalo is a further development of the alkylator family, with significant differences in how the molecule is distributed more specifically to cancer cells compared to other alkylators, and it is thereby expected to be more effective. Ygalo is a freeze-dried powder that is dissolved in glucose solution locally at each hospital and then given intravenously to the patient, usually once every month.

As previously mentioned, the Company has performed preclinical and clinical phase I and II studies with Ygalo and is now planning to perform three additional clinical studies. The main study is the phase III study OCEAN. In addition, the already initiated phase II study, HORIZON, where Ygalo's activity in late-stage RRMM patients with few or no remaining established treatment options is studied, will be completed. As a supplement, Oncopeptides will also perform a clinical phase I/II study called ANCHOR in which Ygalo will be dosed together with proteasome inhibitors and antibodies.

Mechanism of action

Ygalo is a peptidase-potentiated alkylator. Alkylators are molecules such as melphalan, cyclophosphamide and bendamustine, which are all used to treat patients with multiple myeloma. Different alkylators have different therapeutic profiles even though the alkylating elements are identical. The difference between them relates to how they are distributed in the body and how much of the alkylator enters cancer cells compared to other cells. The latter distribution may lead to potential adverse effects. The Ygalo molecule is lipophilic and can thereby traverse the cell membrane relatively freely, irrespective of transport mechanisms. Once inside the cell, Ygalo is cleaved by peptidases (a type of enzyme), which are over-represented in the cancer cells; see below image "Ygalo's mechanism of action". Due to its lipophilicity and peptidase-dependent distribution profile, a pronounced

Ygalo's mechanism of action



1) Peptidases are a family of enzymes that are highly over-expressed in cancer cells. 2) Ygalo traverses the cell membrane into the cancer cell very quickly, due to its liposolubility. 3) Peptidases cleave Ygalo and yield water-soluble metabolites which, like Ygalo itself, kill cancer cells; i.e., the alkylating effect in unaffected by the cleaving, and both intact and cleaved Ygalo is alkylating. 4) When Ygalo is cleaved, its concentration in the cancer cell decreases. Since nature seeks to equalise concentrations and there are ample quantities of Ygalo outside the cell, even more Ygalo enters the cell in the same way as under 2) above, while the active metabolites cannot leave the cell as they are water-soluble – which means that they are trapped inside the cell and accumulate. 5) Both Ygalo and its metabolites exert their effect in the cell nucleus by binding to DNA and kill the cancer cells during cell division.

increase of alkylator is achieved in cancer cells, without a corresponding increase in other cells (which determines the side effect profile). Consequently, Ygalo has a radically different biodistribution and bioavailability profile compared to other alkylators.

Melphalan is the most potent existing alkylator for the treatment of multiple myeloma. Cancer cells receive around 50 times higher exposure of alkylators after exposure to Ygalo compared to melphalan. Via studies in animals and later clinical studies it has been established that this increase in exposure in connection with treatment with Ygalo does not lead to an increased number, or different types of, adverse effects. However, the cytotoxic effect on cancer cells increases and new efficacy qualities arise, such as increased effect on multi-resistant tumours and reduced formation of new blood vessels. Tumours grow rapidly and are dependent on blood supply, which is why the inhibition of blood vessel formation can slow down tumour growth.

Development programmes, regulatory milestones and manufacturing

Ygalo has undergone preclinical development and substantial parts of the clinical development have already been performed. In connection with the filing of an NDA in order to potentially receive marketing approval for Ygalo in the EU and the US for the treatment of late stage RRMM, the Phase III study OCEAN and the Phase II study HORIZON are key studies. Besides showing Ygalo's effect in relation to the standard treatment of late-stage RRMM, the development programme is also intended to show Ygalo's activity in patients with late-stage RRMM with few, or no, remaining established treatment options. Also, the intention is to show how Ygalo can be dosed in combination with other multiple myeloma-drugs through the phase I/II study ANCHOR.

Below is a description of Oncopeptides' development programme, the regulatory milestones and the manufacturing of melflufen and Ygalo. These three components are described below.

	2000	2003–2009		2009/2012– 2016		2017–
	DISCOVERY	PRE-CLINICAL PHASE		CLINICAL DEVELOPMENT PHASE I & II		PHASE III
MANU-FACTURING		• Lab scale production	• Clinical trial batch manu-facturing		• Clinical trial batch manu-facturing	• Commercial manufacturing
REGULATORY MILESTONES		• IND and CTA-application – right to perform clinical trials		• Advisory meetings regarding clinical devel-opment plan	• End of phase II meeting • Special Protocol Assessment – design of phase III study	• Application for marketing authorisation
RESEARCH ACTIVITIES	• Generation of molecule • Anti-tumour activity in vitro and in animal experiments	• Anti-tumour activity in animal experiment	• Toxicology studies in multiple species	• Phase I trials – establishing the dose	• Phase II trials – showing disease activity	• Phase III study is started (as well as other studies for the support of registration)
COMPRE-HENSIVE R&D-PHASE						

Development programme

Completed studies

The active ingredient in Ygalo, melflufen, has been studied in three PhD theses and data has been presented academically in around 30 scientific articles over the past 15 years.

Preclinical studies have covered a broad spectrum of cancer types, with good results. Data has been generated in studies of more than 50 tumour cell lines, 15 different animal models and primary tumour material from approximately 170 cancer patients.

Following the good preclinical results, a small volume of an investigational drug was produced in accordance with cGMP for toxicological studies and early clinical studies. Toxicological studies have been carried out in mice, rats and dogs.

After the completion of the toxicological studies, clinical phase I-safety studies commenced in Uppsala in 2009. The patient group was severely ill patients with various solid tumour malignancies. After selection of dosage and a minor expansion of the study, it emerged that the formulation was not stable. A project aimed at improving the formulation was initiated. In 2011, the formula problems were resolved and Ygalo reached its final freeze-dried formulation.

In 2011 the Company targeted multiple myeloma as the area of therapy and expanded the previous preclinical cooperation with Dana-Farber Cancer Institute to include cooperation in clinical research.

In 2013, the Company commenced a phase I/II study of Ygalo in combination with dexamethasone for late-stage RRMM patients. The phase I part of the study was designed as a dosage escalation study with the aim of finding the right dosage and dosage interval for treatment with Ygalo in cancer patients. The study was performed in the US, the Netherlands, Denmark, Sweden and Italy. The phase I part of the study included 21 patients at six trial sites and was led by DFCI. The CRO Quintiles Ltd was contracted to perform the study. The phase I element was completed in 2014. In order to maximise the benefit-risk allocation for the patient, the final dose of Ygalo was set at 40 mg per 28 days, in combination with a weekly dose of 40 mg of the steroid dexamethasone.

The company completed the phase II part of the aforementioned study in June, 2016. The study was performed in the same countries as the phase I part and included 57 patients, of whom 42 were treated with Ygalo together with dexamethasone and the remainder solely with Ygalo. Reported data is available for 40 of these 57 patients. The study was performed at seven trial sites. The CRO Quintiles Ltd was also contracted to perform this part of the study. The phase II part showed strong results in late-stage RRMM patients. The effect and safety profile for Ygalo together with dexamethasone in phase II was the same or better than for other competing drugs (see below bable "Comparison of results from different clinical studies with various drugs in late-stage RRMM"). The results for Ygalo in phase II indicate that Ygalo has a unique resistance profile, which means that the drug's effect was equally positive irrespective of what treatment the patient has become refractory to before.

For further information on Ygalo's results in clinical studies, see "*Scientific background*".

Comparison of results from different clinical studies, including various drugs for treatment of late-stage RRMM

Drug (study in clinical phase)	Number of patients	Years since diagnosis (median)	Share of patients that were double refractory	Median OS[1] (months)	ORR[2] (≥PR)	CBR[3] (≥MR)	Median DOR[4]	Median PFS[5] (50%)	PFS[5] (25%)
pomalidomide + dexamethasone (Phase III)[6]	302	5.2	74%	12.7	24%	NR[10]	7.0 months	3.6 months	8.4 months
carfilzomib (Phase II)[7]	266	5.4	64%	15.6	23%	37%	7.8 months	3.7 months	8.9 months
daratumumab (Phase II)[8]	106	4.8	95%	19.9	29%	34%	7.4 months	3.7 months	7.8 months
Ygalo + dexamethasone (Phase II)[9]	40	5.3	63%	18.3	30%	50%	7.7 months	4.3 months	9.7 months

The table above shows an overview of a number of previous clinical studies of the drugs that are used for the treatment of late-stage RRMM, and their results in terms of a number of relevant parameters for assessing the drugs' efficacy.

1) "Overall survival rate", i.e. the duration from start of treatment until death.
2) "Overall response rate", i.e. the number of patients with at least 50 percent tumour burden reduction during the course of treatment..
3) "Clinical benefit rate", i.e. the ratio of patients in which 25 percent or more of the tumour burden has decreased due to the treatment.
4) "Duration of response", i.e. duration from the time when the patient reaches a tumour burden reduction of at least 50 percent to the point when the patient relapses in, or dies from, the disease.
5) "Progression free survival", i.e. duration from the start of the treatment to disease progression or death.
6) Data derived from POMALYST FDA label (reference ID: 3953274).
7) Data derived from KYPROLIS FDA label (reference ID: 3161927).
8) Data derived from DARZALEX FDA label (reference ID: 3847807).
9) Oncopeptides, phase II data, ITT population.
10) Not reportet.

Planned studies

Before applying for marketing authorisation, the Company plans to undertake three different clinical studies, which all support each other.

Name	Clinical phase	Planned number of patients	Planned date of first patient in	Planned date of first patient out	Planned site	Study design	Research question	Purpose
OCEAN	Phase III	450	First half of 2017.	First half of 2019.	80 hospitals in Belgium, Canada, Denmark, France, Greece, Israel, Italy, the Netherlands, Poland, Spain, Czech Republic, the UK, Hungary and the US.	Randomised, open, head-to-head comparative study between Ygalo and the standard treatment pomalidomide in patients with late-stage RRMM.	How does Ygalo compare to the current standard treatment, pomalidomide, in patients with late-stage RRMM?	Show that Ygalo is clinically superior to pomalidomide in patients with late-stage RRMM.
HORIZON	Phase II	80	December 2016.	Second/third quarter of 2018.	15 hospitals in Italy, Spain and the US.	Open one-armed study in multiple myeloma-patients with few, or no, remaining established treatment options.	How will Ygalo function in late-stage RRMM-patients who have few, or no, remaining established treatment options?	Map the clinical benefit of Ygalo in multiple myeloma-patients with few, or no, remaining established treatment options (partly to support the application for marketing authorisation, and partly to enable a conditional marketing authorisation in a limited population with a great medical need).
ANCHOR	Phase I/II	64–96	Second half of 2017.	First half of 2019.	Europe and the US.	Open, one-armed study where Ygalo, in combination with dexamethasone, is tested in combination with bortezomib, carfilzomib or daratumumab.	How should Ygalo be dosed in combination with bortezomib, carfilzomib or daratumumab.	– Investigate how Ygalo can be combined with bortezomib, carfilzomib or daratumumab. – Enable a broadening of the indication for Ygalo.

The OCEAN study is an open, randomised, controlled phase III study in which Ygalo is compared with pomalidomide in late-stage RRMM patients. The study is designed as a head-to-head comparative study where the result will show whether Ygalo is more effective, just as effective or less effective than the standard of care treatment option pomalidomide for late-stage RRMM patients. The adverse effect profile shall be acceptable. The study is designed to show that Ygalo is superior to pomalidomide with 90 percent probability, based on the phase II result for Ygalo compared with pomalidomide's phase III data. To perform OCEAN, the company has contracted the CROs Precision Oncology LLC and PSI CRO AG. OCEAN is planned to take place at 80 trial sites across 14 countries. The hospitals have been selected in a thorough process where the CRO and the physicians have calculated and agreed on how many patients can come to be recruited per month at the relevant hospitals. Oncopeptides has approved the choice of countries and hospitals. Oncopeptides and the CRO have further agreed on additional hospitals in the elected countries, and possibly an additional country, in the event that the elected hospitals may not reach the intended patient recruitment levels. The study is planned to include 450 treated patients and is intended to commence during the first half of 2017. The study results are projected to be presented mid-2019. In accordance with requirements laid down by the pharmaceutical regulatory authorities, no results will be presented prior to the presentation of the final results.

To gain more information about Ygalo for treatment of multiple myeloma-patients with few, or no, remaining established treatment options, Oncopeptides initiated the open, one-armed clinical phase II study HORIZON in December 2016, with Ygalo in combination with dexamethasone in late-stage RRMM patients who are refractory to pomalidomide and/or daratumumab. To perform HORIZON, the company has contracted the CRO Precision Oncology LLC. HORIZON will take place at 15 hospitals across Italy, Spain and the US. Oncopeptides and Precision have also agreed on additional hospitals in the chosen countries, and possibly an additional country, in the event that the selected hospitals do not reach the estimated patient recruitment rates. The study is planned to include up to 80 treated patients. Top-line study results are estimated to be presented at the end of 2018. As the study is an open phase II study, the Company will also be able to present results during the term of the study.

As a supplement to OCEAN and HORIZON, Oncopeptides will perform the open phase I/II study ANCHOR in which Ygalo, in combination with dexamethasone, is given together with a proteasome inhibitor or an antibody (bortezomib, carfilzomib and daratumumab) in order to optimise the dose and dose interval of Ygalo but also to study the effect and safety of these triple combinations. The purpose is to allow for treatment in triple combinations for late-stage RRMM patients (off-label in line with pomalidomide), as well as to allow for the treatment of patients in the early stages of the disease (who are all treated with triple combinations). The study is planned to include up to 96 patients and the study results are projected to be presented at the end of 2019. As the study is an open phase I/II study, the Company will also be able to present interim results during the term of the study.

Regulatory milestones

After the completion of OCEAN the company intends to apply for marketing authorisation. The company plans to apply for marketing authorisation in the EU and the US in the second half of 2019, with the opportunity for earlier conditional approval. In such case, the approval will be conditional upon OCEAN being completed according to plan.

During the development of Ygalo, the following regulatory milestones have been achieved, among others.

Date	FDA (US)
Nov 2012	Pre-IND type B meeting
Jan 2013	Oncopeptides applied for IND status for Ygalo
Feb 2013	Ygalo approved for IND status
Mar 2015	Status as orphan drug achieved for Ygalo
Jun 2015	Clinical development meeting (type C)
Dec 2015	Clinical development meeting (type C)
Apr 2016	Clinical development meeting (type C)
Jun 2016	End of Phase II meeting(type B)
Jul 2016	Oncopeptides confirmed to the FDA that Ygalo has been granted orphan drug status and is therefore excepted from the requirement to perform paediatric development within the framework of the Pediatric Research Equity Act
Aug 2016	Study protocol for OCEAN underwent Special Protocol Assessment with only a few remarks considered by the Company to be of minor nature.

Date	Relevant authorities in Europe
May 2004	Scientific advice meeting with the Swedish Medical Products Agency
Feb 2006	The Swedish Medical Products Agency approved the start of the first phase I study
Jan 2013 to Dec 2013	Approval for the initiation of the first phase I/II study in multiple myeloma in Denmark, the Netherlands and Italy is obtained.
Apr 2013	The Swedish Medical Products Agency's approval for the phase I/II study in multiple myeloma is gained.
May 2014	Scientific advice meeting with the Swedish Medical Products Agency
Mar 2015	Orphan drug designation is achieved for Ygalo from the European Commission
Apr 2015 to Nov 2015	Three scientific advice meetings are held with the Swedish Medical Products Agency.
Mar 2016	Positive notice concerning OCEAN's study design is received from the British MHRA

Orphan drug designation

After a positive statement from the EMA, in March 2015 the European Commission decided to grant Ygalo an orphan drug designation for the treatment of plasma cell myeloma, i.e. multiple myeloma. In the same month, Ygalo also achieved an orphan drug designation from the FDA for the treatment of multiple myeloma.

Status as SME

Since 2012, Oncopeptides has also been granted SME[1)] status by EMA. Inter alia, Oncopeptides has therefore achieved fee reductions and administrative assistance from the EMA. The company's SME status is granted until December 2017, after which the company must apply again. The Company assesses that a potential future loss of the SME status would not have any significant consequences for the operations.

Scientific advice meetings

A number of scientific advice meetings have been held with the FDA. The first meeting was held in November 2012 at the prospect of the IND submission. Since then, meetings have been held in June 2015, December 2015, April 2016 and as an End of Phase II-meeting in June 2016. Four scientific advice meetings have also been held with the Swedish Medical Products Agency (Sw. *Läkemedels-*

1) SME's are companies with less than 250 employees and an annual turnover of up to EUR 50 million or with a balance sheet total of up to EUR 43 million per year.

verket). The first was held in May 2004 and the other three in 2014–2015. In March 2016, a scientific advice meeting was held with MHRA, when MHRA gave positive notice concerning the protocol of OCEAN.

Special Protocol Assessment
In August 2016, the study protocol for OCEAN was subject to a Special Protocol Assessment by the FDA. The FDA had only minor remarks on the protocol, which means that the FDA believes that the study results will lead to a marketing authorisation in the US, provided that the predefined statistical targets are achieved while the adverse effects profile is acceptable. Should not all of the objectives be fulfilled, there is the possibility to gain approval based on the totality of existing clinical data regarding Ygalo in multiple myeloma.

Manufacturing
The Company concluded that melflufen was poorly formulated in 2009/10, when it emerged that the current liquid formulation with organic solvent was not stable. According to its chemical and physical characteristics, the molecule melflufen is virtually impossible to freeze-dry. A project aimed at achieving a functioning freeze-dried product was initiated and in 2011 the Company succeeded in solving the problem, which also resulted in two new patent families which are required for the formulation of the drug. The patents and the extensive know-how constitute the remaining entry barriers after the expiration of the market exclusivity connected to the orphan drug designation in the US and Europe.

As a first step in the production of the material for the clinical studies with Ygalo, the active ingredient is manufactured. The Company has contracted a CDMO-company to perform this service. Manufacturing will take place in accordance with a manufacturing agreement and quality agreement entered into by the parties. The CDMO-company also handles warehouse and delivery services in conjunction with manufacturing.

After the ingredient has been manufactured, it is delivered to another CDMO for production and formulation of the investigational drug to be used in the clinical studies. For the ongoing and future studies, Oncopeptides has contracted Cenexi Laboratories Thissen S.A. ("Cenexi") for manufacturing of Ygalo for clinical studies. Cenexi handles all manufacturing services in accordance with a manufacturing agreement. In 2017, Cenexi will also be contracted to perform a scale-up to commercial production scale.

Potential for further indications for Ygalo
In preclinical studies Ygalo has been observed to be potentially clinically effective for other indications besides multiple myeloma. In the first instance, other blood-based cancer diseases besides multiple myeloma, and indications closely related to them, are of interest for development. As a supplement to the Company's pivotal development programme for the treatment of multiple myeloma, several of these indications can be explored further in clinical studies. For instance, the Company sees potential for development of Ygalo for the treatment of amyloidosis and non-Hodgkin lymphoma, and for high-dose treatment in connection with bone marrow transplants in patients with multiple myeloma or other diseases.

Oncopeptides' other product candidates
Besides Ygalo, Oncopeptides also has two patented product candidates within oncology that have undergone cell-culture studies with promising results. Just like Ygalo, the formulations are constituted of so-called small molecules with a peptidase-potentiated effect. The Company is currently considering the continued development of these candidates, but the priority is primarily on the development of Ygalo for the treatment of patients with multiple myeloma, and patients with other blood-based cancer diseases.

Patents and orphan drug designations

Ygalo (melflufen) is protected by patents already granted which comprise the active substance melflufen, in the US, Europe, Canada and Japan. Besides these composition-of-matter patents, the Company holds a number of additional patents and patent applications for protection of other aspects of the product candidate, such as formulation, manufacturing processes, and a new, yet unpublished, patent application.

Oncopeptides believes that the Company's patent protection is strong and thereby offers adequate and effective protection of Oncopeptides' future commercial position. The Company has also adopted an active patent strategy to protect new aspects of the product candidates. The patents will expire as shown in the table below and there are very good prospects for renewal of the composition-of-matter-patents by up to five years in at least the US, the EU and Japan, if the product achieves marketing authorisation before the expiry of the composition-of-matter patents. The company holds the orphan drug status and the patent rights listed below.

Orphan drug status

Orphan drug designation	Authority	Market exclusivity	Regions
Treatment of plasma cell myeloma (i.e. multiple myeloma)	FDA	7 years	US
Treatment of plasma cell myeloma (i.e. multiple myeloma)	EMA	10 years	EU

Patent portfolio

Patent (title)	Type	Application (estimated outcome)	Regions	Status
The melphalan derivative and use as cancer-chemotherapeutic drug	Composition of matter	2000 (US 2022[1)] & RoW 2021)	US, EU, CA & JP	Granted
Lyophilised preparation of cytotoxic dipeptides	Formulation	2011 (2032)	US, EU, CA, JP*, AU*, BR, CN, IN, MX, KR, RU*, ZA, IL & NZ*	Pending/Granted*
Lyophilised preparation of melphalan flufenamide	Formulation	2012 (2033)	US, EU, CA, JP, AU*, BR, CN, IN, MX, KR, RU, ZA, IL & NZ	Pending/Granted*
Process for preparation of nitrogen mustard derivatives	API process	2015 (2036)	PCT	Pending
New invention	Confidential	2015 (2036)	PCT	Pending

1) With possible extension of the patent time of a maximum of fem years, i.e. with patent expiry in 2026/2027.

In addition to the patents and as previously stated, Ygalo has been granted an orphan drug designation from the FDA and the European Commission. This generally entails market exclusivity for seven years in the US and ten years in the EU (if demonstrating significant benefit) should Ygalo be granted marketing authorisation.

Organisation, co-workers and external expertise

Oncopeptides' organisation comprises co-workers who are specialised in areas relevant for the Company's core activities, and primarily for the driving of the development programme for Ygalo. Oncopeptides also cooperates with a number of leading world experts in multiple myeloma.

Oncopeptides organisation currently consists of 26 co-workers (employees and consultants). Most of the co-workers are engaged in the development of strategies, design, planning, procurement and project management of clinical studies, and required regulatory interaction. The work is done in project form, whereby each clinical study planned or undertaken by Oncopeptides has a specialist team responsible for the relevant study. However, the specialist team performs clinical studies via a CRO. Besides its clinical activities, Oncopeptides undertakes preclinical studies and production of pharmaceutical material. This is done through the design, planning, procuring and project management of the studies and manufacturing, carried out by Oncopeptides' co-workers.

However, production and performance of preclinical studies usually are undertaken via sub-suppliers. For further details, see "Significant agreements" under "*Legal considerations and supplementary information*". Oncopeptides' co-workers thus function as specialised procurers of services from research and development organisations and contract manufacturers.

Oncopeptides intend to retain a relatively small employee workforce throughout the Ygalo development programme. As of December 31, 2016, Oncopeptides had 9 employees.

Overview of Oncopeptides' employee numbers

Year	2016	2015	2014
Number of employees	9	4	3

As the pivotal clinical development programme for Ygalo proceeds, Oncopeptides plans to draw up a strategy to strengthen its capabilities and activities within the field of commercialisation. The Company's CCO, who was recruited in October 2016, is responsible for the establishment of a commercialisation strategy should the Company choose to commercialise Ygalo in-house. Any expansion or recruitment as a consequence of the strategy is expected to be announced during 2018. The Company considers the establishment of the commercialisation strategy to be necessary from a negotiation point of view, as a clear commercialisation strategy is considered a strength in negotiations with potential partners, as well as from a practical perspective, should Oncopeptides choose to commercialise Ygalo under its own auspices.

To strengthen Oncopeptides' research and development of Ygalo, the Company cooperates with leading world experts in multiple myeloma. The Company has established a valuable network of experts and has held six expert meetings and more than ten individual meetings with a total of 15 experts during 2012–2016. Among these, the following can be named in particular:

- **Professor Paul Richardson**, Dana-Farber Cancer Institute, US, leads clinical trials and the clinical operations at Jerome Lipper Multiple Myeloma Center at Dana-Farber Cancer Institute. Was involved also in the development of bortezomib and pomalidomide.
- **Professor Pieter Sonneveld**, Erasmus University, the Netherlands, is head of the hematologic department at Erasmus University and is involved in, inter alia, the scientific council for the International Myeloma Foundation, in the International Myeloma Working Group and International Myeloma Society.

Scientific background

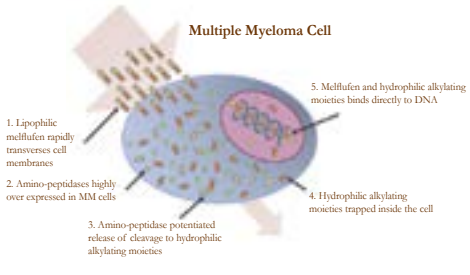
FINAL PHASE 2 STUDY DATA OF MELFLUFE RELAPSED-REFRACTORY

A Palumbo[1], V Magarotto[1], P Sonneveld[2], T Plesner[5], C Paba-Prada[4], P Voorhee
[1]Turin Italy, [2] Erasmus Netherlands, [3]Vejle Denmar

Background

- Melflufen is a peptidase potentiated therapy with an alkylating payload, designed for efficient targeting of tumor cells with a unique mechanism of action
- As a highly potent anti-angiogenic compound, melflufen triggers rapid, robust and irreversible DNA damage and exerts its cytotoxicity through alkylation of DNA
- The lipophilicity of melflufen leads to rapid and extensive distribution into cells where it is readily metabolized by intracellular peptidases (often over-expressed in malignant cells) into hydrophilic alkylating metabolites, leading to a 50-fold enrichment of these metabolites in multiple myeloma (MM) cells

Melflufen - Mechanism of Action



Peptidase potentiated activity in multiple myeloma (MM) cells results in:

- Approx. 50-fold higher intra-cellular exposure in MM cells[1]
- Approx. 50-fold higher anti-MM potency[1,2]
- Alkylation of DNA with limited or no induction of DNA repair[3]
- Highly potent anti-angiogenic activity[1,4]
- Therapeutic index of 20 - 40 (MM cells compared with peripheral blood mononuclear cells)[1]

Aim and Methods

- **Aim:** To study the efficacy and safety of melflufen in combination with dexamethasone (dex) in patients (pts) with RRMM
- **Methods:** Melflufen 40 mg was given in 28-day cycles in combination with 40 mg weekly dex in RRMM pts with ≥2 prior lines of therapy, including lenalidomide and bortezomib, and who progressed on or within 60 days of last therapy
- This poster presents the final Phase 2 data for the 40 mg melflufen + 40 mg weekly dex cohort as of 25 April 2016

Results - Baseline Characteristics (N=40)

- Fourty patients were treated at the melflufen 40 mg + dex dose level, with a median age of 65 years (47-78)
- Median time since diagnosis was 5 years (1-15) with a median of 4 (2-9) prior lines of therapy
- 63% of the patients were double-refractory at baseline to at least one IMiD and one PI, and 55% were refractory to an alkylator
- 65% of the patients had ISS stage II-III prior to study entry and 30% had high risk cytogenetic risk factors by FISH (Table 1)

Table 1. Patient Characteristics

Characteristics	Total N = 40
Median age, years (range)	64.5 (47-78)
≥75 years, n (%)	3 (7.5)
Years since diagnosis, median (range)	5.3 (1-15)*
Number of previous lines of therapy, median (range)	4.0 (2-13)
ISS stage at study entry, n (%)	
I	12 (30)
II or III	26 (65)
Unknown	2 (5.0)
ECOG performance status, n (%)	
0	17 (43)
1	21 (53)
2	0
Not done	2 (5.0)
Cytogenetic risk factor by FISH, n (%)	
High-risk**	12 (30)
del(13)	12 (30)
amp(1q)	11 (28)
Abnormal karyotype (excluding hyperdiploid pts)	14 (35)
Other	6 (15)
Unknown	2 (5)
Double-refractory (IMiD and PI), n (%)	25 (63)
Refractory to an alklylator (melphalan, cyclophosphamide or bendamustine), n (%)	22 (55)

*Missing information on two patients **Defined as del(17), t(4;14) or t(14;16)[5]

Table 2. Disposition (N=40)

	Number of patients	Reported reason for discontinuation	n
Ongoing on treatment	1	--	--
Completed study (≥ 8 cycles of therapy)	7	--	--
Discontinued treatment	32	Adverse Events*	17
		Thrombocytopenia	12
		Neutropenia/Febrile neutropenia	3
		Anemia	2
		Fever	2
		Hypercalcemia	1
		Unrelated infection	1
		Death	2
		Progressive disease	12
		Other	1

*Some patients discontinued due to more than one adverse event and are therefore included in more than one subcategory

Results - Treatment and Disposition

- As of 25 April 2016, 40 patients had received 188 doses of melfl
individual patient was 4 (1-14) and the median duration of treatn
- Of the 40 patients treated, 7 had completed the planned 8 cycles
discontinued from treatment (17 due to AEs, 12 due to PD, 2 de

Results - Efficacy

- Thirty patients were evaluable for response (protocol defined as ≥
- Four patients achieved very good partial response (VGPR) and 8
patients achieved minimal response (MR) for a clinical benefit rat
50% (Figure 1)
- Similar ORR were seen in various subgroups including those witl
ISS stage II or III (35%). It should be noted that ORR was also s
patients (Table 4)
- The median duration of response (DOR) was 7.7 months (95% (
- The median progression-free survival (PFS-50%) was 4.3 months
to 14) based on 37 events in all 40 treated patients. Seventeen pat
at 12 months (Figure 2)
- Ten patients were not evaluable for response due to rapid early p

Table 3. Overall Response Rate (Efficacy evaluable and all treated

	n	VGPR
Evaluable (≥2 doses of melflufen)	30	4
All treated (ITT)	40	4

Figure 1. Swim-lane plot for patients in the ITT population with ≥

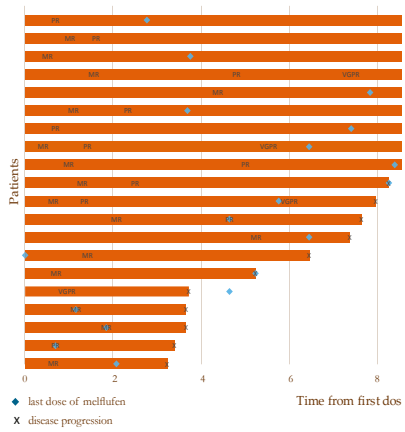
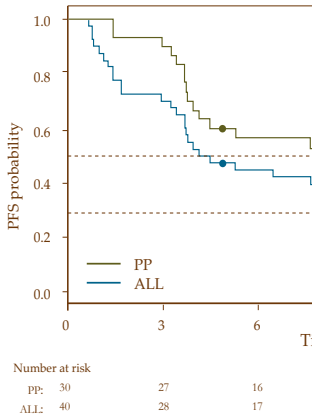


Figure 2. Melflufen PFS in ITT population (N=40) and efficacy evaluable



Clinical data with Ygalo in late-stage RRMM patients. Scientific presentation from the European hematology congress in June, 2016.

N AND DEXAMETHASONE FOR PATIENTS WITH MULTIPLE MYELOMA (RRMM)

s[3], U-H Mellqvist[6], C Byrne[7], J Harmenberg[7], E Nordström[7], H Zubair[7] and PG Richardson[4]

k, [4] DFCI USA, [5]UNC USA, [6]Borås Sweden, [7]Oncopeptides AB

ufen 40 mg + weekly dex. The median number of cycles initiated in an nent was 15 weeks (2-57)

or more of treatment, and one is ongoing. Thirty-two patients aths and 1 for other reasons), see Table 2

2 doses of melflufen with baseline and follow-up response assessments) achieved partial response (PR) for an ORR of 40%. Seven additional te (CBR) of 63%. In the ITT population, the ORR was 30% and CBR

h >3 prior lines of therapy (53%), high-risk cytogenetics (44%) and similar in alkylator-refractory (53%) and double-refractory (33%)

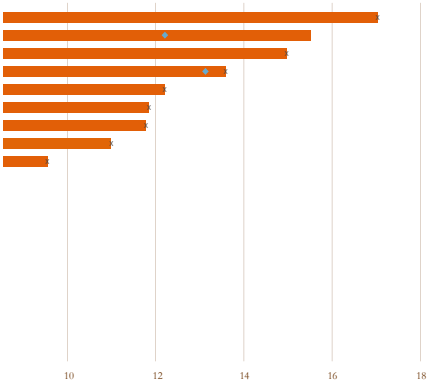
CI: 4.6 to ∞) based on 11 events in 12 responding (≥PR) patients s (95% CI: 3.7 to 8.5), and the PFS-25% was 9.7 months (95% CI: 7.9 tients (43%) were progression-free at 6 months and 5 patients (12.5%)

rogression (4), early termination due to adverse events (4) or death (2)

patients)

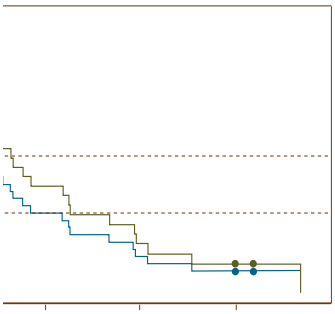
PR	MR	SD	PD	ORR	CBR
8	7	10	1	40%	63%
8	8	11	9	30%	50%

MR (N=20)



e (months)

(PP) population (N=30)



ime (months)

11 5 2

11 5 2

Table 4. ORR and CBR based on different stratification factors in efficacy evaluable patients (N=30)

	n (%)	ORR (≥PR) n (%)	CBR (≥MR) n (%)
Refractory status			
Non refractory	1 (3)	1 (100)	1 (100)
PI	20 (67)	7 (35)	13 (65)
IMiD	25 (83)	9 (36)	15 (60)
Alkylator	15 (50)	8 (53)	11 (73)
Double refractory (PI + IMiD)	18 (60)	6 (33)	11 (61)
Triple refractory (2 PI/IMiD + 1 IMiD/PI)	10 (33)	3 (30)	7 (70)
Pomalidomide refractory	11 (37)	4 (36)	7 (64)
Cytogenetic risk factor by FISH			
High-risk	9 (30)	4 (44)	7 (78)
Standard	19 (63)	7 (37)	10 (53)
Not done	2 (7)	1 (50)	1 (50)
ISS stage at study entry*			
I	12 (40)	5 (42)	7 (58)
II or III	17 (57)	6 (35)	10 (59)
Prior number of therapies			
≤3	13 (43)	3 (23)	6 (46)
>3	17 (57)	9 (53)	12 (70)

*Unknown for one patient

Results - Safety and Tolerability

- All 40 patients experienced treatment emergent adverse events (TEAEs) of any grade.Thirty-seven patients (92%) experienced Grade 3 or 4 TEAEs, 34 patients (85%) experienced treatment-related Grade 3 TEAEs and 20 patients (50%) Grade 4 TEAEs (Table 5)
- Dose-related, reversible and clinically manageable thrombocytopenias and neutropenias were the most frequent related Grade 3/4 adverse events
- Sixteen patients (40%) experienced serious TEAEs (SAE) and and 12 patients (30%) experienced treatment-related SAEs (Table 6)
- Eighteen patients (45%) experienced any TEAE that led to treatment discontinuation

Table 5. Any treatment-related Grade 3 and 4 AE in ≥5% of patients (N=40)

	Treatment related Grade 3 n (%)	Treatment related Grade 4 n (%)
Any treatment-related AE	34 (85)	20 (50)
Blood and lymphatic system disorders	32 (80)	20 (50)
Thrombocytopenia	24 (60)	17 (42)
Neutropenia	21 (53)	12 (30)
Anemia	17 (43)	0
Febrile neutropenia	2 (5)	0
General disorders and administration site conditions	7 (18)	0
Asthenia	2 (5)	0
Fatigue	2 (5)	0
Pyrexia	2 (5)	0
Investigations	5 (13)	0
Neutrophil count decreased	4 (10)	0
White blood cell count decreased	2 (5)	0
Infections and infestations	2 (5)	0
Pneumonia	2 (5)	0

Table 6. Treatment-related SAEs (N=40)

Adverse Event Term	Number of patients (%)
Pneumonia	4 (10)
Febrile Neutropenia	2 (5)
Pyrexia	2 (5)
Diarrhoea	2 (5)
Neutropenia	2 (5)
Escherichia coli sepsis	1 (3)
Myelodysplastic syndrome	1 (3)
Subdural hematoma	1 (3)
Thrombocytopenia	1 (3)

Conclusion

- Melflufen has promising activity in heavily pre-treated RRMM patients where conventional therapies have failed
- The ORR is 40% and CBR is 63% in the efficacy evaluable population. Similar results were seen across patient populations regardless of refractory status
- The effect seems long-lasting with median DOR of 7.7 months and median PFS (PFS-50%) of 4.3 months. Of note, is that 43% were progression-free at 6 months and 12.5% at 12 months, with a PFS-25% of 9.7 months
- The most common related AEs were, as expected, reversible and clinically manageable thrombocytopenia and neutropenia. Non-hematological related AEs were infrequent
- Current data suggests that the activity of melflufen in RRMM is higher or on par with second generation PIs and IMiDs, and novel antibodies without sharing the same resistance mechanisms. This warrants that melflufen should be further evaluated and characterized in refractory myeloma patients

Acknowledgements

The authors would like to thank the patients who volunteered to participate in this study, the staff at the study sites who cared for them, and the CRO involved in data gathering and analyses.

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oncopeptides

Selected financial information

The financial information that is presented in this section has been gathered from the Company's annual report for 2016, which includes the comparative years 2015 and 2014. The annual report for 2016 which has been reported by the board of directors as of January 10, 2017, including information for the comparative years 2015 and 2014, has been audited by the Company's auditor. The financial statements have been prepared in accordance with the IFRS, issued by the International Accounting Standards Board ("IASB") and adopted by the European Union (EU), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). For comments in relation to the information presented below, please refer to section "*Operational and financial overview*". The information below should be read together with the Company's complete financial information for the financial years of 2016, 2015 and 2014, including the notes; please see section "*Historical financial information*".

Consolidated statement of comprehensive income

TSEK	2016	2015	2014
Operating expenses			
Other external expenses	–97,144	–47,683	–27,584
Staff costs	–17,314	–5,659	–5,519
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	–24	–7	–7
Total operating expenses	**–114,482**	**–53,350**	**–33,110**
Operating loss			
Financial income	36	10	16
Financial expense	–0	–1	–0
Net loss before tax	**–114,446**	**–53,341**	**–33,094**
Income tax	–	–	–
Net loss for the year	**–114,446**	**–53,341**	**–33,094**

Consolidated statement of financial position

TSEK	31/12/2016	31/12/2015	31/12/2014
ASSETS			
Non-current assets			
Property, plant and equipment			
Property, plant and equipment	1,100	7	15
Total property, plant and equipment	**1,100**	**7**	**15**
Non-current financial assets			
Investments held as non-current assets	1	1	1
Other non-current receivables	262	162	162
Total non-current financial assets	**263**	**163**	**163**
Total non-current assets	**1,363**	**171**	**178**
Current receivables			
Trade receivables	–	–	47
Other current receivables	2,963	932	804
Prepaid expenses and accrued income	11,056	1,006	128
Cash and cash equivalents	40,251	2,293	11,966
Total current receivables	**54,269**	**4,231**	**12,944**
Total current assets	**54,269**	**4,231**	**12,944**
TOTAL ASSETS	**55,633**	**4,402**	**13,123**
EQUITY AND LIABILITIES			
Equity			
Share capital	2,449	2,046	1,506
Additional paid-in capital	318,738	175,759	133,163
Retained earnings (including net profit/loss for the year)	–294,850	–180,405	–127,064
Total equity	**26,337**	**–2,600**	**7,606**
Liabilities			
Current liabilities			
Provision for social security contributions, employee stock option scheme	10,200	–	–
Trade payables	8,731	5,115	2,568
Other current liabilities	715	186	476
Accrued expenses and deferred income	9,651	1,701	2,473
Total current liabilities	**29,296**	**7,002**	**5,517**
Total liabilities	**29,296**	**7,002**	**5,517**
TOTAL EQUITY AND LIABILITIES	**55,633**	**4,402**	**13,123**

Consolidated statement of cash flows

TSEK	2016	2015	2014
Operating activities			
Loss before net financial income/expense	–114,482	–53,350	–33,110
Adjustment for non-cash items			
– depreciation and amortisation	24	7	7
– value of employees' service	81	–	–
– provision for social security contributions, employee options	10,200	–	–
Interest received	1	10	16
Interest paid	0	– 1	0
Cash flow from operating activities before change in working capital	**–104,177**	**–53,334**	**–33,087**
Change in working capital			
Increase/decrease in operating receivables	–12,107	– 959	– 447
Increase/decrease in trade payables	3,616	2,547	1,063
Increase/decrease in other current operating liabilities	8,406	–1,062	1,032
Total change in working capital	**– 85**	**525**	**1,648**
Cash flow from operating activities	**–104,262**	**–52,808**	**–31,439**
Investing activities			
Investments in property, plant and equipment	–1,117	–	–
Cash flow from investing activities	**–1,117**	**–**	**–**
Cash flow from financing activities			
Issue of new shares	–	43,136	35,589
Mandatorily convertible loans	143,302	–	–
Cash flow from financing activities	**143,302**	**43,136**	**35,589**
Cash flow for the period			
Cash and cash equivalents at beginning of period	2,293	11,966	7,815
Change in cash and cash equivalents	37,923	–9,673	4,151
Foreign exchange difference in cash and cash equivalents	35	–	–
Cash and cash equivalents at end of year	**40,251**	**2,293**	**11,966**

Key performance indicators of the Group

Key performance indicators from accounts

TSEK	2016	2015	2014
Total registered shares at beginning of period	20,460	15,064	10,612
Total registered shares at end of period	22,041,900	20,460	15,064
Number of shares that the outstanding employee options entitle to[1)]	1,733,400	1,359,000	997,200
Share capital at end of period, TSEK	2,449	2,046	1,506
Equity at end of period, TSEK	26,337	–2,600	7,606
Earnings per share, SEK	–4.88	–3.98	–3.54
EBIT, TSEK	–114,482	–53,350	–33,110
Expenses relating to research and development, TSEK	–89,590	–44,973	–28,071
Expenses relating to research and development/operating expenses, %	78%	84%	85%

1) For further information, see section "*Share capital and ownership structure*" under "*Share-related incentive programmes*".

Alternative key performance indicators

The table above contains a certain alternative financial key performance indicator that is not defined in IFRS. This financial key performance indicator should not be considered in isolation or as an alternative to key performance indicators that have been prepared in accordance with IFRS. Moreover, such key performance indicator, as the Company has defined it, should not be compared to other key performance indicators with similar names used by other companies. This is because the aforementioned key performance indicators are not always defined in the same way, and other companies may calculate it in a different way than the Company does.

Oncopeptides is using an alternative financial key performance indicator which lies outside the scope of IFRS. Purpose and definition is explained below.

Alternative key performance indicator	Definition	Purpose
Expenses relating to research and development/operating expenses, %	The Group's total external and internal expenses relating to research and development divided by the Group's total operating expenses	The key performance indicator helps the users of the financial statements to get a quick idea on the portion of the company's expenses that are attributable to the Company's core business

Definitions

Earnings per share before/after dilution
Earnings for the period added by interest paid on preference shares during the period divided by the average number of shares.

EBIT
All operating revenues less all operating expenses for the period.

Reconciliation tables

The following table shows the reconciliation of Earnings per share prior to and after dilution.

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

TSEK	2016	2015	2014
Loss after tax	–114,446	–53,341	–33,094
Adjustment for cumulative right to dividends on preference shares	–10,972	–8,629	–5,272
Adjusted loss	**–125,418**	**–61,970**	**–38,366**
Average number of ordinary and preference shares*	19,321	15,581	10,851
Adjustment for additional shares on mandatory conversion of bridge loan	6,367	–	–
Average number of shares	**25,688**	**15,581**	**10,851**
Earnings per share (SEK)	–4.88	–3.98	–3.54

* 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 shares of the company.

The following table shows the reconciliation of Expenses relating to research and development ("R&D") and Expenses relating to research and development/operating expenses, %.

	2016	2015	2014
Staff costs attributable to R&D, TSEK	–5,575	–2,752	–2,523
External costs R&D, TSEK	–84,015	–42,221	–25,548
R&D costs, TSEK	**–89,590**	**–44,973**	**–28,071**
Total operating expenses of the Group, TSEK	–114,482	–53,350	–33,110
R&D expenses/operating expenses, %	78%	84%	85%

Operational and financial overview

The information presented below should be read together with sections "Selected historical financial information" and "Historical financial information". The information below contains forward-looking statements which are subject to various risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements for a variety of factors, including but not limited to, those described in the section entitled "Important Information – Forward-looking Information" on the inside of the Offering Circular and under "Risk Factors".

Overview

Oncopeptides is a research and development stage pharmaceutical company developing drugs for the treatment of cancer and blood-based cancer diseases in particular. The Company's technology is based on the development of new pharmaceuticals through the improvement of formerly known and documented active substances. At the time of the Offering Circular, Oncopeptides' product Ygalo is about to be evaluated in a clinical phase III study. The Company's revenue is expected to consist of proceeds from sales and/or milestone payments, and royalties on sales made by partnering companies.

Factors affecting the operating profit/loss

The financial result for Oncopeptides has been, and will most likely continue to be, affected by a number of factors of which some lie outside of the Company's control, both currently and in the future. In this section, key factors which Oncopeptides view as having had effect on the Company's operating profits and financial results are included, for the period that is included in the financial information in the Offering Circular and factors which may come to affect the Company in the future. The factors that Oncopeptides assess as having had the greatest effect on the Company's profit/loss are listed below.

- Research and development
- Regulatory preconditions
- "Go-to-market" strategy
- Intellectual property rights
- Exposure to currency risks

Research and development

Oncopeptides develops new pharmaceuticals which address medical needs in patients suffering from cancer, mainly the rare cancer disease RRMM. The Company's ability to successfully develop new products will be of great significance for the Company's long-term profits and ability to generate shareholder returns.

At the time of the Offering Circular, Oncopeptides' drug candidate Ygalo is about to enter a phase III study following strong results in a completed phase II study in late-stage RRMM patients. The continued development of Ygalo is subject to a number of risks including, but not limited to, delays in development, budget overspends and unsatisfactory results from clinical studies. The development of Ygalo has historically been financed with capital from new share issues. For further information, please refer to the section "*Risk factors*".

The Company's expenses for research and development are assignable to the planned expenses for the clinical programme, including, inter alia, costs for development, manufacturing and payroll expenses. The costs for research and development corresponded to 84 and 78 percent of the operating expenses for the years 2015 and 2016 respectively.

The total expenditure for the completion of the Ygalo development programme depends on a number of factors including, but not limited to, the Company's ability to take the development programme forward according to plan and to obtain necessary approvals from relevant pharmaceutical regulatory authorities. The estimated expenses for the development programme may be unevenly distributed over the term of the development programme, and expenses may come to exceed the estimated expenses. It is not unusual that programmes for development of pharmaceuticals are affected by delays and that budgets are exceeded, and the risk should therefore be construed as being high.

Regulatory preconditions

Oncopeptides is active in the pharmaceutical industry, which is highly affected by laws and other rules and regulations. The legal framework entails high demands as regards e.g. clinical studies, regulatory authorisations, marketing authorisations, manufacturing, marketing, distribution, packaging, labelling, safety, efficacy and quality. Should the Company fail to meet the legal and regulatory obligations, it could have a material adverse effect on the Company's potential revenue and profits. Typically, changes are associated with regulatory practice and stricter rules and regulations.

"Go-to-market" strategy

The Company is planning to strengthen its operations by recruiting people within the field of commercialisation. The Company's CCO, who was recruited in October 2016, is responsible for the development of a commercialisation strategy for Ygalo. Potential recruitments following the strategy will be announced in 2018. The Company considers the development of the commercialisation strategy as an essential step in the run towards commercialisation of Ygalo. However, the development of a commercialisation strategy is also considered relevant from a negotiation point of view as a clear strategy provides leverage in negotiations with potential cooperating partners.

Intellectual property rights

Oncopeptides operations are dependent on the Company's ability to protect their products and innovations. It is therefore critical that the Company succeeds in maintaining patents and other intellectual property rights that the Company holds and may come to hold in the future. Ygalo has been granted patent protection in the US, EU and other of the larger geographical markets. In addition, the Company also holds an orphan Drug Designation for Ygalo in the US and the EU for treatment of multiple myeloma. Should the prerequisites for the orphan drug designation not be fulfilled at the time of marketing authorisation, Oncopeptides will not be granted the associated market exclusivity for seven and ten years respectively in the US and the EU beyond the regular patent exclusivity. Further, there is a risk that the prerequisites for the orphan drug designation are not fulfilled during the term of the additional exclusivity, and that the term is therefore shortened (down to six years in the EU). For further information regarding the intellectual property rights of the Company, please refer to the section "*Description of the business – Patents*".

The Company's ability to maintain an effective protection of their products and methods is essential for the Company's long-term success. Should the Company not succeed in the maintenance of an effective protection of Ygalo, it could have material adverse effect on Oncopeptides' ability to generate revenue and shareholder returns. The Company is exposed to claims related to infringements in the intellectual property rights of third parties which could have adverse effects on the Company's financial position and earning power. For further information, please see the section "*Risk factors*".

Exposure to currency risks

As a consequence of Oncopeptides' operations abroad, the Company is exposed to risks related to currency fluctuations predominantly between USD and SEK and EUR and SEK which could affect the Company's financial position and profits negatively. The development costs for Ygalo are paid mainly in USD and EUR. A weakened SEK compared to these currencies could have a negative effect on the Company's profits for a certain period. In accordance with the Company's policy for financial risk, the Company will exchange at least 70 percent to currency in accordance with the Company's financial plan. Upon future commercialisation of Ygalo, revenues will likely be generated in USD and EUR. For further information, see section "*Risk factors*".

Income statement items

Other external expenses

The other external expenses in the Company are mainly composed of project expenses which in substance are assignable to the development of Ygalo, including e.g. production of drug candidates for, and the performance of, preclinical and clinical studies. All expenses for research and development are expensed when they arise.

Employee expenses

The employee expenses are mainly composed of salaries and other remunerations, as well as social security payments and pension expenses.

Comparison between the periods January – December 2016 and January – December 2015

Other external expenses

Other external expenses amounted to SEK –97,144 thousand in 2016, compared to SEK –47,683 thousand in 2015. The difference is mainly attributable to increased costs connected to the preparations for the phase III programme OCEAN and the recently initiated phase II study HORIZON.

Employee expenses

Employee expenses amounted to SEK –17,314 thousand in 2016, compared to SEK –5,659 thousand in 2015. The increase is mainly explained by social costs calculated on the company group's employee option programmes and amounts to SEK –10,200 thousand.

Net financial items

The net of financial income and expenses amounted to SEK 36 thousand in 2016, compared to SEK 9 thousand in 2015.

Profits for the period

The profits for the period amounted to SEK –114,446 thousand in 2016, compared to SEK –53,341 thousand in 2015. The difference is mainly attributable to increased costs related to the preparations for the phase III programme OCEAN and the recently initiated phase II study HORIZON.

Cash flow

The cash flow from the operating activities prior to changes in working capital amounted to SEK –104,177 thousand in 2016, compared to SEK –53,334 thousand in 2015. The difference is mainly attributable to expenses for the expansion of the clinical programme.

The change in the working capital amounted to SEK –85 thousand in 2016, compared to SEK 525 thousand in 2015.

The cash flow from the investment operations amounted to SEK –1,117 thousand in 2016, compared to SEK 0 in 2015. This constitutes an investment in equipment which will be used for the production of Ygalo.

The cash flow from the financing operations amounted to SEK 143,302 thousand in 2016, compared to SEK 43,136 thousand in 2015. The financing has been constituted by the issue of three series of loans with mandatory conversion.

Financial position

The equity amounted to SEK 26,337 thousand at the end of 2016, compared to SEK –2,600 thousand at the end of 2015.

The balance sheet total amounted to SEK 55,633 thousand at the end of 2016, compared to SEK 4,402 thousand at the end of 2015.

Cash equivalents amounted to SEK 40,251 thousand at the end of 2016, compared to SEK 2,293 thousand at the end of 2015.

Comparison between the periods January – December 2015 and January – December 2014

Other external expenses

Other external expenses amounted to SEK –47,683 thousand in 2015, compared to SEK –27,584 thousand in 2014. The difference is attributable to increased clinical activity and other expenses attributable to the development of Ygalo.

Employee expenses

Employee expenses amounted to SEK –5,659 thousand in 2015, compared to SEK –5,519 thousand in 2014.

Net financial items

The net of financial income and expenses amounted to SEK 9 thousand in 2015, compared to SEK 16 thousand in 2014.

Profits for the period

The profits for the period amounted to SEK –53,341 thousand in 2015, compared to SEK –33,094 thousand in 2014. The difference is attributable to increased clinical activity and other expenses attributable to the development of Ygalo.

Cash flow

The cash flow from the operating activities prior to changes in working capital amounted to SEK –53,334 thousand in 2015, compared to SEK –33,087 thousand in 2014. The difference is attributable to increased clinical activity and expenses attributable to the development of Ygalo.

The change in the working capital amounted to SEK 525 thousand in 2015, compared to SEK 1,648 thousand in 2014. The difference is attributable to an increase in accounts payable and a decrease in current operating liabilities.

The cash flow from the financing operations amounted to SEK 43,136 thousand in 2015, compared to SEK 35,589 thousand in 2014. The financing operations in 2015 and 2014 have consisted exclusively of new share issues.

Financial position

The equity amounted to SEK –2 600 thousand at the end of 2015, compared to SEK 7 606 thousand at the end of 2014.

The balance sheet total amounted to SEK 4,402 thousand at the end of 2015, compared to SEK 13,123 thousand at the end of 2014.

Cash equivalents amounted to SEK 2,293 thousand at the end of 2015, compared to SEK 11,966 thousand at the end of 2014.

Capital structure and other financial information

The tables in this section show Oncopeptides' capitalisation and indebtedness at Group level as of December 31, 2016. See section "Share capital and ownership structure" for additional information on Oncopeptides' share capital and shares. The tables in this section should be read together with sections "Operational and financial overview" and "Historical financial information".

Capitalisation

TSEK	31 December 2016
Current liabilities:	
With guarantee	–
With collateral	–
Without guarantee or collateral	29,296
Total current liabilities	**29,296**
Non-current liabilities:	
With guarantee	–
With collateral	–
Without guarantee or collateral	–
Total non-current liabilities	**–**
Total debt	**29,296**
Equity	
Share capital	2,449
Additional paid-in capital	318,738
Retained earnings (including net profit/loss for the year)	–294,850
Total equity	**26,337**
Total capitalisation	**26,337**

Net debt

TSEK		31 December 2016
(A)	Cash and bank balances	40,251
(B)	Cash equivalents	–
(C)	Trading securities	–
(D)	**Total liquidity (A)+(B)+(C)**	**40,251**
(E)	**Current financial receivables**	**14,018**
(F)	Current bank debt	–
(G)	Current portion of non-current debt	–
(H)	Other current financial debt (non interest-bearing)	29,296
(I)	**Total current financial debt (F)+(G)+(H)**	**29,296**
(J)	**Net current financial indebtedness (I)–(E)–(D)**	**–24,973**
(K)	Non-current bank loans	–
(L)	Bonds issued	–
(M)	Other non-current financial debt	–
(N)	**Non-current financial indebtedness (K)+(L)+(M)**	**–**
(O)	**Net financial indebtedness (J)+(N)**	**–24,973**

Borrowing need and financing structure

The Company's operations are funded through ownership deposits (which will be settled through set off for shares in connection to the listing of the Company's shares) and are intended to be further financed through the Offering. In light of the aforesaid, the business has no current need for borrowing.

The Company has taken up a bridge loan, primarily from the Main Shareholders. For more information, please refer to "Transactions with closely-related parties" and the subsection "*Bridge loan agreements*" under the section "*Legal considerations and supplementary information*".

Notes in the audit report

In the annual report for 2015 the Company's auditor has, in connection with the auditor's recommendation that the annual general meeting treats the loss-of-profit in accordance with the proposal in the Administration Report and discharge the board and the CEO from liability, provided a disclosure of particular importance as follows:

"The company's equity is less than fifty percent of its registered share capital, which is the reason the stipulations found in Chapter 25, Section 13 of the Swedish Companies Act are to be considered. In the section "Earnings and financial position" (Sw. *"Resultat och ställning"*) in the Administration Report, it is stated that the board of directors has not prepared a balance sheet for liquidation purposes (Sw. *kontrollbalansräkning*) as the board has made the assessment that there are, clearly, excess values in the company which more than cover the capital deficit."

In the annual report for 2016 the Company's auditor has, in connection with the auditor's recommendation that the annual general meeting treats the loss-of-profit in accordance with the proposal in the Administration Report and discharge the board and the CEO from liability, provided a disclosure of particular importance as follows:

"Without impacting our opinion, we wish to bring attention to the Administration Report and the heading regarding financing. Here it can be seen that the company is in need of further liquidity to meet its long and short-term financing requirements. In order to address this

liquidity requirement to ensure the company's continued going concern status, the company is planning to execute a large new share issue. Should this share issue not be undertaken according to plan, the company's major shareholder has made an offer to finance the company's current phase II study. In order to secure the company's going concern status, it is of major importance that the financing of the operations be secured through one of these alternatives."

Working capital statement

Oncopeptides considers its current working capital to be insufficient to meet the Company's need over the next twelve months. Oncopeptides' need for working capital over the next twelve months is mainly assignable to the development of Ygalo.

The Company estimates the working capital need to approximately SEK 320 million for the upcoming twelve-month period and that the current working capital will last until around end of March/beginning of April, 2017. For ethical reasons, initiated clinical studies must however be carried through up until clinical results are achieved, which means that the shortest possible financing period that is relevant to the Company is far longer than twelve months. The completion of the phase III study OCEAN is required in order for the Company to be granted marketing authorisation for Ygalo and the phase II study HORIZON has already been initiated, which means that the Offering is conditional upon that HORIZON and OCEAN can be carried through up until clinical results are achieved, which is estimated to be available around mid-year 2019.

The Company intends to finance its deficit of working capital with the funds raised in the new share issue which will be carried out simultaneously with the listing on Nasdaq Stockholm. If the Offering is fully subscribed, the total proceeds of the issue will amount to SEK 650 million before issue expenses. The Company intends to use the proceeds in the following activities included in the Company's strategy:

- OCEAN (phase III study)
- HORIZON (clinical phase II study)
- ANCHOR (clinical phase I/II study)
- Contract manufacturing of Ygalo
- General and administrative activities including the development of a commercialisation strategy

The proceeds from the Offering, together with cash equivalents at hand, are estimated to be sufficient to develop Ygalo up until the point when the results from the ongoing and planned studies have shown clinical results, subject to the Offering being fully subscribed. Oncopeptides is expected then to require further funds in addition to the proceeds from the Offering to finance the establishment of a commercialisation organisation and possibly an expansion of indications for Ygalo.

In light of the Company's need for working capital, the Company's board of directors and Main Shareholders have decided to condition the Offering upon it generating proceeds of a minimum of SEK 550 million before issue expenses. This level is considered necessary to secure the Company's working capital for the coming twelve months as well as to provide the Company with capital sufficient to complete the HORIZON study and to complete the OCEAN study up until clinical results are achieved. In the event that the required subscription rate is not achieved, the Offering will be withdrawn and the subsequent listing on Nasdaq Stockholm will not take place. The Company will then seek alternative sources of funding, and if necessary to ensure the Company's financial position, reduce the costs related to the development of Ygalo.

Historical investments

TSEK	2016	2015	2014
Tangible fixed assets	1,100	7	15
Financial fixed assets	263	163	163
Total	**1,363**	**171**	**178**

Ongoing and planned investments

At the time of the Offering, the Company does not have any larger ongoing investments and has not made any clear commitments to any larger future investments in tangible or intangible assets.

Events of significance after December 31, 2016

At the board meeting held on January 27, 2017 it was resolved to, based on the authorisation provided by the extraordinary general meeting held on October 26, 2016, to issue 266,688 warrants to the Subsidiary in order to cover social security payments in connection with the utilisation of outstanding options within the Company's share-related incentive programmes. The issued warrants entitle to subscription of 266,688 ordinary shares in the Company.

Share capital and ownership structure

Share information

Oncopeptides was founded in 2000 in accordance with Swedish law. The Company's ordinary and preference shares are denominated in SEK and have been issued in accordance with Swedish law. The Company's articles of association stipulate that the share capital shall be no less than SEK 2,400,000 and no more than SEK 9,600,000, and that the number of shares shall be no less than 22,000,000 and no more than 88,000,000. The registered share capital of the Company as of the date of this Offering Circular is SEK 2,449,100 divided between 22,041,900 shares, each with a quota value of approximately SEK 0.11. Oncopeptides shares are, as of the date of the Offering Circular, issued in six series, out of which 3,275,100 are ordinary shares, 7,090,200 are preference shares of series A, 2,813,400 are preference shares of series A1, 1,193,400 are preference shares of series A2, 2,813,400 are preference shares of series A3 and 4,856,400 are preference shares of series A4.

The preference shares will, in accordance with previous requests from all holders of preference shares and after the board's decision thereon, be converted to ordinary shares immediately prior to the Listing pursuant to a conversion clause in the Company's articles of association, whereby there will only be one existing share class in the Company at the time of listing of the Company's shares.

In connection with the Offering, outstanding bridge loans amounting to SEK 114.6 million including accrued interest will be converted into 2,655,781 shares in the Company.

Upon full subscription in the new share issue in the Offering and assuming that the Over-allotment Option is not exercised, the number of shares in Oncopeptides will increase by 14,130,434 shares due to the Offering.

Assuming full subscription in the Offering and that the Over-allotment Option is not exercised, the number of shares in Oncopeptides that will be issued upon conversion of current bridge loans will correspond to 6.8 percent of the shares in the Company after the Offering, and the shares that will be issued in the Offering will correspond to 36.4 percent of the shares in the Company after the Offering.

Oncopeptides has three ongoing share-related incentive programmes which are presented under the headline "*Share-related incentive programmes*" in this section.

Shares in the Offering are not subject to any offer made to mandatory bid, redemption rights or redemption obligation. There have been no public takeover bids for the Company's shares.

Central securities depository

The Company's articles of association contain a so called CSD provision for electronic registration and the Company's shares are connected to the electronic securities system with Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, as central securities depository. The shares are registered in the name of the shareholder. No share certificates have been issued for the shares or will be issued for the new shares. The ISIN code for Oncopeptides' shares is SE0009414576.

Specific rights linked to the shares

Right to participate at general meetings

To participate in the general meeting, shareholders must be registered in the Company's share register five business days prior to the meeting and also register their participation to the Company no later than the date specified in the notice.

Voting rights at general meetings

Each share entitles the holder to one vote at general meetings and every shareholder is entitled to vote with the full number of shares owned and represented by him or her.

Preferential rights in connection with new share issues etc.

If the Company decides to issue new shares, warrants or convertible bonds by means of a cash issue or offset issue, the shareholders will, as a general rule, have preferential subscription rights in proportion to the number of shares they already own. In accordance with the provisions of the Swedish Companies Act, it is possible to deviate from shareholders' preferential rights.

Right to dividends and surplus upon liquidation

As stated in the Company's articles of association, the preference shares have, in the event such shares are issued, a right to receive certain dividends prior to dividends being paid on ordinary shares. The preference shares have a corresponding right to any surplus in the event of liquidation. The preference shares will be converted to ordinary shares in accordance with a conversion clause in the articles of association, whereby there will only be one existing share class at the time of listing of the Company's shares.

In connection with the extraordinary general meeting held on December 7, 2016 it was resolved to adopt new articles of association, according to which all clauses regarding preference shares have been omitted. However, registration of the new articles of association is conditioned upon the listing of the Company's shares on Nasdaq Stockholm being granted.

All the ordinary shares provide equal rights to the Company's assets, profits and to any surplus in the event of liquidation and to participation in new issues of shares or other securities. Changes of the rights connected to shares issued by the Company can only be executed in accordance with the procedure laid down by the Swedish Companies Act.

Decisions to pay dividends are made by the general meeting and payment is arranged by Euroclear Sweden AB. Dividends may, under the Swedish Companies Act, only be paid with such an amount that there is full coverage for the Company's restricted equity after the dividend, and only if the dividend is justifiable in view of (i) the requirements which the nature, scope and risks impose on the equity and (ii) the Company's consolidation requirements, liquidity and financial position in general. As a general rule, the shareholders may not decide on dividends exceeding what the board of directors has proposed or approved.

The right to receive dividend payment belongs to the person who is registered as a holder of shares in the share register kept by Euroclear Sweden AB on the dividend record day as determined by the general meeting. If a shareholder cannot be reached through Euroclear Sweden AB, the shareholder's claim on the Company for the dividend amount will remain in force and will only be limited in time by a ten-year statute of limitations. In the event of statutory limitation, the dividend amount will revert to the Company. Neither the Swedish Companies Act nor the articles of association contain any restrictions on the right to receive dividends for shareholders outside Sweden. In addition to any limitations imposed by bank or clearing systems in the relevant jurisdictions, payment to such shareholders shall be made in the same manner as for shareholders resident in Sweden. However, shareholders who have limited tax liability in Sweden will normally be subject to withholding tax; see section "*Specific tax considerations in Sweden*".

Share capital development

As of September 5, 2000, the Company's share capital amounted to SEK 100,000 divided between 1,000 shares, each with a quota value of SEK 100. Thereafter, the share capital has changed according to the table below:

Year	Transaction	Increase in the share capital	Increase in the number of shares	Share capital total	Number of shares	Quota value
	Formation	100,000	1,000	100,000	1,000	100
2004	New share issue	60,000	600	160,000	1,600	100
2004	Exchange of convertibles	3,300	33	163,300	1,633	100
2005	New share issue	40,000	400	203,300	2,033	100
2006	New share issue	33,400	334	236,700	2,367	100
2007	New share issue	16,400	164	253,100	2,531	100
2007	New share issue	35,600	356	288,700	2,887	100
2009	New share issue	46,800	468	335,500	3,355	100
2012	New share issue	28,400	284	363,900	3,639	100
2013	New share issue	384,700	3,847	748,600	7,486	100
2013	New share issue	312,600	3,126	1,061,200	10,612	100
2014	New share issue	132,600	1,326	1,193,800	11,938	100
2014	New share issue	312,600	3,126	1,506,400	15,064	100
2015	New share issue	539,600	5,396	2,046,000	20,460	100
2016	New share issue	403,100	4,031	2,449,100	24,491	100
2016	Share split	0	22,017,409	2,449,100	22,041,900	~ 0.11
2017	*Conversion of bridge loan in connection with the Offering*[1)]	*~ 295,086.48*	*2,655,781*	*~ 2,744,186.48*	*24,697,681*	*~ 0.11*
2017	*New share issue in the Offering*[2)]	*~ 1,570,046.65*	*14,130,434*	*~ 4,314,233.13*	*38,828,115*	*~ 0.11*

1) For more information, refer to "Transactions with closely-related parties" and the subsection "*Bridge loan agreements*" under "*Legal considerations and supplementary information*".
2) The calculation of the number of new shares in the Offering is based on full subscription. The board of directors will, by use of the authorisation given at the extraordinary general meeting in the Company held on October 26, 2016, decide on a new share issue of 14,130,434 shares in connection with the Offering according to this Offering Circular. The change of the share capital has been stated in as if all these shares will be issued and the Over-allotment Option is not utilised. The shares will, for reasons related to the issue procedure, be subscribed for by the Joint Global Coordinators on behalf of those entitled to subscribe for shares in accordance with the Offering Circular. The shares in the Offering will thus be issued at an issue price of approximately SEK 0.11 per share whereby the Joint Global Coordinators will, on behalf of those entitled to subscribe for shares, provide a capital contribution to the Company of an amount corresponding to the difference between the Offering Price and the issue price of approximately SEK 0.11 per share.

Ownership structure

As of January 31, 2017 there were 13 shareholders in Oncopeptides. In the table below, shareholders with holdings of more than one percent are presented. The ownership structure as of January 31, 2017 is shown in column 1 and columns 2 and 3 respectively show the ownership structure immediately after completion of the Offering, in terms of whether the Over-allotment Option is exercised or not.

	Ownership as of January 31, 2017		Ownership after the Offering if the Overallotment option is not exercised		Ownership after the Offering if the Over-allotment Option is exercised in full	
Shareholder	Number of shares	Percentage of shares and voting rights	Number of shares	Percentage of shares and voting rights	Number of shares	Percentage of shares and voting rights
Stiftelsen Industrifonden	10,296,000	46.71%	11,620,805	29.93%	11,620,805	28.38%
HealthCap VI L.P.	10,296,000	46.71%	11,620,387	29.93%	11,620,387	28.38%
Alan Hulme	278,100	1.26%	298,252	0.77%	298,252	0.73%

Application for listing

Oncopeptides' board of directors has applied for listing of the Company's shares on Nasdaq Stockholm.

Shareholders' agreement

On the date of this Offering Circular, there is a shareholder agreement between Rolf Lewensohn, Rolf Larsson, Peter Nygren, Joachim Gullbo, Kristina Luthman, Hans Ehrsson, Stiftelsen Industrifonden, HealthCap VI L.P., Jakob Lindberg, Alan Hulme, Proposal AB, Lindberg Life-Science AB and the Company. However, the shareholders' agreement will cease in connection with the listing of the Company's shares on Nasdaq Stockholm.

Lock-up arrangements

Through the Placing Agreement the Main Shareholders, the shareholding board members, the Company's senior management and certain remaining shareholders will undertake, under certain conditions, not to sell their respective shareholdings for a certain period of time after the trade on Nasdaq Stockholm has commenced (the "Lock-up period"). Lock-up does not include shares that are acquired in, or in connection with, the Offering and consequently Linc AB, LMK Venture Partners AB and LMK Forward AB, who will acquire shares in the Company in connection with the Offering through the conversion of a bridge loan, are not subject to any lock-up undertakings. The Lock-up period for the Main Shareholders, shareholding board members and the Company's senior management will be 365 days. Lock-up for shareholding board members and the Company's senior management also includes shares that may come to be acquired through the utilisation of employee options. For the remaining shareholders[1)] in the Company, the Lock-up period will be 180 days and encompass 50 percent of each respective shareholding.

After the end of each Lock-up period the shares may come to be offered for sale, which could affect the market price of the share. The Joint Bookrunners may come to grant exemptions from the relevant commitments. In the Placing Agreement, the Company will, among other things, undertake towards the Joint Bookrunners, with certain exceptions, for a period of 365 days from the first day of trading in the Company's shares on Nasdaq Stockholm, not to decide, or propose that the general meeting decides, to increase the share capital through an issue of shares or other financial instruments, without the written consent from the Joint Bookrunners.

Dividend policy

Oncopeptides will continue to focus on further developing and expanding the Company's project portfolio. Available financial resources and the reported results shall therefore be reinvested in the business to finance the Company's long-term strategy. The board's intention is not to propose a dividend to shareholders before the Company is able to generate long-term sustainable profitability. Any future dividends and the size thereof will be determined on the basis of the Company's long-term growth, earnings trend and capital requirements, taking into account the current objectives and strategies adopted. Dividends shall, in so far as dividends are proposed, be well-balanced with respect to the Company's targets, scope and risk.

1) Refers to shareholders other than the Main Shareholders, shareholding board members and the Company's senior management, Linc AB, LMK Venture Partners AB and LMK Forward AB.

Share-related incentive programmes

Oncopeptides has three ongoing share-related incentive programmes which are presented below. Closely-related parties of the Company are participants in the mentioned incentive programmes. For a description of the transactions with closely-related parties and for information on possible tax effects for the Company upon utilisation of the options, see section "*Legal considerations and supplementary information*".

Founder Option Programme

At the annual general meeting held on June 20, 2013 it was resolved to establish an option programme, "Founder Option Programme". In total, 114 options have been assigned free of charge to participants in the programme without consideration being paid. Assigned options are vested immediately. Each founder option entitles the holder to acquire 900 new ordinary share in the Company at an exercise price of approximately SEK 8.88 (after recalculation in pursuance of the share split 1:900 decided upon at the extraordinary general meeting held on October 26, 2016). The option may be utilised at the earliest in connection with a trade sale of the Company or its assets, or in connection with the finalisation of a listing of the Company's shares on Nasdaq Stockholm or another stock exchange of similar standing, but no later than November 2, 2019. The options are subject to customary recalculation conditions in connection with share issues etc. The delivery of shares in connection to utilisation of the options is secured through an issue of warrants to the Company's subsidiary, to be utilised on behalf of the option holders by the subsidiary upon utilisation of the founder options.

Should all the assigned founder options be exercised, the Company's share capital will increase by SEK 11,400 through the issue of 102,600 ordinary shares (after recalculation in pursuance of the share split 1:900 decided upon at the extraordinary general meeting held on October 26, 2016), corresponding to a dilution of 0.25 percent based on the number of shares in the Company after the Offering[1)].

Employee option programme 2012/2019

At the annual general meeting held on June 20, 2013 it was resolved to establish an employee option programme, "Employee Option Programme series 2012/2019". In total, 1,505 employee options have been assigned free of charge to participants in the programme. Granted employee options are vested gradually over a four year period. Continued vesting requires that the holder is employed by the Company and that the employment is not terminated as of the day of vesting of each employee option. In the event the participant ceases to be an employee or terminates his employment with the Company prior to a vested date, employee options already vested can be exercised at 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 at an exercise price of approximately SEK 0.11 (after recalculation in pursuance of the share split 1:900 decided upon at the extraordinary general meeting held on October 26, 2016).

Vested employee options may be utilised at the earliest in connection with a trade sale of the Company or its assets, or in connection with a listing of the Company's shares on Nasdaq Stockholm or another stock exchange of similar standing, but no later than November 2, 2019. The options are subject to customary recalculation conditions in connection with share issues etc. The delivery of shares in connection to utilisation of the options is secured through an issue of warrants to the Company's subsidiary, to be utilised on behalf of the option holders by the subsidiary upon utilisation of the employee options.

Should all the assigned employee options be exercised, the Company's share capital will increase by SEK 150,500 through the issue of 1,354,500 ordinary shares (after recalculation in pursuance of the share split 1:900 decided upon at the extraordinary general meeting held on October 26, 2016), corresponding to a dilution of 3.29 percent based on the number of shares in the Company after the Offering[1)].

Employee option programme 2016/2023

At the board meeting held on November 22, 2016 it was resolved to establish an employee option programme, "Employee Option Programme series 2016/2023". In total, 307 employee options have been assigned free of charge to participants in the programme. Granted employee options are vested gradually over a four year period. Continued vesting requires that the holder is employed by the Company and that the employment is not terminated as of the day of vesting of each employee option. In the event the participant ceases to be an employee or terminates his employment with the Company prior to a vested date, employee options already vested can be

1) The calculation of the number of shares in the Company after the Offering is based on the assumption that the Offering is fully subscribed, that the Over-allotment Option is not utilised and that all outstanding options and warrants are utilised.

exercised at 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 at an exercise price of approximately SEK 0.11 (after recalculation in pursuance of the share split 1:900 decided upon at the extraordinary general meeting held on October 26, 2016).

Vested employee options may be utilised at the earliest after a trade sale of the Company or its assets, or after a listing of the Company's shares on Nasdaq Stockholm or another stock exchange of similar standing, but no later than November 30, 2023. The options are subject to customary recalculation conditions in connection with share issues etc. The delivery of shares in connection to utilisation of the options is secured through an issue of warrants to the Company's subsidiary, to be utilised on behalf of the option holders by the subsidiary upon utilisation of the employee options.

Should all the assigned employee options in Employee Option Programme 2016/2023 be exercised, the Company's share capital will increase by SEK 30,700 through the issue of 276,300 ordinary shares (after recalculation in pursuance of the share split 1:900 decided upon at the extraordinary general meeting held on October 26, 2016), corresponding to a dilution of 0.67 percent based on the number of shares in the Company after the Offering.[1)]

Tax effects relating to incentive programmes

The Company has issued 268,934 warrants to the Subsidiary to secure the delivery of shares to participants in the Company's incentive programmes and to cover estimated social security payments upon utilisation of the employee options, which entitle to subscription of a total of 2,288,088 ordinary shares in the Company. Full utilisation of issued warrants will result in a dilution of new shareholders with 5.56 percent based on the number of shares in the Company after the Offering.[1)] As regards social security payments connected to potential tax imposed on fringe benefits upon utilisation of granted employee or founder options, and other tax effects related to the Company's incentive programmes, reference is made to the subsection "*Social security payments related to employee option*" under the section "*Legal considerations and supplementary information*".

Intention to propose a new incentive programme

The Company's remuneration committee intends to propose the annual general meeting of 2017 to adopt a new option programme which, together with the already existing option programmes and warrants that have been issued to the Subsidiary to cover social security payments upon utilisation of the employee options, could lead to a dilution of new shareholders of a maximum of 10 percent after the Offering.

Authorisation

The extraordinary general meeting of October 26, 2016 decided to authorise the board of directors to, on one or more occasions up until the end of the next annual general meeting, decide upon the issue of new shares, warrants and/or convertibles, with or without deviation from the shareholders preferential rights. Issued shares, warrants and/or convertibles may be subscribed for by way of cash payment, payment in kind or set-off.

The reason for the deviation from the shareholders' preferential rights is to allow the Company to raise working capital, to carry out company acquisitions or the acquisition of operating assets, as well as to enable new share issues to institutional investors and the public in connection with a listing of the Company's shares. In the event a share issue is made with deviation from the shareholders' preferential rights, the issue shall be made on market terms.

1) The calculation of the number of shares in the Company after the Offering is based on the assumption that the Offering is fully subscribed, that the Over-allotment Option is not utilised and that all outstanding options and warrants are utilised.

Board of directors, senior management and auditors

Board of directors

The board of directors has its registered office in Stockholm. According to Oncopeptides' articles of association, the board of directors shall consist of no less than three (3) and no more than seven (7) members without deputies.[1)] The board of directors currently consists of eight members, out of which seven were elected by the annual general meeting held in June, 2016. One board member, Cecilia Daun Wennborg, was elected at the extraordinary general meeting held on February 6, 2017. All board members are elected for the period until end of the annual general meeting of 2017.

			Independent in relation to		Holdings in Oncopeptides[1)]	
Name	Position	Board member since	The Company and its management	Major shareholders	SH	EO
Alan Hulme	Chairman	2010	No	Yes	298,252[2)]	95
Jonas Brambeck	Ordinary member	2008	Yes	No	–	–
Johan Christenson	Ordinary member	2012	Yes	No	–	–
Luigi Costa	Ordinary member	2016	Yes	Yes	–	49
Cecilia Daun Wennborg	Ordinary member	2017	Yes	Yes	–	–
Ulf Jungnelius	Ordinary member	2011	Yes	Yes	–	49
Per Samuelsson	Ordinary member	2012	Yes	No	–	–
Olof Tydén	Ordinary member	2014	Yes	Yes	–	49

1) Refers to shares ("SH") and employee options ("EO") held in their own name as well as by affiliated natural and legal persons. Each employee option that is vested in accordance with existing terms and conditions entitles to subscription of 900 ordinary shares in the Company.
2) Shareholding after conversion of bridge loan in connection with the Offering.

Below follows further information on the board members' age, position, education and relevant experience, other current assignments, prior assignments during the past five years, ownership of shares and share related instruments in Oncopeptides and independence. Since there will only be one class of shares in the Company at the time of the listing, holdings are not divided by class of shares. With regard to the holding of employee options, refer to section "*Share capital and ownership structure*" for further information.

ALAN HULME

(chairman of the board of directors)

Born in 1951. Chairman of the board of directors since 2010. Chairman of the remuneration committee.

Education and relevant experience: Fellow of the Institute of Biomedical Sciences (FIBMS), UK. Provides corporate development consultancy services since 15 years back, focusing on life sciences companies, covering Europe and the US (both development stage companies and listed companies).

Other current assignments: Board member of Oncopeptides Incentive AB, Techgen Corporate Development Ltd and Techgen International Ltd.

Prior assignments (past five years): Chairman of the board of directors in Carew Management Ltd.

Holdings in Oncopeptides: 298,252[2)] shares and 95 employee options which, upon full utilisation in accordance with prevailing terms and conditions, entitle to the subscription of 85,500 ordinary shares in the Company.

Not independent in relation to the Company and its management, but independent in relation to major shareholders. Owner and board member in TechGen Corporate Development Ltd that has entered into consultancy agreements with the Company, which will cease in connection with the listing (see also under "Transactions with closely-related parties" in section "Legal considerations and supplementary information").

JONAS BRAMBECK

(board member)

Born in 1958. Board member since 2008. Chairman of the audit committee and member of the remuneration committee.

Education and relevant experience: Master of Science in chemistry and technology and a PhD in organic chemistry from the KTH Royal Institute of Technology. Extensive experience in research and development, international business and project evaluation and more than 18 years of experience from venture capital within life science. Author of numerous scientific articles. Investment manager at Stiftelsen Industrifonden since 1998, where he is responsible for investments in pharmaceutical development and pharmaceutical research.

1) The Company's registered articles of association stipulate that the board of directors in the Company shall consist of no more than seven (7) members elected by the general meeting. At the extraordinary general meeting held on February 6, 2017, Cecilia Daun Wennborg was elected new ordinary board member in the Company. In connection with the extraordinary general meeting it was also resolved to change the articles of association, whereby the limits for the maximum number of board members in item 6 in the articles of association will be adjusted to enable registration of Cecilia Daun Wennborg as new board member in the Company. The maximum limit for the number of board members will be eight (8). The registration of Cecilia Daun Wennborg as a board member, and the registration of the new articles of association, is expected to take place around the turn of the month February/March 2017.
2) Shareholding after conversion of bridge loan in connection with the Offering.

Other current assignments: Board member in Athera Biotechnologies AB, OxThera AB and OxThera Intellectual Property AB. Deputy board member in Glionova AB.

Prior assignments (past five years): Board member in Oveun AB, Aprea AB, Aprea Personal AB, CARDOZ AB, Conpharm AB DiLab i Lund AB, RSPR Incentive AB, RSPR Pharma AB, CMC Contrast Aktiebolag and Nuevolution AS. Deputy board member in OxThera AB.

Holdings in Oncopeptides: –

Independent in relation to the Company and its management, but not in relation to major shareholders. Employed by Stiftelsen Industrifonden.

JOHAN CHRISTENSON
(board member)
Born in 1958. Board member since 2012. Member of the audit committee.

Education and relevant experience: Physicians degree in basic neuroscience from Karolinska Institutet. Medical physician with experience from clinical work, research and development in pharmaceutical companies, combined with more than 16 years of experience from venture capital within life science. Author of numerous scientific articles. Responsible for Life Science at SEB Venture 2000–2001. Partner in HealthCap since 2001, a venture capital firm specialised on investments in the health care sector.

Other current assignments: Chairman of the board of directors in Aprea Personal AB. Board member in Ancilla AB, Aprea AB, Glionova AB, HealthCap Aero Holdings GP AB, HealthCap Annex Fund I-II Bis GP Aktiebolag, HealthCap Annex Fund I-II GP AB, HealthCap Holdings GP Aktiebolag, HealthCap Orx Holdings GP AB, HealthCap 1999 GP Aktiebolag, HealthCap III Sidefund GP AB, HealthCap IV GP Aktiebolag, Ibid AB, Trimb Holding AB, Nexstrim OY and Targovax ASA.

Prior assignments (past five years): Chairman of the board of directors in Glionova AB, Newron Sweden AB and Trimb Healthcare AB. Board member in HealthCap Gbr ORX Holding AB, HealthCap Sidefund ORX Holding AB, HealthCap 1999 ORX Holding AB, Trimb Healthcare AB, Wilson Therapeutics AB, Benechill Inc, Cerenis SA, Oncos Therapeutics OY and Enebybergs Tennishall AB.

Holdings in Oncopeptides: –

Independent in relation to the Company and its management, but not in relation to major shareholders. Partner in HealthCap VI L.P. and board member in several companies in the HealthCap group.

LUIGI COSTA
(board member)
Born in 1965. Board member since 2016. Member of the audit committee.

Education and relevant experience: BSc in Business Administration from the University of Parma in Italy and a Master of Business Administration (MBA) from Bocconi Business School in Italy. Over 20 years of experience in the pharmaceutical and biotech industry.

Other current assignments: CEO at Nordic Nanovector ASA.

Prior assignments (past five years): Vice President at Onyx Pharmaceuticals Inc. and Amgen International Inc.

Holdings in Oncopeptides: 49 employee options which, upon full utilisation in accordance with prevailing terms and conditions, entitle to the subscription of 44,100 ordinary shares in the Company.

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

CECILIA DAUN WENNBORG
(board member)
Born in 1963. Board member since 2017.

Education and relevant experience: MSc in Business and Economics from Stockholm University. 14 years of experience from board positions in listed companies. 20 years of experience from operational positions in the insurance, bank and care and healthcare sectors, inter alia as CFO and CEO of Skandia Link, head of Skandia Sverige, CFO of Carema Vård & Omsorg AB and Ambea AB, CEO of Carema Vård & Omsorg AB and deputy CEO of Ambea AB.

Other current assignments: Member of the board of directors in Getinge AB, Bravida Holding AB, ICA Gruppen AB, Loomis AB, Atvexa AB, Insamlingsstiftelsen Oxfam Sverige, Sophiahemmet AB and the non-profit organisation Sophiahemmet, Hotel Diplomat AB and CDW Konsult AB. Deputy board member in Johan Wennborg Marketing AB.

Prior assignments (past five years): 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.

Holdings in Oncopeptides: –

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

ULF JUNGNELIUS
(board member)
Born in 1951. Board member since 2011.

Education and relevant experience: Medical physician with medical degree from Karolinska Institutet. Specialist expertise in, inter alia, medical oncology. Author of numerous scientific articles. More than 25 years of experience from leading positions in both large pharmaceutical companies and academic organisations. Has been instrumental in the development and registration of gemcitabine (Gemzar), premetrexed (Alimta), Sunitinib (Sutent), lenalidomide (Reylimid), and albumin bound nano-partical paclitaxel (Abraxane).

Other current assignments: Board member in Biovica International AB, Isofol Medical AB, Monocl AB, Noxxon AG and HealthCom GmbH.

Prior assignments (past five years): Board members in Mesothelioma Applied Research Foundation. Vice President Clinical Development in Celgene Corporation.

Holdings in Oncopeptides: 49 employee options which, upon full utilisation in accordance with prevailing terms and conditions, entitle to the subscription of 44,100 ordinary shares in the Company.

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

PER SAMUELSSON
(board member)
Born in 1961. Board member since 2012. Member of the remuneration committee.

Education and relevant experience: Master of Science in industrial management from Tekniska högskolan at Linköping University. Partner at HealthCap VI L.P. since 2000, a venture capital firm specializing in investments in the health care sector. Extensive experience from companies listed on regulated markets in Sweden and abroad.

Other current assignments: Board member in Ancilla AB, Cantando AB, HealthCap Aktiebolag, HealthCap Aero Holdings GP AB, HealthCap Annex Fund I-II Bis GP Aktiebolag, HealthCap Annex Fund I-II GP AB, HealthCap Holdings GP Aktiebolag, HealthCap Orx Holdings GP AB, HealthCap 1999 GP Aktiebolag, HealthCap III Sidefund GP AB, HealthCap IV GP Aktiebolag, Kip Jansson Film 1 AB, NVC Holding AB, RSPR Incentive AB, RSPR Pharma AB, SwedenBIO Service AB, Nordic Nanovector ASA and Targovax ASA.

Prior assignments (past five years): Board member in Eksse AB, HealthCap GbR ORX Holding AB, HealthCap Sidefund ORX Holding AB, HealthCap 1999 ORX Holding AB, Optivy Sweden AB and Rocaer AB, Algeta ASA, BioStratum Inc., Nordic Vision Clinics AS, Oncos Therepeutics OY, Onxeo SA and TopoTarget A/S.

Holdings in Oncopeptides: –

Independent in relation to the Company and its management, but not in relation to major shareholders. Partner in HealthCap and board member in several companies in the HealthCap group.

OLOF TYDÉN
(board member)
Born in 1947. Board member since 2014.

Education and relevant experience: Medical degree from Uppsala University. PhD and associate professorship in obstetrics and gynecology from Uppsala University. Author of numerous scientific articles. Has previously held positions as programme director at the Swedish Medical Products Agency and as strategic advisor at Hoffmann-LaRoche in Basel with responsibility for contacts with EU regulatory authorities. Founder of EUREDA, a consulting firm that provides strategic advisory services to the international pharmaceutical industry.

Other current assignments: Board member in Eureda AB. Deputy board member in Uppsala Medical Information AB.

Prior assignments (past five years): Board member in CANTARGIA AB, XImmune AB, Aprea Therapeutics AB and Bioxell SpA. Deputy board member in Tydén Consulting AB and Uppsala Medical Information System Aktiebolag.

Holdings in Oncopeptides: 49 employee options which, upon full utilisation in accordance with prevailing terms and conditions, entitle to the subscription of 44,100 ordinary shares in the Company.

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

Senior management

The senior management currently consists of the Company's CEO, CFO, Head of Regulatory Affairs, VP Head of Clinical Development, Head of CMC, CMO, CCO and Head of IR.

				Holdings in Oncopeptides[1]	
Name	Position	Member of senior management since	Employed in the Company since	SH	EO
Jakob Lindberg	CEO	2011	2011	190,409[2]	1,070
Birgitta Ståhl	CFO	2016	2016	–	–
Elisabeth Augustsson	Head of Regulatory Affairs	2015	2015[3]	–	–
Eva Nordström	VP Head of Clinical Development	2012	2012	–	201
Fredrik Lehmann	Head of CMC	2008	2008[3]	–	79
Johan Harmenberg	CMO	2012	2012[3]	–	160
Paula Boultbee	CCO	2016	2016[3]	–	–
Rein Piir	Head of IR	2016	2016[3]	–	–

1) Refers to shares ("SH") and employee options ("EO") held in their own name as well as by affiliated natural and legal persons. Employee options that are vested in accordance with prevailing terms and conditions each entitle to the subscription of 900 shares in Company.
2) Shareholding after conversions of bridge loans in connection with the Offering.
3) The assignment is carried out on a consultancy basis.

Below follows further information on the Company's senior managements' age, position, education and relevant experience, other current assignments, prior assignments during the past five years and ownership of shares and share related instruments in Oncopeptides. Since there will only be one class of shares in the Company at the time of the listing, holdings are not divided by class of shares. With regard to the holding of employee options, refer to section "*Share capital and ownership structure*" for further information.

JAKOB LINDBERG (CEO)

Born in 1972. CEO since 2011.

Education and relevant experience: Med. Lic. in molecular immunology, MSc in preclinical medicine from Karolinska Institutet and a BA in Finance and Administration from Stockholm University. Venture Partner in Investor Growth Capital Europe.

Other current assignments: Board member in Affibody Medical AB, Alligator Bioscience AB, Atlas Antibodies AB, Dipylon Medical AB and Lindberg Life-Science AB. Deputy board member in Oncopeptides Incentive AB. CEO of Lindberg Life-Science AB.

Prior assignments (past five years): Board member in Aktiebolaget Kihlströms Frimärkshandel, Atlas Therapeutics AB, Fiomi Diagnostics AB, Ginolis AB, Newron Sweden AB, SciBase AB, SciBase Holding AB (publ), SciBase Intressenter AB, Vårdapoteket i Norden AB, Newron SpA and Heartscape International Ltd. Deputy board member in Eirus Medical AB, Dipylon AB and Swedish Orphan International.

Holdings in Oncopeptides: 190,409[1] (175,109 shares refers to direct holdings, 15,300 shares refers to indirect holdings via Lindberg Life-Science AB) and 1,070 employee options which, upon full utilisation in accordance with prevailing terms and conditions, entitle to the subscription of 963,000 ordinary shares in the Company.

BIRGITTA STÅHL (CFO)

Born in 1971. Chief Financial Officer since 2016.

Education and relevant experience: Pharmacist (MSc Pharm) from Uppsala University and Master of Business Administration (MBA) from the University of Westminster. More than 15 years of experience in the pharmaceutical industry and extensive experience as for example project manager, COO and acting CFO.

Other current assignments: –

Prior assignments (past five years): External vice CEO of Akinion Pharmaceuticals AB, Axelar AB and KDev Oncology AB. Deputy board member in Pär Ståhl Holding AB.

Holdings in Oncopeptides: –

1) Shareholding after conversions of bridge loans in connection with the Offering.

ELISABETH AUGUSTSSON
(Head of Regulatory Affairs)
Born in 1965. Head of Regulatory Affairs since 2015.

Education and relevant experience: Pharmacist (MSc Pharm) from Uppsala University. Over 20 years of experience in drug development and regulatory expertise from both large and small companies.

Other current assignments: CEO and chairman of the board of directors in Restracom AB.

Prior assignments (past five years): –

Holdings in Oncopeptides: –

EVA NORDSTRÖM
(VP Head of Clinical Development)
Born in 1970. Head of Clinical Development since 2012.

Education and relevant experience: Pharmacist (MSc Pharm) from Uppsala University and Master of Business Administration (MBA) from Handelshögskolan in Stockholm. More than 20 years of experience from the managing of international cross-functional teams through all phases of drug development.

Other current assignments: Deputy board member in Utilica AB.

Prior assignments (past five years): –

Holdings in Oncopeptides: 201 employee options which, upon full utilisation in accordance with prevailing terms and conditions, entitle to the subscription of 180,900 ordinary shares in the Company.

FREDRIK LEHMANN
(Head of CMC)
Born in 1976. Head of Chemistry, Manufacturing & Controls since 2008.

Education and relevant experience: PhD in Medicinal Chemistry from Gothenburg University. Has previously held positions at Pharmacia, Personal Chemistry and Biovitrum. Has operated as an independent CMC-consultant and is the co-founder of six different life science companies, among them OnTarget Chemistry AB (now Recipharm OT Chemistry AB).

Other current assignments: General Manager in Recipharm OT Chemistry AB. Board member and CEO of OncoTargeting Cancer AB and OT Pharmaceuticals AB. Board member of OT Lehmann Holding AB and Synartro AB.

Prior assignments (past five years): Board member and CEO of OnTarget Chemistry AB (now Recipharm OT Chemistry AB). Board member in Arubedo AB and Jogoo Pharmaceuticals AB.

Holdings in Oncopeptides: 79 employee options which, upon full utilisation in accordance with prevailing terms and conditions, entitle to the subscription of 71,100 ordinary shares in the Company.

JOHAN HARMENBERG (CMO)
Born in 1954. Chief Medical Officer since 2012.

Education and relevant experience: Medical physician, PhD and associate professor at Karolinska Institutet. More than 25 years of experience from the pharmaceutical industry with positions at Roche, Astra, Pharmacia Upjohn, Medivir and Algeta. Author of over 100 scientific publications.

Other current assignments: Chairman of the board of directors in Gungner Medical AB, KarSar Fastigheter AB och Sarak Fastigheter AB. Board member in Medivir Aktiebolag.

Prior assignments (past five years): External CEO of Axelar AB. CMO in Glionova AB.

Holdings in Oncopeptides: 160 employee options which, upon full utilisation in accordance with prevailing terms and conditions, entitle to the subscription of 144,000 ordinary shares in the Company.

PAULA BOULTBEE (CCO)
Born in 1958. Chief Commercial Officer since 2016.

Education and relevant experience: Registered nurse. B.A. in Health Science, Mälardalens Högskola. Studied Clinical Trial Design and Management at Lund University. Worked as sales and marketing manager and has extensive experience especially in the commercialization of oncology products, including strategic planning, brand management, etc. Has previously held high positions within sales and marketing in a number of large and small sized pharmaceutical companies, mainly in the US.

Other current assignments: Principal at PTB Consulting, chairman of the board of directors in The Max Foundation and advisor to Monocl EGO AB.

Prior assignments (past five years): Executive Vice President of Sales & Marketing, Pharmacyclics LLC, (an Abbvie Company) Executive Director of Global Marketing, Amgen INC, board member in Isofol Medical AB.

Holdings in Oncopeptides: –

REIN PIIR (HEAD OF IR)
Born in 1958. Head of IR since 2016.

Education and relevant experience: Master of business administration (MBA) from Uppsala University. Many years of experience in providing consultancy services to stock market companies, such as acting as a strategist at Alecta and head of analysis at Carnegie Investment Bank AB. Other experience includes position as CFO/Head of IR at Medivir AB and auditor at PricewaterhouseCoopers AB.

Other current assignments: Chairman of the board of directors and CEO of Piir & Partner AB. Board member in Integrative Research Laboratories Sweden AB, L. E. Svensson Snickeri Aktiebolag and Trygga Pengar i Mobilen Sverige AB. VP Investor Relations at Camurus AB and Alligator Bioscience AB.

Prior assignments (past five years): Board member in H W Svenskt Reklamscreen Aktiebolag, Medivir HIV Franchise AB and Medivir Personal AB.

Holdings in Oncopeptides: –

Other information concerning the board of directors and senior management

There are no family ties between any board members or members of the senior management. None of the Company's board members or members of senior management have any private interests that could be in conflict with the Company's interests. However, as stated above, several board members and members of senior management have financial interests in the Company through holdings of shares and/or employee options. None of the board members or members of senior management have been elected or appointed as a result of any agreement with major shareholders, customers, suppliers or other parties. None of the board members or members of senior management have entered into agreements that entitle them to benefits upon termination of their assignment, except for regular severance pay for the senior management as described under the heading "Remuneration to senior management" in the "Corporate governance" section. Oncopeptides has no set aside or accrued amounts for pensions or similar benefits for board members or members of senior management upon termination of assignment or employment.

None of the Company's board members or members of senior management have during the past five years (i) been convicted of fraud-related offences, (ii) been subject to accusations or sanctions by statutory or regulatory authorities (including recognized professional bodies) or (iii) been disqualified by a court from acting as a member of a company's administrative, management or supervisory body or from holding any senior or overarching position in a company.

Both Johan Christenson and Per Samuelsson were board members in HealthCap Sidefund ORX Holding AB, HealthCap Gbr ORX Holding AB and HealthCap 1999 ORX Holding AB, all of which went into liquidation in June 2015. Per Samuelsson was also board member in Eksse AB and Rocaer AB, both of which went into liquidation in January 2012. Jonas Brambeck was board member in DiLab i Lund AB, whose bankruptcy was concluded in February 2013. Rein Piir is a board member of Trygga Pengar i Mobilen Sverige AB which was declared bankrupt in March 2016 and was board member in Medivir HIV Franchise AB, which went into liquidation in June 2014. Apart from what is stated above, none of the Company's board members or members of senior management have during the past five years represented a company which has been declared bankrupt, filed for liquidation or undergone corporate restructuring.

All board members and members of senior management can be reached via the Company's address, Västra Trädgårdsgatan 15, SE–111 53 Stockholm.

Auditors

PricewaterhouseCoopers AB has been the Company's auditor since June 2016 with Magnus Lagerberg as the auditor in charge. Magnus Lagerberg is an authorised public accountant and member of FAR, the institute for the accounting profession in Sweden. The auditor can be accessed via PricewaterhouseCoopers AB, Torsgatan 21, SE-113 97 Stockholm.

The former auditor was Tomas Nöjd (February 2009–June 2016), authorised public accountant at R3 Revisionsbyrå KB. The change of auditors was caused by the increased scope of the assignment given that the Company's shares were planned to be admitted to trading on Nasdaq Stockholm.

Both current and former auditors are members of FAR, the institute for the accounting profession in Sweden.

Corporate governance

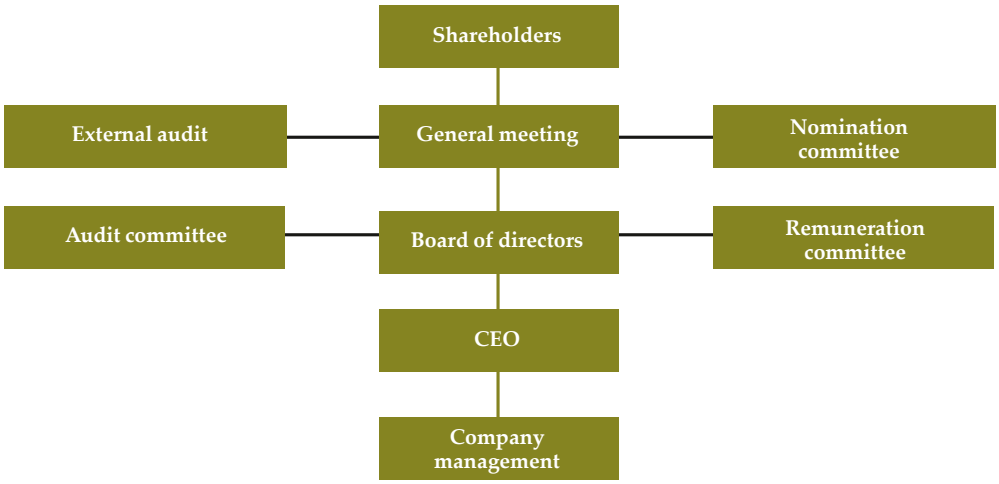
Corporate governance within Oncopeptides

Oncopeptides' corporate governance has, prior to the listing on Nasdaq Stockholm, been governed by the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*), the Swedish Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*) and other applicable laws and regulations, the Company's articles of association and internal policy documents. The internal policy documents include first and foremost the rules of procedure for the board of directors, instructions for the CEO and instructions for financial reporting. Furthermore, Oncopeptides has a number of policy documents and manuals containing rules and recommendations providing guidance in the Company's business operations and for its employees.

Following the listing on Nasdaq Stockholm, corporate governance will also be based on Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the "Code"), good practices in the stock market and other applicable rules and recommendations. Companies obliged to apply the Code are not required to comply with every rule in the Code at all times. If the Company finds that a certain rule is inappropriate with respect to the Company's specific circumstances, the Company may choose an alternative solution, provided that the Company clearly describes the deviation and the alternative solution as well as provides the reasons for the choice of the alternative solution (all in accordance with the principle of "comply or explain"). Oncopeptides intends to apply the Code without any deviation from the date on which the Company's shares are listed on Nasdaq Stockholm.

The figure below provides an overview of Oncopeptides' corporate governance structure.

Organisation



General meeting

The shareholders' right to decide on the Company's affairs is exercised through the highest decision-making body – the general meeting (annual general meeting or extraordinary general meeting). The general meeting resolves, for example, on changes to the articles of association, the election of the board of directors and auditors, adoption of the income statement and balance sheet, the appropriation of profit or loss, discharge from liability for the board of directors and the CEO, the principles for the appointment of the nomination committee and on guidelines for remuneration of senior management.

Shareholders have the right to have a specified matter brought before the general meeting. Shareholders who wish to exercise this right must submit a written request to the Company's board of directors. Such a submission must normally have been received by the board of directors no later than seven weeks before the general meeting.

General meetings shall be held in Stockholm. Notice convening annual general meetings and extraordinary general meetings where amendments to the articles of association are to be addressed, shall be issued no earlier than six weeks and no later than four weeks prior to the meeting. Notice convening other extraordinary general meetings shall be issued no earlier than six weeks and no later than three weeks prior to the meeting. Notice shall be published in the Swedish National Gazette (Sw. *Post- och Inrikes Tidningar*) and by making the notice available on the Company's website (www.oncopeptides.se). Further-

more, information regarding the notice shall be advertised in Dagens Industri.

To attend and vote at the general meeting, either in person or through a proxy, shareholders must be registered in the share register kept by Euroclear no later than five (5) business days prior to the meeting (i.e. on the record date) and also notify the Company of their participation no later than on the date specified in the notice convening the meeting. This date cannot be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth business day prior to the meeting. Shareholders may be accompanied by assistants at general meetings upon notification. Every shareholder in the Company submitting a matter with sufficient foresight has the right to have the matter brought before the general meeting.

To be able to determine who is entitled to attend and vote at general meetings, Euroclear shall, upon the Company's request, supply the Company with a list of all holders of shares per the record date in connection with each general meeting. Shareholders who have their shares nominee-registered need to instruct the nominee to register the shares temporarily in the name of the shareholder in order to be entitled to attend and vote for their shares at general meetings (voting rights registration). Such registration must be completed no later than on the applicable record date and ceases to be in force once after the record date. Shareholders who have their shares directly registered on an account in the Euroclear system will automatically be included in the list of shareholders.

Nomination committee

According to the Code, the Company shall have a nomination committee which duties shall include the preparation and drafting of proposals regarding the election of members of the board of directors, the chairman of the board of directors, the chairman of the general meeting and auditors. The nomination committee shall also propose fees for the board members and the auditors. At the extraordinary general meeting held on October 26, 2016, it was resolved to establish a nomination committee and to adopt principles for the nomination committee according to which the nomination committee for the annual general meeting 2017 shall comprise of four members representing the three largest shareholders after the end of the third quarter of 2016, together with the chairman of the board of directors. The largest shareholders refers to the registered shareholders or otherwise known shareholders after the end of the third quarter. Before accepting an invitation to join the nomination committee, a member must carefully consider whether there is a conflict of interest.

The composition of the nomination committee shall be publicly announced on the Company's website no later than six months prior to the annual general meeting. Should a representative resign or leave before the assignment is completed, the shareholder that appointed the departing member shall appoint a new member. Should a shareholder that has appointed a member of the nominating committee substantially decrease its ownership in the Company, the next shareholder in size order shall, if the nominating committee so resolves, be offered to appoint a member of the nominating committee. When such a representative has been appointed, he or she shall be a member to the nomination committee and replace the former committee member who no longer represents one of the three largest shareholders.

The nomination committee shall fulfil the composition requirements set out in the Code. If the major shareholders who have the right to appoint members to the nomination committee wish to appoint persons that would entail that the composition requirements, as set out in the Code, are not met, a larger shareholder shall have priority for their first choice of member over of a smaller shareholder. When appointing a new member as a result of significant changes in ownership, the shareholder who shall appoint a new member shall, when appointing a new member, consider the existing composition of the nomination committee.

The nominating committee shall appoint a chairman among its members. The chairman of the board of directors or other board member shall not be the chairman of the nomination committee. The mandate period of the appointed nomination applies until the appointment of a new nomination committee.

Fees may be paid to the members of the nomination committee after a resolution by the general meeting.

In accordance with the adopted instruction, a nomination committee has been established at the prospect of the annual general meeting in 2017, consisting of Staffan Lindstrand (chairman), nominated by HealthCap VI L.P., Nina Rawal, nominated by Stiftelsen Industrifonden and the chairman of the board of directors, Alan Hulme. The fourth member, which shall be appointed by the Company's third largest owner, has yet to be appointed and the vacancy will be filled immediately after the Offering.

Board of directors

Role 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 shall be 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 assess the Company's financial position and evaluate 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.

Composition of the board of directors

Board members elected by the general meeting are elected annually at the annual general meeting for the period until the end of the next annual general meeting. According to the Company's articles of association, the board of directors shall consist of no less than three (3) and no more than seven (7) members without any deputy members[1)].

According to the Code, the majority of the board members elected by the general meeting shall be independent of the Company and its management. In determining whether or not a board member is independent, an overall assessment shall be made of all the circumstances that could call into question the independence of the board member in relation to the Company or its management. Furthermore, according to the Code, at least two of the board members who are independent in relation to the Company and its management shall also be independent in relation to major shareholders. Major shareholders refers to shareholders who directly or indirectly control ten percent or more of all shares and votes in the Company. To determine a board member's independence, the extent of the member's direct and indirect relationships with the major shareholder must be considered. A board member who is an employee or a board member of a company that is a major shareholder is not considered to be independent.

The board members and the board of directors' assessment of the board members' independence in relation to the Company and its management and in relation to major shareholders are presented in the section "*Board of directors, senior management and auditors*". As indicated, it is the board of directors' assessment that the Company fulfils the Code's requirement with regard to independence.

Chairman of the board of directors

The role of the chairman is to lead the board of directors' work and to ensure that the work is carried out efficiently, and that the board fulfils its obligations. The chairman shall, through contact with the CEO, monitor the development of the Company and ensure that board members regularly receive, from the CEO, the information needed to be able to monitor the Company's financial position, financial planning and development. The chairman shall also consult with the CEO on strategic matters and verify that the board' resolutions are implemented in an effective manner.

The chairman is responsible for contacts with the shareholders in respect of ownership matters and to communicate the point of view of the owners to the board. The chairman does not participate in the operative work within the Company and is not part of the senior management.

Work of the board of directors

The board of directors adheres to written rules of procedure which are revised annually and adopted at the inaugural board meeting. The rules of procedure govern, among other things, the practice of the board of directors, tasks, decision-making within the Company, the board's meeting agenda, the chairman's duties and 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 annual briefing plan 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 pre-determined annual schedule and at least five ordinary board meetings shall be held between each annual general meeting. In addition to these meetings, extra meetings can be arranged for processing matters which cannot be referred to any of the ordinary meetings.

1) The Company's registered articles of association stipulate that the board of directors in the Company shall consist of no more than seven (7) members elected by the general meeting. At the extraordinary general meeting held on February 6, 2017, Cecilia Daun Wennborg was elected new ordinary board member in the Company. In connection with the extraordinary general meeting it was also resolved to change the articles of association, whereby the limits for the maximum number of board members in item 6 in the articles of association will be adjusted to enable registration of Cecilia Daun Wennborg as new board member in the Company. The maximum limit for the number of board members will be eight (8). The registration of Cecilia Daun Wennborg as a board member, and the registration of the new articles of association, is expected to take place around the turn of the month February/March 2017.

Committees of the board of directors

The board of directors has set up two committees; the audit committee and the remuneration committee. The board of directors has adopted rules of procedure for both committees.

Audit committee

The audit committee's role is primarily to monitor the Company's financial position, to monitor the effectiveness of the Company's internal control, internal audit and risk management, to be 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 shall also assist the nomination committee in proposals for resolutions on the election and remuneration of the auditor. The audit committee is comprised of Jonas Brambeck (chairman), Johan Christenson and Luigi Costa.

Remuneration committee

The remuneration committee's role is primarily to prepare matters regarding remuneration and other terms of employment for the CEO and other members of senior management. The remuneration committee shall also monitor and evaluate ongoing and completed programmes for variable remuneration to the Company's management and monitor and evaluate the implementation of the guidelines for remuneration to senior management adopted by the annual general meeting. The remuneration committee is comprised of Alan Hulme (chairman), Jonas Brambeck and Per Samuelsson.

Remuneration to the board of directors

Fees to board members elected by the general meeting are approved by the annual general meeting. For the annual general meeting 2017, the nomination committee will submit proposals in regard to remuneration. At the annual general meeting held on June 28, 2016, it was resolved that fees of GBP 12,500 was to be paid to the chairman and that fees of SEK 60,000 were to be paid to each of Luigi Costa, Olof Tydén and Ulf Jungnelius. For the financial year 2016, the members of the board of directors received remuneration as set out in the table below. All amounts in SEK unless otherwise indicated.

Name	Position	Fee	Other remuneration	Total
Alan Hulme	Chairman	12,500[1)]	975,292	1,118,290
Johan Christenson	Board member	–	–	0
Jonas Brambeck	Board member	–	–	0
Luigi Costa[2)]	Board member	30,000	–	30,000
Olof Tydén	Board member	60,000	–	60,000
Per Samuelsson	Board member	–	–	0
Ulf Jungnelius	Board member	60,000	–	60,000
Total:		**292,998**	**975,292**	**1,268,290**

1) Amount in GBP.
2) Since Luigi Costa was elected board member at mid-year 2016, only half of the decided remuneration has been paid.

CEO and other members of senior management

The role of the CEO is subordinate to the board of directors and 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 of the board of directors and the instructions for the CEO stipulate which matters the board shall 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 eight people and consists, in addition to the CEO, of the Company's CFO, Head of Regulatory Affairs, Head of Clinical Development, Head of CMC, CMO, CCO and Head of IR.

Information on the senior management can be found in the section "*Board of directors, senior management and auditors*".

Remuneration to senior management

Remuneration to senior management consists of basic salary, variable remuneration, pension benefits, share-related incentive programmes and other benefits and terms upon severance. For the financial year 2016, the CEO and other members of senior management received salary and other remuneration as set out in the table below. All amounts in SEK.

2016	Fixed salary and other benefits	Invoiced fees	Bonus	Pension expenses	Total
CEO Jakob Lindberg	1,511,537	–	385,880	278,196	2,175,613
Other senior executives (7)	1,467,641	3,702,523	200,939	364,427	5,735,530
Total	**3,272,176**	**3,702,523**	**586,819**	**642,623**	**9,280,835**

In addition to his monthly salary, the CEO is entitled to an annual bonus amounting to a maximum of 30 percent of the fixed annual salary. The bonus is linked to predetermined performance criteria. The Company contract and pay premiums for the applicable pension plan up to a maximum of 19 percent of the CEO's fixed monthly salary. The notice period is mutually nine months. Otherwise, the CEO is subject to customary terms of employment, containing provisions on confidentiality, non-competition and non-solicitation.

The CFO is employed by the Company. The notice period for the CFO is mutually six months.

The Head of Clinical Development is employed by the Company. The period of notice for the Head of Clinical Development is mutually six months.

The Company's Head of Regulatory Affairs, Head of the CMC, CMO, CCO and Head of IR perform their duties on a consultancy basis. The consultancy agreements for the Head of Regulatory Affairs, Head of CMC and CMO can be terminated with the observance of a mutual notice period of three months. The consultancy agreement for the Head of IR is valid for a period of twelve months counting from the day it was entered (November 1, 2016), but is automatically extended with a period of twelve months after the day after the Listing should the Company's shares be listed on a regulated market. After that, the agreement is extended by three months at a time, and can be terminated with observance of a notice period of one month.

No severance pay has been agreed on for any of the Company's senior management.

Guidelines for remuneration to members of senior management

According to the Swedish Companies Act, the general meeting shall resolve on guidelines for remuneration to the CEO and other members of senior management. At the extraordinary general meeting held on 26 October 2016, guidelines were adopted with the following content.

The Company's starting point is that salary and other terms and conditions shall enable the group to attract and retain qualified management persons at a reasonable cost for the Company. The remuneration for management persons shall be decided in accordance with Oncopeptides remuneration policy. The remuneration for management persons consist of fixed salary, variable remuneration, pension and other benefits. In order to avoid that the management persons take unnecessary risks there shall be a fundamental balance between fixed and variable remuneration. Furthermore, the annual general meeting in Oncopeptides may, if so is ordered, offer long-term incentive programmes such as share or share price related incentive programmes.

Each management person shall be offered a market level fixed salary based on the degree of difficulty, responsibilities, experience and performance. In addition, each management person may from time to time, be offered a variable remuneration (bonus) to be paid in cash. The variable remuneration shall be based on clear predetermined and measurable performance criteria and economic results, as well as predetermined individual

objectives and business objectives, and shall also be designed to promote Oncopeptides long-term value creation.

Management persons shall be offered pension terms that are in accordance with market practice in the country where the management persons habitually resides. Non-monetary benefits shall facilitate the work of the management persons and shall correspond to what is considered reasonable in relation to market practice. The fixed salary during the notice period shall, together with severance pay, not exceed 24 months' fixed salary. Insofar board members who are elected by the general meeting carry out work in addition to work on the board of directors, it shall be possible to remunerate them for such work. The remuneration shall be in accordance with market terms and shall be approved by the board of directors.

The board of directors shall be entitled to deviate from the guidelines in individual cases should there be special reasons for doing so.

The board of directors shall, before every annual general meeting, consider whether or not additional share or share price-related incentive programmes shall be proposed to the general meeting. It is the general meeting that resolves upon such incentive programmes. Incentive programmes shall promote long-term value growth. 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 to the extent the annual general meeting has taken, or will take, such decisions.

External audit

The Company's auditor is appointed by the annual general meeting for the period until the end of the next annual general meeting. The auditor examines the annual report and accounts as well as the management performed by the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report to the general meeting. The Company's auditor annually reports his observations from the audit and his assessment of the Company's internal control to the board of directors.

At the annual general meeting held on June, 28 2016, PricewaterhouseCoopers AB was appointed as the Company's auditor with authorized public accountant Magnus Lagerberg as auditor in charge. At the general meeting, it was also resolved that the fees for the auditor shall be paid in accordance to current account. The auditor's fee for the financial year 2016 amounted to a total of SEK 570,600.

Additional information regarding the auditor can be found in the section "*Board of directors, senior management and auditors*".

Internal control

The board of director's responsibility for the internal control is governed by the Swedish Companies Act, the Swedish Annual Reports Act – which requires that information about the main features of Oncopeptides' system for internal control and risk management related to financial reporting each year must be included in the corporate governance report – and the Code. The board shall, among other things, see to that Oncopeptides has sufficient internal control and formalized routines to ensure that established principles for financial reporting and internal control are adhered to and that there are effective systems 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 shall ensure that the external financial reporting, with reasonable certainty, is reliable and prepared in accordance with generally accepted accounting practice, that applicable laws and regulations are followed, and that the requirements imposed on listed companies are complied with. The internal control primarily consists of the following five components.

In addition to the abovementioned internal control, there is also internal, business specific control of data as regards research and development, as well as quality control including systematic surveillance and evaluation of the Company's development and manufacturing operations and the Company's products.

Control environment

The board of directors has the overall responsibility for the internal control in relation to financial reporting. In order to create and maintain a functioning control environment, the board has adopted a number of policies and regulatory 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 finance 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, to monitor the effectiveness of the Company's internal control, internal audit and risk management, to be informed about the audit of the annual report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. The 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.

The responsibility for the internal, business specific control in the daily operations lies with the person responsible for quality at the Company.

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 the 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 are 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-suppliers' 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 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 and known to the employees concerned. The board of directors has also adopted an information policy governing the Company's disclosing of information.

Monitoring

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 results 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 of relevant policy's and guidelines are assessed annually. The results from these assessments are compiled by the CFO in the Company and then reported to the board of directors and the audit committee.

Articles of Association

The articles of association were adopted on the extraordinary general meeting held on December 7, 2016. The registration of the general meetings resolution to adopt the articles of association is conditioned by the completion of the offering and the articles of association will therefore be registered with the Swedish Companies Registration Office in immediate connection with the first day of trading of the Company's shares on Nasdaq Stockholm[1]. NB: the English text is an unofficial translation

1 § Name
The Company's name shall be Oncopeptides AB (publ). The company is a public company.

2 § Registered Office
The registered office of the company shall be in the municipality of Stockholm.

3 § Object
The Company s hall have as its object to directly or indirectly conduct research and development, manufacture, marketing, sales and licensing of pharmaceuticals for treatment of isolated as well as spread cancer disease and to conduct other business compatible therewith.

4 § Share Capital
The share capital of the company shall be no less than SEK 2,400,000 and no more than SEK 9,600,000.

5 § The Shares
The number of shares shall not be not less than 22,000,000 and not more than 88,000,000 shares.

The company shares shall be common shares that entitle to one vote each on general meetings.

6 § The board
The board shall consist of not less than three and not more than seven members.

7 § Auditors
For the audit of the Company's annual report and accounts as well as the management by the board and the CEO, one or two auditors, with or without deputy auditors, shall be elected at the general meeting of shareholders. A registered audit company may also be appointed as auditor.

8 § Notices
Notice of a general meeting shall be made by announcement in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and by making the notice available on the company's website. It shall further be announced in Dagens industri that a notice has been made.

Shareholders wishing to participate in general meetings must be listed as shareholder in a printout or other presentation of the entire share register reflecting the circumstances five weekdays before the general meeting and notify the company no later than the date specified in the notice of the general meeting. The last mentioned date may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not occur earlier than the fifth weekday before the general meeting. A shareholder may be accompanied by advisors at a general meeting only if he or she notifies the company of the number of advisors in accordance with the procedure prescribed for in respect of notice of attendance to be made by a shareholder.

9 § The chairman of the board
The chairman of the board or the person appointed to do so shall open the general meeting and be in charge of the negotiations until the chairman has been elected.

10 § Matters at the meeting
At an annual general meeting of the shareholders the following matters shall be dealt with:

1. election of chairman of the meeting;
2. preparation and approval of voting list;
3. approval of the agenda;
4. election of one or two persons to approve the minutes;
5. determination as to whether the meeting has been duly convened;
6. presentation of the annual report and auditor's report and, if appropriate, the group annual report and the group auditor's report;
7. resolutions in respect of
   a) adoption of the profit and loss statement and balance sheet and, if appropriate, the group profit and loss statement and group balance sheet;
   b) allocation of the Company's profit or loss in accordance with the adopted balance sheet;
   c) the discharge from liability for the directors of the board and the CEO;

1) The Company's registered articles of association stipulate that the board of directors in the Company shall consist of no more than seven (7) members elected by the general meeting. At the extraordinary general meeting held on February 6, 2017, Cecilia Daun Wennborg was elected new ordinary board member in the Company. In connection with the extraordinary general meeting it was also resolved to change the articles of association, whereby the limits for the maximum number of board members in item 6 in the articles of association will be eight (8). The registration of Cecilia Daun Wennborg as a board member, and the registration of the new articles of association, is expected to take place around the turn of the month February/March 2017.

8. determination of the number of members of the board and the number of auditors to be elected at the meeting and;
9. determination of directors' and auditors' fees;
10. election of members of the board;
11. election of auditors and deputy auditors (if any);
12. other matters to be dealt with at the meeting pursuant to the Companies Act (2005:551) or the articles of association

11 § Collection of proxy forms

The board of directors may collect proxies at the company's expense pursuant to the procedure stated in Chapter 7, section 4, second paragraph of the Swedish Companies Act.

12 § Financial year

The financial year of the Company shall be the calendar year.

13 § CSD clause

The shareholder or fund manager who is recorded in the share register on the record day and recorded in a CSD register in accordance with Chapter 4 of the Swedish Financial Instruments Accounts Act (Sw. *lagen (1998:1479) om kontoföring av finansiella instrument*) or the person who is recorded in a CSD account in accordance with Chapter 4 section 18 first paragraph 6–8 in said act shall be deemed authorised to exercise the rights conferred by Chapter 4 section 39 of the Swedish Companies Act (Sw. *Aktiebolagslagen (2005:551)*).

These articles of association were approved at the extraordinary general meeting held on December 7, 2016.

Legal considerations and supplementary information

General company information

The name of the Company and its trading name is Oncopeptides AB (publ). The Company's Swedish corporate identity no. is 556596-6438 and its registered office is in the municipality of Stockholm, Sweden. The Company was established on August 5, 2000 and was registered by the Swedish Companies Registration Office on September 5, 2000. Oncopeptides is a public limited company and its legal form of business entity is governed by the Swedish Companies Act (2005:551). The object of the Company's operations is to, directly or indirectly, conduct research and development, manufacture, marketing, sales and licensing of pharmaceuticals for treatment of isolated as well as spread cancer disease and to conduct other business compatible therewith. Please refer to the section "*Articles of association*" for more information.

Company group

Oncopeptides AB (publ) is the parent company in a company group consisting of the Company and the Swedish wholly-owned subsidiary Oncopeptides Incentive AB.

Significant agreements

In order for Oncopeptides to be able to conduct qualitative and cost intensive research and development of drug candidates, the Company must engage suppliers such as different CDMO-companies and CRO-companies. These collaborations are governed by different supplier agreements concluded within the framework of the ongoing operations. Oncopeptides does not have any current significant agreements such as collaboration agreements or licensing agreements.

As regards the operation specific agreements, Oncopeptides currently collaborates with a CDMO-company for the manufacturing, inventory and delivery of the ingredient melflufen. The collaboration is governed by a so-called framework agreement which contains overarching provisions regarding, inter alia, confidentiality, remuneration, results, term of agreement and termination and dispute resolution. In addition, the parties have entered into a quality agreement which governs their respective operational obligations in regards to cGMP. For each manufacturing project that is conducted on account of Oncopeptides, the parties enter into a call-off agreement. A number of call-off agreements have been entered into by the parties.

The Company has also entered into a number of manufacturing agreements for the manufacturing of drugs for study purposes. In January, 2017, the Company entered into a manufacturing agreement with Cenexi for the manufacturing of a drug for use in studies in Ygalo. Cenexi conducts all their services in regards to Ygalo in accordance with a manufacturing agreement.

Oncopeptides has entered into agreements with the CRO-companies Precision Oncology LLC and PSI CRO AG for the performance of coming clinical studies. Precision Oncology LLC will conduct CRO-services in relation to both HORIZON and OCEAN (however, only in relation to hospitals in North America) whilst PSI CRO AG will only conduct CRO-services in the OCEAN study. The services that are conducted by these companies subject to the agreements encompass, inter alia, clinical and medical surveillance, handling and reporting of severe complications and data management.

Insurance

The board assesses that the Company's current insurance coverage is adequate with regard to the nature and scope of its operations.

Disputes and legal proceedings

Oncopeptides is not and has not been a party in any legal proceedings or arbitration proceedings (including matters not yet decided or such that the Company is aware may arise) during the past twelve months, which have recently had or could have had a significant impact on Oncopeptides' financial position or profitability.

Placing agreement

Pursuant to the terms of an agreement on the placing of shares which is intended to be entered into on or about February 21, 2017 between the Company, the Main Shareholders and the Joint Bookrunners (the "Placing Agreement"), the Company undertakes to issue the shares included in the Offering to the acquirers designated by the Joint Bookrunners.

The Offering is conditional upon the interest in the Offering, according to the assessment of the Joint Bookrunners, being sufficient for appropriate trading in the Company's share, the Placing Agreement being entered into, certain terms in the agreement being fulfilled and the Placing Agreement not being canceled. The Placing Agreement prescribes that the Joint Bookrunners undertaking to arrange for acquirers or, in the event the Joint Bookrunners fail to do so, to purchase the shares subject to the Offering themselves, are subject to certain conditions, among other things, that no events occurring with a material adverse effect on the Company. Furthermore, the Joint Bookrunners may terminate the Placing

Agreement up until the settlement date should any material adverse events occur, if the guarantees that the Company has provided to the Joint Bookrunners are breached or if any of the other terms of the Placing Agreement are not met. If the above conditions are not met or the Joint Bookrunners terminate the Placing Agreement, the Offering may be discontinued. In such case, no shares will be delivered in connection with the Offering, nor will any payment for shares be accepted. Furthermore, the trade in the Company's share will commence before the conditions for the Offering are fulfilled. The trade will conditioned hereupon and if the Offering is not carried out, any delivered shares shall be returned and payments shall be cancelled. Furthermore, the Placing Agreement stipulates that the Company undertakes to indemnify the Joint Bookrunners as regards certain claims and costs.

Furthermore, the Company intends to provide an Over-allotment Option that the Joint Bookrunners can exercise for 30 days from the first day of trading in the Company's shares, which means that the Company undertakes, upon request of the Joint Bookrunners, to expand the Offering by issuing additional shares corresponding to approximately 15 percent of the number of shares included in the Offering at the same price as in the Offering. This option may only be exercised to cover any over-allotments in connection with the Offering.

Through the Placing Agreement the Main Shareholders, the shareholding board members, the Company's senior management and certain remaining shareholders will undertake, under certain conditions, not to sell their respective shareholdings for a certain period of time after the trade on Nasdaq Stockholm has commenced (the "Lock-up period"). Lock-up does not include shares that are acquired in, or in connection with, the Offering and consequently Linc AB, LMK Venture Partners AB and LMK Forward AB, who will acquire shares in the Company in connection with the Offering through the conversion of a bridge loan, are not subject to any lock-up undertakings. The Lock-up period for the Main Shareholders, shareholding board members and the Company's senior management will be 365 days. Lock-up for shareholding board members and the Company's senior management also includes shares that may come to be acquired through the utilisation of employee options. For the remaining shareholders[1)] in the Company, the Lock-up period will be 180 days and encompass 50 percent of each respective shareholding.

After the end of each Lock-up period the shares may come to be offered for sale, which could affect the market price of the share. The Joint Bookrunners may come to grant exemptions from the relevant commitments. In the Placing Agreement, the Company will, among other things, undertake towards the Joint Bookrunners, with certain exceptions, for a period of 365 days from the first day of trading in the Company's shares on Nasdaq Stockholm, not to decide, or propose that the general meeting decides, to increase the share capital through an issue of shares or other financial instruments, without the written consent from the Joint Bookrunners.

Stabilisation

In connection with the Offering, the Joint Global Coordinators may carry out transactions in order to provide support for the shares' market price at a level higher than that which might otherwise prevail on the market. Such stabilisation transactions may be carried out on Nasdaq Stockholm, the OTC market or otherwise, and may be carried out at any time during the period beginning on the first day when the shares are traded on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. However, the Joint Global Coordinators are under no obligation to carry out stabilisation of any kind, nor is there any guarantee that stabilisation will be carried out. Moreover, where undertaken, stabilisation may be discontinued at any time without prior notice. No transactions will be carried out under any circumstances in order to provide support for the shares' market price at a level higher than the price set in the Offering. Within a week of the expiry of the stabilisation period, the Joint Global Coordinators, through the Company, will publish information on whether or not any stabilisation has been carried out, the date when stabilisation was undertaken, the last date when stabilisation was carried out, as well as the price range within which stabilisation was undertaken for all of the dates when stabilisation transactions were carried out.

Advisers' interests

ABGSC, Carnegie and DNB are the Joint Bookrunners in the Offering. The Joint Bookrunners provide financial advice and other services to the Company in connection with the Offering. None of the Joint Bookrunners own shares in the Company, and will not achieve any other financial gains from Oncopeptides other than previously agreed fees for their services.

1) Refers to shareholders other than the Main Shareholders, shareholding board members and the Company's senior management, Linc AB, LMK Venture Partners AB and LMK Forward AB.

Subscription undertakings

The Cornerstone Investors have agreed to acquire shares in the Offering equivalent to SEK 196 million. Based on full subscription in the Offering, and that the Over-allotment Option is not exercised, the commitment equates to 4,260,869 shares, which corresponds to 30.2 percent of the number of shares in the Offering, and 11.0 of the total number of shares in the Company after the Offering. Furthermore, the Main Shareholders, Stiftelsen Industrifonden och HealthCap VI L.P., have undertaken to subscribe for shares in the Offering corresponding to a total of SEK 40 million, of which Stiftelsen Industrifonden have undertaken to acquire shares for SEK 20 million and HealthCap VI L.P. have undertaken to acquire shares for SEK 20 million. Based on full subscription in the Offering, and that the Over-allotment Option is not exercised, the commitment equates to 869,564 shares, which corresponds to 6.2 percent of the number of shares in the Offering, and 2.2 of the total number of shares in the Company after the Offering.

The Cornerstone Investors and the Main Shareholders will not receive any compensation for their respective undertakings. The Cornerstone Investors and the Main Shareholders are, however, guaranteed allotment in accordance with their respective undertakings. The Joint Global Coordinators and the board of directors in Oncopeptides assess that the Cornerstone Investors and the Main Shareholders have good credit standing and thus will be able to fulfil their respective undertakings. However, the Cornerstone Investors' and the Main Shareholders' undertakings are not secured through bank guarantees, blocked funds or pledging or similar arrangements, and there is thus a risk that the Cornerstone Investors and the Main Shareholders will not be able to fulfill their commitments. Furthermore, the Cornerstone Investors' and the Main Shareholders' undertakings are also subject to conditions. In the event that any of these conditions are not met, there is a risk that the Cornerstone Investors and the Main Shareholders will not fulfill their undertakings.

		Ownership after the Offering[1]	
Cornerstone Investor	Subscription undertaking (MSEK)	Number of shares	Percentage of shares and voting rights
Gladiator[2]	100.0	2,173,913	5.3 %
SEB-Stiftelsen[3]	50.0	1,086,956	2.7 %
Carnegie Asset Management[4]	46.0	1,000,000	2.4 %
	196.0	**4,260,869**	**10.4 %**

1) Based on full subscription in the Offering and that the Over-allotment Option is fully exercised.
2) Gladiator, with address c/o Max Mitteregger Kapitalförvaltning AB, P.O. Box 7472, SE-103 92 Stockholm, Sweden.
3) SEB-Stiftelsen, Skandinaviska Enskilda Bankens Pensionsstiftelse, with address SEB, SE-106 40 Stockholm, Sweden.
4) Carnegie Asset Management Fondsmaeglerselskab A/S, with address Dampfaergevej 26, DK-2100 Copenhagen, Denmark.

Description of the Cornerstone Investors

Gladiator is a hedge fund managed by Max Mitteregger Kapitalförvaltning AB. The fund pursues an investment strategy that defines it as a long/short equity fund. The management of the fund aims to provide the best possible return on the invested capital over time at a well-balanced level of risk, regardless of the overall performance of the market.

SEB-Stiftelsen is SEB's pension fund with the purpose to fund pension payments to SEB's employees and retirees.

Carnegie Asset Management is an independent Copenhagen based investment manager with an ambition to be among the world's leading asset management companies.

Transactions with closely-related parties

Share-related incentive programmes

The board members Alan Hulme, Olof Tydén, Ulf Jungnelius and Luigi Costa are participants in the Company's share related incentive programme Employee Option Programme 2012/2019. For more information about the incentive programmes, see section "*Share capital and ownership structure*". Allotment to board members participating in the Employee Option Programme 2012/2019 has been made with a total of 109 options in 2016, which entitle to subscription of a total of 98,100 ordinary shares in the Company (after recalculation in pursuance of the share split 1:900 decided upon at the extraordinary general meeting held on October 26, 2016).

Bridge loan agreements

In January, June and November 2016, the Company entered into bridge loan agreements with several of the Company's shareholders, including the Main Shareholders HealthCap VI L.P. and Stiftelsen Industrifonden. In the bridge loan facility dated November 2016 there were also a number of new participating investors. Through the bridge loan facilities the Company has borrowed an amount of SEK 143.3 million with an annual interest of six percent.

The bridge loan agreement dated January 2016 ("Bridge Loan 1") refers to an amount of SEK 30.9 million. Bridge Loan 1, including accrued interest, was repaid by way of set-off for preference shares series A at the extraordinary general meeting held on October 26, 2016. The bridge loan dated June 2016 ("Bridge Loan 2") refers to an amount of SEK 32.4 million. Bridge Loan 2, including accrued interest, will, subject to the listing of the Company's shares taking place no later than March 31, 2017, be repaid be way of set-off for new shares of the same class and on the same terms as in the Offering. The Bridge Loan dated November 2016 ("Bridge Loan 3") refers to an

amount of SEK 80 million. Bridge Loan 3, including accrued interest, will, subject to the listing of the Company's shares taking place no later than September 30, 2017, be repaid by way of set-off for new shares of the same class and on the same terms as in the Offering. Bridge Loan 3 has been provided by both HealthCap VI L.P. and Stiftelsen Industrifonden with SEK 25 million each, and by the new investors Linc AB, with an amount of SEK 15 million, LMK Venture Partners AB with an amount of SEK 10 million and LMK Forward AB with an amount of SEK 5 million.

Bridge loan 3, including accrued interest, will, subject to the listing of the Company's shares taking place no later than September 30, 2017, be repaid by way of set-off for new shares of the same kind and on the same conditions as in the Offering. The new investors Linc AB, LMK Venture Partners AB and LMK Forward AB, however, have a negotiated right to a discount, whereby their respective claims on the Company will be converted into shares with a discount on the issue price of 20 percent compared to the issue price in the Offering.

All of the above bridge loans have been classified as equity in the Company's accounts in accordance with IAS 32 with consideration to that the bridge loans stipulate a mandatory conversion of the claims to shares in the Company, which secures that no liquid settlement of bridge loans can occur.

Consultancy Agreement

On April 16, 2010, the Company entered into a consultancy agreement with TechGen International Ltd (subsequently TechGen Corporate Development Ltd through a transfer dated April 15, 2016) (the "Consultancy Company") , a wholly-owned company of Alan Hulme, chairman of the board of directors. Subject to the agreement, the Consultancy Company receives remuneration for work executed by Alan Hulme outside of the scope of the board related tasks. Remuneration for conducted services has historically referred to participation in business development related matters, including in connection with capital raising rounds. During the period January – December 2016 the Consultancy Company charged Oncopeptides SEK 975,292. During the period January – December 2015 the Consultancy Company charged Oncopeptides SEK 793,298. Oncopeptides and TechGen Corporate Development Ltd have agreed that the consultancy agreement shall cease in connection with the Listing.

Employment and consultancy agreements

Today, Oncopeptides has nine employees, all permanently employed. In addition, Oncopeptides have entered into consultancy agreements with a number of specialised consultants for the establishment of the development programme.

Employment and consultancy agreements are entered into on market terms and are subject to specific clauses regarding confidentiality, transfer of intellectual property rights and prohibition of competition.

Patents, trademarks and intellectual property rights

The Company's intellectual property rights are protected mainly through granted patents and patent applications. A filed patent application provides protection corresponding to patent protection, provided that the patent is granted in the future. The research and development that the Company conducts constantly provides new patent opportunities in ongoing projects, but also in new projects, which are continually evaluated by the Company and patent lawyers hired by the Company. Whether patents should be applied for or not varies from case to case. For more information, please refer to the headline "*Patent*" in the section "*Description of the business*".

The Company holds the registered trademarks for "YGALO" and "MELFLUFEN". Both "YGALO" and "MEFLUFEN" are registered EU trade marks which includes protection both in Sweden and other EU countries. Furthermore, the Company holds an international registration for YGALO where the designation of Japan, South Korea and the US has been approved and the designation of China is still under review. Also, MEFLFUEN is registered as a national trade mark in Canada and the US, and holds an international registration where the designation of Japan and South Korea has been approved. All registrations and applications refer to class 5 and the product class pharmaceutical, medicinal and veterinary substances for treatment of cancer, neoplastic diseases and multiple myeloma.

The Company holds the domain names oncopeptides.se and oncopeptides.com.

Social security payments upon utilisation of employee options

The Company has three outstanding share related option programmes for the benefit of employees, board members, consultants and founders in the Company (for further information, see "*Share-related Incentive Programmes*" in the section "*Share capital and ownership structure*"). The options – as regards all option holders – will most likely be qualified as employee options pursuant to the Swedish Income Tax Act (Sw. *Inkomstskattelagen*), which means that the employees will be subjected to fringe benefit tax. The amount taxed will correspond to the potential value increase and will take place at the time of utilisation of the options, and the Company will then be liable to pay social security payments on the corresponding fringe benefit, i.e. for the positive difference between the exercise price of the option and the value of the share at the time of utilisation. At a share price at the time of utilisation corresponding to SEK 46, the total cost for the Company upon full utilisation of all outstanding options will amount to approximately SEK 25 million. In 2016, the Company has recorded a cost of SEK 10.2 million attributable to social security payments for the employee option programmes. The Company has issued warrants to the Subsidiary to cover estimated social security payments upon utilisation of the employee options.

Costs related to the Offering

The Company's expenses for the Offering and listing on Nasdaq Stockholm are expected to amount to a maximum of SEK 60 million. In addition to the Company's share of fixed and variable fees to the Joint Bookrunners, the Company's expenses mainly consist of expenses for accountants, legal advisers, printing of offering circulars, costs for presentation materials for advisers and such.

Documents available for inspection

Copies of the following documents are available on at Oncopeptides' head office at Västra Trädgårdsgatan 15, SE-111 53 Stockholm, during the period of validity of the Offering Circular (regular business hours on weekdays):

- The Offering Circular;
- Oncopeptides' articles of association; and
- Annual reports for the 2014–2016 financial years (including auditor's reports) for Oncopeptides and its subsidiary.

Tax considerations in Sweden

Below is a summary of specific tax rules for individuals and limited liability companies with unlimited tax liability in Sweden, unless otherwise stated. The summary is based on current legislation and is intended only as general information. The summary does not include securities which are held by partnerships or as inventory assets in business operations. Nor does it include any details about special rules pertaining to tax-free capital gains (including prohibition of deduction for capital losses) or corporate dividends which may become applicable should shareholders hold shares which may be considered business-related. Neither are the special rules that may apply to holdings in companies that are or have been so-called closely held companies or to shares purchased on the basis of so-called qualified shares in closely held companies. The summary also does not cover shares held in an investment savings account (ISK) and which are subject to special rules on standardised-rate taxation. Special tax rules apply to certain types of taxpayers, for example investment companies and insurance companies. Each individual shareholder's tax liability will depend on their particular situation. Each holder of shares should consult a tax advisor for information on the special implications that may arise in the individual situation, including the applicability and effect of foreign rules and tax treaties.

Unlimited liability to pay tax in Sweden

Natural persons

Capital gains taxation

When listed shares are sold or otherwise disposed of, a taxable capital gain or deductible capital loss may occur. Capital gains are taxed as income from capital at a rate of 30 percent. Capital gain or loss is typically determined as the difference between the sales proceeds, after deduction for sales costs, and the acquisition cost. The acquisition cost for all shares of the same type and class is calculated as an aggregate using the averaging method. When selling listed shares, the acquisition cost may be alternatively calculated according to the standardised method at 20 percent of the sales proceeds after deduction of sales costs.

Capital losses on listed shares are fully deductible against taxable capital gains incurred that arise during the same tax year on shares and other listed securities except shares of mutual funds or special funds containing only Swedish rights to recover debts, so-called bond funds. Capital losses on shares or other ownership interests that cannot be offset in this way may be deducted for up to 70 percent of value against other capital income.

In the event of a loss in capital income, a tax deduction is granted against municipal and national income tax, as well as against municipal property tax and national property tax. A tax reduction is allowed for 30 percent of that part of the loss that does not exceed SEK 100 000, and 21 percent of the remainder. Such a loss cannot be carried forward into a future tax year.

Tax on dividends

For natural persons, dividends on listed shares are taxed in the capital income category at a rate of 30 percent. For natural persons who are resident in Sweden, a preliminary tax of 30 percent is normally withheld from dividends. The preliminary tax is withheld by Euroclear Sweden or, for nominee-registered shares, by the nominee.

Limited companies

Tax on capital gains and dividends

For a limited company, all income, including taxable capital gains and dividends, business income is taxed as a rate of 22 percent. Capital gains and losses are calculated in the same manner as described above in respect to natural persons.

Deductible capital losses on shares or other ownership interests can only be deducted against taxable capital gains on shares or other ownership interests. If certain conditions are met, such a capital loss may also be offset against capital gains on shares or other ownership interests in companies within the same group, provided that a right to make group contributions between companies exists. Any capital loss that cannot be utilised in a given year may be carried forward and offset against taxable capital gains on shares and other ownership interests in future years, without limitation in time.

Shareholders who have limited tax liability in Sweden

Withholding tax

Shareholders who have limited tax liability in Sweden and who receive dividends on shares in a Swedish limited liability company are subject to normal withholding tax. The tax rate is 30 percent, which however is generally reduced through tax treaties that Sweden has entered into with certain other countries in order to avoid double taxation. Most of Sweden's tax treaties enable a reduction of the Swedish tax to the treaty rate directly at the time of dividend payment if the necessary information about the dividend recipient is provided. In Sweden, the deduction of withholding tax is normally made by Euroclear Sweden or, for nominee-registered shares, by the nominee.
If a 30 percent withholding tax is withheld from a dividend payment to a person who has the right to be taxed at a lower rate, or if too much withholding tax has otherwise been withheld, repayment can be requested from the Swedish National Tax Agency before the end of the fifth calendar year after the dividend payment.

Capital gains taxation

Shareholders who have limited tax liability in Sweden and whose holdings are not attributable to a permanent establishment in Sweden, are not normally taxed in Sweden for capital gains in connection with the sale of shares. Shareholders may, however, be subject to tax in their country of residence. According to a special tax rule, however, natural persons with limited tax liability in Sweden may be subject to Swedish capital gains tax on the sale of shares if at any time during the year of disposal or the ten calendar years, have been resident or lived permanently in Sweden. The applicability of this rule may however be limited by tax treaties between Sweden and other countries.

Certain federal tax matters in the US

The following is a description of certain US federal income tax consequences to the US Holders described below of acquiring, owning and disposing of the Company's shares. This discussion applies only to a US Holder that acquires the Company's shares pursuant to the Offering and will hold the Company's shares as capital assets for tax purposes. In addition, this discussion does not describe all of the tax consequences that may be relevant in light of a US Holder's particular circumstances, including alternative minimum tax consequences and Medicare contribution tax consequences, and it does not describe differing tax consequences applicable to US Holders subject to special rules, such as:

- financial institutions;
- regulated investment companies;
- real estate investment trusts;
- insurance companies;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding the Company's shares as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the Company's shares;
- persons whose functional currency for US federal income tax purposes is not the US dollar;
- entities classified as partnerships or pass-through entities for US federal income tax purposes;
- tax-exempt entities, including an "individual retirement account" or "Roth IRA";
- certain former citizens or long-term residents of the United States; or
- persons that own, or have owned, directly, indirectly or constructively ten percent (10%) or more of the Company's voting stock.

US Holders should consult their tax advisers concerning the US federal, state, local and foreign tax consequences of acquiring, owning and disposing of the Company's shares based on their particular circumstances.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations all as of the date hereof, as well as on the Convention Between the Government of the United States of America and the Government of Sweden for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income and Capital (the "Treaty") all as in effect on the date hereof, and all of which are subject to change, possibly on a retroactive basis.

A "US Holder" is a holder who, for US federal income tax purposes, is a beneficial owner of the Company's shares and is:

- an individual citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia;
- an estate the income of which is subject to US federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust (or otherwise if the trust has a valid election in effect under current Treasury regulations to be treated as a United States person).

If an entity that is classified as a partnership for US federal income tax purposes holds the Company's shares, the US federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding the Company's shares and partners in such partnerships should consult their tax advisers as to the particular US federal income tax consequences of holding and disposing of the Company's shares.

Passive Foreign Investment Company

In general, a corporation organized outside the United States will be treated as a PFIC for US federal income tax purposes in any taxable year in which either (i) at least 75 percent of its gross income is "passive income" or (ii) on average at least 50 percent of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income.

Based on the Company's projected income, assets and activities, and the projected income, assets and, the Company expects that it will be treated as a PFIC for the current taxable year and the foreseeable future. The remainder of this summary assumes that the Company is and will continue to be a PFIC. The Company may also hold, directly or indirectly, interests in other entities that are PFICs ("Subsidiary PFICs").

Distributions

A distribution on the Company's shares to a US Holder during a taxable year generally will be treated as an "excess distribution" to the extent such distribution does not exceed the ratable portion of the "total excess distribution with respect to such shares for such taxable year. The total excess distribution with respect to such shares for a taxable year of a US Holder is generally the excess of (i) all distributions to the US Holder on such shares during such taxable year over (ii) 125 percent of the average annual distributions to the US Holder on such shares during the preceding three taxable years (or shorter period during which the US Holder held such shares). The total excess distribution with respect to such shares is deemed to be zero for the taxable year in which such US Holder's holding period for such shares begins. The tax payable by a US Holder on an excess distribution with respect to the Company's shares will be determined by allocating such excess distribution ratably to each day of the US Holder's holding period for such shares. The amount of excess distribution allocated to the taxable year of such distribution will be included as ordinary income for the taxable year of such distribution. The amount of excess distribution allocated to any other period included in such US Holder's holding period cannot be offset by any net operating losses of such US Holder and will be taxed at the highest marginal rates applicable to ordinary income for each such period and, in addition, an interest charge will be imposed on the amount of tax for each such period. Furthermore, the amount of excess distribution not includable in income in the taxable year of such distribution will not be included in determining the amount of the excess distribution for any subsequent taxable year.

The extent a distribution of the Company's shares does not constitute an excess distribution to a US Holder, such US Holder generally will be required to include the amount of such distribution in gross income as a dividend to the extent of the Company's current or accumulated earnings and profits (as determined for US federal income tax purposes that are not allocated to excess distributions. To the extent the amount of such distribution exceeds the Company's current and accumulated earnings and profits, it will be treated first as a non-taxable return of capital to the extent of the US Holder's adjusted tax basis in such shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale or exchange of such shares (which gain should be treated as an excess distribution and be subject to tax consequences relating to an excess distribution described above).

Distributions on the Company's shares that are treated as dividends will not be eligible for the "dividends received" deduction generally allowed to corporate shareholders with respect to dividends received from US corporations or for the reduced tax rate applicable to "qualified dividend income" of non-corporate taxpayers.

The amount of any distribution paid in SEKs (or other foreign currency) that a US Holder will be required to include in income will equal the US dollar value of the distributed foreign currency, calculated by reference to the exchange rate in effect on the date the payment is received by the US Holder, regardless of whether the payment is converted into US dollars on the date of receipt. If the foreign currency so received is converted into US dollars on the date of receipt, such US Holder generally will not recognize foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into US dollars on the date of receipt, such US Holder will have a basis in the foreign currency equal to its US dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Subject to applicable limitations, Swedish taxes withheld from dividends on the Shares at a rate not exceeding the rate provided in the Treaty (if applicable) will be creditable against the US Holder's US federal income tax liability (or at a US Holder's election, may be deducted in computing taxable income if the US Holder has elected to deduct all foreign income taxes for the taxable year). The limitation on foreign taxes eligible for the US foreign tax credit is calculated separately with respect to specific "baskets" of income. For this purpose, the dividends should generally constitute "passive category income," or in the case of certain US Holders, "general category income." The rules governing foreign tax credits are complex, and US Holders should consult their tax advisers regarding the creditability of foreign taxes based on their particular circumstances.

Sale, Exchange or Other Disposition of Shares

A US Holder generally will recognize gain or loss for US federal income tax purposes upon the sale, exchange or other disposition of shares in an amount equal to the difference, if any, between the amount realized on such sale, exchange or other disposition and the US Holder's adjusted tax basis in the shares as determined in US dollars. Any such gain generally will be treated as an excess distribution subject to the tax consequences

relating to an excess distribution described above under "*Distributions*." Any such loss generally will be treated as a capital loss. The deductibility of capital losses is subject to limitations.

The US federal income taxation of the sale, exchange or other disposition of shares of a PFIC is extremely complex involving, among other things, significant issues as to the sourcing of any gain or loss realized on such sale, exchange or other disposition and any non-US currency that a US Holder receives upon such sale, exchange or disposition. Each US Holder should consult its own tax adviser with respect to the appropriate US federal income tax treatment of any sale, exchange or other disposition of, the Company's shares.

Indirect Investments in Subsidiary PFICs

The PFIC rules described above under "*Distributions*" and "Sale, Exchange or Other Disposition of shares" generally will apply to direct and indirect dispositions of the Company's interest in the Subsidiary PFICs (including a disposition by a US Holder of the Company's shares) and excess distributions by the Subsidiary PFICs. It is not entirely clear how the consequences described below under "Tax Basis upon Death" would apply with respect to the Company's interest in a Subsidiary PFIC. US Holders should consult their own tax advisers regarding the tax consequences to them as a result of the Company's direct or indirect investment in a PFIC.

Qualified Electing Fund Election

The tax consequences described above under "*Distributions*", "*Sale, Exchange or Other Disposition of Shares*" and below under "*Tax Basis Upon Death*" generally would not apply if a "qualified electing fund" ("QEF") election were available and a US Holder had validly made such an election as of the beginning of such US Holder's holding period. A QEF election would be available to a US Holder, however, only if the Company agrees to provide such US Holder annually with certain information. As the Company do not intend to provide US Holders with the required information, prospective investors should assume that a QEF election will not be available in respect of the shares.

Mark-To-Market Election

If the Company's shares are "regularly traded" on a "qualified exchange," a US Holder may make a mark-to-market election with respect to the Company's shares (but not the stock of any Subsidiary PFICs), which may help to mitigate the materially adverse tax consequences resulting from the Company's PFIC status (but not that of any Subsidiary PFICs). The Company's shares will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the shares are traded on a qualified exchange on at least 15 days during each calendar quarter (or a certain lesser amount of days for the quarter that includes the Company's initial public offering).

A non-US securities exchange constitutes a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in US Treasury regulations. It is not clear whether the Company's shares will constitute marketable stock for this purpose.

If a "mark-to-market" election is available and a US Holder validly makes such an election as of the beginning of the US Holder's holding period, the US Holder generally will not be subject to the adverse tax consequences relating to an excess distribution or gain described above under "*Distributions*" or "*Sale, Exchange or Other Disposition of shares*." Instead, the US Holder generally will be required .to take into account the difference, if any, between the fair market value of, and its adjusted tax basis in, its shares at the end of each taxable year as ordinary income or to the extent of any net mark-to-market gains previously included in income, ordinary loss, and to make corresponding adjustments to the tax basis of its shares. In addition, any gain from a sale, exchange or other disposition of shares will be treated as ordinary income, and any loss will be treated as ordinary loss to the extent of any net mark-to-market gains previously included in income. However, a mark-to-mark election with respect to the Company's shares will not apply with respect to the Company's interest in a Subsidiary PFIC.

Each US Holder should consult its own tax adviser with respect to the availability and tax consequences of a mark-to-market election with respect to the Company's shares and the US Holder's indirect interest in Subsidiary PFIC.

Tax Basis Upon Death

A person who acquires shares from a deceased US Holder generally will be denied the step-up of the tax basis for US federal income tax purposes to fair market value at the date of such US Holder's death, which would otherwise be available with respect to a decedent. Instead, the acquirer will have a tax basis equal to the lower of the fair market value of the shares and the deceased US Holder's tax basis.

Backup Withholding and Information Reporting

Payments made and proceeds from the sale or other disposition of shares may, under certain circumstances, be subject to information reporting and backup withholding, unless the US Holder provides proof of an applicable exemption or, in the case of backup withholding, furnishes its taxpayer identification number and otherwise complies with all applicable requirements of the backup withholding rules. Backup withholding is not an additional tax and generally will be allowed as a refund or credit against the US Holder's US federal income tax liability, provided that the required information is timely furnished to the IRS.

A US Holder of shares, as a direct or indirect shareholder of a PFIC, will be required to file an annual Internal Revenue Service ("IRS") Form 8621(Information Return by Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund). Significant penalties are imposed for failure to file IRS Form 8621, and the failure to file such form may suspend the running of the statute of limitations. US Holders should consult their tax advisers regarding the application of the PFIC rules to their investment in the shares.

Certain US Holders are required to report information relating to an interest in the shares, subject to certain exceptions (including an exception for shares held in accounts maintained by certain financial institutions) by filing IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their US federal income tax return. US Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of shares.

US Holders who acquire any of the shares for cash may be required to file an IRS Form 926 (Return by a US Transferor of Property to a Foreign Corporation) with the IRS and to supply certain additional information to the IRS if (i) immediately after the transfer, the US Holder owns directly or indirectly (or by attribution) at least 10 percent of the Company's total voting power or value or (ii) the amount of cash transferred to the Company in exchange for the shares when aggregated with all related transfers under applicable regulations, exceeds USD 100,000. Substantial penalties may be imposed on a US Holder that fails to comply with this reporting requirement. Each US Holder is urged to consult with its own tax advisor regarding these reporting obligations.

Each US Holder should consult its own tax adviser with respect to the tax information reporting requirements in respect of the purchase of shares.

Selling and transfer restrictions

Selling restrictions

United States

The shares in the Offering have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States for offer or sale as part of their distribution and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

The shares in the Offering may only be resold: (i) in the United States only to QIBs in reliance on Rule 144A, and (ii) outside the United States in offshore transactions in compliance with Regulation S and in accordance with applicable law. Any offer or sale of shares in the Offering in the United States will be made by broker-dealers who are registered as such under the US Securities Exchange Act of 1934, as amended. The terms used above have the meanings given to them by Regulation S and Rule 144A.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each a "Relevant Member State") (with the exception of Sweden), no offer of the shares in the Offering may be made to the public in that Relevant Member State, except that offers of the shares in the Offering may be made under the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100, or if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of shares in the Offering shall result in a requirement for the publication by the Company, the Malin Shareholder's or any Joint Bookrunner of a prospectus pursuant to Article 3 of the Prospectus Directive or of a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "offered to the public" in relation to any shares in the Offering in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the shares in the Offering so as to enable an investor to decide to purchase any shares in the Offering, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression "Prospectus Directive" means Directive 2003/71/EC (with amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State. The expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Any offer or sale of the shares in the Offering may only be made to persons in the United Kingdom who are "qualified investors" or otherwise in circumstances that do not require publication by the Company of a prospectus pursuant to section 85(1) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) (the "Order").

Any investment or investment activity to which this Offering Circular relates is available only to, and will be engaged in only with persons who: (i) are outside the United Kingdom; (ii) are investment professionals falling within Article 19(5); or (iii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc."), of the Order or other persons to whom such investment or investment activity may lawfully be made available (all such persons together being referred to as "relevant persons"). Persons who are not relevant persons should not take any action on the basis of this Offering Circular and should not act or rely on it.

General

No action has been or will be taken in any country or jurisdiction other than Sweden that would, or is intended to, permit a public offering of the shares in the Offering, or the possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Offering Circular comes are required by the Company, the Main Shareholders and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver shares in the Offering or have in their possession or distribute such offering material, in all cases at their own expense. None of the Company, the Main Shareholders or the Joint Bookrunners accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the shares in the Offering, of any such restrictions.

Transfer restrictions

No action has been or will be taken in any country or jurisdiction other than Sweden by it that would, or is intended to, permit a public offering of the shares in the Offering, or the possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Offering Circular comes are required by the Company, the Main Shareholders and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver shares in the Offering or have in their possession or distribute such offering material, in all cases at their own expense.

The shares in the Offering have not been and will not be registered under the Securities Act and the shares in the Offering may not be offered or sold, directly or indirectly, within or into the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the Securities Act.

Each purchaser of the shares in the Offering within the United States purchasing pursuant to Rule 144A or another exemption from the registration requirements of the Securities Act will be deemed to have represented and agreed that it has received a copy of this Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

(a) the purchaser is authorised to consummate the purchase of the shares in the Offering in compliance with all applicable laws and regulations;

(b) the purchaser acknowledges that the shares in the Offering have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States, are subject to significant restrictions on transfer and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(c) the purchaser (i) is a QIB, (ii) is aware that the sale to it is being made in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and (iii) is acquiring such shares in the Offering for its own account or for the account of a QIB;

(d) the purchaser is aware that the shares in the Offering are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;

(e) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such shares in the Offering, such shares in the Offering may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, or (iii) in an offshore transaction in accordance with Rule 144 (if available), in each case in accordance with any applicable securities laws of any state of the United States and any other jurisdiction;

(f) the shares in the Offering are "restricted securities" within the meaning of Rule 144(a)(3) and no representation is made as to the availability of the exemption provided by Rule 144 for resale of any shares in the Offering;

(g) the purchaser will not deposit or cause to be deposited any shares in the Offering into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such shares in the Offering are "restricted securities" within the meaning of Rule 144(a)(3);

(h) if it is acquiring any of the shares in the Offering as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;

(i) the Company and Main Shareholders will not recognise any offer, sale pledge or other transfer of the shares in the Offering made other than in compliance with the above stated restrictions; and

(j) the purchaser acknowledges that the Company and the Main Shareholders, the Joint Bookrunners and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the shares in the Offering in compliance with Regulation S will be deemed to have represented and agreed that it has received a copy of this Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

(a) the purchaser acknowledges that the shares of the Company have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, are subject to significant restrictions on transfer and, subject to certain exceptions, may not be offered or sold within the United States;

(b) the purchaser, and the person, if any, for whose account or benefit the purchaser acquired the shares in the Offering, was located outside the United States at the time the buy order for the shares in the Offering was originated;

(c) the purchaser is aware of the restrictions on the offer and sale of the shares in the Offering pursuant to Regulation S described in this Offering Circular;

(d) the shares in the Offering have not been offered to it by means of any "directed selling efforts" as defined under Regulation S and the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined under Regulation S in the United States with respect to the shares in the Offering;

(e) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such shares in the Offering, such shares in the Offering may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, or (iii) in an offshore transaction in accordance with Rule 144 (if available), in each case in accordance with any applicable securities laws of any state of the United States and any other jurisdiction; and

(f) the Company will not recognise any offer, sale, pledge or other transfer of the shares in the Offering made other than in compliance with the above stated restrictions.

Historical financial information

The financial information that is presented in this section has been gathered from the Company's annual financial report for 2016, which includes the comparative years 2015 and 2014. The annual report for 2016 which has been reported by the board of directors as of January 10, 2017, including information for the comparative years 2015 and 2014, has been audited by the Company's auditor. The consolidated financial statements have been prepared in accordance with IFRS, issued by the International Accounting Standards Board ("IASB") which have been adopted by the EU, and interpretation guidelines issued by the International Financial Reporting Interpretations Committee ("IFRIC").

In the annual report for 2015 the Company's auditor has, in connection with the auditor's recommendation that the annual general meeting treats the loss-of-profit in accordance with the proposal in the Administration Report and discharge the board and the CEO from liability, provided a disclosure of particular importance as follows:

"The company's equity is less than fifty percent of its registered share capital, which is the reason the stipulations found in Chapter 25, Section 13 of the Swedish Companies Act are to be considered. In the section "Earnings and financial position" (Sw. "Resultat och ställning") in the Administration Report, it is stated that the Board of Directors has not prepared a balance sheet for liquidation purposes (Sw. kontrollbalansräkning) as the Board has made the assessment that there are, clearly, excess values in the company which more than cover the capital deficit."

In the annual report for 2016 the Company's auditor has, in connection with the auditor's recommendation that the annual general meeting treats the loss-of-profit in accordance with the proposal in the Administration Report and discharge the board and the CEO from liability, provided a disclosure of particular importance as follows:

"Without impacting our opinion, we wish to bring attention to the Administration Report and the heading regarding financing. Here it can be seen that the company is in need of further liquidity to meet its long and short-term financing requirements. In order to address this liquidity requirement to ensure the company's continued going concern status, the company is planning to execute a large new share issue. Should this share issue not be undertaken according to plan, the company's major shareholder has made an offer to finance the company's current phase II study. In order to secure the company's going concern status, it is of major importance that the financing of the operations be secured through one of these alternatives."

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK)

Amounts in SEK	Note	2016	2015	2014
Operating expenses				
Other external expenses	4.2–4	–97,144,109	–47,683,125	–27,583,630
Staff costs	4.5	–17,313,757	–5,659,201	–5,518,922
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		–24,074	–7,368	–7,369
Total operating expenses		**–114,481,940**	**–53,349,694**	**–33,109,921**
Operating loss		**–114,481,940**	**–53,349,694**	**–33,109,921**
Financial income	4.6	36,376	10,066	16,375
Financial expense	4.6	–305	–1,301	–432
Net loss before tax		**–114,445,869**	**–53,340,929**	**–33,093,978**
Income tax		–	–	–
Net loss for the year		**–114,445,869**	**–53,340,929**	**–33,093,978**
Earnings per share	4.15	–4.88	–3.98	–3.54

The loss is fully attributable to the shareholders of the parent company. No statement of comprehensive income is presented, as the Group has not had any transactions in other comprehensive income. Comprehensive income for the period is thus the same as net loss for the period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (SEK)

Amounts in SEK	Note	31 Dec 2016	31 Dec 2015	31 Dec 2014
ASSETS				
Non-current assets				
Property, plant and equipment				
Property, plant and equipment	4.7	1,100,369	7,369	14,737
Total property, plant and equipment		**1,100,369**	**7,369**	**14,737**
Non-current financial assets				
Investments held as non-current assets	4.8	1,000	1,000	1,000
Other non-current receivables	4.8	261,890	162,450	162,450
Total non-current financial assets		**262,890**	**163,450**	**163,450**
Total non-current assets		**1,363,259**	**170,819**	**178,187**
Current assets				
Current receivables	4.10			
Trade receivables		–	–	46,948
Other current receivables	4.11	2,962,540	931,997	803,773
Prepaid expenses and accrued income	4.12	11,055,827	1,006,365	128,272
Cash and cash equivalents	4.13	40,250,938	2,292,958	11,965,503
Total current receivables		**54,269,305**	**4,231,320**	**12,944,496**
Total current assets		**54,269,305**	**4,231,320**	**12,944,496**
TOTAL ASSETS		**55,632,564**	**4,402,139**	**13,122,683**
EQUITY AND LIABILITIES				
Equity				
Share capital	4.14	2,449,100	2,046,000	1,506,400
Additional paid-in capital	4.14	318,738,144	175,758,915	133,162,891
Retained earnings (including net profit/loss for the year)		–294,850,493	–180,404,624	–127,063,695
Total equity		**26,336,750**	**–2,599,709**	**7,605,596**
LIABILITIES				
Current liabilities	4.10			
Provision for social security contributions, employee stock option scheme	4.16	10,199,852	–	–
Trade payables	3.1	8,730,671	5,114,962	2,568,077
Other current liabilities	4.16	714,602	186,096	476,296
Accrued expenses and deferred income	4.17	9,650,689	1,700,790	2,472,714
Total current liabilities		**29,295,814**	**7,001,848**	**5,517,087**
Total liabilities		**29,295,814**	**7,001,848**	**5,517,087**
TOTAL EQUITY AND LIABILITIES		**55,632,564**	**4,402,139**	**13,122,683**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (SEK)

	Note	Share capital	Additional paid-in capital	Retained earnings including net profit/ loss for the period	Total equity
Opening balance 1 January 2014		1,061,200	98,018,803	–93,969,717	5,110,286
Net loss for the year				–33,093,978	–33,093,978
Total comprehensive income				**–33,093,978**	**–33,093,978**
Transactions with shareholders					
Issue of new shares	4.14	445,200	35,144,088		35,589,288
Total transactions with shareholders		**445,200**	**35,144,088**		**35,589,288**
Closing balance 31 December 2014		**1,506,400**	**133,162,891**	**–127,063,695**	**7,605,596**
Opening balance 1 January 2015		**1,506,400**	**133,162,891**	**–127,063,695**	**7,605,596**
Net loss for the year				–53,340,929	–53,340,929
Total comprehensive income				**–53,340,929**	**–53,340,929**
Transactions with shareholders					
Issue of new shares	4.14	539,600	42,596,024		43,135,624
Total transactions with shareholders		**539,600**	**42,596,024**		**43,135,624**
Closing balance 31 December 2015		**2,046,000**	**175,758,915**	**–180,404,624**	**–2,599,709**
Opening balance 1 January 2016		**2,046,000**	**175,758,915**	**–180,404,624**	**–2,599,709**
Net loss for the year				–114,445,869	–114,445,869
Total comprehensive income				**–114,445,869**	**–114,445,869**
Transactions with shareholders					
Mandatorily convertible loans raised	4.14		143,301,791		143,301,791
Value of employees' service			80,538		80,538
Conversion of loans	4.14	403,100	–403,100		0
Total transactions with shareholders		**403,100**	**142,979,229**	**0**	**143,382,329**
Closing balance 31 December 2016		**2,449,100**	**318,738,144**	**–294,850,493**	**26,336,750**

CONSOLIDATED STATEMENT OF CASH FLOWS (SEK)

	Note	2016	2015	2014
Operating activities				
Loss before net financial income/expense		–114,481,940	–53,349,694	–33,109,921
Adjustment for non-cash items				
depreciation and amortisation		24,074	7,368	7,369
value of employees' service		80,538	–	–
provision for social security contributions, employee stock options		10,199,852	–	–
Interest received		1,008	10,066	16,375
Interest paid		–305	–1,301	–432
Cash flow from operating activities before change in working capital		**–104,176,773**	**–53,333,561**	**–33,086,609**
Change in working capital				
Increase/decrease in operating receivables		–12,106,599	–959,369	–447,419
Increase/decrease in trade payables		3,615,709	2,546,885	1,063,142
Increase/decrease in other current operating liabilities		8,405,559	–1,062,124	1,032,282
Total change in working capital		**–85,331**	**525,392**	**1,648,005**
Cash flow from operating activities		**–104,262,104**	**–52,808,169**	**–31,438,604**
Investing activities				
Investments in property, plant and equipment		–1,117,075	–	–
Cash flow from investing activities		**–1,117,075**	**–**	**–**
Cash flow from financing activities				
Issue of new shares	4.14	–	43,135,624	35,589,288
Mandatorily convertible loans	4.14	143,301,791	–	–
Cash flow from financing activities		**143,301,791**	**43,135,624**	**35,589,288**
Cash flow for the period				
Cash and cash equivalents at beginning of period		2,292,958	11,965,503	7,814,819
Change in cash and cash equivalents		37,922,612	–9,672,545	4,150,684
Foreign exchange difference in cash and cash equivalents		35,368	–	–
Cash and cash equivalents at end of year		**40,250,938**	**2,292,958**	**11,965,503**

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Oncopeptides AB (publ), corp. ID no. 556596-6438, is the parent company of the Oncopeptides Group ("Oncopeptides"). Oncopeptides AB (publ) has its registered office in Stockholm, at Västra Trädgårdsgatan 15, 111 53 Stockholm.

Oncopeptides develops drugs for various cancer diseases.

2. Summary of significant accounting policies

Significant accounting policies applied in preparing these consolidated financial statements are described in the following. Unless otherwise stated, these policies have been applied consistently for all the years presented.

Unless otherwise stated, all amounts are stated in Swedish kronor (SEK). Figures in parentheses refer to the previous year.

2.1 Basis of preparation of financial statements

The consolidated financial statements have been prepared in accordance with IFRS and the interpretations 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 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 judgement, are complex or where assumptions and estimates have a material impact on the consolidated financial statements are described in Note 4.1.

2.1.1 Changes to accounting policies and disclosures

New standards and interpretations which have not yet been applied by the Group

IFRS 9 Financial Instruments deals with the classification, measurement and recognition of financial assets and liabilities. It replaces those parts of IAS 39 which relate to the classification and measurement of financial instruments. IFRS 9 retains a mixed approach to measurement but simplifies the approach in some respects. There will be three measurement categories for financial assets, amortised cost, fair value through other comprehensive income and fair value through profit and loss. How an instrument should be classified depends on the company's business model and the characteristics of the instrument. Investments in equity instruments should be measured at fair value through profit or loss but there is also an 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 must be applied for financial years beginning on 1 January 2018. The Group has not yet evaluated the effects of introducing the standard, but the initial assessment based on the current situation indicates that these effects will not be significant.

IFRS 15 Revenue from Contracts with Customers regulates the accounting of revenue. The principles on which IFRS 15 is based are intended to give users of financial statements additional valuable information about a 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. As the company has not yet concluded any customer contracts that would be subject to IFRS 15, it is not yet possible to evaluate any potential effects of introducing the standard.

IFRS 16 Leases. In January 2016 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 recognised 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. For the lessor the financial reporting will remain essentially unchanged. The standard is applicable for financial years beginning on 1 January 2019 or later. Early application is permitted. The EU has not yet adopted the standard. As the Group currently has only a small number of leases, the effect of introducing this standard is not deemed to be significant.

2.2 Consolidation

2.2.1 Fundamental accounting policies

Subsidiaries

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

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

Intercompany transactions, balances, income and expenses from transactions between Group companies are eliminated. Gains and losses resulting from intercompany transactions which have been recognised 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.

Transactions and balances

Transactions in foreign currency are translated to the functional currency at transaction date exchange rates. Foreign exchange gains and losses arising from such transactions and upon translation of monetary assets and liabilities in foreign currency at closing rates are recognised in the income statement.

Foreign exchange gains and losses attributable to cash and cash equivalents are accounted for in the income statement as financial income or expense. All other foreign exchange gains and losses are recognised in the items "Other operating income/expenses" in the income statement.

2.4 Intangible assets

Capitalised development costs

The Group is engaged in research and development of pharmaceutical drugs. The overall risk in ongoing development projects is high. The risk comprises technical and production-related risks, safety- and effect-based risks which can arise in clinical studies, regulatory risks related to applications and approval for clinical studies and marketing authorisation, as well as IP risks related to approval of patent applications and the maintenance of patents. All development work is therefore deemed to be research (as the work does not meet the criteria listed below) until the product has received marketing authorisation. Expenditure for research is expensed as incurred.

Expenditure directly attributable to the development and testing of identifiable and unique products which are controlled by the Group is accounted for as an intangible asset 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, and
- the costs attributable to the product during its development can be reliably measured.

Capitalised assets which have met the above capitalisation criteria have a limited useful life and are stated at cost less accumulated amortisation. Assets are amortised from the day when they are ready for use. Straight-line amortisation 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 capitalised 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 capitalised in later periods.

At 31 December 2016 Oncopeptides' expenditure for drug development is not deemed to meet the criteria for capitalisation and has therefore been charged to expense.

2.5 Property, plant and equipment

Property, plant and equipment are recognised 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

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 recognised in other operating income or other operating expenses in the income statement.

2.6 Impairment of non-financial non-current assets

Assets which are depreciated or amortised 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 recognised as an impairment loss. The recoverable amount is the higher of the fair value of the asset less costs to sell and 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 written down an impairment test is made 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 twelve 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 recognised at fair value plus transaction costs. This applies to all financial assets that are not measured at fair value through profit and loss. Financial assets are derecognised 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 derecognised 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 amortised 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 enforceable right to set off the recognised amounts and an intention to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.7.4 Impairment of financial instruments

Assets recognised at amortised 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. Issued preference shares are also classified as equity unless they are mandatorily redeemable. Transaction costs which are directly attributable to the issue of new ordinary shares or warrants are recognised, net of tax, in equity as a deduction from the proceeds of the issue.

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 recognised as non-current liabilities.

Trade payables are initially stated at fair value and subsequently at amortised 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 actual tax expense is calculated based on the tax rules that have been enacted by the balance sheet date.

Deferred tax is recognised, 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 realised or the deferred tax liability is settled.

Deferred tax assets arising from tax losses are recognised 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 recognised in a period is dependent on the original valuation that was made at the date of concluding the contract with the employees, 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 schemes 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 valuations 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 lessor and the contracts refer to the lease 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 Segmentinformation

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.

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

(i) Currency risk

Currency risks arise when future business transactions are expressed in a currency that is not the functional currency of the unit. The Group makes purchases in foreign currency and is thus exposed to currency risks arising from currency exposure, primarily in respect of the US dollar (USD) and euro (EUR).

If the Swedish krona were to weaken/strengthen by SEK 1 against the USD, all other variables held constant, this would have an impact on the cost base of SEK +/– 4,600,000. If the Swedish krona were to weaken/strengthen by SEK 1 against the EUR, all other variables held constant, this would have an impact on the cost base of SEK +/– 2,200,000.

(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 fulfil 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 from the balance sheet date. The amounts indicated in the table are the contractual, undiscounted cash flows.

31 December 2016	Less than 3 months	Between 3 months and 1 year
Trade payables	8,730,672	–
Provision for social security contributions, employee stock option scheme	–	10,199,852
Other current liabilities	714,602	–
Accrued expenses and deferred income	9,193,095	457,594

31 December 2015	Less than 3 months	Between 3 months and 1 year
Trade payables	5,114,962	–
Other current liabilities	186,096	–
Accrued expenses and deferred income	1,555,529	145,261

31 December 2014	Less than 3 months	Between 3 months and 1 year
Trade payables	2,568,077	–
Other current liabilities	476,296	–
Accrued expenses and deferred income	2,350,932	121,782

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.

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

Senior 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.

The going concern principle

The company's operations are dependent on contributions of capital from the owners. As at 31 December 2016 the company had sufficient capitalas to qualify as a going concern along with promised funding for the HORIZON study from the current owners, but did not have sufficient capital to implement the adopted strategic plan. The company is therefore working actively to raise the capital necessary to fully implement its strategic plan. The prospects of obtaining the necessary capital are deemed to be good.

Capitalisation of intangible assets

The Group capitalises expenditure for development of drugs to the extent that such expenditure is deemed to meet the criteria of IAS 38, para. 57. At 31 December 2016 Oncopeptides' expenditure for drug development is not deemed to meet the criteria for capitalisation and has therefore been charged to expense. Drug development expenditure is capitalised 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.

Employee stock option scheme

The Group has a number of share-based remuneration plans. The applicable accounting policies are described on page 111. The cost for the remuneration that is recognised in a period is dependent on the original valuation that was made at the date of concluding the contract with the employees, 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 schemes 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 valuations of the options. The model that is used for this purpose is the Black & Scholes model. Significant assumptions in these valuations are described in Note 4.18. 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 based on historical staff turnover rates, management has a very good basis for estimating the number of employees that will complete the schemes.

Tax losses

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

4.2 Other external expenses

	2016	2015	2014
Project costs*	–84,014,704	–42,220,765	–25,547,717
Other costs	–13,307,554	–5,882,268	–2,396,090
Invoicing of rental costs	178,149	419,909	360,177
Total	**–97,144,109**	**–47,683,124**	**–27,583,630**

* Project costs mainly comprise costs for the clinical programme and contract production of Ygalo for clinical studies as well as commercial scaling-up of production.

4.3 Audit fees

	2016	2015	2014
R3 Revisionsbyrå KB			
– Audit engagement	41,000	37,000	36,000
– Separate advisory services	–	5,000	3,000
PwC			
– Audit engagement	570,600	–	–
– Other audit services	271,150	–	–
– Separate advisory services	1,842,670	–	–
– Tax advisory services	56,550	–	–
Total	**2,781,970**	**42,000**	**39,000**

4.4 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:

	2016	2015	2014
Within 1 year	412,664	613,131	670,131
Between 1 and 5 years	12,288	–	–
Total	**424,952**	**613,131**	**670,131**

Rental costs of SEK 511,254 (201512: SEK 284,711, 201412: SEK 336,035) relating to office premises are included in the income statement.

Future total minimum lease payments for the sublet of parts of the office premises, under non-cancellable operating leases, in a total amount of SEK 178,149 (201512: SEK 419,912, 201412: SEK 360,179) have been recognised on a net basis, after deducting the costs for rent of premises, in the income statement.

4.5 Employee benefits, etc.

Salaries and benefits of employees

	2016	2015	2014
Salaries and other benefits	4,799,865	3,840,027	3,815,643
Social security contributions	11,719,119	1,190,030	1,155,875
Retirement benefit costs – defined contribution plans	678,467	598,769	501,987
Total employee benefits	**17,197,451**	**5,628,826**	**5,473,505**

Average number of employees

	2016 Number at balance sheet date		2015 Number at balance sheet date		2014 Number at balance sheet date	
		Of which, men		Of which, men		Of which, men
Group	5	1	4	1	3	1
Total, Group	**5**	**1**	**4**	**1**	**3**	**1**

Gender representation in Group (incl. subsidiaries) for Directors and other senior executives

	2016 Number at balance sheet date		2015 Number at balance sheet date		2014 Number at balance sheet date	
		Of which, men		Of which, men		Of which, men
Directors	7	7	6	6	6	6
Other senior executives	7	3	4	2	4	2
CEO	1	1	1	1	1	1
Total, Group	**15**	**11**	**11**	**9**	**11**	**9**

4.5 Employee benefits, etc., cont

Salaries, benefits and fees of the CEO, Board of Directors and senior executives

2016	Basic salary Director's fee	Invoiced fees	Bonus	Retirement benefit cost	Consulting fees	Total
Alan Hulme, Chairman of the Board	142,998	–	–	–	975,292	1,118,290
Olof Tydén, Director	60,000	–	–	–	–	60,000
Ulf Jungnelius, Director	60,000	–	–	–	–	60,000
Luigi Costa, Director	30,000	–	–	–	–	30,000
Jakob Lindberg, CEO	1,511,537	–	385,880	278,196	–	2,175,613
Other senior executives (7)	1,467,641	3,702,523	200,939	364,427	–	5,735,530
Total	**3,272,176**	**3,702,523**	**586,819**	**642,623**	**975,292**	**9,179,433**

In addition to a Director's fee, Alan Hulme has received consulting fees for his active participation in the development project.

2015	Basic salary Director's fee	Invoiced fees	Bonus	Retirement benefit cost	Consulting fees	Total
Alan Hulme, Chairman of the Board	154,731	–	–	–	793,298	948,029
Olof Tydén, Director	60,000	–	–	–	–	60,000
Ulf Jungnelius, Director	60,000	–	–	–	–	60,000
Jakob Lindberg, CEO	1,521,626	–	113,139	285,504	–	1,920,269
Other senior executives (4)	1,362,691	2,270,223	110,004	280,881	–	4,023,799
Total	**3,159,048**	**2,270,223**	**223,143**	**566,385**	**793,298**	**7,012,097**

In addition to a Director's fee, Alan Hulme has received consulting fees for his active participation in the development project.

2014	Basic salary Director's fee	Invoiced fees	Bonus	Retirement benefit cost	Consulting fees	Total
Alan Hulme, Chairman of the Board	165,772	–	–	–	529,253	695,025
Olof Tydén, Director	60,000	–	–	–	–	60,000
Ulf Jungnelius, Director	60,000	–	–	–	–	60,000
Jakob Lindberg, CEO	1,480,651	–	415,368	261,053	–	2,157,072
Other senior executives (3)	1,458,691	661,131	316,499	221,327	–	2,657,648
Total	**3,225,114**	**661,131**	**731,867**	**482,380**	**529,253**	**5,629,745**

In addition to a Director's fee, Alan Hulme has received consulting fees for his active participation in the development project.

Directors' fees

In addition to the Directors listed in the tables, Jonas Brambeck, Johan Christenson and Per Samuelson were Directors in 2016, 2015 and 2014. None of these Directors received Directors' fees for these periods.

Remuneration of senior executives

The remuneration of the CEO and other senior executives consists of a basic salary, pension benefits, variable pay and employee stock options (see Note 4.18). Some of the Group's senior executives invoice their fees. These are included in Other external expenses in the consolidated statement of comprehensive income and are presented in the tables above in the column "Invoiced fees". At the balance sheet date other senior executives refer to the seven individuals who, together with the CEO, make up the senior management team. Other senior executives 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 and Chief Commercial Officer.

Pensions

The retirement age for the Chief Executive Officer is 65 years. The pension premium is 19 percent of the pensionable pay. Pensionable salary refers to the basic salary.

Severance pay

The CEO's employment contract is terminable on six months' notice in case of termination by the company and six months' notice in case of termination 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. In case of termination by the company the employee has no right to severance pay on top of his or her salary during the term of notice.

4.6 Financial income and expense

	2016	2015	2014
Interest income	1,008	10,066	16,375
Foreign exchange gains	35,368		
Total financial income	**36,376**	**10,066**	**16,375**
Interest expense	305	1,301	432
Total financial expense	**305**	**1,301**	**432**
Net financial income/expense	**36,071**	**8,765**	**15,943**

4.7 Property, plant and equipment

Equipment	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2014**
Cost at beginning of year	36,843	36,843	36,843
Purchases for the year	83,529	–	–
Cost at end of period	**120,372**	**36,843**	**36,843**
Accumulated depreciation at beginning of year	–29,474	–22,106	–14,737
Depreciation for the year	–24,075	–7,368	–7,369
Closing depreciation	**–53,549**	**–29,474**	**–22,106**
Machinery			
Cost at beginning of year	0		
Purchases for the year	1,033,546	–	–
Cost at end of period	**1,033,546**	**0**	**0**
Accumulated depreciation at beginning of year	0		
Depreciation for the year	**0**		
Closing depreciation	**0**	**0**	**0**
Carrying amount at end of year	**1,100,369**	**7,369**	**14,737**

4.8 Non-current financial assets

	31 Dec 2016	**31 Dec 2015**	**31 Dec 2014**
Securities			
LFF Service AB 556197-9211	1,000	1,000	1,000
Total	**1,000**	**1,000**	**1,000**

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			
Rent deposit	261,890	162,450	162,450
Total long-term receivables	**261,890**	**162,450**	**162,450**

4.9 Company group structure

Name	**Corp. ID no. Registered office and country**	**Number of shares**	**Share of ordinary shares owned by Oncopeptides AB**	**Share of ordinary shares, non-controlling interests**	**Carrying amount 2016**	**Carrying amount 2015**	**Carrying amount 2014**
Directly owned							
Oncopeptides Incentive AB	555931-5491 Stockholm, Sweden	50,000	100%	0	50,000	50,000	50,000

4.10 Financial instruments by category

Loans and receivables	31 Dec 2016	31 Dec 2015	31 Dec 2014
Assets in balance sheet			
Trade receivables	–	–	46,948
Other current receivables	2,962,540	931,997	803,773
Prepaid expenses and accrued income	11,055,827	1,006,365	128,272
Cash and cash equivalents	40,250,938	2,292,958	11,965,503
Total	**54,269,305**	**4,231,320**	**12,944,496**
Other financial liabilities			
Liabilities in balance sheet			
Provision for social security contributions, employee stock option scheme	10,199,852	–	–
Trade payables	8,730,672	5,114,962	2,568,077
Other current liabilities	714,602	186,096	476,296
Accrued expenses and deferred income	9,650,689	1,700,790	2,472,714
Total	**29,295,815**	**7,001,848**	**5,517,087**
Total	**24,973,490**	**–2,770,528**	**7,427,409**

4.11 Other current receivables

	31 Dec 2016	31 Dec 2015	31 Dec 2014
VAT	2,229,717	644,974	651,337
Taxes	122,793	27,496	–
Tax account	610,030	259,527	152,436
Total	**2,962,540**	**931,997**	**803,773**

4.12 Prepaid expenses and accrued income

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Advance, project costs	10,380,566	876,944	–
Prepaid rents	218,664	71,830	70,422
Other prepaid expenses	456,597	57,591	57,850
Total	**11,055,827**	**1,006,365**	**128,272**

4.13 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 2016	31 Dec 2015	31 Dec 2014
Bank balances	40,250,938	2,292,958	11,965,503
Total			

4.14 Share capital and additional paid-in capital

	Number of shares	Share capital	Other capital	Total
1 January 2014	10,612	1,061,200	98,018,803	99,080,003
Issue of new shares	4,452	445,200	35,144,088	35,589,288
31 December 2014	15,064	1,506,400	133,162,891	134,669,291
Issue of new shares	5,396	539,600	42,596,024	43,135,624
31 December 2015	20,460	2,046,000	175,758,915	177,804,915
Mandatorily convertible loans raised			143,301,791	143,301,791
Conversion of loans	4,031	403,100	–403,100	0
Value of employees' service			80,538	80,538
Share split 1:900	22,017,409			
31 December 2016	22,041,900	2,449,100	318,738,144	321,187,244

Issue of new shares

2016

In October 2016 the Group converted the convertible loan that was raised in January 2016 in the amount of SEK 30,948,791, including interest of SEK 1,280,403.78, into 4,031 shares (20 percent of the total issued share capital). The converted shares have the same rights as other issued shares. The related transaction costs, in the amount of SEK 0, have been deducted from the expected proceeds of the issue.

2015

In March 2015 the Group issued 5,396 shares (36 percent of the total issued share capital) in the amount of SEK 43,135,624. The issued shares have the same rights as other issued shares. The related transaction costs, in the amount of SEK 0, have been deducted from the expected proceeds of the issue.

2014

Between April and September 2014 the Group issued 4,452 shares (42 percent of the total issued share capital) in the amount of SEK 35,589,288. The issued shares have the same rights as other issued shares. The related transaction costs, in the amount of SEK 0, have been deducted from the expected proceeds of the issue.

Share capital and share class

The share capital comprises 22,041,900 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. At 31 December 2016 there were also two mandatorily convertible loans outstanding. One loan, in the amount of SEK 32,353,000, was raised in June 2016 and the other, in the amount of SEK 80,000,000, was raised in November 2016. Both loans bear interest of 6 percent per annum. Neither the principal nor the interest is repayable but can only be converted into shares. The lowest share price at which the principal plus interest can be converted is approximately SEK 8.88 per share for the loan raised in June 2016 and approximately SEK 22.68 per share for the loan raised in November 2016.

The breakdown of the shares by share class is as follows:

Series	Number
Ordinary shares	3,275,100
Preference shares A	7,090,200
Preference shares A1	2,813,400
Preference shares A2	1,193,400
Preference shares A3	2,813,400
Preference shares A4	4,856,400
Total	**22,041,900**

Preference shares:

Oncopeptides AB has preference shares of series A, A1, A2, A3 and A4. Preference shares carry preferential rights over ordinary shares to a dividend of around SEK 8.88 per share (plus 8% interest p.a.) In case of liquidation, preference shares carry preferential rights over ordinary shares to dividends on the above terms, less what has previously accrued to holders of preference shares in the form of dividends with preferential rights. Preference shares carry one vote each in the same way as ordinary shares and there are no repayment terms in respect of the preference shares.

Warrants:

To ensure delivery of the company's and Group's employee stock option scheme (which is described in greater detail in Note 4.16), 2,246 warrants entitling the holders to subscribe for a total of 2,021,400 shares have been issued to the wholly owned subsidiary Oncopeptides Incentive AB.

Dividend

At the general shareholders' meeting in the first half of 2017 it will not be proposed that a dividend be paid in respect of the financial year 2016.

4.14 Share capital and additional paid-in capital, cont

The breakdown of mandatorily convertible loans by series is as follows:

Series	Principal	Maturity date	Conversion date
January 2016	30,948,791		26 Oct 2016
July 2016	32,353,000	31 Mar 2017	
November 2016	80,000,000	30 Sep 2017	

The mandatorily convertible loans bear interest of 6 percent per annum, which is calculated and added to the loan on a quarterly basis, both the principal and accrued interest being subject to mandatory conversion to preference shares of series A. As all terms and conditions of conversion are within the control of the company through a basic "fixed for fixed" structure for conversion, all loans are regarded as equity from day 1.

4.15 Earnings per share before and after dilution

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

	2016	2015	2014
Loss after tax	–114,445,869	–53,340,929	–33,093,978
Adjustment for cumulative right to dividends on preference shares	–10,972,185	–8,629,317	–5,272,078
Adjusted loss	**–125,418,054**	**–61,970,246**	**–38,366,056**
Average number of ordinary and preference shares*	19,320,975	15,581,100	10,851,300
Adjustment for additional shares on mandatory conversion of bridge loan	6,367,197	–	–
Average number of shares	**25,688,172**	**15,581,100**	**10,851,300**
Earnings per share	–4.88	–3.98	–3.54

* 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.

4.16 Liabilities

Other current liabilities

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Provision for social security contributions, employee stock option scheme	10,199,852	–	–
Other employee-related taxes and levies	714,602	186,096	476,296
Total	**10,914,454**	**186,096**	**476,296**

4.17 Accrued expenses and deferred income

	31 Dec 2016	31 Dec 2015	31 Dec 2014
Employee-related costs	945,905	592,939	479,720
Other accrued expenses	5,041,896	622,312	752,834
Accrued project costs	3,662,887	485,539	1,240,160
Total	**9,650,688**	**1,700,790**	**2,472,714**

4.18 Share-based payments

Employee Stock Option Scheme 2012/2019

At the Annual General Meeting on 20 June 2013 it was resolved to issue warrants of series "Employee Stock Option Scheme 2012/2019", which, upon conversion, entitle the holders to subscribe for a total of 1,385,100 ordinary shares. At an Extra-ordinary General Meeting on 26 March 2015 it was resolved to issue warrants of series "Employee Stock Option Scheme 2012/2019", which, upon conversion, entitle the holders to subscribe for a total of 257,400 ordinary shares. 1,396 employee stock options issued to senior executives/employees entitle the holders to subscribe for 1,256,400 ordinary shares at a price of SEK 0.11 per share by 2 November 2019. At the Annual General Meeting on 28 June 2016 it was resolved to issue up to 938 warrants along with a mandate for the Board of Directors to authorise the issuance of employee stock options, of which 307 warrants entitling the holders to subscribe for a total of 276,300 have been allocated. At the Board meeting on 28 June 2016 it was resolved to issue 109 employee stock options of series "Employee Stock Option Scheme 2012/2019", which entitle the holders to subscribe for 98,100 ordinary shares at a price of SEK 0.11 per share by 2 November 2019. At the Board meeting on 22 November 2016 it was resolved to issue to senior executives 307 employee stock options of series "Employee Stock Option Scheme 2016/2023", which entitle the holders to subscribe for 276,300 ordinary shares at a price of SEK 0.11 per share by 30 November 2023. The vesting of the options is contingent on the holder remaining an employee. The options have been allocated to the holders free of charge. Options of series "Employee Stock Option Scheme 2012/2019" shall, for each option holder, be vested and allocated over a period of four years from the start date. Twelve months from the start date, 12/48 of the option holder's employee stock options shall be deemed to have vested and be allocated. Thereafter, 1/48 of the offered employee stock options shall vest and be allocated for each month of the following three-year period. Options of series "Employee Stock Option Scheme 2016/2023" shall, for each option holder, vest and be allocated over a period of four years from the start date (with the exception of 60 options in the series, which will vest and be allocated over a period of 12 months in allotments of 1/12 per month). Twelve months from the start date, 12/48 of the option holder's employee stock options shall be deemed to have vested and be allocated. Thereafter, 1/48 of the offered employee stock options shall vest and be allocated for each month of the following three-year period.

As the fair value of the scheme was very low (insignificant) at the time of issuing options of series "Employee Stock Option Scheme 2012/2019" to the recipients, no amount is recognised in the income statement and equity during the vesting period. At the time of issuing options of series "Employee Stock Option Scheme 2016/2013" to the recipients the value of each option was SEK 8.82. The total benefit value of SEK 2,436,966 (options to subscribe for 222,3000 vest at a rate of 1/48 per month over four years while options to subscribe for 54,000 shares vest at a rate of 1/12 per month over one year) will thus be charged to the income statement during the vesting period.

Founder option scheme

The Annual General Meeting on 20 June 2013 resolved to issue up to 114 warrants of series "Founder Option Scheme". 114 warrants issued to the company's founders entitle the holder to subscribe for 102,600 ordinary shares at a price of SEK 8.88 per share by 2 November 2019. The warrants have been allocated to the holders free of charge and have been allocated in full upon the option holder's enrolment in the scheme.

As the fair value of the scheme was very low (insignificant) at the time of issuing the warrants to the recipients, no amount is recognised in the income statement and equity during the vesting period.

Calculation of fair value of employee stock option scheme as a basis for provisions for social security contributions

The fair value has been calculated using the Black & Scholes valuation model, in which the key inputs are a share price of SEK 1.58 at the allocation date for "Employee Stock Option Scheme 2012/2019" and a share price of SEK 8.88 at the allocation date for "Employee Stock Option Scheme 2016/2013", the above exercise price, a volatility of 20.72 percent, an expected dividend of 0 percent, a maturity for the options of three and six years, respectively, and an annual risk-free rate of 0 percent (the rate was negative at the balance sheet date). Volatility, as measured by the standard deviation for the expected return on the share price, is based on the NASDAQ Biotechnology Index for the past three years.

The fair value per option at 31 December 2016 is calculated at SEK 22.60 per option in "Employee Stock Option Scheme 2012/2019", SEK 22.62 per option in "Employee Stock Option Scheme 2016/2023" and SEK 16.03 per option in "Founder Option Scheme". The underlying enterprise value for calculating fair value per option has been assumed to be SEK 500,000,000.

The calculation of fair value refers to the calculation made for the purpose of determining the provision for social security contributions on the benefit value.

	2016		2015		2014	
	Average exercise price, SEK per option	Number of shares covered by stock option schemes	Average exercise price, SEK per option	Number of shares covered by stock option schemes	Average exercise price, SEK per option	Number of shares covered by stock option schemes
1 January	**0.77**	**1,359,000**	**1.01**	**997,200**	**1.37**	**715,500**
Allocated	0.11	783,900	0.11	361,800	0.11	281,700
Forfeited	–	–		–		–
Cancelled	0.11	–409,500		–		–
Exercised	–	–		–		–
Expired	–	–		–		–
At end of period	**0.63**	**1,733,400**	**0.77**	**1,359,000**	**1.01**	**997,200**

4.19 Deferred income tax

Deferred tax assets are recognised for tax losses or other deductions to the extent that it is probable that these can be used to offset future taxable profits. The Group has tax losses, as determined in the last tax assessment (2015), of SEK 180,253,560, which can be used to offset future taxable profits.

4.20 Related-party transactions

Transactions with related parties comprise transactions with the wholly owned subsidiary Oncopeptides Incentive AB and TechGen Ltd. Related natural persons are defined as owners with an interest of more than 10 percent, senior executives of the Group, i.e. the Board of Directors and the management team, and their close family members. Disclosures on transactions between the Group and other related parties are presented below.

During the financial year the company raised mandatorily convertible loans from related parties in the form of the main shareholders and the CEO and Chairman of the Board in a total amount of SEK 112,512,113. At the balance sheet date, 31 December 2016, SEK 81,563,322 remains outstanding, as specified in the breakdown shown below, as the loan raised in January 2016 was fully converted in October 2016. These loans bear interest of 6 percent per annum, which is capitalised on a quarterly basis. The interest component will not give rise to any outflow of cash but will only affect the number of shares that needs to be issued upon conversion. No interest expense is therefore recognised in the consolidated financial statements.

Mandatorily convertible loans to related parties, 31 December 2016

Industrifonden	40,000,000
HealthCap VI L.P.	40,000,000
Jakob Lindberg, Chief Executive Officer	664,719
Alan Hulme, Chairman of the Board	898,603
Summa	**81,563,322**

In addition to a Director's fee, Alan Hulme has received consulting fees for his active participation in the development project.

Purchases of services, etc.:	**2016**	**2015**	**2014**
TechGen International Ltd (owned by Alan Hulme, Chairman of the Board)	975,292	793,298	529,253
Total	**975,292**	**793,298**	**529,253**

Receivables and liabilities at year-end due to sales and purchases of goods and services

Employee stock options allocated to related parties, 31 December 2016

	Scheme 2012/2019 – Exercise price SEK 0.11			**Scheme 2016/2023 – Exercise price SEK 0.11**		
	Number of shares covered by stock option schemes	**Vested**	**Calculated benefit value**	**Number of shares covered by stock option schemes**	**Vested**	**Calculated benefit value**
CEO	805,500	100%	18,204,300	157,500	2.08%	74,222
Alan Hulme, Chairman of the Board	85,500	100%	1,932,300			
Luigi Costa, Director	44,100	100%	996,660			
Ulf Jungnelius, Director	44,100	100%	996,660			
Olof Tydén, Director	44,100	100%	996,660			
Other senior executives	331,200	100%	7,485,120	64,800	2.08%	30,537
Total			**30,611,700**			**104,759**

4.21 Pledged assets

	2016	**2015**	**2014**
Shares of LFF Service AB	1,000	1,000	1,000
Bank guarantee to Euroclear	50,000	–	–
Total	**51,000**	**1,000**	**1,000**

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.

4.22 Contingent liabilities

There were no contingent liabilities at 31 December 2016.

4.23 Events after the end of the reporting period

No significant events have taken place after the end of the financial year.

4.24 Future financing and going concern status

To meet its long-term liquidity requirements for continued operation and development in accordance with the adopted strategic plan, the company intends to conduct a major rights issue in the first quarter of 2017.

At 31 December 2016 the company had cash and cash equivalents of SEK 40,250,938. If it does not prove possible to complete the rights issue in the first quarter of 2017 as planned the Board expects that the company will need additional financing during the coming 12-month period. The reason for this is that the company assumed new obligations linked to the HORIZON phase 2 programme at the end of December 2016. To secure its financing in 2017, the company has been offered for the HORIZON study by its main owner. The prospects of securing the necessary capital for the operations in the long and short term are deemed to be good and, provided that further financing of the operations can be obtained through one of these options, the Board believes that the company will have sufficient liquidity to continue operating for at least 12 months.

Auditor's report on restated historical financial information

This is a literal translation of the Swedish original report included in RevR 5

To the Board of Directors of Oncopepties AB (publ)

The Auditor's Report on restated historical financial statements

We have audited the financial statements for Oncopeptides AB (publ) on pages 105–122, which comprise the statement of financial position of 31 December 2016, 31 December 2015 and 31 December 2014 and the statement of comprehensive income, cash flow statement and statement of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' and the Managing Director's responsibility for the financial statements

The Board of Directors and the Managing Director are responsible for the preparation and the fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presentation in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

The auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses. This recommendation requires that we comply with FAR's ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of Oncopeptides AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

An audit in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected depend on my (our) assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU/Annual Accounts Act and additional applicable framework of the financial position of Oncopeptides AB (publ) as of 31 December 2016, 31 December 2015 and 31 December 2014 and its financial performance, statement of changes in equity and cash flows for these years.

Emphasis of matter

Without impacting our opinion as stated above, we wish to bring attention to Note 4.24, Future financing and going concern status. In this Note it is stated that the company requires further liquidity in order to handle the company's long and short-term financing needs. With the aim of meeting this liquidity requirement to ensure its continued operation, the company plans to undertake a large new share issue. In the case this share issue is not executed according to plan, the company's major shareholder has offered to finance the company's current phase 2 study. In order to ensure the company's going concern status, it is of major importance that the financing of the operations be undertaken according to one of these alternatives.

Stockholm, February 7, 2017

PricewaterhouseCoopers AB

Magnus Lagerberg
Authorised auditor

Glossary

Alkylators	A type of cytotoxics which restrains cell growth and slows the continued growth of cancer cells.
Anemia	Low level of haemoglobin in the blood.
Antibody	Protein used by the body's immune defense system to detect and identify substances unfamiliar to the body.
Bioavailability	A measure of the fraction of a given compound which reaches the system circulation in an organism.
Biodistribution	A method used to track how a compound is transported in the body.
Blind study	Clinical studies can be "blind" or "double-blind". In blind and double-blind studies the patient does not know which drug he or she is treated with. As regards double-blind studies, the physician is also unaware of which drug the patient is treated with.
CCO	Chief Commercial Officer
CDMO	Contract Development and Manufacturing Organisations.
CMO	Chief Medical Officer.
Clinical studies	Studies performed in humans.
Clinical Trial Application (CTA-application)	Application for authorisation to perform clinical study.
Composition of matter-patent	Patent on the compound.
CRO	Contract Research Organisations.
current Good Manufacturing Practice (cGMP)	The part of the quality assurance process intended to assure that the products are manufactured and inspected in a homogenous manner, so that the quality requirements suitable for the products intended use are fulfilled.
Cytokines	A group of proteins and peptides functioning as carriers of chemical signals.
Cytotoxics	A form of treatment used for cancer, also referred to as chemotherapy.
European Medicines Agency (EMA)	The European Medicines Agency.
Food and Drug Administration (FDA)	The pharmaceutical regulatory authority in the US.
Formulation patent	Patent on the formulation of a compound.
Good Clinical Practice (GCP)	Internationally recognised ethical and scientific quality requirements that shall be observed in regards to design, performance, registration and reporting of clinical pharmaceutical studies where humans are involved as study subjects.
Good laboratory Practice (GLP)	A quality system comprising the managerial process and the circumstances that prevail when non-clinical safety studies are planned, performed, surveilled, registered, archived and reported.
Head-to-head comparative studies	Studies where a drug candidate is compared with another drug.
IMiDs	IMiDs (or immunomodulatory drugs) is a derivate of Neurosedyn (thalidomide) and has a restraining effect on many different systems in the body. Inter alia, IMiDs restrain B-cells from dividing, and they also stimulate the body's immune system to attack cancer cells directly.
Immuno-oncology	Term for oncology specifically directed at the treatment of tumour malignancies through the activation of the immune system.
In vitro	Biological process that has taken place outside of living cells or organisms.
In vivo	Biological process that has taken place inside living cells and tissues in organisms.
Incidence	A measure of the probability of occurence of a given medical condition in a population within a specified period of time.

IND	Investigational New Drug.
Investigational drug	A drug which is studied in clinical studies.
Last resort-patients	Patients lacking remaining established treatment alternatives.
Late-stage RRMM	Late-stage relapsed and refractory multiple myeloma.
Medicines and Healthcare Products Regulatory Agency (MHRA)	The British pharmaceutical regulatory authority.
Moiety	Sub-component of a molecule.
Milestone payment	Economic remuneration received within the framework of a project/programme, upon the reach of a specified goal.
Neutropenia	Neutropenia is a state where the number of neutrophils in the blood is decreased. Neutrophils are a type of white blood cells. Neutropenia affects the body's ability to fight infections.
Oncology	Term for the medicinal area focused on diagnostics, prevention and treatment of tumour malignancies.
One-armed clinical study	Clinical study on one patient group where all patients receive the same treatment.
Orphan Drug	A drug intended for diagnosis, prevention or treatment of life threatening, severely impairing and rare diseases.
Pharmacokinetics	The theory of the administration of substances in the body, i.e. regarding how the contents of a compound changes through absorption, distribution, metabolism and excretion (meaning how the drug interacts with the body).
Pivotal study	A study, required for registration, which is performed in order to achieve marketing authorisation.
Polyclonal immunoglobulin	Antibodies produced by a number of clones of different B-lymphocytes.
Preclinical studies	Experimental studies that are not performed in humans, e.g. in cell lines or animals.
Prevalence	Proportion of individuals in a population suffering from a named disease or condition.
Product candidate	A product which is in development and has not yet obtained marketing authorisation.
Proteasome	Proteasome is a system inside the cells which break down old, damaged or unnecessary proteins. Cancer cells usually include larger amounts of these proteins compared to healthy cells.
Randomised clinical study	A study where changes between groups of patients, having received different treatments, are compared. The allocation of patients between the different groups is randomised.
Receptor	A receiver at the surface of the cell, perceiving chemical signals.
RRMM	Relapsed and refractory multiple myeloma.
SMEs	Micro, small and medium sized enterprises.
Solid tumour diseases	Cancer types consisting of solid (firm) masses of tissue that grows continually.
Sponsor	The person, company or institution initiating, organising or financing clinical studies.
Toxicological studies	Studies on the toxicology of different ingredients in living organisms, especially their toxic effect in humans.

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