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ALLIGATOR bioscience

INTERIM REPORT JANUARY-SEPTEMBER 2018

The science behind the Nobel Prizes in Medicine and Chemistry constitutes the core in Alligator's research and development

Significant events July-September

- Preclinical development of ATOR-1015 completed. Application for Clinical Trial Authorization submitted.
- New preclinical data supports the favorable safety profile of the 4-1BB antibody ATOR-1017.

Events after the end of the period

- James P. Allison and Tasuku Honjo to receive the Nobel Prize for their pioneering work in cancer immunotherapy, directly linked to ATOR-1015.
- Frances H. Arnold, George P. Smith and Sir Gregory P. Winter to receive the Nobel Prize for their work on directed evolution of enzymes and phage display, which constitutes the core in Alligator's unique FIND® and ALLIGATOR-GOLD® technologies.
- Alligator Bioscience received a research government grant from Vinnova.

Financial summary

July-September

- Net sales, SEK 0.2 million (1.8).
- Operating result, SEK -39.9 million (-24.5).
- Result for the period, SEK -39.6 million (-25.8).
- Result per share, SEK -0.56 (-0.36).
- Cash and cash equivalents, incl. interest-bearing securities, SEK 478 million (587).
- Cash flow for the period, SEK -39.7 million (-25.4).

January-September

- Net sales, SEK 1.4 million (5.6).
- Operating result, SEK -123.0 million (-73.0).
- Result for the period, SEK -119.5 million (-76.3).
- Result per share, SEK -1.67 (-1.07).
- Cash flow for the period, SEK -70.0 million (-141.5).

Financial summary (Group)

	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Net sales, TSEK (SEK thousand)	197	1,770	1,364	5,576	56,875
Operating profit/loss	-39,918	-24,459	-123,020	-73,032	-62,299
Profit/loss for the period, TSEK	-39,635	-25,772	-119,454	-76,274	-63,758
Cash flow for the period, TSEK	-39,691	-25,409	-69,990	-141,479	-183,173
Cash, cash equivalents and bonds, TSEK	478,355	587,578	478,355	587,578	547,041
Equity ratio, %	95%	97%	95%	97%	96%
R&D costs as % of operating costs excluding impairments	76.2%	69.3%	76.0%	69.5%	73.3%
Earnings per share before dilution, SEK	-0.56	-0.36	-1.67	-1.07	-0.89
Earnings per share after dilution, SEK	-0.56	-0.36	-1.67	-1.07	-0.89
Average number of employees	51	43	49	40	42

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Comments from the CEO

Important progress for our first-in-class and wholly-owned bispecific antibody ATOR-1015

In July, Alligator's tumor-localizing CTLA-4 and OX40-binding bispecific antibody ATOR-1015 transitioned from preclinical to entering clinical phase with the submission of its clinical trial authorization (CTA) application. The objective is to start a clinical phase I study in patients with advanced solid tumor disease before the end of the year. We are very pleased with the progress of this industry-leading project and look forward to starting patient recruitment as fast as possible after regulatory approval of the CTA.

Not just one Nobel prize ...

It is an amazing coincidence that this year's Nobel prize winners in both Medicine and Chemistry are directly associated with ATOR-1015. On October 1st, the Nobel Prize in Medicine 2018 was awarded jointly to *James P. Allison* and *Tasuku Honjo* for their discoveries on inhibition of negative immune regulation via CTLA-4 and PD-1, respectively, paving the way for the field of immuno-oncology. Our bispecific drug candidate ATOR-1015, which is a next-generation CTLA-4 immuno-oncology antibody, is born out of Allison's pioneering discovery. I am very proud that Alligator has been able to build on the immunotherapy principle established by Allison, with the hope of providing a both safe and effective CTLA-4 therapy to cancer patients. But it does not end there.

... but two Nobel prizes associated with Alligator

On October 3rd, the Nobel Prize for Chemistry was awarded to *George Smith, Frances H. Arnold,* and *Greg Winter*. Arnold developed a protein evolution technology that is directly related to Alligator's FIND® (Fragment INduced Diversity) technology, and Smith and Winter developed phage display for the directed evolution of antibodies. ATOR-1015 is built and optimized using phase display and the FIND protein evolution technology, and, activates the immune system via CTLA-4. *Three Nobel prize inventions in the same drug!* I believe this is a record that will be difficult to beat!

Upcoming phase I study with ATOR-1015

The upcoming phase I study with ATOR-1015 is a first-in-human dose escalation study in up to 50 patients with advanced solid tumor disease. As previously communicated, Alligator has appointed Theradex Oncology, a global contract research organization with extensive expertise in oncology clinical development, to conduct the phase I study. The primary aim of first-in-human studies in general is to investigate safety and tolerability of the drug. Another aim is to identify a safe dose for subsequent phase II studies where clinical efficacy will be investigated. ATOR-1015 is unique in that efficacy has already been demonstrated for the target, CTLA-4, and so safety and tolerability, which will be explored in the first clinical trial, is the most critical factor to evaluate. While immune activation through CTLA-4 has shown impressive efficacy in multiple cancers, it is coupled with severe toxicity.

Solving the problem of severe toxicity

ATOR-1015 provides a beautiful solution to this - it preferentially activates the immune system in the tumor area rather than in other parts of the body. If this can be confirmed in our development program it could provide important benefits to many cancer patients.

A meeting of minds with shared optimism

In September, Alligator hosted a Scientific Advisory Board in New York where several of our scientific advisors and invited key opinion leaders discussed the clinical plans for ATOR-1015. The clinical development path for this potential medicine is unusually straightforward with responder populations identified based on experience from the marketed CTLA-4 product. I was pleased that our optimism for ATOR-1015 is shared by the international panel. It was a highly rewarding and stimulating event and gave us further confidence in the differentiation and positioning of this potentially game changing medicine.

Per Norlén
CEO Alligator Bioscience AB (publ)

October 26, 2018

Operations

Alligator Bioscience AB is a public Swedish biotech company specialized in the development of novel immuno-oncology drugs for tumor-targeted immunotherapy, with the aim of providing more effective treatment with fewer side effects. The strategy is to develop drug candidates that selectively stimulate the immune system in the tumor region, rather than the whole body. In this area, Alligator is strongly differentiated and there is currently a major unmet medical need for novel and improved therapies.

The drug development process is carried out in Alligator's laboratory by the company's own personnel. All of the expertise required for running successful projects is represented. To make the process as competitive and time-efficient as possible, some of this work is also carried out in collaboration with other biotech companies, contract laboratories and leading international immuno-oncology research institutions.

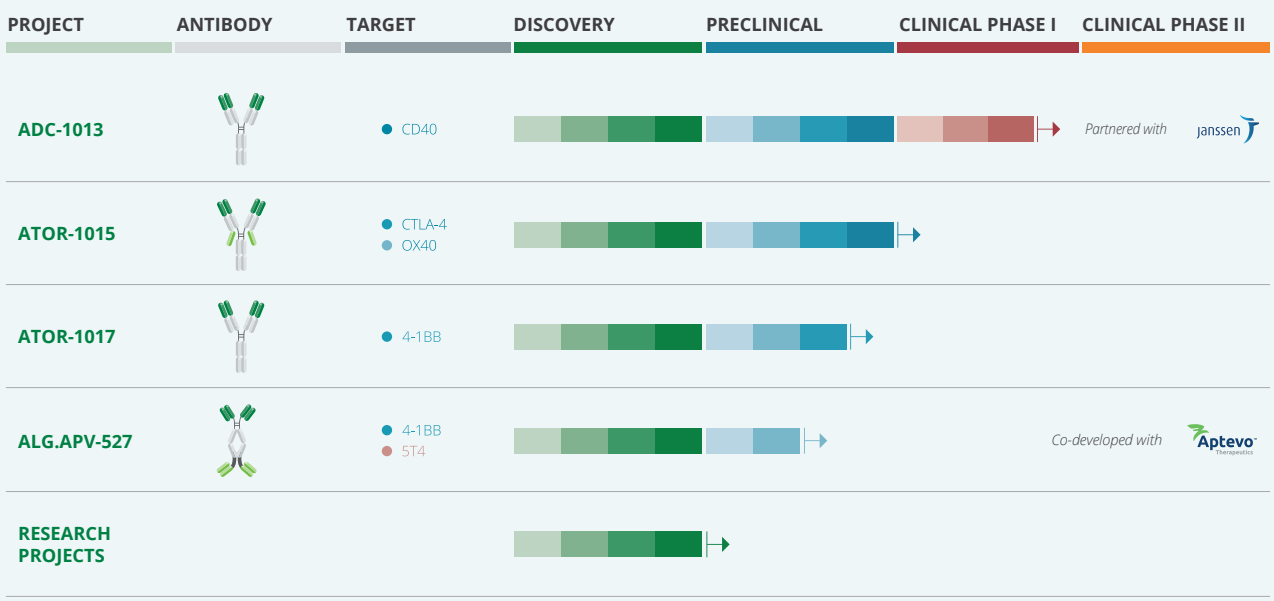
Three unique technologies

The development of novel drug candidates is based on Alligator's patented technology platforms FIND® (protein optimization technology) and ALLIGATOR-GOLD® (antibody library). These platforms enable efficient generation of novel drug candidates with high potential. In addition, a unique bispecific fusion format has been produced for the development of novel dual-action antibodies. These technologies have given Alligator a strong base for the development of bispecific, tumor-targeted drug candidates.

Competitive and broad project portfolio

Alligator's project portfolio includes the clinical and preclinical drug candidates ADC-1013, ATOR-1015, ATOR-1017, and ALG.APV-527, plus a number of early-stage research projects. All drug candidates are developed for tumor-targeted immunotherapy, are directed against immunostimulatory receptors and can provide long-lasting protection against cancer. Future cancer therapies will probably involve a combination of multiple drugs. Although the combination therapies used to date have increased clinical efficacy, they have also led to a higher risk of developing severe immune-related adverse events. Alligator's tumor-targeted immunotherapy concept creates an opportunity to solve this problem and to provide new cancer therapies with high efficacy without increasing the risk of severe side effects.

The Alligator project portfolio



Alligator's organization

Alligator's research organization is divided into three units: Discovery, Preclinical and Clinical. The Discovery Unit is responsible for early-stage research projects through to the identification of a drug candidate. This usually involves the preparation and assessment of treatment concepts, the evaluation of potential drug candidates and early-stage efficacy testing. The Preclinical Unit is responsible for the manufacture of clinical trial materials and for compilation of the data package required for a Clinical Trial Authorization application. The Clinical Unit assumes responsibility when the drug candidate enters a Phase I clinical trial and the subsequent clinical development until successful out-licensing.

Business model that creates value across the development chain

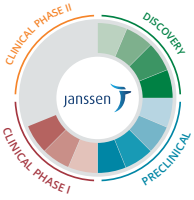
The company's business model is based on proprietary drug development – from early-stage research and preclinical development until the phase of clinical development when the treatment concept is tested on patients (Phase II). The plan is to subsequently out-license the drug candidate to a licensee for further development and market launch. This business model enables the company to generate revenue even before the drug reaches the market, such as revenue when agreements are signed and milestone payments during the development process. The business model was validated in 2015 when a license agreement was signed with Janssen Biotech, Inc., one of the Janssen Pharmaceutical Companies of Johnson & Johnson. Under the agreement, Alligator is entitled to up to USD 695 million (almost SEK 6 billion) in milestone payments during the development process as well as royalties from future global sales of the drug.

Alligator Bioscience's business model

DISCOVERY	PRECLINICAL	CLINICAL PHASE I	CLINICAL PHASE II	CLINICAL PHASE III	MARKET
Costs for research and development					
The Discovery Unit is responsible for early-stage research projects through to the identification of a drug candidate.	Manufacturing of clinical trial materials and compilation of the data package required for a Clinical Trial Authorization application.	The Clinical Unit assumes responsibility when the drug candidate enters a Phase I clinical trial and the subsequent clinical development until successful out-licensing.			
		Partnering / outlicensing			
		Upfront payment and income from milestone payments			**Royalty-streams**
Patent applications to secure IP rights are submitted before entering the preclinical phase.	The project is presented externally at scientific conferences and at meetings with potential future partners.	During these development phases discussions with potential partners are initiated. Alligator's business model is to out-license a project after showing proof-of-concept in patients.		The licensee performs the final steps in the clinical development and prepares for commercialization.	The medicinal drug is approved on the market and launched for sales globally.

ADC-1013. Clinical drug candidate out-licensed to Janssen Biotech, Inc.

Clinical phase I trial project.



ADC-1013 is an immunostimulatory antibody (CD40) designed for the treatment of metastatic cancer. The drug candidate has been out-licensed since 2015 to Janssen Biotech, Inc. (one of the Janssen Pharmaceutical Companies of Johnson & Johnson), which is responsible for all continued clinical development. To date, ADC-1013 (called JNJ-7107 by Janssen) has generated revenue of almost SEK 400 million for Alligator. The total amount of the predefined milestone payments is potentially USD 695 million, corresponding to approximately SEK 6 billion.

Commercial status: out-licensed to Janssen with potential milestone payments of USD 695 million

The license agreement with Janssen comprises predefined milestone payments with a potential total value of about SEK 6 billion (USD 695 million). In January 2018, Alligator received a second milestone payment of SEK 50 million from Janssen, related to the decision to commence a combination study with ADC-1013 and one of Janssen's own drug candidates. If the commercialization is successful, Alligator will also be entitled to incremental royalties based on global net sales.

Project status: Phase I trials

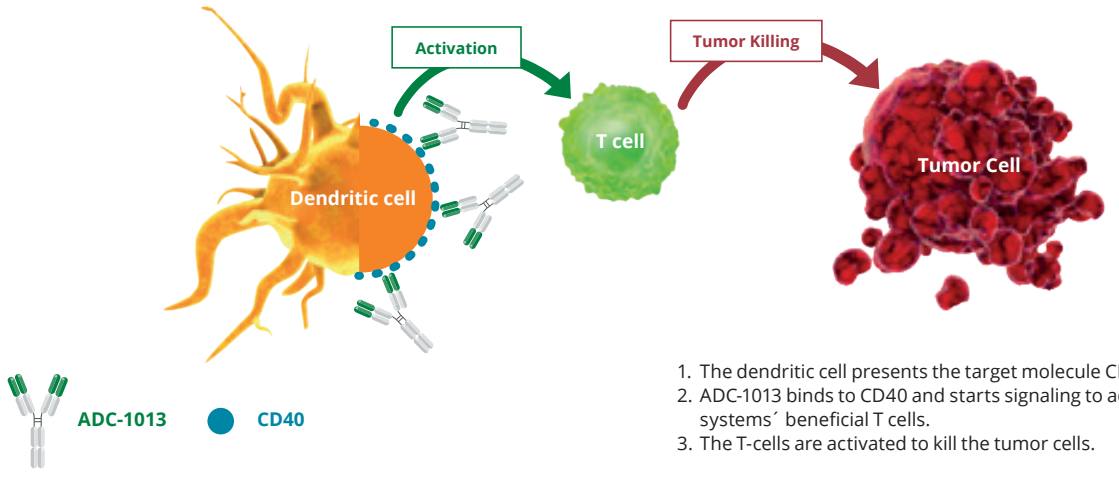
To date, the clinical program has comprised two Phase I trials. The first trial was conducted by Alligator, and focused on intratumoral administration. The results were presented in November 2017 and showed that ADC-1013 is well-tolerated at clinically relevant doses. A second Phase I trial with 80 patients at present, is currently being run by Janssen and focuses on intravenous dose escalation. Janssen has completed the technology transfer associated with the manufacturing of clinical trial materials to Biogen Inc. – a US company with a large-scale manufacturing plant. The main purpose of both Phase I trials is to identify a safe, tolerable and biologically effective dose for ADC-1013.

Mechanism of action

ADC-1013 is an agonistic – or stimulatory – antibody that targets CD40, a receptor in the dendritic cells of the immune system, which are the cells that detect enemies such as cancer cells. ADC-1013's activation of CD40 enables dendritic cells to stimulate the immune response's weapons more effectively – in this case, T cells – allowing the immune system to selectively attack the cancer. ADC-1013 has been optimized using Alligator's unique FIND technology, with the aim of improving binding affinity. This makes it possible to achieve efficacy with very low doses. In preclinical experimental models, ADC-1013 has been shown to induce a potent tumor-targeted immune response and provide long-lasting tumor immunity. In addition, preclinical data have demonstrated how ADC-1013 can be used against multiple types of cancer.

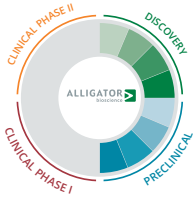
Events during the third quarter

- The new material manufactured during the spring has led to a slight delay in the timeline for the Phase I trial and commencement of the planned combination study, but is positive for the project as a whole in that access to material for upcoming trials has now been secured. This strengthens opportunities to move the project forward at full speed as soon as the recommend Phase II dose has been determined.



1. The dendritic cell presents the target molecule CD40 on its surface.
2. ADC-1013 binds to CD40 and starts signaling to activate the immune systems´ beneficial T cells.
3. The T-cells are activated to kill the tumor cells.

ATOR-1015. Tumor-localizing bispecific CTLA-4 antibody with dual immunostimulatory function.



Preclinical development completed. Application for Clinical Trial Authorization submitted.

ATOR-1015 is a bispecific (CTLA-4 and OX40) antibody developed for tumor-targeted treatment of metastatic cancer. The ATOR-1015 antibody has been assembled and optimized using Alligator's unique ALLIGATOR-GOLD and FIND technologies and the bispecific fusion format.

Project status: preclinical development, Phase I clinical trial to commence in 2018

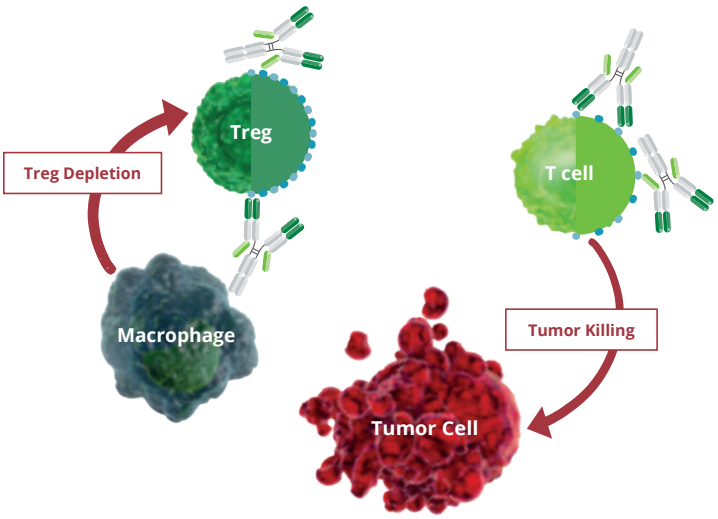
Preclinical data presented at various conferences in 2018 show that ATOR-1015 localizes to the tumor, with increased immunostimulation in the tumor compared with normal tissue. The drug candidate ATOR-1015 is primarily designed for combination therapies and the preclinical results presented include data indicating an amplified anti-tumor effect in combination therapy with a PD-1 pathway-blocking antibody.

Mechanism of action

ATOR-1015 binds to two different immunomodulatory receptors – the CTLA-4 inhibitory receptor, and an OX40 costimulatory receptor. In preclinical studies, the biospecificity has been shown to cause a significant increase in the immunostimulatory effect and is expected be achieved mainly in environments where both of the target molecules are expressed at high levels, such as in a tumor. This means that ATOR-1015 may have potent immunostimulatory effects in the tumor environment, but not in the rest of the body, with the goal of reducing the side effects while maintaining efficacy.

Events during the third quarter

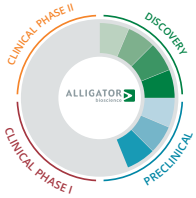
- In July 2018, the company filed a Clinical Trial Authorization (CTA) application for a Phase I clinical trial: a dose escalation study in patients with metastatic cancer. The trial will be conducted at five different clinics across Sweden and Denmark, and include up to 50 patients. The Phase I trial is scheduled to commence before the end of the year. The main objective is to evaluate the safety and tolerability of ATOR-1015, and to determine a recommended Phase II dose.



1. ATOR-1015 binds to CTLA-4 and OX40 on the regulatory T cells, the cells which restrain the immune system.
2. The macrophages are activated to kill Tregs, removing the inhibitory effect of Tregs on the beneficial T cells.
3. The effector T cells (light green) are multiplied in number and are activated to kill the tumor cells.

ATOR-1017. Stimulation of both T and NK cells induces potent killing of tumor cells.

Preclinical development project.



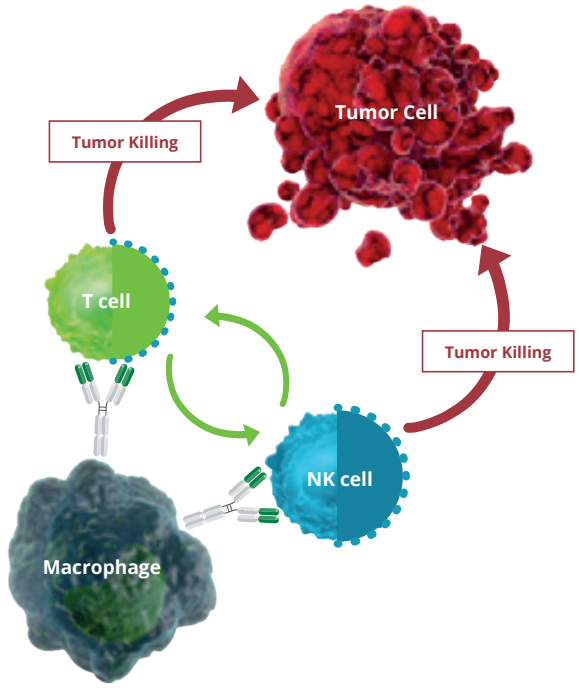
ATOR-1017 is a monoclonal antibody that activates the costimulatory function of 4-1BB on T and NK cells in the tumor region and has been developed for the treatment of metastatic cancer. 4-1BB has the capacity to stimulate both of the immune cell populations required for tumor control.

Project status: preclinical development

In 2018, new preclinical data for ATOR-1017 has been presented at various scientific conferences including the 14th Annual Essential Protein Engineering Summit (PEGS), the 3rd Annual World Preclinical Congress and the 2018 Immuno-Oncology Summit, all held in Boston, US.

These new data show that ATOR-1017 stimulates both NK (Natural Killer) and T cells, both of which contribute to an effective immune-mediated killing of tumor cells. As well as leading to amplification of the tumor-targeted immune response, the 4-1BB stimulation of T cells also develops an immunological memory of the tumor. NK cells are immune cells that specifically target tumor cells trying to evade the immune system's response. NK cells also strengthen cell-death signaling from the immune system's tumor-specific T cells. Stimulatory antibodies against 4-1BB therefore strengthen the ability of both NK and T cells to attack tumor cells.

These preclinical data provide additional support for the positioning of ATOR-1017 as a best-in-class 4-1BB antibody with the potential to reduce side effects, but also to generate a potent and long-lasting immune response.



Mechanism of action

ATOR-1017 is distinct from other 4-1BB antibodies, partly because of its unique binding profile, but also because its immunostimulating function is dependent on crosslinking to Fc gamma receptors in immune cells. This localizes the immunostimulation to the tumor region where both 4-1BB and Fc-gamma receptors are expressed at high levels – totally in line with the treatment strategy for Alligator's drug candidates. The objective is to achieve an effective tumor-targeting immune response with minimum side effects.

Events during the third quarter

- New preclinical safety studies were presented at the 4th CRI-CIMT-EATI-AACR International Cancer Immunotherapy Conference. The new data further support the potential for ATOR-1017 to induce stronger immunostimulation in the tumor region compared with other parts of the body, which is expected to reduce the risk of systemic immune-related adverse events.
- A preclinical data package is currently being compiled with the aim of commencing clinical trials in 2019.

Events after the end of the period

- In October, the company was awarded SEK 500,000 in research funding from Vinnova (the Swedish innovation agency). In collaboration with biotech company SARomics Biosctructures AB, the funding will be used to generate 3D structure data for ATOR-1017 and provide further support for its unique profile. The studies will be conducted in the BioMAX beamline at the MAX IV Laboratory in Lund.

1. ATOR-1017 binds to the target molecule 4-1BB on the surface of T cells.
2. The immune activating function is dependent on binding to Fc gamma receptor on macrophages.
3. The beneficial T cells are activated to kill tumor cells.

ALG.APV-527. A tumor-binding and immunomodulatory antibody in the same molecule.

Preclinical development project. Development in partnership with Aptevo Therapeutics Inc.

ALG.APV-527 is a bispecific antibody (4-1BB and 5T4) for the treatment of metastatic cancer. The antibody has two functions: to stimulate antitumor-specific T cells via the costimulatory receptor 4-1BB, and to bind to the 5T4 protein on the surface of tumor cells and thereby localize the immunostimulation to the tumor.

Project status: preclinical development

In May 2018, new preclinical data for ALG.APV-527 were presented at several scientific conferences – the 2018 PEGS Summit, the Annual Meeting of the American Association of Immunologists (AAI) and the Annual Meeting of the Association for Cancer Immunotherapy (CIMT). New data show that ALG.APV-527 has the potential to selectively stimulate and strengthen the T-cell response in the tumor without stimulating the immune system in the rest of the body. The findings support its overall potential to evoke an effective tumor-targeting immune response with fewer adverse events.

Mechanism of action

4-1BB has the ability to stimulate the immune cells (antitumor-specific T cells) involved in tumor control, making 4-1BB a particularly compelling target for cancer immunotherapy. The tumor-binding function of ALG.APV-527 targets the 5T4 tumor-associated antigen. 5T4 is a protein expression in multiple tumor types, as well as certain types of aggressive tumor cells (tumor-initiating cells), but at low levels or not at all in normal tissue, making 5T4 a compelling target molecule for cancer therapy.

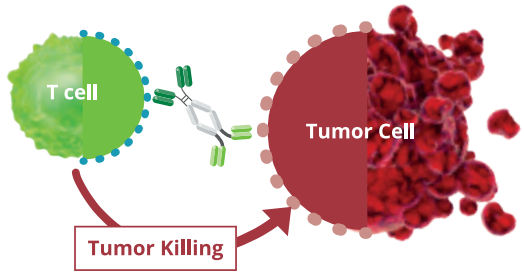
Co-development with Aptevo

In July 2017, Aptevo Therapeutics and Alligator Bioscience signed an agreement regarding the co-development of ALG.APV-527. The antibody is based on Alligator's original bispecific drug candidate ATOR-1016. Under the agreement, the companies will equally own and finance the development of the drug candidate through Phase II clinical trials.

The original molecules involved in the tumor-binding and immunomodulatory functions of ALG.APV-527 were developed using Alligator's patented antibody library, ALLIGATOR-GOLD. The bispecific molecule was then further developed and improved jointly with Aptevo Therapeutics, using their technology platform ADAPTIR™. A drug candidate was created by combining a tumor-binding function with an immunomodulatory function in the same molecule, that can selectively target the tumor and stimulate the antitumor-specific immune cells that are found there.

Events during the third quarter

- In September, an agreement regarding the manufacture of clinical trial materials was signed with US company KBI Biopharma (a contract development and manufacturing organization).
- A preclinical data package is currently being compiled to support an application for Clinical Trial Authorization (CTA) in 2019.



1. ALG.APV-527 is seeking the tumor area and binds to the target molecule 5T4 on the surface of tumor cells.
2. In the tumor area, ALG.APV-527 simultaneously binds to 4-1BB on the surface of T cells.
3. The beneficial T cells are activated to kill tumor cells.

Other projects.

Alligator's early-stage research projects include several projects with components created using ALLIGATOR-GOLD and FIND, and then assembled using Alligator's bispecific fusion format. Through its subsidiary Atlas Therapeutics AB, the Group holds an ownership interest in the Biosynergy research project, run by the South Korean company AbClon Inc. Alligator incurs no overheads for this project, but is entitled to a share of any future returns. Two milestone payments totaling SEK 2.1 million have been received to date in conjunction with a regional out-licensing of one of these products, the HER2 antibody AC101.

Drug development at Alligator – the different phases

Discovery

In the discovery phase, Alligator develops novel monospecific and bispecific antibodies using its ALLIGATOR-GOLD and FIND technology platforms.

Preparation and evaluation of treatment concepts, the identification and optimization of potential drug candidates and early-stage efficacy testing.

The antibodies are optimized to achieve set targets in relation to function, binding affinity and stability, after which a drug candidate is selected for continued development.

Preclinical

In the preclinical phase, final optimization and evaluation of the drug candidate are conducted, as well as its clinical potential. These studies are conducted both internally on Alligator's premises, and externally with Alligator's partners.

Alongside of the preclinical activities for a certain drug candidate, research activities continue to acquire a deeper understanding of the candidate's biological function. This phase also includes activities for the production of materials for future clinical studies.

Clinical phase I

The first studies in humans are normally performed on a small group of 20–80 patients with advanced cancer. The main goal of these studies is to determine whether the substance is safe.

How the drug is absorbed, distributed and metabolized is also studied.

Clinical phase II

The main goal of phase II studies is to show whether the substance has the intended clinical efficacy, and to determine the optimal dose. 100-300 patients are normally tested.

By the end of phase II, the drug's efficacy, likely dose range and side-effect profile should have been established.

Clinical phase III

In phase III studies, the substance is normally tested on a larger group of 1,000-3,000 patients.

The main goal of phase III studies is to demonstrate that the novel substance is equally as good or better than previously approved treatments.

By the end of the phase III program, the drug's properties and common side effects have been established, and the documentation needed to register the drug has been compiled.

Alligator's business strategy is to conduct clinical studies until phase II, and then out-license the drug candidate to large biotech or big pharma companies for the further development.

Market. Major potential for Alligator's unique technology

Around 14 million people are diagnosed with cancer every year, and the number of new cases is expected to rise by about 70% over the next two decades. (WHO World Cancer Report 2014 and WHO Cancer Fact Sheet, February 2018), bringing a major need for advanced cancer care. One reason why cancer rates are increasing is increased longevity. Another is improved diagnostics. This means that more cancers are being detected, more often at an early stage, which improves the chances of successful treatment.

The emerging role of immunotherapies

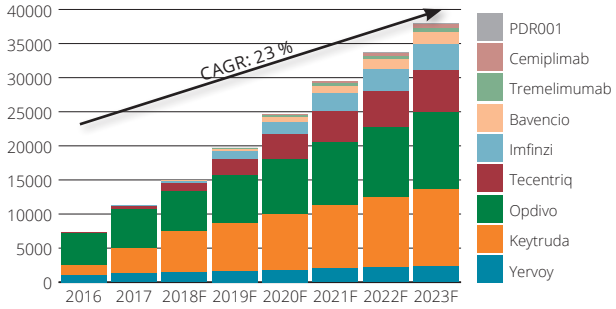
Immuno-oncology is one of the fastest growing areas of drug research. The global market for cancer immunotherapies alone is expected to grow to almost $76 billion by 2022 from just under $17 billion in 2015, according to the research company GlobalData.

Since the first immuno-oncology drug, Yervoy (Bristol-Myers Squibb), was approved in 2011, the four approved therapies (Yervoy, Keytruda, Opdivo and Tecentriq) shown in the graph below have all generated billion-dollar-plus sales, generating a combined $11.2 billion in revenues in 2017 compared with $7.3 billion in 2016. Antibody-based immunotherapies have the potential to be used in the treatment of virtually all forms of cancer, and are currently used for malignant melanoma, kidney, head and neck, lung and bladder cancer, as well as lymphoma. The number of cancers treated with immunotherapy is expected to continue to increase.

Immunotherapy has revolutionized the treatment of cancer in recent years, showing positive effects in a greater proportion of patients and over a longer period compared with previous therapies. The US Food & Drug Administration's Oncology Center of Excellence predicts that the "development of novel drugs, biologics, and devices will likely lead to more effective therapies tailored to the unique immune biology within each cancer patient to stimulate, and orchestrate the body's natural defenses as a treatment for their cancer while minimizing toxicities".

It is now the focus of intense interest among pharmaceutical and biotechnology companies, offering major development and commercial collaboration opportunities for small biotechnology companies including Alligator.

Sales of immuno-oncology drugs, MUSD

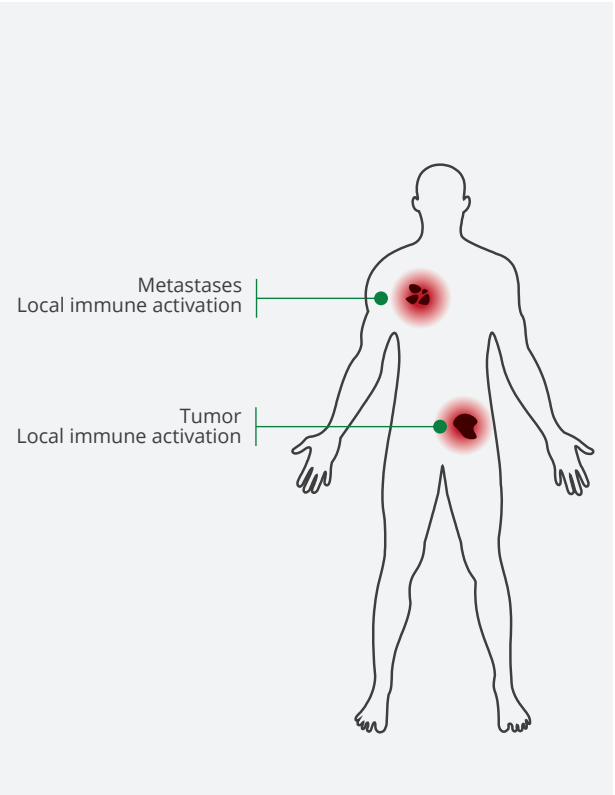


Sources: Bristol –Myers Squibb; Merck & Co; Roche, Cowen therapeutic categories outlook March 2018, GlobalData

Targeted attack against cancer tumors

The immune system protects the body from attacks by disease-causing microorganisms (such as viruses and bacteria) and cancer cells. Growing tumors often contain large numbers of immune cells with an innate ability to attack the cancer cells. However, the cancer often develops its own protection against the immune system, including the build-up of immunosuppressants. Immunotherapy can boost the body's natural ability to fight cancer effectively by blocking or weakening the tumor's defense. The immune cells that damage the cancer cells can then survive in the body and give an immunological memory. This "vaccination effect" is unique to immunotherapy.

Using advanced molecular biology techniques and the company's patented technology platforms, Alligator's drug candidates are designed to selectively stimulate the immune system in the region of the tumor rather than the whole body – which is expected to provide greater efficacy with fewer adverse effects.



Comments on the report

Unless otherwise stated, this Interim Report refers to the Group. Due to the nature of the business operations, there may be significant fluctuations in revenue between periods. These are not seasonal or otherwise recurring in nature, but rather are primarily related to the achievement of milestones that trigger remuneration in out-licensed research projects. Like revenue, expenses can also fluctuate between periods. Among other factors, this fluctuation in expenses is influenced by the current phase of the various projects since certain phases generate higher costs. Figures in parentheses refer to the outcome for the corresponding period in the preceding year for figures related to the income statement and cash flow and to December 31, 2017 for figures related to the financial position and employees. Unless otherwise stated, amounts are presented in SEK thousand. All amounts stated are rounded, which may mean that some totals do not tally exactly.

Revenue, expenses and earnings

July - September 2018 | *January - September 2018*

Sales

SEK 197 thousand (1,770)

Sales for the period primarily pertain to revenue from development work concerning ADC-1013. Sales in last year was mainly related to revenue from the licensing agreement for ADC-1013.

SEK 1,364 thousand (5,576)

Sales for the period pertain to revenue from development work concerning ADC-1013. Sales in last year was mainly related to revenue from the licensing agreement for ADC-1013 and from the licensing agreement regarding Project Biosynergy.

Other operating income

SEK 520 thousand (164)

Other operating income for the third quarter comprises of exchange gains in the company's operations. The preceding year comprised of exchange gains in the company's operations.

SEK 1,145 thousand (445)

Other operating income year to date of 2018 comprises of exchange gains in the company's operations. The preceding year comprised exchange gains in the company's operations.

Operating expenses

SEK -40,634 thousand (-26,393)

The company has expanded its operations compared with the preceding year and its research projects now generate higher costs. Employee benefit expenses have increased as a result of additional people being employed, mainly within R&D.

SEK -125,529 thousand (-79,053)

The company's external expenses increased due to a higher level of project activity, while its employee benefit expenses increased as a result of additional people being employed, mainly within R&D, as projects proceed.

Operating result

SEK -39,918 thousand (-24,459)

SEK -123,020 thousand (-73,032)

Total financial items

SEK 283 thousand (-1,313)

Pertains to returns on liquidity and financial assets as well as exchange gains and losses as a result of significant liquidity positions, primarily in USD, EUR and GBP.

SEK 3,566 thousand (-3,243)

Pertains to returns on liquidity and financial assets as well as exchange gains and losses as a result of significant liquidity positions, primarily in USD, EUR and GBP.

Result before and after tax

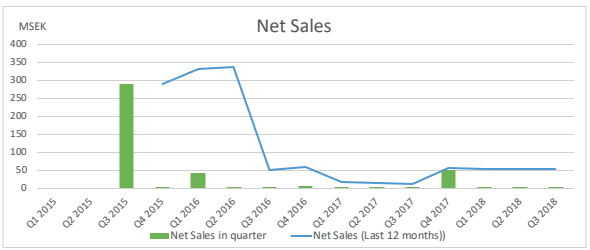
SEK -39,635 thousand (-25,772)

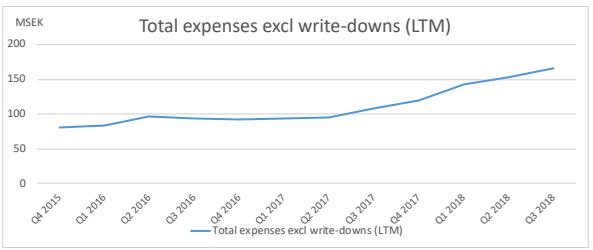
SEK -119,454 thousand (-76,274)

Earnings per share before and after dilution

SEK -0.56 (-0.36)

SEK -1.67 (-1.07)





Financial position

30 September 2018

Cash and cash equivalents

SEK 404,688 thousand (472,919)

Consolidated cash and cash equivalents, which consist of bank balances and short-term, highly liquid investments, totaled SEK 404,688 thousand (472,919). Bank balances amounted to SEK 128,019 thousand (197,097). A portion of the Group's liquidity has during 2017 been invested in a short-term, fixed-income fund and recognized as cash and cash equivalents. This investment can easily be converted to cash and is subject to an immaterial risk of changes in value. The investment in this fund amounts to SEK 275,000 thousand (275,000) and the value at the end of period was SEK 276,669 thousand (275,822).

Cash and other short term financial assets and financial assets

SEK 478,355 thousand (547,041)

A part of the Group's liquidity is invested in corporate bonds, which are deemed to be easily convertible to cash. The corporate bonds was valued to SEK 73,666 thousand (74,122) where of SEK 10,189 thousand is classified as other short term investments due to that one corporate bond has mature date within twelve months. The Group had no borrowings as of September 30, 2018 and no loans have been raised since this date. The Group has no loans or loan commitments.

The Group plans to use its liquid funds to finance its operating activities. According to the Group's Financial Policy, the Group is to have sufficient bank balances to cover its expected liquidity requirements for a minimum of 18 months. Excess liquidity may be invested with a low risk and an average fixed period of not more than 18 months. A portion of the Group's liquidity is invested in USD, EUR and GBP foreign currency accounts. In accordance with the Group's Financial Policy, inflows of foreign currencies exceeding the expected requirements for the coming 18 months are converted to SEK at the time of payment. Besides this, no further hedging has taken place.

Equity

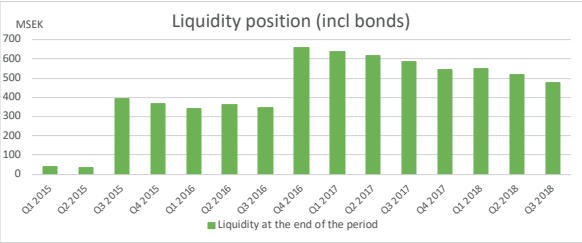
SEK 498,779 thousand (617,956)

Equity amounted to SEK 498,779 thousand (617,956), which corresponds to a equity ratio of 95% (96%).

Earnings per share before and after dilution

SEK 6.99 (8.66)

At the end of the period, equity per outstanding share amounted to SEK 6.99 (8.66) before and after dilution. When the subscription price for issued options is not reached, these are not taken into account (not "in-the-money").



Investments and cash flow

July - September 2018

Investments

SEK 590 thousand (2,983)

Investments for the third quarter amounted to SEK 590 thousand (2,983). These investments primarily comprised of laboratory equipment SEK 49 thousand (2,865) and investments in softwares SEK 541 thousand (0). No capitalization of patents relating to the company's technology platforms were made in the period, SEK 0 thousand (118).

Cash flow for the period

SEK -39,691 thousand (-25,409)

Cash flow for the third quarter amounted to SEK -39,691 thousand (-25,409).

January - September 2018

Investments

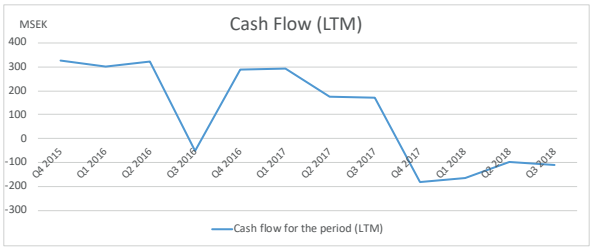
SEK 7,054 thousand (81,035)

Investments during the first nine months of 2018 was made in laboratory equipment SEK 5,940 thousand (4,841), investments in leased premises SEK 573 thousand (1,500) and investments in softwares SEK 541 thousand (0) TSEK. During the period no capitalization of patents relating to the company's technology platforms were made, SEK 0 thousand (174) or investments in corporate bonds, SEK 0 thousand (74,520).

Cash flow for the period

SEK -69,990 thousand (-141,479)

Cash flow for the first nine months of 2018 amounted to SEK -69,990 thousand (-141,479). During the first quarter, payment was received regarding the milestone revenue which was recorded in the fourth quarter of 2017, which significant explains the difference between the cash flow for the period and the result. In the second quarter of the previous year, an investment in corporate bonds corresponding to SEK 74,520 thousand was made.

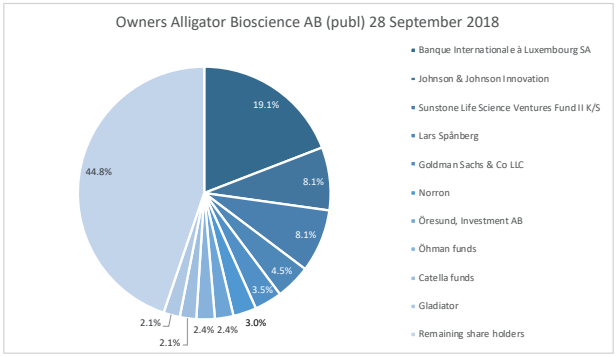


The Alligator Share

The Alligator share in brief (30 September 2018)

- Listed on: Nasdaq Stockholm Mid Cap
- Number of shares: 71,388,615
- Average turnover: Ca 64,000 (previous quarter ca 120,000)
- Number of shareholders: Approximately 4,800 (previous quarter ca 4,700)
- Market capitalization: SEK 2,017 million
- Ticker: ATORX
- ISIN: SE0000767188

Largest shareholders:



Banque Internationale á Luxembourg SA (BIL) is a group of mainly Swedish investors whose shares are being held through BIL.

Source: Shareholder data is based on a report from Euroclear as of the 28th of September 2018 where certain foreign accounts has been identified by the company.

Change during the quarter

The Company's ten largest shareholders remains the same at the end of the quarter as in the beginning.

The largest investment in Alligator shares among the largest shareholders during the quarter is done by Norron (approx. 196,000 shares) and Öhman funds (approx. 102,000 shares), while the owner who keep their shares at a Goldman Sachs account has divested shares during the quarter (approx. -127,000 shares).

The company's owner structure is updated monthly on the company's website www.alligatorbioscience.com

Number of shares and stock option program

The total number of outstanding shares in the Company at the end of the quarter amounted to 71,388,615 (71,388,615).

At the AGM held in 2016, a resolution was passed regarding two incentive programs: an employee stock option program and a warrant program.

Under the employee stock option program were 900,000 warrants allotted to employees free of charge. The warrants are being earned in turns until May 1, 2019. To be entitled to the warrants the employee must still be employed on these dates and not have given notice to terminate the employment. Of the allotted options, 573,318 have been vested, 273,346 may still be vested. 53,336 have lapsed since the individuals to whom they were allotted have since left the company. To secure delivery under the employee stock option program, and to cover ancillary costs, primarily social security contributions, a total of 1,182,780 warrants were issued to a subsidiary of which 900,000 were allotted to employees free of charge and 282,780 were issued to cover ancillary costs. As a consequence of the warrants having lapsed can a total of maximum 1,112,686 warrants be exercised in the program.

A total of 1,000,000 warrants were issued under the warrant program, of which a total of 857,000 warrants had been transferred to the participants in the program at market value at the end of the quarter. Further transfers will not take place and as a consequence can a total maximum of 857,000 warrants be exercised in the program.

Each option in these programs entitles the holder to subscribe for one share at a price of SEK 75. The warrants can be exercised in either of the periods from June 1, 2019, to August 31, 2019, or from March 1, 2020, to May 31, 2020.

At the AGM held in 2018, a resolution was passed regarding an additional employee stock option program in which a total of 2,275,000 warrants were allotted to employees free of charge. The warrants are being earned in turns until May 1, 2021. To be entitled to the warrants the employee must still be employed on these dates and not have given notice to terminate the employment. To secure delivery under the employee stock option program, and to cover ancillary costs, primarily social security contributions, a total of 2,989,805 warrants were issued to a subsidiary of which 2,275,000 were allotted to employees free of charge and 714,805 were issued to cover ancillary costs.

Each option in these programs entitles the holder to subscribe for one share at a price of SEK 75. The warrants can be exercised one month after the quarterly reports for the first quarters of 2021 and 2022 have been issued.

Upon full exercise of all warrants issued in respect of the share subscription incentive programs, a total of 4,959,491 shares will be issued, thereby increasing the number of shares to a maximum of 76,348,106 which corresponds to a dilution of 6.5%.

Other information

Review
This report has been reviewed by the company's auditors.

Employees
The number of employees in the Group at the end of the quarter was 53 (47). Of these, 14 (12) were men and 39 (35) were women.

Of the total number of employees, 45 (41) were employed within Research and Development (R&D).

Future reporting dates
Alligator intends to publish its financial reports according to the following:

- Full Year report for 2018 on February 14, 2019
- Annual report for 2018 in March, 2019
- Q1 interim report on April 17, 2019
- Q2 interim report on July 11, 2019
- Q3 interim report on October 24, 2019

Annual General Meeting
Annual General Meeting will be held on May 9, 2019.

Forward looking information
As a consequence of the company continuing to recruit new employees, although at a slower pace, full year effects of done recruitments and several projects during 2018 entering more expensive phases the Alligator management expects the costs to increase with at least 50% during 2018 compared to 2017.

Even if the management believes the expectations in this forward looking information are justified, no warranties can be given these will be correct. As a matter of fact can actuals differ significantly from the assumptions given in this forward looking information depending on, among other matters, changes in the economy, market, legal or regulatory demands, other political decisions and changes in exchange rates.

Risks and uncertainties
During the course of its business operations, the Group is exposed to various financial risks, such as market risk (comprising foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The aim of the Group's overall risk management is to achieve minimal adverse effects in terms of earnings and financial position. The Group's business risks, risk management and financial risks are described in detail in the Annual Report for 2017. No significant events occurred during the year that impacted or changed these descriptions of the Group's risks and risk management.

Parent Company
Net sales, earnings trend, financial position and liquidity
Both Group management functions and all operating activities are carried out in the Parent Company.

For additional details, refer to the information provided for the Group since the subsidiaries do not conduct their own operations.

Consolidated income statement

All amounts TSEK unless specified	Note	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Net sales	5	197	1,770	1,364	5,576	56,875
Other operating income	5	520	164	1145	445	895
Total operating income		**716**	**1,934**	**2,509**	**6,021**	**57,770**
Operating costs						
Other external costs		-28,019	-17,143	-83,500	-49,612	-78,944
Personnel costs		-11,092	-8,501	-37,630	-27,290	-37,920
Depreciation of tangible assets and intangible assets		-1,523	-750	-4,398	-2,152	-3,204
Total operating costs		**-40,634**	**-26,393**	**-125,529**	**-79,053**	**-120,068**
Operating profit/loss		**-39,918**	**-24,459**	**-123,020**	**-73,032**	**-62,299**
Result from other securities and receivables		279	274	868	349	745
Other interest income and similar income statement items		1,313	339	7,582	2,344	3,969
Interest expense and similar income statement items		-1,308	-1,926	-4,885	-5,935	-6,173
Summa finansiella poster		**283**	**-1,313**	**3,566**	**-3,243**	**-1,460**
Profit/loss before tax		**-39,635**	**-25,772**	**-119,454**	**-76,274**	**-63,758**
Tax on profit for the period		0	0	0	0	0
Profit for the period attributable to Parent Company shareholders		**-39,635**	**-25,772**	**-119,454**	**-76,274**	**-63,758**
Earnings per share before dilution, SEK		**-0.56**	**-0.36**	**-1.67**	**-1.07**	**-0.89**
Earnings per share after dilution, SEK		**-0.56**	**-0.36**	**-1.67**	**-1.07**	**-0.89**

Consolidated statement of comprehensive income

All amounts TSEK unless specified	Note	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Profit/loss for the period		-39,635	-25,772	-119,454	-76,274	-63,758
Other comprehensive income		0	0	0	0	0
Comprehensive income for the period		**-39,635**	**-25,772**	**-119,454**	**-76,274**	**-63,758**

Consolidated statement of financial position

All amounts in TSEK	Note	2018-09-30	2017-09-30	2017-12-31
ASSETS				
Fixed assets				
Intangible assets				
Participations in development projects	**3**	17,949	17,949	17,949
Patents		870	1,684	1,454
Softwares		491	0	0
Tangible assets				
Improvements in leased premises		2,586	1,500	2,459
Equipment, machinery and computers		16,351	7,835	13,739
Financial assets				
Other investments held as fixed assets	**2, 6**	63,477	74,358	74,122
Total fixed assets		**101,723**	**103,325**	**109,722**
Current assets				
Current receivables				
Accounts receivable	**6**	197	4,502	53,096
Other receivables	**6**	4,083	3,497	3,604
Prepayments and accrued income		4,583	2,374	3,692
Other short-term financial assets	**6**	10,189	0	0
Cash and cash equivalents	**6**	404,688	513,220	472,919
Total current assets		**423,740**	**523,592**	**533,311**
TOTAL ASSETS		**525,463**	**626,917**	**643,033**
EQUITY AND LIABILITIES				
Equity				
Share capital		28,555	28,555	28,555
Other capital contributions		662,614	662,614	662,614
Retained earnings and profit/loss for the period		-192,390	-85,771	-73,214
Equity attributable to Parent Company shareholders		**498,779**	**605,398**	**617,956**
Current liabilities				
Accounts payable	**6**	13,276	10,388	13,569
Other liabilities		786	672	1,193
Accrued expenses and deferred income	**6**	12,622	10,459	10,315
Total current liabilities		**26,684**	**21,519**	**25,078**
TOTAL EQUITY AND LIABILITIES		**525,463**	**626,917**	**643,033**

Consolidated statement of changes in equity, in summary

All amounts in TSEK	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Opening balance	**538,295**	**631,124**	**617,956**	**676,185**	**676,185**
New capital issue	0	0	0	5,175	5,175
Effect of share-based payments	119	46	278	313	354
Profit/loss for the period	-39,635	-25,772	-119,454	-76,274	-63,758
Other comprehensive income in the period	0	0	0	0	0
Closing balance	**498,779**	**605,398**	**498,779**	**605,398**	**617,956**

Consolidated statement of cash flows

All amounts in TSEK	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Operating activities					
Operating profit/loss	-39,918	-24,459	-123,020	-73,032	-62,299
Adjustments for items not generating cash flow	0	0	0	0	0
Depreciation and impairments	1,523	750	4,398	2,152	3,204
Effect from warrant program	119	46	278	313	354
Other items, no impact on cash flow	199	210	848	850	822
Interest received	431	514	1,415	515	1,178
Interest paid	0	-0	0	-8	-19
Tax paid	0	0	0	0	0
Cash flow from operating activities before changes in working capital	**-37,645**	**-22,940**	**-116,081**	**-69,211**	**-56,760**
Changes in working capital					
Change in operating receivables	-1,294	702	51,529	6,669	-43,351
Change in operating liabilities	-172	-189	1,607	-3,077	482
Cash flow from operating activities	**-39,111**	**-22,426**	**-62,945**	**-65,619**	**-99,629**
Investing activities					
Result from participations in other companies	0	0	0	-74,520	-74,520
Sale of securities holdings	0	0	0	0	0
Acquisition of intangible assets	-541	-118	-541	-174	-174
Acquisition of tangible assets	-49	-2,865	-6,514	-6,341	-14,026
Divestment of property, plant and equipment	10	0	10	0	0
Cash flow from investing activities	**-580**	**-2,983**	**-7,045**	**-81,035**	**-88,720**
Financing activities					
New share issue	0	0	0	5,175	5,175
Cash flow from financing activities	**0**	**0**	**0**	**5,175**	**5,175**
Cash flow for the period	**-39,691**	**-25,409**	**-69,990**	**-141,479**	**-183,173**
Cash and cash equivalents at beginning of period	**444,575**	**540,515**	**472,919**	**659,136**	**659,136**
Exchange rate differences in cash and cash equivalents	-196	-1,887	1,759	-4,437	-3,043
Cash and cash equivalents at end of period	**404,688**	**513,220**	**404,688**	**513,220**	**472,919**

* Bonds, SEK 74 millions, which are being expected to be easy to convert to cash, are not included in cash and cash equivilants.

Parent Company income statement

All amounts in TSEK	Note	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Net sales		197	1,770	1,364	4,416	55,715
Other operating income		520	164	1,145	445	895
Total operating income		**716**	**1,934**	**2,509**	**4,861**	**56,609**
Operating costs						
Other external costs		-28,019	-17,141	-83,497	-49,608	-78,940
Personnel costs		-11,092	-8,501	-37,630	-27,290	-37,920
Depreciation and impairment of tangible assets and intangible assets		-1,523	-750	-4,398	-2,152	-3,204
Total operating costs		**-40,634**	**-26,392**	**-125,526**	**-79,050**	**-120,064**
Operating profit/loss		**-39,918**	**-24,458**	**-123,017**	**-74,188**	**-63,454**
Results from financial items						
Result from other securities and receivables		279	274	868	349	745
Other interest income and similar income statement items		1,113	42	6,734	1,494	3,147
Interest expense and similar income statement items		-1,308	-1,926	-4,885	-5,935	-6,173
Net financial items		**83**	**-1,610**	**2,718**	**-4,093**	**-2,281**
Profit/loss after financial items		**-39,835**	**-26,067**	**-120,299**	**-78,281**	**-65,736**
Tax on profit for the year		0	0	0	0	0
Profit/loss for the period		**-39,835**	**-26,067**	**-120,299**	**-78,281**	**-65,736**

Parent Company statement of comprehensive income

All amounts in TSEK	Not	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Profit/loss for the period		-39,835	-26,067	-120,299	-78,281	-65,736
Other comprehensive income		0	0	0	0	0
Profit/loss for the year		**-39,835**	**-26,067**	**-120,299**	**-78,281**	**-65,736**

Parent Company balance sheet

All amounts in TSEK	Note	2018-09-30	2017-09-30	2017-12-31
ASSETS				
Fixed assets				
Intangible assets				
Patents		870	1,684	1,454
Softwares		491	0	0
Total intangible assets		**1,361**	**1,684**	**1,454**
Tangible assets				
Improvements in leased premises		2,586	1,500	2,459
Equipment, machinery and computers		16,351	7,835	13,739
Total tangible assets		**18,937**	**9,335**	**16,198**
Financial assets				
Participations in Group companies	**3**	20,294	20,294	20,294
Other investments held as fixed assets	**2**	63,477	74,358	74,122
Total financial assets		**83,771**	**94,652**	**94,416**
Total fixed assets		**104,068**	**105,670**	**112,068**
Current assets				
Current receivables				
Accounts receivable		197	4,502	53,096
Other receivables		4,083	3,497	3,604
Prepayments and accrued income		4,583	2,374	3,692
Total current receivables		**8,862**	**10,372**	**60,392**
Other short-term investments	**2**	285,189	200,000	275,000
Cash and bank deposits		125,349	309,696	194,424
Total current assets		**419,400**	**520,068**	**529,816**
TOTAL ASSETS		**523,469**	**625,738**	**641,883**
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		28,555	28,555	28,555
Total restricted equity		**28,555**	**28,555**	**28,555**
Non-restricted equity				
Share premium reserve		662,741	662,741	662,741
Retained earnings		-74,213	-8,796	-8,755
Profit/loss for the period		-120,299	-78,281	-65,736
Total non-restricted equity		**468,229**	**575,664**	**588,251**
Total equity		**496,785**	**604,219**	**616,806**
Current liabilities				
Accounts payable		13,276	10,388	13,569
Other liabilities		786	672	1,193
Accrued expenses and deferred income		12,622	10,459	10,315
Total current liabilities		**26,684**	**21,519**	**25,078**
TOTAL EQUITY AND LIABILITIES		**523,469**	**625,738**	**641,883**

Performance measures, Group

	Note	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Result (TSEK)						
Net sales	5	197	1,770	1,364	5,576	56,875
Operating profit/loss		-39,918	-24,459	-123,020	-73,032	-62,299
Profit/loss for the period		-39,635	-25,772	-119,454	-76,274	-63,758
R&D costs		-30,945	-18,282	-95,418	-54,952	-87,982
R&D costs as a percentage of operating costs excluding impairments		76.2%	69.3%	76.0%	69.5%	73.3%
Capital (TSEK)						
Cash and cash equivalents at end of period		404,688	513,220	404,688	513,220	472,919
Cash flow from operating activities		-39,111	-22,426	-62,945	-65,619	-99,629
Cash flow for the period		-39,691	-25,409	-69,990	-141,479	-183,173
Equity at the end of the period		498,779	605,398	498,779	605,398	617,956
Equity ratio at the end of the period, %		95%	97%	95%	97%	96%
Info per share (SEK)						
Earnings per share before dilution		-0.56	-0.36	-1.67	-1.07	-0.89
Earnings per share after dilution*		-0.56	-0.36	-1.67	-1.07	-0.89
Equity per share before dilution		6.99	8.48	6.99	8.48	8.66
Equity per share after dilution*		6.99	8.48	6.99	8.48	8.66
Personnel						
Number of employees at end of period		53	44	53	44	47
Average number of employees		51	43	49	40	42
Average number of employees employed within R&D		43	38	42	35	37

For definitions and calculations, see the sections later in this report.

*Effect from dilution is not considered when result is negative and options where call rate is higher than closing rate is not considered.

Notes

Note 1 General information

This Interim Report covers the Swedish Parent Company Alligator Bioscience AB (publ), corporate registration number 556597-8201, and its subsidiaries Atlas Therapeutics AB, corporate registration number 556815-2424, and A Bioscience Incentive AB, corporate registration number 559056-3663. All the Group's business operations are carried out in the Parent Company.

The Parent Company is a Swedish public limited liability company registered and domiciled in the Municipality of Lund. The head office is located at Medicon Village, SE-223 81 Lund.

Note 2 Accounting policies

This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable regulations in the Swedish Annual Accounts Act (ÅRL). The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) chapter 9 Interim report, and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The accounting principles and calculation methods used in this report is in accordance with those described in the Annual Report for 2017 with the following exceptions.

New standards, which entered into force on January 1, 2018, IFRS 9 Financial Instruments and IFRS 15 Revenues from Contracts with Customers, have been implemented in this interim report and are deemed not to have any material effect on the Group's our Parent Company's financial statement for the period. The transition will be reported in accordance with the retroactive method, i.e. the comparative figures for 2017 will be presented in accordance with IFRS 15. As a result of the new standards, accounting principles will be updated in the company's Annual Report for 2018.

The new standard, IFRS 16 Leases, enters into force for financial years beginning January 1, 2019 or later. The standard replaces IAS 17 Leases. Management has evaluated the impact of the new standard on the Group's financial statements and considers that only one lease agreement, the lease for the company's premises extending until the end of 2022, has a material impact when the company report leasing debt and asset. Our assessment is that the amended standard does not significantly affect the Group's key ratios.

Investments held to maturity

Other long term investments held as fixed assets as of September 30, 2018 are categorized as "Investments held to maturity". These investments are deemed to pass the classification for SPPI (Solely Payment of Principal and Interest) and the company's business model for such financial instruments is deemed to be held for interest and capital and not for trading purposes. The investments are initially recognized at fair value and thereafter at amortized cost applying the effective interest method, less any provisions for impairment. Amortized cost corresponds to the amount recognized on the acquisition date after a deduction for the repayment of the nominal amount plus or minus any adjustments for the effective interest rate. When the investment is less than 12 months from maturity day, the investment is classified as Other short-term investments.

Note 3 Effects of changed estimates and judgments

Significant estimates and judgments are described in Note 3 of the Annual Report for 2017.

There have been no changes to the company's estimates and judgments since the Annual Report for 2017 was prepared.

Note 4 Segment reporting

The company conducts only one business activity, namely research and development in the field of immunotherapy, and the chief operating decision-maker is thus only responsible for regularly making decisions on and allocating resources to one entity. Accordingly, the company comprises only one operating segment, which corresponds to the Group as a whole, and no separate segment reporting is provided.

Note 5 Consolidated revenue

Consolidated revenue is allocated according to the following:

All amounts in TSEK	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Licensing income	197	1,770	1,333	5,577	56,875
Operational exchange rate gains	520	164	1,145	280	730
Other	0	0	32	165	165
Total	**716**	**1,934**	**2,509**	**6,021**	**57,770**

Revenue from out-licensing has been defined as initial license fees, milestone payments, payments for development work and future royalties on sales of pharmaceuticals.

For the current period, all revenue payments pertain to development work.

Alligator's revenue consists primarily of revenue from the out-licensing of ADC-1013 to Janssen Biotech Inc. Alligator receives licensing revenue in USD when specific milestones in the development projects are achieved.

Note 6 Financial instruments

Cash and cash equivalents at September 30, 2018, consisted of bank balances amounting to SEK 128,019 thousand and an investment in a liquidity fund totaling SEK 276,669 thousand.

Investments held to maturity refer to investments in corporate bonds. Accounting principles is described in Note 2.

For other financial assets and liabilities, the reported value as above is considered a reasonable approximation of fair value.

All amounts in TSEK	2018-09-30	2017-09-30	2017-12-31
Investments being held to maturity			
Other investments held as fixed assets	63,477	74,508	74,122
Other short term investments	10,189	0	0
Loans and receivables			
Accounts receivable	197	4,502	53,096
Other receivables	872	62	0
Cash and cash equivalents	404,688	513,220	472,919
Financial assets	**479,423**	**592,292**	**600,137**
Financial liabilities			
Accounts payable	13,276	10,388	13,569
Accrued expenses	8,558	672	7,525
Financial liabilities	**21,834**	**11,060**	**21,094**

Note 7 Related party transactions

The consulting agreement with Board Member Carl Borrebaeck, through the company Ocean Capital, pertains to expert assistance with the evaluation of early-phase research projects and new antibodies. Carl Borrebaeck also plays an important role in building and developing contacts with leading researchers and prominent organizations within cancer immunotherapy. Pricing has been determined on market conditions. For the third quarter these related party transactions corresponded to an expense of SEK 180 thousand (180) and year-to-date 2018 the expense is SEK 540 thousand (540).

Calculation of performance measures

Alligator presents certain financial performance measures in this report, including measures that are not defined under IFRS. The Company believes that these ratios are an important complement because they allow for a better evaluation of the Company's economic trends. These financial performance measures should not be viewed in isolation or be considered to replace the performance indicators that have been prepared in accordance with IFRS. In addition, such performance measures as Alligator has defined them should not be compared with other performance measures with similar names used by other companies. This is because the above-mentioned performance measures are not always defined in the same manner, and other companies may calculate them differently to Alligator.

The table below shows the calculation of key figures, for the mandatory earnings per share according to IFRS and also for performance measures that are not defined under IFRS or where the calculation is not shown in another table in this report.

The Company's business operation is to conduct research and development which is why "R&D costs/Operating costs excluding impairment in %" is an essential indicator as a measure of efficiency, and how much of the Company's costs relate to R&D.

As mentioned earlier in this report, the Company does not have a steady flow of revenue, with revenue generated irregularly in connection with the signing of license agreements and achievement of milestones. Therefore, the Company monitors performance indicators such as equity ratio and equity per share in order to assess the Company's solvency and financial stability. These are monitored along with the cash position and the various measures of cash flows shown in the consolidated statement of cash flow.

For definitions, see the section "Definitions of performance measures" at the end of this report.

All amounts TSEK unless specified	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Profit/loss for the period	-39,635	-25,772	-119,454	-76,274	-63,758
Average number of shares before dilution	71,388,615	71,388,615	71,388,615	71,247,773	71,283,273
Earnings per share before dilution, SEK	**-0.56**	**-0.36**	**-1.67**	**-1.07**	**-0.89**
Average number of shares after dilution	71,388,615	71,388,615	71,388,615	71,247,773	71,283,273
Earnings per share after dilution, SEK	**-0.56**	**-0.36**	**-1.67**	**-1.07**	**-0.89**
Operating costs	-40,634	-26,393	-125,529	-79,053	-120,068
Impairment of tangible assets and intangible assets	0	0	0	0	0
Operating costs excluding impairments	**-40,634**	**-26,393**	**-125,529**	**-79,053**	**-120,068**
Administrative expenses	-8,166	-7,361	-25,712	-21,949	-28,883
Depreciation	-1,523	-750	-4,398	-2,152	-3,204
Research and development costs	**-30,945**	**-18,282**	**-95,418**	**-54,952**	**-87,982**
R&D costs / Operating costs excluding impairments %	**76.2%**	**69.3%**	**76.0%**	**69.5%**	**73.3%**
Equity	498,779	605,398	498,779	605,398	617,956
Average number of shares before dilution	71,388,615	71,388,615	71,388,615	71,388,615	71,388,615
Equity per share before dilution, SEK	**6.99**	**8.48**	**6.99**	**8.48**	**8.66**
Average number of shares after dilution	71,388,615	71,388,615	71,388,615	71,388,615	71,388,615
Equity per share after dilution, SEK	**6.99**	**8.48**	**6.99**	**8.48**	**8.66**
Equity	498,779	605,398	498,779	605,398	617,956
Total assets	525,463	626,917	525,463	626,917	643,033
Equity ratio, %	**95%**	**97%**	**95%**	**97%**	**96%**

The declaration of the Board of Directors and the CEO


Peter Benson


Carl Borrebaeck


Ulrika Danielsson


Anders Ekblom


Kenth Petersson


Jonas Sjögren


Laura von Schantz


Per Norlén

The Board and the CEO declare that the Interim Report provides a true and fair overview of the company and the Group's operations, positions and earnings and describes the material risks and uncertainty factors faced by the Parent company and the companies within the Group.

Lund, October 26, 2018

Peter Benson
Chairman

Carl Borrebaeck
Member of the Board

Ulrika Danielsson
Member of the Board

Anders Ekblom
Member of the Board

Kenth Petersson
Member of the Board

Jonas Sjögren
Member of the Board

Laura von Schantz
Employee representative

Per Norlén
CEO

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review report

Alligator Bioscience AB (publ), corporate identity number 556597-8201
To the Board of Directors of Alligator Bioscience AB (publ)

Introduction

We have reviewed the condensed interim report for Alligator Bioscience AB (publ) as at September 30, 2018 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Lund, October 26, 2018

Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

Definitions

Operating profit/loss
Profit/loss before financial items and taxes.

Earnings per share before and after dilution
Earnings divided by the weighted average number of shares during the period before and after dilution respectively.

Average number of shares before and after dilution
Average number of outstanding shares during the period before and after dilution respectively.

Operating costs excluding impairments
Other external costs, personnel costs and depreciation (excluding impairments of tangible and intangible assets).

R&D costs
The Company's direct costs for research and development. Refers to costs for personnel, materials and external services.

R&D costs as a percentage of operating costs excluding impairments
R&D costs divided by Operating costs excluding impairments

Cash and cash equivalents
Cash, bank deposits and other short-term liquid deposits that can easily be converted to cash and are subject to an insignificant risk of value changes.

Cash flow from operating activities
Cash flow before investing and financing activities

Cash flow for the period
Net change in cash and cash equivalents excluding the impact of unrealized foreign exchange gains and losses.

Equity per share before dilution
Equity divided by the number of shares at the end of the period

Equity per share before and after dilution
Equity divided by the sum of the number of shares and outstanding warrants where the current share price exceeds the exercise price of the warrant at the end of the period

Equity ratio
Equity as a percentage of total assets.

Average number of employees
Average number of employees at the beginning of the period and at the end of the period.

Average number of employees employed within R&D
Average number of employees within the Company's R&D departments at the beginning of the period and at the end of the period.