Q4

ALLIGATOR bioscience

FULL YEAR REPORT JANUARY-DECEMBER 2017

The Janssen collaboration continues, milestone payment of 6 MUSD triggered

Significant events, October-December

- Alligator Bioscience recorded a revenue of USD 6 million from Janssen, coupled to a decision to start combination study with ADC-1013/JNJ-64457107. This milestone payment was received in January 2018.
- A decision was taken to expand the management team with Chief Medical Officer Charlotte A Russell, MD, PhD and Vice President Discovery Peter Ellmark, Associate Professor.
- Results from Alligator Bioscience's clinical Phase I study presented, supporting a continued clinical development of ADC-1013.
- Aptevo Therapeutics and Alligator Bioscience announced the tumor antigen 5T4 as the second target for the drug candidate ALG.APV-527.

Events after the end of the period

- Theradex Oncology contracted as clinical CRO for the upcoming clinical study with ATOR-1015.
- Anudharan Balendran appointed VP Business Development starting 1 May 2018.
- Janssen clinical Phase I study with ADC-1013 ongoing.

Financial summary

October-December

- Net Sales, SEK 51.3 million (6.4).
- Operating result, SEK 10.7 million (-22.1).
- Result for the period, SEK 12.5 million (-19.4).
- Result per share, SEK 0.18 (-0.31).
- Cash, cash equivalents and bonds, SEK 547 million (659).

January-December

- Net Sales, SEK 56.9 million (58.2).
- Operating result, SEK -62.3 million (-56.1).
- Result for the period, SEK -63.8 million (-48.4).
- Result per share, SEK -0.89 (-0.80).
- Cash flow for the period before investments in bonds, SEK -108.7 million and after -183.2 (287.1).
- During the period 1,275,000 warrants (330,000) were exercised for an equivalent number of shares.

Financial summary (Group)

	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Net sales, TSEK (SEK thousand)	51,299	6,433	56,875	58,240
Operating profit/loss	10,733	-22,130	-62,299	-56,081
Profit/loss for the period, TSEK	12,516	-19,352	-63,758	-48,356
Cash flow for the period, TSEK	-41,694	310,886	-183,173	287,135
Cash, cash equivalents and bonds, TSEK	547,041	659,136	547,041	659,136
Equity ratio, %	96%	96%	96%	96%
R&D costs as % of operating costs excluding impairments	80.5%	68.5%	73.3%	64.3%
Earnings per share before dilution, SEK	0.18	-0.31	-0.89	-0.80
Earnings per share after dilution, SEK	0.18	-0.31	-0.89	-0.80
Average number of employees	46	35	42	31

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Comments from the CEO

2017 ended on a highly positive note. Results from our ADC-1013 clinical Phase I study provided support for further clinical development, and a 6 MUSD milestone was triggered on the initiation of a combination study with ADC-1013 and one of Janssen's proprietary PD-1 inhibitors.

We have grown considerably as a team this year and have had the pleasure of welcoming 14 new colleagues to Alligator. With our pooled talents and combined efforts, we are well placed to execute on our strategy and goals. Looking back at 2017, I am proud to say that we have delivered all that we promised in the IPO - and more - and I am confident that 2018 will be another exceptional year.

Positive results in ADC-1013 first-in-human study

During 2017, we completed the first clinical Phase I study with ADC-1013, our CD40-activating antibody. This was a first-in-human dose escalation study of intratumoral ADC-1013 in patients with late-stage cancer. While the primary objective was to identify a safe and well tolerated dose, also secondary parameters such as biomarker responses and anti-tumor effects were evaluated.

The study showed ADC-1013 to be well tolerated at clinically relevant doses after intratumoral administration. Side effects were generally of low grade and transient. One cancer patient showed stable disease for at least 12 months. While this is encouraging, it is early evidence of efficacy and we therefore await the results of larger studies for confirmation on the clinical efficacy of ADC-1013. A second clinical Phase I study has been ongoing since October 2016, performed by Janssen Biotech.

Milestone payment from Janssen

Janssen recently took the decision to initiate a combination study with ADC-1013 and one of Janssen's proprietary PD-1 inhibitors which triggered a milestone payment of 6 MUSD to Alligator. This is the first of a number of pre-defined milestones related to the start of combination or Phase II studies, which have an aggregated potential value of 35 MUSD. The total milestone potential under the license agreement is 695 MUSD, plus tiered royalties on worldwide net sales of ADC-1013.

ATOR-1015 to enter the clinic in 2018

Our innovative drug candidate ATOR-1015 leads the way for next generation of CTLA-4 bispecific antibodies. During 2017, clinical drug material has successfully been manufactured and we have appointed Theradex Oncology, a global company with extensive expertise in oncology clinical development, as contract research organization (CRO). The first clinical study is planned to start during second half of 2018.

Strengthened organization

We continued to expand our R&D operations, bringing the total number of employees to 47 at the end of 2017. In the beginning of 2018, Chief Medical Officer Charlotte Russell and Vice President, Discovery, Peter Ellmark, both joined the management team. We have also recruited Anudharan Balendran as Vice President, Business Development. He will join Alligator from AstraZeneca in Q2 2018.

This expansion is critical for the realization of our strategy to establish Alligator as a key player in the development of the next generation of immuno-oncology agents. Our goal is that these products will make a real difference to cancer patients.

Four clinical projects by next year

Finally, I would like to emphasize the fact that we are in the process of building a solid clinical pipeline. Our lead asset ADC-1013 is approaching clinical Phase II, ATOR-1015 is planned to enter clinical Phase I this year, and both ATOR-1017 and ALG.APV-527 are expected to enter clinical development next year.

This means that we can have a pipeline with four drug candidates in clinical development already next year, all with first- or best-in-class potential in immuno-oncology.

Per Norlén
CEO Alligator Bioscience AB

16 February 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 effective treatment for seriously ill cancer patients with fewer side effects. The strategy is to develop drug candidates that selectively stimulate the immune system in the region of the tumor, rather than the whole body. There is a major unmet medical need in this area for novel and improved therapies.

The drugs are developed 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, leading international immuno-oncology research institutions and specialists with resources in, for example, drug manufacturing.

Alligator's organization

With a growing project portfolio and an ever-increasing organization, Alligator reached in January 2018 a point for re-organization of the research organization. The re-organization is aimed at maintaining the highest possible rate of development and quality across the entire drug development chain.

The new research units are 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 evaluation of treatment concepts, the identification and optimization of potential drug candidates and early-stage efficacy testing. The Preclinical Unit then becomes responsible for the final optimization, manufacture of clinical trial materials and compilation of a sufficient data package to submit a clinical trial application. The Clinical Unit assumes responsibility when the drug candidate has advanced to Phase I study and for the subsequent clinical development until out-licensing.

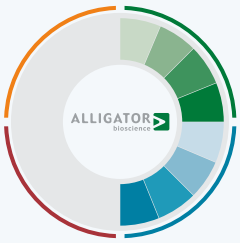
The Alligator project portfolio

ADC-1013

Outlicensed to Janssen

ADC-1013 is an immunostimulating antibody, developed for the treatment of metastatic cancer. The drug candidate has been out-licensed to Janssen Biotech, Inc. (an oncology company within the Johnson & Johnson Group), which is responsible for all continued clinical development.

ATOR-1015



Run by Alligator

ATOR-1015 is a bispecific (CTLA-4 and OX40) antibody developed for tumor-targeted treatment of metastatic cancer. The antibody has been created with Alligator's unique bispecific fusion format.

ATOR-1017

Run by Alligator

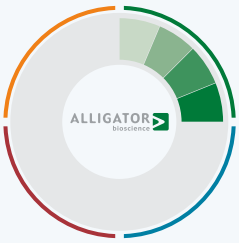
ATOR-1017 is an immunostimulating antibody (IgG4) that binds to the costimulatory receptor 4-1BB (CD137) in tumor-specific T cells. 4-1BB has the capacity to support the immune cells involved in tumor control, making 4-1BB a particularly attractive target for cancer immunotherapy.

ALG.APV-527

Co-development Aptevo

ALG.APV-527 is a bispecific antibody (4-1BB and 5T4) developed for the treatment of metastatic cancer. In July, Aptevo Therapeutics and Alligator Bioscience signed an agreement on the co-development of ALG.APV-527. Under the agreement, the companies will equally own and finance the development of the drug candidate through the Phase II clinical study.

Discovery



Run by Alligator

Alligator's early-phase research projects include a bispecific immunostimulating antibody that binds to a protein in the TNFR superfamily and another interesting immunostimulating target protein.

Discovery **Preclinical** **Clinical Phase I** **Clinical Phase II**

See page 6 for information regarding the different phases.

The reorganization also has implications for the composition of the Management Team, which has been expanded to reflect the new units. Dr. Peter Ellmark (VP Discovery) has been appointed Head of the Discovery Unit, Dr. Christina Furebring (SVP Research) Head of the Preclinical Unit and Dr. Charlotte Russell (Chief Medical Officer) Head of the Clinical Unit. In addition, Alligator has appointed Dr. Anudharan Balendran as VP Business Development to take Alligator's preclinical projects through to out-licensing.

Business model that generates value across the development chain

The company's business model is based on proprietary drug development – from early-stage research and preclinical development to Phase II clinical studies, when the treatment concept is validated in humans. 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 in milestone payments during the development process as well as royalties from future global sales of the drug.

Three unique technologies create advantages

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. Access to these technologies has given Alligator an advantage over potential competitors in the development of specific, 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 target are designed for tumor-directed immunotherapy, are directed to 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-directed immunotherapy concept creates opportunities for solving this problem and to provide new cancer therapies with high efficacy without increasing the risk of severe side effects.

ADC-1013 (JNJ-64457107)

ADC-1013 is an immunostimulating antibody, developed for the treatment of metastatic cancer. The drug candidate has been out-licensed to Janssen Biotech, Inc. ("Janssen", an oncology company within the Johnson & Johnson Group), which is responsible for all continued clinical development. The license agreement with Janssen comprises potential milestone payments of up to USD 695 million. If the launch and commercialization are successful, Alligator will also be entitled to incremental royalty rates on global net sales of ADC-1013.

ADC-1013 is an agonistic – or activating – antibody that targets CD40, which is a receptor on antigen-presenting dendritic cells in the immune system. Dendritic cells are the cells that recognize internal and external enemies, such as bacteria or cancer cells. CD40 stimulation with ADC-1013 enables dendritic cells to activate the immune system's weapons more effectively, which in this case are T cells. This allows the immune system to selectively target and destroy the cancer cells.

ADC-1013 has been optimized using the FIND® technology with the aim of improving the binding affinity. This enables efficacy at very low doses. In experimental models, ADC-1013 has been shown to induce a potent tumor-directed 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.

The clinical program has included two Phase I studies to date. The first study was conducted by Alligator, and focused on intratumoral administration. This study commenced in 2015 and ended in early 2017. The second Phase I study is still ongoing, performed by Janssen, and focuses on intravenous dose escalation. The main aim of both Phase I studies is to identify a safe, tolerable and biologically effective dose for ADC-1013.

Events during the fourth quarter

Results from the Alligator-led clinical Phase I study were presented in November 2017, showing that ADC-1013 is well-tolerated in cancer patients in clinically relevant doses. There was evidence supporting activation of CD40 receptors which, in combination with the clinical observations supports the continued clinical development of ADC-1013.

The second clinical Phase I study, performed by Janssen, is currently ongoing.

During the period, Alligator Bioscience recorded a revenue of USD 6 million from Janssen, coupled to a decision to start combination study with ADC-1013 and one of Janssen's proprietary PD-1 inhibitors. This milestone payment was received in January 2018. This was the first of several predetermined milestone payments linked to the commencement of combination or Phase II studies as part of the clinical development program for ADC-1013. These milestone payments could amount to an approximate total of SEK 300 million (USD 35 million).

ATOR-1015

ATOR-1015 is a bispecific (CTLA-4 and OX40) antibody developed for tumor-targeted treatment of metastatic cancer, as either a single therapy or in combination with other immunotherapies, such as PD-1 blockers. The antibody has been created using Alligator's unique bispecific fusion format.

ATOR-1015 binds to two different immunostimulatory receptors – to the checkpoint receptor CTLA-4, and to a costimulatory receptor OX40. 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 target molecules are expressed at elevated levels, such as in a tumor.

In 2017, preclinical data was presented to support the described mechanism of action for ATOR-1015, i.e. that it causes immunostimulation in the tumor environment but not in the rest of the body, which is the goal of the treatment. New data has also demonstrated effects in multiple experimental tumor models, and additional data has confirmed that the stimulation is effectively localized to the tumor.

Events during the fourth quarter

The company advanced ATOR-1015 through preclinical development and is now preparing to commence a Phase I clinical study.

Events after the end of the period

In January 2018, the company announced its selection of a partner, Theradex Oncology (a global Contract Research Organization), for the forthcoming Phase I clinical study scheduled to commence in the second half of 2018. The clinical trial materials have now been manufactured and the final documentation required for submission of a Clinical Trial Authorization (CTA) application is scheduled to be completed in the first half of 2018.

ATOR-1017

ATOR-1017 is an immunostimulating antibody (IgG4) that binds to the costimulatory receptor 4-1BB (CD137) in tumor-specific T cells. 4-1BB has the capacity to support the immune cells involved in tumor control, making 4-1BB a particularly attractive target for cancer immunotherapy.

ATOR-1017 is differentiated 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 elevated levels – totally in line with the treatment strategy for Alligator's drug candidates. The aim is to achieve effective tumor-targeted immune stimulation with minimum side effects.

Events during the fourth quarter

Cell line development at Sartorius Stedim Cellca GmbH is progressing according to plan. Preparations for manufacturing of clinical trial materials at Celonic GmbH.

During the year, compilation of a preclinical data package is planned, with the aim of commencing clinical development in 2019.

ALG.APV-527

ALG.APV-527 is a bispecific antibody (4-1BB and 5T4) developed for the treatment of metastatic cancer. The ALG.APV-527 antibody has two functions: to stimulate tumor-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 environment.

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 studies.

As described above, 4-1BB has the capacity to stimulate the immune cells involved in tumor killing, making 4-1BB a particularly promising target for cancer immunotherapy. The tumor-binding function of ALG.APV-527 targets the 5T4 tumor-associated antigen. 5T4 is a protein expressed on multiple tumor types, as well as certain types of aggressive immune cells (tumor-initiating cells), but at low levels or not at all in normal tissue, making 5T4 an attractive target molecule for cancer therapy.

The original molecules involved in the tumor-binding function and immunomodulatory function 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 localize its effect to the tumor region and stimulate the tumor-specific immune cells that are found there.

Events during the fourth quarter

During the period, proof of concept studies were performed in experimental models.

During the year, compilation of a preclinical data package is planned, with the aim of commencing clinical development in 2019.

Other research projects

Alligator's early-stage research projects include a bispecific immunostimulating antibody that binds to a protein in the TNFR superfamily and another interesting immunostimulating target protein. The product's components were created with ALLIGATOR-GOLD and FIND, and then assembled using Alligator's unique bispecific fusion format.

Through its subsidiary Atlas Therapeutics AB, the Group owns a participating interest in a research project, Biosynergy, 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 the regional out-licensing of one of AbClon's products, the HER-2 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 development

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.

Phase I clinical study

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.

Phase II clinical study

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.

Phase III clinical study

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 2017), 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.

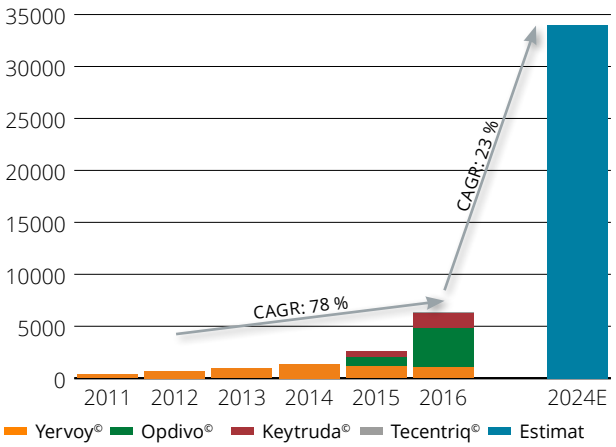
The emerging role of immunotherapies

Immuno-oncology is one of the fastest growing areas of drug research. Since the first immunotherapeutic drug, Yervoy® (Bristol-Myers Squibb), was approved in 2011, the top three best-selling cancer immunotherapies have all generated billion-dollar-plus sales, generating a combined $6.388 in revenues in 2016 compared with $2.634 billion in 2015. (Genetic Engineering and Biology News, April 2017). The total market for immuno-oncology drugs is expected to grow to 34 billion USD in 2024 (see graph).

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".

Sales of approved immuno-oncology drugs, MUSD



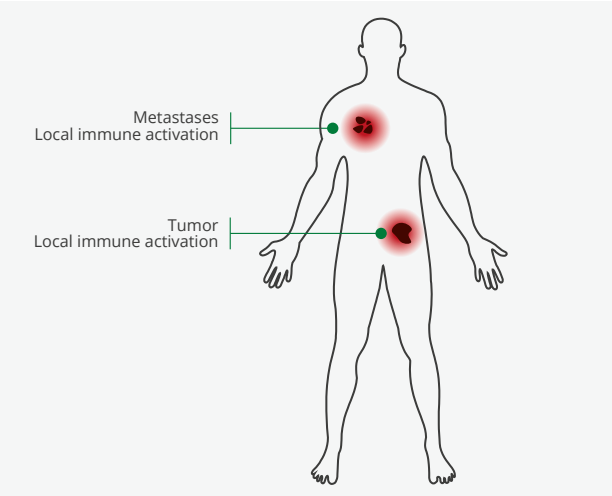
Source: Annual reports Bristol-Myers Squibb, Merck & co and Roche, and Global Data Immuno-Oncology Strategic Insight 2016.

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.

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, 2016 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

	October - December 2017	January – December 2017
Sales	**SEK 51,299 thousand (6,433)** Sales for the period primarily pertain to revenue from a milestone payment concerning ADC-1013.	**SEK 56,875 thousand (58,240)** Sales for the period pertain to revenue from a milestone payment and other revenue concerning ADC-1013 and a milestone payment in the Biosynergy project.
Other operating income	**SEK 449 thousand (65)** Revenue for the year comprises exchange gains in the company's operations. Revenue for the preceding year comprised exchange gains in the company's operations.	**SEK 895 thousand (1,110)** For the current year, pertains to a donation made to the company for research purposes (SEK 165 thousand) and exchange gains in the company's operations. For the preceding year, refers to exchange gains in the company's operations and research grants from the Swedish state (SEK 671 thousand).
Operating expenses	**SEK -41,015 thousand (-28,630)** 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 within R&D.	**SEK -120,068 thousand (-115,432)** 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 within R&D as projects proceed. In 2016 the company recorded an impairment loss of SEK 22,120 thousand in the Biosynergy project.
Operating result	**SEK 10,733 thousand (-22,130)**	**SEK -62,299 thousand (-56,081)**
Total financial items	**SEK 1,783 thousand (2,779)** Pertains to returns on liquidity and financial assets as well as exchange losses as a result of significant liquidity positions, primarily in USD.	**SEK -1,460 thousand (7,726)** Pertains to returns on liquidity and financial assets as well as exchange gains/losses as a result of significant liquidity positions, primarily in USD but also EUR.
Result before and after tax	**SEK 12,516 thousand (-19,352)**	**SEK -63,758 thousand (-48,356)**
Earnings per share before and after dilution	**SEK 0.18 (-0.31)**	**SEK -0.89 (-0.80)**

Financial position

Equity amounted to SEK 617,956 thousand (676,185), corresponding to equity per outstanding share of SEK 8.66 (9.64) before dilution. The equivalent figure after dilution was SEK 8.66 (9.47).

Consolidated cash and cash equivalents, which consist of bank balances and short-term, highly liquid investments, totaled SEK 472,919 thousand (659,136). Bank balances amounted to 197,097 (659,136). 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 (0) and the value at the end of the second quarter was SEK 275,822 thousand (0). During the second quarter, the Group invested SEK 74,520 thousand (0) in corporate bonds, which are deemed to be easily convertible to cash. The Group had no borrowings as of December 31, 2017 and no loans have been raised since this date. The Group has no loans or loan commitments.

The Group plans to used 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 and EUR 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.

Investments and cash flow

Investments during the fourth quarter amounted to SEK 7,685 thousand (515). These primarily comprised of laboratory equipment totaling SEK 6,685 thousand (453), and investments in leased premises 1,000 (0). In the period was not any capitalization of patents relating to the company's technology platforms done, SEK 0 thousand (53).

Cash flow for the quarter amounted to a negative SEK 41,694 thousand (310,886).

Investments during the year totaled SEK 88,720 thousand (3,596) and mainly pertained to an investment in corporate bonds of SEK 74,520 thousand (0). An additional SEK 2,500 thousand (0) was invested in leased premises for a new laboratory, SEK 11,526 thousand (3,379) in laboratory equipment and SEK 174 thousand (217) in the capitalization of patents relating to the company's technology platforms.

Cash flow for the year amounted to a negative SEK 183,173 thousand (287,135).

The Alligator share

The Alligator share in brief (December 31, 2017)
- Listed on: Nasdaq Stockholm Mid Cap
- Number of shares: 71,388,615
- Market capitalization: SEK 1,663 million
- Ticker: ATORX
- ISIN: SE0000767188

Largest shareholders (change in the quarter)
- Banque Internationale à Luxembourg SA 19.0% (+0.3%)
- Johnson & Johnson Innovation 8.1% (+/-0)
- Sunstone Life Science Ventures Fund II K/S 8.1% (+/-0)
- Lars Spånberg 4.5% (+/-0)
- Goldman Sachs & Co LLC 3.7% (+3.7%)
- Atlas Antibodies AB 3.7% (+/-0)
- Norron 2.8% (+0.1%)
- Öresund Investment AB 2.5% (+/-0)
- Catella fonder 2.1% (+0.1%)
- Johan Rockberg 2.0% (+/-0)

At the end of the fourth quarter had Duba AB, previously fourth largest owner in Alligator, divested a large portion of its shares and during January 2018 has the remaining holding been divested.

The total number of outstanding shares in the Company at the end of the quarter amounted to 71,388,615 (70,113,615).

During 2017 has 1,275,000 (330,000) warrants from the 2014/2017 warrant program been exercised for an equivalent number of shares.

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 with 1/3 on May 1 2017, 1/3 May 1 2018 and 1/3 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, 294,992 have been vested, 576,674 may still be vested and 28,334 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 1,145,543 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

Upon full exercise of all warrants issued in respect of the share subscription incentive programs, a total of 2,002,435 shares will be issued, thereby increasing the number of shares to a maximum of 73,391,158.

Other information

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

Employees
The number of employees in the Group at the end of the quarter was 47 (36). Of these, 12 (9) were men and 35 (27) were women.

Of the total number of employees, 41 (32) were employed within Research and Development (R&D).

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

- Annual report 2017 on March 22, 2018
- AGM and Q1 interim report on April 26, 2018
- Q2 interim report on July 12, 2018
- Q3 interim report on October 26, 2018
- Full year report 2018 on February 14, 2019

Forward looking information
As a consequence of the company continuing to recruit new employees, although at a slower pace, full year effects of recruitments in 2017 and several projects during 2018 entering more expensive development phases, the Alligator management expects the costs 2018 to increase 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 2016. 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.

Proposal for dividend
In accordance with the Board of Directors adopted dividend policy, it is proposed that no dividend be paid for the year 2017.

Annual general meeting
The annual general meeting will be held on Thursday the 26th of April at Medicon Village, Scheelevägen 2 in Lund. Shareholders wishing to have a proposal brought up on the meeting can send the suggestion to the Chairman of the BoD on e-mail anmalan@alligatorbioscience.com or to the address Alligator Bioscience AB, att: Annual general meeting, Medicon Village, 223 81 Lund. Proposals have, to be certain to be part of the invitation to the meeting and also the meeting agenda, to be at the company latest on the 8th of March 2018.

Consolidated income statement

All amounts TSEK unless specified	Note	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Net sales	5	51,299	6,433	56,875	58,240
Other operating income	5	449	65	895	1110
Total operating income		**51,748**	**6,498**	**57,770**	**59,350**
Operating costs					
Other external costs		-29,333	-20,405	-78,944	-63,278
Personnel costs		-10,631	-7,571	-37,920	-27,479
Depreciation and impairment of tangible assets and intangible assets	3	-1,052	-653	-3,204	-24,675
Total operating costs		**-41,015**	**-28,630**	**-120,068**	**-115,432**
Operating profit/loss		**10,733**	**-22,130**	**-62,299**	**-56,081**
Resultat från övriga värdepapper och fordringar		396	863	745	863
Finansiella intäkter		1,625	2,866	3,969	8,704
Finansiella kostnader		-238	-950	-6,173	-1,840
Summa finansiella poster		**1,783**	**2,779**	**-1,460**	**7,726**
Profit/loss before tax		**12,516**	**-19,352**	**-63,758**	**-48,356**
Tax on profit for the period		0	0	0	0
Profit for the period attributable to Parent Company shareholders		**12,516**	**-19,352**	**-63,758**	**-48,356**
Earnings per share before dilution, SEK		**0.18**	**-0.31**	**-0.89**	**-0.80**
Earnings per share after dilution, SEK		**0.18**	**-0.31**	**-0.89**	**-0.80**

Consolidated statement of comprehensive income

All amounts TSEK unless specified	Note	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Profit/loss for the period		12,516	-19,352	-63,758	-48,356
Other comprehensive income		0	0	0	0
Comprehensive income for the period		**12,516**	**-19,352**	**-63,758**	**-48,356**

Consolidated statement of financial position

All amounts in TSEK	Note	2017-12-31	2016-12-31
ASSETS			
Fixed assets			
Intangible assets			
Participations in development projects	**3**	17,949	17,949
Patents		1,454	2,306
Tangible assets			
Improvements in leased premises	**2**	2,459	0
Equipment, machinery and computers		13,739	4,349
Financial assets			
Other investments held as fixed assets	**2, 6**	74,122	0
Total fixed assets		**109,722**	**24,603**
Current assets			
Current receivables			
Accounts receivable	**6**	53,096	0
Other receivables	**6**	3,604	12,417
Prepayments and accrued income		3,692	4,624
Cash and cash equivalents	**6**	472,919	659,136
Total current assets		**533,311**	**676,178**
TOTAL ASSETS		**643,033**	**700,780**
EQUITY AND LIABILITIES			
Equity			
Share capital		28,555	28,045
Other capital contributions		662,614	657,949
Retained earnings and profit/loss for the period		-73,214	-9,809
Equity attributable to Parent Company shareholders		**617,956**	**676,185**
Current liabilities			
Accounts payable	**6**	13,569	13,340
Other liabilities	**6**	1,193	686
Accrued expenses and deferred income		10,315	10,569
Total current liabilities		**25,078**	**24,595**
TOTAL EQUITY AND LIABILITIES		**643,033**	**700,780**

Consolidated statement of changes in equity, in summary

All amounts in TSEK	2017 Oct-Dec	2016 Oct-Dec	2016 Jan-Dec	2016 Jan-Dec
Opening balance	**605,398**	**370,854**	**676,185**	**396,969**
New capital issue	0	357,200	5,175	359,270
Option premiums received	0	0	0	733
Underwriting expenses	0	-32,665	0	-32,665
Effect of share-based payments	41	148	354	234
Profit/loss for the period	12,516	-19,352	-63,758	-48,356
Other comprehensive income in the period	0	0	0	0
Closing balance	**617,956**	**676,185**	**617,956**	**676,185**

Consolidated statement of cash flows

All amounts in TSEK	Not	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Operating activities					
Operating profit/loss		10,733	-22,130	-62,299	-56,081
Adjustments for items not generating cash flow		0	0	0	
Depreciation and impairments		1,052	653	3,204	24,675
Effect from warrant program		41	148	354	234
Other items, no impact on cash flow		-28	18	822	19
Interest received		664	125	1,178	468
Interest paid		-11	-1	-19	-4
Tax paid		0	0	0	0
Cash flow from operating activities before changes in working capital		**12,451**	**-21,187**	**-56,760**	**-30,689**
Changes in working capital					
Change in operating receivables		-50,020	-5,099	-43,351	-12,229
Change in operating liabilities		3,559	12,149	482	5,308
Cash flow from operating activities		**-34,010**	**-14,137**	**-99,629**	**-37,610**
Investing activities					
Result from participations in other companies		0	0	-74,520	0
Acquisition of intangible assets		0	957	0	957
Acquisition of tangible assets		0	-62	-174	-217
Sales of tangible assets		-7,685	-453	-14,026	-3,379
Cash flow from investing activities		0	45	0	45
Investing activities		**-7,685**	**488**	**-88,720**	**-2,593**
Financing activities					
New share issue		0	357,200	5,175	359,270
Underwriting expenses		0	-32,665	0	-32,665
Option premiums received		0	0	0	733
Cash flow from financing activities		**0**	**324,535**	**5,175**	**327,338**
Cash flow for the period		**-41,694**	**310,886**	**-183,173**	**287,135**
Cash and cash equivalents at beginning of period		**513,220**	**346,457**	**659,136**	**365,605**
Exchange rate differences in cash and cash equivalents		1,394	1,792	-3,043	6,396
Cash and cash equivalents at end of period*	6	**472,919**	**659,136**	**472,919**	**659,136**

* 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	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Net sales		51,299	5,530	55,715	57,338
Other operating income		449	65	895	1,110
Total operating income		**51,748**	**5,595**	**56,609**	**58,448**
Operating costs					
Other external costs		-29,332	-20,404	-78,940	-63,276
Personnel costs		-10,631	-7,571	-37,920	-27,479
Depreciation and impairment of tangible assets and intangible assets		-1,052	-653	-3,204	-2,555
Total operating costs		**-41,014**	**-28,629**	**-120,064**	**-93,310**
Operating profit/loss		**10,734**	**-23,033**	**-63,454**	**-34,862**
Results from financial items					
Impairment of investments in subsidiaries	**3**	0	0	0	-22,120
Result from other securities and receivables		396	863	745	863
Other interest income and similar income statement items		1,653	2,866	3,147	8,704
Interest expense and similar income statement items		-238	-950	-6,173	-1,840
Net financial items		**1,811**	**2,779**	**-2,281**	**-14,393**
Profit/loss after financial items		**12,545**	**-20,255**	**-65,736**	**-49,255**
Tax on profit for the year		0	0	0	0
Profit/loss for the period		**12,545**	**-20,255**	**-65,736**	**-49,255**

Parent Company statement of comprehensive income

All amounts in TSEK	Not	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Profit/loss for the period		12,545	-20,255	-65,736	-49,255
Other comprehensive income		0	0	0	0
Profit/loss for the year		**12,545**	**-20,255**	**-65,736**	**-49,255**

Parent Company balance sheet

All amounts in TSEK	Note	2017-12-31	2016-12-31
ASSETS			
Fixed assets			
Intangible assets			
Patents		1,454	2,306
Total intangible assets		**1,454**	**2,306**
Tangible assets			
Improvements in leased premises	**2**	2,459	0
Equipment, machinery and computers		13,739	4,349
Total tangible assets		**16,198**	**4,349**
Financial assets			
Participations in Group companies	**3**	20,294	20,294
Other investments held as fixed assets	**2, 6**	74,122	0
Total financial assets		**94,416**	**20,294**
Total fixed assets		**112,068**	**26,949**
Current assets			
Current receivables			
Accounts receivable		53,096	0
Other receivables		3,604	12,417
Prepayments and accrued income		3,692	4,624
Total current receivables		**60,392**	**17,041**
Other short-term investments		275,000	0
Cash and bank deposits		194,424	657,619
Total current assets		**529,816**	**674,659**
TOTAL ASSETS		**641,883**	**701,608**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		28,555	28,045
Paid in, non-registered new share issue		0	6,300
Total restricted equity		**28,555**	**34,345**
Non-restricted equity			
Share premium reserve		662,741	651,776
Retained earnings		-8,755	40,147
Profit/loss for the period		-65,736	-49,256
Total non-restricted equity		**588,251**	**642,667**
Total equity		**616,806**	**677,013**
Current liabilities			
Accounts payable		13,569	13,340
Other liabilities		1,193	686
Accrued expenses and deferred income		10,315	10,569
Total current liabilities		**25,078**	**24,595**
TOTAL EQUITY AND LIABILITIES		**641,883**	**701,608**

Performance measures, Group

	Note	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Result (TSEK)					
Net sales	5	51,299	6,433	56,875	58,240
Operating profit/loss		10,733	-22,130	-62,299	-56,081
Profit/loss for the period		12,516	-19,352	-63,758	-48,356
R&D costs		-33,030	-19,602	-87,982	-59,987
R&D costs as a percentage of operating costs excluding impairments		80.5%	68.5%	73.3%	64.3%
Capital (TSEK)					
Cash and cash equivalents at end of period		472,919	659,136	472,919	659,136
Cash flow from operating activities		-34,010	-14,137	-99,629	-37,610
Cash flow for the period		-41,694	310,886	-183,173	287,135
Equity		617,956	676,185	617,956	676,185
Equity ratio, %		96%	96%	96%	96%
Info per share (SEK)					
Earnings per share before dilution		0.18	-0.31	-0.89	-0.80
Earnings per share after dilution*		0.18	-0.31	-0.89	-0.80
Equity per share before dilution		8.66	9.64	8.66	9.64
Equity per share after dilution		8.66	9.47	8.66	9.47
Personnel					
Number of employees at end of period		47	36	47	36
Average number of employees		46	35	42	31
Average number of employees employed within R&D		40	31	37	28

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 year end 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

The consolidated financial statements for Alligator Bioscience AB (publ) have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU, the Swedish Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary accounting rules for groups of companies".

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

Investments in leased premises

Investments in leased premises refer to adjustments made to the leased premises for a new laboratory. This lab was opened and used in the fourth quarter of 2017. This asset is recognized in accordance with the accounting policy for tangible assets and depreciation is expensed on a straight-line basis over the duration of the lease.

Investments held to maturity

Other investments held as fixed assets as of December 31, 2017 are categorized as "Investments held to maturity". These 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.

Joint operation

Joint operations are activities where the group through agreements with one or more parties have a common decision power and the parties report assets, liabilities, revenue and cost and their share of common assets, liabilities, revenue and cost. Currently the only joint operation is with Aptevo Therapeutics regarding ALG.APV-527.

In all other respects, the accounting policies and methods of calculation applied in this report conform to those described in the Annual Report for 2016. New standards and interpretations that entered into force on January 1, 2017 have had no impact on the Group's or the Parent Company's financial statements for the period.

The new standard IFRS 9 Financial Instruments will enter into force for financial years beginning on or after January 1, 2018. This standard will replace IAS 39 Financial Instruments. Management has carried out a full evaluation of the potential effect of the new standard on the Group's financial statements and the conclusion is that the new standard will have no impact on the company´s financial reports.

The new standard IFRS 15 Revenue from Contracts with Customers will enter into force for financial years beginning on or after January 1, 2018. The standard will replace all previously issued standards and interpretations concerning revenue. Management has carried out a full evaluation of the potential effect of the new standard on the Group's financial statements and the conclusion is that the new standard will not impact the Group's financial statements. The transition to the new standard will be done according to the retroactive method, comparison values for 2017 will be presented in accordance with IFRS 15.

The new standard IFRS 16 Leases will enter into force for financial years beginning on or after January 1, 2019. The standard will replace IAS 17 Leasing agreements. Management has carried out a full evaluation of the potential effect of the standard on the Group's financial statements and the conclusion is that only one leasing agreement, the rental agreement regarding the premises valid until end of 2022, will give a material impact. However, the conclusion is that the impact on the Group's key performance indicators will not be material.

Note 3 Effects of changed estimates and judgments

Significant estimates and judgments are described in Note 3 of the Annual Report for 2016.

There have been no changes to the company's estimates and judgments since the Annual Report for 2016 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	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Licensing income	51,299	6,429	56,875	58,236
Swedish government grants received	0	-187	0	484
EU grants received	0	0	0	0
Operational exchange rate gains	449	257	730	631
Other	0	0	165	0
Total	**51,748**	**6,498**	**57,770**	**59,350**

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. During the fourth quarter, Alligator registered a 6 MUSD milestone in the ADC-1013 project that was received in January 2018. During the first quarter of 2017, Alligator also received a milestone payment in the Biosynergy project. Alligator receives licensing revenue in USD when specific milestones in the development projects are achieved.

Note 6 Financial instruments

All amounts in TSEK	2017-12-31	2016-12-31
Available-for-sale financial assets		
Other investments held as fixed assets	0	0
Investments being held to maturity		
Other investments held as fixed assets	74,122	0
Loans and receivables		
Accounts receivable	53,096	0
Other receivables	0	6,043
Cash and cash equivalents	472,919	659,136
Financial assets	**600,137**	**665,179**
Financial liabilities		
Accounts payable	13,569	13,340
Other liabilities	1,193	686
Financial liabilities	**14,762**	**14,026**

Investments held to maturity refer to investments in corporate bonds. The Group's cash and cash equivalents at December 31, 2017 consisted of bank balances amounting to SEK 197,097 thousand and an investment in a liquidity fund totaling SEK 275,822 thousand. For all other periods, cash and cash equivalents consists exclusively of bank balances.

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. These related party transactions corresponded to an expense of SEK 180 thousand (180) for the fourth quarter and SEK 720 thousand (720) for the full year.

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	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Profit/loss for the period	12,516	-19,352	-63,758	-48,356
Average number of shares before dilution	71,388,615	63,111,608	71,283,273	60,114,511
Earnings per share before dilution, SEK	**0.18**	**-0.31**	**-0.89**	**-0.80**
Average number of shares after dilution	71,388,615	63,111,608	71,283,273	60,114,511
Earnings per share after dilution, SEK	**0.18**	**-0.31**	**-0.89**	**-0.80**
Operating costs	-41,015	-28,630	-120,068	-115,432
Impairment of tangible assets and intangible assets	0	0	0	-22,120
Operating costs excluding impairments	**-41,015**	**-28,630**	**-120,068**	**-93,312**
Administrative expenses	-6,934	-8,375	-28,883	-30,770
Depreciation	-1,052	-653	-3,204	-2,555
Research and development costs	**-33,030**	**-19,602**	**-87,982**	**-59,987**
R&D costs / Operating costs excluding impairments %	**80.5%**	**68.5%**	**73.3%**	**64.3%**
Equity	617,956	676,185	617,956	676,185
Average number of shares before dilution	71,388,615	70,113,615	71,388,615	70,113,615
Equity per share before dilution, SEK	**8.66**	**9.64**	**8.66**	**9.64**
Average number of shares after dilution	71,388,615	71,388,615	71,388,615	71,388,615
Equity per share after dilution, SEK	**8.66**	**9.47**	**8.66**	**9.47**
Equity	617,956	676,185	617,956	676,185
Total assets	643,033	700,780	643,033	700,780
Equity ratio, %	**96%**	**96%**	**96%**	**96%**

The confirmation of the Board of Diretors and the CEO

The Board and the CEO confirm that the Year End 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, 16 February 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

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.