Q4

ALLIGATOR bioscience

# YEAR-END REPORT JANUARY-DECEMBER 2018

# The bispecific drug candidate ATOR-1015 in clinical development

### Significant events October-December

- The Swedish MPA (Medical Products Agency) approved start of Phase I clinical trial of ATOR-1015.
- New preclinical data for ATOR-1017 and ALG.APV-527 presented at the Annual Meeting of the Society for Immunotherapy of Cancer (SITC).
- The company expanded its pipeline and initiated preclinical development of the ATOR-1144 drug candidate.
- Research funding granted from Vinnova.
- Alligator Bioscience recorded a revenue of approximately USD 3 million related to a collaboration with AbClon Inc.

### Events after the end of the period

- Alligator Bioscience launched RUBY™, a novel concept in bispecific antibody formats.
- Clinical Phase I data for ADC-1013 published in the International Journal of Cancer.
- Since the ADC-1013 Phase I study is not yet fully completed, the next revenue, the first phase II milestone payment, is expected to move into 2020.
- ATOR-1015 phase I clinical study commenced enrollment of patients.

### Financial summary

*October-December*

- Net sales, SEK 25.6 million (51.3).
- Operating result, SEK -30.1 million (10.7).
- Result for the period, SEK -30.6 million (12.5).
- Result per share, SEK -0.43 (0.18).
- Cash and cash equivalents, incl. interest-bearing securities, SEK 436.4 million (547.0).
- Cash flow for the period, SEK -41.8 million (-41.7).

*January-December*

- Net sales, SEK 27.0 million (56.9).
- Operating result, SEK -153.1 million (-62.3).
- Result for the period, SEK -150.0 million (-63.8).
- Result per share, SEK -2.10 (-0.89).
- Cash flow for the period, SEK -111.8 million (-183.2).

# Financial summary (Group)

| | 2018 Oct-Dec | 2017 Oct-Dec | 2018 Jan-Dec | 2017 Jan-Dec |
|---|---|---|---|---|
| Net sales, TSEK (SEK thousand) | 25,594 | 51,299 | 26,959 | 56,875 |
| Operating profit/loss | -30,060 | 10,733 | -153,080 | -62,299 |
| Profit/loss for the period, TSEK | -30,589 | 12,516 | -150,043 | -63,758 |
| Cash flow for the period, TSEK | -41,780 | -41,694 | -111,770 | -183,173 |
| Cash, cash equivalents and bonds, TSEK | 436,391 | 547,041 | 436,391 | 547,041 |
| Equity ratio, % | 92% | 96% | 92% | 96% |
| R&D costs as % of operating costs excluding impairments | 78.6% | 80.5% | 76.8% | 73.3% |
| Earnings per share before dilution, SEK | -0.43 | 0.18 | -2.10 | -0.89 |
| Earnings per share after dilution, SEK | -0.43 | 0.18 | -2.10 | -0.89 |
| Average number of employees | 54 | 46 | 51 | 42 |

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# Comments from the CEO.

**ATOR-1015, our first-in-class tumor-localizing bispecific CTLA-4 antibody, has begun phase I clinical development and has opened up recruitment of patients. This is a very important milestone for us as a company. It is our first bispecific product to enter the clinic and it is also the first investigational tumor-localizing CTLA-4 antibody in the immuno-oncology field.**

The phase I study is a first-in-human dose escalation trial in patients with advanced solid tumor disease. The primary objective is to investigate safety and tolerability of ATOR-1015 and we expect to complete the study and to be able to present data in late Q3 or early Q4 2020. Subsequent phase II studies are planned to start immediately thereafter, to demonstrate clinical efficacy. So, what are the clinical development plans?

### ATOR-1015 is building on existing knowledge ...

It is, in fact, quite straightforward. ATOR-1015 has a unique advantage compared to most other immuno-oncology drugs in early clinical development in that the clinical efficacy of the key target, CTLA-4, has already been demonstrated. The CTLA-4 antibody ipilimumab (Yervoy®) was approved for metastatic melanoma in 2011 and became the first drug ever to extend overall survival in this deadly disease. It has since been approved in several additional cancer indications, in combination with PD-1 inhibitors, to treat kidney cancer and colorectal cancer. Our strategy for ATOR-1015 is to build on this knowledge.

### ... with the objective of reducing today's severe side effects

While immune activation through CTLA-4 has shown impressive efficacy in multiple cancers, it is coupled with severe toxicity. We believe that ATOR-1015 will be at least as effective as the approved monospecific CTLA-4 antibody, and with a better tolerability profile. The first of our planned phase II studies will be ATOR-1015 in combination with a PD-1 blockade therapy in metastatic melanoma. We expect that study to start in autumn 2020 and to read out during 2022. Additional phase II trials planned in lung cancer and colorectal cancer, are expected to start during 2021.

### Continued enrollment of patients for ADC-1013

Enrollment of patients for the phase I dose escalation trial of ADC-1013 continued during Q4. Since the phase I study is not yet fully completed, we expect that the next revenue, the first phase II milestone payment, will move into 2020. We do expect enrollment in the phase I trial to be completed during the spring, and that study data will be presented at the ASCO annual conference in Chicago in June. Regarding the previously announced PD-1 combination trial, combination strategies with I-O pathway assets are being evaluated preclinically by Janssen, to identify optimal combination partners for ADC-1013 that maximize the potential for clinical activity.

### ATOR-1017 approaching clinical studies

ATOR-1017, our 4-1BB antibody, is quickly approaching clinical phase. When this program was started a few years ago there were already two 4-1BB antibodies in clinical development, and

our objective was to develop a best-in-class rather than first-in-class product. It now seems that the two leading clinical programs have been halted, and with that ATOR-1017 is at the very front of the field. This clearly strengthens the competitive position of ATOR-1017. Also, it is exciting to see the increased interest in 4-1BB as a promising cancer target, visualized by some recent major deals in the area.

### Important expansion of our technology platform

In January we announced a significant expansion of our technology platform with the bispecific format RUBY™. We now have all technologies in-house to generate virtually any future bispecific antibody. The Plug-and-Play property of RUBY allows us move drug candidates faster to clinical phase, by significantly shortening preclinical development timelines. Taken together, RUBY gives us significant competitive advantages in the field of immuno-oncology..

**Per Norlén**
CEO Alligator Bioscience AB (publ)

February 14, 2019

# 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.

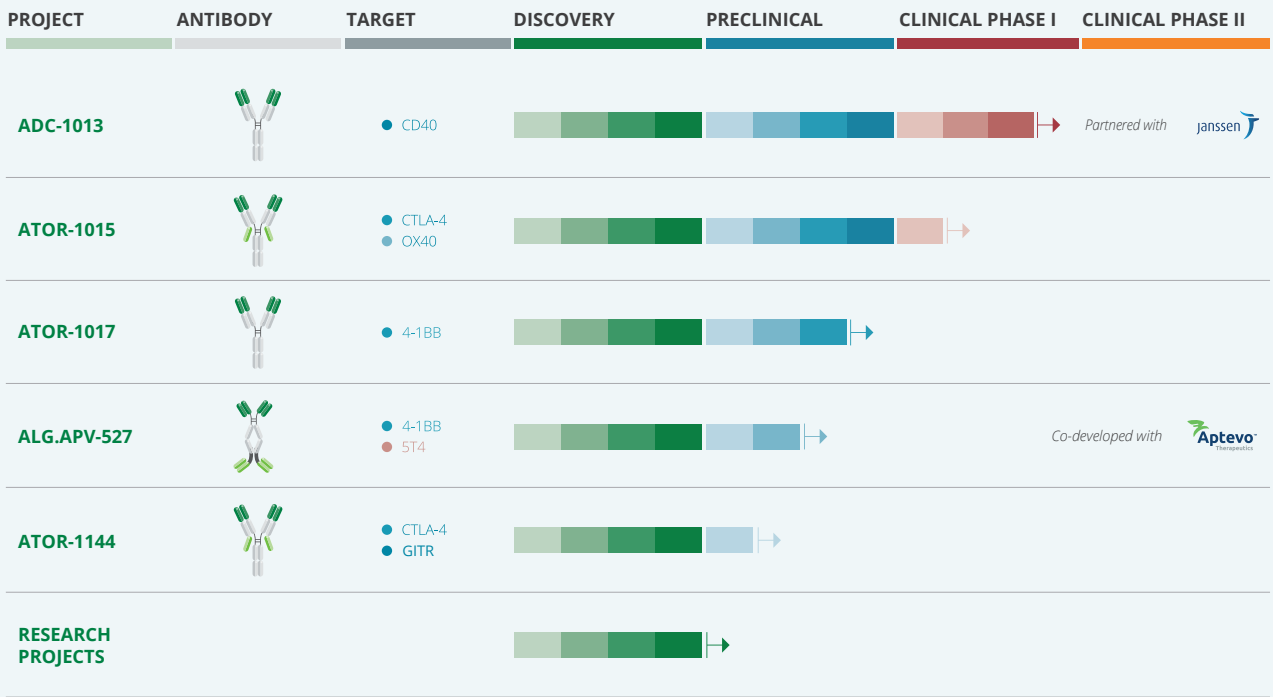
## Several patented technologies

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, the company has two unique bispecific antibody formats for the development of novel dual-action antibodies. The latest, RUBY™, allows Alligator to easily generate bispecific molecules from any two antibodies, with excellent stability and manufacturability properties. The format abolishes the need for further optimization and enables Alligator to move drug candidates faster from preclinical to the clinical phase. Together, these technologies provide Alligator with a strong base for the development of bispecific, tumor-targeted drug candidates.

## Competitive project portfolio

Alligator's project portfolio includes the clinical and preclinical drug candidates ADC-1013, ATOR-1015, ATOR-1017, ALG.APV-527 and ATOR-1144, 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 cre-

### The Alligator project portfolio




Through its subsidiary Atlas Therapeutics AB, the Group holds an ownership interest in the Biosynergy (AC101) preclinical 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.

ates an opportunity to solve this problem and to provide new cancer therapies with high efficacy without increasing the risk of severe side effects.

### 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 (CTA) 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.

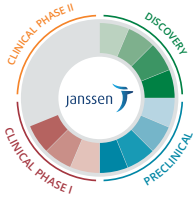
### Business model that creates value across the development chain

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. 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. ("Janssen"), 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

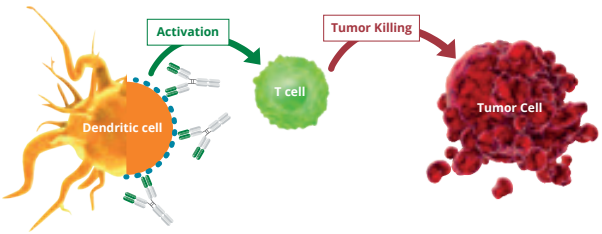
The license agreement with Janssen comprises predefined milestone payments with a potential total value of about SEK 6 billion (USD 695 million). In January 2018, Alligator received a second milestone payment of SEK 50 million from Janssen, related to the decision to commence a combination study with 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 showed that ADC-1013 is well-tolerated at clinically relevant doses. A second Phase I trial 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.





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.

### Events during the fourth quarter

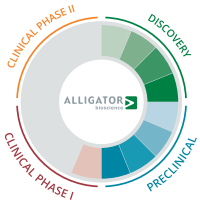
The second phase I clinical trial is currently being conducted by Janssen and, to date, has enrolled 95 patients. Information regarding the ongoing Phase I trial is scheduled to be presented at the Annual Meeting of the American Society of Clinical Oncology in early June.

### Events after the end of the period

In January, the results of the first clinical Phase I trial for ADC-1013 were published in the International Journal of Cancer. The pharmacodynamic effects and the preclinical data support the further clinical development of ADC-1013 against cancer and demonstrate the potential of ADC-1013 as a combination therapy with PD-1 targeted therapies.

Since the phase I study is not yet fully completed, we expect that the next revenue, the first phase II milestone payment, will move into 2020. Regarding the previously announced PD-1 combination trial, combination strategies with I-O pathway assets are being evaluated preclinically by Janssen, to identify optimal combination partners for ADC-1013 that maximize the potential for clinical activity.

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




## Clinical Phase I.

**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 a bispecific fusion format.**

### Project status: clinical Phase I initiated

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

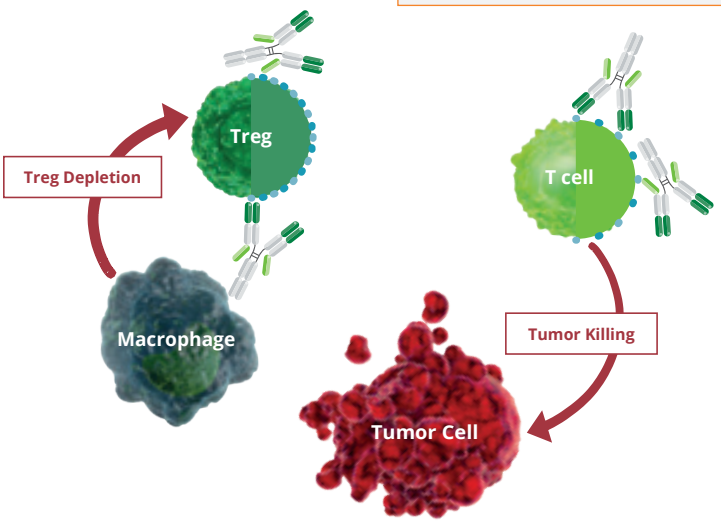
ATOR-1015 binds to two different immunomodulatory receptors – the CTLA-4 inhibitory receptor, and an OX40 costimulatory receptor. In preclinical studies, the biospecificity has been shown to cause a significant increase in the immunostimulatory effect and is expected be achieved mainly in environments 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 fourth quarter

- In December 2018, the Swedish Medical Product Agency (MPA) approved the start of a Clinical Phase I 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 53 patients. The principal investigator is Dr Jeffrey Yachnin at the Clinical Trials Unit, Department of Oncology at Karolinska University Hospital in Stockholm. The main objective of the trial is to evaluate the safety and tolerability of ATOR-1015, and to determine a recommended Phase II dose. For further information, refer to https://www.clinicaltrials.gov/ct2/show/NCT03782467?term=1015&rank=1.

### Events after the end of the period

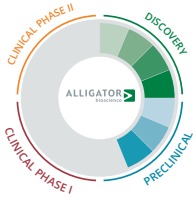
- Phase I clinical study opened up for enrollment of patients.





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.

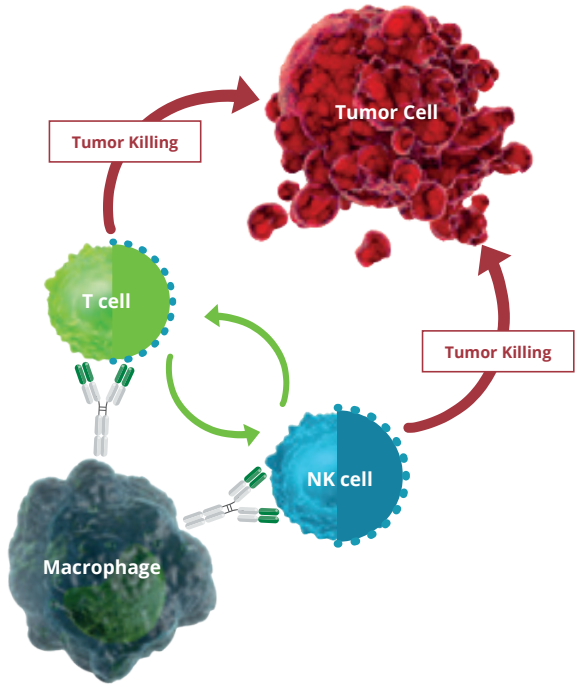
**ATOR-1017 is a monoclonal antibody that activates the costimulatory function of 4-1BB on T and NK cells in the tumor region and has been developed for the treatment of metastatic cancer. 4-1BB has the capacity to stimulate the immune cell populations required for tumor control.**

### Project status: preclinical development

In 2018, new preclinical data for ATOR-1017 was 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 fourth quarter

- 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.
- In November, preclinical data were presented at the 33rd Annual Meeting of the Society for Immunotherapy of Cancer (SITC) in Washington, D.C. in the US. View the poster here: https://alligatorbioscience.se/en/research-and-development/scientific-publications/

A preclinical data package is currently being compiled with the aim to submit an application for Clinical Trial Authorization (CTA) in mid-2019.


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.

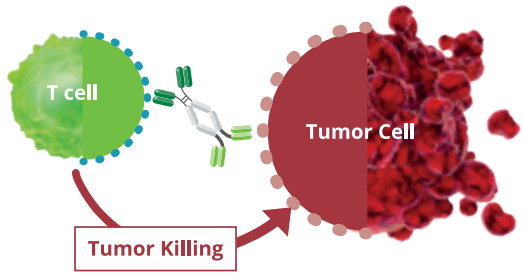
**ALG.APV-527 is a bispecific antibody (4-1BB and 5T4) for the treatment of metastatic cancer. The antibody has two functions: to stimulate antitumor-specific T cells via the costimulatory receptor 4-1BB, and to bind to the 5T4 protein on the surface of tumor cells and thereby localize the immunostimulation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





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.

### 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 fourth quarter

- New preclinical data for ALG.APV-527 were presented at the 33rd Annual Meeting of the Society for Immunotherapy of Cancer (SITC) in November 2018. The data show that ALG.APV-527 localizes to 5T4 positive tumors and selectively stimulates and enhances tumor-directed immune cell (T cell and NK cell) responses, displaying potent anti-tumor effects. Additionally, the new data confirm that 5T4 antigen is present on a wide range of tumor types. These results provide a favorable safety profile while enhancing efficacy.

A preclinical data package is currently being compiled with the aim to submit an application for Clinical Trial Authorization (CTA) in the second half of 2019.

# 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. In January 2019, the company also presented RUBY™, a novel concept in bispecific antibody formats.

Through its subsidiary Atlas Therapeutics AB, the Group holds an ownership interest in the Biosynergy (AC101) preclinical 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. Alligator has, during previous financial years, received two milestone payments totaling SEK 2.1 million in conjunction with a regional out-licensing of one of these products, the HER2 antibody AC101.

### Events during the fourth quarter

In October, the company announced that a new bispecific drug candidate, ATOR-1144, had entered preclinical development. ATOR-1144, a first-in-class bispecific tumor-localized antibody, is a dual immune activator targeting CTLA-4 and GITR. It works through several pathways, including activation of T cells, depletion of regulatory T cells (Tregs) and activation of NK (natural killer) cells, for enhanced tumor cell killing. Based on its mode of action, ATOR-1144 may be suitable for the treatment of solid tumors as well as hematological cancers.

In November, the company announced that it would receive payments of approximately SEK 30 million under its collaboration agreement with the South Korean company AbClon Inc. ("AbClon"). This is following the exercising of an option by a third party, Shanghai Henlius Biotech, Inc. ("Henlius"), to expand the scope of the AC101 agreement (see above) from a regional to a global agreement. The exercising of this option triggers a payment of USD 10 million (approximately SEK 90 million) from Henlius to AbClon. Alligator holds an ownership interest in this project through its subsidiary Atlas Therapeutics AB that entitles Alligator to 35 percent of AbClon's revenue from the agreement with Henlius. The payment of USD 3.5 million (approximately SEK 30 million before foreign tax) to Alligator will be made in two parts in the first quarter of 2019.

### Events after the end of the period

In January 2019, the company presented RUBY™, a novel concept in bispecific antibody formats. The RUBY concept gives Alligator competitive abilities to generate therapeutic antibodies that are both efficient and highly manufacturable. The format abolishes the need for further optimization and enables Alligator to move drug candidates faster from preclinical to the clinical phase. This positions Alligator with a competitive edge in the field of immuno-oncology to deliver pipeline leads at increased speed for successful out-licensing.

# 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 technologies.

**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

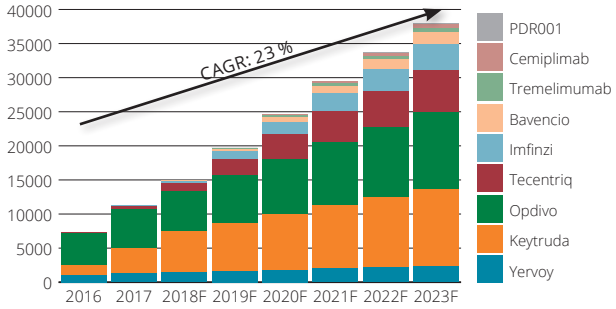
Immuno-oncology is one of the fastest growing areas of drug research. The global market for cancer immunotherapies alone is expected to grow to almost USD 76 billion by 2022 from just under USD 17 billion in 2015, according to the research company GlobalData.

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 USD 11.2 billion in revenues in 2017 compared with USD 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**

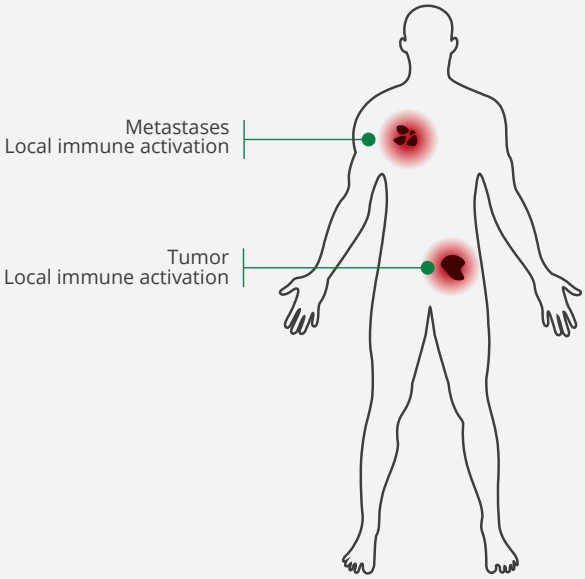



**Sources: Bristol –Myers Squibb; Merck & Co; Roche, Cowen therapeutic categories outlook March 2018, GlobalData**

## 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 Year-end 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

*October - December 2018*

*January - December 2018*

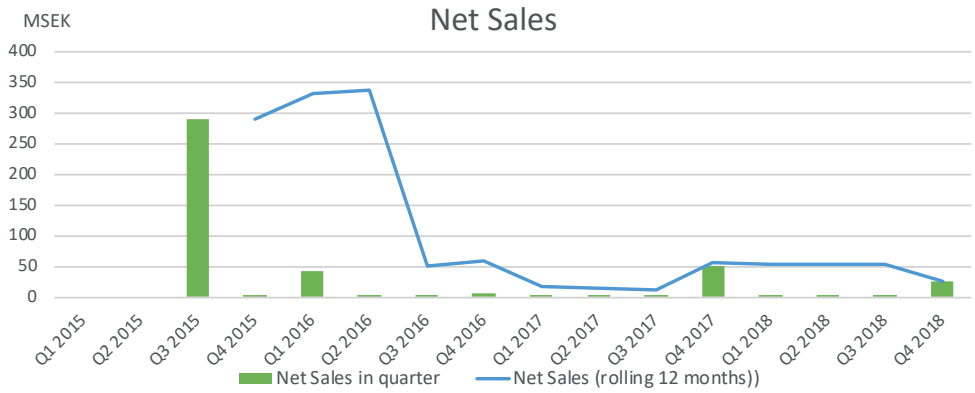
### Sales

**SEK 25,594 thousand (51,299)**

Sales for the period mainly pertain to a revenue from the project Biosynergy which is developed by the Korean collaboration partner AbClon Inc. where a third party, Shanghai Henlius Biotech, Inc., exercising an option from a regional to a global agreement. Sales in the quarter last year was mainly related to a milestone revenue from the licensing agreement for ADC-1013.

**SEK 26,959 thousand (56,875)**

Sales for the year 2018 mainly pertain to a revenue from the project Biosynergy which is developed by the Korean collaboration partner AbClon Inc. where a third party, Shanghai Henlius Biotech, Inc., exercising an option from a regional to a global agreement. Sales in last year was mainly related to a milestone revenue from the licensing agreement for ADC-1013.




### Other operating income

**SEK 411 thousand (449)**

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

**SEK 1,555 thousand (895)**

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

### Operating expenses

**SEK -56,065 thousand (-41,015)**

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

**SEK -181,594 thousand (-120,068)**

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

### Operating result

**SEK -30,060 thousand (10,733)**

**SEK -153,080 thousand (-62,299)**

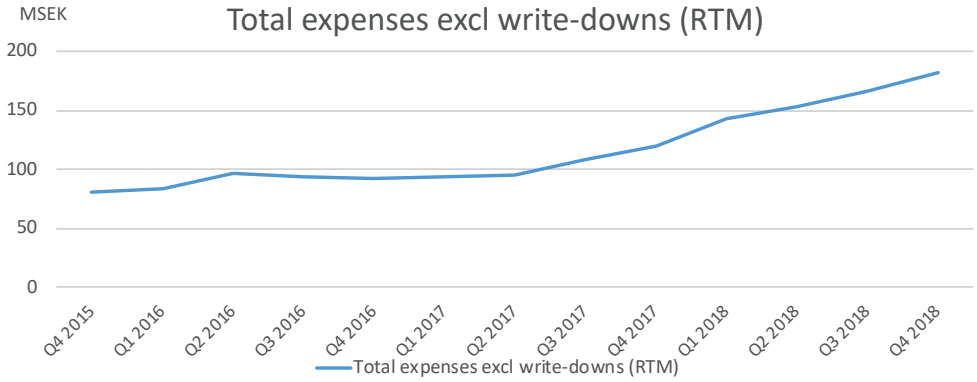
**Total financial items**

**SEK -528 thousand (1,783)**

Pertains to returns on liquidity and financial assets as well as unrealized exchange gains and losses as a result of significant liquidity positions, primarily in USD, EUR and GBP. The change compared with the previous year is mainly due to the decline in value of the interest funds.

**SEK 3,037 thousand (-1,460)**

Pertains to returns on liquidity and financial assets as well as unrealized exchange gains and losses as a result of significant liquidity positions, primarily in USD, EUR and GBP. The change in financial items compared to last year is mainly described by a weaker Swedish Krona against foreign currency during 2018 versus 2017.




**Result before and after tax**

**SEK -30,589 thousand (12,516)**

**SEK -150,043 thousand (-63,758)**

**Earnings per share before and after dilution**

**SEK -0.43 (0.18)**

**SEK -2.10 (-0.89)**

## Financial position

*December 31, 2018*

**Cash and cash equivalents**

**SEK 362,878 thousand (472,919)**

Consolidated cash and cash equivalents, which consist of bank balances and short-term, highly liquid investments, totaled SEK 362,878 thousand (472,919). Bank balances amounted to SEK 112,024 thousand (197,097). During the fourth quarter, shares in the short-term, interest fund amounting to SEK 75,000 thousand were sold and SEK 50,000 thousand were invested in a equivalent short-term, interest fund. The short-term, interest funds are recognized as cash and cash equivalents. These investment can easily be converted to cash and is subject to an immaterial risk of changes in value. The investment in these funds amounts to SEK 250,439 thousand (275,000) and the value at the end of period was SEK 250,854 thousand (275,822).

**Cash and other short term financial assets and financial assets**

**SEK 436,391 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 73,513 thousand (74,122) where of SEK 20,254 thousand is classified as other short term investments due to that two corporate bonds has mature date within twelve months. The Group had no borrowings as of December 31, 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 468,310 thousand (617,956)**

Equity amounted to SEK 468,310 thousand (617,956), which corresponds to a equity ratio of 92% (96%).

### Earnings per share before and after dilution

**SEK 6.56 (8.66)**

At the end of the period, equity per outstanding share amounted to SEK 6.56 (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

*October - December 2018*

### Investments

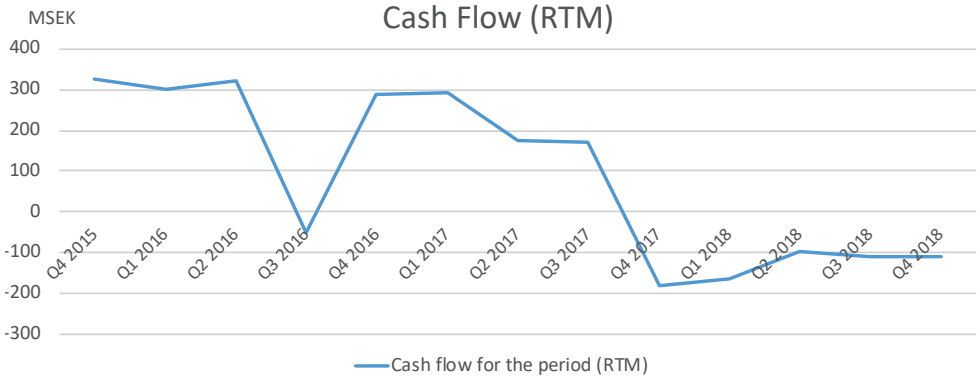
**SEK 610 thousand (7,685)**

Investments for the fourth quarter amounted to SEK 610 thousand (7,685). These investments primarily comprised of laboratory equipment SEK 610 thousand (6,685). During the period, no investments in leased premises were made SEK 0 thousand (1,000).

*January - December 2018*

**SEK 7,665 thousand (88,720)**

Investments during the year of 2018 was made in laboratory equipment SEK 6,550 thousand (11,526), investments in leased premises SEK 573 thousand (2,500) and investments in softwares SEK 541 thousand (0). During the year 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).



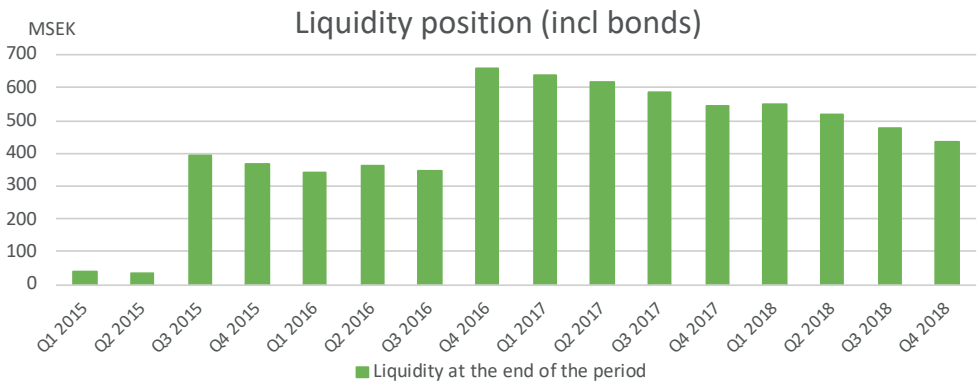

### Cash flow for the period

**SEK -41,780 thousand (-41,694)**

Cash flow for the third quarter amounted to SEK -41,780 thousand (-41,694). The payment for the revenue regarding Shanghai Henlius Biotech, Inc. excersing the option from regional to global rights will be received during Q1 2019.

**SEK -111,770 thousand (-183,173)**

Cash flow for the year of 2018 amounted to SEK -111,770 thousand (-183,173). 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 (December 28, 2018)

- Listed on: Nasdaq Stockholm Mid Cap
- Number of shares: 71,388,615
- Average turnover per day: approx. 83,000 (previous quarter approx. 64,000)
- Number of shareholders: Approximately 5,200 (previous quarter ca 4,800)
- Market capitalization: SEK 1,606 million (previous quarter 2 017 MSEK
- Ticker: ATORX
- ISIN: SE0000767188

| Largets shareholders | Dec 28, 2018 | % |
|---|---|---|
| Banque Internationale à Luxembourg SA | 13,634,041 | 19.1 |
| Johnson & Johnson Innovation | 5,762,523 | 8.1 |
| Sunstone Life Science Ventures Fund II K/S | 5,758,485 | 8.1 |
| Lars Spånberg | 3,213,858 | 4.5 |
| Norron | 2,840,000 | 4.0 |
| Catella funds | 1,958,227 | 2.7 |
| Öhman funds | 1,647,159 | 2.3 |
| Öresund, Investment AB | 1,631,117 | 2.3 |
| Gladiator | 1,500,000 | 2.1 |
| Stena | 1,401,339 | 2.0 |
| Other shareholders | 32,041,866 | 44.9 |

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 and Monitor (Modular Finance) as of the 28th of December 2018 where certain foreign accounts has been identified by the company.

### Change during the quarter

Among the Company's ten largest shareholders, Stena has now come into place ten, while the owner who has its shares on a Goldman Sachs account has further divested its shares and is no longer among the company's top ten largest shareholders.

The largest investment in Alligator shares among the largest shareholders during the quarter is done by Catella Funds (approx. 486,000 shares) and Norron (approx. 261,000 shares), while the owner who has its shares at a Goldman Sachs account has divested shares during the quarter (approx. -994,000 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 not been reviewed by the company's auditors.

### Employees
The number of employees in the Group at the end of the quarter was 55 (47). Of these, 14 (12) were men and 41 (35) were women.

Of the total number of employees, 47 (41) were employed within Research and Development (R&D).

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

- 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 result of the company's project portfolio entering more expensive phases, the Alligator management estimates the costs in 2019 to increase in range of about 10% - 20% compared to 2018.

The company has out-licensed the project ADC 1013 to Janssen Biotech Inc. and receives milestone payments when different milestones in the project are achieved. The Company does not expect to receive any milestone payments from this project during 2019.

From the project Biosynergy, the company expect to receive payments of approximately SEK 25 million during the first quarter of 2019 after withholding foreign tax.

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, actuals can 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.

### Proposal for dividend
In accordance with the Board of Directors adopted dividend policy, it is proposed that no dividend be paid for the year 2018.

### Annual general meeting
The annual general meeting will be held on Thursday May 9 at Medicon Village, Scheelevägen 2 in Lund. Shareholders wishing to have a proposal brought up on the annual general meeting May 9 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 March 7, 2019.

# Consolidated income statement

| All amounts TSEK unless specified | Note | 2018 Oct-Dec | 2017 Oct-Dec | 2018 Jan-Dec | 2017 Jan-Dec |
|---|---|---|---|---|---|
| Net sales | 5 | 25,594 | 51,299 | 26,959 | 56,875 |
| Other operating income | 5 | 411 | 449 | 1555 | 895 |
| **Total operating income** | | **26,005** | **51,748** | **28,514** | **57,770** |
| | | | | | |
| **Operating costs** | | | | | |
| Other external costs | | -39,311 | -28,884 | -121,162 | -77,899 |
| Personnel costs | | -14,513 | -10,631 | -52,144 | -37,920 |
| Depreciation of tangible assets and intangible assets | | -1,503 | -1,052 | -5,902 | -3,204 |
| Other operatings expenses | | -737 | -448 | -2,387 | -1,045 |
| **Total operating costs** | | **-56,065** | **-41,015** | **-181,594** | **-120,068** |
| **Operating profit/loss** | | **-30,060** | **10,733** | **-153,080** | **-62,299** |
| | | | | | |
| Result from other securities and receivables | | 292 | 396 | 1,160 | 745 |
| Other interest income and similar income statement items | | 698 | 1,625 | 7,465 | 3,969 |
| Interest expense and similar income statement items | | -1,518 | -238 | -5,587 | -6,173 |
| **Net financial items** | | **-528** | **1,783** | **3,037** | **-1,460** |
| | | | | | |
| **Profit/loss before tax** | | **-30,589** | **12,516** | **-150,043** | **-63,758** |
| Tax on profit for the period | | 0 | 0 | 0 | 0 |
| **Profit for the period attributable to Parent Company shareholders** | | **-30,589** | **12,516** | **-150,043** | **-63,758** |
| | | | | | |
| **Earnings per share before dilution, SEK** | | **-0.43** | **0.18** | **-2.10** | **-0.89** |
| **Earnings per share after dilution, SEK** | | **-0.43** | **0.18** | **-2.10** | **-0.89** |

# Consolidated statement of comprehensive income

| All amounts TSEK unless specified | Note | 2018 Oct-Dec | 2017 Oct-Dec | 2018 Jan-Dec | 2017 Jan-Dec |
|---|---|---|---|---|---|
| Profit/loss for the period | | -30,589 | 12,516 | -150,043 | -63,758 |
| Other comprehensive income | | 0 | 0 | 0 | 0 |
| **Comprehensive income for the period** | | **-30,589** | **12,516** | **-150,043** | **-63,758** |

# Consolidated statement of financial position

| All amounts in TSEK | Note | 2018-12-31 | 2017-12-31 |
|---|---|---|---|
| **ASSETS** | | | |
| *Fixed assets* | | | |
| Intangible assets | | | |
| Participations in development projects | **3** | 17,949 | 17,949 |
| Patents | | 702 | 1,454 |
| Softwares | | 464 | 0 |
| *Tangible assets* | | | |
| Improvements in leased premises | | 2,434 | 2,459 |
| Equipment, machinery and computers | | 15,804 | 13,739 |
| *Financial assets* | | | |
| Other investments held as fixed assets | **2, 6** | 53,259 | 74,122 |
| **Total fixed assets** | | **90,612** | **109,722** |
| | | | |
| **Current assets** | | | |
| *Current receivables* | | | |
| Accounts receivable | **6** | 25,328 | 53,096 |
| Other receivables | **6** | 4,564 | 3,604 |
| Prepayments and accrued income | | 4,521 | 3,692 |
| Other short-term financial assets | **6** | 20,254 | 0 |
| Cash and cash equivalents | **6** | 362,878 | 472,919 |
| **Total current assets** | | **417,545** | **533,311** |
| **TOTAL ASSETS** | | **508,156** | **643,033** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| *Equity* | | | |
| Share capital | | 28,555 | 28,555 |
| Other capital contributions | | 662,614 | 662,614 |
| Retained earnings and profit/loss for the period | | -222,860 | -73,214 |
| **Equity attributable to Parent Company shareholders** | | **468,310** | **617,956** |
| | | | |
| **Current liabilities** | | | |
| Accounts payable | **6** | 17,702 | 13,569 |
| Other liabilities | | 1,564 | 1,193 |
| Accrued expenses and deferred income | **6** | 20,580 | 10,315 |
| **Total current liabilities** | | **39,847** | **25,078** |
| **TOTAL EQUITY AND LIABILITIES** | | **508,156** | **643,033** |

# Consolidated statement of changes in equity, in summary

| All amounts in TSEK | 2018 Oct-Dec | 2017 Oct-Dec | 2018 Jan-Dec | 2017 Jan-Dec |
|---|---|---|---|---|
| **Opening balance** | **498,779** | **605,398** | **617,956** | **676,185** |
| New capital issue | 0 | 0 | 0 | 5,175 |
| Effect of share-based payments | 119 | 41 | 397 | 354 |
| Profit/loss for the period | -30,589 | 12,516 | -150,043 | -63,758 |
| Other comprehensive income in the period | 0 | 0 | 0 | 0 |
| **Closing balance** | **468,310** | **617,956** | **468,310** | **617,956** |

# Consolidated statement of cash flows

| All amounts in TSEK | 2018 Oct-Dec | 2017 Oct-Dec | 2018 Jan-Dec | 2017 Jan-Dec |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Operating profit/loss | -30,060 | 10,733 | -153,080 | -62,299 |
| Adjustments for items not generating cash flow | 0 | 0 | 0 | 0 |
| Depreciation and impairments | 1,503 | 1,052 | 5,902 | 3,204 |
| Effect from warrant program | 119 | 41 | 397 | 354 |
| Other items, no impact on cash flow | -815 | -28 | 32 | 822 |
| Interest received | 471 | 664 | 1,886 | 1,178 |
| Interest paid | 0 | -11 | 0 | -19 |
| Tax paid | 0 | 0 | 0 | 0 |
| **Cash flow from operating activities before changes in working capital** | **-28,782** | **12,451** | **-144,863** | **-56,760** |
| **Changes in working capital** | | | | |
| Change in operating receivables | -25,550 | -50,020 | 25,979 | -43,351 |
| Change in operating liabilities | 13,162 | 3,559 | 14,769 | 482 |
| **Cash flow from operating activities** | **-41,169** | **-34,010** | **-104,115** | **-99,629** |
| **Investing activities** | | | | |
| Result from participations in other companies | 0 | 0 | 0 | -74,520 |
| Acquisition of intangible assets | 0 | 0 | -541 | -174 |
| Acquisition of tangible assets | -610 | -7,685 | -7,124 | -14,026 |
| Divestment of property, plant and equipment | 0 | 0 | 10 | 0 |
| **Cash flow from investing activities** | **-610** | **-7,685** | **-7,655** | **-88,720** |
| **Financing activities** | | | | |
| New share issue | 0 | 0 | 0 | 5,175 |
| **Cash flow from financing activities** | **0** | **0** | **0** | **5,175** |
| **Cash flow for the period** | **-41,780** | **-41,694** | **-111,770** | **-183,173** |
| **Cash and cash equivalents at beginning of period** | **404,688** | **513,220** | **472,919** | **659,136** |
| Exchange rate differences in cash and cash equivalents | -31 | 1,394 | 1,728 | -3,043 |
| **Cash and cash equivalents at end of period** | **362,878** | **472,919** | **362,878** | **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 Oct-Dec | 2017 Oct-Dec | 2018 Jan-Dec | 2017 Jan-Dec |
|---|---|---|---|---|---|
| Net sales | | 387 | 51,299 | 1,751 | 55,715 |
| Other operating income | | 411 | 449 | 1,555 | 895 |
| **Total operating income** | | **798** | **51,748** | **3,307** | **56,609** |
| | | | | | |
| *Operating costs* | | | | | |
| Other external costs | | -39,311 | -28,883 | -121,159 | -77,895 |
| Personnel costs | | -14,513 | -10,631 | -52,144 | -37,920 |
| Depreciation and impairment of tangible assets and intangible assets | | -1,503 | -1,052 | -5,902 | -3,204 |
| Other operatings expenses | | -471 | -448 | -2,121 | -1,045 |
| **Total operating costs** | | **-55,799** | **-41,014** | **-181,325** | **-120,064** |
| **Operating profit/loss** | | **-55,001** | **10,734** | **-178,019** | **-63,454** |
| | | | | | |
| *Results from financial items* | | | | | |
| Result from other securities and receivables | | 292 | 396 | 1,160 | 745 |
| Other interest income and similar income statement items | | 1,137 | 1,653 | 7,871 | 3,147 |
| Interest expense and similar income statement items | | -702 | -238 | -5,587 | -6,173 |
| **Net financial items** | | **726** | **1,811** | **3,444** | **-2,281** |
| **Profit/loss after financial items** | | **-54,275** | **12,545** | **-174,575** | **-65,736** |
| | | | | | |
| *Appropriations* | | | | | |
| Group contribution received | | 14,677 | 0 | 14,677 | 0 |
| **Total appropriations** | | **14,677** | **0** | **14,677** | **0** |
| **Result before tax** | | **-39,598** | **12,545** | **-159,898** | **-65,736** |
| | | | | | |
| Tax on profit for the year | | 0 | 0 | 0 | 0 |
| **Profit/loss for the period** | | **-39,598** | **12,545** | **-159,898** | **-65,736** |

# Parent Company statement of comprehensive income

| All amounts in TSEK | Not | 2018 Oct-Dec | 2017 Oct-Dec | 2018 Jan-Dec | 2017 Jan-Dec |
|---|---|---|---|---|---|
| Profit/loss for the period | | -39,598 | 12,545 | -159,898 | -65,736 |
| Other comprehensive income | | 0 | 0 | 0 | 0 |
| **Profit/loss for the year** | | **-39,598** | **12,545** | **-159,898** | **-65,736** |

# Parent Company balance sheet

| All amounts in TSEK | Note | 2018-12-31 | 2017-12-31 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | | | |
| *Intangible assets* | | | |
| Patents | | 702 | 1,454 |
| Software | | 464 | 0 |
| **Total intangible assets** | | **1,166** | **1,454** |
| *Tangible assets* | | | |
| Improvements in leased premises | **2** | 2,434 | 2,459 |
| Equipment, machinery and computers | | 15,804 | 13,739 |
| **Total tangible assets** | | **18,238** | **16,198** |
| *Financial assets* | | | |
| Participations in Group companies | **3** | 20,294 | 20,294 |
| Other investments held as fixed assets | **2** | 53,259 | 74,122 |
| **Total financial assets** | | **73,553** | **94,416** |
| **Total fixed assets** | | **92,957** | **112,068** |
| | | | |
| **Current assets** | | | |
| *Current receivables* | | | |
| Accounts receivables | | 387 | 53,096 |
| Receivables from Group companies | | 14,677 | 0 |
| Other receivables | | 4,563 | 3,604 |
| Prepayments and accrued income | | 4,521 | 3,692 |
| **Total current receivables** | | **24,148** | **60,392** |
| Other short-term investments | **2** | 270,693 | 275,000 |
| Cash and bank deposits | | 109,353 | 194,424 |
| **Total current assets** | | **404,195** | **529,816** |
| **TOTAL ASSETS** | | **497,152** | **641,883** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| *Equity* | | | |
| Restricted equity | | | |
| Share capital | | 28,555 | 28,555 |
| **Total restricted equity** | | **28,555** | **28,555** |
| *Non-restricted equity* | | | |
| Share premium reserve | | 662,741 | 662,741 |
| Retained earnings | | -74,094 | -8,755 |
| Profit/loss for the period | | -159,898 | -65,736 |
| **Total non-restricted equity** | | **428,750** | **588,251** |
| **Total equity** | | **457,305** | **616,806** |
| | | | |
| **Current liabilities** | | | |
| Accounts payable | | 17,702 | 13,569 |
| Other liabilities | | 1,564 | 1,193 |
| Accrued expenses and deferred income | | 20,580 | 10,315 |
| **Total current liabilities** | | **39,847** | **25,078** |
| **TOTAL EQUITY AND LIABILITIES** | | **497,152** | **641,883** |

# Performance measures, Group

| | Note | 2018 Oct-Dec | 2017 Oct-Dec | 2018 Jan-Dec | 2017 Jan-Dec |
|---|---|---|---|---|---|
| **Result (TSEK)** | | | | | |
| Net sales | 5 | 25,594 | 51,299 | 26,959 | 56,875 |
| Operating profit/loss | | -30,060 | 10,733 | -153,080 | -62,299 |
| Profit/loss for the period | | -30,589 | 12,516 | -150,043 | -63,758 |
| R&D costs | | -44,075 | -33,030 | -139,493 | -87,982 |
| R&D costs as a percentage of operating costs excluding impairments | | 78.6% | 80.5% | 76.8% | 73.3% |
| **Capital (TSEK)** | | | | | |
| Cash and cash equivalents at end of period | | 362,878 | 472,919 | 362,878 | 472,919 |
| Cash flow from operating activities | | -41,169 | -34,010 | -104,115 | -99,629 |
| Cash flow for the period | | -41,780 | -41,694 | -111,770 | -183,173 |
| Equity at the end of the period | | 468,310 | 617,956 | 468,310 | 617,956 |
| Equity ratio at the end of the period, % | | 92% | 96% | 92% | 96% |
| **Info per share (SEK)** | | | | | |
| Earnings per share before dilution | | -0.43 | 0.18 | -2.10 | -0.89 |
| Earnings per share after dilution* | | -0.43 | 0.18 | -2.10 | -0.89 |
| Equity per share before dilution | | 6.56 | 8.66 | 6.56 | 8.66 |
| Equity per share after dilution* | | 6.56 | 8.66 | 6.56 | 8.66 |
| **Personnel** | | | | | |
| Number of employees at end of period | | 55 | 47 | 55 | 47 |
| Average number of employees | | 54 | 46 | 51 | 42 |
| Average number of employees employed within R&D | | 46 | 40 | 44 | 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 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

This Year-end 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 Year-end 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 Year-end 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. The transition to IFRS 16 Leases will be reported in accordance with the modify retrospective approach, Alligator will present the transition as an adjustment of the opening balance at the transition date. Comparative figures and previous years will not be recalculated.

The implementation of the standard means that almost all leases will be reported in the lessee's balance sheet, since no distinction is made between operational and financial leases. The standard contains two exceptions that Alligator will use, short-term leases (leases with a lease term of 12 months or less) and leasing agreements for which the underlying assets has a smaller value (in Alligator's case employees' computers). This exception means that for Alligator's leasing agreements that fall within the scope of these exemptions can continue to report these leases on a straight-line basis over the lease term as other external costs.

According to the new standard, an asset (the right to use a leased asset) and a financial liability relating to the obligation to pay leasing fees shall be presented. For leases that to date have been classified as operating leases in accordance with IAS 17, a lease liability will be presented at the present value of the remaining future lease payments, discounted by the lessee's incremental borrowing rate at the time the standard first enters into force. The right of use asset will generally be reported at the value of the leasing debt plus initial direct costs. Any advance payments and liabilities from the previous year will also be included. The Group's analysis indicates that upon initial applicationof IFRS 16, the leasing debt will probably amount to approximately SEK 23.5 million (January 1, 2019) as a result of the transition. The right of use asset will amount to SEK 23.5 million (January 1, 2019). As a result of the increase in assets and liabilities, the company's equity ratio will decrease by about 4% to 88%.

Lessee's must separately present interest expense on lease liabilities and depreciation on right of use assets. This will improve the company's operating profit for 2019 by about SEK 0.2 million based on the Group's current leasing agreements as of January 1, 2019.

The Group's cash flow report will change at the transition to IFRS 16 as cash flows from operating activities will improve and cash flow from financing activities will deteriorate.

### Investments held to maturity

Other long term investments held as fixed assets as of December 31, 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 Oct-Dec | 2017 Oct-Dec | 2018 Jan-Dec | 2017 Jan-Dec |
|---|---|---|---|---|
| Licensing income | 25,595 | 51,299 | 26,927 | 56,875 |
| Swedish government grants received | 68 | 0 | 68 | 0 |
| Operational exchange rate gains | 343 | 449 | 1,488 | 730 |
| Other | 0 | 0 | 32 | 165 |
| **Total** | **26,005** | **51,748** | **28,514** | **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, the revenue mainly pertains to an out-licensing revenue in the project Biosynergy and compensation for development work 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 December 31, 2018, consisted of bank balances amounting to SEK 112,024 thousand and an investment in an interest fund totaling SEK 250,854 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 | 2018-12-31 | 2017-12-31 |
|---|---|---|
| | | |
| **Investments being held to maturity** | | |
| Other investments held as fixed assets | 53,259 | 74,122 |
| Other short term investments | 20,254 | 0 |
| | | |
| **Loans and receivables** | | |
| Accounts receivable | 25,328 | 53,096 |
| Other receivables | 843 | 0 |
| Cash and cash equivalents | 362,878 | 472,919 |
| **Financial assets** | **462,562** | **600,137** |
| | | |
| **Financial liabilities** | | |
| Accounts payable | 17,702 | 13,569 |
| Accrued expenses | 15,827 | 7,525 |
| **Financial liabilities** | **33,529** | **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 fourth quarter these related party transactions corresponded to an expense of SEK 180 thousand (180) and year-to-date 2018 the expense is SEK 720 thousand (720).

# 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.

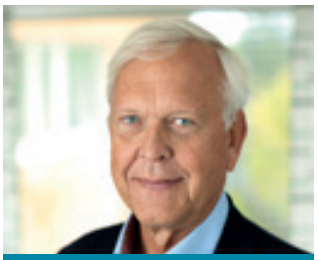
As mentioned earlier in this report, the Company does not have a steady flow of revenue, with revenue generated irregularly in connection with the signing of license agreements and achievement of milestones. Therefore, the Company monitors performance indicators such as equity ratio and equity per share 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 Oct-Dec | 2017 Oct-Dec | 2018 Jan-Dec | 2017 Jan-Dec |
|---|---|---|---|---|
| Profit/loss for the period | -30,589 | 12,516 | -150,043 | -63,758 |
| Average number of shares before dilution | 71,388,615 | 71,388,615 | 71,388,615 | 71,283,273 |
| **Earnings per share before dilution, SEK** | **-0.43** | **0.18** | **-2.10** | **-0.89** |
| Average number of shares after dilution | 71,388,615 | 71,388,615 | 71,388,615 | 71,283,273 |
| **Earnings per share after dilution, SEK** | **-0.43** | **0.18** | **-2.10** | **-0.89** |
| | | | | |
| Operating costs | -56,065 | -41,015 | -181,594 | -120,068 |
| Impairment of tangible assets and intangible assets | 0 | 0 | 0 | 0 |
| **Operating costs excluding impairments** | **-56,065** | **-41,015** | **-181,594** | **-120,068** |
| Administrative expenses | -10,487 | -6,934 | -36,199 | -28,883 |
| Depreciation | -1,503 | -1,052 | -5,902 | -3,204 |
| **Research and development costs** | **-44,075** | **-33,030** | **-139,493** | **-87,982** |
| **R&D costs / Operating costs excluding impairments %** | **78.6%** | **80.5%** | **76.8%** | **73.3%** |
| | | | | |
| Equity | 468,310 | 617,956 | 468,310 | 617,956 |
| Average number of shares before dilution | 71,388,615 | 71,388,615 | 71,388,615 | 71,388,615 |
| **Equity per share before dilution, SEK** | **6.56** | **8.66** | **6.56** | **8.66** |
| Average number of shares after dilution | 71,388,615 | 71,388,615 | 71,388,615 | 71,388,615 |
| **Equity per share after dilution, SEK** | **6.56** | **8.66** | **6.56** | **8.66** |
| | | | | |
| Equity | 468,310 | 617,956 | 468,310 | 617,956 |
| Total assets | 508,156 | 643,033 | 508,156 | 643,033 |
| **Equity ratio, %** | **92%** | **96%** | **92%** | **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 this 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, February 14, 2019

**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 of performance measures.

**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.