Q3

# Alligator Bioscience AB (publ)
## Interim report January-September 2020

ALLIGATOR bioscience

*A revolution for life.*

# Encouraging clinical safety data for ATOR-1017.

### SIGNIFICANT EVENTS JULY - SEPTEMBER

- **Mitazalimab:**
  - Positive biomarker data demonstrating proof of mechanism in clinical Phase I study performed by Janssen.
  - Clinical development program defined. The CTA for the upcoming Phase II study in pancreatic cancer is scheduled to be submitted in December 2020.
- **ATOR-1015:**
  - Revised plan due to further evaluation of doses and adverse reactions, leading to delay of Phase Ib.
  - US composition of matter patent granted.
- **ATOR-1017:**
  - Encouraging emerging safety data at clinically relevant dose levels in the ongoing Phase I study.
- **Preclinical:**
  - Neo-X-Prime: New unique drug concept for tumor-specific treatment launched at 11th World Bispecific Summit.
- **Other:**
  - Gayle Mills appointed Chief Business Officer.

### SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- **Clinical focus on ATOR-1017 and mitazalimab:**
  - Preparations to bring ATOR-1017 and mitazalimab to Phase II efficacy studies in 2021.
  - ATOR-1015: A partner will be sought for further clinical studies.


ATOR-1017


Mitazalimab

### FINANCIAL SUMMARY

*July-September 2020*

- Net sales, SEK 0.0 million (4.3).
- Operating result, SEK -30.6 million (-58.5).
- Result for the period, SEK -30.8 million (-56.6).
- Earnings per share before and after dilution, SEK -0.43 (-0.79).
- Cash flow for the period, SEK -32.7 million (-47.3).
- Cash and cash equivalents, incl. interest-bearing securities, SEK 137.0 million (302.2)

*January-September 2020*

- Net sales, SEK 4.4 million (4.4).
- Operating result, SEK -110.2 million (-155.2).
- Result for the period, SEK -108.8 million (-150.3).
- Earnings per share before and after dilution, SEK -1.52 (-2.11).
- Cash flow for the period, SEK 42.6 million (-27.8).

*During the first quarter, the holdings in corporate bonds and interest funds were divested, which had a positive effect on cash flow.*

The information was submitted for publication at 08:00 p.m. CEST on October 22, 2020. For contact details, see page 12.

# Comments from the CEO.

**Alligator's clinical development portfolio consists of four candidate drugs, all intended for the treatment of metastatic cancer. During the quarter, we have generated important data that will guide us in the continued development of Alligator's clinical project portfolio.**

Per Norlén
CEO Alligator Bioscience (publ)

The Phase I study with ATOR-1017 has progressed exceptionally well and in August we presented interim data that showed a good safety profile at clinically relevant dose levels. The dose evaluation will continue with yet higher doses and we expect to present safety and potentially efficacy data from the entire study in the spring of 2021. At the same time, we have shown strong Proof of Mechanism data for mitazalimab, while the ATOR-1015 program reported side effects at high dose levels. The nature of the reactions have lead to a need to re-design the planned clinical trial in malignant melanoma and to perform additional preclinical investigations. We will now focus our clinical investments to ATOR-1017 and mitazalimab. Both programs have first-in-class potential, and will move into clinical phase II during 2021. Let me go through these pipeline changes in more detail.

### ATOR-1015 - revised plan to better evaluate dose and side effects

ATOR-1015 is Alligator's tumor-localizing, bispecific CTLA-4 and OX40 antibody developed for the treatment of malignant melanoma (skin cancer) as the primary indication. Data from the ongoing Phase I study have shown that ATOR-1015 is associated with infusion-related reactions considered related to the development of anti-drug antibodies. This leads to a need for thorough evaluation of the clinical data. ATOR-1015 is an asset of great potential, and it is important to remember that Yervoy, the registered comparable product, causes severe side effects already at low dose levels, and still has annual sales of more than USD 1 billion. ATOR-1015 is currently dosed at 750 mg which is 4 times higher than the highest dose used for Yervoy. However, already at this point in time, it is evident that a re-design of the planned efficacy study in malignant melanoma will be required. Preclinical assessments, a new study protocol and associated regulatory interactions will be needed before further clinical activities can be initiated. In parallel Alligator will seek a clinical partner for further development. We still see great opportunities for ATOR-1015 to bring value to patients if the encountered challenges can be successfully handled.

### ATOR-1017 – fast development and a promising safety profile

ATOR-1017 is Alligator's wholly owned 4-1BB antibody. The candidate drug increases the immune system's ability to discover and kill tumor cells. ATOR-1017 is at the forefront of the second-generation 4-1BB antibodies. The first-generation products were, among other things, associated with severe liver side effects. We believe that these side effects may be avoided through a more tumor-selective immune activation, which is one of the key properties of ATOR-1017. Its unique profile enables both powerful immune activation and reduced side effects for the patient. Late August, at our R&D Day, we could present positive clinical data indicating that we may have succeeded in developing a safer product. Dose evaluation now proceeds at100 mg, corresponding to approximately 1.6 mg/kg, more than 10 times the dose used for the first-generation product urelumab. The ongoing study has progressed faster than expected and could be completed during the first half of next year. I am very much looking forward to the continued evaluation of ATOR-1017 and the potential start of clinical Phase II during the second half of 2021.

### Mitazalimab - ready for Phase II studies

Mitazalimab is Alligator's most advanced immuno-oncology drug candidate. It activates CD40, a receptor on antigen-presenting dendritic cells. The signal enables the immune system to identify threats and leads to a more effective and selective tumor attack.

With a solid dataset from two clinical Phase I studies including more than 100 patients, we can see that mitazalimab has a best in class potential in the CD40 space. The next step will be to start a clinical Phase II efficacy study. The CTA (Clinical Trial Application) submission is planned for December 2020. The study (OPTIMIZE-1) is an open label multicenter study that will evaluate the efficacy of mitazalimab in combination with chemotherapy (mFolfirinox) in patients with metastatic pancreatic cancer. The OPTIMIZE study will be conducted at several clinics in Europe and the first patient is planned to be included during the first half of 2021.

Pancreatic cancer is a disease that is difficult to treat and is one of the most common causes of cancer-related death with a five-year survival rate of 5 to 6 percent. Last year´s sales of the ten most prescribed drugs for pancreatic cancer amounted to almost USD 6 billion, and none of these drugs significantly prolongs survival. The fact that there is emerging clinical validation for CD40 in pancreatic cancer gives us great hope for mitazalimab. If a positive clinical effect can be demonstrated in this difficult indication, the road to the market is wide open.

### Neo-X-Prime - a completely new concept for the treatment of cancer

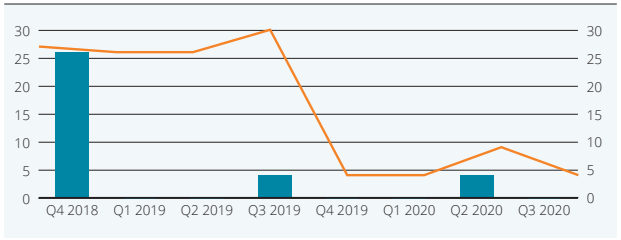
In September, Alligator's new proprietary immuno-oncology concept Neo-X-Prime, for more specific treatment of cancer, was presented at the international congress 11th World Specific Summit. In short, the Neo-X-Prime antibodies capture exosomes that carry mutated proteins from the tumor, so-called neoantigens, which are unique to each patient and to which the immune system can be directed. The concept can potentially solve several of the major challenges that exist in immuno-oncology today, e.g. possibility to replace a tumor biopsy with a simple blood test.

### Chief Business Officer joins Alligator´s Executive Management Team

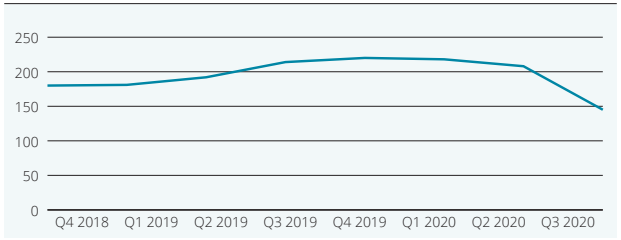
I would also like to take this opportunity to welcome Gayle Mills to Alligator. Based in California, she will be part of the company's executive management team in her role as Chief Business Officer, heading the company's business development activities. Alligator can now benefit from Gayle's long experience in the business development field with an large network in the industry and extensive knowledge in biotechnology and pharmaceuticals.

# Performance measures, Group.

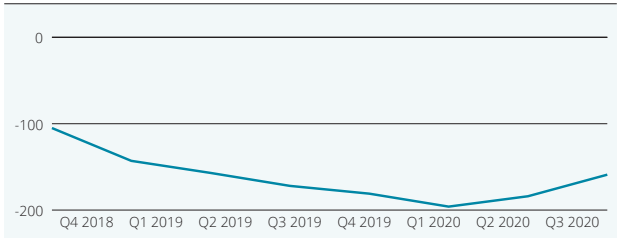
### Net sales, SEK m



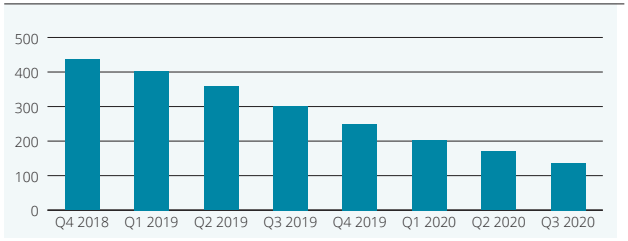

### Operating costs, rolling 12 months, SEK m




### Cash flow from operating activites, rolling 12 months, SEK m




### Cash and cash equivalents, including securities, SEK m




| | Note | 2020 Jul-Sep | 2019 [1] Jul-Sep | 2020 Jan-Sep | 2019 [1] Jan-Sep | 2019 [1] Jan-Dec |
|---|---|---|---|---|---|---|
| **Result (TSEK)** | | | | | | |
| Net sales | 5 | 0 | 4,288 | 4,352 | 4,358 | 4,358 |
| Operating profit/loss | | -30,633 | -58,467 | -110,195 | -155,212 | -214,519 |
| Profit/loss for the period | | -30,848 | -56,633 | -108,780 | -150,348 | -210,112 |
| R&D costs | | -23,288 | -52,025 | -85,163 | -125,888 | -173,601 |
| R&D costs as a percentage of operating costs excl. impairments | | 75% | 83% | 73% | 79% | 79% |
| **Capital (TSEK)** | | | | | | |
| Cash and cash equivalents at end of period | | 136,964 | 86,602 | 136,964 | 86,602 | 93,890 |
| Cash, cash equivalents and bonds at end of period | | 136,964 | 302,370 | 136,964 | 302,370 | 249,886 |
| Cash flow from operating activities | | -31,034 | -55,731 | -109,675 | -131,220 | -181,089 |
| Cash flow for the period | | -32,660 | -47,268 | 42,594 | -27,798 | -19,572 |
| Equity at the end of the period | | 149,745 | 318,210 | 149,745 | 318,210 | 258,498 |
| Equity ratio at the end of the period, % | | 80% | 86% | 80% | 86% | 83% |
| **Info per share (SEK)** | | | | | | |
| Earnings per share before dilution | | -0.43 | -0.79 | -1.52 | -2.11 | -2.94 |
| Earnings per share after dilution* | | -0.43 | -0.79 | -1.52 | -2.11 | -2.94 |
| Equity per share before dilution | | 2.10 | 4.46 | 2.10 | 4.46 | 3.62 |
| Equity per share after dilution* | | 2.10 | 4.46 | 2.10 | 4.46 | 3.62 |
| **Personnel** | | | | | | |
| Number of employees at end of period | | 46 | 56 | 46 | 56 | 55 |
| Average number of employees | | 51 | 56 | 51 | 56 | 55 |
| Average number of employees employed within R&D | | 44 | 48 | 44 | 48 | 46 |

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.

1) Earlier periods have been adjusted to reflect change of classification, see Note 8.

# Operations.

**Alligator Bioscience AB is a public Swedish biotech company specialized in the development of novel immuno-oncology drugs for tumor-directed 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. There is a major unmet medical need in this area for novel and improved therapies.**

In April 2020, the company decided to increase the operation's focus on the clinical development portfolio with the aim of securing the value of the drug candidates in the clinical phase. The company's innovation platform and drug research are maintained to ensure the company's long-term development. The preclinical drug development at Alligator is conducted by the company's own personnel, but on a smaller scale. All the expertise required for running successful projects remains. To make the development as competitive and time-efficient as possible, some of this work is carried out in collaboration with other biotech companies, contract laboratories and leading international immuno-oncology research institutions. The clinical studies are carried out in collaboration with leading specialist physicians and CROs with expertise in clinical development. In all, all the expertise required for running successful projects from idea to clinic remain.

### Several patented technologies and concepts

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 antibody format, 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. An example from RUBY is the latest drug concept Neo-X-Prime launched in September 2020. Together, these technologies provide Alligator with a strong base for the development of bispecific, tumor-directed drug candidates.

### Competitive project portfolio with clinical focus

Alligator's project portfolio includes the clinical drug candidates mitazalimab, ATOR-1015 and ATOR-1017. For ALG.APV-527 we are looking for a partner in preparation for the continued clinical development. All drug candidates are developed for tumor-directed immunotherapy, are directed against immunostimulatory receptors and have the potential to provide long-lasting

## Alligator's business model

| | DISCOVERY | PRECLINICAL | CLINICAL PHASE I | CLINICAL PHASE II | CLINICAL PHASE III | MARKET |
|---|---|---|---|---|---|---|
| **Costs** | Research until selection of drug candidate. Patent application. | Preclinical studies. Presentations at scientific conferences. | Phase I clinical studies and out-licensing activities. | Phase II clinical studies and out-licensing activities. | | |
| **Revenue** | | | **Partnering/out-licensing** Initial payment. | **Partnering/out-licensing** Initial payment. Milestone payments. | **Partnering/out-licensing** Milestone payments. | **Partnering/out-licensing** Royalties. |

protection against cancer. Future cancer treatments will probably involve several different drugs in combination. However, although the combination therapies used to date have boosted the clinical effect, they have also led to a higher risk of developing severe immune-related adverse events. Alligator's concept of tumor-directed immunotherapy provides an opportunity to solve this and develop new cancer therapies with higher efficacy without increasing the risk of severe side effects.

**Alligator's organization**

Alligator's research organization is divided into four units: Discovery, CMC (Chemistry, Manufacturing & Control), Non-Clinical Development and Clinical Operations & Regulatory. The Discovery unit is responsible for early-stage research projects through to the identification of a drug candidate. This normally includes the development and evaluation of treatment concepts, the evaluation of potential drug candidates and early-stage efficacy testing. The CMC unit is responsible for developing manufacturing processes and the manufacturing of clinical study materials. The Non-Clinical Development unit is supporting the clinical projects and for compiling a data packages sufficient for clinical study applications. The Clinical & Regulatory unit creates and runs the clinical studies needed to show that our products are safe and efficacious 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-phase research and preclinical development to Phase II clinical studies, when the treatment is validated in patients. 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 initial payments when agreements are signed and milestone payments during the development process.

## Drug development at Alligator – the different phases

### DISCOVERY

In the Discovery phase, Alligator creates mono and bispecific antibodies using its technology platforms ALLIGATOR-GOLD, FIND and two bispecific fusion formats.

The development and evaluation of treatment concepts, evaluation of various potential drug candidates and early-stage efficacy testing.

The antibodies are optimized to achieve the set objectives in terms of function, binding affinity and stability, after which a drug candidate is selected for further development.

### PRECLINICAL

In the Preclinical phase, safety and efficacy of the drug candidate are assessed together with its clinical potential. These studies are conducted both internally at Alligator and together with external partners.

Alongside of these preclinical activities, research activities continue to increase understanding of the candidate's biological function. This phase also includes activities for the production of materials for upcoming clinical studies.

### CLINICAL PHASE I

The first human studies are conducted in smaller cohorts, normally 20–80 patients with metastatic cancer. The aim of these studies is mainly to show that the compound is safe.

Studies are also carried out to see how the drug is absorbed, distributed and metabolized.

### CLINICAL PHASE II

The endpoint of Phase II studies is to show that the substance has the intended medical efficacy and to determine optimal dosage. Normally, 100-300 patients are tested.

By the end of Phase II, the drug's efficacy, probable dosage and side-effects profile should have been determined.

### CLINICAL PHASE III

The drug is tested on a larger cohort of patients in Phase III, usually between 1,000 and 3,000 patients.

The endpoint of Phase III studies is to demonstrate that the new compound is at least as good or better than previously approved treatments.

When the Phase III program is complete, a statement can be issued about the drug's properties and common side effects and the documentation required to register the drug has been compiled.

# Mitazalimab.
## Drug candidate ready for Phase II clinical study.


**Mitazalimab is Alligator's most advanced immunotherapy candidate intended for the treatment of different types of metastatic cancer. It activates CD40, a receptor on the dendritic cells which allows the immune system to selectively attack the cancer.**

Clinical data previously communicated from mitazalimab's Phase I development program demonstrated that mitazalimab is safe and tolerated at clinically relevant dose levels, with early signs of clinical activity identified, including a partial response in a patient with renal cell cancer and prolonged stable disease ≥6 months in 10 patients. There is still one patient in the Phase I study, now treated with mitazalimab for more than 30 months.

### Events during the third quarter

In August 2020, the mitazalimab clinical development plan was presented, including a more detailed description of the upcoming Phase II study OPTIMIZE-1. This is an open-label, multi-center trial assessing the clinical efficacy of mitazalimab in combination with chemotherapy (mFolfirinox) in patients with metastatic pancreatic cancer. The OPTIMIZE study will be performed at several clinics in Europe, with inclusion of the first patient first half of 2021. Next step is the submission of a clinical trial application (CTA) which is planned for December 2020.

Furthermore, in September 2020, the company presented positive biomarker data demonstrating proof of mechanism in a mitazalimab clinical Phase I study performed by Janssen Biotech Inc. Biomarker data showed, among other things, that important genes, such as PDL-1, are up-regulated as expected after treatment with mitazalimab.

### Project status: Phase I clinical study completed, planning for Phase II

To date, the clinical program has comprised two Phase I studies. The first study was conducted by Alligator with a focus on intratumoral administration. The results showed that clinically relevant doses of mitazalimab are well-tolerated. Further promising safety and tolerability data from a second Phase I clinical study with mitazalimab in cancer patients, performed by Janssen Biotech Inc., was presented at the American Society of Clinical Oncology (ASCO) Annual Meeting in 2019. The results showed that the adverse effects were mostly mild and transient. The study comprised a total of 95 patients. Doses of up to 1200 µg/kg i.v. with no premedication, and up to 2000 µg/kg with premedication proved safe and tolerable. The results also gave signs of clinical activity. Partial response was observed in one renal cancer patient, while 10 patients showed disease stability for at least six months.

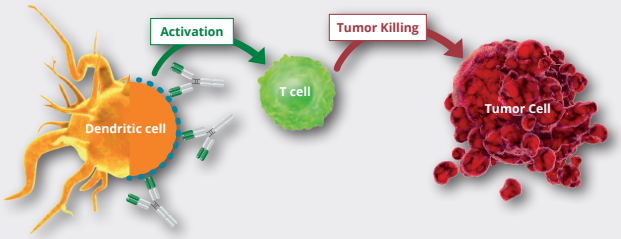
### 2020 objectives

- ☐ Start (CTA submission) of Phase II clinical combination study.

### Mechanism of action

#CD40


1. The dendritic cell presents the target molecule CD40 on its surface.
2. Mitazalimab binds to CD40 and triggers activation of the immune system's beneficial T cells.
3. The T cells are activated to kill tumor cells.




*Mitazalimab is a stimulatory antibody that targets CD40, a receptor in the dendritic cells of the immune system, which are the cells that detect cancer cells in the body. Mitazalimab'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. Mitazalimab has been optimized using Alligator's unique FIND technology, with the aim to achieve efficacy already at very low doses. In preclinical models, mitazalimab has been shown to induce a potent tumor-directed immune response and provide long-lasting tumor immunity. In addition, preclinical data have demonstrated how mitazalimab can be used against multiple types of cancer.*

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


**ATOR-1015 developed as targeted therapy for metastatic cancer is a bispecific antibody. One component of the antibody blocks CTLA-4, a target molecule validated for clinical efficacy. The other component binds to OX40, which localizes the antibody to the tumor region, and has the potential to increase efficacy and improve safety.**

The ATOR-1015 antibody has been assembled and optimized using Alligator's unique ALLIGATOR-GOLD and FIND technologies and a bispecific fusion format.

### Events during the third quarter

Data from the ongoing Phase I study have shown that ATOR-1015 is associated with infusion-related reactions considered related to the development of anti-drug antibodies. This leads to a need for thorough evaluation of the clinical data. The dose escalation in the Phase I study is expected to be completed during the fourth quarter 2020.

A re-design of the planned efficacy study in malignant melanoma will be required. Preclinical assessments, a new study protocol and associated regulatory interactions will be needed before further clinical activities can be initiated. In parallel Alligator will seek a clinical partner for further development.

In September 2020, the United States Patent and Trademark Office (USPTO) issued U.S. Patent No. 10,774,150 which covers compositions of matter directed to ATOR-1015. The granted patent's earliest expiry year is 2036.

### Project status: Clinical Phase I

The ongoing Phase I study in patients with metastatic cancer is planned to comprise up to 53 patients. The principal investigator is Dr Jeffrey Yachnin from the Department of Oncology at Karolinska University Hospital in Stockholm. The primary endpoint of the study is to investigate the safety and tolerability of ATOR-1015 and to determine the recommended dose for the subsequent dose-expansion and Phase II studies. For further information, please refer to:

https://www.clinicaltrials.gov/ct2/show/NCT03782467?term=1015&rank=1

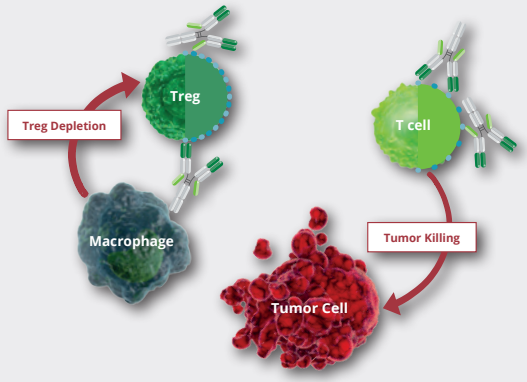
### 2020 objectives

- ☐ Results from the ongoing Phase I clinical study.
- ☐ *Start of the Phase Ib monotherapy study within the framework of the ongoing Phase I study. This goal has been moved forward in time.*
- ☐ *Submission of CTA application to start Phase II clinical combination study. This goal has been moved forward in time.*

## Mechanism of action

#CTLA-4
#OX40


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) increase in number and are activated to kill the tumor cells.




*ATOR-1015 binds to two different immunomodulatory receptors – the CTLA-4 checkpoint receptor, and an OX40 activating receptor. By merging two immunotherapies in the same molecule, new biology is created. In preclinical studies, the bispecificity 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 increasing efficacy and reducing side effects. ATOR-1015 is primarily designed for combination therapies and the preclinical results presented include data indicating an additive anti-tumor effect in combination with a PD-1 blocking antibody.*

# **ATOR-1017.** Stimulation of both T and NK cells induce potent killing of tumor cells.


**ATOR-1017 is a monoclonal antibody that stimulates the 4-1BB receptor 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 cells required for tumor control.**

The drug candidate ATOR-1017 is developed for enhanced combination treatment of metastasized cancer. A Phase I dose-ranging study in patients with metastatic cancer is ongoing and will comprise up to 50 patients. The study is conducted at three different clinics in Sweden with the primary endpoint to investigate the safety and tolerability of ATOR-1017, and to determine the recommended dose for subsequent Phase II studies.

### Events during the third quarter

In August 2020, for the first time interim data from the ongoing Phase I study was presented. The results display an encouraging safety profile of ATOR-1017 with few observed drug related adverse events, all mild or moderate (grade 1 or 2). The Data Review Committee that monitors the safety of the patients in the ATOR-1017 Phase I study, cleared the 40 mg dose and approved to start dosing with the higher dose level of 100 mg, corresponding to approximately 1.6 mg/kg.

### Project status: Clinical Phase I

ATOR-1017 activates 4-1BB receptors, which increases the immune system's ability to discover and kill tumor cells. This makes 4-1BB an extremely interesting target for cancer immunotherapy. ATOR-1017 has a unique profile as the immunostimulatory effect increases in environments with a high number of immune cells, which occurs specifically in tumors. This creates an opportunity for potent, tumor-directed immunostimulation that can increase the effect and reduce side effects for the patient.

Large volumes of preclinical data have been presented showing that ATOR-1017 stimulates both natural killer (NK) and T cells, both of which contribute to an effective immune-mediated killing of tumor cells. 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.

### 2020 objectives

- ☐ Phase I clinical study proceeds with the aim to present results in 2021.

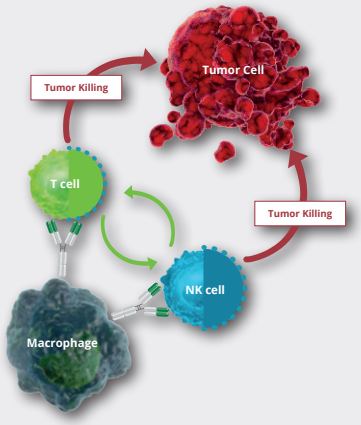
### Mechanism of action

#4-1BB

#Fc-gamma receptor

**ATOR-1017** ● **4-1BB** ● Fc-gamma receptor

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




*ATOR-1017 is distinct from other 4-1BB antibodies, partly because of its unique binding profile, but also because its immunostimulatory 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-directed immune response with minimum side effects.*

# Other projects.

## ALG.APV-527.

ALG.APV-527 is a bispecific antibody that targets 4-1BB and 5T4, designed for the treatment of metastatic cancer. The drug candidate is co-developed with Aptevo Therapeutics Inc. since 2017 and is ready for CTA (Clinical Trial Application) submission.

**Project status: Preclinical development completed**

In June 2020, preclinical data for ALG.APV-527 was presented at PEGS Virtual Interactive Global Summit. The data show that ALG.APV-527 selectively enhances the function of activated T cells and NK cells in the presence of the tumor antigen 5T4, as shown in vitro, and potently rejects tumors in an in vivo animal model.

As earlier presented, 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 ALG.APV-527's overall potential to evoke an effective tumor-directed immune response with less side effects.

**Co-development with Aptevo**

In July 2017, Aptevo Therapeutics and Alligator Bioscience signed an agreement regarding the co-development of ALG.APV-527. Under the agreement, the companies will equally own and finance the development.

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 further developed and improved with Aptevo, using its 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.

# Out-licensed projects.

## AC101 agreement with AbClon

Through its subsidiary Atlas Therapeutics AB, Alligator holds a participating interest in the clinical project Biosynergy (AC101/HLX22), run by the Korean company AbClon. The drug candidate is now being further developed by the Chinese company Shanghai Henlius, which in 2018 increased its rights to encompass a global license for development and commercialization. Alligator incurs no overheads for this project but is entitled to 35% of AbClon's proceeds from the outlicensing to Shanghai Henlius. During previous financial years, Alligator received two milestone payments totaling USD 3.0 million in conjunction with a regional out-licensing of one of these products, the HER2 antibody AC101. AC101 is currently in clinical phase I development.

## Technology agreement with Biotheus

In August 2019, an agreement was concluded with Biotheus Inc. of China. Biotheus obtained the Chinese rights (China, Hong Kong, Taiwan and Macao) to an antibody from the ALLIGATOR-GOLD antibody library. The agreement gives Alligator the right to total initial upfront payments, and milestone and option payments of potentially USD 142 million.

So far, Alligator has received initial payments of a total of USD 1 million, the latest payment after an initial evaluation period concluded positive.

# An investment in Alligator. Risks and opportunities.

**All drug development is associated with high risk**
The cost of developing new drugs is great and there is a significant risk that a drug candidate will fail to reach the market. A drug candidate could, for example, demonstrate unacceptable side effects or is shown to lack the intended therapeutic effect. In biotech companies, the financing risk is always present due to the long development timelines.

**Alligator mitigates risks**
Alligator's drug candidates are tumor-directed, which reduces the risk of serious side effects. Risks for the project portfolio as a whole are also limited as Alligator develops drug candidates for different target molecules. The clinical success of the portfolio as a whole is thereby not dependent on the ability of a specific combination of antibodies/target molecules to show clinical efficacy.

**Major potential**
Confidence in immuno-oncology as an effective form of therapy is now established as an area with substantial potential. This was apparent, not least, in the 2018 Nobel Prize in Medicine, which was awarded to James P. Allison and Tasuku Honjo, two pioneers in the field.

**Objectives: between three and five out-licensed projects**
Alligator is pursuing a long-term and highly intensive business development program and since 2015 it has generated income of approximately USD 50 million in the form of initial payments and milestone payments. The objective is to have between three and five out-licensed projects, which will generate significant income in the form of initial payments and milestone payments.

## GREAT MEDICAL NEEDS WORLDWIDE
One in five men and one in six women worldwide will at some stage of their lives develop cancer. Every year, about 18 million people are diagnosed with cancer and approximately 10 million people die of cancer (Globocan 2018). This means there is a major unmet need for advanced cancer care. Alligator's ambition is to develop immuno-oncology drugs that can save lives all over the world.

## GLOBAL MARKET WORTH USD 140 BILLION
The global cancer therapy market is valued at USD 140 billion (2019). Immuno-oncology is one of the fastest growing areas and the global market for cancer immunotherapies is expected to dominate the market in the future and grow from USD 29 billion 2019 to USD 120 billion in 2026. As an example, sales of Merck's drug Keytruda® alone amounted to USD 11.1 billion in 2019 (USD 7.1 billion in 2018). Source: GlobalData, 2020.


## PROJECTS READY FOR OUT-LICENSING
Alligator has a number of projects in various development phases that are ready for out-licensing. Everything from the most advanced project, mitazalimab, to ALG.APV-527, which in 2019 was prepared for an initial clinical phase. Alligator also sees opportunities for interesting deals using its broad knowledge and unique technology platform, on which the company's development of unique antibodies is based.

## HIGH INNOVATION CAPACITY
Alligator possesses a very high innovation capacity. The company's discovery unit develops tumor-targeted immunotherapies focusing on active therapies that provide long-lasting tumor-specific immunity. The unit's most important assets are its world-class researchers and a unique technology platform, which can be seen as the company's innovation engine, where future immuno-oncology drugs are already being developed.

For a more detailed review of how Alligator limits risks, see page 35 of the 2019 Annual Report.

# The Alligator share.

**Number of shares and stock option program**
The total number of outstanding shares in the company at the end of the quarter was 71,388,615 (71,388,615).

At the 2018 AGM, it was decided to set up another employee option program whereby 2,275,000 employee options were allotted free of charge to participants. The employee options will be vested in installments until May 1, 2021. Vesting is subject to the participant remaining in the company's employment and not having resigned on a given qualifying date. Of the allotted employee options, 1,072,500 have been vested, 822,500 may still be vested and 380,000 have lapsed since the individual to whom they were allotted has 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 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. Because of the warrants having lapsed, a total of maximum 2,490,409 warrants can be exercised in the program.

Each warrant in the program entitles the holder to acquire one new share at an exercise price of SEK 75. The warrants are expected to be available to exercise one month after the publication of the first quarter reports for 2021 and 2022.

Upon full exercise of all warrants issued in respect of the share subscription incentive programs, a total of 2,490,409 shares will be issued, thereby increasing the number of shares to a maximum of 73,879,024, corresponding a to dilution by 3.37%.

**The Alligator share in brief (September 30, 2020)**

- Listed on: Nasdaq Stockholm Mid Cap
- Number of shares: 71,388,615
- Average turnover per day: Approximately 103,000 (preceding quarter approximately 161,000)
- Number of shareholders: Approximately 8,000 (preceding quarter approximately 8,000)
- Market capitalization: SEK 660 million (preceding quarter SEK 703 million)
- Ticker: ATORX
- ISIN: SE0000767188

| Largest Shareholders | Sep 30, 2020 | % |
|---|---|---|
| Banque Internationale à Luxembourg SA | 13,695,837 | 19.2 |
| Sunstone Life Science Ventures Fund II K/S | 5,758,485 | 8.1 |
| Lars Spånberg | 3,213,858 | 4.5 |
| Johnson & Johnson Innovation | 2,740,919 | 3.8 |
| Avanza pension | 2,652,162 | 3.7 |
| 4 AP-fund | 2,273,183 | 3.2 |
| Öhman funds | 1,968,859 | 2.8 |
| Magnus Petersson | 1,621,988 | 2.3 |
| Mikael Lönn | 1,442,183 | 2.0 |
| Stena AB | 1,401,339 | 2.0 |
| Remaining share holders | 34,619,802 | 48.5 |

Banque Internationale à Luxembourg SA (BIL) is a group of mainly Swedish investors with their shares managed by BIL.

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

Source: Shareholder data is based on a report from Euroclear and Monitor (Modular Finance) as of September 30, 2020, where certain foreign accounts have been identified by the company.

# Other information.

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

**Employees**
The number of employees in the Group at the end of the quarter was 46 (56). Of these, 9 (14) were men and 37 (42) were women.

Of the total number of employees at the end of the quarter 39 (48) were employed within Research and Development.

During the second quarter, the Group reduced the number of employees with 11 positions, corresponding to 20 percent of the company's personnel.

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

- Year-End report 2020 February 11, 2021
- Annual report 2020 March 2021
- Q1 interim report April 27, 2021

**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 2019.

*The impact of Covid-19 on the Group's risks*
The effect of Covid-19 on the Group's risks is limited. Initially, there was an increased risk of delays in clinical projects as recruitment of new patients occurred at a slower pace (ATOR-1015 and ATOR-1017) but the recruitment fully resumed during May for the ongoing clinical studies. At the beginning of the second quarter, the opportunities to sign new license agreements were limited. However, this was a transitional phase and the Group feels that the market is back to normal business conditions.

**Statement of Financial Position**
The Company works continuously to secure the financing of the operation. This include both business development for new partnering agreements, with an upfront payment upon signing, as well as other options. After strategic decision was taken to strengthen clinical focus with the aim to build value of the clinical drug candidates, while reducing preclinical expenses including a 20% reduction in workforce, the Company's assessment is that the financial resources are sufficient for the ongoing and planned operations the coming 12 months.

**Forward-looking information**
Even though the board and management believe the expectations in this report are justified, no guarantees can be given that they will turn out to be correct. Accordingly, the actual outcome may differ significantly from the assumptions stated in the forward-looking information depending on, among other factors, changes in the economy or market, changes in legal or regulatory demands, other political decisions and changes in exchange rates.

**Parent Company**
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.

**Notes to the reader**
Figures in brackets refer to the outcome for the corresponding period in the preceding year for figures related to the income statement and cash flow. For figures related to the financial position and personnel, figures in brackets refer to December 31, 2019. Unless otherwise stated, all amounts stated are rounded correctly, which may mean that some totals do not tally exactly.

**Registered trademarks**
FIND® and ALLIGATOR-GOLD® are Alligator Bioscience AB proprietary trademarks which are registered in Sweden and other countries.

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# Financial statements

Unless otherwise stated, this Interim Report refers to the Group. Due to the nature of the business, there can be large fluctuations in revenue which are not seasonal or regular but are mainly linked to when milestones generating a payment are reached 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 brackets refer to the outcome for the corresponding period in the preceding year for figures related to the income statement and cash flow. For figures related to the financial position and personnel, figures in brackets refer to December 31, 2019.

Unless stated otherwise, all amounts are in SEK thousand (TSEK). All amounts stated are rounded, which may mean that some totals do not tally exactly.

Consolidated
# Income Statement

| All amounts TSEK unless specified | Note | 2020 Jul-Sep | 2019 Jul-Sep | 2020 Jan-Sep | 2019 Jan-Sep | 2019 Jan-Dec |
|---|---|---|---|---|---|---|
| Net sales | 5 | 0 | 4,288 | 4,352 | 4,358 | 4,358 |
| Other operating income | 5 | 521 | 134 | 1,800 | 610 | 1,038 |
| **Total operating income** | | **521** | **4,422** | **6,151** | **4,969** | **5,396** |
| | | | | | | |
| **Operating costs** | | | | | | |
| Other external costs | | -17,383 | -46,115 | -62,634 | -104,072 | -145,375 |
| Personnel costs | | -10,599 | -13,149 | -43,700 | -45,340 | -60,609 |
| Depreciation of tangible assets and intangible assets | | -2,888 | -2,890 | -8,653 | -8,681 | -11,548 |
| Other operatings expenses | | -282 | -735 | -1,358 | -2,087 | -2,384 |
| **Total operating costs** | | **-31,154** | **-62,888** | **-116,346** | **-160,180** | **-219,915** |
| **Operating profit/loss** | | **-30,633** | **-58,467** | **-110,195** | **-155,212** | **-214,519** |
| | | | | | | |
| Result from other securities and receivables | | 0 | 314 | 192 | 941 | 1,218 |
| Other interest income and similar income statement items | | 16 | 1,636 | 2,008 | 4,276 | 4,643 |
| Interest expense and similar income statement items | | -232 | -116 | -786 | -354 | -1,455 |
| **Net financial items** | | **-216** | **1,834** | **1,414** | **4,864** | **4,406** |
| | | | | | | |
| **Profit/loss before tax** | | **-30,848** | **-56,633** | **-108,780** | **-150,348** | **-210,112** |
| Tax on profit for the period | | 0 | 0 | 0 | 0 | 0 |
| **Profit for the period attributable to Parent Company shareholders** | | **-30,848** | **-56,633** | **-108,780** | **-150,348** | **-210,112** |
| | | | | | | |
| **Earnings per share before dilution, SEK** | | **-0.43** | **-0.79** | **-1.52** | **-2.11** | **-2.94** |
| **Earnings per share after dilution, SEK** | | **-0.43** | **-0.79** | **-1.52** | **-2.11** | **-2.94** |

**Net sales**
*The Company had no sales during the third quarter of the year. Sales for the year pertain primarly to the license agreement with Biotheus Inc. In the same periods prior year, sales pertained primarily to the license agreement with Biotheus Inc.*

**Other operating income**
*Other operating income for the quarter and year comprises primarily of exchange gains in the company's operations and government grants regarding short term allowance. In the same period prior year, revenue comprised exchange gains in the company's operations.*

**Operating expenses**
*The company's costs have decreased compared to the previous year, which is due to lower project costs as a result of reduced activity in ALG.APV-527 and completed clinical drug production in some projects. The personnel costs in the third quarter is lower than last year due to reduced number of employees by 20 percent.*

**Total financial items**
*Pertains to unrealized exchange gains and losses as a result of significant liquidity positions in USD, EUR and GBP.*

Consolidated
# Statement of Comprehensive Income

| All amounts TSEK | Note | 2020 Jul-Sep | 2019 Jul-Sep | 2020 Jan-Sep | 2019 Jan-Sep | 2019 Jan-Dec |
|---|---|---|---|---|---|---|
| Profit/loss for the period | | -30,848 | -56,633 | -108,780 | -150,348 | -210,112 |
| Other comprehensive income | | 0 | 0 | 0 | 0 | 0 |
| **Comprehensive income for the period** | | **-30,848** | **-56,633** | **-108,780** | **-150,348** | **-210,112** |

Consolidated

# Statement of Financial Position

| All amounts in TSEK | Note | 2020-09-30 | 2019-09-30 [1] | 2019-12-31 [1] |
|---|---|---|---|---|
| **ASSETS** | | | | |
| *Fixed assets* | | | | |
| Intangible assets | | | | |
| Participations in development projects | 3 | 17,949 | 17,949 | 17,949 |
| Patents | | 94 | 318 | 232 |
| Softwares | | 365 | 496 | 464 |
| *Tangible assets* | | | | |
| Improvements in leased premises | | 1,369 | 1,977 | 1,825 |
| Right of use assets | | 13,996 | 19,554 | 18,394 |
| Equipment, machinery and computers | | 9,795 | 13,155 | 12,131 |
| Construction in progress and advance payments for tangible assets | | 0 | 0 | 1,125 |
| *Financial assets* | | | | |
| Other investments held as fixed assets | 6 | 0 | 53,077 | 53,016 |
| **Total fixed assets** | | **43,568** | **106,527** | **105,136** |
| **Current assets** | | | | |
| *Current receivables* | | | | |
| Accounts receivable | 6 | 0 | 4,934 | 0 |
| Other receivables | 6 | 4,980 | 2,463 | 4,896 |
| Prepayments and accrued income | | 2,078 | 8,527 | 4,226 |
| Other short-term financial assets | 6 | 0 | 162,691 | 102,980 |
| Cash and cash equivalents | 6 | 136,964 | 86,602 | 93,890 |
| **Total current assets** | | **144,022** | **265,217** | **205,992** |
| **TOTAL ASSETS** | | **187,590** | **371,743** | **311,128** |
| **EQUITY AND LIABILITIES** | | | | |
| *Equity* | | | | |
| Share capital | | 28,555 | 28,555 | 28,555 |
| Other capital contributions | | 662,614 | 662,614 | 662,614 |
| Retained earnings and profit/loss for the period | | -541,424 | -372,960 | -432,671 |
| **Equity attributable to Parent Company shareholders** | | **149,745** | **318,210** | **258,498** |
| **Non-current provisions and liabilities** | | | | |
| Lease liabilities | 6 | 6,812 | 12,525 | 11,260 |
| Other long-term liabilities | 6 | 205 | 0 | 426 |
| **Total non-current provisions and liabilities** | | **7,017** | **12,525** | **11,685** |
| **Current liabilities** | | | | |
| Accounts payable | 6 | 4,639 | 5,787 | 15,674 |
| Other liabilities | | 1,155 | 920 | 2,055 |
| Lease liabilities | 6 | 5,907 | 5,675 | 5,794 |
| Accrued expenses and deferred income | 6 | 19,127 | 28,627 | 17,420 |
| **Total current liabilities** | | **30,828** | **41,009** | **40,944** |
| **TOTAL EQUITY AND LIABILITIES** | | **187,590** | **371,743** | **311,128** |

1) Earlier periods have been adjusted to reflect change of classification, see note 8.

**Cash and cash equivalents**
*Consolidated cash and cash equivalents, which consist of bank balances, totaled SEK 136,964 thousand (93,890).*

**Cash and cash equivalents**

*During the first quarter, The Group divested remaining corporate bonds and the short-term interest funds. The Group plans to use its liquidity for operating activities. 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 to be converted to SEK at the time of payment. Besides this, no further hedging has taken place.*

**Equity**
*Equity at the end of the period amounted to SEK 149,745 thousand (258,498), corresponding to an equity ratio of 80% (83).*

**Equity per share before and after dilution**
*At the end of the period, equity per outstanding share amounted to SEK 2.10 (3.62), before and after dilution. Since the subscription price for issued options has not been reached, these are not taken into account (not "in-the-money").*

**Right of use assets, lease liabilities and loans**
*At the end of the period, right of use assets amounted to SEK 13,996 thousand (18,394) and lease liabilities amounted to SEK 12,719 thousand (17,053). Both right of use assets and lease liabilities pertain primarly to leases for offices and laboratories. As of September 30 the installment purchase amounted to SEK 502 (778) thousand. Otherwise, no loans had been raised as of September 30 2020 and no loans have been raised since that date. The Group has no loans or loan commitments.*

**Accrued expenses and deferred income**
*At the end of the period, accrued expenses and deferred income amounted to SEK 19,127 thousand (17,420). The increase pertains mainly to accrued expenses for clinical activities.*

Consolidated

# Statement of Changes in Equity

| All amounts in TSEK | 2020 Jul-Sep | 2019 Jul-Sep | 2020 Jan-Sep | 2019 Jan-Sep | 2019 Jan-Dec |
|---|---|---|---|---|---|
| **Opening balance** | **180,581** | **374,789** | **258,498** | **468,310** | **468,310** |
| Profit/loss for the period | -30,848 | -56,633 | -108,780 | -150,348 | -210,112 |
| Other comprehensive income in the period | 0 | 0 | 0 | 0 | 0 |
| **Comprehensive income for the period** | **-30,848** | **-56,633** | **-108,780** | **-150,348** | **-210,112** |
| | | | | | |
| **Transactions with the Group's owner** | | | | | |
| Effect of share-based payments | 13 | 53 | 27 | 247 | 301 |
| **Closing balance** | **149,745** | **318,210** | **149,745** | **318,210** | **258,498** |

Consolidated
# Statement of Cash Flows

| All amounts in TSEK | 2020 Jul-Sep | 2019 [1] Jul-Sep | 2020 Jan-Sep | 2019 [1] Jan-Sep | 2019 [1] Jan-Dec |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Operating profit/loss | -30,633 | -58,467 | -110,195 | -155,212 | -214,519 |
| Adjustments for items not generating cash flow | | | | | |
| Depreciation and impairments | 2,888 | 2,890 | 8,653 | 8,681 | 11,548 |
| Effect from warrant program | 13 | 53 | 27 | 247 | 301 |
| Other items, no impact on cash flow | 0 | 0 | 0 | 0 | 0 |
| Interest received | 0 | 453 | 218 | 1,409 | 1,759 |
| Interest paid | -80 | -102 | -269 | -321 | -419 |
| Tax paid | 0 | 0 | 0 | 0 | 0 |
| **Cash flow from operating activities before changes in working capital** | **-27,812** | **-55,173** | **-101,566** | **-145,196** | **-201,331** |
| | | | | | |
| **Changes in working capital** | | | | | |
| Change in operating receivables | -1,056 | -9,154 | 2,064 | 18,489 | 25,291 |
| Change in operating liabilities | -2,166 | 8,595 | -10,173 | -4,513 | -5,049 |
| **Cash flow from operating activities** | **-31,034** | **-55,731** | **-109,675** | **-131,220** | **-181,089** |
| | | | | | |
| **Investing activities** | | | | | |
| Acquisition of intangible assets | 0 | -116 | 0 | -116 | -116 |
| Acquisition of tangible assets | -102 | 0 | -102 | -816 | -2,069 |
| Divestment of securities | 0 | 10,000 | 53,828 | 10,000 | 20,000 |
| Divestment of other short term investments | 0 | 0 | 103,160 | 100,000 | 150,000 |
| **Cash flow from investing activities** | **-102** | **9,885** | **156,886** | **109,069** | **167,815** |
| | | | | | |
| **Financing activities** | | | | | |
| Amortization of leasing liabilities | -1,452 | -1,421 | -4,334 | -5,646 | -7,077 |
| Installment purchase | 0 | 0 | 0 | 0 | 778 |
| Amortization of installment purchase | -72 | 0 | -282 | 0 | 0 |
| **Cash flow from financing activities** | **-1,524** | **-1,421** | **-4,616** | **-5,646** | **-6,298** |
| | | | | | |
| **Cash flow for the period** | **-32,660** | **-47,268** | **42,594** | **-27,798** | **-19,572** |
| | | | | | |
| **Cash and cash equivalents at beginning of period** | **169,757** | **132,733** | **93,890** | **112,024** | **112,024** |
| Exchange rate differences in cash and cash equivalents | -133 | 1,136 | 480 | 2,376 | 1,438 |
| **Cash and cash equivalents at end of period** | **136,964** | **86,602** | **136,964** | **86,602** | **93,890** |

1) Earlier periods have been adjusted to reflect change of classification, see Note 8.

**Investments**
*Investments for the third quarter amounted to SEK 102 thousand (116). These investments comprised of laboratory equipment totaling SEK 102 thousand (0). During the third quarter last year, investments in softwares totaling SEK 0 thousand (116).*

*Investments during the first nine months of 2020 were made in laboratory equipment SEK 102 thousand (816). During the period, investments in software amounted to SEK 0 thousand (116).*

**Cash flow for the period**
*Cash flow for the quarter totaled SEK -32,660 thousand (-47,268).*

*Cash flow for the first nine months amounted to SEK 42,594 (-27,798). During the first quarter 2020, the Group divested the remaining corporate bonds of SEK 53,828 thousand and short term interest funds of SEK 103,160 TSEK which had a positive effect on cash flow. During the first quarter last year, a payment was received as a result of Shanghai Henlius Biotech, Inc. exercising an option to acquire the global licensing rights to the Biosynergy project, which was recognized as revenue in the fourth quarter of 2018.*

Parent Company

# Income Statement

| All amounts in TSEK | Note | 2020 Jul-Sep | 2019 Jul-Sep | 2020 Jan-Sep | 2019 Jan-Sep | 2019 Jan-Dec |
|---|---|---|---|---|---|---|
| Net sales | | 0 | 4,288 | 4,352 | 4,358 | 4,358 |
| Other operating income | | 521 | 134 | 1,800 | 289 | 717 |
| **Total operating income** | | **521** | **4,422** | **6,151** | **4,647** | **5,075** |
| | | | | | | |
| *Operating costs* | | | | | | |
| Other external costs | | -18,908 | -47,616 | -67,205 | -108,534 | -151,338 |
| Personnel costs | | -10,599 | -13,149 | -43,700 | -45,340 | -60,609 |
| Depreciation and impairment of tangible assets and intangible assets | | -1,422 | -1,446 | -4,255 | -4,389 | -5,812 |
| Other operatings expenses | | -282 | -735 | -1,358 | -2,087 | -2,384 |
| **Total operating costs** | | **-31,212** | **-62,946** | **-116,519** | **-160,350** | **-220,142** |
| **Operating profit/loss** | | **-30,691** | **-58,525** | **-110,367** | **-155,703** | **-215,068** |
| | | | | | | |
| *Results from financial items* | | | | | | |
| Result from participation in Group companies | | 0 | 0 | 12,500 | 0 | 0 |
| Result from other securities and receivables | | 0 | 314 | 192 | 941 | 1,218 |
| Other interest income and similar income statement items | | 16 | 435 | 3,019 | 2,093 | 2,781 |
| Interest expense and similar income statement items | | -159 | -1 | -546 | -20 | -381 |
| **Net financial items** | | **-143** | **748** | **15,166** | **3,014** | **3,618** |
| **Profit/loss after financial items** | | **-30,834** | **-57,777** | **-95,202** | **-152,689** | **-211,450** |
| | | | | | | |
| *Appropriations* | | | | | | |
| Group contribution received | | 0 | 0 | 0 | 0 | 487 |
| **Total appropriations** | | **0** | **0** | **0** | **0** | **487** |
| **Result before tax** | | **-30,834** | **-57,777** | **-95,202** | **-152,689** | **-210,963** |
| | | | | | | |
| Tax on profit for the year | | 0 | 0 | 0 | 0 | 0 |
| **Profit/loss for the period** | | **-30,834** | **-57,777** | **-95,202** | **-152,689** | **-210,963** |

Parent Company

# Statement of Comprehensive Income

| All amounts in TSEK | Note | 2020 Jul-Sep | 2019 Jul-Sep | 2020 Jan-Sep | 2019 Jan-Sep | 2019 Jan-Dec |
|---|---|---|---|---|---|---|
| Profit/loss for the period | | -30,834 | -57,777 | -95,202 | -152,689 | -210,963 |
| Other comprehensive income | | 0 | 0 | 0 | 0 | 0 |
| **Profit/loss for the year** | | **-30,834** | **-57,777** | **-95,202** | **-152,689** | **-210,963** |

Parent Company

# Balance Sheet

ASSETS

| All amounts in TSEK | Note | 2020-09-30 | 2019-09-30 | 2019-12-31 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Fixed assets** | | | | |
| *Intangible assets* | | | | |
| Patents | | 94 | 318 | 232 |
| Software | | 365 | 496 | 464 |
| **Total intangible assets** | | **460** | **814** | **696** |
| *Tangible assets* | | | | |
| Improvements in leased premises | | 1,369 | 1,977 | 1,825 |
| Equipment, machinery and computers | | 9,795 | 13,155 | 12,131 |
| Construction in progress and advance payments for tangible assets | | 0 | 0 | 1,125 |
| **Total tangible assets** | | **11,164** | **15,133** | **15,081** |
| *Financial assets* | | | | |
| Participations in Group companies | **3** | 20,294 | 20,294 | 20,294 |
| Other investments held as fixed assets | | 0 | 53,077 | 53,016 |
| **Total financial assets** | | **20,294** | **73,371** | **73,310** |
| **Total fixed assets** | | **31,918** | **89,318** | **89,087** |
| | | | | |
| **Current assets** | | | | |
| *Current receivables* | | | | |
| Accounts receivables | | 0 | 4,934 | 0 |
| Receivables from Group companies | | 0 | 0 | 487 |
| Other receivables | | 4,980 | 2,463 | 4,896 |
| Prepayments and accrued income | | 3,603 | 10,022 | 5,750 |
| **Total current receivables** | | **8,582** | **17,419** | **11,133** |
| Other short-term investments | | 0 | 160,920 | 101,530 |
| Cash and bank deposits | | 136,095 | 72,541 | 80,470 |
| **Total current assets** | | **144,677** | **250,880** | **193,133** |
| **TOTAL ASSETS** | | **176,595** | **340,198** | **282,219** |

Parent Company

# Balance Sheet

EQUITY AND LIABILITIES

| All amounts in TSEK | Note | 2020-09-30 | 2019-09-30 | 2019-12-31 |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| *Restricted equity* | | | | |
| Share capital | | 28,555 | 28,555 | 28,555 |
| **Total restricted equity** | | **28,555** | **28,555** | **28,555** |
| *Non-restricted equity* | | | | |
| Share premium reserve | | 662,741 | 662,741 | 662,741 |
| Retained earnings | | -444,626 | -233,744 | -233,691 |
| Profit/loss for the period | | -95,202 | -152,689 | -210,963 |
| **Total non-restricted equity** | | **122,913** | **276,309** | **218,088** |
| **Total equity** | | **151,468** | **304,864** | **246,643** |
| | | | | |
| **Non-current provisions and liabilities** | | | | |
| Other long-term liabilities | | 502 | 0 | 426 |
| **Total non-current provisions and liabilities** | | **502** | **0** | **426** |
| | | | | |
| **Current liabilities** | | | | |
| Accounts payable | | 4,639 | 5,787 | 15,674 |
| Other liabilities | | 859 | 920 | 2,055 |
| Accrued expenses and deferred income | | 19,127 | 28,627 | 17,420 |
| **Total current liabilities** | | **24,624** | **35,334** | **35,150** |
| **TOTAL EQUITY AND LIABILITIES** | | **176,595** | **340,198** | **282,219** |

# Notes.

## Note 1 General information

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

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

## Note 2 Accounting policies

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

The accounting policies and calculation methods used in this report are the same as those described in the Annual report for 2019 except as described in Note 8 in this Interim report.

## Note 3 Effects of changed estimates and judgments

Significant estimates and judgments are described in Note 3 of the Annual report for 2019. There have been no changes to the company's estimates and judgments since the Annual report for 2019 was prepared except as described in Note 8 in this Interim report.

## 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 income

A breakdown of the Group's revenue regarding license revenue is as follows:

| All amounts in TSEK | 2020 Jul-Sep | 2019 Jul-Sep | 2020 Jan-Sep | 2019 Jan-Sep | 2019 Jan-Dec |
|---|---|---|---|---|---|
| Licensing income | 0 | 4,288 | 4,352 | 4,288 | 4,288 |
| Reimbursement for development work | 0 | 0 | 0 | 70 | 70 |
| Milestone revenue | 0 | 0 | 0 | 0 | 0 |
| Royalty | 0 | 0 | 0 | 0 | 0 |
| **Total** | **0** | **4,288** | **4,352** | **4,358** | **4,358** |

A breakdown of the Group's revenue per project is as follows:

| All amounts in TSEK | 2020 Jul-Sep | 2019 Jul-Sep | 2020 Jan-Sep | 2019 Jan-Sep | 2019 Jan-Dec |
|---|---|---|---|---|---|
| ADC-1013/mitazalimab | 0 | 0 | 0 | 70 | 70 |
| Biosynergy | 0 | 0 | 0 | 0 | 0 |
| Biotheus | 0 | 4,288 | 4,352 | 4,288 | 4,288 |
| Other | 0 | 0 | 0 | 0 | 0 |
| **Total** | **0** | **4,288** | **4,352** | **4,358** | **4,358** |

Alligator receives revenues in USD from out-licensed projects.

A breakdown of the Group's other operating income is as follows:

| All amounts in TSEK | 2020 Jul-Sep | 2019 Jul-Sep | 2020 Jan-Sep | 2019 Jan-Sep | 2019 Jan-Dec |
|---|---|---|---|---|---|
| Swedish government grants received | 280 | 0 | 998 | 0 | 0 |
| Operational exchange rate gains | 241 | 134 | 800 | 610 | 1,035 |
| Other | 0 | 0 | 1 | 1 | 3 |
| **Total** | **521** | **134** | **1,800** | **610** | **1,038** |

Government grants for short term allowance amounts to SEK 801 thousand and refers to reduced number of employees.

## Note 6 Financial instruments

Cash and cash equivalents at September 30, 2020 consisted of bank balances amounting to SEK 136,964 thousand (93,890). During the first quarter, the company divested its investments in fixed income funds amounting to SEK 102,980 thousand. Other investments held as fixed assets and other short-term investments pertained to investments in corporate bonds which were divested during the first quarter. The accounting policies are described in Note 2 in the Annual report for 2019 and Note 8 below. For other financial assets and liabilities, the reported value as below is considered a reasonable approximation of fair value.

| All amounts in TSEK | 2020-09-30 | 2019-09-30 | 2019-12-31 |
|---|---|---|---|
| **Financial assets valued at fair value through profit and loss** | | | |
| Other short-term investments - Interest funds | 0 | 152,679 | 102,980 |
| | | | |
| **Financial assets valued at amortized cost** | | | |
| Other investments held as fixed assets | 0 | 53,077 | 53,016 |
| Other short-term investments | 0 | 10,012 | 0 |
| Accounts receivable | 0 | 4,934 | 0 |
| Other receivables | 873 | 880 | 856 |
| Liquid assets - Bank accounts | 136,964 | 86,602 | 93,890 |
| **Total financial assets** | **137,837** | **308,184** | **250,742** |
| | | | |
| **Financial liabilities valued at amortized cost** | | | |
| Long-term lease liabilities | 6,812 | 12,525 | 11,260 |
| Other long-term liabilities | 205 | 0 | 426 |
| Accounts payable | 4,639 | 5,787 | 15,674 |
| Short-term lease liabilities | 5,907 | 5,675 | 5,794 |
| Other short-term liabilities | 297 | 0 | 353 |
| Accrued expenses | 13,662 | 23,506 | 11,936 |
| **Total financial liabilities** | **31,521** | **47,493** | **45,442** |

## Note 7 Related party transactions

Alligator has a consulting agreement with Carl Borrebaeck through the company Ocean Capital AB pertaining 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 third quarter and SEK 540 thousand (540) for the year to date.

## Note 8 Change of classification

During the period 2017-2020, the company had interest funds which has been recognized as cash and cash equivalents. The interest funds were divested during the first quarter of 2020. The company has informed readers of the Annual report on the classification that the interest funds fulfils the definition of cash and cash equivalents in Note 3 Important estimates and judgements.

In October 2020 the Council for Swedish Financial Reporting Supervision has informed the Group that according to their decision, the interest funds does not meet the definition of cash and cash equivalents in IAS 7 since the investment could not be converted to a known amount of cash within one working day.

In this Interim report, the Group retroactive change the classification of the interest funds and follow the Councils decision. The effect regarding the change of classification is presented in the tables below for Consolidated statement of financial position as per 2019-12-31, 2019-09-30 and 2019-01-01 and for Consolidated statement of cash flows for the periods Jan-Dec 2019, Jan-Sep 2019 and Jul-Sep 2019. The change of classification has no effect on the Consolidated income statement of the Group and consequently no effect on earnings per share.

Change of classification is not relevant for the Parent Company since the interest funds has previously been classified as Other short-term investments.

**Consolidated statement of financial position**

| All amounts in TSEK | 2019-12-31 | Increase/ decrease | 2019-12-31 Restated |
|---|---|---|---|
| **ASSETS** | | | |
| **Total fixed assets** | **105,136** | **-** | **105,136** |
| | | | |
| **Current assets** | | | |
| Accounts receivable | 0 | - | 0 |
| Other receivables | 4,896 | - | 4,896 |
| Prepayments and accrued income | 4,226 | - | 4,226 |
| Other short term financial assets | 0 | 102,980 | 102,980 |
| Cash and cash equivalents | 196,870 | -102,980 | 93,890 |
| **Total current assets** | **205,992** | **-** | **205,992** |
| **TOTAL ASSETS** | **311,128** | **-** | **311,128** |
| | | | |
| **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 | -432,671 | - | -432,671 |
| | | | |
| **Equity attributable to Parent Company Shareholders** | **258,498** | **-** | **258,498** |
| | | | |
| Total non-currents provisions and liabilities | 11,685 | - | 11,685 |
| Total current liabilities | 40,944 | - | 40,944 |
| **Total liabilities** | **52,629** | **-** | **52,629** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | **311,128** | **-** | **311,128** |

## Note 8 Change of classification, cont'd: Consolidated statement of financial position

| All amounts in TSEK | 2019-09-30 | Increase/ decrease | 2019-09-30 Restated |
|---|---|---|---|
| ASSETS | | | |
| **Total fixed assets** | **106,527** | **-** | **106,527** |
| | | | |
| **Current assets** | | | |
| Accounts receivable | 4,934 | - | 4,934 |
| Other receivables | 2,463 | - | 2,463 |
| Prepayments and accrued income | 8,527 | - | 8,527 |
| Other short-term financial assets | 10,012 | 152,679 | 162,691 |
| Cash and cash equivalents | 239,281 | -152,679 | 86,602 |
| **Total current assets** | **265,217** | **-** | **265,217** |
| **TOTAL ASSETS** | **371,743** | **-** | **371,743** |
| | | | |
| 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 | -372,960 | - | -372,960 |
| | | | |
| **Equity attributable to Parent Company Shareholders** | **318,210** | **-** | **318,210** |
| | | | |
| Total non-currents provisions and liabilities | 12,525 | - | 12,525 |
| Total current liabilities | 41,009 | - | 41,009 |
| **Total liabilities** | **53,534** | **-** | **53,534** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | **371,743** | **-** | **371,743** |

| All amounts in TSEK | 2019-01-01 | Increase/ decrease | 2019-01-01 Restated |
|---|---|---|---|
| ASSETS | | | |
| **Total fixed assets** | **114,136** | **-** | **114,136** |
| | | | |
| **Current assets** | | | |
| Accounts receivable | 25,328 | - | 25,328 |
| Other receivables | 4,564 | - | 4,564 |
| Prepayments and accrued income | 3,039 | - | 3,039 |
| Other short-term financial assets | 20,254 | 250,854 | 271,108 |
| Cash and cash equivalents | 362,878 | -250,854 | 112,024 |
| **Total current assets** | **416,063** | **-** | **416,063** |
| **TOTAL ASSETS** | **530,199** | **-** | **530,199** |
| | | | |
| 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 | - | -222,860 |
| | | | |
| **Equity attributable to Parent Company Shareholders** | **468,310** | **-** | **468,310** |
| | | | |
| Total non-currents provisions and liabilities | 15,129 | - | 15,129 |
| Total current liabilities | 46,760 | - | 46,760 |
| **Total liabilities** | **61,889** | **-** | **61,889** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | **530,199** | **-** | **530,199** |

## Note 8 Change of classification, cont'd: Cash flow

| All amounts in TSEK | 2019 Jan-Dec | Increase/ decrease | 2019 Jan-Dec Restated |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit/loss | -214,519 | 0 | -214,519 |
| *Adjustments for items not generating cash flow* | | | |
| Depreciation and impairments | 11,548 | 0 | 11,548 |
| Effect from warrant program | 301 | 0 | 301 |
| Other items, no impact on cash flow | 2,126 | -2,126 | 0 |
| Interest received | 1,759 | 0 | 1,759 |
| Interest paid | -419 | 0 | -419 |
| Tax paid | 0 | 0 | 0 |
| **Cash flow from operating activities before changes in working capital** | **-199,205** | **-2,126** | **-201,331** |
| | | | |
| **Changes in working capital** | | | |
| Change in operating receivables | 25,291 | 0 | 25,291 |
| Change in operating liabilities | -5,049 | 0 | -5,049 |
| **Cash flow from operating activities** | **-178,963** | **-2,126** | **-181,089** |
| | | | |
| **Investing activities** | | | |
| Acquisition of intangible assets | -116 | 0 | -116 |
| Acquisition of tangible assets | -2,069 | 0 | -2,069 |
| Divestment of securities | 20,000 | 0 | 20,000 |
| Divestment of other short term investments | 0 | 150,000 | 150,000 |
| **Cash flow from investing activities** | **17,815** | **150,000** | **167,815** |
| | | | |
| **Financing activities** | | | |
| Amortization of leasing liabilities | -7,077 | 0 | -7,077 |
| Installment purchase | 778 | 0 | 778 |
| **Cash flow from financing activities** | **-6,298** | **0** | **-6,298** |
| | | | |
| **Cash flow for the period** | **-167,446** | **147,874** | **-19,572** |
| | | | |
| **Cash and cash equivalents at beginning of period** | **362,878** | **-250,854** | **112,024** |
| Exchange rate differences in cash and cash equivalents | 1,438 | 0 | 1,438 |
| **Cash and cash equivalents at end of period** | **196,870** | **-102,980** | **93,890** |

## Note 8 Change of classification, cont'd: Cash flow

| All amounts in TSEK | 2019 Jul-Sep | Increase/ decrease | 2019 Jul-Sep Restated | 2019 Jan-Sep | Increase/ decrease | 2019 Jan-Sep Restated |
|---|---|---|---|---|---|---|
| **Operating activities** | | | | | | |
| Operating profit/loss | -58,467 | 0 | -58,467 | -155,212 | 0 | -155,212 |
| *Adjustments for items not generating cash flow* | | | | | | |
| Depreciation and impairments | 2,890 | 0 | 2,890 | 8,681 | 0 | 8,681 |
| Effect from warrant program | 53 | 0 | 53 | 247 | 0 | 247 |
| Other items, no impact on cash flow | 463 | -463 | 0 | 1,825 | -1,825 | 0 |
| Interest received | 453 | 0 | 453 | 1,409 | 0 | 1,409 |
| Interest paid | -102 | 0 | -102 | -321 | 0 | -321 |
| Tax paid | 0 | 0 | 0 | 0 | 0 | 0 |
| **Cash flow from operating activities before changes in working capital** | **-54,710** | **-463** | **-55,173** | **-143,371** | **-1,825** | **-145,196** |
| | | | | | | |
| **Changes in working capital** | | | | | | |
| Change in operating receivables | -9,154 | 0 | -9,154 | 18,489 | 0 | 18,489 |
| Change in operating liabilities | 8,595 | 0 | 8,595 | -4,513 | 0 | -4,513 |
| **Cash flow from operating activities** | **-55,269** | **-463** | **-55,731** | **-129,395** | **-1,825** | **-131,220** |
| | | | | | | |
| **Investing activities** | | | | | | |
| Acquisition of intangible assets | -116 | 0 | -116 | -116 | 0 | -116 |
| Acquisition of tangible assets | 0 | 0 | 0 | -816 | 0 | -816 |
| Divestment of securities | 10,000 | 0 | 10,000 | 10,000 | 0 | 10,000 |
| Divestment of other short term investments | 0 | 0 | 0 | 0 | 100,000 | 100,000 |
| **Cash flow from investing activities** | **9,885** | **0** | **9,885** | **9,069** | **100,000** | **109,069** |
| | | | | | | |
| **Financing activities** | | | | | | |
| Amortization of leasing liabilities | -1,421 | 0 | -1,421 | -5,646 | 0 | -5,646 |
| **Cash flow from financing activities** | **-1,421** | **0** | **-1,421** | **-5,646** | **0** | **-5,646** |
| | | | | | | |
| **Cash flow for the period** | **-46,805** | **-463** | **-47,268** | **-125,973** | **98,175** | **-27,798** |
| | | | | | | |
| **Cash and cash equivalents at beginning of period** | **284,950** | **-152,216** | **132,733** | **362,878** | **-250,854** | **112,024** |
| Exchange rate differences in cash and cash equivalents | 1,136 | 0 | 1,136 | 2,376 | 0 | 2,376 |
| **Cash and cash equivalents at end of period** | **239,281** | **-152,679** | **86,602** | **239,281** | **-152,679** | **86,602** |

# Financial definitions.

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

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

**Average number of shares before and after dilution**
Average number of outstanding shares during the period. The number of shares after dilution also takes account of outstanding options where the company's share price on the reporting date is at least equal to the conversion price of the option.

**Cash and Cash equivalents including securities**
Cash and cash equivalents consists of bank balances, interest funds and publicly traded corporate bonds.

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

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

**Earnings per share before and after dilution**
Earnings divided by the weighted average number of shares during the period before and after dilution respectively. If the result is negative, the number of shares before dilution is also used for the calculation after dilution.

**Equity per share after dilution**
Equity divided by the total number of shares at the end of the period and any outstanding options where the company's share price on the reporting date is at least equal to the conversion price of the option.

**Equity per share before delution**
Equity divided by the number of shares at the end of the period.

**Equity ratio**
Equity as a percentage of Total assets.

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

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

**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 as a percentage of operating costs excluding impairments.

**Total assets**
Total of the Company's assets.

# 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 performance measures 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 than 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.

After the initial public offering in 2016, the Company had a surplus of liquidity. To get a rate of return, a certain proportion of the Company's liquidity was invested in listed corporate bonds. The Company uses Cash and cash equivalents including securities as a financial performance measure to monitor Company's liquid position.

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 "Financial definitions" on page 26.

| All amounts TSEK unless specified | 2020 Jul-Sep | 2019 Jul-Sep | 2020 Jan-Sep | 2019 Jan-Sep | 2019 Jan-Dec |
|---|---|---|---|---|---|
| Profit/loss for the period | -30,848 | -56,633 | -108,780 | -150,348 | -210,112 |
| Average number of shares before dilution | 71,388,615 | 71,388,615 | 71,388,615 | 71,388,615 | 71,388,615 |
| **Earnings per share before dilution, SEK** | **-0.43** | **-0.79** | **-1.52** | **-2.11** | **-2.94** |
| Average number of shares after dilution | 71,388,615 | 71,388,615 | 71,388,615 | 71,388,615 | 71,388,615 |
| **Earnings per share after dilution, SEK** | **-0.43** | **-0.79** | **-1.52** | **-2.11** | **-2.94** |
| | | | | | |
| Operating costs | -31,154 | -62,888 | -116,346 | -160,180 | -219,915 |
| Impairment of tangible assets and intangible assets | 0 | 0 | 0 | 0 | 0 |
| **Operating costs excluding impairments** | **-31,154** | **-62,888** | **-116,346** | **-160,180** | **-219,915** |
| Administrative expenses | -4,978 | -7,974 | -22,530 | -25,611 | -34,766 |
| Depreciation | -2,888 | -2,890 | -8,653 | -8,681 | -11,548 |
| **Research and development costs** | **-23,288** | **-52,025** | **-85,163** | **-125,888** | **-173,601** |
| **R&D costs / Operating costs excluding impairments %** | **75%** | **83%** | **73%** | **79%** | **79%** |
| | | | | | |
| Equity | 149,745 | 318,210 | 149,745 | 318,210 | 258,498 |
| Average number of shares before dilution | 71,388,615 | 71,388,615 | 71,388,615 | 71,388,615 | 71,388,615 |
| **Equity per share before dilution, SEK** | **2.10** | **4.46** | **2.10** | **4.46** | **3.62** |
| Average number of shares after dilution | 71,388,615 | 71,388,615 | 71,388,615 | 71,388,615 | 71,388,615 |
| **Equity per share after dilution, SEK** | **2.10** | **4.46** | **2.10** | **4.46** | **3.62** |
| | | | | | |
| Equity | 149,745 | 318,210 | 149,745 | 318,210 | 258,498 |
| Total assets | 187,590 | 371,743 | 187,590 | 371,743 | 311,128 |
| **Equity ratio, %** | **80%** | **86%** | **80%** | **86%** | **83%** |
| | | | | | |
| Other investments held as fixed assets (publicly traded corporate bonds) | 0 | 53,077 | 0 | 53,077 | 53,016 |
| Other short-term financial assets (publicly traded corporate bonds) | 0 | 10,012 | 0 | 10,012 | 0 |
| Other short-term financial assets (interest funds) | 0 | 152,679 | 0 | 152,679 | 102,980 |
| Cash and cash equivalents | 136,964 | 86,602 | 136,964 | 86,602 | 93,890 |
| **Cash and cash equivalents at end of period** | **136,964** | **302,370** | **136,964** | **302,370** | **249,886** |

# The declaration of the Board of Directors and the CEO.


Peter Benson


Carl Borrebaeck


Ulrika Danielsson


Graham Dixon


Kirsten Drejer


Anders Ekblom


Kenth Petersson


Jonas Sjögren


Laura von Schantz


Per Norlén

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

Lund, October 22, 2020

**Peter Benson**
Chairman

**Carl Borrebaeck**
Member of the Board

**Ulrika Danielsson**
Member of the Board

**Graham Dixon**
Member of the Board

**Kirsten Drejer**
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**
Member of the Board
(Employee representative)

**Per Norlén**
CEO

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

# Review report

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

## Introduction

We have reviewed the condensed interim report for Alligator Bioscience AB (publ) as at September 30, 2020 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

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

Lund, October 22, 2020

Ernst & Young AB

**Johan Thuresson**
Authorized Public Accountant

# Glossary.

**Agonist.** A compound which binds to a receptor and stimulates its activity.
**Antigen.** Substance which triggers a reaction in the immune system, such as a bacteria or virus.
**Antibody.** Proteins used by the body's immune defenses to detect and identify xenobiotic material.
**Bispecific antibodies.** Antibody-based products which bind to two different targets and thus have dual functions.
**Cancer.** A disease in which cells divide in an uncontrolled manner and invade neighboring tissue. Cancer can also spread (metastasize) to other parts of the body through the blood and the lymphatic system.
**Checkpoint inhibitor.** An antibody with the ability to break the immune system's tolerance to something dangerous, for example a cancer tumor. Immune-inhibiting signals can be blocked through binding to a specific receptor such as CTLA-4 or PD-1.
**Clinical study.** The examination of healthy volunteers or patients to study the safety and efficacy of a potential drug or treatment method.
**CRO (Clinical Research Organization).** Company specialized in performing contract research and clinical studies on behalf of other pharma or biotech companies.
**CTA (Clinical Trial Authorization).** Application to start clinical trials in humans which is submitted to a regulatory authority.
**CTLA-4 (Cytotoxic T-lymphocyte-Associated protein-4).** An immune-inhibiting molecule expressed in and on the surface of T cells, primarily regulatory T cells.
**Dendritic cell.** A type of cell which detects xenobiotic substances. A key role of dendritic cells is their ability to stimulate T cells in the immune system.
**Discovery.** This research phase usually encompasses the development and evaluation of treatment concepts, the evaluation of potential drug candidates, and early efficacy studies.
**Drug candidate.** A specific compound usually designated before or during the preclinical phase. The drug candidate is the compound that is then studied in humans in clinical studies.
**EMA.** The European Medicines Agency.
**Experimental model.** A model of a disease or other injury to resemble a similar condition in humans.
**FDA.** The US Food and Drug Administration.
**GMP (Good Manufacturing Practice).** Quality assurance methodology designed to ensure that products are manufactured in a standardized manner, such that quality requirements are satisfied.
**Immuno-oncology.** Field of oncology in which cancer is treated by activating the immune system.
**INN (International Nonproprietary Name).** Generic name on a drug substance. The INN is selected by the World Health Organization (WHO) since 1953.
**Lead.** A potential drug candidate which binds to the actual target molecule/s.
**Ligand.** Binds to a receptor. Could be a drug, hormone or a transmitter substance.
**Lymphocyte.** A type of white blood cells.
**Macrophages.** A type of white blood cell of the immune system that engulfs and digests cellular debris and foreign materia such as bacteria.
**Milestone payment.** Financial consideration received in the course of a project/program when a specified objective is reached.
**Mitazalimab.** Generic name (INN) for ADC-1013.
**Monospecific antibodies.** Antibody-based product which bind only to one target, such as a receptor.
**NK cells.** NK cells (Natural Killer) are lymphocytes with the ability to activate several different cells in the immune system, such as macrophages.
**Oncology.** Term for the field of medicine concerned with the diagnosis, prevention and treatment of tumor diseases.
**Patent.** Exclusive rights to a discovery or invention.
**PD-1 (Programmed Death-1).** Immune-inhibiting receptor on the surface of certain cells, for example tumor cells.
**PD-L1 (Programmed Death-Ligand-1).** The ligand that binds to PD-1, helping the cancer evade the body's immune defense.
**Phase I, II and III.** The various stages of studies on the efficacy of a pharmaceutical in humans. See also "clinical study." Phase I examines the safety on healthy human subjects, Phase II examines efficacy in patients with the relevant disease and Phase III is a large-scale study that verifies previously achieved results. In the development of new pharmaceuticals, different doses are trialed and safety is evaluated in patients with relevant disease. Phase II is often divided into Phase IIa and Phase IIb. In Phase IIa, which is open, different doses of the pharmaceutical are tested without comparison against placebo and focusing on safety and the pharmaceutical's metabolism in the body. Phase IIb is 'blind', and tests the efficacy of selected dose(es) against placebo.
**Pharmacokinetics.** The study of the turnover of substances in the body, for example how the amount of the substance is changed by absorption, distribution, metabolism and excretion.
**Pharmacology.** The study of how substances interact with living organisms to bring about a functional change.
**Preclinical.** The stage of drug development before the drug candidate is tested in humans. It includes the final optimization of the drug candidate, the production of materials for future clinical studies and the compilation of a data package for an application to start clinical studies.
**Proof of concept studies.** Studies carried out to provide support for dosages and administration paths in subsequent clinical studies.
**R&D.** Research & Development
**Receptor.** A receptor on a cell which picks up chemical signals.
**Sponsor.** The person, company, institution or organization responsible for initiating, organizing or financing a clinical study.
**T cell.** A type of white blood cell which is important to the specific immune defense.
**Tumor-associated antigen (TAA).** A protein expressed to a much higher degree on the surface of tumor cells than healthy cells.
**Tumor cell.** A cell that divides relentlessly.
**Tumor necrotic factor receptor superfamily (TNFR-SF).** A group of immune-modulating target proteins related to the tumor necrosis factor protein. The name 'tumor necrosis factor' was derived from the fact that the first function detected for the protein was its ability to kill some types of tumor cells, though it was later discovered to have an immune-regulatory function.