Annual Report 2020

Alligator Bioscience AB (publ)

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Unless stated otherwise in these annual accounts, the information refers to the Group. Figures in brackets refer to the outcome for the corresponding period in the preceding year. Unless stated otherwise, all amounts are in TSEK. All amounts stated are rounded correctly, which may mean that some totals do not tally exactly. Unless stated otherwise, USD refers to US dollars.

The Company's formal annual report and consolidated financial statements are included on pages 37–94 in this document.

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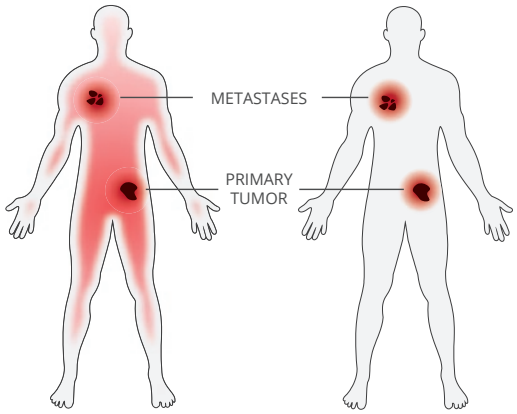
Alligator's tumor-directed treatment can defeat cancer

Alligator is a research-based biotechnology Company that develops antibody-based drugs for cancer treatment. Our aim is to establish ourselves as one of the world's leading innovation companies by developing novel immunotherapies that save lives. The basic idea of immunotherapies is simple: by stimulating the immune system it can identify, attack and destroy the cancer tumor on its own.

Cancer cells often contain a high number of immune cells that can potentially attack and destroy tumors. The problem is that cancer cells activate immunosuppressive agents that inhibit attacks. There are a number of different strategies in immuno-oncology to help the immune system. The first helps the immune system to identify tumor cells. The aim of the second strategy is to enhance the capabilities of the immune system so that it attacks the tumor with full force. Successful immuno-oncology therapies also have a vaccination effect – the specific type of cancer that has been eliminated cannot return.

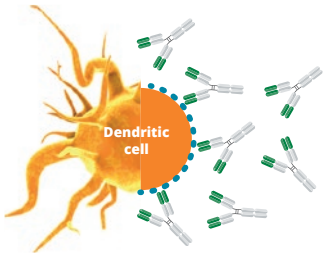
The Alligator therapy

Alligator is distinct from its competitors through its technology that makes it possible to activate the system to selectively attack tumors without affecting the rest of the body. The main benefit of tumor-directed treatment is the positive effect it has on the tumor while the adverse effects caused by stimulating the whole immune system can be kept as low.

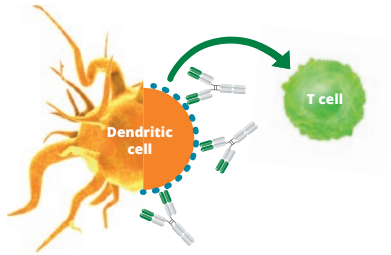


General immune activation (figure to the left) may lead to severe adverse effects. Selective activation (figure to the right) of tumor-specific immune cells to result in fewer adverse effects.

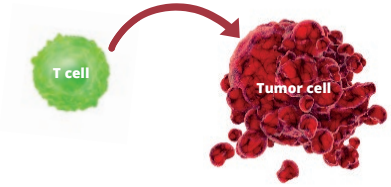
Design of highly efficient antibodies
Alligator has several patent-protected technologies that can generate novel drug candidates with high potential. In addition, the Company has an unique bispecific antibody format for the development of novel dual-action antibodies.



Antibody seeks out target molecule
When the antibody enters the patient, it seeks out and binds to the target molecules that it is designed to attach to. There may be various target molecules that are present on different types of cells and every antibody is designed for a specific target molecule on a certain type of cell.



Stimulating the immune system
When the antibodies attach to their target molecules, the immune stimulation process begins either by making it easier for the immune system to discover the tumor or by releasing the brakes that normally block the immune system and the tumor can be attacked at full force.



Tumor attacked and destroyed
The tumor is now attached by the body's T cells (a special type of white blood cells) and/or NK cells (natural killer cells). As a result, the tumor cell is effectively killed. Side effects are also limited thanks to Alligator's tumor-directed technology.

More effective treatment with next-generation immunotherapy

Alligator's strategies and priorities are shaped by the rising need for oncology drugs worldwide and that today's immunotherapies must become more effective in order to help more patients. There is a major need to combine immunotherapies with each other and with other forms of cancer treatment.

For half a century, the methods available to doctors for the treatment of cancer have remained relatively constant. But cancer care was revolutionized following the approval of the first immunotherapy in 2011. The importance of immunotherapy for cancer care is reflected by the decision to award the 2018 Nobel Prize in Medicine to two researchers who discovered how to enhance the capabilities of the immune system so that it attacks the cancer cells.

Demographic changes
The main macro trend that influences Alligator's strategies and priorities is the increase in cancer cases worldwide as the population ages. According to the WHO, the number of cancer cases per year will rise to 30 million by 2040. This will mean that an already great need for oncology drugs will continue to grow in the years ahead.

Increasing importance of immunotherapy in cancer care
Since the emergence of immunotherapy, the significance of immuntherapies in the arsenal of cancer therapeutics keeps growing. This is why one of the world's bestselling drugs is an immunotherapy. Compared to chemotherapy, radiation and surgery, immunotherapy is also effective in metastatic cancer and the positive effects of the treatment remained over extended periods.

Need for more effective oncology drugs
Despite the enormous success of immunotherapy, improvements are needed. Today, about one in five patients respond to immunotherapy treatment and the therapy often leads to serious adverse effects. Accordingly, intensive research is in progress to develop the next generation of immunotherapies to make the treatment more effective for more patients while maintaining quality of life.

Immunotherapies must be combinable
Cancer therapies often work best when combined with each other. It is therefore important that the next generation of immunotherapies can be combined with other immunotherapies, and also with other types of cancer therapies. Tumor-directed immunotherapies that selectively stimulate the immune system in the tumor region, increase efficacy while reducing the risk of side effects. This allows combination therapies using several products, for example the next generation of immunotherapies could be combined with today's leading immunotherapies.

Research along several avenues in parallel
The market potential for the next generation of immunotherapies is great and everyone from small research-based biotech companies to major global pharmaceutical companies have joined the race to develop the next generation of immunotherapies. A number of avenues and target molecules are being studied in parallel by the research companies.

This makes it likely that the current market situation, where a number of drugs are concentrated on the same target molecule for the treatment of different types of cancer, will remain. For example, there are currently six different PD-(L)1 antibodies approved for the treatment of 16 different types of cancer.

In summary, it can be said that a successful drug candidate must be 1) leading in terms of efficacy, 2) combinable with other therapies and 3) have acceptable side effects at effective dose levels.

18 million

18 million people develop cancer every year and according to WHO, the equivalent figure for 2040 will be 30 million.

Alligator's project portfolio

The mitazalimab and ATOR-1017 drug candidates are both approaching clinical Phase II. An application to begin clinical Phase II studies with mitazalimab was recently approved, while ATOR-1017 is in an ongoing Phase I study aiming to identify a Phase II dose before the summer. Clinical projects include ATOR-1015, which is at the end of Phase I, and ALG.APV-527, which is being developed in partnership with Aptevo Therapeutics, and is ready to apply for Phase I. The out-licensed project AC101, which is being developed by Shanghai Henlius in China and where Alligator will share future revenues, is in Phase I.

Mitazalimab
Mitazalimab is an immunostimulatory CD40 antibody for the treatment of metastatic cancer, such as pancreatic cancer. Activation of the CD40 receptor on the immune system's dendritic cells enhances their ability to attack the cancer cells. Two Phase I studies with mitazalimab have generated competitive safety data and shown early signs of clinical efficacy. Phase II combination studies are scheduled to commence in 2021.

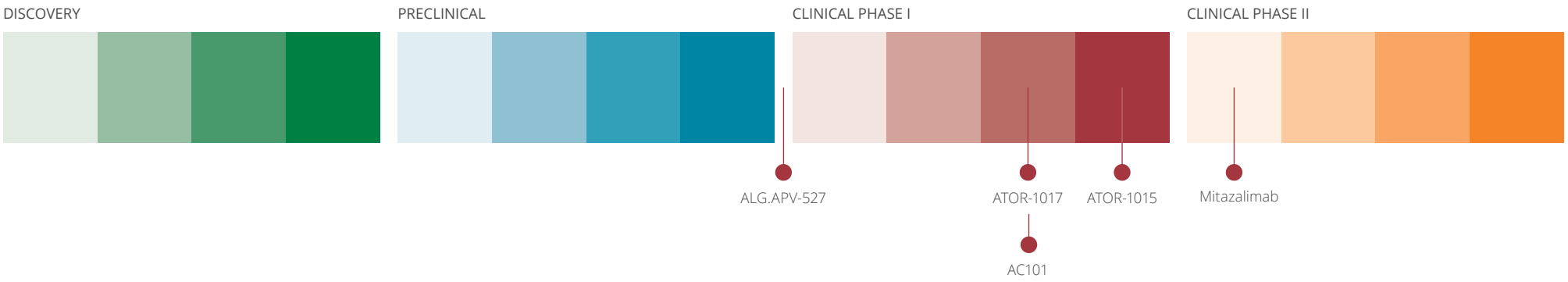
ATOR-1017
ATOR-1017 is an immunostimulatory antibody that binds to the 4-1BB receptor in tumor-specific T cells. 4-1BB has a capacity to stimulate the immune cells involved in tumor control, making this receptor a highly interesting target for cancer therapy. A Phase I study is ongoing and is expected to be completed in 2021.

ALG.APV-527
Developed in the partnership with Aptevo
ALG.APV-527 is a bispecific 4-1BB and 5T4 antibody designed for the treatment of metastatic cancer. In July 2017, Aptevo Therapeutics Inc. and Alligator signed a co-development (50/50) agreement for ALG.APV-527. The plan is to begin a Phase I clinical study in 2021.

ATOR-1015
ATOR-1015 is a tumor-localizing, bispecific CTLA-4 and OX40 antibody in clinical Phase I. The first Phase I-study has shown infusion-related reactions coupled to the development of anti-drug-antibodies. Alligator intends to seek a partner for the continued clinical development process.

OUT-LICENSED PROJECTS

AC101
AC101 is currently under development by Shanghai Henlius Biotech Inc. through its agreement with AbClon. Alligator has a stake in AC101 through its subsidiary Atlas Therapeutics AB, entitling Alligator to 35 percent of AbClon's revenue from the agreement with Henlius. A Phase I study has started with the first patient dosed in July 2019.



2020
in brief

In 2020, the Company's focus on the clinical projects mitazalimab and ATOR-1017 was strengthened. A new drug concept, Neo-X-Prime™, was launched.

New strategy and sharper clinical focus

In April 2020, a strategic decision was made to focus the Company's resources on the projects that have the prospects of most rapidly generating the greatest value. This meant a reduction in the organization by 11 employees. In October 2020, the strategy was further enhanced with the decision to focus internal resources on ATOR-1017 and mitazalimab. These drug candidates have potential in major cancer indications with substantial medical needs and large markets. They also target key immunological mechanisms that are increasingly being verified in clinical validation.

CTA for Phase II submitted for mitazalimab

The clinical development plan for mitazalimab was drawn up during the year and initially includes the clinical Phase II study OPTIMIZE-1. The study is an open-label, multicenter study to assess the clinical efficacy of mitazalimab combined with chemotherapy (mFOLFIRINOX) in patients with metastatic pancreatic cancer. A CTA to initiate a Phase II clinical study was submitted in December 2020 and the study is scheduled to start in spring 2021. During the year, additional information was presented from the Phase I study conducted by Janssen Biotech, Inc., where positive biomarker data confirmed mitazalimab's mechanism of action.

Promising Phase I safety data for ATOR-1017

In August 2020, interim data from the ongoing Phase I trial in patients with metastatic cancer was presented for the first time. The results to date show a promising safety profile for ATOR-1017 with only a few drug-related side effects, most of them mild or moderate (grade 1 or 2). The Data Review Committee that is protecting patient safety in the Phase I study with ATOR-1017 approved a continued assessment of the higher dose level of 200 mg, corresponding to approximately 3 mg/kg. This is considered a therapeutically relevant dose, which means a dose that is expected to produce a therapeutic effect.

Evaluation of ATOR-1015

During the autumn, data from the ongoing Phase I study showed that ATOR-1015 causes infusion-related events, which is considered to be related to the development of anti-drug antibodies. This entails a need for careful assessment of clinical data. Preclinical research and a new study protocol will be required, as well as contact with regulatory authorities, prior to the initiation of any further clinical studies. Alligator plans to seek a partner for the continued clinical development process.

Neo-X-Prime™ – future cancer treatment

In autumn 2020, Alligator launched a completely new proprietary drug concept for personalized immunotherapy, called Neo-X-Prime™. The concept can be described as a personalized vaccination aimed at curing cancer. Research is highly promising and shows that Neo-X-Prime™ has the potential to create a very potent anti-tumor effect, superior to current therapeutic options.

ALG.APV-527 prepares for clinical Phase I

Alligator and Aptevo announced in November 2020 that ALG.APV-527 is being prepared for a clinical Phase I study. In the first half of 2021, the companies are planning to submit a Clinical Trial Authorization (CTA) for a Phase I clinical study in several European medical centers. Alligator and Aptevo will continue to investigate licensing opportunities while preparing ALG.APV-527 for the clinical development phase.

New preclinical partnership agreement

In June 2020, a new preclinical partnership agreement was signed with Scandion Oncology. The plan is to administer mitazalimab in addition to chemotherapy in preclinical tumor models shown to be resistant to chemotherapy. The intention is that Scandion Oncology's substance will break the resistance and further strengthen mitazalimab's anti-tumor effect. The partnership is based on the complementary nature of the companies' models. The results may strengthen the companies' data packages and create documentation for future clinical studies.

Comments from the CEO

In 2020, Alligator restructured its operations to increase focus on the clinical development portfolio. In parallel, a substantial savings program was launched and the organization was adapted to support the new strategy. In the clinical portfolio, a decision was taken to focus internal resources to the two proprietary drug candidates ATOR-1017 and mitazalimab and to continue development of the Company's new concept for personalized immunotherapy, Neo-X-Prime™. We are now raising the bar in 2021 through a focus on clinical and business development.

Focus on clinical and business development
ATOR-1017 and mitazalimab have been established as the Company's key projects in 2020. ATOR-1017 has developed rapidly in the ongoing Phase I study, showing promising safety signals, while mitazalimab was strengthened by the emerging clinical validation of CD40. Mitazalimab is also supported by new positive biomarker data, Proof of Mechanism, from the clinical Phase I study and strong preclinical data. Moreover, our partner Aptevo Therapeutics has recently presented strong clinical data for a bispecific antibody, APVO436, which increases the probability that ALG.APV-527 will succeed since both candidates are based on the same bispecific format. The new data is a signal that we have put our money on the right format with ALG.APV-527. The program is now being prepared for clinical Phase I. Meanwhile, the development program for ATOR-1015 faced challenges as several patients showed immune reactions to the drug candidate. Additional preclinical studies and a new study protocol will be required prior to the initiation of any further clinical studies. Alligator therefore focus the Company's resources on ATOR-1017 and mitazalimab, with the aim of commencing clinical efficacy studies (Phase II) in 2021.

First patient in mitazalimab Phase II in the first half of 2021
The CD40 antibody mitazalimab is Alligator's most advanced drug candidate and, under the direction of Janssen, has undergone extensive clinical studies in almost 120 cancer patients. Since regaining the exclusive, global rights to develop and commercialize the drug candidate in autumn 2019, we have obtained new positive biomarker data that confirms the mechanism of action and further strengthens our belief in mitazalimab as a potent cancer therapy. The result, which was presented at the Essential Protein Engineering Summit (PEGS) in early September, showed the upregulation of a large number of genes following treatment with mitazalimab, including PD-L1. This is very promising and supports our clinical development plan. In 2020, intensive efforts were made to prepare for OPTIMIZE-1, our planned Phase II study in patients with pancreatic cancer. A CTA, meaning an application to initiate a clinical study, was submitted in December. The Phase II study is an open-label, multicenter study to assess the clinical efficacy of mitazalimab as a first-line therapy combined with chemotherapy (mFOLFIRINOX). The study will be conducted at several European medical centers and we expect to dose the first patient before the end of June 2021.

ATOR-1017 shows promising safety profile
Our monoclonal 4-1BB-antibody ATOR-1017 is, like mitazalimab, on the front line with potential in several cancer indications with

substantial medical needs and large markets. Over the past year, safety data has been presented from an ongoing Phase I study in patients with metastatic cancer. The results show a promising safety profile with only a few drug-related side effects, all of which were mild or moderate. Currently, evaluation is in progress of doses of 200 mg, or approximately 3 mg per kilo of body weight. This is deemed to be a clinically relevant dose level. In comparison, it is approximately 20 times higher than the maximum dose for the comparable product urelumab, which was associated with serious adverse effects. Data presented to date seems to support that ATOR-1017 has a more tumor selective effect than its comparative products, which is promising for the further development. We expect to present the results of the ongoing Phase I study in the first half of 2021, and thereafter begin a Phase II efficacy study in the second half of the year.

New concept: Neo-X-Prime™ – developed using ALLIGATOR-FAB™

In autumn 2020, we launched a new proprietary drug concept for personalized immunotherapy, called Neo-X-Prime™. The concept can be described as a personalized immuno-therapy aimed at curing cancer. Research shows that Neo-X-Prime™ has the potential to create a potent anti-tumor effect, superior to current therapeutic options. This concept can potentially solve many of the current challenges in immuno-oncology, for example, by replacing invasive cancer biopsies with a simple blood test. Alligator's new human antibody library, ALLIGATOR-FAB™, and the bispecific format RUBY™, have been crucial tools in the development of the first Neo-X-Prime™ candidates.

Impact of Covid-19

The ongoing pandemic has also affected Alligator's operations over the past year. The enrollment of new patients to the Company's Phase I clinical studies with ATOR-1015 and ATOR-1017 was temporarily suspended in the spring and also the other wave has limited our clinical activities for a period. Nevertheless we still believe that we will be able to deliver clinical data according to current timelines.

Restructuring and savings program lay groundwork

During the spring, we announced the restructuring of Alligator's operations, aimed at focusing resources on the Company's clinical development program. As part of the savings measures, 11 employees left the organization, and we freed-up resources that could be assigned to the clinical programs. In parallel, during the autumn we were able to establish a more robust clinical program and will have three clinical studies ongoing in 2021. The organization was also adapted, with the most recent appointments being Dr. Peter Ellmark as Chief Scientific Officer (CSO) and Dr. Christina Reimer as Chief Medical Officer (CMO).

Robust focus on business development

Alongside our initiatives in the clinical area, we also focus on our business development activities under the leadership of Gayle Mills as Chief Business Officer (CBO). With three clinical stage programs, the assessment is that we are well-placed to enter into partnership agreements and out-license on favorable terms, which is a highly prioritized goal for 2021.

I would like to extend our gratitude to our shareholders for their support of our new share issue and for the trust they have shown in Alligator and our plans to move our clinical projects forward toward the goal of approved, effective drugs and to reach the patients who urgently need them.

Per Norlén
CEO Alligator Bioscience AB (publ)

Financial summary

In spring 2020, Alligator implemented a restructuring and savings program to focus existing resources to the clinical programs with the greatest potential to rapidly generate the greatest value for shareholders.

During the year, the Company's operating costs decreased by SEK 69 million compared with 2019, corresponding to a decrease of more than 30 percent. The reduction in the Company's costs is in part due to fewer employees in the Company, that certain research projects have been suspended in favor of the clinical programs and the conclusion of manufacturing of clinical study materials in some projects. Costs during the year were mainly attributable to the ongoing Phase I clinical studies with ATOR-1015 and ATOR-1017 and preparations for the clinical Phase II study with mitazalimab.

In 2020, the Group's net sales amounted to SEK 4.4 million (4.4), which pertain to a second license installment from the agreement with Biotheus. Alligator does not have a steady flow of income, with income generated irregularly in connection with the signing of license agreements and achievement of milestones, see further in section Value-creating business development page 18.

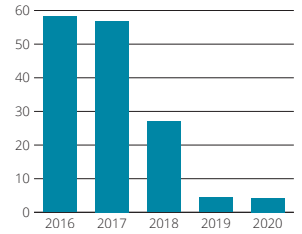
The full effect of the reduction in the Company's workforce and associated personnel costs was felt in the third quarter. On the balance sheet date, the number of employees had fallen by 12 year-on-year.

At the end of 2020, Alligator's cash and cash equivalents including securities amounted to SEK 103.3 million (249.9). The Company works continuously to secure the financing of the operation. This includes both business development for new partnering agreements, with an upfront payment upon signing, as well as other financing options. In order to continue pursuing our focus project mitazalimab and ATOR-1017, the Company carried out a rights issue in January 2021, which generated proceeds of SEK 86 million before transaction costs. At the time of the declaration of this Annual Report, the Company's assessment is that the financial resources are sufficient for planned activities for the forthcoming twelve-month period.

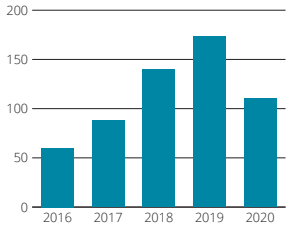
	2020	2019[1)]	2018[1)]	2017[1)]	2016
Net sales, TSEK	4,352	4,358	26,959	56,875	58,240
Operating profit/loss, TSEK	-144,298	-214,519	-153,080	-62,299	-56,082
Profit/loss for the year, TSEK	-143,296	-210,112	-150,043	-63,758	-48,356
Cash flow for the year, TSEK	9,386	-19,572	-86,802	-458,995	287,133
Cash and cash equivalents, TSEK	103,342	93,890	112,024	197,097	659,136
Cash and cash equivalents, including securities, TSEK	103,342	249,886	436,391	547,041	659,136
Equity ratio, %	76%	83%	92%	96%	96%
R&D costs as % of operating costs excluding impairments	72.5%	78.9%	76.8%	73.3%	64.3%
Earnings per share before dilution, SEK	-2.01	-2.94	-2.10	-0.89	-0.80
Earnings per share after dilution, SEK	-2.01	-2.94	-2.10	-0.89	-0.80
Average number of employees	**50**	**55**	**51**	**42**	**31**

1) Earlier periods have been adjusted to reflect change of classification, see Note 32.

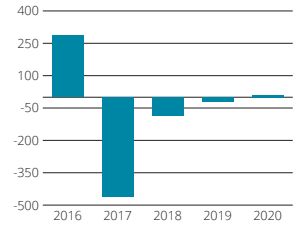
Net sales, SEK million



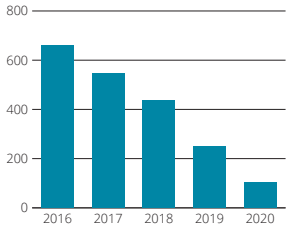
R&D costs, SEK million



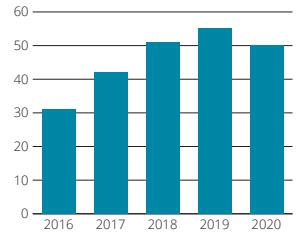
Cash flow, SEK million



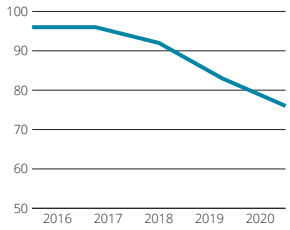
Cash and cash equivalents, including securities, SEK million



Average no. of employees



Equity ratio, %



Goals and strategies

Our goal is to become one of the world's leading immuno-oncology companies and we have a clear plan to achieve this. With a unique technology platform and leading researchers, we develop attractive drug candidates with the potential to defeat cancer.

Alligator is well positioned for the next generation immunotherapies

Alligator's portfolio is founded on a strong innovation climate and a technology platform that is continuously producing new, exciting drug concepts. Alligator's drug candidates have leading positions in their respective fields and ATOR-1017 and mitazalimab are now approaching clinical Phase II. Thanks to a solid combination of technologies, projects and organizational structure, Alligator is well positioned to lead the development of future tumor-selective immunotherapies.

Alligator has many advantages in the development of the next generation of immunotherapies, which aims to ensure that more patients respond to their cancer treatment. To that end Alligator is developing tumor-directed immunotherapies that stimulate the immune system selectively in the tumor. Thereby, the efficacy is expected to increase and the risk of side effects is expected to decrease. In addition, these therapies have better potential to be tolerated in combination with other products which is thought to increase clinical efficacy.

Strong innovation climate

Thanks to its strong innovation climate, Alligator has successfully moved four drug candidates from idea to clinical phase in a short period of time. All components are in place at the Company to shorten development time and reduce risks in the projects. Not least, a flexible organization consisting of highly specialized scientists who can quickly test and reject ideas before major investments are made. Using its technology platform, Alligator can also develop bispecific antibodies several months faster than many competitors.

Two leading drug candidates

Alligator's strategic focus is on two clinical drug candidates – ATOR 1017 and mitazalimab – both with the potential to become best-in-class. These are now approaching Phase II studies and target two of the key signaling pathways being evaluated for the second generation immuno-oncology products. Alligator expects that these projects may generate annual royalties in excess of SEK 1 billion, assuming royalties of 10 percent. The expected royalties are calculated from peak sales of USD 1 billion, which compares with today's global market leaders that have annual sales of USD 1–10 billion.

Recognized in out-licensing

Alligator has a proven ability to sign license agreements, which has generated about SEK 400 million in license revenue over the past five years.

Alligator runs the development of its drug candidates up to Phase II aiming at out-licensing or co-development partnerships. Clinical Phase II is an important value inflection milestone as the likelihood of reaching the market increases five times upon a positive Phase II study. This is the reason for the current focus on mitazalimab and ATOR-1017 that both are approaching clinical Phase II studies.

Unique concept in Neo-X-Prime™

Alligator is constantly adding new concepts to its pipeline. One such is Neo-X-Prime™, developed with Alligator's bispecific antibody format RUBY™. Neo-X-Prime™ can simultaneously bind to both a cancer cell and an immune cell. By catching small components of the tumor and presenting these to the immune system, the immune system can launch a more targeted and effective attack on the cancer compared to current immunotherapies.

Read more about Neo-X-Prime™ and how Alligator identifies new concepts in the interview with CSO Peter Ellmark on page 16.

Did you know that

Neo-X-Prime™ is a bispecific successor to mitazalimab as it focuses on the same target molecule. ATOR-1017 also has a successor in the bispecific antibody ALG.APV-527, which Alligator is developing together with the US biotech Company Aptevo Therapeutics.

Strategic framework – from discovery to patient

Alligator's aim is to establish itself as one of the world's leading immuno-oncology companies. To achieve this, we develop innovative immunotherapies that save human life. We develop drug candidates in a cost and time-efficient manner with unique properties that make them attractive to major pharmaceutical companies for licensing from the clinical trial stage. The late-Phase III clinical development as well as marketing and sales, are conducted by Alligator's partners in each project. We also see opportunities to create economic value through other types of licensing and partnership.

Mission and vision

Medical objectives
To increase the number of patients that respond to immunotherapy.

Vision
To be a key player in the development of future immunotherapies.

Strategies

Discovery
To create novel immuno-oncology concepts for the fight against cancer.

Business development
From idea to clinic with out-licensing as business model.

Preclinical and clinical development
Medical and strategic excellence in execution of clinical trials that visualize the commercial value of products.

Discovery strategy
Development concept for better cancer treatment

Alligator's discovery strategy is to develop efficient and tumor-directed immunotherapies focusing on active therapies that may offer long-lasting protection against cancer. We have employed some of the world's leading researchers in immuno-oncology and protein optimization who – together with our unique technology platform – develop drug candidates with minimal toxicity and good clinical efficacy.

Cold tumors

One particularly interesting area of research is cold tumors, such as pancreatic cancer, colorectal cancer and breast cancer. These types of tumors are difficult to treat using current immuno-oncology drugs. Innovative drugs offering an effective and gentle immunotherapy treatment therefore have substantial market potential. The challenges relate to identifying the correct type of immunostimulation in order to generate an effective response in T cells and to make antibodies bind to the right antigen to obtain a strong effect.

Revolutionary concepts

Alligator is working with new development concepts to develop effective drug candidates for treating cold tumors. The new concepts are at an early stage of development and much work remains before they can move to the preclinical phase, though the first results are promising. In autumn 2020, Neo-X-Prime™ was launched, a completely new concept for personalized cancer therapy.

Unique technology platform

Alligator's technology platform comprises the ALLIGATOR-FAB™ and ALLIGATOR-GOLD® antibody libraries, the protein optimization technology FIND® and a bispecific antibody format. The platform is our innovation engine and gives us the capacity to develop novel antibodies with customized properties. We are continuously modernizing and developing the platform to be at the leading edge of science and to create the most effective and gentle drug candidates. The potential exists to use the technology platform to pursue projects from discovery to market in partnership with major international pharmaceutical companies.

Discovery

In the Discovery phase, Alligator generates new mono and bispecific antibodies with its ALLIGATOR-GOLD®, ALLIGATOR-FAB™, FIND® and RUBY™ technology platforms.

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

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.

How Alligator finds new ways to treat cancer

At Alligator, the first exciting steps on the road to the future of cancer treatment are taken. Peter Ellmark, recently appointed as CSO at Alligator, is one of the people leading efforts to discover and further develop new concepts and drug candidates. The aim is to build on Alligator's strong history of innovation, where the Company has used its technology platform to develop five programs from concept to clinical phase.

What kind of work is conducted in research operations?
We combine medical knowledge and engineering to find new ways to treat different types of cancer. We are 13 people in total working in close collaboration. All are university graduates and many have a Ph.D. in their respective specialist fields, such as immuno-technology, immunology or biomedicine. It is creative, meaningful and challenging work with rapid changes, But we have a fantastic team spirit and enjoy each other's Company. This team spirit has been tested this year, but we have tried to find technical solutions to retain social interaction despite the current pandemic. The combination of good colleagues and working with an exciting and meaningful field is why I enjoy my work.

Alligator's long-term goal is to change the treatment of cancer to save lives. Tell us more about the discovery phase.
Everything we do is based on a solid understanding of the field. Using the most recent findings, and our experience and knowledge, we identify a need and formulate a hypothesis detailing how we could develop a drug that can address this need. We then develop antibodies using our technology platform to create a variety of different drug candidates, which we in turn use to test the hypothesis. We place high demands on the new molecules; they must be effective, safe and have the right biochemical properties to allow large-scale manufacturing. When we have found a drug candidate that fulfills all of our requirements, it is moved to the next stage, preclinical studies.

What does the technology platform involve and how are you using it to develop new drug candidates?
The technology platform comprises three different tools used to identify and fine tune the antibodies to drug candidates. We have two different antibody libraries, ALLIGATOR-GOLD® and ALLIGATOR-FAB™, with more than 10 billion different antibodies, where we can find antibodies against any target molecule. Then we have a protein optimization technology called FIND®, which helps us to calibrate the properties of the antibodies to ensure they work in the desired way. Finally, we use a bispecific antibody format called RUBY™. This enables us to manufacture antibodies that can bind several target molecules, such as the immune system and tumors.

This year, Neo-X-Prime™ was launched, a completely new drug concept for personalized cancer therapy. What does the concept entail?
Neo-X-Prime™ uses bispecific antibodies to make the body's immune cells more effective at identifying mutated proteins in the tumor and thus produce a more potent attack on the cancer. Unlike existing immunotherapies, part of Neo-X-Prime™ binds to small particles that are only found in growing tumors and directs these to special immune cells that effectively generate new T cells, a type of cell that is very important in the fight against cancer. This means the immune system only attacks mutated proteins, offering a directed and highly effective treatment. When new T cells have learned to recognize tumor cells, a vaccination effect is created that can prevent future cancer tumors from growing. The aim is create an effect on patients with metastatic cancer.

"This is only the end of the beginning for what immuno-oncology can deliver to patients" – Peter Ellmark, Chief Scientific Officer (CSO) at Alligator

What are your focus areas in the future?
We have a clear direction and wish to continue our research into enhancing the ability of the immune system and T cells to recognize tumors. We already have many exciting ideas that are based on our research and knowledge in immuno-oncology. A great deal has happened in the field over the past decade, but I am convinced that we have only seen the end of the beginning for what immuno-oncology can deliver to patients. We are far from finished!

Preclinical and clinical development strategy

Alligator's drug candidates are patent protected through molecular biotechnology and the Company's technology platforms. Drug candidates are developed to selectively activate the immune system in the region around the tumor rather than in the whole body. The treatment is expected to have a better therapeutic effect, and fewer side effects compared with general stimulation of the immune system.

Alligator's organization has all of the expertise needed to efficiently move projects forward from discovery to clinical trial stage. Preclinical studies are a mandatory part of the application to begin clinical studies and are carried out to evaluate the safety and toxicity of the antibodies and to increase Alligator's understanding of the mechanism of action in more complex systems. This understanding is crucial for the design of clinical studies.

Alligator's preclinical drug development is primarily conducted by our own personnel in our own laboratories. A key element of the strategy is to protect intellectual property rights with strong patents. Alligator endeavors to maximize protection for its innovations by obtaining patent protection in all key global markets. Refer to our patent table on page 101.

Preclinical developments and activities 2020

- In April 2020, a decision was taken by the Company to increase its focus on the clinical development portfolio and to solely pursue preclinical activities that directly supported this.
- Preclinical data was presented for the ALG.APV-527 project, which is being developed in partnership with Aptevo Therapeutics. These data shows that ALG.APV-527 has a positive safety profile, with no signs of systemic immunostimulation or liver toxicity. ALG.APV-527 increases the anti-tumor response and induces a tumor-specific immunologic memory in experimental disease models.

Clinical development

Alligator has the expertise and capacity to design and conduct early-phase clinical trials. We also have the expertise and ability to analyze clinical data in preparation for late-phase clinical studies. The operational phase of the clinical development process is out-licensed to CROs, which continue development in close collaboration with Alligator and leading specialists in immuno-oncology all over the world.

Developments and activities 2020

- During the autumn, positive clinical interim data was reported from the Phase I study with ATOR-1017, the Company's proprietary 4-1BB-antibody under development for the treatment of metastatic cancer. Data shows a promising safety profile for ATOR-1017.
- In December, an application was filed to start Phase II efficacy studies with the CD40 antibody mitazalimab, with the aim of dosing the first patient during the first half of 2021.
- In the Phase I-study of the bispecific drug candidate ATOR-1015 the dose 750 mg was considered safe, but associated with infusion related reactions coupled to the development of anti-drug-antibodies.

Preclinical

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

Alongside of preclinical activities, research continues to acquire a better understanding of the candidate's biological function. This phase also includes the manufacturing of material for upcoming clinical studies.

Clinical Phase I

The first human studies are performed with a small number of subjects, normally 20–80 patients with metastatic cancer. The primary endpoint of these studies is to show that the compound is safe.

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

Clinical Phase II

The endpoint of Phase II studies is to confirm the desired efficacy of the compound, and to determine the optimal dose. Normally, 100–300 patients are tested.

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

Clinical Phase III

In Phase III, the compound is tested on a larger group of subjects, normally 1,000–3,000 patients.

The primary endpoint of Phase III studies is to confirm that the new compound is at least as good or better than standard therapies.

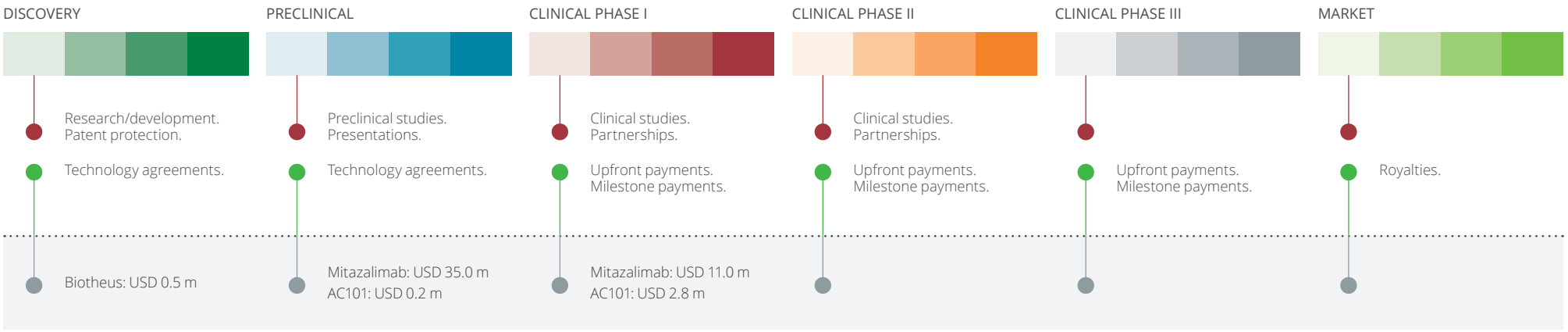
By the end of Phase III, there is convincing evidence of the performance and common side effects of the drug, and the documentation required to register the drug has been compiled.

Value-creating business development

Alligator conducts active business development in several areas. The most important field is the out-licensing of antibodies in the discovery phase and drug candidates in the clinical phase. Through different forms of collaboration, Alligator creates the financial conditions to continue to develop immuno-oncology drug candidates and thereby create significant medical and financial values.

Business development – a continuous process
Over the years, Alligator has built a significant network in the international pharmaceuticals industry with a particular focus on companies that actively strive to commercialize immuno-oncology products. This work largely take place at scientific congresses and various partnership conferences, but also through a continuous dialogue with potential future partners. The most interesting markets are the US, Japan and China. Japan is today the world's second largest pharmaceuticals market, though China is expected to take over this position shortly. Alligator already has established relations with several US pharmaceutical companies and is now working to build good relations with companies in Japan and China.

Out-licensing of candidate drugs
Alligator aims to out-license drug candidates when they have been clinically validated. In practice, this means out-licensing after the completion of Phase I studies or Phase II studies. The optimal point in time for out-licensing depends for example on whether parts of the mechanism of action, such as a target



The strategy is to out-license research assets, such as clinically validated drug candidates and projects at the discovery or preclinical phase as well as various technologies. The aim of this work is naturally to generate income for the Company in the form of upfront payments, milestone payments and royalties on future commercial sales.

molecule, are already clinically validated by other companies or not. Alligator currently has four drug candidates that are, or will in the relatively near future, be relevant for out-licensing:

Strategic collaboration in innovation

One of Alligator's most significant assets is the Company's technology platform. To maximize the value of this unique innovation engine, Alligator is active in seeking collaboration with other pharmaceutical companies to develop new drugs programs in partnership, from concept to investigational new drug (IND) application. The main advantages of such a collaboration is the limited financial risk and the opportunity of substantial income from upfront payments and milestone payments. This type of collaboration also entails an external validation of Alligator's platform. Strengthened innovative capacity Alligator strives continuously to strengthen the Company's innovative capacity. This work involves the continued development of the Company's technology platform.

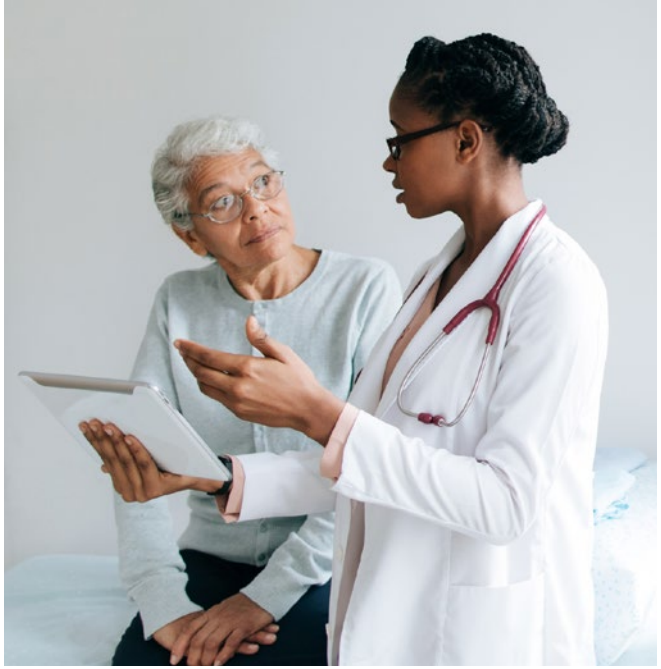
USD

50 million

Through various out-licensing agreements, Alligator's has generated income equivalent to approximately USD 50 million since 2015. The Company currently has out-licensing agreements with Biotheus and Shanghai Henlius via AbClon.

The need for cancer care is expected to rise by almost 20 percent by 2025

18 million new cancer cases are diagnosed worldwide each year.[1] Almost 40 percent of the population will be affected at some point during their lifetimes, and the risk is greatest for individuals living in high-income countries.[2,3] The social costs of cancer care are substantial and more effective and gentle treatment methods are needed. There have been major advances in immuno-oncology in recent years and a growing number of immuno-stimulatory therapies are showing positive clinical results.



Within five years, the number of cancer diagnoses are expected to rise to 21.5 million, representing growth of a full 19 percent.[4] The increase is in part due to longer lifespans and the significant improvement in cancer diagnosis in recent years. More cancers are being detected at an early stage, which improves the probability of treatment success.

The oncology market

The increase in cases is reflected by the high social costs of cancer care. In 2019, sales of oncology drugs amounted to USD 140 billion, from a base of USD 94 billion three years earlier. The oncology drug market is expected to more than double over the next five years and thereby comprise 20 percent of the total pharmaceutical market. Within the same timeframe, a range of new, innovative treatment methods will be launched in the market, a significant portion of which will be immunotherapies.[5]

The immuno-oncology market

Immuno-oncology is a form of cancer therapy that aims to stimulate the immune system to attack tumors. 27 of the antibody-based drugs approved to date in Europe and/or the US are in oncology, including several major immuno-oncology brands.[6] There have been major advances in the field in recent years and the immunotherapy drugs market is expected to grow rapidly in the years ahead.[6] However, the cost of treatment with the existing immunotherapies is high, for example Keytruda® (Merck) costs about SEK 80,000 per month and patient.[6] Variations occur, however, between geographic regions and types of cancer.

Competitive situation for immuno-oncology drugs

Since the immuno-oncology market concerns biologic drugs, there is less of a competitive threat from generic drugs. It is not yet possible to produce identical molecules at a low cost when patents expire. Competition at product level would require the development of new products that are highly similar (biosimilars). What this means in practice is that any company that wants to compete with biosimilars will have to conduct clinical studies before bringing the products to market. This applies particularly to the type of drug candidates developed by Alligator – agonistic antibodies – since the stimulatory effect can depend on the manufacturing process, which further complicates copying.

References

1 World Cancer Research Fund, World Cancer report 2018.
2 NIH National Cancer Institute, US. The Surveillance, Epidemiology, and End Results (SEER) Program.
3 IARC International Agency for Research on Cancer (IARC), Cancer Today (iarc.fr), December 2020.
4 IARC International Agency for Research on Cancer (IARC), Cancer tomorrow 2020.
5 The information has been obtained from the database GlobalData (Pharma Intelligence Center - Drug Sales), December 2020.
6 The Swedish Dental and Pharmaceutical Benefits Agency (Sw. Tandvårds- och läkemedelsförmånsverket). Hälsoekonomisk bedömning av Keytruda case no. 1166/2016.

The Alligator share

Since 2016, the Alligator share has been listed on Nasdaq Stockholm under the ATORX ticker. Alligator's share capital at December 31, 2020 totaled SEK 28,555,446, made up of 71,388,615 shares with a par value of SEK 0.40. At December 31, 2020, Union Bancaire Privee UBP SA was the largest shareholder with 6,842,981 shares corresponding to 9.6 percent of the share capital and the votes. In 2020, the number of shareholders grew to 7,847 (7,395). The proportion of foreign shareholders was 39.7 percent (44.9). The ten largest shareholders owned 50.7 percent (54.3) of the shares.

Price development and sales

Alligator shares were listed on Nasdaq Stockholm Mid Cap on November 23, 2016. In connection with the listing, a new issue was made at a price of SEK 32.50. The price of the Alligator share was SEK 10.22 (22.05) at the beginning of 2020, and SEK 7.63 (10.56) at year-end. The highest price paid in 2020 was SEK 10.22 (27.40) and the lowest SEK 4.63 (9.85). Alligator's market capitalization was SEK 544 million (754) at the end of 2020. A total of 38 million shares (43) were traded during the year, at a total value of SEK 325 million (632). This corresponds to a turnover of 53 percent (60) of the Company's shares. The average turnover per trading day was 150,582 shares (170,423) at a value of SEK 1.3 million (2.5). On average, 194 transactions (232) were completed on each day of trading.

Ownership, December 31, 2020

In 2020, the number of shareholders grew by 452 to 7,847 (7,395). The proportion of foreign shareholders was 39.7 percent (44.9). The ten largest shareholders owned 50.7 percent (54.3) of the shares.

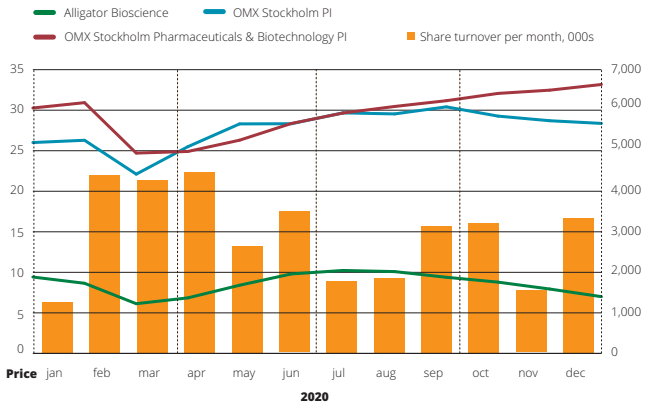
Share capital

Alligator has one option program, which is described on page 42 (in the administration report). During the year, no subscription options were converted to new shares (0 subscription options in 2019). With full dilution of all option programs, a further 2,401,701 shares were subscribed to, yielding a dilution of 3.25 percent. At December 31, 2020 the number of shares totals 71,388,615.

In January 2021, the Company carried out a rights issue of approximately SEK 86 million. Through the rights issue, the number of shares in the Company increases by 14,277,723 shares, from 71,388,615 shares to 85,666,338 shares. The rights issue entails a dilution of approximately 16.67 per cent for shareholders who are not participating in the rights issue.

There is only one class of share. Each share entitles the holder to one vote at the Annual General Meeting, and all shares have equal rights to the Company's assets and profits.

Price and volume development 2020



Brief facts about Alligator shares, Dec 31, 2020

Listed on:	Nasdaq Stockholm Small Cap
Number of shares:	71,388,615
Market cap:	SEK 544 million
Ticker:	ATORX
ISIN:	SE0000767188

Swedish and foreign ownership

Swedish, 60.3%
Foreign, 39.7%

Source: Euroclear Sweden

Dividend and dividend policy

Alligator will continue to focus on developing and expanding its product portfolio. Available financial resources and reported profits will therefore be re-invested in the business to finance Alligator's long-term strategy. The Board's intention is therefore not to propose any dividend to shareholders until the Company generates sustainable long-term profitability. Any future dividends, and the amount of these, will therefore be decided in the light of Alligator's long-term growth, financial performance and capital needs taking account of the goals and strategies in place at any given time. Where a dividend is proposed, it will take proper account of the business objectives, scope and risk.

The Board and the CEO propose that no dividend be paid for the 2020 financial year.

Distribution of financial reports

The annual report and quarterly reports are available on Alligator's website, www.alligatorbioscience.com.

The annual report is distributed on request and can be ordered from Alligator Bioscience AB, Medicon Village, SE-223 81 Lund, Sweden, by calling +46 540 82 00 or e-mailing: info@alligatorbioscience.com.

Future report dates

Interim reports will be published in 2021 on April 27, July 13 and October 21. Year-end report 2021 will be published in February 2022.

Analysts covering Alligator

Carnegie: Erik Hultgård
DNB: Patrik Ling
Kempen: Ingrid Gafanhao
Redeye Securities: Niklas Elmhammer

Largest shareholders, Dec 31, 2020

Largest shareholders	No. of shares	%
Union Bancaire Privee, UBP SA	6,842,981	9.6
Banque Internationale à Luxembourg SA	6,819,845	9.6
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
Försäkringsbolaget Avanza pension	2,487,740	3.5
Fjärde AP-fonden	2,273,183	3.2
Magnus Petersson	1,631,988	2.3
Öhman fonder	1,558,631	2.2
Mikael Lönn	1,442,183	2.0
Other shareholders	36,618,802	51.3
Total	**71,388,615**	**100.0**

Union Bancaire Privee, (UBP) and Banque Internationale à Luxembourg SA (BIL) is a group of mainly Swedish investors with their shares managed by UBP or BIL.

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

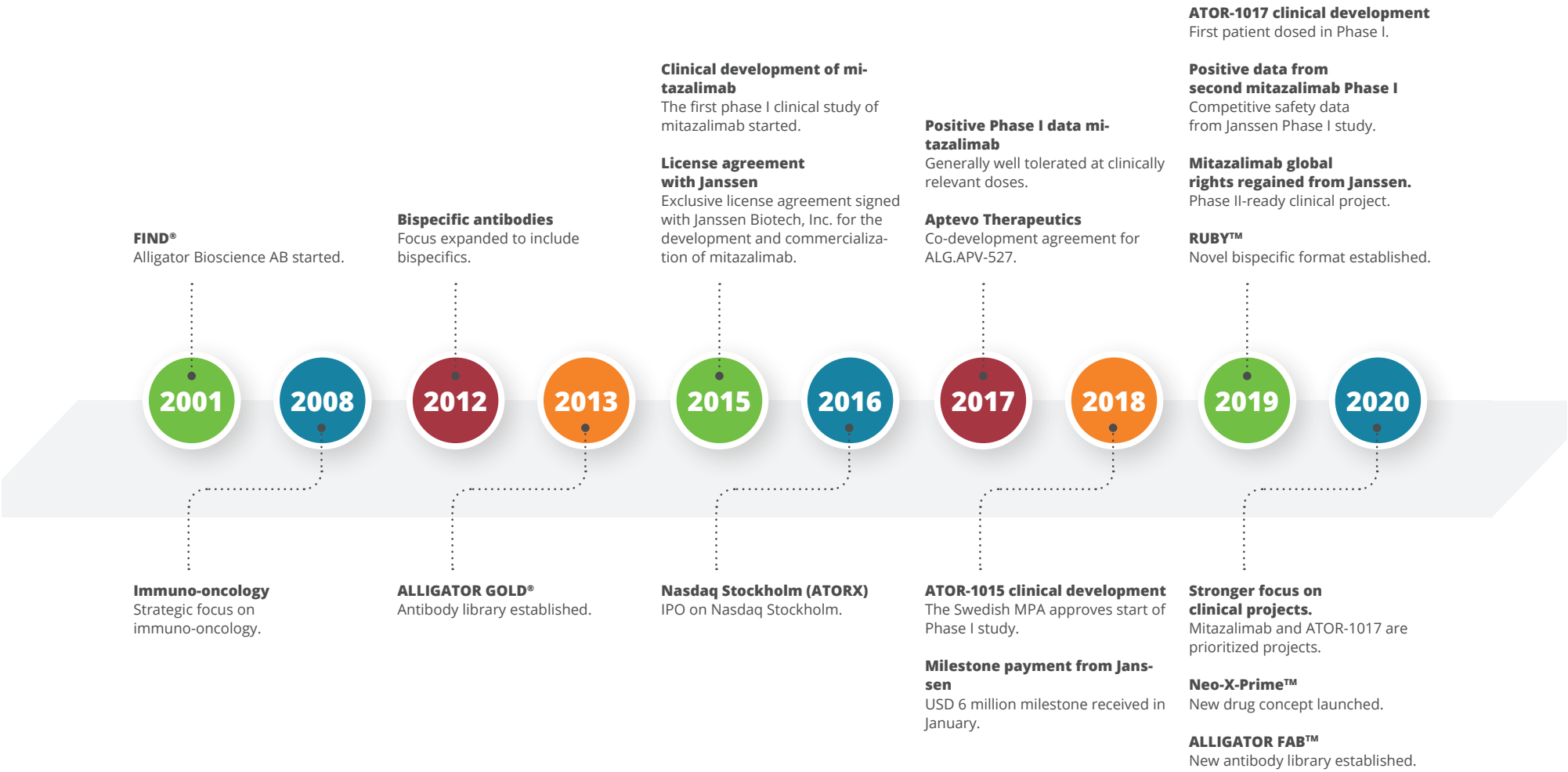
Shareholder data, Dec 31, 2020

Size of holding	No. of shareholders	No. of shareholders, %	No. of shares, %
1-500	4,275	54.5%	1.0%
500-1,000	1,154	14.7%	1.4%
1,001-5,000	1,640	20.9%	5.7%
5,001-10,000	377	4.8%	4.2%
10,001-15,000	109	1.4%	1.9%
15,001- 20,000	69	0.9%	1.8%
20,001-	223	2.8%	84.0%
Total	**7,847**	**100.0%**	**100.0%**

Our business

Alligator is a science and research-based Company, with its focus fixed on the future. All of our employees possess exceptional expertise, creativity and curiosity. We work together to achieve our common goal: to create tomorrow's cancer treatment.

Important milestones in Alligator's history



How Alligator works with sustainability

Sustainability is a priority issue for Alligator's employees and investors. We are convinced that a clear sustainability agenda will allow us to strengthen our brand and position in the market. In 2019, we therefore launched a project to ensure that our business and value chain are characterized by and contribute toward the Agenda 2030 Sustainable Development Goals.

Alligator has engaged the experienced sustainability consultant Katarina Skalare, who together with an internal project group has reviewed operations from a ecological, social and economic sustainability perspective. The findings were summarized in a report including prioritized targets and activities that form the basis of our work with Agenda 2030.

OUR FOCUS:

IMPROVING HUMAN HEALTH

Alligator is a research-oriented Company that develops tumor-directed antibody therapies. Our entire concept and business aims to eliminate cancer. We therefore have a strong connection to the third Sustainable Development Goal – Good Health and Well-being. Moreover, we are active in promoting the well-being, work environment and health and safety of our employees.

ACTIVITIES 2020–2021

Our ambition is to constantly improve our sustainability.
The following areas and activities are in focus in 2020 and 2021.

Ecological sustainability

- Identify the climate impact from operations and to initiate activities to minimize such impact.

Social sustainability

- Communicate internally and externally how we work with sustainability, equality, diversity and employee development.
- Establish gender equality targets for the Company and Management.

Economic sustainability

- Further develop procedures to monitor regulatory compliance.
- Influence suppliers to sign the ethics policy.

Alligator's employees
are developing the next generation of tumor-selective immunotherapies

Since Alligator started in 2001, we have successfully attracted and retained a number of leading researchers in immuno-oncology. Our core values – Respect, Dedication and Innovation – are deeply embedded in the organization and guide our day-to-day operations toward the common goal of developing a drug that can defeat cancer.

Alligator is a science and knowledge-based Company, whose success is built on the experience, expertise, commitment and creativity of our employees. In 2020, the avarage number of employees in the Group was 50 (55), of whom 35 (42) were women. At the end of the year, the number om employees was 43 (55), of whom 38 (47) were in research and development. Most of our employees are highly qualified, for example more than 95 percent of laboratory staff have university education.

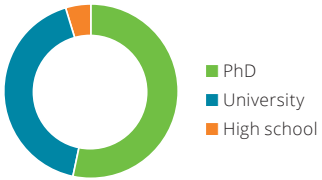
Why Alligator is an attractive employer

Alligator successfully attracts and retains leading expertise for several reasons. We allow every individual researcher to become an integral part of the world-class research conducted by the Company. We also offer everyone the freedom to achieve academic recognition by presenting their research findings in medical journals and at international congresses under their own name. The combination of wide-ranging growth opportunities, Alligator's unique position and the Company's core values has created a strong brand in both the academic community and the international pharmaceutical industry, making the Company a highly attractive employer. When we recruit new employees, we place great importance on both expertise and personal qualities to enable us to continue to develop the Company in line with our research objectives and core values.

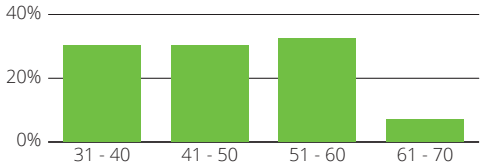
Internal career paths at Alligator

It is important that we can offer our employees an opportunity to grow and develop within the Company and their roles. As a means of creating internal career paths at the Company, we take an active role in the Career Day events arranged by Medicon Village, the Science Park where we are based in Lund. We also work closely with the academic community by offering a number of national and international post-graduate positions.

Education



Age structure, as a percentage



Gender distribution, in general and senior executives

Regina joined Alligator in the midst of a pandemic

How does it feel to be new at work when most people are working from home? For Regina Kimblad, the first few months of work as Outsourcing Director at Alligator were not what she had imagined. Her first week at work coincided with the outbreak in earnest of Covid-19 in Sweden, which meant she had to get to know her new colleagues remotely.

How did it feel to start a new job during the coronavirus pandemic?
After finishing my previous job in Denmark and taking one week off, I began working at Alligator on March 9, 2020. Just like everyone else, I was appalled by the strong spread of the disease in Europe. It was a little difficult to comprehend what was actually happening. I remember that management decided early in March that everyone who could should work from home. Luckily, I had just managed to have a guided tour of the premises and could introduce myself to many of my colleagues before the instruction to work from home was given.

Did to receive another type of introduction?
Of course I was given another introduction, though I have worked at international companies for many years, where remote contacts are a natural part of the job. I am used to having colleagues in other locations, often in other countries, so it has not been too strange to get to know my new colleagues remotely. The use of video conferencing programs has become more common for everyone and chat is also a good way of contacting colleagues. Though it naturally takes longer to match names to faces when you do not meet. Generally, I think the introduction was very good. I spent a lot of time initially reading about Alligator as a Company, mandatory processes and about our various projects and this was fine to do from home. But I am of course longing for the time when we can all meet at the office again.

You are Alligator's first Outsourcing Director. How do you spend your days?
My main task is to support the clinical studies by ensuring they have the necessary expertise and resources. My part of the job starts when we are about to begin studying the drug candidates in patients. I am then in charge of work to request information from various suppliers, such as Contract Research Organizations and laboratories. Many companies want to work with us and it is therefore important to find the best match for our exact needs. If I am to be successful, I need expert help from my colleagues in each study team. When we have sufficient documentation for a decision, I ensure that we sign a contract and then maintain contact with the supplier to monitor the work and enter into additional agreements when needed.

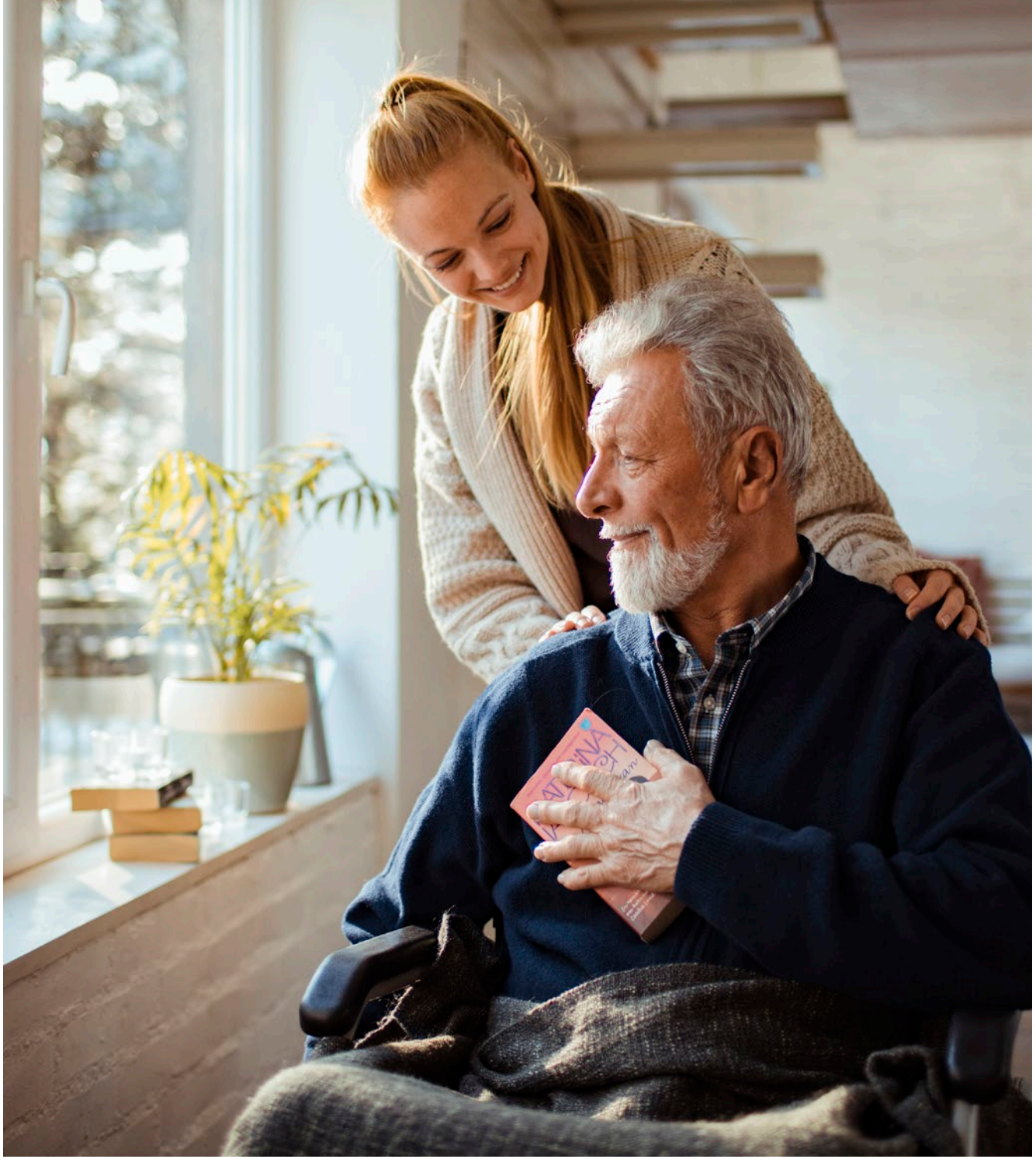
Regina Kimblad, Outsourcing Director at Alligator

What are your experiences of Alligator as a workplace?
A wonderful gang of people work here! Everyone is happy, open and are always ready to smile. It is also marvelous that we all share an office, regardless of your position in the Company. Having your colleagues close at hand is ideal when you need to talk, though this has of course been physically limited during the pandemic. My department has worked from home for most of the time since I was employed, as this is possible considering our work duties, but we have a virtual coffee break together every morning using Teams, which is great.

A portfolio of potential oncology drugs

Alligator develops several drug candidates with the potential to defeat cancer.

The most advanced focus project, mitazalimab, recently received approval to start Phase II clinical studies. The results of the Phase I studies showed competitive safety data and initial signs of clinical efficacy. If the forthcoming clinical studies are successful, mitazalimab could potentially be launched in 2026 and gain 20–40 percent of the market. In parallel to the clinical projects, Alligator conducts research to identify new, interesting antibodies with the potential to develop into potent drugs. Our goal is always to limit the adverse effects of the treatment without compromising efficacy.



Mitazalimab

Ready for clinical Phase II study of pancreatic cancer

Mitazalimab is an antibody that binds to CD40 receptors and has been developed primarily for the treatment of pancreatic cancer. Two clinical Phase I studies have been completed to date, one by Alligator and one by a former partner (Janssen Biotech, Inc., 2015–2019). The extensive clinical data package showed promising safety and tolerability, and initial signs of clinical efficacy.

Clinical Phase I

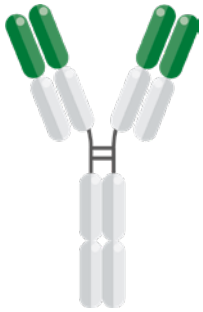
To date, the clinical program has comprised two Phase I studies. The first study was conducted by Alligator with a focus on intra-tumoral administration. The results of the study showed that clinically relevant doses of mitazalimab are well tolerated. The second Phase I study, conducted by Janssen, included 95 patients. As part of this study, doses of 1200 µg/kg i.v. with no premedication, and up to 2000 µg/kg with premedication were shown to be safe and tolerable. The results also gave indications of clinical activity. One renal cancer patient showed Partial Response (PR), while ten patients maintained Stable Disease (SD) for at least six months.

Activities in 2020

- In June, a partnership agreement was signed with Scandion Oncology to study the anti-tumor effect of mitazalimab in combination with Scandion Oncology's substance SCO-101. The combination will be administered in addition to chemotherapy in preclinical tumor models shown to be resistant to chemotherapy. The idea is that SCO-101 will break the resistance and further strengthen mitazalimab's anti-tumor effect.
- The continued clinical development plan presented in August contained a more detailed description of the upcoming Phase II OPTIMIZE-1 clinical study. The study is an open-label, multicenter study to assess the clinical efficacy of mitazalimab combined with chemotherapy (mFOLFIRINOX) in patients with metastatic pancreatic cancer. The OPTIMIZE-1 study will be conducted at several European medical centers and inclusion of the first patient is planned for the first half of 2021.
- In September, positive biomarker data from the Phase I study conducted by Janssen Biotech, Inc., confirmed mitazalimab's mechanism of action. Biomarker data showed the predicted upregulation of important genes, such as PD-L1, following treatment with mitazalimab.
- In November, new preclinical comparative data was presented showing that mitazalimab has highly competitive characteristics in the CD40 field. In the analysis, mitazalimab was compared with analogs of CD40 antibodies from key competitors. The data comparison demonstrates mitazalimab's potent anti-tumor effects and immunostimulatory properties.
- In December, a CTA was submitted, which is an application to initiate a Phase II clinical study in 2021.

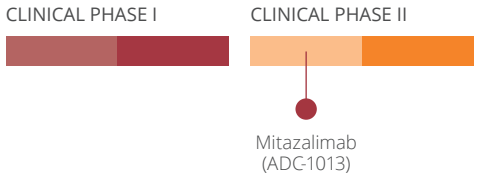
Antibody

Mitazalimab is an agonistic antibody that targets CD40, a receptor on the immune system's dendritic cells, which are cells that detect enemies such as cancer cells. Mitazalimab's stimulation of CD40 enables dendritic cells to activate the immune system's T cells, to direct the immune system's attack specifically to the cancer cells. Preclinical results have shown that mitazalimab can be used to treat many different types of cancer.



Development status and clinical objectives 2021

The continued clinical development plan for mitazalimab consists of a Phase II combination study. The Phase II study is expected to commence in the second half of 2021.



Medical and commercial objectives

Medical objectives
Mitazalimab is designed for the treatment of metastatic cancer, such as pancreatic cancer. Activation of the CD40 receptor on the immune system's dendritic cells enhances their ability to attack the cancer cells.

Commercial objectives
With a successful launch, mitazalimab is expected to gain a 20–40 percent share of the market, which means annual sales in the range of USD 450 million–1.5 billion. Potential launch 2026.

Pancreatic cancer
– a type of cancer with few effective treatment methods

77 year old Ingrid had experienced abdominal pains and loss of appetite for a few weeks before she contacted her doctor. Following several careful examinations she was diagnosed with pancreatic cancer, a type of cancer that is difficult to treat and has a poor prognosis. A large share of Alligator's research is to find alternatives to surgery – the only effective treatment currently available.

Ingrid, a fictitious name, is one of approximately 1,300 patients who are diagnosed with pancreatic cancer every year. This type of cancer is common among patients over the age of 65 and is equally present in men and women. For Ingrid, who had always lived an active life with excercise and social activities, the diagnosis turned her life upside down. Uncertainty about the future had a profound impact on both her and her family.

Symptoms that are difficult to diagnose
Pancreatic cancer causes diffuse symptoms, such as pain in the upper abdomen, poor appetite, weight loss and sometimes even jaundice. The symptoms are similar to other diagnoses, which means the tumor is often discovered at a late stage and has by then already led to metastases in other organs. Currently, surgery is the only method to fully treat the cancer, but only 20 percent of patients are offered an operation. If the cancer has spread in the body, it is incurable and the patient is instead offered palliative treatment.

A difficult diagnosis
In Ingrid's case, the cancer tumor had, regrettably, been growing in the pancreas for some time without any visible symptoms. The cancer had spread to the peritoneum and doctors could therefore not remove the tumor surgically. It is hard to receive a cancer diagnosis, particularly when the prognosis is poor. Ingrid and her family were worried and depressed. They coped with their grief by spending as much time as possible together. Ingrid continued to take part in activities with the senior citizens' association and goes Nordic walking a few times a week. At the same time as everything was turned upside down, everyday life remained.

A new everyday life
On Tuesdays and Thursdays, Ingrid is visited by healthcare workers from the palliative team. She still lives at home but receives help with some household chores, and is given advice on medication, diet and exercise that can alleviate symptoms. Abdominal pain and poor appetite can be partially alleviated, which gives her more energy. Even though she is aware that her condition will deteriorate, she is in good spirits. The incurable cancer diagnosis was difficult to bear, but family and friends are nearby. Together, they make the most of the time left.

Tumor-directed cancer treatment
Treatment options are limited for pancreatic cancer, as surgically removed tumors usually reappear after a few years. Alligator's researchers work therefore purposefully to find alternatives to surgery. We strive to identify and develop antibodies that can effectively treat cancer tumors, without serious adverse effects to the patient. Alligator's drug candidate mitazalimab is an antibody that binds to CD40 receptors and could be used in the treatment of pancreatic cancer. Following two successful clinical Phase I studies, mitazalimab is now beginning Phase II studies.

3%

Pancreatic cancer accounts for about 3 percent of all cancer cases in Sweden, but one quarter of all cancer-related deaths.

ATOR-1017

Promising interim data in clinical Phase I

The ATOR-1017 drug candidate is being developed to improve combination therapy for metastatic cancer. ATOR-1017 stimulates the 4-1BB receptor on T cells and NK cells in the tumor region. 4-1BB has an ability to stimulate the immune cells that are key for tumor control.

A Phase I dose-ranging study in patients with metastatic cancer is ongoing and planned to include up to 50 patients. The study is taking place at three medical centers in Sweden, and the primary endpoint is to assess the safety and tolerability of ATOR-1017 and determine a recommended dose for subsequent Phase II studies. ATOR-1017 stimulates both NK cells and T cells, both of which contribute to an effective killing of tumor cells. NK cells are immune cells that respond specifically to tumor cells that are 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 targeting 4-1BB therefore strengthen the ability of both NK cells and T cells to attack tumor cells. Overall, the preclinical data supports positioning of the 4-1BB antibody ATOR-1017 as best-in-class with the potential to minimize side effects and trigger powerful, long-lasting immune responses.

Clinical development in 2020

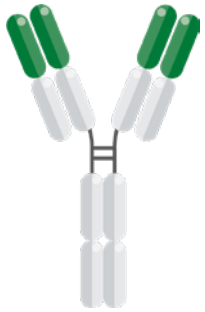
In autumn 2020, interim data from the ongoing Phase I study in patients with metastatic cancer was presented. The results to date show a promising safety profile for ATOR-1017. Most of the observed side effects were mild or moderate (grade 1 or 2) and offer an indication that ATOR-1017 stimulates the patient's immune system.

Activities in 2020

- Expected therapeutic dose levels reached in ongoing Phase I study.
- In October, the Data Review Committee that is protecting patient safety in the Phase I study with ATOR-1017 approved a dose level of 100 mg and approved a continued assessment of the higher dose level of 200 mg, corresponding to approximately 3 mg/kg.
- In June, the United States Patent and Trademark Office (USPTO) issued Patent No. 10,689,454. This is the first US patent issued for ATOR-1017 and is valid until at least 2037.

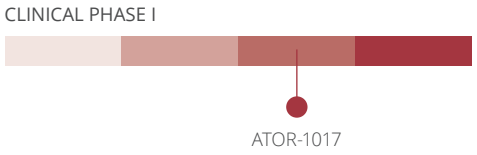
Antibody

ATOR-1017 is a monoclonal antibody that activates the costimulatory function of 4-1BB on T and NK cells in the tumor region and has been developed for the treatment of metastatic cancer. 4-1BB has the capacity to stimulate the immune cell populations required for tumor control. It has also been shown that ATOR-1017 has a dose-dependent inhibitory effect on tumor growth and improves survival.



Development status and clinical objectives 2021

The results of the clinical Phase I study that began in December 2019 are expected to be interpreted in H1 2021.



Medical and commercial objectives

Medical objectives
ATOR-1017 synergizes with current immunotherapies to increase immune activation and hence the number of cancer patients that responds to therapy.

Commercial objectives
ATOR-1017 is developed for gastric cancer as primary indication, one of the most common and deadly cancers where current immunotherapies provide limited effect. The drug candidate has the potential to reach the market in 2027.

Oncology consultant believes in potential of immunotherapy

Researchers and caregivers around the world are working together toward a common goal: to completely cure cancer and save lives. But how close are we to actually reaching the goal and what treatment options are currently available?

Gustav Ullenhag is an oncology consultant at Uppsala University Hospital (Akademiska sjukhuset) and associate professor at Uppsala University. He has studied immunotherapy for more than 20 years, a field that has received more attention since the Nobel Prize in Medicine was awarded to two researchers in the field in 2018. Immunotherapy can be particularly effective in patients with metastatic cancer, with little or no opportunities for surgical intervention. Gustav is currently principal investigator in the clinical Phase I study of Alligator's drug candidate ATOR-1017.

What do you consider the advantages and disadvantages of immunotherapy?
I like the idea of using the body's own cells to eliminate cancer. Unlike our traditional treatment with chemotherapy, the risk of infection does not increase with immunotherapy. The main disadvantage is that most cancer patients cannot benefit from today's established immunotherapy. More research is needed so we can identify more effective treatment methods.

What treatment options are currently available to patients with metastatic cancer?
It depends on the type of cancer and the metastases involved. A patient with a thin malignant melanoma requires simple surgery, while immunotherapy in the form of checkpoint inhibitors is the preferred option when the tumor has created metastases. Chemotherapy is still the cornerstone of several types of cancer, such as colorectal cancer. Hormone treatment plays a central role in breast cancer and prostate cancer.

Our common goal is to completely eliminate cancer. How close are we to achieving this goal?
The situation is unfortunately completely different depending on the type of cancer. For example, we are close to eliminating testicular cancer, but there is still a very long way to go for, say, pancreatic cancer.

"I believe in the potential to use the body's own cells to eliminate cancer" – Gustav Ullenhag, oncology consultant at Uppsala University Hospital and associate professor at Uppsala University

ALG.APV-527

A bispecific antibody for the treatment of metastatic cancer

ALG.APV-527 targets the 4-1BB and 5T4 molecules, which means it has the potential to treat metastatic cancer. Since 2017, the drug candidate has been co-developed with Aptevo Therapeutics Inc. and the next step will be to submit a CTA to initiate clinical testing.

Project status: Preclinical development completed
In June and November of 2020, preclinical data for ALG.APV-527 were presented at the PEGS Virtual Interactive Global Summit and the Society for Immunotherapy of Cancer's (SITC) Annual Meeting. Data shows that ALG.APV-527 has a positive safety profile, with no signs of systemic immunostimulation or liver toxicity. ALG.APV-527 also increases the anti-tumor response and induces a tumor-specific immunologic memory in experimental disease models. It has already been shown that ALG.APV-527 has the potential to selectively stimulate and strengthen the T-cell response in the tumor without stimulating the immune system in the rest of the body. Overall, the results support the potential of ALG.APV-527 to induce effective tumor-targeted immunostimulation with fewer adverse events.

Co-development with Aptevo
In July 2017, Aptevo Therapeutics Inc. and Alligator signed an agreement regarding the co-development of ALG.APV-527. Under the agreement, both companies will own and finance the development. The original molecules involved in the tumor-binding function and the immunomodulatory function of ALG.APV-527 were developed using Alligator's patented ALLIGATOR-GOLD® antibody library. The bispecific molecule was further developed and improved with Aptevo's technology platform ADAPTIR™. A tumor-binding function was combined with an immunomodulatory function in the same molecule to create a drug candidate that can selectively target the tumor and stimulate the antitumor-specific immune cells that are found there.

ATOR-1015

Tumor-localizing bispecific antibody with dual immuno stimulatory function

ATOR-1015 is a bispecific antibody that is being developed as a tumor-directed therapy for metastatic cancer. One part of the antibody blocks CTLA-4, a target molecule with validated clinical efficacy. The other part binds to OX40, which localizes the antibody to the tumor region and enables both increased effect and improved safety.

ATOR-1015 binds to two different immunomodulatory receptors: the CTLA-4 checkpoint receptor, and the OX40 stimulatory receptor. Combining both of these immunotherapies in the same molecule creates a new biology. In preclinical studies, this has been shown to cause a significant increase in the immunostimulatory effect. The effect is mainly expected to be achieved in environments where both of the target molecules are expressed at high levels, such as a tumor.

US patent granted
The ATOR-1015 antibody has been assembled and optimized using Alligator's unique ALLIGATOR-GOLD® and FIND® technologies and a bispecific fusion format. In September 2020, the United States Patent and Trademark Office (USPTO) issued Patent No. 10,774,150 for ATOR-1015 with validity until at least 2036.

Alligator seeks partner for continued clinical development
Data from the Phase I study has shown that ATOR-1015 causes infusion-related events, which is considered related to the development of anti-drug-antibodies. This entails a need for careful assessment of clinical data. Preclinical research and a new study protocol will be required, as well as contact with regulatory authorities, prior to the initiation of any further clinical studies. Alligator intends to seek a partner for the continued clinical development process.

Project status: Phase I
The Phase I study comprises patients with metastatic cancer. The principal investigator is Dr Jeffrey Yachnin from the Department of Oncology at the Karolinska University Hospital in Stockholm. The primary endpoint of the study is to examine the safety and tolerability of ATOR-1015.

Out-licensed projects

AC101 agreement with AbClon

Through its subsidiary Atlas Therapeutics AB, Alligator holds a participating interest in the clinical Biosynergy (AC101/HLX22) project, 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 a share of any future returns. In previous financial years, Alligator received two milestone payments totaling USD 3 million in conjunction with regional and global out-licensing of one of these products, the HER2 antibody AC101.

Technology agreement with Biotheus

In August 2019, an agreement was concluded with Chinese Company Biotheus. 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 upfront payments, and milestone and option payments of potentially USD 142 million. To date, USD 1 million has been received.

Administration report

The Board and CEO of Alligator Bioscience AB (publ), based in Lund, Sweden, corporate ID no. 556597-8201, hereby present the annual accounts and consolidated accounts for the 2020 financial year for the Parent Company and the Group.

Overview of business 2020

Alligator's business
Alligator Bioscience is a public Swedish biotechnology Company that develops novel immuno-oncology drugs for tumor-directed immunotherapy, with the aim of providing cancer patients an 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 for novel and improved therapies in this area.

Alligator's research and development work is based on the Company's technology platforms; the human antibody library ALLIGATOR-FAB™ and ALLIGATOR-GOLD®, the protein optimization technology FIND® and a bispecific antibody format.

Focus
The Company is mainly involved in the early phases of drug development, from the formation of ideas to clinical Phase II studies. Alligator's strategy is to cement its position as a key player in tumor-directed immunotherapy by developing innovative immune-activating drug candidates with the potential to be 'first-in-class' or 'best-in-class'.

Employees
The average number of employees in the Group in 2020 was 50 (55), of whom 35 (42) were women. At the end of the year, the number of employees was 43 (55), of whom 38 (47) were in research and development. Salaries, remuneration and other employee-related expenses totaled SEK 55.7 million (60.6).

Significant events in 2020
New strategy with greater focus on the clinical development portfolio
In April 2020, Alligator made a strategic decision to focus the Company's resources on the projects that have the prospects of most rapidly generating the greatest value. In order to secure the value of clinical drug candidates, Alligator has decided to reduce its investments in non-clinical-related activities. This meant a reduction in the organization by 11 employees, equivalent to slightly more than 20 percent of the Company's workforce. In October, the strategy was further enhanced with the decision to mainly focus internal resources on ATOR-1017 and mitazalimab. These drug candidates have potential in major cancer indications with substantial medical needs and large markets.

Alligator's clinical development portfolio comprises the four drug candidates below, all for the treatment of metastasized cancer.

Mitazalimab – CTA submitted for the forthcoming Phase II study
The clinical development plan for mitazalimab was drawn up during the year and will first include the clinical Phase II study OPTIMIZE-1. The study will assess the clinical efficacy of mitazalimab combined with chemotherapy in patients with metastatic pancreatic cancer. During the year, additional information was presented from the Phase I study conducted by Janssen Biotech, Inc., where positive biomarker data confirmed mitazalimab's mechanism of action. In June 2020, a new preclinical partnership agreement was signed with the Danish biotech Company Scandion Oncology. The collaboration is to evaluate mitazalimab's synergistic effects in combination therapies using chemotherapy.

ATOR-1017 shows promising safety profile
In August, interim data from the ongoing Phase I study in patients with metastatic cancer was presented. The results to date show a promising safety profile for ATOR-1017 with only a few drug-related side effects. The Data Review Committee that is protecting patient safety in the Phase I study with ATOR-1017 approved a continued assessment of the higher dose level of 200 mg, which is considered a therapeutically relevant dose, meaning a dose that is expected to produce a therapeutic effect. A first patent in the development program was approved by the United States Patent and Trademark Office and provide protection until at least 2037.

ATOR-1015 – revised plan, seeking partner for continued clinical development
Work with the Phase I clinical study progressed well with 11 dose levels evaluated for initial safety. During the autumn, however, data from the Phase I study showed that ATOR-1015 causes infusion-related events, which is considered related to the development of anti-drug-antibodies. This entails a need for careful assessment of clinical data. The revised plan due to the additional assessment of dosage and side effects will lead to delays in the Phase Ib study and Alligator has decided to seek a partner for continued clinical development.

ALG.APV-527 preclinical development completed
ALG.APV-527 is co-developed with Aptevo Therapeutics Inc. and was one of the drug candidates for which the Company sought a partner to move the project into clinical development. In November 2020, Alligator and Aptevo decided to prepare ALG.APV-527 for clinical Phase I while continuing to investigate licensing opportunities.

New concept – Neo-X-Prime™ – developed using ALLIGATOR-FAB™
The Company's innovation platform and drug research, the Discovery unit, is being retained in the focused strategy, to ensure the Company's long-term development. In the autumn, Alligator launched a completely new proprietary drug concept for personalized immunotherapy, called Neo-X-Prime™, based on the new antibody library ALLIGATOR-FAB™ and the bispecific format RUBY™. The concept can be described as a personalized vaccination, where the antibody binds to small particles, only

found in cancer cells, and activates parts of the immune system. This generates new T cells, enabling a targeted and highly potent cancer treatment.

Covid-19 pandemic

Covid-19 has had a serious impact on everyone around the world, particularly the healthcare sector. As a result of the increased pressure on the healthcare system, the scope for conducting clinical studies decreased temporarily during the spring. Patient recruitment to the Company's ongoing Phase I studies was temporarily suspended in March and April 2020, and was then resumed. During the final month of the year, patient recruitment was again difficult, with the healthcare system under pressure from the increased spread of the virus. Alligator was quick to switch to more extensive virtual activities whereby a large share of the office-based staff have worked from home, with the exception of key laboratory work, which has continued following the implementation of safety measures to prevent the spread of Covid-19. Government grants approved for short-time working for laid off staff amounted to SEK 1.1 million during the year.

Technology agreement with Biotheus of China validates Alligator's expertise

Our partner Biotheus decided to proceed with the antibody collaboration following a thorough technical evaluation, which led to a payment to Alligator of USD 0.5 million in June. The agreement concerns the Chinese rights to an immunostimulatory antibody from the ALLIGATOR-GOLD® antibody library, with the aim of creating up to three new bispecific molecules.

Organization and management

The management team has been expanded with new members during the financial year. In the beginning of 2020 Malin Carlsson assumed the role of COO, and Marie Svensson was appointed new CFO and assumed the position on September 1. Gayle Mills was appointed CBO in September and Christina Reimer new CMO in December. In January 2021, after the end of the period, Peter Ellmark was appointed CSO.

Significant events after the end of the period

On January 27, 2021, the Board of Directors of Alligator concluded the share issue with pre-emption rights for the Company's shareholders that it resolved upon on December 15, 2020. The rights issue generated proceeds of approximately SEK 86 million for Alligator before deduction of issue costs. 13,895,925 shares, corresponding to approximately 97 percent of the rights issue, were subscribed for by exercise of subscription rights (including subscription undertakings). Furthermore, 9,305,467 shares were subscribed for without subscription rights, corresponding to approximately 65 percent of the rights issue. As a result of the right issue, the number of shares in the Company will increase by 14,277,723 shares, from 71,388,615 shares to 85,666,338. The Company's share capital will increase by SEK 5,711,089.20, from SEK 28,555,446 till SEK 34,266,535.20. The dilutive effect for shareholders who did not participate in the rights issue thus amounts to approximately 16.67 percent.

Income, expenses and earnings

Due to the nature of the business operations, there may be significant fluctuations in income between periods. These are not seasonal or otherwise recurring in nature, but rather are primarily related to the achievement of milestones that trigger remuneration in out-licensed research projects.

Sales during the year amounted to SEK 4,352 thousand (4,358). Income for the year was primarily from the second quarter when a second milestone payment was received linked to the license agreement with Chinese Company Biotheus. Income in the preceding year was primarily generated in the third quarter when the Company signed a licensing agreement with Biotheus, which thereby secured the Chinese rights to an antibody from the ALLIGATOR-GOLD® antibody library.

Other operating income of SEK 2,315 thousand (1,038) relates mainly to exchange gains in the Company's operations and government grants for short-time working for the current year. In the year-earlier period, revenue comprised exchange gains in the Company's operations.

Operating costs amounted to SEK -150,964 thousand (-219,915). Costs fell compared with the preceding year due to the reduction of investments in non-clinical-related activities, smaller workforce and the conclusion of the manufacturing of clinical study materials in some projects.

The operating loss was SEK -144,298 thousand (-214,519).

Total financial items amounted to SEK 1,002 thousand (4,406) and pertain to returns on liquidity and financial assets as well as exchange gains/losses as a result of significant liquidity positions in EUR, GBP and USD.

The Group had no tax cost for 2020 (0). At the end of 2020, the Group's cumulative tax loss carryforwards amounted to SEK 854 million (725).

Loss before and after tax was SEK -143,296 thousand (-210,112). Loss per share before and after dilution was SEK -2.01 (-2.94).

Change of classification

During the 2017–2020 period, the Company held interest funds, which were recognized as cash and cash equivalents. The holding was divested in full in the first quarter of 2020. The Company has informed readers of the annual report of the conclusion that the funds conform to the definition of cash and cash equivalents in Note 3 Important estimates and judgments. In October 2020, the Council for Swedish Financial Reporting Supervision informed the Company of the Council's decision that the holding does not conform to the definition of cash and cash equivalents in IAS 7 as the investments cannot be converted into a known amount of cash within one working day. In the interim report for the third quarter of 2020, the Company complied with the Council's decision to retroactively change the classification of the interest funds.

The summary below (Note 32) describes the effects of the change for the Group's consolidated statement of financial position at December 31, 2019 and the Group's consolidated statement of cash flow for Jan–Dec 2019.

The change does not impact the Group's income statements and earnings per share. No change is applicable to classification of the Parent Company's financial statements as the holding there is already classified as other short-term financial assets.

Financial position
At year-end, equity amounted to SEK 115,244 thousand (258,498). At the end of the period, this corresponded to equity per share outstanding of SEK 1.61 (3.62) before and after dilution. Consolidated cash and cash equivalents comprised bank balances and totaled SEK 103,342 thousand (93,890) at the end of the period. In order to continue pursuing our focus project mitazalimab and ATOR-1017, the Company carried out a rights issue in January 2021. At the time of the declaration of this Annual Report, the Company's assessment is that the financial resources are sufficient for planned activities for the forthcoming twelve-month period.

At the beginning of 2020, a portion of the Group's liquidity was invested in short-term fixed income funds. This investment was divested in the first quarter and the value at the end of 2020 was SEK 0 thousand (102,980).

During the year, the Company also divested its holding in corporate bonds and the value at the end of 2020 was SEK 0 thousand (53,016), which is recognized as other long term financial securities.

The Group had no borrowings at December 31, 2020 and no loans have been raised since that date. The Group has no loans or loan commitments.

The Group plans to use its liquid funds to finance its operating activities. According to the Group's Financial Policy, the Group is to have sufficient bank balances to cover its expected liquidity requirements for a minimum of 12 months. Some liquidity is invested in foreign currency accounts in USD, GBP and EUR. In accordance with the Group's Financial Policy, inflows of foreign currencies exceeding the expected requirements for the coming 18 months are converted to SEK at the time of payment. Besides this, no further hedging has taken place.

Investments and cash flow
Investments for the full-year totaled SEK 102 thousand (2,185). Of these, SEK 102 thousand (2,069) was invested in laboratory equipment. An additional SEK 0 thousand (116) was invested in software. Cash flow for the year amounted to SEK 9,386 thousand (-19,572).

Future outlook
The Company's overall goal is to build a portfolio of clinical development projects within immuno-oncology which have a balanced risk profile and can produce substantial income for the Company through licensing or sales. The Company works continuously to secure the financing of the operation. This includes both business development for new partnering agreements, with an upfront payment upon signing, as well as other financing options. At the time of the declaration of this Annual Report, the Company's assessment is that the financial resources are sufficient for planned activities for the forthcoming twelve-month period.

Environmental information
Alligator's business does not require a permit under the Swedish Environmental Code but it is subjected to regular environmental inspections. We comply with official requirements for the management and destruction of hazardous waste and work actively to reduce our use of environmentally harmful substances and our energy consumption.

Guidelines for remuneration of senior executives
According to the Swedish Companies Act, the Annual General Meeting shall decide on guidelines for remuneration to the CEO and other senior executives. Guidelines were adopted at the Annual General Meeting on May 5, 2020. No deviations from these guidelines have been made. The Board of Directors proposes that unchanged principles for remuneration to the CEO and other senior executives shall apply from the Annual General Meeting 2021. These principles have the following content:

Scope and applicability of the guidelines
These guidelines comprise the persons who are part of Alligator Bioscience AB's ("Alligator") group management, currently the CEO, COO, CFO, CSO, CMO, SVP Projects. The guidelines also encompass any remuneration to members of the board of directors, in addition to board remuneration.

These guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2020. These guidelines do not apply to any remuneration resolved by the general meeting, such as e.g. board remuneration and share-based incentive programs.

The guidelines' promotion of the Company's business strategy, long-term interests and sustainability
Alligator's business strategy include in brief proprietary drug development – from early-phase research and preclinical development to Phase II clinical studies, when the treatment is validated in patients. The strategy is thereafter to subsequently out-license the drug candidate to a licensee for further development and market launch. For more information about the Company's business strategy, see Alligator's latest annual report.

A successful implementation of Alligator's business strategy and safeguarding of Alligator's long-term interests, including its sustainability, require that the Company is able to recruit and retain highly competent senior executives with a capacity to achieve set goals. In order to achieve this, Alligator must offer a competitive total remuneration on market terms, which these guidelines enable.

Long-term share-based incentive programs have been implemented in Alligator. For further information about these

programs, see Alligator's latest annual report. The share-based incentive programs have been approved by the general meeting and are therefore not covered by these guidelines.

Types of remuneration, etc.
The remuneration shall be on market terms and be competitive, and may consist of the following components: fixed salary, variable cash remuneration, pension benefits and other benefits. For the individual senior executive, the level of remuneration shall be based on factors such as work tasks, expertise, experience, position and performance. Additionally, the general meeting may – irrespective of these guidelines – resolve on, e.g. share and share price-related remuneration. The remuneration shall not to be discriminating on grounds of gender, ethnic background, national origin, age, disability or any other irrelevant factors.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Fixed salary
The CEO and other senior executives shall be offered a fixed annual cash salary. The fixed cash salary shall be determined annually on 1 April and refer to the following twelve months.

Variable cash remuneration
In addition to fixed salary, the CEO and other senior executives may, according to separate agreements receive variable cash remuneration. Variable cash remuneration covered by these guidelines is intended to promote Alligator's business strategy and long-term interests, including its sustainability.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one or several years. Any variable cash remuneration may amount to a maximum of 30 percent of the fixed annual cash salary. Variable cash remuneration shall not qualify for pension benefits, save as required by mandatory collective bargaining agreements.

The variable cash remuneration shall be linked to one or several predetermined and measurable criteria, which can be financial, such as Alligator's revenues or achieved milestone payments, or non-financial, such as application of Clinical Trial Authorizations (CTA) for entering clinical studies. The variable cash remuneration may be entirely independent of non-financial criteria. By linking the goals in a clear and measurable way to the remuneration of the senior executives to the Company's financial and operational development, they contribute to the implementation of the Company's business strategy, long-term interests and sustainability.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated and determined when the measurement period has ended. The Remuneration Committee is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by Alligator.

Additional variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are only made on an individual basis, either for the purpose of recruiting or retaining senior executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 30 percent of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the board of directors based on a proposal from the Remuneration Committee.

Pension benefits
Pension benefits, including health insurance, shall be defined contribution, in so far as the senior executive is not covered by defined benefit pension under mandatory collective bargaining agreements. Pension premiums for defined contribution pensions may amount to a maximum of 30 percent of the fixed annual cash salary.

Other benefits
Other benefits may include i.a. life insurance, medical insurance and a company car. Premiums and other costs relating to such benefits may amount to a total of not more than the lower of SEK 15.000 per month or 20 percent of the fixed annual cash salary.

Termination of employment and severance payment
Senior executives shall be employed until further notice or for a specified period of time. Upon termination of an employment, the notice period may not exceed six months. Severance pay, in addition to salary and other remuneration during the notice period, may not exceed an amount corresponding to six times the fixed monthly cash salary. Upon termination by the senior executive, the notice period may not exceed six months, without any right to severance pay. In addition to fixed cash salary during the period of notice and severance pay, additional remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed senior executive is not entitled to severance pay for the period for which the non-compete undertaking applies. The remuneration shall be based on the fixed cash salary at the time of termination of employment and amount to not more than 60 percent of the fixed cash salary at the time of termination of employment, save as otherwise provided by mandatory collective bargaining agreements, and shall be paid during the time as the non-compete undertaking applies, however not for more than 12 months following termination of employment.

Salary and employment conditions for employees
In the preparation of the board of directors' proposal for these remuneration guidelines, salary and employment conditions

for employees of Alligator have been taken into consideration by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the board of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

Consultancy fees to the members of the board of directors
To the extent a member of the board of directors renders services for Alligator, in addition to his or her assignment as a member of the board of directors, consultancy fee on market terms may be paid to the member of the board of directors, or to a company controlled by such member of the board of directors, provided that such services contribute to the implementation of Alligator's business strategy and the safeguarding of Alligator's long-term interests, including its sustainability.

Preparation and decision-making progress
The board of directors has established a Remuneration Committee. The Remuneration Committee's duties include i.a. preparing the board of directors' resolution to propose guidelines for remuneration to senior executives. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines have been adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the senior executives, the application of the guidelines for remuneration to senior executives as well as the current remuneration structures and compensation levels in the company. The members of the Remuneration Committee are independent in relation to the Company and its senior management. The CEO and other members of the senior management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Deviation from these guidelines
The board of directors may temporarily resolve to deviate from these guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the board of directors' resolutions in remuneration-related matters, which include any resolutions to deviate from these guidelines.

Share capital and ownership
Alligator's share capital at December 31, 2020 totaled SEK 28,555,446, made up of 71,388,615 shares with a par value of SEK 0.40. There is only one class of share. Each share entitles the holder to one vote at the Annual General Meeting. At December 31, 2020, Union Bancaire Privee UBP SA was the largest registered shareholder with 6,842,291 shares corresponding to 9.6 percent of the share capital and the votes.

Share option programs
Subscription option program 2016/2020
At the Annual General Meeting on April 20, 2016, it was decided to establish a subscription option program by issuing no more than 1,000,000 subscription options to a subsidiary for transfer on to employees of the Company. A total of 1,000,000 subscription options were issued under the program, of which a total of 857,000 warrants had been transferred to the participants in the program at market value at the date of the transfer. Further transfers has not taken place and, as a consequence, a maximum of 857,000 warrants was exercised in the program. The warrants were transferred to the participants at market value, calculated according to the Black-Scholes formula. Each warrant in the program entitled the holder to acquire one new share at an exercise price of SEK 75. The subscription warrants could be exercised in the periods from June 1, 2019 until August 31, 2019 and from March 1, 2020 until May 31, 2020. No warrants were exercised and therefore the options have lapsed.

Employee option program 2018/2022
At the 2018 Annual General Meeting, it was decided to set up an 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. To secure delivery under the employee option program, and to cover ancillary costs, primarily social security contributions, a total of 2,989,805 warrants were issued to a subsidiary of which 2,275,000 were allotted to employees free of charge and 714,805 were issued to cover ancillary costs. Each warrant in the program entitles the holder to acquire one new share at an exercise price of SEK 75. The vested warrants are expected to be available to exercise one month after the publication of the first quarter reports for 2021 and 2022. At the closing date, 1,072,500 of the allotted options were vested, 755,000 were still possible to vest and 447,500 have lapsed since the individuals to whom they were allotted have since left the Company.

Possible dilution from option programs
Upon full exercise of all warrants issued in respect of the share subscription incentive programs, a total of 2,401,701 shares will be issued, thereby increasing the number of shares to a maximum of 73,790,316, corresponding to a dilution of 3.25 percent.

Proposed appropriation of profits
The Board proposes that sums available to the shareholders' meeting:

Share premium reserve	662,741,283
Accumulated losses	-444,611,069
Loss for the year	-129,269,548
Total	**88,860,666**

Be allocated as follows:

Dividend to shareholders (SEK 0 per share)	0
Carried forward to new account	88,860,666
Total	**88,860,666**

Multi-year overview of the Group

Performance measures, Group	2020	2019[1)]	2018[1)]	2017[1)]	2016
Profit/loss (TSEK)					
Net sales	4,352	4,358	26,959	56,875	58,240
Operating profit/loss	-144,298	-214,519	-153,080	-62,299	-56,081
Profit/loss for the year	-143,296	-210,112	-150,043	-63,758	-48,356
R&D costs	-110,252	-173,601	-139,493	-87,982	-59,987
R&D costs as a percentage of operating costs excluding impairments	73.0%	78.9%	76.8%	73.3%	64.3%
Capital (TSEK)					
Cash and cash equivalents, including securities at end of period	103,342	249,886	436,391	547,041	659,136
Cash flow from operating activities	-141,352	-181,089	-104,115	-99,629	-37,610
Cash flow for the year	9,386	-19,572	-86,802	-458,995	287,135
Equity	115,244	258,498	468,310	617,956	676,185
Equity ratio, %	76%	83%	92%	96%	96%
Data per share (SEK)					
Earnings per share before dilution	-2.01	-2.94	-2.10	-0.89	-0.80
Earnings per share after dilution*	-2.01	-2.94	-2.10	-0.89	-0.80
Equity per share before dilution	1.61	3.62	6.56	8.66	9.64
Equity per share after dilution*	1.61	3.62	6.56	8.66	9.47
Dividend per share	0.00	0.00	0.00	0.00	0.00
Share price, Dec 31	7.63	10.56	22.00	23.30	34.80
Staff					
Number of employees at end of year	43	55	55	47	36
Average number of employees	50	55	51	42	31
Average number of employees in Research and Development	43	46	44	37	28

* Dilution effect not included in negative result.

1) Earlier periods have been adjusted to reflect change of classification, see Note 32.

Calculation of performance measures

Alligator presents certain financial performance measures in this annual 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 to Alligator.

Above is shown 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, 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 the Company's liquid position.

As mentioned earlier, the Company does not have a steady flow of income, with income 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.

Calculation of performance measures

	2020	2019[1)]	2018[1)]	2017[1)]	2016
Profit/loss for the year, TSEK	-143,296	-210,112	-150,043	-63,758	-48,356
Average number of shares before dilution, TSEK	71,388,615	71,388,615	71,388,615	71,283,273	60,114,511
Earnings per share before dilution, SEK	**-2.01**	**-2.94**	**-2.10**	**-0.89**	**-0.80**
Average number of shares after dilution	71,388,615	71,388,615	71,388,615	71,283,273	60,114,511
Earnings per share after dilution, SEK	**-2.01**	**-2.94**	**-2.10**	**-0.89**	**-0.80**
Operating costs, TSEK	-150,964	-219,915	-181,594	-120,068	-115,432
Impairment of tangible assets and intangible assets, TSEK	-	-	-	-	22,120
Operating costs excluding impairments, TSEK	**-150,964**	**-219,915**	**-181,594**	**-120,068**	**-93,312**
Less administrative expenses, TSEK	29,191	34,766	36,199	28,883	30,770
Less depreciation, TSEK	11,522	11,548	5,902	3,204	2,555
Research and development costs, TSEK	**-110,252**	**-173,601**	**-139,493**	**-87,982**	**-59,987**
R&D costs / Operating costs excluding impairments, %	**73.0%**	**78.9%**	**76.8%**	**73.3%**	**64.3%**
Equity, TSEK	115,244	258,498	468,310	617,956	676,185
Number of shares, before dilution	71,388,615	71,388,615	71,388,615	71,388,615	70,113,615
Equity per share before dilution, SEK	**1.61**	**3.62**	**6.56**	**8.66**	**9.64**
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	**1.61**	**3.62**	**6.56**	**8.66**	**9.47**
Equity, TSEK	115,244	258,498	468,310	617,956	676,185
Total assets, TSEK	151,938	311,128	508,156	643,033	700,780
Equity ratio, %	**76%**	**83%**	**92%**	**96%**	**96%**
Other investments held as fixed assets (publicly traded corporate bonds), TSEK	-	53,016	53,259	74,122	-
Other short-term financial assets (publicly traded corporate bonds), TSEK	-	-	20,254	-	-
Other short-term financial assets (interest funds)	-	102,980	250,854	275,822	-
Cash and cash equivalents, TSEK	103,342	93,890	112,024	197,097	659,136
Cash and cash equivalents including securities at end of year, TSEK	**103,342**	**249,886**	**436,391**	**547,041**	**659,136**

1) Earlier periods have been adjusted to reflect change of classification, see Note 32.

For definitions, see the section "Financial definitions" on page 100.

Risks and risk management

Alligator's results have been, and will be, affected by several factors, some of them outside the Company's control. The principal factors which Alligator considers have affected the results and can be expected to do so in the future are set out below.

Preclinical and clinical development of drug candidates
Alligator currently has four drug candidates in clinical phase studies and one drug candidate that is the subject of preclinical studies and research. All of Alligator's drug candidates have to undergo comprehensive preclinical and clinical studies to demonstrate their safety and effect on humans before they can be given regulatory approval to be launched onto the market as finished products. Clinical studies are expensive and time-consuming to conduct, and their outcome is uncertain. This could affect the possibility of commercializing the Company's drug candidates.

Alligator tries to minimize the impact of this risk by working with standardized processes, an established project methodology, regular steering group meetings and regular evaluation of the different projects.

Delays in clinical studies are quite usual and may be caused by many different things. Clinical studies may be held up for many different reasons, including delays in e.g.: approval from supervisory authorities to commence a study; failure of contract suppliers to provide their services; recruitment of patients to take part in clinical studies; and the necessary provision of clinical study material.

Particularly with regard to patients, there are many factors that influence the chances of successful recruitment, such as the type of patient population, competing clinical studies and the perception among clinics and patients of the potential benefits of participating in the study.

To avert these risks, Alligator's clinical team strives constantly to establish close relationships with the clinics that are needed to run planned clinical studies effectively.

Limited project portfolio in the early development phase
Alligator has several drug candidates in clinical phase studies – mitazalimab, ATOR-1017, ALG.APV-527 and ATOR-1015 – and in addition the completely new Neo-X-Prime™ drug concept, all of which are designed for the treatment of metastatic cancer. Alligator has invested substantial sums in developing these drug candidates and further significant investment will be needed for their ongoing and continued development. Together with AbClon, the Company has licensed AC101 to Shanghai Henlius, which is responsible for the financing and running of continued clinical development of the drug candidate. In view of the large amount of research and capital still to be invested in these drug candidates, there could be a serious negative impact on the Company if one or more of the drug candidates should suffer setbacks.

Alligator's strategy for reducing these risks is to expand the project portfolio with further drug candidates for tumor-directed immunotherapy, developed in-house, under license or through partnerships.

Dependence on partners for development and commercialization
According to the Company's current business strategy, some of the Company's potential future revenues will consist of milestone payments, meaning interim and option payments received from partners on the condition that certain agreed targets related to the Company's development project are reached, and licensing revenue from out-licensing and royalties from sales in the event of the commercialization of drug candidates. The Company and its operations are therefore largely dependent on collaboration, out-licensing and the commercialization of the Company's development projects to generate future revenue. In the short to medium term, potential revenue is mainly expected to comprise milestone payments and licensing revenue linked to development projects in clinical phase. In the long term, potential revenue may also include sales revenue or royalties following possible commercialization of one of more of the Company's drug candidates. At present, the Company's main source of income is development-based milestone payments and license payments. Alligator has entered into a partnership agreement with the US biotech Company Aptevo Therapeutics Inc. for the co-development of ALG.APV-527 through clinical Phase I. In addition, Alligator has entered into a licensing agreement with the Chinese Company Biotheus. Through its subsidiary Atlas Therapeutics AB, Alligator holds a participating interest in the clinical AC101/ HLX22 project, run by the Korean Company AbClon. The drug candidate is now being further developed by the Chinese Company Shanghai Henlius, which in 2018 encompassed to a global license. Alligator incurs no overheads for this project but is entitled to a share of any future returns.

The Company's current business strategy involves a potential sale or out-licensing of the Company's drug candidates and clinical development projects. There is a risk that the Company fails to attract buyers or licensees for the Company's drug candidates, which may mean future revenue is delayed or alternatively, partially or entirely, foregone.

Alligator's dependence on collaboration carries a number of risks, such as: the Company cannot control the volume of

resources or the time when these resources are to be dedicated to the drug candidates; the Company may be required to waive significant rights, including intellectual property rights and marketing and distribution rights; and the ability of the Company's partners to meet their commitments under the collaboration agreement may be affected by changes in a partner's business strategy.

Alligator strives to reduce this risk by thoroughly evaluating potential partners, assigning sufficient and appropriate resources and striving to sign agreements for more projects.

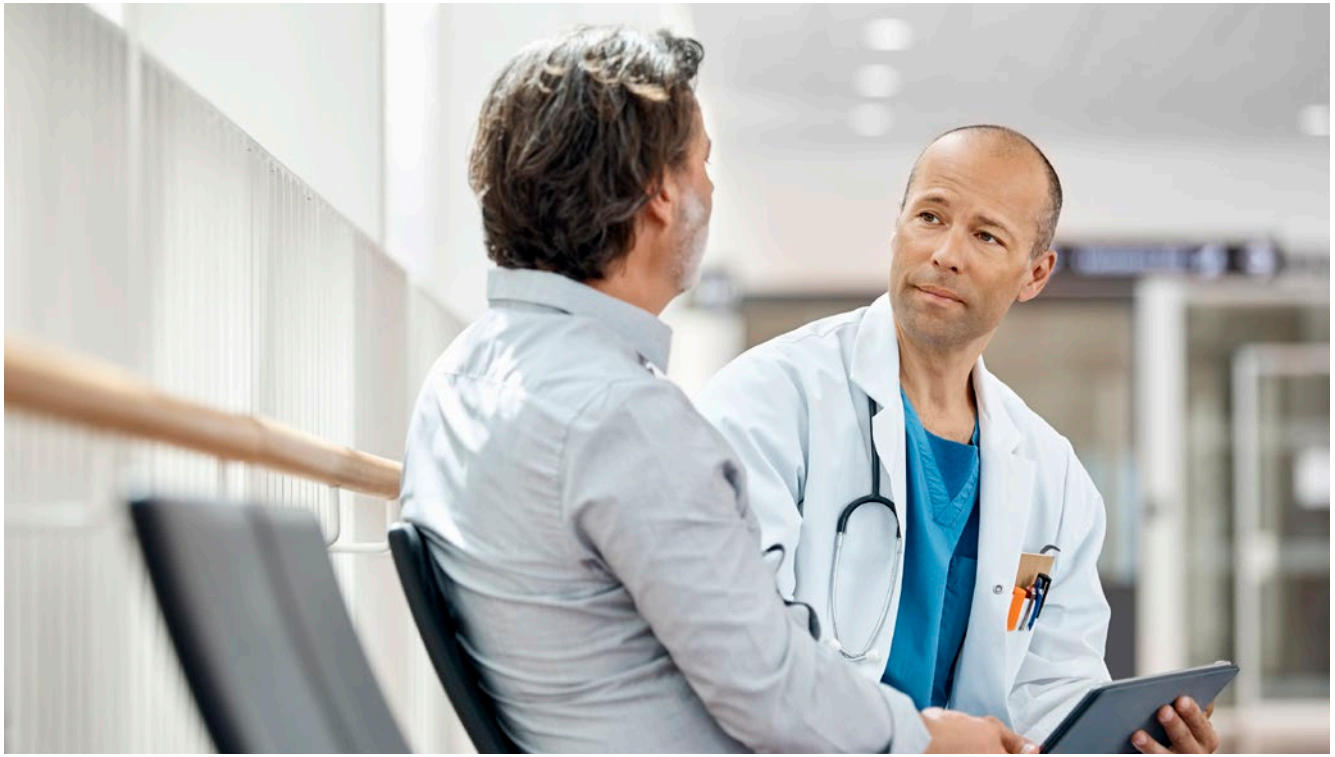
Covid-19

In the event that the spread of Covid-19 continues unabated, or new guidelines/restrictions are issued, there is a risk that the Company's clinical studies are delayed or become more expensive that planned and results from the clinical studies are delayed. There is also a risk that various authorities, suppliers and partners suffer delays relating to the Covid-19 pandemic, which may have a negative impact on the Company and its operations.

Alligator's ability to influence these risks is limited. The Company is carefully monitoring the development of the Covid-19 pandemic and government guidelines and is evaluating appropriate measures to minimize any delays in ongoing clinical studies.

Furthermore, there is a risk that Alligator's employees become infected with the virus and suffer long-term illness, which may delay the Company's activities.

Alligator has switched to more extensive virtual activities whereby a large share of the office-based staff have worked from home, with the exception of key laboratory work, which has continued following the implementation of safety measures to prevent the spread of Covid-19.



Market acceptance

So far none of the Company's drug candidates has been commercialized. Even if the Company's drug candidates are approved for marketing and sale by the competent authorities, doctors might not prescribe them, which could prevent the Company from generating income or achieving profitability. Market acceptance of potential future products from the Company and its partners will depend on a number of factors, including: the clinical indications for which the product has been approved; acceptance by doctors, patients and buyers; perceived benefits compared to competing treatments; the extent to which the product has been approved for use in hospitals and 'managed care' organizations; and access to adequate reimbursement systems and price subsidies.

Alligator's ability to influence these risks is limited and mainly involves the Company considering these factors carefully when out-licensing product candidates.

Competition

The development and commercialization of novel drug candidates is highly competitive and characterized by rapid technology development. Alligator is exposed to competition in relation to its current drug candidates, and will be exposed to competition in relation to all drug candidates that it may try to develop or commercialize in the future, from large pharmaceutical companies, specialized drug companies and biotech firms all over the world. Currently, there are some 20 approved

pharmaceutical products on the market for immuno-oncology and a lot of pharmaceutical and biotech companies engaged in research and development of drugs for immunotherapy of cancer, these include several large, well-defined pharmaceutical companies. Competitors, including those referred to above, may have greater financial resources than Alligator and its partners, which may offer them advantages in research and development, contacts with licensing authorities, marketing and product launch. There is a risk that the Company's competitors successfully commercialize products before Alligator and its partners, or that competitors develop products that are more effective, have a better side effect profile and is more affordable than Alligator's drug candidates, which may mean Alligator's competitors establish a strong market position before the Company can enter the market. Such competing products may restrict Alligator's opportunities to commercialize its drug candidates and therefore generate future revenue.

Alligator strives to reduce competition by developing clearly differentiated drug candidates and through strategic partnerships that can bring other competitive advantages.

Key persons and qualified employees
Alligator has established an organization with qualified employees to create the best possible conditions for research, development and commercialization of the Company's drug candidates. The future growth of the Company is highly dependent on sector-specific knowledge, experience and commitment possessed by the Company's senior executives and key persons. Alligator's ability to retain and recruit qualified employees is vital to the Company's future success and if the Company is unable to retain these key persons, or fails to recruit new qualified employees to the extent needed, this could negatively impact Alligator's operations, leading to, for example, increased personnel costs and delays. If the Company should lose key persons or be unable to go on recruiting qualified employees in the future, this could have a negative effect on Alligator's business.

The Company handles these risks by working actively to make Alligator an attractive and enjoyable place to work, where employees are offered the opportunity to develop within their roles. The Company also has a wide network from which to recruit the skills that it needs.

Financing risk
Alligator is dependent on liquidity to be able to meet its commitments related to the Group's financial liabilities and the continuation of the Company's operations. The Company's activities in research and development work mean that parts of its available liquidity are being continuously consumed. The inflow of liquidity is very irregular and comes mainly with various events related to licensing agreements. It may also take a significant amount of time before the Company's drug candidates are commercialized and cash flow can be generated from the Company's operations. Possible delays to the Company's research and development projects may mean the generation of positive cash flow occurs later than planned.

To reduce this risk, the Company has ensured that it has sufficient liquidity to run its ongoing projects for at least 12 months. This has been achieved through agreements to out-license AC101 as well as an agreement with Biotheus and through a new share issue in January 2021. The Company continuously works to secure financing.

Currency fluctuations
Alligator is based in Sweden and reports its financial position and results in SEK. Alligator's income is currently made up mainly of payments under the licensing agreement with the third party Shanghai Henlius Biotech, Inc. via its partner AbClon Inc. along with Biotheus, from which payment is received in USD. Alligator also regularly purchases services in currencies other than SEK. The currency flows from the purchase and sale of goods in currencies other than SEK means that the Company is exposed to a produce what is known as transaction exposure. If Alligator's measures to handle the effects of movements in exchange rates do not prove to be effective enough, Alligator's results may be affected positively or negatively. In its Financial Policy, Alligator has established rules for minimizing the risk of losses arising from currency fluctuations. The Company is based in Lund in Sweden, and most of its costs are in SEK.

The Company's cash and cash equivalents are therefore held mostly in SEK. A certain amount of USD, EUR and GBP is held in currency accounts equating to the expected needs for some time to come. Expected inflows in currencies other than SEK are not hedged as it is hard to determine the date on which the inflow will come.

Corporate governance report

Alligator's corporate governance is governed by the Nasdaq Stockholm rules for issuers, the Swedish Corporate Governance Code (the "Code"), the Swedish Companies Act, good practice in the stock market and other applicable rules and recommendations, and the Company's Articles of Association and internal governing documents. The internal governing documents mainly cover the rules of procedure for the Board, the mandate to the CEO and the terms of reference for financial reporting. Alligator also has a number of policy documents and manuals containing rules and recommendations, laying down principles and providing guidance for the Company's operations and for its employees.

This corporate governance report has been drawn up in accordance with the rules in the Annual Accounts Act and in the Code. The corporate governance report has been reviewed by the Company's auditors in accordance with the provisions of the Annual Accounts Act, and the auditor's opinion is included in the auditor's report on page 95–98.

Legal structure

Shareholders

At the end of 2020, Alligator had 7,847 shareholders. The number of shares was 71,388,615. There is only one class of share. Each share entitles the holder to one vote at the Annual General Meeting, and all shares have equal rights to the Company's assets and profits. Further details of Alligator's shareholder structure, shares etc. are presented on page 21–22.

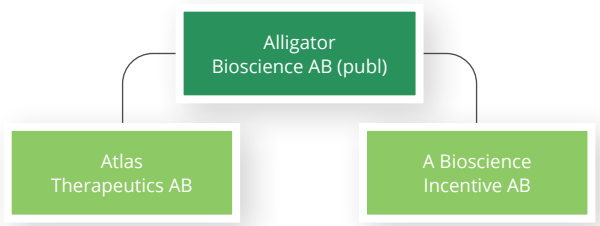
Shareholders' meeting

The shareholders' right to decide on the Company's affairs is exercised through the supreme decision-making body, the shareholders' meeting (Annual General Meeting or any extraordinary general meeting). For example, the meeting decides on changes to the Articles of Association, appoints the Board and the auditors, approves the income statement and balance sheet, releases the Board and CEO from liability, decides on the appropriation of profit/loss, and adopts principles for appointing the Nomination Committee and guidelines for remuneration of senior executives.

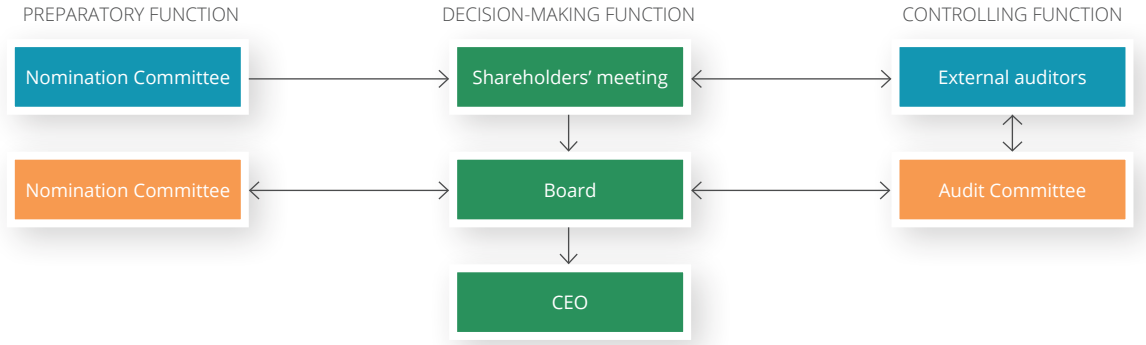
Shareholders may raise a given issue for discussion at the shareholders' meeting. Shareholders who wish to exercise this right must submit a written request to the Board of the Company. Such requests must normally reach the Board no later than seven weeks before the shareholders' meeting.

The shareholders' meeting is held in Lund, Sweden. Invitations to the Annual General Meeting and any extraordinary general meeting which is to discuss changes to the Articles of Association must be sent out no more than six weeks and no later than four weeks before the meeting. Invitations to other extraordinary general meetings must be sent out no more than six weeks and no less than three weeks before the meeting. Invitations are published in Post- och Inrikes Tidningar (the Swedish government gazette) and on the Company's website. The issuing of invitations is also advertised in Dagens Industri.

Legal structure



Overview of corporate governance in the Alligator Group



In order to participate in the shareholders' meeting, shareholders must be entered in the register of shareholders maintained by Euroclear Sweden AB no later than six working days before the meeting, notify the Company no later than the date provided in the meeting invitation. This day may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not be earlier than five working days before the shareholders' meeting.

Annual General Meeting 2020

At the Annual General Meeting held on May 5, 2020, Peter Benson was re-elected as Chairman of the Board and Carl Borrebaeck, Ulrika Danielsson, Graham Dixon, Kirsten Drejer, Anders Ekblom, Kenth Petersson and Jonas Sjögren were re-elected as ordinary members of the Board. Furthermore, Ernst & Young AB were re-appointed as auditors. The Annual General Meeting decided on the fees to the Board as described under Remuneration of the Board below. Finally, the Annual General Meeting also approved the instructions and rules of procedure for the Nomination Committee as described under Nomination Committee below, and the remuneration policy for senior executives as set out in the administration report.

Nomination Committee

The Code stipulates that the Company should have a Nomination Committee whose duties should include preparing and producing proposals for the election of Board members, the Chairman of the Board, the chair of the shareholders' meeting and the auditors. The Nomination Committee should also propose the fees payable to Board members and auditors. At the Annual General Meeting on May 9, 2019, it was decided to adopt an instruction and rules of procedure for the Nomination Committee (valid until a decision is taken by the shareholders' meeting to change these) whereby the Nomination Committee should be made up of four members representing the three largest shareholders on the last working day of June, and the Chairman of the Board. The largest shareholders are owner-registered shareholders or other known shareholders as of the last working day in June. Before accepting the assignment, a member of the Nomination Committee should consider care-fully whether there is any conflict of interest.

If any of the three largest shareholders declines to appoint a representative, or their representative leaves or steps down before completing the assignment without the shareholder that appointed the member appointing a new one, the Chairman of the Board must invite the next-biggest shareholders in order of size down to the tenth-largest (i.e. starting with the fourth-largest) to appoint a shareholder representative within one week of the request. If, despite such requests, only three members have been appointed four months before the Annual General Meeting, the Nomination Committee must be able to be constituted with three ordinary members and it must then be able to decide whether or not this procedure should be pursued to appoint the fourth member.

The members of the nomination committee should be published no later than six months before the Annual General Meeting on the Company's website. In the event of significant changes of ownership earlier than six weeks before the Annual General Meeting, a new shareholder representative should be appointed. The Chairman of the Board should then contact whichever of the three largest shareholders has no shareholder representative and invite them to appoint one. When this shareholder representative is appointed they should join the Nomination Committee and replace the previous member who no longer represents one of the three largest shareholders.

The Nomination Committee must meet the requirements for its composition laid down in the Code. If the larger shareholders who are entitled to appoint members of the Nomination Committee wish to appoint people who cause the requirements for the composition of the Committee laid down in the Code not to be satisfied, a larger shareholder will take precedence over a smaller in its choice of member. When a new member is appointed as a result of significant changes in ownership, the shareholder who is to appoint a new member must consider the composition of the existing Nomination Committee. The Nomination Committee should appoint its own chairperson. The Chairman of the Board or other Board representative may not chair the Nomination Committee. The mandate for the appointed Nomination Committee will run until a new Nomination Committee is appointed.

Fees may be paid to the members of the Nomination Committee as decided by the shareholders' meeting.

In accordance with the instruction adopted, a Nomination Committee has been constituted ahead of the 2021 Annual General Meeting comprising: Hans-Peter Ostler representing Jonas Sjögren, Jan Lundström representing Sunstone Life Science Ventures Fund II K/S and Lars Bergkvist (chairman of the Nomination Committee) representing Lars Spånberg and the Chairman of the Board Peter Benson.

Deviations from the Code

Information concerning the composition of the Nomination Committee was announced through a press release on November 20, 2020, which was later than the six months before the Annual General Meeting as stipulated in the Code.

External audit

The Company's auditor is appointed by the Annual General Meeting for the period up to the end of the next Annual General Meeting. The auditor reviews the annual report and accounts and the administration by the Board and the CEO. After each financial year, the auditor is required to submit an audit report to the shareholders' meeting.

The Company's auditor reports his/her observations from the audit to the Board each year, along with an assessment of the Company's internal control.

At the Annual General Meeting on May 5, 2020, Ernst & Young Aktiebolag was re-elected as the Company's auditor, with certified public accountant Johan Thuresson as chief auditor. The Annual General Meeting also decided that fees should be paid to the auditor in accordance with the usual charging rules and approved invoices. The auditor's fee for the 2020 financial year was SEK 644 thousand.

The Board of Directors

Duties of the Board

Next to the shareholders' meeting, the Board is the Company's highest decision-making body. The Board is responsible for the organization of the Company and the management of the Company's affairs, e.g. by setting its goals and strategy, maintaining procedures and systems to monitor the specified goals, continuously assessing the Company's economic situation and evaluating its operational management. The Board is also responsible for ensuring that correct information is given to the Company's stakeholders, that the Company complies with laws and regulations and that the Company produces and implements internal policies and ethical guidelines. The Board also appoints the Company's CEO and decides on his/her salary and other remuneration based on the guidelines adopted by the shareholders' meeting.

Composition of the Board

The members of the Board appointed by the shareholders' meeting are elected each year at the Annual General Meeting for the period up to the next Annual General Meeting. According to the Company's articles of association, the Board should comprise at least three and at most eight members, without deputies.

According to the Code, the majority of the Board members elected by the shareholders' meeting should be independent of the Company and of its senior management. To decide whether or not a member is independent, an overall assessment should be made of all matters that could cast doubt on the member's independence of the Company or its senior management. According to the Code, at least two of the members who are independent of the Company and of its senior management should also be independent of major shareholders. Major shareholders are those who directly or indirectly control 10 percent or more of all shares and votes in the Company. To determine a member's independence, the extent of that member's direct and indirect relationships with the major shareholder should be taken into consideration. A Board member who is an employee or board member in a company that is a major shareholder is not considered to be independent.

The Board's assessment is that all members are independent of major shareholders. With the exception of Carl Borrebaeck, all Board members are independent in relation to the Company and its management. As indicated, the Board of Directors is of the opinion that the Company meets the Code's independence requirements.

Chairman of the Board

The role of the Chairman is to lead the work of the Board, and to ensure that its work is carried out effectively and that the Board can meet all its obligations.

The Chairman should meet with the CEO to monitor developments in the Company and ensure that the members of the Board are provided through the auspices of the CEO with the information needed to monitor the Company's position, financial planning and development.

The Chairman should also consult with the CEO on strategic matters and check that the decisions of the Board are implemented in an effective manner.

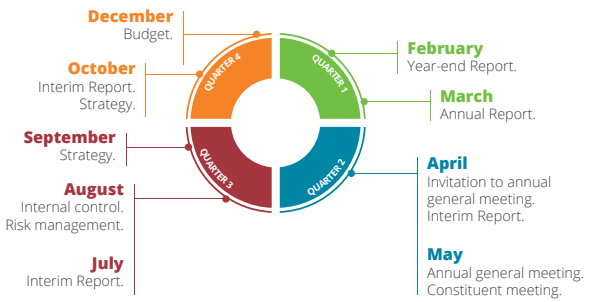
The Chairman is responsible for contacts with shareholders on matters of ownership and for conveying the views of the shareholders to the Board.

The Chairman is not involved in the day-to-day work of the Company. Nor is he a member of senior management.

Work of the Board

The Board follows written rules of procedure that are reviewed each year and adopted by the constituent Board meeting. Among other things, the rules of procedure govern the Board's working methods, tasks, decision-making within the Company, the meeting schedule for the Board, the tasks of the Chairman and the breakdown of responsibilities between the Board and the CEO. The terms of reference for financial reporting and instructions to the CEO are also adopted at the constituent Board meeting.

Board meetings 2020



Board and committee members 2020

Name	Position	Attendance		
		Board	Audit Committee	Remuneration Committee
Peter Benson	Chairman of the Board, Member of Remuneration Committee	16/16		3/3
Carl Borrebaeck	Board member	15/16		
Ulrika Danielsson	Board member, Chair of Audit Committee	13/16	5/5	
Graham Dixon	Board member	15/16		
Kirsten Drejer	Board member, Member of Remuneration Committee	16/16		3/3
Anders Ekblom	Board member, Chair of Remuneration Committee	15/16		3/3
Kenth Petersson	Board member, Member of Audit Committee	15/16	5/5	
Jonas Sjögren	Board member, Member of Audit Committee	16/16	5/5	
Laura von Schantz	Board member, Employee representative	16/16		

The work of the Board is also driven by an annual presentation schedule, to meet the Board's need for information. The Chairman and the CEO, along with the members of the Board, maintain an ongoing dialog on the management of the Company.

The Board meets according to a predefined annual timetable and should hold at least seven ordinary Board meetings between Annual General Meetings. Extra meetings may also be arranged to deal with matters that cannot be postponed to any of the ordinary meetings. In 2020, the Board met on a total of 16 occasions.

The yearly evaluation of the Board has been performed by individual interviews with Board members and senior management about their view on the Board's work, composition and areas for improvement. The feedback has been reported back to the Nomination Committee and the Board consolidated.

Remuneration of the Board

Fees for the Board members elected by the shareholders' meeting are decided by the Annual General Meeting. Before the 2021 Annual General Meeting, the Nomination Committee will submit proposals for the fees to be paid. At the Annual General Meeting on May 5, 2020, it was decided that the fees should be SEK 440,000 to the Chairman and SEK 240,000 to each of the ordinary Board members who are not employees of the Company. It was also decided that payment for committee work should be made at SEK 100,000 for the chair of the Audit Committee, SEK 24,000 to each of the ordinary members of the Audit Committee and SEK 20,000 to the chair of the Remuneration Committee. No additional fees were paid for work by ordinary members of the Remuneration Committee. See also Note XX Payments to senior executives.

Audit Committee

The Audit Committee monitors the Company's financial position and the effectiveness of its internal control and risk management. It keeps itself informed of the audit of the annual accounts and consolidated accounts, and reviews and monitors the impartiality and independence of the auditor. The Audit Committee should also assist the Nomination Committee with resolutions on the election of and fees payable to the auditor. Since the Annual General Meeting on May 5, 2020, the Audit Committee continued to comprise Ulrika Danielsson (Chair), Kenth Petersson and Jonas Sjögren.

Remuneration Committee

The Remuneration Committee chiefly addresses questions of remuneration and other conditions of employment of the CEO and senior executives. The Remuneration Committee should also follow up and evaluate ongoing variable remuneration schemes for senior management and those schemes completed during the year and follow up and assess compliance with the guidelines on remuneration of senior executives decided on by the Annual General Meeting. Since the Annual General Meeting on May 5, 2020, the Remuneration Committee continued to comprised Anders Ekblom (Chair), Kirsten Drejer and Peter Benson.

CEO and other senior executives

The CEO is subordinate to the Board and his main task is to handle the Company's day-to-day management and operations. The rules of procedure for the Board and the instruction to the CEO set out the matters to be decided by the Board of the Company and those for which the CEO is responsible.

The CEO is also responsible for producing reports and decision documents ahead of the Board meetings, and for presenting this material at Board meetings.

Alligator's Management Team consists of seven persons: the CEO, the Chief Operating Officer, Chief Financial Officer, Chief Business Officer, Chief Scientific Officer, Chief Medical Officer and Senior Vice President (SVP) Projects.

Remuneration of senior executives

The remuneration of senior executives may consist of basic salary, variable remuneration, pension benefits, other benefits and severance conditions. The CEO and other senior executives were paid salaries and other remuneration for the 2020 financial year as set out in Note 12.

The notice period for the CEO is six months, whichever party serves notice. The CEO will be entitled to a severance payment equal to six months' salary in the case of termination by the Company. The notice period for other senior executives is three months, whichever party serves notice. No severance payments have been agreed for other senior executives.

See also Guidelines for remuneration to senior executives on page 40.

Internal control

The Board's responsibility for internal control is laid down in the Companies Act, the Annual Accounts Act, which contains requirements to the effect that details of the major features of Alligator's systems for internal control and risk management in relation to financial reporting must be included in the corporate governance report, and the Code. Among other things, the Board is required to ensure that Alligator has good internal control and formalized procedures to ensure that the established principles for financial reporting and internal control are adhered to and that there are suitable systems for follow-up and control of the Company's activities and the risks inherent in the Company and its operations.

The overall purpose of internal control is to provide reasonable assurance that the Company's operational strategies and goals are followed up and that the shareholders' investments are protected. The internal control should also provide reasonable assurance that external financial reporting is reliable and prepared in accordance with good auditing practice, that applicable laws and regulations are obeyed and that requirements for listed companies are complied with. Internal control essentially covers the following five components.

Control environment

The Board bears the overall responsibility for internal control over financial reporting. In order to create and maintain a functioning control environment, the Board has adopted a number of policies governing financial reporting. These mainly comprise the rules of procedure for the Board, the mandate to the CEO and the terms of reference for financial reporting. The Board has also adopted a special set of signatory rules and a Financial Policy. The Company

also has a finance manual containing principles, guidelines and process specifications for accounting and financial reporting. The Board has also set up an Audit Committee whose main task is to ensure that the approved principles for financial reporting and internal control are complied with and that regular contact with the Company's auditor is maintained. The responsibility for maintaining an effective control environment and for the day-to-day work on internal control over financial reporting rests with the CEO. The CEO reports to the Board on a regular basis in accordance with the instruction to the CEO and the terms of reference for financial reporting. The Board also receives reports from the Company's auditor.

Based on a control environment assessed as good, and the size of the Company, the Board has determined that there are no special circumstances in the business or other matters to justify setting up an internal audit function.

Risk assessment

The risk assessment involves identifying risks that could arise if the fundamental requirements for financial reporting in the Company were not met. In a separate risk assessment document, Alligator's Management Team has identified and evaluated the risks arising in the Company's operations and assessed how these risks can be handled. Within the Board, the Audit Committee bears the primary responsibility for regularly assessing the Company's risk situation, after which the Board carries out an annual review of the risk situation.

Control activities

Control activities contain identified risks and ensure correct and reliable financial reporting. The Board is responsible for internal control and monitoring by senior management. This is done via both internal and external control activities and through review and follow-up of the Company's governing documents relating to risk management.

Information and communication

The Company has information and communication paths designed to promote accuracy in financial reporting and to enable reporting and feedback from the business to the Board and management, such as by making governing documents in the form of internal policies, guidelines and instructions available and known to the employees concerned. The Board has also adopted an information policy governing the Company's disclosure of information.

Follow-up

Compliance with and effectiveness of the internal controls are followed up on a regular basis. The CEO ensures that the Board receives regular reports on the development of the Company's operations, including the development of the Company's results and financial position and details of significant events such as research findings and major agreements. The CEO also reports on these matters at each Board meeting.

Board of Directors

Peter Benson

Born 1955. Chairman since 2014 and Board member since 2011.
Member of Remuneration Committee.

Peter Benson is a Swedish graduate in business administration from Lund University in Sweden and has an MA in Economics from the University of California. Peter Benson, who is currently Chairman and General Partner of Sunstone Capital Life Science Ventures has previously inter alia been Head of Life Science Investments for Vækstfonden (The Danish Growth Fund), President Pharmacia Hospital Care and member of Pharmacia AB's group management. Peter Benson has served on the board of a range of Life science companies, seven of which are listed on a public stock exchange.

Other ongoing assignments: Chairman of the board in Ascelia Pharma AB, Good Partners Media Group AB, Sunstone Life Science Ventures A/S, Sunstone Capital A/S, CMC SPV of 3 April 2017 AB, Jollingham AB and Montela Aktiebolag. Deputy board member in JellyBean Aktiebolag.

Holdings in Alligator: No holdings

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

Carl Borrebaeck

Born 1948. Board member since 2001.

Carl Borrebaeck is Professor at the Department of Immunotechnology and Programme Director of the CREATE Health Translational Cancer Research Centre at Lund University. Carl Borrebaeck is a co-founder of Alligator and a board member of the Royal Swedish Academy of Engineering Sciences (IVA) and former Vice-Chancellor of Lund University. In 2009 Carl Borrebaeck was awarded AkzoNobel's Science Prize and 2012 he received IVA's gold medal for his pioneering research on biomarkers. In 2017 he was designated as the Biotech builder of the Year for his entrepreneurship. Carl Borrebaeck has founded five companies in life science and eHealth.

Other ongoing assignments: Chairman of the board in Immunovia AB (publ), PainDrainer AB and SenzaGen AB. Board member in CB Ocean Capital AB and Scandion Oncology A/S. Sole member of Immunova HB.

Holdings in Alligator: 1,200,833 shares

Non-independent in relation to the Company and its senior management, but independent in relation to major shareholders.

Ulrika Danielsson

Born 1972. Board member since 2016.
Chairman of Audit Committee.

Ulrika Danielsson has an MBA from the Gothenburg School of Business, Economics and Law at the University of Gothenburg, and has been the CFO of Castellum AB (publ) since 2014. Ulrika Danielsson has worked for the Castellum Group in various senior positions since 1998 and has been a member of the corporate management of Castellum since 2006.

Other ongoing assignments: Board assignments in subsidiaries and second-tier subsidiaries of Castellum Aktiebolag. Board member in Infranord AB, John Mattson Fastighetsföretagen AB (publ) and Slättö Förvaltning AB.

Holdings in Alligator: No holdings

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

Graham Dixon

Born 1961. Board member since 2019.

Graham Dixon has a PhD in biochemistry from Swansea University and is the CSO/head of R&D at Mithra Pharmaceuticals. Graham Dixon has extensive experience in discovering and developing novel drugs, with applications for both orphan and mainstream disease indications. Previous experiences include inter alia CEO Neem Biotech, head of R&D and CSO of Onxeo, Galapagos, Sensorion Pharma and Addex Therapeutics.

Other ongoing assignments: Chairman of HepaRegeniX GmbH. Board member of SAB InteRNA BV.

Holdings in Alligator: No holdings

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

Kirsten Drejer

Born 1956. Board member since 2019.
Member of Remuneration Committee.

Kirsten Drejer has a PhD in pharmacology from Copenhagen University. Kirsten Drejer is co-founder of Symphogen and served as its CEO for more than sixteen years. Previous experiences include inter alia several scientific and managerial positions at Novo Nordisk including Director of Diabetes Discovery and Corporate Facilitator.

Other ongoing assignments: Chairman of the board in Bioneer A/S, ResoTher Pharma ApS and Antag Therapeutics ApS. Deputy chairman of the board in Zealand Pharma A/S. Board member in Bioporto A/S.

Holdings in Alligator: No holdings

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

Anders Ekblom

Born 1954. Board member since 2017.
Chairman of Remuneration Committee.

Anders Ekblom is a physician, board certified in anaesthesia and intensive care, dentist and Associate Professor in physiology at the Karolinska Institute. Anders Ekblom has extensive experience from the biopharmaceutical industry globally, including being EVP Global Medicines Development at AstraZeneca and CEO and president of AstraZeneca AB Sweden.

Other ongoing assignments: Chairman of Elypta AB. Vice chairman LEO Pharma A/S. Board member of AnaMar AB, Mereo BioPharma Group plc and NxtScience AB.

Holdings in Alligator: 31,058 shares

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

Kenth Petersson

Born 1956. Board member since 2001.
Chairman of Audit Committee.

Kenth Petersson has a BA from Lund University and has long experience of working in both the finance and biotechnology sectors, including as an analyst. He has been a business angel for more than 15 years and has founded a number of biotechnology companies.

Other ongoing assignments: Chairman of AlphaBeta AB, Biocrine AB, Biocrine Regenative Medicine AB and Spiber Technologies AB. Board member of Science Pacific AB and Genovis AB.

Holdings in Alligator: 408,000 shares

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

Jonas Sjögren

Born 1966. Board member since 2015.
Chairman of Audit Committee.

Jonas Sjögren is a Swedish graduate engineer in electrical engineering from Chalmers University of Technology, Registered medical doctor from the Sahlgrenska Academy (Faculty of Health Sciences at the University of Gothenburg), and has an MBA from INSEAD.

Other ongoing assignments: Chairman of Exceca Allocation AB, Alsteron AB and Markov Capital AB. Board member of Storytel AB (publ), Oblique Therapeutics AB, Orbit Esport AB and CMC SPV of 3 April 017 AB. Deputy Board member of Delibr AB.

Holdings in Alligator: 5,036,388 shares

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

Laura von Schantz

Born 1982. Board member since 2017.
Employee representative.

Laura von Schantz is a Swedish graduate engineer in biotechnical engineering and has a doctorate in immuno-technology from Lund University. Is the board's employee representative.

Other ongoing assignments: None

Holdings in Alligator: 2,626 shares and 25,000 employee option stocks in program 2018/2022.

Non-independent in relation to the Company and its senior management, but independent in relation to major shareholders.

Information regarding individuals' own and related parties' shareholdings pertain to the situation on December 31, 2020.

Management

Per Norlén

Born 1970. CEO since 2015.

Per Norlén is a medical doctor with board certification in clinical pharmacology, and a PhD and associate professorship in clinical pharmacology at Lund University. Per Norlén has 25 years of research experience in pharmacology including 15 years of experience in clinical drug development. Per Norlén was previously CMO of Alligator.

Other ongoing assignments: Chairman of A Bioscience Incentive AB. Board member of Atlas Therapeutics AB.

Holdings in Alligator: 118,000 shares and 230,000 employee stock options in program 2018/2022.

Malin Carlsson

Born 1968. Chief Operating Officer since 2020.

Malin Carlsson is a medical doctor with board certification in clinical immunology at Lund University. Malin Carlsson has 20 years of experience in clinical and experimental research within immunology and 12 years of experience of drug development in international pharmaceutical companies.

Other ongoing assignments:
Board member in A Bioscience Incentive AB.

Holdings in Alligator: No holdings

Gayle Mills

Born 1954. Chief Business Officer since 2020.

Gayle Mills has B.S Business and an MBA from Santa Clara University, US. Gayle Mills has many years of experience from the business development sector and extensive knowledge within biotechnology and pharmaceuticals. In her previous positions, Gayle Mills has successfully completed several major R&D collaborations and transactions and held senior positions in international pharmaceutical companies, is a strategic advisor and a business development consultant.

Other ongoing assignments: None

Holdings in Alligator: No holdings

Marie Svensson

Born 1964. Chief Financial Officer since 2020.

Marie Svensson has a BA in accounting and a Master of Business Administration/Management from Lund University. Marie Svensson has over 20 years of experience from CFO and financial positions in various high-tech companies.

Other ongoing assignments: Deputy board member in Lemniscus Consulting AB.

Holdings in Alligator: 6,000 shares.

Peter Ellmark

Born 1973. Chief Scientific Officer since 2021.

Peter Ellmark holds a PhD and an associate professorship in Immunotechnology at Lund University. Peter has over 15 years of experience of developing antibody-based drugs for immunotherapy of cancer.

Other ongoing assignments: None

Holdings in Alligator: 10,000 shares and 135,000 employee option stocks in series 2018/2022.

Christina Furebring

Born 1964. Senior Vice President since 2001.

Christina Furebring is an engineer and holds a PhD in immune technology from Lund University and is co-founder of the FIND® technology which is a cornerstone of Alligator's technology platform. Christina Furebring has more than 20 years of experience of work in the optimization of proteins and antibodies.

Other ongoing assignments: Board member in FureSund AB.

Holdings in Alligator: 105,000 shares and 135,000 employee option stocks in series 2018/2022.

Christina Reimer

Born 1972. Chief Medical Officer since 2021.

Christina Reimer is a medical doctor with board certifications in gastroenterology and internal medicine, and has a PhD in medical science from Copenhagen University. Christina has more than 20 years of research and clinical experience, including 4 years with clinical drug development in biotech/pharmaceutical companies.

Other ongoing assignments: None

Holdings in Alligator: No holdings

Information regarding individuals' own and related parties' shareholdings pertain to the situation on December 31, 2020.

Financial statements

Consolidated income statement

TSEK	Note	2020	2019
Net sales	6	4,352	4,358
Other operating income	7	2,315	1,038
Total operating income		**6,666**	**5,396**
Operating costs			
Other external costs	8,9,10	-82,320	-145,375
Personnel costs	11,12	-55,710	-60,609
Depreciation and impairment of tangible and intangible assets	10,19,20,21,22,23,24	-11,522	-11,548
Other operating costs	13	-1,413	-2,384
Total operating costs		**-150,964**	**-219,915**
Operating profit/loss		**-144,298**	**-214,519**
Financial items			
Profit/loss from other securities and receivables	14	192	1,218
Other financial income	15	2,001	4,643
Financial costs	16	-1,191	-1,455
Net financial items		**1,002**	**4,406**
Profit/loss before tax		**-143,296**	**-210,112**
Tax on profit for the year	17	-	-
Profit/loss for the year attributable to Parent Company shareholders		**-143,296**	**-210,112**
Earnings per share, SEK			
Before dilution	18	-2.01	-2.94
After dilution	18	-2.01	-2.94

Consolidated statement of comprehensive income

TSEK	Not	2020	2019
Profit/loss for the year		-143,296	-210,112
Other comprehensive income		-	-
Comprehensive income attributable to Parent Company shareholders		**-143,296**	**-210,112**

Consolidated statement of financial position

Assets

TSEK	Note	2020-12-31	2019-12-31
ASSETS			
Fixed assets			
Intangible assets			
Participations in development projects	19	17,949	17,949
Patents	20	72	232
Softwares	21	332	464
Tangible assets			
Improvements in leased premises	22	1,217	1,825
Right of use assets	10	13,423	18,394
Equipment, machinery and computers	23	8,600	12,131
Construction in progress and advance payments for tangible assets	24	-	1,125
Financial noncurrent assets			
Other investments helds as fixed assets	26	-	53,016
Total fixed assets		**41,593**	**105,136**
Current assets			
Accounts receivables	27	-	-
Other receivables	28	4,924	4,896
Prepayments and accrued income	29	2,079	4,226
Other short-term financial assets		-	102,980
Cash and cash equivalents	30	103,342	93,890
Total current assets		**110,345**	**205,992**
TOTAL ASSETS		**151,938**	**311,128**

Consolidated statement of financial position

Equity and liabilities

TSEK	Note	2020-12-31	2019-12-31
EQUITY AND LIABILITIES			
Equity			
Share capital (71,388,615 shares at a par value of SEK 0.40)	31	28,555	28,555
Other Capital contributions	31	662,614	662,614
Retained earning		-575,926	-432,671
Equity attributable to Parent Company shareholders		**115,244**	**258,498**
Non-current provisions and liabilities			
Lease Liabilities	10	5,841	11,260
Other longterm liabilities		135	426
Total non-current provisions and liabilities		**5,975**	**11,685**
Current liabilities			
Accounts payable		6,538	15,674
Other liabilities		1,879	2,055
Lease Liabilities	10	6,232	5,794
Accrued expenses and deferred income	33	16,070	17,420
Total current liabilities		**30,719**	**40,944**
TOTAL EQUITY AND LIABILITIES		**151,938**	**311,128**

Consolidated statement of changes in equity

	Attributable to Parent Company shareholders			
TSEK	**Share capital**	**Other Capital Contributions**	**Profit/loss for the period**	**Total Equity**
Equity, January 1, 2019	**28,555**	**662,614**	**-222,860**	**468,310**
Profit/loss for the period	-	-	-210,112	-210,112
Other comprehensive income	-	-	-	-
Comprehensive income for the period	**-**	**-**	**-210,112**	**-210,112**
Transactions with the Group's owner				
Effect of share-based payments	-	-	301	301
Equity, December 31, 2019	**28,555**	**662,614**	**-432,671**	**258,498**
Equity, January 1, 2020	**28,555**	**662,614**	**-432,671**	**258,498**
Profit/loss for the period	-	-	-143,296	-143,296
Other comprehensive income	-	-	-	-
Comprehensive income for the period	**-**	**-**	**-143,296**	**-143,296**
Transactions with the Group's owner				
Effect of share-based payments	-	-	42	42
Equity, December 31, 2020	**28,555**	**662,614**	**-575,925**	**115,244**

Consolidated statement of cash flows

TSEK	Note	2020	2019[1)]
Cash flow from operating activities			
Operating profit/loss		-144,298	-214,519
Adjustments for items not generating cash flow			
Depreciation and impairments	10,19,20,21,22,23,24	11,522	11,548
Effect from warrant program		42	301
Other items, no impact on cash flow		-	-
Interest received		218	1,759
Interest paid		-347	-419
Tax paid		-	-
Cash flow from operating activities before changes in working capital		**-132,863**	**-201,331**
Changes in working capital			
Change in operating receivables		2,119	25,291
Change in operating liabilities		-10,608	-5,049
Cash flow from operating activities		**-141,352**	**-181,089**
Investing activities			
Acquisition of tangible assets	20,21	-	-116
Sales of tangible assets	22,23,24	-102	-2,069
Divestment of securities	4,26	53,828	20,000
Divestment of other short term investments	4	103,160	150,000
Investing activities		**156,886**	**167,815**
Financing activities			
Amortization of leasing liabilities	10	-5,794	-7,077
Installment Purchase		-	778
Amortization of installment purchase		-354	-
Cash flow from financing activities		**-6,148**	**-6,298**
Cash flow for the period		**9,386**	**-19,572**
Cash and cash equivalents at beginning of period		93,890	112,024
Exchange rate differences in cash and cash equivalents		145	1,438
Cash and cash equivalents at end of period	30	**103,342**	**93,890**

1) Earlier periods have been adjusted to reflect change of classification, see Note 32.

Parent Company income statement

TSEK	Note	2020	2019
Net sales	6	4,352	4,358
Other operating income	7	2,315	717
Total operating income		**6,666**	**5,075**
Operating costs			
Other external costs	8,9,10	-88,416	-151,338
Personnel costs	11,12	-55,710	-60,609
Depreciation and impairment of tangible assets	20,21,22,23,24	-5,658	-5,812
Other operating costs	13	-1,413	-2,384
Total operating costs		**-151,196**	**-220,142**
OPERATING PROFIT/LOSS		**-144,530**	**-215,068**
Results from financial items			
Result from participation in Group companies		12,500	-
Result from other securities and receivables	14	192	1,218
Other interest income and similar income statement items	15	3,012	2,781
Interest expense and similar income statement items	16	-881	-381
Net financial items		**14,822**	**3,618**
PROFIT/LOSS AFTER FINANCIAL ITEMS		**-129,708**	**-211,450**
Appropriations			
Group contribution received		438	487
Total appropriations		**438**	**487**
Result before tax		**-129,270**	**-210,963**
Tax on profit for the year	17	-	-
PROFIT/LOSS FOR THE PERIOD		**-129,270**	**-210,963**

Parent Company statement of comprehensive income

TSEK	Note	2020	2019
Profit/loss for the year		-129,270	-210,963
Other comprehensive income		0	0
Profit/loss for the year		**-129,270**	**-210,963**

Parent Company balance sheet

Assets

TSEK	Note	2020-12-31	2019-12-31
ASSETS			
Fixed assets			
Intangible assets			
Patents	20	72	232
Softwares	21	332	464
Total intangible assets		**405**	**696**
Tangible assets			
Improvements in leased premises	22	1,217	1,825
Equipment, machinery and computers	23	8,600	12,131
Construction in progress and advance payments for tangible assets	24	-	1,125
Total tangible assets		**9,817**	**15,081**
Financial assets			
Participations in Group companies	25	20,294	20,294
Other investments held as fixed assets	26	-	53,016
Total financial assets		**20,294**	**73,310**
Total fixed assets		**30,515**	**89,087**
Current assets			
Current receivables			
Accounts receivable	27	-	-
Receivables from Group companies		438	487
Other receivables	28	4,923	4,896
Prepayments and accrued income	29	3,688	5,750
Total current receivables		**9,050**	**11,133**
Other short-term investments	30	-	101,530
Cash and bank deposits	30	102,473	80,470
Total current assets		**111,523**	**193,133**
TOTAL ASSETS		**142,038**	**282,219**

Parent Company balance sheet

Equity and liabilities

TSEK	Note	2020-12-31	2019-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (71,388,615 shares at a par value of SEK 0.40)	31	28,555	28,555
Total restricted equity		**28,555**	**28,555**
Non-restricted equity			
Share premium reserve		662,741	662,741
Retained earnings		-444,611	-233,691
Profit/loss for the period		-129,270	-210,963
Total non-restricted equity		**88,861**	**218,088**
Total equity		**117,416**	**246,643**
Non-current provisions and liabilities			
Other long-term liabilities		432	426
Total non-current provisions and liabilities		**432**	**426**
Current liabilities			
Accounts payable		6,538	15,674
Other liabilities		1,582	2,055
Accrued expenses and deferred income	33	16,070	17,420
Total current liabilities		**24,190**	**35,150**
TOTAL EQUITY AND LIABILITIES		**142,038**	**282,219**

Parent Company statement of changes in equity

	RESTRICTED EQUITY	NON-RESTRICTED EQUITY			
TSEK	Share capital	Share Premium reserve	Retained earnings	Profit/loss for the period	Total
Equity, Jan 1, 2019	**28,555**	**662,741**	**-74,094**	**-159,898**	**457,305**
Conversion of previous year's results	-	-	-159,898	159,898	-
Profit/loss for the period	-	-	-	-210,963	-210,963
Other comprehensive income	-	-	-	-	-
Comprehensive income for the period	**-**	**-**	**-**	**-210,963**	**-210,963**
Other changes in equity					
Effect of share-based payments	-	-	301	-	301
Equity, Dec 31, 2019	**28,555**	**662,741**	**-233,691**	**-210,963**	**246,643**
Equity, Jan 1, 2020	**28,555**	**662,741**	**-233,691**	**-210,963**	**246,643**
Conversion of previous year's results	-	-	-210,963	210,963	-
Profit/loss for the period	-	-	-	-129,270	-129,270
Other comprehensive income	-	-	-	-	-
Comprehensive income for the period	**-**	**-**	**-**	**-129,270**	**-129,270**
Other changes in equity					
Effect of share-based payments	-	-	42	-	42
Equity, Dec 31, 2020	**28,555**	**662,741**	**-444,611**	**-129,270**	**117,416**

Parent Company statement of cash flows

TSEK	Note	2020	2019[1)]
Cash flow from operating activities			
Operating profit/loss		-144,530	-215,068
Adjustments for items not generating cash flow			
Depreciation and impairments	20,21,22,23	5,658	5,812
Effect from warrant program		-42	301
Other items, no impact on cash flow		-	-
Devist of shares in interest funds		-	1,091
Interest received		218	1,741
Interest paid		-11	-5
Tax paid		-	-
Cash flow from operating activities before changes in working capital		**-138,708**	**-206,128**
Changes in working capital			
Change in operating receivables		2,522	13,502
Change in operating liabilities		-10,961	-5,049
Cash flow from operating activities		**-147,147**	**-197,675**
Investing activities			
Sales of tangible assets	20,21	-	-116
Cash flow from investing activities	22,23,24	-102	-2,069
Divestment of securities	4,26	53,828	20,000
Divestment of other short term investments	4	103,160	150,000
Investing activities		**156,886**	**167,815**
Financing activities			
Option premiums received		12,500	-
Installment Purchase		-	778
Installment Purchase amortization		-354	-
Cash flow from financing activities		**12,146**	**778**
Cash flow for the period		21,859	-30,172
Cash and cash equivalents at beginning of period		80,470	109,353
Exchange rate differences in cash and cash equivalents		145	1,288
Cash and cash equivalents at end of period	30	**102,473**	**80,470**

1) Earlier periods have been adjusted to reflect change of classification, see Note 32.

Notes

1. General information

Alligator Bioscience AB (publ), corporate ID number 556597-8201, is a public limited company based in Lund, Sweden. The address of the head office is Medicon Village, SE-223 81 Lund, Sweden. Alligator is a biotech company which develops innovative antibody-based medicines for immunotherapy of cancer. These consolidated accounts cover the Parent Company and its wholly-owned subsidiaries Atlas Therapeutics AB (corporate ID no 556815-2424) and A Bioscience Incentive AB (559056-3663), both based in Lund, Sweden. All operations are run by the Parent Company.

2. Accounting policies

The consolidated financial statements for Alligator Bioscience AB (publ.) have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU, and interpretations from the IFRS Interpretations Committee (IFRIC). The Group also complies with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 'Reporting for legal entities'. The consolidated accounts are denominated in Swedish kronor (SEK) and relate to the period January 1–December 31 for income statement- and cash flow statement items or December 31 for balance-sheet- and equity items. Assets and liabilities are recognized according to the historical cost method unless stated otherwise. The key accounting principles applied are described below. The accounting principles have been applied constantly for all years presented, unless otherwise is stated.

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. For more details see Note 32 – Change of classification.

New and amended improvements which entered into force in 2020
The International Accounting Standards Board (IASB) has issued a number of new and amended standards that have taken effect during 2020. Management believes that other new and amended standards and interpretations have not had a significant impact on the Group's financial statements.

New and amended standards and interpretations that have not yet taken effect
The International Accounting Standards Board (IASB) has issued a number of new and amended standards that have not yet taken effect. None of these has been applied in advance. Management believes that other new and amended standards which have not yet taken effect will not have any material impact on the Group's financial statements in the period when they are first applied.

Consolidated reporting
The consolidated accounts cover the Parent Company Alligator Bioscience AB (publ) and the companies over which the Parent Company directly exercises a controlling influence (subsidiaries). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are included in the consolidated accounts from the acquisition date onwards, and excluded from the date on which the controlling influence ceases. The Group's results and components of comprehensive income are attributable in their entirety to the shareholders in the Parent Company.

All intra-Group transactions, balances and unrealized gains and losses attributable to intra-Group transactions have been eliminated in the preparation of the consolidated accounts.

Joint operations
Joint operations are activities where Group through agreements with one or more parties have a common decision power and the parties report assets, liabilities, income and costs and their share of common assets, liabilities, income and costs. For more information, see Note 36 – Participation in joint arrangements.

Business acquisitions

Business acquisitions are reported by the acquisition method

The purchase price for the acquisition is assessed at fair value on the date of acquisition, calculated as the sum of assets paid, liabilities incurred or assumed and equity issued in exchange for control over the acquired operation. Acquisition-related costs are reported in the income statement when they arise.

The identifiable assets acquired and liabilities assumed are reported at fair value on the acquisition date – apart from the exceptions specified in IFRS 3.

Segment reporting

The Group currently has only one business activity, and hence only one operating result for the chief executive to take regular decisions on and allocate resources to. In light of this, there is only one operating segment which represents the Group as a whole, so there is no other segment reporting. Within the Group, the CEO of the Company has been identified as the chief operating decision maker.

Revenue from contracts with customers

The Group's operating income is made up of revenues from collaboration agreements and out-licensing pharmaceutical projects.

The business model of Alligator is to develop drug candidates up to and including clinical Phase II to subsequently out-license the drug candidate to a partner (customer) for further development and market launch. Agreements with a partner can also contain other performance obligations such as further development work.

In all existing license and collaboration agreements, the license for intellectual property has been deemed to be distinct from other services in the agreement. In all cases, the assessment has also been made that the license entitles the licensee to use the Company's intellectual property in its existing condition at the time the license is granted. In principle, compensation for the license shall be reported as revenue at the time when control of the license is transferred to the licensee.

Development work is considered performed and fulfilled over time as the customer receives and uses the services provided by Alligator Bioscience.

The terms of these agreements usually entail compensation in the form of one or more payment streams:

- Non-refundable, initial fixed license fees.
- Milestone payments for various development, government, and commercial milestones.
- Remuneration for development work.
- Sales-based royalties on future drugs that reach the market.

While the initial license fees by nature are fixed, milestone payments, remuneration for development work and sales-based royalties are variable.

Alligator evaluates the most likely amount for each milestone payment at the start of each contract. The estimated amount is included in the transaction price if it is very likely that a substantial reversal of income will not occur when the uncertainty associated with the milestone payment ceases. Milestone payments that are not within Alligator's or the licensee's control, such as regulatory approvals, are not included in the transaction price until such approval has been received. Alligator Bioscience re-evaluates the likelihood that milestones will be achieved at the end of each reporting period, and if necessary, updates the estimated transaction price.

Alligator will report future sales-based royalties first when the related sales has taken place.

For all Alligator's agreements, milestone payments and royalty payments have been allocated to performance obligations according to the license agreements. This means that milestone payments are recognized as revenue as soon as they are included in the transaction price and that royalty payments will be recognized as revenue when the underlying sales have taken place.

In all cases where agreements include development work, Alligator has made the assessment that the agreed remuneration for development work corresponds to the independent sales price for promised services.

Payment terms are usually 30 to 60 days after transferred license rights, achieved milestone or for completed development work. This means that performance obligations are carried out before payment is received.

For accounting of accounts receivable linked to revenues from contracts with customers, reference is made to accounting principles for financial instruments.

Government grants

Government grants are reported as other income when the performance required in order to receive the contribution is carried out. If the contribution is received before performance is affected, the contribution is reported as a liability in the balance sheet. Government grants are recognized at the fair value of whatever has been or is to be received.

Dividends and interest income

Dividend income is reported when the right of shareholders to receive payment has been established.

Interest income is spread across the term, by the effective interest method. Effective interest is the interest that causes the present value of all future payments and receipts to be equal to the reported value of the receivable.

Leases

The Group determines whether a contract is, or contains, a lease at the start of the contract. The Group recognizes a right-of-use assets and a corresponding lease liability for all leases in which the Group is the lessee, with the exception of leases where the underlying asset is of a low value. For leases that fulfill the criteria for the exemption rules, the Group recognizes lease payments as an operating expense on a straight-line basis over the lease term, provided no other systematic method for allocating the lease payment provides a fairer presentation taking into account how the economic benefits from the underlying asset are consumed. The lease liability is initially measured at the present value of the future lease payments that have not been paid as of the start date for the lease, discounted by the implicit interest rate or, if this cannot easily be determined, by the incremental borrowing rate. The incremental borrowing rate is the interest rate that an affiliated company would need to pay for financing through loans in a corresponding period, and with corresponding collateral, for the right of use for an asset in a similar economic environment.

The following lease payments are included in the measurement of lease liabilities:

- fixed fees (including essentially fixed fees) less any benefits in connection with signing the lease that are to be received,
- variable lease payments that are dependent on an index or price, initially measured using an index or price on the start date,
- amounts expected to be paid by the lessee according to residual value guarantees,
- the exercise price for an option, if the lessee is reasonably certain that such an option will be exercised, and
- penalty charges paid upon termination of the lease, if the lease term reflects the fact that the lessee will exercise an option to terminate the lease.

Lease liabilities are presented on a separate line in the statement of financial position.

Lease liabilities are recognized in the subsequent period by increasing the liability to reflect the effect of interest and reducing the liability to reflect the effect of lease payments made.

Lease liabilities are remeasured with a corresponding adjustment of the right-of-use asset according to the rules of the standard.

The right-of-use asset is initially recognized at the value of the lease liability, plus lease payments made on or prior to the start date for the lease and initial direct expenses. The right-of-use asset is recognized in the subsequent period at cost loss depreciation and impairment.

If the Group undertakes an obligation to dismantle a leased asset, to restore land or to restore and renovate an asset to a condition agreed on in the lease, a provision for such obligations is recognized. Such provisions are included in the cost of the right-of-use asset, provided they are not linked to the production of inventory.

Right-of-use assets depreciated over their estimated useful life or, if it is shorter, over the agreed lease term. If a lease entails a transfer of ownership right at the end of the lease term, or if the cost includes a probable exercise of a call option, the right-of-use asset is depreciated over its useful life. Depreciation commences on the start date for the lease.

Right-of-use assets are presented on a separate line in the statement of financial position.

The Group applies the same principles for impairment of right-of-use assets in accordance with the accounting policy for tangible assets.

Variable lease payments that are not dependent on an index or price are not included in the measurement of lease liabilities and right-of-use assets. Such lease payments are recognized as a cost under operating profit in the period in which they arise.

The Group has chosen not to apply the possibility of not separating service components from leasing fees.

Foreign currencies

The consolidated accounts are drawn up in Swedish kronor (SEK), which is the Parent Company's functional and reporting currency. Transactions in foreign currency are converted to SEK at the rate in effect on the transaction date. Receivables and liabilities in foreign currency are converted at the rate in effect on the reporting date. Exchange rate gains and losses on operating receivables and liabilities are reported under operating profit as other operating income or other operating costs. Gains and losses on financial receivables and liabilities are reported as financial items.

Exchange rate differences are reported in the income statement in the period in which they arise.

Payments to employees

Short-term payments to employees

Payments to employees in the form of salary, bonuses, paid vacation, paid sick leave etc. and pensions are reported as and when they are accrued (usually monthly).

Severance payments

The Group reports severance payments when there is an existing legal or informal obligation and when it is likely that an outflow of resources will be required to meet the commitment and the amount can be calculated in a reliable manner.

Pensions

Pensions and other payments after cessation of employment are classified as defined-contribution or defined-benefit pension plans.

The Group's defined-benefit pension plans cover commitments for old-age and family pensions for salaried employees in Sweden covered by insurance with Alecta. According to an opinion from the Financial Reporting Board, UFR 10, this a defined-benefit plan covering multiple employers. The Group has not had access to the information that would allow it to report this as a defined-benefit plan. The ITP (white-collar) pension plan covered by insurance with Alecta is therefore reported as a defined-contribution plan.

Other pension plans in the Group are defined-contribution. A defined-contribution plan is a pension plan under which the Group makes fixed payments to a separate legal entity. The Group has no legal or informal obligations to make further payments if this legal entity does not have sufficient assets to make all payments to employees associated with the employees' service in the current or earlier periods. The Group's payments into defined-contribution pension plans are charged to profit/loss for the period in the year to which they are attributable.

Share-related payments

In 2018 Alligator issued staff options which were granted free of charge. The fair value of the staff options is determined on the date of assignment of the right to payment. This value is reported as a personnel cost in the income statement, distributed over the qualifying period, with a corresponding increase in equity. The cost reported is equal to the fair value of the number of options expected to be accrued. In subsequent periods, this cost is adjusted to reflect the fair value of options accrued.

Associated social security charges are reported as a cost and a liability and regularly revalued based on changes in the fair value of the options.

Taxes

Income taxes are the sum of current and deferred tax.

Current tax

Current tax is calculated on the taxable profit/loss for the period, adjusted for current tax for previous periods. Taxable profits differ from the reported profit in the income statement because they have been adjusted for non-taxable income and non-deductible expenses and for income and expenses that are taxable or deductible in other periods. The Group's current tax debt is calculated at the tax rates decided on or announced as of the reporting date.

Deferred tax

Deferred tax is reported on temporary differences between the reported value of assets and liabilities in the financial statements and the taxable value used to calculated the taxable profit. Deferred tax is reported by the balance-sheet method. Deferred tax liabilities are reported for essentially all taxable temporary differences, and deferred tax assets are reported for essentially all deductible temporary differences where it is likely that the amount can be offset against a future taxable surplus. Deferred tax liabilities and assets are not reported if the temporary difference is attributable to goodwill or arises out of a transaction which triggers the initial recognition of an asset or liability (which is not a business acquisition) and which affects neither the reported nor the taxable profit at the date of the transaction.

Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is recovered or the debt paid, based on the tax rates (and laws) decided on or published at the reporting date.

Deferred tax assets and liabilities are netted off when they are related to income tax charged by the same authority and the Group intends to settle the tax as a net amount.

Current and deferred tax for the period

Current and deferred tax are reported as expenses or as income in the income statement, except where the tax is attributable to transactions reported under other operating profit or directly against equity. In these cases, the tax should also be reported under other operating profit or directly under equity. For more information, see Note 17 – Tax.

Investments in leased premises

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

Tangible assets
Tangible assets consist of computers, equipment and machinery. These are reported at historical cost minus cumulative depreciation and any impairments. The historical cost includes the purchase price and any expenses directly attributable to the asset for putting it in place and making it fit for its intended purpose.

Depreciation of tangible assets is posted to expenses in such a way that the value of the asset minus its estimated residual value at the end of its service life is written down on a linear basis over its expected service life, estimated at:

- Computers 3 years.
- Equipment and machinery 5 years.

Estimated service lives, residual values and depreciation methods are reviewed at least at the end of each accounting period, and the effects of any changes in estimates are reported in advance.

The reported value of a tangible asset is removed from the statement of financial position when it is scrapped or sold, or when no future economic benefits are expected from using or scrapping/disposing of the asset. The gain or loss made from scrapping or disposing of the asset is the difference between any net income from the disposal and its reported value, posted to the income statement in the period in which the asset is removed from the statement of financial position.

Intangible assets
Separately acquired intangible assets – Participations in development projects
Intangible assets which have been acquired separately are reported at historical cost minus cumulative depreciation and any cumulative impairments. Depreciation is linear over the estimated period of use of the asset. Estimated periods of use and depreciation methods are reviewed at least at the end of each accounting period, and the effects of any changes in estimates are reported in advance.

Depreciation starts when the projects are ready for sale or out-licensing or otherwise ready for commercialization. Depreciation has not yet been initiated for acquired participations in development projects.

Acquisition through internal processing
Work to produce an internally processed intangible asset is broken down into a research phase and a development phase. All costs deriving from the Group's research phase are reported as expenses in the period in which they arise. The costs of developing an asset may be reported as an asset if all of the following conditions are met:

- it is technically possible to finish the intangible asset so it can be used or sold,
- the Company intends to finish the intangible asset and to use or sell it,
- the conditions exist to use or sell the intangible asset,
- it is likely that the intangible asset will generate future economic benefits,
- necessary and adequate technical, economic and other resources are in place to complete the development and to use or sell the intangible asset, and
- the costs attributable to the intangible asset during its development can be calculated in a reliable manner.

If all of the above criteria are not satisfied, the development costs are reported as an operating cost as and when they arise.

The above rules will normally mean that capitalization starts when the end-product has been approved for sale on the market. This means that in-house projects will not reach the capitalization phase because the Company has no rights to sell the final pharmaceutical products in the market. With Alligator's present business model, the capitalization phase of development costs is unlikely to be an issue.

Patents
Patents relating to Alligator's technology platforms are reported at historical cost minus any depreciation and impairments. These patents are depreciated over a period of five years. Annual service costs and internal costs associated with these patents are posted to operating costs when they arise. Patent costs attributable to development projects where the capitalization phase (see above) has not been reached are posted to operating costs as they arise.

Software
Separately acquired software's are reported at historical cost minus any depreciation and impairments. Software is depreciated over a period of 5 years.

Disposals
An intangible asset is removed from the statement of financial position when it is scrapped or sold, or when no future economic benefits are expected from using or scrapping/disposing of the asset. The gain or loss made when an intangible asset is removed from the statement of financial position is the difference between any net income from the disposal and the reported value of the asset, posted to the income statement when the asset is removed from the statement of financial position.

Impairment of tangible and intangible assets
Assets which have an undefinable period of use are impairment-tested at least once a year and when there is any indication of impairment. Assets being depreciated should be assessed for a possible decrease in value whenever events or changed circumstances indicate that the reported value is not recoverable.

An impairment is raised in the amount by which the reported value of the asset exceeds its recoverable value. The recoverable value is the greater of the fair value of the asset minus sales costs and its value in use. An impairment should be posted to the income statement immediately as an expense.

To test the value of intangible assets, Alligator uses a probability-adjusted cash flow model. The value of ongoing development projects is calculated by estimating the present value of future cash flows probability-adjusted to allow for the development risk.

Previously reported impairments are reversed if the recoverable value is considered to exceed the reported value. However, the reversal value cannot be greater than the reported value would have been if no impairments had been reported in previous periods.

Financial instruments
A financial asset or liability is reported in the balance-sheet when the Company becomes a party to the contractual terms for the instrument.

Financial assets
Initial recognition and measurement
The Group classifies and report financial assets in the following categories: financial assets at amortized cost and financial assets at fair value through the income statement.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures financial assets at fair value plus, in the case of a financial asset not at fair value through the income statement, directly attributable transaction costs. Transaction costs related to financial assets at fair value through the income statement are expensed directly in the income statement.

In order for a financial asset to be measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement
Subsequent measurement of investment in debt instruments depends on the Group's business model for managing assets and what kind of cash flow the asset gives rise to. The Group classifies its investments in debt instruments in two categories:

- Financial assets at amortized costs (debt instrument).
- Financial assets at fair value through the income statement.

Financial assets at amortized costs (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
  and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are measured using the effective interest method, less any provisions for impairment. Interest income for such financial assets is reported as financial income.

The Group's financial assets valued at amortized cost include other investments held as fixed assets (corporate bonds), accounts receivables and bank deposits. Due to the fact that cash and cash equivalents are payable on demand, the amortized cost value corresponds to the nominal amount.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of cash flows include cash. Other short-term investments are classified as cash and cash equivalents when they have maturity within three months from the date of acquisition, can easily be converted into cash at a known amount and are exposed to a negligible risk of value fluctuations. Cash in hand and bank balances are categorized as financial assets valued at amortized cost. Short-term liquid investments in interest funds are valued at fair value and categorized as financial assets measured at fair value with changes in value reported in the income statement.

Fair value through the income statement
Assets that do not meet the requirements for being recognized at amortized cost are valued at fair value through the income statement. A profit or loss on a debt instrument that is reported at fair value through the income statement and which is not included in a hedging relationship is reported net in the profit and loss in the period in which the profit or loss arises.

Expected credit losses
For the Group's receivables other than cash and cash equivalents, credit assessments are made on an ongoing basis based on history and current and prospective factors. Due to the short maturity of the receivables and the Company's assessment, no credit reservation has been made. For cash and cash equivalents, the reserve is judged based on the banks' probability of failure and forward-looking factors. Due to short maturity and high liquidity, no provision has been made.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when:

- the contractual rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
Initial recognition and measurement
The Group's financial liabilities consist of accounts payable and other liabilities. These are initially recognized at fair value, less directly attributable transaction costs and then at amortized cost using the effective interest method. A financial liability is removed from the Group's financial statement when the obligation for the liability is canceled, terminated or expires.

Subsequent measurement
The valuation of financial liabilities relating to accounts payable and other liabilities is initially recognized at fair value through the income statement and subsequently at amortized cost using the effective interest method.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Provisions
Provisions are raised when the Group has an existing obligation (legal or informal) as a result of an event that has occurred, it is likely that an outflow of resources will be needed to discharge the obligation, and a reliable estimate of the amount can be made.

Statement of cash flows
The statement of cash flows is prepared according to the indirect method. The reported cash flow includes only transactions that led to payments and receipts.

ACCOUNTING POLICIES FOR THE PARENT COMPANY
The Parent Company complies with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 'Reporting for legal entities'. The application of RFR 2 means that, as far as possible, the Parent Company applies all IFRS standards approved by the EU within the Annual Accounts Act and the Pension Obligations Vesting Act, and observes the relationship between reporting and taxation. Amendments to RFR 2 which entered into force in 2020 had no material impact on the Group's financial statements for the period. The differences between the accounting principles applied by the Parent Company and the Group are described below:

Classification and presentation
The Parent Company's income statement and balance sheet are prepared in accordance with the schema in the Annual Accounts Act. The main difference from IAS 1 Presentation of Financial Statements applied in preparing the Group's financial statements is in the reporting of financial income and expenses, fixed assets and equity, and in the inclusion of provisions as a separate heading.

Subsidiaries
Participations in subsidiaries are reported at historical cost in the Parent Company's financial statements. Acquisition-related costs to subsidiaries which are posted to expenses in the consolidated report are included as part of the historical cost of participations in subsidiaries. An impairment is raised in the amount by which the reported value of a subsidiary exceeds its recoverable value. The recoverable value is the greater of the fair value of the subsidiary minus sales costs and its value in use. An impairment should be posted to the income statement immediately as an expense. To test the value of a subsidiary intangible assets, Alligator uses a probability-adjusted cash flow model. The value of ongoing development projects is calculated by estimating the present value of future cash flows probability-adjusted to allow for the development risk.

Financial instruments
The Parent Company does not apply IFRS 9 Financial Instruments: Recognition and Measurement. The Parent Company applies RFR 2 paragraph 3 to 10 regarding IFRS 9 and a method based on historical costs pursuant to the Swedish Annual Accounts Act.

Leases
The Parent Company does not apply IFRS 16 Leases. The Parent Company as lessee recognizes lease payments straight line as a cost over the lease term unless another systematic method better reflects the user's financial benefits over time. The Parent Company only recognizes lease payments from leases on a straight-line basis over the lease period as other external costs. The right-of-use asset and lease liability are therefore not recognized in the balance sheet.

Approved changes to RFR 2 which have not yet taken effect
Management judges that changes to RFR 2 which have not yet taken effect are not expected to have any material impact on the Parent Company's financial statements on initial application.

Proposed changes to RFR 2 which have not yet taken effect
Management judges that proposed changes to RFR 2 which have not yet taken effect are not expected to have any material impact on the Parent Company's financial statements on initial application.

3. Important estimates and judgments
When the Board and management prepare financial statements in accordance with the accounting principles applied, some estimates have to be made which may affect the reported values of assets, liabilities, income and expenses.

The estimates and assumptions are reviewed on a regular basis. Changes to estimates are reported in the period in which the change is made if it only affects that period, or in the period in which it is made and in future periods if it affects both the current and future periods.

Uncertainties in estimates carry a substantial risk of the value of assets or liabilities needing to be significantly adjusted during the coming financial year. Regular impairment tests are therefore performed on intangible assets with indeterminate periods of use, at least once a year.

For impairment testing of intangible assets with an indeterminate period of use, a number of key assumptions and estimates have to be taken into account in order to calculate a recoverable value. Among other things, the assumptions and estimates relate to the expected sale price for the Company's products, expected market penetration, expected development, sales and marketing costs and the probability of the product passing through the remaining development stages. The assumptions are based on industry and market-specific data and are produced by management and reviewed by the Board. For more information on impairment testing of intangible assets with an indeterminate period of use, see Note 19 – Intangible assets.

4. Financial risk management and financial instruments

The Group is exposed through its activities to various types of financial risk such as market, liquidity and credit risks. The market risks are made up mainly of interest rate risk, currency risk and other price risk. The Board of the Company bears the ultimate responsibility for exposure and handling and following up the Group's financial risks. The limits that apply to exposure, handling and following up the financial risks are set by the Board in a financial policy which is revised each year. In the finance policy, the Board has delegated the responsibility for day-to-day risk management to the Company's CFO. The Board can decide on temporary deviations from the approved financial policy.

The Group's overall financial risk management focuses on the unpredictability in the financial markets and strives to minimize potential adverse effects on the Group's financial results. The Group's overarching objective for financial risks is to minimize the risk by investing surplus liquidity.

Market risks

Currency risks

Currency risk is the risk of fair value of future cash flows fluctuating as a result of changed exchange rates. The exposure to currency risk derives mainly from payment flows in foreign currency, known as transaction exposure.

The Group has transaction exposure from contracted payment flows in foreign currency. See table at the top of the next page for exposures in each currency.

	2020		2019	
	Operating income	**Operating costs**	**Operating income**	**Operating costs**
FOREIGN EXCHANGE EXPOSURE				
USD	100%	6%	100%	17%
EUR	0%	39%	0%	44%
GBP	0%	12%	0%	12%
SEK	0%	41%	0%	26%
Other	0%	1%	0%	2%
Total	**100%**	**100%**	**100%**	**100%**

As can be seen from the table above, most of the Group's transaction exposure is in USD, GBP and EUR. A 5 percent stronger SEK against the USD would have a positive effect on post-tax profits and equity of approx. TSEK 290 (1,178). A 5 percent stronger SEK against the EUR would have a positive effect on post-tax profits and equity of approx. TSEK 1,897 (3,696). A 5 percent stronger SEK against the GBP would have a positive effect on post-tax profits and equity of approx. TSEK 588 (1,021).

Interest rate risks

Interest rate risk is the risk of fair value or future cash flows fluctuating as a result of changed market interest rates. The Group was exposed to interest rate risk mainly through its investment of surplus liquidity, as it has no borrowing. A 0.5 percent fall in interest rates would have a negative effect of approx. TSEK -1,146 in 2019. During the first quarter 2020, the Company divested its investments in fixed income funds amounting to SEK 102,980 thousand.

Liquidity and financing risk

Liquidity risk refers to the risk that the Group will encounter difficulties in meeting its commitments related to the Group's financial liabilities. Liquidity risks are limited by liquidity planning and placement of excess liquidity in financial instruments that easily can be converted into cash and savings in bank accounts.

Financing risk is the risk that cash and cash equivalents might not be available and that financing could be only partly obtainable, if at all, or only at increased cost. The Group now has funds, mainly from licensing mitazalimab and AC101, the agreement with Biotheus and the share issue done in 2016 and 2021. Alligator has used and will continue to need to use substantial sums to carry out research and development.

The Group's contractual and undiscounted interest payments and repayments of financial liabilities can be seen in the table below. Amounts in foreign currency have been converted to SEK at the rate on the reporting date. Financial liabilities with variable interest rates have been calculated at the rate in place on the reporting date. Liabilities have been included in the earliest period in which repayment can be requested.

4. Financial risk management and financial instruments, cont'd

The maturity periods for the Group's financial liabilities are shown below.

	2020-12-31				2019-12-31			
TSEK	Within 3 mths	3–12 mths	1–5 years	Total	Within 3 mths	3–12 mths	1–5 years	Total
Lease liabilities	1,620	4,860	7,609	14,090	1,536	4,607	13,154	19,296
Installment purchase	110	329	-	439	145	233	439	817
Accounts payable	6,538	-	-	6,538	15,674	0	0	15,674
Accrued expenses and deffered income	12,382	-	-	12,382	11,936	0	0	11,936
Total	**20,650**	**5,189**	**7,609**	**33,449**	**29,290**	**4,839**	**13,593**	**47,723**

Credit and counterparty risk

Credit risk is the risk of the counterparty to a transaction causing a loss to the Group by not meeting its contractual obligations. The Group has no significant credit risks and no significant concentration of credit risks. The Group's exposure to credit risk is mainly attributable to accounts receivable. The Group has established guidelines to ensure that sales of products and services are made to customers with a suitable credit record. The payment terms may be between 30-60 days depending on the counterparty. There were no credit losses in 2020 or 2019.

Credit risk also arises when the Company's surplus liquidity is invested in various types of financial instrument. According to the financial policy, surplus liquidity can be deposited in interest-bearing bank accounts or invested in interest-bearing securities. According to the financial policy, the credit risk from investing surplus liquidity should be reduced by only dealing with counterparties with a very good rating. The financial policy also states that investments should be spread across multiple counterparties or issuers.

Categorization of financial instruments

The carrying value of financial assets and liabilities broken down by valuation category in accordance with IFRS 9 is shown in the table below.

	Group	
Financial assets, TSEK	**2020-12-31**	**2019-12-31[1)]**
Financial assets valued at fair value through profit and loss		
Liquid assets - Interest funds[1)]	-	102,980
Financial assets valued at amortized cost		
Other investments held as fixed assets	-	53,016
Other short-term investments	-	-
Accounts payable	-	-
Other receivables	832	856
Liquid assets - Bank accounts	103,342	93,890
Total financial assets	**104,175**	**250,742**

1) Earlier periods have been adjusted to reflect change of classification, see Note 32.

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 (SEK 53,828 thousand).

4. Financial risk management and financial instruments, cont'd

	Group	
Financial liabilities, TSEK	**2020-12-31**	**2019-12-31[1)]**
Financial liabilities valued at amortized cost		
Longterm lease liabilities	5,841	11,260
Other longterm installment purchase liabilities	135	426
Accounts payable	6,538	15,674
Short term lease liabilities	6,232	5,794
Other shortterm installment purchase liabilities	297	353
Accrued expenses and deffered income	10,081	11,936
Total financial liabilities	**29,124**	**45,442**

There were no reclassifications between the valuation categories above during the period.

Net gains/losses from financial assets and liabilities broken down by valuation category in accordance with IFRS 9 are shown in the table below.

	Group	
TSEK	**2020**	**2019**
Financial assets at fair value through profit or loss	180	2,126
Financial assets at amortised cost	-	1,244
Other financial liabilities	-	-
Net gain/loss	**180**	**3,370**

1) Earlier periods have been adjusted to reflect change of classification, see Note 32.

5. Capital management

The Group's objective for capital management is to maintain its ability to remain in operation to generate a reasonable return to shareholders and benefit to other stakeholders.

The Group monitors its capital structure on the basis of cash and cash equivalents, incl securities (net). The overall target is to secure sufficient and competitive financing so the operations can be run in an appropriate and cost efficient way.

At the end of the financial year, cash and cash equivalents, incl securities (net) totaled:

	Group	
TSEK	**2020-12-31**	**2019-12-31[1)]**
Cash and cash equivalents	103,342	93,890
Other short-term financial assets	-	102,980
Other investments held as fixed assets (publicly traded corporate bonds)	-	53,016
Cash and cash equivalents, incl securities (net)	**103,342**	**249,886**

The decline in cash and cash equivalents during the financial year is mainly due to operation expenses.

1) Earlier periods have been adjusted to reflect change of classification, see Note 32.

6. Revenue from contracts with customers

Revenue per project, Group

TSEK					2020					2019
Project	**ADC-1013**	**Biotheus**	**Biosynergy**	**Other**	**Total**	**ADC-1013**	**Biotheus**	**Biosynergy**	**Other**	**Total**
Out-licensing	-	4,352	-	-	4,352	-	4,288	-	-	4,288
Reimbursement for development work	-	-	-	-	-	70	-	-	-	70
Total	**-**	**4,352**	**-**	**-**	**4,352**	**70**	**4,288**	**-**	**-**	**4,358**

Geographical distribution of Net Sales, Group

TSEK					2020					2019
Project	**ADC-1013**	**Biotheus**	**Biosynergy**	**Other**	**Total**	**ADC-1013**	**Biotheus**	**Biosynergy**	**Other**	**Total**
USA	-	-	-	-	-	70	-	-	-	70
Asia	-	4,352	-	-	4,352	-	4,288	-	-	4,288
Sweden	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**4,352**	**-**	**-**	**4,352**	**70**	**4,288**	**-**	**-**	**4,358**

Revenue per project, Parent Company

TSEK					2020					2019
Project	**ADC-1013**	**Biotheus**	**Biosynergy**	**Other**	**Total**	**ADC-1013**	**Biotheus**	**Biosynergy**	**Other**	**Total**
Out-licensing	-	4,352	-	-	4,352	-	4,288	-	-	4,288
Reimbursement for development work	-	-	-	-	-	70	-	-	-	70
Total	**-**	**4,352**	**-**	**-**	**4,352**	**70**	**4,288**	**-**	**-**	**4,358**

Geographical distribution of Net Sales

TSEK					2020					2019
Project	**ADC-1013**	**Biotheus**	**Biosynergy**	**Other**	**Total**	**ADC-1013**	**Biotheus**	**Biosynergy**	**Other**	**Total**
USA	-	-	-	-	-	70	-	-	-	70
Asia	-	4,352	-	-	4,352	-	4,288	-	-	4,288
Sweden	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**4,352**	**-**	**-**	**4,352**	**70**	**4,288**	**-**	**-**	**4,358**

6. Revenue from contracts with customers, cont'd

For 2020, the Group's net sales came mainly from the Asia where Biotheus is located.
For 2019, the Group's net sales came mainly from Asia where Biotheus is located.

The Group's intangible assets in the form of participations in development projects relate to collaboration with the South Korean Company AbClon Inc. and are therefore attributed to Asia.

Details of intra-Group purchases and sales

There were no purchases or sales within the Group in 2020 or 2019.

7. Other operating income

	Group		Parent Company	
TSEK	2020	2019	2020	2019
Swedish Government grants received	1,163	-	1,163	-
EU grants received	0	-	0	-
Exchange rate gains from operations	1,151	1,035	1,151	714
Other items	1	3	1	3
Total	**2,315**	**1,038**	**2,315**	**717**

Swedish Government grants received include compensation for short-term layoffs SEK 966.78 thousand (0), compensation for high sick pay costs SEK 112.19 thousand (0) and grants for doctoral students SEK 84 thousand (0).

8. Other external expenses

	Group		Parent Company	
TSEK	2020	2019	2020	2019
Costs of R&D projects	-69,102	-132,016	-69,102	-132,016
Other costs	-13,218	-13,359	-19,314	-19,322
Total	**-82,320**	**-145,375**	**-88,416**	**-151,338**

9. Details of the auditor's fee and reimbursement of costs

	Group		Parent Company	
TSEK	2020	2019	2020	2019
EY				
Audit assignment	510	365	510	365
Audit activities other than the audit assignment	153	70	350	70
Tax advice	-	-	-	-
Other services	-	-	-	-
Total	**664**	**435**	**664**	**435**

10. Leases

Leases - The Group

The Group has leases with Medicon Village for the lease of premises as well as leases with Ikano Bank regarding the rental of copier used in the Company's daily operations. The lease period for premises extends from 1 to 3 years, while the leasing period for the copier extends over 4 years. None of the contracts require the Group to maintain any financial ratios. For lease of premises, notice must be given in writing no later than 9 months before the end of the rental period. Unless the contracts are terminated in time, the lease of premises are each extended by 3 years. The Group, in its valuation of leasing debt and right of use asset, assess and consider the option to use a three-year extension for leasing premises relating to lab premises as the need is deemed to be unchanged going forward. Concerning leases for office premises, no option has been included in the valuation, as the need for office space is considered difficult to forecast in the years to come. The Company's assessment regarding the exercise of options at the end of the year remains unchanged.

The Group also has leases of low value assets regarding computers with NordLo Malmö AB. The Group applies the exception for leases of low-value assets for this leasing agreement.

10. Leases, cont'd

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right of use assets			2020			2019
TSEK	Buildings	Equipment	Total	Buildings	Equipment	Total
Acquisitions						
As at 1 January	23,401	729	24,130	22,795	729	23,524
Additions	893	-	893	606	-	606
As at 31 December	**24,294**	**729**	**25,023**	**23,401**	**729**	**24,130**
Depreciation brought-forward						
As at 1 January	-5,590	-146	-5,735	-	-	-
Depreciation in the period	-5,718	-146	-5,864	-5,590	-146	-5,735
As at 31 December	**-11,308**	**-292**	**-11,600**	**-5,590**	**-146**	**-5,735**
Reported value carried-forward	**12,986**	**438**	**13,423**	**17,811**	**583**	**18,394**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Lease Liabilities	2020	2019
TSEK	Total	Total
As at 1 January	17,053	23,524
Additions	893	606
Interest expenses	310	414
Payments	-6,184	-7,490
As at 31 December	**12,073**	**17,053**
Current lease liabilities	6,232	5,794
Non-current lease liabilities	5,841	11,260
As at 31 December	**12,073**	**17,053**

The following are the amounts recognised in profit or loss:

	2020	2019
TSEK	Total	Total
Depreciation expenses of right-of-use assets	-5,864	-5,735
Interest expenses on lease liabilities	-310	-414
Expenses relating to leases of low-value assets	-545	-660
Variable lease payments	-57	-72
Total amount recognised in profit or loss	**-6,777**	**-6,881**

The Group's total cashflow for leasing contract for 2020 amounted to SEK -6,786 thousand (-8,222). The Group also had non-cash additions to right of use assets and lease liabilities amount to SEK 893 thousand (606).

For maturity analysis of lease liabilities, see Note 4.

10. Leases, cont'd

Leases – Parent Company

The Parent Company's leasing contracts are the same as for the Group. On the reporting date, the Parent Company had outstanding commitments in the form of minimum leasing charges under non-terminable operational leases with maturity dates as below:

	Parent Company	
TSEK	**2020-12-31**	**2019-12-31**
Within 1 year	7,026	6,802
Between 1 and 5 years	8,155	14,474
Later than 5 years	-	-
Total	**15,181**	**21,276**

The total amount on the reporting date of future minimum leasing charges for non-terminable leasing agreements was SEK 15,181 thousand (21,276) for the Parent Company.

The Parent Company's expensed leasing fees during the financial year amounted to SEK 7,005 thousand (6,883).

11. Number of employees, salaries, other remuneration and social security costs

	2020		2019	
Average number of employees	**No. of employees**	**Of which men**	**No. of employees**	**Of which men**
Parent Company				
Sweden	50	8	55	13
Total in Parent Company	**50**	**8**	**55**	**13**
Subsidiaries				
Sweden	-	-	-	-
Total in subsidiaries	**-**	**-**	**-**	**-**
Total in the group	50	8	55	13

	Group		Parent Company	
Breakdown of senior executives on the reporting date	**2020-12-31**	**2019-12-31**	**2020-12-31**	**2019-12-31**
Women				
Board members	3	3	3	3
Other members of management incl. CEO	5	2	5	2
Men				
Board members	6	6	6	6
Other members of management incl. CEO	2	4	2	4
Total	**16**	**15**	**16**	**15**

	2020		2019	
TSEK	**Salaries and other remunieration**	**Soc.sec.costs (of which pensions costs)**	**Salaries and other remunieration**	**Soc.sec.costs (of which pensions costs)**
Parent Company	**38,303**	**15,892**	**39,412**	**18,209**
		(7,173)		(6,985)
Subsidiaries	**-**	**-**	**-**	**-**
		(-)		(-)
Total Group	**38,303**	**15,892**	**39,412**	**18,209**
		(7,173)		(6,985)

12. Payments to senior executives

	2020		2019	
Salaries and remuneration broken down between board members etc. and employees, TSEK	**Board and CEO (of which bonus etc.)**	**Other employees**	**Board and CEO (of which bonus etc.)**	**Other employees**
Parent Company	**4,557**	**33,746**	**4,884**	**34,528**
	(158)	**(275)**	(328)	(745)
Subsidiaries	**0**	**0**	**0**	**0**
	(0)	(0)	(0)	(0)
Total Group	**4,557**	**33,746**	**4,884**	**34,528**
	(158)	(275)	(328)	(745)

Of the Parent Company's pension costs, SEK 611 thousand (545) pertains to the Board and CEO.

Of the Group's pension costs, SEK 611 thousand (545) pertains to the Board and CEO.

Pensions

For salaried staff in Sweden, the defined-contribution pension commitments under the ITP plan for old-age and family pensions are covered by insurance with Alecta. According to an opinion from the Financial Reporting Board, UFR 10 'Classification of ITP plans financed through insurance with Alecta', this a defined-benefit plan covering multiple employers. For the 2020 financial year, the Company has not had access to information to allow it to report its proportional share of the obligations under the plan, assets under management and total costs, so it was not possible to report it as a defined-benefit plan. The ITP (white-collar) pension plan covered by insurance with Alecta is therefore reported as a defined-contribution plan. Premiums for the defined-benefit old-age and family pension are calculated individually and depend among other things on salary, previously accrued pension and expected remaining period of employment.

The collective consolidation level is made up of the market value of Alecta's assets as a percentage of the insurance commitments calculated by Alecta's actuarial methods and assumptions, which do not conform to IAS 19. The collective consolidation level should normally be allowed to vary between 125 and 155 percent. If Alecta's collective consolidation level drops below 125 percent or exceeds 155 percent, measures should be taken to create the conditions for the consolidation level to return to the normal range. For low consolidation, a possible action might be to increase the agreed price for new cover and increasing existing benefits. For high consolidation, a measure might be to introduce premium reductions. Alectas collectively consolidation level for defined-contribution plan have preliminary been calculated to 148 percent (148) as per 2020-12-31.

The Group's total cost for defined contribution pension plans amounts to TSEK 5,087 (4,093). The Parent Company's total cost for defined-contribution pension plans amounts to TSEK 5,087 (4,093).

Guidelines

According to the Swedish Companies Act, the shareholders' meeting should decide on guidelines for payments to the CEO and other senior executives. The annual general meeting on May 5, 2020 adopted guidelines with essentially the following content.

The Company's assumption is that payments should be made on market-based and competitive terms that enable senior executives to be recruited and retained. Payments to senior executives may consist of basic salary, variable remuneration, other benefits and sharerelated incentive programs. The CEO and other senior executives are generally entitled to other customary benefits according to what may be considered reasonable in terms of market practice and the benefit to the Company.

Payments to the CEO and other senior executives should be based on factors such as work responsibilities, expertise, experience, position and performance. The breakdown between basic salary and variable remuneration should also be in proportion to the employee's position and responsibilities. Variable remuneration should be tied to predefined and measurable criteria, designed to promote the Company's long-term value creation. The remuneration should not discriminate on the basis of gender, ethnic background, national origin, age, disability or other irrelevant circumstances.

The CEO and other senior executives should be offered a fixed salary which is in line with the market and based on the individual's responsibilities, competence and performance. Apart from their salary, the CEO and other senior executives will normally be entitled to an annual bonus of no more than 30 percent of their basic salary.

Over and above what has been defined in collective agreements or other agreements, the CEO and other senior executives may be entitled to arrange pension solutions on an individual basis. Reductions in salary and variable remuneration may be used to increase pension provisions provided that the cost to the Company is unchanged.

According to the guidelines, the notice period for the CEO is six months on either side, and for other senior executives, the notice period may not exceed six months. Severance payments, apart from salary paid during the notice period, will only arise for the CEO who will be entitled to a severance payment equal to six months' salary in the case of termination by the Company.

12. Payments to senior executives, cont'd

To the extent that the board member performs work on behalf of the Company, in addition to the work of the board, consultancy fees and other remuneration for such work shall be payable. Remuneration shall be market-based and remuneration as well as other conditions shall be decided by the Board.

The Board may deviate from the guidelines if there are specific grounds for doing so in a given case. The Board will consider each year whether or not to propose a share-based incentive program to the annual general meeting. New issues and transfers of securities decided by the shareholders' meeting according to the rules in Chapter 16 of the Companies Act where the shareholders' meeting has taken or is about to take such decisions.

2020, TSEK	Basic salary/fee	Variable remuneration	Other benefits	Pension costs	Share-based remuneration	Total
Peter Benson (Chairman)	477	-	-	-	-	477
Carl Borrebaeck*	260	-	-	-	-	260
Kenth Petersson	286	-	-	-	-	286
Jonas Sjögren	286	-	-	-	-	286
Ulrika Danielsson	368	-	-	-	-	368
Anders Ekblom	282	-	-	-	-	282
Kirsten Drejer	260	-	-	-	-	260
Graham Dixon	260	-	-	-	-	260
Per Norlén (CEO)	1,949	158	-	611	-	2,690
Other senior executives (6 persons)	7,023	275	20	2,505	-	9,732
Total	**11,451**	**434**	**20**	**3,117**	**-**	**14,900**

2019, TSEK	Basic salary/fee	Variable remuneration	Other benefits	Pension costs	Share-based remuneration	Total
Peter Benson (Chairman)	550	-	-	-	-	550
Carl Borrebaeck*	300	-	-	-	-	300
Kenth Petersson	330	-	-	-	-	330
Jonas Sjögren	330	-	-	-	-	330
Ulrika Danielsson	425	-	-	-	-	425
Anders Ekblom	322	-	-	-	-	322
Kirsten Drejer	200	-	-	-	-	200
Graham Dixon	200	-	-	-	-	200
Per Norlén (CEO)**	1,933	328	-	545	-	2,772
Other senior executives (5 persons)**	6,187	745	180	2,131	-	9,142
Total	**10,777**	**1,073**	**180**	**2,676**	**-**	**14,570**

* In 2020 & 2019, Carl Borrebaeck received payment for consulting services of SEK 720 thousand (720) according to the specification in Note 34 – Transactions with related parties.
**Basic salary/fee corrected for 2019.

12. Payments to senior executives, cont'd

Pensions

The retirement age for the CEO is 65. Pension premiums are determined in accordance with the current ITP plan. Pensionable salary is the basic salary plus the average of the last three years' variable remuneration.

For other senior executives, the retirement age is 65. Pension premiums are determined in accordance with the current ITP plan.

Severance payments

Between the Company and the CEO, the notice period is six months on either side. In the case of termination by the Company, a severance payment of six months' salary will be payable. The severance payment is not set off against other income. In the case of termination by the CEO, no severance payment will be made.

Shared-based compensation

Warrent program compensation refers to employee stock options assigned to employees in 2018. For more information about the warrant program see Note 31.

13. Other operating costs

	Group		Parent Company	
TSEK	**2020**	**2019**	**2020**	**2019**
Exchange rate losses from operations	-1,413	-2,384	-1,413	-2,384
Loss on scrap of fixed assets	-	-	-	-
Total	**-1,413**	**-2,384**	**-1,413**	**-2,384**

14. Profit/loss from other securities and receivables

	Group		Parent Company	
TSEK	**2020**	**2019**	**2020**	**2019**
Return on corporate bonds	192	1,218	192	1,218
Total	**192**	**1,218**	**192**	**1,218**

Profit and loss from other securities and receivables is attributable to the return on corporate bonds valued as financial assets valued at amortized cost.

15. Financial income

	Group		Parent Company	
TSEK	**2020**	**2019**	**2020**	**2019**
Interest income	-	43	-	26
Valuation of interest funds at fair value	-	2,126	-	-
Income from divest of interest fund	1,457	-	2,468	1,091
Exchange rate gains	544	2,474	544	1,664
Total financial income	**2,001**	**4,643**	**3,012**	**2,781**

All interest income is attributable to financial assets valued at amortized cost.

Exchange rate gains refers to foreign exchange gains as a result of cash and cash equivalents in USD, EUR and GBP.

16. Financial costs

	Group		Parent Company	
TSEK	**2020**	**2019**	**2020**	**2019**
Exchange rate losses	-877	-1,036	-877	-376
Interest costs on lease liabilities	-309	-414	-	-
Other interest costs	-4	-5	-4	-5
Total financial costs	**-1,191**	**-1,455**	**-881**	**-381**

All interest costs are attributable to financial liabilities valued at amortized cost.

17. Tax

	Group		Parent Company	
TSEK	2020	2019	2020	2019
Current tax on profit/loss for the period	0	0	0	0
Deferred tax attributable to temporary differences	0	0	0	0
Total reported tax	**0**	**0**	**0**	**0**

Income Tax in Sweden is calculted with 21.4 percent (22 percent) on the years taxable result. In the table below a reconciliation between the accounted result and the accounted tax for the year:

Reconciliation of reported tax for the year

	Group		Parent Company	
TSEK	2020	2019	2020	2019
Profit before tax	-143,296	-210,112	-129,270	-210,963
Reported tax for the year				
Tax reported at Swedish tax rate 21.4% (21.4%)	30,665	44,964	27,664	45,146
Tax effect of non-deductible costs	-225	-232	-225	-205
Tax effect of non-taxable income	0	0	0	0
Tax effect of deductible costs reported directly against equity	0	0	0	0
Loss carry-forwards during the year whose taxable values is not reported as an asset	-30,441	-44,733	-27,439	-44,941
Other	0	0	0	0
Reported tax for the year	**0**	**0**	**0**	**0**

No tax is recorded in the Consolidated of Comprehensive Income Statement or directly against the equity.

The Group's cumulative loss carry-forwards as of December 31, 2020 amounted to MSEK 854 (725), of which MSEK 231 (231) are Group contribution-locked. There is no maturity date which limits the use of the loss carry-forwards. However, it is uncertain when it will be possible to use these loss carry-forwards to set off against taxable gains. Deferred tax assets attributable to the loss carry-forward are therefore not reported with any value.

18. Earnings per share

Earnings per share before dilution

The following results and weighted average numbers of ordinary shares have been used to calculate earnings per share before dilution:

	Group	
	2020	2019
Profit/loss for the year attributable to Parent Company shareholders, TSEK	-143,296	-210,112
Weighted average number of ordinary shares before dilution, number of shares	71,388,615	71,388,615
Earnings per share before dilution, SEK	**-2.01**	**-2.94**

Earnings per share after dilution

The following results and weighted average numbers of ordinary shares have been used to calculate earnings per share after dilution:

	Group	
	2020	2019
Profit/loss for the year attributable to Parent Company shareholders, TSEK	-143,296	-210,112
Weighted average number of ordinary shares before dilution, number of shares	71,388,615	71,388,615
Effect of potential ordinary shares from options	N/A	N/A
Weighted average number of ordinary shares after dilution, number of shares	71,388,615	71,388,615
Earnings per share after dilution, SEK	**-2.01**	**-2.94**

To calculate earnings per share after dilution, the weighted average number of outstanding ordinary shares is adjusted for the dilution effect or all potential ordinary shares. These potential ordinary shares relate to the options acquired at market value by management and employees in the Company in 2018. If the profit/loss for the year is negative, the options are not regarded as diluting. Nor are the options diluting if the exercise price including mark-up for the value of outstanding future services to be reported during the qualifying period exceeds the average quotation for the period. There is no dilution effect for the 2018 option program because the profit/loss for the year was negative.

For details of changes in the number of ordinary shares, see Note 31 Equity.

19. Participations in development projects

	Group	
TSEK	**2020-12-31**	**2019-12-31**
Historical cost brought-forward	50,149	50,149
Acquisitions in the period	-	-
Cum. historical cost carried-forward	**50,149**	**50,149**
Imparments brought-forward	-32,200	-32,200
Impairments for the period	-	-
Cum. impairments carried-forward	**-32,200**	**-32,200**
Reported value carried-forward	**17,949**	**17,949**

When Atlas Therapeutics AB was acquired, a premium of TSEK 50,149 was paid; this was classified under 'Participations in development projects'. The acquisition of the subsidiary Atlas Therapeutics AB brought the Group 35 percent (originally 50 percent that was later re-negotiated) of a project together with the Korean company AbClon Inc. (80 percent of the total value) and exclusive rights to all therapeutic targets from the Human Protein Atlas (HPA) project (20 percent of the total value). The rights to targets from the HPA project was written down to zero in 2015, when that part of the project was discontinued. Regarding the share in the Biosynergy project, an impairment test was performed in 2016. During the test, it was decided to make a write-down that was caused by changed assessments regarding the market conditions for the project and that changed contract terms were agreed, which gave Alligator a smaller share of future revenue. Subsequently, AbClon licensed the Biosynergy project (AC101 / HLX22) to the Chinese company Shanghai Henlius, which is now developing the drug candidate. Under current regulations, a reversal of write-downs made can only be relevant when there have been changes in the assessments that formed the basis for the write-down. It is the Company's assessment that a reversal cannot be relevant as the market conditions and the changed contract terms on which the write-down was based, have not been reversed. This means that today there might be a surplus value in the project, which is not reflected in the book value.

When the Company holds an intangible asset with an indefinite useful life, or which has not yet started to be used (ie no depreciation takes place), an impairment test shall be performed annually. With regard to the participation in the Biosynergy project, an impairment test was performed in 2020, as described below. The Board considers that the reported value of this project as of the December 31, 2020 cut-off is likely to exceed the previously reported value, and should certainly not be less.

Impairment test

To test the value of ongoing development projects, Alligator uses a probability-adjusted cash flow model. The fair value of the projects after deducting sales costs is calculated by estimating the present value of future cash flows probability-adjusted to allow for the development risk. The valuation is classed at level 3 in the valuation hierarchy and is based on the following key assumptions:

- Future income and expenditure forecasts for the development project. Income is calculated from estimates based on available data for various types of possible indicator, such as forecasts of total market size, expected market share for the product, projected price level and market-conformant level of one-off, milestone and royalty payments. The size of the market, royalty levels and milestone payments are estimated with the aid of information from secondary sources, assumptions accepted within the industry and assumptions made by Alligator. Revenues during 15 years after a market introduction has been included for impairments done in 2020 and 2019.
- Costs cover development expenses and direct and indirect costs based on usual production and marketing costs within the pharmaceutical industry, and the experience Alligator has from previous development projects.
- The cash flows are calculated at present value and adjusted for the probability of the project succeeding. The probability is based on accepted models and assumptions as to the likelihood of a similar product reaching the market.
- A discount rate before tax of 12.7 percent (12.7).

The most critical assumptions are those concerning market size, market share and the likelihood of the projects reaching a point where they can be licensed. As in many projects in the pharmaceutical industry, there are risks of delays, of failure to achieve the expected clinical effects, or of the market and competitive situation changing. A 5 percentage point change in the discount rate or in the estimated probability would not result in a write-down either.

The impairment test for the year showed that, with the assumptions made for various milestones, the project would generate cash flows well in excess of the present book value.

Write-offs will be initiated when the asset can be used, i.e. when it is in place and in the state required for it to be used in the manner intended by management.

20. Patent

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Historical cost brought-forward	13,852	13,852	13,852	13,852
Acquisitions in the period	-	-	-	-
Disposal/scrapping	-	-	-	-
Cum. historical cost carried-forward	**13,852**	**13,852**	**13,852**	**13,852**
Depreciation brought-forward	-13,620	-13,150	-13,620	-13,150
Disposal/scrapping	-	-	-	-
Depreciation in the period	-160	-470	-160	-470
Cum. depreciation carried-forward	**-13,780**	**-13,620**	**-13,780**	**-13,620**
Reported value carried-forward	**72**	**232**	**72**	**232**

21. Softwares

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Historical cost brought-forward	656	541	656	541
Acquisitions in the period	-	116	-	116
Disposal/scrapping	-	-	-	-
Cum. historical cost carried-forward	**656**	**656**	**656**	**656**
Depreciation brought-forward	-192	-77	-192	-77
Disposal/scrapping	-	-	-	-
Depreciation in the period	-131	-116	-131	-116
Cum. depreciation carried-forward	**-324**	**-192**	**-324**	**-192**
Reported value carried-forward	**332**	**464**	**332**	**464**

22. Improvements in leased premises

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Historical cost brought-forward	3,073	3,073	3,073	3,073
Acquisitions in the period	-	-	-	-
Disposal/scrapping	-	-	-	-
Cum. historical cost carried-forward	**3,073**	**3,073**	**3,073**	**3,073**
Depreciation brought-forward	-1,248	-640	-1,248	-640
Disposal/scrapping	-	-	-	-
Depreciation in the period	-608	-608	-608	-608
Cum. depreciation carried-forward	**-1,857**	**-1,248**	**-1,857**	**-1,248**
Reported value carried-forward	**1,217**	**1,825**	**1,217**	**1,825**

23. Equipment, machinery and computers

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Historical cost brought-forward	30,662	29,718	30,662	29,718
Acquisitions in the period	1,227	944	1,227	944
Disposal/scrapping	-	-	-	-
Cum. historical cost carried-forward	**31,889**	**30,662**	**31,889**	**30,662**
Depreciation brought-forward	-18,531	-13,914	-18,531	-13,914
Disposal/scrapping	-	-	-	-
Depreciation in the period	-4,758	-4,618	-4,758	-4,618
Cum. depreciation carried-forward	**-23,290**	**-18,531**	**-23,290**	**-18,531**
Reported value carried-forward	**8,600**	**12,131**	**8,600**	**12,131**

24. Construction in progress and advance payments for tangible assets

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Historical cost brought-forward	1,125	-	1,125	-
Acquisitions in the period	-	1,125	-	1,125
Disposal/scrapping	-	-	-	-
Reclassification	-1,125	-	-1,125	-
Cum. historical cost carried-forward	**-**	**1,125**	**-**	**1,125**
Depreciation brought-forward	-	-	-	-
Disposal/scrapping	-	-	-	-
Depreciation in the period	-	-	-	-
Cum. depreciation carried-forward	**-**	**-**	**-**	**-**
Reported value carried-forward	**-**	**1,125**	**-**	**1,125**

25. Participations in Group companies

	Parent Company	
TSEK	2020-12-31	2019-12-31
Historical cost brought-forward	52,494	52,494
Shareholder contributions	-	-
Historical cost carried-forward	**52,494**	**52,494**
Impairments brought-forward	-32,200	-32,200
Impairments for the period	-	-
Cum.impairments carried-forward	**-32,200**	**-32,200**
Reported value carried-forward	**20,294**	**20,294**

		2020-12-31	2019-12-31	2020-12-31	2019-12-31
Subsidiaries	Registered Office	Share of capital, %*	Share of capital, %*	Reported value	Reported value
Atlas Therapeutics AB (556815-2424)	Lund	100%	100%	20,000	20,000
A Bioscience Incentive AB (559056-3663)	Lund	100%	100%	294	294
*Also the voting rights				20,294	20,294

Atlas Therapeutics is engaged in research, development and production of antibodies and other types of binder molecules for commercialization within the field of antibody-based therapy. The business of A Bioscience Incentive AB is to administer the Company's option programs.

26. Other investments held as fixed assets

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Publicly traded corporate bonds	-	53,016	-	53,016
Total	**-**	**53,016**	**-**	**53,016**

During the first quarter of 2020, The Group divested remaining corporate bonds and the short-term interest funds. As per December 31, 2020, the Company held four listed corporate bonds.

27. Accounts receivable

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Accounts receivable, gross	-	-	-	-
Provision for doubtful receivables	-	-	-	-
Total accounts receivable, net of provisions for doubtful receivables	**-**	**-**	**-**	**-**

28. Other receivables

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Value-added tax	1,586	1,630	1,586	1,630
Other items	3,338	3,266	3,338	3,266
Total	**4,924**	**4,896**	**4,924**	**4,896**

Other items include tax receivables TSEK 2,505 (2,410), claims on partner TSEK 823 (856) and other minor items TSEK 10 (0).

29. Prepayments and accrued income

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Prepaid rents	-	-	1,625	1,542
Prepaid insurance premiums	542	179	542	179
Prepaid R&D costs	372	1,206	372	1,206
Accrued income interest rates	-	184	-	184
Other items	1,165	2,657	1,149	2,640
Total	**2,079**	**4,226**	**3,688**	**5,750**

Other items include mostly expenses for databases, software and licences.

30. Cash and cash equivalents

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Disposable bank deposits				
'SEK	100,739	70,872	99,870	69,805
'USD	2,192	14,368	2,192	2,016
'EUR	329	5,850	329	5,850
'GBP	82	2,799	82	2,799
Total	**103,342**	**93,890**	**102,473**	**80,470**

31. Equity

Share capital and Other capital contributions

	No of ordinary shares	Share capital TSEK	Other contributions TSEK
As at 31 December 2018	71,388,615	28,555	662,614
As at 31 December 2019	71,388,615	28,555	662,614
As at 31 December 2020	**71,388,615**	**28,555**	**662,614**

As of December 31, 2019, the registered share capital totaled 71,388,615 ordinary shares with a par value of SEK 0.40. All shares are of the same type, fully paid-up and entitling the holder to one vote. No shares are reserved for transfer under option contracts or other agreements. No shares are held by the Company itself or its subsidiaries.

Other capital contributions

Other capital contributions are made up of capital contributed by the Company's shareholders, e.g. share premiums.

Option programs

At the AGM held in 2018, a resolution was passed regarding an additional employee stock option program in which a total of 2,275,000 warrants were allotted to employees free of charge. The warrants are being earned in turns until May 1, 2021. To be entitled to the warrants the employee must still be employed on these dates and not have given notice to terminate the employment. If a participant ceases to be employed or resigns from the Company before a qualifying date, any staff options already accrued may be exercised in the normal exercise period, but no more rights will be accrued. Each option in these programs entitles the holder to subscribe for one share at a price of SEK 75. The warrants can be exercised one month after the quarterly reports for the first quarters of 2021 and 2022 have been issued. At the end of the financial year, 1,072,500 option rights has been earned by the staff, 755,000 option rights are still possible to earn, and 447,500 option rights have become due when employees have left the Company.

At the annual general meeting on April 20, 2016, it was decided to establish a subscription option program by issuing no more than 1,000,000 subscription options to a subsidiary for transfer on to employees of the Company. In all, 1,000,000 subscription options were acquired by the subsidiary, of which 857,000 have so far been transferred to participants in the program. The remaining 143,000 will not be transfered. The transfer to participants was made at market value calculated by the BlackScholes formula. Each accrued staff option entitles the holder to acquire one new share in the Company at an exercise price of SEK 75. The subscription options could be exercised in the period from June 1, 2019 to August 31, 2019 and can be exercised from March 1, 2020 to May 31, 2020. No warrants were exercised and therefore the options have lapsed.

At the annual general meeting on April 20, 2016, it was decided to set up a staff option program whereby 900,000 staff options were allocated free of charge to participants in the program. The staff options allocated were accrued 1/3 on May 1, 2017, 1/3 on May 1, 2018 and 1/3 on May 1, 2019. Accrual was subject to the participant remaining in the Company's employment and not having resigned on a given qualifying date. If a participant ceased to be employed or resigned from the Company before a qualifying date, any staff options already accrued may be exercised in the normal exercise period, but no more rights would be accrued. Each accrued staff option entitles the holder t o acquire one new share in the Company at an exercise price of SEK 75. Accrued staff options could be exercised in the period from June 1, 2019 to August 31, 2019 and can be exercised from March 1, 2020 to May 31, 2020. No warrants were exercised and therefore the options have lapsed.

To enable delivery of shares under the staff option program and to cover the associated costs (mainly social security charges), the annual general meeting also decided to issue further subscription options to a wholly-owned subsidiary. In all, the subsidiary acquired 714,805 subscription options under this program.

Proposed appropriation of profits (SEK)

The Board propose that sums available to the shareholders' meeting:	
Share premium reserve	662,741,283
Retained earnings	-444,611,069
Profit/loss for the period	-129,269,548
Total	**88,860,666**

Be allocated as follows:	
Dividend to shareholders (SEK 0 per share)	0
Carried forward to new account	88,860,666
Total	**88,860,666**

32. Change of classification

Consolidated statement of financial position

TSEK	2019-12-31	Increase/ decrease	2019-12-31 Restated
ASSETS			
Total fixed assets	**105,136**	**-**	**105,136**
Current assets			
Accounts receivable	-	-	-
Other receivables	4,896	-	4,896
Prepayments and accrued income	4,226	-	4,226
Other short term financial assets	-	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**

TSEK	2019-12-31	Increase/ decrease	2019-12-31 Restated
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**

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 Q3 Interim report, the Group retroactively changed 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 and 2019-01-01 and for Consolidated statement of cash flows for the periods Jan-Dec 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.

32. Change of classification, cont'd

TSEK	2019 Jan-Dec	Increase/ decrease	2019 Jan-Dec Restated
Operating activities			
Operating profit/loss	-214,519	-	-214,519
Adjustments for items not generating cash flow			
Depreciation and impairments	11,548	-	11,548
Effect from warrant program	301	-	301
Other items, no impact on cash flow	2,126	-2,126	-
Interest received	1,759	-	1,759
Interest paid	-419	-	-419
Tax paid	-	-	-
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	-	25,291
Change in operating liabilities	-5,049	-	-5,049
Cash flow from operating activities	**-178,963**	**-2,126**	**-181,089**
Investing activities			
Acquisition of intangible assets	-116	-	-116
Acquisition of tangible assets	-2,069	-	-2,069
Divestment of securities	20,000	-	20,000
Divestment of other short term investments	-	150,000	150,000
Cash flow from investing activities	**17,815**	**150,000**	**167,815**
Financing activities			
Amortization of leasing liabilities	-7,077	-	-7,077
Installment purchase	778	-	778
Cash flow from financing activities	**-6,298**	**-**	**-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	-	1,438
Cash and cash equivalents at end of period	**196,870**	**-102,980**	**93,890**

33. Accrued expenses and deferred income

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Accrued salaries	781	1,473	781	1,473
Accrued vacation pay	3,893	3,407	3,893	3,407
Accruad social security changes	1,393	1,533	1,393	1,533
Accrued development costs	4,037	3,894	4,037	3,894
Prepaid income	110	127	110	127
Other items	5,856	6,986	5,856	6,986
Total	**16,070**	**17,420**	**16,070**	**17,420**

Other items include accrued special pension tax TSEK 3,511 (3,154) and other accrued liabilites TSEK 2,345 (3,832).

34. Securities and contingent liabilities

	Group		Parent Company	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Securities lodged	None	None	None	None
Contingent liabilities	None	None	None	None

35. Transactions with related parties

Transactions between the Company and its subsidiaries, which are related to the Company, have been eliminated by consolidation, so no details of these transactions are given in this Note. Details of transactions between the Group and other related parties are presented below.

Sales of goods and services

No sales of goods and services have been made to related parties.

Purchase of goods and services

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Consulting services from Board member Carl Borrebaeck through Ocean Capital	720	720	720	720
Total	**720**	**720**	**720**	**720**

Assets and liabilities at end of period resulting from sales and purchases of goods and services

Assets resulting from sales of goods and services

There are no claims from related parties.

Liabilities from sales of goods and services

	Group		Parent Company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Consulting services from Board member Carl Borrebaeck through Ocean Capital	-	-	-	-
Total	**-**	**-**	**-**	**-**

Sales and purchases of goods and services are made under normal market conditions.

Loans to related parties

No loans have been granted to related parties.

Payments to senior executives

Details of payments to senior executives are presented in Note 12.

36. Participation in joint arrangements

The costs stated below are included in the Group's Consolidated Financial Statements which compose the Group's part in the project ALG.APV-527 which is driven in collaboration with Aptevo Therapeutics. The project has not had any revenues and no assets or liabilities can be allocated directly to the project. The companies will under this agreement jointly own and finance the development of the drug candidate through Phase II. During Phase II can the companies chose to out-license the candidate or continue the development jointly or individually. Furthermore the agreement contains an option for the companies to jointly develop another bi-specific antibody. Also for this project will financing and revenues be shared equally. The operations in the project will be conducted in both Lund at Alligator and in Seattle at Aptevo.

	Group	
TSEK	2020-12-31	2019-12-31
Costs in the project ALG.APV-527	4,057	26,001
Total	**4,057**	**26,001**

37. Events after reporting date

Alligator Bioscience AB has January 27, 2021 completed the share issue with pre-emption rights for the Company's shareholders, which was resolved upon by the board of directors on December 15, 2020. Through the rights issue, Alligator receives approximately SEK 86 million before deduction of issue costs, of approximately MSEK 10. 13 895 925 shares, corresponding to approximately 97 per cent of the rights issue, were subscribed for by exercise of subscription rights (including subscription undertakings). Furthermore, 9 305 467 shares were subscribed for without subscription rights, corresponding to approximately 65 per cent of the rights issue. In total, the rights issue was subscribed for at 163 per cent. Through the rights issue, the number of shares in the Company increases by 14,277,723 shares, from 71,388,615 shares to 85,666,338 shares. The Company's share capital increases by SEK 5,711,089.20, from SEK 28,555,446 to SEK 34,266,535.20. The rights issue entails a dilution of approximately 16.67 per cent for shareholders who are not participating in the rights issue.

38. Dividends

No dividends were paid in 2020 or 2019.

No dividend will be proposed to the annual general meeting on May 4, 2021.

39. Approval of financial reports

The annual accounts and consolidated accounts were adopted by the Board and approved for publication. The annual accounts and consolidated accounts will be presented to the annual general meeting for adoption on May 4, 2021.

The Board and the CEO hereby declare that the annual accounts have been drawn up in accordance with the Annual Accounts Act and RFR 2 'Reporting for legal entities' and give a true picture of the Company's position and results, and that the directors' report provides an accurate summary of the development of the Company's business, position and results and describes the risks and uncertainty factors that the Company faces. The Board and the CEO hereby declare that the consolidated accounts have been drawn up in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and give a true picture of the Group's position and results, and that the directors' report provides an accurate summary of the development of the Group's business, position and results and describes the risks and uncertainty factors that the Group faces.

Lund the March 18, 2021

Peter Benson	**Carl Borrebaeck**
Chairman of the Board	Board member
Ulrika Danielsson	**Anders Ekblom**
Board member	Board member
Kent Petersson	**Jonas Sjögren**
Board member	Board member
Kirsten Drejer	**Graham Dixon**
Board member	Board member
Laura von Schantz	**Per Norlén**
Employee representative	CEO

Our audit report was submitted on March 18, 2021
Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Alligator Bioscience AB (publ), corporate identity number 556597-8201

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Alligator Bioscience AB (publ) except for the corporate governance statement on pages 49–53 for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 37–94 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 49-53. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of participations in development projects and valuation in participations in group companies

Description

The carrying value of participations in development projects as of December 31, 2020 amounts to 17.9 MSEK in the consolidated statement of financial position and valuation of participations in group companies (Atlas Therapeutics AB) amounts to 20.0 MSEK in the parent company's balance sheet. The Company tests annually and when there is any indication of impairment, that the carrying values do not exceed the calculated recoverable amount. To test the value, the Company uses a probability-adjusted cash flow model in which the present value of future cash flows is estimated and probability-adjusted to allow for the development risk. The most critical assumptions are those concerning market size, market share, and the likelihood of the project reaching a point where it can be licensed.

Changes in assumptions have a major impact on the calculation of the recoverable amount and if other assumptions had been used, this would have resulted in a different amount of

impairment. We therefore considered that the valuation of participations in development projects and participations in group companies is a key audit matter of the audit.

A description of the impairment test is disclosed in Note 19 "Participations in development projects" and in Note 3 "Important estimates and judgments".

How our audit addressed this key audit matter
In our audit we evaluated and tested the process used by management to set up the impairment test. Together with our valuation specialists, we also made comparisons against other companies to assess the reasonableness of future cash flows and probability assumptions and tested the chosen discount rate. We also reviewed the Company's model and method for preparing the impairment test and evaluated the Company's sensitivity analysis. We have reviewed the disclosures in the annual report.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–36, 99–103. The remuneration report for the financial year 2020 also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material

uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Alligator Bioscience AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 49-53 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Alligator Bioscience AB (publ) by the general meeting of the shareholders on the 5th May 2020 and has been the company's auditor since the 4th January 2001. Alligator Bioscience AB (publ) has been a public interest entity since 23rd November 2016.

Malmö March 18, 2021

Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

Change in share capital

The table below shows the change in share capital since the company was formed in 2000.

Year	Transaction	Increase in share capital, SEK	Increase in no. of shares	Share capital total, SEK	No. of shares	Par value, SEK
2000	Formation of company			100,000.00	1,000.00	100.00
2000	Split 250:1		249,000.00	100,000.00	250,000.00	0.40
2001	New share issues	1,230,869.60	3,077,174.00	1,330,869.60	3,327,174.00	0.40
2002	Non-cash issue	8,000.00	20,000.00	1,338,869.60	3,347,174.00	0.40
2001	New share issue	269,130.40	672,826.00	1,608,000.00	4,020,000.00	0.40
2003	New share issue	176,291.60	440,729.00	1,784,291.60	4,460,729.00	0.40
2004	New share issues	380,858.00	952,145.00	2,165,149.60	5,412,874.00	0.40
2004	Subscription options exercised	64,000.00	160,000.00	2,229,149.60	5,572,874.00	0.40
2005	New share issues	650,502.00	1,626,255.00	2,879,651.60	7,199,129.00	0.40
2005	Options exercised	33,600.00	84,000.00	2,913,251.60	7,283,129.00	0.40
2006	New share issues	973,901.20	2,434,753.00	3,887,152.80	9,717,882.00	0.40
2007	New share issues	987,432.00	2,468,580.00	4,874,584.80	12,186,462.00	0.40
2009	New share issues	1,105,743.20	2,768,358.00	5,980,328.00	14,950,820.00	0.40
2010	New share issue	134,000.00	335,000.00	6,114,328.00	15,285,820.00	0.40
2011	New share issues	2,240,874.40	5,602,186.00	8,355,202.40	20,888,006.00	0.40
2012	New share issue	849,405.20	2,123,513.00	9,204,607.60	23,011,519.00	0.40
2013	Convertible bonds	400,000.00	1,000,000.00	9,604,607.60	24,011,519.00	0.40
2013	Subscription options exercised	1,188,596.00	2,971,490.00	10,793,203.60	26,983,009.00	0.40
2013	New share issues	4,666,316.00	11,665,790.00	15,459,519.60	38,648,799.00	0.40
2013	Non-cash issue	2,880,000.00	7,200,000.00	18,339,519.60	45,848,799.00	0.40
2014	New share issue	1,056,749.20	2,641,873.00	19,396,268.80	48,490,672.00	0.40
2014	Subscription options exercised	48,628.80	121,572.00	19,444,897.60	48,612,244.00	0.40
2015	New share issues	4,160,856.00	10,402,140.00	23,605,753.60	59,014,384.00	0.40
2016	Subscription options exercised	132,000.00	330,000.00	23,737,753.60	59,344,384.00	0.40
2016	New share issue	4,307,692.40	10,769,231.00	28,045,446.00	70,113,615.00	0.40
2017	Subscription options exercised	1,275,000.00	12,750.00	28,555,446.00	71,388,615.00	0.40
				28,555,446.00	**71,388,615.00**	**0.40**

Financial definitions

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 dilution
Equity divided by the number of shares at the end of the period.

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.

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.

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.

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

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.

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.

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.

Equity ratio
Equity as a percentage of total assets.

Total assets
Total of the Company's assets.

Patent overview

Drug candidate	Description	Europe	United States	Japan	Expiration
Mitazalimab	Two patent families related to antibodies targeting CD40, and combination therapies involving these families	30 patents granted, 2 applications	2 patents granted, 2 applications	2 patents granted	2032-2035
ATOR-1017	One patent family related to antibodies targeting CD137	1 application	1 patent granted, 1 application	1 application	2037
ALG.APV-527	Two patent families related to bispecific antibodies targeting CD137/5T4	2 applications	1 patent granted, 3 applications	2 applications	2037-2038
ATOR-1015	Three patent families related to bispecific antibodies targeting OX40/CTLA-4, and combination therapies involving these families	5 patents granted, 2 applications	2 patents granted, 2 applications	1 patent granted, 2 applications	2034-2038
Technologies					
ALLIGATOR-GOLD®	One patent family related to an antibody library	4 patents granted	1 patent granted	-	2035
RUBY™	One patent family related to a bispecific antibody format	PCT application	PCT application	PCT application	2039
Neo-X-Prime™	Two patent families related to bispecific antibodies targeting dendritic cells and over-expressed tumor antigen	PCT application	PCT application	PCT application	2039

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.

Other information

Financial reports 2021
Alligator intends to give financial statements as follows:

- Q1 interim report: April 27, 2021
- Q2 interim report: July 13, 2021
- Q3 interim report: October 21, 2021
- Year-end report 2021 in February 2022

Annual General Meeting
The Annual General Meeting will be held on Tuesday, May 4, 2021.

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Prospective information
These annual accounts contain prospective statements which represent subjective estimates and forecasts of the future. These predictions are only valid as of the date on which they are made and are by their nature, like research and development work in the biotech field, fraught with risks and uncertainties. In view of this, the actual outcome may differ significantly from what is described in this annual report.

Brand names
FIND® and ALLIGATOR-GOLD® are Alligator Bioscience AB proprietary brand names which are registered in Sweden and other countries.

Photography
The images in this annual report are taken by Nille Leander at Moorland Photography, Thomas Rönn at TR Media, and others.

Alligator's Annual General Meeting 2021

Alligator's Annual General Meeting 2021 will be held on Tuesday May 4, 2021. In light of the ongoing Covid-19 pandemic and in order to reduce the risk of infection spreading, the board of directors has decided that the Annual General Meeting will be held only by advance voting (postal vote) in accordance with temporary legislation.

This means that the Annual General Meeting will be conducted without the physical presence of shareholders, proxies or external parties and that shareholders' exercise of voting rights at the Annual General Meeting can only take place by shareholders voting in advance in the order prescribed.

Further information regarding the Annual General Meeting and instructions for the advance voting can be found in the notice to the Annual General Meeting and on Alligator's website, *https://alligatorbioscience.se/en/corporate-governance/general-meeting/*

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